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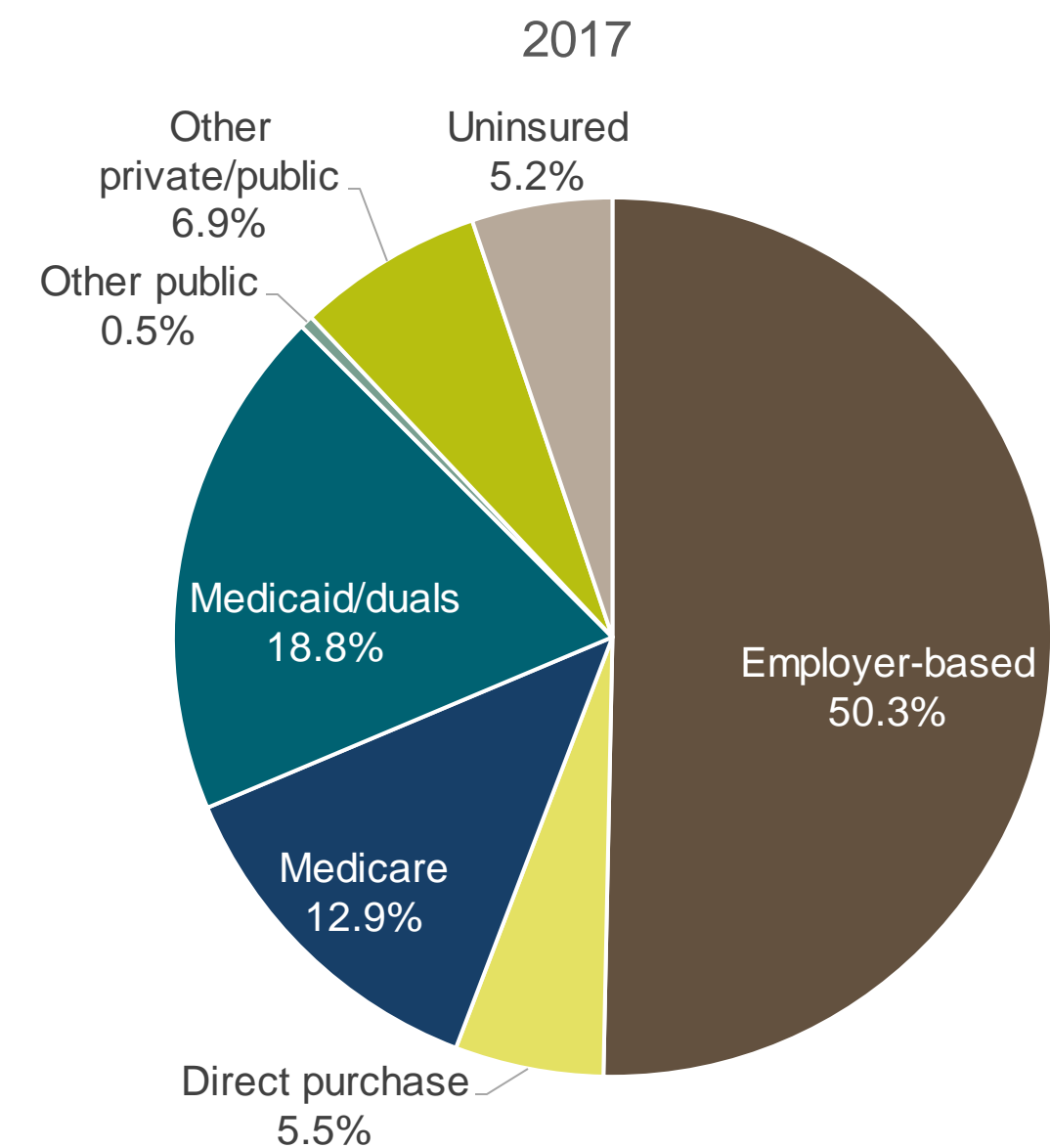
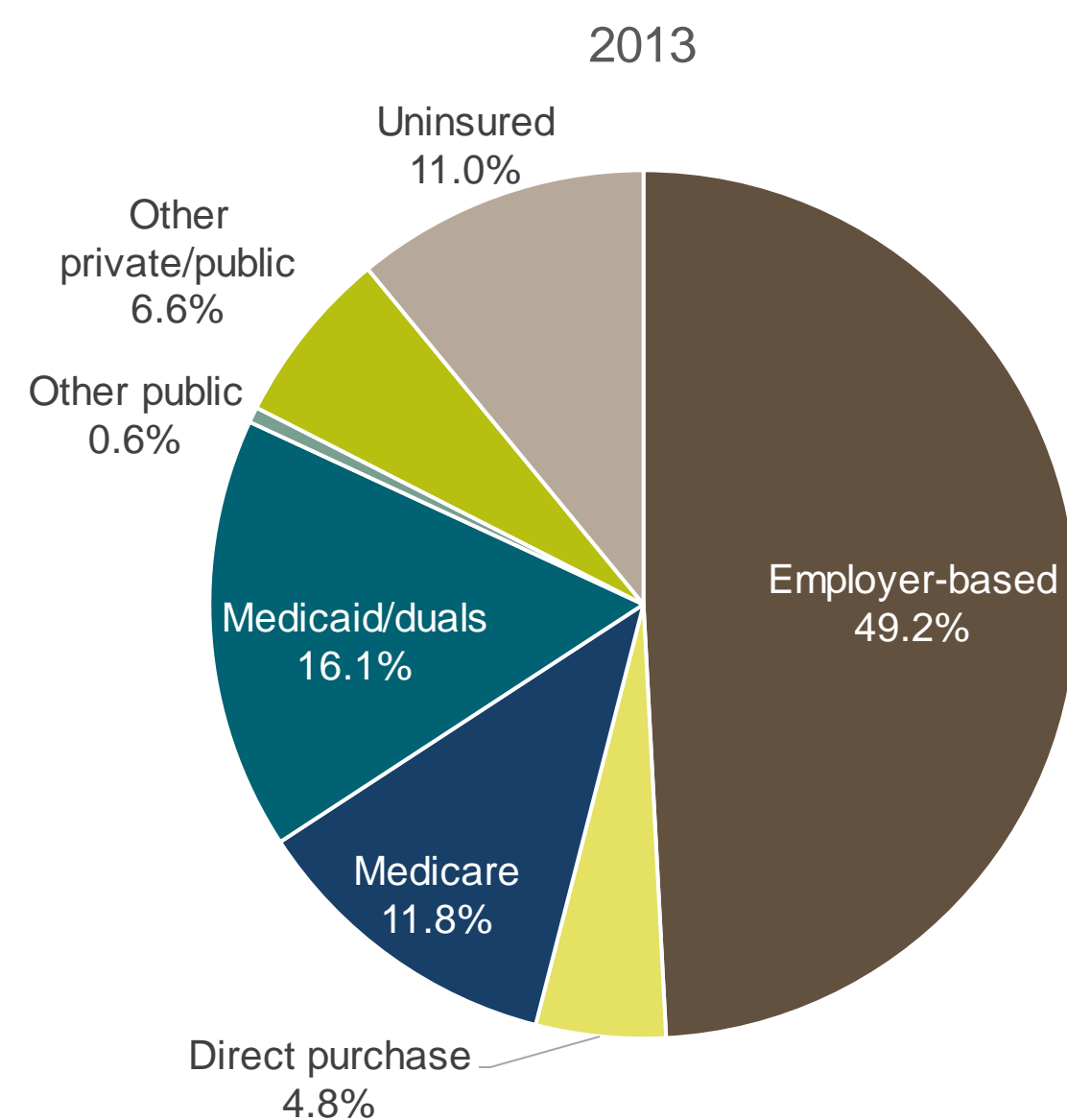


