

The Michigan Update

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Medicaid Managed Care Enrollment Activity

As of June 1, 2014, there were **1,500,937 Medicaid beneficiaries, including Healthy Michigan Plan (HMP) beneficiaries, enrolled** in 13 Medicaid Health Plans (HMOs); this is **an increase of 137,664** since May. This increase includes 112,384 HMP enrollees and 25,280 non-HMP Medicaid enrollees. The number of non-HMP Medicaid beneficiaries for which managed care enrollment is still in process is 109,689; the number of HMP beneficiaries for which managed care enrollment is still in process is 91,460.

As the enrollment reports ([pdf](#)) ([xls](#)) reflect, every county in the state is served by at least one Medicaid Health Plan. Auto-assignment of beneficiaries into the HMOs is now in place in every county of the state and there are at least two HMOs serving every county in the Lower Peninsula. Beneficiaries in all 15 counties in the Upper Peninsula are auto-assigned, through federal "Rural Exception" authority, to the one HMO serving the counties, Upper Peninsula Health Plan.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

Healthy Michigan Plan

Enrollment in the Healthy Michigan Plan (HMP) continues to grow. The Michigan Department of Community Health (DCH) reports that between April 1 and June 30, 2014, a total of **315,578** individuals have been approved for HMP coverage.

The DCH updates HMP enrollment statistics on its [website](#) weekly and includes a breakdown of enrollment by county.

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Not surprisingly, more than half of the newly approved HMP beneficiaries reside in the state's five largest counties:

| June 30, 2014 Healthy Michigan Plan Enrollment | |
|---------------------------------------------------------------|---------|
| Wayne | 86,578 |
| Macomb | 23,185 |
| Oakland | 22,718 |
| Genesee | 21,372 |
| Kent | 15,082 |
| Total | 168,935 |

The DCH [website](#) also includes information for HMP applicants and enrollees, providers and health plans. Program policy and publications are available along with information and the form used for Health Risk Assessment. A set of Frequently Asked Questions is provided and the HMP waiver protocols are also available on the site.

With few exceptions, new HMP beneficiaries are required to enroll in the Medicaid Health Plans (HMOs) to receive their health care benefits. As of June 1, 2014, there were a total of 170,299 HMP beneficiaries enrolled in the HMOs. HMP enrollment totals by health plan are expected to increase again in July as individuals continue to choose an HMO or are assigned to an HMO if they do not make a choice of plans.

| June 2014 Healthy Michigan Plan Enrollment | | | |
|---------------------------------------------------|----------------------------|--------------------------------|------------------------|
| Medicaid Health Plan | Voluntary Enrollees | Auto-Assigned Enrollees | Total Enrollees |
| Blue Cross Complete of MI | 12,585 | 1,776 | 14,361 |
| CoventryCares of MI | 1,417 | 2,511 | 3,928 |
| Harbor Health Plan, Inc. | 822 | 1,283 | 2,105 |
| HealthPlus Partners | 9,262 | 1,562 | 10,824 |
| McLaren Health Plan | 16,433 | 4,468 | 20,901 |
| Meridian Health Plan of MI | 26,766 | 14,252 | 41,018 |
| Midwest Health Plan | 5,719 | 4,355 | 10,074 |
| Molina Healthcare of MI | 13,657 | 5,772 | 19,429 |
| PHP Mid-MI Family Care | 869 | 532 | 1,401 |
| Priority Health Choice, Inc. | 10,023 | 1,840 | 11,863 |

| | | | |
|-----------------------------|----------------|---------------|----------------|
| Total Health Care | 3,713 | 2,803 | 6,516 |
| UnitedHealthcare Comm. Plan | 14,906 | 6,369 | 21,275 |
| Upper Peninsula Health Plan | 6,603 | 1 | 6,604 |
| Total | 122,775 | 47,524 | 170,299 |

For more information, contact [Eileen Ellis](#), Managing Principal, at (517) 482-9236.

Duals in Medicaid HMOs

The number of Medicaid beneficiaries dually eligible for Medicare (duals) enrolled in Medicaid HMOs to receive their Medicaid benefits continues to grow - there were **49,977 duals enrolled** in Medicaid HMOs in June, an increase of 924 since May. All Medicaid HMOs have duals enrolled, although the numbers vary dramatically across plans.

