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BILL ANALYSIS

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Senate Bill 529 (Substitute S-1 as reported)
Senate Bill 530 (Substitute S-1 as reported)
Sponsor: Senator Peter MacGregor
Committee: Oversight

CONTENT

Senate Bill 529 (S-1) would amend provisions of the Social Welfare Act related to the Child Care Fund to do the following:

-- Allow the Department of Health and Human Services (DHHS) or a county to appeal a determination regarding reimbursement of a child care cost.
-- Prohibit the DHHS and a county from seeking reimbursement of expenditures unless they were made under an approved plan and budget or according to DHHS policy.
-- Require counties to use and make available to the DHHS, upon request, evidence of compliance with certain parameters with regard to Child Care Fund reimbursable claims.

The bill also would repeal Section 117d, which requires the consideration of certain factors in the allocation of State appropriations to a county juvenile justice services program.

Senate Bill 530 (S-1) would amend the Social Welfare Act to provide for the distribution of appropriations for children in the juvenile justice system as follows:

-- Expenditures for children placed with the DHHS would have to be paid by the DHHS and reimbursed by the county for all undisputed charges.
-- Expenditures for children not placed with the DHHS would have to be paid by a county and reimbursed by the DHHS for all undisputed charges.

The bill also specifies that expenditures for children not placed with the DHHS could include direct expenditures for out-of-home care, administrative or indirect expenditures for out-of-home care, direct expenditures for in-home care, and administrative or indirect expenditures for in-home care. The bill identifies items that direct expenditures could include, depending on whether they were for in-home or out-of-home care. Also, for out-of-home care, the bill provides that an administrative or indirect cost payment equal to 10% of a county's monthly gross expenditures would be automatically distributed to the county on a monthly basis.

In addition, the bill would change distribution requirements by: deleting a provision under which a distribution to a county may be reduced by the amount of uncontested liability; providing that a reduction in the amount distributed to a county under certain circumstances would be subject to the county's approval; requiring a distribution of funding for the allowed purposes unless other public assistance was available and accessible; requiring requests for payments to be submitted within one year of the date of service, and any submitted after one year to be subject to approval by a county or the DHHS; and exempting a county and the DHHS from offset, chargeback, and reimbursement liability under certain circumstances.

MCL 400.117c et al. (S.B. 529)
MCL 400.117a (S.B. 530)

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

Senate Bill 529 (S-1) could have offsetting fiscal impacts on State and local government. To the extent that the Department of Health and Human Services or local governments currently seek reimbursements for expenditures not made under an approved plan and budget, there would be a reduction in reimbursement funds received. Additionally, any increase in administrative costs associated with filing an appeal of determination for a reimbursement could be a fiscal cost to the participating parties.

Senate Bill 530 (S-1) would have an unknown, but likely cost to the Department of Health and Human Services and county governments. The extent of the cost is uncertain due to the complexity of estimating the responses of 97 separate local entity (83 counties and 14 tribal entities) to changes in the Child Care Fund proposed under the bill. The portion of the bill that addresses timing of payments or which entity is the first payer of expenditures would likely not change the total amount of Fund expenditures. Under current law, the State is required to fund services that conform to Child Care Fund rules promulgated under the Social Welfare Act. The core basis that the DHHS has used for "promulgated rules" is the Child Care Fund handbook, the annual Child Care Fund plan and budget, and the DHHS policy manuals. A potential for a cost increase to the DHHS is the descriptive list of goods and services that support out-of-home care and in-home care. To the extent that the bill would expand the list of reimbursable expenditures relative to existing DHHS promulgated rules or published policies and procedures, there would be a cost to the State.

Additionally, the bill would provide for a payment for administrative or indirect expenditures by providing a monthly distribution equal to 10% of a county's total monthly gross expenditures for all out-of-home care. In fiscal year 2015-16, the total expenditures for Child Care Fund out-of-home care were $234.5 million. In prior years, the DHHS reimbursed annually approved indirect expenditures, so it is not possible simply to use $23.4 million as the administrative or indirect cost increase. The cost increase would likely be less than this amount, possibly in the $5.0 million to $7.5 million range.

Also, the bill includes a provision to allow for duplication of public assistance programs, unless these services are otherwise accessible and available through other public assistance programs. Currently, the DHHS will not reimburse for any programs that contain an element of a separate public assistance program. For example, a county could attempt to be reimbursed through the Child Care Fund for an emergency housing program. Since other public assistance programs currently cover this type of need, the DHHS would deny the 50% reimbursement. The proposal would limit the duplication of services to those necessary for out-of-home or in-home care. If a county or tribe were to seek reimbursement for the cost of a service that would be reimbursable through the Child Care Fund, there would be a cost to the local entity and to the State. The estimated increased cost cannot be determined at this time since these costs have not been reimbursable in the past and the demand for these types of reimbursements is not known.

In addition, the bill proposes a one-year time limit on reimbursement to both the State and the local entity for any service, status determination, or billing receipt. Since there would be no expansion in service or programming, total net costs of this change to the State and local entities would be zero, but the increased cost or savings to either individually would depend on the extent to which there are current status redeterminations or reimbursement requests that exceed one year in length.

Date Completed: 10-9-17 Fiscal Analyst: John Maxwell