

COMMUNITY HEALTH
Summary: Conference Report
FY 2007-08
HB 4344 (H-1) CR-1 *

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	FY 2006-07 YTD	FY 2007-08	FY 2007-08	FY 2007-08	FY 2007-08	Difference: Conference From FY 2006-07 YTD	
		Executive Revised	House	Senate	Conference	Amount	%
IDG/IDT	\$37,286,100	\$38,850,900	\$39,966,900	\$38,850,900	\$39,410,200	\$2,124,100	5.7
Federal	6,042,584,700	6,656,090,400	6,600,405,500	6,486,398,100	6,708,510,700	665,926,000	11.0
Local	241,177,400	247,232,400	246,671,500	246,671,500	247,237,400	6,060,000	2.5
Private	63,826,900	64,702,800	65,519,800	65,702,800	65,519,800	1,692,900	2.7
Restricted	1,871,199,600	1,797,066,000	1,726,469,100	1,726,584,100	1,862,336,400	(8,863,200)	(0.4)
GF/GP	2,940,082,700	3,164,774,300	3,200,582,000	3,066,134,300	3,125,311,600	185,228,900	6.3
Gross	\$11,196,157,400	\$11,968,716,800	\$11,879,614,800	\$11,630,341,700	\$12,048,326,100	\$852,168,700	7.6
FTEs	4,664.1	4,751.2	4,677.6	4,657.0	4,767.6	103.5	2.2

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007. Senate reflects Part 1 from SB 511 Omnibus, Article 3, as passed by the Senate on 9/23/07.

Summary of Major Budget Issues

Major Budget Changes From FY 2006-07 YTD Appropriations		FY 2006-07 YTD	Conference Change From YTD
1. Economic Adjustments	Gross	N/A	\$26,177,900
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. Includes \$17,100 gross (all GF/GP) for the Director and other unclassified positions.	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	\$9,798,800
2. Worker's Compensation Program	Gross	\$10,600,000	(\$1,775,000)
Concurs with the House and Senate proposals that assume additional savings of \$350,000 beyond the \$894,000 reduction included in the Executive Recommendation, based on historical spending patterns for Worker's Compensation. The Conference report also anticipates additional savings of \$531,000 beyond the House and Senate proposals.	Restricted	16,000	0
	GF/GP	\$10,584,000	(\$1,775,000)
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

Major Budget Changes From FY 2006-07 YTD Appropriations		FY 2006-07 YTD	Conference Change From YTD
5. Regional Jail Diversion Pilot Program	Gross	\$0	\$0
Rejects the House proposal to add \$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 of the Conference proposal designates \$100 for this program.	GF/GP	\$0	\$0
6. Mental Health Outpatient Teams	Gross	\$36,018,600	\$1,584,300
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. The Conference proposal adds \$559,300 to the House and Senate proposals to reflect a decision made on the Department of Corrections budget for an additional treatment team.	IDG	36,018,600	1,584,300
	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	\$360,000
Rejects the House proposal which increases funding for a community health center serving low income and uninsured populations by \$350,000, adds \$1.0 million for free health clinics around the state, and includes a \$100 placeholder for a pilot program in the city of Detroit for non-urgent medical response service. (Sec. 715) The Conference proposal adds \$150,000 for a community health center serving low income and uninsured populations, adds \$150,000 for rural health services, and includes \$60,000 for tribal elders programs of 12 Michigan tribes.	Federal	1,623,500	0
	GF/GP	\$642,000	\$360,000
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. Multicultural Services	Gross	\$5,163,800	\$600,000
Adds \$600,000 to the Multicultural Services line item to be equally distributed among 4 organizations.	GF/GP	\$5,163,800	\$600,000

**Conference
Change
From YTD**

Major Budget Changes From FY 2006-07 YTD Appropriations

FY 2006-07 YTD

12. Healthy Michigan Fund Adjustments

Sustains Healthy Michigan Fund appropriations for most disease prevention projects. To recognize a \$1.8 million reduction of available Fund revenue and to finance economic adjustments totaling \$64,400, replaces \$887,800 of the Healthy Michigan Fund allocation for Medicaid services with GF/GP funds, and reduces funding to four programs by \$900,000: pregnancy prevention and family planning, early hearing detection and screening, and informed consent materials reimbursement.

Gross	\$43,551,000	\$835,600
Restricted	43,551,000	(1,723,400)
GF/GP	\$0	\$887,800

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

WIC federal funds are increased for the food supplement program and administration by \$5.7 million, including electronic benefits programming and WIC peer counseling. The Conference Report recognizes an additional \$10.0 million of federal funding anticipated for food costs for the program.