A Medicaid HMO member who gains Medicare coverage and remains in the HMO is categorized as auto-assigned or voluntarily enrolled based on the means through which the member was *initially* enrolled in the HMO. Duals enrolled in a Medicare Advantage Special Needs Plan (SNP, or D-SNP) for their Medicare benefits but receiving Medicaid on a fee-for-service basis are auto-assigned to the related Medicaid HMO if applicable. Any dual is able to "opt out" of the HMO and receive Medicaid benefits on a fee-for-service basis.

Molina Healthcare of Michigan has the most duals receiving their Medicaid services from an HMO, 25.2 percent of the total; UnitedHealthcare Community Plan has 22.0 percent of the total; Meridian Health Plan of Michigan has 17.7 percent of the total (but the most voluntary enrollees); and the other 10 plans share the remaining 35.1 percent.

Eight of the 13 Medicaid HMOs in Michigan (or their parent organizations) are also federally contracted as Medicare Advantage Special Needs Plans for Duals (D-SNPs) to provide *Medicare* benefits for duals in Michigan: HealthPlus Partners, McLaren Health Plan, Meridian Health Plan of Michigan, Midwest Health Plan, Molina Healthcare of Michigan, Total Health Care, UnitedHealthcare Community Plan and Upper Peninsula Health Plan. As of June 1, 2014 these eight D-SNPs have a combined enrollment of 21,255 duals for whom they provide Medicare services; 50.8 percent of the duals that are enrolled in a D-SNP are enrolled in the Molina plan, 29.3 percent are enrolled in the UnitedHealthcare plan and the remaining 19.9 percent are spread across the other six plans. Not all of the duals enrolled in these D-SNPs are eligible to receive full Medicaid

benefits. Some only receive assistance from the Medicaid program with Medicare coinsurance and deductible payments and/or monthly Medicare premiums.

There is one additional D-SNP in Michigan, Fidelis SecureCare of Michigan, Inc., which does not hold a Medicaid contract but has been approved by the state as a potential Integrated Care Organization (ICO) in the state's duals demonstration. As of June 1, 2014, Fidelis has 879 enrollees in its D-SNP and is also an approved Medicare Advantage Institutional SNP (I-SNP) with 273 enrollees.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

CSHCS Children in Medicaid HMOs

The Michigan Department of Community Health (DCH) changed its policy in 2012 to require children (and a few adults) receiving services from both the Children's Special Health Care Services (CSHCS) program and the Medicaid program to enroll in Medicaid HMOs. The enrollment process was phased in through February 2013 and as of June 1, 2014, there were **18,719 joint CSHCS/Medicaid beneficiaries enrolled in the Medicaid HMOs**; this is a decrease of 110 since May. All Medicaid HMOs except Harbor Health Plan, Inc. have CSHCS/Medicaid enrollees although the numbers vary across plans.

Meridian Health Plan of Michigan, which has the largest Medicaid enrollment of any Medicaid HMO, also has the most CSHCS/Medicaid enrollees receiving their services from an HMO, 25.6 percent of the total. Molina Healthcare of Michigan has 17.2 percent of the total; UnitedHealthcare Community Plan has 16.6 percent; and the other nine plans share the remaining 40.6 percent.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

State Budget

On June 12, 2014, the Michigan Legislature finalized and sent to Governor Rick Snyder for signature a General Omnibus Appropriation Bill (House Bill 5313) providing appropriations for all state departments and agencies for the state fiscal year that will begin October 1, 2014. The bill

includes total appropriations of \$37.5 billion Gross (including \$8.7 billion from State General Funds). An Education Omnibus Appropriation Bill (HB 5314) was also sent forward for signature; it includes \$15.8 billion Gross (\$1.5 billion GF). These bills total \$53.2 billion (\$10.2 billion GF); Governor Snyder's Executive Budget Recommendation totaled \$52.4 billion Gross (\$10.1 billion GF).

