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Why is Healthcare Unaffordable for So Many Michiganders?

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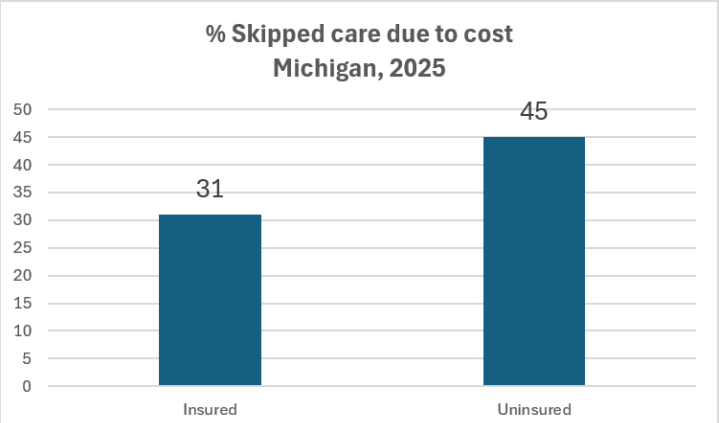
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Introduction

Michigan has made major gains in health insurance coverage over the past two decades,[i] yet affordability remains a significant barrier to care for many people. A 2025 survey showed that nearly one-third of insured Michiganders reported skipping needed healthcare because of cost. An even higher proportion (45%) of those who were uninsured skipped needed care in the past year.[ii] As premiums, deductibles, and out-of-pocket spending continue to rise, many residents find that having insurance does not necessarily mean they can afford the healthcare they need.

Figure 1.

Percent of Michiganders that skip care due to cost



Source: Center for Health and Research Transformation, Cover Michigan data, 2025

This brief examines the factors that contribute to healthcare affordability challenges in Michigan, including the cost of insurance coverage, patient cost sharing, and broader drivers of healthcare spending. It also explores how rising costs affect access to care, insurance coverage, and the stability of healthcare and insurance systems, with particular attention to populations most vulnerable to affordability challenges.

Rising healthcare costs and the affordability gap

Why is healthcare so unaffordable for so many Michiganders today? Historically, the annual increase in the cost of healthcare has outpaced wage growth.[iii] This trend has accelerated in recent years, challenging individuals' abilities to pay for health insurance premiums and cost sharing obligations. The factors that contribute to rising healthcare costs are complex and include rising demand for services, greater use of specialized services, and rising prices for everything from supplies to staffing. All these factors push up overall healthcare costs, which cause insurance premiums and patient cost sharing to rise. The result is that many cannot afford insurance or cannot afford to use the insurance they have to get the care they need.

The consequences of high healthcare costs are experienced most acutely by individuals that report being in poor health. These are often people with multiple and chronic conditions and/or mental health conditions that require regular treatment. Many are unable to pay for the services

and prescription drugs necessary to manage their health. For these Michiganders, the options are either skip care or take on medical debt.

Who defines what is affordable?

There is no one universally accepted definition of "affordable" healthcare. Some define affordability based on the percent of income spent on healthcare coverage. Others consider the ability to access needed services, the amount of unmet need, or whether healthcare spending growth outpaces growth in income and the trade-offs individuals must make to afford housing, food, transportation or other needs.[iv]

Affordability of insurance coverage

Employer-sponsored insurance

Most people in the US (about 63% of adults under age 65 in 2024) get their healthcare coverage through employer-sponsored coverage.[v] Typically, employers and employees each pay a portion of the premiums. Employees usually have some additional cost sharing responsibilities beyond premium contributions such as copays, coinsurance, or annual deductibles.