The State of Health Care in 2019: A Look at Health Policy in Michigan and Beyond

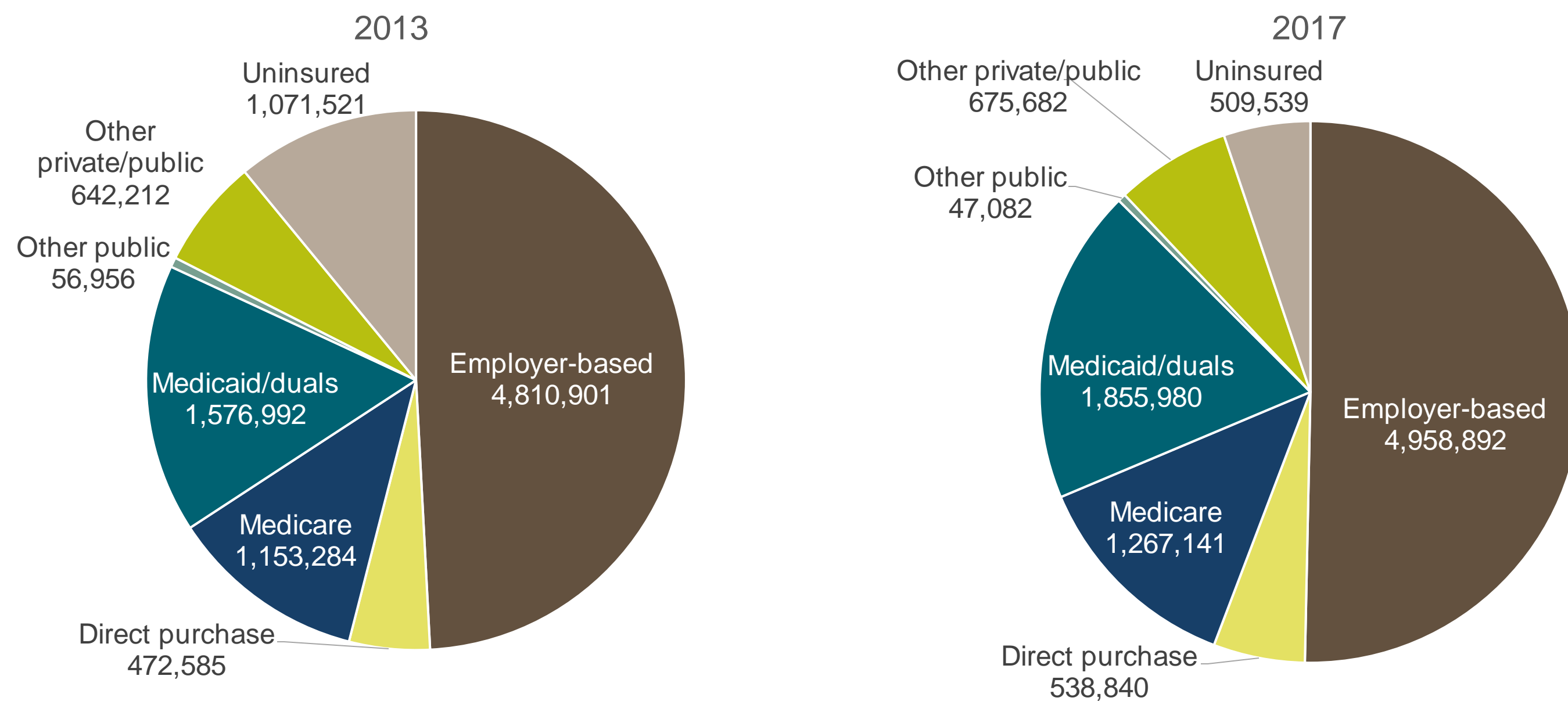
Megan Foster Friedman, MPP
April 11, 2019

