



**House
Legislative
Analysis
Section**

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MAINTENANCE OF EFFORT RATES

**House Bill 6268 with committee
amendment
First Analysis (12-4-02)**

**Sponsor: Rep. Charles LaSata
Committee: Appropriations**

THE APPARENT PROBLEM:

Under the Social Welfare Act, counties providing Medicaid-funded nursing home services in county-owned facilities must reimburse the state according to a county "maintenance of effort" rate determined on an annual basis for each patient day of Medicaid nursing home services. The current formula for determining the maintenance of effort rates was placed in the statute in 1984; the 1984 legislation included a "hold harmless" provision, capping the payment rates of counties that otherwise would have seen their payments increase under the new formula. The "hold harmless" provision expired in 1989, and in 1990 the legislature reinstated it and extended its life through 1994, and has since extended it several more times. It is currently scheduled to expire on December 31, 2003. It is proposed that the "hold harmless" provision be extended yet again.

THE CONTENT OF THE BILL:

The bill would amend the Social Welfare Act to extend the "hold harmless" provision for county maintenance of effort payments for Medicaid-funded nursing home services in county-owned medical care facilities through December 31, 2007.

MCL 400.109

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the Department of Community Health's fiscal year 2002-2003 budget includes \$8,445,100 in revenue from the current county maintenance of effort payments. If the current rate freeze were to expire at the end of 2003, many of the counties with medical care facilities would begin paying up to \$1 per patient day more until the new maintenance of effort level specified in the revised formula is reached. This would result in increased revenues to the state and increased costs for the affected counties. (11-22-02)

ARGUMENTS:

For:

The bill would continue the current practice of freezing maintenance of effort rates for county medical care facilities that otherwise would see payment increases under a formula adopted in 1984. If the rate freeze expired at the end of next year (as the statute now requires), the rates paid by most of the counties with medical care facilities or hospital long-term care units would have to pay up to \$1 per patient day more to the state until the level required by the 1984 formula was reached. This would be a hardship on many counties.

POSITIONS:

The Michigan Association of Counties supports the bill. (12-4-02)

Analyst: D. Martens

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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