

Preliminary Summary of FY 2016-17 Executive Recommendation for the Department of Health and Human Services

Analysts: Sue Frey, Kevin Koorstra, Viola Wild, and Kyle I. Jen

	FY 2015-16 Year-to-Date as of 2/10/16	FY 2016-17 Executive	Difference: FY 2016-17 Vs. FY 2015-16	
			Amount	%
IDG/IDT	\$13,551,600	\$13,513,700	(\$37,900)	(0.3)
Federal	18,422,113,900	17,734,683,600	(687,430,300)	(3.7)
Local	123,339,800	123,892,300	552,500	0.4
Private	156,409,100	156,279,300	(129,800)	(0.1)
Restricted	2,217,821,600	2,328,831,500	111,009,900	5.0
GF/GP	4,153,708,200	4,350,767,300	197,059,100	4.7
Gross	\$25,086,944,200	\$24,707,967,700	(\$378,976,500)	(1.5)
FTEs	15,443.0	15,560.5	117.5	0.8

Notes: (1) FY 2015-16 year-to-date figures include mid-year budget adjustments through February 10, 2016. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2015-16 Year-to-Date (YTD) Appropriations

DEPARTMENTWIDE ADMINISTRATION

Information Technology – Child Welfare Information System (MiSACWIS) Implementation

Includes increased funding of \$22.3 million Gross (\$7.7 million GF/GP) in ongoing and one-time funds to continue implementation of improvements to the Michigan Statewide Automated Child Welfare Information System, to comply with new federal regulations and the Modified Settlement Agreement with Children's Rights, Inc., for improved monitoring of child protective services, and foster care and adoption cases.

Information Technology/Medicaid – Integrated Service Delivery Application and Enrollment

Adds \$49.2 million Gross (\$1.2 million GF/GP) for information technology costs to update and streamline the electronic application and enrollment process for services through DHHS. Ongoing funding is \$12.3 million Gross (\$1.2 million GF/GP) and one-time funding is \$36.9 million federal.

Information Technology – Maintenance and Software Support

Increases funding by \$7.2 million Gross (\$2.5 million GF/GP) for costs to support information technology and Medicaid Management Information systems including encryption and security software, Medicaid fraud detection software, and transition to the new DTMB financial model for the provision of information technology services across all departments.

Economic Adjustments

Reflects increased costs of \$42.8 million Gross (\$17.1 million GF/GP) for negotiated salary/wage increases (1.0% ongoing, 1.5% lump sum), insurance rate increases, actuarially required retirement contributions, and other adjustments.

MEDICAID AND BEHAVIORAL HEALTH

Traditional Medicaid Cost Adjustments

Provides increase of \$379.1 million Gross (\$215.8 million GF/GP) for traditional Medicaid program caseload/utilization/inflation, financing, and actuarial soundness adjustments. Total includes \$49.2 million GF/GP to offset decline in federal match rate due to relative growth in state's personal income, as well as \$199.4 million Gross (\$65.5 million GF/GP) to offset negative caseload adjustments utilized to fund specialty drug costs in FY 2015-16. Total caseload for traditional Medicaid program is projected at 1.65 million individuals.

Healthy Michigan Plan Cost Adjustments

Includes reduction of \$470.3 million Gross (increase of \$114.4 million GF/GP) for Healthy Michigan Plan caseload/utilization/inflation, financing, and actuarial soundness adjustments. Gross reduction is due to caseload levelling off at roughly 600,000 individuals. Accounting for other related adjustments, GF/GP funds needed for 5% state match costs beginning January 1, 2017 are \$106.5 million.

Use Tax and Health Insurance Claims Assessment Adjustments

Reduces budget by \$612.9 million Gross (\$140.4 million GF/GP) to reflect discontinuation of Use Tax on Medicaid Managed Care Organizations (MCOs) and associated reimbursement payments to MCOs on January 1, 2017. Also offsets \$58.2 million in GF/GP funds with restricted revenue from associated automatic increase in Health Insurance Claims Assessment rate from 0.75% to 1.0%.