Health Insurance Coverage: Where We Are Today

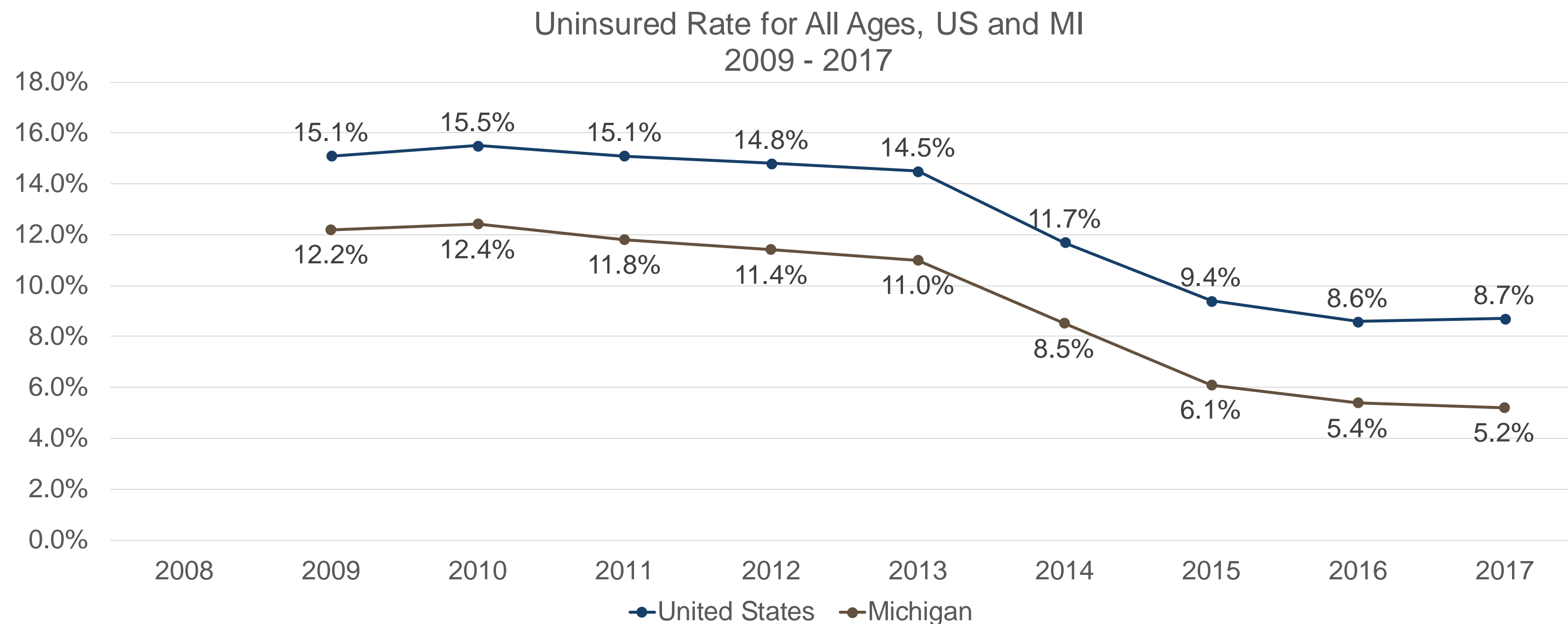
MI Health Insurance Coverage, 2013 vs. 2017



