HOUSE FISCAL AGENCY

Background Briefing

COMMUNITY HEALTH

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December 2012

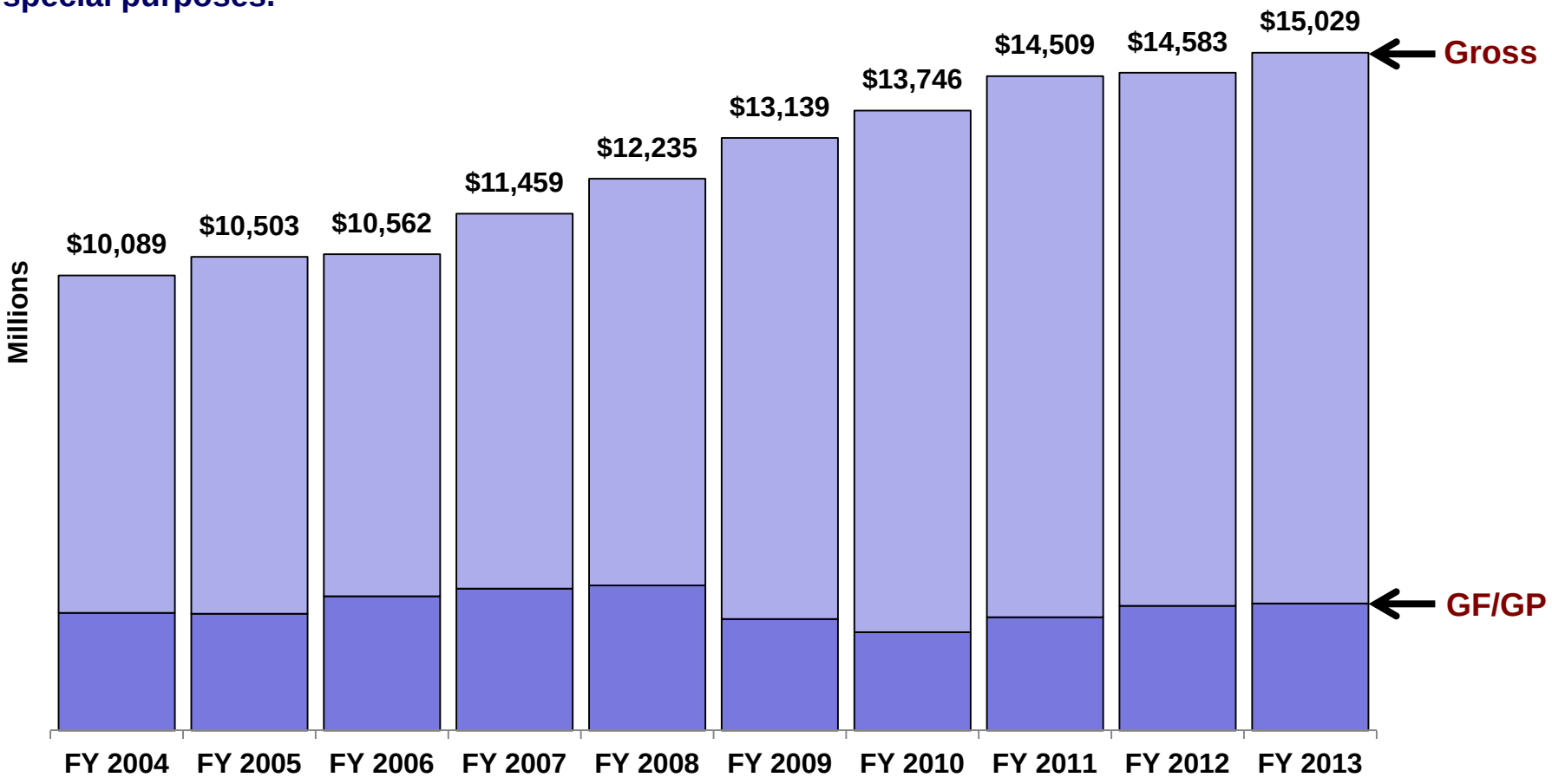
The fiscal information in this background briefing is based on data through December 31, 2012.

