



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 789 (S-1, Draft 1 as reported)
Committee: Appropriations

Throughout this document Senate means Subcommittee.

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 SENATE SUBCOMM.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions.....	15,437.0	15,499.5	62.5	0.4
GROSS	25,108,037,900	24,783,861,300	(324,176,600)	(1.3)
Less:				
Interdepartmental Grants Received	13,551,600	13,513,700	(37,900)	(0.3)
ADJUSTED GROSS.....	25,094,486,300	24,770,347,600	(324,138,700)	(1.3)
Less:				
Federal Funds.....	18,443,337,900	17,796,663,100	(646,674,800)	(3.5)
Local and Private	279,748,900	280,171,600	422,700	0.2
TOTAL STATE SPENDING.....	6,371,399,500	6,693,512,900	322,113,400	5.1
Less:				
Other State Restricted Funds.....	2,217,821,600	2,342,745,600	124,924,000	5.6
GENERAL FUND/GENERAL PURPOSE.....	4,153,577,900	4,350,767,300	197,189,400	4.7
PAYMENTS TO LOCALS	1,224,137,400	1,231,793,900	7,656,500	0.6

FY 2015-16 Year-to-Date Gross Appropriation	\$25,108,037,900
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Changes from FY 2015-16 Year-to-Date:

- 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
- Other Fund Source Adjustments.** Due to Federal statements that the managed care Use Tax must expire at the end of 2016, Governor and Senate 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
- Changes in Federal Grants.** Budget assumed a \$44.3 million increase in the Federal Victims of Crime Act grant and minor adjustments in other Federal grants. Senate reduced State Innovation Model (SIM) grant from \$25.0 million to \$100. 22,230,000
- Medicaid Actuarial Soundness Adjustments.** Budget 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. **Reversal of FY 2015-16 Supplementals.** Governor and Senate 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. **Healthy Michigan Plan Base and Caseload Adjustments.** Due to lower expenditure projections tied to flattening caseloads and provider tax adjustments, total HMP authorization is reduced by Governor and Senate, savings of \$19.2 million GF/GP. (513,250,200)
7. **Medicaid and Related Program Base Adjustments.** Budget includes 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 and Senate 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. **Public Assistance Base and Caseload Adjustments.** Governor and Senate 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 including encryption improvement, fraud detection, DTMB service transition, MiSACWIS integration, and Integrated Service Delivery. Senate reduced funding to \$100 placeholders except for ongoing MiSACWIS funding. 10,521,900
11. **Program Enhancements.** Senate included a \$1.4 million Gross and GF/GP increase for multicultural services, \$3.4 million (no GF/GP) to expand the number covered by the FIP clothing allowance, a new 30-patient unit at the Center for Forensic Psychiatry effective April 1, 2017 (\$3.8 million Gross and GF/GP), and adjustments tied to the implementation of an ambulance provider assessment (\$48.1 million Gross, \$3.9 million GF/GP savings). Senate concurred with expanding Healthy Kids Dental to all Medicaid eligible children in the State (\$25.6 million Gross, \$8.9 million GF/GP), increased private agency foster care rates to \$45 per day (\$7.5 million Gross and GF/GP), restored hospice payments (\$2.5 million Gross and GF/GP), supported a new Medicaid adult dental initiative (\$23.0 million Gross, \$8.0 million GF/GP), increased senior nutrition funding (\$5.0 million Gross and GF/GP), increased Medicaid primary care rates by 6% (\$21.3 million Gross, \$7.4 million GF/GP), increased private duty nursing rates by 20% (\$6.6 million Gross, \$2.3 million GF/GP), and increased the Hospital Rate Adjustor by \$105.0 million Gross (\$0 GF/GP). 253,271,200
12. **Program Reductions.** Senate reduced administration and management expenditures by \$100,000 Gross and GF/GP. Senate rejected Governor's cuts to Adoption family support parent-to-parent program, in-home rural community care grants, and county hold harmless payments. Senate reduced Mental Health and Wellness Commission funding by 20% and reduced the U-D Dental Clinic to a \$100 placeholder. (6,613,400)
13. **Technical Adjustments Tied to Federal and State Policy Changes.** 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. **Costs of New Pharmaceuticals.** 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. One-Time Programs. Senate included Flint emergency declaration funds \$15.1 million Gross, \$9.1 million GF/GP, Family Preservation funding (\$3.1 million Gross), a specialty pharmaceutical reserve fund (\$57.4 million Gross, \$20.0 million GF/GP), and one-time funding of the MiSACWIS/ISD IT enhancements (\$42.9 million Gross and \$0 GF/GP). Senate removed FY 2015-16 one-time appropriated and boilerplate funding for a savings of \$28.9 million Gross and \$7.4 million GF/GP.	89,458,400
16. Expiration of Sick Leave Payouts. Governor and Senate recognized that the obligations associated with employees who opted into the 2010 early retirement program with deferred sick leave payments over five years have been satisfied for a savings of \$2.5 million GF/GP.	(6,363,600)
17. Economic Adjustments. Includes \$8,747,200 Gross and \$3,460,600 GF/GP for OPEB and \$34,094,800 Gross and \$13,628,000 GF/GP for other economic adjustments.	42,842,000
18. Other Changes. Other changes result in a slight decrease in funding.	(1,636,800)
19. Comparison to Governor's Recommendation. The Senate is \$75,893,600 Gross and \$0 GF/GP over the Governor.	
Total Changes	(\$324,176,600)
FY 2016-17 Senate Appropriations Subcommittee Gross Appropriation.....	\$24,783,861,300

