MICHIGAN LONG-TERM CARE SUPPORTS & SERVICES
ADVISORY COMMISSION MEETING
Minutes of Monday, May 11, 2009
Capitol View Building, Lansing, Michigan

I. Organizing Ourselves:

A. Roll Call

Members Present:

Robert Allision	Dohn Hoyle	*Absent:*
RoAnne Chaney – Secretary	Denise Rabidoux (by phone)	*William Mania*
Christine Chesny	Tom Rau for John Reardon	*Yolanda McKinney*
Andrew Farmer – Chair	Hollis Turnham – Vice Chair	*Marsha Moers*
Connie Fuller	Cyndy Viars	*Rev. Charles Williams*
William Gutos	Toni Wilson	
	Excused: Linda Ewing	

Ex-Officio Present
Mary Ablan, Area Agencies on Aging Association of Michigan
Barbara Anders Designee for DHS Director
Peggy Brey, Designee for DCH Director & Office of LTC Supports and Services
Sharon Gire, Office of Services to the Aging
Sarah Slocum, State LTC Ombudsman
Absent: DELEG

Office of Long-Term Care Supports and Services Presenters & Staff Support Present:
Rob Curtner, Gloria Lanum, and Marlene Simon

B. Review and Approval of March 30, 2009 Minutes

Motion by Commissioner Hoyle, seconded by Commissioner Chaney, to approve the March meeting minutes as presented. Motion passed by voice vote.

C. Review and Approval of May Agenda

Motion by Commissioner Allison, seconded by Commissioner Turnham, to accept the agenda. Motion passed by voice vote.

II. What's Happening – Economics, Deficits vs. State Revenue Modernization:

A. *"Michigan's Budget Shortfalls"* – Mitchell E. Bean, Director, House Fiscal Agency

Michigan is experiencing a structural budget deficit. If decisions are not made within the next few months, the state will face a budget shortfall of $2 billion by next February. The income tax cuts in the current law will add to deficit. Tax exemptions are greater than tax revenues. Michigan has always been a high per capita income state and is now a low per capita income state. Domestic auto sales as well the Corrections budget have a big impact on the state budget. Transportation revenues will lose federal dollars without matching funds and the school aid budget will be less with the revenue decline.

Michigan's economy has grown slower than any other state. Revenues are down to 1998 levels. The single largest revenue source is the state's sales tax. The amount of tax exemptions exceeds the amount of revenues by $6.3 billion. Tax exemptions increased $13 billion faster than the actual tax revenues. Michigan has a different tax structure than most states. Michigan is not a high tax state. Twenty-three other states have a higher tax rate and the economy is better in all of those states. Michigan no longer taxes money that comes out of a personal 401K plan and the Single Business Tax was eliminated.

If the structural problem isn't solved, it will negatively effect education, health care, local governments, infrastructure, public safety and Michigan's economic future. Solutions are: raising taxes, taxing services, keeping a single business tax, and using a graduated income tax.

B. *"Perspectives on Michigan's Economy and Budget"* – Charles L. Ballard, Department of Economics, Michigan State University

Many of the problems Michigan faces are the result of long term structural deficits. The tax base in Michigan is smaller than it was in the past. Manufacturing as a percentage of the U.S. economy has dropped off dramatically for both the state and nation since 1963. Personal income per capita showed steady growth since the 1960's for both Michigan and the nation but is now declining. After the last recession, the rest of the nation began to have income growth but in Michigan, personal income actually shrunk and has been flat for the past decade.

A comparison was made between Michigan and Massachusetts. During the 50s, 60s and 70s both states had comparable personal income. In the last 30 years, Massachusetts has shown significant growth and Michigan has shown a steady decline. Economist found the most profound income distribution in a person's life is a college degree. Massachusetts was not as heavy in manufacturing as Michigan. Massachusetts has a higher percentage of the population with a bachelor's or higher degree than anywhere in the U.S. Those with a college education have always had substantially more income than those who do not. One of the biggest returns on an investment has been in early childhood education.

Michigan has chosen tax policies that reduced revenues. Michigan is one of seven states with a flat income tax. Ninety-five percent of seniors in Michigan pay nothing in income tax. They also get very generous tax rates and tax credits. Michigan chose to increase sales taxes; the one tax that is not deductible on the federal tax.

Reasons to enact a graduated income tax include: Increase in income inequality, Federal deductibility, revenue responsiveness, and public support. (A survey conducted by MSU showed public support for a graduated income tax.)

C. *“Potential Changes to Michigan’s Revenue Structure”* – Scott Darragh, Economist, Office of Revenue and Tax Analysis, Michigan Department of Treasury

Michigan’s two main taxes, the sales tax and income tax, have not kept up with the growth of the economy. Tax policies and tax preference, credits and exemptions have reduced revenues. Food, prescription drugs and services are excluded from the sales tax. There has been increases in eligibility and strong growth in the Homestead Property Credit which has doubled over the last decade. The sales tax has been declining about 10% and the income tax has declined much more. Half of the decline in the income tax base is from rate cuts and the other half is from a shrinking tax base. The flat rate restricts growth. The income tax excludes retirement sources. Income tax reduction is scheduled to begin in 2011 which will further reduce revenues.

