

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



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	FY 2003-04 YTD (as of 2/12/04)					Difference: Conference from FY 2003-04 YTD	
	Rev. Executive*	Senate	House	Conference		Amount	%
IDG/IDT	\$69,204,800	\$70,543,400	\$70,543,400	\$70,543,400	\$70,037,000	\$832,200	1.2%
Federal	5,380,898,600	5,255,049,100	5,267,506,300	5,277,363,400	5,502,732,900	121,834,300	2.3%
Local	812,256,100	459,179,500	456,096,500	456,029,400	523,452,400	(288,803,700)	-35.6%
Private	57,844,000	54,976,400	54,976,400	55,476,400	55,476,400	(2,367,600)	-4.1%
Restricted	738,112,300	1,437,104,000	920,404,000	1,409,389,300	1,463,844,700	725,732,400	98.3%
GF/GP	2,652,980,300	2,476,078,800	2,974,148,800	2,465,986,500	2,558,066,400	(94,913,900)	-3.6%
Gross	\$9,711,296,100	\$9,752,931,200	\$9,743,675,400	\$9,734,788,500	\$10,173,609,800	\$462,313,700	4.8%
FTEs	4,388.3	4,680.0	5,083.7	5,101.6	5,118.6	730.3	16.6%

*Revised Executive Recommendation as of 2/24/04

Summary of FY 2004-05 Major Budget Issues

Medicaid Revenue Enhancements

Includes \$419.1 million from tobacco tax revenue and \$63.7 million of tobacco settlement revenue for Medicaid, as proposed by the Governor. Also recognizes an additional \$46.3 million in tobacco taxes, based on the enacted tax increase, and \$15.1 million in tobacco settlement funds agreed to in targets.

Executive Budget Revisions

Increases funding by \$396.0 million Gross (\$71.9 million GF/GP) for Executive proposed budget revisions related to Medicaid caseload growth, HMO savings, retirement actuarial adjustments, and the accrual methodology for year end salary/fringe benefit costs.

Smoking Prevention and Public Health Programs

Includes \$15.0 million increase in Healthy Michigan Funds for various public health program initiatives related to smoking prevention, chronic disease prevention, maternal and child health programs, school health education, physical fitness, and efforts to address health disparities.

Medicaid Pharmacy Cost Containment

Includes savings of \$36.6 million Gross (\$16.0 million GF/GP) from a reduction in the pharmacy dispensing fee to \$2.50 (\$2.75 for nursing home pharmacies), increasing the copayment on brand name drugs to \$3.00, and implementation of an optional mail order pharmacy policy for maintenance drugs.

Adult Dental, Podiatric, Chiropractic, and Hearing Aid Services

Adds \$4.6 million Gross (\$2.0 million GF/GP) to re-instate Medicaid coverage for podiatric, chiropractic, and hearing aid services that were eliminated in the FY 2003-04 budget. Medicaid coverage for adult dental services is not restored, but \$1.2 million is included to increase payment rates for dental services provided at local public health departments.

Medical Services Eligibility and Enrollment

Retains optional Medicaid coverage for parents, caretaker relatives, and persons between 18 and 21 years of age. Assumes savings of \$32.4 million Gross (\$14.0 million GF/GP) from a freeze in new enrollments in the Adult Benefits Waiver and EPIC programs.

Recoupment of Medical Expenses

Adds \$1.0 million Gross (\$0.5 million GF/GP) to increase medical expenses recoupment activities. Recognizes savings of \$23.1 million Gross (\$10.0 million GF/GP) from various efforts to recover overpayments of Medicaid services.

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Conference Change
1. Economic Adjustments Includes \$55.1 million Gross (\$21.8 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 (\$6.8 million GF/GP).	Gross	N/A	\$38,333,000
	IDG	N/A	5,008,200
	Federal	N/A	7,171,900
	Restricted	N/A	2,320,800
	Local	N/A	8,855,100
	GF/GP	N/A	\$14,977,000
2. Human Resources Optimization Savings 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.	Gross	\$1,379,900	(\$262,300)
	Federal	0	(61,500)
	CMHSP	0	(67,000)
	GF/GP	\$1,379,900	(\$133,800)
3. Actuarially Sound Rates for Medicaid Mental Health and Substance Abuse Services 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.	Gross	\$1,400,414,800	\$29,314,300
	Federal	813,069,300	16,624,100
	Local	26,000,000	0
	GF/GP	\$561,345,500	\$12,690,200
4. Quality Assurance Assessment Program for Group Home Beds 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.	Gross	\$1,372,625,900	\$0
	Federal	796,933,300	0
	Local	26,000,000	0
	Restricted	0	3,500,000
	GF/GP	\$549,692,600	(\$3,500,000)
5. Multicultural Services Increases funding for multicultural services by \$1.3 million.	Gross	\$3,663,800	\$1,300,000
	GF/GP	\$3,663,800	\$1,300,000
6. Health Regulatory Systems Includes \$38.0 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.	Gross	\$0	\$37,954,700
	Federal	0	13,481,800
	Restricted	0	19,082,100
	GF/GP	\$0	\$5,391,800
7. Healthy Michigan Fund Disease Prevention Initiatives Allocates \$15.5 million of available state restricted Healthy Michigan Funds to disease prevention and wellness initiatives: \$3.1 million to current projects; \$12.4 million to the following: Alzheimer's, arthritis, diabetes, osteoporosis, Parkinson's, cardiovascular, cancer, child lead poisoning, infant mortality, migrant health, school health education, early hearing screening, smoking prevention, physical fitness, and health disparities; and reduces Healthy Michigan funding for Medicaid services by \$25.6 million. The House and Senate had recommended use of new Healthy Michigan Funds for the Medicaid program. The Executive proposed to use \$30.0 million of new funding for new prevention initiatives. New Healthy Michigan funding is limited by Public Act 164 of 2004 enacted June 29, 2004.	Gross	\$56,617,100	(\$13,217,100)
	Restricted	56,617,100	(13,217,100)
	GF/GP	\$0	\$0