The Michigan Department of Community Health (MDCH) portion of the appropriation totals \$18.2 billion Gross (\$3.2 billion GF). This compares with \$17.4 billion Gross (\$2.9 billion GF) in the Governor's Recommendation. Major highlights in the appropriation measure sent forward include:

- Recognition that the federal Medicaid match rate for next fiscal year will decrease from 66.14 percent to 65.54 percent, leading to a cost increase of \$79.3 million GF.
- Adjustments - both negative and positive - to reflect caseload, utilization and inflation requirements (a net increase of \$8.8 million Gross, \$4.2 million GF).
- An assumption of \$232.1 million in GF savings through implementation of the Healthy Michigan Plan - savings impact largely Community Mental Health non-Medicaid services since the growth in Medicaid-covered lives will reduce the need for state GF dollars.
- A 2.5 percent increase in capitation rates for Medicaid HMOs and a 1.5 percent increase for Prepaid Inpatient Health Plans to meet actuarial soundness (\$72 million GF).
- New language requiring MDCH to establish contract performance standards for Medicaid HMOs three months before their implementation - standards would be associated with the capitation withhold (Section 1888 in the bill).
- Funds to assure continuation of a primary care rate increase but at only half the rate of increase allowed through federal funding that ends December 31, 2014 (\$25 million GF).
- Funds to increase payment rates for OB/GYN services to 95 percent of Medicare rates, to increase payments to small outstate hospitals for OB services, and to support provision of breast pumps for Medicaid beneficiaries (\$27 million GF).
- New language allocating a Disproportionate Share Hospital (DSH) payment of \$6.5 million GF (plus the federal match) to Harper University Hospital (Section 1895), continuation of a rural/sole community hospital payment pool and a one-time enhancement

to graduate medical education funding that the Governor had eliminated in his Recommendation, but with some caveats.

- Funds to expand the Healthy Kids Dental program into two additional counties (Kalamazoo and Macomb); this program provides enhanced reimbursement for children's dental services and is predominately provided through the Delta Dental Plan of Michigan (\$16 million Gross, \$5 million GF).
- Small allocations to combat human trafficking, for an Alzheimer's Disease Pilot Program in Macomb, Monroe and St. Joseph counties, for a bone registry tissue typing program and a bone marrow donor registry, and for Senior Olympics (\$700,000 GF in total).
- New language requiring reports on the prevalence of gestational diabetes in the Medicaid population and the program's performance on diabetes-specific measures (sections 1896 and 1897) - bill allocates \$35,000 GF contingent upon the receipt of matching private funds for the study.

For more information, contact [Eileen Ellis](#), Managing Principal, at (517) 482-9236.

HICA Legislation Signed into Law

In last month's edition of *The Michigan Update*, we reported that the Legislature approved and sent to Governor Rick Snyder for signature two bills intended to address a persistent shortfall in Medicaid funding associated with lower than projected revenue generated through the Health Insurance Claims Assessment (HICA). On June 11, 2014, Governor Snyder signed a bill bringing back the six percent use tax on Medicaid HMOs, effective April 1, 2014, to restore needed funds for the Medicaid program. The use tax was implemented about a decade ago as a way to bring in additional federal Medicaid funds but was replaced with the HICA in 2011 when it was believed the use tax would be disallowed by the federal government. The HICA, with its one percent tax on health insurance claims, fell about \$120 million short of revenue projections each year since implementation, and this shortfall was essentially tripled when lost federal Medicaid matching funds were considered. The Governor also signed a bill reducing the HICA from one percent of the value of health care claims to 0.75 percent of claims on April 1, 2015. The combination of these two bills (Public Acts 161 and 162 of 2014) fills the hole in revenues for the MDCH budget.

For more information, contact [Eileen Ellis](#), Managing Principal, at (517) 482-9236.

Michigan's Long-Term Care Efforts

A recent [report](#) released jointly by AARP, The Commonwealth Fund and SCAN Foundation ranked state efforts to provide long-term care for the elderly and disabled. The report - *A State Scorecard on Long-Term Services and Supports for Older Adults, People with Physical Disabilities, and Family Caregivers* - put Michigan in the bottom half of states across the country. Michigan scored in the top quartile on choice of setting and provider, in the second quartile on effective transitions between settings, in the third quartile on affordability and access as well as quality of life and quality of care, and the state scored in the bottom quartile on support for family caregivers.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

The Cost Burden of Disease

On June 9, 2014, the Center for Healthcare Research and Transformation (CHRT) at the University of Michigan [released](#) an issue brief entitled *The Cost Burden of Disease: United States and Michigan*. The issue brief describes trends in hospitalization rates by diagnosis and by charges for admissions, from 2007 to 2011 in Michigan and the United States. The most significant finding is that hospitalizations for septicemia rose sharply in both Michigan and the United States during this period.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

