



Senate Fiscal Agency  
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# BILL ANALYSIS



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FY 2002-03 Year-to-Date Gross Appropriation .....	\$9,278,149,412
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## Changes from FY 2002-03 Year-to-Date:

### Items included by the Senate and House

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|---|---------------|
| 1. <b>Medicaid Special Financing.</b> The Conference Committee concurred with the Executive's adjustments to Medicaid special financing.  | (203,897,900) |
| 2. <b>Annualization and Other Adjustments to Base Funding.</b> The Conference Committee concurred with the Executive's annualization of Executive Order and Budgetary Savings reductions and also concurred with non-GF/GP adjustments to correct line item authorizations. | (87,265,400)  |

### Conference Agreement on Items of Difference

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|--|---------------|
| 3. <b>Medicaid Match Rate.</b> The Federal Medicaid match rate was originally slated to increase from 55.42% to 55.89%, for a GF/GP savings of \$35,601,900. Recently-passed Federal legislation increases that rate to 58.84% for the first three quarters of FY 2003-04 for an additional \$168,400,000 GF/GP savings.   | 0             |
| 4. <b>Increases in Federal Funds.</b> The Conference Committee recognized significant increases in Federal grants, including over \$42 million to combat potential Bioterrorism in Michigan.   | 56,971,000    |
| 5. <b>Medicaid Adult Benefits Waiver.</b> The Conference Committee mostly concurred with the Executive's Medicaid Adult Benefits Waiver proposal, which would expand limited benefits to some indigent adults, limit benefits for some eligibles, and retain caretaker relative coverage. The Conference Committee retained podiatric, chiropractic, and hearing aid benefits.   | (224,012,700) |
| 6. <b>Medicaid Base, Caseload, and Utilization Adjustments and Quality Assurance Assessment Program (QAAP).</b> The Conference Committee concurred with the consensus base adjustment for the major Medicaid line items. The Conference Committee also included a \$257,417,600 Gross, \$0 GF/GP adjustment to reflect Gross funding needed to implement the QAAP programs for hospitals, nursing homes, and health maintenance organizations. | 698,953,900   |
| 7. <b>Mental Health Issues.</b> The Conference Committee included funding for a 1.6% increase in Medicaid mental health rates over final FY 2002-03 rates. Also recognized were funding changes from State facilities, including the closure of the Northville Psychiatric Hospital.   | 57,776,800    |
| 8. <b>Savings from Medicaid Changes.</b> The Conference Committee concurred with the Executive's proposals on Medicaid restructuring and pharmaceutical cost reduction.  | (139,485,200) |
| 9. <b>Detroit Medical Center (DMC).</b> The Conference Committee included funding for DMC.   | 50,000,000    |
| 10. <b>Economic Adjustments.</b> Limited economic adjustments were made.   | 115,900       |
| 11. <b>Tobacco Revenue.</b> The Conference Committee increased Tobacco support of the Medicaid base from \$30.8 million to \$58 million for a savings of \$27.2 million GF/GP.   | 0             |
| 12. <b>Other Changes.</b> The net effect of other changes is a decrease to the budget.   | (689,812)     |
| 13. <b>Comparison to Governor's Recommendation.</b> The Conference Committee report is \$22,406,500 below the Governor's level of GF/GP appropriations, and is above the Governor's Gross budget by \$369,269,100.   |               |

Total Changes .....	\$208,466,588
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FY 2003-04 Conference Report Gross Appropriation .....	\$9,486,616,000
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Amount Over/(Under) GF/GP Target: \$0

**Changes from FY 2002-03 Year to Date:**Conference Agreement on Items of Difference

1. **Contingency Funds.** The House retained while the Senate removed current year language that establishes Federal, State-restricted, local and private contingency funds available for transfer under the legislative transfer process. The Conference Committee concurred with the Senate. (Sec. 206)
2. **CMHSP Reporting Requirements.** The House included language requiring the Department to establish a work group comprised of CMHSP/specialty prepaid health plan and Departmental staff to recommend strategies to streamline audit requirements. The Senate retained this language, however, replaced "audit requirements" with "reporting requirements". The Conference Committee included both "audit and reporting requirements". (Sec. 450)
3. **Bioterrorism Preparedness.** The Conference Committee retained the Senate version of language originally included by the House governing the allocation of Federal bioterrorism preparedness funds; Sec. 853 allocates up to \$1,000,000, as allowed by Federal law or regulation, to a multispecies lab and necropsy facility located in the State that is certified by the USDA animal, plant, health inspection service, with a biosafety level 2/3 certification. However, the Conference Committee did not include Senate language (Sec. 854) which states Legislative intent that priority consideration for the allocation of bioterrorism hospital preparedness funds be given to the State's level one trauma centers.
4. **Medicaid Dental Providers.** The Senate included language requiring the Michigan Dental Association (MDA) to provide a report documenting their efforts to increase the MDA membership's participation as Medicaid providers. In addition, the Senate included language requiring the Department, in conjunction with the MDA, to undertake a study to determine the level of participation by Michigan licensed dentists in the State's Medicaid program. The Conference Committee concurred with the Senate. (Sec. 1109, 1713)
5. **Disease Management Programs.** The Senate included language allowing the Department, in conjunction with pharmaceutical manufacturers, to establish pilot projects to test the efficacy of disease management and health management programs. The Conference Committee concurred with the Senate. (Sec. 1621a)
6. **Exemption from Prior Authorization.** The Senate included language exempting the following persons from prior authorization requirements: individuals that become Medicaid eligible who are currently under medical treatment and whose conditions have been stabilized under a given medication regimen (Sec. 1629a); individuals under a court order for a particular medication (Sec. 1629b); and, recipients of the children's special health care services program for prescription drugs related to their qualifying condition (Sec. 1628). The Conference Committee retained Sec. 1628, but did not include Sec. 1629a or Sec. 1629b.
7. **Multi-State Drug Purchasing Compact.** The Senate included language allowing the Department to continue all rebate and supplemental rebate contracts with a pharmaceutical manufacturer until a multi-state drug purchasing compact is fully established. In addition, the Senate included language requiring the Department, prior to implementing a multi-state drug purchasing compact, to provide a benefit-cost analysis to document that the savings from the compact exceed the savings from the current preferred drug list supplemental rebate programs. The Conference Committee concurred with the Senate. (Sec. 1624, 1626)
8. **Atypical Antipsychotic Medications.** The Senate included language requiring the Department to continue its practice of placing all atypical antipsychotic medications on the Medicaid preferred drug list. The Conference Committee concurred with the Senate. (Sec. 1625)
9. **Pharmaceutical Savings.** The Conference Committee included language stating Legislative intent that at least \$18.9 million of GF/GP savings generated by the implementation of a Medicare pharmacy prescription coverage program be used to fund the pharmaceutical services line. If such savings are not generated, the Department shall request that a transfer of funds be made from the Medicaid Benefits Trust Fund to the pharmaceutical services line item.
10. **Detroit Medical Center (DMC).** The Conference Committee included language requiring that the \$50 million hospital disproportionate share payment for DMC shall only be distributed if \$7 million of local funds are received by the State from the city of Detroit and Wayne County. (Sec. 1717)

Date Completed: 7-15-03

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