



State of Healthcare: Policy Considerations to Constrain Commercial Prices

Michigan | Executive Summary

EXECUTIVE SUMMARY

Introduction

In Michigan as elsewhere, skyrocketing healthcare spending compels state leaders to consider policy interventions to constrain prices. Each state is unique in terms of its health care market and regulatory structures, and policy solutions should be adapted to local economic, geographic, and sociopolitical factors. The state of healthcare in Michigan is strong: commercial healthcare prices are the fourth-lowest in the nation¹ and only 6% of Michiganders are uninsured.² However, the average individual premium has risen to \$7,300 and two companies together provide 80% of private coverage.³ Michigan's health policy landscape is active, with a prescription drug affordability board expected to pass the legislature soon.⁴ While this may provide some relief, further policy intervention is necessary to control rising healthcare prices. The purpose of this interview research is to better understand the overall Michigan environment for policy action on health care prices and which specific policies are viable options in the state.

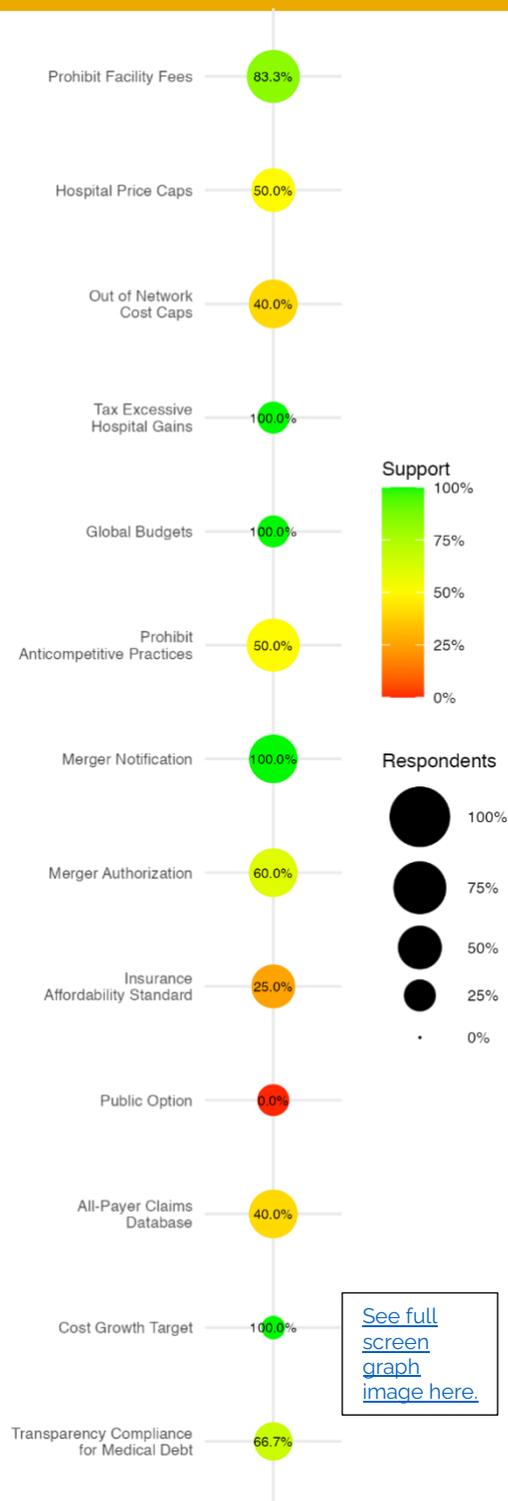
This report summarizes participants' attitudes and perceptions and recommends three potential policy solutions.

Method

CPR conducted interviews with eight stakeholders in Michigan representing a broad sample of the healthcare continuum, including healthcare purchasers, physicians, health plans, and experts familiar with the industry. Participants discussed their perceptions regarding rising healthcare prices, the health policy context in Michigan, and their support for specific price-constraining policies. In addition to evaluating their support for, opposition or neutrality to policies, we conducted a thematic analysis organizing participant attitudes and perceptions into common themes.⁵

Results

Participants almost unanimously recognized the burden high prices place on healthcare purchasers and on patients in Michigan but disagreed on the best methods to alleviate this pressure. (See Figure)⁶ However, some policy alternatives proved more popular than others. The following themes reflect common, but not unanimous, sentiments among participants.



¹ Whaley, C.M., Briscoe, B., Kerber, R., O'Neill, B., & Kofner, A. (2022). Prices Paid to Hospitals by Private Health Plans: Findings from Round 4 of an Employer-Led Transparency Initiative. *RAND*. https://www.rand.org/pubs/research_reports/RR1144-1.html

² United States Census Bureau. (2024). <https://data.census.gov/>

³ KFF. (2024). State Health Facts. <https://www.kff.org/statedata/>

⁴ Michigan Senate Democrats. (2023). Senate Passes Prescription Drug Affordability Board Legislation. <https://senatedems.com/mcdonaldrivet/2023/10/04/drug-affordability-board-legislation/>

⁵ Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3, 77–101. [10.1191/1478088706qp0630a](https://doi.org/10.1191/1478088706qp0630a)

⁶ Green indicates generally supported policies while red reflects unpopular proposals. Larger and more opaque bubbles indicate a larger number of participants (as a percentage of all participants in that column) were asked about the policy.

Everyone feels the burden of healthcare costs and most have an appetite for policy changes

Almost unanimously, across all stakeholders, participants indicated rising healthcare costs pose a burden to their organizations, their patients, and/or to the residents of Michigan.

Participants believe drugs, hospitals, public insurance, and rising wages are driving high costs

Participants held diverse explanations for rising healthcare prices. In particular, they attributed increases to rising pharmaceutical costs, to hospital prices, and to pressure from low reimbursement rates among by public programs.

Hospitals and health plans hold substantial political power

Participants made frequent reference to the political power of the hospital and health plan industries. Both defend their financial interests through policy, but health plans are perceived as allies with purchasers on some common-sense reforms.

Stakeholders fear limiting their healthcare choices

When considering healthcare reforms, participants frequently questioned the impact of new policies on their ability to choose between networks, discriminate among healthcare of different quality, and design cost-sharing structures which fit their needs.

Most stakeholders acknowledge having limited familiarity with specific healthcare policy proposals

Health plans and providers demonstrated greater general knowledge of state policy interventions than employers. This is not surprising, given that health policy is not a full-time focus for employers as it is for health plan and provider advocates.

Participants paint a complex portrait of consolidation among plans and providers in Michigan

In Michigan, participants agree that patients are harmed by consolidation across the market but disagree on exactly who the blame and what to do about it. Providers largely implicate the leading health plans, while plans and purchasers suggest hospital acquisitions are increasing healthcare prices.

Recommendations

Based on the quantitative and qualitative analysis of the interviews, the following policies received the most support among Michigan stakeholders. These policies closely reflect the CPR policy menu "[Shore Up Market Against Consolidation and Rising Prices](#)." While Michigan's policy landscape does not map perfectly to this menu, participants proved receptive to some of the core policies. Based on the interviews, the three policies that are the most promising in Michigan are:

1. Prohibit anti-tiering and anti-steering clauses in network contracts
2. Prohibit facility fees for outpatient services
3. Require authorization for healthcare mergers

Download the full Michigan report [HERE](#).

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