Budget Briefing:
Health and Human Services

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Department of Health and Human Services

The Michigan Department of Health and Human Services (DHHS) was created in 2015 by the merger of the former Departments of Community Health (DCH) and Human Services (DHS).

- The **Health Services** portion of the DHHS budget provides funding for:
  - Medical services programs, including Medicaid and the Healthy Michigan Plan
  - Behavioral health services, including substance use disorder services
  - Population health programs (public health)
  - Aging and adult services
- The **Human Services** portion of the DHHS budget includes programs and services to assist Michigan's most vulnerable families. This includes:
  - Public assistance programs
  - Protecting children and assisting families by administering foster care, adoption, and family preservation programs, and by enforcing child support laws

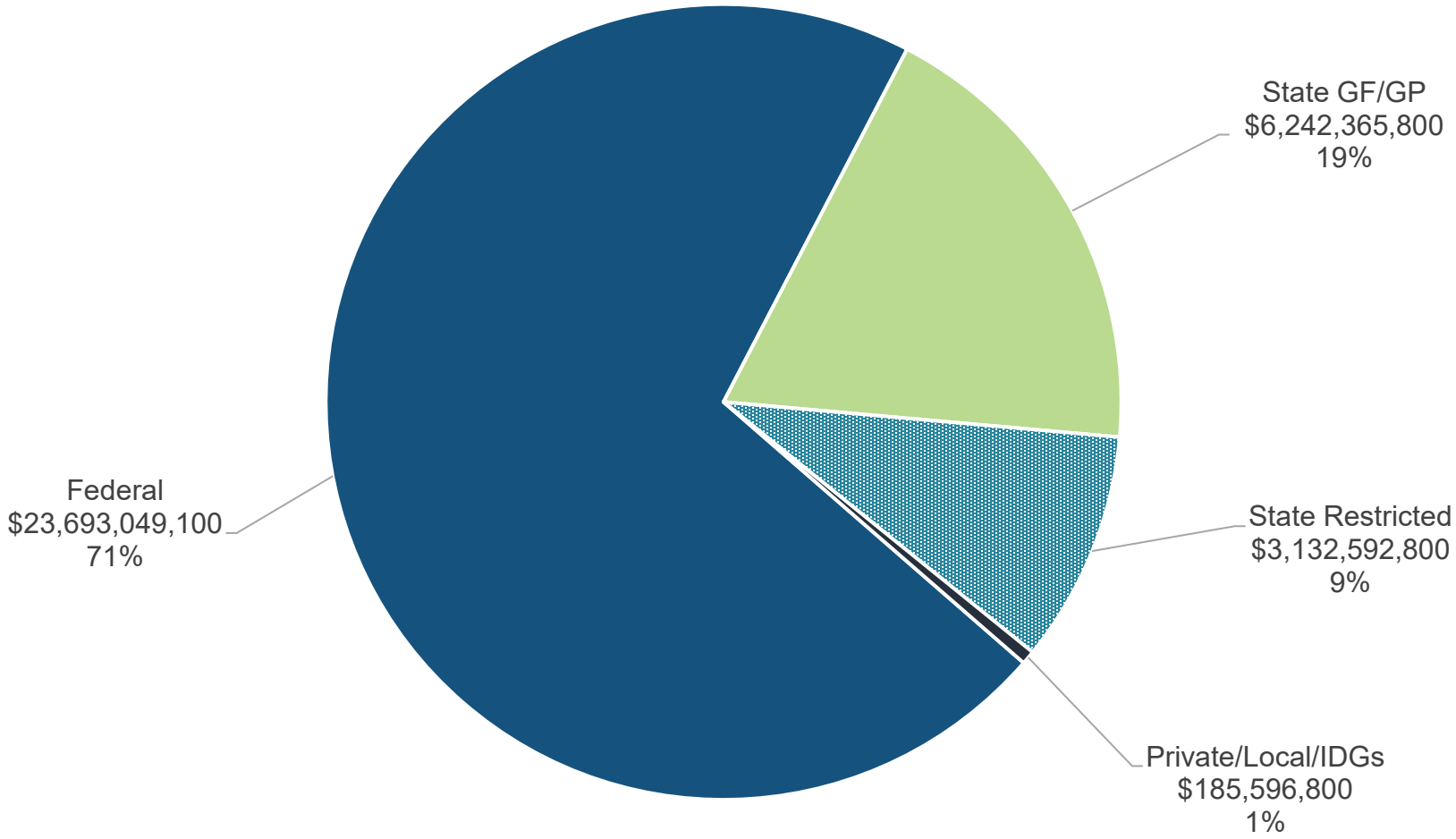
Funding Sources

FY 2022-23 DHHS Budget

Fund Source	Funding	Description
Gross Appropriations	$33,438,302,800	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	14,696,000	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	$33,423,606,800	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	23,693,049,100	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	170,002,300	Revenue received from local units of government for state services
Private Revenue	185,596,800	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	3,132,592,800	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	$6,242,365,800	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

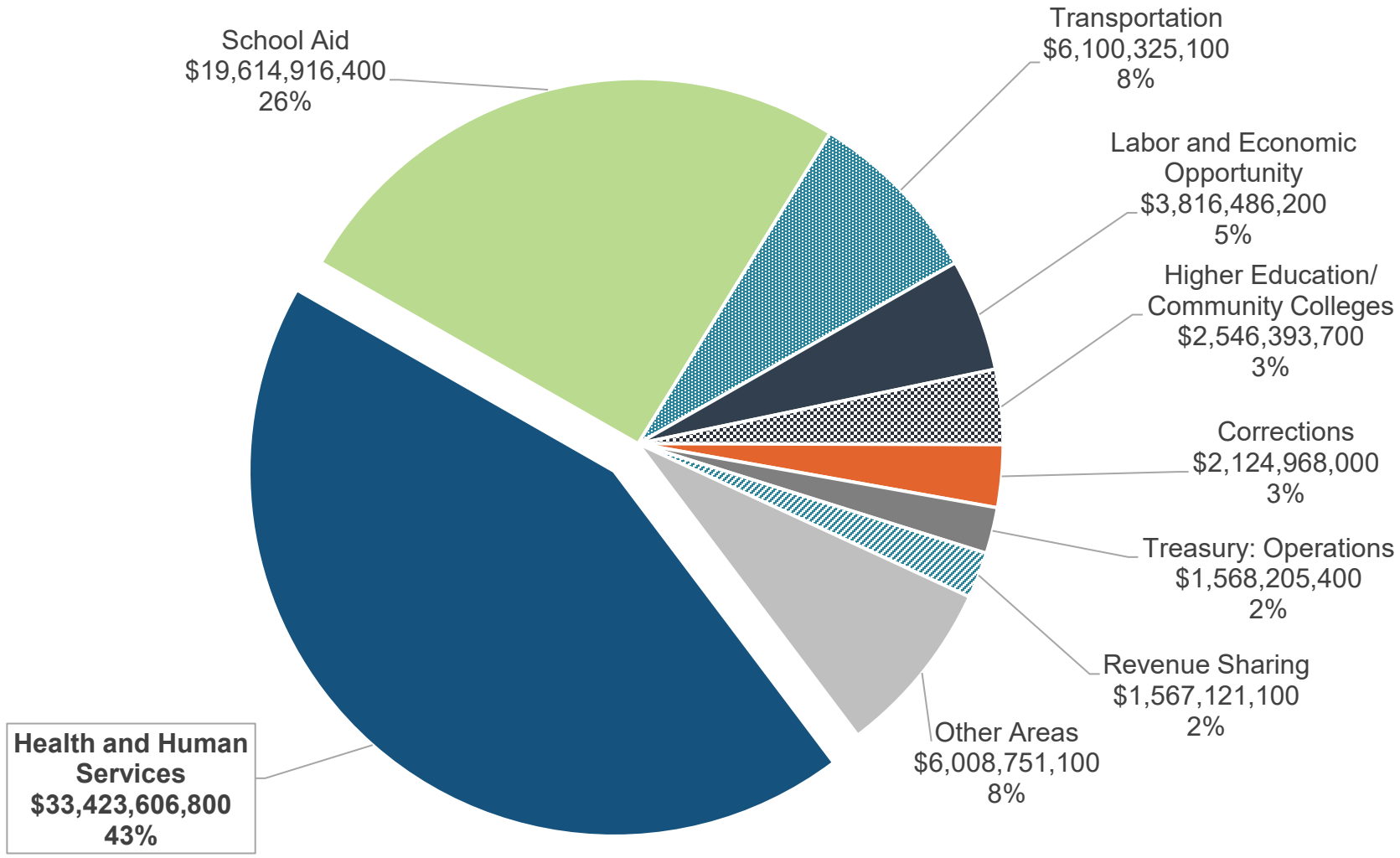
FY 2022-23 Fund Sources

71% of the **$33.4 billion** DHHS budget is funded by federal revenue, including Medicaid and Healthy Michigan Plan matching funds, food assistance funds, and the TANF block grant.



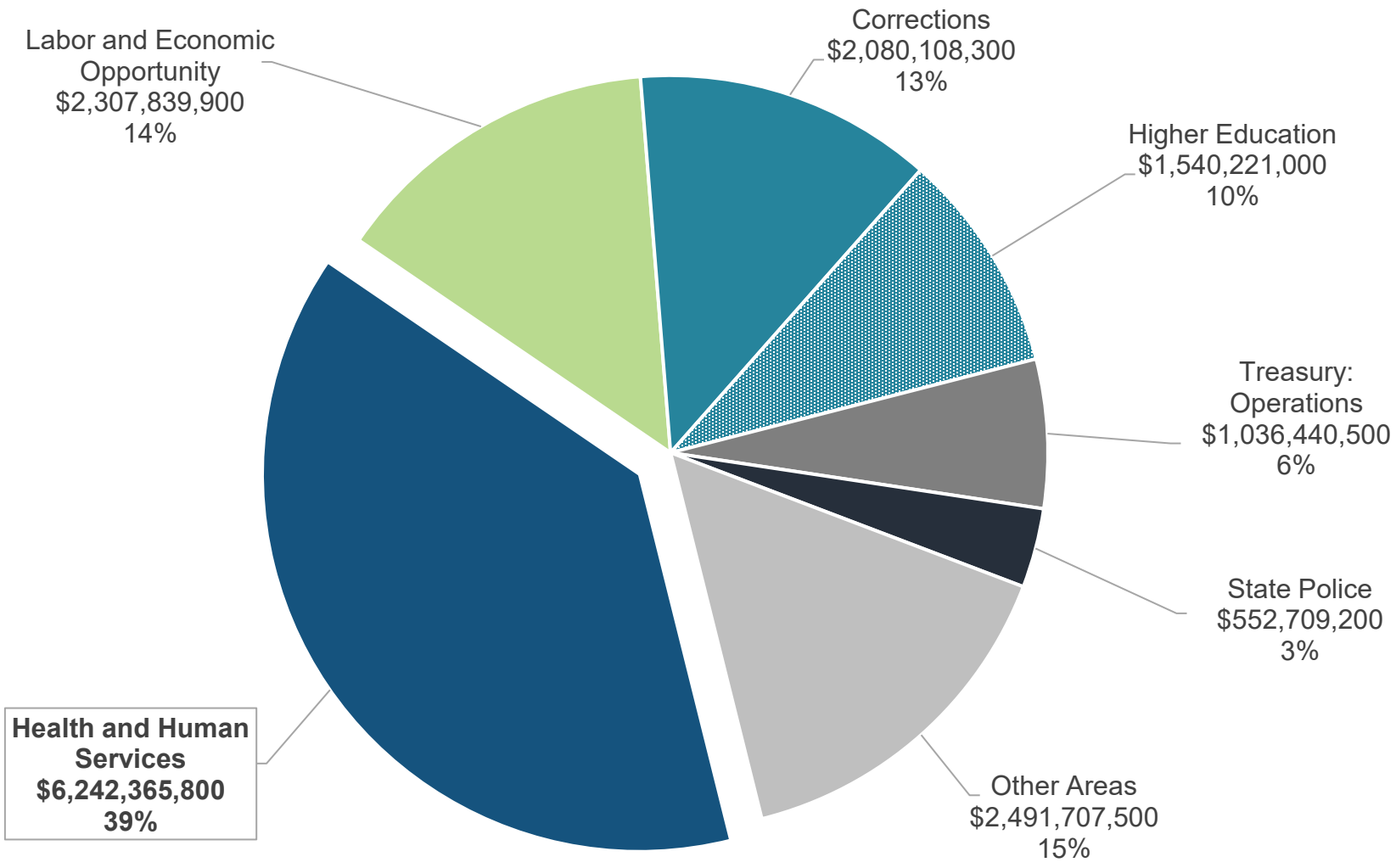
DHHS Share of Total State Budget

The DHHS budget represents **43%** of the **$76.8 billion** state budget (adjusted gross) for FY 2022-23.



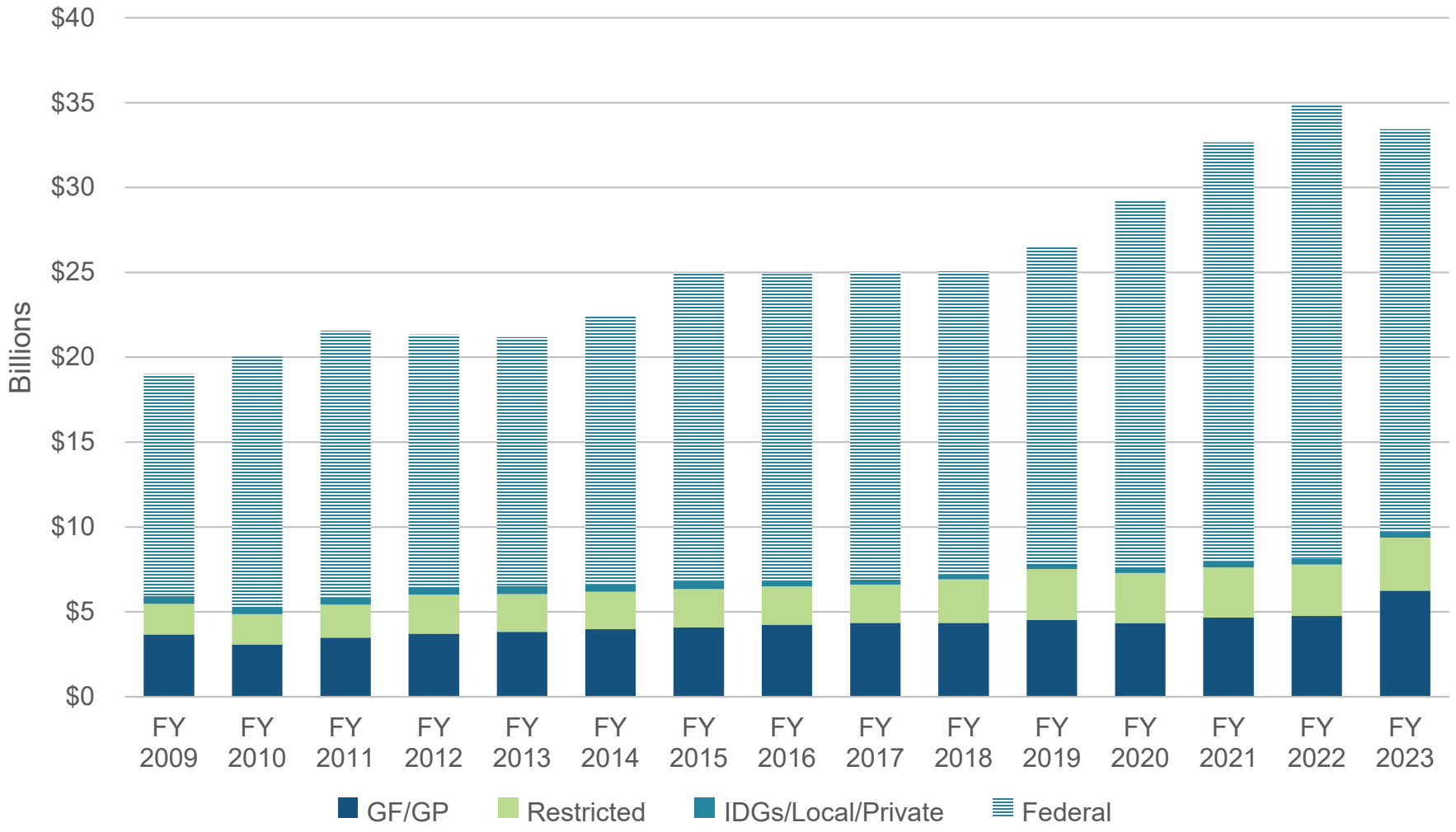
DHHS Share of Total GF/GP Budget

The DHHS budget represents **39%** of the state's **$16.3 billion** GF/GP budget for FY 2022-23.