A good tax is one that minimizes the impact on economic behavior, avoids taxing intermediate stages of production, is easy to understand and is fair. Taxes that would be difficult to implement are those that tax health care, education, professional services and death care services. Potential services that could be taxed are labor services on repairs, cable/satellite, landscaping, entertainment admissions, dry cleaning and ground transportation.

U.S. income growth is concentrated among high wage earners. The top 1% (1 out of 100) of high wage earners earned 10% of all income earned in 1979. That amount has risen to 18.8% in 2005. The bottom 60% earn one third of all pre-tax income and have seen their share decline. The current revenue structure does not allow for growth. Reducing tax expenditures or enacting an income tax with graduated rates would help revenue to grow with the economy. To levy a graduated income tax, the Michigan’s constitution would need to be amended. Attempts in the past to adopt a graduated income tax have failed. States that have a graduated rate are seeing population growth at a fast rate.

D. *“Putting Michigan’s Budget Crisis in Perspective: Unsustainable Trends and Options for Restoring Fiscal Sanity”* – Dale Fickle, Senior Budget and Tax Policy Analyst, Michigan League for Human Services

In 1978, Michigan adopted the Headlee amendment to limit the ability to raise revenues above 9.5% of the total personal income. In 1994, with the adoption of Proposal A, Michigan changed the definition of our limit and adopted a two cent sales tax to fund K-12 education. Because we were so far below the Headlee limit, we could slide the $5 billion in revenue. The $5 billion liability was under the limit and would bring us back to the maximum Headlee amount. If Michigan had stayed close to the Headlee limit, we would have billions more in revenues to address the current crisis.

Michigan has not modernized its tax system. For the 2010 budget, we are $7.3 billion below the constitutional revenue limit set back in 1978 by the Headlee Amendment. There have been budget reductions of more than $4 billion over the last eight years and we have drained over $6 billion in one time assets.

Recent tax increases are temporary and will be phased out over the next few years. Both personal income tax and the MBT surcharge will fall away. There has been a decline in state spending for higher education and health and human services especially in public assistance and local revenue sharing. Federal funds have replaced much of the state's health care funds. It is estimated that less than one third of the Michigan households living in poverty receive assistance. The formula for public assistance grants has not changed over the last 20 years. Local revenue sharing has been rapidly declining. It is expected that more local communities will go into receivership and Michigan will be in no position to help these cities.

Department of Corrections spending has increased by over 140%. Compared to other states, Michigan's incarceration rate is 44% above the average of other great lakes states and spends 11% more. Michigan tends to incarcerate prisoners in a different fashion than other states where other states use the local jails extensively.

The Emergency Financial Advisory Panel, convened by Governor Granholm to assess the current state government financial crisis, stated in its 2007 report "…somewhere between today's state revenues and the state constitution's limitations lays the appropriate level of taxes and public spending." There were several recommendations for creating revenues including extending the sales tax to services, instituting a graduated income tax, reducing senior preferences and reducing incarceration rates.

E. Commission Q & A and Discussion on Advocacy Assuring Adequate funding for the Array

Would it be helpful to band together with local units of governments? What can we do to give the legislature the vision to change? Mr. Bean suggested banding together with other groups such as education to strengthen the advocacy. The voices need to be louder. Keep stressing the facts.

If we were to adopt recommendations that are the common thread in terms of the Michigan tax structure, and if changes to the structure were made, would Michigan be ranked 25th in the nation? The states are tightly clustered and you would want to see where we are relative to the national average. If you raise revenues, you move up the ladder. Michigan is close to the national average but used to be ranked 15th. By a modest drop in relation to the national average, Michigan fell to 37th. Other states are also taking action on raising taxes so the bar may change.

Regarding taxing seniors, the legislature is not receptive, what can we do? Voices need to be louder. Because of term limits, the legislature may not have the knowledge base. One of the main opponents to changing tax policy is the business community. Do a combination of things to get the business community on board, such as changing or lowering one tax like the surcharge and do structural changes in the rest that would get Michigan going in the right direction. If the business community is united in opposition, it is difficult to get something passed. The Michigan League for Human Services has put out a list of $400 million in tax expenditure recommendations that have been approved by one legislative body or another. The legislature needs to revisit this list. The League hosts a group of organizations that come together to talk about alternatives and are putting a package of alternatives to address the issues in the long term.

III. What Else is Happening:

A. Public Comment

Julie Weckel, Program Director and Quality Assurance Manager, Southwest Michigan Long-Term Care Connection, provided testimony about the benefits of the long-term care Single Point of Entry (SPE) programs. Success stories will be shared with local legislators and the media.

Alison Hirschel, an advocate for seniors, Lansing, urged the Commission to strongly advocate for at least partial funding for the SPE programs. The Medicaid Long-Term Care Task Force Report envisioned statewide SPEs by this point. The SPEs demonstrated a movement toward a coordinated and person-centered system, and were recognized as the foundation to long-term care reform in the state. Ms. Hirschel expressed concern that once the program is gone it would be extremely difficult to get the system up again and will put Michigan further behind other states in the long-term care efforts. The recent Executive Order to integrate the Office of Long-Term Care Supports and Services is a step back in long-term care reform.

