

2016 Community Health Budget Continues Key Investments

The 2016 budget for the health programs within the Department of Health and Human Services continues key investments, and includes few of the program reductions and funding shifts recommended by the governor.

The vast majority of health funding, nearly 90%, is for the state's Medicaid-funded programs, including the Healthy Michigan Plan and Medicaid-funded mental health and substance abuse services. In 2016, federal funds will make up over 70% of the health component of the budget.

Budget



Briefs

MEDICAID AND HEALTHY MICHIGAN PLAN

Nearly one in every four Michigan residents is enrolled in Medicaid or the Healthy Michigan Plan for healthcare coverage. Implementation of the Healthy Michigan Plan together with enrollments through the Marketplace have dramatically reduced, from 14% to 7%, the number of uninsured adults in Michigan according to a [survey](#) by the Center for Healthcare Research and Transformation.

In the current budget year, the governor projects that 1.7 million Michigan residents will be covered by Medicaid, with an additional 540,000 recipients enrolled in the Healthy Michigan Plan. The governor's proposed budget for 2016 projected a very small increase in Medicaid enrollees (about 13,000) and continued growth in Healthy Michigan Plan enrollees (40,000), bringing total average enrollment for the Healthy Michigan Plan to 580,000.

Medicaid Caseloads

The governor recommended the continuation of \$100 million savings in state funds for Medicaid based on lower projections of the number of persons who will be enrolled in the current year.

- The **House and Senate** concurred with the governor's recommendation.
- **Final Budget:** Based on the May Revenue Estimating Conference, the projected Medicaid caseload was increased for both the 2015 and 2016 budget years, and additional funding of \$46.6 million in state funds, \$190.2 million in total funds, was recommended for 2016. The Legislature adopted the consensus recommendations.

Highlights of the Final 2016 Community Health Budget

- ◆ Healthy Michigan Plan projected caseload is fully funded with 100% federal funds.
- ◆ Healthy Kids Dental is partially expanded to the remaining counties of Kent, Oakland and Wayne.
- ◆ Autism services for Medicaid-eligible children are expanded from the current age 6 to age 21.
- ◆ Additional mental health state funding of \$20 million added in the 2015 supplemental is continued in budget year 2016.
- ◆ The Medicaid primary care payment increase is continued with additional state funding.
- ◆ The special obstetrical payment implemented in 2015 to qualifying rural hospitals to stop the closure of OB units is continued.

Healthy Michigan Plan Funding

The governor recommended \$3.5 billion for the Healthy Michigan Plan (including behavioral health services), which is financed with all federal funds for the final year. For the program to continue after April 30, 2016, Michigan must submit a second waiver to the federal government by September 1, 2015, and it must be approved by the end of 2015. The second waiver requires increased cost-sharing for those with incomes between 100% and 133% of the federal poverty level who have been enrolled in the program for 48 months.

- The **House and Senate** concurred with the governor's recommendation.
- **Final Budget:** Based on the May Revenue Estimating Conference, the Legislature increased Healthy Michigan Plan funding to \$4.1 billion, all federal funds, as the caseload continues to increase.

Prescription Drugs

The governor recommended the removal of prescription drugs from Medicaid managed care contracts and the development of a separate pharmacy benefit contract. This proposal was expected to generate higher drug rebates based on higher purchasing volume, as well as administrative savings, for a total of \$16.8 million in state funds.

- **House:** The House rejected this proposal and retained the pharmacy benefit in the managed care contracts with changes, including the adoption of a single formulary (list of covered drugs) and shared pharmacy rebates with the state. The House assumed greater state savings of \$2.0 million than did the Senate.
- **Senate:** The Senate agreed with the House, but retained the Executive recommended savings.
- **Final Budget:** The Legislature adopted the House recommendation.

Autism Services

The governor recommended \$36.8 million for autism services, restoring the reduction made in 2015 due to the slow start of the program. The Executive Budget also recommended increasing coverage through age 21 from the current age 6. One-time funding is continued to train autism services providers through Michigan State

University, Western Michigan University, Central Michigan University, Oakland University and Eastern Michigan University. Total funding for training is reduced from \$7 million to \$2.5 million, with \$500,000 allocated to each university.

