

COMMUNITY HEALTH

Summary: House Committee Budget Recommendation

FY 2007-08

HB 4344 (H-1)

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	FY 2006-07 YTD	FY 2007-08	FY 2007-08	FY 2007-08	FY 2007-08	Difference: House From FY 2006-07 YTD	
		Executive Revised	House	Senate	Enacted	Amount	%
IDG/IDT	\$37,286,100	\$38,850,900	\$39,966,900			\$2,680,800	7.2
Federal	6,042,584,700	6,593,442,300	6,600,405,500			557,820,800	9.2
Local	241,177,400	246,671,500	246,671,500			5,494,100	2.3
Private	63,826,900	64,702,800	65,519,800			1,692,900	2.7
Restricted	1,871,199,600	1,724,384,100	1,726,469,100			(144,730,500)	(7.7)
GF/GP	2,940,082,700	3,164,774,300	3,200,582,000			260,499,300	8.9
Gross	\$11,196,157,400	\$11,832,825,900	\$11,879,614,800			\$683,457,400	6.1
FTEs	4,664.1	4,661.2	4,677.6			13.5	0.3

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Summary of Major Budget Issues

Major Budget Changes From FY 2006-07 YTD Appropriations		FY 2006-07 YTD	House Change From YTD
1. Economic Adjustments	Gross	N/A	\$26,160,800
Includes \$26.2 million gross (\$9.8 million GF/GP) to fund 4.0% salary/wage increases for non-bargaining and unionized employees, and economic adjustments for defined benefit/contribution retirement, insurance, building occupancy, food, worker's compensation, and gas, fuel, and utility costs for FY 2007-08.	IDG	N/A	1,739,800
	Federal	N/A	5,177,900
	Restricted	N/A	2,867,300
	Local	N/A	6,594,100
	GF/GP	N/A	\$9,781,700
2. Worker's Compensation Program	Gross	\$10,600,000	(\$1,244,000)
Assumes additional savings of \$350,000 beyond the \$894,000 reduction included in the Executive Recommendation, based on historical spending patterns for Worker's Compensation.	Restricted	16,000	0
	GF/GP	\$10,584,000	(\$1,244,000)
3. Medicaid Increases	Gross	\$8,535,340,300	\$373,249,600
Increases capitation payment rates for Health Plan Services by 4.2% and Medicaid Mental Health and Substance Abuse Services by 2.5% (\$130.1 million gross, \$52.0 million GF/GP) to ensure rates are actuarially sound in FY 2007-08. Adds \$243.1 million gross (\$102.3 million GF/GP) for projected expenditure growth related to inflation, caseload, and utilization increases.	Federal	4,861,134,000	216,377,900
	Local	43,009,700	0
	Merit	170,800,000	0
	Restricted	1,465,446,300	2,568,500
	GF/GP	\$1,994,950,300	\$154,303,200
4. Community Mental Health Direct Care Worker Increase	Gross	\$10,400,000	\$7,300,000
Adds \$7.3 million gross (\$3.7 million GF/GP) to fully finance a 2.0% wage increase for direct care workers in community mental health settings.(Sec. 405)	Federal	5,863,500	3,253,600
	Restricted	0	336,000
	GF/GP	\$4,536,500	\$3,710,400
5. Regional Jail Diversion Pilot Program	Gross	\$0	\$500,000
Adds \$500,000 to establish a regional pilot program to identify and divert mentally ill and dually-diagnosed individuals from the criminal justice system and into a secure setting for evaluation and appropriate mental health treatment. (Sec. 476)	GF/GP	\$0	\$500,000