Specialty Drugs

Adds \$194.6 million Gross (\$69.7 million GF/GP) to annualize costs for specialty drugs added to the Medicaid formulary in 2016 to treat Hepatitis C and Cystic Fibrosis. Total FY 2016-17 costs, including half-year costs added through FY 2015-16 legislative transfer, are \$394.1 million Gross (\$135.2 million GF/GP). Also creates one-time reserve fund of \$86.1 million Gross (\$30.0 million GF/GP) for potential costs associated with anticipated release of other new specialty drugs.

Restricted Fund Adjustments

Offsets \$23.7 million in Merit Award Trust Fund revenue redirected to pay costs related to Detroit Public Schools with GF/GP funds. Offsets \$17.5 million in GF/GP funds with available Medicaid Benefits Trust Fund revenue.

Other Major Medicaid Adjustments

Reflects net total reduction of \$119.8 million Gross (\$60.8 million GF/GP) for various other major adjustments: increase in Medicare Part B costs (\$16.9 million GF/GP), special financing adjustments (\$11.0 million GF/GP savings), one-year suspension of federal Health Insurer Fee (\$36.7 million GF/GP savings), and increased use of enhanced State Children's Health Insurance Program (SCHIP) match rate (\$30.0 million GF/GP savings).

Hospital QAAP Retainer

Replaces one-time increase in GF/GP retainer from hospital Quality Assurance Assessment Program of \$92.9 million in FY 2015-16 with ongoing retainer amount of \$105.0 million beginning in FY 2016-17, for a net GF/GP savings of \$12.1 million compared to FY 2015-16. Of new savings amount of \$105.0 million, \$95.0 million is applied to offset Healthy Michigan Plan match costs. Requires statute change.

Special Hospital Payments

Maintains payments at FY 2015-16 levels: \$162.9 million Gross (\$56.0 million GF/GP) for Graduate Medical Education, \$34.9 million Gross (\$12.0 million GF/GP) for Special Rural Hospitals, and \$11.0 million Gross (\$3.8 million GF/GP) for OB/GYN Hospital Lump Sum.

New Unit at Center for Forensic Psychiatry

Adds \$7.6 million GF/GP to fund additional unit to serve 30 patients. Center provides psychiatric treatment to criminal defendants ruled incompetent to stand trial and/or acquitted by reason of insanity.

Healthy Kids Dental

Adds \$25.6 million Gross (\$8.9 million GF/GP) to complete expansion of program, covering children ages 13 to 20 in Kent, Oakland, and Wayne Counties.

Behavioral Health Integration

Includes new boilerplate language that would require funding for Medicaid behavioral health services currently provided to Prepaid Inpatient Health Plans to be transferred to Medicaid health plans by the end of FY 2016-17. Provides for process for stakeholders to develop an integration plan and ensure continuity of care. No related funding adjustments are made to the FY 2016-17 or FY 2017-18 budgets.

PUBLIC HEALTH, CRIME VICTIM SERVICES, AND AGING AND ADULT SERVICES

Flint Declaration of Emergency

Provides \$15.1 million Gross (\$9.1 million GF/GP) in additional funds for evaluation and assistance to residents exposed to lead in the City of Flint, as one-time funding. Services supported include food inspection of restaurants and public venues, nutritional services through existing programs, health services at child and adolescent health centers and schools, community mental health evaluation and care for children with elevated blood levels, and lead investigations and abatement planning for homes. Note that additional funding may be available for transfer from a \$50.0 million Flint Emergency Reserve Fund in the DTMB budget, as well as a \$6.1 million set aside in the DHHS budget (described below), both proposed in a FY 2015-16 supplemental.

Federal Grants for Adult Immunization, Stroke Registry, and Violence Prevention

Recognizes increased public health federal funds including a new adult immunization program grant of \$517,400, stroke registry grant increase of \$390,000, and use of violence prevention grant carryforward funding of \$290,700 for suicide prevention and violent death reporting.

Crime Victim Assistance Services

Adds \$44.3 million to reflect increased federal grant award for crime victim justice assistance services including training and technical assistance for service providers, and direct services to crime victims.

HUMAN SERVICES

Food Assistance Program (FAP) Caseload Adjustment

Increases FAP caseload costs by \$13.8 million Gross (\$0 GF/GP) for FY 2016-17, in addition to a proposed supplemental caseload cost reduction for FY 2015-16 of \$84.7 million Gross (\$0 GF/GP), for a total reduction of \$70.9 million Gross (\$0 GF/GP) compared to the original enacted FY 2015-16 budget. Funding supports 795,400 cases at an average cost of \$246.01 per month; FAP caseload in December 2015 was 786,725.