- **House:** The House concurred with expansion of services to Medicaid beneficiaries through age 21, but eliminated all but \$100 of the university funding.
- **Senate:** The Senate concurred with the governor.
- **Final Budget:** The Legislature concurred with the Senate, but moved the university funding from one-time funding to ongoing funding to eliminate the uncertainty that one-time funding creates.

Increased Payments to Primary Care Providers

The governor recommended \$8.3 million in state funds (\$24.2 million in total) to provide full-year funding to continue approximately half of the rate increase for primary care providers implemented in 2013 to increase access. Full federal funding for this initiative ended in December 2014, so an additional state investment is required to continue this rate increase in 2016. This critical state investment is intended to encourage primary care doctors to serve the Medicaid population, particularly with the coverage expansion under the Healthy Michigan Plan.

- The **House and Senate** concurred with the governor.
- **Final Budget:** The Legislature adopted the governor's recommendation.

Adult Dental Services

The governor recommended funding, effective July 1, 2015, to develop a statewide managed care contract for dental services for adult Medicaid enrollees to increase dental access for adults. Currently adult Medicaid beneficiaries experience great difficulty finding a dental provider who will accept Medicaid. An investment of \$23 million, of which \$7.9 million would have been state funds, was recommended and was financed from savings in other program areas. The total annual cost of the program would have been \$92 million, of which \$31.7 million would be state funds.

- **House:** The House included only a \$100 placeholder for this initiative to ensure discussions in the joint House/Senate conference committee.

- **Senate:** The Senate supported the policy but delayed implementation to September 1, 2016, to reduce the cost in budget year 2016.
- **Final Budget:** The Legislature did not include funding for this initiative, instead using the funding to increase the number of children covered by Healthy Kids Dental (see below).

Healthy Kids Dental Expansion

For 2016, the governor recommended expansion of the Healthy Kids Dental program to an additional 210,000 children—ages 0 through 8—in Kent, Oakland and Wayne counties, with an investment of \$21.8 million (\$7.5 million in state funds). With this expansion, the program would cover over 800,000 children, but not all eligible children in the state. Yet to be covered would be more than 170,000 older children in Kent, Oakland and Wayne counties.

Michigan currently provides enhanced dental services to more than 600,000 children in 80 counties. Access to dental services is essential to prevent tooth decay, the No. 1 chronic disease in children. Healthy Kids Dental improves access to care by partnering with Delta Dental of Michigan to increase provider reimbursement rates and simplify administration. With the expansion in 2015, all counties are now covered except Kent, Oakland and Wayne.

- **House:** The House concurred with the governor.
- **Senate:** The Senate delayed coverage until July 1, 2016, but covered all children in Kent, Oakland and Wayne counties.
- **Final Budget:** The Legislature expanded coverage to more than 290,000 children ages 0 through 12 in Kent, Oakland and Wayne counties, adding \$37 million in total funds, of which \$12.7 million are state funds. With the higher caseload projections, this still leaves about 130,000 children behind.

Hospital Obstetrical Services Payments

The governor recommended the elimination of \$11 million in total payments, \$3.8 million from state funds, to rural hospitals for the special payment implemented in the 2015 budget year for obstetrical services. To stop the erosion of obstetrical services in Michigan hospitals, the Legislature created a special payment for qualifying rural

hospitals in the current budget year. Over the last few years, a number of hospitals have closed their OB units and there are now 17 contiguous counties in northern and mid-Michigan with no hospital OB units. The special payment is to stop more closures, not reopen any units that have closed.

- The **House and Senate** both rejected this recommendation and retained the funding.
- **Final Budget:** The Legislature retained funding for this special payment to encourage rural hospitals to maintain their obstetrical units.

Hospice Room and Board Payments

The governor recommended no change in funding for hospice room and board payments, which were discontinued in budget year 2014 when federal funds were no longer available to cover a portion of the cost.

- **House:** The House included a \$100 placeholder to continue consideration.
- **Senate:** The Senate restored funding of \$3.4 million, all state funds.
- **Final Budget:** The Legislature included \$2.5 million, all state funds, but specified the funding is “one-time.”

MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES

The governor recommended continued restoration of \$20 million, all state funds, as included in the current budget year supplemental to cover community mental health and substance abuse services for persons not eligible for Medicaid or the Healthy Michigan Plan.

Implementation of the Healthy Michigan Plan resulted in dramatic reductions in the state funds needed to serve those not eligible for Medicaid, as the vast majority of individuals were expected to transition from state-funded services to Healthy Michigan Plan services, which are 100% federally funded. The transition has not been smooth, and concerns continue that state funding reductions were too large and too fast. An increase of \$20 million was included in the current year supplemental appropriation in recognition of the significant funding

shortfalls to provide needed services to those not eligible for Medicaid or the Healthy Michigan Plan.

- The **House and Senate** concurred with the governor.
- **Final Budget:** The Legislature adopted the governor's recommendation.

Mental Health and Wellness Commission

The governor included funding to continue implementation of the recommendations of the Mental Health and Wellness Commission (\$12.7 million in state funds, of which \$1.5 million continues to be one-time funding). The governor's budget for 2016 eliminated all but \$1.5 million of the one-time funding included in the 2015 budget. This one-time funding would be used to fund programs in the current year that were delayed by a budget-cutting Executive Order, and to establish a transition program for children who have had multiple hospitalizations at Hawthorn Center, the state's mental health facility for children.

- **House:** The House concurred with the reduction in one-time funding and also delayed the children's transition program by six months and reduced funding correspondingly.
- **Senate:** The Senate included a placeholder of \$100 for one-time funding, proposed a further delay of nine months for the children's transition program, and recommended about half of the ongoing funding for Commission recommendations be replaced by Michigan Health Endowment funding, which is controlled by the Board of the Michigan Health Endowment Fund.
- **Final Budget:** The Legislature concurred with the Executive recommendation, but delayed the children's transition program until the last quarter of budget year 2016.

PUBLIC HEALTH AND CHILD AND ADOLESCENT HEALTH SERVICES

For 2016, the governor's proposed budget restored a \$1.5 million increase that was originally provided in the 2015 budget to local public health departments for essential services, but was subsequently eliminated in Executive Order reductions. The governor's recommendation brought funding for local public health essential services to the level it was ten years ago.

The governor's proposed budget also eliminated funding for a pilot program that began in 2015 to improve child and adolescent health services by working with existing school-based clinics to develop satellite locations that will provide nursing and behavioral health services (\$2 million in one-time funding).

Two of every \$3 spent on public health services is federal. Over the last decade, nearly all increases in total public health funding have been from federal grants or other sources, while state investments have not been made despite numerous emergency and ongoing needs.

- The **House and Senate** concurred with the governor on funding for local public health departments, and put a \$100 placeholder in the budget to continue discussions of the child and adolescent health services pilot program.
- **Final Budget:** The Legislature adopted the governor's recommendation for local public health department funding. It also removed the funding from the Department of Health and Human Services budget for the child and adolescent health services pilot program, but funding is included in the School Aid budget.

Vaccine and Immunization Education and Promotion

The governor included no new funding for immunization education and promotion.

- **House:** The House also made no recommendation.
- **Senate:** The Senate provided \$500,000 in state funds for immunization education and promotion. Expenditure of these funds would be dependent on receiving private donations with a match rate of \$1 of state funds for every \$4 of private funds received.
- **Final Budget:** The Legislature concurred with the Senate, added authority to spend the private funds, and designated that the project focus on vaccinations for infants and toddlers.

SERVICES FOR THE AGING

The governor's budget continued funding of \$84 million for senior in-home and nutrition services. The state continues working to become a "no wait" state for senior services.

The governor also recommended expansion of PACE (Programs for All-Inclusive Care for the Elderly) to Jackson County and Traverse City, funded through corresponding savings in nursing home costs.

- The **House and Senate** concurred with the expansion of PACE.
- **Final Budget:** The Legislature concurred with the PACE expansion but transferred the funding from Medicaid to the Aging and Adult Services Unit within the Department of Health and Human Services.