<u>Major Budget Changes From FY 2006-07 YTD Appropriations</u>		<u>FY 2006-07 YTD</u>	<u>House Change From YTD</u>
6. Mental Health Outpatient Teams	Gross	\$36,018,600	\$1,025,000
Adds \$1.0 million to the budget for two additional mental health outpatient teams for the Department of Corrections based on a caseload growth of 961 from October 2005 to December 2006. The current fiscal year budget includes \$471,400 for an additional mental health outpatient team due to an expected increase in the number of prisoners, and a slight increase in the percentage of prisoners warranting mental health services.	IDG	36,018,600	1,025,000
	GF/GP	\$0	\$0
7. Quality Assurance Assessment Program (QAAP) Changes	Gross	\$1,542,077,000	\$20,925,300
Includes an additional \$20.9 million gross authorization to increase Medicaid hospital QAAP payments to the upper payment limit. The increase is funded with \$8.8 million of hospital QAAP revenue along with Medicaid matching funds. Provides an additional \$21.4 million GF/GP for Health Plans and CMHSPs to offset reductions in QAAP fee revenue that has been lowered through federal legislation from 6.0% to 5.5%, effective January 1, 2008.	Federal	869,423,000	12,157,600
	Restricted	872,526,400	(12,667,200)
	GF/GP	(\$199,872,400)	\$21,434,900
8. Criminal Background Check Program	Gross	\$2,600,000	\$4,474,400
Offsets a future loss in federal pilot grant revenue for the Criminal Background Check Program for employees of health facilities by utilizing \$3.4 million health systems fees and collections and \$1.1 million federal Medicaid revenue to support this program. The use of health systems fees and collections for this program requires changes to the Public Health Code.	Federal	2,600,000	1,072,900
	Restricted	0	3,401,500
	GF/GP	\$0	\$0
9. Primary Care Services	Gross	\$2,265,500	\$1,350,100
Increases funding for community health centers serving low income and uninsured populations by \$350,000. Adds \$1.0 million to increase funding for free health clinics around the state. Adds \$100 placeholder for pilot program in the city of Detroit for non-urgent medical response service. (Sec. 715)	Federal	1,623,500	0
	GF/GP	\$642,000	\$1,350,100
10. Office of Long-Term Care Supports and Services	Gross	N/A	\$2,713,800
Provides \$2.7 million for the Office of Long-Term Care Supports and Services created by Executive Order 2005-14. The Office is charged with the following responsibilities: administer activities to implement recommendations of Michigan's Medicaid Long-Term Care Task Force; coordinate state planning for long-term care supports and services; and conduct quality assurance reviews of publicly funded long-term care programs.	Federal	N/A	2,131,200
	Private	N/A	40,100
	GF/GP	N/A	\$542,500
11. Public Health Prevention Block Grant	Gross	\$4,534,000	(\$863,200)
Recognizes a 19.0% continued reduction of the ongoing federal Preventive Health and Health Services Block Grant, affecting the following prevention programs: minority health grants, emergency medical services grants, primary care services, AIDS counseling and testing, sexually transmitted disease control, laboratory services, Alzheimer's information network, chronic disease prevention, diabetes and kidney program, and pregnancy prevention.	Federal	4,534,000	(863,200)
	GF/GP	\$0	\$0
12. Public Health Medicaid Reimbursement Increases	Gross	\$0	\$1,490,000
Includes additional federal Medicaid revenue of \$188,000 for vital records, \$890,000 for local health departments, and \$600,000 for infant mortality projects, reflecting local and state efforts to maximize federal Medicaid matching funds for qualified public health expenditures.	Federal	0	1,678,000
	Restricted	0	(188,000)
	GF/GP	\$0	\$0

Major Budget Changes From FY 2006-07 YTD Appropriations**House Change
From YTD****FY 2006-07 YTD****13. Healthy Michigan Fund Adjustments**

Rejects Executive proposed reductions to Healthy Michigan Fund appropriations for 22 disease prevention projects totaling \$11.6 million. To recognize a \$1.8 million reduction of available Fund revenue and to finance economic adjustments totaling \$64,400, replaces \$1.8 million of the Healthy Michigan Fund allocation for Medicaid services with GF/GP funds.

Gross	\$43,551,000	\$64,400
Restricted	43,551,000	(1,723,400)
GF/GP	\$0	\$1,787,800

14. Before- and After-School Program and Partnership

Provides \$25,000 for the Statewide Before- or After-School Program and the Michigan After-School Partnership, in collaboration with the State Board of Education and the Department of Human Services (Sec. 1115)

Gross	\$0	\$25,000
GF/GP	\$0	\$25,000

15. Women, Infants, and Children (WIC) Program

WIC federal funds are increased for the food supplement program and administration by \$4.4 million, by \$923,000 for WIC electronic benefits programming including information technology, and by \$328,900 for WIC peer counseling.

