



Senate Fiscal Agency  
P.O. Box 30036  
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# BILL ANALYSIS



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| FULL-TIME EQUATED (FTE) CLASSIFIED<br>POSITIONS/FUNDING SOURCE | FY 2015-16<br>YEAR-TO-DATE | FY 2016-17<br>CONFERENCE | CHANGES FROM<br>FY 2015-16 YEAR-TO-DATE |              |
|--|----------------------------|--------------------------|---|--------------|
|  |                            |                          | AMOUNT                                  | PERCENT      |
| FTE Positions.....   | 15,437.0                   | 15,570.5                 | 133.5                                   | 0.9          |
| <b>GROSS .....</b>   | <b>25,137,449,000</b>      | <b>24,841,836,800</b>    | <b>(295,612,200)</b>                    | <b>(1.2)</b> |
| Less:  |                            |                          |   |              |
| Interdepartmental Grants Received .....                        | 13,551,600                 | 13,513,700               | (37,900)                                | (0.3)        |
| <b>ADJUSTED GROSS.....</b>                                     | <b>25,123,897,400</b>      | <b>24,828,323,100</b>    | <b>(295,574,300)</b>                    | <b>(1.2)</b> |
| Less:  |                            |                          |   |              |
| Federal Funds.....   | 18,470,968,600             | 17,880,902,200           | (590,066,400)                           | (3.2)        |
| Local and Private .....  | 280,745,300                | 278,705,100              | (2,040,200)                             | (0.7)        |
| <b>TOTAL STATE SPENDING.....</b>                               | <b>6,372,183,500</b>       | <b>6,668,715,800</b>     | <b>296,532,300</b>                      | <b>4.7</b>   |
| Less:  |                            |                          |   |              |
| Other State Restricted Funds.....                              | 2,218,475,300              | 2,294,167,500            | 75,692,200                              | 3.4          |
| <b>GENERAL FUND/GENERAL PURPOSE.....</b>                       | <b>4,153,708,200</b>       | <b>4,374,548,300</b>     | <b>220,840,100</b>                      | <b>5.3</b>   |
| <b>PAYMENTS TO LOCALS .....</b>                                | <b>1,224,137,400</b>       | <b>1,321,260,100</b>     | <b>97,122,700</b>                       | <b>7.9</b>   |

|  |                         |
|--|-------------------------|
| <b>FY 2015-16 Year-to-Date Gross Appropriation .....</b> | <b>\$25,137,449,000</b> |
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## Changes from FY 2015-16 Year-to-Date:

### Items Included by the Senate and House

- 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, Conference reflected a statutory reversion of the Health Insurance Claims Assessment (HICA) rate from 0.75% to 1.0% and reflected estimated HICA rebate revenue, resulting in a net \$39.4 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 \$22.5 million GF/GP savings. Diversion of tobacco settlement dollars would increase costs by \$74.6 million GF/GP. Recoupment of SCHIP dollars for children on Medicaid would save \$45.0 million GF/GP. 0
- Medicaid Actuarial Soundness Adjustments.** Conference 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
- Five-Year Early-Out Deferred Sick Leave Payments.** Conference 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)
- Economic Adjustments.** Includes \$8,747,200 Gross and \$3,460,600 GF/GP for OPEB and \$34,094,800 Gross and \$17,845,300 GF/GP for other economic adjustments. 42,842,000

