

**Summary: House Recommendation  
COMMUNITY HEALTH  
FY 2004-05 Senate Bill 1063 (H-1)**



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	FY 2003-04 YTD (as of 2/12/04)				Enacted	Difference: House from FY 2003-04 YTD	
	Rev. Executive*	Senate	House			Amount	%
<b>IDG/IDT</b>	\$69,204,800	\$70,543,400	\$70,543,400	\$70,543,400		\$1,338,600	1.9%
<b>Federal</b>	5,380,898,600	5,255,049,100	5,267,506,300	5,277,363,400		(103,535,200)	-1.9%
<b>Local</b>	812,256,100	459,179,500	456,096,500	456,029,400		(356,226,700)	-43.9%
<b>Private</b>	57,844,000	54,976,400	54,976,400	55,476,400		(2,367,600)	-4.1%
<b>Restricted</b>	738,112,300	1,437,104,000	920,404,000	1,409,389,300		671,277,000	90.9%
<b>GF/GP</b>	2,652,980,300	2,476,078,800	2,974,148,800	2,465,986,500		(186,993,800)	-7.0%
<b>Gross</b>	<b>\$9,711,296,100</b>	<b>\$9,752,931,200</b>	<b>\$9,743,675,400</b>	<b>\$9,734,788,500</b>		<b>\$23,492,400</b>	<b>0.2%</b>
<b>FTEs</b>	4,388.3	4,680.0	5,083.7	5,101.6		713.3	16.3%

\*Revised Executive Recommendation as of 2/24/04

**Summary of FY 2004-05 Major Budget Issues**

***Medicaid Revenue Enhancements***

Includes the \$419.1 million for Medicaid services from additional tobacco tax revenue generated by a proposed tobacco tax increase, and from existing cigarette taxes currently earmarked for the Budget Stabilization Fund that was proposed by the Governor. The \$94.3 million for Medicaid in the Executive Recommendation from estate tax revenues obtained through a proposal to decouple Michigan's estate tax from the federal estate tax is not included. Concurs with the Executive proposal for an additional \$63.7 million of tobacco settlement revenue to finance Medicaid base expenditure needs.

***Medicaid Caseload, Utilization, and Inflation Growth***

Increases funding by \$229.5 million Gross (\$100.1 million GF/GP) to reflect a projected 3.3% growth in Medicaid costs due to caseload, utilization and inflation, concurring with the Executive and Senate.

***Medicaid Managed Care Rates***

A 2.5% increase in payment rates for Medicaid mental health managed care and a 7.5% increase in HMO rates, as recommended by the Governor, is included to address a new federal requirement for actuarially sound payment rates to managed care providers. The additional cost of the proposal would be \$29.3 million Gross (\$12.7 million GF/GP) for Medicaid mental health and substance services and \$124.0 million Gross (\$53.7 million GF/GP) for HMOs. The House concurs with Senate language requiring the Department to study alternative approaches to providing Medicaid health services for those currently served by HMOs, but does not include the Senate provision limiting Medicaid HMO contracts to one year.

***Smoking Prevention and Public Health Programs***

Does not include the Executive proposed \$26.8 million increase in new Healthy Michigan Funds for various public health programs from the proposed tobacco tax hike. Under the Governor's proposal, smoking prevention efforts would receive an additional \$5.0 million; chronic disease prevention funding would increase by \$13.1 million; and \$8.7 million is recommended for maternal/child health programs. The House concurs with the Senate version of the budget to allocate the funds in place of GF/GP for Medicaid services.

***Employee Economics***

Concurs with the Executive addition of \$55.1 million Gross (\$21.9 million GF/GP) to fund employee-related economic increases for salaries and wages, insurance, retirement, and building occupancy/rent. The increase is partially offset by unspecified reductions of \$16.7 million Gross (\$6.9 million GF/GP).

