

The Michigan Context

Denise Holmes

Director, Institute for Health Care Studies
Associate Dean for Government Relations and Outreach

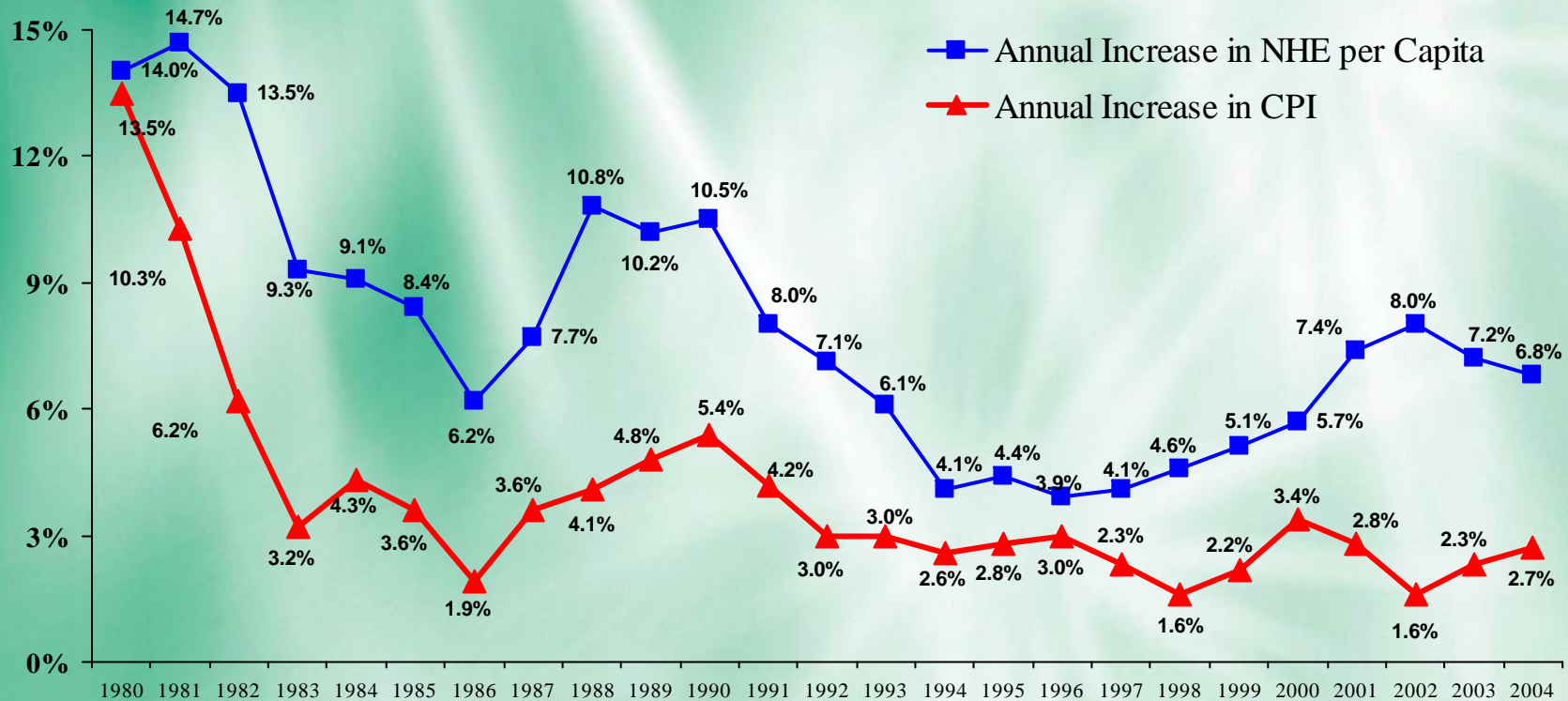
March 14, 2007

MICHIGAN STATE
UNIVERSITY

Advancing Knowledge.
Transforming Lives.