Department of Community Health

- **Responsible for health policy development and management of Michigan's publicly-funded health care systems**
- **Established by Executive Order 1996-1 when 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, Emergency Medical Services, and Controlled Substances Advisory Commission (Part 209 of the Public Health Code) transferred to Licensing and Regulatory Affairs in April 2011**

Community Health: Gross Appropriations

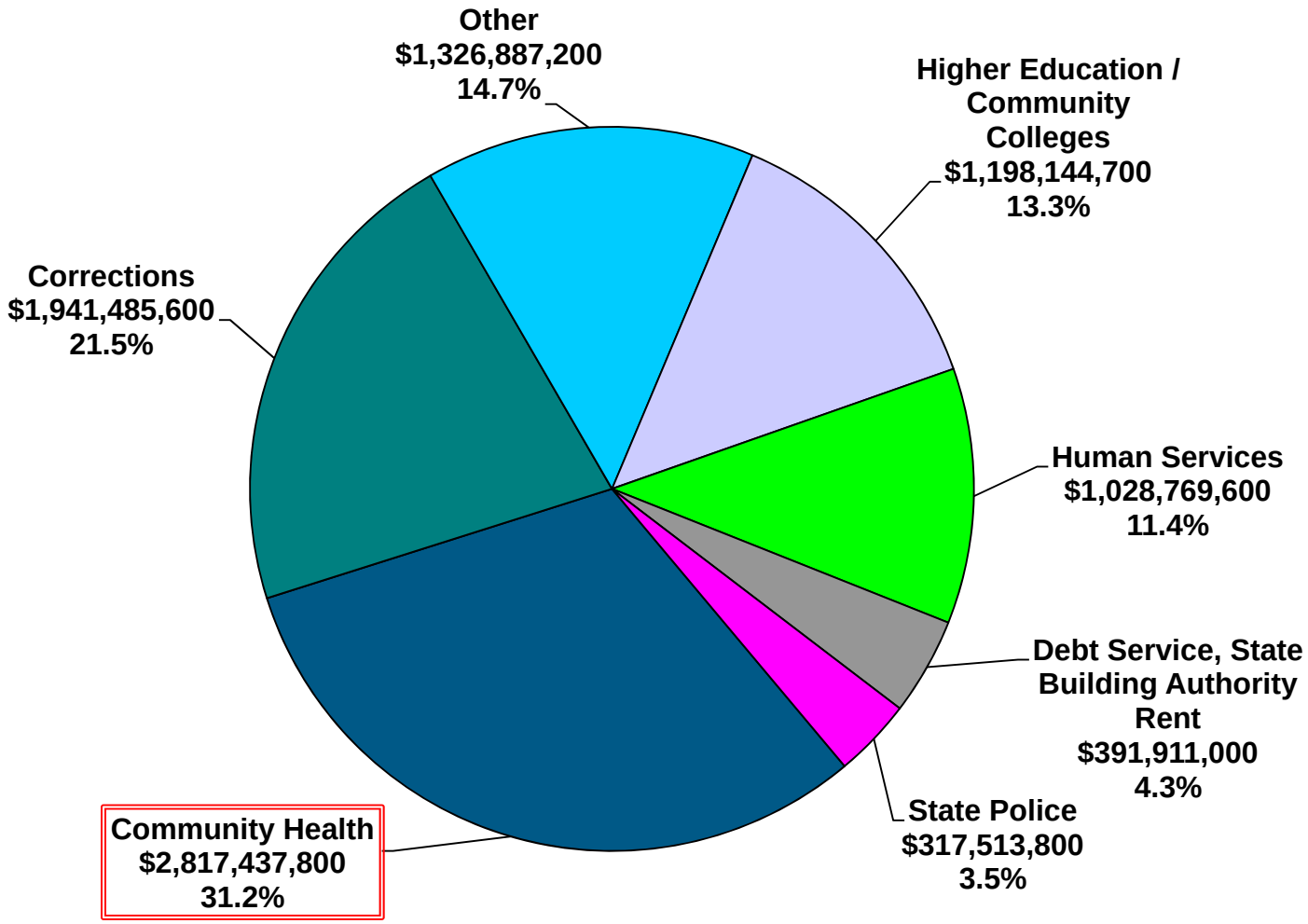
At $15.0 billion, Community Health is the largest state budget; School Aid is the second largest. Gross appropriations for Community Health grew by 49.0% since FY 2003-04. Much of the growth is due to increases in Medicaid caseload, inflation and utilization. From FY 2008-09 through FY 2010-11, $2.8 billion of federal American Resource and Recovery Act (ARRA) funding was available to the Medicaid program to offset state funds and $97.0 million was available for special purposes.