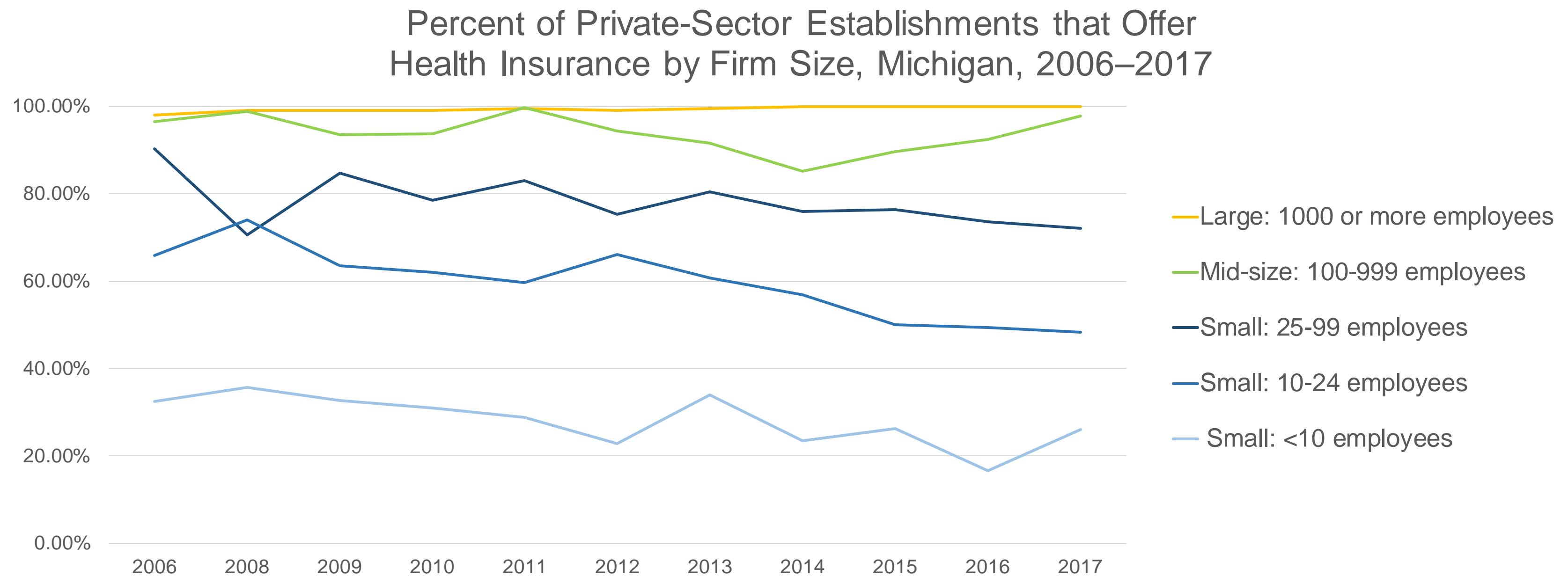
MI Health Insurance Coverage, 2013 vs. 2017



Uninsured Rate, 2009 vs. 2017

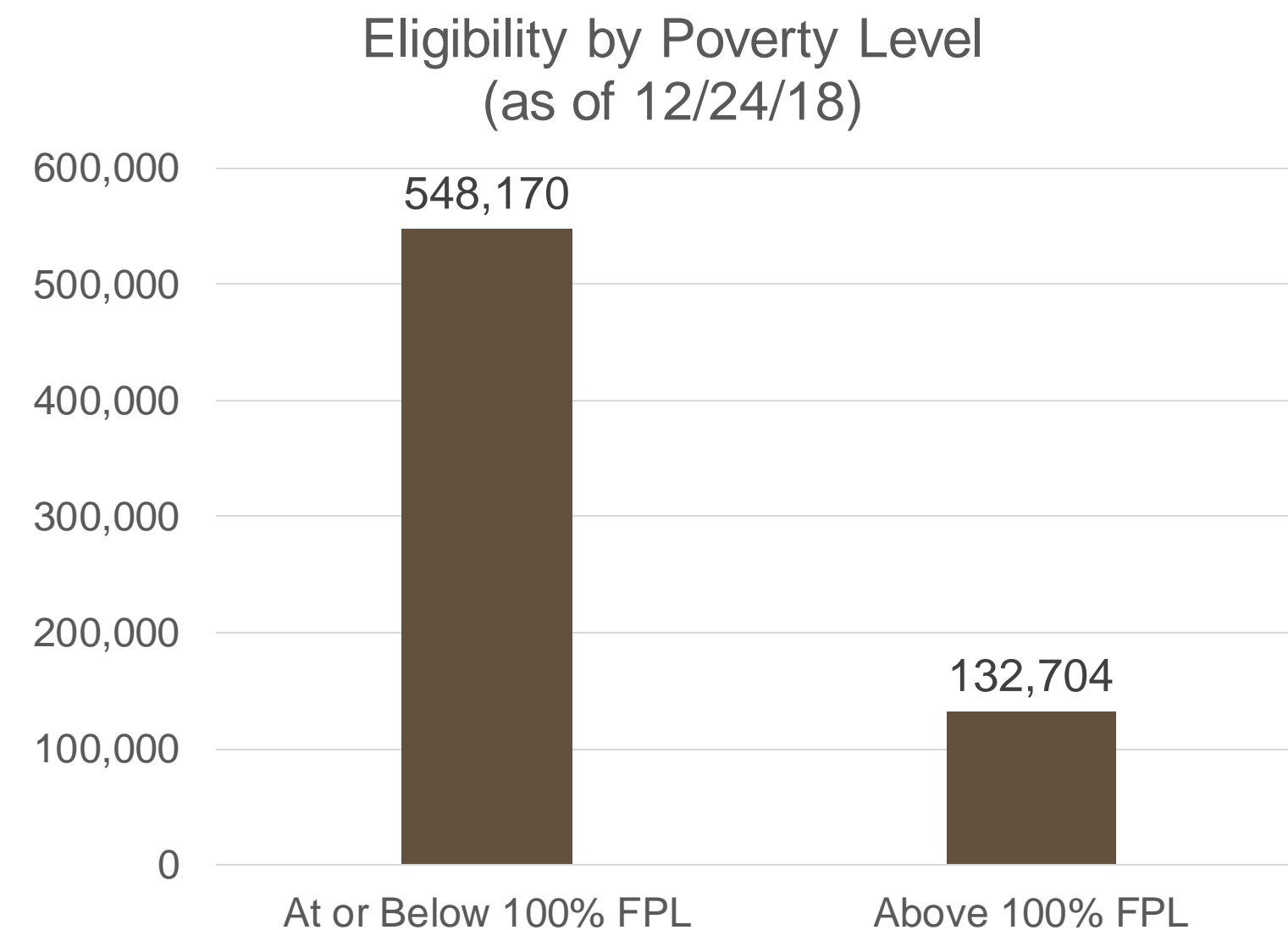


Employer-Based Coverage in MI



Healthy Michigan Plan

- March 2014: 1,948,872 Medicaid beneficiaries
- October 2018: 2,471,197
 - 1,785,666 “traditional” Medicaid
 - 685,531 Healthy Michigan Plan
- Approx. 80% of HMP beneficiaries are under 100% FPL
- 34% of Michiganders under 100% FPL were ineligible for Medicaid pre-ACA