Gross	\$186,815,800	\$5,698,100
Federal	133,577,700	5,698,100
Private	53,238,100	0
GF/GP	\$0	\$0

16. Drug Control Reductions

Recognizes continued federal funding reductions for drug control grants and programs including law enforcement support, drug abuse prevention education, and residential substance abuse treatment. These federal grants are reduced by 58.4% since FY 2005-06.

Gross	\$20,010,000	(\$6,652,900)
Federal	18,399,500	(6,658,100)
GF/GP	\$1,610,500	\$5,200

17. New Grants from Crime Victim's Rights Fund to DHS, DSP

Appropriates \$2.3 million of state restricted Crime Victim's Rights Fund available balance for interdepartmental grants, to replace other funds, of \$1.3 million to Department of Human Services for rape prevention and services, and \$1.0 million to Department of State Police for costs for the sex offender registry, amber alert missing child notification system, polygraph tests and forensic science expert witness testimony programs. Statutory revisions will be required for these changes.

Gross	\$10,117,200	\$2,327,300
Restricted	10,117,200	2,327,300
GF/GP	\$0	\$0

18. Indian Tribal Elders Program

Provides funding to the Inter-Tribal Council of Michigan for tribal elders programs of 12 Michigan tribes.

Gross	\$0	\$120,000
GF/GP	\$0	\$120,000

19. Michigan Health Information Technology Project

Reduces the Health Information Technology Initiatives line by \$4.5 million gross (\$2.3 million GF/GP) recognizing the elimination of a health information technology project in Southeast Michigan. A contractor has been identified with work to begin in FY 2006-07. A work project account would be established for FY 2007-08 activities.

Gross	\$9,500,000	(\$4,500,000)
Federal	2,250,000	(2,250,000)
GF/GP	\$7,250,000	(\$2,250,000)

20. MIChoice Program Expansion

Increases the Medicaid Home- and Community-Based Services Waiver line by \$30.0 million gross (\$12.6 million GF/GP) to support expansion and increased cost per case of the MIChoice program. Of these funds, \$10.0 million are transferred from the Long-Term Care Services line.

Gross	\$100,000,000	\$30,000,000
Federal	54,861,600	17,430,000
GF/GP	\$45,138,400	\$12,570,000

21. Medicaid Estate Recovery Program

Reduces the Long-Term Care Services line by \$10.1 million gross (\$4.2 million GF/GP) representing savings generated by statutory changes creating a Medicaid long-term care estate recovery program. Michigan currently is the only state in the nation without this federally required program.

Gross	\$1,594,415,800	(\$10,090,700)
Federal	898,447,000	(5,855,300)
Local	6,618,800	0
Merit Awd	30,500,000	0
Restricted	647,455,000	0
GF/GP	\$11,395,000	(\$4,235,400)

