



**House
Legislative
Analysis
Section**

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COUNTY MAINTENANCE OF EFFORT PMTS.

House Bill 5092 as enrolled
Second Analysis (8-14-90)

Sponsor: Rep. Ralph Ostling
House Committee: Appropriations
Senate Committee: Appropriations

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THE APPARENT PROBLEM:

Counties providing Medicaid-funded nursing home services in county-owned facilities must reimburse the state according to a county "maintenance of effort" rate determined under the Social Welfare Act. In 1984, the maintenance of effort calculation was changed as part of a larger revision of the nursing home reimbursement formula; however, counties whose maintenance of effort payments would have increased had their payments temporarily capped at the maintenance of effort rate under the prior formula. That "hold harmless" provision expired September 30, 1989. Many, concerned about the extra costs for counties, have urged that it be reinstated.

THE CONTENT OF THE BILL:

The bill would amend the Social Welfare Act to retroactively reinstate the hold harmless provision for counties making maintenance of effort payments. Under the bill, the provision would expire December 31, 1994.

MCL 400.109

FISCAL IMPLICATIONS:

According to the Department of Social Services, reinstating the hold harmless provision would cost the state about \$800,000 in the current fiscal year, about \$1.4 million in the coming fiscal year, with costs increasing annually up to about \$2.3 million in the fifth year. Total five-year costs of the bill are estimated to be about \$8.4 million. (8-14-90)

ARGUMENTS:

Mich. State Law Library

For:

The bill would benefit counties by reinstating a provision, in effect since 1984, that held harmless counties that would suffer increased maintenance of effort payments under the 1984 revision of the reimbursement formula.

Against:

The bill comes at a time when the state can ill afford increased costs, especially in the social services budget. Further, because the hold harmless provision benefits only the 27 county facilities that fall under it, it results in an unfair distribution of maintenance of effort obligations among counties. In 1984, counties were given five years to prepare for the increased maintenance of effort payments; it is time to let the hold harmless provision lapse.

Response: The bill would simply provide an extension of the situation in existence for the past five years. Further revision of the reimbursement formula is under discussion, and the bill would maintain the status quo while alternatives are examined.

H.B. 5092 (8-14-90)