In 2026, 88% of those with employer-sponsored insurance had an annual deductible. Some employers also contribute to health savings accounts to help cover cost sharing requirements for employees with high deductibles. Nearly all individuals with employer-sponsored plans have an out-of-pocket maximum for in-network services, but those limits vary widely.[iii]

Average Employee Cost Sharing In 2026

Annual deductibles: $2,624 for those working for small employers and $1,772 for those working for large employers

Copays: $27 for primary care visits and $46 for specialty care visits

Coinsurance rates: 20%

Source: Claxton, Rae and Winger, et al. KFF "Employer Health Benefits Annual Survey," 2026

There are some national-level policies and standards meant to ensure certain aspects of affordability for employer-sponsored health insurance coverage. Federal tax policy acts to reduce the cost of employer-sponsored insurance by allowing employees to pay their share of premiums with pre-tax dollars and excluding employer premium contributions from taxable income. The Internal Revenue Service requires large employers to meet both a coverage test (insurance must cover 60% of total allowed costs) and a price test (an employee's share cannot exceed 9.96% of their income, based on either a W-2, the employee pay rate or the federal poverty level) as established in the Affordable Care Act (ACA). If premiums exceed this amount, the employee may qualify for subsidies on the HealthCare.gov Marketplace. The ACA also established uniform out-of-pocket maximums (for non-grandfathered plans) for co-pays and deductibles to cap the amount that individuals with high

healthcare costs have to pay. In 2026, the annual out-of-pocket maximum for an individual was $10,600.[vi]

Marketplace insurance

Individuals who do not have employer-sponsored insurance, Medicaid, or Medicare coverage can purchase health insurance through the Marketplace. Many qualify for a premium subsidy and cost-sharing reductions when they purchase a plan through the Marketplace, depending on their income. From 2020 to 2025, the federal government supported enhanced premium subsidies to help many more people afford coverage during the pandemic and beyond, capping premium payments at 0-8.5% of income.[vii]

The enhanced subsidies ended December 31, 2025, causing many people to drop Marketplace coverage or purchase plans with less generous coverage/higher cost sharing in 2026. Annual deductibles for 2026 increased by approximately $1,000 and average premiums increased nearly 70% over the year prior. For some older individuals with incomes above 400% of the federal poverty level who no longer qualify for a premium subsidy, annual premiums increased by more than $10,000 for 2026. In February 2026, Marketplace enrollment fell by 27%, leaving approximately 130,000 fewer Michiganders enrolled in Marketplace coverage than at the same time in 2025.[vii,viii]

Why Coverage Losses Matter

Health insurance relies on broad participation to spread risk and keep costs manageable. When healthier individuals drop coverage, the remaining insurance pool becomes smaller, sicker, and more expensive to insure. Those higher costs place upward pressure on insurance premiums, creating additional affordability challenges.

Regulating the cost of health insurance

In general, states regulate commercial insurance plans. In Michigan, insurers submit proposed annual rate hikes for individual and small group (1-50 employees) commercial insurance to the Department of Insurance and Financial Services (DIFS) for approval. Based on past claims experience, cost trends, state laws, Affordable Care Act rules, required minimum benefit-to-premium ratios and loss ratios (the proportion of premiums spent on services versus administrative costs/profits), DIFs approves or denies rate hikes. Commercial insurance rates must be “reasonable in relation to the benefits provided” and Health Maintenance Organization (HMO) rates must be “fair, sound and reasonable in relation to services provided.” A public comment period is also included in the rate approval process. However, approving an increase over the previous year’s premium price is not the same as ensuring that a premium is affordable for individuals in the state. DIFs recently released the approved premium rate increases for both the Individual (14.4%) and Small Group (9.6%) markets in Michigan for 2027.[ix]

Large employers (more than 50 employees) and self-insured employers are not required to go through annual state rate reviews. They are instead regulated at the federal level, and this federal regulation preempts state health insurance laws. This regulation is based in the Employee Retirement Income Security Act (ERISA), passed in 1974 to create a uniform federal framework for regulating private-sector employee benefit plans. This was done mainly because many large employers operate in multiple states, making it difficult for them to comply with state health insurance requirements in all states. In Michigan, just over 65% of employees with private sector insurance were enrolled in self-insured plans regulated by ERISA in 2025.[x]

What factors drive rising healthcare costs?

Growth in healthcare spending

Many economic factors—rising prices for medical care, growth in the use of services, and a higher proportion of high intensity services—all contribute to rising healthcare costs to varying degrees. The prevailing fee-for-service provider payment structure also continues to incentivize providers to deliver more services, increasing utilization. Two important factors drive healthcare spending increases: higher prices and greater utilization of services/use of more complex services. While both played major roles, an increase in the use of specialty care (e.g., specialist visits, specialized drugs, use of high-tech equipment) has been the bigger driver since 2024. The price and utilization drivers are shaped by broader trends, including an aging population and increasing rates of chronic disease, which result in higher demand for healthcare services overall and specialty services in particular.[xi]

As healthcare prices and utilization increase, commercial insurance premiums go up, requiring employers, employees and private purchasers to spend more for their insurance coverage. This also means higher per person spending in Medicare and in state Medicaid programs, requiring more public funding. Rising healthcare costs are typically financed through increased taxes and/or debt, and through higher employee cost sharing (premiums) and/or lower wages.