B. The Detroit Long-Term Care System Change Task Force: 2009 Public Policy Agenda – Paul Bridgewater, President & CEO, Detroit Area Agency on Aging, and Karen Watson, Project Manager, Detroit Area Agency on Aging, and Betsy Rust, CPA, Plante & Moran

The Detroit AAA convened the Detroit Long-Term Care System Change Task Force to develop policy recommendations to improve the condition of long-term care in the City of Detroit. The task force formed nine subcommittees for the purpose of improving the quality of long-term care for Detroit's seniors, adults with disabilities and caregivers. The background and results of the task force recommendations are presented in the 2009 Public Policy Agenda. The presentation included a brief overview on the three key goals: Create Environments that Promote Quality of Life; Improve Access and Level of Service for Consumers; and Improve Direct Care Competencies and Staffing levels. Economic stimulus funding will be sought to provide financial support of selected recommendations that are consistent with the goals of stimulating economic recovery. It was noted that some of the recommendations were made with the SPE's in mind and were an essential element. The work of the task force is ongoing and many of the subcommittees continue to meet.

C. Update – Peggy Brey, Interim Director, Office of Long-Term Care Supports & Services

On May 5, 2009, Governor Granholm issued Executive Order 2009-22 which included the elimination of funding for the four Single Point of Entry/Long Term Care Connection Demonstration Projects effective June 1, 2009 as a result of the state's economic crisis. The Office is working with the SPEs and providing direction to implement closures.

Peggy Brey again shared that the department's deputy director, Kurt Krause, is the point person for the Office integration planning. He is currently gathering input, suggestions or recommendations and is planning a public hearing.

Andy Farmer stated that a letter was sent to department director Janet Olszewski and deputy director Krause to express continued commitment to implementation of the Task Force recommendations and that integration of the Office should not dilute or divert the work that has progressed thus far. A meeting was also requested to discuss the integration process, possible future implementation activities, and longer term Commission roles and needs.

The two SPE evaluation reports are being reviewed by Office staff and the director's office. A copy of the final reports will sent to the legislature and will then be released to the public.

Task Force Recommendation Logic Model Review: *#2 Money Follows the Person and #9 Finance Process Action Teams (PATs)* – Rob Curtner, Office of Long-Term Care Supports & Services

To avoid duplication of effort, the MFP and Finance project action teams would like the support of the Commission to combine the two workgroups. The MFP recommendations are eligibility and financial in nature. The draft logic models for both workgroups will need to be combined. The Commission does not currently have a MFP workgroup. Mr. Curtner provided a status report on the progress of the PATs and the Finance Workgroup and a brief review of the Task Force recommendations to improve access by adopting MFP principles and to adapt financing structures.

IV. What Needs to Happen:

A. Commission Action on Next Steps in State Budget Advisement & Advocacy

The Commission needs to look at the budget advisement at two levels: What the Commission can do through work of the Commission and what can be done as individual stakeholders.

Advocacy letters to the Governor and legislators were discussed. The first letter would discuss the LTC Task Force recommendations and express dismay about the elimination of the SPEs. The second letter would be broader about the budget cuts and dismantling the long-term care system, services and infrastructure and the impact of further cuts in the Department of Human Services. The third letter would be about restructuring the current system and using the menu of short and long-term solutions that the economists suggested. All three letters would be sent to the Governor, legislators, and the directors of DCH and DHS.

The third letter would go to a broader group to include the Chamber of Commerce, local units of government, consumer groups, gubernatorial candidates, and the State Budget Office.

Commissioner Hoyle motioned, seconded by Commissioner Wilson, that the three letters suggested be drafted by the Executive Committee.

Chairperson Farmer will be contacting each Commissioner to make plans to reach out to individual stakeholder groups, local units of government, county elected officials and local chamber of commerce to share what was learned from the economists. There is a need to pull in the Department of Education and others to form an alliance. When the Executive Committee sends the three letters to the legislature, they will have three tools to take with them. AARP paid for the morning session to be taped and the Commission will need to find a way to disseminate the information.

B. Workgroup Updates

Workforce – In July, the workgroup will report to the Commission about introducing CNA and Hospice Aide legislation. The next workgroup meeting is June 3, 2009.
Quality – The next workgroup meeting is May 28, 2009. The workgroup will be completing their environmental scan and cataloging. An updated logic model will be ready by July.

C. July Commission Needs

Items for the July Commission meeting: Logic model reviews, local advocacy work, SPE transition issues, update on current budget and 2010 budget, and update on the CHCS grant.

D. Other Commissioner Announcements & Adjournment

Mary Ablan reported that the Area Agencies on Aging Association of Michigan Annual Conference is May 21 & 22, 2009 at the Kellogg Center in East Lansing.

The next Long-Term Care Supports & Services Advisory Commission meeting is July 27, 2009, at 10:00 a.m. until 4:00 p.m., in Lansing at the Capitol View Building, 1st Floor Conference Rooms A-C. There being no further business, the meeting was adjourned.