

Health Care Policy Update


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Michigan Primary Care Association

- 32 Community Based Organizations (sometimes called Federally Qualified Health Centers)
- 160 sites throughout Michigan
- Comprehensive Medical Care (dental/mental health)
- Medically Underserved Areas or Populations
- 500,000 Michigan residents
- 32% of patients are uninsured
- 48% are on Public Insurance (Medicaid, Medicare, SCHIP)
- 51% of governing board are clinic users

Where are Community Health Centers?

- Alpena
- Berrien
- Jackson
- Detroit (2)
- Grand Rapids
- Algerac
- East Jordan
- Battle Creek (2)
- Kalamazoo
- Carleton
- Muskegon (2)
- Flint
- Saginaw
- Lansing
- Romeo Harbor (2)
- Houghton
- Ionia
- Shelby
- Sault St. Marie
- Sterling
- Thunder Bay
- Marquette



Components of America's Health Care System

- **Medical Care**
 - Focus: Individuals
 - Orientation: Treatment
 - Science: Medicine
 - Private Sector
- **Public Health**
 - Focus: Populations
 - Orientation: Prevention
 - Science: Epidemiology
 - Public Sector

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Roles of Public Health

- **Assessment**
- **Assurance**
- **Policy Development**

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Presentation

- Current budget situation in Michigan
- Implications for our State
- Efforts at reform in Michigan
- Health Care Reform in Washington
- The roles for States in such reform.

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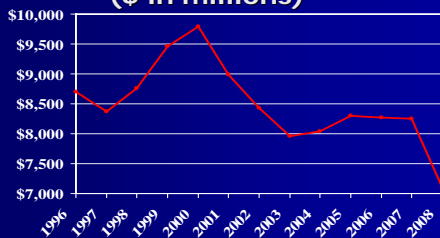
Michigan's Budget Situation

- Eight years of spending cuts
- FY2009 General Fund revenues lower than in FY1996
- Nearly \$7 billion in one-time resources used
- Reserves exhausted
- Weakened connection between revenue structure and the economy
- Spending pressures growing faster than revenues

The Michigan Budget: How We Spend the Public's Money

- Total state budget - \$41.7B
- State's two major funds:
 - General Fund - \$8.12B
 - School Aid Fund - \$12.81B
- Other state funds restricted for other purposes, e.g. transportation, federal revenues
- Over 80% of all revenues spent locally—schools, hospitals, universities, roads

General Fund Revenues Lower Than 10 Years Ago (\$ in millions)



General Fund Budget

- 80% of General Fund spending in 4 areas:
 - Higher Education (\$1.9B)—19%
 - Community Health-Mental Health, Public Health, Medicaid (\$2.3B)—28%
 - Corrections (\$1.9B)—23%
 - Human Services-family services, juvenile justice, cash assistance (\$.8B)—10%
 - All other General Fund programs (\$1.6B)—20%

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Looking Back: Reshaping the General Fund Budget

Reductions*

- Higher Education- \$275M in 4 years (13%)
- Human Services- \$172M in 5 years (14%)
- School Aid- \$323M in 5 years (4%)
- Revenue Sharing- \$447M in 5 years (29%)
- State employees- 7,400 in 4 years (12%)—smallest workforce since 1974
- * Adjusted for inflation

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Budget Cuts in 2010

- \$500 million in GF/GP reductions and \$350 in restricted funds
- Most departments operational budgets cut 10%
- Revenue Sharing cut \$74 million
- Medicaid provider rates cut 8% and adult dental benefits were eliminated
- Human services cut \$238 million (maintenance of effort)
- School aid cut \$165 per pupil
- ISDs cut 20%

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Budget Cuts (continues)

- The Department of Community Health saw reductions of 25% with major cuts to mental health, public health and the healthy Michigan fund.
- Since September 11, 2001, funding for police and fire protections has been reduced by \$3 billion taking 1,800 police officers and 2,400 firefighters off the street.

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Budget Cuts (continued)

- School bus safety inspections have been eliminated
- Since 2001, Michigan has reduced higher education funding per student by 17.8%, increasing average tuition costs by nearly 55%.

