

**Summary: House Subcommittee Budget Recommendation
COMMUNITY HEALTH
FY 2006-07**

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	FY 2005-06 YTD	FY 2006-07 Executive	FY 2006-07 Senate	FY 2006-07 House	FY 2006-07 Enacted	Difference: House from FY 2005-06 YTD	
						Amount	%
IDG/IDT	\$34,090,000	\$37,286,100	\$37,286,100	\$37,286,100		3,196,100	9.4
Federal	5,533,597,400	6,103,178,000	6,088,988,300	5,825,001,100		291,403,700	5.3
Local	231,524,400	241,177,400	241,177,400	241,177,400		9,653,000	4.2
Private	59,073,800	61,326,900	61,326,900	63,826,900		4,753,100	8.0
Restricted	1,516,009,000	1,817,312,800	1,817,312,800	1,812,976,900		296,967,900	19.6
GF/GP	2,951,899,400	3,001,975,800	2,947,975,800	2,926,783,300		(25,116,100)	(0.9)
Gross	\$10,326,194,000	\$11,262,257,000	\$11,194,067,300	\$10,907,051,700		\$580,857,700	5.6
FTEs	4,674.6	4,671.1	4,694.1	4,658.1		(16.5)	(0.4)

Major Budget Changes from FY 2005-06 YTD Appropriations

1. Economic Adjustments

Includes \$29.8 million gross (\$13.4 million GF/GP) to fund 3.5% salary and wage increases for non-bargaining and unionized employees, and economic adjustments for defined benefit and contribution retirement, insurance, building occupancy, food, worker's compensation, and fuel and utility costs for FY 2006-07. House proposal would lower the Executive recommended worker's compensation adjustment by \$1.0 million gross (all GF/GP).

	FY 2005-06 YTD	House Change
Gross	N/A	\$29,775,500
IDG	N/A	2,754,300
Federal	N/A	4,626,700
Restricted	N/A	1,772,700
Local	N/A	7,226,800
Private	N/A	5,700
GF/GP	N/A	\$13,389,300

2. Actuarially Sound Capitation Rates

Increases capitation payment rates for Health Plan Services by 5.0% and Medicaid Mental Health and Substance Abuse Services by 2.0% (\$88.0 million gross, \$38.4 million GF/GP) to ensure rates are actuarially sound in FY 2006-07. \$100 point of difference has been established for the Executive technical correction.

Gross	\$3,546,870,800	\$87,951,700
Federal	2,013,657,500	49,587,100
Restricted	395,317,800	0
Local	29,737,100	0
GF/GP	\$1,108,158,400	\$38,364,600

3. Community Mental Health Direct Care Worker Increase

Adds \$10.4 million gross (\$4.5 million GF/GP) to finance a 2% wage increase for direct care workers in community mental health settings.

Gross	N/A	\$10,400,000
Federal	N/A	5,863,500
GF/GP	N/A	\$4,536,500

4. Detroit-Wayne County CMHSP

Does not include Senate proposed Detroit-Wayne County CMHSP non-Medicaid funding reduction of \$15.0 million contingent upon the CMHSP becoming an authority by October 1, 2006. House proposal includes boilerplate that would lower funding by \$50.0 million if the CMHSP does not become an authority by September 1, 2006. (Sec. 459)

Gross	\$312,598,300	\$0
GF/GP	\$312,598,300	\$0

5. Salvation Army Harbor Light Program

Adds \$400,000 gross (all GF/GP) for the Salvation Army Harbor Light Program.

