



Senate Fiscal Agency
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House Bill 4344 (as introduced)
Committee: Appropriations

FY 2006-07 Year-to-Date Gross Appropriation	\$11,196,157,400
Changes from FY 2006-07 Year-to-Date:	
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. The base Medicaid caseload for FY 2007-08 was projected to be 1,581,000.	243,108,500
2. Actuarially Sound Rates. The Governor provided an adjustment in Medicaid managed care capitation rates of 4.2% and CMH Medicaid rates of 2.5% to meet Federal requirements that capitation rates be actuarially sound.	130,208,200
3. Special Medicaid Payments. The Governor's budget reflected the anticipated Federal revenue available for the various special financing mechanisms used by the State.	(29,883,000)
4. Fund Source Adjustments. The Governor included adjustments reflecting the loss of revenue from the Medicaid Benefits Trust Fund, the Merit Award Trust Fund, and the Quality Assurance Assessment Programs, resulting in a GF/GP cost increase of \$80,734,900. The budget also reflected an increase in the Federal Medicaid match rate, resulting in a GF/GP savings of \$155,134,200.	0
5. Healthy Michigan Fund (HMF). The Governor's budget included a number of reductions in HMF programming. These included the elimination of funding for cardiovascular programming, osteoporosis, arthritis, Parkinson's, Huntington's, dental programs, childhood lead, the Michigan Model, and the Nurse Family Partnership. The Governor also proposed significant reductions in funding for cancer prevention and control, smoking prevention, efforts to combat infant mortality, and the diabetes and kidney program.	(11,653,200)
6. Long Term Care Program Expansions. The Governor included a \$20.0 million expansion of the Home and Community Based Waiver program, recognition of new Federal funds for community based services, and an expansion of the Single Point of Entry program.	37,954,700
7. Medicaid Cost Reduction Measures. The Governor assumed savings from the imposition of a Medicaid estate recovery program, a change in reimbursement for outpatient hospital services for those dually eligible for Medicaid and Medicare, expansion of the Pharmacy Quality Improvement Program, elimination of the \$5.0 million disproportionate share hospital pool, and a 1.8% reduction in the rate increase provided to nursing homes.	(49,500,000)
8. Economic Adjustments.	26,160,800
9. Other Changes. Other changes in the Governor's budget resulted in a minor decrease in funding.	(3,614,800)
Total Changes.....	\$342,781,200
FY 2007-08 Governor's Recommendation.....	\$11,538,938,600

Changes from FY 2006-07 Year to Date:

1. **Contingency Fund.** The Governor's budget created a contingency fund available to the Department with authorization up to \$100 million Federal, \$20 million state restricted, \$20 million local and \$10 million private. This authorization is not available to the Department for expenditure until it is transferred to another line item. (Sec. 206)
2. **Carve In Anti-Psychotic and Anti-Depressant Medication.** The Governor's budget eliminated current year language that established conditions for the inclusion of funding for anti-psychotic medication in the allocation to Community Mental Health (CMH) agencies and the cost of anti-depressant medication in Medicaid Health Maintenance Organizations (HMO) reimbursement. This language mandated the Department establish statewide procedures for the administration of these drugs and include the actual cost of these drugs in Medicaid capitation rates. (Sec. 269)
3. **Methamphetamine Cleanup Fund.** The Governor removed language that permitted local governments to apply for State grants to help offset the administrative cost associated with cleaning up properties contaminated by the illegal production of methamphetamine. (Sec. 351)
4. **Detroit Wayne County Community Mental Health (CMH).** The Governor eliminated boilerplate included in the FY 2006-07 DCH appropriation that would reduce the non-Medicaid allocation made to Detroit/Wayne County CMH if the agency did not convert to an authority by the end of the fiscal year. (Sec. 459)
5. **Local Public Health Hearing and Vision Screening.** The Governor modified current year boilerplate to exclude language that stated the amount of hearing and vision services provided through local health departments would be similar to the level of service provided in FY 2004-05. (Sec. 905)
6. **Contingency Language Michigan First Healthcare Plan.** The Governor amended current year language that made expenditure of Federal funds appropriated for the proposed Michigan First Healthcare Plan contingent upon Federal approval of a waiver. Additional language would permit the Department to appropriate an additional \$300 million in Federal funds upon approval of the waiver. (Sec. 1501)
7. **Notification of Legislature Michigan First Healthcare Plan.** The Governor eliminated current year language that required the Department to provide the Legislature a copy of their plan for contracting with private insurance entities if the proposed Michigan First Healthcare Plan was approved by the Federal government. The language also prohibited the Department from utilizing a single-source contract to provide coverage through the plan. (Sec. 1502)
8. **Reporting Requirements Michigan First Healthcare Plan.** Current year language that required the Department to provide the Legislature with a copy of the federally-approved Michigan First Healthcare Plan waiver at least 90 days for implementation of the program was eliminated by the Governor. (Sec. 1502)
9. **Nursing Home Variable Cost Limit.** The Governor included new language requiring the Department to cap the increase in the variable cost component of Medicaid nursing home compensation to the Federal Centers for Medicare and Medicaid Services (CMS) measure of nursing home inflation. (Sec. 1690)
10. **Disproportionate Share Hospital (DSH).** The Governor eliminated current year language describing the disbursement of DSH funds. The language stated that one pool of \$45 million would be distributed to eligible hospitals in a manner similar to that used in prior years while an additional \$5 million pool of DSH funds would be allocated to smaller hospitals. (Sec. 1717)
11. **Medicaid Waiver for Health Behavior Incentives.** The Governor did not include current year boilerplate which mandated that the Department seek a Federal waiver to permit the use of financial incentives granted to Medicaid recipients as a means of rewarding positive health behavior. (Sec. 1734)
12. **Medicaid HMO Outcome Targets.** The Governor removed boilerplate requiring the Department to identify the ten most expensive diagnoses in the Medicaid program and create health outcome targets for each of these ailments. The Department was further required to build some form of financial reward into reimbursement to Medicaid HMOs that reached these targets. (Sec. 1739)

Date Completed: 3-7-07

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