Trends and Indicators in the Changing Health Care Marketplace

Percent Annual Increase in National Health Expenditures (NHE) per Capita vs. Increase in Consumer Price Index (CPI), 1980-2004



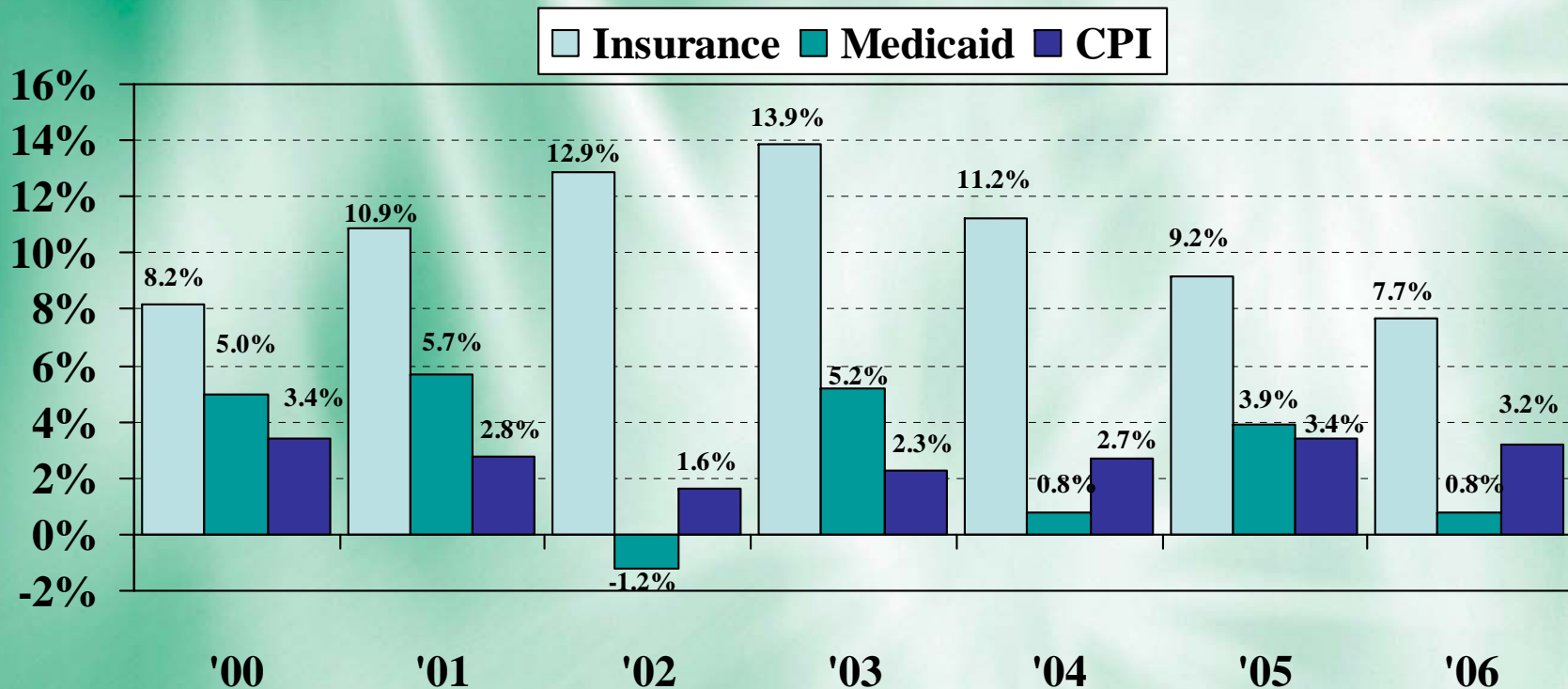
SOURCE: Trends and Indicators in the Changing Health Care Marketplace
 Information provided by the Health Care Marketplace Project.
 Publication Number: 7031
 Information Updated: 02/08/06



Advancing Knowledge.
 Transforming Lives.

