



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1255 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Tom George
Committee: Appropriations

CONTENT

The bill would amend the Social Welfare Act to require the Department of Community Health to submit Medicaid state plan amendments and include language in any waiver application related to the proposed Michigan First Health Care plan submitted to the Federal Centers for Medicare and Medicaid Services, to permit the State to make the following changes to the Medicaid program:

- Use Medicaid funds to create an incentive program for Medicaid recipients. The program would modify program benefits or cost-sharing for recipients who practiced positive health behavior.
- Permit the Department of Community Health to create a pay-for-performance program for Medicaid health maintenance organizations (HMOs). Through this program, Medicaid HMOs could receive incentive payments if they met outcome targets established by the Department related to their members' management of chronic disease and compliance.
- Permit the Department of Community Health to work with Medicaid HMOs and provider organizations to create a preferred provider program for durable medical equipment.
- Permit the Department of Community Health to use Medicaid funds to provide financial support for health information technology initiatives.

Proposed MCL 400.105b

FISCAL IMPACT

The Senate-passed FY 2006-07 Department of Community Health appropriation assumes a \$500,000 GF/GP saving to the State associated with the creation of a preferred provider program for durable medical equipment. The Senate bill also would appropriate \$20 million Federal in placeholder funding contingent upon Federal approval of a waiver permitting the use of Federal Medicaid funding for health information technology initiatives and a personal health incentive program.

The cost savings that could be generated from the Medicaid program changes proposed by Senate Bill 1255 (S-1) are largely contingent upon the State's garnering Federal approval for necessary state plan amendments and Medicaid waivers and the actual structure of these programs. These unknown variables make the fiscal impact of this legislation indeterminate at this time.

Date Completed: 5-31-06

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