



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 118 (S-1 as reported)
Committee: Appropriations

Throughout this document Senate means Appropriations Committee.

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2014-15 YEAR-TO-DATE	FY 2015-16 SEN. FULL COMM.	CHANGES FROM FY 2014-15 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions.....	3,653.1	3,689.1	36.0	1.0
GROSS	18,050,059,300	19,013,702,400	963,643,100	5.3
Less:				
Interdepartmental Grants Received	9,425,900	9,678,100	252,200	2.7
ADJUSTED GROSS.....	18,040,633,400	19,004,024,300	963,390,900	5.3
Less:				
Federal Funds.....	12,459,869,600	13,488,611,200	1,028,741,600	8.3
Local and Private	355,112,600	213,673,400	(141,439,200)	(39.8)
TOTAL STATE SPENDING.....	5,225,651,200	5,301,739,700	76,088,500	1.5
Less:				
Other State Restricted Funds.....	2,136,944,400	2,173,385,400	36,441,000	1.7
GENERAL FUND/GENERAL PURPOSE.....	3,088,706,800	3,128,354,300	39,647,500	1.3
PAYMENTS TO LOCALS	1,122,966,300	1,125,753,200	2,786,900	0.2

FY 2014-15 Year-to-Date Gross Appropriation	\$18,050,059,300
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Changes from FY 2014-15 Year-to-Date:

- Medicaid and State Children's Health Insurance Program (SCHIP) Match Rate.** Senate reflected \$5.9 million in GF/GP savings from an increase in the Medicaid match rate from 65.54% to 65.60% and \$17.9 million in GF/GP savings from an increase in the SCHIP match rate from 75.88% to 98.92%. 0
- Other Fund Source Adjustments.** Senate reflected expiration of \$62.9 million in Roads and Risks Reserve funding, \$21.2 million in reduced Tobacco Tax revenue, and a \$40.0 million increase in Tobacco Settlement revenue. 0
- Medicaid Base and Caseload.** The budget reflected an increase over the adjusted FY 2014-15 Medicaid base and caseload, as the FY 2014-15 Medicaid base was adjusted downward due to a drop in caseload, at a cost of \$43.1 million GF/GP. 106,163,400
- Medicaid Expansion Base and Caseload.** The Medicaid expansion, also known as the Healthy Michigan Plan, continued to see caseload growth. There is no GF/GP cost as the program is funded with 100% Federal funding through December 31, 2016. 815,762,200
- Changes in Federal Authorization.** Senate reflected changes in Federal grants, in particular a \$15.0 million State Innovation Model grant that would help implement the State's Blueprint for Health Innovation (a \$5.0 million reduction from FY 2014-15) and other smaller Federal grant adjustments. 56,100
- Actuarial Soundness Adjustments.** Senate recognized the Federal requirement that Medicaid managed care rates be actuarially sound. Increases were proposed for behavioral health, physical health, and Medicaid expansion, at a cost of \$38.0 million GF/GP. 170,040,500
- Technical Adjustments to Medicaid and Other Payments.** Senate included adjustments to reflect increased public clinic adjustor payments, changes to special payments to State psychiatric hospitals, and the annualization of Medicaid primary care rates. 4,199,300

8. Programmatic Reductions and Savings Initiatives. Senate disagreed with Governor's carve-out of pharmaceutical services but recognized savings from a sole formulary for managed care (savings \$16.8 million GF/GP), reduced managed care lab reimbursement (savings \$9.4 million GF/GP), transferred responsibility for many health and wellness and Mental Health and Wellness Commission programs to the Health Endowment Fund (savings \$4.9 million GF/GP), and assumed increased third party liability and Inspector General savings due to new staff (net savings \$11.8 million GF/GP).	(153,056,100)
9. Program Enhancements. Senate proposed expanding Healthy Kids Dental to children in Kent, Oakland, and Wayne Counties effective July 1, 2016 (cost \$5.6 million GF/GP), increasing adult dental reimbursement effective September 1, 2016 (cost \$2.6 million GF/GP), continuing the FY 2014-15 increase in Community Mental Health non-Medicaid funding, expanding Medicaid autism services to age 21 (cost of \$2.5 million GF/GP), creating an ambulance Quality Assurance Assessment Program (QAAP), reinstating hospice room and board payments (cost of \$3.4 million GF/GP), and creation of a value-added disproportionate share hospital pool (cost of \$1.0 million GF/GP).	83,536,400
10. Change in How Facility Purchase of State Services (POSS) is Recognized. Senate transferred POSS funding from the Behavioral Health unit to the State facility line items. Instead of the State share of facility costs being provided to CMHs, the money would be reflected in the individual facility line items. While this adjustment leads to an ostensible reduction in Gross funding, the change would lead to the money only being reflected in the budget once; there would be no change in the money spent on State facilities or the level of services provided.	(139,465,600)
11. Statutory Changes to HICA. Governor proposed eliminating the cap on combined HICA and net GF/GP Use Tax revenue (GF/GP savings of \$17.3 million). Governor proposed increasing HICA rate from 0.75% to 1.3% (GF/GP savings of \$162.8 million). Both changes would require legislation. Senate did not reflect these assumed changes.	0
12. Hospital Funding Changes. Senate rejected Governor's proposal to increase the hospital QAAP to supplant GF/GP used to support graduate medical education (GME) and the rural/sole community hospital pool. Senate restored FY 2014-15 Executive Order cuts to GME and the rural/sole pool (cost of \$7.0 million GF/GP). Senate rejected Governor's proposals to change calculation of hospital capital payments and to eliminate the obstetric/gynecology hospital funding pool. Senate increased QAAP by \$85.2 million and used that funding to help offset \$55.9 million in GF/GP costs, with the remainder of the money (\$29.3 million QAAP and \$55.9 million Federal match) used to increase hospital provider rates by \$85.2 million to offset the cost of the QAAP increase.	105,555,600
13. One-Time Funding. Senate included \$500,000 apiece for five University autism centers, retained funding for a bone marrow registry, and included placeholder funding for other programs. Senate removed current year funding for mental health commission recommendations, autism services, the University of Detroit dental clinic, a Healthy Kids Dental computerization project, child and adolescent health funding, the statewide trauma system, and the Senior Olympics.	(25,454,600)
14. Economic Adjustments. Includes a negative \$4,076,500 Gross and a negative \$2,216,600 GF/GP for OPEB and \$3,469,000 Gross and \$1,984,500 GF/GP for other economic adjustments.	(607,500)
15. Other Changes.	(3,086,600)
16. Comparison to Governor's Recommendation. The Senate is \$42,097,400 Gross over and \$135,103,000 GF/GP over the Governor.	
Total Changes	\$963,643,100
FY 2015-16 Senate Appropriations Committee Gross Appropriation	\$19,013,702,400