### **Medicaid Pharmacy Cost Containment**

Does not Include savings in the Executive and Senate recommendation of \$36.6 million Gross (\$16.0 million GF/GP) from a reduction in the pharmacy dispensing fee to \$2.50, increasing the average wholesale price discount on brand name drugs, a 30% discount for generic drugs, and implementation of an optional mail order pharmacy policy for maintenance drugs. The House increases brand name copayments to \$3.00; limits brand name drugs to 4 prescriptions per month; and assumes \$2.0 million in savings from Warner Lambert settlement for a net reduction of \$2.3 million Gross (\$3.0 million GF/GP)

### **Adult Dental, Podiatric, Chiropractic, and Hearing Aid Services**

Concurs with the Senate in restoring \$27.7 million Gross (\$12.0 million GF/GP) to re-instate Medicaid coverage for adult dental, podiatric, chiropractic, and hearing aid services that were eliminated in the FY 2003-04 budget. This was not included in the Executive Recommendation.

### **Optional Medicaid Eligibility Groups**

Eliminates optional Medicaid coverage for parents, caretaker relatives, and persons between ages 18 and 21. This results in Medicaid savings of \$119.0 million Gross (\$51.5 million GF/GP).

### **Budgetary Savings**

Includes budgetary savings of \$27.2 million to be implemented through transfers approved by the Legislature, pursuant to the Management and Budget Act.

<b>Major Budget Changes from FY 2003-04 YTD Appropriations:</b>		<b>FY 2003-04 YTD (as of 2/12/04)</b>	<b>House Change</b>
<b>1. Federal Medicaid Match Rate</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
Recognizes the loss of \$168.4 million in temporary federal fiscal relief that is partially offset by an increase in the regular federal Medicaid match rate from 55.89% to 56.71%, as proposed by the Executive. This results in a decrease in federal revenue of \$102.6 million and a State GF/GP increase of the same amount.	Federal	N/A	(102,569,300)
	GF/GP	N/A	\$102,569,300
<b>2. Medicaid Caseload, Utilization, and Inflation Increases</b>	<b>Gross</b>	<b>\$6,927,970,200</b>	<b>\$229,485,000</b>
Concurs with the additional federal funding recommended by the Executive to reflect Medicaid costs associated with inflation, utilization and caseload growth of 3.3%. It assumes some decline in the number of Medicaid eligibles from the peak in FY 2003-04.	Federal	4,045,732,300	129,397,800
	GF/GP	\$1,915,455,700	\$100,087,200
<b>3. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$33,333,000</b>
Includes \$55.1 million Gross (\$21.9 million GF/GP) for economic adjustments related to employees' salaries and wages, insurance, retirement, and rent and building occupancy charges, as reflected in the Executive Recommendation with technical adjustments. The adjustment is partially offset by unspecified employee-related reductions of \$16.7 million Gross (\$6.9 million GF/GP).	IDG	N/A	5,008,100
	Federal	N/A	7,161,700
	Restricted	N/A	2,285,200
	Local	N/A	8,855,200
	GF/GP	N/A	\$15,022,800
<b>4. Human Resources Optimization Savings</b>	<b>Gross</b>	<b>\$1,379,900</b>	<b>(\$262,300)</b>
Agrees with Executive proposed savings of \$262,300 by consolidating Human Resources functions into a Call Center to be established within the Department of Civil Service.	Federal	0	(61,500)
	CMHSP	0	(67,000)
	GF/GP	\$1,379,900	(\$133,800)
<b>5. Actuarially Sound Rates for Medicaid Mental Health and Substance Abuse Services</b>	<b>Gross</b>	<b>\$1,400,414,800</b>	<b>\$29,314,300</b>
Allocates \$29.3 million Gross (\$12.7 million GF/GP) for Medicaid Mental Health and Substance Abuse Services, as proposed by the Executive, to comply with a federal requirement for actuarially sound Medicaid capitation rates as a condition for the renewal of Michigan's federal Medicaid managed care waiver. The payment rates for Medicaid Mental Health and Substance Abuse Services would be increased by 2.5% and 3.0%, respectively. The Department is seeking federal approval to implement the actuarially sound rate requirement over a two year period.	Federal	813,069,300	16,624,100
	Local	26,000,000	0
	GF/GP	\$561,345,500	\$12,690,200

