



Michigan League FOR Human Services

October 2009

Tax will improve Medicaid payments to doctors; bring in \$822 million in new federal dollars

The Michigan House passed three revenue-producing bills on Tuesday in an effort to restore pending budget cuts to revenue sharing, Medicaid and Promise Grants.

House Bill 5386 creates a physician provider tax, also known as Medicaid Quality Assurance Assessment Program (QAAP), designed to provide revenues to the state that can be used to match federal health care dollars and preserve and enhance critical health care services in Michigan. The tax approved by the House includes a 3 percent assessment on gross physician revenue.

The tax is expected to provide about \$300 million in new revenue. Those funds would be leveraged to generate \$822 million in new federal revenue. For every dollar collected in FY2010, Michigan can draw down \$2.74 in federal funds and provide \$3.74 in health care services.

Physician rates paid under Medicaid will be increased during FY2010 to Medicare rates, providing an estimated 76 percent increase over current rates, and a net benefit of \$700 million to physicians. Nearly all physicians, except those who do not accept Medicaid patients or who have extremely small Medicaid caseloads, will benefit from this tax.

The increased rates may help to stabilize those physician practices that are currently suffering from both low Medicaid reimbursement rates and a significant increase in patients forgoing treatment due to the loss of employment/employer sponsored insurance, leaving them uninsured or unable to afford their copayments.

Hospitals and nursing homes have participated in the Quality Assurance Assessment Program for a number of years, and have, on several occasions, voluntarily requested increases in their taxes to avoid Medicaid payment rate reductions. Most recently, hospitals and nursing homes proposed increases in their taxes to avoid the 4 percent rate reduction included in the Governor's Executive Order also increasing federal funds to the state.

In addition, two other bills were approved. House Bill 5352 freezes the personal income tax exemption at the 2008 level and saves \$55 million. House Bill 5384 cuts certain Michigan Business Tax credits by 15 percent, saving \$116 million. The specific tax credits that will be cut are not outlined in the bill.

All of these bills are now pending before the Senate.

1115 SOUTH PENNSYLVANIA AVENUE • SUITE 202 • LANSING, MICHIGAN 48912

517.487.5436/PHONE • 517.371.4546/FAX • WWW.MILHS.ORG

A UNITED WAY AGENCY