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Conference Change
8. Morris Hood Wayne State University Diabetes Outreach Appropriates \$400,000 of Healthy Michigan Funding for the Morris Hood Wayne State University Diabetes Outreach line item. The Executive and Senate had proposed to maintain funding at the current year level, and the House had recommended elimination of funding.	Gross	\$250,000	\$150,000
	Restricted	0	400,000
	GF/GP	\$250,000	(\$250,000)
9. Physician Reimbursement for ER Services Reduces the Medicaid payment rate to physicians for hospital emergency room visits from 80% to 70% of Medicare rates. The Executive and Senate proposed a reduction to 60% of Medicare rates while the House had recommended no change from current year payment rates.	Gross	\$227,166,200	(\$3,465,000)
	Federal	125,814,400	(1,965,000)
	GF/GP	\$101,351,800	(\$1,500,000)
10. Medicaid Pharmaceutical Services Savings Concurs with the Executive and Senate proposed savings of \$36.6 million Gross (\$16.0 million GF/GP), but with changes to how the savings are achieved. The pharmacy dispensing fee is reduced to \$2.50, and an optional mail order pharmacy program is included along with the House proposed increase in brand name drug copayments to \$3.00. The Executive increase in the average wholesale price discount on brand name drugs and a 30% discount for generic drugs is rejected.	Gross	\$595,603,300	(\$36,600,100)
	Federal	336,837,800	(20,594,800)
	GF/GP	\$239,865,500	(\$16,005,300)
11. Other Pharmaceutical Services Initiatives Assumes additional savings of \$5.3 million Gross (\$2.3 million GF/GP) from including Medicaid/Medicare dual eligible persons in the new incontinence supply contract and coordination of benefits. An increase of \$1.1 million Gross (\$458,000 GF/GP) is added to increase the dispensing fee for nursing homes by \$0.25 per script.	Gross	\$0	(\$4,242,000)
	Federal	0	(2,405,600)
	GF/GP	\$0	(\$1,836,400)
12. Adult Dental, Podiatric, Chiropractic, and Hearing Aids Restores Medicaid funding for podiatric, chiropractic, and limited hearing aid services that were eliminated in the FY 2003-04 budget. Medicaid coverage for adult dental services is not restored, but \$1.2 million is included to increase payments for dental services provided at local public health departments.	Gross	\$0	\$5,820,000
	Federal	0	2,620,000
	GF/GP	\$0	\$3,200,000
13. Actuarially Sound Medicaid HMO Payment Rates 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.	Gross	\$1,602,051,500	\$124,047,100
	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
14. Graduate Medical Education (GME) Transfer Rejects the Executive proposed \$100.0 million shift of GME funds to the HMO line and does not include the \$3.3 million in assumed GF/GP savings from applying the HMO quality assurance assessment to the GME funds.	Gross	N/A	\$0
	Restricted	N/A	0
	GF/GP	N/A	\$0
15. Medical Services Eligibility and Enrollment Retains optional Medicaid coverage for parents, caretaker relatives, and persons between 18 and 21 years of age. Assumes a freeze in new enrollments in the Adult Benefits Waiver and EPIC programs.	Gross	N/A	(\$32,402,700)
	Federal	N/A	(18,402,700)
	GF/GP	N/A	(\$14,000,000)
16. Disproportionate Share Payments to Hospitals Increases Hospital DSH payments by \$5.0 million to be distributed to hospitals that received less than \$900,00 in DSH payments in FY 2003-04.	Gross	\$45,000,000	\$5,000,000
	Federal	25,150,500	2,835,500
	Restricted	9,700,000	0
	GF/GP	\$10,149,500	\$2,164,500