<b>Major Budget Changes from FY 2003-04 YTD Appropriations:</b>		<b>FY 2003-04 YTD (as of 2/12/04)</b>	<b>House Change</b>
<b>6. Quality Assurance Assessment Program for Group Home Beds</b> Adopts the Executive proposal to replace GF/GP funds with state restricted funds for Medicaid Mental Health Services anticipating approval of legislation that would provide for a new quality assurance assessment program for group home beds for persons who are developmentally disabled. The Department would be allowed to retain \$3.5 million of the projected additional revenue of \$7.0 million.	<b>Gross</b>	<b>\$1,372,625,900</b>	<b>\$0</b>
	Federal	796,933,300	0
	Local	26,000,000	0
	Restricted	0	3,500,000
	GF/GP	\$549,692,600	(\$3,500,000)
<b>7. Health Regulatory Systems</b> Includes \$37.6 million Gross (\$5.4 million GF/GP) for Health Regulatory Systems that was transferred from the former Consumer and Industry Services due to implementation of Executive Order 2003-18. The personnel for Health Regulatory Systems administer programs involved with the licensing, certification, and regulation of health professions and facilities.	<b>Gross</b>	<b>\$0</b>	<b>\$37,622,000</b>
	Federal	0	13,481,800
	Restricted	0	18,749,400
	GF/GP	\$0	\$5,390,800
<b>8. Public Health Federal Grant Increases</b> Appropriates a net increase of \$7.6 million in federal grant funds for public health programs, including \$2.0 million for bioterrorism preparedness and response, \$2.1 million for cancer prevention and control, and federal reductions and increases to 20 other line items, as proposed by the Executive.	<b>Gross</b>	<b>N/A</b>	<b>\$7,644,300</b>
	Federal	N/A	7,644,300
	GF/GP	N/A	\$0
<b>9. Vital Records Fee Increase to Offset GF/GP Reduction</b> Appropriates \$1.5 million of state restricted fee revenue to replace the GF/GP appropriation for vital records, as recommended by the Executive. This adjustment requires a statutory change to increase vital records fees (Section 2891 of the Public Health Code).	<b>Gross</b>	<b>\$4,289,000</b>	<b>\$0</b>
	Restricted	2,796,200	1,492,800
	GF/GP	\$1,492,800	(\$1,492,800)
<b>10. Chronic Disease Prevention Initiatives</b> Does not allocate \$26.8 million of new state restricted Healthy Michigan Fund revenue from a proposed \$0.75 per pack cigarette tax increase to chronic disease prevention initiatives as recommended by the Executive (\$8.7 million for maternal and children's health, \$13.1 million for chronic disease prevention, and an additional \$5.0 million for smoking prevention programs).	<b>Gross</b>	<b>\$19,525,300</b>	<b>\$0</b>
	Federal	14,184,900	0
	Restricted	5,185,400	0
	GF/GP	\$155,000	\$0
<b>11. Reorganization of Mental Health Programs</b> Agrees with the Executive proposal to move the following program budgets from the Community Living, Children, and Families appropriation unit to Mental Health appropriations units: Family Support Subsidy, Children's Waiver Home Care Program, housing programs for disabled and homeless, and the OBRA nursing home placement for mentally ill and disabled persons. These programs were reorganized out of the mental health administration in FY 1999-2000.	<b>Gross</b>	<b>\$53,493,100</b>	<b>\$0</b>
	Federal	40,862,300	0
	GF/GP	\$12,630,800	\$0
<b>12. Morris Hood Wayne State University Diabetes Outreach</b> Eliminates funding of \$250,000 for the Morris Hood Wayne State University Diabetes Outreach line item.	<b>Gross</b>	<b>\$250,000</b>	<b>(\$250,000)</b>
	GF/GP	\$250,000	(\$250,000)
<b>13. Children's Special Health Care Services- Managed Care</b> Eliminates managed care for special needs children eligible for Children's Special Health Care Services that was also recommended in the Executive budget. Only a small percentage of program participants are enrolled in managed care, and the Department has not seen evidence of better results.	<b>Gross</b>	<b>\$129,465,100</b>	<b>(\$7,131,700)</b>
	Federal	64,331,700	(4,044,000)
	GF/GP	\$65,133,400	(\$3,087,100)