Community Health Share of State GF/GP

Community Health makes up 31.2% of the total state GF/GP budget

FY 2012-13 GF/GP Total = $9,022,149,700

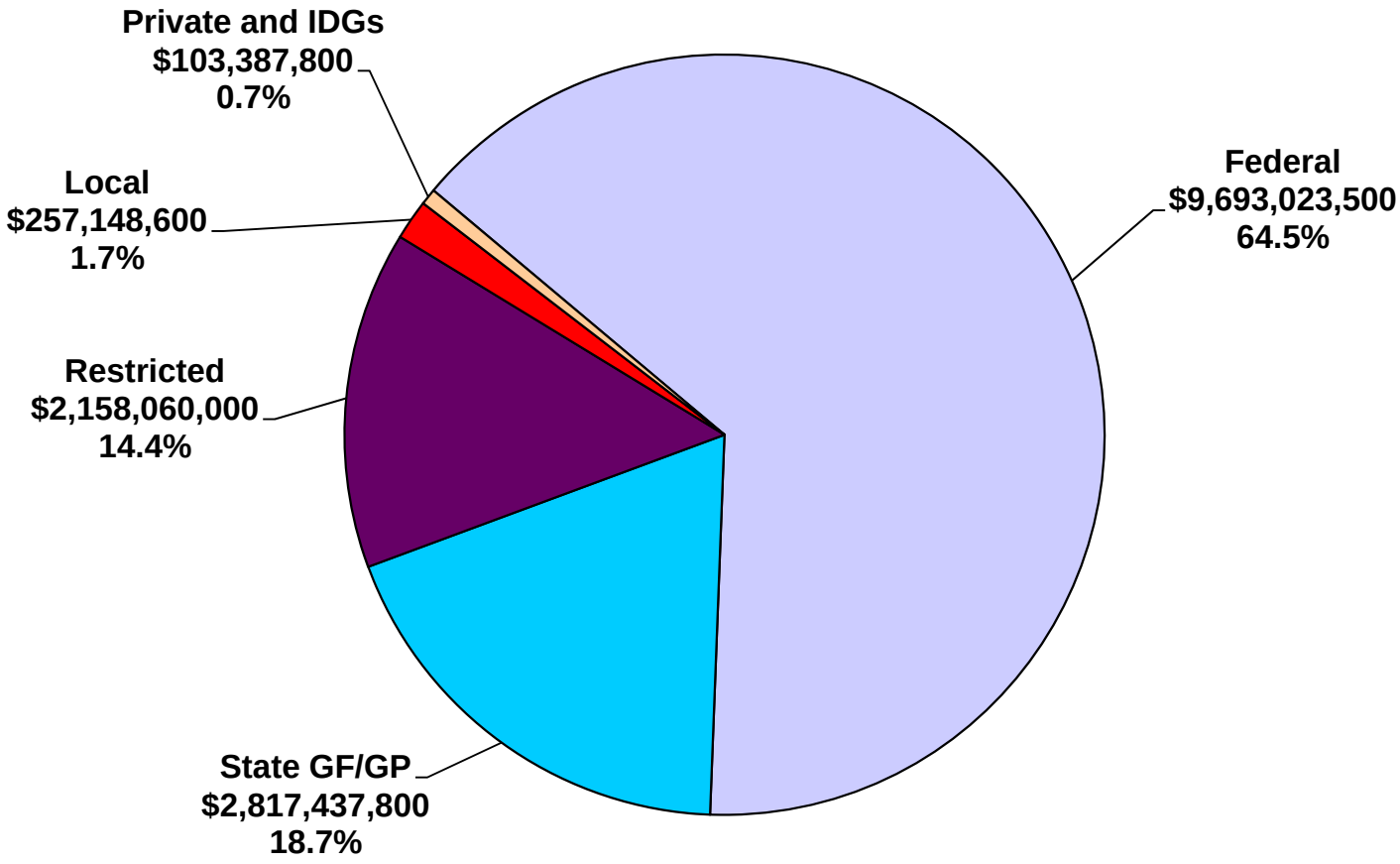


SOURCES OF FUNDING

Community Health Funding Sources

Federal funds make up 64.5% of the Community Health budget; state GF/GP represents 18.7% of the total.

FY 2012-13 Community Health Budget = $15,029,057,700



Community Health Funding Sources

- **The Department of Community Health (DCH) budget is $15.0 billion for FY 2012-13 as authorized by 2012 PA 200, Article IV and 2012 PA 305; major sources of revenue are shown on the previous slide**
- **Slightly more than 64% of DCH revenue is from federal sources, primarily Medicaid matching funds.**
- **State GF/GP represents 18.7% 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 from grants, patient gifts and bequests, manufacturer rebates, and interdepartmental grants for services**
- **One-time only funding of $46.9 million Gross ($15.3 million GF/GP) is included in FY 2012-13 DCH budget for designated uses**

DEPARTMENT APPROPRIATIONS

Community Health Appropriations

As shown on the next two charts, DCH provides funding for a wide range of behavioral health, public health, crime victim, aging, and medical services for low-income persons in Michigan:

- **Behavioral health services provided through community mental health services programs (CMHSPs) , prepaid inpatient health plans, 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 surveillance, prevention, and control, health needs assessment, access to services for vulnerable populations, and promotion of public health and healthy lifestyles**

