



Senate Fiscal Agency
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Senate Bill 1083 (as introduced)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$10,326,194,000
Changes from FY 2005-06 Year-to-Date:	
1. Medicaid Base Funding. The Governor's recommendation assumed an increase in the Medicaid caseload to 1,539,000 and further increased costs for the base Medicaid program, Community Mental Health (CMH) Medicaid services, and the Children's Special Health Care Services program.	245,711,900
2. Medicaid Managed Care Rates. The proposed budget included a 5% rate increase in Medicaid Health Maintenance Organization (HMO) rates and a 2% increase in CMH Medicaid rates. These increases would be necessary to meet Federal requirements that Medicaid managed care rates be actuarially sound.	87,951,800
3. FY 2005-06 Supplemental Funding. The budget reflected an assumed supplemental to increase Gross authorization in order to reflect available Federal revenue to support Medicaid services.	55,700,900
4. Changes in the Hospital, HMO, and Nursing Home Quality Assurance Assessment Programs (QAAPs). The budget reflected adjustments of \$77,365,200 Gross in the hospital and nursing home QAAPs to reflect actual revenue. The Governor's budget also proposed a 1% increase in the hospital QAAP tax. This money would then be funneled through Medicaid HMOs as part of an increase in fee-for-service and managed care hospital payment rates. The State would retain about \$30 million in the revenue and the net increase for the hospital industry as a whole would be about \$150 million.	393,806,000
5. Assumed Federal Change in Pharmaceutical Rebate Policy. The Executive budget assumed passage of a Federal statute change that would allow the State to collect rebates on pharmaceutical products paid for by Medicaid HMOs. The budget would also change policy by transferring funding for anti-depressant medications to the HMO line and for anti-psychotic medications to the CMH line. Total estimated savings from this assumed Federal statute change would be \$51.4 million GF/GP.	(84,830,300)
6. Adult Home Help Wage Increase. The Governor's recommendation included funding to ensure that all those providing Adult Home Help services be paid at least \$6.60 per hour. Payment rates are set at the county level. The Administration projects that about 75% of the workers, in 45 of the State's 83 counties, would see a wage increase.	20,000,000
7. Michigan First Healthcare Plan. Federal funding to cover the first half-year of this insurance program, scheduled for implementation on April 1, 2007, was included. Funding would be dependent on a Federal waiver.	200,000,000
8. Economic Adjustments.	30,775,500
9. Other Changes. Other changes resulted in a slight decrease in funding.	(13,053,400)
Total Changes.....	936,063,000
FY 2006-07 Governor's Recommendation.....	\$11,262,257,000

Changes from FY 2005-06 Year to Date:

1. **Contingency Fund.** New boilerplate would create a contingency fund available to the Department of up to \$100 million Federal, \$20 million State Restricted, \$20 million Local and \$10 million Private. Authorization available in this contingency fund would not be available for expenditure until transferred into another line item. (Sec. 206)
2. **Deprived and Depressed Communities.** The budget required the Director to take steps to ensure that businesses in deprived and depressed communities have an opportunity to earn contracts and subcontracts with the Department. (Sec. 210)
3. **Uniform Mental Health Reporting Requirements CMHSP / PIHP.** The budget recommendation removed language requiring the Department to establish uniform definitions for the reporting of administrative cost for Community Mental Health agencies. (Sec. 460)
4. **AIDS Drug Assistance Program.** Current boilerplate required the Department to maintain prior year eligibility and drug formulary requirements for the AIDS Drug Assistance Program. New boilerplate would permit the Department, if the program appropriation is not sufficiently large, to revise eligibility and drug formulary requirements. (Sec. 803)
5. **Local Public Health Hearing and Vision Screening.** Current year language mandating that local public health agencies offer hearing and vision screening services at a reduced level was removed. (Sec. 905)
6. **Michigan First Healthcare Plan.** Budget included language stating that funds appropriated for the Michigan First Healthcare plan are contingent upon Federal approval. (Sec. 1501)
7. **Adult Home Help / Personal Care Worker Wage Increase.** New boilerplate would permit the Department to use \$20 million in the Long Term Care Services Line for wage increases for Medicaid adult home help personal care workers. (Sec. 1501)
8. **Retroactive Medicaid Eligibility.** The current year budget included boilerplate stating that eligibility for Medicaid reimbursement for health services is retroactive to the first day of the month an application is filed. This language also provides guidance on how applications submitted on a weekend at the end of the month should be treated by the Department. This language was removed in the FY 2006-07 Executive Recommendation. (Sec. 1604)
9. **Expansion of Healthy Kids Dental Program.** Language that required the Department to utilize any excess funds available in the Auxiliary Medical Services line to expand the Healthy Kids Dental Program was eliminated. (Sec. 1633)
10. **Home and Community Based Waiver Administrative Cost.** Language reducing State reimbursement for administrative costs in the Home and Community Based Waiver program by \$2 was eliminated. (Sec. 1684)
11. **County Indigent Care / Third Party Share Plans.** Language would permit an increase in appropriation to Third Party Share or County Indigent Care plans if the Department submits a state plan amendment to the Federal government. This section would further permit the Department to adjust financing sources for these plans to reflect the increased appropriation. (Sec. 1695)
12. **Disproportionate Share Hospital (DSH).** The FY 2005-06 DCH appropriation included language mandating that DSH reimbursement be split into two pools. One pool of \$45 million would be distributed in a manner similar to prior years while another smaller pool of \$5 million would be allocated to smaller hospitals. This language was eliminated in the FY 2006-07 Executive Recommendation. (Sec. 1717)
13. **Medicaid Reform Committee.** The budget eliminated language establishing a joint legislative and executive committee that would examine possible Medicaid policy changes. The committee would attempt to make program modifications that would create a cost savings to the State of \$40 million. (Sec. 1729)
14. **Provider Rate Reduction.** The budget eliminated language providing a 1% restoration in provider rates reduced in FY 2005-06. The rate increase would be contingent upon Federal approval of a proposed change in inpatient hospital reimbursement for certain non-exempt populations. (Sec. 1730)

Date Completed: 2-28-06

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