



Senate Fiscal Agency
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BILL ANALYSIS



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FY 2006-07 Year-to-Date Gross Appropriation	\$11,404,451,600
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Changes from FY 2006-07 Year-to-Date:Conference Agreement on Items of Difference

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| 1. Medicaid Base Funding. The Conference Committee 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. | 304,566,800 |
| 2. Actuarially Sound Rates. The Conference Committee 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 Conference Committee reflected the anticipated Federal revenue available for the various special financing mechanisms used by the State. | (29,883,000) |
| 4. Quality Assurance Assessment Programs (QAAP) Adjustments. The Conference Committee included adjustments to the QAAPs to reflect available revenue. The Conference Report included a \$60 million expansion of the Hospital QAAP and used part of the revenue to offset GF/GP and the rest to increase hospital payments and to create a new \$60 million Disproportionate Share Hospital (DSH) pool targeted to small community and rural hospitals and neo-natal and pediatric intensive care units. | 248,082,200 |
| 5. Fund Source Adjustments. The Conference Committee 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 \$48,392,900. The budget also reflected an increase in the Federal Medicaid match rate, resulting in a GF/GP savings of \$155,134,200. | 0 |
| 6. Healthy Michigan Fund (HMF). The Conference Committee restored most of the HMF cuts of FY 2006-07, making reductions totaling \$900,000 in four areas. | 2,264,200 |
| 7. Long Term Care. The Conference Committee included a \$5.0 million expansion of the Home and Community Based Waiver program, recognition of Federal funds for community services, and an expansion of the Single Point of Entry program. | 11,669,600 |
| 8. Medicaid Cost Reduction Measures. The Conference Committee 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, citizenship verification, changes in treatment of nursing home prepaid costs, the shift of Medicaid-eligible foster children to managed care, and an expansion of third party liability savings. | (62,555,400) |
| 9. Economic Adjustments. | 26,144,400 |
| 10. Other Changes. Other changes, including recognition of \$12,945,900 in match funding for the new Medicaid computer system, resulted in a minor increase in funding. | 13,374,900 |

Total Changes.....	\$643,871,900
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FY 2007-08 Enacted Gross Appropriation.....	\$12,048,323,500
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Changes from FY 2006-07 Year to Date:Conference Agreement on Items of Difference

1. **Contingency Fund.** New boilerplate created a contingency fund available to the Department with authorization up to \$100.0 million Federal, \$20.0 million state restricted, \$20.0 million local, and \$10.0 million private. This authorization is not available to the Department for expenditure until it is transferred to another line item. (Sec. 206)
2. **Medicaid Ambulatory Surgical Centers.** New language would require the Department to permit ambulatory surgical centers to fully participate in the Medicaid program. These facilities would be fully integrated into the Medicaid program when Medicaid reimbursement for hospitals is processed through the new management information system currently under development. (Sec 248)
3. **Consolidation of Local Services.** Boilerplate would require the Department to study current policy and payment methodology to develop options for encouraging administrative efficiency in services delivered through local public health departments, community mental health, substance abuse coordinating agencies and area agencies on aging. The study is required to include examination of options including sharing of services and consolidation of local entities. (Sec. 272)
4. **Mental Health pharmaceutical report.** New boilerplate requires the Department to provide the Senate and House a report on the number and cost of atypical antipsychotic prescriptions for each pre-paid inpatient health plan (PIHP) for Medicaid recipients. (Sec. 480)
5. **Consolidation of Food and Custodial Services at State Hospitals and Centers.** Language required the Department to evaluate privatization of food and custodial services at State-operated mental health facilities. The evaluation is required to include an analysis of cost difference between current provision of these services and privatization. If the evaluation identifies savings of at least 10%, the Department is required to establish a bid process for the private provision of food and custodial services at State mental health facilities. (Sec. 608)
6. **Area Agency on Aging (AAA) Structure.** Current boilerplate is modified to ensure that the Department annually notifies county boards of commissioners that county membership in a AAA can be changed, subject to Office of Services to the Aging procedures. (Sec. 1413)
7. **Medicaid Pharmaceutical Reimbursement.** Current law language is modified to include a statement of legislative intent that GF/GP savings achieved by the Department through Federally-mandated changes in pharmaceutical reimbursement would be utilized for an increase in the Medicaid dispensing fee for pharmaceutical products. This increase would be capped at \$2.00 per prescription. (Sec. 1620)
8. **Healthy Kids Dental Expansion.** Fiscal year 2006-07 boilerplate is modified to provide an additional \$5.3 million Gross to expand the Medicaid Healthy Kids Dental Program to Saginaw and Genesee Counties. (Sec. 1633)
9. **Medicaid HMO Service Area Expansion.** New boilerplate would restrict any Medicaid HMO permitted to expand its service area beyond current boundaries from selling any portion of their assets for three years. Language further requires any Medicaid HMO seeking to expand into Wayne County to also expand into an additional county with a population of 100,000 or fewer people with one or fewer participating Medicaid HMOs. (Sec. 1652)
10. **MIChoice Reporting Requirements.** Current law language is modified to include a requirement that the Department compile data on the supports individuals on the waiting list for the Medicaid home and community-based waiver program are currently receiving. These services would include Medicaid adult home help, food stamps, and housing assistance. (Sec. 1689)
11. **Medicaid Adult Home Help Wage Adjustment.** Current law boilerplate is modified to establish a minimum wage for Medicaid adult home help workers of \$7.50 per hour by April 1, 2008. (Sec. 1691)
12. **Medicaid Foster Children.** New boilerplate would require the Department to enroll all eligible children receiving foster care services into a Medicaid HMO. (Sec. 1772)
13. **Medicaid Disproportionate Share Hospital (DSH).** New language requires the Department to work with the Michigan Health and Hospital Association to implement a process to distribute \$60.0 million in new Medicaid hospital DSH payments. About \$50.0 million of the pool would be targeted toward small and rural hospitals and \$10.0 million would be allocated to hospitals with neonatal intensive care units and pediatric intensive care units. (Sec. 1778)

Date Completed: 11-01-07

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