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Immediate Budget Situation

- Michigan is still in a recession
- Revenue performance continues to lag
- General Fund revenue shortfall of \$1.2 billion in 2010
- Projections for 2011 another \$1.6 billion
- Budgets must be balanced

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Convergence of Fiscal Forces

We Have a Train Wreck

- Business tax cut ?
- Exploding health care costs
- Prison costs outpacing revenue growth
- Antiquated revenue structure
- Slow economic growth

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Medicaid

- Medical care for one in seven Michigan citizens
- Medicaid caseload expanding
- Some state revenues dedicated to Medicaid do not grow—Tobacco Settlement revenues, Cigarette Tax
- General Fund spending pressures outpace revenue growth by 3 to 4 times

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The Central Message Is:

- The State of Michigan has a structural deficit affecting:
 - Public K-12 education
 - General Fund financed programs
- Its causes have both spending and revenue components
- We will not grow out of it
- Significant spending cuts and/or tax increases will continue to be required

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The State Faces Tough Choices

- Raise taxes?
- Drastically cut spending
- Combination of both?

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Constitutional Revenue Limit

- FY1995—State revenues at the limit (9.49% of Personal Income)
- FY2009---State revenues 15% below the limit (8.09% of Personal Income)
- Difference equals \$4.7 billion

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Can We Grow Out of Problem?

- General Fund revenues would have to grow more than twice as fast
- School Aid Fund revenues would need to grow 2 percentage points (60 percent) faster
- Growing out of problem through accelerated revenue growth not likely without changing the revenue structure

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How to Fix It: Basic Approaches

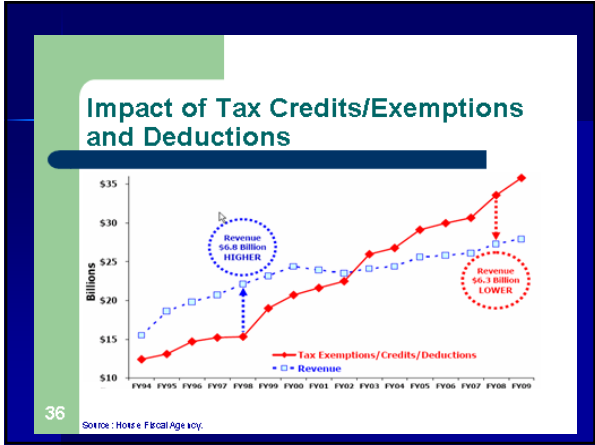
Spending

- Change policies to reduce or eliminate programs
- Restructure programs to achieve comparable results at lower costs

Revenues

- Sales Tax on services
- Graduated Income Tax
- Eliminate Tax Expenditures
- Various Use or Sin Taxes

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What can you do?

- Become informed – understand the implications for Michigan's future
- Visit:
 - 1) "The Center for Michigan" website at www.thecenterformichigan.net
 - 2) "Campaign for A Better Michigan Future" at www.abettermichigan.org
- Educate others
- TALK TO POLICY MAKERS

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Health Reform In Michigan

- Access to Medical Care
- The role of insurance

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Access to Medical Care

- Governor had proposed a strategy called "Michigan First" that would expand Medicaid coverage to additional uninsured groups.
 - Could not get federal approval
 - Funding became a major issue
- No other major efforts- in fact, cuts to Medicaid

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Access to Medical Care

- Medicaid
 - Cuts to provider rates
 - Benefits
 - Eligibility

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Insurance Reform

- Efforts in Both Houses
 - Rep Marc Corriveau, Chair of House Health Policy Committee (HB 4934-4943)
 - Guarantee Issuance to individuals by all health benefit plans
 - Prohibit carriers from refusing to offer coverage for any reason
 - Prohibit insurers from raising rates on those who become sick

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Insurance Reform

- Create the Health Care Affordability Fund
 - Expand MICHild
 - Provide subsidy to those under 300% of poverty
 - Create a "Michigan Catastrophic Protection Plan" to protect insurers for claims totaling more than \$25,000
- Require all carriers to offer a Basic and Basic Enhanced health plan

