

May 2, 2012

### **Fiscal Year 2013 Department of Community Health Budgets Pass House and Senate**

On Wednesday, April 25, 2012, the House approved its version of the fiscal year 2013 (FY2013) budget for the Department of Community Health. The House DCH budget was rolled into omnibus bill HB 5365 with other department budgets and passed the House on a 58-52 vote. The budget approved by the House includes \$15.02 billion in total spending, including \$2.83 billion in state general funds (GF). The House budget appropriates \$16 million less in state funds for the DCH than recommended by the Governor. Among other changes the House made from the Governor's recommendation includes restoration of community mental health services for special populations, rejecting the Governor's Wellness 4x4 Initiative and instead funding a before- and after-school physical health pilot program, and directing some federal dollars towards home visitation. The House also includes language requiring all departments that spend more than \$75 million, which includes DCH, to publicly list the top 10 measurable outcomes they will achieve with their funds. Beginning April 1, 2013, the department will have to provide biennial updates to the House and Senate Appropriations Committees regarding changes to those outcomes and department efforts to improve the outcomes.

On Tuesday, April 24, 2012, the Senate passed its version of the fiscal year 2013 budget for the DCH on a 24-14 vote. The Senate-approved budget (SB 950) includes \$15.04 billion in total spending, including \$2.83 billion in state general funds. The Senate budget appropriates \$22.2 million less in state funds for the DCH than recommended by the Governor. Changes the Senate made from the Governor's proposal include creating \$100 placeholders for Medicaid, MICHild, and CSHCS to cover treatment for autism spectrum disorders; creating a \$100 placeholder for the Healthy Kids Dental expansion; and creating a \$100 placeholder for the Governor's obesity and health promotion initiative.

The DCH budget is the state's largest budget, 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. Twenty percent of DCH funding 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 billion of which nearly \$3 billion is state general funds.

The Governor's proposed budget for 2013 includes \$15 billion for the Michigan Department of Community Health (MDCH), of which \$2.8 billion is general fund. Approximately 70 percent of DCH funding is for Medicaid health care services, with an additional 15 percent for Medicaid-funded mental health services. Funding for public health and supportive services for families and children represents approximately 6 percent of the total MDCH budget.

Differences between the House and Senate budget bills will now be debated in conference committee.

## The Fiscal Year 2013 Budget Proposals

### Medicaid eligibility and provider reimbursement rates.

- *Governor:* The Governor's budget does not change Medicaid eligibility. The Governor's budget includes \$282 million in federal funds to comply with the requirement in the federal Affordable Care Act of 2010 to increase Medicaid primary care physician reimbursements rates to 100 percent of Medicare levels. Not included in the rate increase are nurse practitioners, physician assistants and OB/GYNs. The increase is scheduled to take place between January of 2013 and December of 2014. Currently, Michigan Medicaid reimbursement rates are at 55 percent of Medicare payment levels. 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.
- *House:* Concurs with the Governor to increase Medicaid primary care physician reimbursements rates. The House does not change Medicaid eligibility but does add boilerplate language directing the DCH to work with the Department of Human Services (DHS) to conduct a pilot project in three counties to demonstrate whether privatizing Medicaid eligibility determination is cost effective.
- *Senate:* Concurs with the Governor to increase Medicaid primary care physician reimbursement rates and makes no changes to Medicaid eligibility. The Senate creates a \$100 placeholder for an increase in Medicaid OB/GYN payment rates.

### Graduate Medical Education.

- *Governor:* The Governor recommends the continued reduction of \$31.8 million made to the GME program in FY2012. The Governor does not include the FY2012 one-time funding for GME at \$17.1 million.
- *House:* Concurs with the Governor on continued reduction but does include one-time funding of \$18.0 million.
- *Senate:* Creates a \$100 placeholder for GME funding and adds boilerplate language requiring the DCH to revise its GME reimbursement criteria to focus on primary care and recruitment of candidates who commit to stay in Michigan.

### The MICHild program.

- *Governor:* The Governor provides an additional \$29 million to the MICHild program in anticipation of increased caseload as well as his recommended mandate to fund autism spectrum disorder treatment for an estimated 2,000 Medicaid and MICHild eligible children under the age of six.
- *House:* Concurs with Governor.
- *Senate:* The Senate provides a smaller increase of \$15.7 million to MICHild.

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

- *Governor:* Funding for non-Medicaid mental health services maintains funding at \$274 million. Funding for non-Medicaid community mental health services has been cut by nearly \$64 million since 2009.
- *House and Senate:* Concurs with the Governor.

The Children's Waiver Home Care Program.

- *Governor:* The Governor recommends a \$500,000 increase for the Children's Waiver Home Care Program to recognize "benefit plan management" administrative functions. 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.
- *House and Senate:* Concur with the Governor.

Waiver for children with serious emotional disturbances.

- *Governor:* The Governor's budget includes an increase of \$4.5 million (from \$8.2 million to \$12.7 million) for the waiver program for children with serious emotional disturbances enabling the Department to serve an estimated 1,243 eligible children. 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. Most recent information from DCH indicates that 14 CMHSPs representing 22 counties have been approved to provide home and community-based mental health services to 369 children. If a state plan amendment is approved by CMS, an additional 11 CMHSPs representing 14 counties would provide services to an additional 279 children in FY2012 and an additional 595 in FY2013.
- *House:* Concur with the Governor.
- *Senate:* Maintains funding at the FY2012 level of \$12.7 million.

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

- *Governor:* The Governor eliminates the FY2012 one-time allocation of \$3 million general funds for mental health services for special populations.
- *House:* On a one-time basis, the House restored funding for Hispanic/Latino Commission within the Department of Civil Rights (\$250,000), ACCESS (\$700,000), Arab Chaldean (\$700,000), Chaldean Chamber Foundation (\$650,000), and Michigan Jewish Federation (\$700,000).
- *Senate:* The Senate creates a \$100 one-time placeholder for this funding.

Healthy Michigan Fund/Health and Wellness Initiative.

- *Governor:* The Governor recommends changing the Healthy Michigan Funds line item to the Health and Wellness Initiative and recommends \$6 million in GF (\$5 million in one-time funding, \$1 million on-going) to fund this initiative in addition to \$5.1 million in HMF dollars. The Governor provides \$2.25 million GF (\$1.0 million on-going and \$1.25 million one-time allocation) for a new community-based collaborative public health program to address obesity and promote healthy lifestyle focusing on four healthy behaviors and four key health measures (Wellness 4x4 Initiative). He also includes other one-time funding to expand infant mortality programming and to implement the state Infant Mortality Reduction Plan (\$750,000 one-time, \$196,600 on-going), health disparities (\$250,000 in addition to \$250,000 on-going through HMF), pregnancy prevention (\$900,000), diabetes (\$600,000) and school health (\$350,000) and cancer prevention and control (\$900,000). Other on-going HMF programs that are included in the Health and Wellness Initiative are Michigan Care Improvement Registry (\$2.1 million), cardiovascular disease (\$670,000), and smoking prevention (\$1.8 million).
- *House:* The House concurs with the Governor to create a Health and Wellness Initiative line item but rejects the Governor's recommended \$2.25 million in new funding for his Wellness 4x4 Initiative and all other one-time funding. The House does provide \$1 million GF for a new initiative to address childhood obesity with a before- and after-school physical health pilot program that incorporates evidence-based

best practices. Other on-going HMF programs are maintained (MCIR, cardiovascular disease, and smoking prevention).

- *Senate:* The Senate creates a \$100 placeholder for all one-time funds as well as the Governor's Wellness 4x4 Initiative. Other on-going HMF programs are maintained.