Health Care Costs are Increasing Faster than Inflation

Health Insurance, Medicaid* vs. CPI



***Survey of Employer Sponsored Health Benefits, family of four, cited in Detroit Free Press, 1/25/05; Medicaid, per beneficiary expenditures w/out LTC**

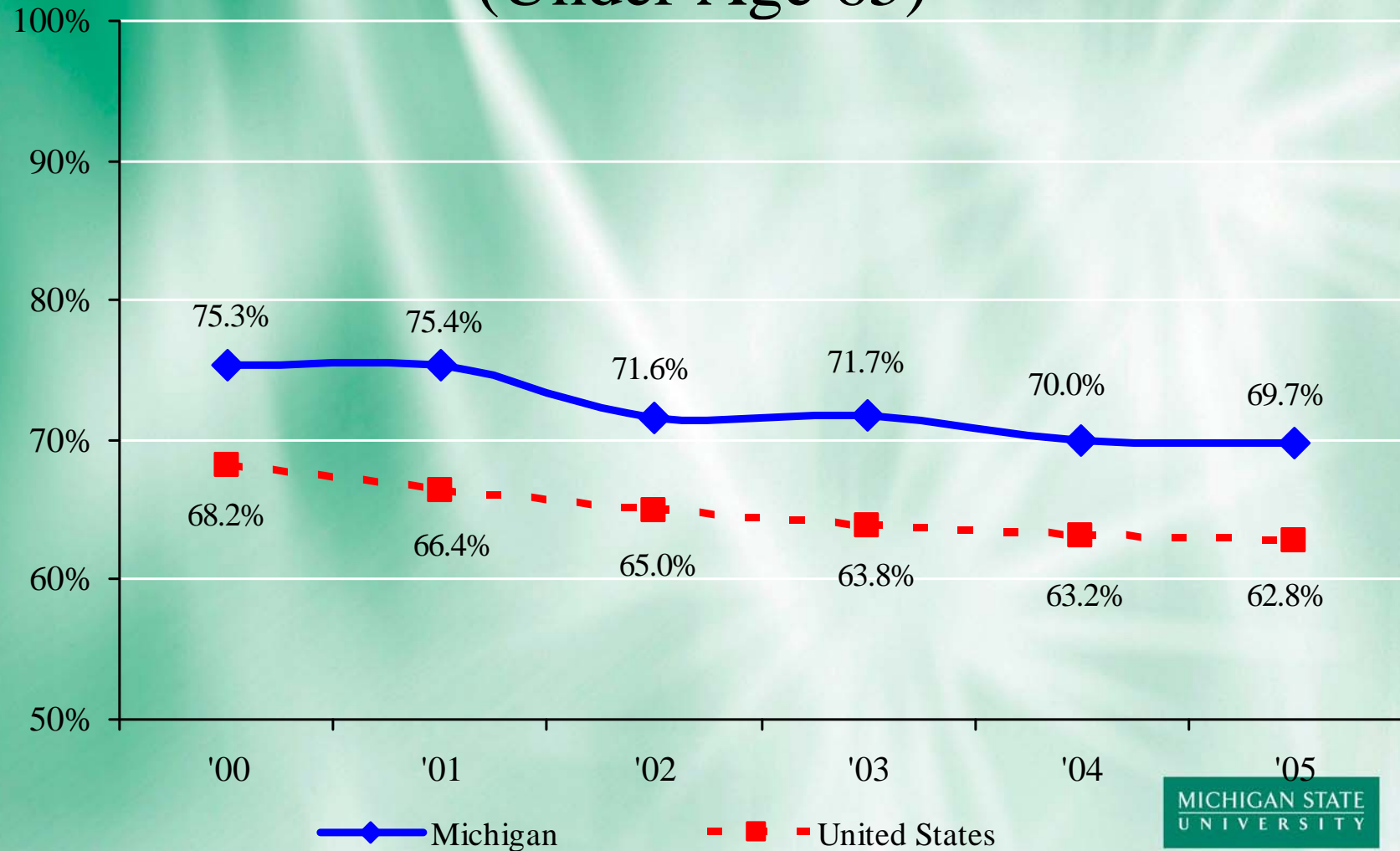
Source: Paul Reinhart, MDCH, *Medicaid Briefing: Select Committee on Medicaid Reform and Innovation*, December 2005.

Source of '05 and '06 data: 2005 & 2006 Employer Health Benefits Survey, Kaiser Family Foundation and Health Education and Research Trust.