- **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**

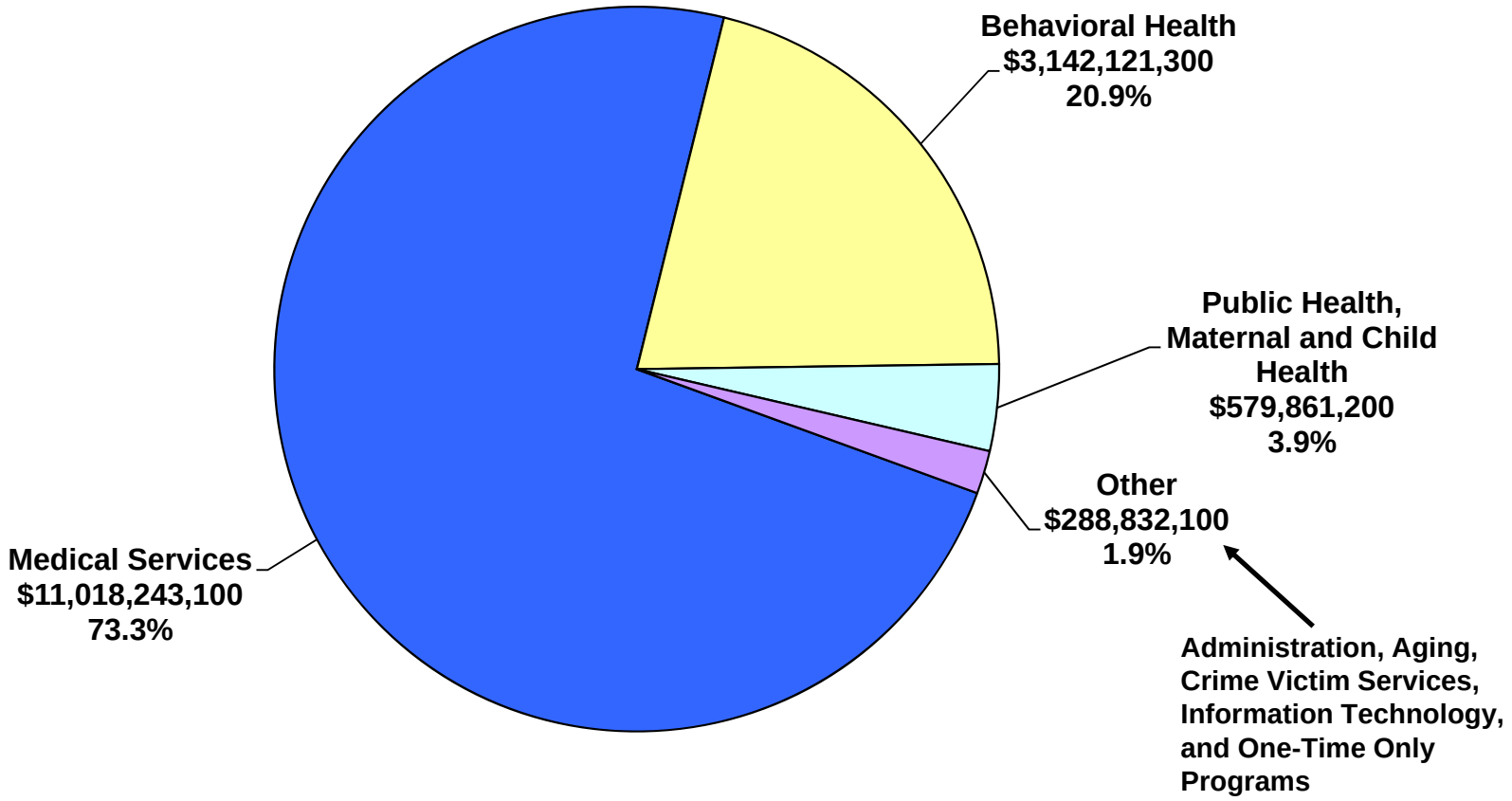
Community Health Appropriations

- **Support services for Michigan's older persons and their families provided through regional Area Agencies on Aging**
- **Services, support, and compensation for victims of crime**
- **Licensure of emergency medical services personnel, and medical and life support agencies and vehicles**

