



**House
Legislative
Analysis
Section**

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House Bill 5092 with committee amendments
First Analysis (4-25-90)

Sponsor: Rep. Ralph Ostling
Committee: Appropriations

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 reinstate the hold harmless provision for counties making maintenance of effort payments. Under the bill, the provision would expire June 30, 1991.

MCL 400.109

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would cost the state about \$1.248 million in fiscal year 1990-91. Should the hold harmless provision be extended into succeeding years, the cost would be about \$2.4 million annually. The effect on counties would be to avoid costs in those amounts. (4-10-90)

ARGUMENTS:

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. 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 a short 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.

POSITIONS:

The Michigan Association of Counties supports the bill. (4-23-90)

The Michigan County Medical Care Facilities Council supports the bill. (4-24-90)

The Department of Social Services does not have a position on the bill with the committee amendments, but opposed the original bill which would have extended the hold harmless provision through 1994. (4-23-90)

H.B. 5092 (4-25-90)