



Background Briefing

COMMUNITY HEALTH

**Margaret Alston, Matt Ellsworth, Susan Frey
Senior Fiscal Analysts
Steve Stauff, Associate Director**

December 2013

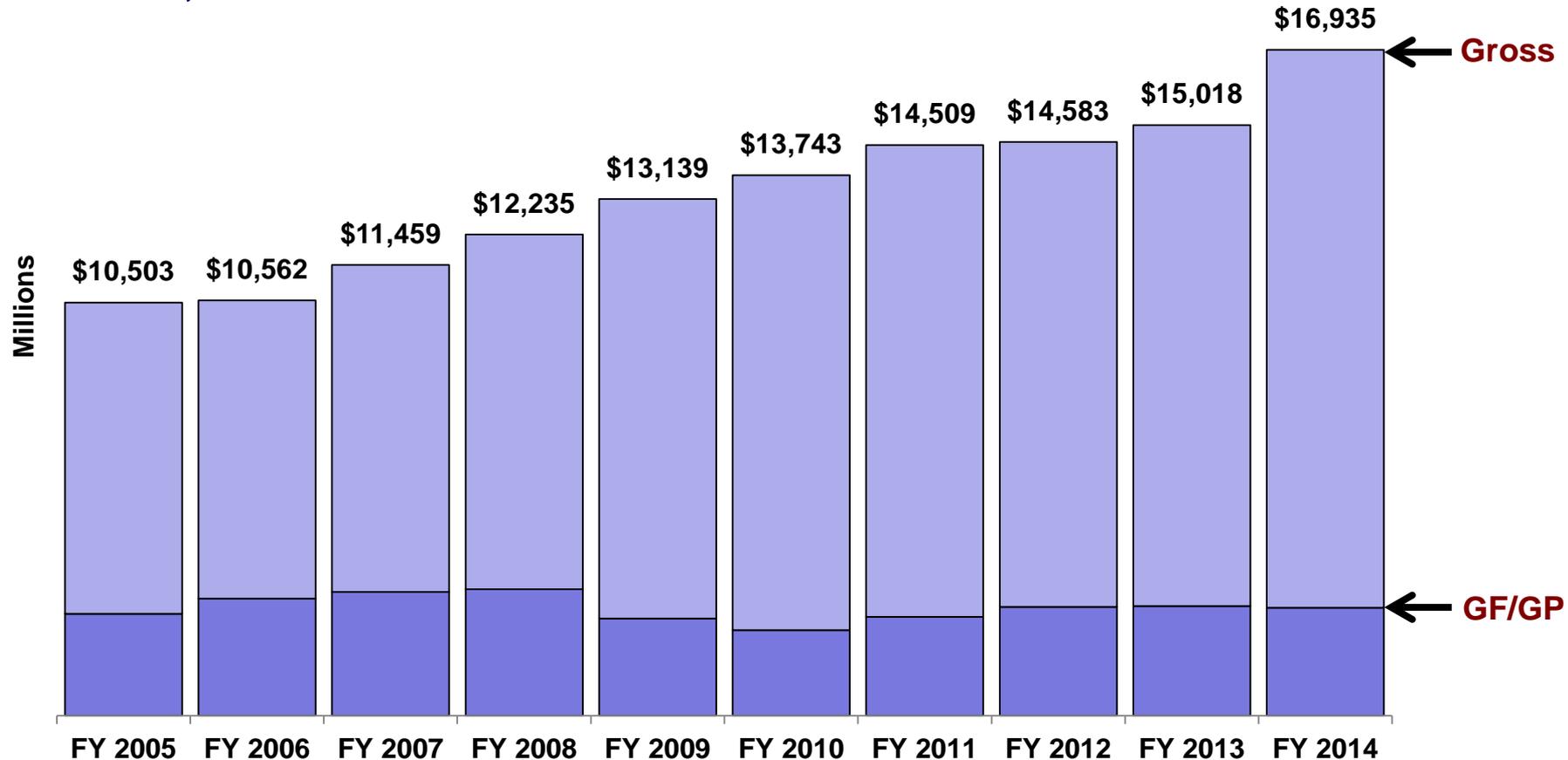
The fiscal information in this background briefing is based on data through December 31, 2013.

Department of Community Health

- **Responsible for health policy development and management of Michigan's publicly-funded health care services systems**
- **Established by Executive Order 1996-1 when former Departments of Mental Health and Public Health were merged with Medicaid and Office of Drug Control Policy**
- **Office of Services to the Aging, Adult Home Help Program, and Crime Victim Services Commission transferred to Community Health in 1997**
- **Health Policy, Regulation, and Professions transferred to Community Health in December 2003**
- **Office of Drug Control Policy abolished on October 1, 2009**
- **Bureaus of Health Professions and Health Systems, and Controlled Substances Advisory Commission transferred to Department of Licensing and Regulatory Affairs in April 2011**

Community Health: Gross Appropriations

At \$16.9 billion, Community Health is the largest state budget. Gross appropriations for Community Health grew by 61.2% since FY 2004-05. Much of the growth is due to the FY 2013-14 Medicaid Expansion/Healthy Michigan Plan, and increases in Medicaid caseload, inflation and utilization.

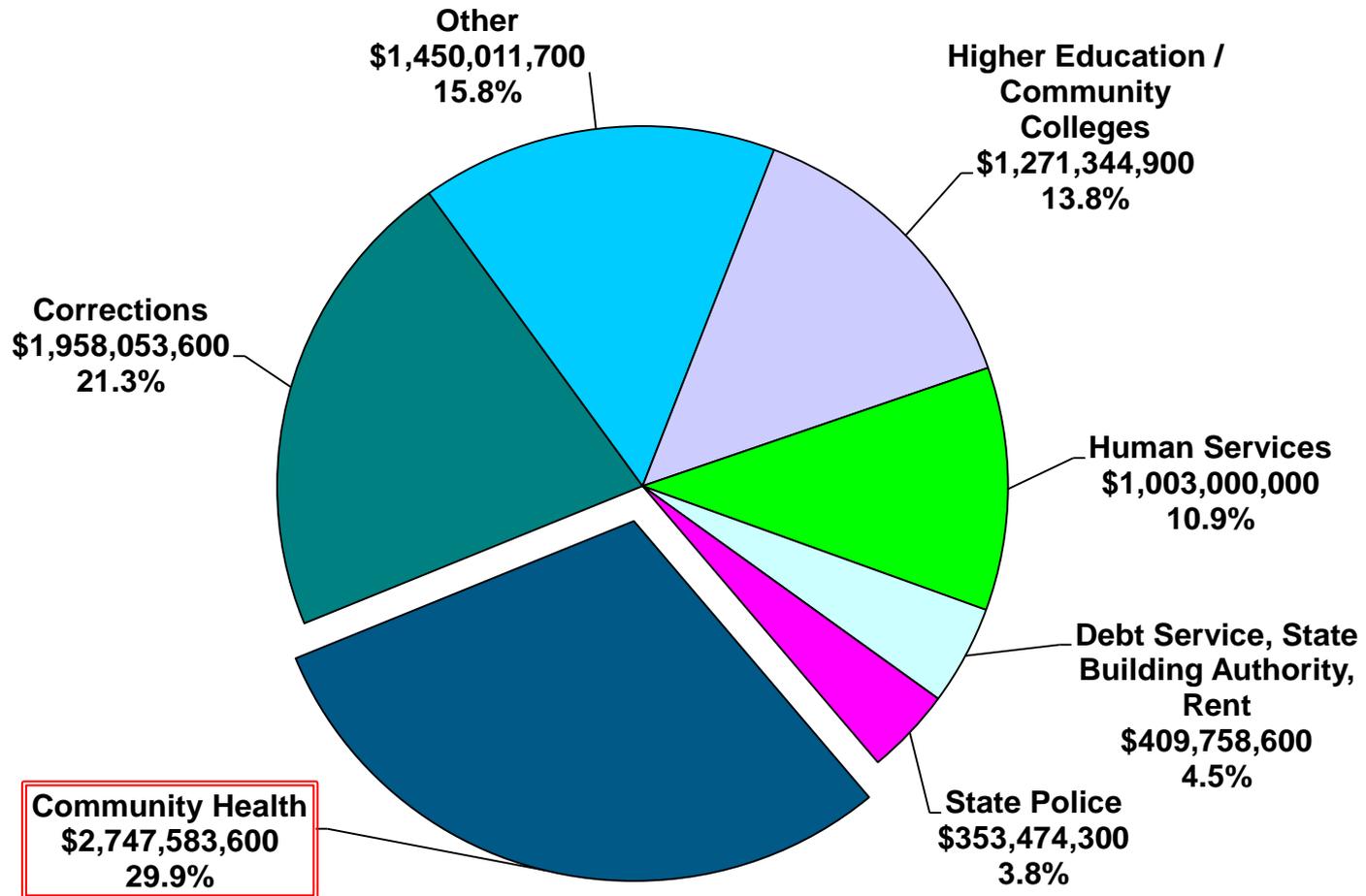


FY 2013-14 includes appropriation adjustments in 2013 PA 107 for Medicaid Expansion/Healthy Michigan Plan. Fiscal years 2008-09 through 2010-11 include \$2.9 billion of federal American Resource and Recovery Act (ARRA) funding, primarily for Medicaid.

