



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



BILL ANALYSIS

Telephone: (517) 373-2768
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 172 (S-1 as reported)
Committee: Appropriations

Throughout this document Senate means Appropriations Committee.

FY 2010-11 Year-to-Date Gross Appropriation	\$14,124,104,600
Changes from FY 2010-11 Year-to-Date:	
1. Impact of the Expiration of the American Recovery and Reinvestment Act (ARRA) Federal Medical Assistance Percentage (FMAP) Provisions. The enhanced Medicaid FMAP, implemented under ARRA, will expire on June 30, 2011. The budget reflected a significant increase of \$585.2 million in GF/GP costs due to this expiration.	0
2. Expiration of One-Time Retroactive FMAP Adjustment. The budget added \$160.0 million GF/GP to reverse a one-time retroactive FMAP adjustment.	0
3. Increase in Base FMAP Rate. The base Medicaid FMAP will increase from 65.79% in FY 2010-11 to 66.14% in FY 2011-12, leading to a savings of \$29.9 million GF/GP.	0
4. Medicaid Base Funding. The Senate included base adjustments for Medicaid, Community Mental Health (CMH) Medicaid, Children's Special Health Care Services (CSHCS), and the Adult Benefits Waiver, increasing GF/GP costs by \$160.2 million.	453,053,400
5. Transfer of Responsibility for Forensic Mental Health Services to Corrections. The funding and staff for forensic mental health services would be transferred to the Department of Corrections, which previously paid for these services via an IDG.	(50,527,800)
6. Cost Reduction Measures. The Senate budget included many cost reduction measures: Savings from a shift to mandatory managed care for CSHCS Medicaid clients, savings from a proposed waiver to implement managed care for "dual eligibles", elimination of Medicaid graduate medical education payments, a 4.8% reduction to CMH non-Medicaid services, reductions to substance abuse services, a 5.0% reduction to local public health, reductions to many Aging programs, elimination of all Healthy Michigan Fund programs, eligibility limits for the Adult Home Help program, \$6.0 million in administrative savings, and 15.0% reductions to many legislative initiated programs. Savings also were assumed from proposed legislation: a requirement that auto insurers provide information to aid in third party liability recoveries, the inclusion of behavioral health drugs on the Medicaid preferred drug list, and proposed enhancements to the Medicaid estate recovery program. Total GF/GP savings from these measures was assumed to be \$134.5 million.	(317,842,200)
7. Replacement of PIHP and HMO Use Tax with 1% Tax on Paid Health Claims. The budget reflects a Gross and GF/GP savings due to the proposed elimination of the 6% PIHP and HMO Use Tax. Due to actuarial soundness requirements, the State effectively reimbursed the PIHPs and HMOs for the cost of the \$388.4 million tax via increased Medicaid payments. Eliminating the tax removes the need for these payments and would save the State \$131.5 million GF/GP. The budget then replaces the Use Tax with a 1% tax on all paid health claims, which would raise an estimated \$396.9 million in Restricted revenue, which would be used to offset GF/GP in the Medicaid program.	(388,352,900)
8. Economic Adjustments. Total GF/GP costs of these adjustments were \$10,293,500.	22,464,200
9. Other Changes. Other changes resulted in a minor decrease in funding.	(9,039,700)
10. Comparison to Governor's Recommendation. The Senate bill is \$131.4 million Gross and \$60.0 million GF/GP below the Governor's Recommendation.	
Total Changes.....	(290,245,000)
FY 2011-12 Senate Appropriations Committee Gross Appropriation	\$13,833,859,500

Changes from FY 2010-11 Year to Date:

1. **Retention of Standard Language Sections.** Most current law general boilerplate was retained, including hiring freeze, buy American/Michigan, deprived and depressed communities, report retention, and travel restrictions. (Sec. 205, 209, 210, 265, and 266)
2. **Competitive Distribution of Certain Appropriations.** New language states legislative intent that FY 2011-12 funding for certain programs, including CMH special populations, certain earmarked clinic funding, and some legislatively-initiated pilot projects be allocated on a competitive basis in FY 2012-13. (Sec. 294)
3. **Legislative Intent on Implementation of Federal Health Reform.** New language states legislative intent that no funding in this act be spent on implementation of Federal health reform legislation. (Sec. 295)
4. **CMH Contractual Language.** Long-standing boilerplate governing CMH contracts, which was deleted by the Governor, was retained. (Sec. 401 and 402)
5. **CMH/Substance Abuse Data Reporting.** Long-standing boilerplate language requiring data reporting on mental health and substance abuse services, which was deleted by the Governor, was retained. (Sec. 404 and 408)
6. **Mental Health and Substance Abuse Integration.** Language that would effectively restrict the ability of the Department to force integration of substance abuse coordinating agencies with mental health entities was retained. (Sec. 407, 468, and 470)
7. **Further Implementation of CMH Funding Formula.** Revision of current language on CMH funding reductions was included. The language would direct that the FY 2011-12 CMH funding reductions be allocated pursuant to the CMH funding formula first implemented in FY 2009-10. A new subsection directs that any revision of the Prepaid Inpatient Health Plan (PIHP) capitation rates reduce the use of geographic factors in rate determination. (Sec. 462)
8. **Privatization of Management of the Medical Marijuana Program.** Revised boilerplate requires the Department to privatize management of the medical marijuana by January 1, 2012. (Sec. 727)
9. **Children's Special Health Care Services (CSHCS) and Medicare/Medicaid Dual Eligible Managed Care.** The budget concurred with the Governor in assuming savings from implementation of managed care for CSHCS Medicaid clients and dual eligibles. Two sections of boilerplate were added requiring reports to the Legislature on the development of these new managed care programs. (Sec. 1204 and 1775)
10. **Graduate Medical Education (GME) Data Collection and Future Intent.** New boilerplate directs the Department to collect data on the number of medical residents from Michigan and the number who take jobs in Michigan after finishing their registry, as well as data on placements in medically underserved areas and specialties. The bill also included intent language that GME funding in FY 2012-13 be made using a formula incorporating the data. (Sec. 1847)
11. **Intent Language on FY 2012-13 Appropriations.** The bill included standard Senate leadership boilerplate stating legislative intent that FY 2012-13 appropriations are anticipated to be the same as FY 2011-12 appropriations adjusted for caseloads, expenditure changes, Federal match rates, and available revenues. (Sec. 1901)

Date Completed: 4-21-11

Fiscal Analyst: Steve Angelotti