Health Insurance Marketplace Plans in Michigan

On June 11, 2014, Department of Insurance and Financial Services (DIFS) Director Ann Flood announced that 18 health insurance companies submitted plans to DIFS with requests for inclusion in the Michigan's Federally-Facilitated Health Insurance Marketplace (Exchange) in 2015. This is five more than are participating in 2014. All but two of the 18 companies submitted plans for the individual market and 11 offered plans for the small group market. The submitted plans will be reviewed to ensure that each applicant

complies with state and federal requirements. The companies submitting plans include:

- Alliance Health and Life Insurance Company
- Blue Care Network of Michigan
- Blue Cross Blue Shield of Michigan
- Consumers Mutual Insurance of Michigan (a CO-OP)
- Grand Valley Health Plan (new)
- Harbor Health (new)
- Health Alliance Plan
- Humana Medical Plan of Michigan, Inc.
- McLaren Health Plan
- Meridian Health Plan of Michigan, Inc.
- Molina Healthcare of Michigan
- Physicians Health Plan (new)
- Priority Health
- Priority Health Insurance Company
- Total Health Care USA
- UnitedHealthcare Community Plan (new)
- UnitedHealthcare Life Insurance Company

(Note: Physicians Health Plan submitted a plan for 2014 but subsequently withdrew it.)

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

Medicaid Home Help Program Audit

On June 17, 2014, Michigan Auditor General Doug Ringler released a [Performance Audit of the Medicaid Home Help Program](#); the audit covered three fiscal years (October 2010 through September 2013). This program provides in-home assistance to Medicaid beneficiaries with activities of daily living such as bathing and dressing, meal preparation, shopping, laundry, and light housework. The Michigan Department of Community Health (DCH), as the single state agency responsible for Medicaid, is responsible for overall administration of the program. The Michigan Department of Human Services (DHS), through an interagency agreement with DCH, is responsible for day-to-day operation of the program. The audit reported two material conditions (findings) and 11 reportable conditions (findings). Several of the findings identified improper payments over this three-year period - as much as \$160 million in combined state and federal Medicaid funds - and other findings related to the inadequacy of documentation to support payments made and the lack of appropriate background (criminal) checks for providers of Home Help service. Both departments agreed with most of the findings and the audit

report reflects their commitment to corrective actions.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

GlaxoSmithKline Settlement

In early June, drug manufacturer GlaxoSmithKline agreed to pay \$105 million to settle allegations by 44 states and the District of Columbia that it promoted medicines for unapproved uses. Michigan received \$2.6 million of the settlement. The manufacturer was accused of illegally marketing the asthma drug Advair for use by mild asthma sufferers and the antidepressants Paxil and Wellbutrin for use by children and teenagers without FDA approval. The settlement also requires the manufacturer to continue for five years its *Patient First Program* that decreases the level of financial incentives by the company to sales representatives in an effort to reduce deceptive marketing tactics.

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Medicaid Policies

The Michigan Department of Community Health (DCH) has issued two proposed policies that merit mention. The policies are available for review on DCH's [website](#).

- A proposed policy (**1423-DSH**) has been issued that would establish a one-year Disproportionate Share Hospital (**DSH**) **pool** for fiscal year 2013-2014 totaling **\$9,994,952** to be distributed to **Harper University Hospital** to increase funding for uncompensated care associated with newborn deliveries. Comments are due to DCH by July 17, 2014.
- A proposed policy (**1424-Screening**) has been issued that would establish the parameters for a mandatory **criminal background check** for individuals providing **in-home personal care services**. The policy will be effective September 1, 2014 and comments are due to DCH by July 25, 2014.

DCH has also released two L-letters of potential interest, which are available for review on the same web site.

L 14-22 was released to provide an update regarding

Healthy Michigan Plan Health Risk Assessment completed before a beneficiary is enrolled in a health plan.

L 14-23 was released to provide indicate that Medicaid copayments do not apply for Tribal Health Center, Federally Qualified Health Center, and Rural Health Clinic services.

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[Health Management Associates](#) is an independent national research and consulting firm specializing in complex health care program and policy issues. Founded in 1985, in Lansing, Michigan, Health Management Associates provides leadership, experience, and technical expertise to local, state, and federal governmental agencies, regional and national foundations, investors, multi-state health system organizations and single site health care providers, as well as employers and other purchasers in the public and private sectors.