

MICHIGAN DEPARTMENT OF COMMUNITY HEALTH

FY2003 EXECUTIVE RECOMMENDATIONS

**PRESENTATION TO THE SENATE APPROPRIATIONS
SUBCOMMITTEE ON COMMUNITY HEALTH**

**JAMES K. HAVEMAN, JR.
DIRECTOR**

Mission Statement

"Michigan's Department of Community Health strives for a healthier Michigan. To that end, the department will promote access to the broadest possible range of quality services and supports; take steps to prevent disease, promote wellness and improve quality of life; and strive for the delivery of those services and supports in a fiscally prudent manner."



MICHIGAN DEPARTMENT OF COMMUNITY HEALTH ORGANIZATION

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Terry Geiger
Interim Deputy Director

**Health Legislation and
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Carol Isaacs
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**Chief Medical
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**Office of Services to
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**Quality Management and
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**Office of Drug Control
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**Chief Operating Officer/
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Peter Trezise
Deputy Director

Budget and Finance
David Viele
Deputy Director

**DEPARTMENT OF COMMUNITY HEALTH
FY2003 Executive Recommendation - Overview**

The Governor's FY2003 Executive Recommendation for the Department of Community Health is **\$9,155,663,900**. The recommendation contains a gross increase of **\$413.5 million** which equates to a **4.7%** increase with a general fund decrease of **\$19.4 million**, which equates to a **.8%** decrease. The change in the Medicaid federal FMAP rate reduced federal funding by **\$64.5 million** requiring additional GF to maintain the program at its current level. The FY2003 Executive Recommendation includes new funding for the MIFamily Program, new Senior Pharmacy Plus Program, and the Medicare Low-Income Drug Assistance Program recently announced by the Bush Administration, and funding for Bioterrorism.

Medicaid Services - The Executive Recommendation includes base funding adjustment increase of **\$266.6 million** to support mandatory inflationary increases, such as pharmacy and medicare premiums, increased utilization of services and a projected continued growth in the number of Medicaid beneficiaries. The FY2003 Executive Recommendation includes using **\$269.0 million** of the Medicaid Trust Fund for the following:

- \$64.5 million** - Change in Federal Medical Assistance Participation (FMAP) rate
- \$43.8 million** - Change in special financing guidelines from the Centers for Medicare & Medicaid Services
- \$160.7 million** - Cover the State's share of the base Medicaid program - including Mental Health and Substance Abuse

The number of Medicaid beneficiaries has been growing since FY2000, with the growth projected to continue into FY2002 and slowly decline in FY2003 as the economy recovers. The actual for FY2000 and FY2001 and projected average for FY2002 number of Medicaid beneficiaries is as follows:

FISCAL YEAR	CHILDREN (Under 21)	ADULTS	TOTAL
FY2000	589,214	465,782	1,054,996
FY2001	623,095	485,736	1,108,831
FY2002	685,090	522,770	1,207,860

Hospital Rebasings - The FY2003 Executive Order required rebasing of hospital rates for the fee-for-service population with the recognition of **\$4.4 million in savings** on a full-year basis. The FY2003 Executive Recommendation includes a savings of **\$16.9 million** by incorporating these savings into the Health Maintenance Organization rates, since HMO reimbursement to hospitals is based upon the fee-for-service hospital rates.

**FY2003 DEPARTMENT OF COMMUNITY HEALTH
MEDICAL SERVICES ADMINISTRATION**

Medicaid Expenditures Fiscal Years 1998 - 2001 (accrual basis), FY 2002 Appropriated (as adjusted), and FY 2003 Executive Recommendation