Community Health Share of State GF/GP

Community Health makes up 29.9% of the total state GF/GP budget

FY 2013-14 GF/GP Total = \$9,193,226,700



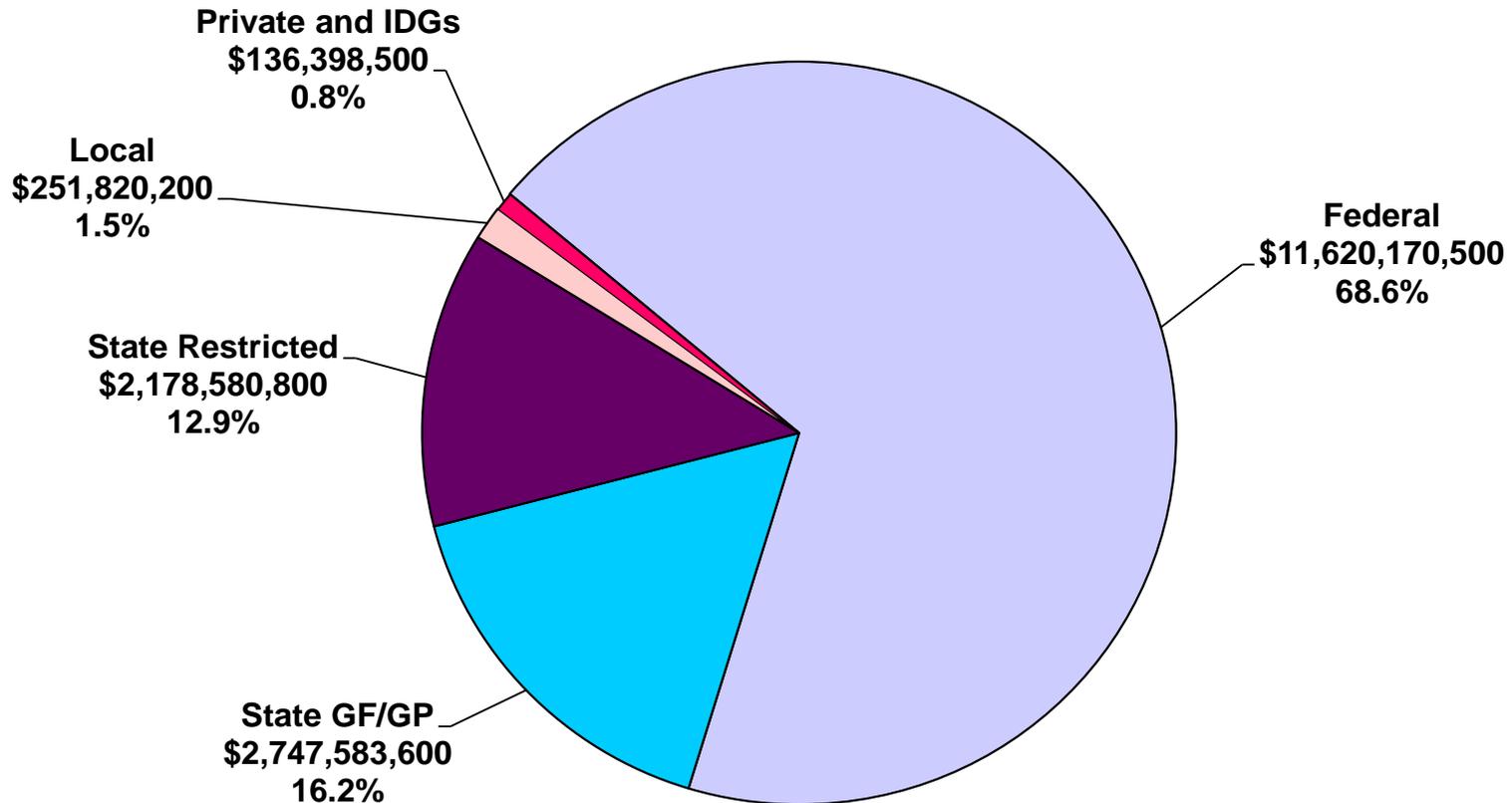
FY 2013-14 GF/GP includes appropriation adjustments in 2013 PA 107 for Medicaid Expansion/Healthy Michigan Plan.

SOURCES OF FUNDING

Community Health Funding Sources

Federal funds make up 68.6% of the Community Health budget;
state GF/GP represents 16.2% of the budget.

FY 2013-14 Community Health Budget = \$16,934,553,600



Community Health Funding Sources

- **The Department of Community Health (DCH) budget is \$16.9 billion for FY 2013-14 as authorized by 2013 PA 59, Article IV, 2013 PA 102, and 2013 PA 107; major sources of revenue are shown on the previous slide**
- **Federal sources provide more than 68% of DCH revenue, primarily Medicaid matching funds and Medicaid revenue realized because of the Medicaid Expansion/Healthy Michigan Plan**
- **State GF/GP represents 16.2% of the DCH budget**
- **State Restricted funds include revenue from Merit Award Trust Fund, Healthy Michigan Fund, Michigan Health Initiative Fund, Medicaid Benefits Trust Fund, Crime Victim's Rights Fund, health insurance claims assessment, provider assessments, and user and licensing fees**
- **Local revenue includes funds from community mental health services programs, county medical care facilities, and school districts**
- **Private funds are from grants, patient gifts and bequests, and manufacturer rebates; and interdepartmental grants (IDGs) are funds from other state departments for services**
- **One-time only funding of \$29.9 million Gross (\$11.1 million GF/GP) is included in FY 2013-14 DCH budget for designated uses**

DEPARTMENT APPROPRIATIONS

Community Health Appropriation Areas

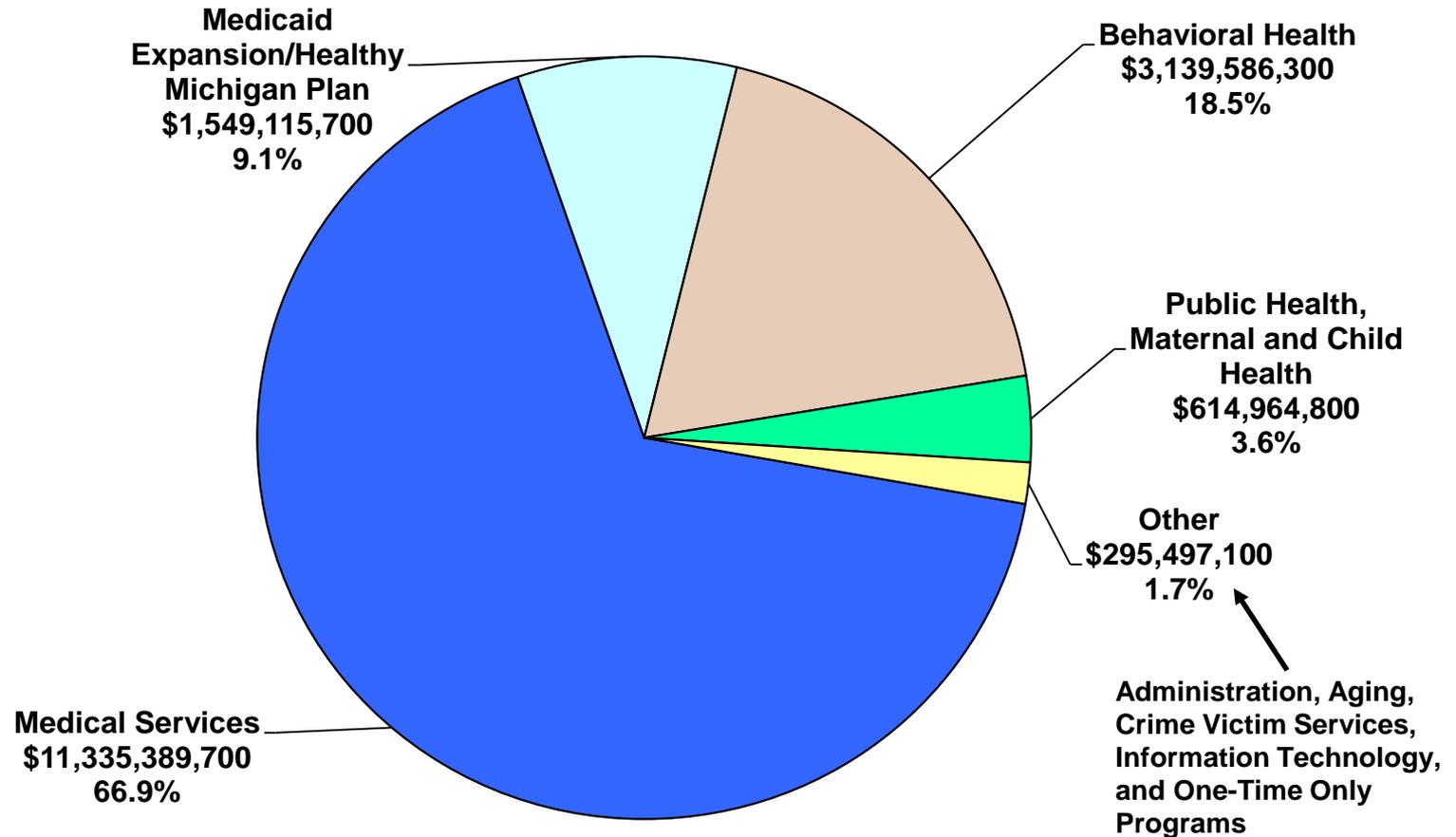
As shown on the next two charts, DCH provides funding for a wide range of services for persons in Michigan:

- Behavioral health services provided through community mental health services programs (CMHSPs), prepaid inpatient health plans (PIHPs), state-run hospitals, and department-designated CMHSPs coordinating the provision of substance use disorder services in its regions
- Public health services in partnership with local health departments, including communicable disease control, and services for vulnerable populations
- Medicaid coverage for health care services delivered through managed care plans and medical providers to qualified low-income persons
- MIChild health care coverage for non-Medicaid eligible children, and indigent health care programs
- Support and services for Michigan seniors provided through regional Area Agencies on Aging
- Services, support, and compensation for victims of crime

Community Health Gross Appropriations by Program

Medical Services account for 66.9% of Community Health spending, followed by Behavioral Health at 18.5%.

