HHS: MEDICAL SERVICES AND BEHAVIORAL HEALTH

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Medical Services and Behavioral Health

This is one of three briefings about the Department of Health and Human Services budget. See also briefings on Human Services and Public Health/Crime Victims Services/Aging and Adult Services.

Medical Services

- The traditional Medicaid program is a joint federal-state health care program for low-income families, children, and disabled individuals.
- Medicaid Program was expanded to include non-disabled, childless adults through Healthy Michigan Plan beginning in 2014.
- Also supports Children’s Special Health Care Services, Federal Medicare Pharmaceutical Program, and MIChild.
- Programs are governed through a combination of federal law and regulations, the Social Welfare Act, annual budget boilerplate language, and Michigan’s Medicaid State Plan.

Behavioral Health

- The Michigan Constitution (Article VIII, Section 8) states that institutions, programs, and services for the care, treatment, education, or rehabilitation of those inhabitants who are physically, mentally, or otherwise seriously disabled shall always be fostered and supported.
- Behavioral health services are governed by the state’s Mental Health Code (1974 PA 258, as amended) and federal regulations.
- In addition to Medicaid-funded behavioral health services, state funds services for non-Medicaid-eligible individuals through local community health programs and prepaid inpatient health plans, and operates five psychiatric facilities.
Medical and Behavioral Health Share of State GF/GP

These programs represent just over 30% of the total state GF/GP budget

FY 2015-16 GF/GP Total = $9,881,312,900

- Corrections $1,903,948,400 19.3%
- Higher Education/Community Colleges $1,363,529,300 13.8%
- Debt Service/State Building Authority Rent $411,019,600 4.2%
- Transportation $400,000,000 4.0%
- State Police $376,305,600 3.8%
- Other $1,282,861,800 13.0%
- Other Health and Human Services $1,127,658,700 11.4%
- Medical and Behavioral Health $3,015,989,500 30.5%
SOURCES OF FUNDING
Medical and Behavioral Health Funding Sources

Federal funds represent over 70% of the $18.6 billion appropriated for Medical Services and Behavioral Health, driven mainly by federal Medicaid match funds.

FY 2015-16 Medical Services and Behavioral Health Budget = $18,561,669,400

- Federal: $13,429,103,000 (72.3%)
- Local: $80,726,800 (0.4%)
- Private: $5,208,700 (0.0%)
- State Restricted: $2,030,641,400 (10.9%)
- State GF/GP: $3,015,989,500 (16.2%)
APPROPRIATION AREAS
Medical Services and Behavioral Health Appropriation Areas

Appropriations are categorized in the next two charts as follows:

- **Administration** of the Medicaid, Children’s Special Health Care Services (CSHCS), MIChild, and Behavioral Health programs, including the Electronic Health Records Program

- **Medical services through the traditional Medicaid program**, including both managed care payments and fee-for-service payments. Includes long-term and integrated care, home- and community-based waiver programs, provider-funded Disproportionate Share Hospital (DSH) payments, Gradate Medical Education (GME) payments, Medicare premium payments, Medicare pharmaceutical “clawback” costs, CSHCS, and the MIChild program

- **Medical services through the Healthy Michigan Plan (HMP)**

- **Special payments** made for Special Medicaid Reimbursement to various health providers, GF/GP-funded DSH, School-Based Services, and the Dental Clinic Program

- **Behavioral health services through the traditional Medicaid program**, including mental health services, substance abuse disorder services, children’s waiver programs, and autism services.

- **Behavioral health services through the HMP**

- **Non-Medicaid Behavioral Health and State Psychiatric Hospitals**
FY 2015-16 Medical Services and Behavioral Health Budget = $18,561,669,400

- Medical Services:
  - Traditional Medicaid: $10,525,919,200 (56.7%)
  - HMP: $3,726,633,700 (20.1%)

- Special Payments: $546,994,400 (2.9%)

- Behavioral Health:
  - Traditional Medicaid: $2,503,295,400 (13.5%)
  - HMP: $355,432,600 (1.9%)
  - Non-Medicaid Behavioral Health/State Psych Hospitals: $508,113,200 (2.7%)

- Administration/Electronic Health Records: $395,280,900 (2.1%)
FY 2015-16 Medical Services and Behavioral Health Budget = $3,015,989,500