Conference Agreement on Items of Difference

|   |                         |
|---|-------------------------|
| 6. <b>Changes in Federal Grants.</b> Budget assumed a \$44.3 million increase in the Federal Victims of Crime Act grant and minor adjustments in other Federal grants. Conference reduced State Innovation Model (SIM) grant from \$25.0 million to \$10.0 million.   | 32,230,000              |
| 7. <b>Community Health Base and Caseload Adjustments.</b> Conference reflected the consensus estimates of Medicaid and related program expenditures for FY 2016-17. Net GF/GP cost was \$106.6 million.   | (102,796,400)           |
| 8. <b>Human Services Base and Caseload Adjustments.</b> Conference reflected the consensus estimates of child welfare and public assistance program expenditures for FY 2016-17. Net GF/GP savings was \$11.1 million.  | (98,012,700)            |
| 9. <b>Program Reductions.</b> Conference removed FY 2015-16 one-time funding (\$7.8 million), reduced Mental Health and Wellness Commission funding by \$5.5 million Gross, and made reductions to rural grants (\$400,000), the Maxey facility (\$500,000), the child care fund (\$2.0 million), university autism centers (\$1.5 million), health innovations grants (\$500,000), Healthy Michigan Plan marketing and call center (\$9.1 million), and assumed savings from reduced emergency department utilization (\$37.9 million). Total GF/GP savings \$19.7 million.  | (65,279,500)            |
| 10. <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 \$466.1 million Gross, \$123.3 million GF/GP. Conference adjusted a hospital reimbursement (\$40.6 million Gross, \$0 GF/GP). Conference reflected suspension of the Federal health insurer fee, reducing reimbursements to HMOs by \$137.2 million Gross, \$36.7 million GF/GP.  | (645,207,100)           |
| 11. <b>Costs of New Pharmaceuticals.</b> Conference included funding for two specialty pharmaceuticals: Harvoni (Hepatitis C curative treatment) at cost of \$248.9 million Gross and Orkambi (Cystic Fibrosis treatment) at a cost of \$47.5 million Gross.  | 285,716,000             |
| 12. <b>Program Enhancements.</b> Conference increased funding for 2-1-1 services (\$750,000), increased private agency foster care rates to \$45 per day (\$7.5 million), expanded the public assistance clothing allowance (\$43.4 million), and increased funding for multicultural services (\$1.4 million), food bank (\$250,000), Community Mental Health (\$3.0 million), the Forensic Center (\$7.6 million), rural visitation (\$550,000), Aging Community Services (\$2.5 million), dental clinics (\$2.6 million), and made other minor enhancements. In Medicaid the Conference increased guardianship rates from \$60 to \$83 per month (\$2.7 million), expanded dental coverage for pregnant women (\$2.7 million), completed statewide expansion of Healthy Kids Dental (\$25.6 million), increased Adult Foster Care reimbursement by \$15 per person per month, and increased private duty nursing rates by 15% (\$4.9 million). Total GF/GP cost of \$37.5 million. | 67,061,800              |
| 13. <b>Other Changes.</b> Other changes resulted in a minor increase in costs.  | 5,146,100               |
| 14. <b>FY 2016-17 One-Time Gross Appropriations.</b>  | 70,787,400              |
| Total Changes .....   | (\$295,612,200)         |
| <b>FY 2016-17 Conference Report Ongoing/One-Time Gross Appropriation .....</b>  | <b>\$24,841,836,800</b> |
| <b>Amount Over/(Under) GF/GP Target: \$0</b>  |                         |

**Boilerplate Changes from FY 2015-16 Year-to-Date:**Items Included by the Senate and House

1. **Protected Class Prescriptions.** Senate and House included new language prohibiting the Department from subjecting certain prescription drugs to prior authorization procedures. Conference concurred. (Sec. 1875)