Community Health Gross Appropriations by Program

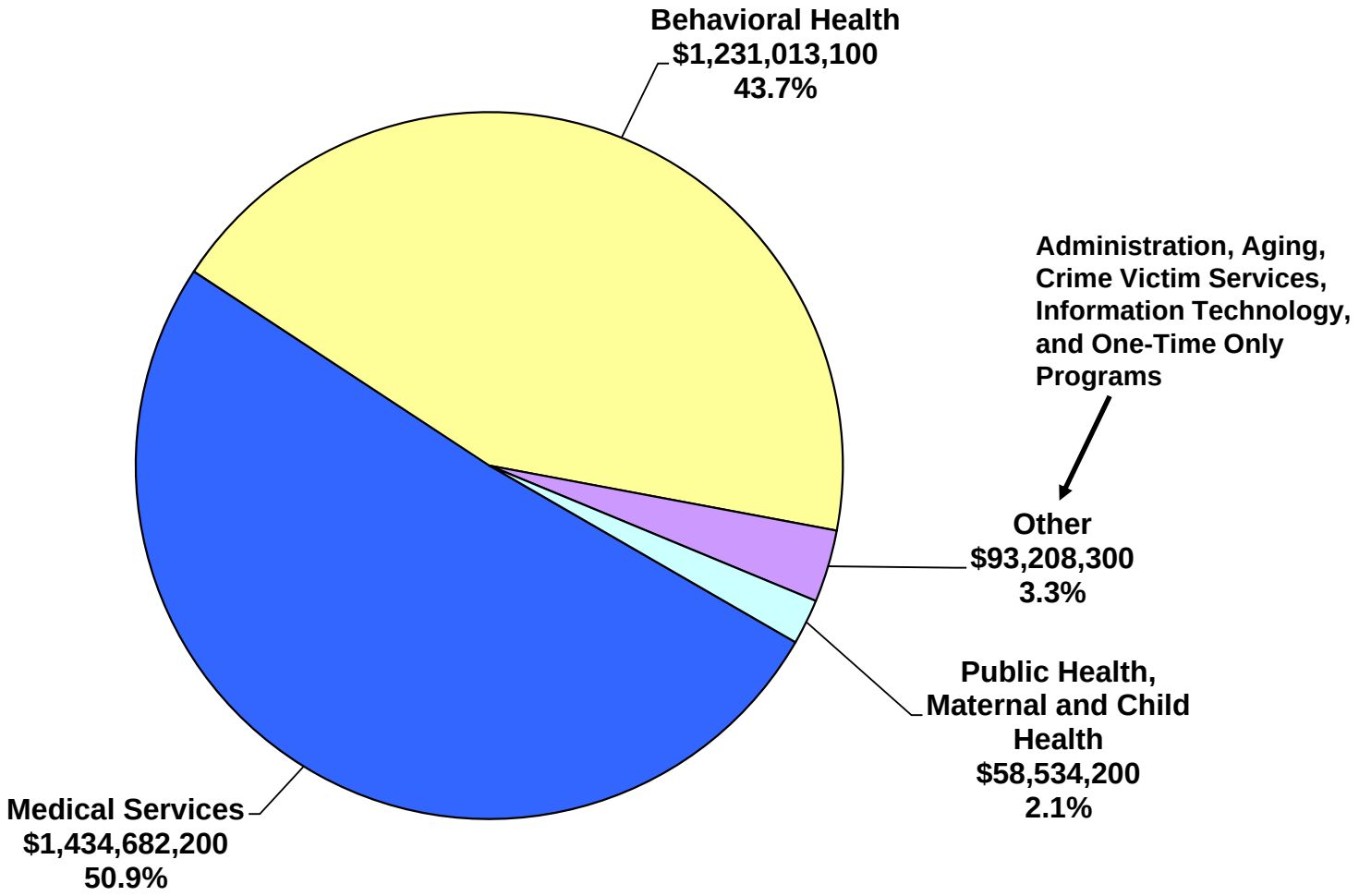
Medical Services account for 73.3% of Community Health spending, followed by Behavioral Health Services at 20.9%, excluding funding for one-time only programs.

FY 2012-13 Community Health Budget = $15,029,057,700



Community Health GF/GP Appropriations by Program

FY 2012-13 Community Health GF/GP Budget = $2,817,437,800



MAJOR BUDGET ISSUES

Community Health Budget Issues

- Department-designated CMHSPs coordinating the provision of substance use disorder services in its regions
- Mental health and substance use disorder services non-Medicaid funding
- Medical home for recipients of Medicaid mental health benefits
- National accreditation review criteria for behavioral health services and Medicaid health plans
- Health and wellness initiatives: obesity, children's physical health, infant mortality, including Healthy Michigan Fund appropriations
- Promotion of health care providers in underserved areas
- Bioterrorism and pandemic flu federal funding decline
- Lead abatement funding; federal childhood lead funding eliminated
- Maternal and infant home visiting program funding
- Senior community services funding

Community Health Budget Issues

- 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
- Affordable Care Act – Medicaid expansion – January 2014
- Health Insurance Claims Assessment
- Electronic health records

MAJOR COMMUNITY HEALTH PROGRAM AREAS

Departmentwide Administration

Primarily for centralized administrative functions in DCH
$111.4 million – 182.7 FTEs

- **Director and Other Unclassified FTE Positions**
- **Workforce Transformation**
- **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 – 2,243.4 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
$270.9 million – 492.6 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 (also One-Time funding, p. 24)**
- **Health Policy, Access, Certificate of Need, and Emergency Medical 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
$312.3 million – 94.6 FTEs

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

Crime Victim Services

Grants, services, support, and compensation for victims of crime
$38.1 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
$92.4 million – 40.0 FTEs

