



April 26, 2010

To: Members of the House Appropriations Subcommittee for the Department of Community Health (DCH)

From: Jack Kresnak, President & CEO

RE: FY 2011 DCH Budget

On behalf of Michigan's Children and its Board of Directors, I am pleased to share with you our priorities as you consider the Fiscal Year 2011 budget for the Department of Community Health. Michigan's Children is a statewide child advocacy organization that provides a voice for vulnerable children from around the state. Michigan's Children is independent; it does not receive any government funding or represent professionals who receive government contracts.

We applaud the Governor's recognition that revenue options must be part of the FY2011 budget deliberation. At a minimum we must hold the line on current funding and make children a priority under any circumstances. There's no way around it: More cuts continue to erode the foundation of our future economy.

As members of this committee well know, without additional state tax revenues and more federal dollars, Michigan will be facing an even deeper round of cuts to programs and services on top of huge cuts made in recent years, including unacceptable cuts reducing access to health care and quality of care for our most vulnerable children and families.

Following significant reductions in the FY 2010 budget—many of which are continued in the Governor's proposed FY 2011 budget—in the Healthy Michigan Fund for infant mortality initiatives and family planning, and Medicaid provider reimbursement rates, along with the elimination of funding for prevention programs, Michigan's Children urges you to take the following actions in the fiscal year 2011 budget:

Ensure that all children are insured and have access to affordable, quality health care

The rapid loss of higher paying jobs with employer-sponsored health insurance has forced many Michigan families and their children to turn to publicly-subsidized health care programs and has left others uninsured. Approximately, 162,000 people in Michigan are expected to lose health insurance coverage between 2008 and 2010, including an increasing number of uninsured children who have traditionally been covered by a parent's employer-based insurance.

Although Michigan's uninsured rate has been lower than the national average, the state's economic decline continues to cause many children to lose traditional employer-based coverage, leading to an increased number of the state's children who are uninsured. In 2007, 6.2 percent, or approximately 150,000, Michigan children were uninsured, compared to a national rate of 11.0 percent. However, Michigan experienced an increase of more than 30 percent in the number of uninsured children (under age 18) in a single year, up from 4.7 percent in 2006. The increase in the number of young children (ages 0 to 5) who

BOARD OF DIRECTORS

Executive Committee

Terry Murphy, Chair
Bloomfield Hills

Andre Reddick, Vice Chair
Covert Public Schools

Richmond Hawkins, Treasurer
Detroit Commerce Bank

Susan Broman, Secretary
Steelcase Foundation

Gina M. Torielli, Past Chair
Thomas M Cooley Law School

Nolan Finley
Detroit News

Directors

Lynn Burdell-Williams
Detroit Youth Foundation

Daniel Chapman, M.D.
Pediatrician

Deborah I. Dingell
General Motors Foundation

Peter Eckstein
Retired - Michigan AFL-CIO

The Hon. Patricia Gardner
17th Judicial Circuit Court Family Division

Carol Goss
The Skillman Foundation

Mark Holoweiko
Story Point Communications

Kevin Kelly
Michigan State Medical Society

Rev. Michael Nabors
New Calvary Baptist Church

Juliette Thorpe Okotie-Eboh
MGM Grand Detroit Casino

Vicki Rosenberg
Council of Michigan Foundations

Lynda Rossi
Blue Cross Blue Shield of Michigan

Lynn Smitherman, M.D.
Children's Hospital of Michigan

Kurt Strehlke
Comerica

Kevin Walker
C.S. Mott Foundation

Judy Watson Olson
Great Lakes Center for Youth Development

Jeannette Wheatley
Farmington Hills

COUNCIL OF LEADERS

Armando R. Cavazos

Ed Deeb

Steve Ewing

Mary Caroline Frey

Earle S. "Win" Irwin

Kyle Smith Irwin

Wallis Klein

Russell Mawby

James McKay

R.D. Musser, III

John Porter

Kelly Rossman-McKinney

Louise Sause

Leonard Smith

Jane Thomas, Ph.D.

Gail Torreano

Marianne Udow

Jack Kresnak
President and CEO

were uninsured rose even more dramatically, from 4.6 percent in 2006 to 7.8 percent in 2007—a nearly 70 percent increase.

The number of children insured by Medicaid climbed from 579,000 in 1999 to 950,000 in 2009, an increase of almost 65 percent, which is much faster than the national average of 31 percent. This increased need for state-subsidized health care services comes at a time when Michigan is suffering from a structural budget deficit that has forced cuts of more than \$4 billion in state services since 2001, including reductions in health care prevention and promotion programs. During those years of budget cuts, the Governor and the Michigan Legislature protected eligibility for the Medicaid and MICHild health insurance programs, but with the state's deepening revenue crisis and the growing need, children's access to basic health services can no longer be assured.

To succeed in school and in the labor market of the 21st Century, children must be healthy. Access to affordable, high-quality health care is the foundation for children's healthy development. Now more than ever, Michigan needs healthy children—the state's economy and future rests in their hands as the workforce and leaders of tomorrow.

Medicaid

Do not cut Medicaid provider rates any further. Payments to Medicaid providers have failed to keep pace with the costs of providing health care posing significant access issues for low-income children and families. As a result of low Medicaid reimbursement rates, Michigan is finding that there are fewer physicians who are willing to provide care to children with Medicaid coverage. Between 1999 and 2005, the number of physicians participating in the Medicaid program dropped from 88 percent to 64 percent. We should expect to see this number continue to rise since in the past year, some Medicaid providers essentially experienced an 8 percent cut. At a time when many children are increasingly relying on public insurance, this Legislature must find a way to reduce barriers to access and increase coverage.

We realize that rate cuts are one of few options—aside from raising revenue—to balance the budget as federal health care reform contains a maintenance of effort requirement on Medicaid and MICHild eligibility; however, we urge you to find solutions, such as increased revenue, that do not hinder access or quality care for children.

MICHild

Support the state matching dollars and policy changes needed to ensure that Michigan leaves no low-income child uninsured by turning away new federal dollars for the MICHild program. With the reauthorization of the federal Children's Health Insurance program (CHIPRA), we have been provided with an opportunity to ensure that all of the state's children are covered and have access to the high quality health care services they need to grow and thrive.

Unfortunately, in the current year budget Michigan turned away approximately \$100 million in potential new federal funding because it chose not to invest—or raise the needed revenue—25 cents to generate one dollar for health care coverage for low-income children. This is a real disservice to the children in Michigan who are currently uninsured and losing coverage every day. We urge you to find a way to provide the funding to ensure that Michigan draws down all the federal dollars to which it is entitled.

In addition to significant federal funding, CHIPRA has provided several new tools that could be acted on, such as:

- *Enrollment Procedures:* The reauthorization provides new tools, such as an “express lane” application to increase enrollment of children in CHIP and Medicaid, and some states have already begun to take advantage of the new flexibility and support. In the last budget cycle, the House inserted budget language to use the “express lane” application tool by providing for the automatic enrollment in MICHild of children who meet the income eligibility guidelines for the free breakfast, lunch, or milk under the National School Lunch Act. This will increase outreach to help enroll more children; **we ask for your support of inserting boilerplate language to implement “express lane” eligibility.**
- *Expanded Eligibility:* The reauthorization provides flexibility to the states to increase income eligibility guidelines as well as cover pregnant women and legal immigrant children, and we urge you to take advantage of this flexibility. For example, Michigan currently insures children in families up to 200 percent of poverty, while many states have increased eligibility limits up to as much as 300 percent of poverty.

Insert boilerplate language requiring the DCH to re-determine the mental health portion of MICHild rates and pay CMHSP’s a rate sufficient to cover the cost of providing care. When MICHild was created in Michigan, the rates for mental health coverage were based on questionable encounter data that all parties agreed was only a starting point.

