



House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

MAINTENANCE OF EFFORT RATES

House Bill 5507 as introduced First Analysis (5-3-00)

Sponsor: Rep. Terry Geiger
**First Committee: Family and Children
Services**
Second Committee: Appropriations

THE APPARENT PROBLEM:

Under the Social Welfare Act, counties providing Medicaid-funded nursing home services in county-owned facilities must reimburse the state according to a county "maintenance of effort" rate determined on an annual basis for each patient day of Medicaid nursing home services. The current formula for determining the maintenance of effort rates was placed in the statute in 1984; the 1984 legislation included a "hold harmless" provision, capping the payment rates of counties that otherwise would have seen their payments increase under the new formula. The "hold harmless" provision expired in 1989, and in 1990 the legislature reinstated it and extended its life through 1994. The provision was extended again in 1995, 1996, and, for three years, in 1997. It is currently scheduled to expire on December 31, 2000. It is proposed that the "hold harmless" provision be extended yet again. According to the House Fiscal Agency, the proposed 2000-2001 Department of Community of Health budget assumes the provision will be extended.

THE CONTENT OF THE BILL:

The bill would amend the Social Welfare Act to extend the "hold harmless" provision for county maintenance of effort payments for Medicaid-funded nursing home services in county-owned medical care facilities through December 31, 2003.

MCL 400.109

FISCAL IMPLICATIONS:

The House Fiscal Agency says the proposed fiscal year 2000-2001 Department of Community Health budget assumes continuation of the current level of county MOE payments, so no additional funding would be required with passage of the bill. Without the bill, about 31 counties would see their payments to the state increase, with increases totaling \$1 million, according to the HFA. (HFA fiscal note dated 3-21-00)

ARGUMENTS:

For:

The bill would continue the current practice of freezing maintenance of effort rates for county medical care facilities that otherwise would see payment increases under a formula adopted in 1984. The House Fiscal Agency says that if the rate freeze expired at the end of the year (as the statute now requires), the rates paid by most of the 38 counties with medical care facilities or hospital long-term care units would have to pay up to \$1 per patient day more to the state until the level required by the 1984 formula was reached. The HFA estimates 31 counties would be affected, with a total cost to them of about \$1 million.

POSITIONS:

The Department of Community Health supports the bill. (5-1-00)

The Michigan Association of Counties supports the bill. (5-1-00)

The Michigan County Medical Care Facility Council (MCMCFC) supports the bill. (5-1-00)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.