



Senate Fiscal Agency  
P.O. Box 30036  
Lansing, Michigan 48909-7536

# BILL ANALYSIS



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FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2016-17 YEAR-TO-DATE	FY 2017-18 CONFERENCE	CHANGES FROM FY 2016-17 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions.....	15,594.5	15,421.5	(173.0)	(1.1)
<b>GROSS .....</b>	<b>24,945,958,500</b>	<b>25,358,159,400</b>	<b>412,200,900</b>	<b>1.7</b>
Less:				
Interdepartmental Grants Received .....	13,513,700	13,640,900	127,200	0.9
<b>ADJUSTED GROSS.....</b>	<b>24,932,444,800</b>	<b>25,344,518,500</b>	<b>412,073,700</b>	<b>1.7</b>
Less:				
Federal Funds.....	17,966,627,100	18,317,636,700	351,009,600	2.0
Local and Private .....	278,917,400	266,421,000	(12,496,400)	(4.5)
<b>TOTAL STATE SPENDING.....</b>	<b>6,686,900,300</b>	<b>6,760,460,800</b>	<b>73,560,500</b>	<b>1.1</b>
Less:				
Other State Restricted Funds.....	2,294,167,500	2,443,118,900	148,951,400	6.5
<b>GENERAL FUND/GENERAL PURPOSE.....</b>	<b>4,392,732,800</b>	<b>4,317,341,900</b>	<b>(75,390,900)</b>	<b>(1.7)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>1,326,260,100</b>	<b>1,370,361,400</b>	<b>44,101,300</b>	<b>3.3</b>

<b>FY 2016-17 Year-to-Date Gross Appropriation .....</b>	<b>\$24,945,958,500</b>
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## Changes from FY 2016-17 Year-to-Date:

### Items Included by the Senate and House

- Medicaid and Related Match Rates.** Conference reflects drops in traditional Medicaid match rate to 64.78%, Title XXI match rate to 98.35%, and expansion Medicaid match to 94.0% effective January 1, 2018. Total cost increase of \$99.3 million GF/GP. 0
- Other Fund Source Adjustments.** Conference reflects numerous fund source shifts, including a \$9.5 million reduction in available Temporary Assistance for Needy Families (TANF) revenue, \$25.3 million additional available Tobacco Settlement revenue, and a \$119.1 million increase in Health Insurance Claims Assessment (HICA) revenue. Total GF/GP savings from these and other smaller fund source shifts of \$142.9 million. 0
- Reversal of FY 2016-17 Adjustments.** Budget does not include a \$46.4 million information technology boilerplate appropriation or \$14.7 million in FY 2016-17 contingency fund transfers. (60,067,200)
- Medicaid Actuarial Soundness Adjustments.** Conference includes 1.0% increases for traditional and expansion Medicaid managed care organizations for physical health and behavioral health to ensure rates paid meet Federal actuarial soundness requirements. 86,600,800
- Adjustments to Special Medicaid Payments.** Conference includes reductions to special hospital payments to reflect the maximum allowable Federal amounts as well as adjustments to special financing payments and payments to publicly affiliated clinics. \$9.7 million GF/GP savings. (173,656,900)
- Removal of FY 2016-17 Lump Sum Adjustment.** \$5.1 million GF/GP savings. (12,274,900)
- Changes in Federal Grants.** Conference recognizes increases in available Federal grants. 20,446,200

8. <b>Economic Adjustments.</b> Includes \$27.9 million Gross and \$13.8 million GF/GP for economic adjustments.	27,856,400
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Conference Agreement on Items of Difference

