



## Medical Care Advisory Council

### Minutes

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**Date:** Thursday, May 10, 2007

**Time:** 1:00 – 4:30 p.m.

**Where:** Michigan Public Health Institute  
2436 Woodlake Circle  
Okemos, MI

**Attendees:** **Council Members:** Patricia Anderson, Roger Anderson, Brandon Barton, Priscilla Cheever, Jackie Doig, Andrew Farmer, Dave Herbel, Diana Hines, Allison Hirschel, Jan Hudson, Dave LaLumia, Anita Liberman-Lampear, William Mayer, Gregory Piaskowski, Peter Schonfeld, Paul Shaheen, Dean Sienko, Walt Stillner, Mark Tucker, Don Mussman, Larry Wagenknecht, Claude Young, Harvey Zuckerberg, Sarah Slocum,  
**Staff:** Lonnie Barnett, Billie Hargrove, Sue Moran, Neil Oppenheimer, Kathy Whited, Steve Fitton, Paul Reinhart, Charles Overbey

**Conference Call** None

**Attendees:**

**Absent:** Daniel Briskie, Vernice Davis-Anthony, Dianne Haas, Jackie McLean, Warren White, Daniel Wilhelm, Kim Sibilsky, Jocelyn Vanda, Edmund Kemp

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#### **WELCOME AND INTRODUCTIONS**

Meeting was called to order promptly at 1:00 p.m. by Jan Hudson, Chairperson.

All members and guests introduced themselves.

#### **FY07/08 BUDGET UPDATE - Charles Overbey**

The projected shortfall for FY07 is roughly \$800 Million for both the general fund and school aid fund. The shortfall for FY08 is estimated at \$2.2 Billion (including \$1.2 B of lost Single Business Tax revenue). Final revenue estimates for FY 08 budget will be dependent on new revenues identified for FY07. Negotiations are ongoing; constitutionally, the Governor is required to balance the budget. If there is a shortfall in revenue, the governor will have to issue an executive order to bring the existing revenues and expenditures into line .

Shutdown plans for all departments have been proposed and are being discussed. Those plans would preserve essential services, but the remainder of the departments would be shutdown on a temporary basis. Essential functions include prisons, juvenile justice facilities, hospitals, and centers. Discussions are also underway for keeping the payment system running and so that money flows to providers. Additionally, short term layoffs for state employees are under consideration. The 2% raise from April 1, 2007 for all state employees is roughly equal to 10 layoff days. No decisions have been made either for state of Michigan shutdown days or layoff days; these are contingency items just in case they are needed to balance the FY07 budget.

There are four (4) options to balance the current budget:

- One is the combination of cuts and revenues;
- one is cuts alone.
- One is one-time fixes such as Tobacco Securitization; this will take anticipated future revenues and in essence bond for those revenues to have that revenue now.

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- Last option which is not under serious discussion is closing FY07 in the red and then the revenues in FY08 will be used first to satisfy the FY07 budget which would essentially 'push' the problem into FY08.

The latest polls show that there is some support for a combination of cuts and revenues. A Bulletin has been distributed to all Medicaid Providers announcing a 6% reduction in provider rates for all providers; this would save the State \$50M GF this year. Additional cuts would certainly harm the medical providers who serve Medicaid recipients.

The State's General Fund is spent primarily in 3 departments - In Community Health (Medicaid), Human Services (poverty services and children services); Corrections (where we pay \$30,000/person/year).

FY08 Community Health Budget has not yet passed either chamber. Final negotiations for FY08 will depend on how FY07 is resolved.

It was proposed and approved that Jan Hudson would write a letter to Rep. Dillion, Sen Bishop and the Governor supporting revenue solutions NOT cuts.

The Revenue Conference, to project final revenues for FY2007 and the revenue base for FY2008, is scheduled for May 18<sup>th</sup>.