DHHS Funding History

Funding for Health and Human Services has grown by **76%** comparing FY 2022-23 to FY 2008-09, primarily from increases in federal funding for Medicaid, food assistance, Healthy Michigan Plan beginning April 2014, and for coronavirus pandemic assistance since 2020.



Note: Amounts prior to FY 2015-16 are totals for DCH and DHS

Human Services

Human Services Appropriation Areas

Public Assistance: Cash assistance, food assistance, and emergency relief programs

Child Welfare: Foster care, adoption, and family preservation programs; funding for the Child Care Fund, the federal settlement monitor, child protective services (CPS), and child support enforcement

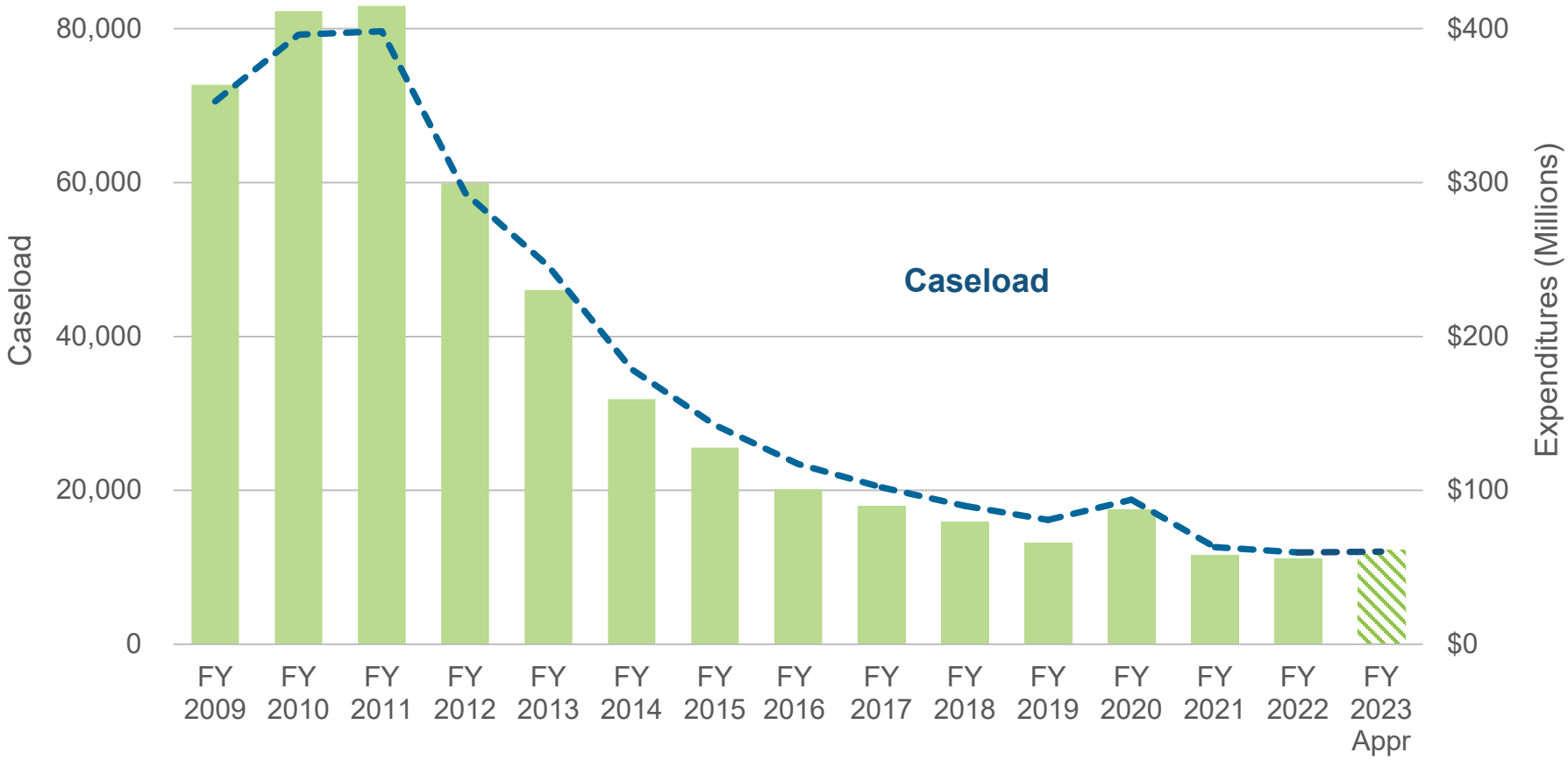
Juvenile Justice: Juvenile justice facilities and community-based delinquency programs

Local Office Operations: Local county and district DHHS offices, through which most DHHS programs and services are accessed; includes disability determination services

Community Services: Training and technical assistance to Community Action Agencies; funding for homeless, domestic violence prevention, rape prevention, child advocacy, and crime victims programs

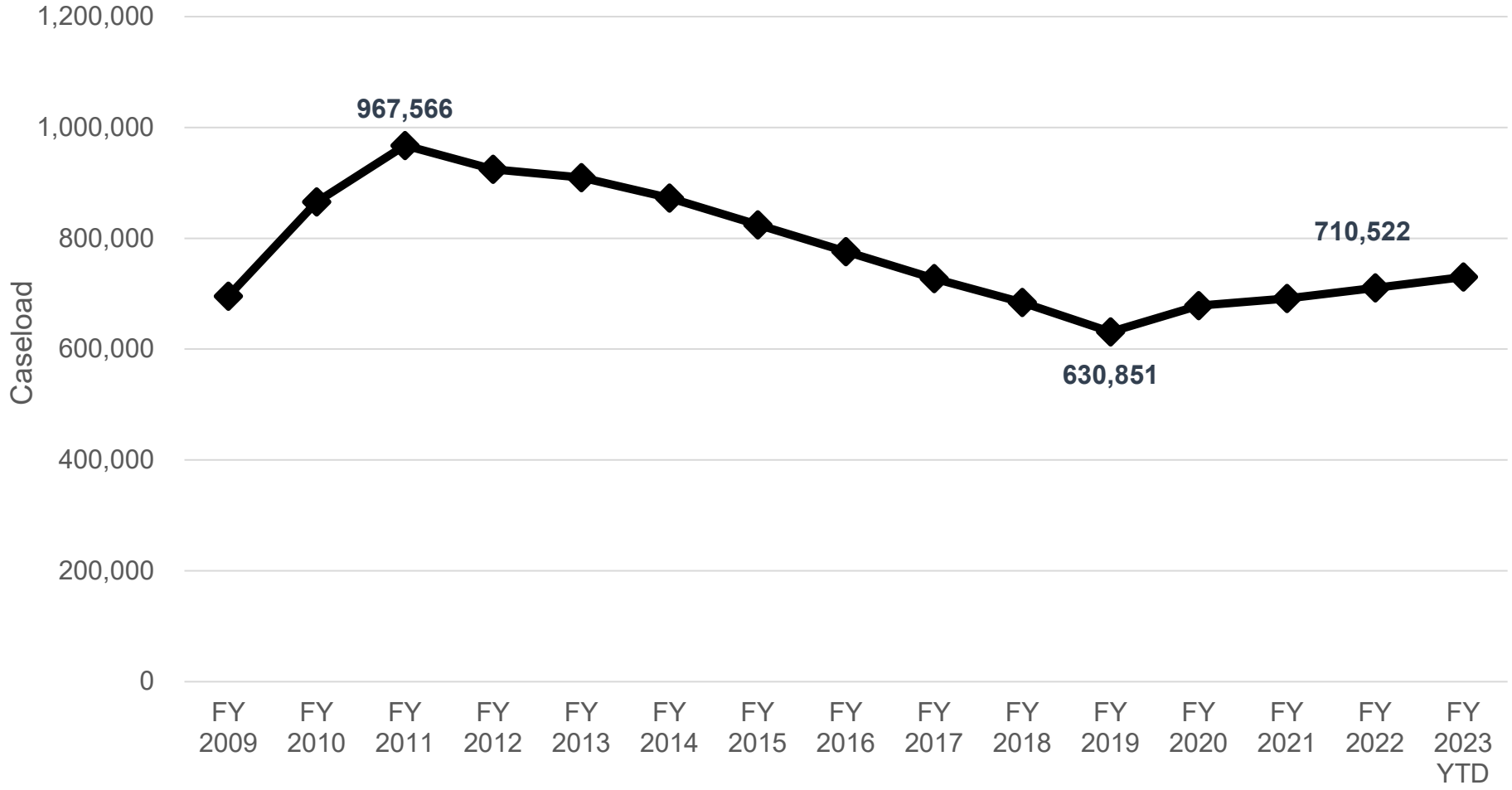
Family Independence Program (FIP) Expenditures

Expenditures for FIP have declined markedly (**81%** in the last decade) due to both policy changes, including imposition of lifetime time limits, and economic conditions. The COVID-19 pandemic resulted in a caseload increase during FY 2019-20.



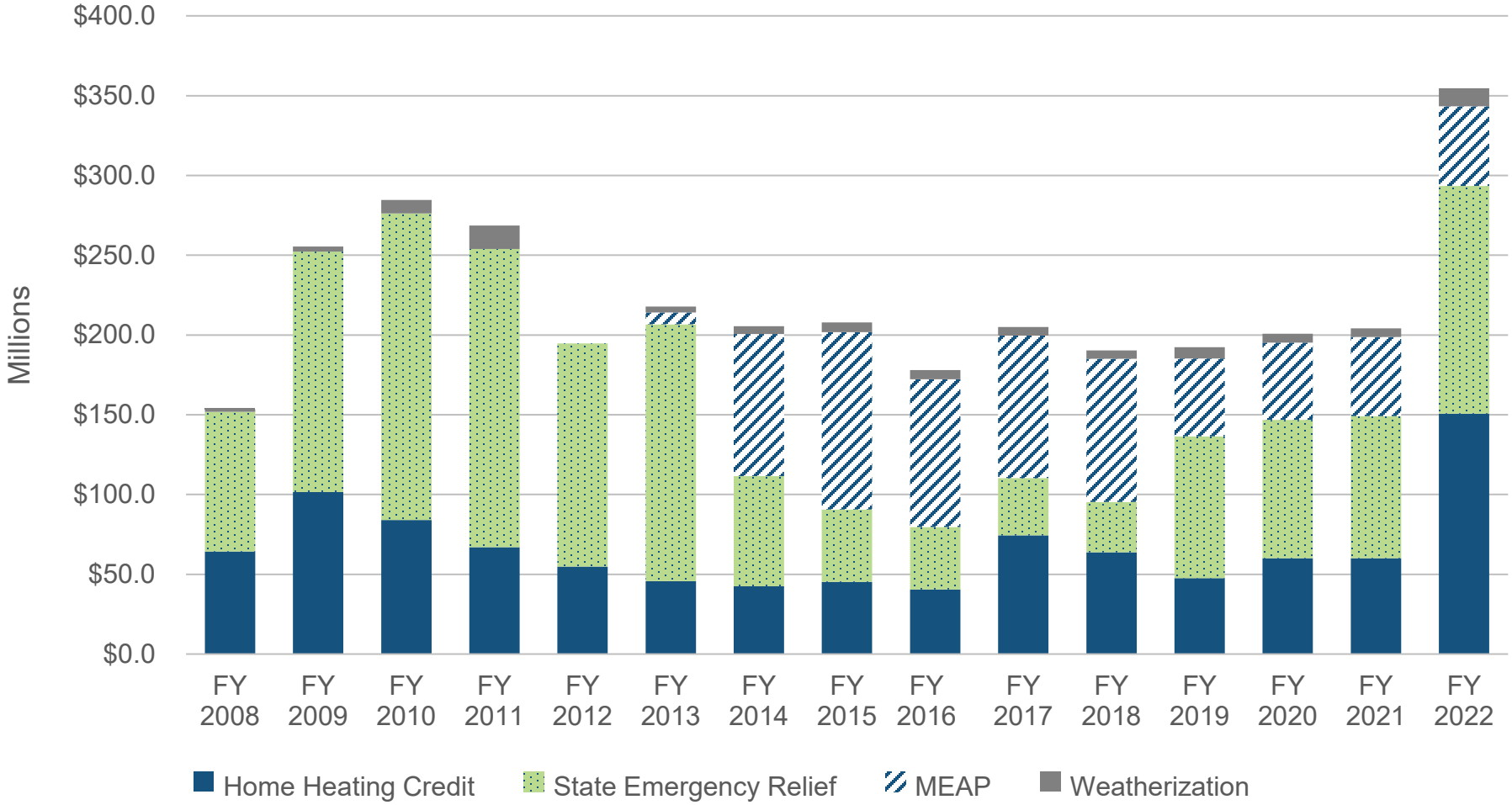
Food Assistance Program Caseload Trends

Despite experiencing a decline of **26.6%** from a peak level in FY 2010-11, the FAP caseload has increased **12.6%** since FY 2018-19. Caseload declines in previous years were due to changes in policy, such as a new countable asset test, and an improving state economy. Caseloads increases in recent years are in part a result of the COVID-19 pandemic.



Energy Assistance Expenditures

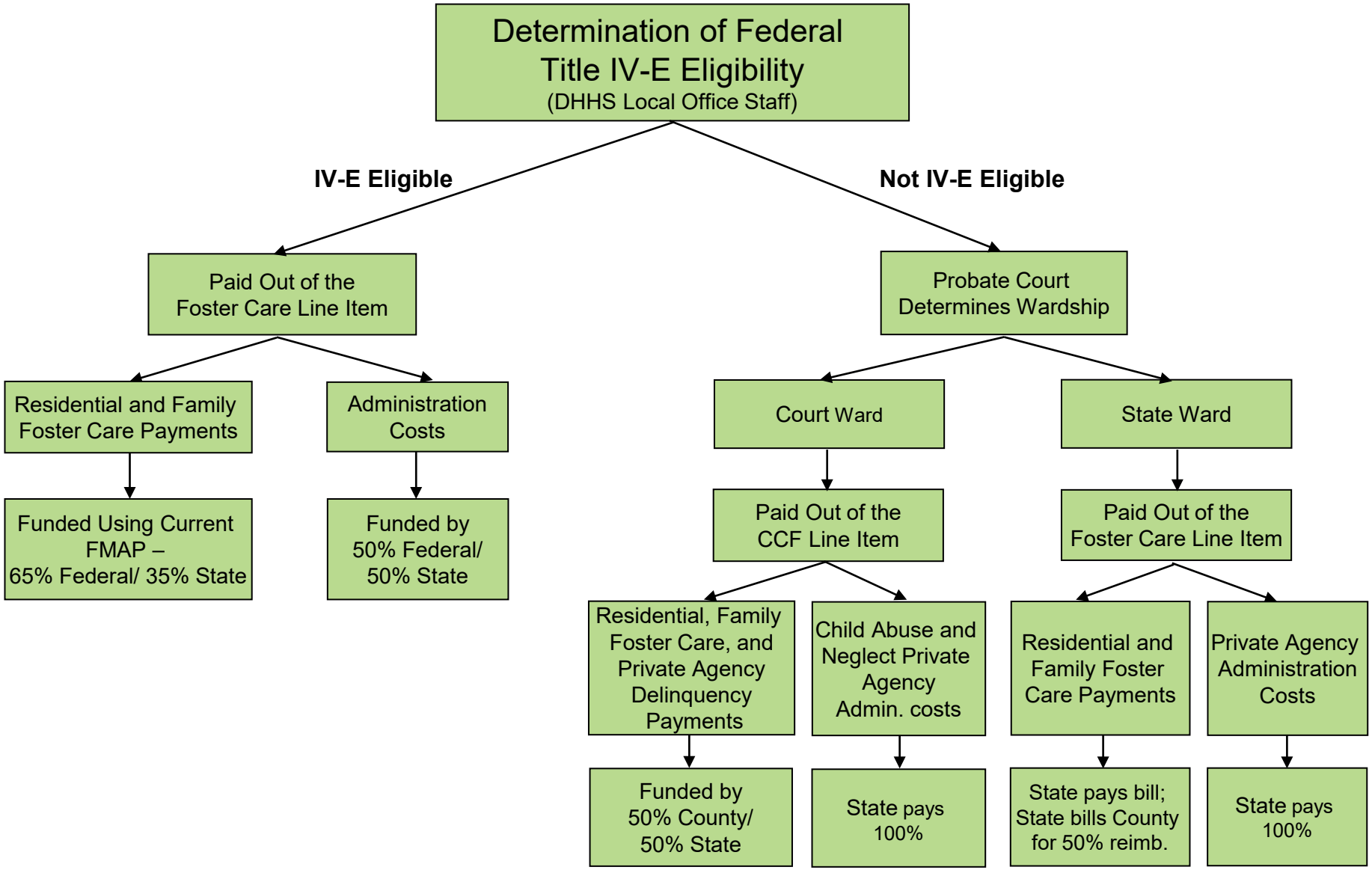
Federal LIHEAP funding primarily supports four programs: Home Heating Credit, State Emergency Relief, Michigan Energy Assistance Program (MEAP), and Weatherization. Beginning in FY 2018-19, federal LIHEAP funding for MEAP is classified as State Emergency Relief to meet federal requirements. Additionally, the CARES Act allocated an additional **$35.1 million** in FY 2019-20, and the American Rescue Plan Act allocated an additional **$235.4 million** in FY 2021-22 in federal LIHEAP funding for COVID-19 pandemic relief.



