

May 31, 2011

Department of Community Health Fiscal Year 2012 Budget Finalized

Introduction

On May 26th, 2011, the Legislature finalized the state budget for fiscal year 2012 after a speedy conference committee process. The final budget comes in the form of two omnibus budget bills – one for K-12 School Aid, Community Colleges and Higher Education (HB 4325) and one for all of the other departments (HB 4526). The two budget bills now await Governor Snyder's signature.

The Department of Community Health (DCH) budget is included in HB 4526 and totals \$14.2 billion, including \$2.8 billion in state funds. This represents a total increase of approximately \$117 million or less than 1 percent over current year spending, and exceeds the Governor's recommended budget by \$333 million.

Coming in to the conference committee, the Michigan Senate had approved \$13.83 billion in total spending, including \$2.64 billion in state general funds. Among the cuts approved by the Senate were 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 House budget included \$13.92 billion in total spending, including \$2.68 billion in state general funds. Among the changes approved by the House were 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 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 DCH budget is the state's largest. 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 budget approved by the Legislature for the DCH assumes that separate legislation will be approved establishing 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.

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:

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Medicaid eligibility and provider reimbursement rates.

- *Governor:* The Governor's budget did 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:* The Senate concurred with the Governor on Medicaid eligibility and rates. The Senate added budget language specifying legislative intent that no DCH funding be used for implementation of federal health reform legislation. In addition, the Senate 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:* The House concurred with the Governor and the Senate by maintaining current Medicaid eligibility and provider rates. In addition, the House 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 were deleted.
- ***Final budget:* The final budget retains current Medicaid eligibility and provider rates, but increases funding for Medicaid health plans by 1.68 percent at a total cost of \$50.1 million (\$17 million in state funds). Retained is language related to presumptive eligibility for Medicaid for pregnant women and language 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 timely access to EPSDT and Maternal Infant Health program services was deleted.**

Graduate medical education.

- *Governor:* The Governor recommended 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 would affect access to pediatric services in Michigan, particularly in urban areas.
- *Senate:* The Senate 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:* The House concurred with the Governor and cut graduate medical education by 40 percent.
- ***Final budget:* The final budget includes a cut in graduate medical education funding of \$31.8 million total (\$10.8 million in state funds). One-time funding of \$17.1 million total and \$5.8 million state is also appropriated, bringing the total cut to 8.7 percent over current year funding. Budget language is added requiring the DCH to establish a workgroup on graduate medical education that**

identifies physician specialties with potential shortages as well as areas of the state that are most vulnerable, and that makes policy recommendations.

The MICHild program.

- *Governor:* The Governor projected 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 removed 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:* The Senate 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:* The House concurred with the Governor and the Senate on MICHild funding levels, and also removed the budget language related to outreach, MICHild benefits and covered services, automatic enrollment, and mental health payments.
- ***Final budget:* The final budget includes the Governor's funding recommendation, as well as his deletion of 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:* The Senate 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:* The House concurred with the Governor. The House also added new budget language describing the intent of the Legislature that the DCH develop a medical home model for delivering mental health services to Medicaid recipients.
- ***Final budget:* The final budget includes the Governor's recommended cut of 3 percent (\$8.5 million) in funding for community mental health services for low-income families not eligible for Medicaid. The Legislature approved a rate increase of 1.17 percent for Medicaid PIHP's providing mental health and substance abuse services for a total cost of \$24.9 million (\$8.4 million in state funds). Also included in the final budget is the House language related to the development of a medical home model for Medicaid mental health clients.**

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:* The Senate concurred with the Governor.
- *House:* The House concurred with the Governor and the Senate.
- ***Final budget:* The final budget includes the Governor's recommendation to reduce funding for the Children's Waiver Home Care program by 10 percent or \$2.1 million.**

Waiver for children with serious emotional disturbances.

- *Governor:* The Governor's budget included 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:* The Senate concurred with the Governor.
- *House:* The House concurred with the Governor and the Senate.
- ***Final budget:* The final budget recognizes an additional \$1 million from the Department of Human Services to support the waiver program for children with serious emotional disturbances, bringing total funding to \$8.2 million (all federal).**

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 \$6.9 million in the current fiscal year to \$5.9 million in fiscal year 2012.
- *Senate:* The Senate restored funding for multicultural services.
- *House:* The House eliminated all funding for multicultural services.
- ***Final budget:* The final budget includes the Governor's recommended cut in multicultural services (15%), but also appropriates an additional \$3 million in one-time funding for these services (as yet allocated).**

Healthy Michigan Fund prevention programs.

- *Governor:* The Governor's budget included 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:* The Senate 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 Senate 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:* The House eliminated all but one program funded through the Healthy Michigan Fund (diabetes local agreements), reducing the total fund to \$805,200. The House agreed with the Governor to remove budget language requiring the DCH to report annually on the number of children with elevated blood lead levels.
- ***Final budget:* The Legislature eliminates \$10.9 million in funding for specified public health and prevention programs funded by the Healthy Michigan Fund, replacing it with a single line item of \$5 million. An addition \$3 million in one-time funding is provided for Healthy Michigan Fund programs, with \$900,000 earmarked for cancer prevention and control. Senate budget language directing the DCH to maintain funding for the immunization registry at the same level as the current fiscal year (without specified funding) is not included in the final budget. Also eliminated is 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), 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:* The Senate 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 Senate 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. The Senate included new language directing the DCH to pursue evidence-based practices and program models for maternal, infant, and child health in-home visiting programs.
- *House:* The House concurred with the Governor and the Senate 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 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 included placeholders (with \$100 in funding) for infant mortality prevention and the Nurse Family Partnership programs. The House also included new language directing the DCH to pursue evidence-based practices and program models for maternal, infant, and child health in-home visiting programs.

- ***Final budget:*** The final budget includes the Governor's recommended funding levels 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. Funding for the stillbirth awareness initiative is eliminated, and no additional funding is provided for programs to prevent infant mortality disparities. The Legislature does include \$3.8 million in total funding (\$1.5 million in state funds) for the Nurse Family Partnership program. Budget language requiring the DHS to use at least 50 percent of the funds allocated for voluntary in-home visiting services for evidence-based models or models that conform to a promising approach that are in the process of being evaluated was adopted. A report on evidence-based home visiting services is required, along with a plan to establish an integrated benefit for Medicaid evidence-based home visitation services to be provided by Medicaid health plans (by September of 2011).

Local health department operations and services.

- *Governor:* The Governor recommended 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:* The Senate concurred with the Governor.
- *House:* The House reduced local public health funding by a total of \$3.39 million, or 10 percent.
- ***Final budget:*** The final budget includes the Governor's recommended cut of \$1.7 million or 5 percent in local public health department operations. Hearing and vision screening programs for school-aged children are not affected.

Services for children with special health care needs.

- *Governor:* The Governor proposed 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.
- *Senate:* The Senate concurred with the Governor on the savings related to the shift to managed care for CSHCS recipients.
- *House:* The House 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.
- ***Final budget:*** The final budget includes savings related to the shift to managed care, and includes language requiring the DCH to report by October 1, 2011, on its plan for enrolling Medicaid-eligible children in managed care.

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:* The Senate concurred with the Governor.
- *House:* The House concurred with the Governor.
- ***Final budget:* Included in the final budget is \$4.4 million total (\$1.5 million in state funds) for an expansion of the Healthy Kids Dental program to Mason, Muskegon, Newaygo and Oceana counties.**

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