### **Michigan First Healthcare Plan** – Paul Reinhart and Steve Fitton, MSA

The Governor announced in her state of the state address that this plan will be implemented in the spring, however, the waiver has still not been approved. In addition, boilerplate language requires a 90 day notification to the Legislature prior to implementation. The Governor has placed a very high priority on this program and has talked with Secretary Leavitt on several occasions. The Secretary has announced publicly on at least two occasions that he intends to approve this Waiver. The challenge is to identify \$400 million in State funds without requiring any new general fund appropriations. The feds have recommended changes in our existing program that are pretty difficult to agree to. That's why negotiations are going so slowly. In spite of that, the Department is forming an implementation workgroup to avoid further delays when the waiver is approved. Legislation has been developed that should be introduced shortly to provide the statutory authority needed to create the exchange entity which would be the group that would actually enter into contracts with health plan organizations to provide healthcare.

The SCHIP reauthorization debate is underway in Washington. Michigan First is technically an amendment to the Adult Benefits Waiver which uses unspent SCHIP money to fund healthcare for childless adults. There is strong sentiment by some in Congress that SCHIP funds should be used solely for children and not used for adults; especially childless adults. There are few states with approved waivers that CAN use SCHIP funds for adults. Concern was expressed about the State's ability to continue the Adult Benefits Waiver after SCHIP is reauthorized. Paul Reinhart agreed that continued use of SCHIP funds for childless adults is in jeopardy.

Concern was also expressed by Council members that the success of Michigan First is tenuous since the program is based on a Medicaid structure that is eroding.

### **Senate Bill 0001** – Steve Fitton

Senator George introduced Senate Bill 0001 on January 1, 2007. He believes that the 'population' needs to get healthier (Medicaid recipients particularly), and is pursuing legislation to change health behaviors to improve health status. There are five components of this bill:

1. Create incentives for recipients that practice healthy behaviors in the form of expanded benefits or reduced premiums and co-pays.
  - *We already have incentives in our HMO delivery system for some healthy behaviors (Department comment)*

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2. Create a pay for performance program for HMOs, and focus on the 10 "most costly" ailments for prevention and treatment.
  - o *We already have a pay for performance initiative in effect that is nationally recognized. As to the 10 most costly ailments (health conditions); defining them becomes very problematic (Department comment).*
3. Requires the Department to establish a preferred product and service formulary for DME and permits the contracted HMOs to participate.
  - o *FY2007 boilerplate required the Department to convene a committee of stakeholders to look at this issue. A report was developed that basically rejected the idea of a formulary and the report was in the process of being forwarded to the legislature when SB0001 was introduced. Much of the cost for these services is for dual eligibles who cannot be required to participate in this kind of purchasing program, or for children's special health care services recipients. In the end, there is little savings and there are better ways to work with the industry to save money. (Department comment)*
4. Requires the Department to seek financial support for electronic health records.
5. *The Department is supportive of the expansion of electronic health records and will pursue funding whenever possible. We are in agreement on this component of the legislation. (Department comment)*DCH shall include the first two items in any federal waiver request that is submitted regarding the uninsured population.
  - o *Michigan 1<sup>st</sup> does incorporate these principles; healthy behaviors and personal responsibility for the Michigan 1<sup>st</sup> population have been emphasized. Requiring this in any waiver application does not seem wise because we cannot be sure that it will always be appropriate (Department comment).*

The Department is sympathetic to the objectives of the legislation but does not support the bill as written. We intend to work with Senator George to get this bill into an acceptable form with appropriate amendments.

### **Long Term Future of Medicaid Subcommittee Update – William Mayer**

Subcommittee meetings are generally the 1<sup>st</sup> Friday of each month; charge is to strategize on ways to sustain the Medicaid program, looking at policies, funding, innovations, trying to get ideas for 5-10 years down the road.

We have been meeting for several months now and have focused on current issues such as MI 1<sup>st</sup> and the budget crisis. We determined that we really need to focus on the FUTURE. Ideas have been discussed about what the future of Medicaid should be. We discussed borrowing some of the concepts of product innovation from the private industry and ways to apply those to "breakthrough innovations" for the Medicaid program. There seems to be a shortage of ideas. Old ideas continue to get recycled, and they waste resources when responses must be developed. Ideas are often talked about but not acted on.

