

April 15, 2011

Appropriations Subcommittees for the Department of Community Health Approve Fiscal Year 2012 Budgets

Introduction

On Wednesday, April 13, 2011, the Senate Appropriations Subcommittee for the Department of Community Health (DCH) approved its version of the fiscal year 2012 budget for the DCH. The budget approved by the Senate Subcommittee included \$13.83 billion in total spending, including \$2.64 billion in state general funds. The Subcommittee budget appropriates \$60 million less in state funds for the DCH than recommended by the Governor. Among the cuts approved by the Senate Subcommittee are the elimination of funding for prevention programs funded through the Healthy Michigan Fund, total elimination of funding for Graduate Medical Education, and deeper cuts in community mental health services for persons not eligible for Medicaid.

The following day, the House Appropriations Subcommittee finalized its fiscal year 2012 budget for the DCH. The budget approved by the House Subcommittee included \$13.92 billion in total spending, including \$2.68 billion in state general funds. The Subcommittee budget appropriates \$25.5 million less in state funds for the DCH than recommended by the Governor. Among the changes approved by the House Subcommittee are even deeper cuts in funding for the state's 45 local public health departments, and the nearly total elimination of funding for prevention programs funded through the Healthy Michigan Fund.

The DCH budget is the state's largest, with a total appropriation of over \$14 billion in the current fiscal year. Two of every three dollars spent in the DCH budget are from federal sources – primarily federal Medicaid funds. Less than 20 percent of DCH funding (19.3 percent) is state funding. Total funding for the DCH budget has grown by over 54 percent since fiscal year 2002, from \$9.2 billion to \$14.1 billion.

The Governor recommended a total of \$13.97 billion for the DCH in fiscal year 2012, down approximately 1 percent from current year funding. State general funds for the DCH under the Governor's proposal would increase by over 11 percent from \$2.4 billion to \$2.7 billion.

The Executive and both subcommittees assumed that the Legislature will approve a new health care insurance claims assessment of one percent applied to all health insurers in the state. The assessment would replace the existing use tax on Medicaid health maintenance organizations and community mental health pre-paid inpatient health plans, and would generate nearly \$400 million in revenue. If the insurance claims assessment is not approved, deep cuts in Medicaid provider payments and other critical health services are projected.

The Fiscal Year 2012 Budget Proposals

Among the provisions affecting children and youths in the current versions of the DCH budget for fiscal year 2012 are the following:

Medicaid eligibility and provider reimbursement rates.

- *Governor:* The Governor's budget does not change Medicaid eligibility or call for further cuts in payments to Medicaid providers. Between 1999 and 2005, physician reimbursement rates for Medicaid remained flat. In 2005, rates were cut by 4 percent in the face of rising health care costs. In 2010, payments to Medicaid providers were cut by up to 8 percent. As a consequence of lagging reimbursements rates, the number of physicians participating in the Medicaid program has dropped and access has been limited in many areas of the state.
- *Senate Subcommittee:* The Senate Subcommittee concurred with the Governor on Medicaid eligibility and rates. The Subcommittee added budget language specifying legislative intent that no DCH funding be used for implementation of federal health reform legislation. In addition, the Subcommittee retained budget language removed by the Governor that authorizes presumptive eligibility for Medicaid for pregnant women, specifies Medicaid co-pays, and directs the DCH to continue to provide increased reimbursement rates for well child visits and primary care for children. Also retained were provisions regarding access to EPSDT and Maternal Infant Health program services.
- *House Subcommittee:* The House Subcommittee concurred with the Governor and the Senate Subcommittee by maintaining current Medicaid eligibility and provider rates. In addition, the Subcommittee retained budget language spelling out presumptive eligibility for Medicaid for pregnant women and specifying Medicaid co-pays. Budget language directing the DCH to continue to provide increased reimbursement rates for well child and primary care for children, and language regarding access to EPSDT and Maternal Infant Health services was deleted.

Graduate medical education.

- *Governor:* The Governor recommends a 40 percent cut in funding for graduate medical education for a savings of \$67.3 million total, including \$22.8 million in state funds. This cut will affect access to pediatric services in Michigan, particularly in urban areas.
- *Senate Subcommittee:* The Senate Subcommittee eliminated funding for graduate medical education (\$168.2 million total, and \$56.9 million in state funds), leaving a \$100 placeholder in the budget to ensure further discussion in the joint House/Senate conference committee that will be charged with working out differences between the House and Senate versions of the bill.
- *House Subcommittee:* The House Subcommittee concurred with the Governor and cut graduate medical education by 40 percent.

The MICHild program.

- *Governor:* The Governor projects that the cost of MICHild services will fall slightly from the \$52.7 million appropriated in the current fiscal year to \$51.8 million in fiscal year 2012. The Governor removes budget language that: (1) requires the DCH to continue a comprehensive approach to marketing and outreach for the MICHild program; (2) requires that the MICHild program provide all benefits available under the state employee insurance plan; (3) directs the DCH to explore the cost of automatic enrollment of children eligible for free school meals; and (4) requires the DCH to redetermine mental health reimbursement rates based on recent data.
- *Senate Subcommittee:* The Senate Subcommittee agreed with the Governor on MICHild funding, and also removed the budget language related to outreach, MICHild benefits and covered services, automatic enrollment, and mental health payments.
- *House Subcommittee:* The House Subcommittee concurred with the Governor and the Senate Subcommittee on MICHild funding levels, and also removed the budget language related to outreach, MICHild benefits and covered services, automatic enrollment, and mental health payments.

Mental health services for adults and children who are not Medicaid-eligible.

- *Governor:* The Governor reduced funding for community mental health services for low-income families not eligible for Medicaid, cutting total funding by \$8.5 million or 3 percent. Of that total, an estimated \$3.4 million is related to reductions in administrative costs, while \$5.1 million is for reductions in services to an estimated 1,000 persons with mental illness. Funding for non-Medicaid community mental health services was cut by \$10 million in 2009, an additional \$40 million in 2010, and \$5.4 million in the current fiscal year.
- *Senate Subcommittee:* The Senate Subcommittee made deeper cuts in mental health services for person not eligible for Medicaid, reducing funding by \$13.6 million or approximately 4.8 percent. Total funding, which is all state general funds, would fall from \$282.3 million appropriated in the current fiscal year to \$268.7 million in fiscal year 2012.
- *House Subcommittee:* The House Subcommittee concurred with the Governor.

The Children's Waiver Home Care Program.

- *Governor:* The Governor reduced funding for the Children's Waiver Home Care Program by 10 percent, from \$21.05 million in the current fiscal year to \$18.94 million in fiscal year 2012. The Children's Waiver Program allows Michigan to provide services to approximately 465 children up to age 18 with developmental disabilities who are at risk of being placed into intermediate care facilities, permitting them to stay in their homes.
- *Senate Subcommittee:* The Senate Subcommittee concurred with the Governor.
- *House Subcommittee:* The House Subcommittee concurred with the Governor and the Senate.

Waiver for children with serious emotional disturbances.

- *Governor:* The Governor's budget includes an increase of \$1 million (from \$7.2 million to \$8.2 million) for the waiver program for children with serious emotional disturbances. The waiver, which provides services for children up to age 20, is administered by Community Mental Health Services Programs in partnerships with other community agencies. DCH partners with the Department of Human Services to serve children in foster care in eight counties.
- *Senate Subcommittee:* The Senate Subcommittee concurred with the Governor.
- *House Subcommittee:* The House Subcommittee concurred with the Governor and the Senate Subcommittee.

Community mental health services for special populations (multicultural services).

- *Governor:* The Governor reduced funding for community mental health multicultural services by over \$1 million or 15 percent, with total funding falling from \$6.99 million in the current fiscal year to \$5.96 million in fiscal year 2012.
- *Senate Subcommittee:* The Senate Subcommittee restored funding for multicultural services.
- *House Subcommittee:* The House Subcommittee eliminates all funding for multicultural services.

Healthy Michigan Fund prevention programs.

- *Governor:* The Governor's budget includes a 10 percent reduction in the Healthy Michigan Fund, shifting the \$1 million in savings to the state Medicaid program. Among the programs cut in the Governor's budget are smoking prevention (reduced from \$4.64 million to \$4.37 million), and pregnancy prevention (cut from \$1.71 million to \$1.33 million).
- *Senate Subcommittee:* The Senate Subcommittee eliminated all funding for prevention programs through the Healthy Michigan Fund, for a total cut of \$10.9 million over current year funding. Included are the elimination of funding for immunization local agreements (\$1.75 million), immunization management and field support (\$354,900), Maternity Outpatient Medical Services (\$1.58 million), minority health (\$500,000), pregnancy prevention programs (\$1.1 million), school health services or the Michigan Model (\$405,500), and smoking prevention (\$2.6 million). The Subcommittee included new budget language directing the DCH to maintain funding for the immunization registry at the same level as the current fiscal year (without specified funding), and retained budget language (eliminated by the Governor) requiring the DCH to report annually on the number of children with elevated blood lead levels.
- *House Subcommittee:* The House Subcommittee eliminates all but one program funded through the Healthy Michigan Fund, reducing the total fund to \$805,200. The House Subcommittee agreed with the Governor to remove budget language requiring the DCH to report annually on the number of children with elevated blood lead levels.

Other prevention and maternal and child health programs.