Note: Does not include separate weatherization funding provided through the U.S. Department of Energy

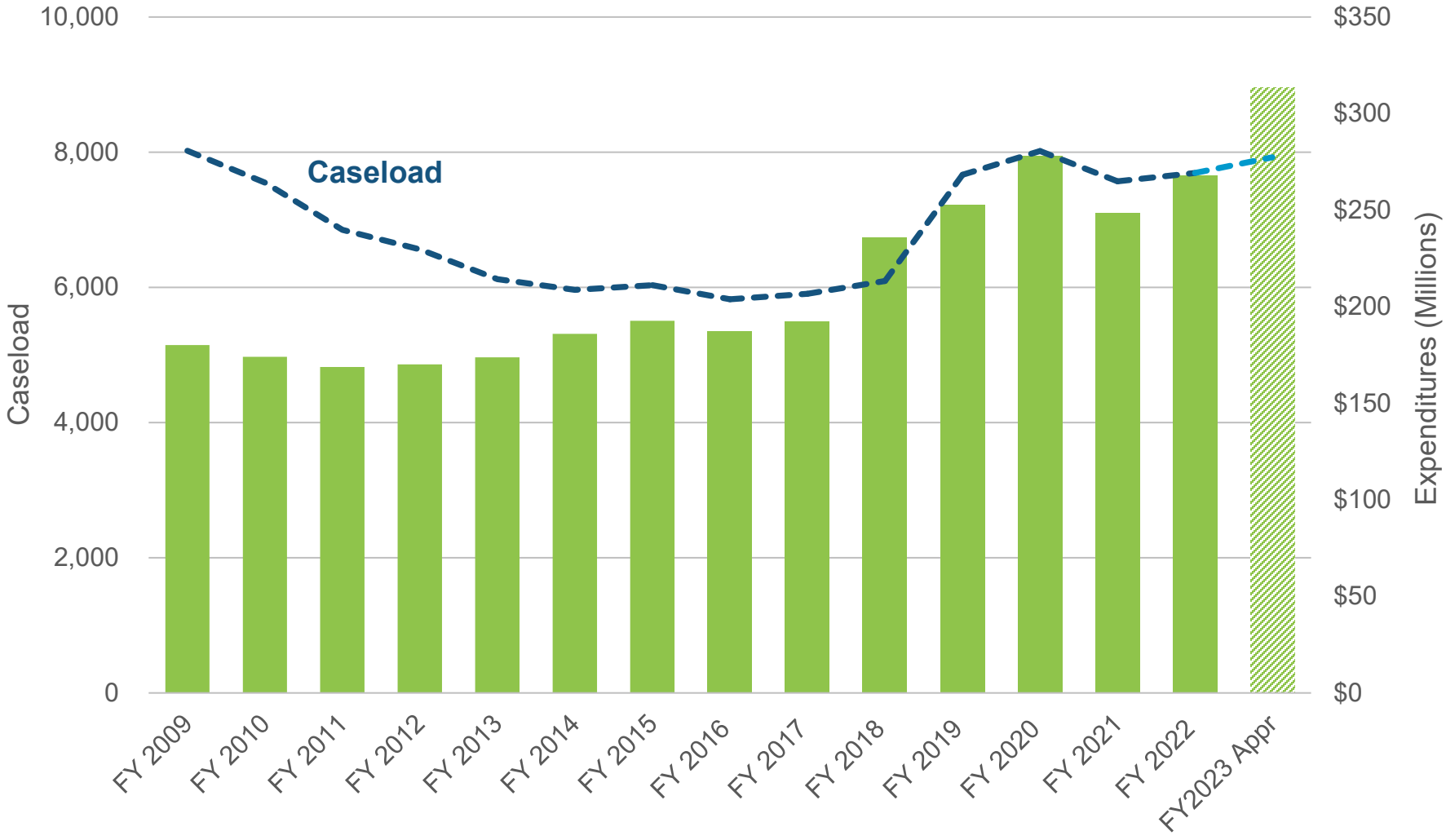
Child Welfare Funding Determination

Case funding determination after Probate Court has ordered child removed from home



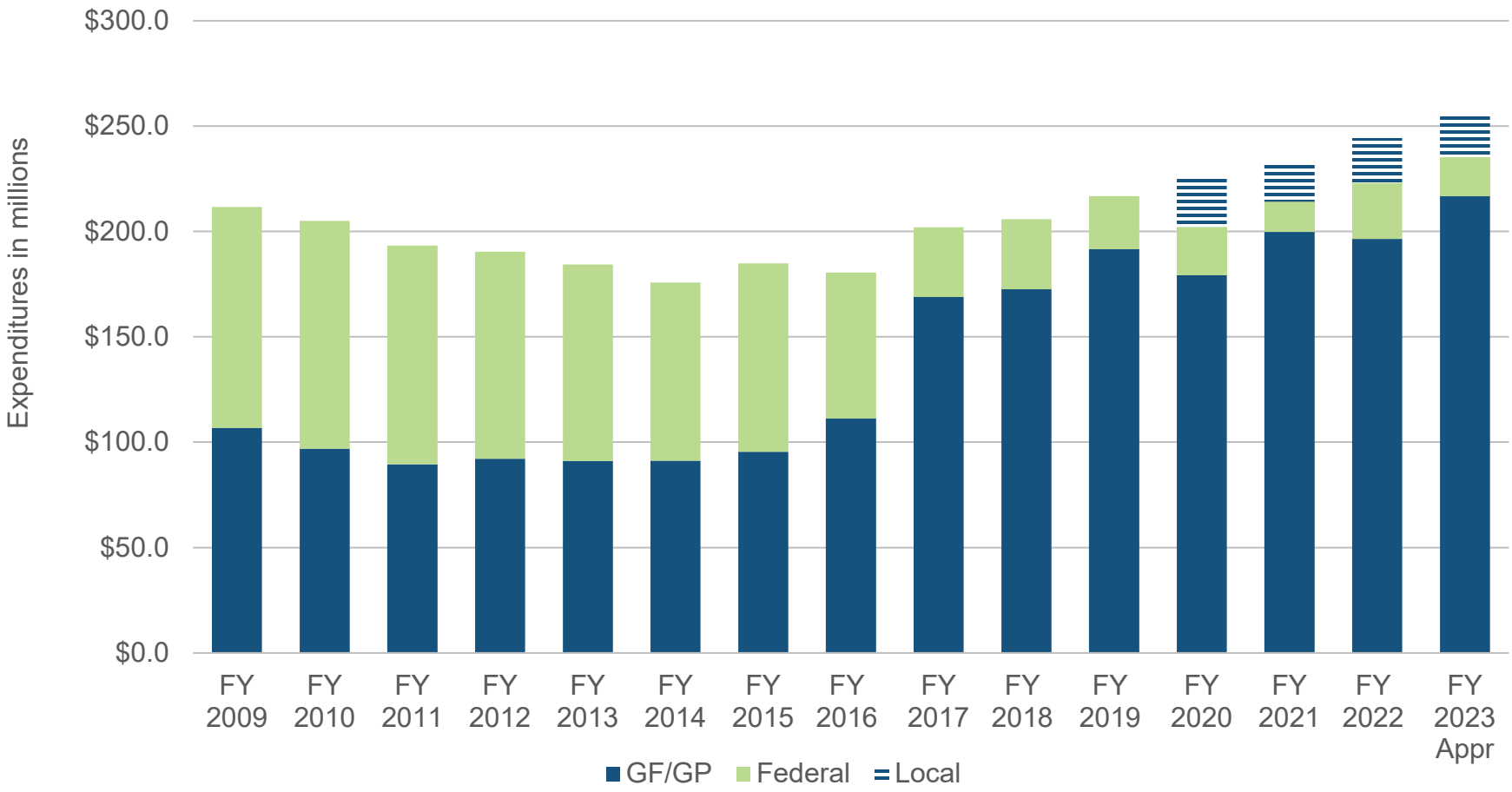
Foster Care Caseload and Spending Trends

Foster care costs have been increasing since FY 2008-09 even though caseloads have been declining, partly due to increasing private child placing agencies' administrative rates to help meet staffing requirements of the Children's Rights settlement agreement. In FY 2020, caseloads and costs increased due to requirement to pay unlicensed relative providers family foster care rates.



Child Care Fund Spending Trends

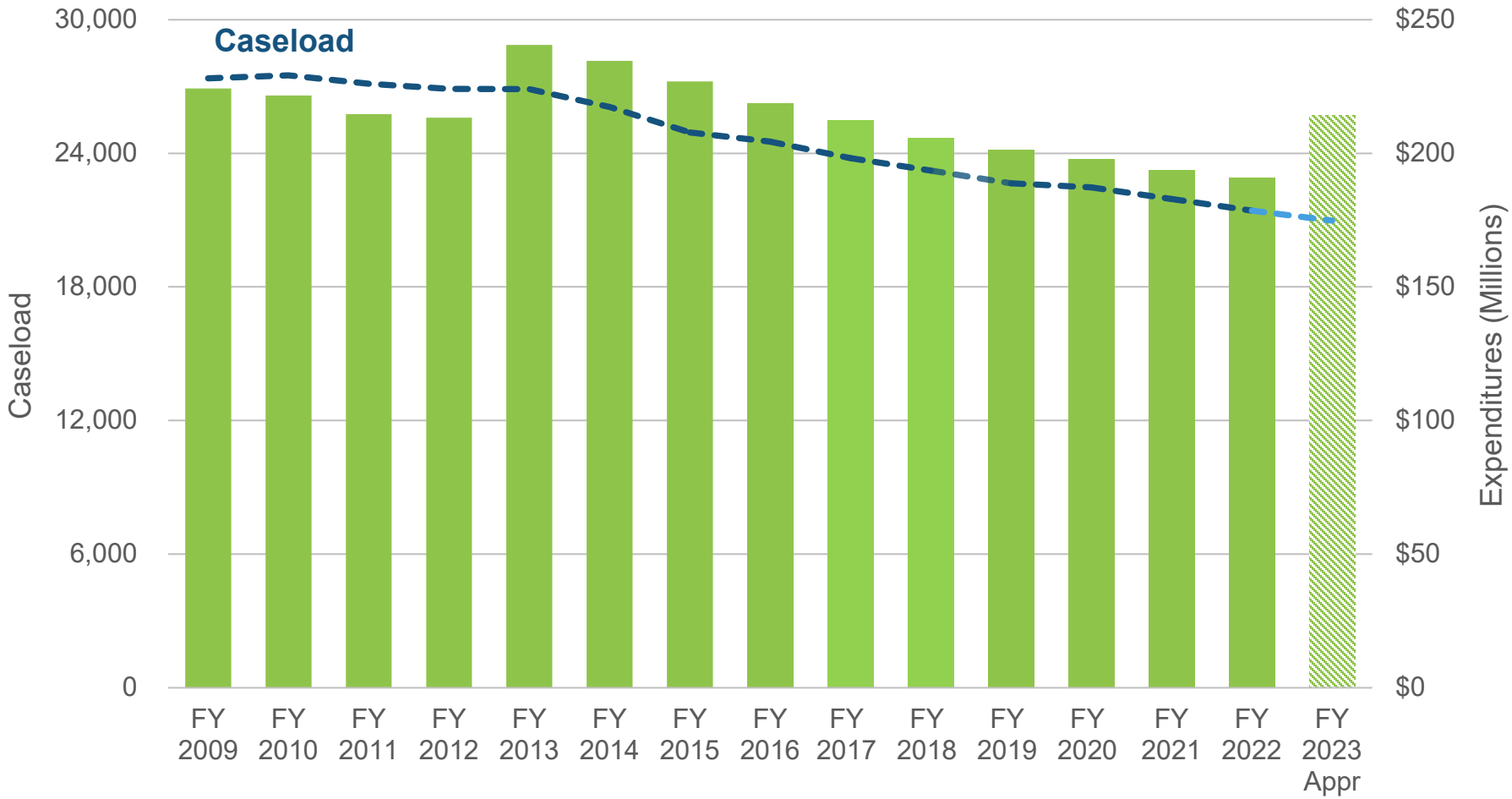
GF/GP funding was increased beginning in FY 2016-17 because of a federal requirement that TANF funding could no longer be used for juveniles placed in the homes of parents or relatives. In FY 2019-20, a statutory change required state to be first payor for certain juvenile cases, thus local funding for state reimbursement also funds the program.



Note: Includes both Child Care Fund and indirect cost allotment lines

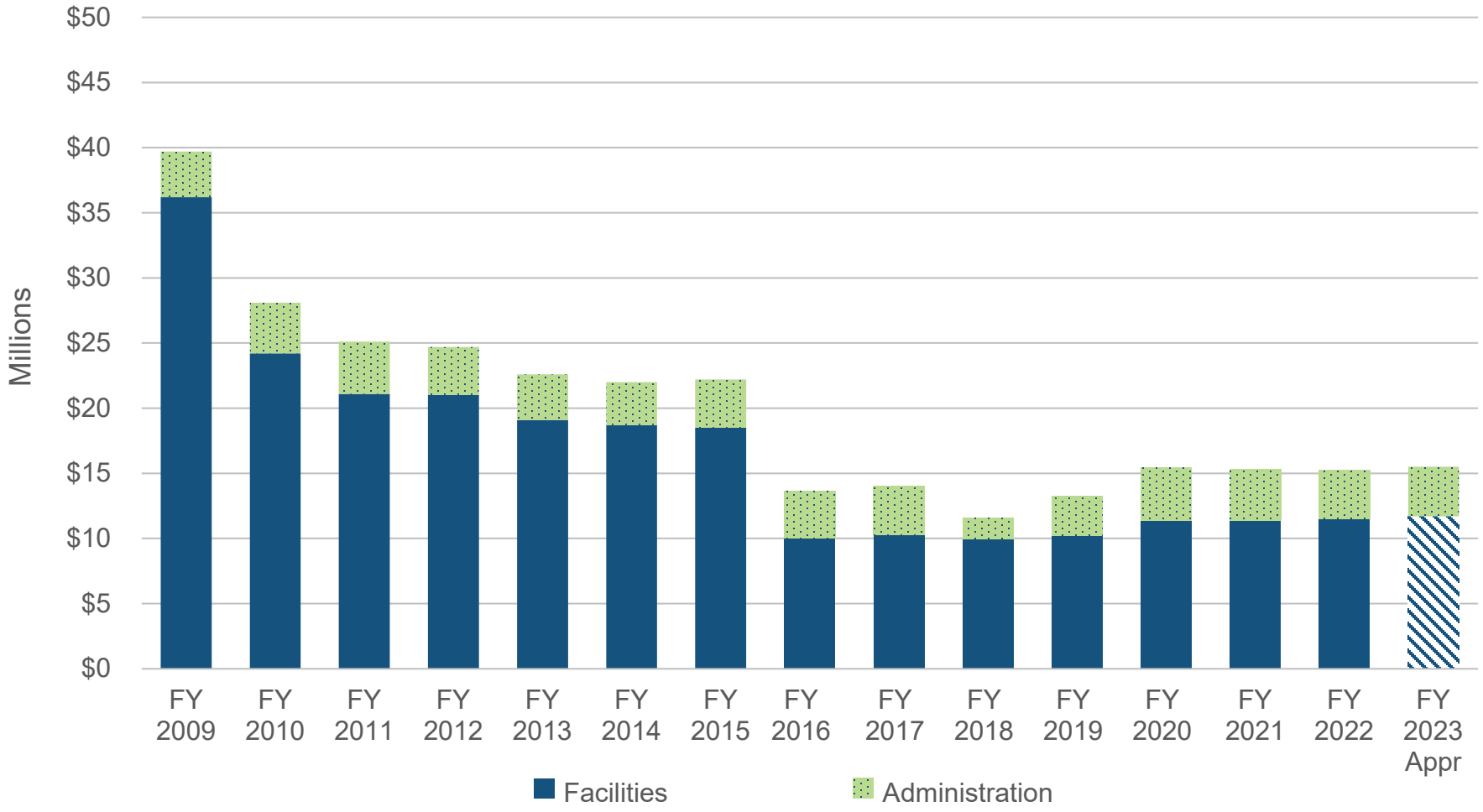
Adoption Subsidy Caseload and Spending Trends

Adoption subsidy costs increased in FY 2012-13 partly as a result of increasing adoption subsidy per diem by $3 for all cases. Average monthly adoption subsidy payment is $733.



