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SFA



BILL ANALYSIS

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House Bill 4254 (S-1, Draft 1 as reported)

Committee: Appropriations

FY 2000-01 Year-to-Date Gross Appropriation	\$8,564,377,900
Changes from FY 2000-01 Year-to-Date:	
1. Medicaid Match Rate. The Federal Medicaid match rate increases from 56.18% to 56.36% in FY 2001-02, producing a \$12,005,700 GF/GP savings.	0
2. Community Mental Health (CMH)/Substance Abuse Issues: The Senate Subcommittee rejected the Governor's proposals to transfer psychotropic costs to CMH, to create a separate line for CMH retroactive eligibles, and to reduce base funding due to the change in the "spend down" policy. The Subcommittee made a base adjustment and included 2% rate increases for CMH Medicaid, CMH non-Medicaid, and Medicaid substance abuse services.	46,733,500
3. Healthy Michigan Fund (HMF). The Executive budget included a number of reductions to programs funded with HMF due to the lack of available funds. In order to continue and expand HMF programming, the Senate Subcommittee added \$2.5 million GF/GP.	(7,693,500)
4. Local Public Health. The Subcommittee proposed a 2% increase for Local Public Health.	821,400
5. Medicaid Inflationary Rate Increases. The Senate Subcommittee concurred with the Executive to include a 2% rate increase for all Medicaid providers.	65,427,800
6. Medicaid Special Financing and Medicaid Base, Caseload, and Utilization Adjustments. The Senate Subcommittee made several adjustments related to special financing and expenditure estimates, with the Subcommittee assumption of a lower Medicaid base than the Executive. The Subcommittee also added \$11 million to provide phase-in funding for the Elder Prescription Insurance Coverage (EPIC) program.	134,470,400
7. Medicaid Pharmaceutical Cost Containment. The Senate Subcommittee accepted the House's limited pharmaceutical savings proposal, reflecting higher rebate amounts.	(10,500,000)
8. Breast and Cervical Cancer. The Senate Subcommittee accepted enhanced Federal funding for expanded breast and cervical cancer services.	976,000
9. Budgetary Savings and \$100 Items of Difference. The Senate Subcommittee included a new unit for unspecified "budgetary savings" and created \$100 items of difference in every line item to keep all dollar issues open at conference.	(13,707,900)
10. Economic Adjustments. Standard economic adjustments were applied consistent with factors applied to all budgets, including a 2% increase for all unclassified salaries.	13,768,900
11. Other Changes. The net change due to other changes, including the recognition of over \$10 million in additional Federal funds, results in a positive adjustment to the budget.	9,900,100
12. Comparison to Governor's Recommendation. The Senate bill is at the Governor's level of GF/GP appropriations, but exceeds the Governor's gross budget by \$32,997,400.	
Total Changes	\$240,196,700
FY 2001-02 Senate Appropriations Subcommittee Gross Appropriation	\$8,804,574,600

Changes from FY 2000-01 Year-to-Date:

1. **Community Mental Health.** The Subcommittee included new language to prohibit the Department from enacting any changes to the CMHSP Medicaid retroactive payment policy in effect June 1, 2001. In addition, language is included to require the Department to apply the 2% across-the-board capitation rate increase for Medicaid mental health and substance abuse services to the actual capitation rates paid by the Department to these providers. (Secs. 428, 429)
2. **Sexual Assault Victims.** The Subcommittee concurs with the House to allocate \$200,000 for the expansion of forensic nurse examiner programs. The Subcommittee includes new language to allow criminal sexual assault victims to obtain reimbursement for the cost of medically necessary health care services needed for the collection of evidence, pursuant to enabling legislation. (Secs. 1302, 1303)
3. **Medicaid Rebasing.** The Subcommittee includes new language prohibiting the Department from rebasing Medicaid fee-for-service rates for inpatient hospital services in FY 2001-02. (Sec. 1614)
4. **Medicaid Pharmacy.** The House and Senate Subcommittee reduce the per prescription co-payment from \$1.00 to \$0.50 for generic drugs and increase the co-payment for brand name drugs, for which an equivalent generic drug is available, to \$3.00. (Sec. 1620). Language is also included to maximize rebates on pharmaceuticals. (Secs. 1627, 1628).
5. **Rural Health Initiative.** The Subcommittee distributes \$10 million in funding as follows: \$3.85 million for direct adjustor payments to rural hospitals; \$2 million for emergency medical services related activities; \$150,000 for free clinics in rural areas; and \$4 million for health clinics on Mackinac and Beaver Islands. (Sec. 1644)
6. **Medicaid Outpatient Hospital Adjustor.** The Subcommittee amends current year language to require the outpatient hospital adjustor be paid in the following proportion: 60% based on the volume of outpatient services delivered through Medicaid managed care plans; and 40% based on the volume of outpatient services delivered under fee-for-service. (Sec. 1645)
7. **Medicaid HMOs.** The Subcommittee includes new language prohibiting the Department from implementing bulletin MSA 01-03 (hospital conditions of participation) and proposed bulletins 0039-Hospital (outpatient adjustor) or 0004-Hospital (GME) unless references to per diem payments are deleted. In absence of a contract between a hospital and an HMO, the HMO is required to reimburse the hospital at fee-for-service rates. The new language requires the Department to reimburse the HMO the differential between the actuarially equivalent per diem rate and the actual Medicaid fee-for-service payment paid to the hospital for any HMO that can certify that the capitation rate was based on per diem estimates for inpatient hospital services and that it has sustained financial loss due to reimbursing noncontracting hospitals on a fee-for-service basis. (Sec. 1658)
8. **Nursing Homes.** The House included new language stating that the Medicaid payment rates for nursing home services shall be based on a minimum resident occupancy requirement of 82%. The Subcommittee includes this language but replaces "shall" with "may." (Sec. 1686). The Subcommittee concurs with new House language allowing nursing homes that remove beds to reduce licensed bed capacity to remove the beds from anywhere in the facility, not necessarily only beds adjacent to each other. Beds removed under this policy must remain out of service not less than one year. The facility cost for space from which beds are removed shall remain as an allowable Medicaid cost (Sec. 1687). The Senate Subcommittee amends new House language to require the Department to coordinate a study of liability insurance increases for nursing homes. (Sec. 1688)
9. **Personal Care Services.** The Subcommittee amends new House language to prohibit the Department from imposing a limit on per unit reimbursements to service providers for the provision of personal care services under the Medicaid home and community-based waiver program. This section is not to be construed as limiting or altering the Department's per day per client reimbursement cap calculated in the aggregate for all services. (Sec. 1689)

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations.