Budget Briefing: Health and Human Services

Kevin Koorstra, Associate Director

Susan Frey, Senior Fiscal Analyst

Viola Wild, Senior Fiscal Analyst

Kent Dell, Fiscal Analyst

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Briefing Topics

- Funding Sources
- Major Budget Topics
  - Field Operations
  - Public Assistance Programs
  - Child Welfare Services
  - Temporary Assistance for Needy Families (TANF)
  - Public Health
  - Behavioral Health Services
  - Traditional Medicaid Program
  - Healthy Michigan Plan

Briefing Topics

- Major Budget Topics NOT Discussed:
  - Child Support Enforcement
  - Crime Victim Rights Services
  - Adoption Services
  - Juvenile Justice
  - Cash Assistance Programs
  - State Psychiatric Hospitals
  - Children's Special Health Care Services
  - Aging and Adult Services
  - Information Technology

Department of Health and Human Services

The 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
  - Public health programs
  - 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

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2018-19 is October 1, 2018 through September 30, 2019.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

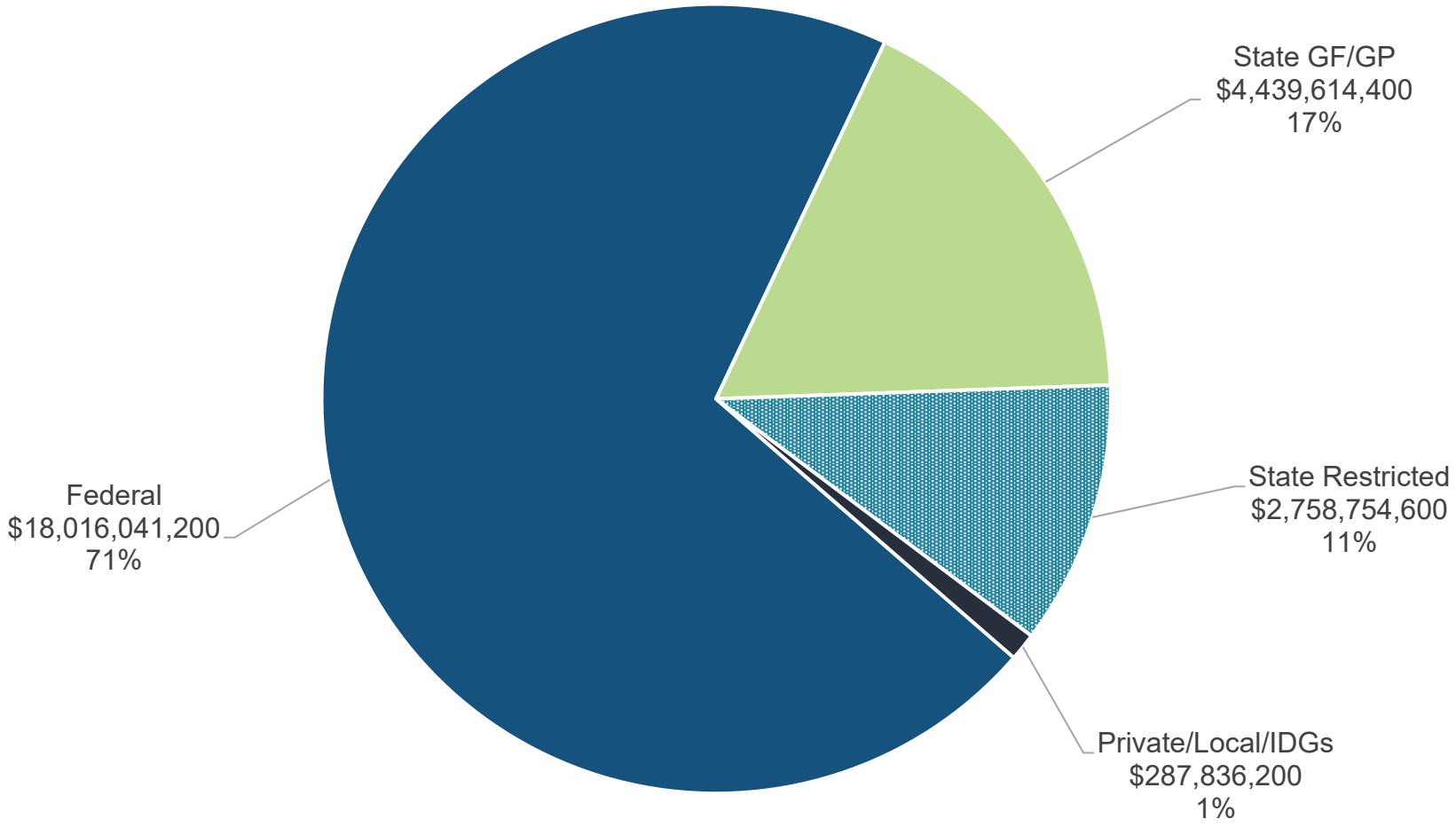
Funding Sources

FY 2018-19 DHHS Budget

Fund Source	Funding	Description
Gross Appropriations	$25,502,246,400	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	13,813,700	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	$25,488,432,700	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	18,016,041,200	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	121,612,600	Revenue received from local units of government for state services
Private Revenue	152,409,900	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	2,758,754,600	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	$4,439,614,400	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

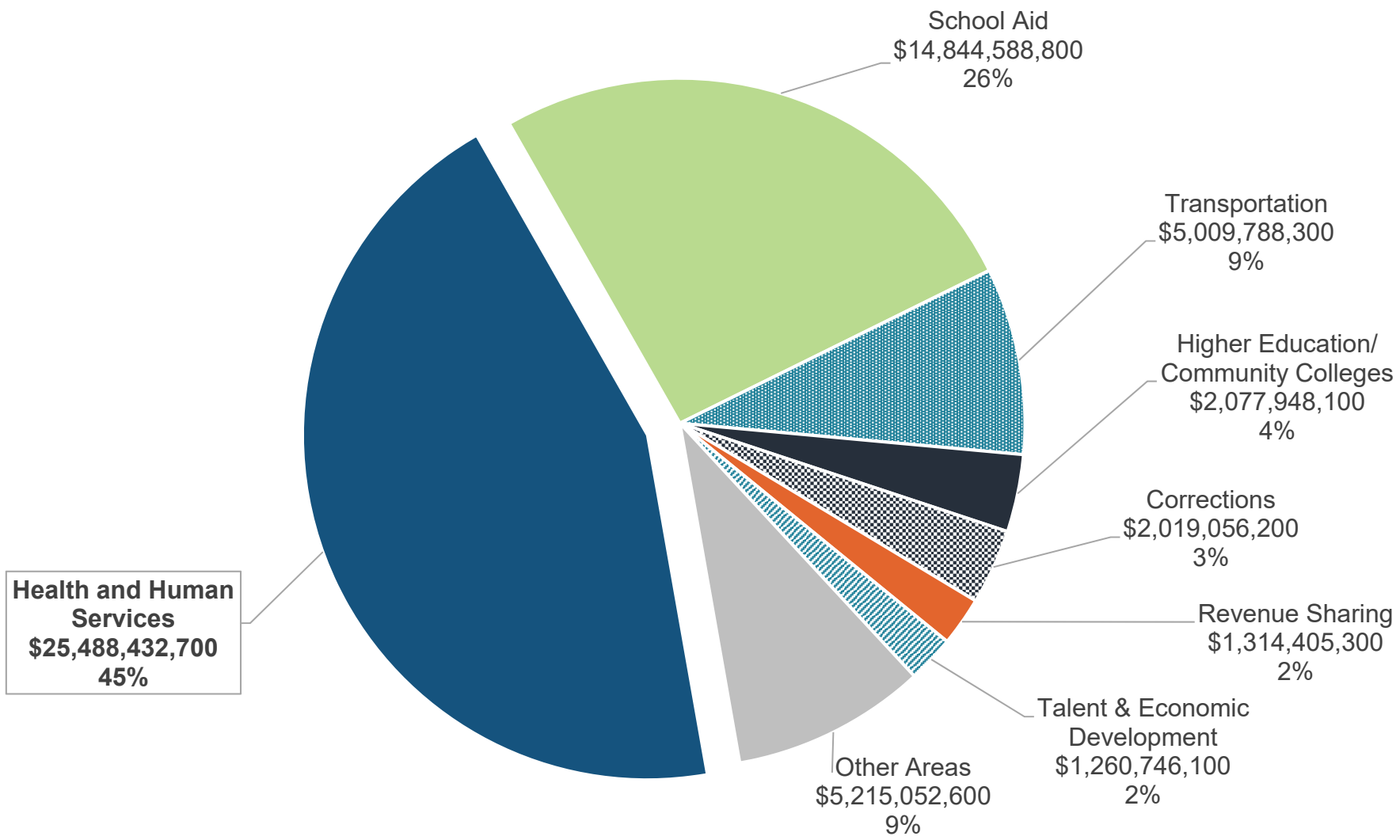
FY 2018-19 Fund Sources

Approximately 71% of the **$25.5 billion** DHHS budget is funded by federal revenue, including Medicaid and Healthy Michigan Plan matching funds, food assistance funds, and the TANF block grant.



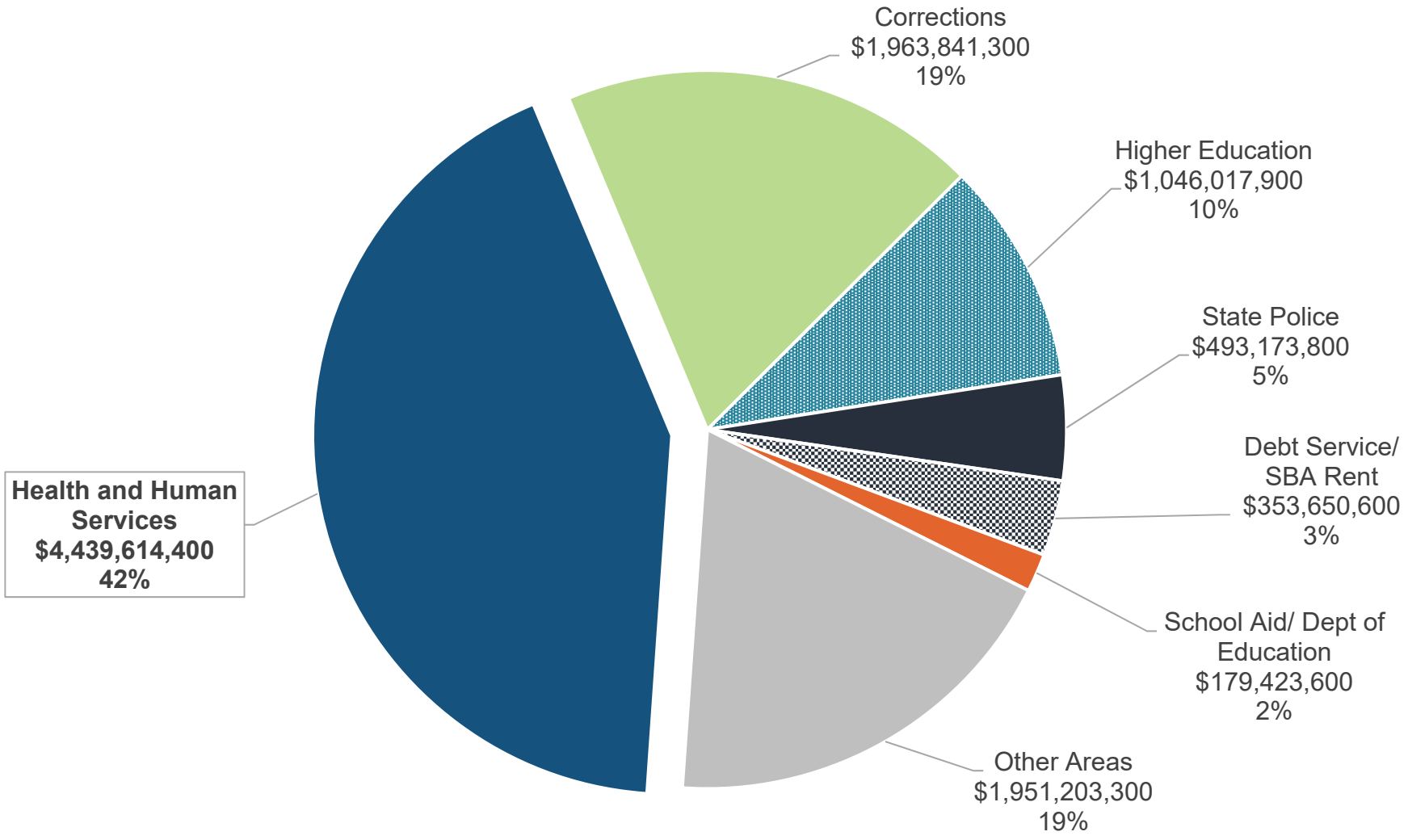
DHHS Share of Total State Budget

The DHHS budget represents close to one-half of the **$57.2 billion** state budget (adjusted gross) for FY 2018-19.



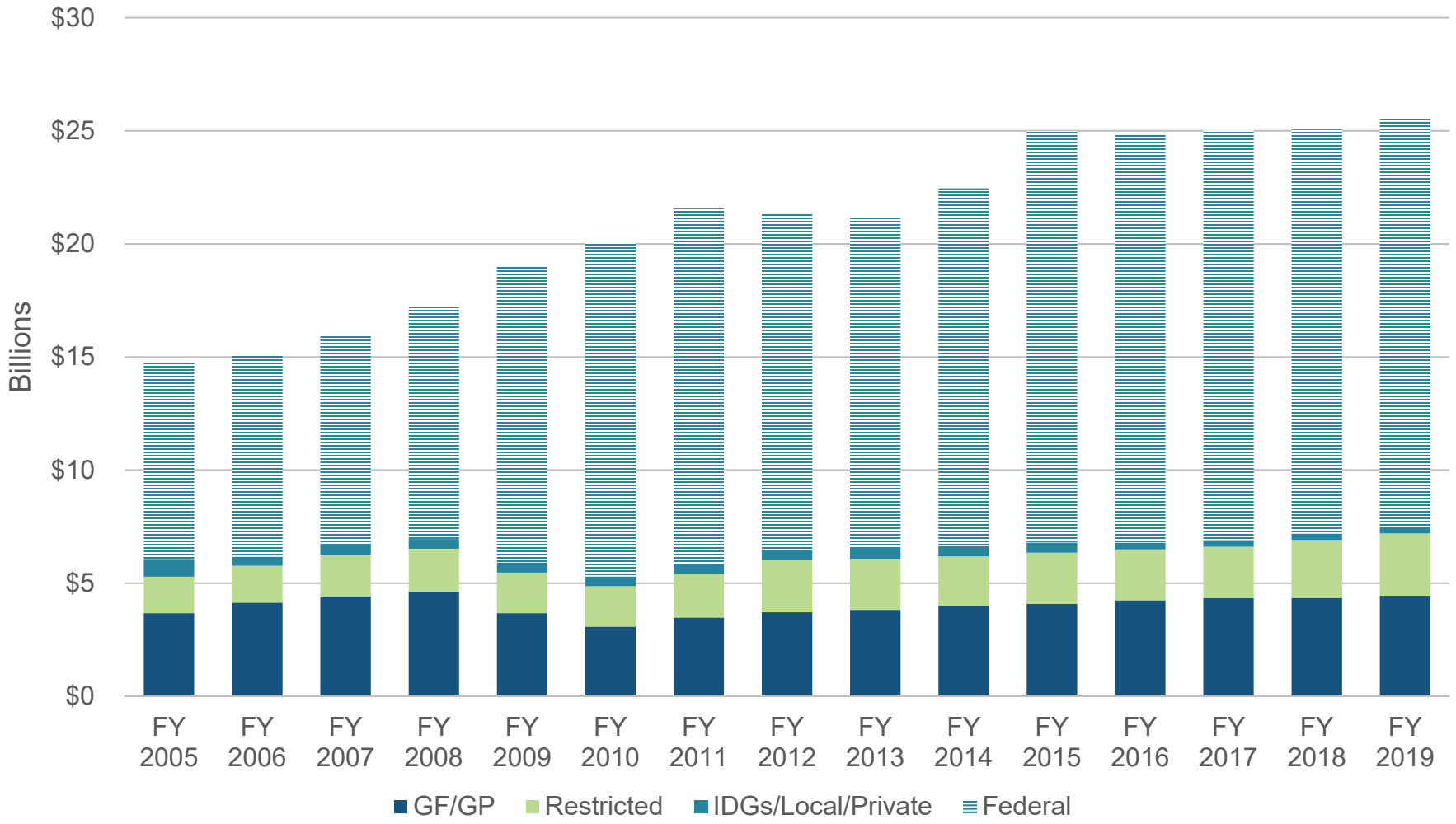
DHHS Share of Total GF/GP Budget

The DHHS budget also represents over 40% of the state's **$10.4 billion** GF/GP budget for FY 2018-19.