Juvenile Justice Operations Expenditures

State juvenile justice operations costs have decreased steadily since FY 2008-09 due to the implementation of community-based diversion programming in many counties and the closure of several state-operated residential facilities. Some of these reduced costs have been shifted to payments to locals through the child care fund.



Population Health and Aging and Adult Services

Population Health and Aging Services Appropriation Areas

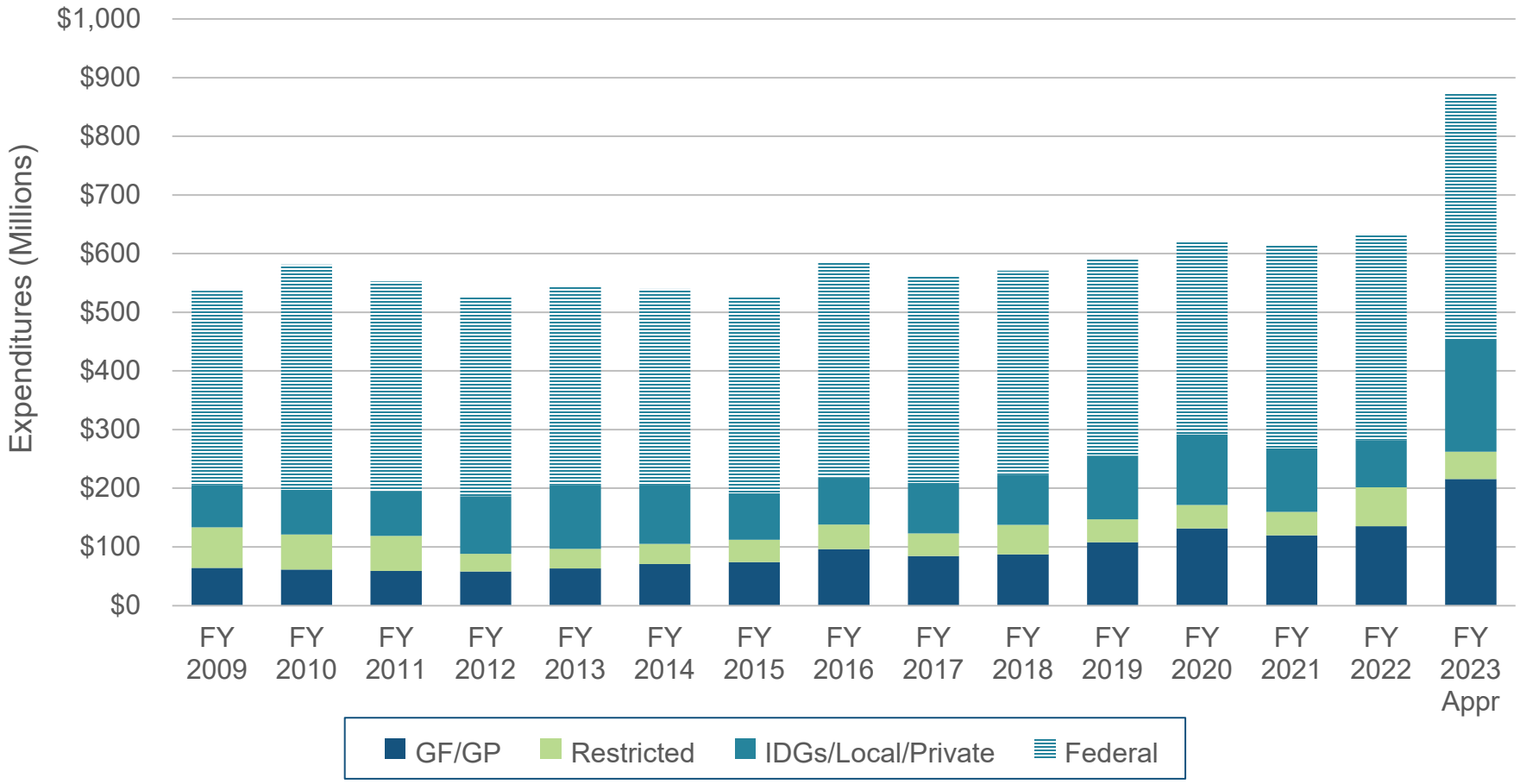
Population Health/Public Health- Community Services and Policy: Funds essential health services, infectious disease control and care, childhood lead program, chronic disease prevention and health promotion, and research programs; monitors abnormal lead levels, PFAS, and other environmental contamination; supports the emergency medical services program

Population Health/Public Health- Family, Maternal, and Children: Offers dental programs, child and adolescent health, and immunization; assists with lead investigation and abatement; funds WIC project FRESH farmer's market nutrition program and WIC administration

Aging Services: Provides senior community-based and in-home programs; funds senior home-delivered and congregate meals; assists with senior employment, volunteer, and respite care services

Spending History for Population Health

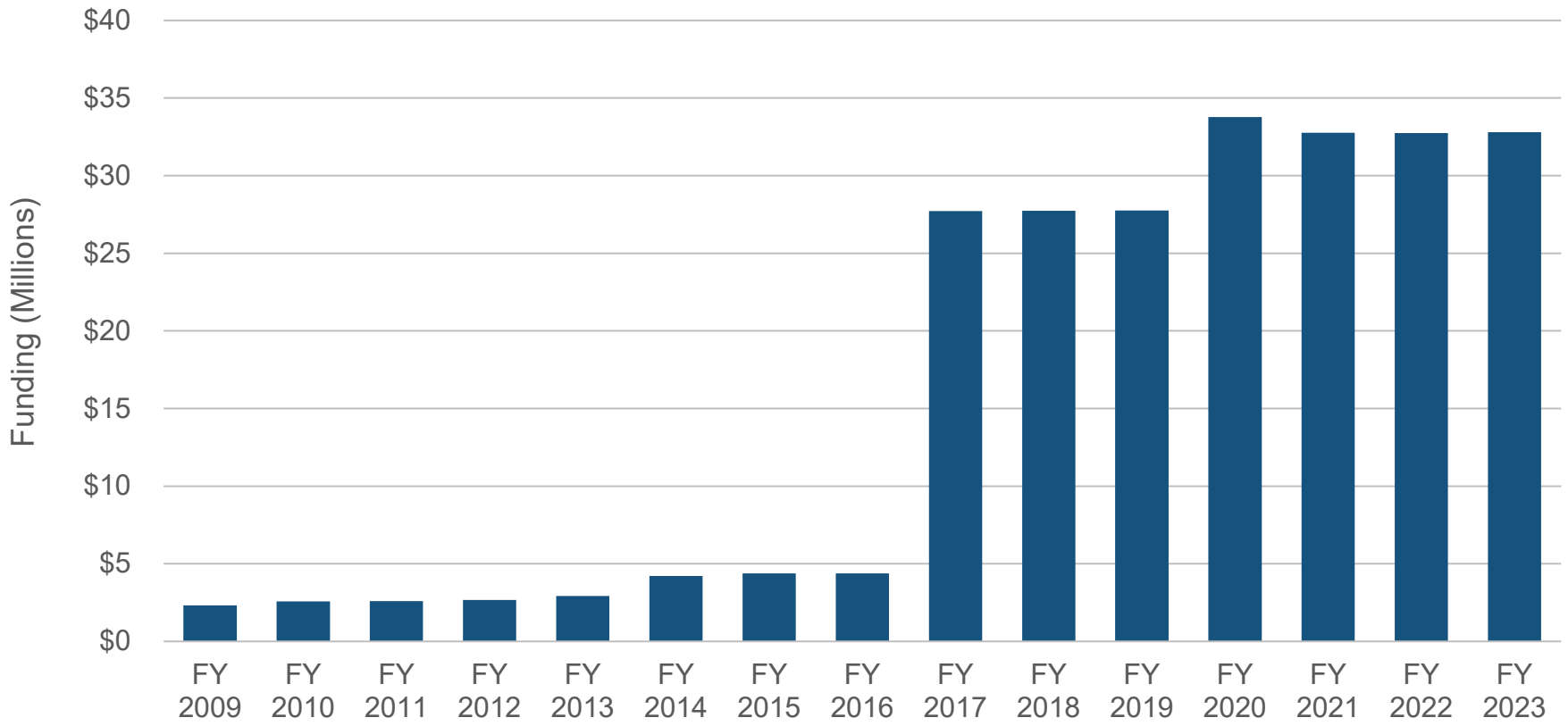
FY 2022-23 appropriations of **$873.8 million** for population health include continued state-funded expansion of family and maternal health services, chronic disease prevention, and one-time appropriations of **$49.1 million** Gross. FY 2021-22 funding was expended at **77.9%** of the original **$812.6 million** appropriation.



Note: Amounts shown for FY 2008-09 through FY 2010-11 include health regulatory and licensing functions, transferred to Department of Licensing and Regulatory Affairs in 2011.

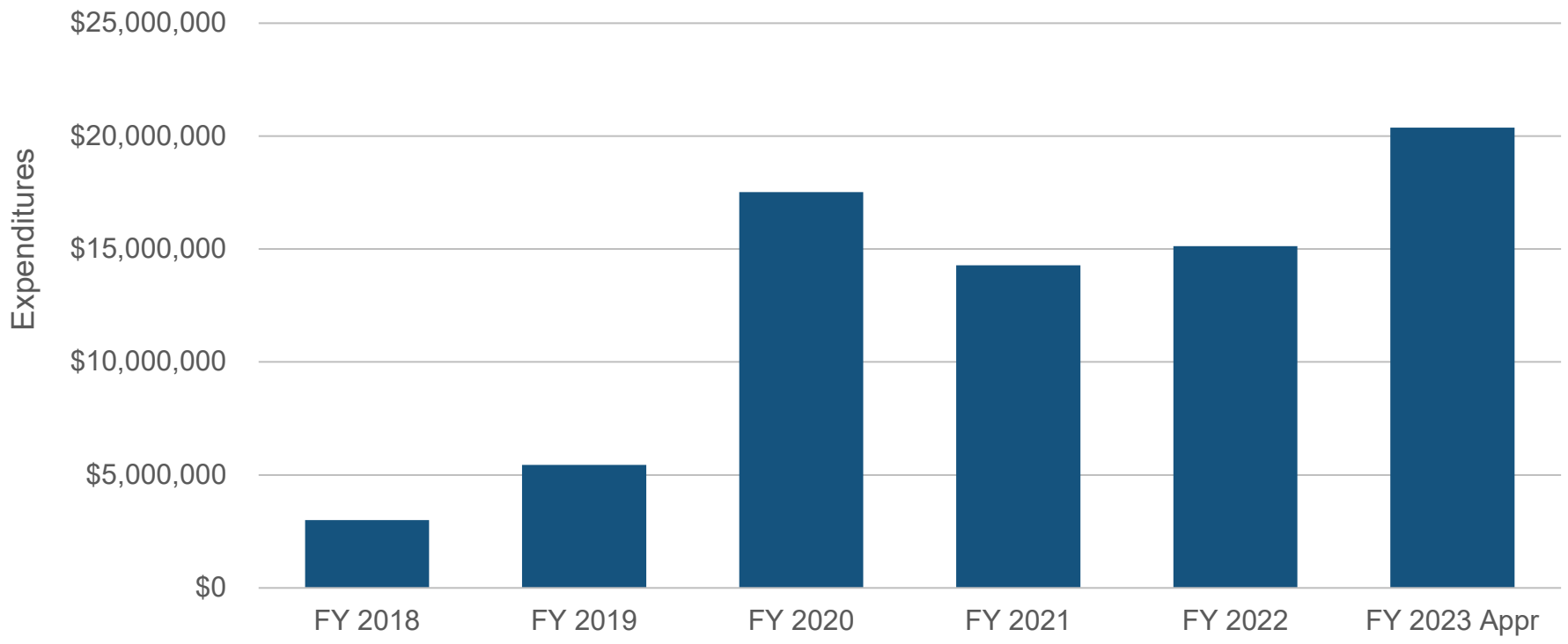
Funding History – Lead Abatement and Healthy Homes

Lead Abatement and Healthy Homes funding has grown since FY 2016-17. Additional supplemental funding was provided in FY 2016-17 to help with lead abatement practices in Flint and other high-risk communities. CHIP unexpended funds and GF/GP are used to support increased funding for the following fiscal years.



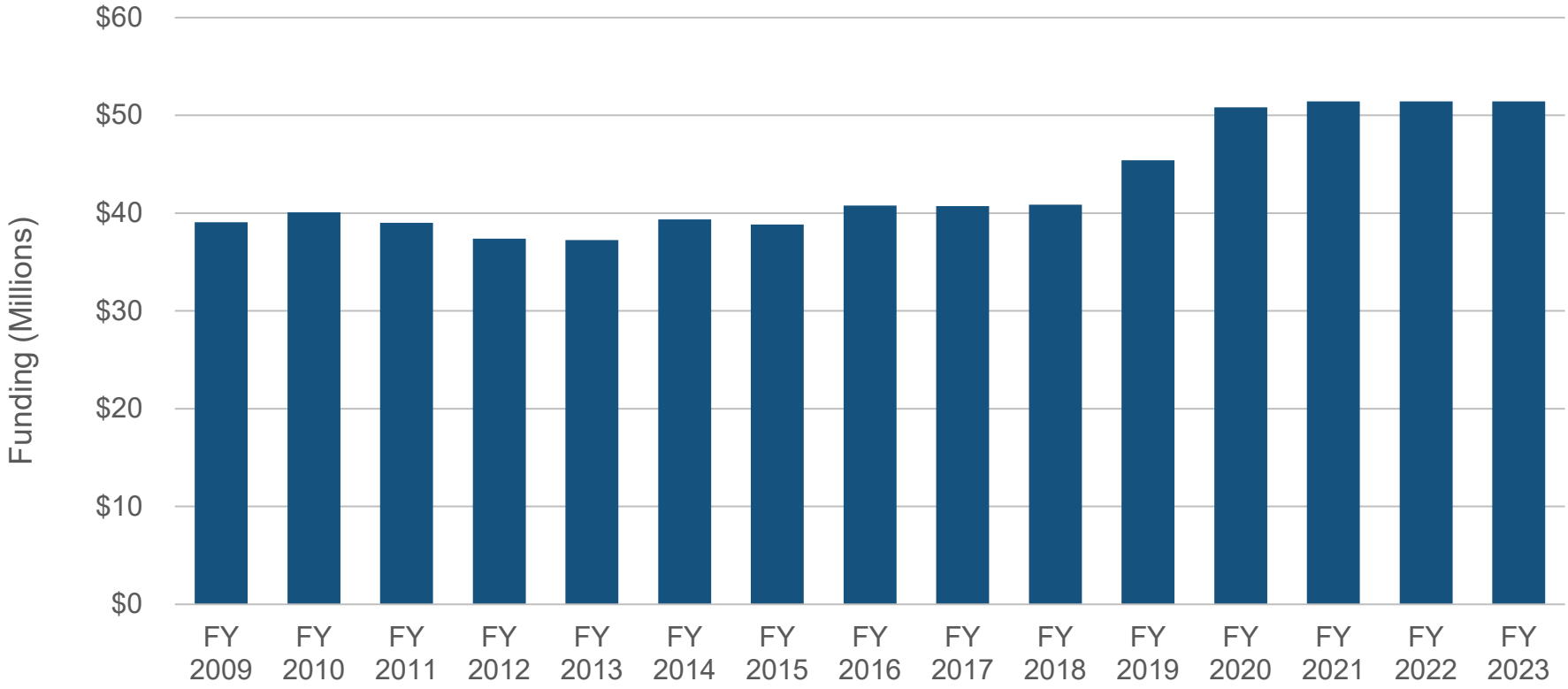
Spending History – PFAS and Environmental Contamination Response

PFAS and Environmental Contamination and Response funding is **100%** GF/GP. Expenditures in FY 2021-22 were **74.6%** of the original **$20.3 million** appropriation.