Major Budget Changes From FY 2006-07 YTD Appropriations		FY 2006-07 YTD	House Change From YTD
22. Adult Home Help Wage Increases	Gross	\$221,924,000	\$6,391,200
Increases the Adult Home Help Services line by \$6.4 million gross (\$2.7 million GF/GP) to recognize the increase in the minimum hourly wage for adult home help workers from \$7.15 to \$7.40 and fund a 10¢ per hour pay increase for all adult home help workers. These gross increases are \$3.6 million and \$2.8 million respectively.	Federal	125,120,800	3,713,300
	GF/GP	\$96,803,200	\$2,677,900
23. Medicaid Citizenship Verification Requirements	Gross	N/A	(\$23,866,300)
Recognizes anticipated savings from implementation of new citizenship verification requirements for Medicaid eligibility authorized by the Federal Deficit Reduction Act.	Federal	N/A	(13,866,300)
	GF/GP	N/A	(\$10,000,000)
24. Increase Guardianship Fee Maximum to \$60 Monthly	Gross	N/A	\$540,000
The Long-Term Care Services line is increased by \$540,000 gross (\$226,300 GF/GP) to fund the increase of the maximum allowable monthly guardian charges from \$45 to \$60.	Federal	N/A	313,700
	GF/GP	N/A	\$226,300
25. Nursing Home Variable Cost Component Savings	Gross	\$1,594,415,800	\$0
Does not concur with the proposed Executive savings of \$20.0 million gross (\$8.4 million GF/GP) generated by limiting the nursing home variable cost component. The \$20.0 million is not removed from Long-Term Care Services line item. Boilerplate Sec. 1690 is deleted.	Federal	898,447,000	0
	Local	6,618,800	0
	Merit Awd	30,500,000	0
	Restricted	647,455,000	0
	GF/GP	\$11,395,000	\$0
26. Consensus Adjustments	Gross	N/A	\$293,887,300
Adjusts Medicaid funding levels for multiple appropriation lines to reflect the consensus FY 2007-08 expenditures agreed to by the House and Senate Fiscal Agencies and the State Budget Office. The adjustments reflect caseload changes, shifts in funding sources and the transfers of anti-psychotic and anti-depressant funding between line items.	Federal	N/A	152,829,200
	Merit Awd	N/A	(17,900,000)
	Restricted	N/A	(7,325,500)
	GF/GP		\$166,283,600
27. Healthy Kids Dental Expansion	Gross	N/A	\$16,351,600
Increases the Auxiliary Medical Services line by \$16.4 million gross (\$6.9 million GF/GP) to expand the Healthy Kids Dental program. New boilerplate Sec. 1633 language expands the program to additional counties in the state.	Federal	N/A	9,500,300
	GF/GP	N/A	6,851,300

Major Boilerplate Changes From FY 2006-07

GENERAL

Sec. 206. Contingency Funds – NEW

Appropriates up to \$100.0 million federal contingency funds, up to \$20.0 million state restricted contingency funds, up to \$20.0 million local contingency funds, and up to \$10.0 million private contingency funds; specifies that contingency funds are not available for expenditure until transferred according to Section 393(2) of the Management and Budget Act.

Sec. 271. PIHP and Medicaid HMO Pilot Projects with FQHCs – NEW

Allows Prepaid Inpatient Health Plans and Medicaid Health Maintenance Organizations to coordinate pilot projects with Federally Qualified Health Centers to model early mental health service intervention, disease management and pharmacy management.

MENTAL HEALTH/SUBSTANCE ABUSE SERVICES ADMINISTRATION AND SPECIAL PROJECTS

Sec. 352. Leadership on Preventive Initiatives for Minors – NEW

Authorizes \$100 placeholder for leadership within DCH and mental health field on preventive initiatives targeted to minors on factors associated with the development of serious emotional disorder.

Major Boilerplate Changes From FY 2006-07

COMMUNITY MENTAL HEALTH/SUBSTANCE ABUSE SERVICES PROGRAMS

Sec. 471. Administrative Costs for Coordinating Agencies – MODIFIED

Requires DCH to establish uniform definitions, standards, and instructions for the classification, allocation, assignment, calculation, recording, and reporting of administrative costs by coordinating agencies on substance abuse, Salvation Army Harbor Light program, and their subcontractors. Requires DCH to provide a written draft of its proposed definitions, standards, and instructions by April 15, 2008.

Sec. 478. Mental Health Treatment Courts – NEW

Requires that the funds appropriated for mental health treatment courts be used by CMHSPs in counties in which mental health treatment courts are funded. Requires an allocation of \$279,000 for each CMHSP in a county in which a mental health treatment court is funded.

Sec. 479. Funding for Coordinating Agencies – NEW

Allocates \$18.0 million to coordinating agencies on substance abuse in sums equivalent to the FY 2006-07 receipts from the Convention Facility Development Fund. Requires the funds to be expended in compliance with the General Property Tax Act, PA 206 of 1893 as amended.

PUBLIC HEALTH

Sec. 805. Childhood Vaccinations – DELETED

Requires the Department to work with health plans, medical providers, and pharmaceutical manufacturers to ensure that children under age 5 receive all scheduled vaccinations, including pneumococcal conjugate vaccine.