DHHS Funding History

Funding for Health and Human Services has grown by 73% since FY 2004-05 although it has leveled off in recent years. Growth was driven mainly by increases in federal funding for Medicaid, food assistance, and for the Healthy Michigan Plan initiated in April 2014.



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

Major Budget Topics

Field Operations and Local Office Staff

Local Office Staff Spending

- DHHS has 110 local and district Human Services offices across the state which are responsible for processing public assistance applications (including Medicaid and Child Development and Care), overseeing foster care and children protective services cases, and administering other Human Services programs.

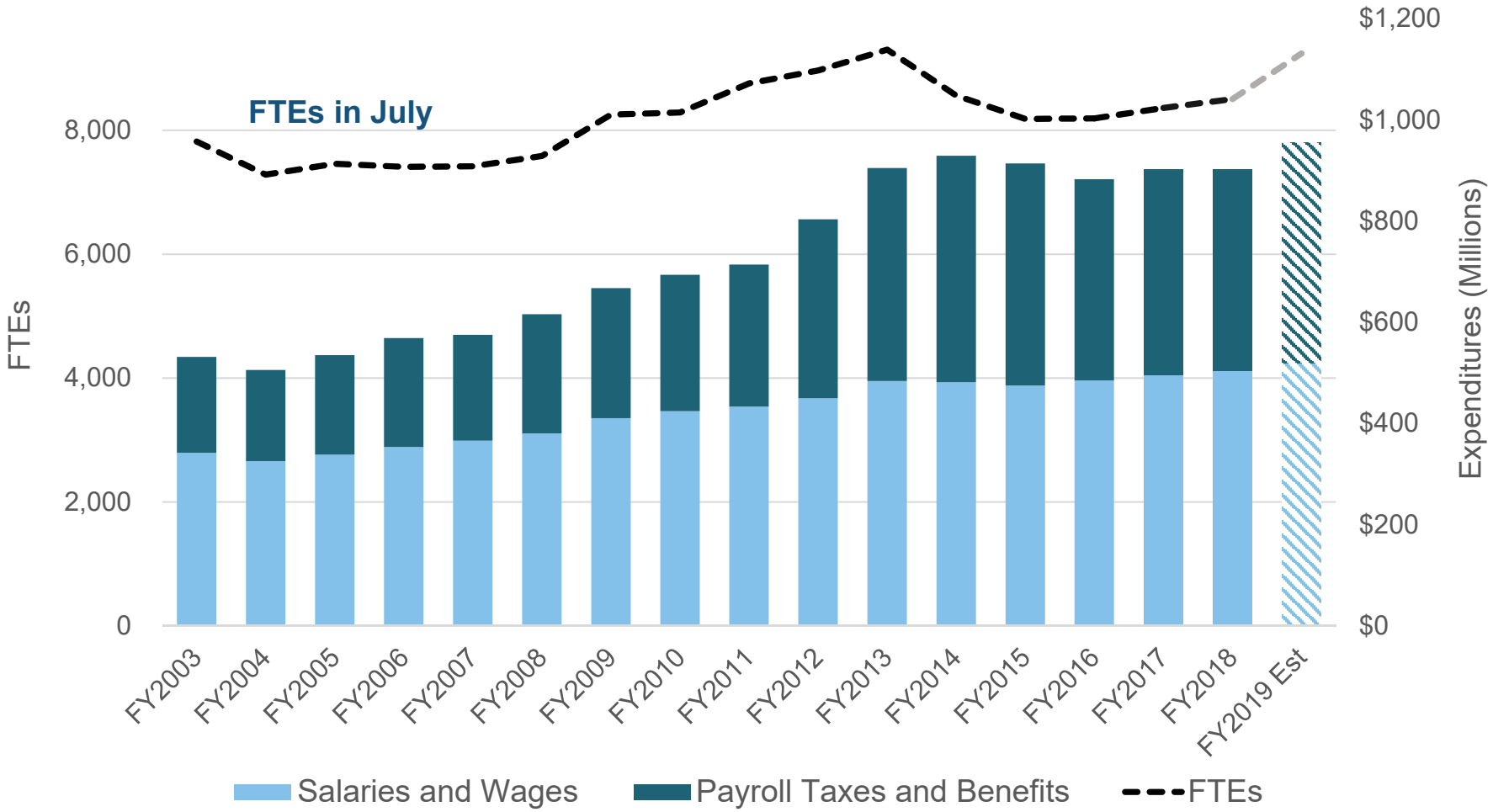
- In FY 2018-19, the DHHS budget can support 9241.0 FTE (full-time equated) local office staff. The number of FTEs in the local offices started to decline in early 2002 as a result of an early retirement incentive. FTEs began to increase again in 2008. FTEs decreased in FY 2013-14 and FY 2014-15 because of fringes benefit budget pressures.

- Settlement of a 2006 lawsuit brought against Michigan by the non-profit advocacy group Children's Rights requires reductions in caseload-to-worker ratios for various categories of child welfare workers. These requirements have contributed significantly to recent staffing increases.

- Fringe benefit costs increased $45.0 million in FY 2011-12 as a result of prefunding retiree health, dental, and vision benefits known as Other Post-Employment Benefits (OPEB). Retirement costs increased an additional $50.0 million during FY 2012-13.

Field Staff Spending and FTEs

Field staff payroll taxes and benefits increased over 55% since FY 2010-11 due mainly to increased retirement liabilities, while employee salary and wages only increased by 20% in that time period.



Public Assistance Programs

Food Assistance Program (FAP)

- Federally funded program that supplements food purchase power of low-income individuals and families

- Benefit amount is calculated through federal formula and can be used to purchase eligible food from authorized retailers or approved meal providers

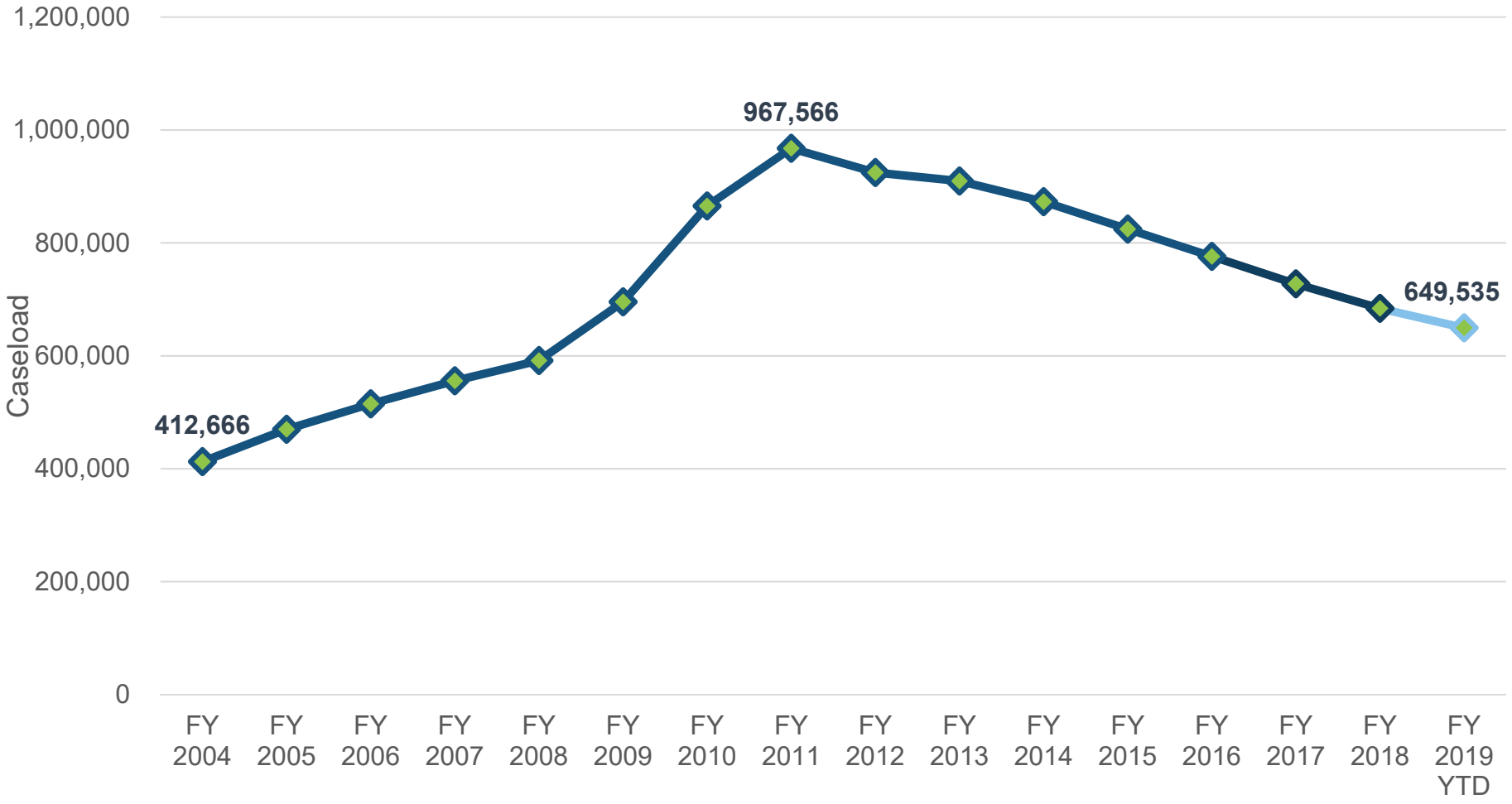
- Eligibility:
  - Groups must meet income requirements: generally groups with gross incomes below 200% of federal poverty guidelines—annual income of $41,560 for family of three
  - Beginning October 1, 2011, Groups must have less than $5,000 in countable assets – including the value of vehicles after certain exemptions

- Benefit payments are 100% federal funds, with 50% federal match for administrative costs

- Michigan administers program based on federal guidelines, with limited state flexibility; federal waiver expands time limit for eligibility for able-bodied childless adults; beginning in FY 2016-17, counties began becoming ineligible, with all counties no longer being eligible in FY 2018-19

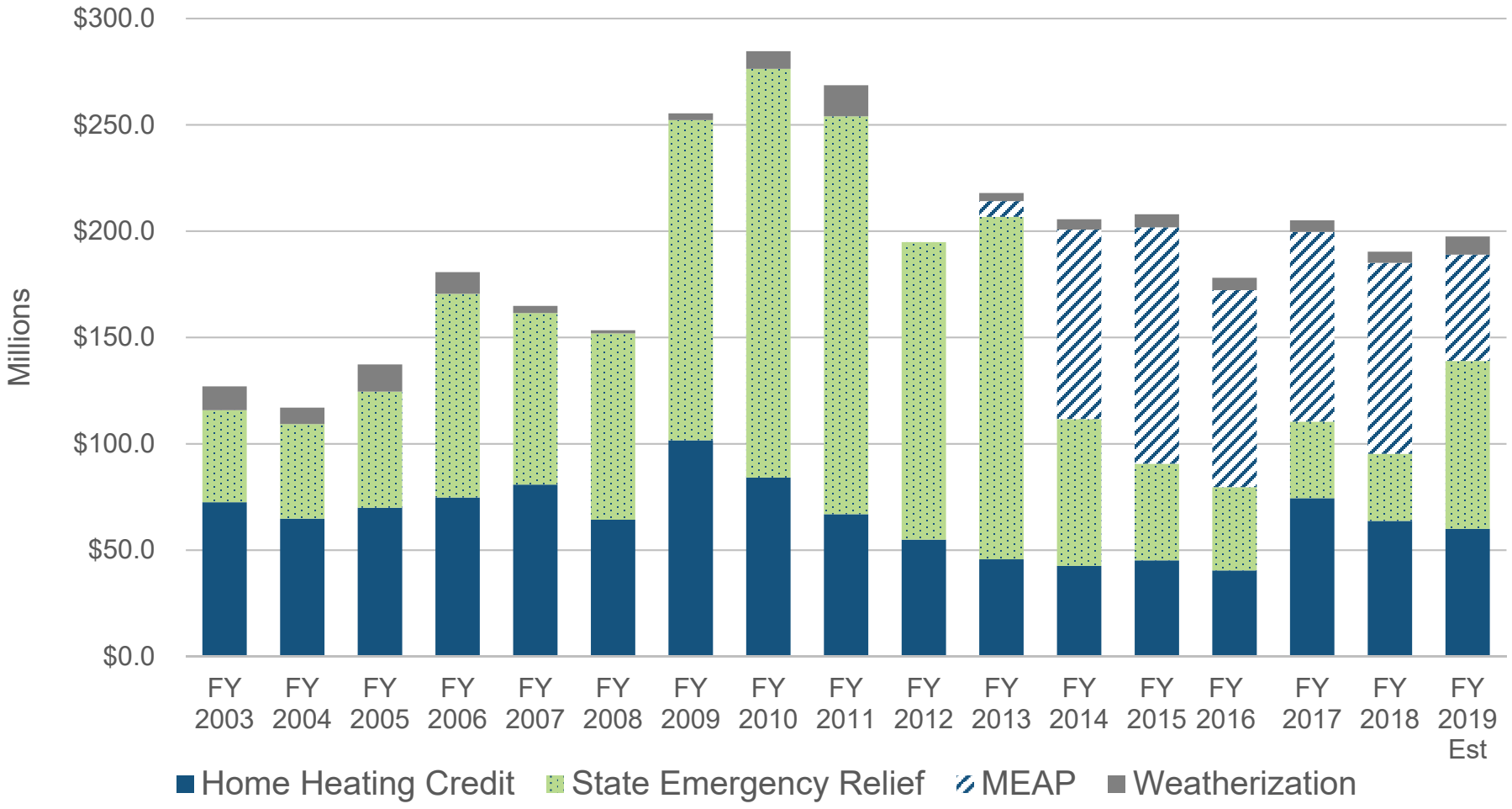
Food Assistance Program Caseload Trends

Despite experiencing a decline from a peak level in FY 2010-11, the Michigan FAP caseload have increased 57.4% since FY 2003-04. Caseload declines in recent years are due to changes in policy, such as a new countable asset test, and an improving state economy.



