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COUNTY "MAINTENANCE OF EFFORT" RATES

House Bill 4695 (Substitute H-1*)
First Analysis (12-4-96)

Sponsor: Rep. Bill Bobier
Committee: Appropriations

THE APPARENT PROBLEM:

Under the Social Welfare Act, counties providing Medicaid-funded nursing home services in county-owned facilities must reimburse the state according to a county "maintenance of effort" rate determined on an annual basis for each patient day of Medicaid nursing home services. The current formula for determining the maintenance of effort rates was placed in the statute in 1984; the 1984 legislation included a "hold harmless" provision, capping the payment rates of counties that would have had their payments increase under the new formula. The "hold harmless" provision expired in 1989, and in 1990 the legislature reinstated it and extended its life through December 31, 1994. The provision was extended once again, until December 31, 1996, under the provisions of Public Act 277 of 1995. It is proposed that the "hold harmless" provision be extended yet again.

THE CONTENT OF THE BILL:

House Bill 4695 would amend the Social Welfare Act to extend the "hold harmless" provision for county maintenance of effort payments for Medicaid-funded nursing home services in county-owned medical care facilities. The provision would be extended for one year, through December 31, 1997.

MCL 400.109

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, county maintenance of effort payments are projected to total \$8.4 million in fiscal year 1996-97. Extending the current freeze on these rates for one more year would result in the loss of potential additional state revenues of about \$1.2 million; however, when the 1996-97 Department of Community Health budget was approved earlier this year, it assumed continuation of the current maintenance of effort rate freeze, so no additional funding would be required. Further, extension of the current freeze would save the same amount for local units of government that operate medical care facilities. About two thirds of the 36 counties with medical care facilities would be required

to increase their maintenance of effort payments if the freeze is not extended. (12-2-96)

ARGUMENTS:

For:

Despite efforts to rework the formula used in computing the maintenance of effort rates paid by counties for Medicaid patients in county-owned medical care facilities, no agreement has been reached as of yet. Another extension of the sunset date is necessary to avoid serious financial problems for some counties. If the sunset is not extended, it is expected that these additional costs could force the closure of some county-operated medical care facilities.

POSITIONS:

The Michigan Association of Counties supports the bill. (12-3-96)

Analyst: D. Martens

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.