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

Medical Services

Physical health care services to 1.88 million low income persons through Medicaid and other programs
$11.0 billion – 486.3 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

New appropriation unit intended for one-time allocations that may not be reauthorized in future fiscal years, replacing FY 2011-12 boilerplate
$46.9 million – 0.0 FTEs

- State Employee Lump-Sum Payments
- Health and Wellness Initiatives
- Graduate Medical Education
- Mental Health Services for Special Populations
- Michigan Medicaid Information System
- Primary Care Services – Island Health Clinics

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 by the Centers for Medicare and Medicaid Services

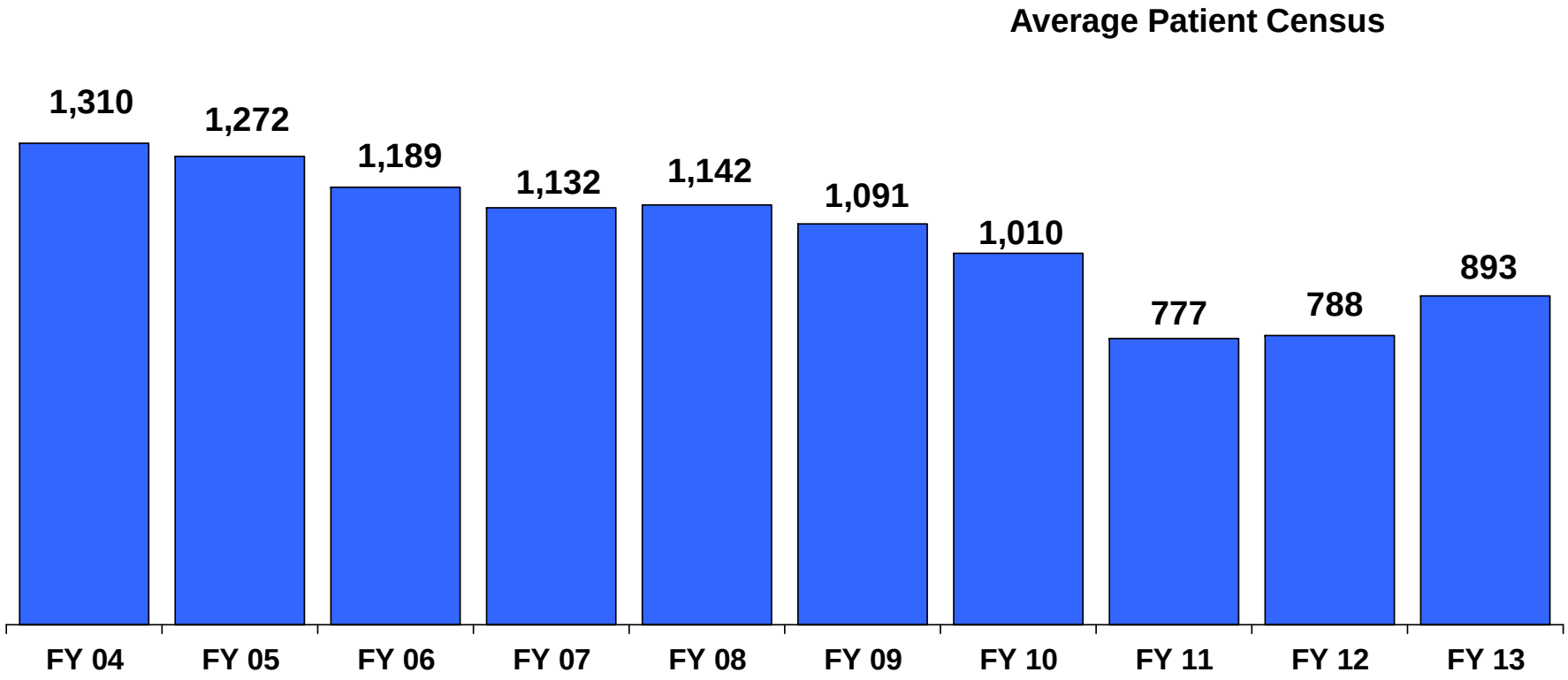
- Primary responsibility for delivery of services is through local community mental health services programs and prepaid inpatient health plans