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

1. **Performance Metrics.** Senate modified existing language concerning benchmarks to measure performance of all new programs and program enhancements, and to establish rankings for new budget investments of greater than \$500,000. (Sec. 204)
2. **Healthy Michigan Plan Advertising.** Senate included new language appropriating \$1.0 million to the Medicaid Health Plans to inform residents about HMP incentives shown to improve health outcomes. Language also prohibits the use of funds to advertise enrollment in the HMP. (Sec. 228)
3. **TANF Interagency Agreement.** Senate combined two current year sections that direct DHHS and TIA to continue an interagency agreement to develop processes for TANF funding. (Sec. 229)
4. **Multicultural Contracts.** Senate 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)
5. **Medicaid Behavioral Health Report.** Senate included new language requiring a report from the detailing a proposal to enhance behavioral health services and reform the payment process. (Sec. 296)
6. **RFP Notifications.** Senate added subsections that require more details concerning RFP processes where the lowest cost or highest scoring bidding vendor does not receive the contract. Senate also required reporting on instances of these divergences. (Sec. 299)
7. **State Licensing Review.** Senate modified the requirement that licensing reviews for child placing agencies and institutions should occur every 3 years from 2 years currently. (Sec. 532)
8. **Payment Processing Time.** Senate revised existing language to add reporting requirements for payments to child placing agencies that were greater than 30 days in arrears. (Sec. 533)
9. **MiSACWIS Report.** Senate modified existing reporting requirements for the MiSACWIS system by increasing the detail that must be produced in the annual report. (Sec. 534)
10. **Administrative Daily Rate Increase.** Senate increased the incremental administrative rate for private child welfare agencies from \$3.00 per day to \$8.00 per day. (Sec. 546)
11. **Child Welfare Training Process.** Senate allowed for private foster care agencies to conduct their own staff training provided by that the training is certified by the Department. (Sec. 558)
12. **Juvenile Justice Vision 20/20.** Senate added \$1,000,000 in funding to Grand Valley State University to act as the fiduciary for an expansion of the juvenile justice data sharing model. (Sec. 586)

13. **FIP Clothing Allowance.** Senate modified existing section to allow for the expansion of the clothing allowance to all FIP cases that have children with a \$140 annual allowance. (Sec. 669)
14. **Spend-Down Workgroup.** Senate included new language requiring the Department to conduct a workgroup to address issues relating to Medicaid spend-downs and make policy recommendations. (Sec. 1012)
15. **Center for Forensic Psychiatry Expansion.** Senate included new language directing the Department to open an eighth wing at the Center, effective April 1, 2017, in order to alleviate time spent on wait lists. The language includes required program outcomes and performance metrics. (Sec. 1059)
16. **Opioid Fraud.** Senate included new language dedicating 1 FTE to coordinating with LARA, the Department of the Attorney General, and the Medicaid Health Plans to reduce fraud related to opioid prescribing within Medicaid. (Sec. 1150)
17. **Opioid Addiction Treatment.** Senate included new language dedicating 1 FTE to coordinating with LARA, the Department of the Attorney General, and the Medicaid Health Plans to help inform Medicaid enrollees of medically appropriate treatment options for opioid addiction. (Sec. 1151)
18. **National Brand Peanut Butter.** Senate modified language requiring national brand peanut butter to be included in the basket of approved WIC items. (Sec. 1340)
19. **Food Bank Council Collaboration with AAA.** Senate included new language encouraging the collaboration between the Area Agencies on Aging and the Food Bank Council of Michigan to provide food for vulnerable seniors. (Sec. 1402)
20. **Integrated Services Delivery Call Center.** Senate 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)
21. **Electronic Service Verification.** Senate included new language appropriating \$500,000 to develop an electronic service verification solution to reduce errors and minimize fraud in the Adult Home Help Program. (Sec. 1872)
22. **Protected Class Prescriptions.** Senate included new language prohibiting the Department from subjecting certain prescription drugs to prior authorization procedures. (Sec. 1875)
23. **Hepatitis C Tracking.** Senate included new language requiring a report on Hepatitis C tracking data by March 1 of the current fiscal year. (Sec. 1878)
24. **Direct Primary Care Pilot.** Senate included new language appropriating funds to implement a Direct Primary Care Pilot in Wayne, Oakland, and Livingston counties. Language specifies the make-up of the pilot, required contract provisions, a quarterly reporting requirement, and legislative intent that the pilot continue for three years. (Sec. 1880)
25. **Healthy Kids Dental.** Senate 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)
26. **Adult Dental Services.** Senate included new language requiring a contract with a managed care organization to administer the Medicaid adult dental benefit beginning July 1, 2017. Also includes outcomes and performance measures. (Sec. 1896)
27. **Parent Partner and Family Reunification Programs.** Senate 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)
28. **Flint Declaration of Emergency.** Senate 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)
29. **Pharmacy Reserve.** Senate included new language prohibiting the expenditure of funds in the pharmacy reserve until the funds have been transferred to other line items, and 30 days have passed since the submission of a report to the legislature. (Sec. 1911)

Date Completed: 4-13-16

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