APPROPRIATION	FY1998	FY1999	FY2000	FY2001	Executive Adjusted FY2002	Executive Recommendation FY2003
HOSPITAL	\$926,246,222	\$674,229,052	\$573,981,133	\$736,292,430	\$681,557,300	\$708,300,200
DISPROPORTIONATE SHARE *	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000
LONG TERM CARE SVC.	\$0	\$1,000,984,470	\$1,080,261,150	\$1,218,343,521	\$1,174,454,400	\$1,368,444,900
NURSING HOMES	\$742,165,391	(incl. LTC Svc)	(incl. LTC Svc)	(incl. LTC Svc)	(incl. LTC Svc)	(incl. LTC Svc)
MED. CARE FAC./CHRONIC CARE UNIT	\$190,070,221	(incl. LTC Svc)	(incl. LTC Svc)	(incl. LTC Svc)	(incl. LTC Svc)	(incl. LTC Svc)
PHYSICIANS	\$198,770,787	\$132,906,742	\$127,503,976	\$150,795,286	\$144,916,000	\$147,397,900
HOME HEALTH	\$33,637,116	\$22,882,230	\$28,903,456	\$26,606,235	\$27,108,000	\$28,734,500
PHARMACEUTICAL	\$317,691,889	\$264,889,601	\$320,129,190	\$465,539,022	\$530,170,300	\$593,178,300
HEALTH PLAN SERV.	\$845,824,405	\$1,131,814,408	\$1,244,935,937	\$1,273,489,251	\$1,277,637,000	\$1,353,831,800
TRANSPORTATION	\$7,557,383	\$6,464,510	\$6,712,169	\$7,535,939	\$6,553,000	\$7,634,200
AUXILIARY MEDICAL	\$59,562,369	\$55,230,642	\$65,982,924	\$84,009,545	\$82,008,000	\$89,618,200
AMBULANCE	(incl. in Aux. Med.)	(inc. in Auxiliary Medical)				
MEDICARE PREMIUMS	\$99,130,588	\$119,124,619	\$127,159,827	\$137,040,541	\$139,506,000	\$153,456,600
SUBTOTAL BASE PROGRAM	\$3,465,656,372	\$3,453,526,274	\$3,620,569,762	\$4,144,651,770	\$4,113,910,000	\$4,495,596,600
% CHANGE FROM PRIOR YEAR	-0.48%	-0.35%	4.84%	14.48%	-0.74%	9.28%
LONG TERM CARE INNOVATION GRANTS	\$0	\$0	\$261,513	\$1,123,887	\$0	\$0
ELDER PRESCRIPTION INSURANCE COVERAGE	\$0	\$0	\$0	\$844,956	\$50,000,700	\$145,000,000
EPSDT & MATERNAL AND INFANT SUPPORT	\$0	\$0	\$8,423,697	\$0	\$0	\$0
MEDICAID OUTREACH	\$549,635	\$17,822,000	\$0	\$0	\$0	\$0
MICHILD OUTREACH	\$901,765	\$2,242,218	\$0	\$0	\$3,327,800	\$0
MICHILD PROGRAM	\$30,924	\$8,450,007	\$13,472,004	\$22,427,771	\$57,067,100	\$57,067,100
CARING PROG	\$1,500,000	\$0	\$0	\$0	\$0	\$0
SUBSTANCE ABUSE SERVICES	\$15,047,553	\$0	\$0	\$0	\$0	\$0
MATERNAL & CHILD HEALTH	\$11,173,881	\$6,432,476	\$8,961,926	\$11,568,261	\$9,234,500	\$9,234,500
ADULT HOME HELP	\$138,942,995	\$143,886,679	\$148,758,623	\$158,275,016	\$158,781,400	(incl. LTC Svc)
SOCIAL SERV. TO PHYS. DISABLED	\$1,266,468	\$1,169,876	\$1,344,816	\$1,318,985	\$1,344,900	\$1,344,900
PERSONAL CARE SERVICES	\$0	\$23,628,588	\$26,444,459	\$27,030,445	\$30,329,400	\$20,816,200
PERS. CARE - ADULT FOSTER CARE	\$17,421,023	(incl Pers Care Svc)	(incl Pers Care Svc)			
PERSONAL CARE - IN HOME	\$6,348,191	(incl Pers Care Svc)	(incl. LTC Svc)			
MIFAMILY PLAN	\$0	\$0	\$0	\$0	\$0	\$191,091,900
SUBTOTAL BASE PROG + OTHER	\$3,658,898,807	\$3,657,158,118	\$3,828,236,799	\$4,367,241,091	\$4,423,995,800	\$4,920,151,200
Percent Change Prior Yr	3.97%	-0.05%	4.68%	14.08%	1.30%	11.22%
SPECIAL MEDICAID PAYMENTS	\$1,071,123,070	\$1,142,351,548	\$1,456,156,410	\$1,400,464,004	\$1,274,023,800	\$1,079,095,100
TOTAL	\$4,729,961,877	\$4,799,509,666	\$5,284,393,209	\$5,767,705,095	\$5,698,019,600	\$5,999,246,300

/2 FY1998 expenditures are net of one time accrual adjustments.