#### Maternal and child health programs.

- *Governor:* Continuation funding was provided for a range of maternal and child health programs, including family planning local agreements (\$9.1 million), local maternal and child health (\$7.0 million), pregnancy prevention program (\$602,100), prenatal care outreach and service delivery support (\$3.8 million), newborn screening follow-up and treatment services (\$5.6 million), childhood lead program (down from \$1.6 million to \$1.3 million to reflect changes in federal funds), lead abatement/enforcement (increased from \$2.65 million to \$2.93 million to reflect new federal and private funds), the sudden infant death syndrome program (\$321,300), and WIC local agreements and food costs (\$253.8 million). Maternal and child health is funded at \$20.8 million (up from \$20.3 million in FY2012). The Governor omits language included in FY2012 directing the department to use at least 50% 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.
- *House:* The House concurs with the Governor by providing continuation funding for family planning local agreements, local maternal and child health, pregnancy prevention program, newborn screening follow-up and treatment services, childhood lead program, lead abatement/enforcement, the sudden infant death syndrome program, WIC local agreements and food costs, and maternal and child health medical services. The House provides an increase in prenatal care outreach and service delivery support by \$7.9 million which includes \$2 million in federal TANF funding for a new 2-year alternative home visit support program to provide enhanced counseling and support for women during pregnancy through 12 months after birth; \$1 million in federal TANF funding for two years to enhance support and education for the Nurse Family Partnership (NFP) program including strategic planning and awareness for Detroit-based NFP; recognition of \$4.3 million federal Maternal, Infant and Early Childhood Home Visiting Program funding made available through the Affordable Care Act; as well as private Kellogg funding directed towards infant mortality and prenatal wellness programs. The House omits language included in FY2012 directing the department to use at least 50% 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.
- *Senate:* The Senate concurs with the Governor by providing continuation funding for family planning local agreements, local maternal and child health, pregnancy prevention program, newborn screening follow-up and treatment services, childhood lead program, the sudden infant death syndrome program, WIC local agreements and food costs. Maternal and child health is flat funded at \$20.3 million. The Senate creates a \$100 placeholder for lead abatement/enforcement. The Senate retains language directing the department to use at least 50% 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.

#### Local health department operations and services.

- *Governor:* The Governor maintains funding for local health department operations at \$37.4 million. Funding for local public health operations fell from \$40.8 million in 2003 to \$37.4 million in 2012.
- *House and Senate:* Concur with the Governor.

Services for children with special health care needs.

- *Governor:* The Governor proposes a \$6.2 million reduction for the Children's Special Health Care Services program (CSHCS) due to changes to inflation, caseload and utilization.
- *House:* Concurs with the Governor.
- *Senate:* Concurs with the Governor on funding changes. The Senate adds boilerplate language allowing coverage for autism spectrum disorder services subject to the availability of funds and the enactment of Senate Bills 414 and 415.

Healthy Kids dental program.

- *Governor:* A total of \$25 million (\$8.4 million in state general funds) to expand the Healthy Kids Dental program. The Healthy Kids Dental program is currently available in 65 of Michigan's 83 counties, and serves 350,000 children. The Governor proposes to expand the program by 25 percent in fiscal years 2013 and 2014, expanding services to 180,000 additional children each year. The expansion would include, but is not limited to, parts of several large urban counties including Kent, Oakland, Macomb, and Wayne. The goal is to provide statewide coverage for all Medicaid-eligible children by 2016. The program provides increased provider reimbursement rates, which encourages provider participation and ensures that children have better access to dental care.
- *House:* Provides less funding than the Governor for the expansion of the Healthy Kids Dental program at 7.9 million gross (\$2.7 million general funds).
- *Senate:* The Senate creates a \$100 placeholder for this expansion.

Autism treatment.

- *Governor:* The Governor recommends a \$34.1 million (\$10.1 million in state general funds) increase in funding to expand Medicaid and MICHild coverage to include treatment of autism spectrum disorders for children up to age 18.
- *House:* Concurs with the Governor but changes the language to cover children ages 2-5.
- *Senate:* The Senate creates a \$100 placeholder for these line items (Medicaid expansion, MICHild expansion, as well as CSCHCS expansion). Boilerplate language is added making service expansion subject to the availability of funds and tie-bars funding to enactment of Senate Bills 414 and 415.

School-Based Services.

- *Governor:* Increases the School-Based Services line by \$40.2 million federal funding representing Michigan school district's 60% portion of the federal Medicaid funds earned by the school district match.
- *House and Senate:* Concurs with the Governor.