In 2024, the growth in spending for healthcare in the US rose faster than overall economic growth (7.2% vs. 5.3%) and faster than general inflation. Nationally, per person spending for healthcare in 2024 reached $15,474 per year. Spending for healthcare also made up a larger proportion of the nation's gross domestic product (GDP) in 2024 (18%) than it had in the previous two years (17.6% and 17.7% respectively) and is expected to make up 20.6% of GDP by 2034.[xii,xi] [1]

[1] In 2024, enhanced premium tax credits for purchasing Marketplace coverage were still in effect, and there was a temporary special enrollment period for individuals who lost coverage due to the Medicaid "unwinding" period that started in 2023. Both of these policies substantially increased federal spending for healthcare in 2024.

Historically, annual growth in spending for healthcare has been somewhat lower in Michigan than nationally (5.7% vs. 4.9% from 1991-2020), although absolute rates of growth have still been substantial. In addition, the cost of healthcare in Michigan has been at or slightly below national averages for commercial insurance.[xiii] Michigan's consolidated insurance market has contributed to the ability of insurers to negotiate favorable prices with providers in the state which has helped to lower prices.[xiv] Michigan Medicaid spending per beneficiary has also historically been lower than the US average.[xv] Table 1 compares spending for various types of Medicaid beneficiaries in Michigan and in the US.

Table 1.

Annual Medicaid Spending by Beneficiary Type, US and Michigan, 2023[xv]

	Full beneficiary	Seniors	Disabled	Adults	Children	Expansion adults
US average	$7,909	$20,194	$20,950	$5,122	$3,321	$6,507
Michigan	$5,899	$13,976	$16,902	$4,486	$2,272	$5,010

Source: KFF, "Measures That Drive State Medicaid per Enrollee"

Despite relatively lower prices and spending, many Michigan residents continue to report difficulty affording healthcare. Affordability is influenced not only by healthcare prices, but also by household income, the ways that the cost of care is divided through premiums and cost sharing requirements, and cumulative impacts on the overall stability of the insurance pool.

Michiganders with chronic conditions are most vulnerable when healthcare costs rise

Despite the existence of basic affordability standards and minimum coverage requirements, healthcare costs often exceed what individuals and families can reasonably afford. As healthcare costs rise, many people delay or forgo needed care, experience worsening health outcomes, struggle to pay medical bills, and accumulate significant medical debt that can lead to financial hardship or bankruptcy. Medical debt is the largest source of debt in collection in the US, surpassing credit cards, utilities and phone bills.[xvi]

Although the majority of Michiganders are insured, (in 2024 the uninsured rate in Michigan was just 5.2%), many of those with insurance coverage still struggle to get the care they need. The 2025 Cover Michigan survey showed that among those who were insured in the state, nearly

one-third (31%) skipped necessary care primarily due to cost.[ii] This disconnect highlights an important distinction between insurance coverage and affordability. Even when individuals are insured, a combination of rising premiums, deductibles, and other out-of-pocket costs can make needed care unaffordable.

Multiple chronic conditions and affordability

Individuals with chronic conditions are hardest hit by affordability issues. A 2026 KFF poll found that more than a third (36%) of adults ages 18-64 in the US with multiple chronic conditions struggled to pay or were unable to pay their medical bills and often skipped or delayed needed care in the past year. One-quarter (25%) said they did not take their medication as prescribed due to cost.[xvii]

In Michigan, approximately 10.4% of the state's adult population (ages 18-64) lives with three or more chronic conditions. Table 2 and Figure 2 indicate the geographic distribution of those living with multiple chronic conditions by prosperity region.

