



STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

GRETCHEN WHITMER
GOVERNOR

GARLIN GILCHRIST II
LT. GOVERNOR

EXECUTIVE DIRECTIVE

No. 2025-3

To: State Department Directors and Autonomous Agency Heads
From: Governor Gretchen Whitmer
Date: April 17, 2025
Re: Impact of Federal Medicaid Cuts

Medicaid was established 60 years ago to ensure that all Americans had access to healthcare and the dignity of a good life, but today Republicans in Congress are rushing to gut this program that provides health care for millions of Americans and Michiganders. These are our friends and neighbors – people who are battling cancer, veterans who are disabled, and children. The cuts being discussed would be the largest cuts to Medicaid in history, terminating healthcare for millions of Americans. It would force providers in Michigan to close their doors, reduce the quality of services, and strip coverage from millions of the most vulnerable Americans, including children and pregnant and postpartum women. We must understand as many specifics about the impact that terminating healthcare will have on Michiganders who get their insurance through Medicaid.

Medicaid is the largest health insurance program in the U.S., providing coverage for one in five individuals. In Michigan, the coverage rate is even higher: one in four Michiganders receive their health insurance through Medicaid. That coverage enables individuals across the state to access health care so that they can continue to live healthy, productive lives.

Jointly funded by the state and federal government, Michigan's Medicaid program affords health coverage to over 2.6 million Michiganders each month, including:

- 1 million children;
- 300,000 people living with disabilities; and
- 168,000 seniors.

Additionally, 45% of births in Michigan are covered by Medicaid.

Healthcare coverage provides real returns. The Congressional Budget Office estimates that long-term fiscal effects of Medicaid spending on children could offset half or more of the program's initial outlays. And Medicaid enrollment for children has been shown to

increase not only positive health outcomes but also educational attainment, wages in adulthood, and future tax revenue from increased earnings for those who are covered.

Medicaid is not only critical for the health of individuals – its coverage is also essential for assuring the sustainability of hospitals, community health centers, physician practices, and nursing homes across the state. I led bipartisan efforts to expand access to Medicaid, which took effect in 2014. Since Michigan expanded Medicaid, hospital uncompensated care has fallen by more than 50%. Hospitals in Michigan receive nearly \$7 billion in Medicaid funding annually, accounting for almost one-fifth of the state's hospitals' net patient revenue.

More than 70% of Michigan's Medicaid budget comes from federal funding. Cuts to federal funding will jeopardize coverage for more than 2.6 million Michiganders and threaten Michigan's hospitals, community health centers, and nursing homes with closure. These threats are especially acute in small towns and rural communities, where coverage rates are higher than in other parts of the state. 37.3% of small town and rural Michiganders are covered by Medicaid.

In addition, local hospitals are often the largest employer in many of Michigan's rural communities. According to the Michigan Health and Hospital Association, Michigan's health care industry has a total economic impact of \$77 billion per year: greater than any other industry in the state. Medicaid expansion alone sparked the creation of more than 30,000 new jobs: one-third in healthcare and 85% in the private sector. These jobs boost the personal spending power for Michigan residents by about \$2.3 billion each year and result in approximately additional \$150 million in tax revenue annually. Having Medicaid also reduces medical debt for Michiganders and ensures our healthcare professionals are compensated for their work.

States that did not expand Medicaid offer a case study of what will happen to our healthcare infrastructure if federal officials choose to undermine this important program. Hospitals are six times more likely to close in non-expansion states, and rural communities suffered the most. In Michigan, rural hospitals will struggle to keep critical functions like labor and delivery units open if Medicaid payments are reduced.

House Republicans have proposed cutting up to \$880 billion from Medicaid, which could mean that Michigan loses as much as \$2 billion each year. That is a 42% reduction in the share of state Medicaid spending per resident. This executive directive will enable us to better understand the impact of those cuts on Michigan.

Section 1 of article 5 of the Michigan Constitution of 1963 vests the executive power of the State of Michigan in the governor.

Section 8 of article 5 of the Michigan Constitution of 1963 places each principal department under the supervision of the governor.

Acting under the Michigan Constitution of 1963 and Michigan law, I direct the following:

Impact of Federal Medicaid Cuts

1. Within thirty days of this order, the Michigan Department of Health and Human Services (MDHHS) must review federal budget proposals and prepare a report illustrating potential scenarios related to the impact of Congress' proposal. The report, drawing from available analyses and based upon reasonable assumptions, should delineate the specific impact of proposed cuts to Medicaid, including:
 1. The number of Michiganders who could lose health care if the proposed cuts go into effect.
 2. The effect of the proposed cuts on hospitals and other relevant service providers, especially in rural and other underserved communities, including reductions in services and closures of facilities.
 3. The impact on timely access to care for Michiganders, such as the creation or expansion of healthcare deserts in areas of the state.
 4. The ways in which reductions in federal money could impact the state's budget, including the need for cuts to other vital services.
2. The Department of Insurance and Financial Services and the State Budget Office must provide support to MDHHS in assessing the scope and impact of the proposed cuts.
3. All state departments and agencies must coordinate and cooperate with MDHHS in executing the duties outlined by this directive.

This directive is effective immediately.

Thank you for your cooperation in its implementation.



GRETCHEN WHITMER
GOVERNOR