These unsustainable cost increases coupled with other changes in the economy are resulting in:

- Fewer people with employer coverage
- People shifting from private to public insurance
- More uninsured
- Health care taking a growing share of the state and federal budget
- Growing consumer dissatisfaction

Employer Based Coverage Non Elderly (Under Age 65)



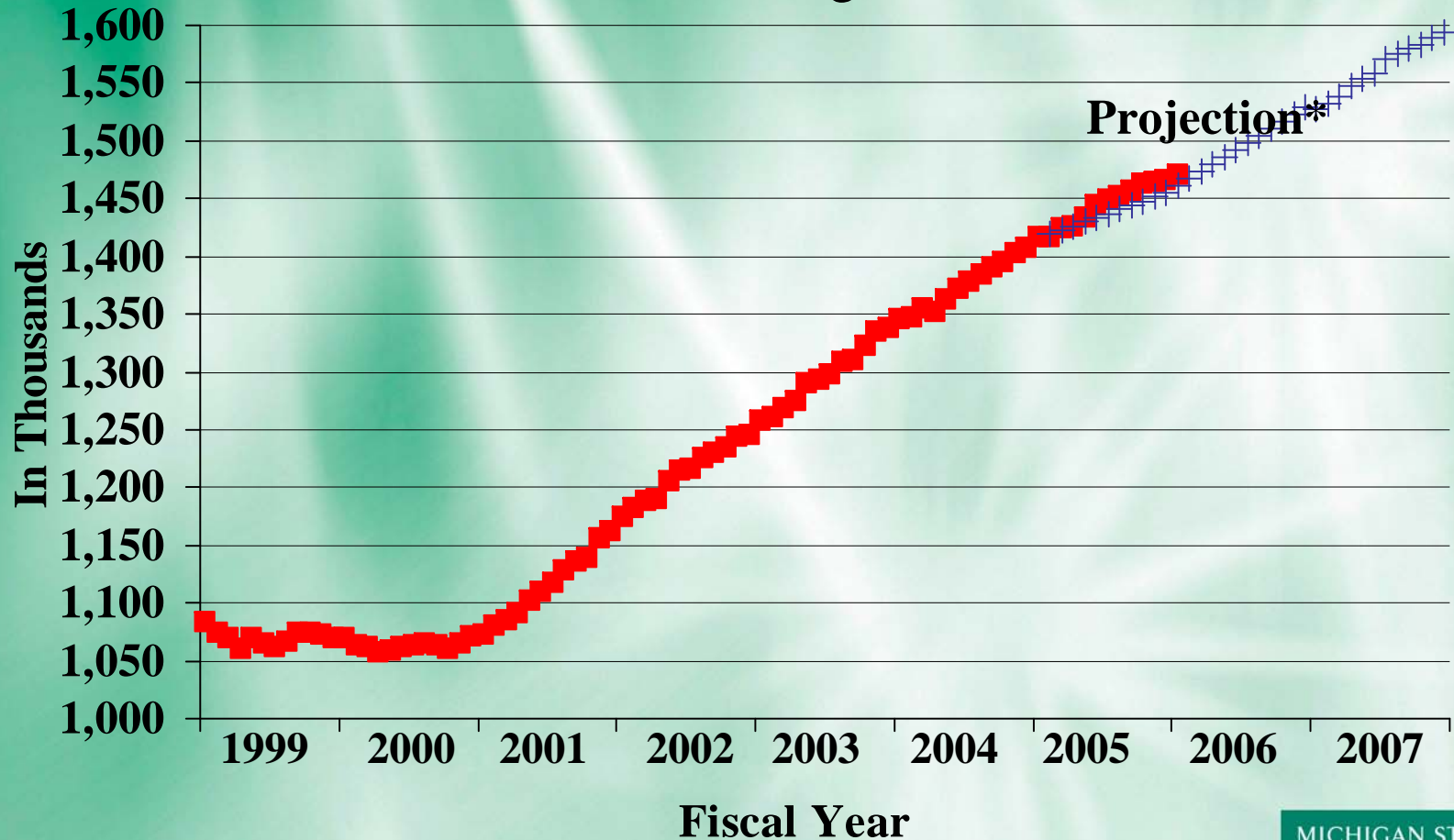
Source: U.S. Census Bureau, Current Population Survey, Table HI05

Copyright Michigan State University Board of Trustees

MICHIGAN STATE
UNIVERSITY

Advancing Knowledge.
Transforming Lives.