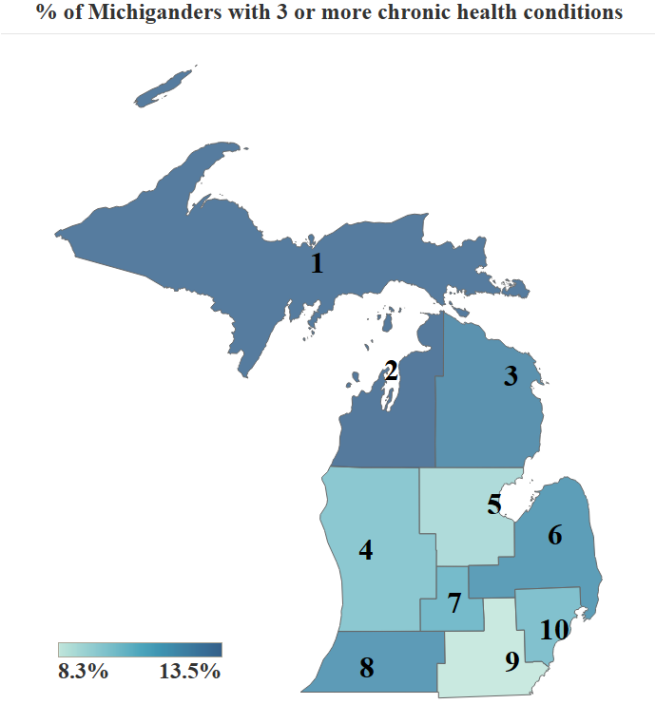
Table 2.

% of Michigan adults (18-64) with 3+ chronic conditions, by prosperity region

Prosperity region	% of population (18-64) with 3+ chronic conditions
1. Upper Peninsula	13.4
2. Northwest	13.5
3. Northeast	12.4
4. West	10.0
5. East Central	9.0
6. East	11.9
7. South Central	10.6
8. Southwest	12.0
9. Southeast	8.3
10. Detroit Metro	10.3
City of Detroit	9.8
Entire State	10.4

Figure 2.

% Michigan adults (18-64) with multiple chronic conditions



Source: 2025 Michigan Behavioral Risk Factor Surveillance System (MiBRFSS) data

Well over 13% of those in the Upper Peninsula and Northwest prosperity regions are living with three or more chronic conditions and therefore may be among those who struggle the most to pay for their medical care and suffer the impacts. [xviii]

Poor Mental Health and Affordability

The same 2026 national KFF poll found that 42% of individuals with mental health conditions skipped or postponed getting the care they needed because of costs. In addition, about one-third (32%) of those with a mental health condition skipped or delayed care and reported that their health got worse as a result. One-quarter (25%) of those with a mental health condition did not take medication as prescribed due to cost.[xvii]

In Michigan, over 20% of the state's population lived with poor mental health (defined as 14+ poor mental health days in a month) in 2025. Table 3 and Figure 2 show the geographic distribution of those Michiganders living with poor mental health. In the Northeast prosperity region, over 28% of the population lives with poor mental health and therefore may have some of the greatest difficulty accessing and affording the care they need.

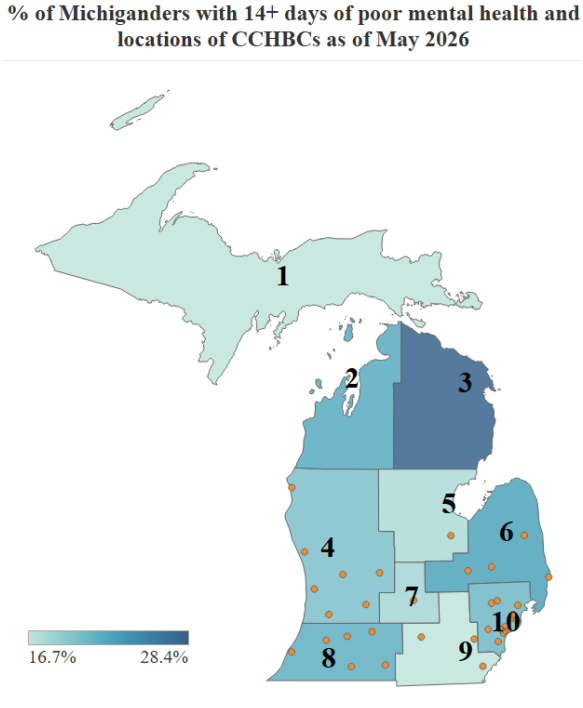
Table 3.