- *Governor:* The Governor provided essentially continuation funding for several maternal and child health programs including family planning local agreements (\$9.1 million), local maternal and child health services (\$7.02 million), prenatal care outreach and service delivery support (cut from \$50,100 to \$42,500, including a 15% cut in funding for stillbirth awareness programs), childhood lead program (\$1.6 million), lead abatement/enforcement (increased from \$2.44 million to \$2.65 million to reflect additional lead enforcement fee revenue), newborn screening follow-up and treatment services (increased from \$4.73 million to \$5.34 million to reflect new fees from adding two new tests), and the Women, Infants and Children Nutrition program or WIC (with payments expected to increase slightly from \$253.8 million to \$254.2 million). The Governor removed budget language requiring the DCH to identify counties with a shortage of available obstetrical and gynecological services and report to the Legislature about reasons for the shortages.
- *Senate Subcommittee:* The Senate Subcommittee concurred with the Governor on continuation funding for family planning local agreements, local maternal and child health services, prenatal care outreach and service delivery support, the childhood lead program, lead enforcement, and WIC. The Subcommittee retained budget language requiring a report on shortages of obstetrical and gynecological services, and added budget language requiring the DCH to form a workgroup to propose legislation that would reduce the risks to children from toxic toys.
- *House Subcommittee:* The House Subcommittee concurred with the Governor and the Senate Subcommittee on continuation funding for family planning local agreements, local maternal and child health services, the childhood lead program, lead enforcement, newborn screening follow-up and treatment services, and WIC. The House Subcommittee eliminated funding for a stillbirth awareness initiative (\$50,000), but included budget language authorizing the public awareness program contingent on the recipient of federal or state restricted funds. In addition, to ensure further discussion in the joint House/Senate conference committee, the House Subcommittee included placeholders (with \$100 in funding) for infant mortality prevention and the Nurse Family Partnership programs. Finally, the House Subcommittee included new language directing the DCH to pursue evidence-based practices and program models for maternal, infant, and child health in-home visiting programs.

Local health department operations and services.

- *Governor:* The Governor recommends a cut of \$1.7 million (5%) in state funds (4.3% cut in total spending) for local health department operations. The Governor's recommendation would reduce funding for essential services such as immunizations, infectious disease control, sexually transmitted disease control and prevention, and food protection. Funding for hearing and vision screening programs for school-aged children would not be affected. Funding for local public health operations fell from \$40.8 million in 2003 to \$39.1 million in 2011, with funding reduced by \$1 million in the current year budget.
- *Senate Subcommittee:* The Senate Subcommittee concurred with the Governor.

- *House Subcommittee:* The House Subcommittee reduced local public health funding by a total of \$3.39 million, or 10 percent.

Services for children with special health care needs.

- *Governor:* The Governor proposes to save \$3.7 million in state funds (\$11 million total) by requiring Medicaid-eligible children in the state’s Children’s Special Health Care Services program (CSHCS) to be enrolled in managed care. The Governor also assumed savings of \$500,000 based on the elimination of annual and lifetime health insurance expenditure limits that are part of the federal health care reform law. Those limits are expected to shift some costs from the State to private insurers.
- *Senate Subcommittee:* The Senate Subcommittee concurred with the Governor on the savings related to the shift to managed care for CSHCS recipients. The Subcommittee included greater savings (\$4 million) related to the elimination of annual and lifetime health insurance expenditure limits under federal health care reform.
- *House Subcommittee:* The House Subcommittee agreed with the Governor and the Senate on the savings from shifting children with special health care needs from fee-for-service to managed care settings, and concurred with the Governor on the savings (\$500,000) from the implementation of federal health care reform.

Reduces funding for the Healthy Kids Dental program:

- *Governor:* The Governor’s budget reflects the termination of the University of Michigan’s contribution to the Healthy Kids Dental program (\$541,800), as well as the federal matching funds related to that contribution (\$1.1 million), for a total program reduction of \$1.6 million.
- *Senate Subcommittee:* The Senate Subcommittee concurred with the Governor.
- *House Subcommittee:* The House Subcommittee concurred with the Governor.

Meeting the Dashboard Goals

The fiscal year 2012 Executive Budget for the DCH is focused on specific data indicators or metrics. Included are “dashboard” outcome measures related to obesity and infant mortality; as well as transitional performance measures connected to access to public mental health services, teen births, breastfeeding among WIC participants, cigarette smoking by high school students, and the percentage of Michigan children 19 to 35 months of age who receive all recommended vaccines.

Many of the cuts in health services proposed by the Governor and the Senate and House Appropriations Subcommittees are specifically related to potential progress toward the dashboard and performance goals set by the Governor as a way to measure the state’s progress in building Michigan’s economy and workforce. For example:

- *Infant mortality:* Nearly 8 of every 1,000 babies born in Michigan die in the first year of life, and African-American babies are three times more likely not to reach their first birthday. Yet, cuts are

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proposed for Healthy Michigan Fund programs, including pregnancy prevention programs, Maternity Outpatient Medical Services, and smoking prevention. In addition, funding for local health departments is reduced.

- *Vaccinations for children ages 19 to 35 months*: Less than 61 percent of toddlers have been fully immunized, yet Healthy Michigan Fund contributions to immunization local agreements and immunization management and field support are eliminated. Also at-risk is funding for the immunization registry.
- *Access to public mental health services*: Despite a performance goal of increased access to public mental health services, additional cuts are made in community mental health services for low-income working families not eligible for Medicaid.
- *Cigarette smoking by high school students*: Both the Governor and the Senate and House Subcommittees eliminated Healthy Michigan funds for smoking prevention.

The investments made now will determine Michigan's ability to revive its economy and build a new generation of healthy and well-educated workers. To that end, the Governor has established a "Dashboard" with a range of indicators to help assess progress. The challenge for this Legislature is to invest in the services that will be needed to move those metrics in the right direction by investing wisely in proven programs for children and youths.

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