

# Impact of Health Reform on Coverage in Michigan



ISSUE BRIEF



Photo: Daymon J. Hartley

The Patient Protection and Affordable Care Act (PPACA, or the Act) will affect the picture of coverage in Michigan in many different ways.

While it is relatively easy to project the impact of some components of the Act (e.g., the number who will be eligible for Medicaid after 2014), it is more difficult to project many other elements (e.g., how many of the eligible will actually enroll in Medicaid). In this brief, we try to give a picture of the impact of the PPACA, had it been fully implemented and in effect in 2007/2008<sup>1</sup> (the period for which we have the most recent, comprehensive data on health coverage in the state).

It is important to understand that the regulations for most of the provisions of the Act have yet to be written, and Michigan, like other states, will have choices to make about the way various components of the Act are implemented. We made a number of assumptions about those choices to derive the estimates presented here. These estimates are intended to be illustrative of what could happen under the PPACA, and give some dimension to the scope of coverage in the Act and impacts on the most affected groups.

<sup>1</sup> Two-year pooled data are used to ensure adequate sample size to provide more precise estimates of the population.

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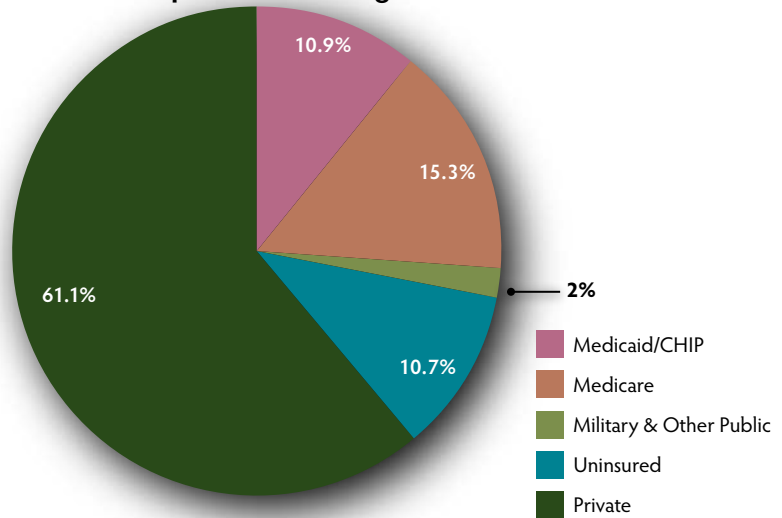
# An Overall Picture of Coverage

The Patient Protection and Affordable Care Act is intended to significantly reduce the number of uninsured individuals in the country. If the Act were fully implemented in 2014, and all those who were eligible for coverage and/or mandated to purchase coverage enrolled in or purchased that coverage, there would be considerable growth in both private and public sector coverage in the state. That is, while 28 percent of those in Michigan had public coverage in 2007/2008, under health reform, 33 percent would be eligible (and if all enrolled, covered). And while 61 percent of the state's population had private coverage in 2007/2008<sup>2</sup>, post-reform that number could grow to 65 percent assuming all who are required to purchase coverage did so (and those who currently have employer based group coverage but would be Medicaid eligible continue to retain employer based coverage). Those who are currently covered by individually-purchased private insurance and meet income eligibility criteria for Medicaid under reform (i.e., have incomes less than 133 percent of poverty) make up one percent of Michigan's population, but it is unclear whether they would choose to enroll for Medicaid or retain their private coverage.

