



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 856 (S-1 as reported)
 Committee: Appropriations

Throughout this document Senate means Appropriations Committee.

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 SEN. FULL COMM.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	15,620.5	15,610.7	(9.8)	(0.1)
GROSS	25,509,303,800	25,117,902,400	(391,401,400)	(1.5)
Less:				
Interdepartmental Grants Received	13,640,900	13,813,700	172,800	1.3
ADJUSTED GROSS	25,495,662,900	25,104,088,700	(391,574,200)	(1.5)
Less:				
Federal Funds	18,406,770,700	17,854,238,700	(552,532,000)	(3.0)
Local and Private	266,421,000	269,860,600	3,439,600	1.3
TOTAL STATE SPENDING	6,822,471,200	6,979,424,100	156,952,900	2.3
Less:				
Other State Restricted Funds	2,441,939,800	2,461,898,500	19,958,700	0.8
GENERAL FUND/GENERAL PURPOSE	4,380,531,400	4,518,090,900	137,559,500	3.1
PAYMENTS TO LOCALS	1,360,064,000	1,470,577,000	110,513,000	8.1

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$25,509,303,800
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Changes from FY 2017-18 Year-to-Date:

- 1. Medicaid and Related Match Rates.** Senate reflected drops in traditional Medicaid match rate to 64.45%, Title XXI match rate to 98.12%, and expansion Medicaid match rate to 93.0% effective January 1, 2019. Total cost increase \$71.5 million GF/GP. 0
- 2. Other Fund Source Adjustments.** Senate reflected many fund source shifts, including \$60.0 million reduction in available Health Insurance Claims Assessment revenue, \$2.0 million more tobacco settlement revenue, \$14.3 million less Healthy Michigan Fund revenue, \$38.3 million more Medicaid Benefits Trust Fund revenue, \$10.0 million in available TANF and a shift in cost allocation saving \$14.0 million in Medicaid. Total impact is a \$12.5 million GF/GP increase. 0
- 3. Changes in Federal Grants.** Budget reflected changes in Federal grants including a \$48.2 million reduction due to expiration of Federal electronic health records funding. (43,194,400)
- 4. Medicaid Actuarial Soundness Adjustments.** Budget reflected a 1.5% increase for physical health Medicaid and a 2.0% increase for behavioral health. Net cost \$38.7 million GF/GP. 140,080,000
- 5. Adjustments to Special Medicaid Payments.** Budget included adjustments to special Medicaid payments made to hospitals and physicians to reflect maximum allowable expenditures in FY 2018-19. (12,556,800)