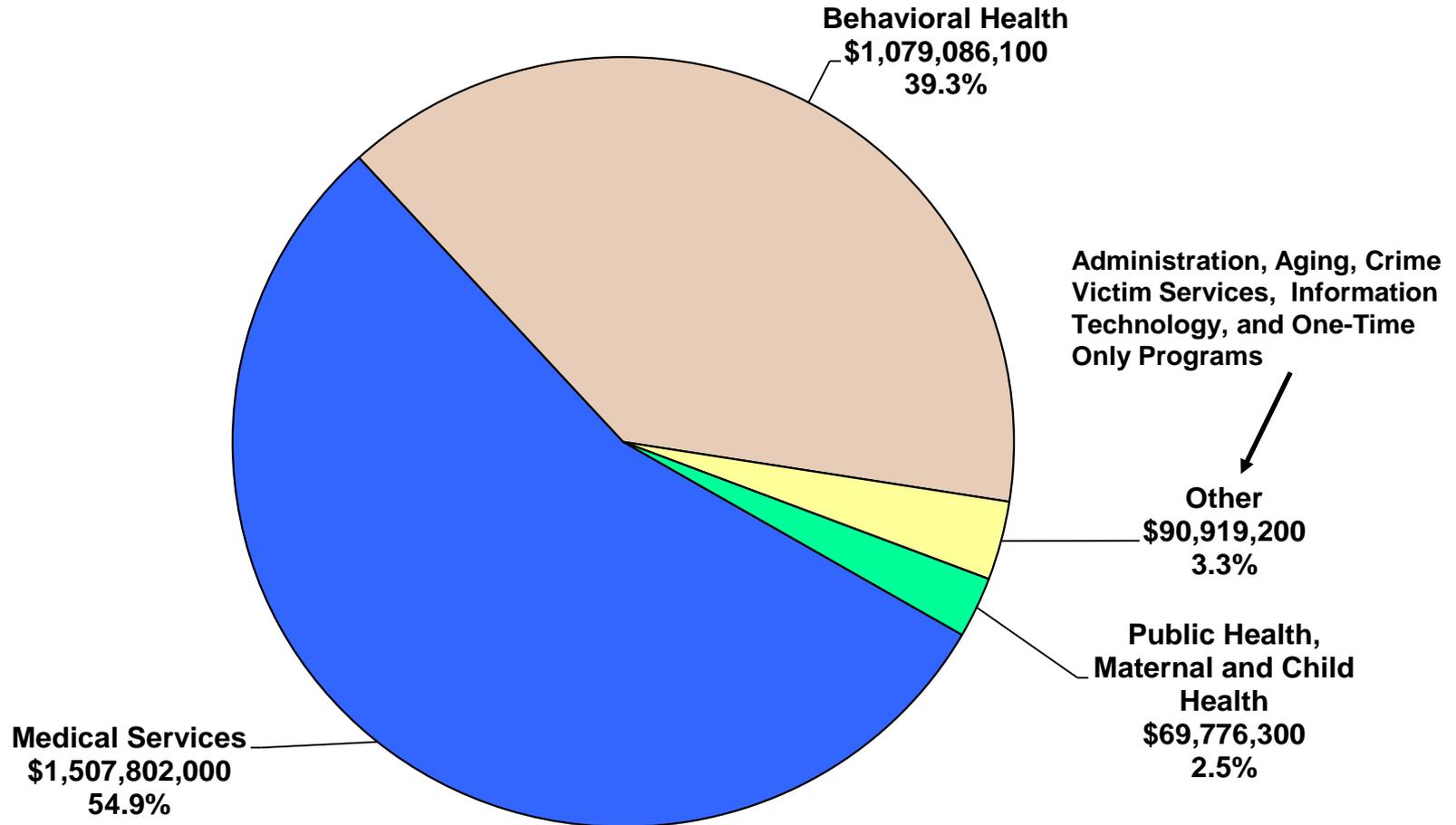
FY 2013-14 Community Health Budget = \$16,934,553,600



Medical Services and Behavioral Health exclude funding for Medicaid Expansion/Healthy Michigan Plan and one-time only funding.

Community Health GF/GP Appropriations by Program

FY 2013-14 Community Health GF/GP Budget = \$2,747,583,600



Medical Services and Behavioral Health include \$168,552,800 GF/GP savings realized due to Medicaid Expansion/Healthy Michigan Plan.

MAJOR BUDGET TOPICS

Community Health Budget Topics

- **Department-designated CMHSPs coordinating the provision of substance use disorder services in its regions**
- **Mental health and substance use disorder services non-Medicaid funding**
- **Uniformity and equity in capitation payments made to PIHPs**
- **National accreditation review criteria for behavioral health services and Medicaid health plans**
- **Mental health and health care system innovation grant programs**
- **Health and wellness initiatives funding reduction**
- **Fees for vital records, certificate of need, and EMS licensure**
- **Promotion of health care providers in underserved areas**
- **Essential local public health services funding**
- **Lead abatement and childhood lead program funding**

Community Health Budget Topics

- **Infant mortality, parenting support and home visit program funding**
- **Autism higher education centers expanded funding**
- **Medicaid and Medicare (dual eligibles) integration into managed care**
- **Medicaid managed care**
- **Medicaid provider reimbursement rates**
- **Extending basic, low-cost health insurance coverage to the uninsured and indigent**
- **Long-term care and home/community-based care**
- **Medicaid Expansion/Healthy Michigan Plan – April 2014**
- **Health Insurance Claims Assessment**
- **Electronic health records**

**MAJOR
COMMUNITY HEALTH
PROGRAM AREAS**

Departmentwide Administration

Primarily for centralized administrative functions in DCH
\$133.7 million – 192.7 FTEs

- Director and Other Unclassified FTE Positions
- Transformation Office
- Budget, Accounting, Audit, Grants, and Purchasing
- Rent and Building Occupancy Charges
- Worker's Compensation Program
- Michigan Developmental Disabilities Council and Projects
- Information Technology Services and Projects
- Community Health Automated Medicaid Processing System (CHAMPS)

Behavioral Health Services

**Administration and programs related to behavioral health services
\$3.1 billion – 2,244.4 FTEs**

- **Behavioral Health Program Administration**
- **Housing and Support Services**
- **Medicaid Mental Health and Substance Abuse Services**
- **Community Mental Health Non-Medicaid Services**
- **State-Operated Hospitals**
- **Forensic Mental Health Services**
- **Community Substance Abuse Prevention, Education, and Treatment Programs**
- **Children's Waiver Home Care Program**
- **Family Support Subsidy**
- **Nursing Home Placement Assessment**

Community Public Health

**Prevent and control disease, protect and promote human health
\$294.3 million – 497.6 FTEs**

- **Public Health Administration**
- **Infectious Disease Control**
- **Laboratory Services**
- **Epidemiology**
- **Bioterrorism Preparedness**
- **Local Public Health Services/Operations and Grants**
- **Chronic Disease and Injury Prevention, and Health Promotion**
- **Vital Records and Health Statistics**
- **Health and Wellness Initiatives**
- **Health Policy, and Access to Health Care Services**

Family, Maternal, and Children's Health Services

**Programs providing health services and support to infants, children, women of childbearing age, and families at risk
\$320.7 million – 98.6 FTEs**

- **Women, Infants, and Children Supplemental Food and Nutrition Program**
- **Local Maternal and Child Health Services**
- **Family Planning and Pregnancy Prevention**
- **Prenatal Care Outreach and Service Delivery Support**
- **Childhood Lead Poisoning Prevention**
- **Dental Programs**
- **Administration, and Special Projects**

Crime Victim Services

**Grants, services, support, and compensation for victims of crime
\$37.8 million – 13.0 FTEs**

- **Justice Assistance Grants**
- **Crime Victim Rights Services Grants**
- **Crime Victim Compensation Grants**

Office of Services to the Aging

**Services and support for older persons in need
\$94.1 million – 40.0 FTEs**

- **Community Services**
- **Nutrition and Meals Services**
- **Senior Volunteer Programs and Services**
- **Respite Care Program**
- **Employment Assistance**

Medical Services

**Physical health care services to 1.85 million low income persons through
Medicaid and other programs
\$11.3 billion – 505.3 FTEs**

- **Medical Services Administration**
- **Electronic Health Records**
- **Children's Special Health Care Services**
- **Medicaid (Physical Health) Services**
- **Medicaid Special Financing Payments**
- **MIChild Program**
- **Adult Benefits Waiver Program**
- **Indigent Health Care**

One-Time Basis Only Appropriations

**Appropriations intended to be one-time only
\$29.9 million – 0.0 FTEs**

- **Graduate Medical Education**
- **Michigan Medicaid Information System**
- **Primary Care Services – Island Health Clinics**
- **Mental Health Innovation**
- **University Autism Centers and Services**

Medicaid Expansion/Healthy Michigan Plan

Health services and administrative requirements related to P.A. 107 of 2013
\$1.5 billion – 0 FTEs approved to date*

- **Services to New Medicaid Coverage Group**
 - Physical Health
 - Behavioral Health
- **Administration**
 - Information technology, eligibility, enrollment, policy changes, federal compliance/waivers
- **Reporting**
 - Required by federal Centers for Medicare and Medicaid Services (CMS) and state (P.A. 107)

** \$1,549,115,700 in DCH. 2013 PA 107 includes additional budgetary adjustments in other agencies. A proposed supplemental for FY 2013-14 includes an increase of 35.0 FTEs in DCH, as well as administrative and timing-related budgetary adjustments for Medicaid Expansion/Healthy Michigan Plan.*

BEHAVIORAL HEALTH SERVICES

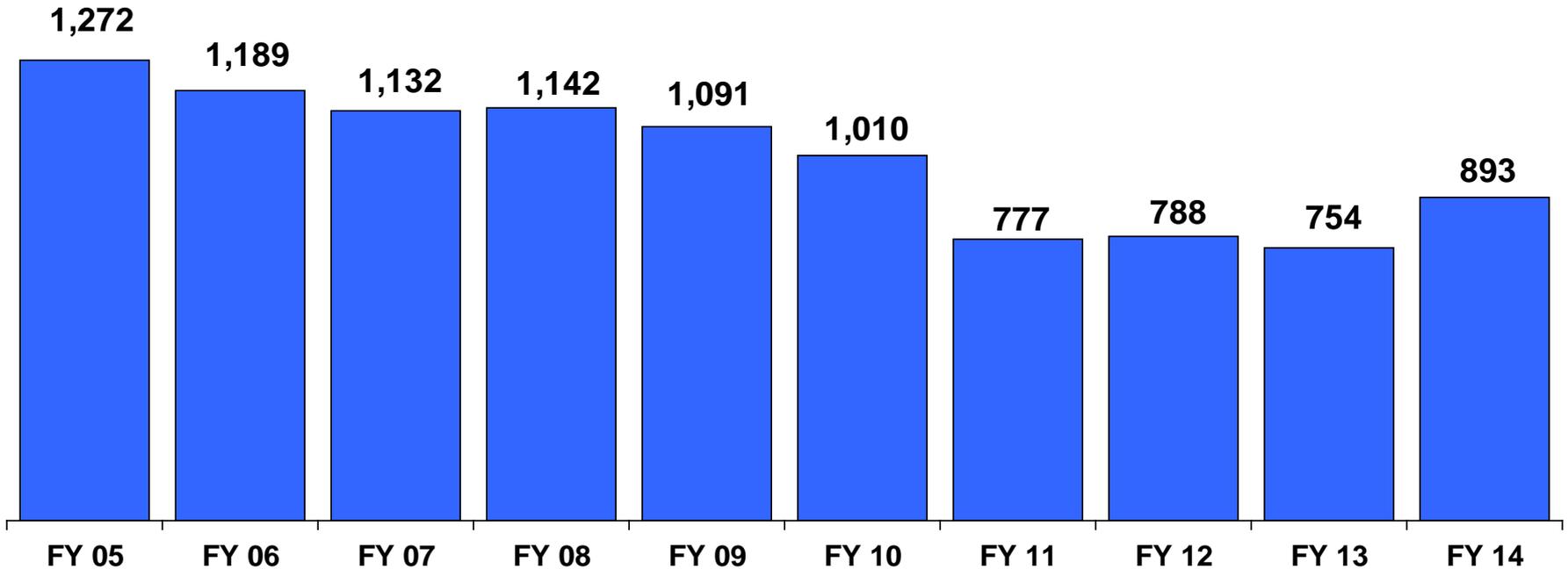
Mental Health Services

- **The Michigan Constitution (Article VIII, Section 8) states that institutions, programs, and services for the care, treatment, education, or rehabilitation of those inhabitants who are physically, mentally, or otherwise seriously disabled shall always be fostered and supported**
- **Mental health services are governed by the state's Mental Health Code (1974 PA 258, as amended) and federal regulations implemented waivers approved by the Centers for Medicare and Medicaid Services**
- **Primary responsibility for delivery of services is through local community mental health services programs and prepaid inpatient health plans**
- **Since the 1970s, the trend has been toward serving more patients in the community and fewer patients in state-operated hospitals and institutional settings**
- **Funding for Medicaid mental health services has increased significantly more than funding for Non-Medicaid mental health services**

Patients in State Mental Health Facilities

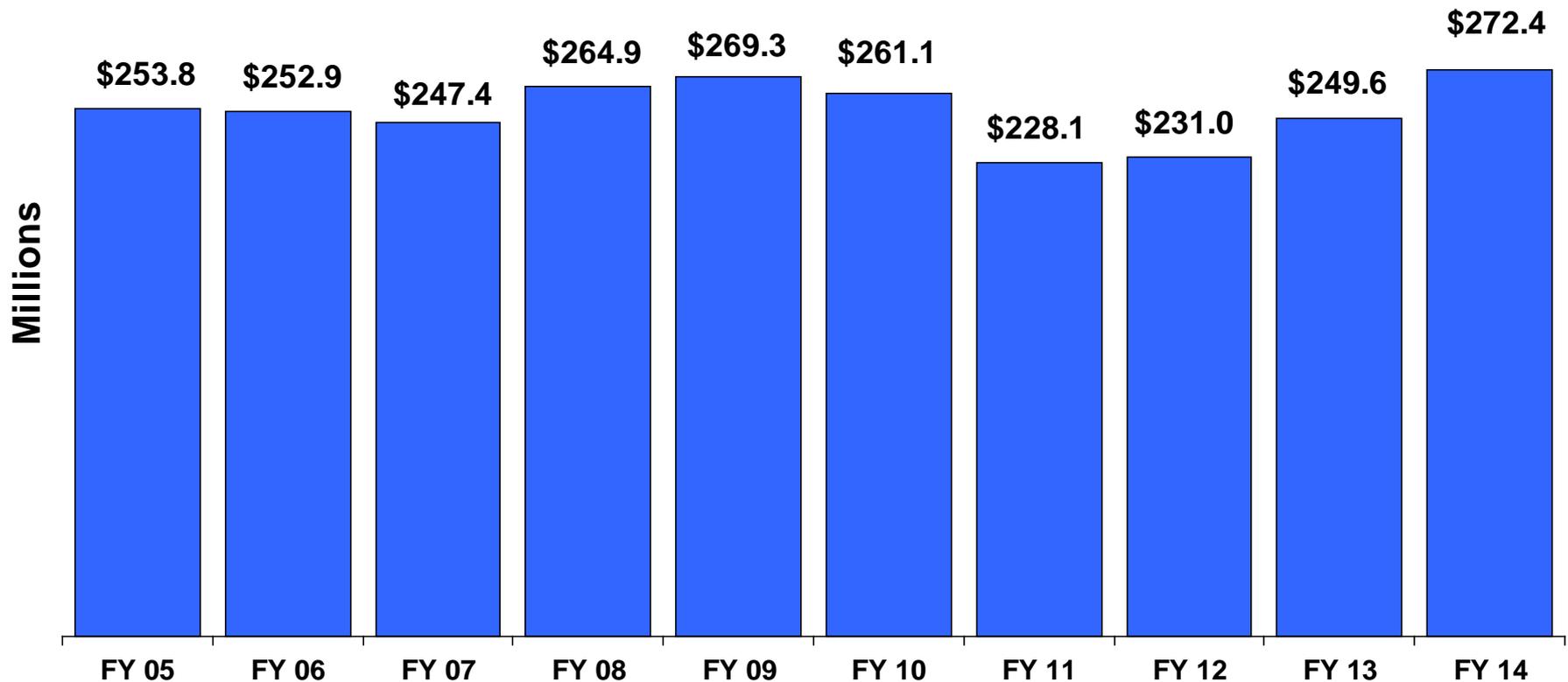
The number of patients in state-operated mental health facilities has fallen since FY 2004-05 due to facility closures, more community-based services, and transfer of responsibilities for Forensic Prisoner Mental Health Services to the Department of Corrections. An average of the actual patients in state facilities for FY 2013-14 will not be known until the end of the fiscal year. The figure in the chart represents the budgeted population.

Average Patient Census



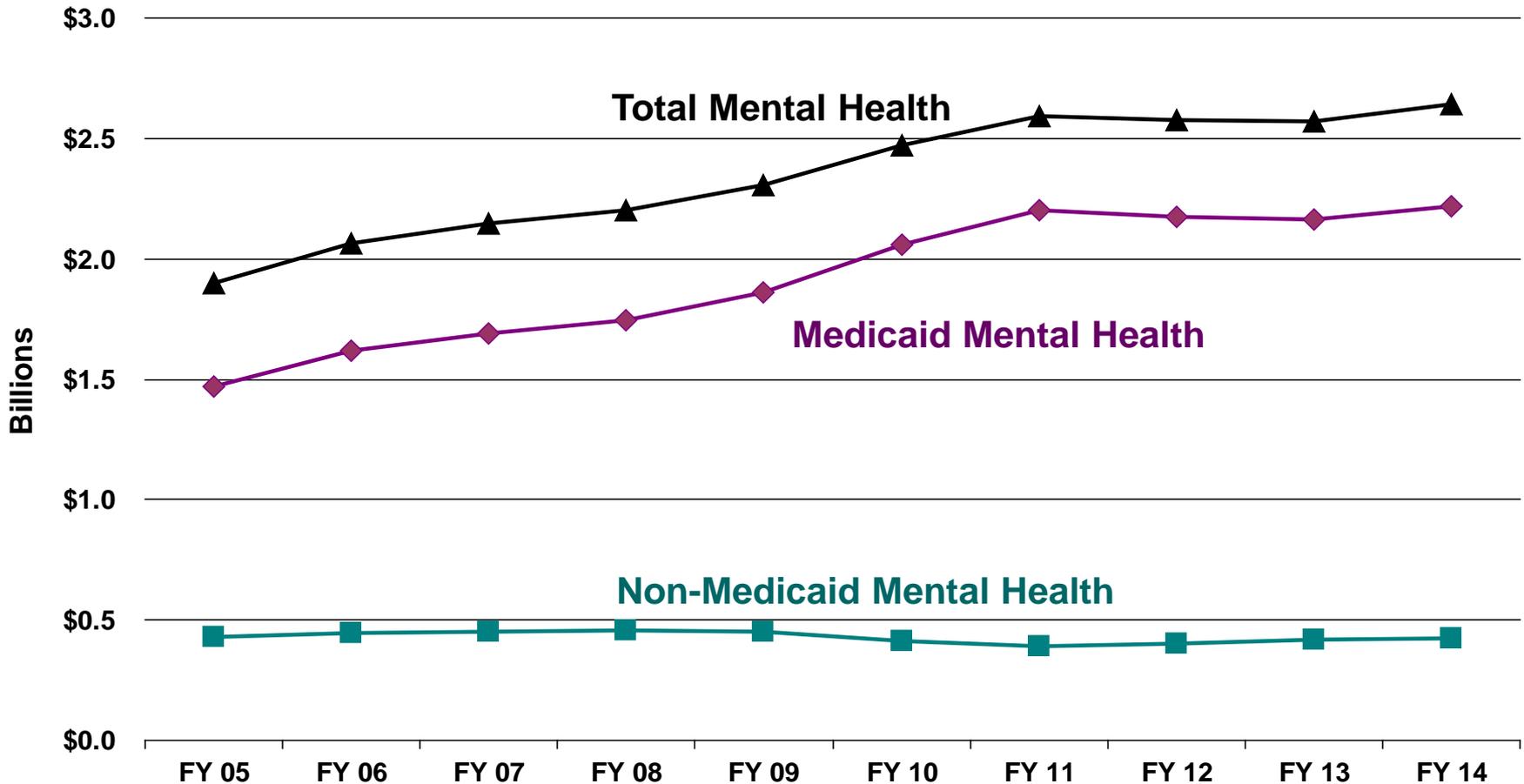
State Mental Health Facility Expenditures and Authorizations

Expenditures and authorizations for state mental health facilities have fluctuated since FY 2004-05 due to facility closures, transfer of responsibilities for Forensic Prisoner Mental Health Services to the Department of Corrections, number of patients, and staff-related costs. The actual expenditures for state mental health facilities in FY 2013-14 will not be known until the end of the fiscal year; the chart reflects the budgeted amount.



Mental Health Spending

Since FY 2004-05, Medicaid Mental Health spending has increased by 50.9%, Non-Medicaid Mental Health spending has decreased by 2.2%, and total Mental Health spending has increased by 38.9%. FY 2013-14 does not include appropriation adjustments in 2013 PA 107 for Medicaid Expansion/Healthy Michigan Plan.

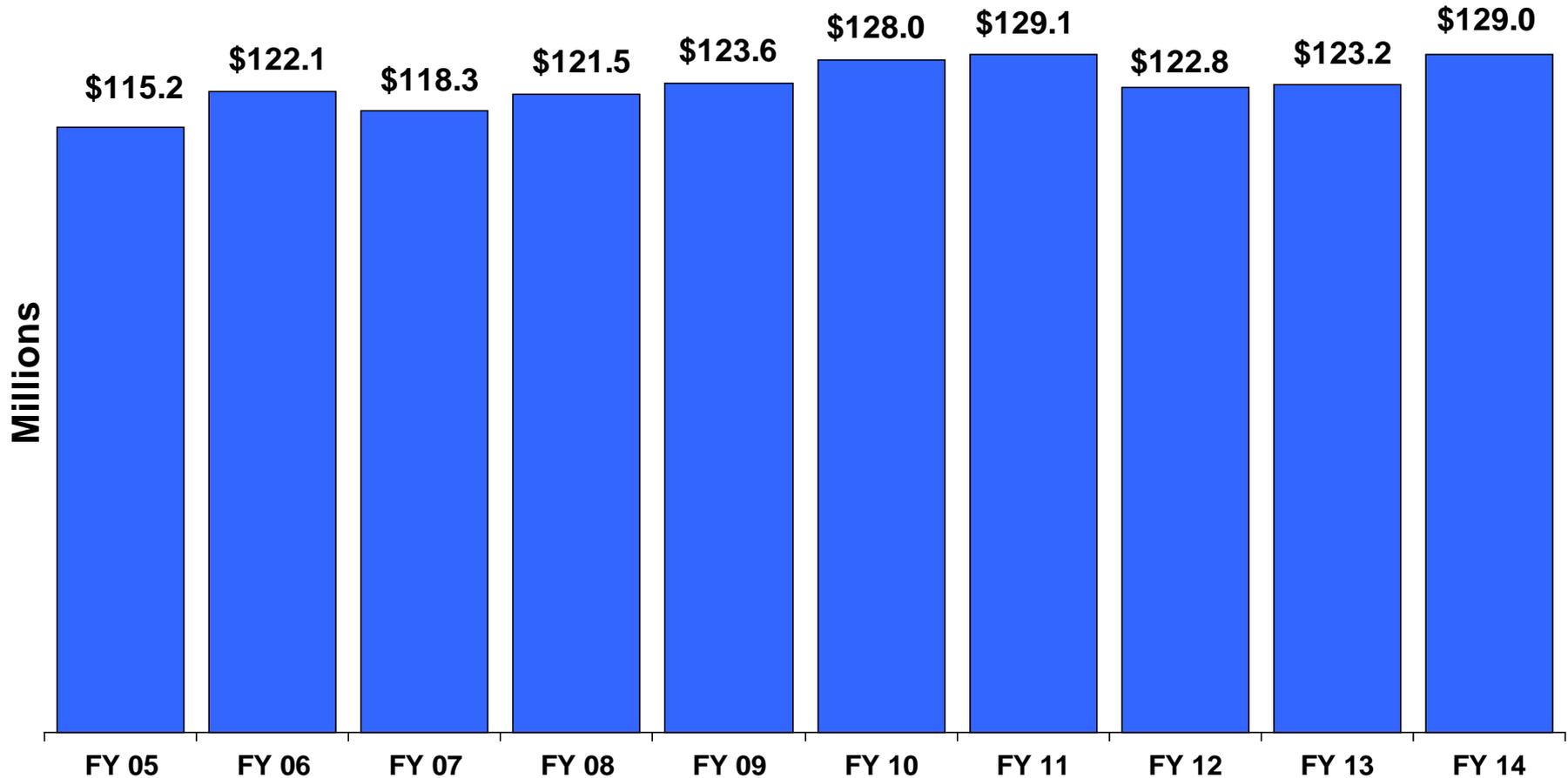


Substance Use Disorder Services

- **Michigan's Mental Health Code (1974 PA 258, as amended by 2012 PA 500) requires Department-designated CMHSPs to coordinate the provision of substance use disorder services in its regions and ensure services are available for individuals with substance use disorder**
- **Beginning no later than October 1, 2014, or at the time that the implementation of changes in Chapter 2A of the Mental Health Code are complete, whichever is sooner, Department-designated CMH entities are coordinating agencies for purposes of receiving any statutorily required funds**
- **Substance use disorder services include prevention, education, treatment, and rehabilitation programs**
- **The majority of funding for substance use disorder services is from the federal substance abuse prevention and treatment block grant and federal Medicaid revenue**

Substance Use Disorder Services Funding

Since FY 2004-05, funding for substance use disorder services has increased by 12.0% which is primarily due to increases in federal funding.



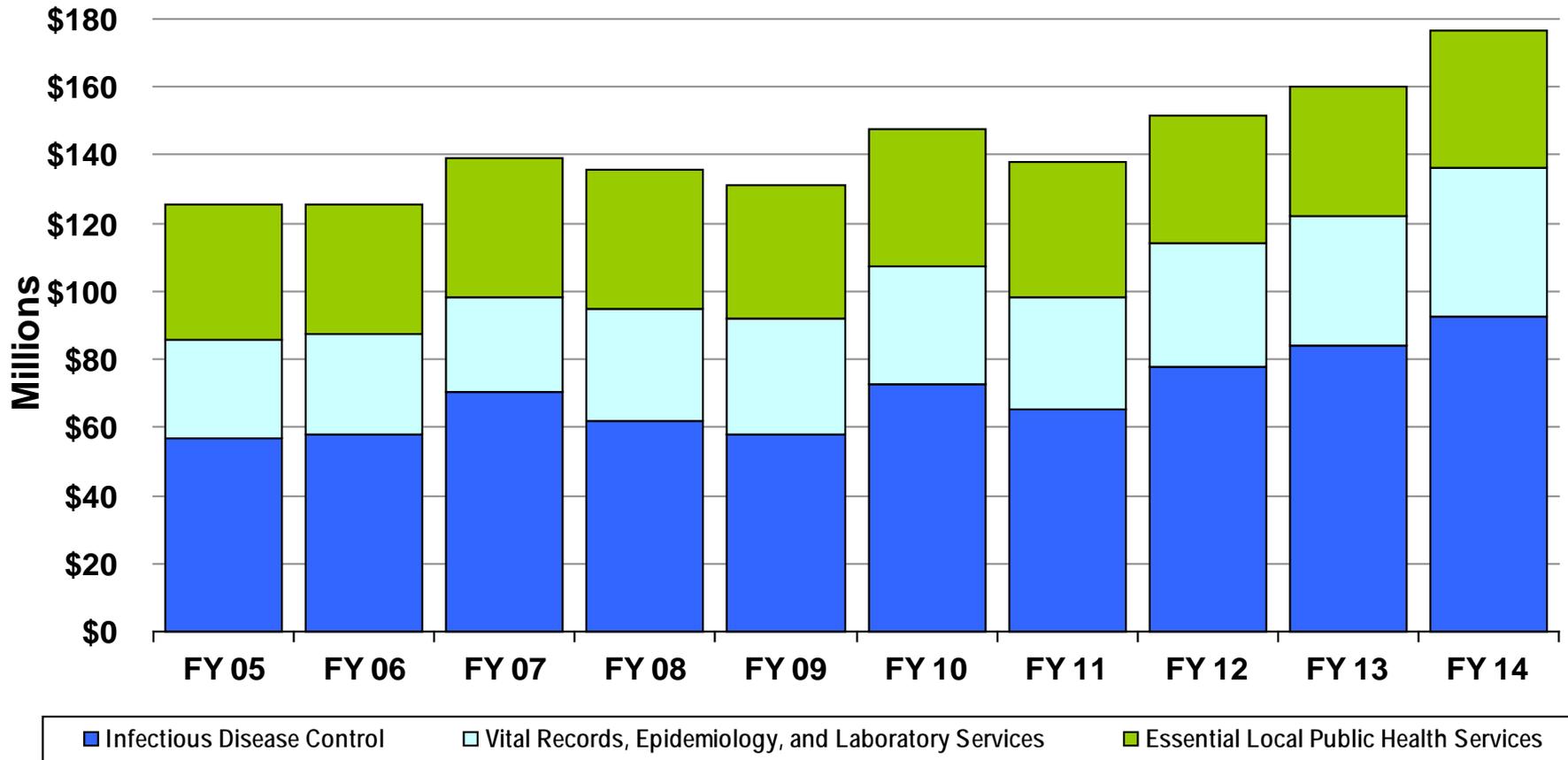
PUBLIC HEALTH

Public Health Services

- **The Michigan Constitution establishes public health as a matter of primary public concern (Article IV, Section 51)**
- **Michigan's Public Health Code (1978 PA 368, as amended) requires the Department of Community Health to protect and promote the public health**
- **The Department collaborates with local health departments to perform key public health tasks including infectious disease surveillance and control, epidemiological and laboratory services, and vital records**
- **Vulnerable populations including infants, children, and pregnant women receive services to prevent disease and improve health outcomes**
- **Federal grants are the primary source of funds for public health and family health programs and services, providing about 66% of total funding**
- **The Healthy Michigan Fund, established in 1995, provides funding for public health prevention and health-related programs using state tobacco tax revenue pursuant to the Michigan Constitution (Article IX, Section 36) and Part 59A of the Public Health Code**

Key Public Health Services

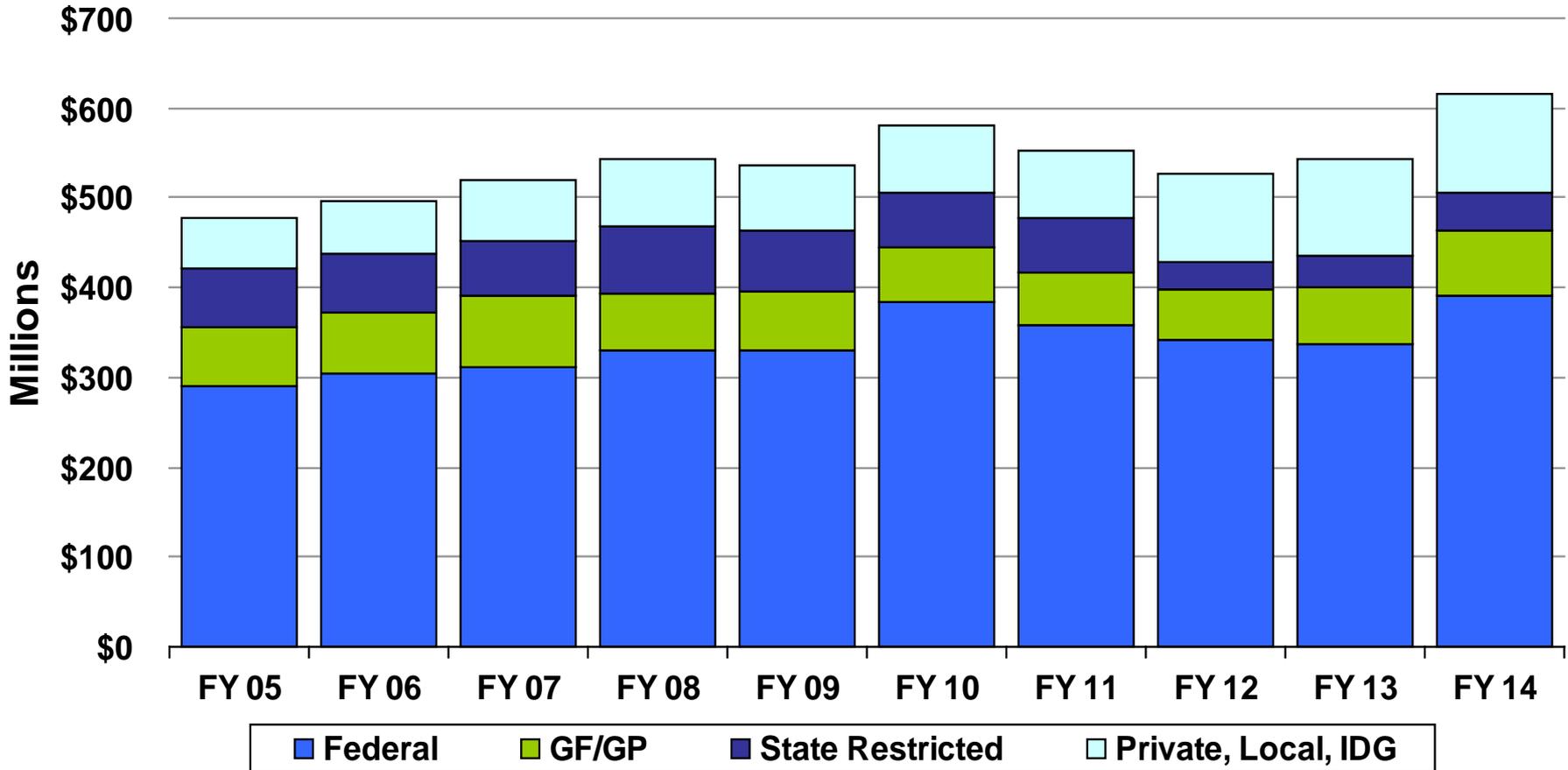
FY 2013-14 spending for key public health services is an increase of 40% from FY 2004-05. Growth in federal, private, and fee revenue has benefited infectious disease control programs as well as laboratory services, vital records, and epidemiology. However, FY 2013-14 spending for Essential Local Public Health Services is 0.6% less than in FY 2004-05.



Note: FY 2013-14 amounts are budgeted appropriations

Total Public Health Funding and Sources

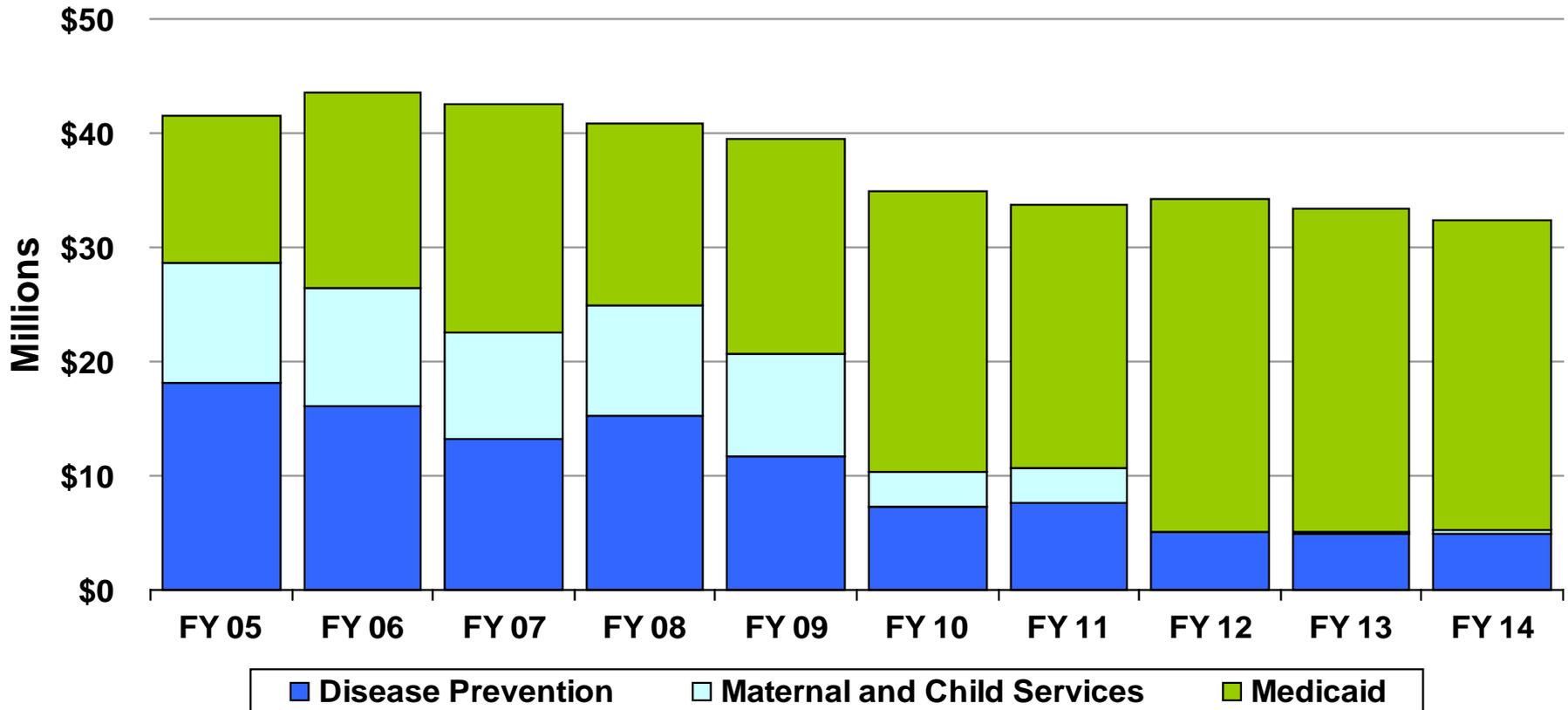
Increases in total funding for public health and family health programming over the past ten years are from federal grants, and from private drug and infant formula rebate revenue. During this period state GF/GP and state restricted funds for public health and family health have been reduced, although GF/GP funding is increased in FY 2013-14 for targeted programs.



Notes: FY 2013-14 amounts are budgeted appropriations. Amounts shown through FY 2010-11 include health regulatory functions, later transferred to Dept. of Licensing and Regulatory Affairs. FY 2004-05 amount includes two programs later transferred to mental health administration.