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| 1. <b>Healthy Michigan Plan Base and Caseload.</b> Conference reflects May 15, 2017 consensus among the House Fiscal Agency, the Senate Fiscal Agency, and the State Budget Office. Caseload is expected to exceed 670,000.   | 572,358,500   |
| 2. <b>Traditional Medicaid Base and Caseload.</b> Conference reflects May 15, 2017 consensus estimates, showing a modest increase in expenditures.  | 18,720,100    |
| 3. <b>Children's Services Programs Base and Caseload.</b> Conference reflects May 15, 2017 consensus on children's services lines, with a slight net decline in costs.  | (7,192,700)   |
| 4. <b>Public Assistance Programs Base and Caseload.</b> Conference reflects May 15, 2017 consensus on public assistance programs, with a continued decline in caseloads.  | (19,032,200)  |
| 5. <b>Annualization of Expiration of Medicaid Managed Care Use Tax.</b> Budget reflects annualization of expiration of the Medicaid managed care Use Tax (\$41.7 million GF/GP savings).  | (157,891,000) |
| 6. <b>Program Enhancements.</b> Enhancements include expansion of the nursing home quality assurance assessment program (\$73.0 million). The budget includes increases in the homeless per diem, the Michigan Youth opportunity initiative, senior services, neo-natologist Medicaid fee screens, traumatic brain injury services, population health programming, foster care private agency administrative rates, and guardianship reimbursement. Budget also includes adult services and state facility staffing increases, a new Medicaid non-emergency transportation initiative, and a two-step \$0.50 per hour direct care worker wage pass-through. | 160,563,500   |
| 7. <b>Program Reductions.</b> Reductions include a 10.0% reduction in Mental Health and Wellness Commission programming (\$2.2 million Gross; \$745,600 GF/GP), a new deduct for department merger savings (\$3.1 million Gross and GF/GP), and elimination of the Health Innovation Grants line (\$1.0 million Gross and GF/GP).   | (8,257,500)   |
| 8. <b>Other Changes.</b> Other changes result in a small increase in funding.   | 9,950,500     |
| 9. <b>Removal of FY 2016-17 One-Time Gross Funding.</b> Reductions include removal of \$48.5 million in one-time information technology funding, \$15.1 million in funding related to the drinking water declaration of emergency (to be replaced with new funding in FY 2017-18), and \$6.1 million in family preservation funding.  | (70,587,400)  |
| 10. <b>FY 2017-18 One-Time Gross Appropriations.</b> Funding includes \$14.0 million related to the drinking water declaration of emergency, \$5.7 million for a direct primary care pilot, shifting of \$1.0 million for the U-D dental clinic and \$500,000 for university autism programs to one-time, \$500,000 for the child lead poisoning elimination board, and various other grants.   | 24,664,700    |

Total Changes .....	\$412,200,900
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<b>FY 2017-18 Conference Report Ongoing/One-Time Gross Appropriation .....</b>	<b>\$25,358,159,400</b>
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<b>Amount Over/(Under) GF/GP Target:</b>	<b>0</b>
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**Boilerplate Changes from FY 2016-17 Year-to-Date:**

Items Included by the Senate and House

1. **Legacy Costs.** Senate and House modified language to specify legacy costs for FY18, to include \$172.7 million for pension-related costs and \$162.9 million for retiree health care costs. (Sec. 214)
2. **Marihuana Regulatory Fund.** Senate and House included new language directing the use of revenue from the marihuana regulatory funds be used to improve physical health, expand access to substance use disorder prevention and treatment services; and strengthen existing prevention, treatment, and recovery systems. (Sec. 909)

## Conference Agreement on Items of Difference

3. **Updated Report on DCH/DHS Merger.** Senate included language that requires department to report annually on the statewide impact of the merger. New metrics include well-being, direct and indirect costs or savings, detailed explanation of the integrated service delivery, and consolidation planning. House removed language. Conference concurred with Senate. (Sec. 233)
4. **Behavioral Health Integration Pilots.** Senate included new language requiring the Department to allow pilots that integrate Medicaid behavioral and physical health. States that the goal of the demonstration models is full integration of Medicaid behavioral and physical health services by September 30, 2020. Requires any savings be reinvested into services for the behavioral health pilot population and that a neutral, independent, third party evaluate the results of the pilot. Requires a report on savings by April 1. Conference removed. (Sec. 234).
5. **Limits on Administrative Component of New Contracts.** Senate modified language to require a minimum of 95% 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. House kept current-year language. Conference concurred with Senate. (Sec. 288)
6. **FTE Report.** Senate included language that requires an FTE report that compares actual FTEs to appropriated FTEs by appropriation unit. House kept current-year language. Conference concurred with Senate. (Sec. 297)
7. **Medicaid Behavioral Health Workgroup.** Senate revised current language to require the Department to continue working with the Sec. 298 workgroup to improve the coordination of Medicaid physical and behavioral health. States legislative intent that the Department consider the outcomes of pilots implemented under this section as well as financial integration pilots when making recommendations for future service delivery, and requires that a party evaluate the pilot results. Conference modified language to require the Department to contract with a project facilitator to develop performance metrics and provide oversight and implementation functions, partner with a CMHSP in Kent to implement a physical and behavioral health integrated service demonstration model, reduce the number of PIHPs to 4, implement up to 3 additional pilots to achieve full financial integration, fully implement all pilots by March 1, 2018, reinvest all realized benefits and cost savings back into supports and services, states legislative intent about the purpose of the pilots, requires the department to contract with one of the state's research universities to evaluate the pilot, requires a report by October 1 on the time frame for implementation and any barriers to implementation, and requires a report from the managing entity of the pilot on the outcomes of the pilot within 30 days of completion of the pilot. (Sec. 298)
8. **Private Child Placing Licensing Review.** Senate revised language to include summaries of actions undertaken to revise, improve, and identify weaknesses in the current annual licensing process and annual contract compliance. Conference concurred with Senate. (Sec. 532)
9. **Unlicensed Relative Care Placement.** Conference added language that requires DHHS to report data about unlicensed relative placements and to grant waivers for unlicensed relative placements when conditions are met and assessments by the department have been completed. (Sec. 512)
10. **Foster Care Funding Source Determination.** Senate added language that prohibits any revision to an original status of a youth for the fund source determination. Conference concurred. (Sec. 550)
11. **Unpaid Case Coverage.** Senate added language to require the department to pay a per diem payment for all cases on a caseworker's caseload for entire duration of care. Conference modified language to allow for DHHS' option to pay these cases. (Sec. 573)
12. **Licensure of Relative Caregivers Incentives.** Senate modified section to appropriate \$3,500,000.00 for the private agency facilitated licensure of relative caregivers as foster parents. For licensures completed within 210 days, \$4,500.00 per case is granted and for licensures completed after 210 days, \$3,500.00 per case is granted. Conference changed the completion to 180 days with modifications to allow for timing disparities on when the case has been received. (Sec. 574)
13. **Covenant House Implementation.** Senate added language to appropriate \$280,000.00 to a charter high school targeting kids ages 16-22 at-risk for foster care. Conference concurred with Senate. (Sec. 590)
14. **Probation/Parole Absconder Public Assistance Report.** Senate included new language requiring a report on public assistance recipients who are parole and probation absconders. Conference modified the statute reference and added a new section. (Sec. 619)