Funding History – Essential Local Public Health Services

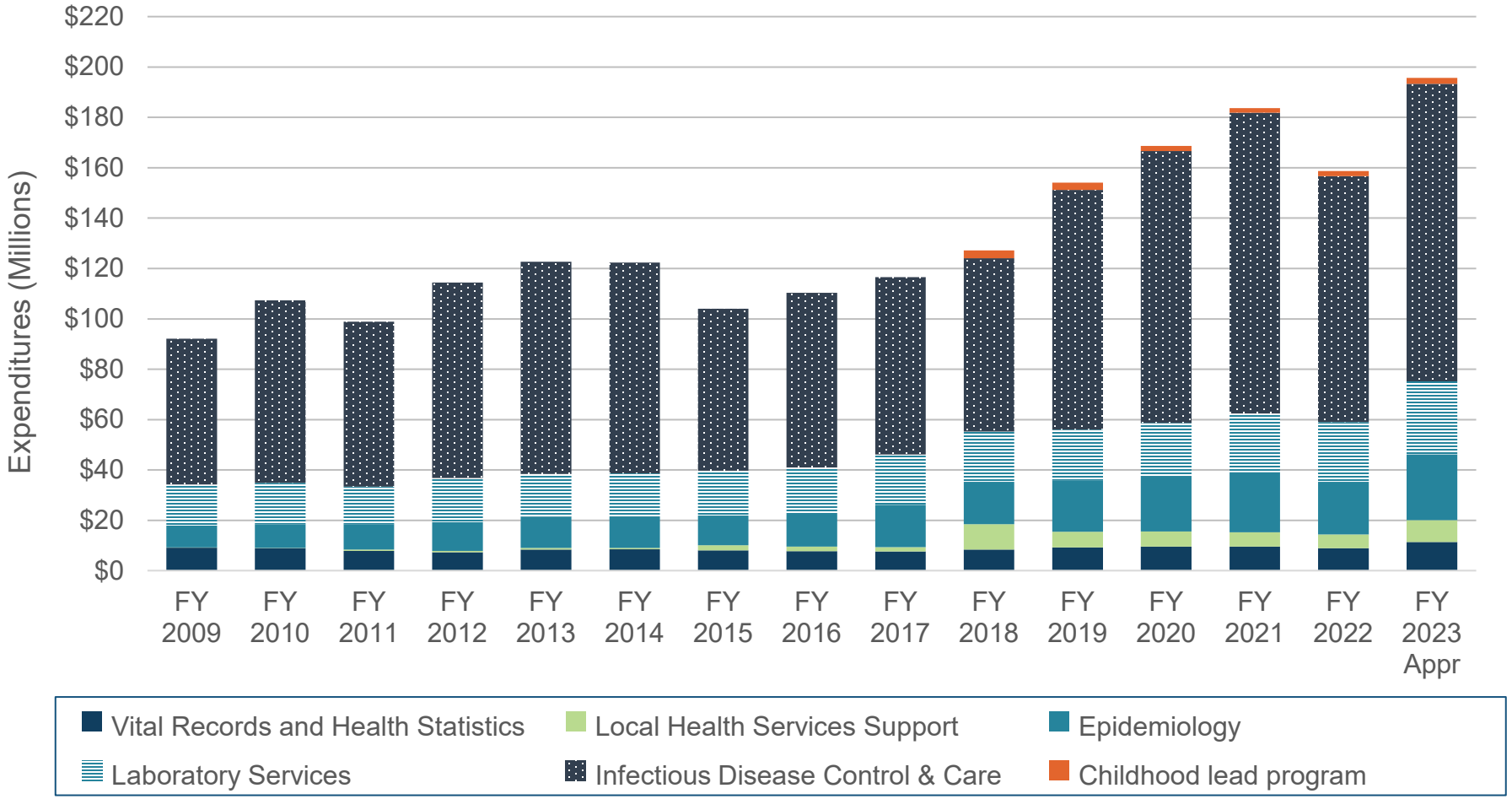
Essential Local Public Health Services funding is distributed to local health departments to support required local public health services including infectious disease control, food and water protection, and hearing and vision screening for school children. Funding is **90% GF/GP**. A new distribution formula was implemented beginning FY 2019-20. Funding has remained the same from FY 2020-21 through FY 2022-23.



Note: Public Act 616 of 2018 established a new $10 million annual allocation of use tax funding to local health departments for essential services, paid through the Local Community Stabilization Authority beginning November 2019. This amount is not part of the state budget.

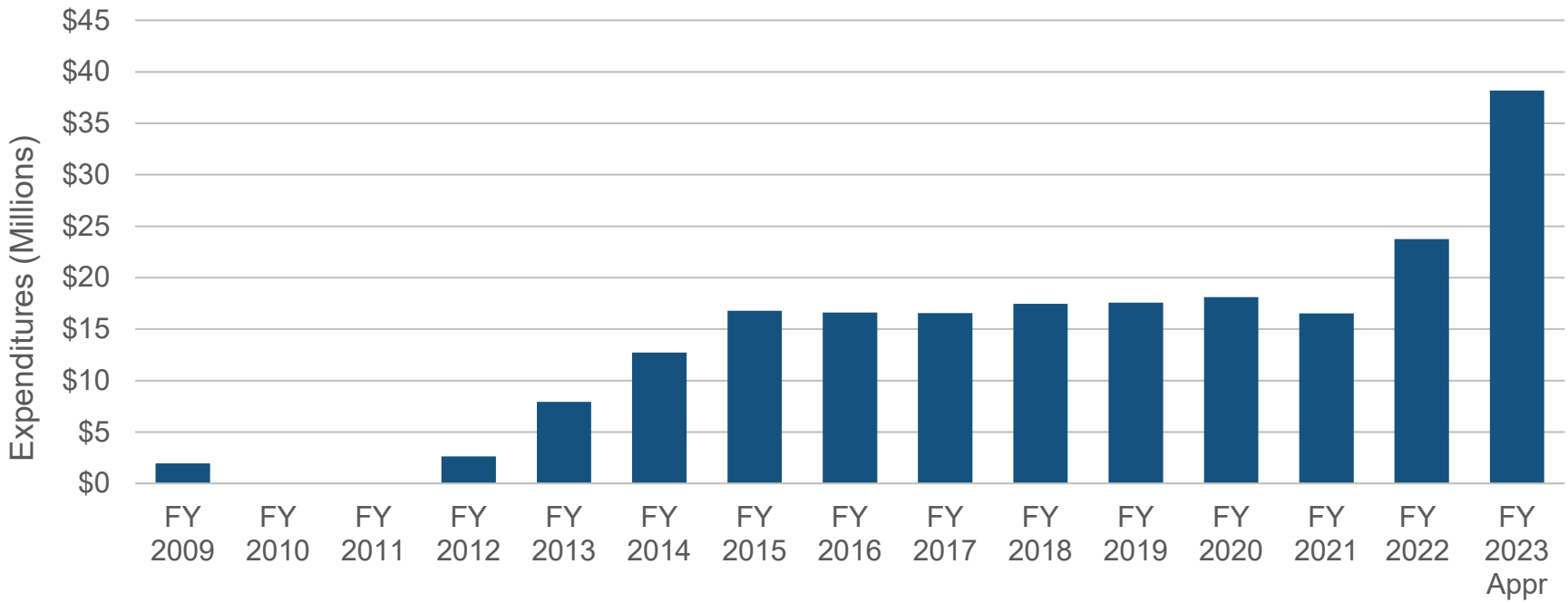
Spending History by Program Areas – Other Key Population Health Services

Funding for other key state and local population health functions has grown. However, expenditures in FY 2021-22 were **82.1%** of the original **$190.9 million** appropriation. Recent FY 2022-23 increases include infectious disease control & care, epidemiology, and laboratory services.



Spending History - Prenatal Care and Outreach Support

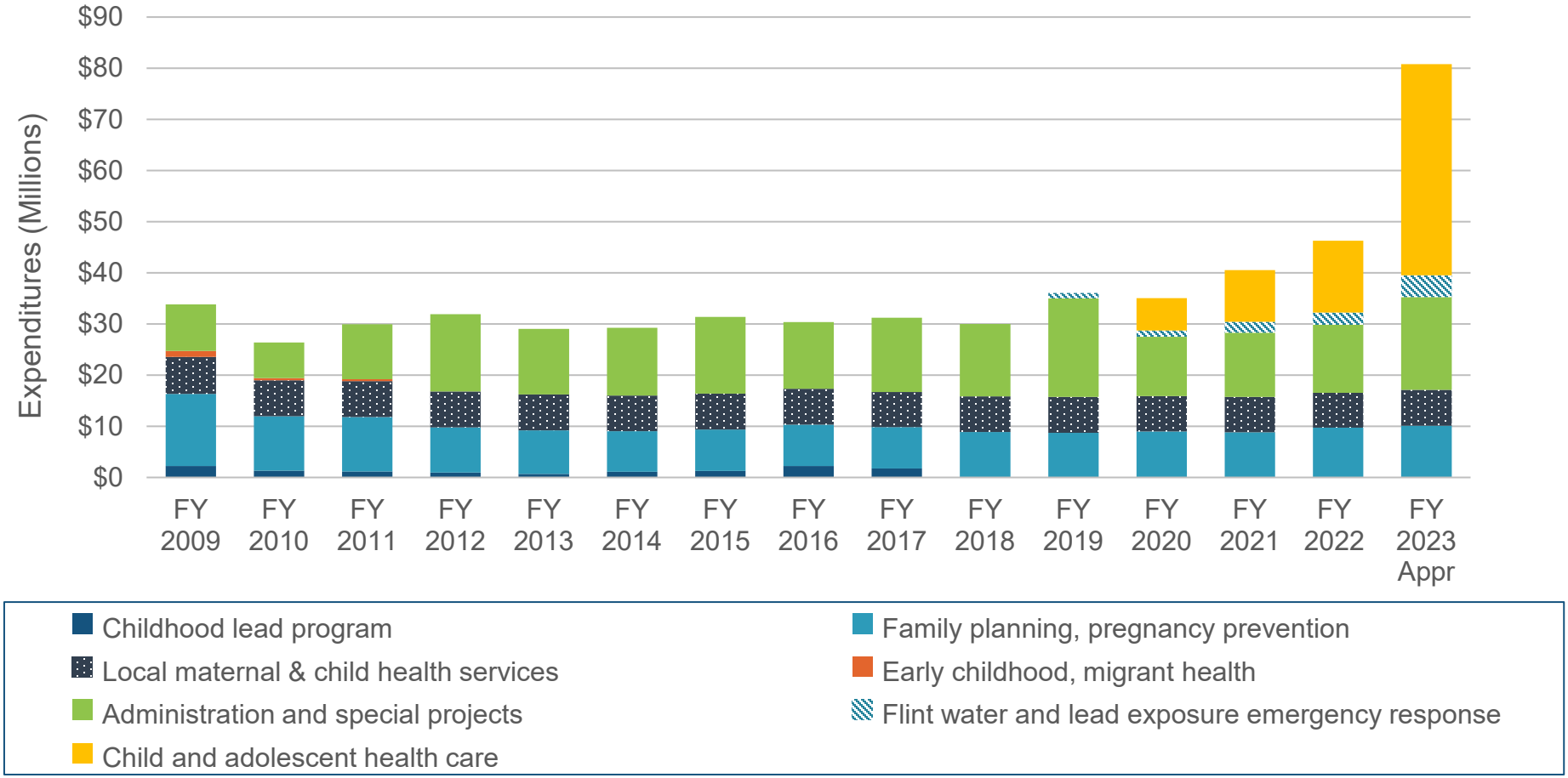
Prenatal Care and Outreach Support funding is used towards prenatal home-visiting programs, including Healthy Families America, Family Spirit, and Nurse-Family Partnership, to support pregnant women and teenagers through pregnancy, and for infant mortality reduction programs. During FY 2020-21, there were **142,930** home visits and **21,496** families served. Expenditures for FY 2021-22 were **64.5%** of the original **$36.8 million** appropriation.



Note: The prenatal care and support program was vetoed in FY 2009-10.

Spending History by Program Areas - Family, Maternal, and Children's Public Health

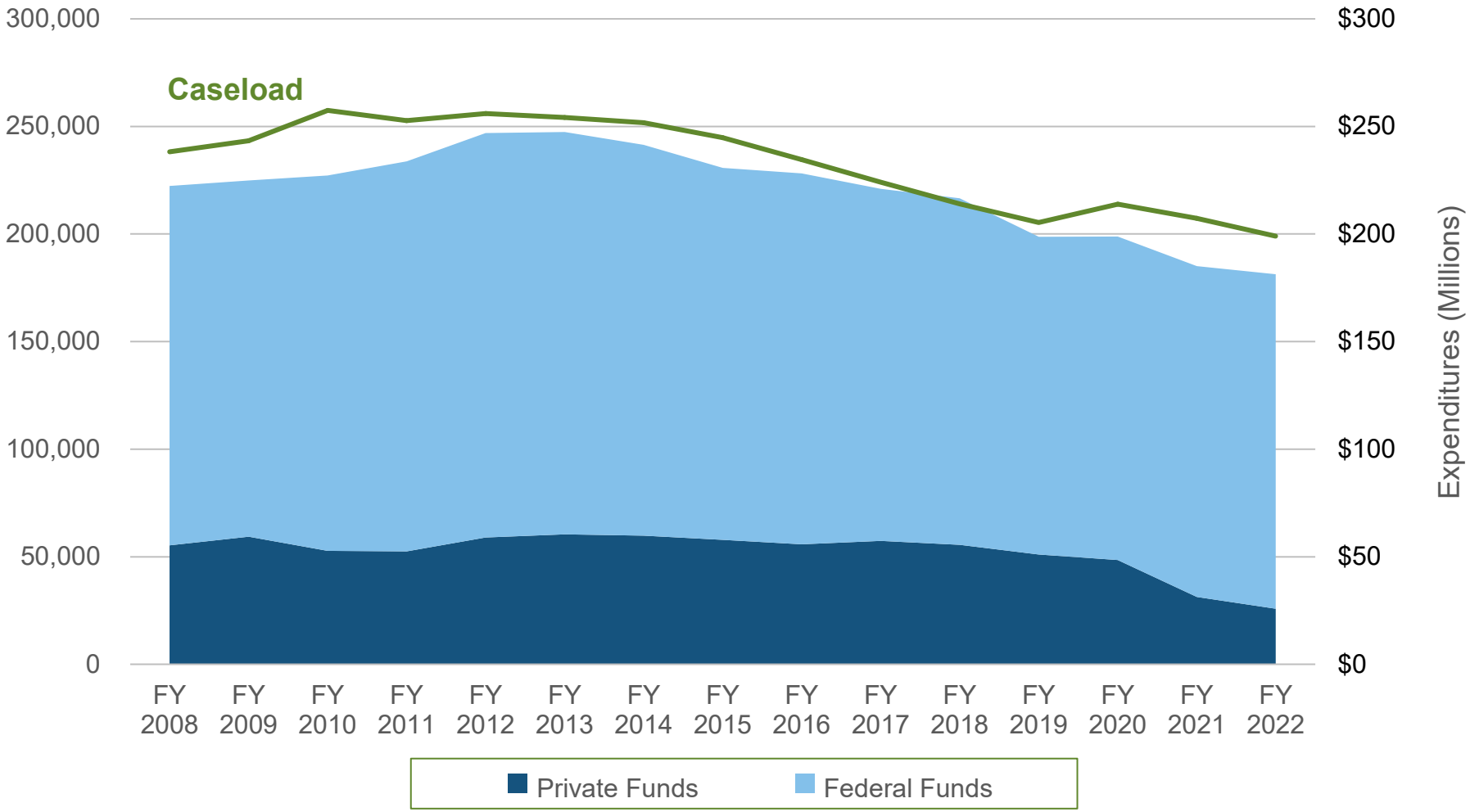
Further investment in initiatives for child and adolescent health services, Healthy Moms Healthy Babies programming, and Flint water and lead exposure emergency continues an upward funding trend for public health family, maternal, and children's health programs.