Energy Assistance Expenditures

The federal LIHEAP funding primarily funds four programs: the 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, $8.3 million is allocated to encourage households to reduce energy needs.



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

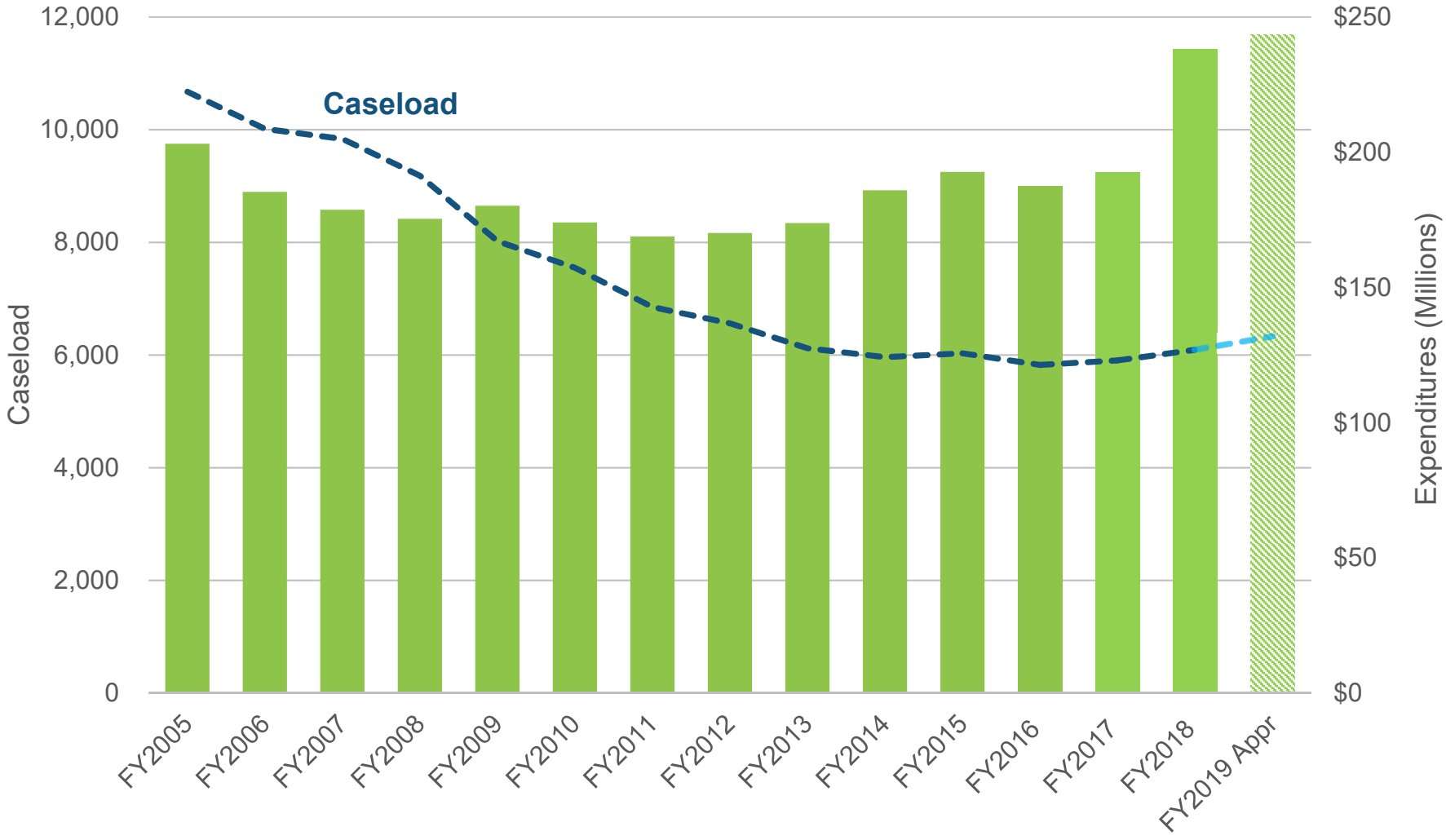
Child Welfare Programs

Children's Foster Care

- Provides placement/supervision of children who cannot remain in their own homes due to one or more of the following:
  - Family inability/unwillingness to provide minimal care/supervision
  - Safety concerns brought on by serious abuse or neglect
  - Termination of parental rights
- Federal TANF law requires states to administer a foster care program
- Statute requires state support for court-ordered foster care placements
- Foster care line item supports court wards eligible for federal funds and state wards (other court ward cases are funded through the Child Care Fund)
- Federal Title IV-E funds meet about 66% of out-of-home placement costs for children that meet former AFDC eligibility requirements and other federal requirements
- State sets foster care payment rates for foster families, child care institutions, and child placing agencies
- Standard per diem family foster care rates are between $17 and $21, depending upon age and living situation; higher rates for special needs and residential care
- Beginning in FY 2018-19, because of a federal court decision, state is required to issue foster care maintenance payments to unlicensed relative caregivers (D.O. v. Glisson)

Foster Care Caseload and Spending Trends

Foster care costs have been increasing since FY 2008-09 even though caseloads were declining, partly due to increasing private child placing agencies' administrative rates to help meet staffing requirements of the Children's Rights settlement agreement.

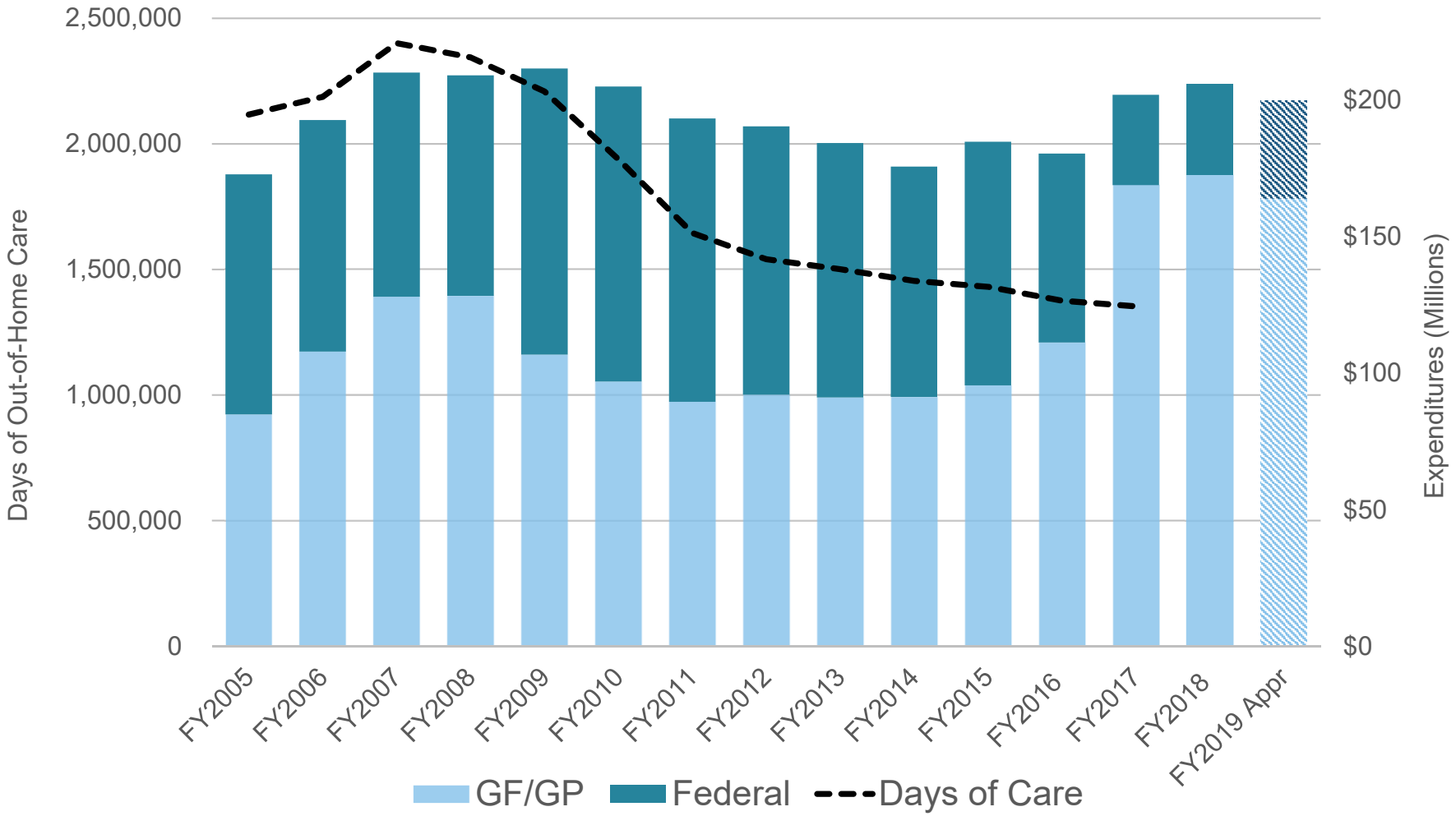


Child Care Fund (CCF)

- Provides for care and treatment of delinquent, neglected, and/or abused children
- Cases involve youth that are court wards that are not eligible for federal Title IV-E funding and are court-supervised
- Statute requires state support for court-ordered foster care placements
- Child Care Fund reimburses counties for 50% of their eligible costs incurred in providing services to court wards; P.A. 22 of 2018 requires that the state be the first payor for children placed with DHHS and counties be the first payor for children not placed with DHHS
- State-established foster care payment rates for foster families, child care institutions, and child placing agencies also apply in general to Child Care Fund placements
- Under a Memorandum of Understanding, Wayne County assumed responsibility for providing all juvenile justice services in the county and is responsible for rate setting in this area

Child Care Fund Caseload and Spending Trends

Days of care are decreasing partly because of policy and program changes and improvements implemented in response to the Children's Rights Settlement Agreement. GF/GP funding was increased beginning in July of FY 2016 because of a federal requirement that TANF funding could no longer be used for services to juveniles who are placed in the homes of parents or relatives.



Temporary Assistance for Needy Families (TANF)

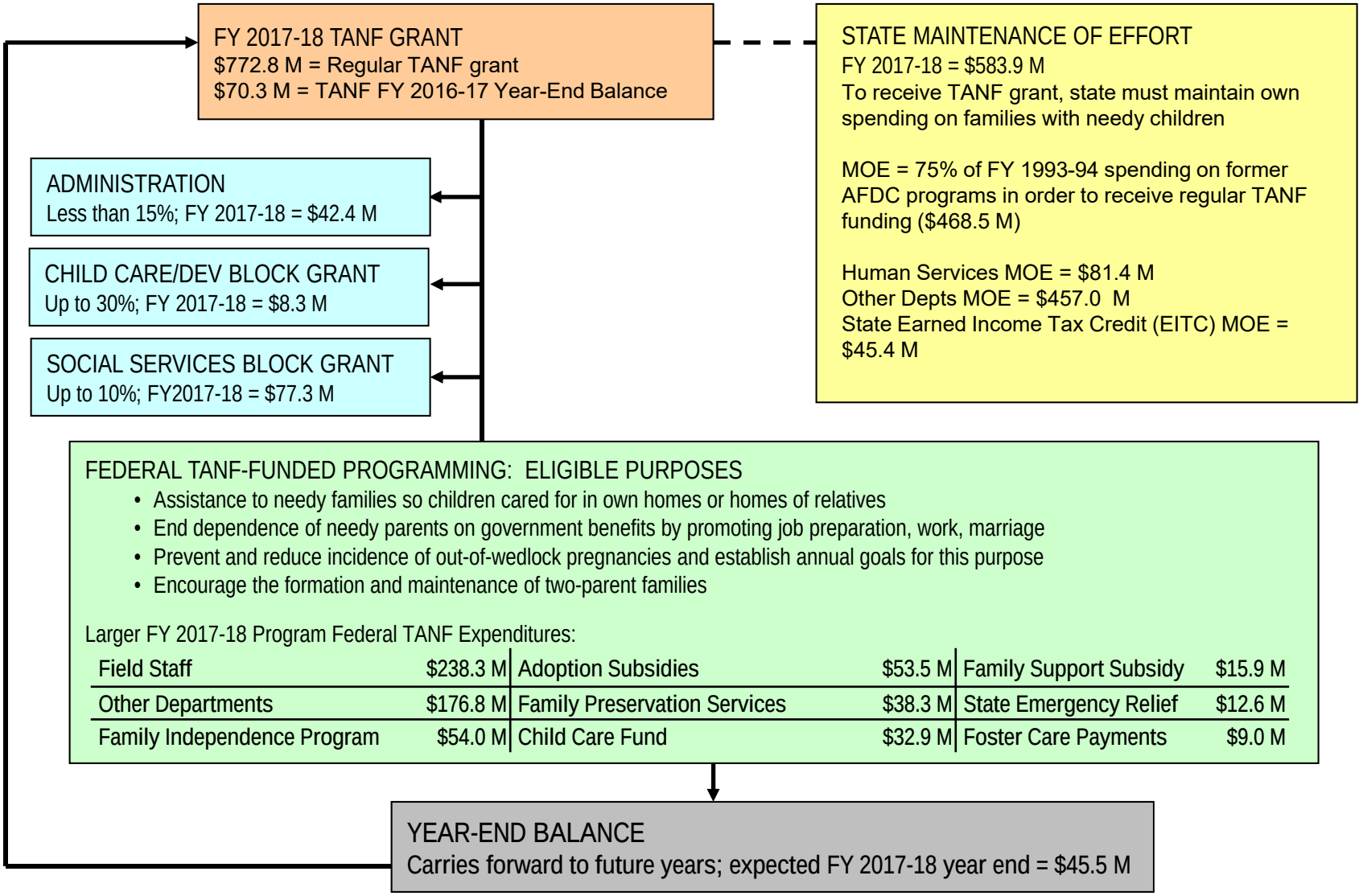
Temporary Assistance for Needy Families

- Federal block grant established in 1996 to be used to assist families with minor children or pregnant women (replaced former Aid to Families with Dependent Children)

- State must develop annual plan that outlines:
  - Details of cash assistance program for needy families
  - Work requirements for parents, whichever one is earlier:
    - Once state determines the parent is ready to engage in work, or
    - Once the parent has received assistance for 24 months
  - Goals to prevent and reduce the incidence of out-of-wedlock pregnancies

- Federal lifetime limit of 60 months of TANF assistance for recipients with state option for a hardship exception for up to 20% of the caseload
  - States allowed to use their own funds to negate federal time limit
  - Beginning October 1, 2007, Michigan law set a 48-month state lifetime limit on assistance with various exemptions
  - Beginning October 1, 2011, Michigan no longer allows TANF-funded cases to exceed the federal 60-month lifetime limit