<b>Major Budget Changes from FY 2003-04 YTD Appropriations:</b>		<b>FY 2003-04 YTD (as of 2/12/04)</b>	<b>House Change</b>
<b>14. Physician Reimbursement for ER Services</b>	<b>Gross</b>	<b>\$227,166,200</b>	<b>\$0</b>
Does not concur with reduction of the Medicaid payment rate to physicians for hospital emergency room visits by 20 percent, as proposed by the Governor. The proposal would have reduced funding by \$6.9 million Gross (\$3.0 million GF/GP).	Federal	125,814,400	0
	GF/GP	\$101,351,800	\$0
<b>15. Medicaid Pharmaceutical Services Savings</b>	<b>Gross</b>	<b>\$595,603,300</b>	<b>(\$2,310,000)</b>
Rejects the Executive and Senate proposed savings of \$36.6 million Gross (\$16.0 million GF/GP) from reducing the pharmacy dispensing fee to \$2.50, increasing the average wholesale price discount on brand name drugs, a 30% discount for generic drugs, and establishing a mail order pharmacy policy for maintenance drugs. The House increases brand name drug copayments to \$3.00; authorizes limits on brand name drugs to 4 prescriptions per month; and assumes \$2.0 million in savings from Warner-Lambert settlement for a net reduction of \$2.3 million Gross (\$3.0 million GF/GP)	Federal	336,837,800	(1,310,000)
	Restricted	18,900,000	2,016,7000
	GF/GP	\$239,865,500	(\$3,016,700)
<b>16. Adult Dental, Podiatric, Chiropractic, and Hearing Aids</b>	<b>Gross</b>	<b>\$0</b>	<b>\$27,720,000</b>
Concurs with Senate restoration of Medicaid funding for adult dental, podiatric, chiropractic, and hearing aid services that were eliminated in the FY 2003-04 budget. This was not included in the Executive Recommendation.	Federal	0	15,720,000
	GF/GP	\$0	\$12,000,000
<b>17. Nursing Home Services - Hospital Leave Days</b>	<b>Gross</b>	<b>\$1,666,345,000</b>	<b>(\$12,705,000)</b>
Supports the Executive recommendation to eliminate Medicaid reimbursement to nursing homes for beds of Medicaid patients who are temporarily hospitalized. According to the proposal, current nursing home occupancy rates indicate that beds would be available when the patient returns from the hospital stay.	Federal	929,319,100	(7,205,000)
	Local	11,275,400	0
	Tobacco	35,768,200	0
	Restricted	191,423,100	0
	GF/GP	\$498,559,200	(\$5,500,000)
<b>18. Actuarially Sound Medicaid HMO Payment Rates</b>	<b>Gross</b>	<b>\$1,602,051,500</b>	<b>\$124,047,100</b>
A 7.5% increase in Medicaid HMO rates recommended by the Governor is included for federally required actuarially sound payment rates to managed care providers. The cost would be \$124.0 million Gross (\$53.7 million GF/GP) for HMOs.	Federal	886,372,400	70,347,100
	Local	299,572,500	0
	Restricted	224,026,100	0
	GF/GP	\$192,080,500	\$53,700,000
<b>19. Graduate Medical Education (GME) Transfer</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
Concurs with the Executive proposed \$100.0 million shift of GME funds to the HMO line that was not in the Senate bill. This results in \$3.3 million in assumed GF/GP savings from applying the HMO quality assurance assessment to the GME funds.	Restricted	N/A	3,300,000
	GF/GP	N/A	(\$3,300,000)
<b>20. Medicaid Optional Eligibility Groups</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$119,000,000)</b>
Eliminates optional Medicaid coverage for parents, caretaker relatives, and persons under 21, but older than 18.	Federal	N/A	(67,484,900)
	GF/GP	N/A	(\$51,515,100)
<b>21. Disproportionate Share Payments to Hospitals</b>	<b>Gross</b>	<b>\$45,000,000</b>	<b>\$5,000,000</b>
Increases Hospital DSH payments by \$5.0 million, and uses the Senate proposed methodology for distribution of the new funding to hospitals.	Federal	25,150,500	2,835,500
	Restricted	9,700,000	0
	GF/GP	\$10,149,500	\$2,164,500
<b>22. Hospital Disproportionate Share Payment</b>	<b>Gross</b>	<b>N/A</b>	<b>\$33,200,000</b>
Authorizes increased disproportionate share payments above the appropriated level if the necessary Medicaid matching funds are provided as allowable state match.	Federal	N/A	18,800,000
	Restricted	N/A	\$14,400,000
<b>23. Medicaid Special Financing Payments</b>	<b>Gross</b>	<b>\$791,338,100</b>	<b>\$50,900,000</b>
Assumes additional GF/GP savings of \$27.7 million above the Executive Recommendation in FY 2004-05 from continuation of increased Medicaid special financing payments included in State Budget Director Letter dated 5/19/04 for FY 2003-04.	Federal	442,844,300	28,865,400
	Local	337,754,400	0
	Restricted	10,739,400	49,734,600
	GF/GP	(\$417,415,000)	(\$27,700,000)