/3 FY1999 expenditures as of 1/31/2000

/4 FY2000 expenditures as of 2/11/2002

/5 FY2001 expenditures as of 2/11/2002

/6 FY2002 Appropriation adjusted to reflect budgetary savings; executive order; and anticipated supplemental

Long-Term Care Initiatives - The FY2003 Executive Recommendation provides the Department with needed flexibility to manage the long-term care needs of seniors and persons with disabilities by creating a single budgeted line item for nursing facilities, home and community based waiver programs and adult home help. During FY2002 the Department will be piloting use of revised medical eligibility criteria for nursing facility level of care. This process begins implementation of the recommendations of the Long-Term Care Workgroup. This will ensure consistency in the determination of medical and functional necessity for placement in a nursing facility or the Home and Community Based Waiver program. Spending for long-term care services will be guided by the individual needs, the revised medical eligibility criteria and the total long-term care budget rather than separate budgets for nursing facilities, home and community based waiver programs and adult home help. The Executive Recommendation includes an **increase of \$21.0 million** to recognize an increase in caseload and utilization for the Adult Home Help program and includes a **savings of \$22.4 million** to recognize a shift in utilization of nursing facilities to community and in-home long-term care programs.

MIFamily - The Health Insurance Flexibility and Accountability (HIFA) Demonstration Initiative allowed under the Center for Medicare and Medicaid Services (CMS) provides states with the opportunity to expand health coverage to additional persons utilizing existing unspent federal fund allocations. The HIFA waiver is not a super waiver and does not affect any other Medicaid waiver currently in existence. The department is currently preparing the required waiver application for submission to the Center for Medicare and Medicaid Services with a **planned submission date of March 2002**. To assist in the development of the waiver the department held a public forum for all interested advocate and provider groups on Monday, February 4, 2002. Participation at the forum exceeded expectations with over 300 persons in attendance. All questions and answers that resulted from the forum and submitted since will be posted on the department's web site, and taken into consideration for in finalizing the waiver.

Under HIFA, states have the ability to create limited Medicaid benefits to various beneficiary groups at a lower cost than the traditional full Medicaid coverage. **Under MIFamily, health care coverage will be expanded to pregnant women with incomes between 185% and 200% of poverty, children in the Healthy Kids Program will have 12 months of continuous coverage and caretaker relatives will now be able to earn up to 100% of federal poverty level. In addition, parents of children in the Healthy Kids Program with incomes up to 100% of the federal poverty level will be available for health coverage.**

In addition to these groups the **current State Medical program** and county programs populations will have a standard benefit. Individual counties will be able to expand on this base coverage and the state will seek federal matching dollars. The final group to receive health coverage under HIFA is **persons with disabilities** who receive SSI cash assistance. These persons will now be able to earn **up to 350% of the federal poverty level** and retain a Medicaid health benefit. In addition to allowable earnings of up to \$31,188 discussions in the forum pointed out the need for persons with disabilities to have a financial set aside for such things as home remodeling, vehicle accommodations and retirement accounts.

Changing Utilization Patterns

Current



Future



Expanded Personal Care Access

Home & Community Based Services

Nursing Facilities

Primary Care

Acute Care

Information & Education Prevention
 Caregiver Support
 Public/Private Partnerships
 Community Resources
 Individual & Family Involvement

Personal & Other Third Party Resources

Medicaid Specialty Prepaid Health Plans for Mental Health Services and Services to Persons with Developmental Disabilities - The Department of Community Health issued the Application For Participation to all Community Mental Health Services Programs (CMHSP) on January 2, 2002. The 1915(b) Specialty Services and Supports Waiver from the Centers for Medicare and Medicaid Services is based upon providing CMHSPs with a first opportunity to provide Mental Health services. CMHSPs have the experience and expertise, strong coordination linkages with other community agencies, and have made a local investment in providing specialized care services and supports. Only CMHSPs or affiliations, where all affiliate members are CMHSPs, with more than 20,000 Medicaid covered lives in their service area will be qualified. Attached are the anticipated CMHSP affiliations.