Medicaid Caseload DHS Projection



*Department of Human Services, October 2004, October 2005

Source: Paul Reinhart, MDCH, *Medicaid: Current Realities and Future Challenges*, November 2005

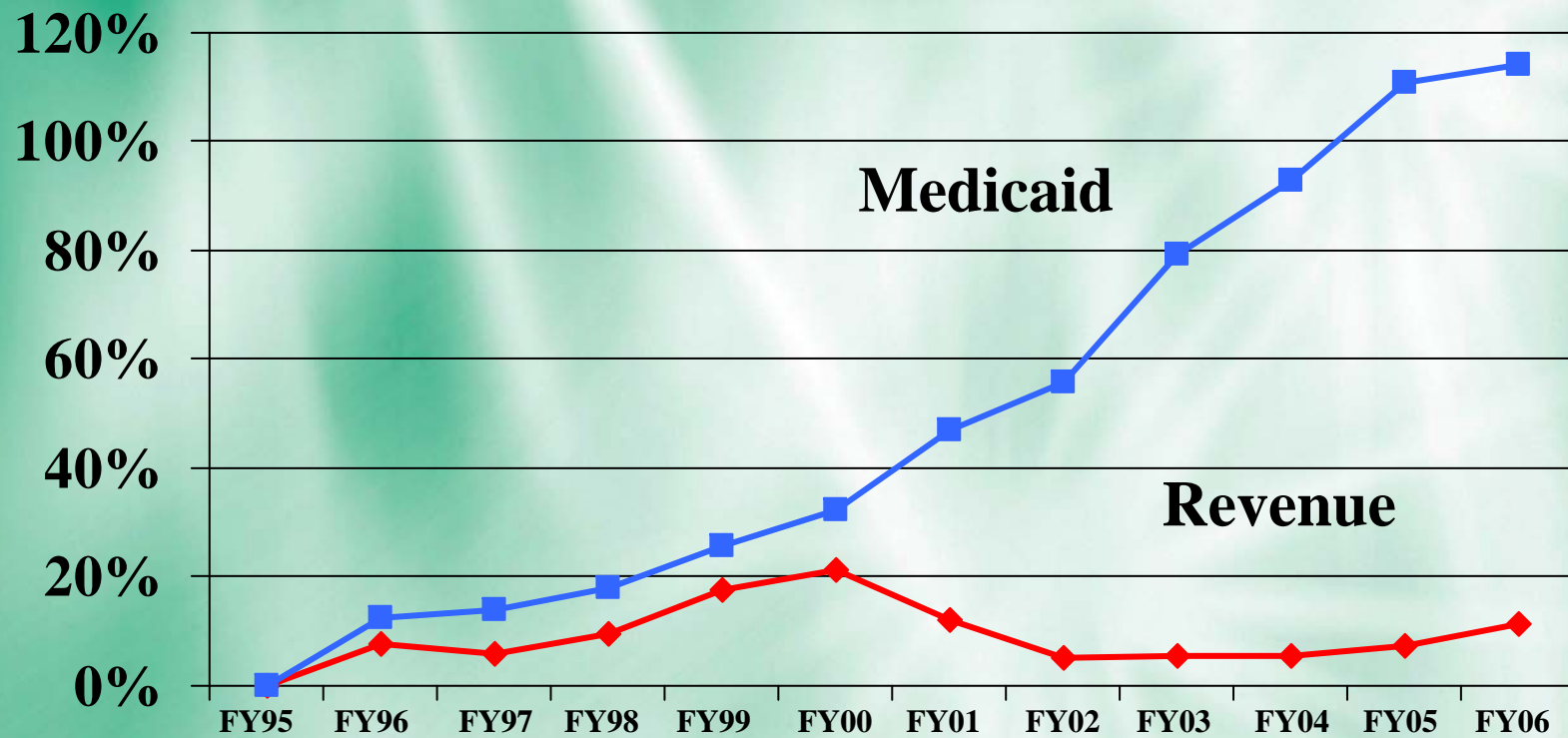
Copyright Michigan State University Board of Trustees



Advancing Knowledge.
Transforming Lives.

