



Senate Fiscal Agency
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BILL ANALYSIS

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FY 2008-09 Year-to-Date Gross Appropriation	\$12,895,212,100
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Changes from FY 2008-09 Year-to-Date:

Items Included by the House and Senate

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| 1. Actuarially Sound Rates. Conference 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 |
| 2. Special Medicaid Payments. Conference reflected the anticipated Federal revenue available for the various special financing mechanisms used by the State. | 88,020,600 |
| 3. Quality Assurance Assessment Program (QAAP) Adjustments. Conference included adjustments to the QAAP programs as well as a \$304,704,300 GF/GP increase reflecting the replacement of the Restricted funding from the managed care QAAPs with GF/GP from Use Tax revenue. | 64,920,600 |
| 4. Economic Adjustments. Standard economic adjustments cost \$5,914,600 GF/GP. | 13,455,900 |

Conference Agreement on Items of Difference

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| 5. Base Funding. Conference included base adjustments for Medicaid, Community Mental Health (CMH) Medicaid services, Children's Special Health Care Services program, and the Adult Benefits Waiver, increasing GF/GP costs by \$282,302,200. | 461,705,200 |
| 6. Fund Shift - Increase in Medicaid Match Rate. The budget reflected the increase in the base Federal Medicaid match rate to 73.27%, for a savings of \$369,164,200 GF/GP from the final FY 2008-09 match rate. The total savings from the original FY 2008-09 match rate is \$1,217,831,600 GF/GP. | 0 |
| 7. Medicaid Rate Reductions and Executive Order Annualization. The budget reflected an 8% reduction in most Medicaid payment rates below those in effect prior to Executive Order 2009-22, for a total GF/GP savings of \$94.9 million. | (296,062,300) |
| 8. Program Reductions. Conference included the vast majority of Governor's budgetary reductions, including adding behavioral health drugs to the preferred drug list, but restored CMH Multicultural (\$6.8 million GF/GP), Nurse Family Partnership (\$811,000 GF/GP), and several smaller programs. Accepted items among the Governor's proposed cuts led to assumed savings of \$183.3 million Gross and \$80.4 million GF/GP. The budget also assumed annualization of Executive Order 2009-22 reductions to adult optional services and the single point of entry program, savings of \$42.0 million Gross and \$15.0 million GF/GP. The budget reduced CMH non-Medicaid by \$40.0 million Gross and GF/GP, assumed passage of legislation to expand third party liability recoveries (\$18.7 million Gross and \$5.0 million GF/GP) and increase fraudulent recovery collections (\$3.7 million GF/GP), made smaller program reductions totaling \$24.6 million Gross and \$16.6 million GF/GP, and assumed greater savings from nursing home transitions (\$17.4 million Gross and \$4.6 million GF/GP). | (326,074,100) |
| 9. Healthy Michigan Fund. Budget included reductions to Healthy Michigan Fund programs. | (13,833,600) |
| 10. Other Changes. Other changes in the budget resulted in a minor increase in funding. | 7,374,400 |
| Total Changes | \$197,217,700 |

FY 2009-10 Conference Report Gross Appropriation	\$13,092,429,800
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Amount Over/(Under) GF/GP Target: \$0

Changes from FY 2008-09 Year to Date:Conference Agreement on Items of Difference

1. **Updated Prescription Drug Website.** Language included in the proposed budget requires the Department to maintain and regularly update a more comprehensive prescription drug website beginning April 1, 2010. The website will be used to provide consumers with information regarding customary prescription drug prices and dosages. (Sec. 285)
2. **Substance Abuse Funding.** The budget dictated that counties where there exists a single coordinating agency and a single pre-paid inpatient health plan (PIHP) may explore consolidation of services if they meet certain criteria. (Sec. 407)
3. **Community Mental Health (CMH) non-Medicaid Funding Equity.** The budget included language requiring the implementation of a funding equity formula for CMH non-Medicaid programming. (Sec. 462)
4. **Privatization of Food and Custodial Services at State Hospitals and Centers.** The budget included language requiring the Department to evaluate the privatization of food and custodial services at State hospitals and centers. Such privatization could only occur if certain criteria were met. (Sec. 608)
5. **Outsourcing of Medical Marijuana Administration.** Conference included language directing the Department to investigate the feasibility of instituting a competitive bid process to identify a vendor to administer the medical Marijuana application and registration process. (Sec. 727)
6. **Enrollment of new CSHCS beneficiaries into HMOs.** The budget included new language permitting the voluntary enrollment of Children's Special Health Care Services beneficiaries into managed care if they are eligible for Medicaid. (Sec. 1204)
7. **Expansion of Beneficiary Monitoring.** The budget directed the Department to develop a plan to expand the existing Medicaid beneficiary monitoring program. This program has previously been used to manage the care of Medicaid beneficiaries who do not comply with treatment protocols. (Sec. 1826)
8. **Contingency Language on Rate Cuts.** The budget included language which explicitly states the Medicaid rate cuts to be applied to the various provider groups for fiscal year 2009-2010. This language also included specifications for a physician quality assurance assessment program (QAAP), should one be enacted, to mitigate the rate cuts to provider groups and other entities which face cuts in the fiscal year 2009-2010 budget. (Sec. 1828)

Date Completed: 09-29-09

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