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BILL ANALYSIS

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Senate Bill 172 (as introduced)
Committee: Appropriations

[Vehicle for Governor's Recommendation line items is Senate Bill 199](#)

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. Enhanced Medicaid FMAP, implemented under ARRA, will expire on June 30, 2011, and 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. Governor added \$160.0 million GF/GP to reverse a one-time retroactive FMAP adjustment that corrected for the way pension payments by General Motors affected the State's FMAP.	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. Governor included base adjustments for Medicaid, Community Mental Health (CMH) Medicaid services, the Children's Special Health Care Services (CSHCS) program, and the Adult Benefits Waiver, increasing GF/GP costs by \$160.2 million. Also included no actuarial soundness adjustment for Pre-paid Inpatient Health Plans (PIHPs) and Medicaid Health Maintenance Organizations (HMOs).	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. Governor included numerous 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", a 40.0% reduction in Medicaid graduate medical education payments, a 3.0% reduction to CMH non-Medicaid services, administrative reductions to substance abuse services, a 5.0% reduction to local public health, a 9.0% reduction to many Aging programs, \$1.0 million in reductions to Healthy Michigan Fund programs, eligibility limits for the Adult Home Help program, 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 \$78.2 million.	(186,709,900)
7. Replacement of PIHP and HMO Use Tax with 1% Tax on Paid Health Claims. Governor reflected 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. Governor proposed replacing 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.	(8,722,600)
Total Changes	(\$158,795,600)
FY 2011-12 Governor's Recommendation	\$13,965,309,000

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

Bill Analysis @ <http://www.senate.michigan.gov/sfa>

Changes from FY 2010-11 Year to Date:

1. **Elimination of Most Boilerplate Language.** The Governor removed over 200 sections of boilerplate language, including all language requiring reports to the Legislature.
2. **Contingency Fund.** The contingency fund for State Restricted revenues was increased from \$20.0 million to \$40.0 million. The contingency fund for Private revenues was increased from \$10.0 million to \$20.0 million. (Sec. 4-203)
3. **Revenue Reporting.** Language requiring the Department to provide the Legislature with detailed reports on the amount of revenue used to support each line item was deleted (current year Sec. 212).
4. **Use of Healthy Michigan Fund (HMF) Dollars.** Language prohibiting the use of HMF revenue for lobbying was deleted (current year Sec. 214).
5. **Michigan Public Health Institute (MPHI) Language.** Language sections requiring MPHI reports be provided to the Legislature and that MPHI be subject to financial and performance audits were deleted (current year Sec. 219 and 220).
6. **Report Retention and Communication with Department Staff.** Language sections requiring the Department to retain reports so they would be subject to the Freedom of Information Act and prohibited the Department from punishing employees for communicating with the Legislature were deleted (current year Sec. 265 and 267).
7. **CMH Contractual Requirements.** Longstanding language outlining the continuum of services that must be provided by CMHs was deleted (current year Sec. 401).
8. **CMH Contract Changes.** Language prohibiting the Department from entering into new or amended CMH contracts which have a fiscal impact without notifying the Legislature was deleted (current year Sec. 402).
9. **Substance Abuse Coordinating Agencies.** Language limiting the Department's ability to change the relationship between coordinating agencies and the State was deleted (current year Sec. 407, 468, and 470).
10. **CMH Non-Medicaid Funding Formula.** Language directing that the Department continue using the FY 2009-10 CMH non-Medicaid funding formula in FY 2010-11 was deleted (current year Sec. 462).
11. **Forensic Nurse Examiner Program.** Language allocating up to \$200,000 for forensic nurse examiner programs to improve the collection of evidence in sexual assault cases was deleted (current year Sec. 1301).
12. **Pharmacy Dispensing Fee.** Language setting the Medicaid pharmacy dispensing and pharmacy co-payments was deleted (current year Sec. 1620).
13. **Medicaid Optional Adult Services.** Language requiring the continuation of Medicaid adult dental and podiatric services was deleted (current year Sec. 1630).
14. **Medicaid Co-payments.** Language setting co-payments for Medicaid physician, dental, emergency room, and hospital services was deleted (current year Sec. 1631).
15. **Medicaid Proof of Citizenship.** Language requiring the Department to ask the Department of Human Services for proof that Medicaid clients are legally residing in the United States and Michigan was deleted (current year Sec. 1757).

Date Completed: 2-24-11

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