The FY03 Executive Recommendation includes **\$25.3 million** to support the projected increased Medicaid caseload and case mix.

The **MIFamily** program will allow CMHSPs to receive federal funding to serve single adults and parents currently funded with funding formula dollars. HIFA will allow a Medicaid mental health and pharmacy benefit for this group of recipients. Funding currently being spent on these groups will be used to draw down federal dollars and costs will be moved to the Medicaid program. As part of the HIFA waiver, the CMHSPs will receive an **economic increase of approximately 4% or \$50 million**.

Senior Prescription Drug Programs - President Bush has proposed two new programs which would provide prescription drug coverage to **low income seniors below 200% of the federal poverty level**. This would allow use of the State's tobacco settlement funds to expand coverage to eligible seniors for prescription drug coverage. The States current Elder Prescription Insurance Coverage (EPIC) program has over **14,600 seniors enrolled and can support up to 23,000 enrollees** at the current expenditure levels. These new programs would enable the State to expand prescription insurance coverage to an additional **50,000 seniors**.

The Medicare Low-Income Drug Assistance program would provide prescription drug coverage for Medicare beneficiaries at **100 to 150% of the federal poverty level** at a 90% federal match rate. This program will require a federal law change which has not yet been introduced. The Medicaid Pharmacy Plus Waiver program would provide prescription drug coverage for low-income seniors from **151 to 200% of the federal poverty level** (\$17,180 for an individual and \$23,220 for a couple) at the regular federal Medicaid match rate. These two programs will allow the program to **increase to \$145 million**. Michigan will need to apply for a federal waiver single benefit program. The Pharmacy Plus Program has been placed into operation in Illinois.

Bioterrorism - Health & Human Services has awarded Michigan with **\$31.2 million** in funding for bioterrorism preparedness. A portion of the funding is from the Centers for Disease Control and prevention to support bioterrorism, infectious diseases, and public health emergency preparedness activities stateside. A second portion of the funding is from the Health Resources and Services Administration to create regional hospital plans to respond in the event of a bioterrorism attack. The third portion of the funding is from the Office of Emergency Preparedness to support the Metropolitan Medical Response System aimed at improving local jurisdictions ability to respond to the possible release of a chemical or biological disease agent or any

**DEPARTMENT OF COMMUNITY HEALTH
COMMUNITY MENTAL HEALTH SERVICES PROGRAM AFFILIATIONS**

Upper -Peninsula Mental Health Alliance

- C Copper Country
- C Gogebic
- C Hiawatha
- C Northpointe
- C Pathways

Northern Affiliation

- C Antrim-Kalkaska
- C AuSable Valley
- C Northeast Michigan
- C Northern Michigan

Great Lakes/West Michigan/North Central Affiliation

- C North Central Michigan
- C West Michigan

Access Alliance of Michigan

- C Bay Arenac
- C Huron
- C Montcalm
- C Shiawassee
- C Tuscola

Thumb Mental Health Alliance

- C Lapeer
- C St. Clair
- C Sanilac

Affiliation of Mid-Michigan

- C Clinton-Eaton-Ingham
- C Gration
- C Ionia
- C Newygo

Southwest Alliance

- C Allegan
- C Cass
- C Kalamazoo
- C St. Joseph

Venture Behavioral Health

- C Barry
- C Berrien
- C Branch
- C Summit Pointe
- C Van Buren

CMH Partnership of Southeast Michigan

- C Lenawee
- C Livingston
- C Washtenaw

Lakeshore Behavioral Health Alliance

- C Muskegon
- C Ottawa

Unaffiliated Under 20,000

- C Monroe

Unaffiliated Over 20,000

- C CMH for Central Michigan
- C Detroit/Wayne
- C Genesee
- C Kent
- C Lifeways
- C Macomb
- C Oakland
- C Saginaw

event involving mass casualties. States have been authorized to **immediately begin spending 20% of their award - \$6,158,200 for Michigan. The Department plans to submit their State Plan to Health & Human Services by March 15, 2002** and Health & Human Services has agreed to review and approve State Plans within 30 days. Of the \$31.2 million award, **\$4.1 is designated to assist hospitals** in their bioterrorism preparations.