Additional Public Assistance Caseload Adjustments

Decreases funding for other public assistance programs by \$5.4 million Gross (\$2.5 million GF/GP). Programs included are Family Independence Program (FIP), State Disability Assistance (SDA), and State Supplemental payments.

Child Welfare Caseload Adjustments

Increases funding for child welfare programs by \$706,400 Gross (\$1.1 million GF/GP) for FY 2016-17, in addition to a proposed supplemental caseload cost increase for FY 2015-16 of \$2.7 million Gross (\$713,100 GF/GP), for a total increase of \$3.4 million Gross (\$1.8 million GF/GP). Programs included are the Foster Care Program, Adoption Subsidies, Child Care Fund, Guardian Assistance Program, and Family Support Subsidy.

Family Preservation Programs

Includes additional \$10.0 million federal Temporary Assistance for Needy Families (TANF) grant funds as one-time funding to expand the Parent Partner Program and the Family Reunification Program to additional counties.

Family Independence Program (FIP) Clothing Allowance Increase

Includes additional \$6.1 million federal TANF funding to expand the clothing allowance for FIP recipients to all school-age children receiving benefits instead of the current policy in which only children in "child-only" eligibility groups (adult caretakers not eligible for benefits) receive the clothing allowance; funding would also increase the annual benefit from \$140 per child to \$200.

Foster Care Administrative Rates – Eliminate County Hold Harmless Provision

Reduces funding by \$6.1 million Gross (\$5.2 million GF/GP) by rescinding the county hold-harmless provision that required DHHS to pay 100% of the foster care administrative rates to private agencies for all new cases beginning October 1, 2013; also requires counties to pay 50% of the entire private residential rate and private agency administrative rate at current-year levels.

Multicultural Integration Funding

Increases funding by \$1.5 million GF/GP to various multicultural organizations that provide social services programs to specific populations.

Capped Federal Revenues Fund Source

Rolls the "Capped Federal Revenues" fund source into the general "Total Federal Revenues" fund source.

Flint-Related Supplemental Recommendations for FY 2015-16 Appropriations

Services for Flint Children and Families Exposed to Lead

Provides \$2.2 million GF/GP to address needs related to the City of Flint water and lead exposure crisis, which may include food bank resources for nutrition services to mitigate lead exposure, evidence based home visiting programs for pregnant women, infants, and young children to promote better parenting skills and ability to identify developmental delays in children, and intensive services and outreach for children including case management services.

Child-Related Emergency Needs

Provides boilerplate appropriation of \$6.1 million federal TANF funding for child-related Flint emergency needs; unexpended funds may be established as work project appropriations for expenditure by September 30, 2018.

Other Supplemental Recommendations for FY 2015-16 Appropriations

Medicaid Cost Adjustments

Includes net total of \$68.3 million Gross (\$21.2 million GF/GP) for various Medicaid-related adjustments: increase for Autism Services due to federal policy change (\$4.7 million GF/GP), increase in state's Medicare pharmaceutical clawback payment (\$18.4 million GF/GP), increase in Medicare Part B costs (\$12.5 million GF/GP), and increased use of SCHIP match rate (\$14.3 million GF/GP savings).

Community Behavioral Clinics

Includes \$980,000 federal for a new grant to support planning costs associated with the creation of community behavioral health clinics.

Crime Victim Assistance Services

Adds \$5.0 million to reflect increased federal grant award for crime victim justice assistance services, including crisis counseling, training and technical assistance, personal and legal advocacy, therapy, shelter, and referral.

FAP Caseload Adjustments

Reduces FAP by \$84.7 million Gross (\$0 GF/GP) for caseload adjustments.

Other Public Assistance Caseload Adjustments

Reduces other public assistance programs by \$4.4 million Gross (\$2.1 million GF/GP) for caseload adjustments.

Child Welfare Caseload Adjustments

Increases child welfare programs by \$2.7 million Gross (\$713,100 GF/GP) for caseload adjustments.

Sexual Assault Evidence Kit Funding

Includes \$25,000 GF/GP funding to implement PA 318 of 2014, the Sexual Assault Evidence Kit Tracking and Reporting Act.