Gross	\$3,580,400	\$400,000
Federal	2,685,300	0
GF/GP	\$895,100	\$400,000

Major Budget Changes from FY 2005-06 YTD Appropriations

		FY 2005-06 YTD	House Change
6. Children's Waiver Home Care Program			
Reduces funding for Children's Waiver Home Care Program by \$2.0 million gross (\$872,400 GF/GP) to reflect current caseload.	Gross	\$19,549,800	(\$2,000,000)
	Federal	11,063,200	(1,127,600)
	GF/GP	\$8,486,600	(\$872,400)
7. Public Health Funding Increases			
Does not include Senate proposed GF/GP spending of \$100,000 to establish a Methamphetamine Cleanup Fund, \$100,000 to establish 211 Human Services Information Line, \$100,000 for Parkinson's Disease programming, \$100,000 for Huntington's Disease programming, \$75,000 to establish Medication Management Pilot, \$50,000 for Arthritis, and \$25,000 for a Diabetes Management Pilot Project. Includes \$100 GF/GP placeholder to establish a Methamphetamine Cleanup Fund.	Gross	\$0	\$100
	GF/GP	\$0	\$100
8. Move Surgeon General Funding to Infant Mortality			
Eliminates funding for the Surgeon General position and transfers the related funding of \$240,000 GF/GP within the budget for infant mortality project grants.	Gross	\$0	\$0
	GF/GP	\$0	\$0
9. Vital Records			
Increases Vital Records funding by \$300,000 to support the vital records program including expenses related to revised official document printing standards required for homeland security purposes.	Gross	\$7,458,800	\$300,000
	IDG-FIA	710,500	0
	Federal	2,017,900	0
	Restricted	4,730,400	0
	GF/GP	\$0	\$300,000
10. AIDS Drug Assistance Program			
Adds \$2.5 million of additional private funds revenue to the AIDS Drug Assistance Program for anticipated increase in total rebates from pharmaceutical manufacturers on AIDS and HIV medications.	Gross	\$31,502,000	\$2,500,000
	Federal	23,756,600	0
	Private	3,250,500	2,500,000
	Restricted	4,494,900	0
	GF/GP	\$0	\$0
11. Ages 0-3 Early Childhood Secondary Prevention			
Shifts all DCH funding for this program to the Department of Human Services budget to consolidate funding.	Gross	\$524,000	(\$524,000)
	GF/GP	\$524,000	(\$524,000)
12. Healthy Michigan Fund Adjustments			
Reallocates funding level recommended by the Executive, and increases by \$1.1 Gross to reflect federal Medicaid match on the \$1.1 million HMF increase for the Nurse Family Partnership Program. Other increases are made for diabetes and kidney program, lead poisoning prevention and WIC smoking reduction. Funding reductions are made to projects addressing health disparities, infant mortality, and physical fitness.	Gross	\$43,512,700	\$1,138,300
	Federal	0	1,100,000
	Restricted	43,512,700	38,300
	GF/GP	\$0	\$0
13. Michigan First Healthcare Plan			
Adds \$100 placeholder for anticipated federal funding that will be used to match existing Michigan funds to create the Michigan First Healthcare Plan, a plan to extend basic, low-cost health insurance coverage to 550,000 uninsured Michigan residents. State matching funds would be met by funds already spent in Michigan on health care for the uninsured. This plan will require a waiver from the federal government and if approved is anticipated to begin April 1, 2007. (Sec.1501, 1502 & 1503)	Gross	\$0	\$100
	Federal	0	100
	GF/GP	\$0	\$0
14. Medicaid Home Help Worker Minimum Wage Increase			
Adds \$15.9 million gross (\$6.95 million GF/GP) to increase the minimum hourly wage for Medicaid home help workers, but retains the current wage amount for services provided by relatives. (Sec.1691)	Gross	\$186,060,500	\$15,945,300
	Federal	103,617,100	8,990,000
	GF/GP	\$82,443,400	\$6,955,300