Federal requirements included designating an Executive Director for the State Bioterrorism Preparedness and Response Program and a Coordinator for Hospital Preparedness Planning, establishing an Advisory Committee and establishing a Hospital Bio-preparedness Planning Committee.

Maternal Outpatient Medical Services (MOMS) Program - Due to increased demand for the MOMS Program the Executive Recommendation includes an **increase of \$6.0 million** to cover the costs of the MOMS program. This program serves pregnant women who are not eligible for Medicaid providing them with pre-natal care. **The program served 3,733 persons in FY2000, 5,673 persons in FY2001 and an estimated 7,400 persons in FY2002.**

School Health - The FY03 Executive Recommendation includes **transfer of the responsibility and funding** for the School Health program to the School Aid Fund reducing the Department's budget by **\$3.3 million**. The department will continue to participate on the Michigan Model for Comprehensive School Health Education State Steering Committee.

Children with Special Health Care Needs - The FY2003 Executive Recommendation includes a base funding **increase of \$21.0 million** for mandatory inflationary increases, increased utilization of services and projected increase in caseloads. The actual for FY2000 and FY2001 and projected average for FY2002 number of Children with Special Health Care Needs beneficiaries is as follows:

FISCAL YEAR	MEDICAID/TITLE V	TITLE V ONLY	TOTAL
FY2000	11,357	13,197	24,554
FY2001	13,582	14,466	28,048
FY2002	15,802	14,981	30,783

FY03 Personnel Economics - The FY2003 Executive Recommendation included the 2% economic increase to all state employees effective October 1, 2002. However, staff reduction savings were also included to fund the economic increases. As a result, **reductions of approximately 24 positions are needed to pay for the economic increases**. With the proposed early retirement and hiring freeze, it is anticipated that the savings will come from staff vacancies. The Department will be evaluating current workload requirements and work processes to help streamline administrative efficiencies while ensuring that critical functions be maintained.

Healthy Michigan Fund - The FY2003 Executive Recommendation includes funding for the following Healthy Michigan Fund Projects:

PROJECT	FY2003 EXECUTIVE BUDGET
African American Male Health Initiative	320,000
Alzheimer's Information Network	290,000
Cancer Prevention and Control	4,919,900
Children's Arthritis	50,000
Community Health Assessment	2,000,000
Dental Health	150,000
Diabetes-Wayne State	500,000
Diabetes Local Agreements	2,652,200
Fetal Alcohol Syndrome	200,000
Immunization Registry	1,750,000
Immunization Registry - Administration	274,100
Maternal Outpatient Medical Services (MOMS)	6,000,000
Michigan Essential Health Care Provider	500,000
Obesity	200,000
Osteoporosis	400,000
Physical Fitness, Nutrition & Health	1,250,000
Poison Control	300,000
Pregnancy Prevention	3,500,000
Prenatal Care	250,000
Respite Care	3,000,000
Safe Kids	500,000
Senior Nutrition Services	500,000
Smoking Prevention	3,806,200
Tobacco Tax Collection & Enforcement	810,000
Training & Evaluation - LPHO	243,500
Total	34,365,900

Critical Health Indicators

The Department of Community Health tracks a set of critical health indicators which are used to review trends and improvements in the health of Michigan's population. Funding for these prevention/reduction programs comes from a variety of sources, including various federal grant awards and the Michigan's Health Initiative and the Healthy Michigan Fund.

CRITICAL HEALTH INDICATORS	
Abortions	Homicides
Adequacy of Prenatal Care	Infant Mortality
Adolescent Use of Alcohol, Tobacco and Other Drugs	Kidney Disease Deaths
AIDS Deaths	Mammography
Alcohol - Induced Deaths	Medicaid Managed Care Quality Assurance
Cancer Deaths	MIChild and Healthy Kids Enrollment
Chlamydia	Overweight
Childhood Immunizations	Pneumonia and Influenza Deaths
Chronic Liver Disease and Cirrhosis Deaths	Stroke Deaths
Chronic Lower Respiratory Disease Deaths	Suicides
Cigarette Smoking	Teen Pregnancy
Diabetes Related Deaths	Tuberculosis
Heart Disease Deaths	Unintentional Injury Deaths

The latest Critical Health Indicators report can be accessed at the Department's web site:
www.mdch.state.mi.us