



Senate Fiscal Agency  
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**BILL ANALYSIS**

Telephone: (517) 373-5383  
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Senate Bill 884 (as reported without amendment)  
Sponsor: Senator Goeff Hansen  
Committee: Families, Seniors and Human Services

Date Completed: 5-23-16

**RATIONALE**

Under the Social Welfare Act, counties that provide Medicaid-funded nursing home services in county-owned facilities must reimburse the State according to a county "maintenance of effort" rate determined under the Act. The formula to calculate that payment was enacted in 1984 and is based, in part, on the variable costs of operating the facilities. Since the rate of some counties would have been higher under the 1984 formula than it was under the previous law, the pre-1984 rate was allowed to remain in effect until computations under the formula produced a lower rate. This hold-harmless provision originally was scheduled to expire after five years, but it has been extended a number of times and currently is scheduled to sunset on December 31, 2017. Since the expiration of the cap on counties' maintenance of effort rates could result in significantly higher costs to counties, it has been suggested that the cap be extended for another five-year period.

**CONTENT**

The bill would amend the Social Welfare Act to delay from December 1, 2017, to December 31, 2022, the sunset date of the provision that limits a county's maintenance of effort rate for Medicaid-funded long-term care services to the rate in effect on September 30, 1984.

MCL 400.109

**ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

**Supporting Argument**

County medical care facilities have a mandate to serve indigent populations on a first-come, first-served basis. As such, the facilities function as the State's "safety net" for long-term care skilled nursing home services, and, compared to the typical nursing home in Michigan, they provide care to a higher percentage of Medicaid-covered patients. In the 1980s, the State established maintenance of effort payments as a way to bring in more Federal money to the Medicaid system. This reimbursement system is a partnership between the State and the counties that have county medical care facilities, and effectively reduces the State share of paying out Medicaid dollars to the facilities while also reducing the amount of money the counties must pay for local support to maintain them. Since 1984, the State has capped the maintenance of effort rate that counties must pay to the State.

The bill would retain the long-standing ceiling on counties' maintenance of effort payments for five more years. If the existing freeze on rates is not extended, it will result in significant costs to counties, which might then experience financial difficulty in meeting their obligation to support crucial medical care facility operations. The sunset has continually been extended, ever since the maintenance of effort payment was capped in 1984, and the provision should be extended for another five years.

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

Failure to extend the sunset will result in an increase in county maintenance of effort payments to the State, effective January 1, 2018. This increase will result in savings to the State (and cost to counties) in the range of \$800,000 GF/GP per year, as the statute limits increases in maintenance of effort payments to \$1 per patient day each year. If the sunset were delayed, the estimated State savings (and county cost) would not occur.

Fiscal Analyst: Steve Angelotti

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.