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Senate Bill 789 (as introduced) Committee: Appropriations Vehicle for Governor's Recommendation line items is Senate Bill 823.

		_	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	AMOUNT	PERCENT
FTE Positions	15,437.0	15,554.5	117.5	0.8
GROSS	25,086,944,200	24,707,967,700	(378,976,500)	(1.5)
Less:				
Interdepartmental Grants Received	13,551,600	13,513,700	(37,900)	(0.3)
ADJUSTED GROSS	25,073,392,600	24,694,454,000	(378,938,600)	(1.5)
Less:				
Federal Funds	18,422,113,900	17,734,683,600	(687,430,300)	(3.7)
Local and Private	279,748,900	280,171,600	422,700	0.2
TOTAL STATE SPENDING	6,371,529,800	6,679,598,800	308,069,000	4.8
Less:				
Other State Restricted Funds	2,217,821,600	2,328,831,500	111,009,900	5.0
GENERAL FUND/GENERAL PURPOSE	4,153,708,200	4,350,767,300	197,059,100	4.7
PAYMENTS TO LOCALS	1,224,137,400	1,259,438,500	35,301,100	2.9

FY 2015-16 Year-to-Date Gross Appropriation	\$25,086,944,200
Changes from FY 2015-16 Year-to-Date:	
1. Medicaid and State Children's Health Insurance Program (SCHIP) Match Rates. The traditional Medicaid match rate declines from 65.60% to 65.15%, increasing costs by \$48.5 million GF/GP. The SCHIP match rate will drop slightly, increasing costs by \$0.2 million GF/GP. On January 1, 2017, the match rate for the Medicaid expansion, the Healthy Michigan Plan, will drop from 100% to 95%, increasing costs by \$127.8 million GF/GP.	0
2. Other Fund Source Adjustments. Due to Federal statements that the managed care Use Tax must expire at the end of 2016, Governor reflected a statutory reversion of the Health Insurance Claims Assessment (HICA) rate from 0.75% to 1.0%, resulting in \$58.2 million more revenue and an identical GF/GP savings. The hospital provider tax retainer would be changed, resulting in a \$12.1 million GF/GP savings. Additional Medicaid Benefits Trust Fund revenue would result in a \$17.5 million GF/GP savings. Diversion of tobacco settlement dollars would increase costs by \$23.7 million GF/GP. Recoupment of SCHIP dollars for children on Medicaid would save \$30.0 million GF/GP.	0
<ol> <li>Changes in Federal Grants. Governor assumed a \$44.3 million increase in the Federal Victims of Crime Act grant and minor adjustments in other Federal grants.</li> </ol>	47,229,900
4. <b>Medicaid Actuarial Soundness Adjustments.</b> Governor included 1.5% increase for regular Medicaid behavioral health and physical health and a 2.0% increase for the Healthy Michigan Plan, at a total cost of \$32.1 million GF/GP.	118,263,800