<p>6. Hospital Rate Adjustor (HRA) Payment Changes. New Federal regulations forced a shift in allowable HRA payments. Senate budget reflects an increase in the hospital provider assessment used to provide a net increase in reconfigured HRA payments, with resulting State gainsharing. The rural and sole community hospital pool and the obstetrics hospital pool would no longer be eligible for Federal match. The lost match on the obstetrics pool would be replaced with \$3.0 million in GF/GP and the lost match on the rural and sole community pool would be replaced with \$7.0 million in GF/GP. Net GF/GP savings due to the gainshare would be \$13.4 million.</p>	<p>104,395,700</p>
<p>7. Healthy Michigan Plan (HMP) Base and Caseload. Senate adjusted HMP lines to reflect estimated expenditures in FY 2018-19. Savings of \$9.9 million GF/GP.</p>	<p>(192,756,100)</p>
<p>8. Traditional Medicaid Base and Caseload. Senate adjusted Medicaid physical and behavioral health lines to reflect decrease in costs. Net savings of \$24.5 million GF/GP.</p>	<p>(72,373,600)</p>
<p>9. Autism Services Base and Caseload. Senate included a doubling of funding over the original FY 2017-18 level for these services due to significant growth in demand for services. Net cost of \$42.4 million GF/GP.</p>	<p>119,744,100</p>
<p>10. Food Assistance Base and Caseload. Budget reflected a rebasing of this 100% Federal line to expected expenditure levels.</p>	<p>(415,110,400)</p>
<p>11. Children's Services Base and Caseload. Senate included a net increase in funding, largely tied to a projected \$18.3 million Gross increase in the foster care line. Net increase of \$15.1 million GF/GP.</p>	<p>17,049,400</p>
<p>12. Public Assistance Programs Base and Caseload. Senate included minor caseload adjustments for cash welfare programs, including fund source adjustments. Net savings of \$8.9 million GF/GP.</p>	<p>(5,720,600)</p>
<p>13. Program Enhancements and Expenditure Increases. Budget included funding for increased GME payments, a \$10.0 million increase for local public health, \$3.0 million for aging services, \$10.0 million for school safety, \$3.0 million for Centers for Independent Living, an increase in the family support subsidy, and funding for the MiDocs graduate medical education initiative. Total cost \$38.6 million GF/GP.</p>	<p>75,865,800</p>
<p>14. Program Reductions and Savings Initiatives. Senate also included a Medicaid pharmacy savings proposal, a reduction in mental health and wellness commission programming, savings from completely shifting certain HMP cases to the health exchanges, and cost containment measures for Medicaid autism services. Net savings of \$35.0 million GF/GP.</p>	<p>(104,600,500)</p>
<p>15. One-Time Funding Adjustments. Budget reflected a reduction in one-time Flint funding and an increase in multicultural and autism navigator funding. Net reduction of \$0.4 million GF/GP.</p>	<p>(23,437,100)</p>
<p>16. Other Changes. Other changes, in particular adjustments to reflect actual available non-GF revenue, resulted in a reduction in spending of \$5.9 million GF/GP.</p>	<p>(11,564,400)</p>
<p>17. Economic Adjustments. Includes \$32,777,500 Gross and \$16,728,600 GF/GP for total economic adjustments, of which an estimated \$4,261,800 Gross and \$2,185,400 GF/GP is for legacy retirement costs (pension and retiree health).</p>	<p>32,777,500</p>
<p>18. Comparison to Governor's Recommendation. The Senate is \$122,451,900 Gross and \$24,434,700 GF/GP below the Governor.</p>	
<p>Total Changes</p>	<p>(\$391,401,400)</p>
<p>FY 2018-19 Senate Appropriations Committee Gross Appropriation</p>	<p>\$25,117,902,400</p>

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Deletions.** Senate eliminated the following sections from current year boilerplate: 526, 603, 651, 916, 943, 1011, 1012, 1057, 1147, 1230, 1309, 1310, 1311, 1502, 1503, 1705, 1706, 1730, 1876, 1877, 1906, 1908, 1910, 1911, and 1914.
2. **Legacy Costs.** Senate modified language to specify legacy costs for FY 2018-2019 to include \$168.4 million for pension-related costs and \$196.9 million for retiree health care costs. (Sec. 214)
3. **SB 897 Implementation Language.** Senate included new language requiring funding for unclassified salaries and wages only be provided from two specific lines. Makes the release of funds from the unclassified salaries allocated pursuant to section 273 line item contingent upon submission and acceptance of a Federal waiver to implement SB 897. (Sec. 273)
4. **Healthy Michigan Plan (HMP) 48 Month Limit.** Senate included new language prohibiting coverage through the HMP plan for recipients who have been enrolled for 48 cumulative months and with income above 100% of the Federal Poverty Level. States legislative intent that completing a healthy behavior shall not be sufficient to maintain eligibility. (Sec. 276)
5. **Department Employee Legal Fees.** Senate included new language requiring the Department be responsible for any necessary and reasonable attorney fees incurred by private and independent legal counsel for current and former employees in defense of the Department in relation to the Flint municipal water system. (Sec. 296)
6. **Behavioral Health Integration Pilots.** Senate modified language to reflect the second year of pilot implementation, allow selected Medicaid Health Plans to contract directly with service providers within the pilot region, and states legislative intent that the pilots be designed to last 3 years. (Sec. 298)
7. **Actuarial Sound Rates for Child Welfare Services.** Senate modified language to require the Department to conduct an actuarial study on rates paid to private child placing agencies for adoption incentive payments. Senate also made several smaller changes to reflect implementation of performance-based funding. (Sec. 503)
8. **Child Care Fund Administrative/Indirect Cost Payment.** Senate included new language requiring the Department to disburse the 10% administrative/indirect payment to a county without submission of documentation to reflect requirements in MCL 400.117(a). Additionally, pest control activities conducted in a juvenile detention facility as a condition of licensure shall be considered a direct expenditure. (Sec. 516)
9. **Title IV-E Appeals Policy.** Senate included new language requiring the Department to retain the same Title IV-E appeals policy that was in place as of September 30, 2017. (Sec. 517)
10. **Adoption Caseload Calculation Definition.** Senate included new language directing the Department to exclude certain types of adoption cases from the adoption case worker ratios. (Sec. 527)
11. **Adoption Subsidies Report.** Senate included new language requiring the Department to report on the several features of the determination of the adoption subsidies provided to adoptive parents. (Sec. 534)
12. **Unpaid Case Coverage.** Senate included new language directing the formation of a workgroup to compensate private agencies for case management and services provided to children for which an administrative rate payment is not made. Additionally, the language excludes certain types of cases from a foster care worker caseload ratio until such a time as the recommendations of the workgroup are implemented. (Sec. 573)
13. **Able-Bodied Adult Without Dependent Waiver Rescission.** Senate included new language requiring the Department to enforce work requirement for time-limited food assistance universally. (Sec. 650)
14. **Disability Determination Contracted Rates Report.** Senate included new language directing the Department to report on various information in regards to independent contractors providing disability determination services. (Sec. 890)
15. **Medicaid Autism Benefit Cost Containment.** Senate included new language requiring the Department to continue coverage for autism services that were covered on January 1, 2018, specifies cases in which a second opinion is needed, and requires a report on cases requiring a second opinion. (Sec. 959)
16. **CMHSP Program Eligibility by Category.** Senate included new language requiring each CMHSP to report on populations served by program eligibility category, and what percent of the operational budget is related to program eligibility enrollment. (Sec. 1001)

