



Senate Fiscal Agency
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BILL ANALYSIS

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FY 2004-05 Year-to-Date Gross Appropriation	\$10,484,991,800
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Changes from FY 2004-05 Year-to-Date:

Items Included by the House and Senate

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| 1. Medicaid Special Financing. Medicaid special financing mechanisms continue to be phased out due to changes in Federal regulations. The Conference Report concurred with a new proposed mechanisms projected to save the State \$50.0 million GF/GP. The net impact of the changes would be an increase in GF/GP costs of \$161.1 million. | (283,903,100) |
| 2. Medicare Part D. As part of the Medicare Pharmaceutical Program, Michigan's Medicaid pharmaceutical costs for dual Medicare/Medicaid eligibles would be paid through a clawback provision. The Federal match would no longer be reflected in the DCH budget. | (227,944,500) |
| 3. Economic Adjustments. | 30,313,800 |

Conference Agreement on Items of Difference

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| 4. Medicaid Base Funding. The Conference Committee concurred with the consensus estimate on Medicaid funding need, including Community Mental Health (CMH) and Children's Special Health Care Services (CSHCS). | 344,952,300 |
| 5. Adjustments to Quality Assurance Assessment Programs (QAAPs). The Conference Committee concurred with the Executive proposal to establish a CMH QAAP, which would lead to a net \$35.1 million increase in CMH funding. The Conference Committee also included adjustments to QAAPs for hospitals, nursing homes, and health maintenance organizations. | 194,790,400 |
| 6. Healthy Michigan Fund. The Conference Committee reduced funding from FY 2004-05 levels. | (4,100,000) |
| 7. Program Restorations. The Conference Committee restored partial funding for hearing and vision screening, and fully restored Medicaid adult dental services. The Conference Committee rejected proposed reductions to CSHCS for adults with hemophilia and cystic fibrosis. | 10,046,700 |
| 8. Medicaid Cost Reduction Measures. The Conference Committee reduced Medicaid provider rates by 3% from the original FY 2004-05 levels; restricted benefits for caretaker relatives and 19-20 year olds, instituted a hospital case rate, and eliminated a lookback period for Medicaid eligibility. The Conference Committee also assumed savings from proposed establishment of an estate recovery program, a reduction in eligibility errors, recovery of overpayments, and other savings initiatives. | (211,455,000) |
| 9. Other Changes. Overall, other changes led to a slight reduction in funding. | (11,498,400) |

Total Changes.....	(158,797,800)
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FY 2005-06 Conference Report Gross Appropriation	10,326,194,000
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Amount Over/(Under) GF/GP Target: \$0

Changes from FY 2004-05 Year to Date:Items Included by the House and Senate

1. **Community Mental Health (CMH) Quality Assurance Assessment Program.** Language states that if, for any reason, the CMH Quality Assurance Assessment Program is not implemented, generates a smaller than expected GF/GP savings or is eliminated the department will not take steps that would result in a net reduction in revenue for community mental health services. (Sec. 457)
2. **Home and Community Based Waiver (HCBW) Administrative Cost Limit.** Language reduces reimbursement for administrative expenses for the HCBW program by \$2 per day. Saving generated from this administrative cap is to be used to increase enrollment in the program. A report on the number of nursing home patients who are discharged and subsequently enrolled in the HCBW program is to be submitted to the legislature. (Sec. 1684)

Conference Agreement on Items of Difference

3. **CMH Administrative Cost Standards.** Language requires the department to establish uniform standards for the calculation and reporting of administrative cost for Community Mental Health agencies. A written draft of proposed standards is to be submitted to the legislature and state budget director by April, 15 2006. (Sec. 460)
4. **Respite Care Administrative Expenditure Cap.** Prohibits agencies receiving funds to provide respite care services for families of children with severe emotional disturbances from utilizing more than 1% of their allocation for administrative purposes. (Sec. 465)
5. **Partial Restoration Hearing and Vision Services.** The House and Senate instruct local health departments to offer hearing and vision services at a reduced level from that provided in fiscal year 2004-05. These services are to be specifically targeted towards preschool and elementary aged children. (Sec. 905)
6. **Expansion of Medicaid Cost Sharing.** Section 1631 of boilerplate modified to reflect the creation of copayments for physician visits (\$2), hospital emergency room use (\$3), the first day of inpatient hospitalization (\$50) and outpatient hospital visits (\$1). (Sec. 1631)
7. **Medicaid Rate Increase Obstetric Services.** The House and Senate allocate sufficient funds to increase Medicaid reimbursement for obstetrical services by 20%. (Sec. 1635)
8. **Medicaid Personal Responsibility Agreement.** Language requires all adult Medicaid recipients to be offered the opportunity to sign an agreement to practice responsible health behavior. The agreement includes provisions that the Medicaid recipients will not smoke, attend all scheduled medical appointments, exercise regularly, keep their children up to date on immunizations and will not use illegal narcotics. (Sec. 1637)
9. **Actuarial Sound Rates for Medicaid HMOs.** Language instructs the department, in conjunction with Medicaid managed care organizations, to create a plan to ensure that HMO rates meet federal requirements for actuarial soundness. Strategies to be included in this plan include the establishment of hospital centers of transplant excellence, statewide contracts for durable medical equipment and the aggressive enrollment of individuals with end-stage renal failure in the Medicare program. This report is to be submitted to the legislature by May 30, 2006 (Sec. 1700).
10. **Joint Committee Exploring Possible Medicaid Cost Savings.** Requires the legislature to establish a committee with representatives from the House of Representatives the Senate and the Department of Community Health to explore possible strategies that may be used to achieve \$40 million GF/GP in cost savings. Specific attention is to be paid to strategies utilizing information technology, fraud enforcement and detection and estate recovery. (Sec. 1729)
11. **Provider Rate Restoration.** Language makes partial restoration of Medicaid provider rate reductions contingent upon the state receiving federal approval of a waiver establishing a hospital case rate for individuals enrolled in the caretaker relative eligibility group. (Sec. 1730)
12. **Medicaid Eligibility for Caretaker Relatives and 18-21 Year Olds.** Requires the department to establish an asset test for individuals seeking enrollment in the Medicaid program under the caretaker relative or 18-21 year old eligibility category. Medicaid eligibility will not be available to 18-21 year olds who have a parent or guardian with access to dependent health insurance. (Sec. 1731)

Date Completed: 09-20-05

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