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Conference Change
17. Hospital Disproportionate Share Payment	Gross	N/A	\$33,200,000
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
	GF/GP	N/A	\$0
18. Medicaid Special Financing Payments	Gross	\$791,338,100	\$43,800,000
Appropriates increased Medicaid special financing payments that result in additional GF/GP savings of \$15.8 million above the Executive Recommendation in FY 2004-05.	Federal	442,844,300	24,839,000
	Local	337,754,400	67,423,000
	Restricted	10,739,400	(32,705,700)
	GF/GP	(\$417,415,000)	(\$15,756,300)
19. Medical Expenses Recoupment	Gross	N/A	(\$22,113,000)
Includes \$1.0 million Gross (\$0.5 million GF/GP) for additional staff and/or contractual services to increase medical expenses recoupment efforts and assumes savings of \$20.1 million Gross (\$8.7 million GF/GP) from various efforts to recover overpayments of Medicaid services.	Federal	N/A	(12,607,400)
	GF/GP	N/A	(\$9,505,600)
20. Medicaid Revenues from Tobacco Taxes	Gross	\$1,375,717,100	\$0
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. Also recognizes an additional \$46.3 million in tobacco tax revenue based on the enacted tax increase and the target agreement.	Restricted	38,824,700	465,400,000
	GF/GP	\$1,336,892,400	(\$465,400,000)
21. Tobacco Settlement Revenue Adjustments	Gross	\$2,750,980,300	\$0
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. Based on target agreements, another \$15.1 million of tobacco settlement revenue is allocated to offset GF/GP.	Restricted	98,000,000	78,800,000
	GF/GP	\$2,652,980,300	(\$78,800,000)
22. Hospital Quality Assurance Assessment Program	Gross	\$0	\$0
Assumes additional GF/GP savings from implementation of the hospital quality assurance assessment program of \$18.3 million.	Restricted	18,900,000	18,300,000
	GF/GP	(\$18,900,000)	(\$18,300,000)
23. Information Technology Savings	Gross	N/A	(\$538,900)
Includes a savings amount of \$538,900 for information technology (IT) services and projects based on target agreements. These savings are, in addition, to GF/GP savings of \$1.3 million contained in the Conference proposal for IT services and projects.	GF/GP	N/A	(\$538,900)

Major Boilerplate Changes from FY 2003-04:

Sec. 206. Contingency Funds – NOT INCLUDED

Does not include Executive and House proposed restoration of language 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 restore current year language 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. Nor does it restore language requiring the Department to provide an annual report of lapses by line item for this appropriation act.

Major Boilerplate Changes from FY 2003-04:

Sec. 266. Out-of State Travel – NEW

Modifies new Senate language to limit out-of-state travel to those situations in which it is required by legal mandate, necessary to protect the health or safety of Michigan citizens, necessary to produce budgetary savings or increase state revenues, necessary to comply with federal requirements, necessary to secure specialized training for staff, or financed entirely by federal or nonstate funds, except if travel is granted an exception by the State Budget Director. Also requires the Department to prepare a report listing travel by classified and unclassified employees outside of the state for the preceding fiscal year by January 1, 2005. The language is based on target agreements.

Sec. 267. Budgetary Savings – NOT INCLUDED

Does not retain language proposed by the House that required a budgetary savings amount of \$27.2 million in Part 1 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. 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

Rejects 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 – NEW

Agrees with 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 – NEW

Includes 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) as proposed by the House. 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 as proposed by the House. The Executive and Senate did not include this new section.

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

Deletes language that requires a report by the Michigan Dental Association regarding membership participation as Medicaid providers as a condition to receiving program funds, as recommended by the House and the Executive. 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.

Major Boilerplate Changes from FY 2003-04:

Sec. 1620. Pharmacy Dispensing Fees and Copayments – REVISED

Reduces the current \$3.77 pharmacy dispensing fee to \$2.50 (\$2.75 for nursing home pharmacies), increases brand name drug copays to \$3.00, and authorizes an optional mail order pharmacy program. The Executive proposed reductions in brand name and generic drug reimbursement and the House proposed limit on brand name drugs to 4 prescriptions per month are not included.

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

Restores language to continue podiatric, and chiropractic services at not less than the level provided on October 1, 1996 but does not include coverage for adult dental services. Medicaid coverage for hearing aid services is also reinstated with language that allows bulk purchasing and limits on binaural hearing aid benefits as well as the replacement of hearing aids.

Sec. 1630a. Dental Services – NEW

Directs the Department to increase payment rates for dental services provided at local health departments.

Sec. 1699. Graduate Medical Education (GME) – REVISED

Requires the Department to make GME payments directly to qualifying hospitals rather than through HMOs.

Sec. 1700. Actuarially Sound Capitation Rates – NEW

Includes Executive proposed language that requires the Department to request a federal Medicaid waiver 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. In addition, the Department is required to complete a study by January 2005 of alternative approaches to provide Medicaid health care services to those currently enrolled in HMOs.

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

Continues the 2-tier Medicaid case rate for emergency physician charges, but lowers aggregate payments from 80% of Medicare rates to 70% of Medicare rates.

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

Increases DSH funding by \$5.0 million and requires distribution of the DSH funds through 2 separate pools. The first pool would distribute \$45.0 million based on the methodology 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. 1720. Medicare Recovery Program – NEW

Directs the Department to enhance its Medicare recovery program by January 1, 2005.

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.