



Senate Fiscal Agency  
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## BILL ANALYSIS



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| <b>FY 2004-05 Senate-Passed Gross Appropriation .....</b> | <b>\$9,743,675,400</b> |
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### House Changes to Senate-Passed:

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| 1. <b>Healthy Michigan Fund (HMF).</b> The House concurred with almost all of the Senate's decisions on Healthy Michigan Fund programming, though the House did leave in a \$100 placeholder for the Governor's proposed new Maternal and Children's Health line item.   | 100           |
| 2. <b>Budgetary Savings.</b> The House included a budgetary savings unit equal to just over 1% of GF/GP appropriations.  | (27,236,900)  |
| 3. <b>Medicaid Special Financing.</b> The House projected greater GF/GP savings from various special financing measures in FY 2004-05. While Gross authorization would increase, additional GF/GP savings of \$27,700,000 would accrue.  | 50,900,000    |
| 4. <b>Pharmacy Cost Containment.</b> The House rejected the Senate's proposed Medicaid pharmacy cost containment, which included a reduction in the dispensing fee, an increase in the average wholesale price discount, and implementation of a mail order pharmacy. The House recognized savings from a settlement with Warner-Lambert and proposed increases in copayments on brand name prescriptions and a limit of four brand-name prescriptions per month for a net increase of \$12,988,600 GF/GP over the Senate. | 34,290,100    |
| 5. <b>Graduate Medical Education (GME).</b> The House concurred with the Governor on transferring \$100,000,000 in GME funding from the Hospital Services and Therapy line item to the Health Maintenance Organizations line item. The Senate had not concurred with that proposal.  | 0             |
| 6. <b>Physician Emergency Room Rate.</b> The House did not concur with the Senate's proposed reduction in the rates paid to physicians for emergency room services.  | 6,930,000     |
| 7. <b>Disproportionate Share Hospital (DSH) Funding.</b> The House concurred with the Senate on creating a new \$5,000,000 DSH pool for hospitals that had not received large DSH payments in the past. While the Senate reduced other DSH payments, the House used new money to fund the new pool.  | 5,000,000     |
| 8. <b>Use of New Tobacco Tax Revenue.</b> The Senate had taken no position on the proposed tobacco tax increase and thus used GF/GP to pay for cost increases. The House concurred with the Executive's proposed tobacco tax increase and furthermore concurred with the decision to designate that revenue as Restricted rather than as GF/GP. This would have the effect of decreasing GF/GP costs by \$419,100,000.   | 0             |
| 9. <b>Hutzel Hospital Allocation.</b> The House included additional funding for Hutzel Hospital to be made available if Wayne State University provides the necessary match. There would be no GF/GP cost to this proposal.  | 33,200,000    |
| 10. <b>Elimination of Coverage for Two Optional Medicaid Eligibility Groups.</b> The House eliminated optional coverage for Medicaid caretaker relatives and coverage for optional eligibles between the ages of 18 and 21. This would result in the elimination of Medicaid coverage for about 45,000 individuals.  | (119,000,000) |
| 11. <b>Other Changes.</b> Other House changes resulted in a small increase in funding.   | 7,029,800     |

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| Total Changes..... | (\$8,886,900) |
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| <b>FY 2004-05 House-Passed Gross Appropriation .....</b> | <b>\$9,734,788,500</b> |
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**Changes from FY 2004-05 Senate-Passed:**

1. **Hiring Freeze.** The House retained current year language imposing a hiring freeze on State classified civil service, but included a point of difference to keep the language open for conference committee. The Executive proposal deleted this section. (Sec. 205)
2. **Contingency Funds.** The House retained the Executive proposal restoring contingency fund language that had been included prior to Fiscal Year 2003-04. The Senate rejected this language. (Sec. 206)
3. **Restrictions on Travel.** The House did not retain Senate language prohibiting the Department from spending funds on travel outside the State of Michigan. In addition, the Senate language would prohibit the Department from spending on travel in Fiscal Year 2004-05 more than 50% of the amount spent on travel in FY 2003-04. (Sec. 266)
4. **Health Center Pilot Project.** The House included new language allocating funds to a pilot project to support operation of a health center for the uninsured, underinsured, and Medicaid population of Barry County. (Sec. 308)
5. **Feasibility Study.** The House included new language requiring the Department to conduct a study of the feasibility for increased coordination and collaboration among community health and human services agencies. (Sec. 454)
6. **Fish Advisory.** The House included new language requiring the Department to communicate the annual public health consumption advisory for sportfish for calendar years 2004 and 2005. Requires the Department to post the advisory on the Internet and make the information available to clients of the WIC program. (Sec. 650)
7. **Medicaid Managed Care.** The Senate included language limiting to one year all new contracts with managed care organizations to provide Medicaid health services. In addition language was included requiring the Department to examine and report to the Legislature on alternative approaches to delivering Medicaid services to clients currently served by HMOs. The House does not concur with the Senate language limiting Medicaid HMO contracts to one-year, but did retain the study language. (Sec. 1700)
8. **Two-tier Reimbursement Methodology for Medicaid Emergency Physicians.** The Senate concurred with the Executive proposal to reduce the physician emergency room visit payment rate but retained the two-tier reimbursement methodology language that the Executive proposal rejected. Modifications to the current year language were made by the Senate to ensure that the savings could be attained. The House did not concur with the reduction in the payment rate and made no changes to the current year language. (Sec. 1711)
9. **Disproportionate Share Hospital (DSH) Payments.** The Senate included language requiring the Department to create two pools of DSH funding. The first pool, totaling \$40 million, would be distributed by providing each eligible hospital 8/9ths of the payment they received in FY 2003-04. The second pool, totaling \$5 million, would be distributed to unaffiliated hospitals and hospital systems that received less than \$900,000 in DSH payments in FY 2003 based on a formula that is weighted proportional to the product of each system's Medicaid revenue and utilization. The House amended Senate language by adding \$5 million to the first pool and requiring that the \$45 million is distributed by providing each hospital with 100% of the DSH payments they received in FY 2004. The second pool, totaling \$5 million, would be distributed based on the Senate formula. (Sec. 1717)
10. **Study on Payments to Hospitals for Maternity Services.** The House did not include Senate language requiring the Department to provide a report to the Legislature that compares Medicaid fee-for-service, Medicaid HMO, and commercial insurance payment rates to hospitals for providing labor and delivery services. (Sec. 1719)
11. **Funds Prepaid to Nursing Homes.** The House included new language requiring the Department to conduct a review of Medicaid eligibility pertaining to funds prepaid to nursing homes that are subsequently returned to an individual who becomes Medicaid eligible. (Sec. 1721)
12. **Trauma Centers.** The House included new language allocating funds (contingent on their availability) to Level I trauma centers for a Michigan First Alert Response program and to hospitals that are located beyond 50 miles from a Level I trauma center and have over 14,000 emergency room visits annually. (Sec. 1723)
13. **Injectable Drugs.** The House included new language requiring the Department to allow licensed pharmacies to purchase injectable drugs for the treatment of respiratory syncytial virus for shipment to physicians' offices to be administered to specific patients. If the affected patients are Medicaid eligible, the Department is required to reimburse pharmacies for the dispensing of the drugs and to reimburse physicians for the administration of the drugs. (Sec. 1724)