Major Budget Changes from FY 2005-06 YTD Appropriations

	<u>FY 2005-06 YTD</u>	<u>House Change</u>
15. Asset Lookback and Audit Savings	Gross	N/A (\$14,047,700)
Reduces funding by \$14.0 million gross (\$7.0 million GF/GP) representing additional savings from Medicaid asset lookback and audit activity related to changes in the Federal Deficit Reduction Act. Savings of \$7.0 million GF/GP are reduced by \$2.0 million GF/GP for additional staffing costs in both the Department of Human Services budget and the Medical Services Administration unit.	Federal	N/A (8,047,700)
	GF/GP	N/A (\$6,000,000)
16. Recovery of Pharmaceutical Overpayments	Gross	N/A (\$22,924,900)
Recognizes savings of \$22.9 million (\$10.0 million GF/GP) from Medicaid pharmaceutical overpayment recoveries as identified in a recent report from the State Auditor General.	Federal	N/A (12,924,900)
	GF/GP	N/A (\$10,000,000)
17. Durable Medical Equipment	Gross	N/A (\$7,000,000)
Institute a preferred provider list for durable medical equipment and recognize savings of \$7.0 million Gross (\$3.1 million GF/GP). (Sec.1735)	Federal	N/A (3,946,600)
	GF/GP	N/A (\$3,053,400)
18. Federal Changes in Asset Test for Medicaid Eligibility	Gross	N/A (\$11,462,400)
Includes savings of \$11.5 million (\$5.0 million GF/GP) due to tightening of the asset transfer rules for long term care eligibility. The federal Deficit Reduction Act included several provisions to reduce Medicaid costs at both the state and federal levels. (Sec.1759)	Federal	N/A (6,462,400)
	GF/GP	N/A (\$5,000,000)
19. Copayments and Premiums Expansion	Gross	N/A (\$5,900,000)
Recognizes savings of \$5.6 million gross (\$2.4 million GF/GP) through the increased use of copayments and premiums due to the expansion of cost-sharing in the federal Deficit Reduction Act. (Sec.1631 & Sec.1737)	Federal	N/A (3,326,400)
	GF/GP	N/A (\$2,573,600)
20. Medicare Part D "Clawback"	Gross	N/A (\$5,900,000)
Reduces estimated cost for Medicare part D eligible coverage based on updated expenditure data.	Federal	N/A (3,326,400)
	GF/GP	N/A (\$2,573,600)
21. Health Information Technology Initiative	Gross	N/A (\$5,000,000)
Authorizes \$5.0 million to finance health care information technology initiatives. (Sec.1760)	Federal	N/A (3,326,400)
	GF/GP	N/A (\$2,573,600)
22. Personal Care Supplement Increase	Gross	N/A (\$852,000)
Increases the Medicaid personal care supplement paid to adult foster care facilities and homes for the aged by \$10 per month. (Sec.1746)	Federal	N/A 480,400
	GF/GP	N/A \$371,600
23. Medicaid Optional Eligibility Changes	Gross	N/A (\$131,730,200)
Eliminates optional Medicaid eligibility for 19-20 year olds, except former foster care cases, and parents/caretaker relatives. (Sec.1646)	Federal	N/A (74,269,500)
	GF/GP	N/A (\$57,460,700)
24. Medicaid Physician Payment Rates	Gross	N/A \$41,558,900
Provides for a 5% increase in Medicaid physician payment rates. (Sec.1636)	Federal	N/A 23,430,900
	GF/GP	N/A \$18,128,000
25. Specialized Case Management Program	Gross	N/A (\$5,000,000)
Recognizes savings from implementation of a specialized case management program targeting the highest cost Medicaid patients. (Sec.1756)	Federal	N/A (2,819,000)
	GF/GP	N/A (\$2,181,000)
26. Graduate Medical Education	Gross	N/A \$6,800,000
Rejects the carve-in of graduate medical education (GME) payments to the Medicaid HMOs and partially restores prior reductions in GME.	Federal	N/A 3,833,800
	GF/GP	N/A \$2,966,200

Major Budget Changes from FY 2005-06 YTD Appropriations

		<u>FY 2005-06 YTD</u>	<u>House Change</u>
27. Non-Emergency Medical Transportation	Gross	N/A	(\$2,200,000)
Includes savings from implementation of a brokerage contract for Medicaid non-emergency medical transportation services. (Sec.1634)	Federal	N/A	(1,100,000)
	GF/GP	N/A	(\$1,100,000)
28. MI Child Premiums	Gross	N/A	(\$1,300,000)
Increases the monthly premium for the MIChild program from \$5 to \$10. (Sec.1673)	Federal	N/A	(903,100)
	GF/GP	N/A	(\$396,900)
29. Pharmacy Quality Improvement Program	Gross	N/A	(\$3,000,000)
Increases the savings associated with the Pharmacy Quality Improvement Program by \$3.0 million annually.	Federal	N/A	(1,691,400)
	GF/GP	N/A	(\$1,308,600)

Major Boilerplate Changes from FY 2005-06

Sec. 423. Funding for Substance Abuse Programs and Services – MODIFIED

Specifies that the Department establish a workgroup to examine and review the source and expenditure of funds for substance abuse programs and services. Also, requires the workgroup to develop and recommend cost-effective measures for the expenditure of funds and delivery of substance abuse programs and services.

Sec. 450. Audit and Reporting Requirements for CMHSPs – REPLACED

Mandates that the Department implement the recommendations of the workgroup on streamlining the audit and reporting requirements for CMHSPs or specialty prepaid health plans by October 1, 2006.

Sec. 460. Uniform Standards for Reporting of Administrative Costs by CMHSPs – REPLACED

Requires the Department to fully implement the uniform definitions, standards, and reporting of administrative costs by prepaid inpatient health plans (PIHPs), CMHSPs, and contracted organized provider systems that receive payment or reimbursements from PIHPs and CMHSPs by September 30, 2007.

Sec. 468. Incorporation of Coordinating Agencies into CMH Authorities – NEW

Requires the Department to recommend changes in its criteria for the incorporation of a city, county, or regional substance abuse coordinating agency into a local community mental health authority.

Sec. 469. Funding Distribution Model for Coordinating Agencies – NEW

Directs the Department to implement a funding distribution model for coordinating agencies based on findings by the former substance abuse block grant workgroup no later than October 31, 2006.