Gross	\$186,815,800	\$15,698,100
Federal	133,577,700	15,698,100
Private	53,238,100	0
GF/GP	\$0	\$0

14. 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.

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

15. MIChoice Program Expansion

Increases the Medicaid Home- and Community-Based Services Waiver line by \$5.0 million gross (\$2.1 million GF/GP) to support expansion of the MIChoice program.

Gross	\$118,800,300	\$5,000,000
Federal	66,979,600	2,905,000
GF/GP	\$51,820,700	\$2,095,000

16. 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 the recent statutory change which created a Medicaid long-term care estate recovery program.

Gross	\$1,594,415,800	(\$10,090,700)
Federal	898,447,000	(5,855,300)
Local	6,618,800	0
Restricted	677,955,000	0
GF/GP	\$11,395,000	(\$4,235,400)

17. Adult Home Help Wage Increases

Increases the Adult Home Help Services line by \$6.0 million gross (\$2.5 million GF/GP) to recognize the statutory increase in the minimum hourly wage for adult home help workers and provides that no worker receive less than \$7.50 per hour as of April 1, 2008. These gross increases are \$3.6 million and \$2.4 million respectively.

Gross	\$221,924,000	\$5,953,000
Federal	125,120,800	3,470,300
GF/GP	\$96,803,200	\$2,482,700

18. Medicaid Citizenship Verification Requirements

Recognizes anticipated savings from implementation of new citizenship verification requirements for Medicaid eligibility authorized by the Federal Deficit Reduction Act.

Gross	N/A	(\$33,412,800)
Federal	N/A	(19,412,800)
GF/GP	N/A	(\$14,000,000)

19. Increase Guardianship Fee Maximum to \$60 Monthly

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. (Sec. 1606)

Gross	N/A	\$540,000
Federal	N/A	313,700
GF/GP	N/A	\$226,300

20. Consensus Adjustments

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 in May, and adjusted in September. The adjustments reflect caseload changes, shifts in funding sources and the transfers of anti-psychotic and anti-depressant funding between line items.

Gross	N/A	\$252,953,200
Federal	N/A	129,816,800
Merit Awd	N/A	(17,900,000)
Restricted	N/A	(7,325,500)
GF/GP	N/A	\$148,361,900

<u>Major Budget Changes From FY 2006-07 YTD Appropriations</u>		<u>FY 2006-07 YTD</u>	<u>Conference Change From YTD</u>
21. Healthy Kids Dental Expansion	Gross	N/A	\$2,625,300
Increases the Dental Services line by \$2.6 million gross (\$1.1 million GF/GP) to expand the Healthy Kids Dental program. New boilerplate Sec. 1633 language expands the program to Genesee and Saginaw counties.	Federal	N/A	1,525,300
	GF/GP	N/A	\$1,100,000
22. Third Party Liability Savings	Gross	N/A	(\$3,747,000)
Savings of \$3.7 million Gross (\$1.6 million GF/GP) are included representing additional Medicaid recovery and cost avoidance measures by the Department.	Federal	N/A	(2,177,000)
	GF/GP	N/A	(\$1,570,000)
23. Shift Foster Care Children to Managed Care	Gross	N/A	(\$1,749,900)
Expected savings of \$1.7 million gross (\$733,200 GF/GP) are to be realized due to the establishment of a program to enroll all Michigan children in foster care in a Medicaid HMO on or before July 1, 2008. (Sec. 1772)	Federal	N/A	(1,016,700)
	GF/GP	N/A	(\$733,200)
24. Medicaid Special Financing Savings	Gross	N/A	\$101,646,800
An increase in the assessment for the Hospital Quality Assurance Assessment Program (QAAP) generates \$60.0 million of restricted revenue of which \$17.5 million will be retained by the State to offset GF/GP. The balance of the restricted revenue will be used to match Federal Medicaid funds, and the gross amount of \$101.6 million will be returned to hospitals as a Disproportionate Share Hospital (DSH) payment pursuant to Sec. 1778 of boilerplate.	Federal	N/A	59,096,800
	Restricted	N/A	60,000,000
	GF/GP		(\$17,450,000)

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. 215. Policy Changes Implementing Public Acts – NEW

Requires the Department to report on each policy change made to implement a public act affecting the department which took effect during the prior calendar year. Prohibits the use of appropriated funds by the department on adopting a rule that will apply and have a disproportionate economic impact on small businesses.