15. **PIHP Administrative Cost.** Senate modified language to require any consolidation of administrative functions demonstrate through independent analysis, a reduction in administrative costs resulting in greater spending on direct services. Also places limits on what types of spending to which savings may be applied. House modified language to expand requirements to include CMHSPs. Conference concurred with Senate. (Sec. 1008)
16. **Direct Care Worker Wage Pass Through.** Senate included new language requiring the Department to create a pool available to PIHPs in order to increase direct care work wages by \$0.50/hour beginning April 1. PIHPs must apply to the Department to receive funds and then provide a report on the actual expenditures of pool funds and the range of wages impacted. House included new language increasing direct care worker wages by \$0.25/hour beginning October 1, and requires PIHPs to report on worker's wages before and after the wage increase. Conference maintained House language as subsection (1) and added a new subsection to increase direct care worker wages by \$0.25/hour beginning June 1 for workers whose wage after the January 1 increase are less than \$10.90/hour. . PIHPs must apply to the Department to receive funds and then provide a report on the actual expenditures of pool funds and the range of wages impacted. (Sec. 1009)
17. **Caro Regional Mental Health Center.** Conference included new language requiring that funds appropriated for the Caro Regional Mental Health Center only be used to support a psychiatric hospital at its current location. States legislative intent that any future capital outlay funding be used for planning and construction at the current location. (Sec. 1061)
18. **Nursing Facility Quality Measure Initiative.** Senate and House included new language directing the Department to implement a nursing facility quality initiative, financed through an increase in the Nursing Home QAAP, to provide quality incentive payments to reward improvements in outcomes for nursing facility patients and residents. Conference modified language to define the criteria by which the incentive payments are to be distributed and state legislative intent that the department evaluate the program's effectiveness on increasing quality. (Sec. 1646)
19. **GME Quality Data Reporting.** Senate modified language to require that 25% of a hospital's graduate medical education payments be withheld if the hospital does not submit the data to a qualifying organization by January 1, 2018. House changed the submission date to July 1. Conference concurred with Senate. (Sec. 1805)
20. **Electronic Service Verification.** Senate added new language appropriating \$1.5 million to develop and deploy a mobile electronic service verification solution, which must include biometric identity verification, to reduce error and minimize fraud in the Adult Home Help Program. Conference concurred with Senate. (Sec. 1851)
21. **Medicaid Pharmaceutical Carve-Out.** Senate added new language requiring the Department to report by April 1 on the number of prescriptions paid by the Department, the total amount spent on prescriptions, the total amount of rebates provided by pharmaceutical manufacturers, and the number and total spent on generic equivalents. Conference concurred with Senate. (Sec. 1858)
22. **Healthy Michigan Plan (HMP) Uncollected Co-Pays.** Senate included new language requiring the Department to report by March 1 on the number of HMP participants who haven't paid their co-pays, the total amount of uncollected co-pays, and the steps taken by the Department and health plans to ensure greater collection of co-pays. Conference concurred with Senate. (Sec. 1860)
23. **Partial Child Care Fund Reimbursement.** Senate added language to require reimbursement to counties for the undisputed portion of received reimbursement requests with within 15 days of the receipt of those billings. Conference concurred in part and added requirement that DHHS complete necessary IT modifications to make this possible. (Sec. 1904)
24. **Direct Primary Care Pilot.** Senate and House revised language to appropriate funds to implement a Direct Primary Care Pilot in Wayne, Oakland, Kent, Genesee and Livingston counties. Language specifies that the Department must seek a waiver to contract directly with direct primary care providers, the make-up of the pilot, required contract provisions, a quarterly reporting requirement, and designates unexpended funds as a work project. Conference modified language to include the funding level from the House language, but the implementation language from the Senate. (Sec. 1913)

Date Completed: 6-7-17

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