



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 135 (S-3, as reported)
Committee: Appropriations

Throughout this document Senate means Appropriations Committee.

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2016-17 YEAR-TO-DATE	FY 2017-18 SEN. FULL COMM.	CHANGES FROM FY 2016-17 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions.....	15,594.5	15,352.4	(242.1)	(1.6)
GROSS	24,945,958,500	25,479,027,900	532,389,200	2.1
Less:				
Interdepartmental Grants Received	13,513,700	13,640,900	127,200	0.9
ADJUSTED GROSS.....	24,932,444,800	25,465,387,000	532,262,000	2.1
Less:				
Federal Funds.....	17,966,627,100	18,409,507,400	442,880,300	2.5
Local and Private	278,917,400	263,144,200	(15,773,200)	(5.7)
TOTAL STATE SPENDING.....	6,686,900,300	6,792,735,400	105,835,100	1.6
Less:				
Other State Restricted Funds.....	2,294,167,500	2,442,169,800	148,002,300	6.5
GENERAL FUND/GENERAL PURPOSE.....	4,392,732,800	4,350,565,600	(42,167,200)	(1.0)
PAYMENTS TO LOCALS	1,326,260,100	1,360,107,200	33,847,100	2.6

FY 2016-17 Year-to-Date Gross Appropriation	\$24,945,958,500
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Changes from FY 2016-17 Year-to-Date:

- 1. Medicaid and Related Match Rates.** Senate reflects drops in traditional Medicaid match rate to 64.78%, Title XXI match rate to 98.35%, and expansion Medicaid match to 94.0% effective January 1, 2018. Total cost increase of \$99.3 million GF/GP. 0
- 2. Other Fund Source Adjustments.** Senate reflects numerous fund source shifts, including a \$9.5 million reduction in available Temporary Assistance for Needy Families (TANF) revenue, \$25.3 million additional available Tobacco Settlement revenue, and a \$79.6 million increase in Health Insurance Claims Assessment (HICA) revenue. Total GF/GP savings from these and other smaller fund source shifts of \$103.4 million. 0
- 3. Reversal of FY 2016-17 Adjustments.** Budget does not include a \$46.4 million information technology boilerplate appropriation or \$14.7 million in FY 2016-17 contingency fund transfers. (60,067,200)
- 4. Medicaid Actuarial Soundness Adjustments.** Senate includes 1.0% increases for traditional and expansion Medicaid managed care organizations for physical health and behavioral health to ensure rates paid meet Federal actuarial soundness requirements. 86,600,800
- 5. Adjustments to Special Medicaid Payments.** Senate includes reductions to special hospital payments to reflect the maximum allowable Federal amounts as well as adjustments to special financing payments and payments to publicly affiliated clinics. \$9.7 million GF/GP savings. (173,656,900)