% Michigan adults (18-64) with poor mental health, by prosperity region, 2025

Prosperity region	% of population adults (18-64) with poor mental health
1. Upper Peninsula	16.7
2. Northwest	22.2
3. Northeast	28.4
4. West	20.3
5. East Central	17.7
6. East	22.9
7. South Central	18.1
8. Southwest	21.8
9. Southeast	17.5
10. Detroit Metro	21.1
City of Detroit	20.0
Entire State	20.7

Figure 3.

% Michiganders adults (18-64) with poor mental health % Michigan adults



Source: 2025 Michigan Behavioral Risk Factor Surveillance System (MiBRFSS) data

Figure 2 also shows the locations of the Certified Community Behavioral Health Clinics (CCBHCs) in the state. These clinics are designed to make mental health and substance use disorder services more available and accessible through expanded service hours, telehealth services, assessments and crisis intervention services. They serve all, regardless of diagnoses, insurance status, ability to pay or place of residence. The CCBHCs in Michigan are located in areas of higher population density in the lower half of the lower peninsula. There is a distinct lack of CCBHCs in the upper half of the lower peninsula and the upper peninsula, areas where the highest proportions of the population suffer with poor mental health.

Considerations for policymakers

Michigan is facing declining insurance coverage as well as growing affordability barriers, even for those who remain insured. Policymakers will be called upon to identify solutions, and doing this will require an understanding of the underlying drivers of healthcare spending and affordability. In short, addressing affordability issues will require attention to both policies and market dynamics that drive the cost of insurance and the cost of healthcare. This brief highlights the overlapping factors that policymakers should consider when trying to address healthcare affordability.

Having health coverage does not ensure affordability. While Michigan's uninsured rate remains relatively low, many insured residents continue to delay or forgo needed care because of cost. Policymakers should evaluate affordability not only by measuring insurance coverage rates, but also by considering other indicators such as reports of unmet healthcare needs, medical debt, prescription adherence, and out-of-pocket spending burdens.

Improving affordability requires attention to the underlying drivers of healthcare spending. Rising healthcare costs are driven by a combination of higher prices, increased utilization, growing use of specialty services, an aging population, and increasing rates of chronic disease. Efforts focused solely on premiums and cost sharing may provide temporary relief but are unlikely to produce sustainable improvements in affordability without addressing broader healthcare spending trends

Insurance market stability depends on maintaining broad participation. Rising costs also pose challenges for the stability of insurance markets which rely on balanced risk pools to remain financially viable (i.e., healthy people must enroll to offset the costs of sicker enrollees). As premiums increase, healthier individuals are among the first to drop coverage or choose less comprehensive plans, while those with greater healthcare needs remain enrolled.[xix] Over time, these shifts place additional upward pressure on premiums and reduce affordability for everyone.

Affordability challenges are concentrated among populations with the greatest healthcare needs. Individuals with multiple chronic conditions and those experiencing behavioral health

challenges often need the most healthcare services and are also often the most expensive to cover, making them particularly vulnerable to rising costs. Policies that improve affordability for these populations may yield disproportionate improvements in health outcomes, financial security, and access to care.

Geographic variation should inform policy responses. Some Michigan regions experience higher rates of chronic disease and poor mental health than others. Statewide affordability strategies should account for the variation in access to services across the state as interventions in communities where healthcare needs and affordability challenges are greatest can have disproportionate impacts across the state.

Conclusion

Michigan has made substantial progress in reducing the number of residents without health insurance, but coverage alone is no longer an adequate measure of healthcare affordability. As healthcare spending continues to grow, rising premiums, deductibles, and other out-of-pocket costs are making it increasingly difficult for many Michiganders to obtain and use the care they need.

Improving healthcare affordability will require more than expanding insurance coverage alone. Policymakers will need to consider both the factors that drive healthcare spending and the ways in which those costs are distributed across households, employers, insurers, and public programs. Efforts that reduce underlying healthcare costs, preserve access to affordable coverage, and protect those with the greatest healthcare needs may offer the greatest opportunity to improve affordability for Michiganders.

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