Medical Services:
- Traditional Medicaid: $1,759,758,900 (58.3%)
- Special Payments: $10,751,800 (0.4%)

Behavioral Health:
- Traditional Medicaid: $812,586,300 (26.9%)
- Non-Medicaid Behavioral Health/State Psych Hospitals: $348,031,700 (11.5%)
- Administration/Electronic Health Records: $84,860,800 (2.8%)

Note: No GF/GP costs are incurred for the Healthy Michigan Plan during FY 2015-16.
MAJOR BUDGET TOPICS
TRADITIONAL MEDICAID PROGRAM
Medicaid Eligibility

- States have the flexibility to establish income eligibility standards within federal standards

- Current net income eligibility standards (not including Healthy Michigan Plan):
  - Families receiving Family Independence Program cash assistance: 49% of the federal poverty level (FPL)
  - Aged, blind, and disabled individuals receiving Supplemental Security Income (SSI): 75% of FPL
  - Elderly and disabled individuals up to 100% of FPL
  - Children under 18 in families up to 160% of FPL
  - Pregnant women and newborn children up to 195% of FPL
  - Individuals needing long-term care services up to 225% of FPL (or 300% of SSI)
  - Medically needy individuals with income or resources above regular financial eligibility levels
# Medicaid Eligibility

## TABLE 1
2015 Federal Poverty Level Examples

<table>
<thead>
<tr>
<th>% of FPL</th>
<th>Eligibility Group</th>
<th>Individual</th>
<th>Family of 2</th>
<th>Family of 3</th>
<th>Family of 4</th>
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<tbody>
<tr>
<td>100%</td>
<td>Elderly/disabled</td>
<td>$11,770</td>
<td>$15,930</td>
<td>$20,090</td>
<td>$24,250</td>
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<td>133%</td>
<td>Healthy Michigan Plan</td>
<td>15,654</td>
<td>21,187</td>
<td>26,720</td>
<td>32,253</td>
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<td>160%</td>
<td>Children under 18</td>
<td>18,832</td>
<td>25,488</td>
<td>32,144</td>
<td>38,800</td>
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<tr>
<td>195%</td>
<td>Pregnant women/newborn children</td>
<td>22,952</td>
<td>31,064</td>
<td>39,176</td>
<td>47,288</td>
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<tr>
<td>225%</td>
<td>Individuals needing long-term care</td>
<td>26,600</td>
<td>36,002</td>
<td>45,403</td>
<td>54,805</td>
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</table>

**Note:** Does not reflect income disregards and asset tests, including 5% income disregard for Healthy Michigan Plan, children, and pregnant women.
Medicaid Caseloads

From FY 2000-01 to FY 2010-11, Medicaid caseloads increased by over 70%. Since the peak, caseloads have declined by nearly 15%. The primary driver of caseloads changes appears to be economic. Medicaid caseloads appear to track more closely to the state’s poverty rate than the state’s unemployment rate.

Annual Medicaid Caseloads and Economic Trends

- Traditional Medicaid Caseload
- Poverty Rate
- Unemployment Rate
Medicaid Services

- Federal law and regulations have established both mandatory and optional medical services that are covered by the program.

- Mandatory Medicaid services include:
  - Inpatient and outpatient hospital services
  - Physician’s services
  - Nursing facility services
  - Laboratory and x-ray services
  - Emergency services
  - Pregnancy-related services

- Optional Medicaid services covered under Michigan’s Medicaid program include:
  - Behavioral health (mental health and substance use disorder)
  - Home- and community-based services (including MI Choice and habilitation support waivers)
  - Pharmaceutical services
  - Adult home help services
  - Dental services (including the Healthy Kids Dental program)
  - Hospice services
  - Program of All-Inclusive Care for the Elderly (PACE)
Medicaid Provider Rates

- States have the flexibility to establish Medicaid provider rates up to the various federal upper payment limits for hospital services, nursing facilities, clinic services, and practitioner services.

- These federal upper payment limits generally correspond to Medicare reimbursement rates.

- Federal regulations also require that provider rates “be sufficient to enlist enough providers so that services under the [Medicaid state] plan are available to beneficiaries at least to the extent that those services are available to the general population”.