17. **Direct Care Worker Wage Increase.** Senate modified language to clarify what PIHP expenses for which the funds may be utilized, removes the reporting requirement related to the expenditure of pool funds, and removes the penalty clause. (Sec. 1009)
18. **Spenddown Report.** Senate removed language requiring a report addressing the challenges of meeting spenddown requirements. (Sec. 1012)
19. **Student Outreach Services Grant Program.** Senate include new language appropriating \$10.0 M in grant funding to support mental health awareness and intervention in school districts. (Sec. 1020)
20. **Family Planning and Pregnancy Prevention Fund Prioritization.** Senate included new language prohibiting funding to entities that engage in abortion related activities if a qualified entity exists in the county or health district that does not. Requires the Department to prioritize funding in counties or health districts that do not have a family planning and pregnancy prevention service provider over funding entities that engage in abortion related activities in counties or health districts that already have a qualified entity providing services. (Sec. 1305)
21. **Traditional Medicaid to HMP Migration Restriction.** Senate included new language prohibiting a person from receiving coverage through the HMP if the person received traditional Medicaid in the previous fiscal year and is still eligible for coverage through traditional Medicaid. (Sec. 1696)
22. **Obstetrical and Newborn Care Lump Sum Payment.** Senate modified language to specify that \$7.0 million shall be used to provide a lump-sum payment to rural hospitals access payment qualifying hospitals providing obstetrical care. The payments shall be based on the volume of obstetrical and newborn care cases billed by qualified hospitals using the most recent available data. (Sec. 1802)
23. **Rural Hospital Funding.** Senate modified language to specify that \$19.0 million shall be used to provide payments to rural hospitals that meet criteria for services to low-income rural residents and to reference the Healthy Michigan Plan line item rather than the Health Plan Services line item in order to reflect new managed care rule distributions. (Sec. 1866)
24. **Child Care Fund MiSACWIS Modifications.** Senate modified language to direct the Department to make the appropriate information technology modifications to MiSACWIS to meet the requirements in MCL 400.117(a). (Sec. 1904)
25. **Flint Declaration of Emergency.** Senate modified language to direct the Department to allocate \$500,000.00 to the Children's Health Access Program, and \$335,000 to C.S. Mott Community College, and prohibiting the Department from appropriating any funds to two specified programs. (Sec. 1905)

Date Completed: 4-26-18

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