Medicaid Expansion Impact on MI Economy

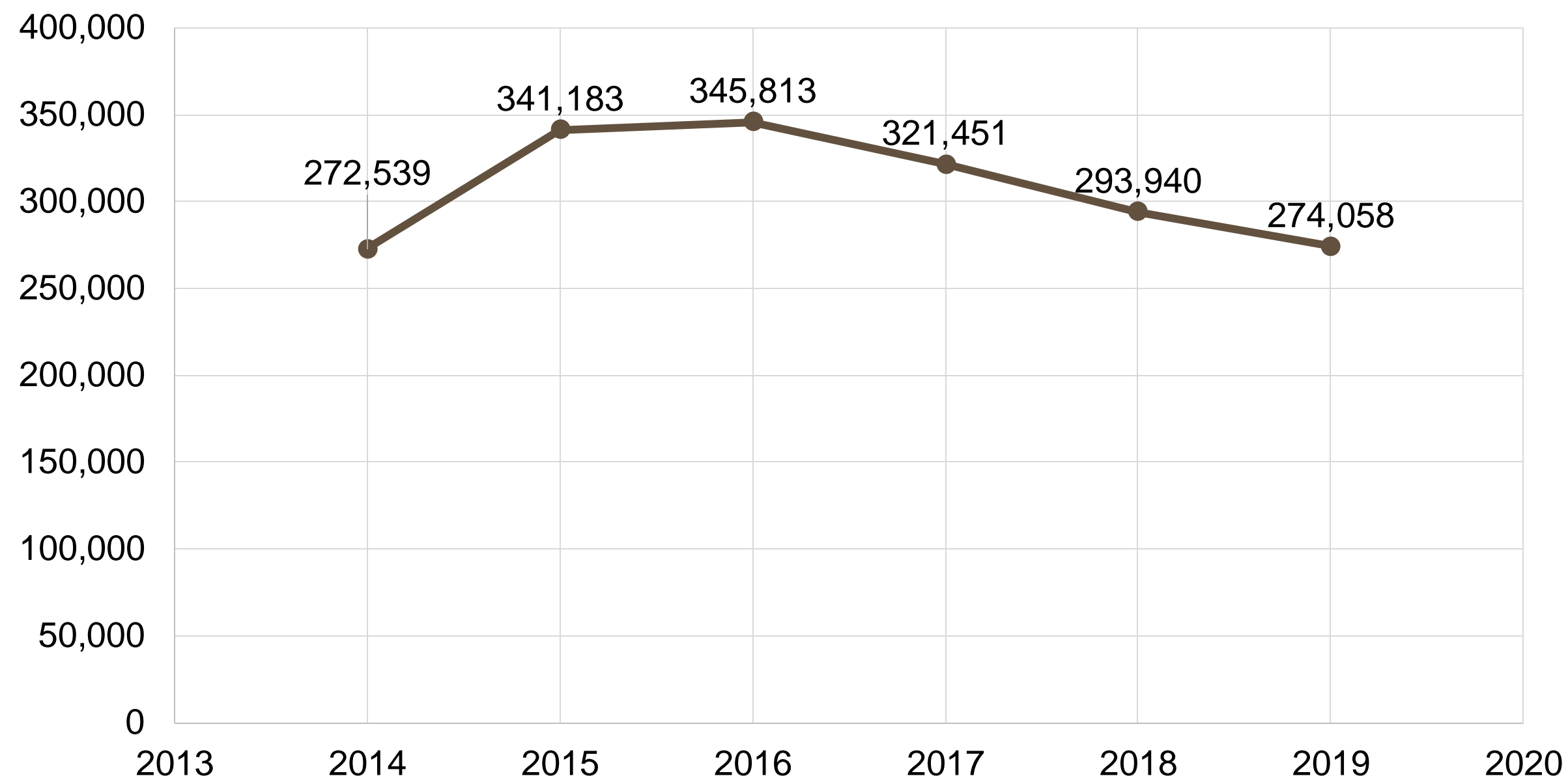
- 30,000 new jobs annually
- \$2.3 billion in additional personal spending power
- Added economic activity generates \$150 million annually in state tax revenue
- Revenue offset nearly all of state's share of Medicaid expansion costs in 2017

Medicaid Expansion Impact on MI Hospitals

- Uncompensated care in MI hospitals spent fell by nearly 50% from 2013-2015
 - 2013: \$627 million, 5.2% of total hospital costs
 - 2015: \$332 million, 2.9% of total hospital costs
- 90% of hospitals saw reductions in uncompensated care in 2015

