



Senate Fiscal Agency
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BILL ANALYSIS

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FY 2003-04 Year-to-Date Gross Appropriation	10,084,464,500
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Changes from FY 2003-04 Year-to-Date:

Items Included by the Senate and House

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| 1. Actuarially Sound Rates. The Senate and the House concurred on paying actuarially sound rates to Community Mental Health and Medicaid Health Maintenance Organizations. These contracts will be in effect for two years. | 153,361,400 |
| 2. Executive Order 2003-18. The Senate and the House concurred on the transfer of Health Regulatory Systems from the former Department of Consumer and Industry Services. | 39,075,200 |
| 3. Employee Savings. The Senate and the House concurred on the amount of employee savings assumed in the FY 2004-05 budget. | (16,733,100) |
| 4. Economic Adjustments. | 55,066,200 |
| 5. Other Changes. | (7,429,500) |

Conference Agreement on Items of Difference

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| 6. Medicaid Base. The Conference Committee agreed with the consensus estimate on Medicaid spending on Medicaid physical health, mental health, and Children's Special Health Care services. | 229,790,000 |
| 7. Healthy Michigan Fund. The Conference Committee proposed increased spending on Healthy Michigan Fund prevention programs. | 11,887,700 |
| 8. Medicaid Special Financing. The Conference Committee agreed with the consensus estimate on Medicaid special financing. Certain special financing mechanisms are being phased out, resulting in an increased cost of approximately \$152.7 million GF/GP. | (289,791,800) |
| 9. Hospital Quality Assurance Assessment (QAAP). The Conference Committee recognized an expansion in the Hospital QAAP program. Gainsharing from the Hospital QAAP will increase by \$18,300,000. | 98,900,000 |
| 10. Medicaid Cost Reduction Measures. The Conference Committee took savings from reductions to pharmaceutical costs, elimination of one-time spending, and other cost reduction and recoupment efforts. | (143,251,000) |
| 11. Elder Prescription Insurance Coverage (EPIC) Program. The Conference Committee removed Federal authorization that had never been received and froze enrollment in the program. | (49,121,800) |
| 12. Medicaid Optional Services. The Conference Committee restored Medicaid podiatric, chiropractic, and hearing aid services. The Conference Committee also increased rates paid for dental services provided by local public health clinics. | 7,392,000 |

Total Changes.....	89,145,300
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FY 2004-05 Conference Report Gross Appropriation	10,173,609,800
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Amount Over/(Under) GF/GP Target: \$0

Changes from FY 2003-04 Year to Date:Conference Agreement on Items of Difference

1. **Hiring Freeze.** The Conference Committee retained current year language imposing a hiring freeze on State classified civil service. The Executive proposal had deleted this section. (Sec. 205).
2. **Contingency Funds.** The Executive proposal restored contingency fund language that had been included prior to Fiscal Year 2003-04. The Conference Committee rejected this language. (Sec. 206)
3. **Restrictions on Travel.** The Conference Committee included language imposing limitations on out of state travel. Exceptions would be permitted for situations involving a legal mandate, health and safety, savings or increased revenues, compliance with Federal requirements, specialized training, or exceptions granted by the State Budget Director. (Sec. 266)
4. **Pharmacy Cost Containment.** The Conference Committee included language reducing the pharmacy dispensing fee from \$3.77 per script to \$2.50 per script for most pharmacies, but setting the dispensing fee for nursing home pharmacies at \$2.75 per script. The language also set \$3 per script co-pay for brand name drugs, and permits an optional mail-order pharmacy option for fee-for-service recipients. The reductions proposed in this section would not take effect if a pharmacy QAAP is implemented by September 30, 2004. (Sec. 1620)
5. **Medicaid Managed Care.** The Conference Committee rejected Senate language that would have limited to one year all new contracts with managed care organizations to provide Medicaid physical health services. The Conference Committee kept language that would require the Department to study alternative approaches to providing Medicaid physical health services to clients currently served by HMOs. The study is to examine the following approaches: continuation of the current managed care approach, returning to a fee-for-service system, implementing a primary care case management approach, and contracting with a single managed care organization that would provide statewide coverage for Medicaid clients. (Sec. 1700)
6. **Two-tier reimbursement methodology for Medicaid emergency physicians.** The Conference Committee rejected the Executive proposal to reduce the physician emergency room visit payment rate to the customary Medicare/Medicaid ratio, instead setting a higher rate.. (Sec. 1711)
7. **Disproportionate Share Hospital (DSH) payments.** The Conference Committee included language requiring the Department to create two pools of DSH funding. The first pool, totaling \$45 million, would be distributed based on the current DSH methodology. 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 2003-04 based on a formula that is weighted proportional to the product of each system's Medicaid revenue and utilization. (Sec. 1717)

Date Completed: 9-7-04

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