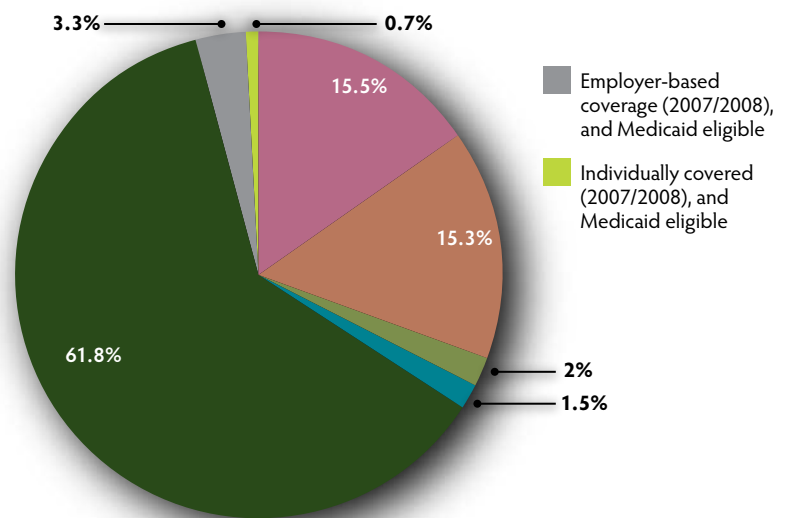
Health reform will provide coverage or subsidies to purchase coverage for just over 77 percent (a vast majority) of those who are currently uninsured. Those who would remain uninsured post-reform include those who have incomes up to 400% of the federal poverty level (FPL), but who would be ineligible for either Medicaid or subsidies—principally undocumented immigrants—and those who are not eligible for subsidies but also not subject to the mandate due to premiums that are relatively high compared to their incomes.

<sup>2</sup> Private coverage figures in this chapter have been adjusted to provide unduplicated counts of the privately and publicly insured. For this reason, figures here differ from the estimates provided in the Privately Insured chapter of Cover Michigan.

FIGURE IB3:1  
Percent of Population—Coverage Pre-Reform



Percent of Population—Estimates of Coverage Post Reform



Type of Coverage 2007/2008	Pre-reform		Post-reform		Change	
	# of people	% of Total Population	# of people	% of Total Population	#	%
<b>Public</b>	2,781,000	28.2%	3,232,905	32.8%	451,905	16.2%
Medicaid/CHIP	1,073,190	10.9%	1,525,095	15.5%	451,905	42.1%
Total other public (Medicare/Military/other public)	1,707,810	17.3%	1,707,810	17.3%	0.0	0.0%
<b>Private</b>	6,021,256	61.1%	6,091,629	61.8%	70,373	1.2%
Employer-based coverage (2007/2008), and Medicaid eligible	—	—	321,876	3.3%	321,876	—
Individually covered (2007/2008), and Medicaid eligible	—	—	66,653	0.7%	66,653	—
<b>Uninsured</b>	1,055,000	10.7%	144,193	1.5%	(910,807)	-86.3%
<b>Total Population</b>	9,857,256	100.0%	9,857,256	100.0%		

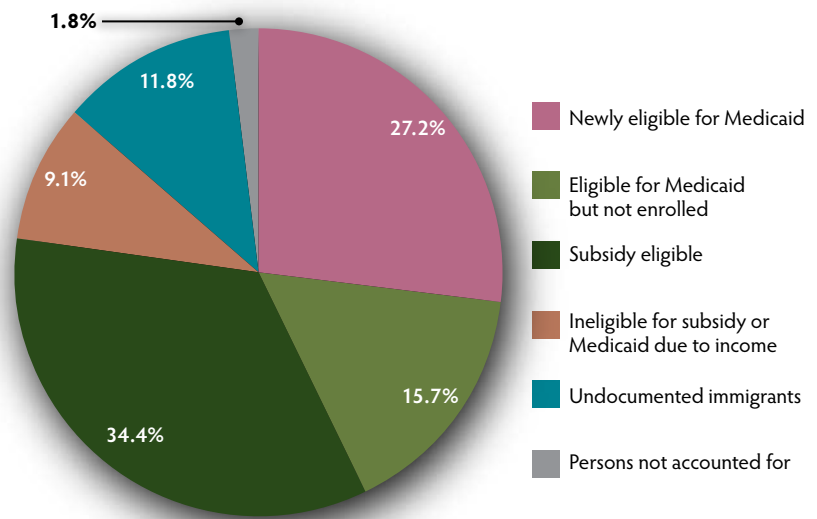
Source: U.S. Census Bureau, Current Population Survey (State Health Access Data Assistance Center enhanced) with adjustments. See Cover Michigan 2010 methodology for details.