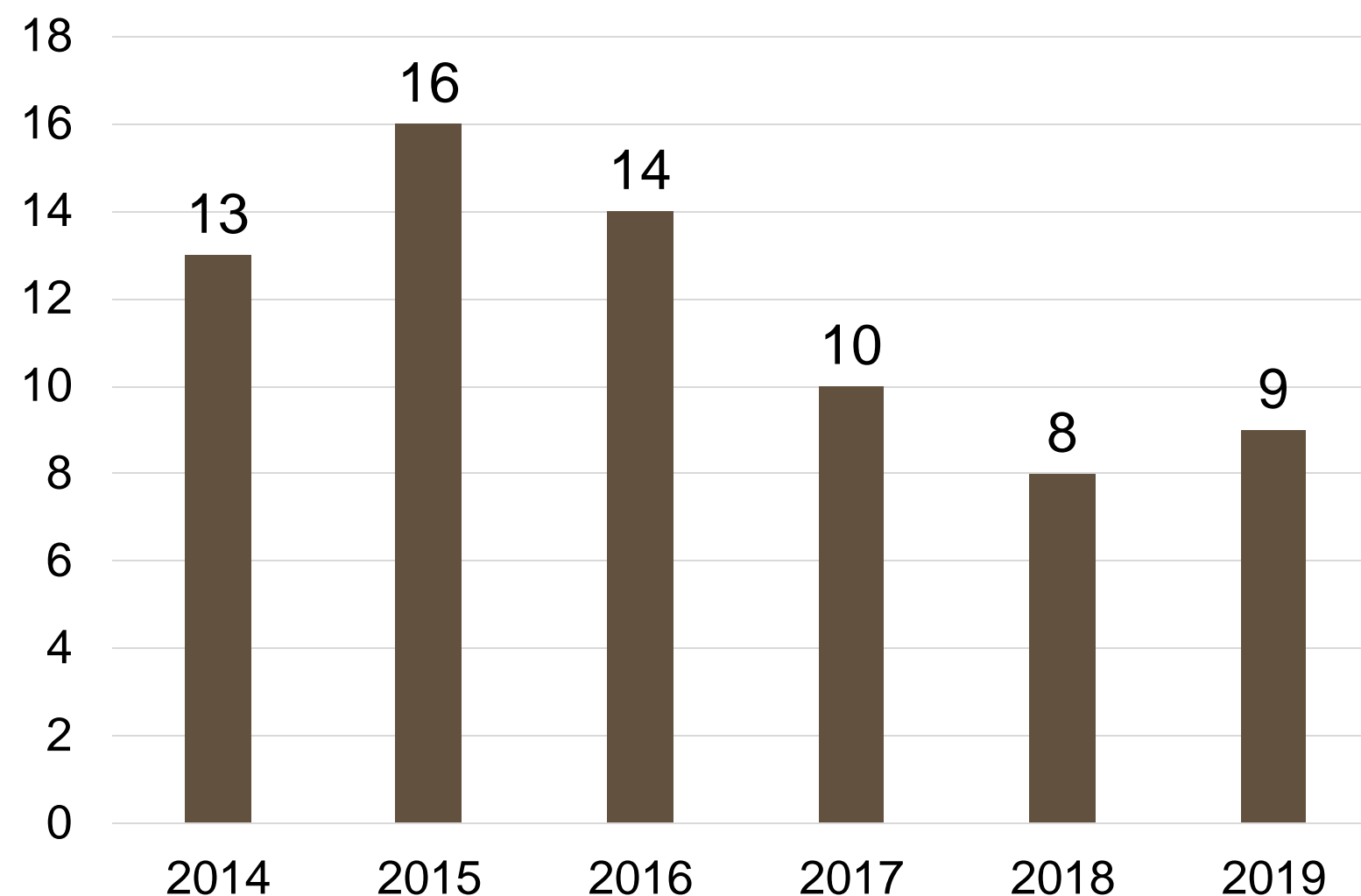
Marketplace Enrollment in MI

Health Insurance Marketplace Enrollment,
Michigan, 2014-2019

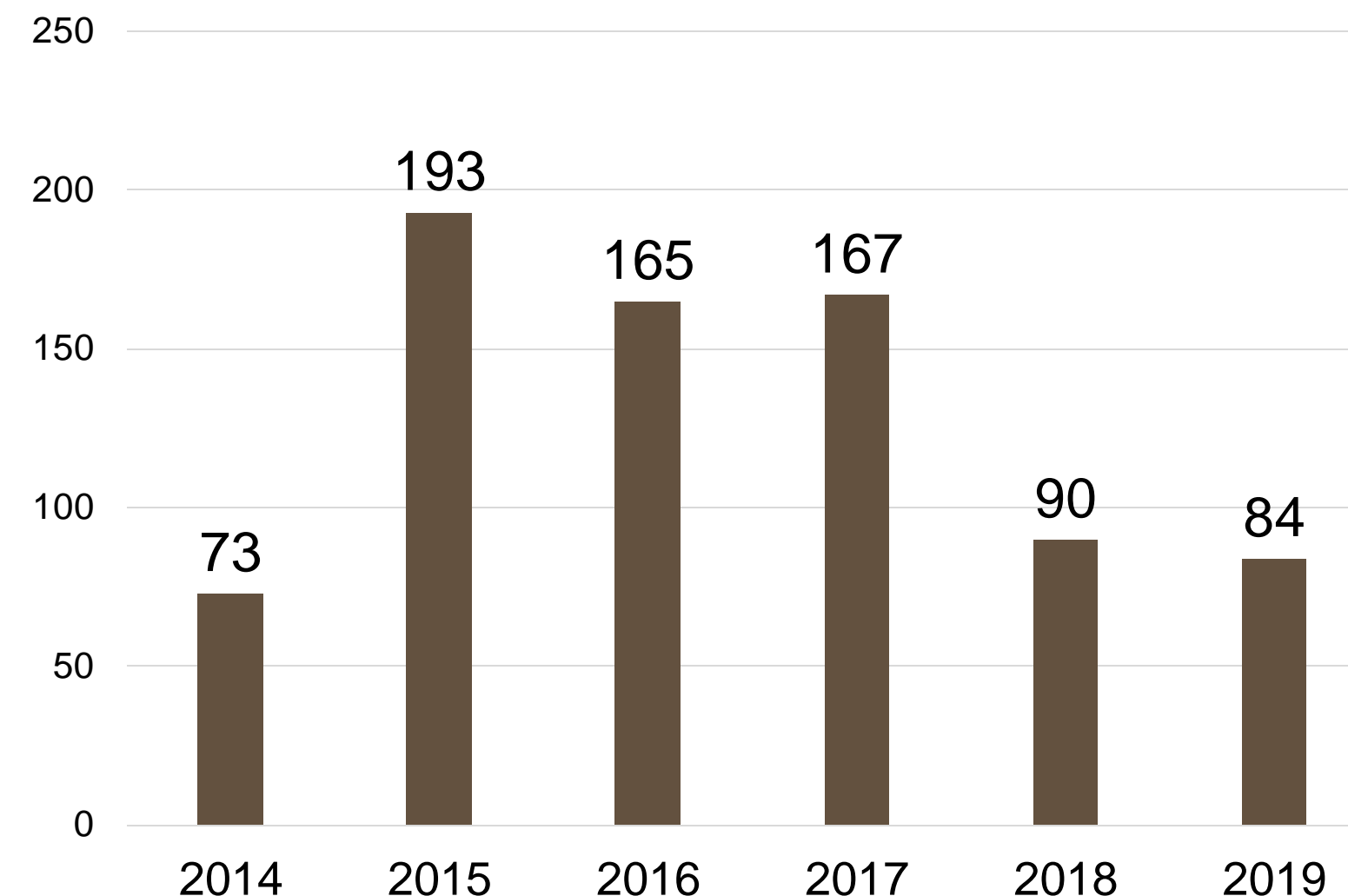


Marketplace Carriers and Plans in MI

Marketplace Carriers in Michigan
2014 - 2019



Marketplace Plans in Michigan
2014 - 2019



The ACA and the Individual Market

- Major ACA market reforms are like a “three-legged stool”
 - **Guaranteed Issue:** Everyone can purchase insurance, regardless of their health status or pre-existing condition
 - **Individual Mandate:** Requires everyone to buy insurance
 - Monetary penalty has since been repealed
 - **Tax Subsidies:** Provides financial assistance to make coverage affordable



SOURCE: Charles Gaba, ACASignups.net

Recent Federal and State Policy Changes

Medicaid

Medicaid Work Requirements

In January 2018, the U.S. Centers for Medicare and Medicaid Services (CMS) announced a major shift in federal policy that would allow states to request permission to establish, and test the impact of, work and community engagement requirements for able-bodied adults receiving Medicaid health insurance coverage

- CMS work rule: "Requiring able-bodied adults to work or participate in community engagement activities fits into the objectives of the Medicaid program because the move will promote the physical, mental and emotional health of beneficiaries."
- CMS website no longer lists coverage as a goal of Medicaid waivers

Medicaid Work Requirements

15 states have submitted waivers: 7 have been approved, 2 have been blocked by courts

- Kentucky: approved in January 2018; blocked by court twice (Jun 2018, Mar 2019)
- Indiana: approved in February 2018
- Arkansas: approved in March 2018; blocked by court Mar 2019
- New Hampshire: approved in May 2018
- Wisconsin: approved in October 2018
- Michigan: approved in December 2018