- Medicaid is considered the payer of last resort, meaning all other financial resources such as commercial insurance, Medicare, workers compensation, or no-fault automobile insurance are utilized prior to Medicaid provider reimbursement.
Medicare Savings Programs

- State Medicaid programs are required to participate in Medicare savings programs, which help low-income Medicare eligible individuals pay for Medicare coverage.

- There are four Medicare savings programs:
  - For Medicare eligible individuals up to 100% of FPL, the Qualified Medicare Beneficiaries program pays Medicare Part A (inpatient services) premiums, Medicare Part B (outpatient services) premiums, deductibles, and coinsurances.
  - For Medicare eligible individuals between 100% and 120% of FPL, the Special Low Income Medicare Beneficiaries program pays Part B premiums.
  - For Medicare eligible individuals between 120% and 135% of FPL, the Qualifying Individuals program pays Part B premiums.
  - For Medicare eligible individuals up to 200% of FPL, the Qualified Disabled Working Individual program pays Part A premiums.

- Michigan recently implemented a new program for individuals receiving full Medicare and Medicaid coverage (known as “dual eligibles”) called MI Health Link.
  - Partnership between the state, the federal government, and managed care health plans to provide a single, integrated health plan for all health services.
  - Currently available in Southwest Michigan, the Upper Peninsula, Macomb County, and Wayne County.
  - Enrollment is voluntary.
TRADITIONAL MEDICAID FINANCING
Federal Medicaid Match Rate

- Traditional Medicaid expenditures are jointly financed by the federal and state governments.

- For most expenditures the portion financed by the federal government is determined utilizing the Federal Medical Assistance Percentage (FMAP).

- This rate is adjusted annually based on a comparison of a given state’s average personal income to the average national personal income utilizing a three-year average.

- For FY 2015-16, Michigan’s FMAP rate is 65.60%: the federal government finances 65.60% of Medicaid expenditures, and the state finances the remaining 34.40%. In other words, for each $1.00 Michigan spends on the Medicaid program, the federal government provides $1.91.
Federal Medicaid Match Rate

The federal Medicaid match (FMAP) rate shifted in the state’s favor during the economic downturn as Michigan’s economic growth lagged the nation’s, reducing growing state match requirements, but has now begun gradually declining.

Note: Increases for FY 2009 to FY 2011 were due to Federal American Recovery and Reinvestment Act of 2009
For FY 2015-16, $4.3 billion in state match funds are appropriated as state match for $12.9 billion in total projected traditional Medicaid expenditures.

The largest source of state match funds is General Fund/General Purpose (GF/GP) revenue, at $2.4 billion.

Over the last 15 years, the state has increasingly relied on state restricted funds to reduce the need for GF/GP funds as state match, with $1.9 billion in restricted funds appropriated for FY 2015-16.

Restricted fund sources include:
- Provider assessments, known as Quality Assurance Assessment Program (QAAP), levied against hospitals, nursing homes, and ambulance providers: $1.1 billion
- Medicaid Benefits Trust fund: $324 million
- Health Insurance Claims Assessment: $210 million
- Special financing funds from public and university hospitals: $186 million
- Merit Award Trust Fund: $64 million

Additionally, the state collects roughly $600 million by levying its Use Tax on Medicaid managed care organizations; $400 million (or 2/3) accrues to state GF/GP and $200 million (or 1/3) accrues to the School Aid Fund.
QAAP Provider Increases and State Savings

The net payment increases to providers from the Quality Assurance Assessment Program grew substantially through FY 2010-11 but have flattened out since. The increase in FY 2015-16 state savings and corresponding reduction in net provider increase is due to a one-time state retainer increase of $93 million.

Quality Assurance Assessment Program:
Estimated Provider Increases and State GF/GP Savings

Note: Does not include provider rate increases under Healthy Michigan Plan.
HEALTHY MICHIGAN PLAN
Healthy Michigan Plan

- The federal Affordable Care Act, enacted in 2010, required states to expand their Medicaid programs to include all individuals with net income up to 133% of FPL.

- A subsequent Supreme Court decision made expansion optional for each state; as of November 2, 2015, 31 states and the District of Columbia had adopted the expansion.

- The Michigan Legislature expanded Medicaid to adults with income up to 133% of FPL via Public Act 107 of 2013 (House Bill 4714) which created the Healthy Michigan Plan.

