



Senate Fiscal Agency
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BILL ANALYSIS

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FY 2005-06 Year-to-Date Gross Appropriation	\$10,400,517,400
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Changes from FY 2005-06 Year-to-Date:

Items Included by the Senate and House

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| 1. Quality Assurance Assessment Programs (QAAPs). The Conference Committee recognized QAAP revenue changes and reflected a proposal to pass hospital QAAP revenue through Health Maintenance Organizations (HMOs), leading to a GF/GP savings of \$30,000,000. | 393,462,600 |
| 2. Assumed Passage of Federal Legislation. The Conference Committee reflected savings from potential Federal legislation on Medicaid pharmaceutical reimbursement. | (100,000,000) |

Conference Agreement on Items of Difference

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| 3. Medicaid Base Funding. The Conference Committee recognized the consensus estimate for FY 2006-07 Medicaid expenditures for Community Mental Health (CMH), Children's Special Health Care Services, the base Medicaid program, and the so-called "clawback" payments for dually eligible Medicaid/Medicare clients enrolled in Medicare Part D. | 284,752,100 |
| 4. Actuarially Sound Rates. The Conference Committee recognized the cost of actuarially sound rates for Medicaid HMOs and CMH services. | 129,951,800 |
| 5. Pay Increases for Adult Home Help and CMH. The Conference Committee included pay increases for Adult Home Help employees, raising the wages for all Adult Home Help workers at least to the new minimum wage and providing a \$0.50 per hour increase to those currently over the new minimum wage, and a 2% wage pass-through for CMH employees. | 41,862,600 |
| 6. Michigan First Healthcare Plan. The Conference Committee included half-year Federal funding for this insurance program, which is dependent on a Federal waiver. | 100,000,000 |
| 7. Healthy Lifestyles and Health Information Technology Initiatives. The Conference Committee included funding for new initiatives in these areas. | 19,500,000 |
| 8. Physician Rate Increase. The Conference Committee included funding for a 2% rate increase for Medicaid physician services, targeted to well child visits and primary care. | 16,623,600 |
| 9. Medicaid Cost Reduction Initiatives. The Conference Committee recognized savings from a number of cost reduction initiatives, including reductions in the eligibility error rate (\$20,000,000), increased third party liability savings (\$36,877,600), savings from changes in the Federal Deficit Reduction Act (\$21,956,200), recovery of pharmaceutical overpayments (\$22,924,800), case management efforts for high cost Medicaid cases (\$10,000,000), and ongoing savings from a caseload reduction related to Medicaid asset testing for certain eligibility groups (\$17,760,000). | (109,518,700) |
| 10. Economic Adjustments. | 30,775,400 |
| 11. Other Adjustments. Other adjustments led to a slight reduction in funding. | (11,769,400) |

Total Changes.....	\$795,640,000
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FY 2006-07 Enacted Gross Appropriation.....	\$11,196,157,400
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Changes from FY 2005-06 Year to Date:Items Included by the Senate and House

1. **Carve Out Anti-Psychotic and Anti-Depressant Medication.** Senate language established conditions for the proposed carve out of anti-psychotic medication to Community Mental Health (CMH) agencies and antidepressant medication to Medicaid Health Maintenance Organizations (HMO). Among the conditions included in this section were a requirement for the Department to establish statewide procedures for the administration of these drugs and a provision mandating inclusion of the actual cost of these drugs in Medicaid capitation rates paid to CMH agencies and Medicaid HMOs. (Sec. 269)
2. **Local Public Health Hearing and Vision Screening.** New Senate language included in the bill stated that the local funds appropriated to public health departments for hearing and vision screening will be used to provide these services at a level similar to those available in FY 2004-05. (Sec. 905)
3. **Michigan First Healthcare Plan.** New boilerplate stated that the \$100 million in Federal funds appropriated in FY 2006-07 for the Michigan First Healthcare Plan are contingent upon Federal approval of a waiver. (Sec. 1501)

Conference Agreement on Items of Difference

4. **Detroit Wayne County Community Mental Health (CMH).** Boilerplate would reduce the non-Medicaid allocation to Detroit/Wayne County CMH by \$3.5 million each month after December 1, 2006 for the remainder of the fiscal year if the agency does not become a mental health authority. This penalty cannot lead to any reduction in direct services to CMH clients. These reductions would be restored if Detroit Wayne County CMH became an authority by September 30, 2007. (Sec. 459)
5. **Integration of Substance Abuse and Mental Health Services.** New boilerplate would require the Department to modify changes in its criteria for the incorporation of substance abuse coordinating agencies with CMH authorities to encourage greater consolidation of these agencies. The Department would be permitted to make funds available to account for initial administrative cost associated with consolidation as long as the distribution of these funds did not place other agencies at a competitive disadvantage. (Sec. 468)
6. **Crime Victims Service Commission Grant Restrictions.** New language required recipients of grants appropriated through the Crime Victims Service Commission to not use any portion of their allocation for lobbying, or attempting to influence the decisions of the governor, the legislature, or state agencies. (Sec. 1301)
7. **Long Term Care Single Point of Entry.** Section 1686 is changed to establish new reporting requirements for the Department related to the implementation of long-term care single point of entry pilot projects. The Department would be required to report cost data associated with the project, Medicaid savings generated through single point of entry and information on the number of clients served by through the pilot projects. (Sec. 1686)
8. **Federal Funding for Health Information Technology and Health Behaviors.** Modified conference boilerplate would require the Department to seek Federal financial support for health information technology and Medicaid health behavior incentive initiatives. (Sec. 1733-1734)
9. **Standard Billing Medicaid Health Plans.** The Department is to require by the end of fiscal year 2006-2007 that all Medicaid health plans use standard billing formats for providers. (Sec. 1749)
10. **Medicaid Case Management.** Boilerplate would require the Department to create a case management program that will, at minimum utilize payment incentives to providers, for the highest cost individuals enrolled in fee-for-service Medicaid. This program will be targeted towards fee-for-service recipients with chronic disease, mental health problems, or high prescription drug costs. The Department would also be permitted to contract with Medicaid managed care organizations to provide case management services. (Sec. 1756)
11. **Medicaid Reimbursement for Pharmaceutical Services.** New boilerplate requires the Department to study the impact of a required change in the basis for Medicaid reimbursement to pharmacists from average wholesale price to average manufacturer price. If the Department determines that there would be a negative financial impact associated with this change it is required to provide suggestions for modifications in Medicaid reimbursement to pharmacists to negate this change. (Sec. 1767)