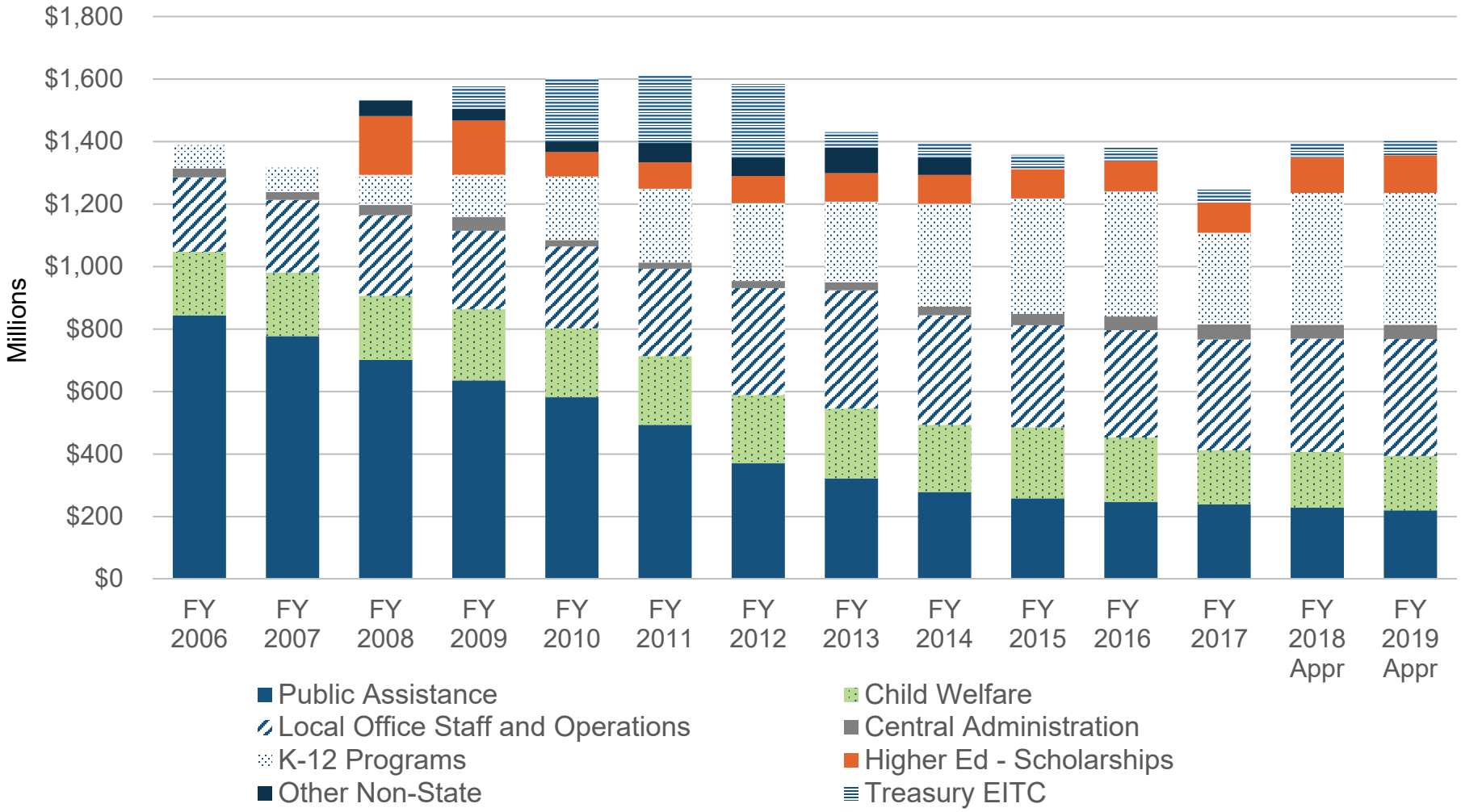
Overview of TANF Funding



Note: Projected TANF year-end balance for FY 2018-19 is $6.2 M.

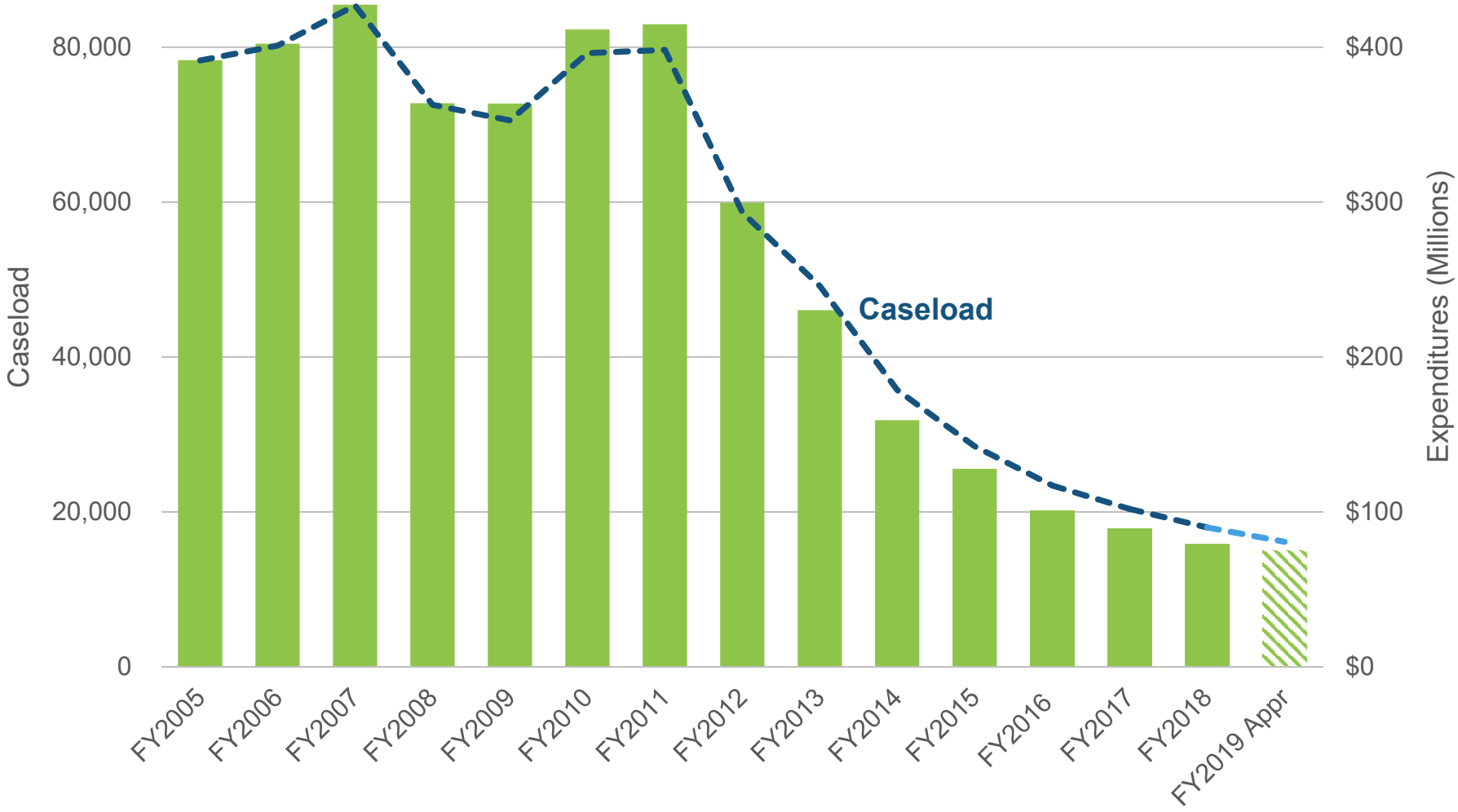
Overview of Statewide TANF and TANF MOE Funding

Since FY 2005-06, TANF spending on Public Assistance has declined by **$618.5 million**, or **73.4%**. Those funds have either been redirected to other programs (e.g. Local Staff and Scholarships) or the state has been able to identify additional sources of TANF MOE (e.g. K-12 and EITC).



Family Independence Program (FIP) Expenditures

Expenditures for FIP have declined markedly (80%) due to both policy changes, including imposition of lifetime time limits, and economic conditions.



Public Health

Appropriation Areas for Public Health

Public Health/Population Health

Community public health services and health policy

- Infectious and chronic disease prevention and control
- Essential local public health services and support
- Epidemiology and surveillance of disease and health status
- Vital records and laboratory
- Bioterrorism and emergency preparedness
- Healthy homes and lead abatement
- Flint drinking water emergency response

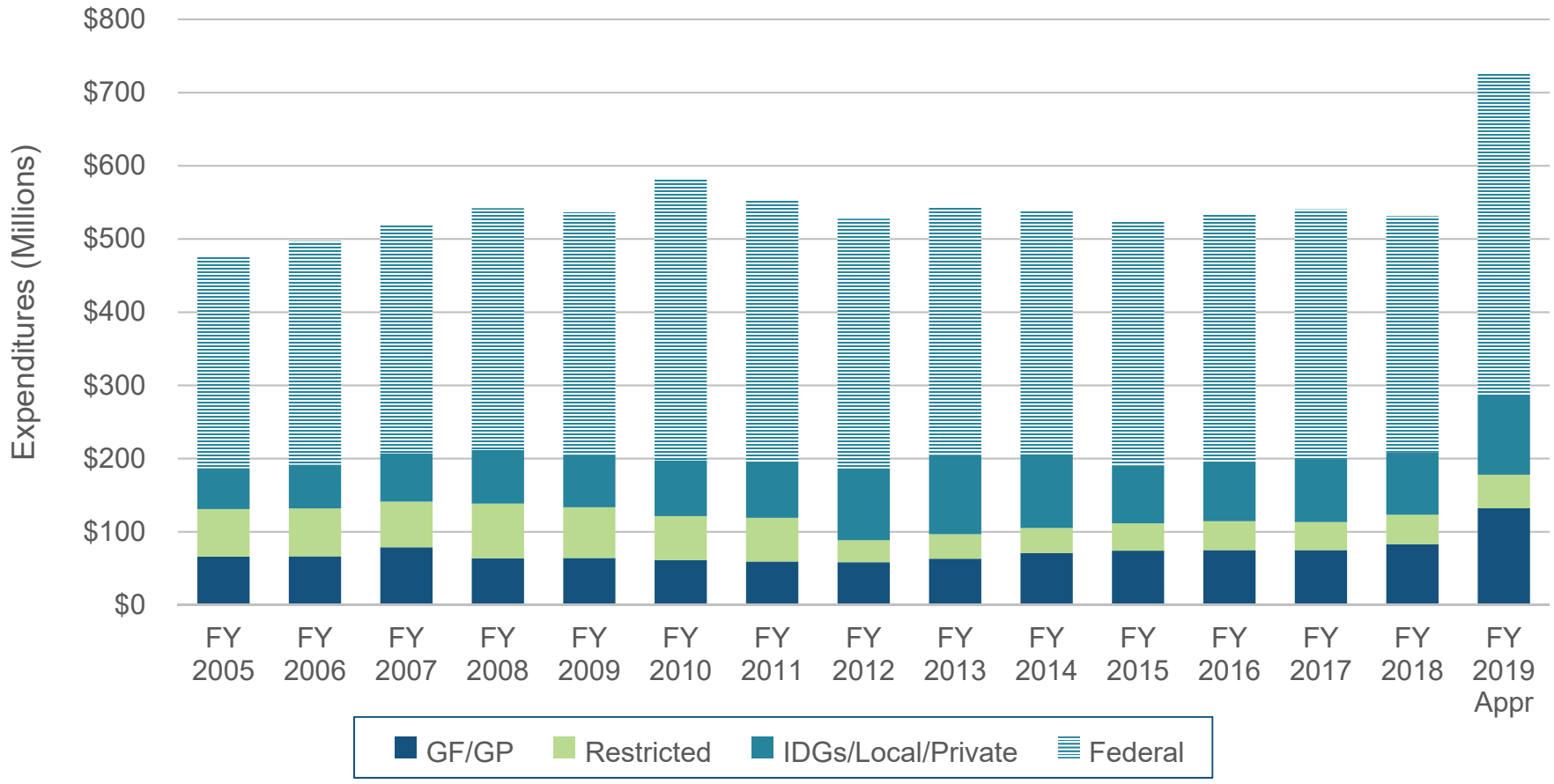
Family, maternal and children's health services

- Childhood lead poisoning prevention
- Prenatal care outreach and support
- Family planning and pregnancy prevention
- Women, infants and children (WIC) supplemental food and nutrition
- Local maternal and child health program support

Services are provided in partnership with the state's 45 local public health departments, established under Part 24 of the Michigan Public Health Code

Funding History for Public Health

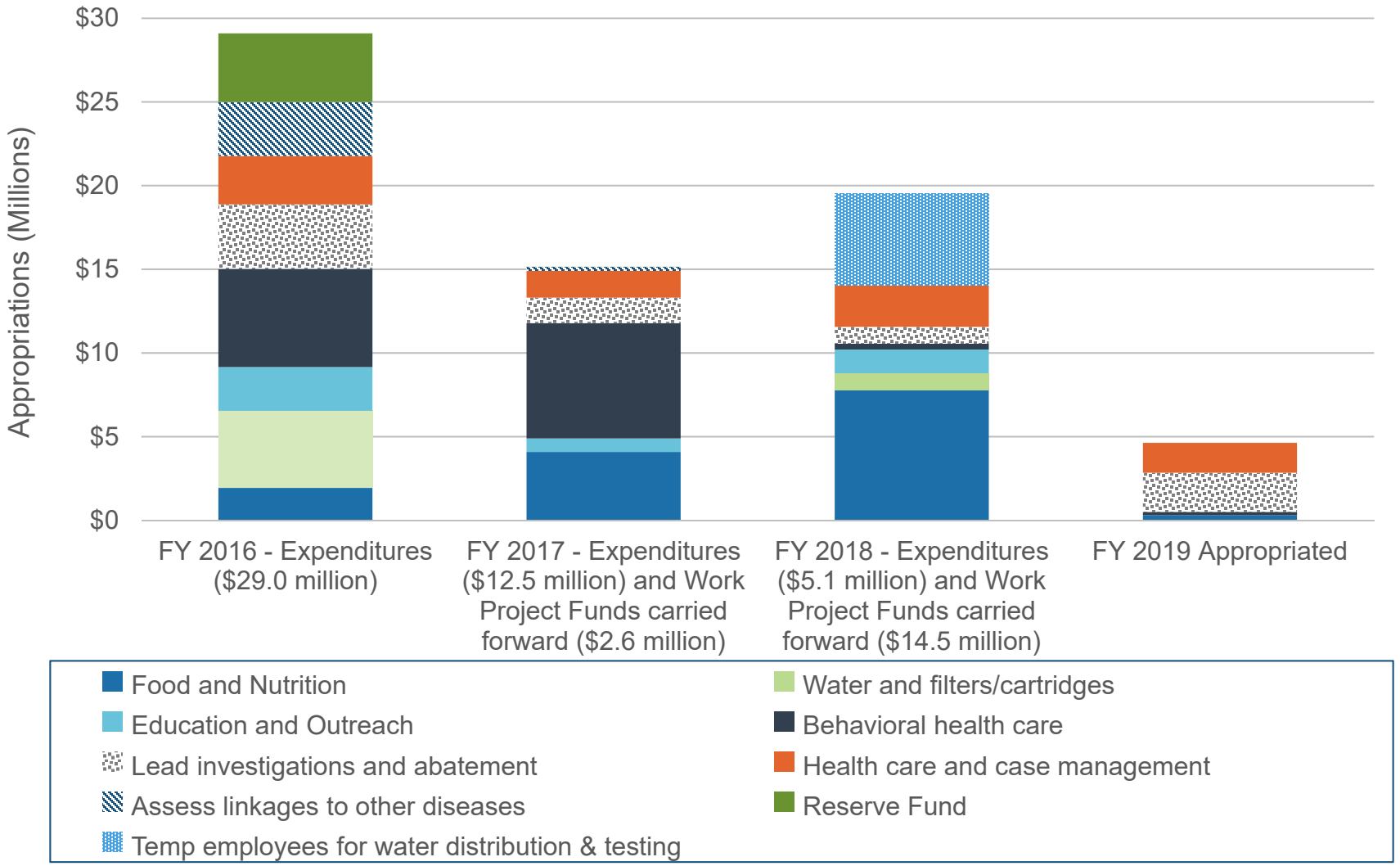
FY 2018-19 appropriations include increases for essential local public health services, and infectious disease and contamination events. FY 2017-18 spending was 76% of the budgeted amount as some expanding or declining program areas spent less than budgeted, including WIC. Flint drinking water emergency funding is shown separately on the next slide.



Note: Amounts shown for FY 2006-07 through FY 2010-11 include health regulatory and licensing functions, transferred to Department of Licensing and Regulatory Affairs in 2011.

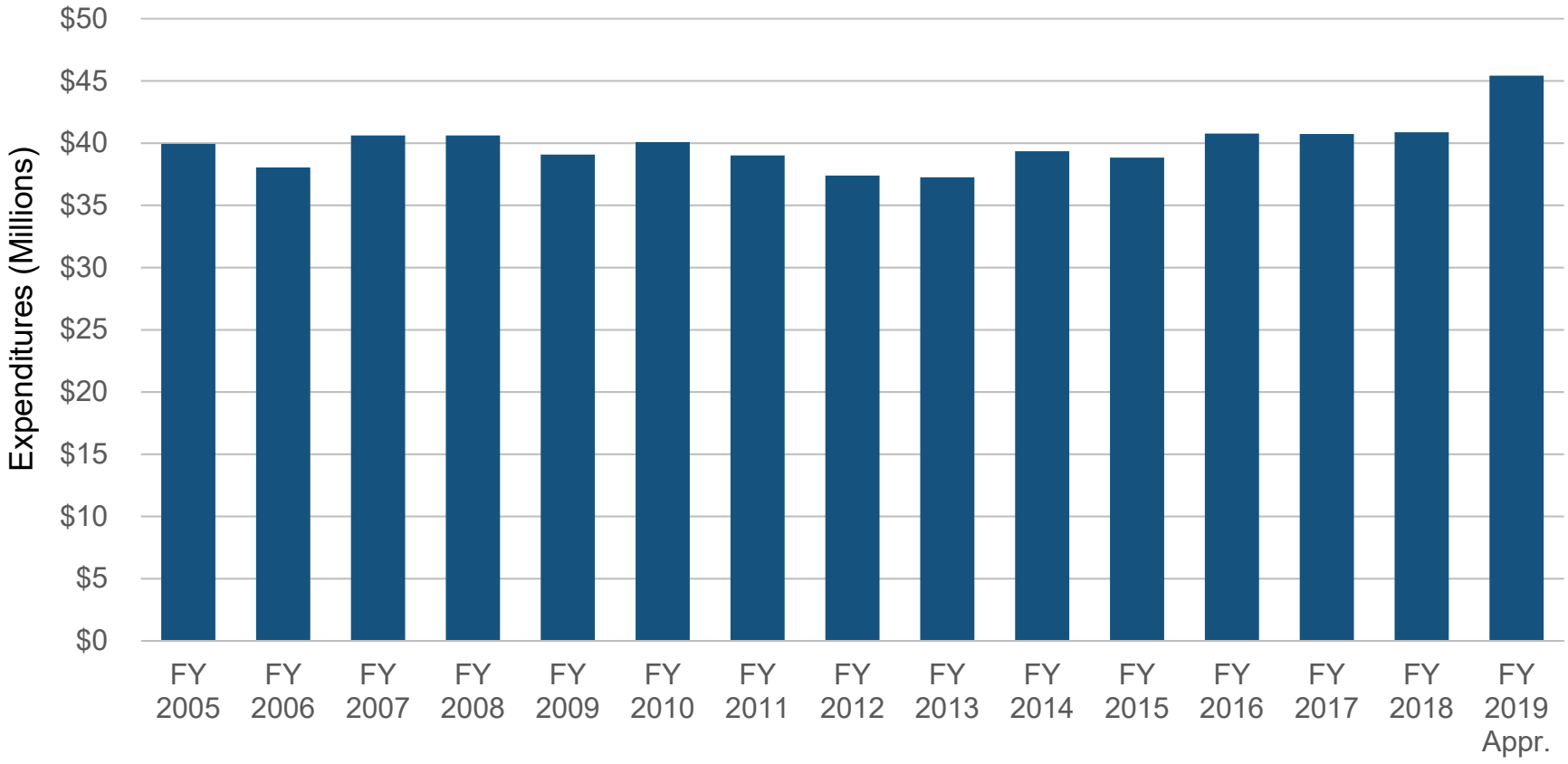
Flint Drinking Water Emergency Funding

Public health appropriations support services for residents in Flint in response to a drinking water and lead exposure emergency. Funds designated as work projects are available for spending through FY 2019-20. Flint also benefits from statewide lead abatement funds of $23.5 million annually for up to five years since FY 2016-17 (not included here).



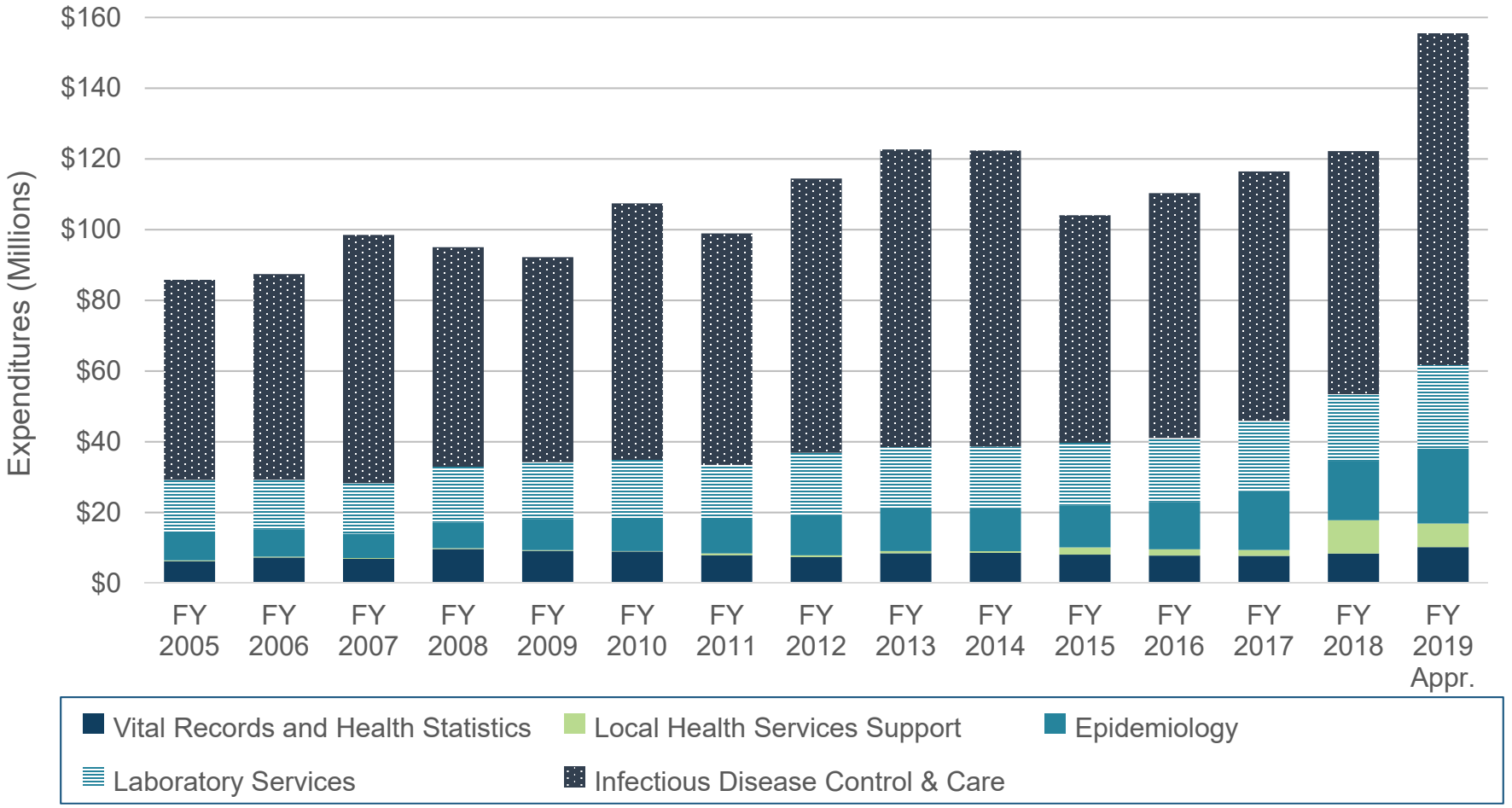
Essential Local Public Health Services - Funding History

Prior to a FY 2018-19 $4.5 million increase, Essential Local Public Health Services funding to local health departments for infectious disease control, food and water protection and hearing and vision screening for school children has been approximately the same as in FY 2004-05, with some reductions and restorations in the interim; funding is primarily state GF/GP.



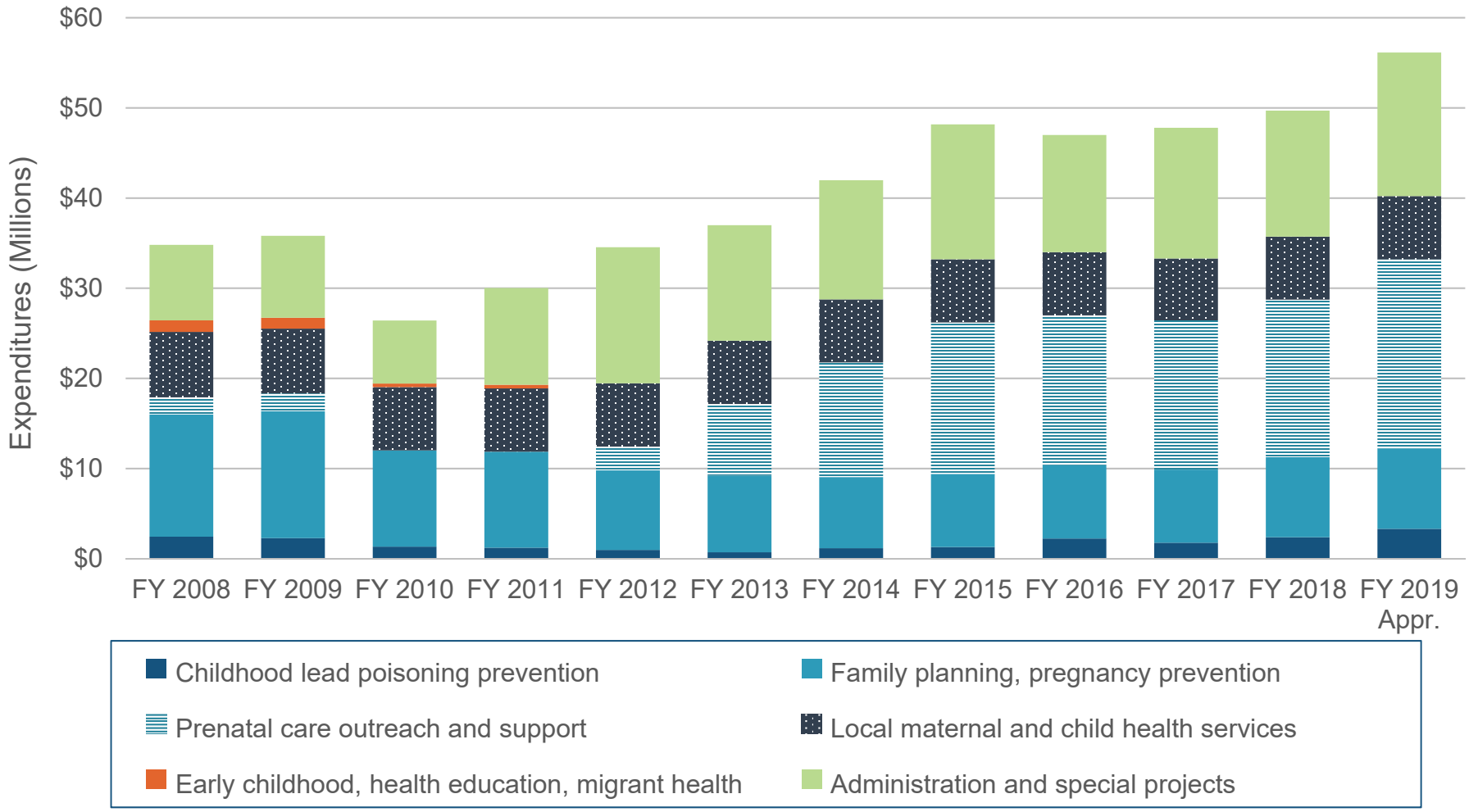
Key Community Public Health Services - Funding History

Funding for other key state and local health functions of disease surveillance and control, laboratory services, and vital records has trended upward over the past 15 years. Recent increases are in response to a Hepatitis A infectious disease outbreak and PFAS water contamination events. Declines seen in FY 2014-15 relate to reduced AIDS spending.



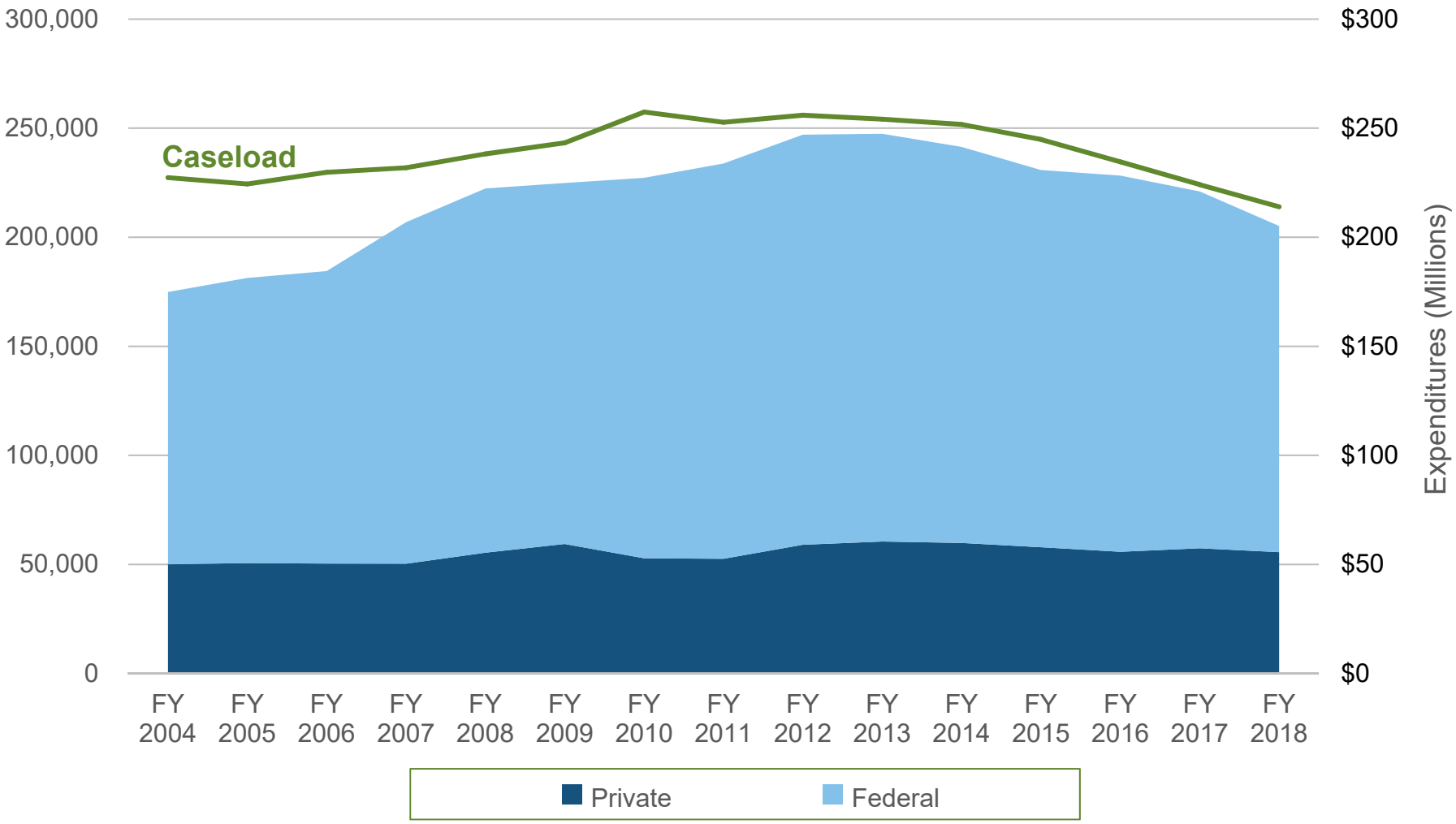
Family, Maternal, and Children's Health – Funding History by Program Areas

Prenatal program federal and state funding increases have created an overall upward funding trend for public health family, maternal, and children's health programs since FY 2010-11. WIC program funding is shown separately on the next slide.



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

The WIC caseload continues to decline since peaking in FY 2009-10. Federal funds and infant formula manufacturer rebates support WIC monthly supplemental food benefits for over 213,000 nutritionally at-risk mothers, infants, and small children.



Behavioral Health Services

Community Mental Health Services

- Mental Health Services are governed through the state's Mental Health Code and annual boilerplate language
- 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
  - CMHSPs may also provide other mental health services as resources allow
- CMHSPs cannot deny service based on an individual's inability to pay
- Since the 1970s, the trend has been toward serving more patients in the community and fewer patients in state-operated psychiatric hospitals and institutional settings

Medicaid Mental Health Services

- Medicaid Mental 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

- In general, Medicaid health plans and Medicaid fee-for-service support the cost of mild to moderate mental health services

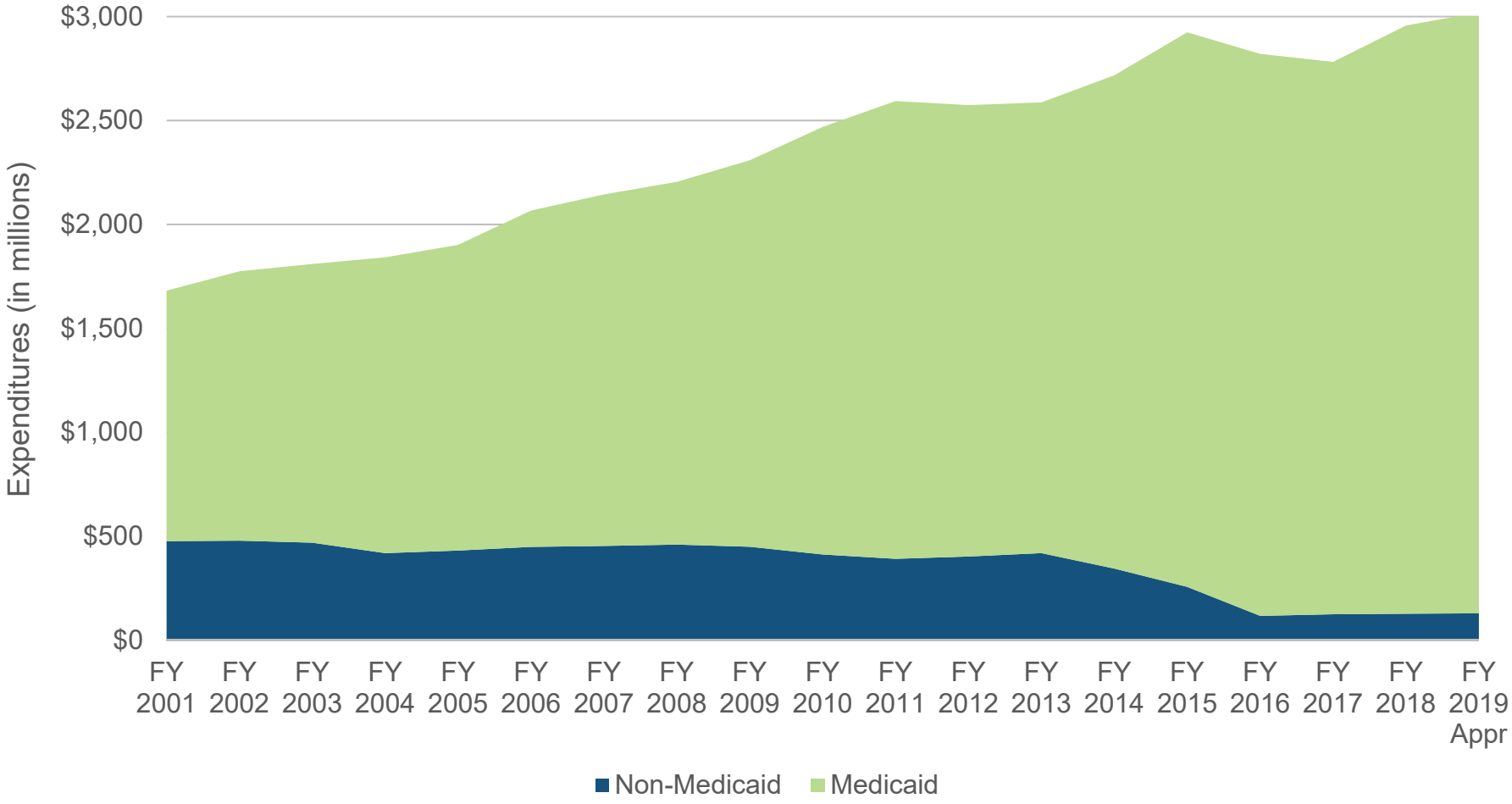
- In general, Prepaid Inpatient Health Plans (PIHPs) administer specialty mental health services and supports when the need exceeds the benefit provided through Medicaid health plans and Medicaid fee-for-service

- Each CMHSP is a part of one of the 10 PIHPs, which are responsible for distributing Medicaid payments to the CMHSPs for mental health service provision
  - Beginning January 1, 2014, 18 previous PIHPs were re-aligned into the current 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
  - These capitated rates just underwent a rebasing process that placed a greater emphasis on morbidity instead of historical spending in order to achieve more statewide uniformity in the capitated rates made to the PIHPs

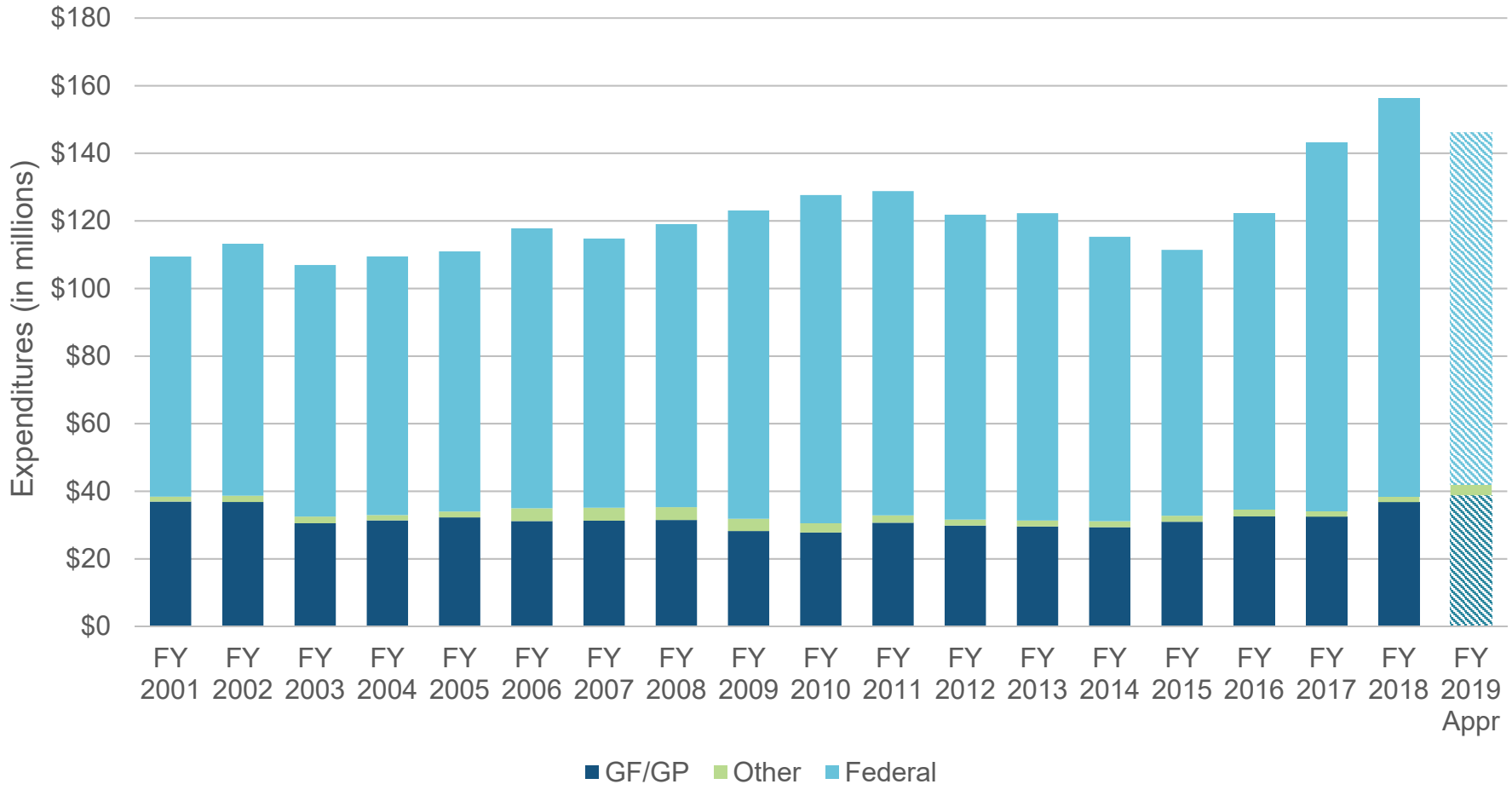
Mental Health Spending

Since FY 2000-01, total mental health spending has increased 80%. 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. The 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 Targeted Response to the Opioid Crisis grant during FY 2016-17 and FY 2017-18. Medicaid substance use disorder services funding has also begun to increase.



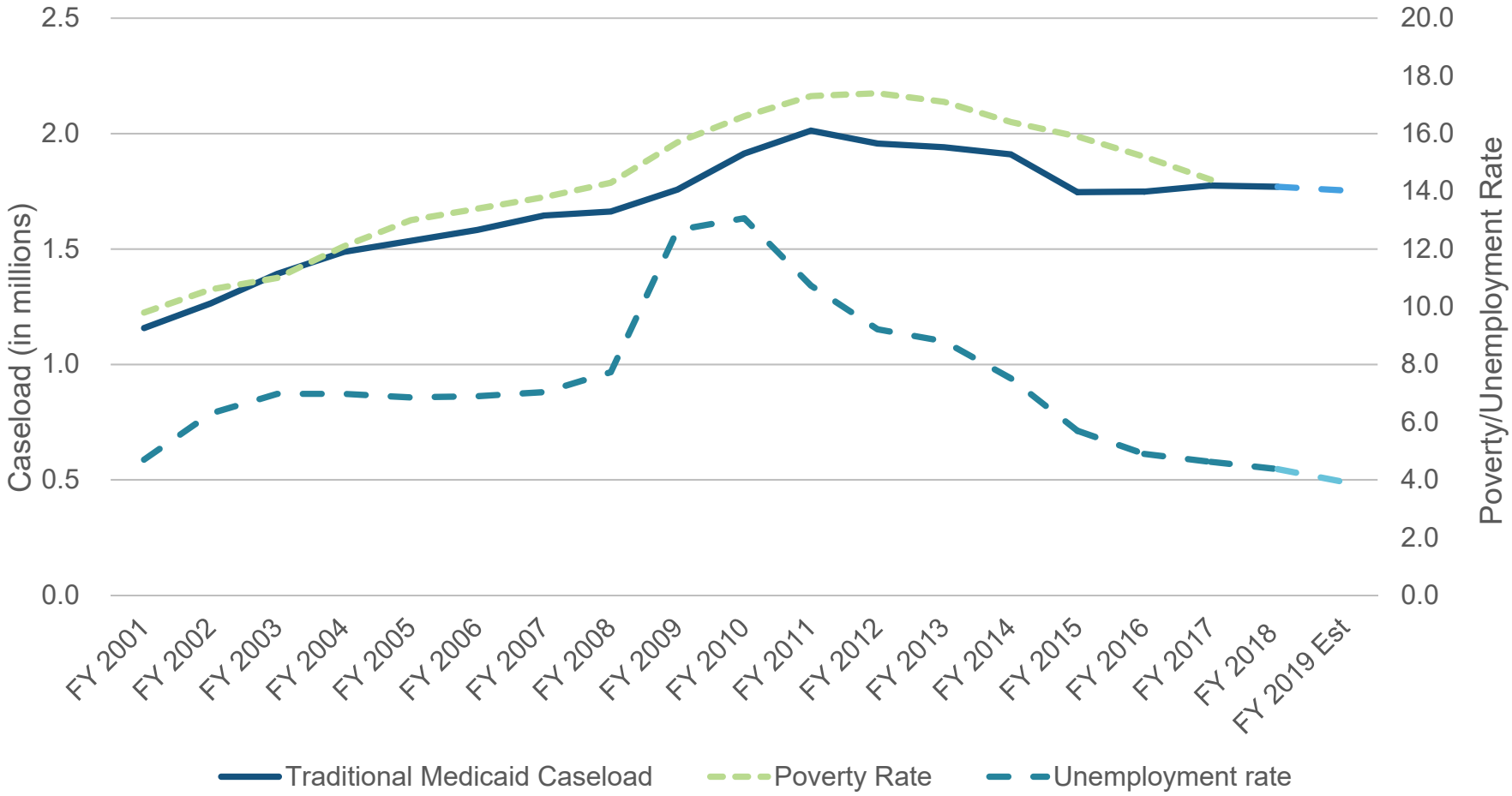
Traditional Medicaid Program

Medicaid Eligibility

- States have the flexibility to establish income eligibility standards within federal standards
- Current net income eligibility standards (not including Healthy Michigan Plan):
  - Families receiving Family Independence Program cash assistance: 49% of the federal poverty level (FPL)
  - Aged, blind, and disabled individuals receiving Supplemental Security Income (SSI): 75% of FPL
  - Elderly and disabled individuals: up to 100% of FPL
  - Children under 18 in families: up to 160% of FPL
  - Pregnant women and newborn children: up to 195% of FPL
  - MIChild: up to 212% of FPL
  - Individuals needing long-term care services: up to 222% of FPL (or 300% of SSI)
  - Medically needy individuals with income or resources above regular financial eligibility levels

Traditional Medicaid Caseloads

From FY 2000-01 to FY 2010-11, Medicaid caseloads increased by over 70%. Since the peak, caseloads have declined by 12%. Medicaid caseloads track more closely to the state's poverty rate than the state's unemployment rate.