<b>Major Budget Changes from FY 2003-04 YTD Appropriations:</b>		<b>FY 2003-04 YTD (as of 2/12/04)</b>	<b>House Change</b>
<b>24. Medicaid Overpayments</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$4,775,000)</b>
Includes the Senate proposed \$1.0 million for a contract to recover Medicaid overpayments to medical providers but the House lowers the net savings to \$3.6 million Gross (\$1.0 million GF/GP). The House recognizes additional savings of \$1.2 million Gross (\$500,000 GF/GP) from a Medicare recovery program.	Federal	N/A	(3,275,000)
	GF/GP	N/A	(\$1,500,000)
<b>25. Medicaid Revenues from Tobacco Taxes</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>
Concurs with the additional \$419.1 million recommended by the Governor for Medicaid services to replace GF/GP from a proposed cigarette tax increase of \$0.75 per pack, and from existing cigarette taxes currently earmarked for the Budget Stabilization Fund.	Restricted	38,824,700	419,000,000
	GF/GP	\$1,336,892,400	(\$419,000,000)
<b>26. Tobacco Settlement Revenue Adjustments</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>
An additional \$63.7 million in tobacco settlement revenue from the Merit Award Trust Fund is included to finance Medicaid base expenditure needs, as proposed by the Governor.	Restricted	93,000,000	63,700,000
	GF/GP	\$1,336,892,400	(\$63,700,000)
<b>27. Estate Tax Revenues for Medicaid Services</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>
Does not assume \$94.3 million for Medicaid from estate tax revenues obtained through decoupling Michigan's estate tax from the federal estate tax included in the Executive recommendation.	Restricted	0	0
	GF/GP	\$1,336,892,400	\$0
<b>28. Budgetary Savings</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$27,236,900)</b>
Includes a budgetary savings amount of \$27.2 million.	GF/GP	N/A	(\$27,236,900)

**Note:** \$100 point of difference also included in all line items.

### **Major Boilerplate Changes from FY 2003-04:**

#### ***Sec. 206. Contingency Funds – RESTORED***

Includes Executive proposed restoration of language not included by the Senate that appropriates up to \$100.0 million in federal contingency funds, up to \$20.0 million in state restricted contingency funds, up to \$20.0 million in local contingency funds, and up to \$10.0 million in private contingency funds that are not available for expenditure until transferred according to provisions in Section 393(2) of the Management and Budget Act. The FY 2003-04 budget does not include contingency fund language.

#### ***Sec. 262. Expenditure of Appropriated Funds – NOT INCLUDED***

Does not include current year language the Executive deleted and the Senate restored requiring the Department to provide a written explanation for all legislative transfers upon submission of the request for the legislative transfer by the Department of Management and Budget. Also requires the Department to provide an annual report of lapses by line item for this appropriation act.

#### ***Sec. 266. Travel Funds – NOT INCLUDED***

Rejects Senate language prohibiting the Department from spending Part 1 funds for travel outside the state of Michigan. Also requires the Department to spend no more than 50% of the amount spent for travel in FY 2003-04.

#### ***Sec. 267. Budgetary Savings – NEW***

Includes budgetary savings of \$27.2 million to be implemented through transfers approved by the Legislature, pursuant to the Management and Budget Act.

#### ***Sec. 308. Primary Care Services – NEW***

Allocates \$250,000 to a pilot project to support operation of a health center that serves the uninsured, underinsured, and Medicaid population of Barry County who are currently not being served

#### ***Sec. 407. Substance Abuse Prevention, Education, and Treatment Grants – RETAINED***

Retains current year language the Executive deleted and Senate restored requiring appropriations for substance abuse prevention, education, and treatment grants be expended for contracting with coordinating agencies or designated service providers. Also specifies the Legislature's intent that coordinating agencies and designated service providers work with CMHSPs or specialty prepaid health plans to coordinate services provided to individuals with both mental illness and substance abuse diagnoses.

