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

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 425 (as reported with amendment)
Sponsor: Senator George A. McManus, Jr.
Committee: Families, Mental Health and Human Services

CONTENT

The bill would amend the Social Welfare Act to extend for one year, until December 31, 1996, provisions under which a county's "maintenance of effort rate" for Medicaid-funded nursing home services is limited to the rate in effect on September 30, 1984.

Under the Act, the State Department of Social Services (DSS) is required to pay for nursing home services in accordance with the State plan for medical assistance, but a county is required to reimburse a county maintenance of effort rate determined on an annual rate for each patient day of Medicaid nursing home services provided to eligible persons in licensed long-term care facilities owned by the county.

If the county maintenance of effort rate computed according to the Act's provisions exceeds the rate in effect as of September 30, 1984, the rate in effect on that date is to remain in effect until the rate computed under the Act is less than the 1984 rate. This limitation is scheduled to expire on December 31, 1995. For each subsequent county fiscal year the maintenance of effort rate may not increase by more than $1 per patient day each year.

The bill would extend the December 31, 1995, expiration date to December 31, 1996.

MCL 400.109 Legislative Analyst: S. Margules

FISCAL IMPACT

Nominally the bill would have no direct fiscal impact on the FY 1995-96 DSS budget since the estimated revenue from counties for Medicaid long-term care services, in county-owned facilities, was not adjusted for possible changes in the maintenance of effort (MOE) rate. The State would forego the opportunity to collect additional revenue to offset General Fund/General Purpose (GF/GP) expenditures, of someplace in the area of $1,000,000 annually, as 31 of the 36 remaining county facilities will have their MOE rate increased by up to $1 per patient day if the current moratorium lapses. It should be noted that if these additional costs to the counties placed the continued operation of these facilities in danger, then the State would have to deal with the possibility of closures and substantial transfers of elderly and disabled patients with unknown costs. Finally, these county facilities are a major link in one of the State's Medicaid special financing mechanisms. The loss of their participation could cost the State around $150,000,000 in GF/GP offset.

Date Completed: 10-6-95 Fiscal Analyst: J. Walker

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