- Maine: approved in December 2018, later withdrawn by new Democratic governor
- Ohio: approved in March 2019
- Utah: approved in March 2019

Medicaid Work Requirements

Early experience from Arkansas:

- In 2018, over 18,000 people have been disenrolled for having failed to meet the requirements
 - 1,900 (11%) re-gained Medicaid coverage in 2019
- Early challenges:
 - Outreach and education difficult, many enrollees were unaware of changes
 - Online-only reporting process, lack of broadband access
 - Lack of jobs and transportation options

Work Requirements in Michigan

Michigan: Public Act 208 of 2018

Beginning January 2020, Healthy Michigan enrollees must comply with monthly work requirements unless they are exempt

- Work Requirement: 80 hours per month
- Target population: Nonelderly, nondisabled Healthy Michigan plan enrollees (expansion population)
- Exemptions (some): Ages 63+, disabled and medically frail, full-time students, caregivers, pregnant women, recently incarcerated
- Allowable activities: Employment, job training, up to 3 months community service, education, unpaid workforce engagement (e.g., internship), tribal employment program, drug treatment
- Loss of coverage: If fail to meet requirements for any 3 months in a year, coverage suspended for at least one month

Work Requirements in Michigan

February 2019 Manatt analysis:

- Approx. 400,000 enrollees will be subject to work requirements (i.e., will have to report hours or obtain an exemption)
- 174,000 people will be noncompliant each month
- Estimated 61,000-183,000 people will lose Medicaid coverage over one year
 - = 9 to 27% of Healthy Michigan Plan population

Work Requirements in Michigan

University of Michigan survey of Healthy Michigan Plan enrollees:

- 48.9% employed/self-employed
- 27.6% out of work
- 11.3% unable to work
- 5.2% student
- 4.5% homemaker
- 2.5% retired

Healthy Michigan and work status:

- Of those working, 69.4% reported that having HMP helped them do a better job at work
- Of those out of work, 54.5% reported that having HMP made them better able to look for a job
- Of those who changed jobs within the last year, 36.9% reported that having HMP helped them find a better job
- Ongoing barriers to work included: persistently poor health or illness, disability, caregiving responsibilities, and older age/age discrimination by employers

Medicaid Work Requirements

Recent developments:

- March 27, 2019: Federal judge blocks implementation of work requirements in Kentucky and Arkansas, saying CMS had failed to “consider adequately” the impact of work requirements on Medicaid coverage
 - AR was required to stop implementation of work requirements immediately
 - KY was scheduled to implement in April 2019, now on hold
 - AR and KY governors have asked CMS to appeal the ruling
- Meanwhile, CMS has approved work requirements in Utah and Ohio
- No direct impact in MI at this point in time

Private Insurance

Individual Mandate

- Requirement that most individuals have health insurance or pay a penalty
- Tax Cuts and Jobs Act of 2017 repealed the tax penalty for those who fail to enroll in health insurance, beginning in 2019
- Actual requirement to have health insurance is still part of the law
 - Basis for *Texas v. Azar* lawsuit
- Tax penalty was still in effect for 2018, but is no longer in effect
- Impact on enrollment TBD
 - How motivating was the individual mandate in the first place?

Regulatory Changes

- 2017 Trump Administration Executive Order:
 - Expand access to coverage by allowing more employers to form Association Health Plans (AHPs)
 - Allows groups of small businesses to pool together to buy insurance
 - Final rule released in June 2018, remanded March 2019
 - Expand length of Short-Term, Limited-Duration Insurance (STLDI) and make short-term plans renewable
 - Higher OOP costs, more benefit limitations, not subject to ACA rules
 - Final rule released in August 2018

Association Health Plans

- New rule expands employers' ability to form associations
- Regulates AHPs as large group health plans – meaning they:
 - Are not required to cover essential health benefits
 - Can underwrite based on employer size, location, or industry
- But...
 - Cannot impose annual or lifetime limits on the EHBs they do cover
 - Cannot underwrite based on employee health status or employers' past claim experience

On March 28, 2019, a federal judge invalidated the AHP rule:

- “Clearly an end-run around the ACA”
- Department of Labor can appeal ruling, revise the final rule, or rescind the final rule altogether

Short Term Plans

- Short-Term, Limited Duration Insurance
 - New rule expands the duration of short-term coverage from three months to 364 days
 - Option to renew short-term coverage for up to 36 months
 - Higher out of pocket costs, more benefit limitations, not subject to ACA rules
 - No essential health benefits
 - No limits on cost-sharing
 - Can impose annual and lifetime limits
 - Can set premiums or deny coverage based on health status and pre-existing conditions
 - Typically have lower premiums – because benefits are limited:
 - No plans cover maternity care
 - 71% do not cover outpatient prescription drugs
 - 62% do not cover SUD treatment services
 - 43% do not cover mental health services

Market Impacts

Shifts to new coverage options may cause instability in ACA-compliant markets:

ACA-Compliant Individual and Small Group Markets	Association Health Plans	Short-Term Coverage
Single risk pool Guaranteed issue Community rating 3:1 age rating No health underwriting Most comprehensive coverage	Separate risk pool Member employers 5:1 age rating or higher No explicit health underwriting Potentially less comprehensive coverage	Separate risk pool Age rating Health underwriting Pre-existing condition exclusions Limited coverage
Older, higher-cost individuals	Younger, healthier individuals	Younger, healthier individuals
Increased costs	Lower costs	Lower costs

Michigan Impacts

- Michigan currently restricts length of short-term plans to 185 days and has no plans to extend based on recent federal changes
 - New rule estimated to increase number of people without minimum essential coverage by 41,000 in 2019
- States have considerable authority to regulate association health plans; unclear how Michigan will respond to new rule (if court decision is upheld)

ACA: Tear it down, or build it up?

Texas v. Azar

- 20 state AGs sued the federal government to overturn the entire ACA now that the individual mandate penalty was repealed
- US DOJ declined to defend the ACA in court
 - Argued Title I of the law should be repealed but the rest could remain
 - Title I = pre-existing condition protections, guaranteed issue, market reforms
- In December 2018, a federal district court judge ruled in favor of plaintiffs and struck down the entire law, but decision was stayed and appealed to circuit court
- On March 25, 2019, DOJ reversed course and argued the entire law should be repealed
- Several state AGs and U.S. House of Representatives are defending law
 - Individual mandate with a \$0 penalty is constitutional
 - If individual mandate is ruled unconstitutional, the rest of the law can stand without it

“ACA 2.0”

- March 2019: House Democrats unveil legislation to strengthen the ACA
 - Expand premium tax credits for Marketplace coverage beyond 400% FPL
 - Increase funding for outreach and education
 - Funding for states to switch from healthcare.gov to a state-based Marketplace
 - Reinstate national reinsurance program
 - Eliminate “family glitch” (dependents cannot receive tax credits if family member has access to affordable employer coverage)
- Unlikely to pass Republican-controlled Senate

The State of Health Care in 2019

- ACA just turned 9 years old, but efforts to weaken the law continue
- Lots of court action yet to be resolved:
 - Medicaid work requirements
 - AHPs
 - Texas v. Azar
- Some attempts at legislative fixes:
 - ACA 2.0
 - Drug pricing
- All this means that markets will continue to face uncertainty for the foreseeable future
- MI will likely see big changes to Medicaid in 2020
- Expect health care to be a big 2020 campaign issue

Questions?

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