- The target population for the expansion is adults (ages 19-64), as children and pregnant women with incomes of 133% or lower were already eligible for Medicaid.
Healthy Michigan Plan Waivers

Public Act 107 required two federal waiver to make a number of modifications from the state’s traditional Medicaid program.

- An initial waiver approved in December 2013 included the following modifications:
  - Health savings accounts
  - Co-pays and other cost sharing (up to 5% of income for individual with income of 100% of FPL or higher)
  - Certain incentives for healthy behavior

- A second waiver was approved in December 2015 to meet statutory requirements:
  - Individuals enrolled in the program for more than 48 months with income of 100% of the federal poverty level or higher to either:
    - Shift to a health insurance plan purchased on the health insurance exchange created under the Affordable Care Act (utilizing federal subsidies for purchasing health insurance rather than Medicaid funding) or
    - Remain on the Healthy Michigan Plan with higher cost sharing requirements of up to 7% of income
  - Approximately 100,000 of the 600,000 Healthy Michigan Plan beneficiaries have income greater than 100% FPL and are therefore potentially subject to this requirement
Healthy Michigan Plan Caseloads

Healthy Michigan Plan enrollment grew very quickly, reaching over 240,000 individuals in the first two months and then increasing by an average of over 30,000 individuals from May 2014 to March 2015. Enrollment has now plateaued at a little under 600,000 individuals.
HEALTHY MICHIGAN PLAN
FINANCING
Healthy Michigan Plan Financing

- Initially, federal funds support 100% of costs associated with the Healthy Michigan Plan. That federal match rate will phase down to 90% over the next five years: 95% for calendar year 2017, 94% for 2018, 93% for 2019, and then 90% for 2020 and subsequent years.

- Based on current HFA projections, state matching costs for the Healthy Michigan Plan will be about $150 million in FY 2016-17 (for three-quarters of a year), growing to roughly $450 million in FY 2020-21 (when the state match rate will be 10% for a full fiscal year).

- Not all of the state matching costs, however, will require additional GF/GP funds. Provider assessments and special financing contributions will be used to support the special Medicaid reimbursements within the Healthy Michigan Plan.

- HFA projects GF/GP costs of $117 million in FY 2016-17, growing to $331 million in FY 2020-21.
Healthy Michigan Plan State Savings

- Implementing the Healthy Michigan Plan has also resulted in state savings, as various health care costs previously funded either partially or wholly through state GF/GP revenue have been shifted to 100% federal funding.

- Full year GF/GP appropriation reductions of $235 million are as follows:
  - $168 million for non-Medicaid mental health funding (originally $204 million, with $36 million subsequently restored)
  - $47 million for the Adult Benefits Waiver program (including $12 million in restricted Medicaid Benefits Trust Fund savings that had offset GF/GP)
  - $19 million for prisoner health care costs in the Department of Corrections budget (originally $32 million, with $13 million subsequently restored)
  - $1 million for smaller health care programs

- Additionally, the state has realized additional revenue from the Health Insurance Claims Assessment (HICA) and the Use Tax on Medicaid managed care organizations as a result of increased health care activities driven by the Healthy Michigan Plan.

- Governor’s original proposal for Healthy Michigan Plan included the creation of a reserve fund to pay for future state match costs; Public Act 107, ultimately, did not specifically set aside state funds for future Healthy Michigan Plan costs.
## Healthy Michigan Plan: Preliminary Estimated State Costs/Savings

