

Legislative Analysis



INTERSTATE HEALTH CARE COMPACT

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 993 without amendments

Sponsor: Sen. Jim Marleau

House Committee: Insurance

Senate Committee: Insurance

Complete to 12-15-14

A SUMMARY OF SENATE BILL 993 AS PASSED BY THE SENATE 12-11-14

Senate Bill 993 would enter Michigan into an interstate health care compact. According to the provisions of the bill, the compact would become effective when at least two states had adopted the compact and the compact had received the consent of the United States Congress. The stated purpose of the compact is to return the authority to regulate health care to member states consistent with the goals and principles articulated in the compact. The bill directs member states to improve health care policy within their respective jurisdictions and according to the judgment and discretion of each state.

Under the bill, Legislatures of member states would have primary responsibility to regulate health care in their respective states and could suspend the operation of all federal laws, rules, regulations, and orders regarding health care that are inconsistent with laws and regulations adopted by the state pursuant to the compact.

The bill provides for each member state to have right to federal money based on the amount of total federal spending on health care in the state during the federal 2010 fiscal year. According to the bill, that amount is estimated at \$29.5 billion. The amount of federal money provided to the state would be adjusted each year based on a population adjustment and an inflation adjustment (based on growth in Gross Domestic Product). The bill directs Congress to establish the state's funding levels based on reasonable estimates.

The bill establishes an interstate advisory health care commission, with up to two members appointed from each state. The commission would study issues of health care regulation and make nonbinding recommendations to the member states.

Additional provisions of the bill relate to the effective date of the compact, amendment of the compact, and withdrawal from the compact.

FISCAL IMPACT:

The overall fiscal impact on the state and local units of government if Senate Bill 993 is enacted and the United State Congress consents to the interstate health care compact is indeterminate, but the bill could create significant direct fiscal costs in specific areas.

The direct fiscal costs would primarily be due to using the federal FY 2009-10 as the baseline year. This predates the state's Medicaid expansion through the Healthy Michigan Plan. The FY 2014-15 federal contribution for Healthy Michigan Plan is \$2.65 billion. (Current federal spending through health exchange subsidies under the federal Affordable Care Act would also not be captured in the FY 2009-10 baseline.)

Additionally, adjusting the annual federal contribution based on average census data without accounting for the state's aging population would transfer more of that demographics' health care costs onto the state rather than through the federal Medicare program over time. There would also presumably be new state level administrative costs to operate the Medicare portion of this compact.

It is unknown whether using the gross domestic product deflator as the basis for the annual inflation adjustment would be sufficient to support the inflationary costs for Michigan's health care sector over the long term without reducing services or increasing state contributions toward health care costs in the state.

Any savings to the state offsetting some or all of these costs would depend on the nature, implementation, and financial impact of the health care laws and regulations adopted by Michigan under the compact's provisions.

Fiscal Analysts: Kyle Jen
Kevin Koorstra
Steve Stauff

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.