Healthy Michigan Fund

The Healthy Michigan Fund was established in 1995 to fund public health prevention programs, but has increasingly supported Medicaid program medical services since FY 2002-03. Currently, 16% of Healthy Michigan Fund appropriations are allocated for disease prevention and maternal and child health. Fund revenue, from the tobacco tax, is declining due to reduced tobacco use.



Note: FY 2013-14 non-Medicaid amounts shown are based on DCH planned project allocations.

MEDICAL SERVICES

Medical Services

- **Medicaid is the state's primary health care safety net program providing coverage to 1.85 million persons including:**
 - **Families receiving Family Independence Program assistance**
 - **Aged, blind and disabled persons on Supplemental Security Income**
 - **Pregnant women and newborn children up to 185% of poverty**
 - **Children under 18 in families up to 150% of poverty**
 - **Elderly and disabled persons up to 100% of poverty**
 - **Medically needy persons with income or resources above regular financial eligibility levels**

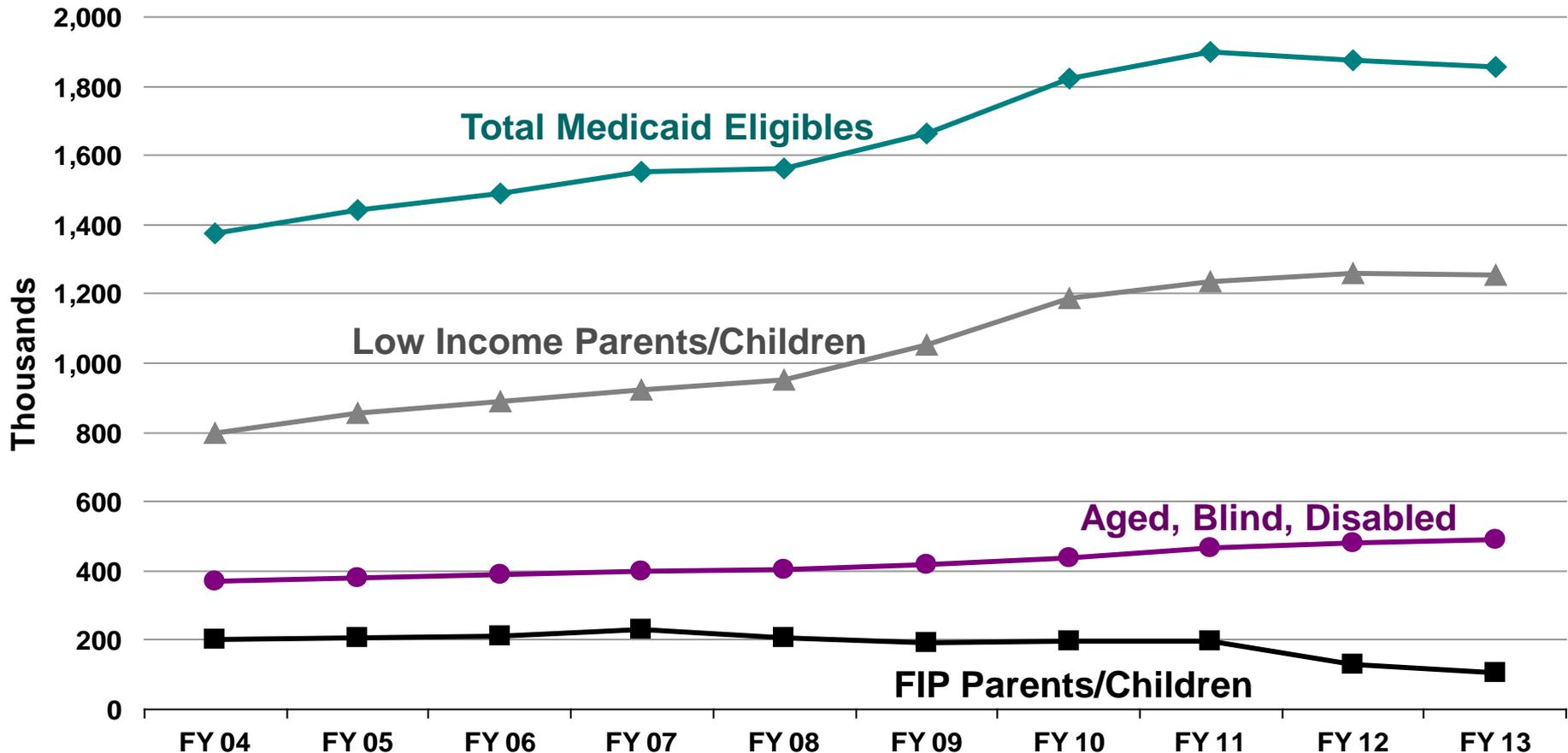
- **The Affordable Care Act and Michigan's PA 107 of 2013 provides for an optional expansion of Medicaid eligibility for adults up to 138% of the federal poverty level with an estimated start date of April 1, 2014**

- **Medicaid is a joint federal-state program started in the 1960s under the Social Security Act and Michigan's Social Welfare Act**

- **The regular federal match rate in FY 2013-14 is 66.32%**

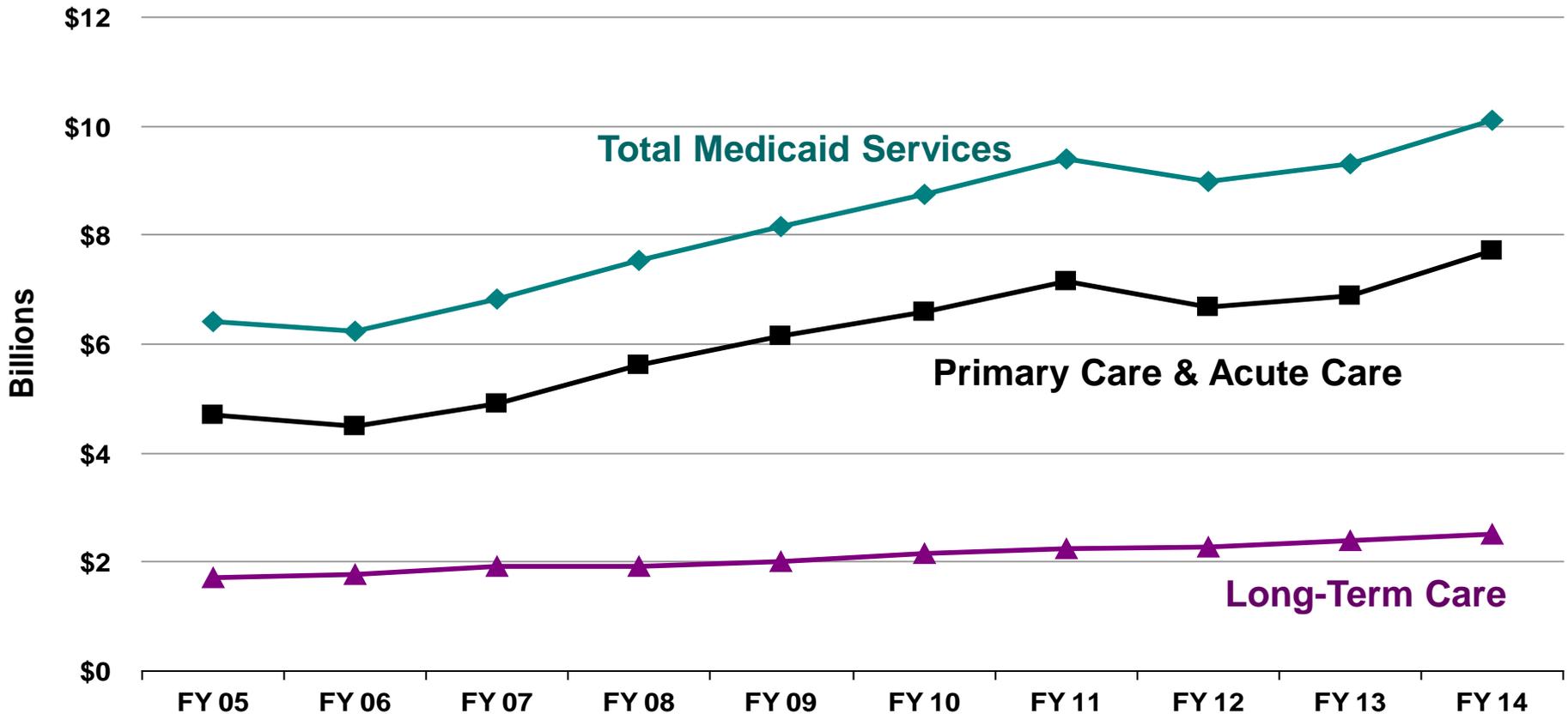
Medicaid Caseload

The number of persons eligible for Medicaid has risen by over 558,506 since FY 2003-04, after years of gradual decline. Family Independence Program (FIP) families on Medicaid are declining while the numbers of low income parents and children have increased.