Note: The childhood lead program was transferred to population health – community services and policy in FY 2017-18.

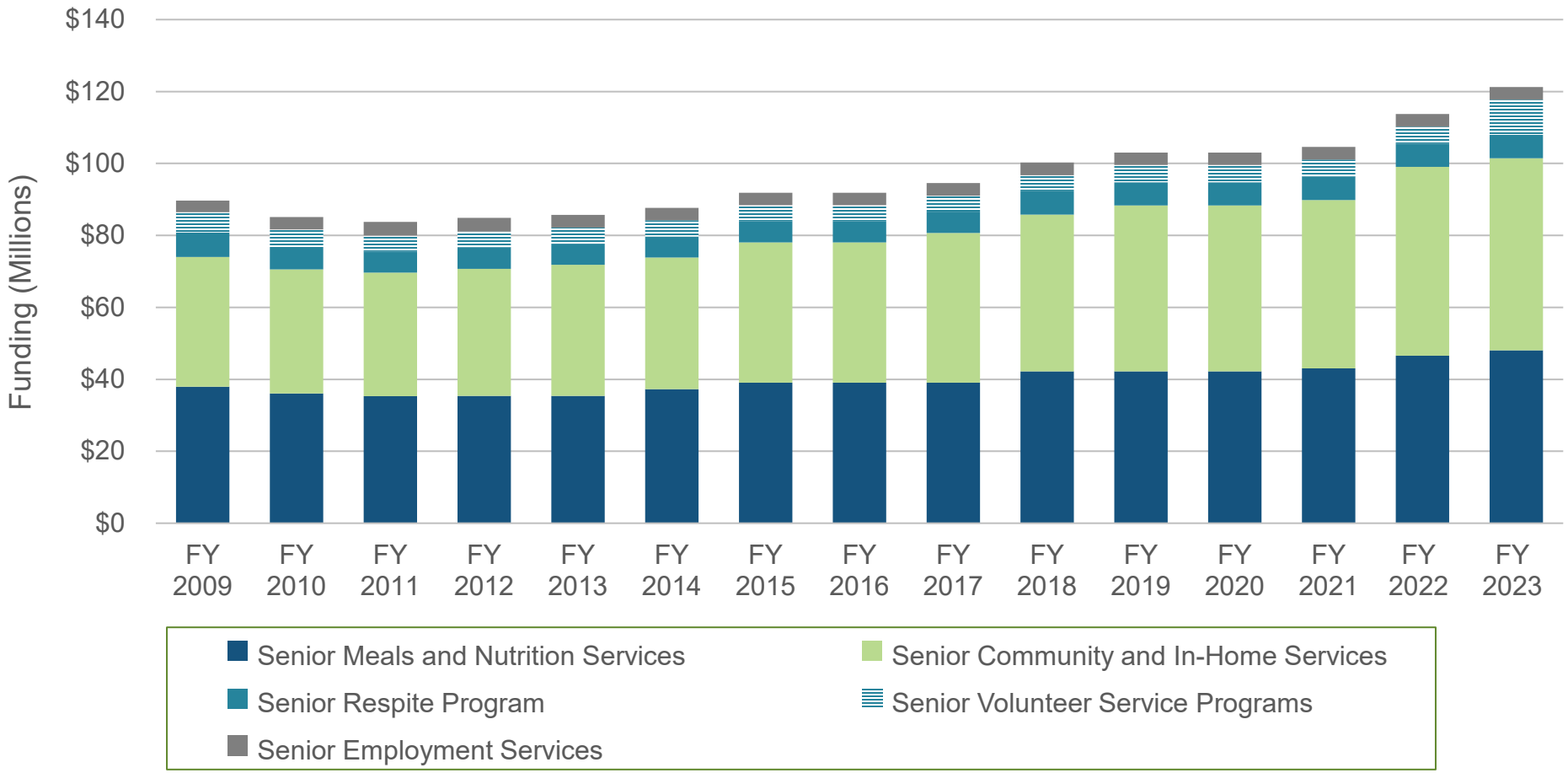
Women, Infants, and Children (WIC) Special Supplemental Food and Nutrition Program

WIC caseloads continue a pattern of decline, averaging **198,987** participants in FY 2021-22. Expenditures for federal funds and infant formula manufacturer rebates supporting supplemental food benefits for nutritionally at-risk mothers, infants, and small children were **78%** of the original **$231.3 million** appropriation.



Funding History for Aging Services

Aging services has experienced a steady increase in funding for senior programs including community and in-home services and meals and nutrition services.



Note: The Aging and Adult Administration was transferred to the Medical Services Administration. Funding trends for the Aging and Adult Administration are no longer reflected in the funding history for Aging Services.

Medical Services and Behavioral Health

Medical Services and Behavioral Health Appropriation Areas

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, Graduate Medical Education (GME) payments, Medicare premium payments, Medicare pharmaceutical "clawback" costs, CSHCS, and the MIChild program

Medical services through the Healthy Michigan Plan (HMP)

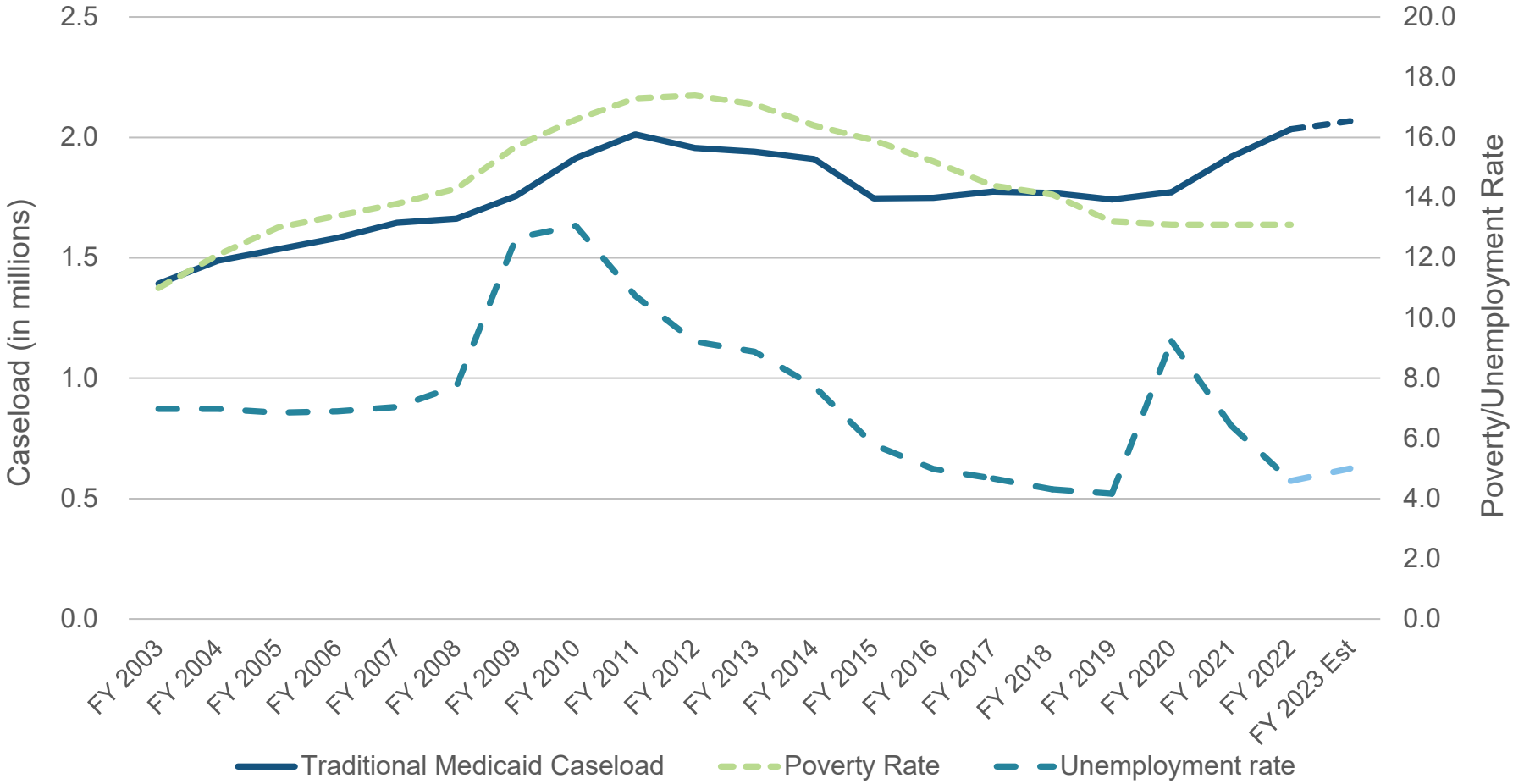
Behavioral health services through the traditional Medicaid program, including mental health services, substance abuse disorder services, children's waiver programs, and autism services

Behavioral health services through the HMP

Non-Medicaid behavioral health and state psychiatric hospitals

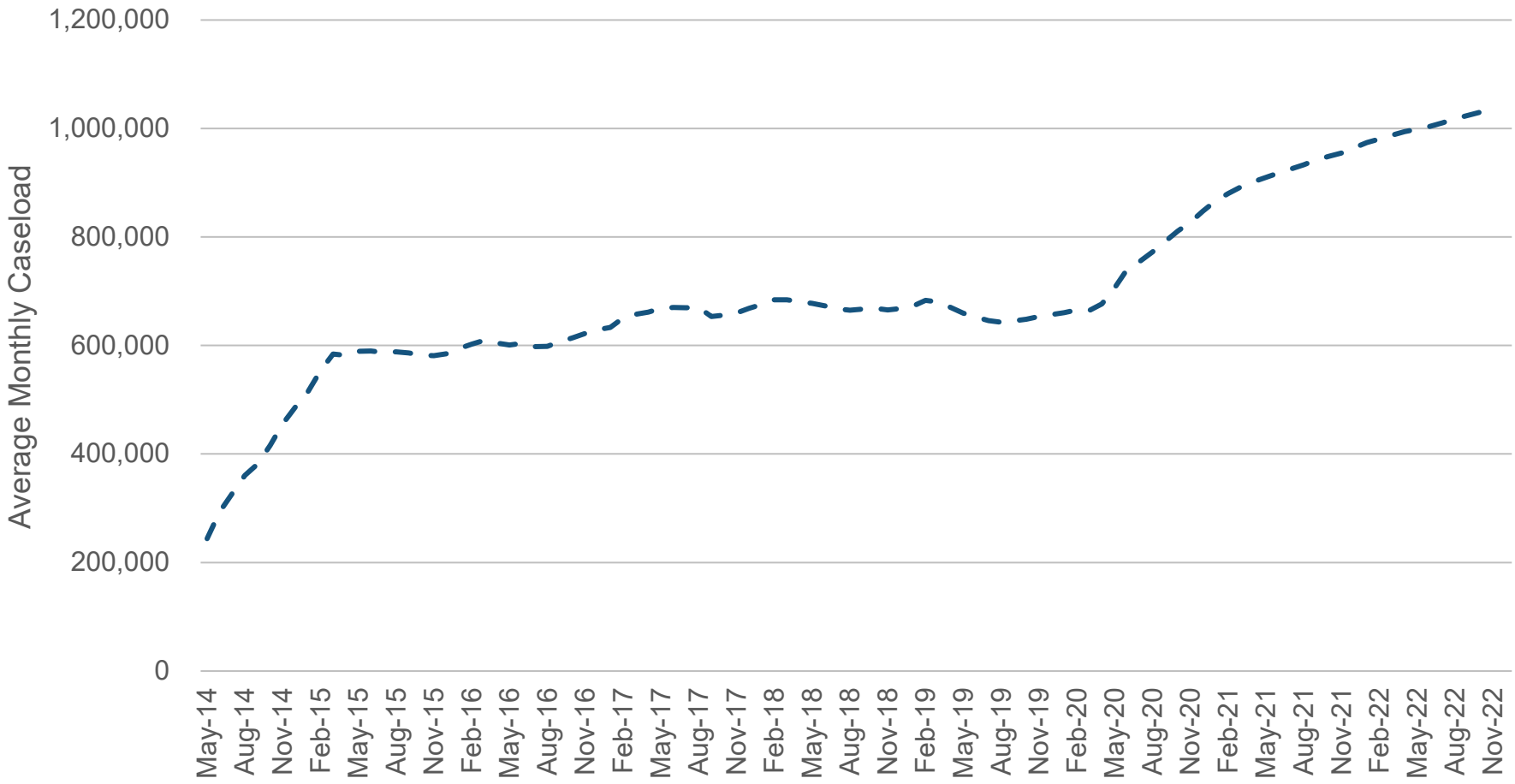
Traditional Medicaid Caseloads

Since the beginning pandemic and associated federal prohibition on closing Medicaid cases, Traditional Medicaid caseloads increased by over **18.6%**. Prior to the pandemic, Medicaid caseloads had tracked more closely to the state's poverty rate than the state's unemployment rate.



Healthy Michigan Plan Caseloads

Healthy Michigan Plan caseloads grew very quickly, reaching nearly 600,000 individuals within the first year of implementation. Since the beginning pandemic and associated federal prohibition on closing Medicaid cases Healthy Michigan Plan caseloads increased by **56.3%**.

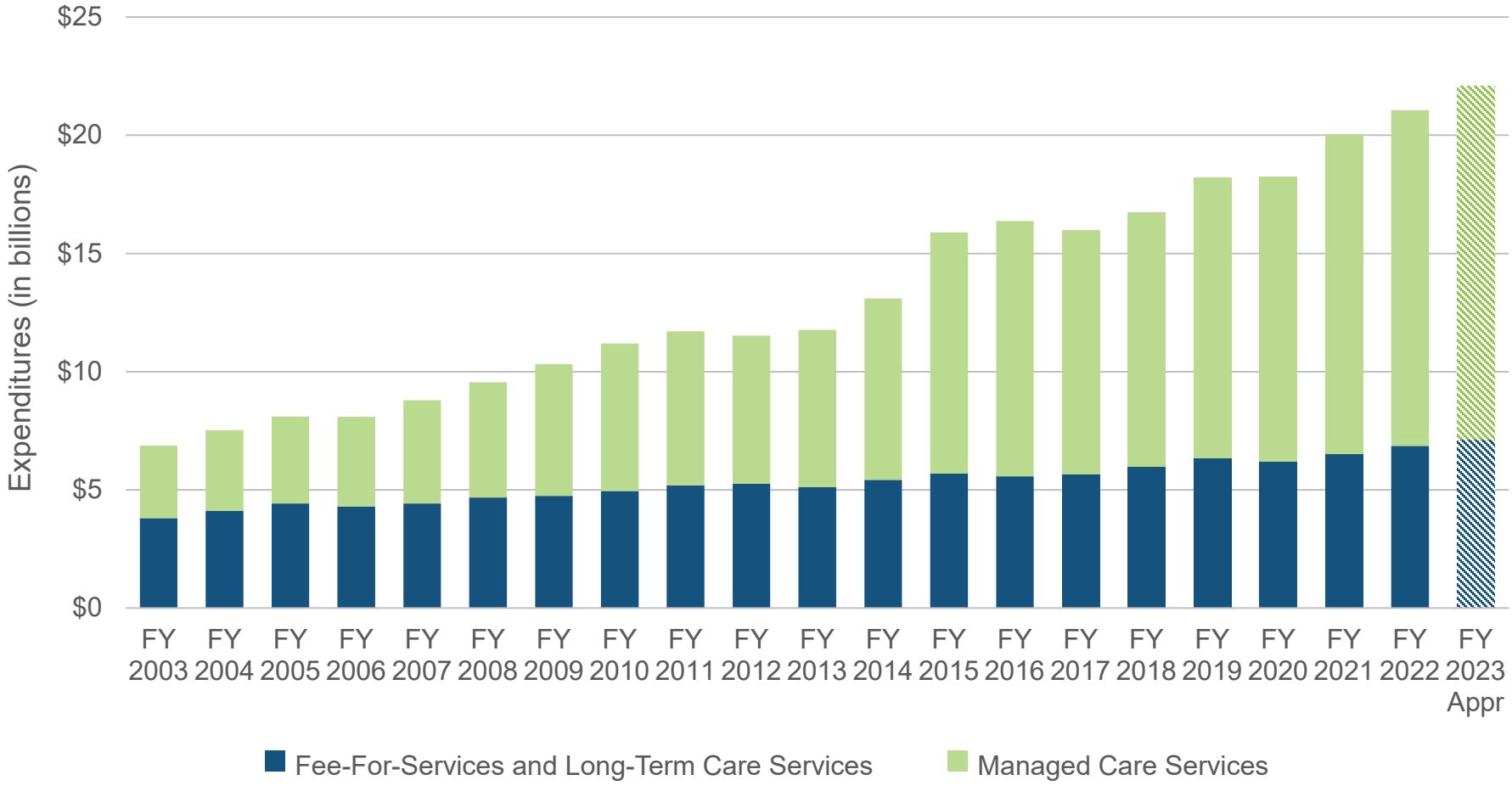


Medicaid Services

- 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)