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 Provider Rates

- States have the flexibility to establish Medicaid provider rates up to the various federal upper payment limits for hospital services, nursing facilities, clinic services, and practitioner services
- These federal upper payment limits generally correspond to Medicare reimbursement rates
- Federal regulations also require that provider rates "be sufficient to enlist enough providers so that services under the [Medicaid state] plan are available to beneficiaries at least to the extent that those services are available to the general population" (42 CFR 447.204)
- Medicaid is considered the payer of last resort, meaning all other financial resources such as commercial insurance, Medicare, workers compensation, or no-fault automobile insurance are utilized prior to Medicaid provider reimbursement

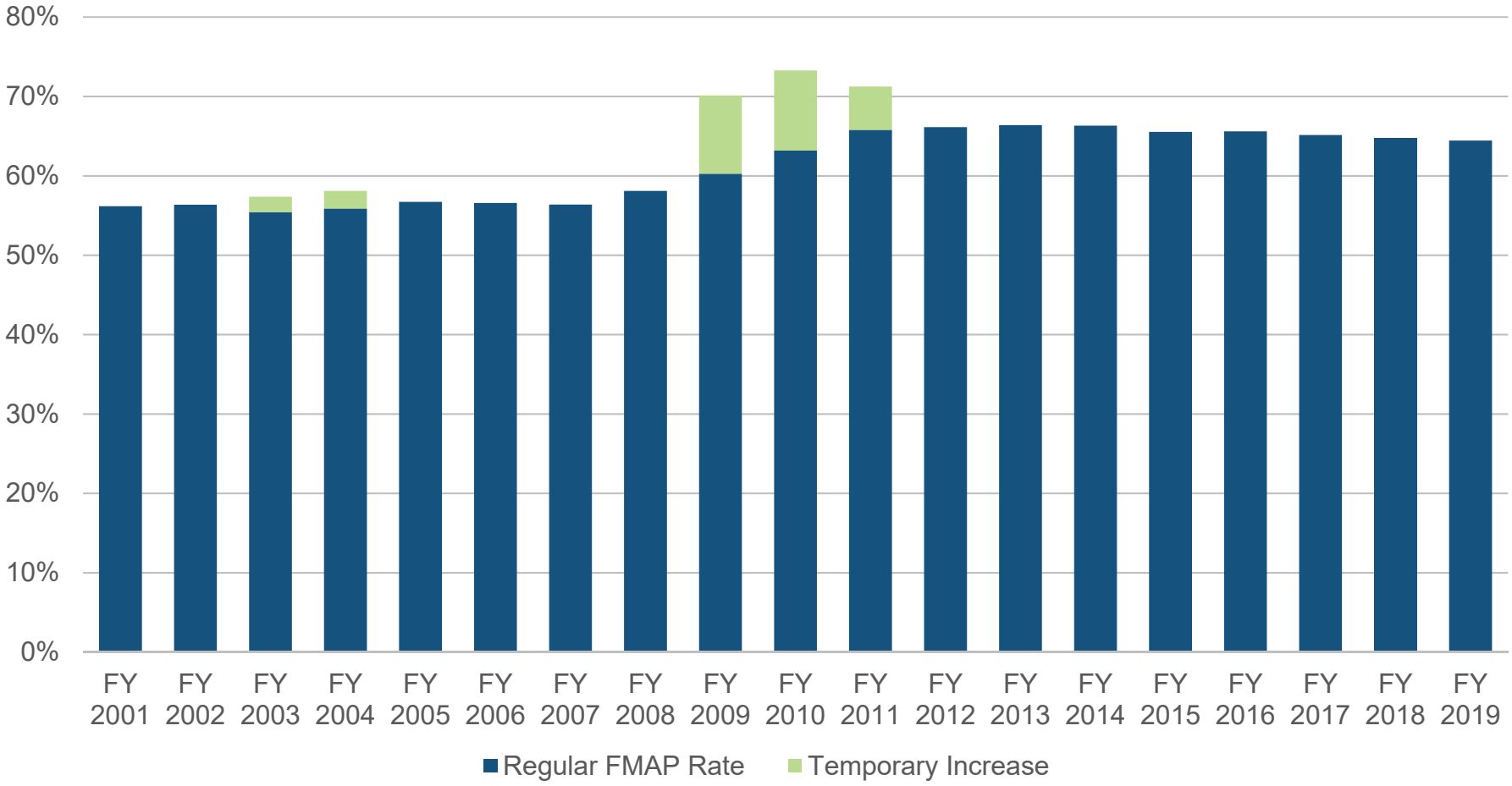
Traditional Medicaid Financing

Federal Medicaid Match Rate

- Traditional Medicaid expenditures are jointly financed by the federal and state governments
- For most expenditures the portion financed by the federal government is determined utilizing the Federal Medical Assistance Percentage (FMAP)
- This rate is adjusted annually based on a comparison of a given state's average personal income to the average national personal income utilizing a three-year average
- For FY 2018-19, Michigan's FMAP rate is 64.45%: the federal government finances 64.45% of Medicaid expenditures, and the state finances the remaining 35.55%. In other words, for each $1.00 Michigan spends on the Medicaid program, the federal government provides $1.81

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 now begun gradually declining.



Note: Increases for FY 2009 to FY 2011 were due to Federal American Recovery and Reinvestment Act of 2009

Healthy Michigan Plan

Healthy Michigan Plan

- The federal Affordable Care Act, enacted in 2010, required states to expand their Medicaid programs to include all individuals with net income up to 133% of FPL
- A subsequent Supreme Court decision made expansion optional for each state; as of January 4, 2019, 37 states, including the District of Columbia, have adopted expansion
- The Michigan Legislature expanded Medicaid to adults with income up to 133% of FPL via Public Act 107 of 2013 (House Bill 4714), which created the Healthy Michigan Plan
- The target population for the expansion is adults (ages 19-64), as children and pregnant women with incomes of 133% or lower were already eligible for Medicaid
- The Michigan Legislature revised the Healthy Michigan Plan to include work requirements on able-bodied adults beginning January 1, 2020 via Public Act 208 of 2018 (Senate Bill 897), which DHHS received federal approval to implement Public Act 208 in December 2018

Healthy Michigan Plan Waivers

Public Act 107 required two federal waivers to make a number of modifications from the state's traditional Medicaid program

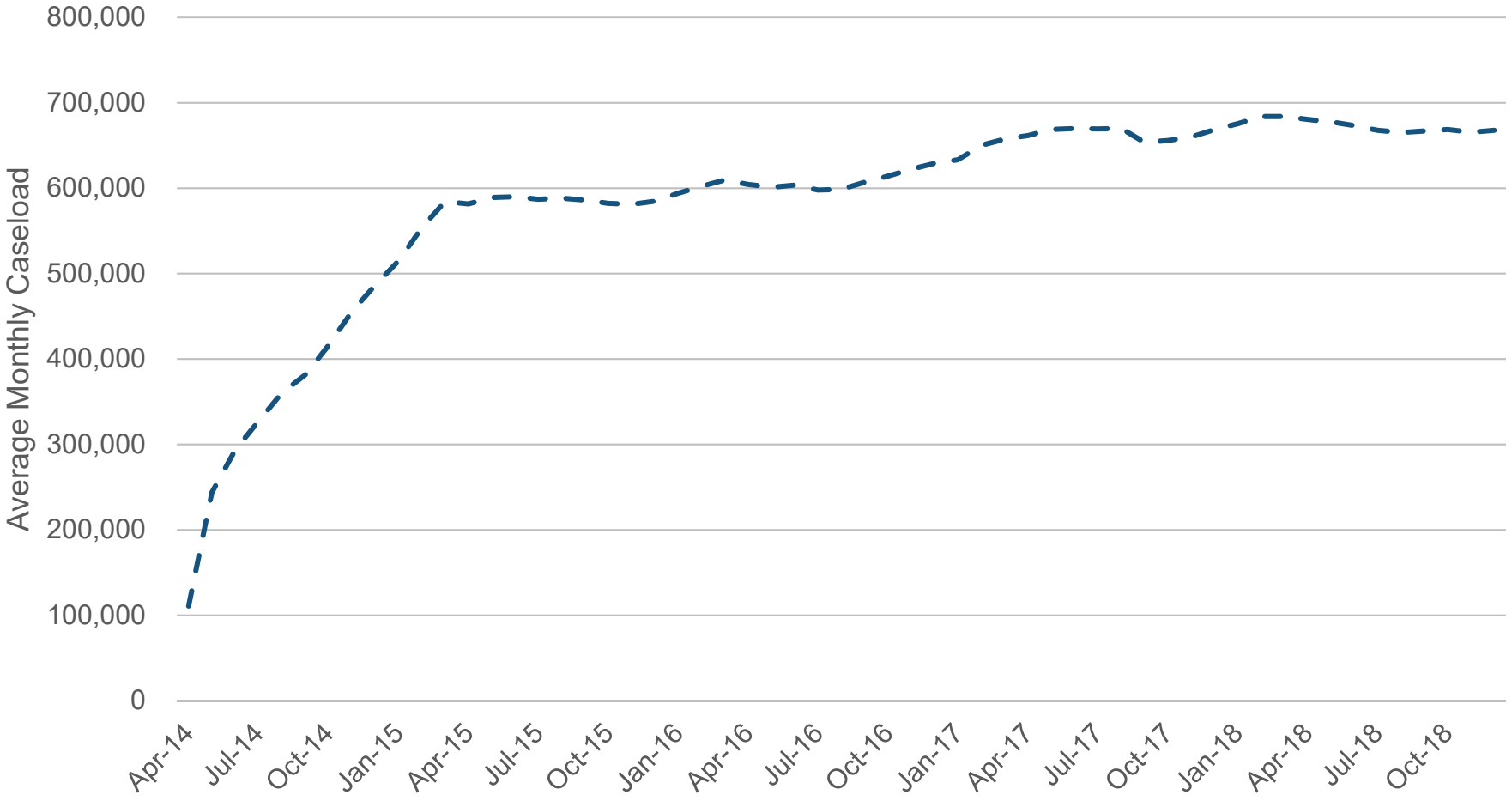
- An initial waiver approved in December 2013 included the following modifications:
  - Health savings accounts for co-pays and other cost sharing (up to 5% of income for individual with income of 100% of FPL or higher)
  - Certain incentives for healthy behavior
- A second waiver was approved in December 2015, but was never implemented, to meet statutory requirements:
  - Individuals enrolled in the program for more than 48 months with income of 100% of the federal poverty level or higher to either:
    - Shift to a health insurance plan purchased on the health insurance exchange created under the Affordable Care Act (utilizing federal subsidies for purchasing health insurance rather than Medicaid funding) or
    - Remain on the Healthy Michigan Plan with higher cost sharing requirements of up to 7% of income

Public Act 208 replaces the second waiver with the requirement that individuals enrolled in the program for more than 48 months with income of 100% of the federal poverty or greater complete and comply with a health behavior assessment and pay a premium of 5% of income in order to maintain coverage

- DHHS received federal approval to implement Public Act 208 in December 2018

Healthy Michigan Plan Caseloads

Healthy Michigan Plan caseloads grew very quickly, reaching over 240,000 individuals in the first two months and then increasing by a monthly average of over 30,000 individuals from May 2014 to March 2015. Cases have gradually increased since, with a recent plateauing trend.



Healthy Michigan Plan Financing

Healthy Michigan Plan Financing

- Initially, federal funds supported 100% of costs associated with the Healthy Michigan Plan. That federal match rate will phase down to 90% over five years:
  - 95% for 2017 (calendar year)
  - 94% for 2018
  - 93% for 2019
  - 90% for 2020 and subsequent years

- Based on current HFA projections, state matching costs for the Healthy Michigan Plan were $140 million in FY 2016-17 (for three-quarters of a year), growing to roughly $430 million in FY 2020-21 (when the state match rate will be 10% for a full fiscal year)

- Not all of the state matching costs, however, will require additional GF/GP funds. Provider assessments and special financing contributions will be used to support the special Medicaid reimbursements within the Healthy Michigan Plan; additionally, there is a hospital assessment retainer of $118 million based on special hospital reimbursements within the Healthy Michigan Plan

- Less administrative costs, HFA projects net GF/GP match costs of $2 million in FY 2016-17, growing to about $200 million in FY 2020-21

Healthy Michigan Plan State Savings

- Implementing the Healthy Michigan Plan has also resulted in state savings, as various health care costs previously funded either partially or wholly through state GF/GP revenue have been shifted to 100% federal funding

- Full year GF/GP appropriation reductions of $235 million are as follows:
  - $168 million for non-Medicaid mental health funding (originally $204 million, with $36 million subsequently restored)
  - $47 million for the Adult Benefits Waiver program (including $12 million in restricted Medicaid Benefits Trust Fund savings that had offset GF/GP)
  - $19 million for prisoner health care costs in the Department of Corrections budget (originally $32 million, with $13 million subsequently restored)
  - $1 million for smaller health care programs

- Additionally, the state has realized additional revenue from the Health Insurance Claims Assessment (HICA),the Use Tax on Medicaid managed care organizations, and the new Insurance Provider Assessment (IPA) as a result of increased health care activities driven by the Healthy Michigan Plan

- Governor's original proposal for Healthy Michigan Plan included the creation of a reserve fund to pay for future state match costs; Public Act 107, ultimately, did not specifically set aside state funds for future Healthy Michigan Plan costs

Healthy Michigan Plan Saving and Cost Estimates

Healthy Michigan Plan: Estimated State Costs/Savings
In Millions of $

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Average monthly beneficiaries	286,300	544,400	597,200	650,000	671,600	671,600	671,600	671,600	671,600
State match rate	0.00%	0.00%	0.00%	3.75%	5.75%	6.75%	9.25%	10.00%	10.00%
State Costs									
State match and admin costs	$20	$20	$20	$156	$239	$296	$405	$445	$453
Less restricted revenues	0	0	0	(135)	(179)	(190)	(218)	(228)	(230)
Total GF/GP Costs	**$20**	**$20**	**$20**	**$22**	**$61**	**$106**	**$187**	**$217**	**$223**
Budget Savings (1)									
Non-Medicaid Mental Health	($77)	($168)	($168)	($168)	($168)	($168)	($168)	($168)	($168)
Adult Benefits Waiver (2)	(12)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)
Corrections health care	(10)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)
Other health programs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Subtotal: Budget Savings	**($100)**	**($235)**	**($235)**	**($235)**	**($235)**	**($235)**	**($235)**	**($235)**	**($235)**
Savings from Revenue Impacts									
Additional HICA revenue (3)	($7)	($20)	($21)	($27)	($31)	$0	$0	$0	$0
Additional Use Tax revenue (4)	(40)	(162)	(171)	(44)	0	0	0	0	0
Additional IPA revenue (5)	0	0	0	0	0	(158)	(162)	(165)	(168)
Total Savings With Revenue Impacts	**($147)**	**($417)**	**($427)**	**($306)**	**($266)**	**($393)**	**($397)**	**($400)**	**($403)**
Net GF/GP Costs/(Savings)	**($127)**	**($397)**	**($407)**	**($284)**	**($205)**	**($288)**	**($209)**	**($183)**	**($180)**

Notes
(1) Assumes no inflationary increase in previous state costs shifted to Healthy Michigan Plan.
(2) Includes $12 million in Medicaid Benefits Trust Fund revenue appropriated for the program.
(3) HICA sunsets effective October 1, 2018.
(4) Use Tax on Medicaid Managed Care Organizations was discontinued effective January 1, 2017.
(5) Insurance Provider Assessment created via PA 175 of 2018 starts October 1, 2018.