Medicaid Expenditures

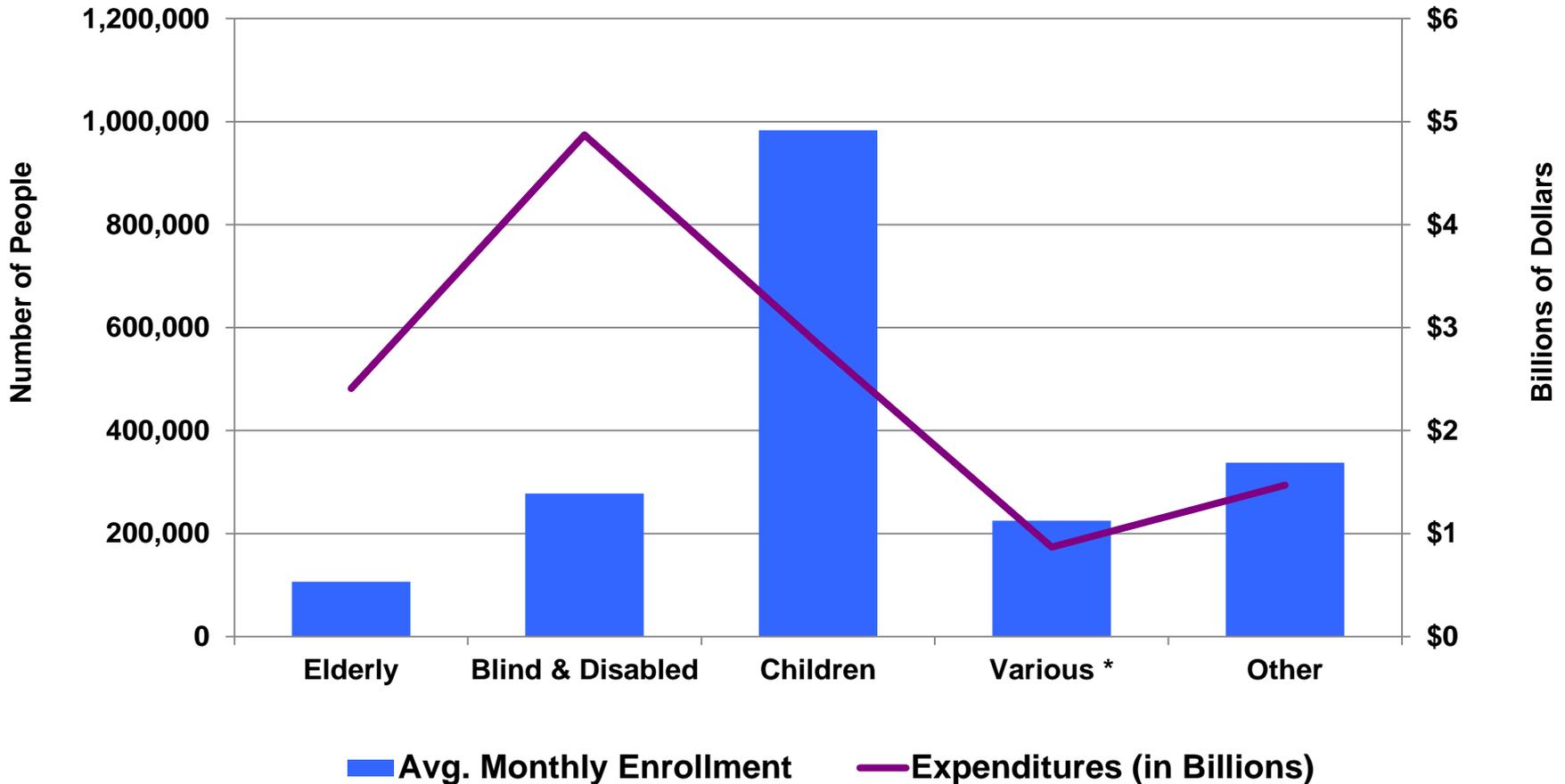
The cost of Medicaid services has increased steadily since FY 2004-05, with FY 2011-12 exhibiting a slight decline. Expenditures for primary care and acute care services reflect the rise in the numbers of low-income parents and children as seen in the previous slide. Long-term care expenditures continue to rise but at a much more gradual rate. FY 2013-14 are authorizations, not expenditures.



Note: Expenditures exclude mental health, substance abuse, children's waiver, and children's special health care.

Medicaid Enrollment and Expenditure Data

The comparison below is based upon FY 2010-11 Medicaid expenditure and enrollment data. The elderly, blind and disabled are the lowest number of enrollees, but constitute a majority of the expenditures.



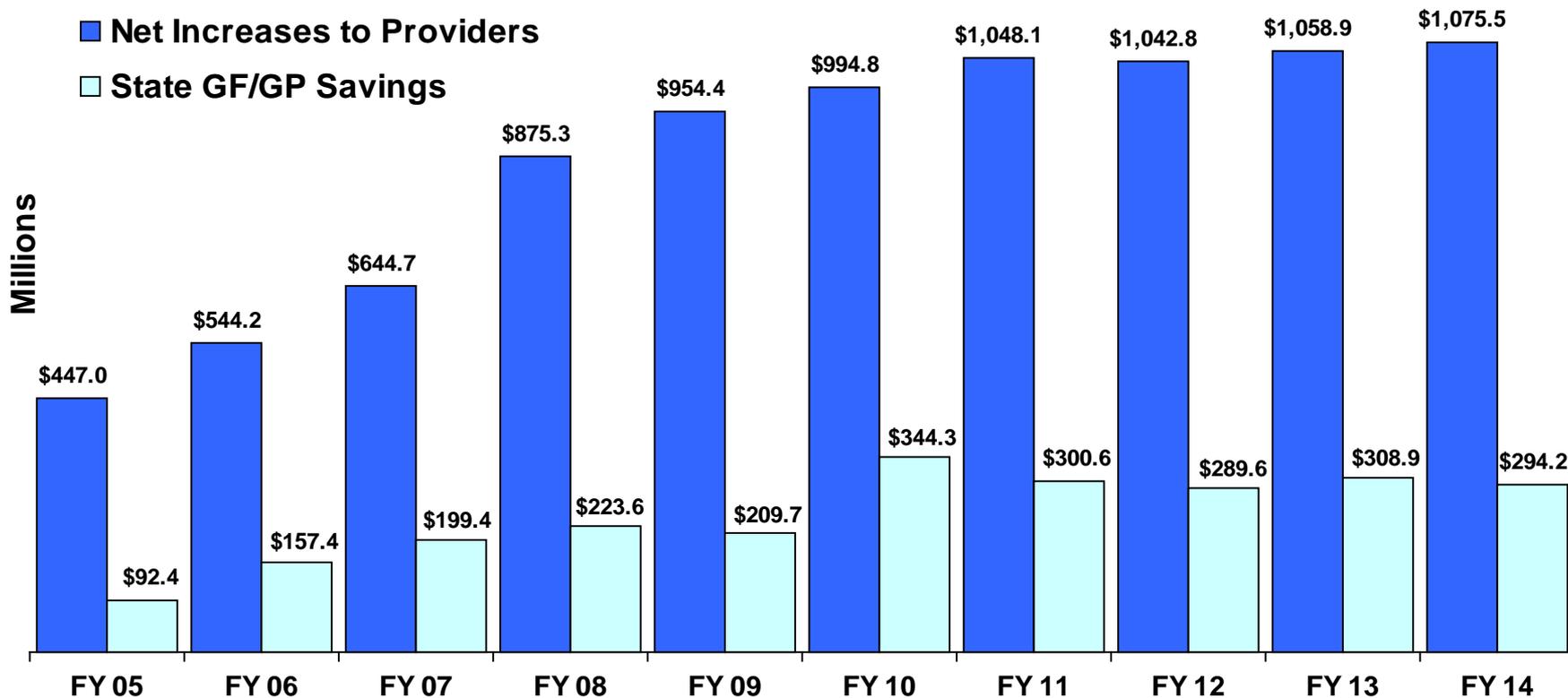
* Includes pregnant women, childless adults, foster care children and Plan First enrollees.

Health Care Provider & Claims Assessments

- Statutorily based, health care provider assessment and claims assessment programs provide Medicaid rate increases for hospitals, nursing homes, and managed care organizations by leveraging additional federal Medicaid matching funds
- These initiatives are also referred to as Quality Assurance Assessment Programs (QAAPs) and the Health Insurance Claims Assessment (HICA)
- A net benefit to Medicaid providers is created by taxing a broad class of health care, and using the funds to increase Medicaid payment rates. Federal Medicaid matching funds, QAAP and HICA revenue support higher payment rates for Medicaid services
- State retains a portion of the QAAP provider tax revenue offsetting GF/GP that would otherwise be required to fund the Medicaid program
- As of this presentation, the HICA revenue projected for FY 2013-14 will be \$130.0 million less than the authorized \$398.1 million included in the DCH budget. Options to remedy this revenue shortfall are being discussed.

QAAP Provider Increases and State GF/GP Savings Trends

The net payment increases to providers from the Quality Assurance Assessment Program have grown substantially since FY 2003-04. Provider tax revenues retained by the state to offset GF/GP within the Medicaid program are projected to total \$294.2 million in FY 2013-14.



Medicaid Expansion/ Healthy Michigan Plan

Medicaid Expansion/Healthy Michigan Plan

- **Anticipated Implementation Date: April 1, 2014**
- **Changes Impact Several DCH Divisions and Other Agencies**
 - DCH: Medical Services, Behavioral Health Services, Administration
 - Other Departments: Human Services, Corrections, Licensing and Regulatory Affairs
- **Creates New Medicaid Coverage Group**
 - Income-based eligibility for **all** individuals up to 138% of Federal Poverty Level
 - Reimbursement for health services to “newly eligible” enrollees at enhanced Federal Medical Assistance Percentage (FMAP) rate
 - New enrollees will be covered under managed care plan
 - Coverage similar to existing Medicaid, with addition of “essential benefits” required by federal law
- **Changes Entail:**
 - Coverage expansion – individuals who are currently uninsured/underinsured
 - GF/GP savings and increased federal funds to provide care through Medicaid that is, in part, currently funded through other state programs

For more information about the Community Health budget, contact:

Margaret Alston, Senior Fiscal Analyst

Mental Health, Substance Abuse, Departmentwide Administration, and Health Policy

MAIston@house.mi.gov

Susan Frey, Senior Fiscal Analyst

Public Health, Aging, Crime Victim Services, and Family, Maternal, and Children's Health

SFrey@house.mi.gov

Steve Stauff, Associate Director &

Matt Ellsworth, Senior Fiscal Analyst

Medicaid, MIChild, Children's Special Health Care, and Indigent Health

SStauff@house.mi.gov

MEllsworth@house.mi.gov

(517) 373-8080