## **Major Boilerplate Changes from FY 2003-04:**

### ***Sec. 442. Medicaid Adult Benefits Waiver – RETAINED***

Retains current year language expressing the Legislature's intent that the \$40.0 million transferred from CMH Non-Medicaid Services to support the Medicaid Adult Benefits Waiver be used to provide state match for increases in federal funding for primary care and specialty services provided to enrollees and economic increases for the Medicaid Specialty Services and Supports program. Also requires the Department to request federal approval to increase the amount of savings retained by a Specialty Prepaid Health Plan (PHP) from 5% to 7.5% of aggregate capitation payments. If the request is denied, the Department is required to allow PHPs and their affiliate CMHSP members to retain 50% of the GF/GP portion of funds allocated under the Medicaid waiver. The Executive and Senate recommended deletion.

### ***Sec. 450. Audit and Reporting Requirements for CMHSPs – REVISED***

Revises current year language requiring the Department to continue a Work Group comprised of CMHSPs or specialty prepaid health plans and departmental staff to recommend strategies to streamline audit and reporting requirements for CMHSPs or specialty prepaid health plans. Does not include the Senate revision that requires the Department to take into consideration the recommendations of the work group. The Executive proposed deletion.

### ***Sec. 451. Actuarially Sound Capitation Rates – NOT INCLUDED***

Does not include new Senate provision requiring the Department to seek federal approval to implement actuarially sound capitation rates for Medicaid Mental Health and Substance Abuse Services over 2 years.

### ***Sec. 452. Financial Impact on CMHSPs – NOT INCLUDED***

Does not include new Senate proposal that prohibits the retroactive implementation of any policy that results in a negative financial impact on CMHSPs or Prepaid Health Plans.

### ***Sec. 453. Substance Abuse Block Grant Work Group – NOT INCLUDED***

Does not include new Senate section requiring the Department to share the findings of the federal Substance Abuse Block Grant Work Group with the Senate and House Appropriations Subcommittees on Community Health by December 1, 2004.

### ***Sec. 454. Feasibility Study – NEW***

Appropriates \$50,000 of the Mental Health/Substance Abuse Program Administration line item for a feasibility study for increased coordination and collaboration between community health and human service agencies. The Executive and Senate did not include this new section.

### ***Sec. 650. Fish Consumption Advisory – NEW***

Requires that the annual fish consumption advisory be posted on the internet and made available to clients of the Women, Infants, and Children Nutrition Program (WIC). The Executive and Senate did not include this new section.

### ***Sec. 804. Tetanus and Diphtheria Immunization – NEW***

Requires that tetanus and diphtheria immunization be offered annually at the same time that influenza immunization is offered to elderly patients in long-term care facilities. The Executive and Senate did not include this new section.

### ***Sec. 1106a. Abstinence Education Program Requirements – RETAINED***

Concurs with Senate to retain language that establishes specific items of instruction as requirements for federally funded abstinence education programs, and gives priority in allocation of funds to programs that do not provide contraceptives to minors and that strive to include parental involvement. The Executive proposed deletion.

### ***Sec. 1109. Dental Services Program for the Uninsured - REVISED***

Concurs with the Executive to delete language that requires a report by the Michigan Dental Association documenting its efforts to increase membership participation as Medicaid providers, as a condition to receiving program funds. The Senate retained the language and further makes the receipt of program funds contingent upon the full restoration of coverage for Medicaid adult dental services.

### ***Sec. 1302. Allocation of Funds for Forensic Nurse Examiner Programs – RETAINED***

Concurs with the Senate to retain language that allocates up to \$50,000 for expansion of forensic nurse examiner programs to facilitate training to improve evidence collection for the prosecution of sexual assault. The Executive proposed deletion.

### ***Sec. 1609. Optional Medicaid eligibility groups – NEW***

Eliminates optional Medicaid coverage for parents, caretaker relatives, and persons under 21, but older than 18. The Executive and Senate did not include this new section.

### ***Sec. 1620. Pharmacy Dispensing Fees and Copayments – REVISED***

Maintains the current \$3.77 pharmacy dispensing fee, and rejects the Executive and Senate cost containment measures related to dispensing fees, mail order pharmacy, brand name and generic drug reimbursement. The House also increases brand name drug copays to \$3.00 and allows limits on brand name drugs to 4 prescriptions per month.