Growth in Michigan Medicaid

Growth in Michigan Revenue



MICHIGAN STATE
UNIVERSITY

Advancing Knowledge.
Transforming Lives.

Consumer Unease About Growing Health Care Costs

Recent poll by USA Today, ABC News, and the Kaiser Family Foundation

- 80% dissatisfied with amount spent on health care
- 44% dissatisfied with quality
- Major confusion about why costs are rising
- Distaste for giving up anything to achieve major change

The Fall 2006 MSU State of State survey reports similar results for Michigan citizens compared to five years ago:

- A majority of Michigan citizens feel they are worse off in paying out-of-pocket health expenses
- Nearly half of college graduates (45%) are worse off with respect to health insurance coverage

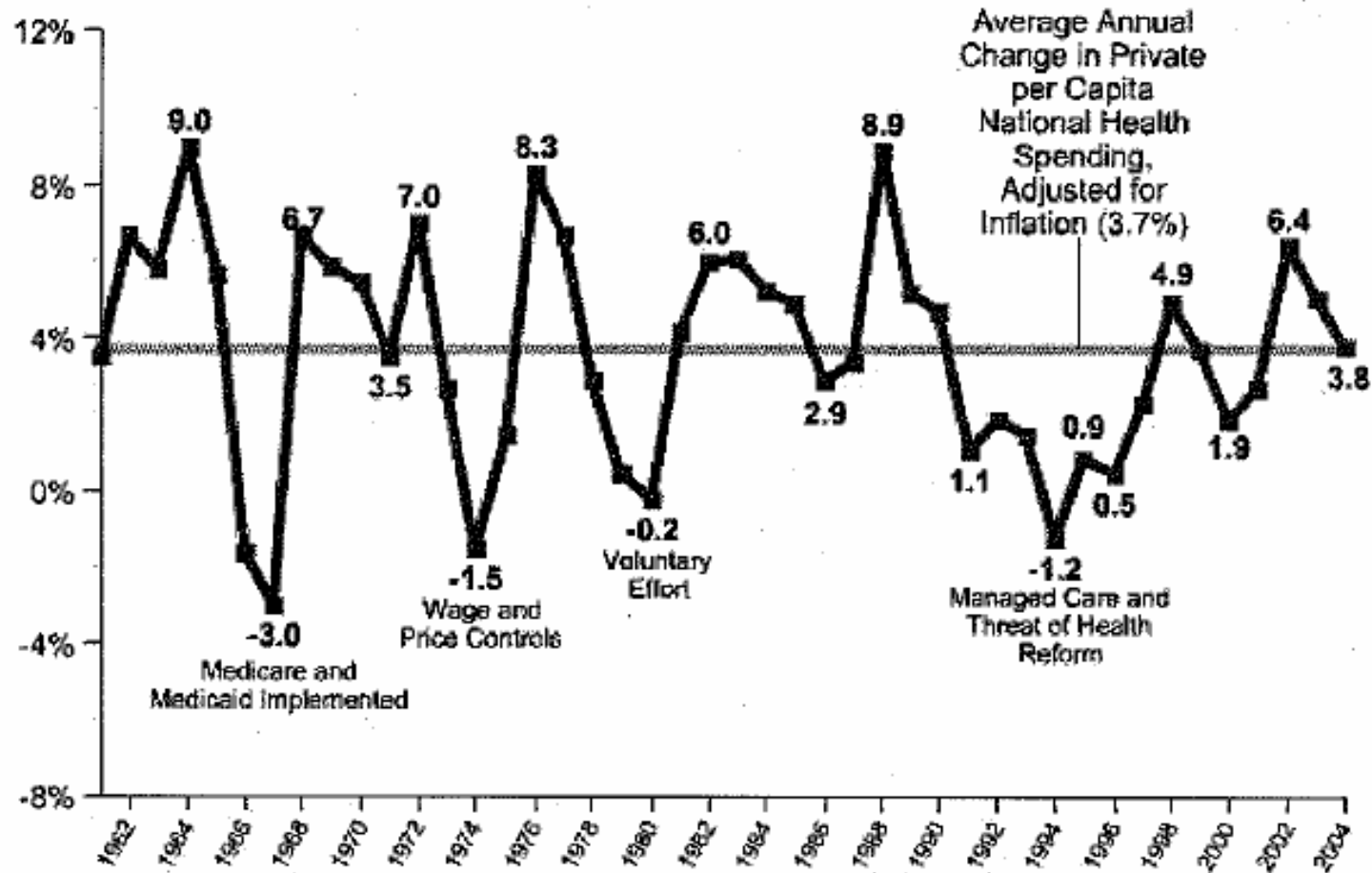
Health Care Cost Drivers

- New and expensive technologies, new treatments, drugs, diagnostics
- Systemic inefficiencies – over use, under use, misuse, inefficient handoffs, failure to use evidence based medicine, high insurance administrative costs
- Aging population and aging workforce

Health Care Cost Drivers

- Avoidable illness (obesity)
- Shortage of selected health professionals
- Medical malpractice (.7%)

No magic solutions to controlling cost – the sad story of health care cost containment.



SOURCE: Trends and Indicators in the Changing Health Care Marketplace
Information provided by the Health Care Marketplace Project
Publication Number: 7031 Information Updated: 02/08/06

“Prediction is difficult – especially if it is about the future” *Niels Bohr*

Danish Physicist (1885-1962)

New approaches

- More managed care
- Pay for performance
- Consumer driven plans
- Health information technology
- Universal coverage

MICHIGAN STATE
UNIVERSITY

Advancing Knowledge.
Transforming Lives.

Consumer Directed Health Plan (CDHP)

- Employer-based enrollment 2.7 Million persons in 2006*
- Michigan's proportional share of enrollees is 93,622 persons
- Few employers expect to adopt a CDHP in 2007*

