



MEMORANDUM

FROM: Health Care Association of Michigan
DATE: June 2025
SUBJECT: OBBBA Impact on Michigan's Skilled Nursing Facilities

As Congress and the administration continue their efforts to identify significant savings in the federal budget, two recent proposals – one from the US House of Representatives and one from the US Senate Finance Committee – would have a significant impact on the funding that Michigan's skilled nursing facility residents receive through the Medicaid program. There are several areas in the US House Reconciliation Bill and the Senate Finance Committee proposal that are of critical importance to the skilled nursing profession.

House of Representatives Reconciliation Bill

Freeze on current Provider Taxes and a requirement to restructure non-uniform provider tax programs

The House Reconciliation bill includes a requirement that any Medicaid provider tax program is "generally redistributive." The bill appears to seek greater uniformity in Medicaid provider tax rates. The proposed change to the definition of "generally redistributive" will invalidate provider tax tier systems that result in variances in rates among providers, including the program that has been in place in Michigan for several decades.

The current Michigan skilled nursing provider tax allows for a lower tax amount for those facilities which have fewer than 40 beds - the majority of which are located in underserved and often rural communities - which conflicts with the new proposed provider tax requirements. The House Reconciliation bill allows for a transition period of up to 3 years for those provider tax programs that are out of compliance, subject to the discretion of the HHS Secretary. A transition period is necessary to ensure Michigan's provider tax program can continue to provide essential funding while conforming to the new requirements.

Changing Medicaid retroactive eligibility from 90 days to 30 days

Current law requires states to provide Medicaid coverage for qualified medical expenses incurred for up to 90 days prior to the date of application for Medicaid coverage. The House reconciliation bill reduces this retroactive eligibility to 30 days. This change could put nursing facilities at risk of absorbing costs beyond 30 days if the often complex Medicaid application process is delayed due to a patient's inability to produce certain documents, data or other requirements.

When applying for Medicaid, the state requires proof of your income and assets. If you have a spouse, you will need proof of his or her income and assets as well. If you are under age 65, you may need proof of your disability. You will need proof that you are a U.S. citizen. The documents needed include, but are not limited to:

- Bank statements, including joint accounts
- Pension payment information
- Social Security benefit information
- Real estate value (including home)
- Recent medical bills
- Proof of more than one car, if applicable
- Statements on stocks, bonds, and mutual funds, if applicable
- Land contracts or mortgages on real estate sold, if applicable
- Value of life insurance policies
- Information on prepaid funeral arrangements

Most residents or family members do not have these documents readily available. It will often take more than just a month to produce all of the required documentation.

Senate Finance Committee Proposal

A phased reduction in provider taxes for expansion states, and a requirement to change non uniform provider tax programs

The Senate Finance committee proposed a reduction in provider tax in expansion states, such as Michigan, but exempted skilled nursing provider tax programs that seek no changes after May 1, 2025. While this exemption is positive for the skilled nursing industry, there is concern that the changes needed to meet requirements around non-uniform provider tax programs may put Michigan's skilled nursing provider tax exemption in jeopardy.

If not exempted, the Senate Committee proposal ultimately reduces provider taxes down to a maximum of 3.5% of industry revenue, a potential cut to Michigan skilled nursing providers of \$120 million in Medicaid funding per year. This will lead to closures and greatly reduce access to care for Michigan's seniors.

Changing Medicaid retroactive eligibility from 90 days to 60 days

The Senate Finance Committee proposal requires a change from 90 days of retroactive eligibility down to 60 days of retroactive eligibility, an improvement over the House Reconciliation bill.

Ask:

Provider Taxes

HCAM asks for support in exempting skilled nursing facilities from any reductions in provider tax thresholds. Any changes that Michigan needs to make to meet uniformity requirements should not invalidate this exemption.

Additionally, any provider tax transition periods should be allowed over a minimum of 3 years, and should not be at the HHS Secretary's discretion.

Medicaid retroactive eligibility

HCAM asks for support of the Senate Finance Committee approach on this issue, allowing for 60 days of retroactive eligibility rather than the 30 days offered in the House Reconciliation Bill.