Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 525 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Joel D. Gougeon
Committee: Families, Mental Health and Human Services

CONTENT

The bill would amend the Mental Health Code to:

-- Require the Department of Mental Health (DMH) to shift primary responsibility for the direct delivery of public mental health services from the State to a community mental health services program (CMHSP), rather than to the county as currently provided. A CMHSP would be an official county agency, a community mental health (CMH) organization, or a CMH entity (a new entity created by the bill).
-- Allow two or more counties to organize and operate a CMHSP by creating a community mental health organization under the Urban Cooperation Act.
-- Replace references to mentally ill and developmentally disabled adults with references to adults or individuals with serious mental illness or developmental disability; replace references to county community mental health boards with community mental health services programs; and include the Federal definitions of a number of terms.
-- Require consumer representation on the Citizens Mental Health Advisory Council and on the board of a CMHSP.
-- Specify the priority for the delivery of mental health services.
-- Replace provisions for the establishment of a DMH Office of Recipient Rights and recipient rights advisory committee, and similar offices and committees by licensed hospitals and CMHSPs.
-- Provide for the establishment of special fund accounts by CMHSPs, rather than by CMH boards as currently provided; delete the requirement that the funds be used in conformance with DMH guidelines for CMH programs; and require quarterly rather than monthly reports on the funds.
-- Apply the family support subsidy program provisions to “eligible minors” rather than “family members” as currently specified.
-- Require all CMHSPs to obtain and maintain certification from the DMH.
-- Allow the DMH to accept local matching funds over an extended period of time or waive a portion of the required local match for financial hardship.
-- Specify that, beginning in the fiscal year after a CMHSP became an entity, if the DMH increased the amount of state funds provided to CMHSPs for the fiscal year, the amount of local match required of an entity for services for that fiscal year could not exceed the amount of funds provided by the CMHSP as local match in the year in which it became an entity.
-- Require each CMHSP to establish at least one preadmission screening unit
-- Require approval from CMH service screening units for hospitalization and from CMHSPs for admission to centers.
-- Require that hospitalization and treatment be provided by hospitals or programs recommended by a CMHSP.
-- Require timely physical and mental examination of recipients and applicants for mental health services.
-- Require, rather than permit as currently provided, the court to order hospitalization or alternative treatment if it found that an individual needed treatment.
-- Add a new chapter to the Code to provide for dispute resolution.
-- Specify time periods for the use of physical restraints and seclusion.

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-- Revise the financial liability provisions for recipients, their spouses, and their parents.
-- Require the DMH to support training, studies, and research.
-- Change the licensure of psychiatric hospitals, psychiatric units, and psychiatric partial hospitalization programs from annual to biennial and revise the license fees.
-- Require the resolution establishing a CMH entity to specify that the entity's employees were public employees and that they and the entity would be subject to the Public Employees Relations Act, and that an employee who was transferred to an entity would not, by reason of the transfer, be in a worse position with respect to the benefits he or she enjoyed as an employee of the former CMHSP.
-- Require that all modifications to rules needed to comply with the bill be submitted to public hearing within two years after the bill's effective date.
-- Repeal a number of provisions concerning Lafayette Clinic, CMH centers, cost of services, preliminary hearings, medical reports, and other mental health issues.

MCL 330.1100 et al. Legislative Analyst: L. Burghardt

FISCAL IMPACT

The bill could have a potentially significant fiscal impact on State government funding. A review of the amendments indicate that there are two provisions--the 100% State General Fund responsibility for the cost of programs that were in excess of program provision in the year prior to the CMH program's conversion to county entity status (Section 308(1)), and the financial hardship waiver for county programs (Section 302(4))--that are of particular concern.

According to the Department, the language in Section 308(1) is intended, once a county program became a county entity, to freeze the county's financial share of the annual net cost of county programs at the 10% level. If, however, new programs were mandated by the State, the State could assume "all the annual net cost of services". The development of new programs and their cost cannot be predetermined, nor can the need be assumed. But the assumption that any new programs' costs will be shared by the county could no longer be made in the State budget.

As program costs grow, the freezing of the county portion of the costs would have a considerable fiscal impact. Assuming a 4% growth rate in State-mandated programs, by the fifth year the net fiscal impact would be up to $10 million GF/GP, and by the 20th year it would be up to $60 million GF/GP.

The financial hardship waiver located in Section 302(4) provides that if a county demonstrated financial difficulties, the Department could accept a plan for extended payment or excuse a portion of the amount of the obligation. It is assumed that these actions could cause a reduction in the payment of local funds within a particular fiscal year. The bill does not clearly outline when or if there is a provision for boards to request State General Fund dollars to make up the difference.

Other provisions that have fiscal considerations include but are not limited to: 1) a carry-forward of up to 5% of the State share of the operating budgets in excess of State revenues over State expenditures; 2) reserve funds accounts using State funds; 3) the elimination of a specific consumer payment fee schedule outlined in the Code; 4) the appearance of the elimination of the mental health grant fund; and 5) changes in the licensing requirements for psychiatric hospitals. These and other issues need to be reviewed in more depth (at greater length) to reach some sense of the magnitude of the impact.

Date Completed: 10-11-95 Fiscal Analyst: S. Angelotti
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