Sec. 1106a. Abstinence Education Program Requirements – DELETED

Establishes instruction requirements for certain federally-funded abstinence education programs. Directs that funded programs target teenagers most likely to engage in high-risk behavior. Gives priority in allocation of funds to programs that do not provide contraceptives to minors and that strive to include parental involvement. Allows qualifying programs to receive funds directly from DCH.

Sec. 1113. Marital Status of Family Planning and Pregnancy Prevention Clients – DELETED

Requires family planning and pregnancy prevention service providers to include an optional response field on general patient information documents requesting information on a patient's marital status.

CRIME VICTIM SERVICES COMMISSION

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

Prohibits organizations receiving grant funds from the Crime Victim Services Commission from use of any portion of grant funds for lobbying efforts; Department must assure grant recipient compliance.

OFFICE OF SERVICES TO THE AGING

Sec. 1413. Support of Locally-Based Community Senior Services – MODIFIED

Revises existing language to allow area agencies on aging to provide direct services only for access services, or only otherwise upon receiving a waiver from the Commission on Services to the Aging.

MICHIGAN FIRST HEALTHCARE PLAN

Sec. 1501. Michigan First Health Care Plan Funding Contingency – MODIFIED

Adds subsection (2) which allows appropriation of funds in part 1, up to \$300.0 million, for the Michigan First Healthcare Plan contingent upon approval of a waiver from the federal government.

MEDICAL SERVICES

Sec. 1606. Medicaid Eligibility Deduction for Guardian and Conservator Charges – MODIFIED

Modifies the limit of the monthly allowable deduction for guardian and conservator charges when determining Medicaid eligibility and patient pay amounts from \$45 to \$60.

Sec. 1620. Pharmacy Dispensing Fee, Copayments, and Mail Order Drugs - MODIFIED

Deletes the requirement that an optional mail-order pharmacy program be available, replacing it with intent language that if the department realizes savings resulting from the way in which the Medicaid program pays pharmacists for prescriptions from average wholesale price to average manufacturer price the savings shall be returned to pharmacies as an increase in the dispensing fee. The increase can be no greater than 50 cents.

Major Boilerplate Changes From FY 2006-07

Sec. 1682. OBRA Nursing Home Enforcement Provisions - MODIFIED

The original language authorizes DCH to implement federal nursing home enforcement provisions and receive/expend penalty money for noncompliance. Modified language adds that DCH is authorized to provide civil monetary penalty funds to the disability network of Michigan to be distributed to the 15 centers for independent living for the purpose of assisting individuals with disabilities who reside in nursing homes to return to their homes.

Sec. 1690. Variable Cost Limits for Nursing Homes and Hospital Long-Term Care Units – DELETED

Does not include the Executive proposed requirement that the Department limit the annual increase in the variable cost component and the variable cost limit of the Medicaid reimbursement rate for nursing facilities and hospital long-term care units to no more than the annual increase in the Center for Medicare and Medicaid Services nursing home market basket index.

Sec. 1728. Lifting and Transferring Devices for Medicaid Recipients – RESTORED

Restores FY 2006-07 language that requires the Department to make available to Medicaid recipients, not based on Medicare guidelines, freestanding, electric, lifting and transferring devices.

Sec. 1735. Durable Medical Equipment Contract Savings – MODIFIED

Additional language requires the Department to make notification within 30 days of implementation of any proposed Medicaid policy changes for durable medical equipment and removes all language referring to prosthetics, orthotics and the American Board for Certification in Orthotics and Prosthetics.

Sec. 1770. Quarterly Medicaid Policy Changes – NEW

Requires DCH to attempt to make adjustments to the Medicaid provider manual and effective dates for proposed Medicaid policy bulletins on October 1, January 1, April 1, or July 1 after the end of the consultation period.

Sec. 1771. Adult Home Help Worker Wage Increase – NEW

Provides that adult home help workers would receive a 10¢ per hour wage increase beginning October 1, 2007.

Sec. 1772. Enrollment of Foster Care Children In HMOs – NEW

Requires the Department to establish a program on or before January 1, 2008 which would enroll all foster care children in Michigan into a Medicaid HMO.