# More Detail on What the State's Health Coverage Would Look Like if Health Reform Were Already in Effect

The Patient Protection and Affordable Care Act requires states to extend Medicaid eligibility to all non-elderly individuals (citizens and legal immigrants who have been in the U.S. for at least five years) with incomes up to 133 percent of the federal poverty level. If health reform had been in effect, twenty seven percent of those uninsured in 2007/2008 would have been newly eligible for Medicaid. It is important to note that a meaningful percentage of the uninsured were already eligible for Medicaid or MICHild prior to health reform but were not enrolled. For example, we estimate that 16 percent of the uninsured (about 165,150 people) in 2007/2008 were eligible for Medicaid but not enrolled. Our estimates assume that both groups will enroll in Medicaid with health reform, i.e. those who have been eligible in the past but not enrolled, and the newly eligible. Our assumption is based on the fact that health reform includes an individual mandate and we are presuming that there will be an increase in enrollment outreach efforts under reform. If these assumptions do not come to pass, however, the number enrolled could be lower than our estimates, and the numbers of uninsured remain higher. Of note, for those who are already eligible for Medicaid coverage (regardless of enrollment status), the federal government will pay the regular Medicaid match rate to states. For those who are newly eligible under expansion rules (and were ineligible for Medicaid on December 1, 2009), the federal government will finance their coverage at 100 percent in 2014 through 2016, 95 percent in 2017, 94 percent in 2018, 93 percent in 2019, and 90 percent in 2020 and for subsequent years.

Thirty-four percent of those who were uninsured in 2007/2008 would not be eligible for Medicaid but would be eligible for a premium subsidy under health reform (if they purchase coverage through the health insurance exchanges). Finally, nine percent of the uninsured—approximately 96,000 people in Michigan—would have been ineligible for both Medicaid and a subsidy under health reform because their incomes were higher than 400 percent of poverty. These individuals would still be subject to the mandate to purchase health coverage and could purchase such coverage from the insurance exchange.

**FIGURE IB3:2**  
**Projected coverage changes among the uninsured assuming Health Reform took effect in 2007/2008**



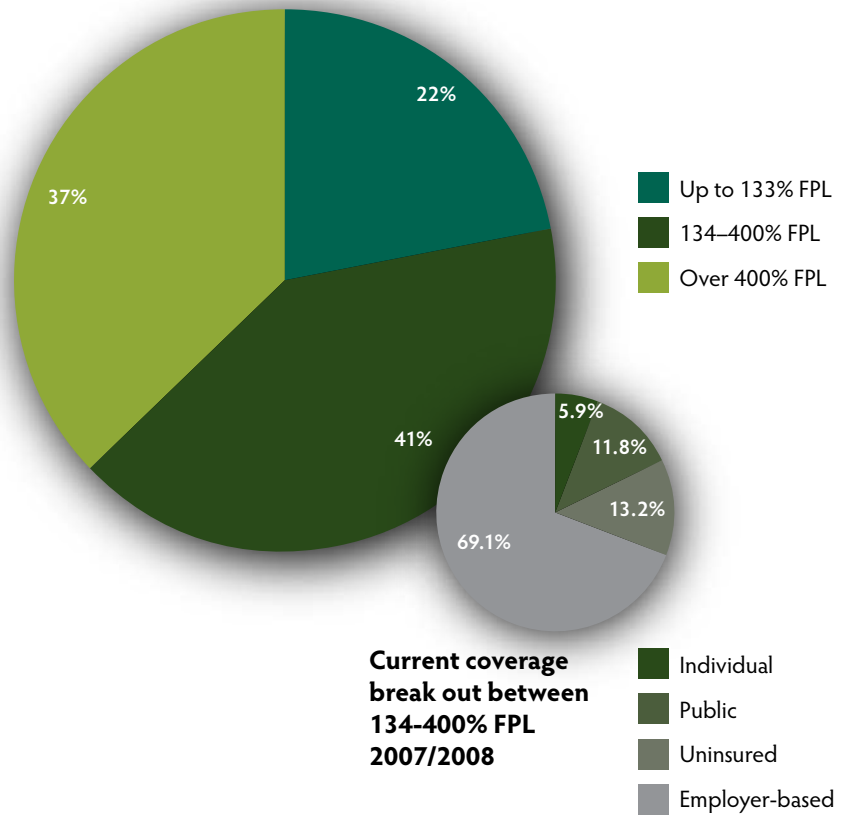
**Source(s):** U.S. Census Bureau, Current Population Survey (State Health Access Data Assistance Center enhanced) with adjustments and Federation for American Immigration Reform (FAIR). See Cover Michigan 2010 methodology for details.