## **Major Boilerplate Changes from FY 2003-04:**

### ***Sec. 1630. Medicaid Hearing Aid, Podiatric, and Chiropractic Services – RESTORED***

Restores vetoed language to continue hearing aid, podiatric, and chiropractic services at not less than the level provided on October 1, 1996 and also reinstates adult dental services as well. The Executive did not include this section. The House also requires report on options to contain Medicaid hearing aid costs.

### ***Sec. 1647. Graduate Medical Education Payments – RETAINED***

Requires graduate medical education payments to hospitals to be no less than the payment level in effect on April 1, 2004. The House includes technical changes to the Senate version. The Executive proposed deletion.

### ***Sec. 1673. MICHild Premiums – MODIFIED***

Allows the Department to increase the maximum premiums for MICHild eligible persons from \$5 per month for a family to \$15 per month. The change concurs with the Executive and Senate recommendation.

### ***Sec. 1689. MIChoice Home and Community Based Services – RETAINED***

Gives priority in HCBS enrollment to nursing home residents and those eligible for nursing homes, and requires screening to prevent unnecessary nursing home admissions. Directs DCH to transfer funds to the HCBS program for successfully moving persons out of nursing homes if there is a net reduction in the number of Medicaid nursing home days of care. Provides for a quarterly report on HCBS allocations and expenditures by regions and net cost savings. Requires competitive bid for administration of the new screening and assessment process for long-term care services. The Executive and Senate recommended deletion.

### ***Sec. 1700. Actuarially Sound Capitation Rates – NEW***

Includes Executive proposed language that requires the Department to request a federal Medicaid waiver to obtain approval to implement actuarially sound capitation rates for managed care organizations over two years. It also would require Medicaid provider rate reductions if the waiver request is denied. The Senate did not include this provision. The House does not include a new Senate provision that limits Medicaid HMO contracts and federal waivers to implement new HMO contracts to one year, but does concur with the Senate requirement for the Department to complete a study by January 2005 of alternative approaches to providing Medicaid health care services to those currently served by HMOs.

### ***Sec. 1711. Medicaid 2-Tier Case Rate for Emergency Services – RETAINED***

Continues the 2-tier Medicaid case rate for emergency physician charges that limits aggregate payments to 80% of Medicare rates rather than 60% of Medicare rates in the Senate bill. The Executive proposed deletion.

### ***Sec. 1717. Disproportionate Share Payments to Hospitals (DSH) – NEW***

Concurs with a new Senate section that revises the distribution of DSH funds through 2 separate pools, but increases the funding amount by \$5.0 million over the Senate. The first pool would distribute \$45.0 million proportionately based on the amount received by each hospital in FY 2003-04. The remaining \$5.0 million would be allocated to hospitals that received less than \$900,000 in DSH payments in FY 2003-04 based on each hospital's Medicaid revenue and utilization.

### ***Sec. 1718. Adult Home Help Review Process – NEW***

Revises new Senate language that authorizes Medicaid adult home help beneficiaries to request a departmental review of any decisions that may adversely affect their access to home help services.

### ***Sec. 1719. Hospital Payments for Maternity Services – NOT INCLUDED***

Does not include new Senate provision that requires a report by February 1, 2005 comparing Medicaid fee-for-service, Medicaid HMO, and commercial insurance payment rates for labor and delivery services with Michigan hospital costs for providing such services.

### ***Sec. 1721. Medicaid Financial Eligibility For Long-Term Care Patients – NEW***

Requires a review of Medicaid eligibility requirements for long-term care patients related to prepaid funds that are subsequently returned to individuals who qualify for Medicaid. Executive and Senate did not include this new section.

### ***Sec. 1722. Medicaid Disproportionate Share Payment – NEW***

Authorizes increased disproportionate share payments above the appropriated level if the necessary Medicaid matching funds are provided as allowable state match.

### ***Sec. 1723. First Alert Response Program – NEW***

Contingent on the availability of funds, provides \$15.0 million to level 1 trauma centers for First Alert Response Program, and \$5.0 million for hospitals at least 50 miles from level 1 trauma centers that also have at least 14,000 emergency room visits per year. Executive and Senate did not include this new section.