### Millions of $

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<td>Average monthly beneficiaries</td>
<td>286,311</td>
<td>544,377</td>
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<td>State match rate (1)</td>
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<td>0%</td>
<td>5%</td>
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<td>State GF/GP match costs (2)</td>
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<td>$0</td>
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<td>Administration and IT</td>
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<tr>
<td>Total Costs</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
<td>$137</td>
<td>$202</td>
<td>$237</td>
<td>$322</td>
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<td>Budget Savings (3)</td>
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<td>Non-Medicaid Mental Health</td>
<td>($77)</td>
<td>($168)</td>
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<td>Adult Benefits Waiver (4)</td>
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<td>(47)</td>
<td>(47)</td>
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<td>Other health programs</td>
<td>(1)</td>
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<td>Savings from Revenue Impacts</td>
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<td>Additional Use Tax revenue (6)</td>
<td>(40)</td>
<td>(172)</td>
<td>(195)</td>
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<td>Total Savings With Revenue Impacts</td>
<td>($147)</td>
<td>($429)</td>
<td>($455)</td>
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<td>Net Costs/(Savings)</td>
<td>($127)</td>
<td>($409)</td>
<td>($435)</td>
<td>($178)</td>
<td>($65)</td>
<td>($30)</td>
<td>$55</td>
<td>$84</td>
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### Notes
1. Presented on calendar year basis; match cost estimates are based on January 1 match rate changes.
2. Assumes QAAP retainer based on current QAAP-to-state-match ratio for traditional Medicaid. State retainer savings could be established at higher level.
3. Assumes no inflationary increase in previous state costs shifted to HMP.
4. Includes $12 million appropriated from Medicaid Benefits Trust Fund.
5. Net of actuarial soundness costs once state match begins. Assumes HICA rate reverts to 1.0% on 1/1/17 and is extended at that rate beyond 1/1/18.
6. Assumes Use Tax on Medicaid Managed Care Organizations is discontinued effective 1/1/17; portion of revenue accrues to School Aid Fund.

### General Note
Does not reflect local savings or reductions in uncompensated care (which will result in reductions to Disproportionate Share Hospital [DSH] payments under HMP statutory provisions).
Healthy Michigan Plan Sunset

- Public Act 107 will sunset Healthy Michigan Plan whenever the net costs of the program exceed the savings, as determined by the Department of Health and Human Services.


- From that point on, HFA estimates indicate a GF/GP cost of roughly $85 million per year to continue coverage for 600,000 individuals.

- Discontinuation of Healthy Michigan Plan will require restoration of funding for mental health and other health care services or reductions from previous levels of services provided.

- DHHS and SBO are statutorily charged with determining precise costs and savings, so the HFA estimates presented should be considered preliminary in nature.
TOTAL MEDICAID EXPENDITURES
Average cost per beneficiary varies widely among beneficiary groups. The elderly and blind & disabled represent 21% of enrollees, but constitute a majority of the expenditures. Conversely, children make up a majority of enrollees, but only constitute 24% of the expenditures.
Medicaid Expenditures by Service Delivery

As both traditional Medicaid and Healthy Michigan Plan caseloads have increased, so have Medicaid expenditures. Since FY 2000-01, expenditures have tripled from $5.7 billion to $17.0 billion. Both fee-for-service and managed care services have increased, but managed care services have increased faster as an increasing percentage of Medicaid beneficiaries have been enrolled into a managed care health plan. 71% of beneficiaries are currently covered through managed care, and represent 64% of expenditures.
Medicaid Managed Care

- The use of managed care is intended to constrain costs by minimizing utilization of higher-cost services, emphasizing primary and preventative care, and negotiating and incentivizing lower reimbursement rates with providers.

- Managed care plans accept the risk of having to pay for high utilizers of health care by accepting a capitated per-member, per-month rate.

- The capitated rates must be actuarially sound based on generally accepted actuarial practices and regulatory requirements.

- Managed care also creates more predictability for state budgeting.

- Managed care enrollment is optional for some groups of Medicaid beneficiaries: migrants, Native Americans, and dual eligibles.

- Some beneficiaries are excluded from managed care enrollment: individuals without full Medicaid coverage, individuals residing in a psychiatric hospital or nursing facility, MI Choice and PACE beneficiaries, and individuals with commercial coverage.
Caseload increases are not the sole reason for Medicaid expenditure increases. Utilization, inflation, and increases in special payments and provider assessments have also increased costs. The average cost per traditional Medicaid beneficiary has increased 50% from $4,900 to $7,500 (Healthy Michigan Plan costs are approximately $6,300). This increase is below the rate of general medical cost inflation.
MEDICAID BUDGET OUTLOOK
Medicaid Expenditures by Fund Source

The state’s total Medicaid caseload has doubled, while total Medicaid expenditures have tripled. Despite those increases, GF/GP funds are basically at the same level as FY 2000-01: roughly $2.0 billion. ($400 million of GF/GP in FY 2015-16 is effectively revenue from the Medicaid Managed Care Use Tax)

GF/GP Support for Medicaid Expenditures

Three major factors have allowed GF/GP support for Medicaid to be held flat over this period of time:

1) The increased use of provider assessments and other restricted revenue sources as state match. Restricted funds have grown from $274.0 million to $1.9 billion
   - A 2012 GAO report indicates that Michigan is already among the most aggressive states in utilizing provider assessments

2) The federal FMAP rate moving in Michigan’s favor as the state’s economy lagged the national economy in the late 2000’s. If Michigan’s FMAP was still at the FY 2000-01 rate of 56.18% (instead of 65.60%), the state would need to identify $1.3 billion in additional state matching funds
   - For FY 2016-17, the state’s FMAP rate is forecasted to decline from 65.60% to 65.15%, which will increase state GF/GP costs by approximately $50 million

3) Initial 100% federal funding for the Healthy Michigan Plan population
   - State match costs for the Healthy Michigan Plan will begin on January 1, 2017. This will result in projected GF/GP costs of $117 million for three-quarters of FY 2016-17, increasing to $331 million per year in FY 2020-21
   - Alternately, discontinuing the expanded program and shifting mental health, prisoner health care, and other costs back to state would cost $235 million per year, plus the GF/GP cost of offsetting lost HICA and Use Tax revenue
Additional GF/GP Medicaid Expenditure Pressures

There are two specific Medicaid financing issues for the traditional program that will potentially require additional GF/GP funds to address for FY 2016-17:

1) Federal guidance indicates that the state’s Use Tax on Medicaid managed care organizations must be discontinued by the end of 2016, as the tax is not broad-based in nature
   – Under current state law, the elimination of the Use Tax on Medicaid managed care organizations will automatically cause the Health Insurance Claims Assessment rate to be restored from 0.75% to 1.0%
   – On net, this will leave a GF/GP budget hole of roughly $130 million per year ($100 million for FY 2016-17)
   – It will also reduce School Aid Fund revenue by about $200 million per year ($150 million for FY 2016-17)
   – Further, the Health Insurance Claims Assessment sunsets at end of calendar year 2017, if sunset is not extended/eliminated, this would create an additional budget hole of about $320 million per full year beginning in FY 2017-18 (House has passed HB 5105 to extend through FY 2025)

2) The state retainer from the provider assessment on hospitals was increased by $93 million on a one-time basis for FY 2015-16 in order to reduce the need for GF/GP funds
   – Either this increase will need to be extended statutorily, or additional GF/GP funds will be needed
OTHER MEDICAL SERVICES
The federal Medicare Part D pharmaceutical program began on January 1, 2006 and includes a clawback provision requiring state funding contributions based on the state costs for pharmaceutical services for persons eligible for both Medicaid and Medicare prior to the creation of Medicare Part D. The state experienced temporary ARRA savings during FY 2009-10 and FY 2010-11. It is anticipated that state costs will continue to increase due to the availability of new specialty drugs.
Children’s Special Health Care Services

- Covers special medical care and treatment for children with certain qualifying chronic and/or disabling diagnoses and adults with cystic fibrosis or certain hereditary blood coagulation disorders (e.g. hemophilia), does not cover the cost of providing health care not relating to qualifying diagnosis

- Local Health Departments provide enrollment and other case management services for enrollees

- Monthly average of 33,000 children and adults receive CSHCS services

- CSHCS is payer of last resort, around 70% of enrollees also enrolled in Medicaid, 22% also enrolled in commercial insurance, 8% have no other health care coverage

- Total program expenditures of roughly $700 million financed through GF/GP funding of approximately $260 million plus federal Medicaid matching funds, Title V Maternal and Child Health Services Block Grant funds, and parent participation fees.
MiChild

MiChild is the state’s Children’s Health Insurance Program (CHIP) authorized under Title XXI of the federal Social Security Act. MiChild provides comprehensive health care services to children in households with income greater than Medicaid eligibility but less than 212% of federal poverty levels. The current enhanced FMAP rate for CHIP is 98.92%. Effective January 1, 2016, MiChild services are being shifted to Medicaid managed care contracts.
BEHAVIORAL HEALTH SERVICES
Community Mental Health Services

- Mental Health Services are governed through the state’s Mental Health Code and annual boilerplate language

- 46 Community Mental Health Services Programs (CMHSPs) have primary responsibility for local service delivery
  - Each county is represented by one of the 46 CMHSPs

- GF/GP non-Medicaid funding is prioritized for services to individuals with the most severe forms of mental illness, serious emotional disturbance, and developmental disability, and to individuals in urgent or emergency situations
  - CMHSPs may also provide other mental health services as resources allow