We need to create a system to rapidly and efficiently generate pilots and implement breakthrough innovations with a focus on effectiveness, efficiency, and financing by applying industrial model or some facsimile to innovation. One of the models we looked at is the stage-gate process (see handout).

One of the mechanisms that has been suggested is working with MSU and U of M as the DCH already has working relationships with both universities. Our next step is to meet with folks from the universities and discuss the concept. This meeting is scheduled for June 8, 2007 11:00 -1:00 in the Capitol Commons Center, conference room 7A.

Two issues that we will be discussing are newborns and unplanned pregnancies.

Since there are Michigan Foundations that are interested in health care innovation, a meeting of foundations was suggested to pursue their interest in funding such an initiative. A review of other states' experiences was also suggested. A question was also raised about how major recommendations, such as the Long Term Care Commission report and recommendations would be handled in this process.

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### **DCH House Appropriations Subcommittee Chair – Representative Gary McDowell**

The negotiations on the FY07 budget are anticipated to be completed by end of May, 2007. Several groups (unions, education, healthcare providers) are close to the negotiations. The need for additional revenues message needs to get back to the local levels.

The May 18<sup>th</sup> revenue conference will confirm how much money we have. Appropriations' bills will then move forward after the revenue source has been identified. The only options for additional revenues are income tax and sales tax. There is a point (date) where the executive branch has no choice but to legally and constitutionally bring expenditures into a line. There were three departments in FY2006 (Corrections, State Police, and Human Services) that closed in the red, but the state closed in black because of lapses in other departments.

Representative McDowell emphasized that Michigan is not a high tax state and that current revenues are \$7 billion below the Headlee limit. Additional tax revenues are needed to invest in state services and residents. He discussed the need to change the culture in Michigan to be appreciative of public services and cited the food inspection issue below as an example.

Food inspections in this state (Department of Agriculture) are considered in a crisis state right now. We cannot ensure that food that originates in the state is safe. If one food-borne pathogen is identified as originating in this state, it will cost the state billions in lost agriculture activity; yet we do not adequately staff that function and this is an example of the short-sightedness of deep cuts in Rep. McDowell's opinion.

### **Policy Update – Logan Dreasky**

Logan reported that with citizenship documentation requirements just being implemented in April, it is too early to assess the impact. Electronic data matches with Vital Records are working well for current enrollees. There are "systems issues" with accessing Vital Records for new applicants. No coding has been established to track the impact of the policy.

Members expressed concern that the policy and worker expectations were not clear and suggested that the July policy update include policy and worker clarifications as well as a revised client notice. Members also suggested a meeting with both DCH and DHS reps would be very helpful.

An update of the Deficit Reduction Act of 2006 provisions to be implemented in July (most are long term care related) was also provided. An update of the Family Independence Program (FIP) sanction policy on Medicaid eligibility was also provided. While a 30-day Medicaid sanction is being imposed on non-pregnant FIP-sanctioned adults, it was clarified that it is a state option to apply the Medicaid penalty. After discussion, the Department of Community Health staff agreed to consider the option of preparing a state plan amendment to eliminate the penalty period in Medicaid.

### **Third Party Liability/Fraud Unit – Tonya Lowers, Ruth Shockey**

Presentation postponed.

### **Long Term Care Commission Update – Andy Farmer**

The Long Term Care (LTC) Supports and Services Advisory Commission was created under executive order by the Governor in 2005. The purpose of the LTC Commission is to be an effective and visible consumer advocacy organization for improving the quality of and access to long term care supports and services. The commission is made up of sixteen (16) members from various organizations throughout the state, as well as recipients of long term care services. The Commission is establishing public work groups to continue the initial commission work; their scopes are expected to be quite open-ended. They will be addressing financing as well as several other aspects of long term care. One member asked whether end of life care would be addressed.

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### **Other Issues and Concerns – Members**

A member asked why the FM-160 report was scheduled for elimination. That report is very useful to long term care facilities. Another concern was expressed about the proposal to release ill prisoners and where they would/could go for care.

**Adjourn – 4:30 p.m.**

**Next Meeting – Wednesday, August 29, 2007, 1-4:30 pm @ Michigan Public Health Institute (MPHI), Okemos, MI**