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BILL ANALYSIS

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Senate Bill 993 (as reported without amendment)
Sponsor: Senator Jim Marleau
Committee: Insurance

CONTENT

The bill would enter Michigan into the "Interstate Health Care Compact", which would do the following:

-- Allow each member state, within its state, to suspend the operation of all Federal laws and regulations regarding health care that were inconsistent with the laws and regulations adopted by the member state.
-- Give each member state the right to Federal money up to an amount equal to its "member state current year funding level" for each Federal fiscal year.
-- Create the Interstate Advisory Health Care Commission and require it to collect information to assist the member states in their regulation of health care.
-- Allow any state to join the Compact after the date Congress consented to it, by adoption into law under its state constitution.
-- Require the member states to take action to secure the consent of Congress to the Compact "in order to return the authority to regulate health care to the member states".
-- Allow the member states to amend the Compact by unanimous agreement.
-- Allow a member state to withdraw from the Compact by adopting a law to that effect, and providing six months' notice to the other member states.

The Compact would be effective when it was adopted by at least two member states and received the consent of Congress.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The Interstate Health Care Compact, with the permission of Congress, would allow the states to regulate health care (in particular insurance) independently of Federal laws and regulation. Each state in the Compact, subject to Congressional approval, would receive the estimated current Federal spending on health care in its state, updated for population and inflation, to be used to help support health coverage in the state. The bill estimates that Michigan's share would be just under $29.5 billion, the vast majority of which would reflect Federal spending on Medicare and Medicaid for Michigan residents.

The fiscal impact of this legislation, if enacted and supported by the Federal government, is unknown. The states in the Compact would have greater flexibility to manage health care for Medicare and Medicaid recipients, which would likely lead to efficiencies. It should be noted that any additional costs or savings would be completely State costs or savings. At present the marginal savings/cost of Medicare for the State is 0%, the marginal savings/cost for traditional Medicaid is about 35.0%, and the marginal savings/cost for expansion Medicaid is 0%. Under the legislation, the marginal savings/cost for the State would be 100.0%. Therefore, to the extent that efficiencies occurred, the State would see considerable savings. On the other hand, if costs increased, State expenditures would escalate considerably.

The State at present has begun a voluntary waiver program for those dually eligible for Medicare and Medicaid. While this waiver program does not precisely equate to what is proposed in the legislation, it does present a situation in which the State has greater programmatic and fiscal responsibility for services traditionally paid for by the Federal government through Medicare. It is too early at this point to judge whether the "dual eligible" waiver will lead to cost savings, but there is reason to expect efficiencies from coordinating care formerly paid separately by Medicare and Medicaid through a managed care model. This approach, if used on a larger scale assuming passage of the legislation, could lead to the sort of efficiencies that would reduce costs, with all savings accruing to the State. That potential for savings, of course, still must be weighed against the possibility of increased costs, which would be 100% State costs.

Date Completed: 9-24-14 Fiscal Analyst: Steve Angelotti