

**Summary: Executive Budget Recommendation
for Fiscal Year 2018-19
DEPARTMENT OF HEALTH AND HUMAN SERVICES**



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	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$13,640,900	\$13,813,700	\$172,800	1.3
Federal	18,406,770,700	17,955,593,700	(451,177,000)	(2.5)
Local	116,545,300	123,112,900	6,567,600	5.6
Private	149,875,700	148,409,900	(1,465,800)	(1.0)
Restricted	2,441,939,800	2,456,898,500	14,958,700	0.6
GF/GP	4,380,531,400	4,542,525,600	161,994,200	3.7
Gross	\$25,509,303,800	\$25,240,354,300	(\$268,949,500)	(1.1)
FTEs	15,626.5	15,618.7	(7.8)	(0.0)

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Department of Health and Human Services (DHHS) includes programs and services to assist Michigan's most vulnerable individuals and families, including public assistance, foster care, adoption, family preservation programs, child support enforcement, crime victim services, behavioral health services including mental health and substance use disorder, population health programs, aging and adult services, and medical services programs including Medicaid and the Healthy Michigan Plan.

Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations	FY 2017-18 YTD (as of 2/7/18)	Executive Change from YTD
MEDICAID AND BEHAVIORAL HEALTH – GENERAL		
1. Traditional Medicaid Cost Adjustments	Gross \$13,352,197,800	\$89,646,600
Provides increase of \$89.6 million Gross (\$72.3 million GF/GP) for traditional Medicaid program caseload, utilization, inflation, and financing adjustments. Total includes \$37.1 million GF/GP to offset decline in federal match rate from 64.78% to 64.45% due to relative growth in state's personal income. Compared to FY 2016-17 expenditures, State Budget Office forecasts an average annual increase of 4%.	Federal 8,659,726,100	10,095,200
	Local 47,247,100	491,700
	Private 2,100,000	0
	Restricted 2,100,350,400	6,711,500
	GF/GP \$2,542,774,200	\$72,348,200
2. Healthy Michigan Plan Cost Adjustments	Gross \$4,173,374,700	(\$132,081,300)
Provides reduction of \$132.1 million Gross (increase of \$24.1 million GF/GP) for Healthy Michigan Plan caseload, utilization, inflation, and financing adjustments. Total includes \$33.0 million GF/GP to offset decline in federal match rate from 94.25% to 93.25%. Compared to FY 2016-17 expenditures, State Budget Office forecasts an average annual increase of 6%.	Federal 3,930,920,900	(165,099,900)
	Local 651,100	328,600
	Restricted 50,955,200	8,634,400
	GF/GP \$190,847,500	\$24,055,600
3. Actuarial Soundness Adjustments	Gross NA	\$140,080,000
Includes \$140.1 million Gross (\$39.0 million GF/GP) to support an estimated 2% actuarial soundness adjustment for prepaid inpatient health plans (PIHPs) and an estimated 1.5% actuarial soundness adjustment for Medicaid health plans and Healthy Kids Dental.	Federal NA	101,086,800
	GF/GP NA	\$38,993,200
DEPARTMENTAL ADMINISTRATION		
4. Economic Adjustments	Gross NA	\$32,774,900
Reflects increased costs of \$32.8 million Gross (\$16.7 million GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges for state-owned buildings, and other economic adjustments.	IDG NA	134,500
	TANF NA	5,222,100
	Federal NA	10,027,000
	Local NA	150,400
	Private NA	72,300
	Restricted NA	442,600
	GF/GP NA	\$16,726,000

Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations	FY 2017-18 YTD (as of 2/7/18)	Executive Change from YTD
5. Property Management	Gross \$64,339,500	\$859,300
Includes increase of \$859,300 Gross (\$455,100 GF/GP), about 2%, for non-state-owned building lease costs for the Department; current year charges paid for state-owned buildings is \$19.8 million and \$44.5 million for non-state-owned buildings. \$767,300 of increased costs for state-owned buildings is included in "Economics Adjustments" item above.	IDG 593,500 TANF 10,314,200 Federal 24,648,600 Private 36,400 Restricted 166,500 GF/GP \$28,580,300	0 183,400 220,800 0 0 \$455,100
HUMAN SERVICES		
6. Food Assistance Program Caseload Adjustments	Gross \$2,348,117,400	(\$415,110,400)
Reduces the federally funded Food Assistance Program (FAP) by \$415.1 million Gross (\$0 GF/GP) for caseload adjustments. Reduction based on caseload estimates decreasing from 854,072 cases at \$229.11 per month to 683,950 at \$235.52 per month.	Federal 2,342,117,400 Restricted 6,000,000 GF/GP \$0	(415,110,400) 0 \$0
7. Other Public Assistance Caseload Adjustments	Gross \$152,200,000	(\$2,957,000)
Reduces funding for other public assistance programs by \$3.0 million Gross (\$6.9 million GF/GP) as follows:	TANF 54,040,700 Restricted 15,411,700 GF/GP \$82,747,600	3,799,100 102,900 (\$6,859,000)
<ul style="list-style-type: none"> Family Independence Program (FIP) is reduced \$2.2 million Gross (\$6.1 million GF/GP) adjusting the monthly caseload estimate from 18,200 cases at \$349.50 per month to 17,938 cases at \$344.38 per month. State Disability Assistance (SDA) is reduced by \$620,200 GF/GP adjusting the monthly caseload estimate from 3,600 cases at \$216.67 per month to 3,363 cases at \$216.57 per month. State Supplementation is reduced by \$135,900 GF/GP adjusting the monthly caseload estimate from 268,268 cases at \$18.79 per month to 266,672 cases at \$18.86 per month. 		
8. Child Welfare Caseload Adjustments	Gross \$622,467,300	\$40,341,900
Increases funding for child welfare programs by \$40.3 million Gross (\$30.2 million GF/GP) as follows:	Federal 196,452,100 TANF 103,537,500 Local 14,244,900 Private 2,929,800 GF/GP \$305,303,000	6,742,500 121,900 4,483,500 (1,159,100) \$30,153,100
<ul style="list-style-type: none"> Foster care payments are increased by \$36.5 million Gross (\$21.0 million GF/GP) from 5,800 cases at \$31,643 per year to 6,620 cases at \$33,244 per year. Adoption subsidies are reduced by \$5.7 million Gross (\$2.0 million GF/GP) from 23,406 cases at \$732.00 per month to 22,791 cases at \$731.00 per month. The Child Care Fund is increased by \$10.0 million GF/GP. Guardianship assistance payments are increased by \$1.2 million Gross (\$1.1 million GF/GP) from 1,200 cases at \$778.00 per month to 1,342 cases at \$768.61 per month. Family Support Subsidies are reduced by \$1.7 million Gross (\$0 GF/GP) from 6,360 cases at \$222.11 per month to 5,716 cases at the same monthly rate. 		
9. Foster Care Administrative Rate – Elimination of County Hold-Harmless Provision	Gross NA	(\$8,000,000)
Reduces state funding by \$8.0 million GF/GP to recognize the savings to the state of rescinding the county hold-harmless provisions that require DHHS to pay 100% of the foster care administrative rates to private agencies for all new cases beginning October 1, 2013 and 100% of the recent rate increases. Requires counties to pay 50% of all administrative rates for private foster care placing agencies paid for out of the Child Care Fund beginning in FY 2018-19.	GF/GP NA	(\$8,000,000)
10. Foster Care Relative Caregiver Licensure Payments	Gross NA	(\$1,000,000)
Eliminates \$1.0 million GF/GP funding for increased payments to child placing agencies for the completed licensure of relative caregivers. Payments were increased in the FY 2017-18 budget.	GF/GP NA	(\$1,000,000)
11. Family Independence Program (FIP) Inflationary Adjustment	Gross \$82,350,800	\$1,017,600
Includes additional \$1.0 million federal TANF funding to provide a 1.2% inflationary adjustment in benefits. The increase is based upon the growth in the federal poverty standards and will increase benefits by approximately \$2.00 per person per month.	TANF 54,040,700 Restricted 11,259,000 GF/GP \$17,051,100	1,017,600 0 \$0

Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations	FY 2017-18 YTD (as of 2/7/18)	Executive Change from YTD
12. Heat and Eat Program Continuance	Gross	NA (\$2,500,000)
Eliminates the \$2.5 million GF/GP portion of the Heat and Eat program. The number of eligible cases not already receiving the enhanced FAP benefits is less than estimated and federal funding is available to fund the program without GF/GP support. Program provides energy assistance payments of \$20.01 to certain food assistance cases making them potentially eligible for additional FAP benefits.	Federal	NA 0
	GF/GP	NA (\$2,500,000)
13. Donated Funds Positions Reduction	FTE	288.0 (50.0)
Eliminates 50.0 FTE authorizations from the Donated Funds Positions line item to better align FTE authorizations with the amount of currently-filled positions and the funding available to support those FTEs. Reduces funding by \$5.7 million Gross (\$0 GF/GP).	Gross	\$32,702,700 (\$5,675,900)
	IDG	266,200 0
	TANF	1,661,300 0
	Federal	15,391,200 (3,540,000)
	Private	9,600,500 (379,000)
	Local	5,783,500 (1,756,900)
	GF/GP	\$0 \$0
14. Multicultural Integration Funding Increase – One-Time Funding	Gross	\$15,303,800 \$1,381,100
Includes \$1.4 million GF/GP one-time funding for various multicultural organizations that provide social services programs to specific populations. YTD amount is current ongoing amount.	TANF	421,000 0
	Federal	694,500 0
	GF/GP	\$14,188,300 \$1,381,100
15. Human Services Program Eliminations	Gross	\$780,100 (\$780,100)
Eliminates funding for several programs as follows: \$250,000 GF/GP for Adoptive Family Support Network, \$280,000 GF/GP for Muskegon Covenant Academy, \$250,000 GF/GP for Supplemental Security Income (SSI) Advocacy Legal Services, and \$100 GF/GP placeholder for MI Cornerstore Initiative.	GF/GP	\$780,100 (\$780,100)
16. Federal Revenues Fund Source Identification	Gross	NA \$0
Rolls up the "Capped Federal Revenues" fund source, the "Temporary Aid to Needy Families (TANF)" fund source, and the "Total Other Federal Revenues" fund source into one general "Other Federal Revenues" fund source throughout the bill.	TANF	NA 0
	Federal	NA 0
	GF/GP	NA \$0
BEHAVIORAL HEALTH		
17. State Psychiatrist Salary Increase	Gross	NA \$1,394,800
Provides \$1.4 million Gross (\$1.3 million GF/GP) to support a civil service salary increase for psychiatrists at the state psychiatric hospitals. Increase supports a minimum increase, by pay level, of at least 11%. The vacancy rate of state psychiatrist positions is approximately 50%.	Federal	NA 136,200
	GF/GP	NA \$1,258,600
18. Mental Health and Wellness Commission Recommendations	Gross	\$18,895,000 (\$7,500,000)
Reduces \$7.5 million Gross (\$5.3 million GF/GP) for Mental Health and Wellness Commission Recommendations. Program would have \$11.4 million Gross (\$3.8 million GF/GP) in available ongoing funding for the psychiatric transitional unit and children's behavioral action team, in addition to available work project authorization. Reduction includes \$500,000 GF/GP transferred to Department of Education.	Federal	9,861,100 (2,241,500)
	GF/GP	\$9,033,900 (\$5,258,500)
19. Behavioral Health Program Eliminations	Gross	\$1,005,000 (\$1,005,000)
Eliminates behavioral health program funding for genomic opioid research in Kalamazoo (\$700,000 GF/GP) and pediatric and adult opioid abuse pilot project through Kids Kicking Cancer (\$305,000 GF/GP).	GF/GP	\$1,005,000 (\$1,005,000)
20. Autism Navigator – One-Time Funding	Gross	\$565,000 \$460,000
Increases one-time autism navigator funding \$460,000 GF/GP to assess statewide rollout of the Medicaid autism benefit and to help families with autistic children find services.	GF/GP	\$565,000 \$460,000
POPULATION HEALTH		
21. Flint Drinking Water and Lead Exposure Emergency	Gross	\$21,541,700 (\$16,920,600)
Reduces funding for assistance to residents exposed to lead in the City of Flint by \$16.9 million Gross (increase of \$2.9 million GF/GP) from year-to-date. One-time funding of \$4.6 million Gross (\$4.6 million GF/GP) is provided for food and nutrition services, health services at child and adolescent health centers and schools, lead abatement and investigation, lead poisoning prevention, and additional supports and services. YTD amount includes \$7.5 million transfer of November 2017.	TANF	3,500,000 (3,500,000)
	Restricted	16,361,700 (16,361,600)
	GF/GP	\$1,680,000 \$2,941,000

Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations	FY 2017-18 YTD (as of 2/7/18)	Executive Change from YTD
22. PFAS Contamination Response – Annualize, Expand Local Grants	FTEs 8.0	17.0
Increases funding by \$4.4 million GF/GP and 17.0 FTEs from YTD to address environmental contamination from perfluoroalkyl and polyfluoroalkyl substances (PFAS), first funded in FY 2017-18 supplemental Act 201, and to expand local grants to include other emerging issues:	Gross \$8,394,000	\$4,381,300
	GF/GP \$8,394,000	\$4,381,300
<ul style="list-style-type: none"> Laboratory capacity and services – increase by \$1.4 million and 11.0 FTEs (total \$5,525,300 and 11.0 FTEs) Environmental health toxicology and response – increase by \$750,000 and 4.0 FTEs (total \$2,500,000 and 12.0 FTEs) Local health department response grants – increase by \$2.0 million and expand to support local health response to other emerging public health issues and threats (infectious and vector-borne disease outbreaks, vapor intrusion, lead exposure, drinking water contamination, etc.) as needed; and provide additional \$250,000 and 2.0 FTEs for state staff (total \$4,750,000 and 2.0 FTEs) 		
23. Population Health Program Reductions and Eliminations	Gross \$4,950,000	(\$4,850,000)
Eliminates GF/GP funding for bone marrow registry (\$250,000), early primary care pilot program (\$1.0 million), and outstate dental clinics (\$1.6 million). Reduces funding for diabetes programming by \$200,000 GF/GP and alternative pregnancy and parenting program by \$550,000 Gross (increase of \$50,000 GF/GP). Eliminates one-time GF/GP funding of \$1.3 million for prenatal diagnosis clearinghouse website, primary care hospital grant, and primary care and dental health services. YTD includes only these amounts and balance of alternative pregnancy program.	TANF 650,000	(600,000)
	GF/GP \$4,300,000	(\$4,250,000)
24. Primary Care Clinics	Gross \$5,268,700	\$1,504,500
Provides \$1.5 million GF/GP to continue support for primary care clinics and free health clinics at current year levels which are currently supported by federal bonus funding that is no longer available and will be fully expended as of FY 2017-18 year end. YTD amount shown is for Primary Care Services line item.	Federal 2,597,100	0
	Private 10,000	0
	GF/GP \$2,661,600	\$1,504,500
25. Population Health – Healthy Michigan Fund Adjustment	Gross \$4,178,500	\$0
For recent population health initiatives, replaces \$4.2 million of Healthy Michigan Fund (HMF) with GF/GP; expanded programs for childhood lead, drinking water and toxicology were funded with HMF in FY 2017-18 only, using available HMF balance. Combined with a similar fund adjustment in Medicaid, the total HMF to GF/GP fund adjustment proposed is \$0 Gross (\$14.2 million GF/GP).	Restricted 4,178,500	(4,178,500)
	GF/GP \$0	\$4,178,500
MEDICAL SERVICES		
26. Federal Medicaid Managed Care Final Rule Compliance	FTE NA	15.0
Includes \$1.7 million Gross (\$830,100 GF/GP) for 15.0 FTEs within Medical Services Administration for compliance and implementation of recent changes to the federal Medicaid managed care rules.	Gross NA	\$1,660,200
	Federal NA	830,100
	GF/GP NA	\$830,100
27. Integrated Service Delivery	FTE 42.0	15.0
Provides \$13.8 million federal and 15.0 FTEs for Integrated Service Delivery information technology project costs. \$4.6 million GF/GP is allocated from the Information Technology Investment Fund within Department of Technology, Management, and Budget to draw down these federal funds.	Gross \$51,397,800	\$13,783,400
	Federal 47,252,500	13,783,400
	GF/GP \$4,145,300	\$0
28. Special Hospital Payments	Gross NA	\$111,166,200
Increases \$111.2 million Gross (reduces \$13.5 million GF/GP) in net special hospital payment adjustments based primarily on changes required to comply with recent changes to federal Medicaid managed care rules that phase out “pass through” payments. The Hospital Rate Adjustment (HRA) is increased by \$190.0 million Gross (reducing \$21.2 million GF/GP) with distribution tied to direct claims. The Rural and Sole Community Hospital and Obstetrical Stabilization “pass through” payments could not be restructured and instead the \$14.7 million GF/GP is provided to the hospitals without federal Medicaid reimbursement; the loss of \$26.6 million in federal Medicaid reimbursement is partially offset with \$7.0 million in additional GF/GP. The Medicaid Access to Care Initiative (MACI) is also adjusted based on projected allocations.	Federal NA	75,892,300
	Restricted NA	48,795,500
	GF/GP NA	(\$13,521,600)

Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations	FY 2017-18 YTD (as of 2/7/18)	Executive Change from YTD
29. Program of All-Inclusive Care for the Elderly (PACE) Expansion	Gross \$106,289,100	\$41,359,700
Adds \$41.4 million Gross (\$14.7 million GF/GP) to support approximately 950 additional enrollments within existing programs for an estimated statewide enrollment of 3,600. Increase is offset with assumed long-term care savings. Funding supports an annual per member per month increase of 2.0%.	Federal 68,854,100 GF/GP \$37,435,000	26,656,300 \$14,703,400
30. Medicaid Pharmacy Savings	Gross \$366,015,600	(\$14,064,700)
Assumes \$14.1 million Gross (\$5.0 million GF/GP) in Medicaid pharmaceutical savings based on changes in how Medicaid prescribes specialty pharmaceuticals.	Federal 232,092,400 GF/GP \$133,923,200	(9,064,700) (\$5,000,000)
31. Hospice Room and Board Elimination	Gross \$3,318,000	(\$3,318,000)
Removes \$3.3 million GF/GP for hospice room and board payments that are not eligible for federal Medicaid reimbursement.	GF/GP \$3,318,000	(\$3,318,000)
32. Medical Services Program Reductions and Eliminations	Gross NA	(\$7,749,600)
Eliminates level of care determination funding (\$5.0 million Gross, \$2.5 million GF/GP), reduces Medicaid guardian and conservator rates (\$1.4 million Gross, \$500,000 GF/GP), removes Healthy Michigan Plan medical literacy demonstration program (\$830,000 Gross, \$415,000 GF/GP), and removes dental registry funding (\$500,000 GF/GP).	Federal NA GF/GP NA	(3,834,600) (\$3,915,000)
33. Federal Money Follows the Person Demonstration Grant	Gross NA	\$0
Recognizes end of \$10.3 million federal Money Follows the Person demonstration grant used to increase use of home- and community-based services and to reduce institutionally-based services. Loss of grant funding is offset with state GF/GP and federal Medicaid matching funds. Over a 10 year period, Michigan received \$88.2 million.	Federal NA GF/GP NA	(2,459,600) \$2,459,600
34. State Restricted Revenue Adjustments	Gross NA	\$0
Revises restricted revenues based on projected available revenue for a net decrease of \$29.8 million, which is offset with a like amount of GF/GP. Revisions include:	Restricted NA GF/GP NA	(29,824,400) \$29,824,400
<ul style="list-style-type: none"> Reducing Health Insurance Claims Assessment (HICA) fund balance utilization \$60.0 million. Increasing Medicaid Benefits Trust Fund \$38.3 million. Reducing Healthy Michigan Fund \$10.0 million (Combined with a similar fund adjustment in Population Health, the total HMF to GF/GP fund adjustment is \$14.2 million). Increasing Merit Award Trust Fund \$2.0 million. 		
35. Special Medicaid Reimbursements	Gross NA	(\$11,623,700)
Reduces special Medicaid reimbursements by \$11.6 million Gross (\$0 GF/GP) for Specialty Network Access Fee (SNAF), physician adjustor payments, dental adjustor payments, Graduate Medical Education innovations pool, and university disproportionate share hospital (DSH) payments. GF/GP is not used as state matching funds for these special Medicaid reimbursements.	Federal NA Local NA Restricted NA GF/GP NA	(15,679,900) (150,600) 4,206,800 \$0
36. Medical Services Program Eliminations – One-Time Funding	Gross \$6,724,000	(\$6,724,000)
Eliminates one-time medical services funding for direct primary care pilot program (\$5.7 million Gross, \$2.0 million GF/GP) and University of Detroit Dental (\$1.0 million GF/GP).	Federal 3,708,000 GF/GP \$3,016,000	(3,708,000) (\$3,016,000)

Major Boilerplate Changes From FY 2017-18

Executive Boilerplate Deletions

The Executive Budget Recommendation deletes a significant amount of boilerplate language included in the FY 2017-18 budget. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted.

GENERAL SECTIONS

Sec. 222. Notification and Report of Policy Changes – DELETED

Requires policy manual to be available on the DHHS website; and requires a report by April 1 on policy changes made to implement new public acts.

Sec. 228. Interest Payable to DHHS on Late Payments – NEW

Allows DHHS to charge and collect 1% per month interest for late payments to the Department.

Major Boilerplate Changes From FY 2017-18

Sec. 291. E-Verify – DELETED

Requires DHHS to use the E-Verify system to confirm that new employees and new employees of contractors and subcontractors paid from the appropriations in Part 1 are legally present in the United States.

Sec. 293. TANF Spending Cap and Exception – NEW

Sets cap of \$548.8 million for DHHS expenditures of federal TANF funds, and allows for additional spending of up to 3% more to offset GF/GP if notification is made to Legislature which includes an updated estimate of year end TANF balance.

Sec. 296. Employee Legal Costs Related to Flint Water System – NEW

States that from the funds appropriated in Part 1, DHHS shall be responsible for legal costs of private attorneys defending department employees in any legal action or investigations related to the City of Flint municipal water system. (This boilerplate is current law in Department of Environmental Quality budget as Sec. 237).

Sec. 298. Behavioral Health Integration Pilot Projects – REVISED

Requires DHHS to pilot the integration of behavioral health and physical health services, including: contract with a project facilitator, establish a pilot in Kent County with a willing CMHSP, establish up to 3 additional pilots with CMHSPs and Medicaid health plans, reinvest savings into behavioral health services in the pilot area, legislative intent for pilots, and contract with a university to evaluate pilots and replicability. Allocates \$3.1 million for implementation, requires a spending plan, report by DHHS, report by managing entities of pilots, and includes target dates. Executive revises language to require DHHS to continue to pursue and implement the pilot projects and other requirements outlined during FY 2017-18.

Sec. 299. Request for Proposal for Contract – DELETED

Prohibits DHHS from issuing a request for proposal for a contract in excess of \$5 million without first considering issuing a request for information or a request for qualification relative to that contract, and requires related notifications and reports.

CHILDREN SERVICES – CHILD WELFARE

Sec. 531. Child Welfare Contract Change Notification – DELETED

Requires DHHS to notify the Legislature of any changes to a child welfare master contract template not less than 30 days before the changes take effect, including templates for adoption, independent living plus, child placing agency foster care, and residential foster care juvenile justice.

Sec. 532. Licensing and Contract Compliance Review– DELETED

Requires collaboration between DHHS and representatives of private child and family agencies to revise and improve contract compliance and licensing review processes; requires report.

Sec. 537. Residential Bed Space Standards and Preferences– DELETED

Directs DHHS to collaborate with child caring institutions to develop a strategy to implement MCL 400.115o, which restricts out-of-state placements of youth and restricts placements of youth in state administered facilities over comparable private provider facilities; requires report.

Sec. 546. Foster Care Agency Administrative Rates – REVISED

Establishes foster care administrative rate of \$37 for private child placing agencies under contract with DHHS and increases the rate by \$9.20, provided that the county match rate is eliminated for this increase; requires payments for independent living plus services at the statewide per diem. Executive revises language to set the general foster care rate, independent living rate, and trial unification services rate all at \$46.20 and strikes language requiring a \$9.20 administrative rate increase to private foster care providers and that the county match rate be eliminated.

Sec. 558. Child Welfare Training Institute Report – DELETED

Directs DHHS to report on the policies, procedures, and other relevant issues related to modernizing the child welfare training program.

Sec. 589. Foster Care Administrative Rate County Hold-Harmless Policy – REVISED

Requires DHHS to pay 100% of the administrative rate for all new cases referred to foster care services providers; requires monthly report on number of cases supervised by private agencies and by DHHS. Executive deletes language requiring DHHS to pay 100% of the administrative rates.

PUBLIC ASSISTANCE

Sec. 619. Family Independence Program (FIP) and Food Assistance Benefit Exemption – REVISED

Exempts individuals convicted of a drug felony after August 22, 1996 from the federal prohibition on receiving FIP and food assistance benefits; requires benefits be paid to a third-party for these cases; prohibits individuals convicted of 2 or more separate drug felonies from receiving assistance, subject to federal approval of this additional condition. Executive revises language to state that the exemption would be given if the act, not the conviction itself, occurred after August 22, 1996; also requires that if the grantee is the individual convicted, then FIP benefits must be paid as restricted payments - using a protective payee, if possible, or vendor payments for shelter to the extent possible. If the convicted individual is not the grantee, then assistance shall go to the grantee.

Major Boilerplate Changes From FY 2017-18

Sec. 650. Food Assistance Program Able-Bodied Adults Without Dependents Waiver – DELETED

Requires DHHS to apply the food assistance eligibility requirements as prescribed in 7 CFR 273.24(a)-(d) on a statewide basis beginning May 1, 2018. (*Executive signing letter stated section is considered unenforceable.*)

CHILDREN SERVICES – JUVENILE JUSTICE

Sec. 708. County Spending Plan Required – REVISED

Specifies that in order for counties to receive allocations from the Child Care Fund, they must submit a service spending plan for DHHS approval by October 1 of each year; requires DHHS to notify counties of any plan revisions; requires report. Executive revises language to change submission date to August 15, deletes requirement that DHHS cannot request additional plan revisions outside of those in revision notification, and includes new language requiring counties to submit plan amendments by August 30 and payable estimates by September 15.

Sec. 721. Residential Facility of Last Resort – DELETED

If demand exceeds capacity at state-operated facilities, requires DHHS to post a request for proposals to contract with not less than 1 private provider to be a residential facility of last resort instead of increasing available occupancy at state-operated facilities.

FIELD OPERATIONS AND SUPPORT SERVICES

Sec. 805. Michigan Rehabilitation Services (MRS) Order of Selection – DELETED

States legislative intent that MRS not implement an order of selection for vocational and rehabilitative services; requires legislative notification if program is at-risk of implementing an order of selection.

BEHAVIORAL HEALTH SERVICES

Sec. 912. Salvation Army Harbor Light Program – DELETED

Requires DHHS to contract with the Salvation Army Harbor Light Program for providing non-Medicaid substance use disorder services, if program meets standard of care.

Sec. 994. National Accreditation Review Criteria for Behavioral Health Services – DELETED

Requires DHHS to seek, if necessary, a federal waiver to allow a CMHSP, PIHP, or subcontracting provider agency that is reviewed and accredited by a national accrediting entity for behavioral health care services to be in compliance with state program review and audit requirements; requires a report that lists each CMHSP, PIHP, and subcontracting provider agency that is considered in compliance with state requirements; requires DHHS to continue to comply with state and federal law not initiate an action by negatively impacts beneficiary safety; defines "national accrediting entity."

Sec. 1008. PIHP Administrative Costs, Mental Health Care, Service Rates, and Direct Care Reimbursement – REVISED

Requires the PIHP to work to reduce administrative costs, take an active role in managing mental health care, ensure that direct care rate variances are related to the level of need or other quantifiable measures, and whenever possible promote fair and adequate direct care reimbursement. Executive adds Community Mental Health Services Programs to also meet these requirements.

Sec. 1009. Direct Care Wage Increase – REVISED

Allocates \$45.0 million to provide a \$0.50 per hour increase for direct care workers and requires DHHS contractually mandate these funds be fully passed through to agencies for paying direct care workers' wages and includes reporting requirements; establishes provisions for receiving funds; requires a report. Executive replaces current language with requirement for PIHPs to report range of wages paid to direct care workers and for DHHS to report information to legislature.

Sec. 1061. Caro Regional Mental Health Center – REVISED

Requires DHHS to only use the funds appropriated for the Caro Regional Mental Health Center to support a psychiatric hospital at its current location, includes legislative intent that the Caro Regional Mental Health Center remain open and operational at its current location and that any capital outlay funding be used for planning and construction at the current location instead of a new location. Executive deletes statement of legislative intent and adds language permitting funds be transferred, either through an administrative transfer or the legislative transfer process.

POPULATION HEALTH

Sec. 701. [PA 201]. PFAS Contamination Response by Local Health Departments – DELETED

Allocates \$2.5 million to local health departments experiencing potential PFAS contamination, which may be used for staffing, planning and response, materials, and other needs. (Included in supplemental appropriations Act 201 of 2017).

Sec. 703. [PA 201]. Reimbursement for PFAS Environmental Contamination Response – DELETED

Expresses intent of the Legislature that the United States Department of Defense shall reimburse the state for costs associated with PFAS and environmental contamination response at military training sites and support facilities. (Included in supplemental appropriations Act 201 of 2017).

Sec. 704. [PA 201]. Expenditure of Funding for PFAS Environmental Contamination Response – DELETED

Prohibits expenditure of GF/GP and state restricted funding sources for PFAS and environmental contamination response when federal or private funding is available for the same purpose. (Included in supplemental appropriations Act 201 of 2017).

Major Boilerplate Changes From FY 2017-18

MEDICAL SERVICES

Sec. 1806. Common Formulary for Medicaid Health Plans – REVISED

Requires DHHS to monitor progress in implementing the common formulary; requires DHHS to develop policies to operate the common formulary to ensure fair and full public participation; requires a report. Executive deletes requirement to monitor progress in implementing the common formulary and revises to maintain policies to ensure fair and full public participation.

Sec. 1861. [Sec. 702. of PA 201]. Nonemergency Medical Transportation Pilot – REVISED

Requires DHHS to increase the number of counties in which a local public transportation entity is the primary administrator of the Medicaid nonemergency medical transportation benefit using a nonprofit as the transportation broker, lists purpose and performance outcomes. Executive deletes requirement that the local public transportation entity uses a nonprofit transportation broker. (Language revised in supplemental appropriations Act 201 of 2017).

Sec. 1875. Prior Authorization for Certain Drugs – DELETED

Applies prior authorization prohibition to DHHS and its contractual agents for psychotropic medications, drugs for the treatment of epilepsy/seizure disorder, or drugs for organ transplant therapy, if those drugs were either carved out or not subject to prior authorization procedures as of May 9, 2016, defines "prior authorization". Executive deletes.

Supplemental Recommendations for FY 2017-18 Appropriations FY 2017-18 Recommendation

1. Traditional Medicaid Cost Adjustments

Provides reduction of \$136.0 million Gross (\$55.1 million GF/GP) for traditional Medicaid program caseload, utilization, and inflation adjustments. Compared to FY 2016-17 expenditures, State Budget Office forecasts an annual increase of 6%.

Gross	(\$135,971,100)
Federal	(80,881,000)
GF/GP	(\$55,090,100)

2. Healthy Michigan Plan Cost Adjustments

Provides reduction of \$263.5 million Gross (\$15.2 million GF/GP) for Healthy Michigan Plan caseload, utilization, and inflation adjustments. Compared to FY 2016-17 expenditures, State Budget Office forecasts an annual increase of 10%.

Gross	(\$263,482,700)
Federal	(248,332,400)
GF/GP	(\$15,150,300)

3. Affordable Care Act (ACA) Health Insurer Fee

Adds \$210.0 million Gross (\$52.5 million GF/GP) to support actuarial soundness payments for the one-year reinstatement of the federal Affordable Care Act (ACA) health insurer fee.

Gross	\$210,000,000
Federal	157,499,400
GF/GP	\$52,500,600

4. Federal Medicaid Managed Care Final Rule Compliance

Includes \$830,100 Gross (\$415,100 GF/GP) for 15.0 FTEs within Medical Services Administration for compliance and implementation of the recent federal Medicaid managed care rules. Funding would support FTEs for half the fiscal year.

FTE	15.0
Gross	\$830,100
Federal	415,000
GF/GP	\$415,100

5. Special Hospital Payments

Increases \$110.8 million Gross (reduces \$13.7 million GF/GP) in net special hospital payment adjustments based primarily on changes required to comply with recent changes to federal Medicaid managed care rules that phase out "pass through" payments. The Hospital Rate Adjustment (HRA) is increased by \$190.0 million Gross (reducing \$21.5 million GF/GP) with distribution tied to direct claims. The Rural and Sole Community Hospital and Obstetrical Stabilization "pass through" payments could not be restructured and instead the \$14.7 million GF/GP is provided to the hospitals without federal Medicaid reimbursement; the loss of \$27.0 million in federal Medicaid reimbursement is partially offset with \$7.0 million in additional GF/GP. The Medicaid Access to Care Initiative (MACI) is also adjusted based on projected allocations.

Gross	\$110,779,600
Federal	76,360,700
Restricted	48,135,800
GF/GP	(\$13,716,900)

6. Ambulance Quality Assurance Assessment Program (QAAP) Implementation Delay

Reduces QAAP-funded supplemental ambulance payments \$27.2 million Gross (\$0 GF/GP) assuming the ambulance QAAP will be implemented by April 1, 2018 rather than at the start of FY 2017-18. The state retainer savings are also adjusted for partial year implementation, requiring an additional \$1.9 million GF/GP.

Gross	(\$27,219,100)
Federal	(21,007,400)
Restricted	(8,139,100)
GF/GP	\$1,927,400

7. Federal Money Follows the Person Demonstration Grant

Phases out federal Money Follows the Person demonstration grant used to increase use of home- and community-based services and to reduce institutionally-based services. Grant funding is offset with state GF/GP and federal Medicaid matching funds. Over a 10 year period, Michigan received \$88.2 million.

Gross	\$0
Federal	(563,500)
GF/GP	\$563,500

Supplemental Recommendations for FY 2017-18 Appropriations

**FY 2017-18
Recommendation**

8. Special Medicaid Reimbursements

Reduces special Medicaid reimbursements by \$16.9 million Gross (\$0 GF/GP) for Specialty Network Access Fee (SNAF), physician adjustor payments, dental adjustor payments, Graduate Medical Education innovations pool, and university disproportionate share hospital (DSH) payments. GF/GP is not used as state matching funds for these special Medicaid reimbursements.

Gross	(\$16,861,300)
Federal	(20,297,400)
Local	(129,700)
Restricted	3,565,800
GF/GP	\$0

9. Food Assistance Program Caseload Adjustments

Reduces the federally funded Food Assistance Program by \$441.6 million Gross (\$0 GF/GP) for caseload adjustments. Food assistance caseloads have been steadily declining since 2014.

Gross	(\$441,620,300)
Federal	(441,620,300)
GF/GP	\$0

10. Other Public Assistance Caseload Adjustments

Increases other public assistance programs by \$1.3 million Gross (reduction of \$2.8 million GF/GP) for caseload adjustments.

Gross	\$1,288,600
TANF	4,129,900
GF/GP	(\$2,841,300)

11. Child Welfare Caseload Adjustments

Increases child welfare programs by \$35.3 million Gross (\$26.3 million GF/GP) for caseload adjustments. Of this increase, \$27.3 million Gross (\$16.5 million GF/GP) is for the foster care program for which both caseloads and costs per case are increasing.

Gross	\$35,326,000
Federal	5,267,100
TANF	1,371,100
Local	3,578,200
Private	(1,159,100)
GF/GP	\$26,268,700