



**House  
Legislative  
Analysis  
Section**

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**DSS, REIMBURSEMENT OF COUNTY HOSPITALS**

House Bill 4452 with committee amendments  
First Analysis (6-17-87)

RECEIVED

Sponsor: Rep. Teola Hunter

First Committee: Social Services & Youth JUL 16 1987

Second Committee: Appropriations

Mich. State Law Library

**THE APPARENT PROBLEM:**

At present, the Social Welfare Act authorizes county departments of social services in counties having a population of 1,000,000 or more to provide medical care for persons on general assistance in county infirmaries and county medical care facilities, and to allow eligible sick persons to select either a private professional attendant or "the city physician or city pharmacist." "Medical care" is defined, under the act, as "care in a county medical care facility existing on January 1, 1981, out-patient care in a licensed hospital, or home or office attendance by a physician." County medical programs at present in effect are the General Assistance (GA) Medical Program or the Resident County Hospitalization (RCH) Program, the former being an ambulatory out-patient program, the latter an in-patient program in a resident county hospital. The state Department of Social Services (DSS), on behalf of the county, is required to reimburse the hospital in accordance with the hospital reimbursement system under Title 19 of the Social Security Act, unless state law provides for a different level of reimbursement. The county department of social services is then required to reimburse the state for payments made for hospitalization of persons determined by the county department to be eligible for hospitalization in an amount equal to the total amount the state department approves for payment to a hospital owned by that county, plus the total amount the state department approves for payment to all other hospitals, less either \$100 per day of hospital care or an amount per day established by state law for the county, whichever is higher.

Public Act 255 of 1982 amended those procedures for payment of hospitals to allow county departments of social services which were due to receive reimbursements of less than \$2,000,000 for the fiscal year immediately preceeding the effective date of the act to opt out of the state reimbursement system. Those county departments could elect to reimburse hospitals directly, upon notifying the state department of the year in which they wished the election to become effective. (The counties could then set their own hospital rates or choose to be reimbursed under Medicaid). At the time, 31 counties opted out of the system. This option was irrevocable under the act.

In the past few years, changes in medical care systems have become evident: where once the majority of insurance policies allowed patients to attend the doctor of their choice under a "fee for service" arrangement, the trend has been more and more toward cost efficient health maintenance organizations. DSS has been authorized to use the case management system, in which, somewhat like a health maintenance organization, the patient selects one provider who supervises his/her medical care. Several counties would like to combine both the GA and RCH programs into the case management system. In addition, several county

departments of social services have been defendants in court cases in which they were sued for not providing care. This, plus the fact that the state department pays a portion of the cost for each patient, has caused several county departments to request to be allowed to "opt back in" to the state reimbursement system.

**THE CONTENT OF THE BILL:**

The bill would amend the Social Welfare Act to allow those counties which had opted out of the state reimbursement system for payments to hospitals for the care of general assistance clients to reenter the system. Those counties which had elected to reimburse hospitals directly would be able to revoke that election by submitting a written notice of revocation to the state department before the beginning of the county's fiscal year in which the revocation was to become effective. The notice would be required to be submitted not later than 60 days before the first day of that county's fiscal year, and would take effect on the first day of the county's fiscal year.

The bill would also delete the requirement that general assistance clients be allowed to select either a "private professional attendant . . . or the city physician or pharmacist."

MCL 400.55 et al.

**FISCAL IMPLICATIONS:**

The House Fiscal Agency reports that \$6 to \$7 million has been appropriated for this bill; however, since it is unknown how many county departments will choose to opt back in, the fiscal implications are difficult to assess at this time. (6-16-87)

**ARGUMENTS:**

**For:**

Under the current system, clients in the GA medical program must go to the local DSS office each time they need medical attention. Clerks in the local office fill out forms, check the computer for authorization, and so forth. In addition, a Medicaid card has to be issued each month to each client. The bill would allow replacement of the current local office authorization process by a capitated system, in which providers are paid a set, pre-paid amount, and reduce the administrative burden on Michigan Department of Social Services local office employees. In addition, savings from managed health care (case management system) would result.

**Against:**

Case managed plans reduce clients' freedom of choice of providers. Also, the 52 counties which did not opt out of the RCH state reimbursement system, because they

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believed such action to be irrevocable, may be distressed that the 31 counties who did opt out may now opt back in.

***POSITIONS:***

The Department of Social Services supports the bill.  
(6-16-87)

The Michigan League for Human Services supports the bill.  
(6-18-87)