5.	<b>Reversal of FY 2015-16 Supplementals.</b> Governor removed funding associated with the two FY 2015-16 supplementals related to Flint, a reduction of \$11.9 million GF/GP. There is new funding for water crisis related services in Flint in the FY 2016-17 budget.	(17,307,100)
6.	<b>Healthy Michigan Plan Base and Caseload Adjustments.</b> Due to lower expenditure projections tied to flattening caseloads and provider tax adjustments, total HMP authorization is reduced in the Governor's recommendation, savings of \$19.2 million GF/GP.	(513,250,200)
7.	<b>Medicaid and Related Program Base Adjustments.</b> Governor included adjustments to reflect projected Medicaid base and caseload costs, for an increase of \$85.6 million GF/GP.	206,169,500
8.	Children's Services Base, Caseload, and Fund Source Adjustments. Governor included caseload increases for Foster Care (\$1.0 million Gross, savings of \$8.7 million GF/GP), Child Care Fund (\$6.3 million Gross and GF/GP), and Guardianship Assistance (\$2.7 million Gross, \$3.5 million GF/GP). Governor reflected caseload decreases for Adoption Subsidies (\$6.0 million Gross, \$0.7 million GF/GP) and Family Support subsidy (\$0.7 million Gross).	3,389,200
9.	<b>Public Assistance Base and Caseload Adjustments.</b> Governor recognized caseload declines in Family Independence Program (FIP) (\$3.9 million Gross and \$1.0 million GF/GP), State Disability Assistance (SDA) (\$1.7 million Gross and GF/GP), and Food Assistance Program (FAP) (\$71.0 million Gross and \$0 GF/GP). Governor recognized caseload growth in State Supplementation Income (SSI) (\$0.2 million Gross and GF/GP).	(76,297,700)
10.	Information Technology Enhancements. Governor incorporated several IT investments which includes an encryption improvement and Medicaid fraud detection software (\$0.9 million Gross and \$0.3 million GF/GP). Also, DTMB service transition (\$6.3 million Gross and \$2.2 million GF/GP). Governor requested \$10.8 million Gross, \$7.7 million GF/GP for MiSACWIS integration and \$12.3 million Gross, \$1.2 million GF/GP for Integrated Service Delivery (ISD). Both MiSACWIS and ISD also have one-time funding requested.	30,276,200
11.	<b>Program Enhancements.</b> Governor included a \$1.4 million Gross and GF/GP increase for multicultural services, \$6.1 million (no GF/GP) to increase the FIP clothing allowance, a new 30-patient unit at the Center for Forensic Psychiatry (\$7.6 million Gross and GF/GP), and adjustments tied to the implementation of an ambulance provider assessment (\$48.1 million Gross, \$1.5 million GF/GP). Finally, Governor proposed expanding Healthy Kids Dental to all Medicaid eligible children in the State (\$25.6 million Gross, \$8.9 million GF/GP).	88,914,000
12.	<b>Program Reductions.</b> Governor reduced administration and management expenditures by \$100,000 Gross and GF/GP. Governor eliminated the Adoption Family Support Parent-to-Parent program for a savings of \$350,000 Gross & GF/GP, also eliminated the In-Home Rural Community Care grants for a savings of \$400,000 Gross & GF/GP. Lastly, Governor removed the county hold harmless provision for the Child Care Fund, Private Residential rate, and Private Administrative rate for a savings of \$6.1 million Gross and \$5.2 million GF/GP.	(6,950,000)
13.	<b>Technical Adjustments Tied to Federal and State Policy Changes.</b> Due to the projected expiration of the Medicaid managed care Use Tax, the State would no longer have to make payments to reimburse providers for the tax, resulting in an assumed savings of \$612.9 million Gross, \$140.4 million GF/GP. Governor removed a one-time hospital payment (\$92.9 million Gross, \$0 GF/GP). Governor reflected suspension of the Federal health insurer fee, reducing reimbursements to HMOs by \$137.2 million Gross, \$36.7 million GF/GP.	(842,935,100)
14.	<b>Costs of New Pharmaceuticals.</b> Governor included funding for two specialty pharmaceuticals: Solvaldi (Hepatitis C curative treatment) at cost of \$327.8 million Gross and \$91.5 million GF/GP and Orkambi (Cystic Fibrosis treatment) at a cost of \$66.3 million Gross and \$44.7 million GF/GP.	394,081,300
15.	<b>One-Time Programs.</b> Governor included Flint emergency declaration funds \$15.1 million Gross, \$9.1 million GF/GP, expansion of the Family Preservation program \$10.0 million Gross, a specialty pharmaceutical reserve fund (\$86.1 million Gross, \$30.0 million GF/GP), an autism navigator program (\$1.1 million Gross and GF/GP), and one-time funding of the MiSACWIS/ISD IT enhancements (\$48.5 million Gross and \$0 GF/GP). Governor removed FY 2015-16 one-time funding for a savings of \$7.8 million Gross and 7.4 million GF/GP.	153,007,400

FY 2016-17 Governor's Recommendation	\$24,707,967,700
Total Changes	(\$378,976,500)
18. Other Changes. Other changes result in a slight decrease in funding.	(46,100)
17. <b>Economic Adjustments.</b> Includes \$8,747,200 Gross and \$3,460,600 GF/GF \$34,094,800 Gross and \$13,628,000 GF/GP for other economic adjustments	
16. Expiration of Sick Leave Payouts. Governor recognized that the obligation with employees who opted into the 2010 early retirement program with defe payments over five years have been satisfied for a savings of \$2.5 million GF	rred sick leave

## **Boilerplate Changes from FY 2015-16 Year-to-Date:**

- 1. **Performance Metrics.** Governor removed language requiring a report of benchmarks to measure performance for all new programs and program expansions with appropriations greater than \$1.0 million. (Sec. 204)
- 2. **Personnel Reporting.** Governor removed language requiring monthly FTE count, payroll taxes/fringe benefits, and supervisor-to-staff ratios. (Secs. 214, 280, and 298)
- 3. **Notifications.** Governor removed language requiring notification of contract and policy changes, e-verify, and RFI and RFP processes. (Secs. 222, 240, 291, and 299)
- 4. Limit on Administrative Components of New Contracts. Governor deleted language requiring a minimum of 90% of contracts financed through GF/GP or State Restricted funds must be spent on direct services. The language allows exceptions to be made if it can be demonstrated that they are necessary. (Sec. 288)
- 5. **Workgroups.** Governor removed workgroups for TANF utilization in Michigan Works!/Michigan Strategic Fund, assisted living services, Medicaid community-based claims, MiBRIDGES Fraud Prevention. (Secs. 229, 315, 603, and 673)
- 6. **Multicultural Contracts.** Governor modified and moved language requiring the Department to competitively award grants to agencies providing services to multicultural populations consistent with a series of requirements included in the language. (Sec. 295)
- 7. **Behavioral Health Integration to Managed Care.** Governor included new language requiring the Department to transfer responsibility for Medicaid Behavioral Health Services from PIHPs to Medicaid HMOs by the end of the fiscal year. Includes steps the Department must take to implement the change, a requirement that the HMOs contract with existing CMHSPS for specialty services, as well as a reporting requirement. (Sec. 298)
- 8. **Foster Care.** Governor removed language requiring a report on timely health exams for foster children, certain restrictions on out-of-state placements, Child Protective Services annual report, treatment foster care, placements, parent visitations travel reimbursements, and a medical passport. (Secs. 511, 513, 514, 519, 537, 540, 562, 564, and 567)
- 9. **Private Child Welfare Agencies.** Governor removed language on facility and license reviews, payment standards, and training. (Secs. 525, 532, 533, and 585)
- 10. **Programming Elimination.** Governor deleted language associated with the Adoptive Family Support Network appropriation for parent-to-parent mentoring and the rural In-Home Community Care grant appropriation. (Sec. 559 and 587)
- 11. **Child Welfare Rates.** Governor removed 100% State share of the administrative rate and residential services rate and that Guardianship Assistance rates are not less than youth placed in family foster care. (Sec. 546, 547, and 589)
- 12. **Contracting Language.** Governor removed requirement that of all new contracts signed, 90% goes toward providing services and partial removal of the intended performance-based system for child welfare services. (Sec. 288 and 503)
- 13. **Kent County.** Governor removed set-aside start-up cost appropriation of \$500,000 and current privatization of foster care language. (Sec. 504 and 515)
- 14. **MiSACWIS Modification.** Governor revised language to reflect the updated progress of the IT system project. (Sec. 534)

