



Senate Fiscal Agency
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BILL ANALYSIS

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FY 2010-11 Year-to-Date Gross Appropriation	\$14,143,367,100
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Changes from FY 2010-11 Year-to-Date:Items Included by the Senate and House

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| 1. Federal Medical Assistance Percentage (FMAP) Change. Due to the expiration of the Federal stimulus FMAP provisions, a change in the base FMAP rate from 65.79% to 66.14%, and the expiration of a one-time retroactive FMAP adjustment, the budget reflected an increase of \$715.3 million GF/GP. | 0 |
| 2. 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) |
| 3. Replacement of Managed Care Use Tax with a 1.0% Tax on Paid Health Claims. The budget reflected a Gross and GF/GP savings due to the proposed elimination of the 6.0% Use Tax on Medicaid mental and physical health managed care. Gross and GF/GP savings would occur as the State would remove actuarial soundness payments covering the tax cost. A 1.0% tax on all paid health claims would be instituted, which would raise an estimated \$396.9 million in Restricted dollars that would offset GF/GP. | (388,352,900) |
| 4. Economic Adjustments. Total GF/GP costs of these adjustments were \$10,293,500 | 22,464,200 |

Conference Agreement on Items of Difference

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| 5. Medicaid Base Funding. The Conference reflected the consensus estimate, with a GF/GP cost increase of \$215.2 million. | 672,004,000 |
| 6. Actuarial Soundness. The Conference included \$25.4 million GF/GP to reflect the cost of actuarially sound Medicaid managed care capitation rates. | 75,020,500 |
| 7. Executive Order 2011-4. The Conference reflected this Executive Order (and the resulting revisions to the Executive Recommendation), which transferred most health regulatory functions to the new Department of Licensing and Regulatory Affairs. | (56,734,100) |
| 8. Program Enhancements. The Conference expanded the Healthy Kids Dental program and reinstated the Nurse Family Partnership program, costing \$3.0 million GF/GP. | 7,430,000 |
| 9. Cost Reduction Measures. The Conference included numerous cost reduction measures, including expansion of Medicaid managed care, a \$5.9 million cut to Healthy Michigan Fund programs, a 19% cut to graduate medical education, a 3.0% cut to non-Medicaid mental health, a 5.0% cut to local public health, reductions to substance abuse, and reductions to earmarked programs and Adult Home Help. Savings were also assumed from new legislation on third party liability, mental health medications, and Medicaid estate recovery. Total GF/GP savings from these measures were \$76.2 million. | (201,759,600) |
| 10. Other Changes. Other changes resulted in a small increase in funding. | 18,405,000 |
| 11. FY 2011-12 One-Time Appropriations. The Conference included \$22.1 million GF/GP for one-time appropriations, including \$10.0 million for rural hospitals, \$5.8 million for graduate medical education, \$300,000 for island clinics, \$3.0 million for mental health services to special populations, and \$3.0 million for Healthy Michigan Fund programs. | |

Total Changes	\$97,949,300
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FY 2011-12 Conference Report Gross Appropriation	\$14,241,316,400
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Amount Over/(Under) GF/GP Target: \$0

Changes from FY 2010-11 Year to Date:Items Included by the Senate and House

1. **Community Mental Health (CMH) and 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)

Conference Agreement on Items of Difference

2. **Competitive Distribution of Certain Appropriations.** New Senate language stating legislative intent that funding for certain legislatively-initiated appropriations be allocated on a competitive basis in FY 2012-13 was not included. (Senate Sec. 295)
3. **CMH Contractual Language.** Long-standing boilerplate governing CMH contracts, which was deleted by the Governor, was retained. (Sec. 401 and 402)
4. **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)
5. **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, with no CMH seeing more than a 4.0% reduction in funding. A new subsection that directed that any revision of the Prepaid Inpatient Health Plan (PIHP) capitation rates reduce the use of geographic factors in rate determination was not included. (Sec. 462)
6. **Children's Special Health Care Services (CSHCS) and Medicare/Medicaid Dual Eligible Managed Care.** The Conference concurred with the Governor in assuming savings from implementation of managed care for CSHCS Medicaid clients and dual eligibles. Two sections of boilerplate from the Senate bill, requiring reports to the Legislature on the development of these new managed care programs, were included. (Sec. 1204 and 1775)
7. **Disproportionate Share Hospital (DSH) Funding.** The Conference amended long-standing language on DSH funding. The \$45.0 million "large" DSH pool would be retained for FY 2011-12, with the "small" DSH pool eliminated. There would be a workgroup on DSH funding that would report to the Legislature by March 1, 2012. (Sec. 1699)
8. **Graduate Medical Education (GME) Data Collection and Future Intent.** The Conference included boilerplate setting up a workgroup on GME funding. The workgroup would identify physician specialties with shortages of practitioners and geographic areas with shortages, research other states' efforts to address practitioner shortages through GME payments, and recommend policy changes. The bill also included intent language that GME funding in FY 2012-13 potentially be based on the report. (Sec. 1846)
9. **Intent Language on FY 2012-13 Appropriations.** The Conference included standard 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. 2001)

Date Completed: 5-23-11

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