# Subsidy eligibility among the non-elderly population

In 2007/2008, 41 percent of the state's non-elderly population met the income standard for a premium subsidy to purchase coverage through the health insurance exchanges. However, eligibility for a subsidy also takes into account whether or not an individual already has private coverage. Of those that met the income standard for subsidy eligibility in 2007/2008:

- 13.2 percent were uninsured and 5.9 percent purchased coverage through the individual market. Both of those populations would be eligible to receive a subsidy if they purchased insurance coverage through a health insurance exchange
- About 12 percent of this income group had Medicaid coverage. Some of those currently covered by Medicaid may become eligible for exchange-based subsidies in 2014 depending on how the state maintenance of effort requirements are structured in final regulations
- 69 percent of those in this income group had employer-based insurance coverage in 2007/2008. This population would not be eligible for subsidies to purchase coverage through the exchanges unless their employer-based coverage was deemed inadequate (less than the essential benefits package) or if the employee's share of the premium was greater than 9.5 percent of income.

**FIGURE IB3:3**  
**Total Michigan non-elderly population by income 2007/2008**



Michigan non-elderly population by income, 2007/2008		
Income Group	#	%
Up to 133% FPL	1,913,300	22%
134-400% FPL	3,485,467	41%
Over 400% FPL	3,166,033	37%
<b>Total</b>	<b>8,564,800</b>	<b>100%</b>

Coverage of the non-elderly between 134 to 400% of FPL, 2007/2008		
Type of Coverage	#	%
Individual	204,717	5.9%
Public <sup>3</sup>	412,117	11.8%
Uninsured	458,849	13.2%
Employer-based	2,409,784	69.1%
<b>Total</b>	<b>3,485,467</b>	<b>100.0%</b>

**Source(s):** U.S. Census Bureau, Current Population Survey (State Health Access Data Assistance Center enhanced) with adjustments and Kaiser Family Foundation. See Cover Michigan 2010 methodology for details.

<sup>3</sup> Public coverage at this income level is mostly made up of children (ages 1-19) covered by Medicaid between 133 and 150% of FPL, infants and pregnant women covered by Medicaid between 133 and 185% of FPL, and all children covered by CHIP with incomes between 133 and 200% of FPL. The remainder of this population have Medicaid for a portion of the year if they temporarily have low incomes.

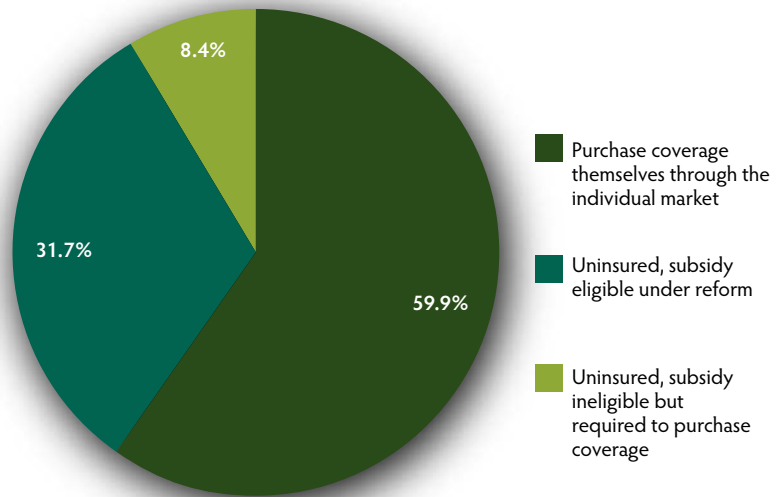
# Coverage Impacts in the Individual Market and For Small Businesses<sup>4</sup>

