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BILL ANALYSIS

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Senate Bill 763 (S-1, Draft 1 as reported)
Committee: Appropriations

Throughout this document Senate means Subcommittee.

FY 2013-14 Year-to-Date Gross Appropriation	**$16,535,371,000**
Changes from FY 2013-14 Year-to-Date:	
1. **Medicaid Match Rate Change.** The Medicaid match rate will decrease from 66.14% to 65.54%, leading to a cost increase of $79.3 million GF/GP.	0
2. **Medicaid Primary Care Services Rate Increase.** The Medicaid primary care rate increase to Medicare levels was funded with 100% Federal funds in calendar years 2013 and 2014. Governor and Senate removed the Federal funding but retained half of the increase effective January 1, 2015, at a cost of $26.0 million GF/GP.	(270,466,900)
3. **Medicaid Managed Care Actuarial Soundness.** Senate provided a 2.5% increase for Medicaid physical health and a 1.5% increase for Medicaid mental health to meet Federal guidelines that rates be actuarially sound, costing $42.0 million GF/GP.	121,901,400
4. **Medicaid Base and Caseload Adjustments.** Senate reflected cost increases across all Medicaid programs, with a cost of $43.3 million GF/GP.	140,707,400
5. **Program Increases and New Programs.** Senate proposed a number of new programs and program expansions, including increases in rural prenatal care services, funding for child and adolescent health, funding for breast cancer screening, Community Mental Health funding, elimination of waiting lists for senior meals, in-home services, and the Home and Community Based Waiver, expansion of the Healthy Kids Dental program to Kalamazoo and Macomb Counties, full year funding for Harper/Hutzel Hospital, and an increase in Medicaid obstetric rates to Medicare levels. Total cost of $27.7 million GF/GP.	82,360,100
6. **Governor's Proposed Reductions**. Senate rejected Governor's proposed elimination of the rural/sole community hospital pool and one-time graduate medical education funding.	0
7. **Technical Adjustments.** Senate includes technical adjustments, including phasing out of county indigent care agreements due to Medicaid expansion, adjustments to the Specialty Network Access Fee program, adjustments to special financing, termination of a one-time outpatient hospital pool, and changes to available Federal grants.	(190,885,500)
8. **Medicaid Expansion**. Senate budget reflected full-year Gross costs and GF/GP savings from implementation of the Healthy Michigan Program, commonly referred to as Medicaid expansion. The State has a number of programs serving this population using GF/GP dollars, especially Community Mental Health (CMH) non-Medicaid services, so the budget projects full-year GF/GP savings on these programs of $232.1 million.	1,080,725,600
9. **Health Insurance Claims Assessment (HICA) Shortfall.** Senate filled the $110.0 million HICA shortfall with GF/GP.	0
10. **Economic Adjustments.** Includes a negative $2,427,900 Gross and a negative $991,200 GF/GP for OPEB and $11,249,800 Gross and $4,235,400 GF/GP for other economic adjustments.	8,821,900
11. **Other Changes.** Other changes resulted in a reduction in spending.	(15,633,400)
12. **Comparison to Governor's Recommendation:** The Senate is $118,333,800 Gross and $120,000,000 GF/GP over the Governor's Recommendation.	
Total Changes	$957,530,600
FY 2014-15 Senate Appropriations Subcommittee Gross Appropriation	**$17,492,901,600**

Changes from FY 2013-14 Year-to-Date:

1. **Healthy Michigan Plan.** Senate included new language stipulating that should the enacting legislation regarding the Healthy Michigan Plan be amended, repealed, or altered funds appropriated in that line would only be able to be used to pay bills accrued up until the effective date of amending, repeal, or alteration. (Sec. 252)

2. **Legacy Costs.** Senate included new language specifying the legacy costs at $49,676,000 for pension-related costs and $39,448,600 for retiree health care costs for the year. (Sec. 297)

3. **Contracts for Mental Health Services for Special Populations.** Senate retained current year language on the awarding of grants to multicultural service providers and did not include the Governor's proposed language on competitively bidding for such services. (Sec. 403)

4. **Housing Rehabilitation and Hazard Abatement Task Force.** Senate included new language which requires the Department to work with DHS and MSHDA to review housing rehabilitation, energy and weatherization, and hazard abatement program policies. (Sec. 1139)

5. **Healthy Michigan Administration.** Senate included new language requiring the Department to establish an accounting structure to identify administrative expenditures associated with the Health Michigan Plan. (Sec. 1503)

6. **Certification of Health Plan and PIHP Rates as Actuarially Sound.** Senate modified language on annual rate certification to require all policy bulletins issued after Federal approval of rates include an analysis showing current rates will not be compromised by the new policy. The language also requires that the State reimburse health plans for the cost of all taxes imposed by the State and Federal government, including the health insurer fee imposed under the Federal Affordable Care Act. (Sec. 1764)

7. **Rural Hospital Funding.** Senate retained current year language allocating $12.0 million GF/GP, along with associated Federal match, for rural and sole community hospitals. (Sec. 1866)

8. **Graduate Medical Education (GME).** Senate modified language on GME to require the Department to work with Michigan based medical schools to create a GME consortium to be known as MiDocs. Also, allocates $500,000 for the legal creation of the consortium, to obtain ACGME accreditation and develop new residency programs within the State. (Sec. 1870)

9. **New Options for Physician Residencies.** Senate included new language allocating $500,000 to help develop new physician residencies within the State. Half of the money is to create a consortium of medical schools, while the other half is to develop family practice and primary care residencies in hospitals with fewer than 100 beds. (Sec. 1871)

10. **Medicaid Health Plan Performance Standards.** Senate included new language requiring the Department to establish contract performance standards for Medicaid health plans three months before their implementation. (Sec. 1888)

11. **Harper-Hutzel Hospital Funding.** Senate included new language allocating a DSH payment of $6,500,000 GF/GP plus associated Federal match to Harper-Hutzel Hospital. (Sec. 1895)

12. **Diabetes Manifestation in Medicaid.** Senate included new language requiring reports on the prevalence of gestational diabetes in the Medicaid population and the Medicaid program performance on diabetes specific measures. (Sec. 1896 and 1897)

13. **Special Projects Funding.** Senate altered language to allocate an additional $500,000 to Eastern Michigan University and Western Michigan University and to continue funding of $500,000 apiece for Central Michigan University and Oakland University, inserted a new allocation of $1,000,000 to Michigan State University, and allocated $1,500,000 for the Autism Alliance. (Sec. 1902)

Date Completed: 4-22-14 Fiscal Analyst: Steve Angelotti and Ellyn Ackerman