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Insurance Reform

- Senator Tom George, Chair of Senate Health Policy Committee (SB 579-582)
 - Creates MI-Health Program which would subsidize care for low-income residents
 - Carrier participation is voluntary
 - Creates a State Board to oversee
 - Michigan residents would apply for coverage and subsidies would be provided
 - Creates MI-Health Fund from premium contributions and surcharges on claims

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Insurance Reform

- Both would:
 - Guarantee Issue
 - Prohibit insurers from increasing rates due to change in health status
 - Limit waiting periods for pre-existing conditions
 - Limit carriers from dropping people
 - Support “wellness” credits

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Status

- Discussions ongoing – almost 2 years
- Funding is a major issue:
- Likely some joint bill will come out this spring.

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Federal Reform

- House – Affordable Health Care for America Act (HR 3962)
- Senate – Patient Protection and Affordable Care Act (HR 3590)

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Senate

- Require most US Citizens to have health insurance (tax penalties)
- Creates State based "Health Benefits Exchanges" through which people purchase coverage
- Subsidies for people up to 400% of poverty

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Senate

- Require employers (over 50) or be assessed a fee
- Expand Medicaid for all up to age 65 with incomes below 133% of poverty.
- Federal funding from 2014 -2017.
- States must maintain CHIP at current levels through 2018
- Ensure no payments toward abortions

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Senate

- Premium Subsidies and tax credits for Small Employers
- No Public Option
- Creates an "Essential Benefits Package"
- Temporary National High Risk Pool for people with pre-existing conditions

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Senate

- Prohibits lifetime limits
- Establishes a non-profit Patient-Centered Outcomes research institute that compares the clinical effectiveness of medical treatments
- Establishes a National Prevention, Health Promotions and Public Health Council to coordinate prevention, wellness, and public health activities

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Senate - Financing

- \$871 Billion over 10 years
- Combination of savings from Medicare and Medicaid and new taxes and fees.
 - Reductions in updates in Medicare payment rates to hospitals, home health agencies and other providers (other than physicians)
 - Increases in Medicare Part B and D Premiums for higher income beneficiaries.

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Senate Financing

- Changing Medicare drug rebate provisions
- Cutting Medicare and Medicaid DSH payments
- Most \$ from excise tax on high-cost insurance.

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House

- Requires most individuals to have coverage (imposes tax)
- Federal Exchange
- Require employers to offer coverage or pay 8% of payroll into Health Insurance Exchange Trust Fund
- (Reductions for smaller employers)

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House

- Expand Medicaid to 150% and all newborns who lack adequate coverage
- Increase payment rates to primary care providers to 100% of Medicare by 2012 (financed by feds through 2015)
- Repeals CHIP and puts kids over 150% in Medicaid with higher fed rate for those on CHIP through 2014

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House

- Public Option
 - Rates no lower than Medicare
- Four benefit Categories
 - Basic Plan
 - Enhanced Plan
 - Premium Plan
 - Premium Plus

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House

- Guarantee Issue and Renewability
- Temporary National High Risk Pool
- Center for Effectiveness Research
- Increase primary care provider rates to 100% of Medicare with bonus for those in HPSA's.
- Establish a Workforce Advisory Committee and Reform GMS
- Wellness grants to employers

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House

- Increase Funding to Community Health Centers and new funds for School Based Health Centers and Nurse Managed health centers and begin Federally Qualified Behavioral Health Centers
- Establish new trauma center program to strengthen EDs

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House Financing

- \$894 billion over ten years
- Many the same as Senate
 - Medicare and Medicaid savings
 - Changing Drug rebate provisions
 - Cutting DSH payments
- Largest Source – 5.4% surcharge on families with incomes above \$1 million and individuals above \$500K

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Six Key Issues

- Public Option
- Financing
- Employer Mandate
- Requirement of Individual Mandate
- Expansion of Medicaid
- Abortion

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Roles for States, Communities and Providers

- Connect People with Needed Services
- Promote coordination and integration of community "health systems"
- Improve care for people with complex needs
- Orient towards "RESULTS"
- Increase "system" efficiencies

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