## **Boilerplate Changes from FY 2015-16 Year-to-Date:**

- 15. **Public Assistance.** Governor removed language on Federal disability eligibility, LEIN report, disability legal services, and Bridge card fraud. (Secs. 614, 617, 625, and 672)
- 16. **Juvenile Justice.** Governor deleted language on residential contract terms, behavioral study, notification of closure, and occupancy. (Secs. 701, 711, 719, and 721)
- 17. **Service Contracts.** Governor removed prohibition on order of selection for vocational and rehabilitation services and that community-based rehabilitation organizations are accredited. (Sec. 805 and 806)
- 18. **Reporting on Data by CMHSPs.** Governor combined reporting requirements on substance use disorder, prevention, education and treatment programs with other reporting requirements by CMHSPs. Deleted previous year section pertaining to substance use disorder programs. (Sec. 904 and 908)
- 19. **Autism Projects Funding.** Governor altered language relating to the awarding of autism grants to align the goals with a more person-centered focus, and to include required program outcomes and performance metrics. (Sec. 960)
- 20. **Kyle's Law Funding.** Governor altered language to appropriate \$2.0 million to address the implementation of court ordered Assisted Outpatient Treatment as allowed by PA 497 or 2004. (Sec. 1010)
- 21. **Center for Forensic Psychiatry Expansion.** Governor included new language directing the Department to open an eighth wing at the Center in order to alleviate time spent on wait lists. The language includes required program outcomes and performance metrics. (Sec. 1059)
- 22. **Federal State Innovation Model Grant Funding.** Governor removed language stating five standards that must be followed should SIM funding be used to create a data aggregator. (Sec. 1144)
- 23. **I/T/U Facility Supplemental Payments.** Governor deleted language that requires the Department to work to ensure that I/T/U facilities receive the maximum amount allowable for Medicaid services. (Sec. 1145)
- 24. **Pregnancy and Parenting Pilot Program.** Governor removed language allocating \$50,000 for a real alternatives pregnancy and parenting support program. Language also includes outcome goals for the program. (Sec. 1307)
- 25. **WIC Cost Reduction.** Governor removed language requiring WIC to encourage participants to choose the lowest priced product available, as long as it satisfies the nutritional requirements of the program. (Sec. 1340)
- 26. **Integrated Services Delivery Call Center.** Governor included new language directing the Department to establish new IT tools and enhance existing systems to improve the eligibility and enrollment process. Language also includes outcomes and performance metrics. (Sec. 1506)
- 27. Pharmacy and Medicaid Services Copayments. Governor modified language that increases copayments for Medicaid recipients enrolled in the Healthy Michigan Plan with an income of at least 100% of the Federal Poverty Level to clarify that the administration of the copayment must be consistent with the terms and conditions linked to the waiver authorizing the Healthy Michigan Plan. (Secs. 1620 and 1631)
- 28. **GME Quality Data Reporting.** Governor deleted language requiring hospitals that receive Graduate Medical education payments to submit data to a national nonprofit organization. Requires the Department to hold a hospital's fourth quarter GME payments until the submission of data. (Sec. 1805)
- 29. **Healthy Kids Dental.** Governor altered language directing the expansion of Healthy Kids Dental to all kids in Kent, Oakland, and Wayne counties. Outlines performance measures for the program. (Sec. 1894)
- 30. Parent Partner and Family Reunification Programs. Governor included new language directing the Department to expand the Parent Partner Program and Family Reunification Program. Outlines performance measures for the program and states that unexpended funds be designated as a work project. (Sec. 1909)
- 31. Flint Declaration of Emergency. Governor included new language requiring the Department to allocate funds to address needs related to the Flint water crisis. Language includes examples of activities for which the funds may be used. (Sec. 1910)

Date Completed: 2-17-16 Fiscal Analyst: Ellyn Ackerman, Steve Angelotti, and John Maxwell

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