Under the Patient Protection and Affordable Care Act, two types of insurance exchanges will be established in 2014: one for individuals to purchase coverage (the American Health Benefit Exchange) and an exchange for businesses with up to 100 employees (the Small Business Health Options Program- SHOP). These two exchange types can be administered as one at state option. Before 2016, states have the option of limiting the SHOP exchanges to businesses with 50 or fewer employees, and, beginning in 2017, states can allow businesses with more than 100 employees to purchase coverage from one of these exchanges.

In 2008, about 21.5 percent of Michigan's private businesses were large firms employing almost 2.2 million employees. In that same year, small businesses (i.e. those with 100 or fewer employees) made up 78.5 percent of Michigan's private businesses and about 37 percent of all private sector employees. Of those small businesses, 54.7 percent of them did not offer health insurance in 2008. 33.2 percent of Michigan residents in 2008 worked for small businesses that did not offer health insurance.

In 2007/2008, there were about 684,900 individuals who individually purchased health insurance coverage in Michigan. In addition, as noted earlier, there were 363,020 in 2007/2008 who were uninsured but would become subsidy eligible under health reform to purchase coverage in the exchange and another 95,882 who would not be subsidy eligible but would be mandated to purchase coverage. So, it is likely that the individual insurance exchange could include a total of 1,143,802 individuals had it been in place in 2007/2008.

FIGURE IB3:4  
Insurance Exchange in the Individual Market Michigan, 2008



	#	%
Purchase coverage themselves through the individual market	684,900	59.9%
Uninsured, subsidy eligible under reform	363,020	31.7%
Uninsured, subsidy ineligible but required to purchase coverage	95,882	8.4%
<b>Total population in the individual market</b>	<b>1,143,802</b>	<b>100.0%</b>

Source: U.S. Census Bureau, Current Population Survey (State Health Access Data Assistance Center enhanced) with adjustments. See Cover Michigan 2010 methodology for details.

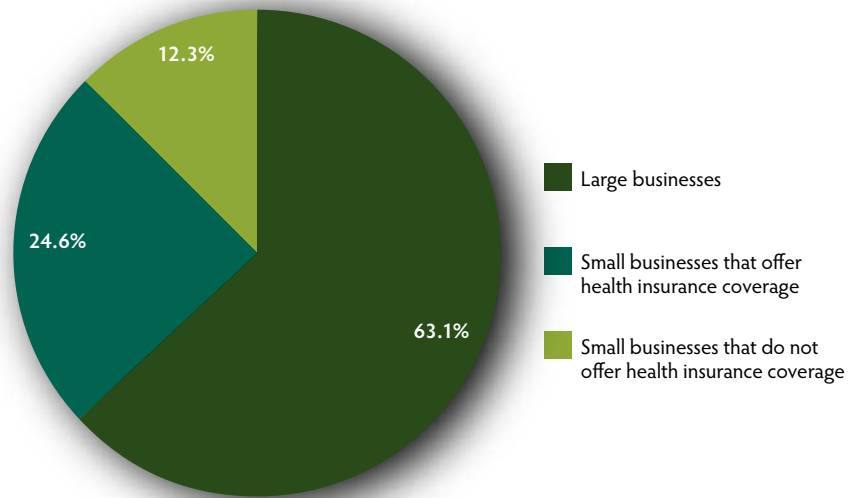
<sup>4</sup> The exchanges under PPACA include small businesses with 100 or fewer workers; however, the Medical Expenditure Panel Survey (MEPS) data defines small businesses as establishments with 99 or fewer workers. This section uses the MEPS data as a proxy for all small business with 100 or fewer workers.

## Coverage Impacts in the Individual Market and For Small Businesses (continued)

Many of those individuals who work in small businesses are likely to get coverage in the future through the SHOP exchange rather than as they do today. In 2008, there were over 1.2 million people in Michigan who worked in small firms. Approximately 850,000 of these individuals worked for employers who offered health insurance while another 423,000 or so worked for employers that did not offer health insurance. Some of the 423,000 who worked for small employers who did not offer health insurance may well have purchased health insurance coverage on their own through the individual market .