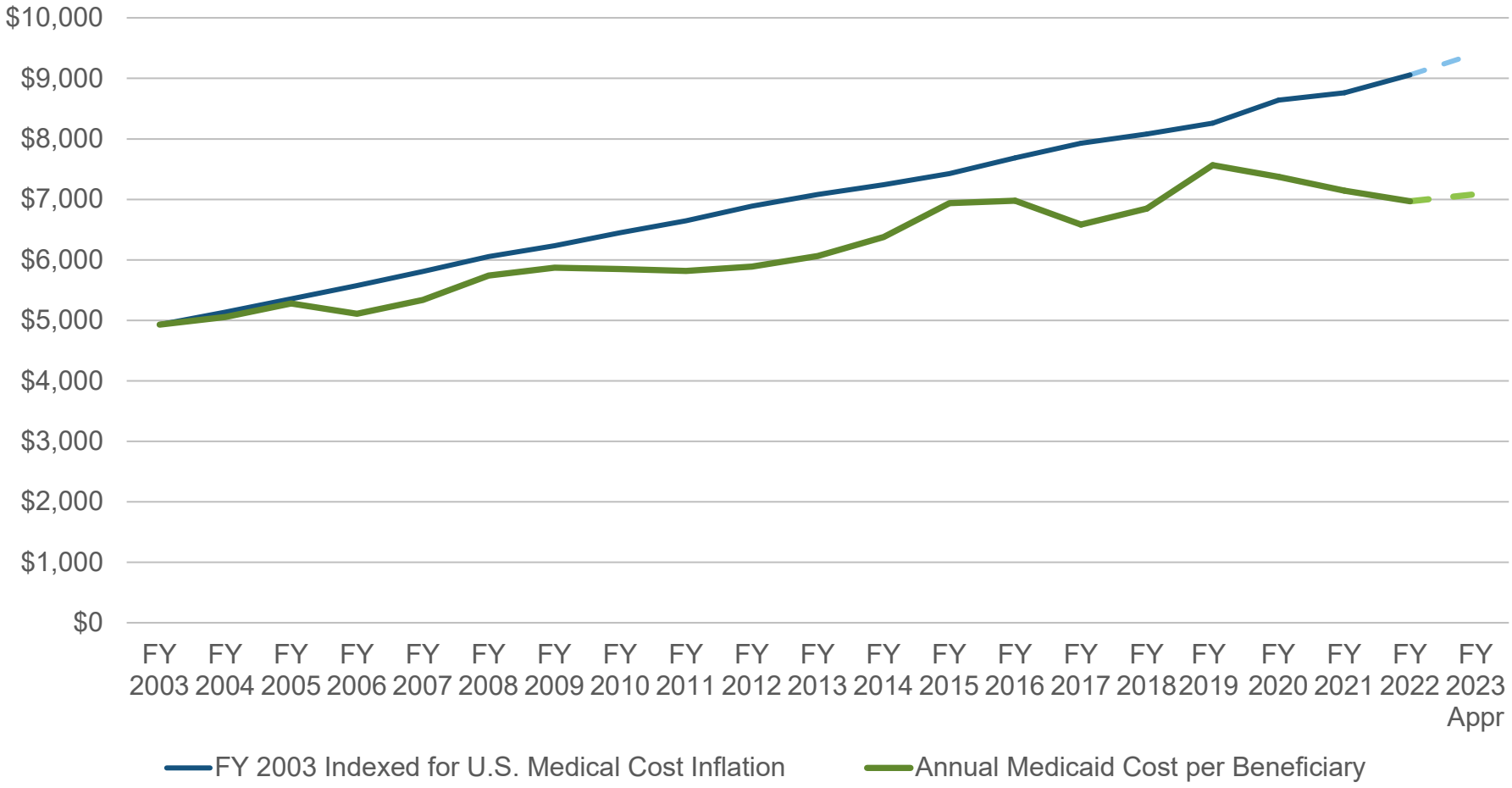
Medicaid Expenditures by Service Delivery

Since FY 2002-03, both fee-for-service and managed care services have increased, but managed care services have increased faster as a growing percentage of Medicaid beneficiaries have been enrolled into a managed care health plan. **73%** of beneficiaries are currently covered through managed care, representing **68%** of expenditures.



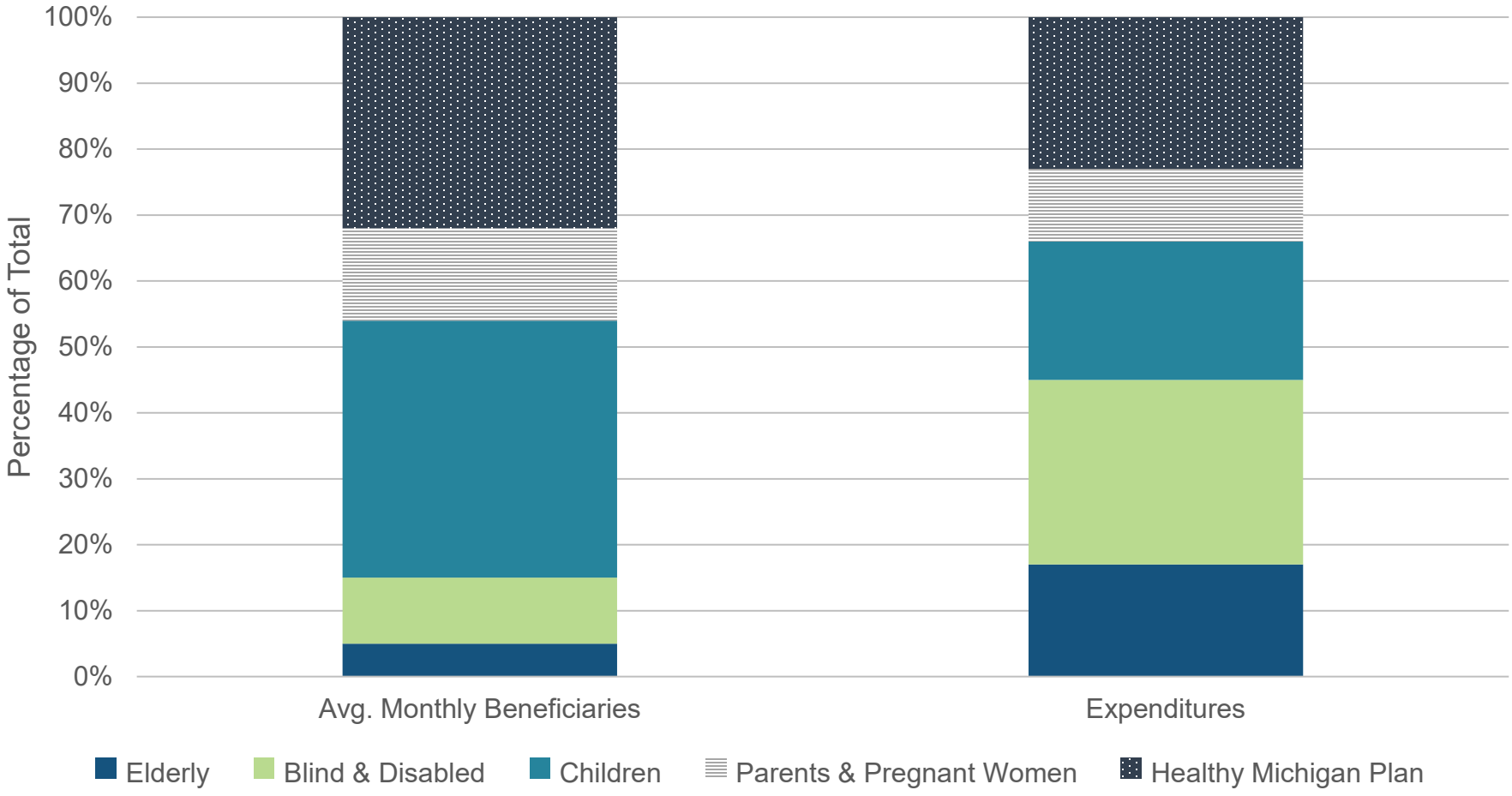
Annual Cost per Medicaid Beneficiary

Caseload increases are not the sole reason for Medicaid expenditure increases. Utilization, inflation, and increases in special payments and provider assessments also affect costs. Since FY 2002-03, the average cost per Medicaid beneficiary has increased **44%**, from **$4,900** to **$7,100**. This increase is below the rate of general medical cost inflation.



Medicaid Beneficiary and Expenditure Comparison

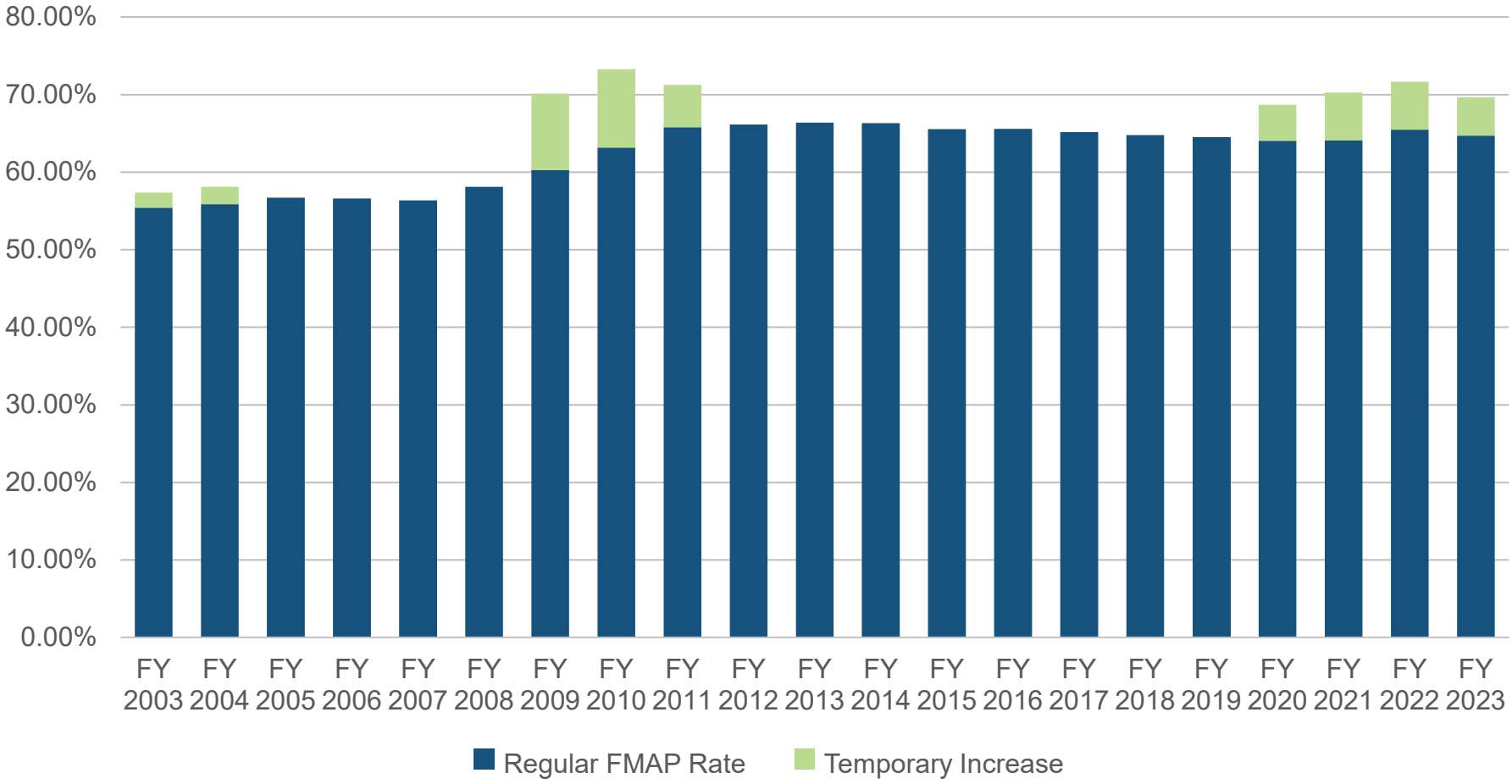
Average cost per beneficiary varies widely among beneficiary groups. The elderly and blind & disabled represent **15%** of beneficiaries, but constitute **45%** of the expenditures. Conversely, children make up **39%** of beneficiaries, but constitute only **21%** of the expenditures.



Note: Data are from FY 2020-21.

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 state match requirements, but has been gradually declining since then. The Temporary FMAP increase will by fully phased out by FY 2023-24.



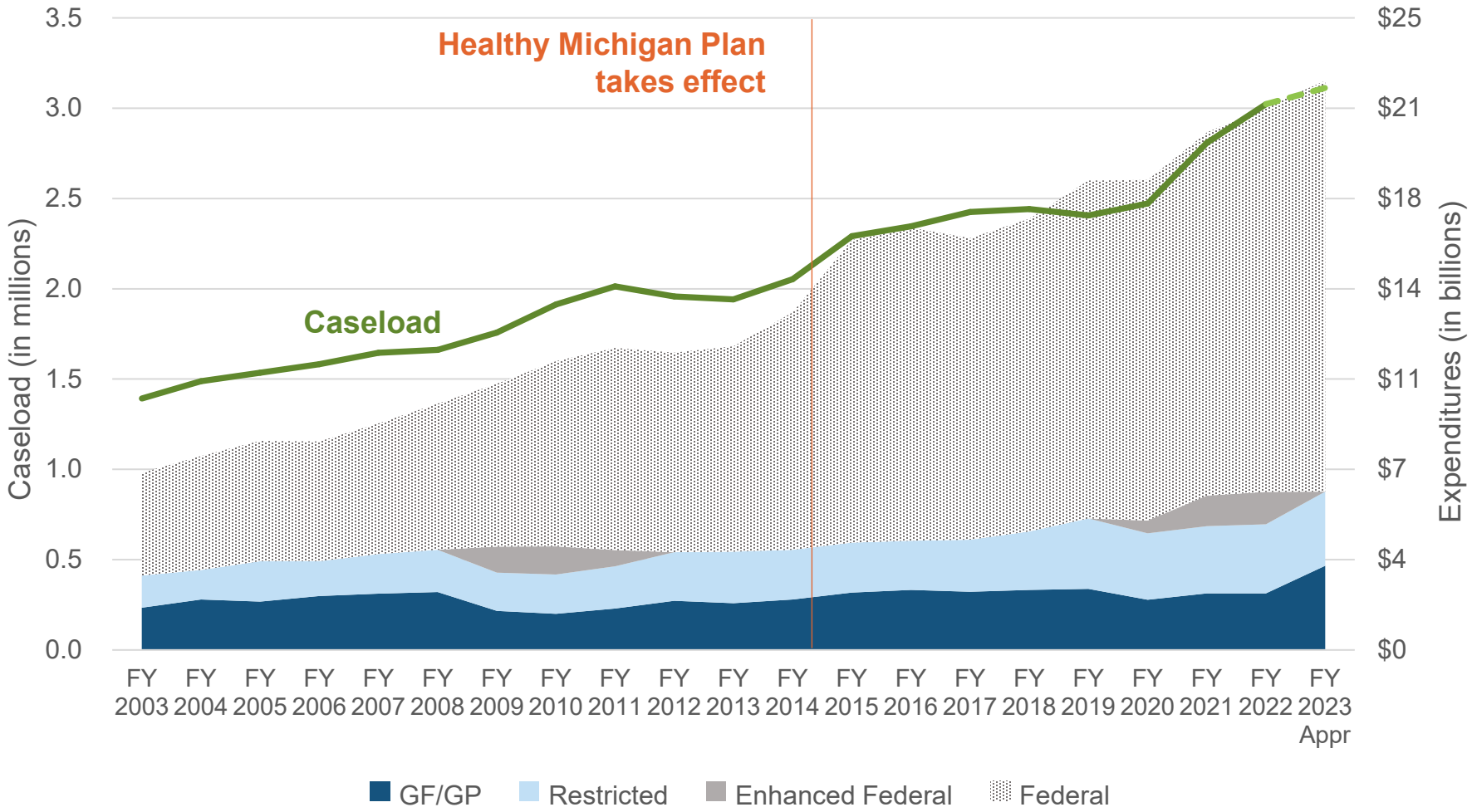
Notes: Increases for FY 2009 to FY 2011 were from Federal American Recovery and Reinvestment Act of 2009
Increase since FY 2020 is from Federal Families First Coronavirus Response Act of 2020

State Medicaid Match Rate Portion

- For FY 2022-23, **$22.06 billion** in Gross Medicaid expenditures requires **$6.14 billion** in state match funds
- The largest source of state match funds is General Fund/General Purpose (GF/GP) revenue, at **$3.26 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 **$2.86 billion** in restricted or local funds appropriated for FY 2022-23
- State restricted fund sources include:
  - Provider assessments, known as the Quality Assurance Assessment Program (QAAP), levied on hospitals, nursing homes, and ambulance providers: **$1.51 billion**
  - Insurance Provider Assessment (IPA) Fund: **$629.6 million**
  - Medicaid Benefits Trust Fund (primarily from tobacco taxes): **$326.5 million**
  - Special financing funds from public and university hospitals: **$271.2 million**
  - Merit Award Trust Fund (tobacco settlement revenue): **$57.2 million**

Medicaid Expenditures by Fund Source

Since FY 2002-03, the state's total Medicaid caseload has increased by **123%**, expenditures have increased by **221%**, and GF/GP has increased by **99%**, due to economic trends, the expansion under the Healthy Michigan Plan, and more recently the coronavirus pandemic.