Boilerplate Changes from FY 2014-15 Year-to-Date:

1. **Distribution of CMH Non-Medicaid Funds.** Senate included new language directing how funds appropriated for CMH non-Medicaid services be distributed. (Sec. 507)
2. **PIHP Administrative Cost.** Senate included new language directing PIHPs to work to reduce administrative costs, promote conflict-free care management, ensure that direct service rate variance be related to quantifiable measures, and promote fair and adequate direct care reimbursement. (Sec. 508)
3. **Workgroup on Staff Recruitment and Retention.** Senate included new language requiring the creation of a workgroup to analyze the challenges of recruiting and retaining certain PIHP direct care staff. The workgroup must develop a plan to enhance efforts to attract and retain such staff, and account for the effect of the increase in the State minimum wage. (Sec. 509)
4. **Diabetes/Kidney Health and Wellness Programming and Blue Cross Health Endowment Fund.** Senate altered language to transfer responsibility for funding some mental health and wellness initiatives and mental health and wellness commission recommendations to the Health Endowment Fund. (Sec. 651)
5. **Federal SIM Grant Funding.** Senate included new language directing State Innovation Model Grant funding be allocated to support the implementation of the health delivery system innovations. Also includes outcomes and performance measures. (Sec. 718)
6. **Indian Health Service, Tribal or Urban Indian Health Program Facility Supplemental Payments.** Senate included new language requiring prospective, quarterly payments to Indian Health Service, Tribal or Urban Indian Health Program Facilities which contract with a Medicaid managed care organization. (Sec. 719)
7. **Pharmacy and Medicaid Services Copayments.** Senate altered language to increase co-payments for Medicaid recipients enrolled in the Healthy Michigan Plan with an income of at least 100% of the Federal Poverty Level. (Secs. 1620 and 1631)
8. **Medicaid Managed Long-Term Care.** Senate included new language requiring a report on the implementation of the MI Health Link demonstration, as well as the existence of an ombudsman program. (Sec. 1775)
9. **Primary Care Services Medicaid Rate Increase.** Senate altered language to require the Department to examine including the subspecialty of neonatal medicine in the definition of primary care provider. (Sec. 1801)
10. **GME Quality Data Reporting.** Senate included new language requiring hospitals that receive Graduate Medical Education payments to submit data to a national nonprofit organization. (Sec. 1805)
11. **Consensus Formulary.** Senate included new language requiring the development and implementation of a consensus formulary by the Medicaid health plans, with input from the Department. (Sec. 1806)
12. **Encounter Data Improvement.** Senate included new language requiring the enhancement of encounter data reporting, the development of rules regarding encounter data completeness, and the creation of a fair measure of acuity for enrolled populations. (Sec. 1810)
13. **Maternal Infant Health Program Integration.** Senate included new language requiring the integration of the MIHP into the Medicaid health plan benefit package. (Sec. 1811)
14. **GME Cost and Retention Reporting.** Senate included new language requiring three separate reports regarding GME funding. Language also creates a workgroup to develop new metrics for funding distribution and states legislative intent that those metrics will be implemented in the next fiscal year. (Sec. 1812)
15. **Healthy Kids Dental.** Senate included new language directing the expansion of Healthy Kids Dental to Kent, Oakland, and Wayne Counties by July 1, 2016. Outlines performance measures for the program. (Sec. 1894)
16. **Adult Dental Services.** Senate included new language requiring a contract with a managed care organization to administer the Medicaid adult dental benefit beginning September 1, 2016. Also includes outcomes and performance measures. (Sec. 1895)
17. **Special Projects Funding.** Senate altered language to direct that funds for university autism programs go to support programs which increase the number of applied behavioral analysis therapists in the State. Allows for the funds to be used to support scholarships, and outline the performance measures for the program. (Sec. 1902)

Date Completed: 4-22-15

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