As a result, MICHild rates for mental health coverage paid to Community Mental Health Services Programs (CMHSP) are insufficient to cover the cost of service to MICHild enrollees. This forces CMHSP’s to supplement MICHild with increasingly reduced general fund dollars. The consequence will be that fewer and fewer MICHild enrollees in need of care will actually receive it. In addition, with the current underfunded rates, the State foregoes nearly 75 percent in federal match on the difference between the cost of services and the current rates. If the rates are updated to cover cost, the general fund currently supplemented by the CMHSP’s could serve as the match to draw the federal funds.

More accurate data is now available on the actual cost of services. Therefore, we ask that language be included requiring the DCH to recalculate the mental health portion of the MICHild rates based on the most recently available encounter data for MICHild enrollees , providing CMHSP’s a rate sufficient to cover the cost of providing care.

The DCH recently received \$3.7 million in CHIPRA performance bonus payments from the federal government for its efforts in enrolling children in MICHild; these funds could be used to help cover costs associated with implementing “express lane” enrollment or recalculating MICHild mental health rates—ensuring that this money goes back into helping kids rather than simply filling budget holes.

Do not continue to dismantle the public health system

The disinvestment from the state in public health has continued in the face of falling revenues, and it is especially visible in our spending on family, maternal, and child health. We have disinvested in local public health and backed away from prevention services, which will cost us more later. The FY 2010 budget included many deep cuts to the public health system and preventive services serving children and families. These cuts are continued into the Governor’s proposed FY 2011 budget, putting our most vulnerable at risk and further dismantling our public health system, such as:

- *Local public health departments:* Local public health departments received a reduction in their operations spending in the current budget. The Governor has proposed to further decrease their funding, and while the Senate’s budget limits the reduction, there is still a further cut. These departments are required to provide eight basic services—all of which affect children—and are

being asked to do so with even less as these dollars and revenue sharing cut. We cannot strain this system any further, and urge you to hold the line by not cutting any further.

- *Healthy Michigan Fund (HMF)*: In FY 2010, there were deep cuts to the Healthy Michigan Fund (HMF) providing funding for initiatives in local communities. These cuts included the elimination of local infant mortality programs, local family planning agreements, pregnancy prevention, local maternal/child health services, and lead poisoning prevention. We urge you to restore funding to the FY 2009 levels and reject the Governor's and Senate's proposal to reduce funding.
- *Early childhood health*: Funding for family supports to prevent child abuse and neglect for vulnerable children and families was eliminated in the current year budget. These programs included the Nurse Family Partnership and 0 to 3 Secondary Prevention program, both of which are demonstrated to work. We urge you to restore funding for these programs.

This year another proven program aimed at young children has been targeted for elimination in the Governor's proposed budget and agreed to by the Senate: the Child Care Enhancement Program (CCEP) (formerly known as the Child Care Expulsion Program), which is an early childhood mental health consultation program. The goal of the program is to promote the social-emotional health of infants and toddlers (birth to 36 months) and to prevent expulsion and longer term challenges for child later on in life. The consultants provide services to eligible child care providers, parents, and infants and toddlers. As this is a proven program—longest running and highly recognized in the country—and the only mental health program with this focus, **we ask that you reject the elimination of the CCEP.**

In the context of more than ten years of budget cuts affecting vulnerable children and families, as well as one-time measures to balance the state budget, Michigan's Children believes that children can ill-afford efforts by state leaders to continue to cut their way out of Michigan's fiscal problems. Michigan's Children has joined forces with a range of other organizations to help promote alternatives to help address Michigan's structural budget deficit and ensure that Michigan builds a stable and fair tax system that generates sufficient revenue to protect children and invest in the next generation of Michigan workers.

We must be prepared to make investments needed in our children as the foundation of our future economy. Healthy kids equal a healthy Michigan. To compete for the jobs of tomorrow, Michigan must invest in children today.

Thank you for this opportunity. I am available to address questions throughout the budget process. Please feel free to contact me at 517/485-3500 or by email at jack@michiganschildren.org.