Source: 2006 Employer Health Benefits Survey, Kaiser Family Foundation and Health Education and Research Trust



Advancing Knowledge.
Transforming Lives.

Blue Cross Blue Shield Rolls Out a High Deductible Health Plan for Individuals Beginning April 1, 2007

Value Blue

- Uses PPO network
- Deductible/Copay
 - \$1000 individual/\$2,000 family
 - Copays 30% in-network 50% out-of-network
 - Copay limit of \$2,500
- Benefits
 - Hospital



Advancing Knowledge.
Transforming Lives.

Blue Cross Blue Shield Rolls Out a High Deductible Health Plan for Individuals

Benefits *continued*

- Physician
- ER
- Lab/x-ray
- Limited pharmacy coverage
- Premiums
 - \$171.70 one person
 - \$343.39 two persons
 - \$360.55 family

Blue Cross Blue Shield High Deductible Health Plan – Group

- BCBSM also offers group plans structured to employer needs
 - 45,000 enrollment (27,000 Michigan-based and 18,000 national groups)

Universal Coverage Michigan First – Who's In?

- The target population for subsidized coverage is uninsured adults with incomes at or below 200% of the federal poverty level (\$40,000 per year for a family of 4) without adequate access to insurance
- That's about 550,000 people
- An additional 550,000 uninsured people with incomes over 200% of the FPL will have access to unsubsidized coverage under Michigan First

What's Happening?

State staff are continuing to work on a number of plan issues including:

- CMS approval
- Notification to legislature
- Implementation plans
- Tweaking the plan design in response to CMS, legislature, and stakeholder input
- Without an overall budget solution, is it possible to implement Michigan First?

MICHIGAN STATE
UNIVERSITY

Advancing Knowledge.
Transforming Lives.

Health Information Technology

- Health Information Technology commission appointed August 2006
- \$9 M in planning and implementation grants – for development of Health Information Exchanges awarded Spring, 2007
- 11 grant requests received

