HFA Report: Medicaid Will Need More GF To Meet Match

When the state has to contribute funds to finance the Healthy Michigan Medicaid Expansion program, it will need to use more General Funds, or find another source of revenues, a report by the House Fiscal Agency said.

But if the Healthy Michigan plan is discontinued, then the Legislature will also have to find more money from GF to cover annual savings Healthy Michigan provides the state now and to cover the loss of funds generate by the Health Insurance Claims Assessment as well as the use tax charged against Medicaid managed care organizations.

In addition, the HFA report said, the Legislature will need to make some fixes to the act that created Healthy Michigan because "the current statutory formula doesn't work mathematically."

With the addition of Healthy Michigan, which covers about 600,000 people whose incomes are up to 133 percent of the federal poverty level, Medicaid provides health insurance to nearly 20 percent of the state's residents, the report said.

Approving Healthy Michigan was one of the most contentious issues of 2013, and in approving the program, the Legislature chose not to create a reserve program – that Governor Rick Snyder had proposed – that could help the state cover the federal cut in funding beginning in the 2016-17 fiscal year.

In addition, the legislative approval created two conditions under which Healthy Michigan could be ended: if the federal Centers for Medicare and Medicaid does not approve a new waiver the state has submitted by December 31 and if the costs of meeting the federal match exceed savings for the program.

Under the call for states to expand Medicaid enrollment to low-income individuals and families, in the federal Patient Protection and Affordable Care Act, the federal government promised to pay 100 percent of the cost of the additional coverage for the first three years. The federal match will then be set at 95 percent in calendar year 2017, and be phased down to 90 percent by 2021-22.

In terms of simple cash payments, the General Fund amount needed to meet the match will start at $137 million in 2016-17 to $356 million in 2020-21.

However, including the offset of the some $235 million in net savings, the state will not actually see an expenditure until the 2018-19 fiscal year, a total of $55 million, the House Fiscal Agency report said. By 2021-22, the expenditure would be an estimated $89 million.

That means the Legislature would have to pull more money out of the General Fund to cover the program, unless an alternate revenue source were found.

But there are other technical factors that could affect the overall savings and costs, especially in terms of when the Healthy Michigan costs exceed its savings (the report did not guess at a time when that might happen).

One of the most significant factors is how the level of state retainer savings will be set under the hospital provider assessment the state now charges. The current formula doesn't work mathematically, the HFA said, so the Legislature will need to change that in law, and when it does, it could set those savings at higher levels than currently forecast. The state also had not yet calculated the savings it is seeing by reducing the amount of uncompensated care it was paying for individuals who were uninsured, needed treatment and were unable to pay their expenses, the report said.