



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1094 (S-1, as passed by the Senate)
Committee: Appropriations

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

Changes from FY 2007-08 Year-to-Date:

- 1. **Medicaid Base Funding.** The Senate included base adjustments for Medicaid, Community Mental Health (CMH) Medicaid services, the Children's Special Health Care Services program, and 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. 182,535,300
- 2. **Actuarially Sound Rates.** The Senate 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. 175,436,400
- 3. **Special Medicaid Payments.** The Senate budget reflected the anticipated Federal revenue available for the various special financing mechanisms used by the State. 24,897,000
- 4. **Fund Source Adjustments.** The Senate included adjustments reflecting reduced revenue from the Medicaid Benefits Trust Fund and the Merit Award Trust Fund, resulting in a GF/GP cost increase of \$55.9 million. The budget reflected an increase in the Federal Medicaid and Title XXI match rates, resulting in a GF/GP savings of \$176.9 million. 0
- 5. **Quality Assurance Assessment Program (QAAP) Adjustments.** The Senate 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. 93,939,300
- 6. **Long Term Care Program Expansions.** The Senate reduced the Governor's expansion of Long Term Care programs from \$32.4 million to \$1.0 million. 1,000,000
- 7. **Medicaid Cost Reduction Measures.** The Senate rejected the Governor's proposals to assume savings from creation of a Mental Health Central Service Fund (\$7.3 million GF/GP savings), to eliminate the \$5.0 million disproportionate share hospital pool (\$2.0 million GF/GP savings), and to reduce the rate increase provided to nursing homes (\$12.4 million GF/GP savings) by 2.4%. The Senate concurred with the Governor's proposals to assume 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). The Senate also eliminated Medicaid coverage for Group 2 19 and 20 year olds (\$14.5 million GF/GP savings). (76,955,600)
- 8. **Healthy Michigan Fund.** The Senate rolled Healthy Michigan Fund programming dollars into one line and reduced the line. (10,753,200)
- 9. **Program Enhancements.** Senate provided funding for Medicaid physician rate increase targeted to primary care (\$7.0 million GF/GP), 75 cent increase in the Medicaid pharmacy dispensing fee (\$1.5 million GF/GP), Adult Home Help health care trust (\$1.0 million GF/GP), 2% increase for mental health direct care workers (\$4.0 million GF/GP), and an increase for Local Public Health (\$1.0 million GF/GP). 34,979,400
- 10. **Economic Adjustments.** 4,188,800
- 11. **Other Changes.** Other changes in the budget resulted in a minor increase in funding. 5,279,200
- 12. **Comparison to Governor's Recommendation.** The Senate is \$2,257,700 Gross and \$3,864,200 GF/GP under the Governor.

Total Changes..... \$434,546,600

FY 2008-09 Senate Gross Appropriation \$12,482,872,700

Changes from FY 2007-08 Year to Date:

1. **Updated Prescription Drug Website.** Language included in the proposed budget requires the Department to maintain and regularly update a more comprehensive prescription drug website. The website will be used to provide consumers with information regarding customary prescription drug prices and dosages. (Sec. 285)
2. **Reporting Requirement for CMH Multicultural Funding.** The proposed budget requires organizations which receive funding from the multicultural services line to submit detailed spending plans to the legislature. These spending plans must indicate the population served by the funding and the nature of the services to be provided. (Sec. 403(3) and (4))
3. **PIHP Carry Forward of Medicaid Payments.** The proposed budget allows the State's 18 Prepaid Inpatient Health Plans to carry forward up to 50% of the non-Federal share of any Medicaid capitation payment provided in the current fiscal year into the immediately following year to provide mental health services. (Sec. 430)
4. **Pilot Programs for Secure Residential Facilities.** The Subcommittee added language, which directs the Department to establish two secure residential facilities of fewer than 17 beds for adults with serious mental illness. One pilot will be located in a county with a population over 1,750,000 and the other in a county of less than 225,000 residents. (Sec. 458)
5. **Tobacco Ban for Psychiatric Facilities.** The proposed budget includes new boilerplate requiring the Department to ban the use of all tobacco products on the grounds of state psychiatric facilities. (Sec. 609)
6. **Nursing Home Background Checks.** The proposed budget includes new language that would require the Department to cover the costs of background checks for newly hired nursing home employees. (Sec. 721)
7. **Enrollment of Pregnant Women into Medicaid HMOs.** New Senate language directs the Department to mandate the enrollment of women, whose qualifying condition for Medicaid is pregnancy, into Medicaid managed care plans effective October 1, 2008. (Sec. 1607)
8. **Assignment of Individuals to Medicaid HMOs.** The Department may require Medicaid recipients residing in counties offering managed care options to choose the HMO in which they wish to enroll. The proposed budget includes boilerplate requiring that individuals not expressing a preference be assigned to the managed care organization in their county that is rated highest on quality measures. Presently, these individuals are randomly assigned to Medicaid HMOs. (Sec. 1650)
9. **Nursing Home Wage/Benefit Pass-Through.** The proposed budget includes language requiring that a portion of the 4.9% variable cost rate increase for nursing homes be used to increase employee wages and/or benefits. (Sec. 1680)
10. **\$5.0 Million DSH Pool Language.** The proposed budget includes an update to boilerplate which eligibility and distribution standards for the \$5.0 million disproportionate share hospital funding. Previously, fiscal year 2003-04 was the year used to determine funding. The Subcommittee has proposed changing the funding methodology to use fiscal year 2007-08 as the base year for allocating available funds. (Sec. 1717)
11. **Electronic Prescribing Mandate.** The proposed budget includes language which requires the Department to implement a system of e-prescribing for the Medicaid program by September 30, 2009. (Sec. 1733)

Date Completed: 03-25-08

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