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

Allows a Prepaid Inpatient Health Plan, Medicaid Health Maintenance Organization, and federally qualified health center to establish and implement early mental health services intervention pilot project. The project shall provide care coordination, disease management, and pharmacy management to eligible recipients suffering from chronic disease including, but not limited to, diabetes, asthma, substance addiction, or stroke.

Sec. 272. Administrative Efficiencies, Shared Services, and Consolidations – NEW

Allocates up to \$150,000 for a study on administrative efficiencies, shared services, and consolidations of local public health departments, CMHSPs, coordinating agencies on substance abuse, and area agencies on aging.

Sec. 282. Administrative Costs for Coordinating Agencies and Area Agencies on Agencies – NEW

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

Major Boilerplate Changes From FY 2006-07

COMMUNITY MENTAL HEALTH/SUBSTANCE ABUSE SERVICES PROGRAMS

Sec. 480. Atypical Antipsychotic Prescriptions – NEW

Requires a report on the number and reimbursement cost of atypical antipsychotic prescriptions by each PIHP for Medicaid beneficiaries by March 30, 2008.

STATE PSYCHIATRIC HOSPITALS, CENTERS FOR PERSONS WITH DEVELOPMENTAL DISABILITIES, AND FORENSIC AND PRISON MENTAL HEALTH SERVICES

Sec. 608. Privatization of Food and Custodial Services – NEW

Requires the Department to evaluate the privatization of food and custodial services at state hospitals and centers and submit a copy of the evaluation by May 1, 2008.

PUBLIC HEALTH

Sec. 1104. Pregnancy Planning and Prenatal Program Report and Fund Distribution – MODIFIED

Existing reporting language is enhanced to require the Department to collect data to show expenditure of funds between urban and rural communities for reporting in future fiscal years; requires the Department to ensure that the distribution of funds for these programs takes into account the needs of rural communities.

Sec. 1106a. Abstinence Education Program Requirements – DELETED

Conference report eliminates language regarding federally-funded abstinence education programs which are no longer offered. The language directed that funded programs target teenagers most likely to engage in high-risk behavior, and gave priority in allocation of funds to programs that do not provide contraceptives to minors and that strive to include parental involvement.

Sec. 1153. WIC Program Access in Rural Communities – NEW

Requires the Department to ensure that individuals residing in rural communities have sufficient access to the services offered through the Women, Infants, and Children Food and Nutrition program.

OFFICE OF SERVICES TO THE AGING

Sec. 1417. Area Agency on Aging Reporting of Expenditures – NEW

Requires the Department to report on the allocation of state resources by program and administration to each area agency on aging and detail expenditures of same of state and local funds by each area agency on aging.

MEDICAL SERVICES

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 \$2.00.

Sec. 1652. Health Plan Service Area Expansion - NEW

If the Department implements changes allowing HMOs to request service area expansions, the HMOs must agree to, 1) not sell or transfer any portion of the HMO's assets or business for a period of three years, and 2) the HMO that expands into a county with a population of at least 1,500,000 shall also expand its coverage to a county with a population of less than 100,000 which has one or fewer HMOs participating in the Medicaid program.

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. New language authorizes the use of penalty funds to conduct a survey evaluating nursing home consumer satisfaction and quality of care by residents, their families and employees.

Sec. 1695. Nursing Facility Case Mix Reimbursement - NEW

Requires the Department to evaluate, the impact of implementing a case mix reimbursement system for nursing facilities. The Department is to consult with the Health Care Association of Michigan, the Michigan County Medical Care Facilities Council and the Association of Homes and Services for the Aging, with a progress report due by August 1, 2008.

Major Boilerplate Changes From FY 2006-07

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. 1763. Medication History Information Exchange – NEW

Requires the Medicaid health plans in SE Michigan to participate in a medication history information exchange pilot project.

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. 1773. Nonemergency Transportation Services – NEW

Requires the Department to establish and implement a bid process to identify a single private contractor to provide Medicaid covered nonemergency transportation services in each county with a population over 750,000.

Sec. 1775. Medicaid Managed Long-Term Care Study – NEW

Requires the Department to conduct a study and publish a report regarding the feasibility of providing long-term care services through managed care.

Sec. 1777. Nursing Home Dining Assistants – NEW

Requires the Department to permit, in accordance with federal and state law, nursing homes to use dining assistants to feed eligible residents. The Department will not be responsible for training costs.