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ANALYSIS

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Senate Bill 1094 (as introduced)
Committee: Appropriations

[Vehicle for Governor's Recommendation line items is Senate Bill 1141.](#)

FY 2007-08 Year-to-Date Gross Appropriation	\$12,048,326,100
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Changes from FY 2007-08 Year-to-Date:

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| <p>1. Medicaid Base Funding. The Governor included base adjustments for Medicaid, Community Mental Health (CMH) Medicaid services, the Children's Special Health Care Services program, and the Adult Benefits Waiver as well as adjustments reflecting unrealized savings and the annualization of costs. These adjustments would increase GF/GP costs by \$62,506,100.</p> | 182,535,300 |
| <p>2. Actuarially Sound Rates. The Governor provided an adjustment in Medicaid managed care capitation rates of 5.0% and CMH Medicaid rates of 3.4% to meet Federal requirements that capitation rates be actuarially sound, at a cost of \$66,469,600 GF/GP.</p> | 175,436,400 |
| <p>3. Special Medicaid Payments. The Governor's budget reflected the anticipated Federal revenue available for the various special financing mechanisms used by the State.</p> | 24,897,000 |
| <p>4. Fund Source Adjustments. The Governor included adjustments reflecting the loss of revenue from the Medicaid Benefits Trust Fund and the Merit Award Trust Fund, resulting in a GF/GP cost increase of \$55,900,000. The budget also reflected an increase in the Federal Medicaid and Title XXI match rates, resulting in a GF/GP savings of \$176,898,800.</p> | 0 |
| <p>5. Quality Assurance Assessment Program (QAAP) Adjustments. The Governor's budget included adjustments reflecting expansion of the hospital QAAP to the Federal upper payment limit as well as other minor adjustments to the other QAAPs.</p> | 93,939,300 |
| <p>6. Long Term Care Program Expansions. The Governor included \$26.6 million in additional funding for the Home and Community Based Waiver program, \$5.4 million for the Program for All-Inclusive Care for the Elderly Program, and \$5.4 million for the Money Follows the Person program, at a total cost of \$12.9 million GF/GP.</p> | 37,429,500 |
| <p>7. Medicaid Cost Reduction Measures. The Governor assumed savings from creation of a Mental Health Central Service Fund (\$7.3 million GF/GP savings), elimination of the \$5.0 million disproportionate share hospital pool (\$2.0 million GF/GP savings), a 2.4% reduction in the rate increase provided to nursing homes (\$12.4 million GF/GP savings), increases in rebates for pharmaceutical products (\$3.2 million GF/GP savings), the transfer of individuals from nursing homes to the community (\$12.9 million GF/GP savings), and an increase in QAAP gainsharing for hospitals and nursing homes (\$36.2 million GF/GP savings).</p> | (84,095,100) |
| <p>8. Economic Adjustments.</p> | 4,188,800 |
| <p>9. Other Changes. Other changes in the Governor's budget resulted in a minor increase in funding.</p> | 2,473,100 |

Total Changes	\$436,804,300
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FY 2008-09 Governor's Recommendation	\$12,485,130,400
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Changes from FY 2007-08 Year to Date:

1. **Impact of Rule-Making on Small Business.** The Governor's budget eliminated current year language which required reporting on policy changes and their impact and also barred the Department from using funds to adopt rules which would have a disproportionate impact on small businesses. (Sec. 215)
2. **CMH Multicultural Funding for Services to Illegal Immigrants.** The Governor's budget eliminated current year language that directed that multicultural services dollars not be utilized for services provided to illegal immigrants other than situations involving emergent mental health conditions. (Sec. 403(b))
3. **Mental Health Court Pilot Projects.** The Governor added language setting guidelines for mental health court pilot projects. CMHs and trial courts would have to submit joint applications for funding and would have to provide documentation of community needs and guarantees of commitment to the program by courts, law enforcement, prosecutors, defense attorneys, and providers. (Sec. 459)
4. **Food and Custodial Services at State Hospitals and Centers.** The Governor eliminated boilerplate directing that the Department evaluate the privatization of food and custodial services at State hospitals and centers. The language directed that if privatization would provide savings of at least 10%, the Department, along with the Department of Management and Budget, would implement a bid process to privatize the services. (Sec. 608)
5. **Flow-Through of Savings from Changes in Pharmacy Reimbursement to Pharmacies.** The Governor's budget eliminated language that would return savings from Federal changes in Medicaid pharmacy reimbursement to pharmacies. Any savings up to an equivalent of \$2 per script would be returned to the pharmacies in a corresponding increase to the Medicaid pharmacy dispensing fee. (Sec. 1620(3))
6. **Medicaid Health Maintenance Organization (HMO) Service Area Expansion.** The Governor's budget removed language that would set standards on Medicaid HMO service area expansion. The language barred Medicaid HMOs which expand to new service areas from selling or transferring assets for three years after the expansion. The language also directed that any Medicaid HMO which expands into a county with a population over 1,500,000 must also expand its coverage into a county with a population of less than 100,000 which has 1 or fewer Medicaid HMOs. (Sec. 1652)
7. **Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) and Maternal and Infant Support Services (MSS/ISS).** The Governor modified language on Medicaid HMOs and EPSDT and MSS/ISS services. The language changes would bar Medicaid HMOs from requiring prior authorization for EPSDT services, require Medicaid HMOs to provide utilization data through the encounter data system, and require Medicaid HMOs to be responsible for MSS/ISS services. (Sections 1660, 1661, and 1662)
8. **Limitations on Administrative Costs in the Home and Community Based Waiver (HCBW) Program.** The Governor's budget eliminated language requiring a reduction in HCBW administrative costs of \$2 per person per day. The savings were directed toward increasing enrollment in the waiver program. (Sec. 1684)

Date Completed: 2-28-08

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