

## Michigan First Healthcare Plan State Planning Project for the Uninsured

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## Conclusions

- Michigan has a reasonable chance of securing federal approval of this Medicaid waiver
- We are in the early stages of development of the delivery mechanism and look forward to receiving the recommendations of the State Planning Project

2

## Topics

- Need for coverage expansion
- Waiver financing strategy
- Michigan First Healthcare Plan – initial thinking

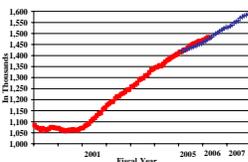
3

## Need for Coverage Expansion

4

## Why Does Michigan Need to Cover the Uninsured?

Michigan Medicaid Caseload  
Projection\*

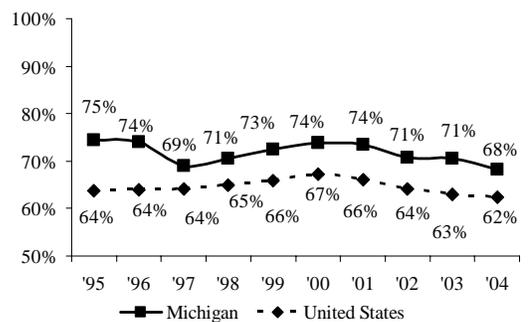


\*Michigan Department of Human Services, October 2004, October 2005

- Michigan cannot afford "business as usual"
- "Best defense is a good offense" (V. Lombardi)
- Nurture and expand private health insurance

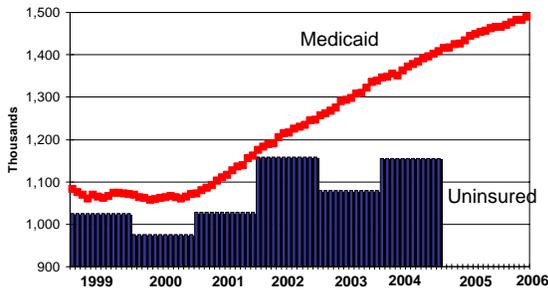
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## Employer-Based Coverage Declining



6

## Medicaid Caseload Rising Uninsured Stable



7

## Medicaid/Uninsured Trends

- Added 400,000 to Medicaid in last 5 years
  - ✓ 90% are low-income families
  - ✓ Most covered by employers in another era
- Uninsured remains at 1.1 million
  - ✓ 50% are under 200% FPL
  - ✓ 60% work full or part time
  - ✓ Over 50% work for small businesses
  - ✓ Uninsured adults, especially young adults, are increasing

8

## Waiver Financing Strategy

9

## Financing Strategy

- Necessary state match will come from funds already spent in Michigan on health care for the uninsured
- Federal funding will come from:
  - Federal funds Michigan has saved the federal government in the past
  - Funds the federal government would have spent without this waiver

10

## State Match Financing Strategy

- We will build on financing mechanisms already approved by the federal government and in use in Michigan
- We will import strategies they have approved in other states
- If necessary, we will propose new strategies unique to Michigan

11

## Adult Benefit Waiver

	Total	Federal	State
<u>Pre-ABW</u>			
Mental Health	\$40 m	\$0	<b>\$40 m</b>

12

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<u>Pre-ABW</u>			
Mental Health	\$40 m	\$0	<b>\$40 m</b>
<u>Post-ABW</u>			
Mental Health	\$40 m	\$28 m	\$12 m
Medical	<u>\$93 m</u>	<u>\$65 m</u>	<u>\$28 m</u>
Total	\$133 m	\$93 m	<b>\$40 m</b>

13

## Build on ABW Approach by

- Utilizing the over \$400 million already spent by state and local governments on health care for the uninsured
- Leverages \$530 million in federal funding

14

## Import Match Strategies Used in Other States

- Waivers recently approved in other states
  - Florida
  - South Carolina
  - California
  - Iowa
  - Massachusetts
  - New York
- “Costs Not Otherwise Matchable”
- “Certified Public Expenditures”

15

## Match Strategies Unique to Michigan

- Utilize health care spending on the uninsured by private, non-profit entities

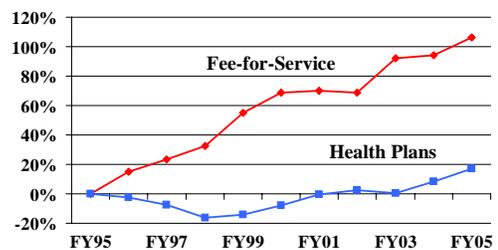
16

## Federal Funding

- Savings from prior and future years
- Federal “budget neutrality”

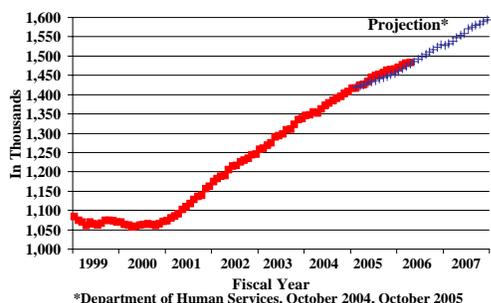
17

## Managed Care Reduced Federal Costs Per-Person Cost Growth Fee-for-Service and Health Plans



18

## Michigan Medicaid Caseload DHS Projection



19

## Michigan First Healthcare Plan

20

### Summary

- Partnership with federal government to extend access to health insurance to 550,000 uninsured individuals
- Goal is to strengthen employer-sponsored health insurance to reduce Medicaid caseload growth
- Private sector insurance plans will be offered through newly created health insurance "Exchange"

21

### Who Will Be Eligible?

- Uninsured people with incomes below 200% of poverty line
  - Single person - \$19,140
  - Family of four - \$38,700
- Uninsured people below 100% of poverty will pay minimal out of pocket costs
  - Single person - \$9,570
  - Family of four - \$19,350
- Cost sharing increases on a sliding scale between 100% and 200% of poverty

22

### How will the Michigan First Healthcare Plan Work?

- State – establish guidelines for benefit package & cost sharing on a sliding fee scale
- Package – include incentives for responsible consumer behavior & cost sharing
- Insurers – design products that conform with guidelines
- Individuals – choose products that best meet their needs
- Implementation date – April 1, 2007

23

### How Will the Michigan First Health Care Plan Work? (cont.)

- Packages will include:
  - Preventive and primary care
  - Hospital care
  - Emergency room care
  - Mental health services
  - Prescription drugs
- Rely on managed care principles to maximize quality and efficiency

24

“In Our Opinion...Federal funds can boost coverage and state business. Keeping more people...covered by insurance has to be part of Michigan’s efforts to rebuild a get-up-and-go economy. That’s why others ought to join Governor Granholm’s efforts to...help cover the uninsured.”

Detroit Free Press Editorial  
February 14, 2006

25

“Granholm’s plan to extend health coverage to half a million uninsured is bold...An insured population will be healthier, will put less stress on state hospitals and be less of a financial and productivity burden to state businesses.”

Lansing State Journal Editorial  
February 13, 2006

26