Sec. 470. Integration of Mental Health and Substance Abuse Services – NEW

Specifies that the Department establish written expectations, such as coordination and consolidation of administrative functions, for CMHSPs, PIHPs, coordinating agencies, and counties on the integration of mental health and substance abuse services.

Sec. 471. Administrative Costs for Coordinating Agencies – NEW

Limits administrative costs for coordinating agencies and the Salvation Army Harbor Light Program to a percentage of their total expenditures in FY 2004-05 or 9%, whichever is less.

Sec. 472. Retention of GF/GP by CMHSPs – NEW

Specifies that any GF/GP funds lapsed by CMHSPs are retained in the Community Health budget to improve mental health and substance abuse services.

Sec. 474. Guardianship for Recipients – NEW

Requires the Department to ensure that each contract with a CMHSP or PIHP requires the CMHSP or PIHP to provide each recipient and his/her family with information regarding the different types of guardianship.

Sec. 804. Hepatitis C Cooperative Program with Department of Corrections – NEW

Directs the Department to cooperate with Department of Corrections on data and information sharing regarding prisoners being released and Hepatitis C, related to implementation of the Michigan prisoner reentry initiative. Requires a report by April 1, 2007.

Major Boilerplate Changes from FY 2005-06

Sec. 1113. Out-of-Wedlock Pregnancies – NEW

Establishes that funded family planning and pregnancy prevention providers shall discourage sexual activity outside of marriage, and report certain data and expenditures to the Department for an annual report.

Sec. 1301. Crime Victim Assistance Services Grant Program – NEW

Establishes criteria for private nonprofit 501(c)(3) organizations for receipt of crime victim assistance services grants, exempting faith-based organizations and groups that provide medical care. Directs the Department regarding types of victims for which services may be supported by the grant funds.

Sec. 1684. Home and Community-Based Services (HCBS) Administrative Expenses – MODIFIED

Continues the FY 2005-06 requirement that the payment rate allocated for administrative expenses for HCBS waiver program be reduced by \$2.00 per person per day, and that savings realized by this action be reallocated to increase enrollment in waiver program. Requires report on the number of nursing home patients discharged who are subsequently enrolled in HCBS waiver program, and associated cost savings.

Sec. 1690. Establishment of A Long-Term Care Partnership Program – REPLACED

Deletes current law which requires the Department to establish an estate preservation program as per recommendations by Michigan Medicaid Long-Term Care Task Force. Replacement language requires the Department to establish and implement a long-term care partnership program to provide for financing of long-term care.

Sec. 1700. Actuarially Sound Capitation Rates – DELETED

Requires Department to consult with Michigan Association of Health Plans and develop a plan to assure that Medicaid payment rates to HMOs in FY 2005-06 meet federal requirements for actuarially sound rates; plan shall be submitted by May 30, 2006.

Sec. 1738. Medicaid Disproportionate Share (DSH) Cap Increase – NEW

Requires the Department to explore ways of increasing the federal cap for DSH payments. If successful in raising the cap, the Department should consider additional DSH funding for county health plans and funding for trauma centers.

Sec. 1741. Nursing Home Interim Payments – NEW

Requires the Department to continue to provide nursing homes the opportunity to receive interim payments upon their request and that that these payments are as similar to expected cost-settled payments as possible.

Sec. 1744. Nursing Home Lifting and Transferring Devices – NEW

Requires that for participation in the Medicaid program, nursing homes are to have the appropriate number of freestanding, electric, lifting and transferring.

Sec. 1748. Medicaid Long-Term Care Medication Management Pilot Project – NEW

Requires the Department to develop a Medicaid long-term care medication management pilot project for Medicaid patients in nursing home settings.

Sec. 1751. Establishment of DRGs Based on Fee-For-Service and Health Plan Costs – NEW

Requires the Department to provide a report by April 1, 2007, on establishing Medicaid diagnosis related group rates based on fee-for-service and health plan costs.

Sec. 1752. Sharing of Third Party Liability Information With Health Plans – NEW

Requires the Department to provide Medicaid health plans with any information that may assist the health plan in determining whether another party may be responsible for the payment of health care benefits.

Sec. 1758. Illegal Immigrants Who Qualify for Medicaid – NEW

Requires the Department to provide a report by April 1, 2007, on the number of illegal immigrants who qualify for Medicaid and the annual amount of expenditures on this population.

Sec. 1761. Hospital QAAP Distribution of Payments Exceeding Upper Payment Limit– NEW

Requires the Department to distribute Medicaid access to care initiative payments (MACI) that exceed hospitals upper payment limits, to hospitals that meet certain conditions, most likely rural hospitals.