6. Healthy Michigan Plan (HMP) Base and Caseload. Senate includes increased funding for the Medicaid expansion, also known as the HMP, to reflect growth in the caseload to over 650,000 people. GF/GP cost of \$27.9 million.	568,941,300
7. Traditional Medicaid Base and Caseload. Senate includes adjustments to reflect anticipated costs for the base Medicaid program. GF/GP cost of \$34.0 million.	78,907,000
8. Children's Services Base and Caseload. Senate includes minor adjustments to most children's services caseloads, with a larger \$11.5 million Gross, \$5.3 million GF/GP savings in the Adoption Subsidies program. Total GF/GP savings of \$1.8 million.	(8,994,100)
9. Public Assistance Base and Caseload. Senate includes minor adjustments to most caseloads along with a \$21.7 million Gross, \$4.0 million GF/GP savings in the Family Independence Program (FIP). Total GF/GP savings of \$4.6 million.	(22,350,700)
10. Program Enhancements. Senate include a number of enhancements in the budget; Among these were creation of a provider tax funded quality pool for nursing homes (\$73.0 million Gross, \$8.2 million GF/GP savings from tax retention), a \$0.50 per hour wage pass-through for direct care workers effective April 1, 2018 (\$22.5 million Gross, \$7.1 million GF/GP), an increase in foster care private agency administrative rates (\$14.2 million Gross, \$8.9 million GF/GP), increased senior services funding to eliminate wait lists (\$3.6 million Gross and GF/GP), and an increase in multicultural funding (\$2.0 million Gross and GF/GP).	126,891,500
11. Program Reductions. Senate includes several program reductions. Funding for the U-D Dental Clinic was removed (savings of \$2.0 million Gross and GF/GP) as was the Mental Health and Wellness Commission recommendations (\$22.0 million Gross, \$7.5 million GF/GP). The budget also assumes a reduction in costs due to the departmental merger (\$3.1 million Gross and GF/GP).	(26,267,200)
12. Technical Adjustments Tied to Federal and State Policy Changes. Budget reflects annualization of the expiration of the Medicaid managed care Use Tax (\$157.9 million Gross and \$41.7 million GF/GP savings). Budget also reflects the anticipated reinstatement of the Federal health insurer fee in calendar year 2018 (\$167.0 million Gross, \$0 GF/GP cost).	9,143,300
13. One-Time Funding Adjustments. Includes the removal of two one-time Information Technology projects, the conversion of university autism funding from ongoing to one-time, and \$14.1 million Gross, \$1.7 million GF/GP to fund new initiatives in Flint.	(55,045,500)
14. Removal of FY 2016-17 Lump Sum Adjustment. \$5.1 million GF/GP savings.	(12,274,900)
15. Other Changes. Other changes, mostly involving technical adjustments to reflect unrealized non-GF revenues, resulted in a reduction in Gross authorization.	(6,614,400)
16. Economic Adjustments. Includes \$27.9 million Gross and \$13.8 million GF/GP for economic adjustments.	27,856,400
17. Comparison to Governor's Recommendation. The Senate is \$58,386,600 Gross and \$111,169,800 GF/GP under the Governor.	
Total Changes	\$533,069,400
FY 2017-18 Senate Appropriations Committee Gross Appropriation	\$25,479,027,900

Boilerplate Changes from FY 2016-17 Year-to-Date:

1. **Deletions.** Senate eliminated the following sections from current year boilerplate: 228, 275, 293, 515, 625, 1009, 1057, 1424, 1730, 1806, 1890, 1909, and 1912.
2. **Section Numbering.** Senate renumbered the following current year boilerplate sections for uniformity across budget areas: 205 renumbered 221, 206 renumbered 210, 207 renumbered 213, 208 renumbered 204, 209 renumbered 205, 210 renumbered 206, 211 renumbered 226, 213 renumbered 227, 214 renumbered 297, 217 renumbered 207, 230 renumbered 1901, 276 renumbered 208, 287 renumbered 209, 292 renumbered 211, 294 renumbered 1903, 297 renumbered 214, 534 renumbered 1904, 642 renumbered 454, 960 renumbered 1906, 1007 renumbered 905, 1180 renumbered 1182, 1908 renumbered 1856, 1910 renumbered 1905.

Boilerplate Changes from FY 2016-17 Year-to-Date:

3. **Legacy Costs.** Senate modified language to specify legacy costs for FY18, to include \$172.7 million for pension-related costs and \$162.9 million for retiree health care costs. (Sec. 214)
4. **Updated Report on DCH/DHS Merger.** Senate included language that requires department to report annually on the statewide impact of the merger. New metrics include well-being, direct and indirect costs or savings, detailed explanation of the integrated service delivery, and consolidation planning. (Sec. 233)
5. **Behavioral Health Integration Pilots.** Senate included new language requiring the Department to allow pilots that integrate Medicaid behavioral and physical health. States that the goal of the demonstration models is full integration of Medicaid behavioral and physical health services by September 30, 2020. Requires any savings be reinvested into services for the behavioral health pilot population and requires a report on savings by April 1. (Sec. 234).
6. **Limits on Administrative Component of New Contracts.** Senate modified language to require a minimum of 95% of contracts financed through GF/GP or State Restricted funds must be spent on direct services. The language allows exceptions to be made if it can be demonstrated that they are necessary. (Sec. 288)
7. **FTE Report.** Senate included language that requires an FTE report that compares actual FTEs to appropriated FTEs by appropriation unit. (Sec. 297)
8. **Medicaid Behavioral Health Workgroup.** Senate revised current language to require the Department to continue working with the Sec. 298 workgroup to improve the coordination of Medicaid physical and behavioral health. States legislative intent that the Department consider the outcomes of pilots implemented under this section as well as financial integration pilots when making recommendations for future service delivery. (Sec. 298)
9. **Private Child Placing Licensing Review.** Senate revised language to include summaries of actions undertaken to revise, improve, and identify weaknesses in the current annual licensing process and annual contract compliance. (Sec. 532)
10. **Unlicensed Relative Care Placement.** Senate added language that requires reimbursement to counties for court ordered relative placement where a waiver of licensure has been granted by DHHS. Waiver shall be issued when various assessments by the department have been completed. (Sec. 548)
11. **Partial Child Care Fund Reimbursement.** Senate added language to require reimbursement to counties for the undisputed portion of received reimbursement requests with within 15 days of the receipt of those billings. (Sec. 558)
12. **Unpaid Case Coverage.** Senate added section to require per diem payment for all cases on a caseworker's caseload for entire duration of care. (Sec. 573)
13. **Licensure of Relative Caregivers Incentives.** Senate modified section to appropriate \$3,500,000.00 for the private agency facilitated licensure of relative caregivers as foster parents. For licensures completed within 210 days, \$4,500.00 per case is granted and for licensures completed after 210 days, \$3,500.00 per case is granted. (Sec. 574)
14. **Covenant House Implementation.** Senate added language to appropriate \$280,000.00 to a charter high school targeting kids ages 16-22 at-risk for foster care. (Sec. 590)
15. **Probation/Parole Absconder Public Assistance Report.** Senate included new language requiring a report on public assistance recipients who are parole and probation absconders. (Sec. 619)
16. **Agricultural Worker Rehabilitation.** Senate added language to report on the Federal match and how many farm workers with disabilities were served. (Sec. 804)
17. **Marihuana Regulatory Fund.** Senate included new language directing the use of revenue from the marihuana regulatory funds be used to improve physical health, expand access to substance use disorder prevention and treatment services; and strengthen existing prevention, treatment, and recovery systems. (Sec. 909)
18. **Direct Care Worker Wage Pass Through.** Senate included new language requiring the Department to create a pool available to PIHPs in order to increase direct care work wages by \$0.50/hour beginning April 1. PIHPs must apply to the Department to receive funds and then provide a report on the actual expenditures of pool funds and the range of wages impacted. (Sec. 944)
19. **PIHP Administrative Cost.** Senate modified language to require any consolidation of administrative functions demonstrate through independent analysis, a reduction in administrative costs resulting in greater spending on direct services. Also places limits on what types of spending to which savings may be applied. (Sec. 1008)

20. **Nursing Facility Quality Measure Initiative.** Senate included new language directing the Department to implement a nursing facility quality initiative, financed through an increase in the Nursing Home QAAP, to provide quality incentive payments to reward improvements in outcomes for nursing facility patients and residents. . (Sec. 1646)
21. **Direct Primary Care Pilot.** Senate revised language to appropriate funds to implement a Direct Primary Care Pilot in Wayne, Oakland, Kent, Genesee and Livingston counties. Language specifies that the Department must seek a waiver to contract directly with direct primary care providers, the make-up of the pilot, required contract provisions, a quarterly reporting requirement, and designates unexpended funds as a work project. (Sec. 1701)
22. **GME Quality Data Reporting.** Senate modified language to require that 25% of a hospital's graduate medical education payments be withheld if the hospital does not submit the data to a qualifying organization by January 1, 2018. (Sec. 1805)
23. **Electronic Service Verification.** Senate added new language appropriating \$1.5 million to develop and deploy a mobile electronic service verification solution, which must include biometric identity verification, to reduce error and minimize fraud in the Adult Home Help Program. (Sec. 1851)
24. **Medicaid Pharmaceutical Carve-Out.** Senate added new language requiring the Department to report by April 1 on the number of prescriptions paid by the Department, the total amount spent on prescriptions, the total amount of rebates provided by pharmaceutical manufacturers, and the number and total spent on generic equivalents. (Sec. 1858)
25. **Healthy Michigan Plan (HMP) Uncollected Co-Pays.** Senate included new language requiring the Department to report by March 1 on the number of HMP participants who haven't paid their co-pays, the total amount of uncollected co-pays, and the steps taken by the Department and health plans to ensure greater collection of co-pays. (Sec. 1860)

Date Completed: 4-27-17

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