Conference Agreement on Items of Difference

2. **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. House maintained current-year language. House kept current-year language. Conference removed language. (Sec. 204)
3. **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. Conference concurred with Senate. (Sec. 228)
4. **TANF Interagency Agreement.** Senate combined two current-year sections that direct DHHS and the Talent Investment Agency to continue an interagency agreement to develop processes for TANF funding. Governor and House did not include. Conference concurred with Senate. (Sec. 229)
5. **Multicultural Contracts.** Senate and House 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. Conference concurred with Senate and House. (Sec. 295)
6. **Medicaid Behavioral Health Report.** Senate included new language requiring a report from detailing a proposal to enhance behavioral health services and reform the payment process. House included new language requiring a workgroup to make recommendations regarding the most effective financing model and policies for behavioral health services. Conference modified House language to add additional goals for the workgroup to consider and require the recommendation of annual benchmarks to measure progress in implementation of any new financing models or policy recommendations. (Sec. 298)
7. **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. Governor and House did not include new subsections. Conference concurred with Senate. (Sec. 299)
8. **State Licensing Review.** Senate modified the requirement that licensing reviews for child placing agencies and institutions should occur every three years from two years currently. Governor did not include. House did not include subsection (2). Conference modified the requirement to occur every four years. (Sec. 532)
9. **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. Governor did not include. House did not include additional reporting requirements. Conference concurred with Senate. (Sec. 533)
10. **MiSACWIS Report.** Senate modified existing reporting requirements for the MiSACWIS system by increasing the detail that must be produced in the annual report. Governor and House both modified reporting language in different ways. Conference concurred with Senate. (Sec. 534)
11. **Administrative Daily Rate Increase.** Senate increased the incremental administrative rate for private child welfare agencies from \$3 per day to \$8 per day. Governor did not include. House modified section to maintain a \$40 per day total rate. Conference concurred with Senate on a total \$45 per day rate. (Sec. 546)
12. **Child Welfare Training Process.** Senate allowed for private foster care agencies to conduct their own staff training provided that the training is certified by the Department. Governor and House removed reporting requirements. Conference maintained current subsection (1) and required the Department to conduct a child welfare training workgroup. (Sec. 558)
13. **Juvenile Justice Vision 20/20.** Senate added \$1.0 million in funding to Grand Valley State University to act as the fiduciary for an expansion of the juvenile justice data sharing model. Governor and House did not include. Conference removed. (Sec. 586)
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. Conference modified language to require a report from the Department on spend-down issues. (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. House included a modified version of this language directing the opening of an eighth wing, effective October 1, 2016. Conference concurred with House. (Sec. 1059)

16. **Opioid Fraud.** Senate included new language dedicating 1.0 FTE to coordinating with the Department of Licensing and Regulatory Affairs (LARA), the Department of Attorney General, and the Medicaid Health Plans to reduce fraud related to opioid prescribing within Medicaid. Conference modified language to expand the scope of the FTE to addressing recommendations of the prescription drug and opioid abuse task force. (Sec. 1150)
17. **Opioid Addiction Treatment.** Senate included new language dedicating 1.0 FTE to coordinating with LARA, the Department of Attorney General, and the Medicaid Health Plans to help inform Medicaid enrollees of medically appropriate treatment options for opioid addiction. Conference modified language to expand the scope of the FTE to addressing recommendations of the prescription drug and opioid abuse task force. (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. House modified language to require national brand products be included if the price per unit is more cost effective while still satisfying national guidelines. Conference concurred with Senate. (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 secure the food security of vulnerable seniors. Conference modified language to encourage collaboration to secure the food access of seniors. (Sec. 1402)
20. **Integrated Services Delivery Call Center.** Senate and House 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. House language also included a reporting requirement. Conference concurred with Senate. (Sec. 1506)
21. **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. House included new language requiring the Department to consider implementing a Direct Primary Care pilot. Conference concurred with House. (Sec. 1701)
22. **Hepatitis C Tracking.** Senate included new language requiring a report on Hepatitis C tracking data by March 1 of the current fiscal year. Conference concurred with Senate. (Sec. 1878)
23. **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. House included the same language, but specified the expansion was to all eligible kids. Conference concurred with House. (Sec. 1894)
24. **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 included outcomes and performance measures. Conference removed. (Sec. 1896)
25. **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. Conference modified language to reflect increased appropriation. (Sec. 1909)
26. **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. House included similar language, but referenced the date of the declaration of emergency. Conference concurred with Senate. (Sec. 1910)
27. **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. Conference removed. (Sec. 1911)
28. **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. House included new language appropriating \$25,000 to study the benefits of developing an electronic service verification solution. Conference concurred with House. (Sec. 1912)

Date Completed: 6-8-16

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