- CMHSPs cannot deny service based on an individual’s inability to pay

- Since the 1970s, the trend has been toward serving more patients in the community and fewer patients in state-operated psychiatric hospitals and institutional settings

- Beginning October 1, 2015, DHHS is no longer transferring around $140 million GF/GP to the CMHSPs for the purchase of state services, CMHSPs will no longer be charged for those services and the GF/GP is instead directly appropriated to support the state psychiatric hospitals
Medicaid Mental Health Services

- Medicaid Mental Health Services are governed through a combination of federal law and regulations, the state’s Mental Health Code, annual boilerplate language, and Michigan’s Medicaid State Plan

- In general, Medicaid health plans and Medicaid fee-for-service support the cost of mild to moderate mental health services

- In general, Prepaid Inpatient Health Plans (PIHPs) provide specialty mental health services when the need exceeds the benefit provided through Medicaid health plans and Medicaid fee-for-service

- Each CMHSP is a part of one of the 10 PIHPs, which are responsible for distributing Medicaid payments to mental health service providers
  - Beginning January 1, 2014, 18 previous PIHPs were re-aligned into the current 10 PIHPs

- Each PIHPs receives a capitated per-member, per-month rate that is required to be actuarially sound based on generally accepted actuarial practices and regulatory requirements
  - These capitated rates are currently undergoing a rebasing process of placing a greater emphasis on morbidity instead of historical spending in order to achieve more statewide uniformity in the capitated rates made to the PIHPs
Mental Health Spending

Since FY 2000-01, Medicaid Mental Health spending has increased by 133%, while non-Medicaid Mental Health spending has decreased by 76%. Total Mental Health spending has increased by 73%. Changes in both Medicaid and Non-Medicaid spending for FY 2013-14 and FY 2014-15 are due to establishment of the Healthy Michigan Plan. The elimination of the purchase of state services transfer reduced non-Medicaid funding beginning in FY 2015-16.
Substance Use Disorder Services

- Michigan’s Mental Health Code requires Department-designated community mental health entity to coordinate the provision of substance use disorder services in its regions and ensure services are available for individuals with substance use disorder.

- Effective October 1, 2014, Department-designated PIHP entities are coordinating agencies for purposes of receiving any statutorily required substance use disorder funds.

- Substance use disorder services include prevention, education, treatment, and rehabilitation programs.

- The majority of funding for substance use disorder services is from the federal Substance Abuse Prevention and Treatment Block Grant and federal Medicaid revenue.
From its peak in FY 2010-11 to FY 2014-15, total substance use disorder services expenditures has decreased by an annual average of 3.5%, primarily due to the reduction in non-Medicaid federal revenues.
State Mental Health Facilities

- The state has three state-operated psychiatric hospitals for adults
  - Caro Regional Mental Health Center, located in Caro
  - Kalamazoo Psychiatric Hospital, located in Kalamazoo
  - Walther P. Reuther Psychiatric Hospital, located in Westland

- The state has one state-operated psychiatric hospitals for children
  - Hawthorn Center, located in Northville

- DHHS is also responsible for the administration of the Forensic Center in Ann Arbor, created for criminal defendants ruled incompetent to stand trial and/or acquitted by reason of insanity

- Recent State Mental Health Facility closures include
  - Southgate Center (closed January 2002)
  - Northville Psychiatric Hospital (closed May 2003)
  - Mount Pleasant Center (closed October 2009)
State Mental Health Facility
Expenditures and Authorizations

Expenditures for state mental health facilities declined from FY 2000-01 to FY 2006-07 and have fluctuated since due to facility closures, transfer of responsibilities for Forensic Prisoner Mental Health Services to the Department of Corrections in February 2011, reductions in numbers of patients, and staff-related costs. Beginning in FY 2015-16, GF/GP appropriated for CMHSPs to purchase services at these facilities is instead directly appropriated to support state mental health facilities.
Patients in State Mental Health Facilities

The number of patients in state-operated mental health facilities has fallen since FY 2000-01 due to facility closures, more community-based services, and transfer of responsibilities for Forensic Prisoner Mental Health Services to the Department of Corrections in February 2011.
For more information about the Medical Services and Behavioral Health:

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