



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-2768
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4436 (as introduced)
Committee: Appropriations

FY 2008-09 Year-to-Date Gross Appropriation	\$12,509,063,400
Changes from FY 2008-09 Year-to-Date:	
1. Medicaid Base Funding. The Governor included base adjustments for Medicaid, Community Mental Health (CMH) Medicaid services, the Children's Special Health Care Services program, and the Adult Benefits Waiver. These adjustments would increase GF/GP costs by \$131,236,000.	366,770,400
2. Actuarially Sound Rates. The Governor provided an adjustment in Medicaid managed care capitation rates of 4.5% and CMH Medicaid rates of 4.0% to meet Federal requirements that capitation rates be actuarially sound, at a cost of \$72,777,500 GF/GP.	197,711,000
3. Replacement of Managed Care Quality Assurance Assessment Programs (QAAPs) with Use Tax. Effective April 1, 2009, the Medicaid managed care QAAPs will be repealed. Medicaid managed care organizations and CMH Medicaid services will become subject to the Use Tax. This change is, in effect, a fund source shift from Restricted revenue to GF/GP and will increase GF/GP expenditures by \$304,704,300.	28,569,600
4. Special Medicaid Payments and Quality Assurance Assessment Program (QAAP) Adjustments. The Governor's budget reflected the anticipated Federal revenue available for various special financing mechanisms and made adjustments to maximize use of QAAP revenue, including a payment to hospitals through the CMH Medicaid program.	116,526,000
5. Fund Source Adjustments. The Governor included adjustments reflecting the loss of revenue from the Medicaid Benefits Trust Fund and the Merit Award Trust Fund, resulting in a GF/GP cost increase of \$61,264,400.	0
6. Medicaid Match Rate Adjustments. The Governor assumed savings of \$246,526,000 GF/GP from the increase in the base Medicaid match rate from 60.27% to 63.19%. The Governor assumed further savings of \$483,963,500 GF/GP from an increase in the match rate to 68.415% due to the Federal Stimulus bill.	0
7. Long Term Care Program Expansions. The Governor included \$15.3 million for expansion of community based care and assumed \$33.5 million in savings from reduced utilization of nursing homes.	(18,217,500)
8. Federal Funds. The budget reflected anticipated changes in Federal grants and the removal of \$100.0 million in placeholder funds for the Michigan First Healthcare Program.	(63,878,400)
9. Cost Reduction Measures. The Governor's budget reflected the closure of the Mount Pleasant developmentally disabled facility (\$20.4 million), assumed passage of legislation placing mental health medications on the preferred drug list (\$18.7 million), and assuming passage of Federal legislation permitting the State to collect pharmaceutical rebates on drugs prescribed for Medicaid managed care clients (\$120.0 million). The budget also included numerous program cuts, including reductions to CMH non-Medicaid services, substance abuse, multicultural, respite care, rural health, family planning, the Nurse Family Partnership, and \$2.0 million in cuts to the Healthy Michigan Fund, saving a total of \$74.3 million GF/GP.	(184,894,900)
10. Economic Adjustments. These adjustments cost \$5.9 million GF/GP.	13,464,800
11. Other Changes. Other changes resulted in a minor increase in funding.	1,852,500
Total Changes.....	\$457,903,500
FY 2009-10 Governor's Recommendation.....	\$12,966,966,900

Changes from FY 2008-09 Year to Date:

1. **Deletions.** The Governor's budget eliminated numerous boilerplate sections, including but not limited to: classified employee hiring freeze (205), reporting requirement on policy changes (215), notification of state plan amendments and waiver submission (264), attorney general Medicaid recoveries (270), early mental health services pilots (271), out-of-state travel requirements (284), report on the expansion of the state prescription drug website (285), multicultural services (403), Salvation Army Harbor Lights contract (412), mental health court pilots (459), CMH non-Medicaid equity funding plan (460), Odyssey House funding (482), Inclusion of dentists in the Michigan Essential Health Provider program (709), Nickless Clinic funding (720), methamphetamine cleanup fund (852), osteoporosis prevention (1010), traumatic brain injury pilots (1031), nurse family partnership program (1132), sections related to the Michigan First healthcare plan (1501-1503), continuation of FY 2000-01 ambulance service rate increase (1634), HMO service area expansions (1652), reports on single point of entry pilot projects (1686), report on nursing home case mix reimbursement (1695), rural health initiative language (1712), DSH payment to Hutzel Hospital (1722), Medicaid eligibility errors (1725), special payment to Hurley Hospital (1742), Medicaid proof of citizenship (1757), report on money-follows-the-person Federal grant (1774), workgroup on emergency room payment rates (1785), physician reimbursement rate increase (1791), Medicaid personal care supplement increase (1805).
2. **Definitions.** The Governor's recommendations included a definition for the acronym "FMAP" and replaced the acronym "MSS/ISS" (maternal and infant support services) with "MIHP" (maternal infant health program).
3. **Byrne Grant Funding for Drug Courts.** The Governor's budget transferred responsibility for Federal Byrne grants from the Office of Drug Control Policy to the Mental Health and Substance Abuse Administration to reflect the recommendation that ODCP be absorbed by other Department agencies. (Sec. 351)
4. **Pharmacy Dispensing Fees.** The Governor's budget deleted prior year language specifying an increase in dispensing fees paid to pharmacies for Medicaid drugs. (Sec. 1620 (2))
5. **Ambulatory Surgery Centers.** The Governor added additional language setting guidelines for the reimbursement of ambulatory surgery centers using Medicaid funds. (Sec. 1642)
6. **Reimbursement of Hospital Emergency Rooms.** The Governor deleted prior year language that required the Department to produce a report examining the effect of Medicaid reimbursement policies on admissions from emergency rooms. (Sec. 1657)

Date Completed: 2-26-09

Fiscal Analysts: Steve Angelotti and Matt Grabowski