General Note: Does not reflect local savings or reductions in uncompensated care (which could result in reductions to Disproportionate Share Hospital [DSH] payments under HMP statutory provisions).

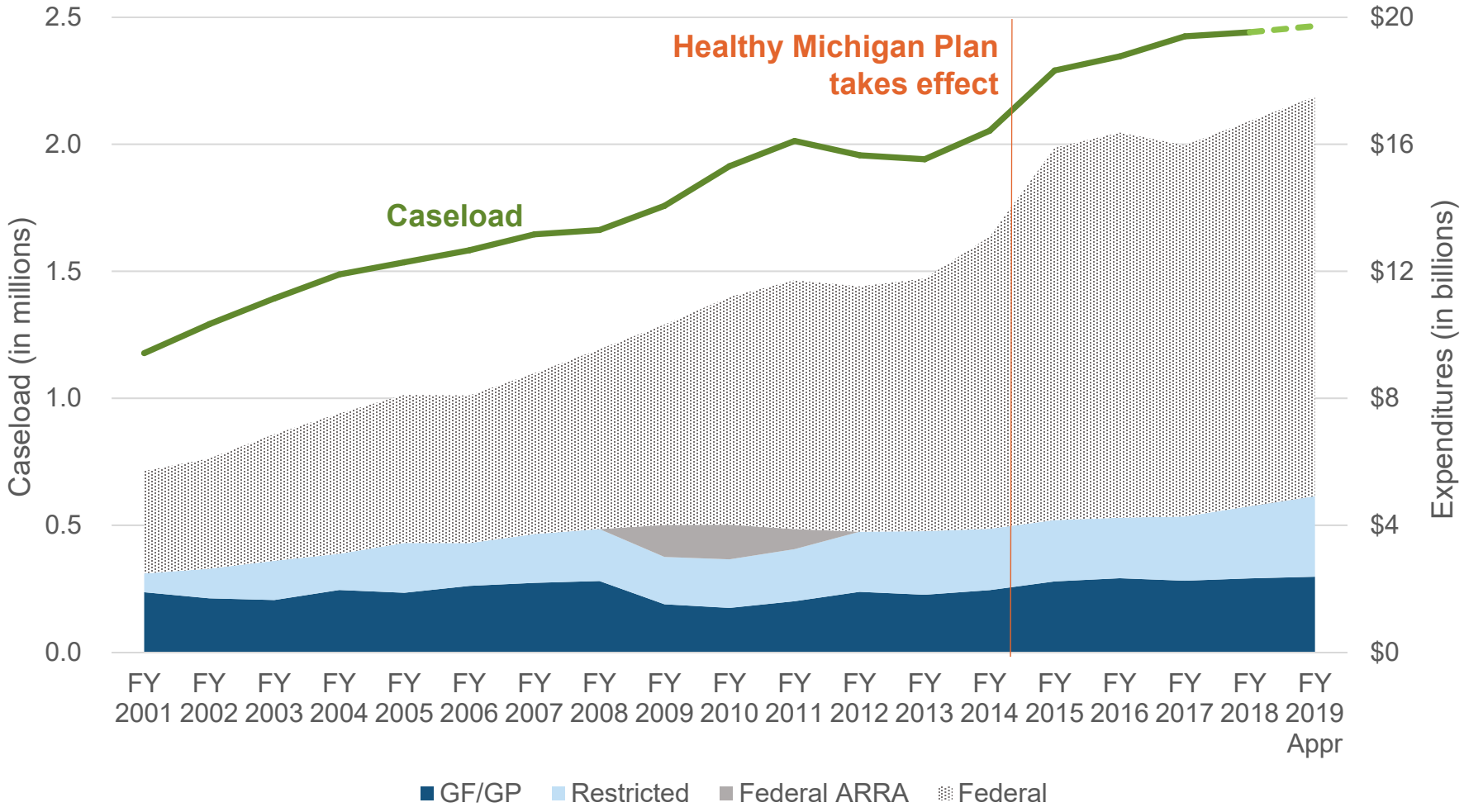
Healthy Michigan Plan Sunsets

- Under current statutory provisions, the Healthy Michigan Plan will sunset whenever the net costs of the program exceed the savings, as determined by the Department of Health and Human Services
- Current HFA assumptions and estimates indicate net Healthy Michigan Plan savings through at least the next 10 fiscal years
  - Net Healthy Michigan Plan savings have increased since the previous HFA estimate due to the new IPA revenues
- Discontinuation of Healthy Michigan Plan will require either restoration of funding for mental health and other health care services or reductions from previous levels of services provided
- DHHS and the State Budget Office are statutorily charged with determining and approving precise costs and savings, respectively, so the HFA estimates presented should be considered preliminary in nature
- Healthy Michigan Plan would have also sunset if the federal government had not approve the revisions to the second waiver required under Public Act 208, which received federal approval in December 2018

Medicaid Budget Outlook

Medicaid Expenditures by Fund Source

Since FY 2000-01, the state's total Medicaid caseload has doubled and expenditures have tripled due to economic trends and the expansion under the Healthy Michigan Plan. However, GF/GP spending for Medicaid, has only increased by 26%.



ARRA: Federal American Recovery and Reinvestment Act of 2009

State Medicaid Match Rate Portion

- For FY 2018-19, $17.5 billion in Gross Medicaid expenditures requires $4.9 billion in state match funds
- The largest source of state match funds is General Fund/General Purpose (GF/GP) revenue, at $2.4 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 $2.5 billion in restricted or local funds appropriated for FY 2018-19
- State restricted fund sources include:
  - Provider assessments, known as the Quality Assurance Assessment Program (QAAP), levied on hospitals, nursing homes, and ambulance providers: $1.3 billion
  - Insurance Provider Assessment (IPA) Fund: $604 million
  - Medicaid Benefits Trust Fund (primarily from tobacco taxes): $354 million
  - Special financing funds from public and university hospitals: $161 million
  - Merit Award Trust Fund (tobacco settlement revenue): $48 million

GF/GP Support for Medicaid Expenditures

Three major factors have allowed GF/GP support for Medicaid to be held relatively flat through FY 2018-19:

1) The increased use of provider assessments and other state restricted revenue sources as state match. Restricted funds have grown from $274 million to $2.5 billion

    - A 2012 GAO report indicates that Michigan is already among the most aggressive states in utilizing provider assessments

2) The federal FMAP rate moving in Michigan's favor as the state's economy lagged the national economy in the late 2000's. If Michigan's FMAP was still at the FY 2000-01 rate of 56.18% (instead of 64.45%), the state would need to identify $1.1 billion in additional state matching funds

    - This trend has reversed due to higher personal income growth in Michigan, resulting in additional GF/GP costs of about **$40 million** per year

3) Initial 100% federal funding for the Healthy Michigan Plan population

    - State match costs for the Healthy Michigan Plan began on January 1, 2017. This resulted in projected GF/GP costs of $2 million for three-quarters of FY 2016-17, increasing to $200 million per year in FY 2020-21

    - Current state match rate obligation of 7% will increase to 10% on January 1, 2020 requiring additional GF/GP funds of roughly **$80 million** for a total GF/GP match cost of $187 million in FY 2019-20

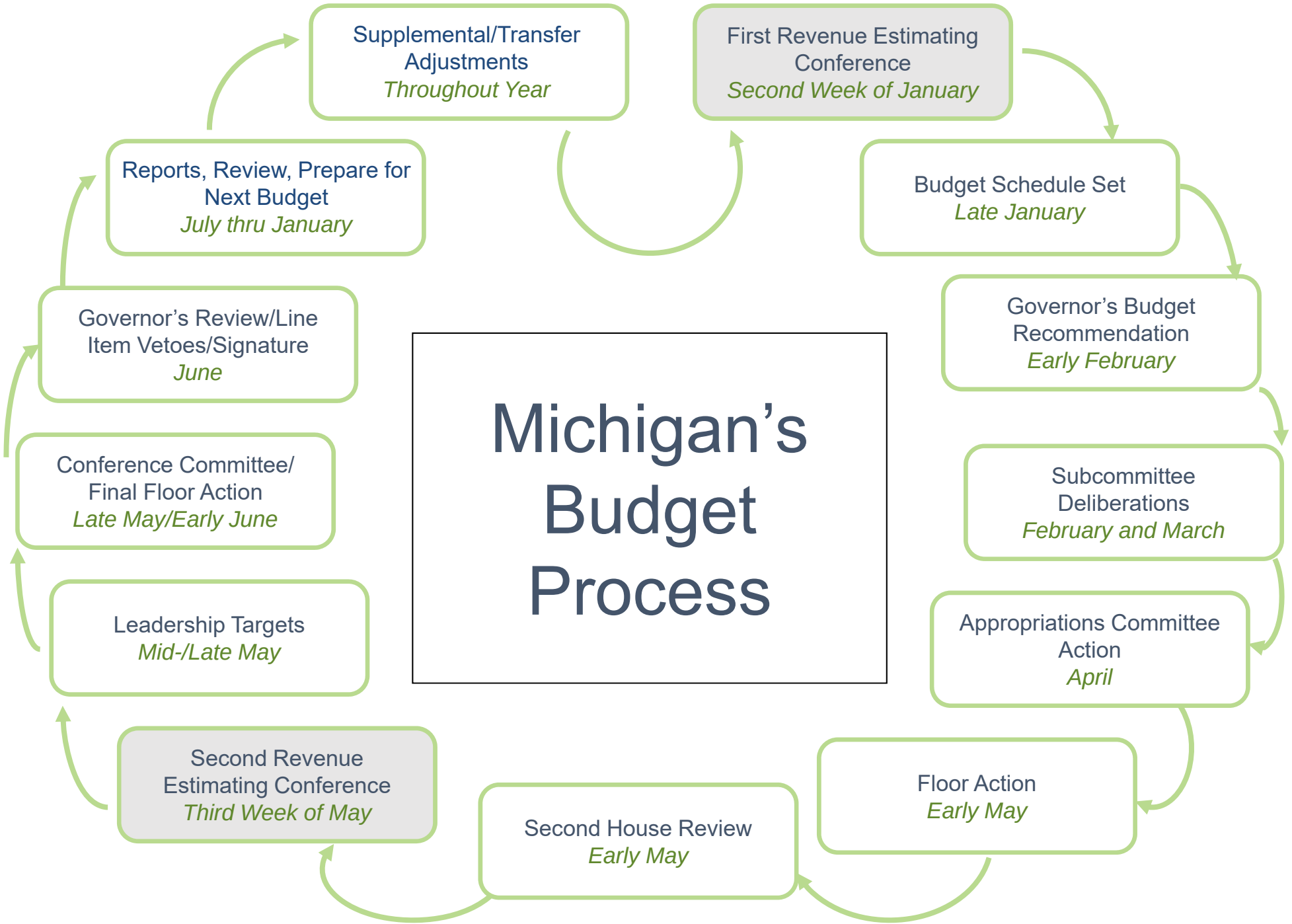
The House Fiscal Agency (HFA)

- Agency personnel provide **confidential**, **nonpartisan** expertise to the House Appropriations Committee and all other members of the House on all legislative fiscal matters.

- **Fiscal Analysts**
  - Review the Governor's budget recommendation and assist legislators in developing budget alternatives;
  - Review and prepare budget bills, supplemental appropriations, and certain transfer requests;
  - Provide fiscal impact statements on legislative proposals;
  - Monitor state and national situations that may have budgetary implications;
  - Research and analyze fiscal issues;
  - Prepare reports and documents to assist legislative deliberations; and
  - Prepare special reports at the request of Representatives.

- **Economists**
  - Analyze legislation related to tax and revenue issues;
  - Respond to Representatives' inquiries regarding state tax revenue, revenue sharing, and other economic issues;
  - Monitor state revenue; track state and national economic conditions; and
  - Prepare reports on revenue and other economic issues.

- **Legislative Analysts**
  - Prepare concise, nonpartisan summaries and analyses of bills. Summaries, completed prior to committee deliberations, describe how a bill would change current law, including any fiscal impact. Analyses are prepared for bills reported to the full House from committee and include, with the summary information, a description of the problem being addressed, arguments for and against the bill, and positions of interested organizations.


Michigan's Budget Process
First Revenue Estimating Conference
Second Week of January
Budget Schedule Set
Late January
Governor's Budget Recommendation
Early February
Subcommittee Deliberations
February and March
Appropriations Committee Action
April
Floor Action
Early May
Second House Review
Early May
Second Revenue Estimating Conference
Third Week of May
Leadership Targets
Mid-/Late May
Conference Committee/ Final Floor Action
Late May/Early June
Governor's Review/Line Item Vetoes/Signature
June
Reports, Review, Prepare for Next Budget
July thru January
Supplemental/Transfer Adjustments
Throughout Year

For more information about the Health and Human Services budget:

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

Briefing: http://www.house.mi.gov/hfa/PDF/Briefings/HHS_Medicaid_BudgetBriefing_fy18-19.pdf

Public Health, Aging/Adult Services - Susan Frey, Senior Fiscal Analyst: sfrey@house.mi.gov

Briefing: http://www.house.mi.gov/hfa/PDF/Briefings/HHS_PH_BudgetBriefing_fy18-19.pdf

Child Welfare Services - Viola Wild, Senior Fiscal Analyst: vwild@house.mi.gov

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

Briefing: http://www.house.mi.gov/hfa/PDF/Briefings/HHS_HS_BudgetBriefing_fy18-19.pdf

HFA Phone: (517) 373-8080

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