FIGURE IB3:5

### Distribution of employees by employer size in the private sector in Michigan, 2008



	# of employees	% of all employees
Large businesses	2,177,358	63.1%
Small businesses that offer health insurance coverage	849,553	24.6%
Small businesses that do not offer health insurance coverage	423,062	12.3%
<b>Total among all private sector employers</b>	<b>3,449,973</b>	<b>100.0%</b>

Source: Medical Expenditure Panel Survey



It is very difficult to predict how many total individuals would be enrolled in the exchanges post reform, since we don't know how many who work in small businesses have purchased health insurance coverage themselves in the individual market. However, it is probably fair to say that the population enrolled in the exchanges will likely be more than 1.14 million (the total in the individual market today plus those individuals who will be required to purchase coverage in the future) but less than 2.4 million (the total amount of those in the potential individual market and those who work for small businesses). The number will likely be less than 2.4 million because some of those who work for small businesses today are already counted in the individual market numbers.

**Final Note on Small Businesses**

For the next four years, until the SHOP exchanges are set up, businesses with 10 or fewer full-time-equivalent employees earning less than \$25,000 a year on average will be eligible for a tax credit of 35 percent of health insurance costs.<sup>5</sup> Companies with between 11 and 25 workers and an average wage of up to \$50,000 are eligible for partial credits. 58 percent of all private businesses in Michigan (about 119,375 in 2008) had fewer than 10 employees. With about 428,671 employees, these businesses employed about 12.4 percent of Michigan's private sector.

Wage data for these employers are not generally available. However, if all businesses in these size categories in Michigan were wage eligible, a total of 144,401 businesses could be eligible for the tax credit. These businesses employ approximately 766,538 employees.

**FIGURE IB3:6**  
**Private sector establishments and employees by firm size in Michigan, 2008**

	Small businesses			Large businesses	Total
	Less than 10 employees	10-24 employees	25-99 employees	100 or more employees	
Number of private businesses	119,375	25,026	17,030	44,247	205,678
Businesses as a % of all businesses	58.0%	12.2%	8.3%	21.5%	100.0%
Total number of employees	428,671	337,867	506,077	2,177,358	3,449,973
Employees as a % of all employees	12.4%	9.8%	14.7%	63.1%	100.0%

Source: Medical Expenditure Panel Survey

<sup>5</sup> MEPS provides data for less than 10 employees and between 10 to 24 employees. Although the subsidies that will be available for some small businesses until SHOP exchanges are set up apply to establishments with 10 or fewer employees and 11 to 25 employees, MEPS data is used here to estimate the number of businesses and employees who will be impacted by these subsidies.

## Other Estimates of Medicaid Coverage in Health Reform:

In May 2010, the Kaiser Commission on Medicaid and the Uninsured released a report detailing national and state-level projections of Medicaid coverage and spending under health reform. The Commission projects the increases in Medicaid coverage and the associated costs to states compared to Medicaid coverage absent health reform. Similar to CHRT findings detailed earlier in this report, the Kaiser analysis found that Medicaid expansions will likely significantly increase coverage and reduce the number of uninsured in the U.S. Kaiser's numbers differ from CHRT's, however, principally because their analysis projected what may happen in 2019, whereas our numbers consider what might have happened in 2007/2008 had health reform been in place at that time. The bottom line projection for Michigan Medicaid expansion from Kaiser was that

- In 2019, Michigan will have 589,965 new Medicaid enrollees.
- 73 percent of this population, or 430,744 of these individuals, were previously uninsured before health reform took effect and newly enrolled in Medicaid coverage.
- Between 2014 and 2019, Medicaid expansion will increase Medicaid enrollment by 30.2 percent.
- The increase in Medicaid coverage will lead to a 50.6 percent reduction in uninsured among adults less 133 percent FPL by 2019.

For more details and to view the full report, visit:

<http://www.kff.org/healthreform/8076.cfm>



Photo: Daymon J. Hanley



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