Enhanced Federal from American Recovery and Reinvestment Act of 2009 and Families First Coronavirus Response Act of 2020

GF/GP Medicaid Spending Pressures

Enhanced FMAP

- The 6.2% Enhanced FMAP increase will begin to phase out. Each additional quarter saves **$210 million GF/GP**. Current budget does not assume any quarters of Enhanced FMAP, but 2 additional quarters of Enhanced FMAP savings is already known to exist with it phasing down to 5.0% on April 1, 2023 and 2.5% on July 1, 2023. For a total FY 2022-23 GF/GP savings of **$675 million GF/GP.**

Caseload Increase

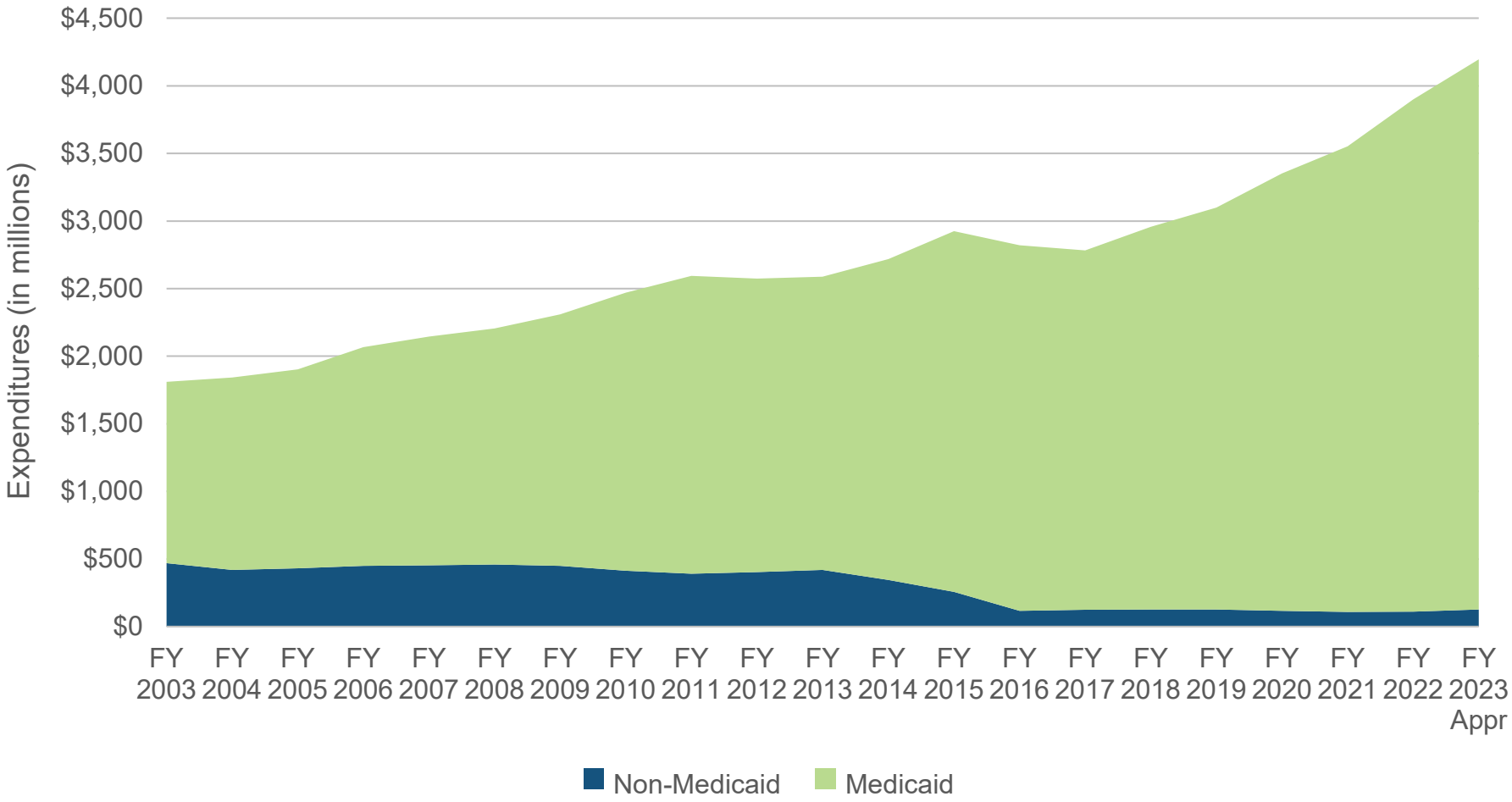
- Since the start of the pandemic (March 2020), Medicaid cases have increased by 775,000 due to economic factors and the federal prohibition on closing Medicaid cases while the federal public health emergency declaration, and it's associated 6.2% enhanced FMAP, are in effect. The additional 775,000 cases cost approximately **$150 million GF/GP** each quarter, which will gradually reduce beginning April 1, 2023.

Behavioral Health Services

- Behavioral 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
- 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
- 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) administer specialty mental health services and supports 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)
- PIHPs are managed care organizations and therefore receive a capitated per-member, per-month rate that is required to be actuarially sound based on generally accepted actuarial practices and regulatory requirements

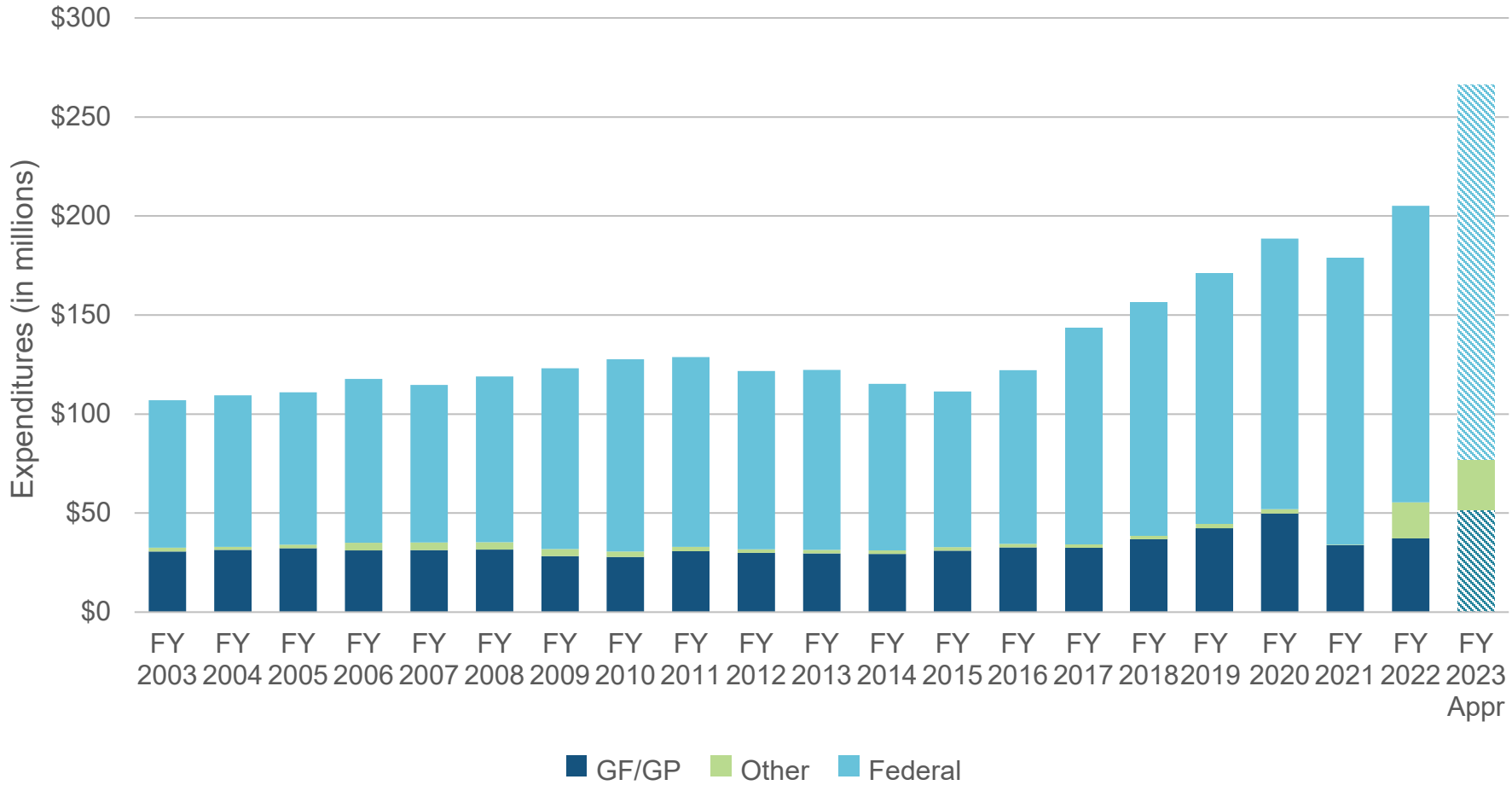
Mental Health Spending

Since FY 2002-03, total mental health spending has increased **132%**. Changes in FY 2013-14 and FY 2014-15 are due to establishment of the Healthy Michigan Plan, which reduced the need for non-Medicaid services. Elimination of the purchase of state services transfer reduced non-Medicaid funding beginning in FY 2015-16.



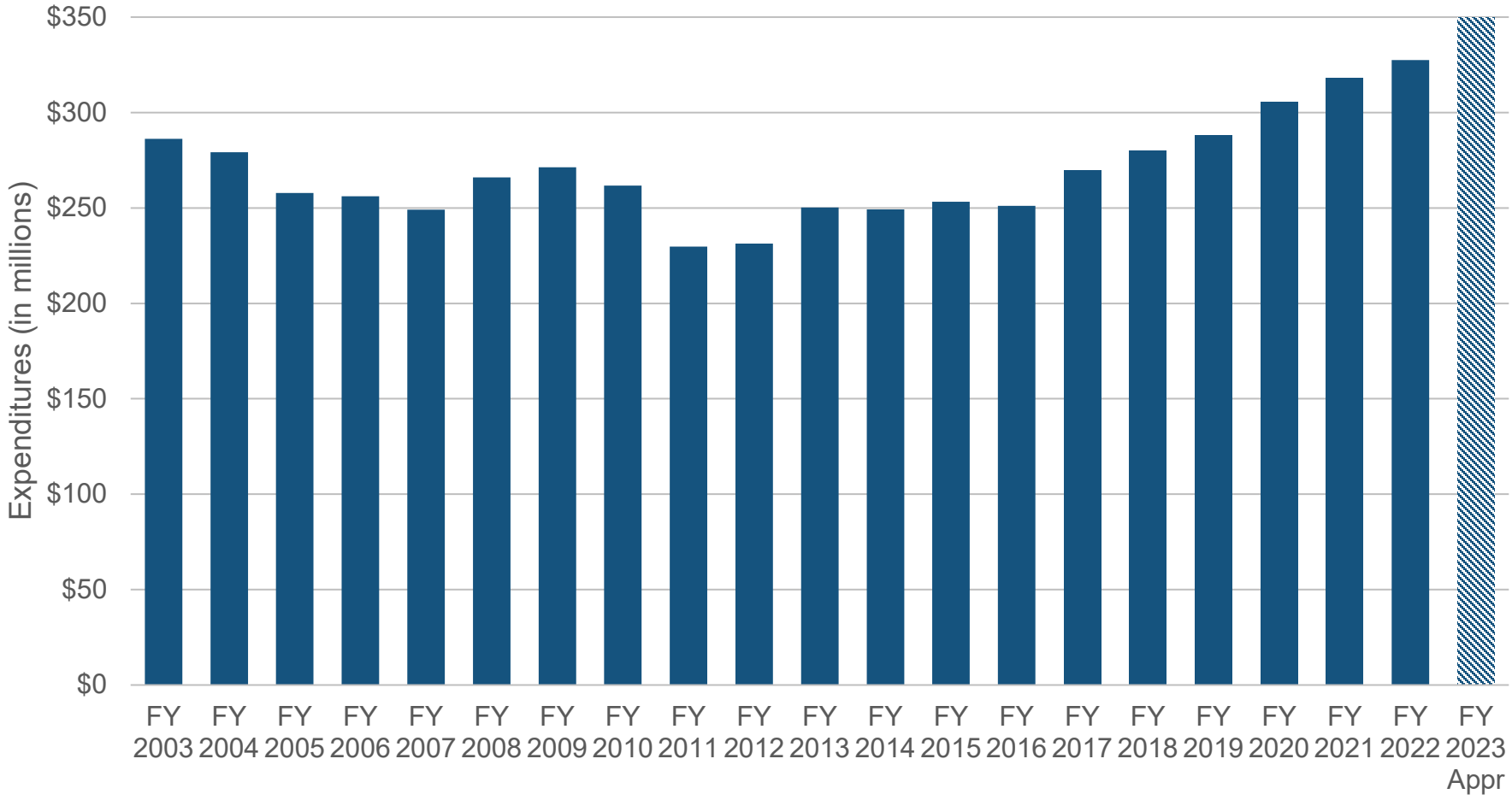
Substance Use Disorder Services Spending

Most of the year-over-year changes in total substance use disorder services expenditures has been driven by the availability of federal funding, including the new State Opioid Response grant and state restricted opioid settlement funds. Medicaid substance use disorder services funding has also begun to increase.



State Mental Health Facility Expenditures and Authorizations

Expenditures for state mental health facilities declined from FY 2002-03 to FY 2006-07 and fluctuated through FY 2012-13 due to facility closures, transfer of responsibilities for forensic prisoner mental health services to the Department of Corrections, and reductions in numbers of patients. Expenditures have since begun to increase.



For more information about the Health and Human Services budget:

Medicaid and Behavioral Health - Kevin Koorstra, Deputy Director: kkoorstra@house.mi.gov

Briefing: http://www.house.mi.gov/hfa/PDF/Briefings/HHS_Medicaid_BudgetBriefing_fy22-23.pdf

Population Health, Aging Services – Victoria Amponsah, Fiscal Analyst vamponsah@house.mi.gov

Briefing: http://www.house.mi.gov/hfa/PDF/Briefings/HHS_PH_BudgetBriefing_fy22-23.pdf

Child Welfare Services – Sydney Brown, Fiscal Analyst: sbrown@house.mi.gov

Public Assistance, Field Operations - Kent Dell, Senior Fiscal Analyst: kdell@house.mi.gov

Briefing: http://www.house.mi.gov/hfa/PDF/Briefings/HHS_HS_BudgetBriefing_fy22-23.pdf

HFA Phone: (517) 373-8080

Other HFA Resources - http://www.house.mi.gov/hfa/HealthandHumanServices.asp