

# Projected impact of the federal OBBBA on Michigan finances

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For Emerging Leaders Council  
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# Implementation of Key Medicaid Provisions

- Medicaid Work Requirements: January 1, 2027 (federal government can exempt states from compliance until December 31, 2028 if it determines states have made good faith effort to comply and report on progress and compliance barriers)
- Medicaid Eligibility Determination: States must make eligibility determinations every six months for Medicaid expansion (Healthy Michigan Fund in Michigan) enrollees beginning January 1, 2027; current law requires redetermination every 12 months
- Medicaid Provider Taxes: phase down of current 6% maximum rate begins in Fiscal Year 2028 and continues through Fiscal Year 2032 when cap reaches 3.5%
- Michigan's Insurance Provider Assessment: as a special case among provider taxes, Michigan will need to eliminate the IPA as soon as the relevant federal rule (issued May 12, 2025) is implemented (probably soon)
- An accessible summary for details on Medicaid provisions can be found at:  
<https://www.kff.org/tracking-the-medicaid-provisions-in-the-2025-budget-bill>

# Provider Tax – Insurance Provider Assessment

- OBBBA and a separate pending federal rule would prohibit Michigan from maintaining its Insurance Provider Assessment (IPA)
- When? Because Michigan's tax framework was last approved within the last two years, Michigan would have to suspend the tax as soon as the federal rule is implemented (likely soon)
- Impact: The IPA generates around \$630 million annually; some of this goes back to Medicaid health plans – along with federal matching dollars – to pay them back for tax payments. But roughly \$450 million is used to offset the need for state GF/GP revenue within Medicaid.

## Provider Tax – Hospital Tax

- OBBBA reduces the cap on provider taxes from the current 6% of net patient revenue down to 3.5% by 2032; taxes on long-term care facilities are excluded from this provision
- Impact: Most provider tax revenue is used to leverage federal funds to increase provider reimbursement payments. However, a portion of the tax revenue is used to directly offset the need for state GF/GP revenue within Medicaid.

Impact on Michigan				
Fiscal Year	Rate Cap	State Retainer Loss	Reduced Hosp Payments	State Funding to HH
FY2029	5.0%	\$21M	\$221M	\$66M
FY2030	4.5%	\$63M	\$672M	\$202M
FY2031	4.0%	\$112M	\$1.16B	\$348M
FY2032	3.5%	\$165M	\$1.72B	\$515M

Source: Michigan Department of Health and Human Services, *Executive Directive 2025-3 Report: FY30 and FY32* extrapolated from report data.

# SNAP: Increase in state cost sharing

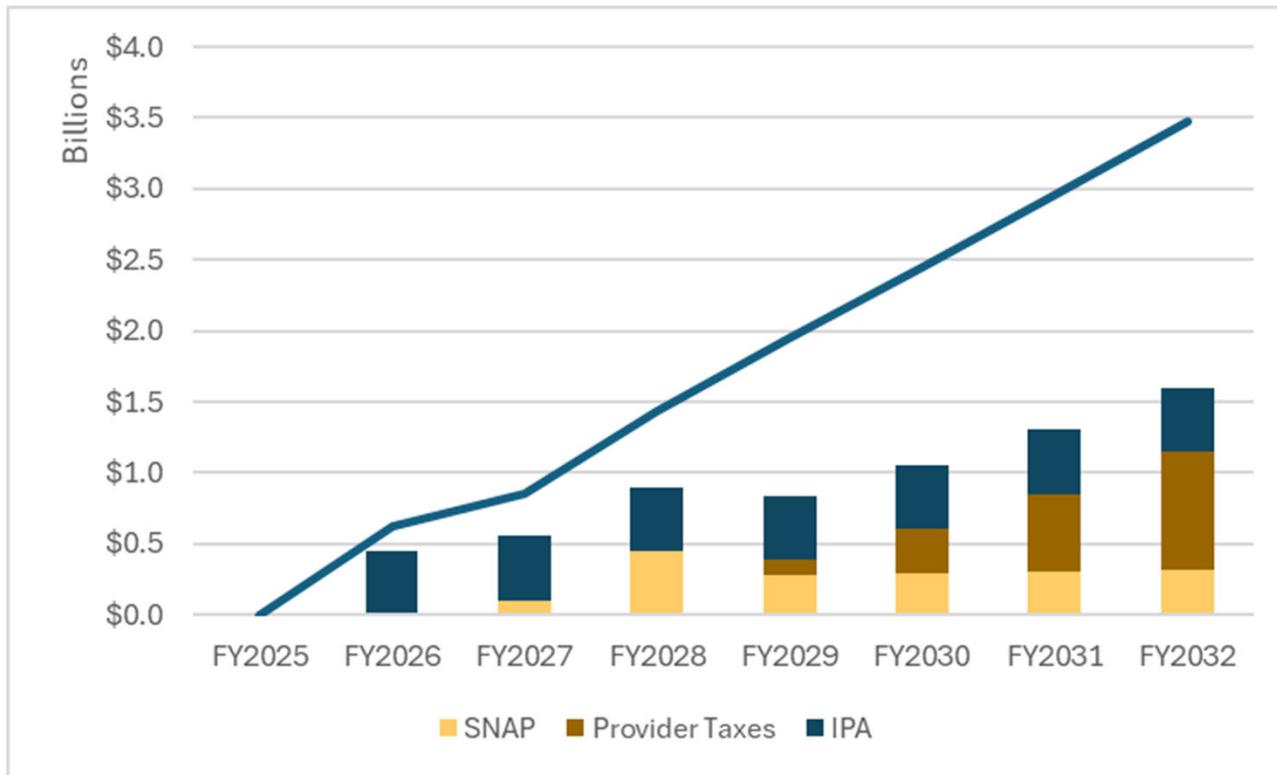
- OBBBA will impose new cost-sharing requirements for states related to the Supplemental Nutrition Assistance Program (SNAP)
- SNAP Benefits: The federal government currently pays for 100% of SNAP benefits. Beginning in FY2028, states may have to share in these costs, with the share based on a state's error rate from three years prior

Error rate	State SNAP Benefit Share	Cost to MI
Less than 6%	0%	\$0
6% to 8%	5%	\$155M
8% to 10%	10%	\$310M
10% or more	15%	\$465M

- SNAP Admin: Currently shared 50-50 between federal government and states. Beginning in FY2027, states will be required to pay for 75% of admin costs; for Michigan, that means roughly \$100M in added costs

# A Look at Future Budgets

## Projected GF/GP Revenue Growth and OBBBA Impacts



By Fiscal Year 2032, OBBBA's safety net program adjustments would eat up roughly 46% of Michigan's GF/GP revenue growth.

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