



Senate Fiscal Agency  
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# BILL ANALYSIS

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Senate Bill 1083 (S-1 as passed by the Senate)

Committee: Appropriations

<b>FY 2005-06 Year-to-Date Gross Appropriation .....</b>	<b>\$10,326,194,000</b>
<b>Changes from FY 2005-06 Year-to-Date:</b>	
1. <b>Medicaid Base Funding.</b> The Senate concurred with the Governor's projected 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. The Subcommittee included a lower adjustment for the Medicare Part D program.	232,196,900
2. <b>Medicaid Managed Care Rates.</b> The proposed budget included a 5% rate increase in Medicaid Health Maintenance Organization (HMO) rates and a 2% increase in CMH Medicaid rates to meet Federal actuarial soundness requirements.	87,951,800
3. <b>FY 2005-06 Supplemental Funding.</b> The Senate budget reflected an assumed supplemental to reflect available Federal revenue.	55,700,900
4. <b>Changes in the Hospital, HMO, and Nursing Home Quality Assurance Assessment Programs (QAAPs).</b> The budget reflected adjustments in the hospital and nursing home QAAPs to reflect actual revenue. The budget included a 1% increase in the hospital QAAP tax, with the revenue being funneled through Medicaid HMOs as part of an increase in fee-for-service and managed care hospital payment rates. The State would retain \$30 million. The net increase for the hospital industry would be about \$150 million.	393,806,000
5. <b>Assumed Federal Change in Pharmaceutical Rebate Policy.</b> The Senate budget assumed passage of a Federal statute allowing 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, with a total savings of \$51.4 million GF/GP.	(84,830,300)
6. <b>Adult Home Help Wage Increase.</b> The Senate included funding to ensure that all those providing Adult Home Help services receive a \$0.55 per hour increase, with a wage floor of \$6.10 per hour.	20,000,000
7. <b>Michigan First Healthcare Plan.</b> Federal funding to cover the first half-year of this insurance program was included. Funding would be dependent on a Federal waiver.	200,000,000
8. <b>Medicaid Cost Reduction Measures.</b> The Senate assumed savings from changes in Federal law, expansion of cost-sharing, overpayment recoveries, changes related to durable medical equipment, and increased auditing and oversight measures.	(60,189,700)
9. <b>Detroit/Wayne CMH.</b> The Senate reduced funding.	(15,000,000)
10. <b>Waiver Requests.</b> The Senate included placeholder funding and language directing the Department to seek Federal waivers similar to those in other states related to electronic medical records and healthy lifestyles.	20,000,000
11. <b>Economic Adjustments.</b>	30,775,500
12. <b>Other Changes.</b> Other changes resulted in a slight decrease in funding.	(13,537,600)
13. <b>Comparison to Governor's Recommendation.</b> The Senate bill is \$69,189,500 Gross and \$54,000,000 GF/GP below the Governor's Recommendation.	
<b>Total Changes.....</b>	<b>\$866,873,500</b>
<b>FY 2006-07 Senate Gross Appropriation .....</b>	<b>\$11,193,067,500</b>

**Changes from FY 2005-06 Year to Date:**

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 anti-depressant medication to Medicaid Health Maintenance Organizations (HMO). Among the conditions included in this section are 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. **Detroit Wayne County Community Mental Health (CMH).** New boilerplate language reduced the non-Medicaid allocation to Detroit/Wayne County CMH by \$35 million for FY 2006-07 if the agency does not become a mental health authority by July 1, 2006. This reduction would be changed to \$15 million if Detroit/Wayne County CMH becomes a mental health authority by October 1, 2006. This boilerplate section also included a statement of legislative intent to pursue other means of administering mental health in Wayne County if the Detroit/Wayne County CMH does not become an authority by July 1, 2007. (Sec. 459)
3. **AIDS Drug Assistance Program.** Current year boilerplate was modified to give the Department the ability to revise eligibility criteria and the drug formulary for the AIDS Drug Assistance Program if the program's FY 2006-07 appropriation is not sufficient to meet program costs. (Sec. 803)
4. **Local Public Health Hearing and Vision Screening.** New Senate language included in the bill states 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)
5. **Michigan First Healthcare Plan.** New boilerplate stated that the \$200 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)
6. **Home and Community-Based Waiver Payment Adjustment.** The Senate bill restored current year language that reduces administrative reimbursement for home and community-based waiver services by \$2 per person/per day. Savings generated by this reduction would be used to increase program enrollment. (Sec. 1684)
7. **Medicaid Adult Home Help Wage Adjustment.** New Senate language provided guidance for the distribution of \$20 million Gross allocated for wage increases for personal care workers in the Medicaid Adult Home Help program. These funds would be used to provide a minimum increase of 55 cents per hour to all workers and to establish a wage floor of \$6.10 per hour. (Sec. 1691)
8. **Medicaid Waiver for Health Information Technology.** The Senate bill included language instructing the Department to seek a waiver from the Federal government that would permit the State to provide financial support for e-prescribing and other health information technology initiatives through the Medicaid program. The waiver would be similar to proposals submitted by other states seeking permission to invest identified Federal Medicaid savings generated through Medicaid managed care waiver programs into health infrastructure initiatives. (Sec. 1733)
9. **Medicaid Waiver for Health Behavior Incentives.** New Senate language required the Department to seek a waiver from the Federal government that would permit the State to provide financial incentives for positive health behavior practiced by Medicaid recipients. The waiver, if approved, would permit the State to use Federal funds to provide small monetary payments into individual health accounts for Medicaid recipients who demonstrate positive changes in personal health behavior. (Sec. 1734)
10. **Medicaid Cost Sharing.** Senate language instructed the Department to modify copayments and premiums charged through the Medicaid program to generate an additional \$5 million GF/GP savings. (Sec. 1737)
11. **Medicaid HMO Outcome Targets.** New language in the Senate bill included language requiring the Department to identify the ten most expensive diagnosis in the Medicaid program and create health outcome targets for each of these ailments. The Department was further instructed to make financial incentives available to Medicaid HMOs that reach these targets. (Sec. 1739)
12. **Medicaid Nursing Home Interim Payments.** New boilerplate in the Senate bill instructed the Department to continue to make available to nursing homes, upon request, interim payments for services provided. The Department is to ensure that these interim payments are as close as possible to final cost-settled payments that will be made to these facilities. (Sec. 1741)

Date Completed: 03-29-06

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations.

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