- 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

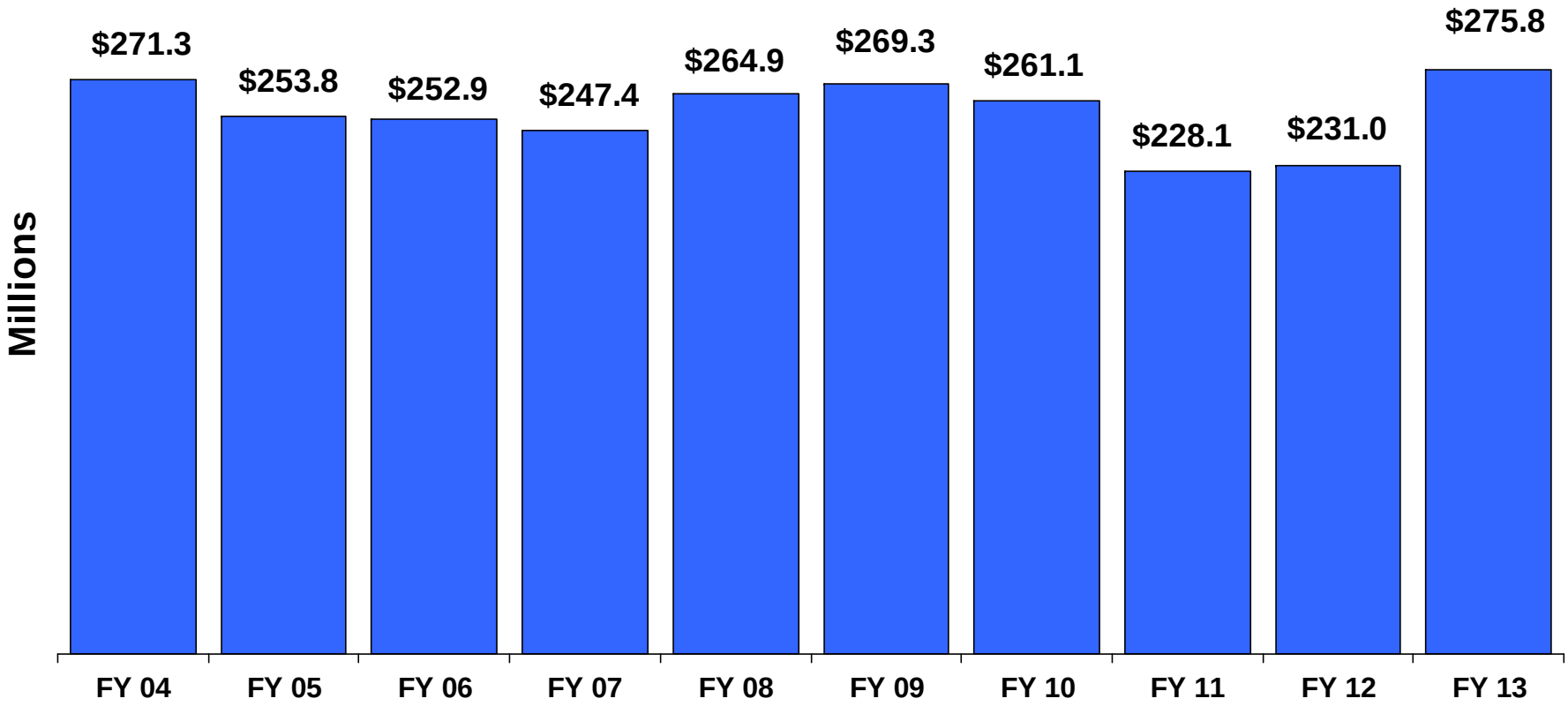
Patients in State Mental Health Facilities

The number of patients in state-operated mental health facilities has fallen since FY 2003-04 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 2012-13 will not be known until the end of the fiscal year. The figure in the chart represents the budgeted population.



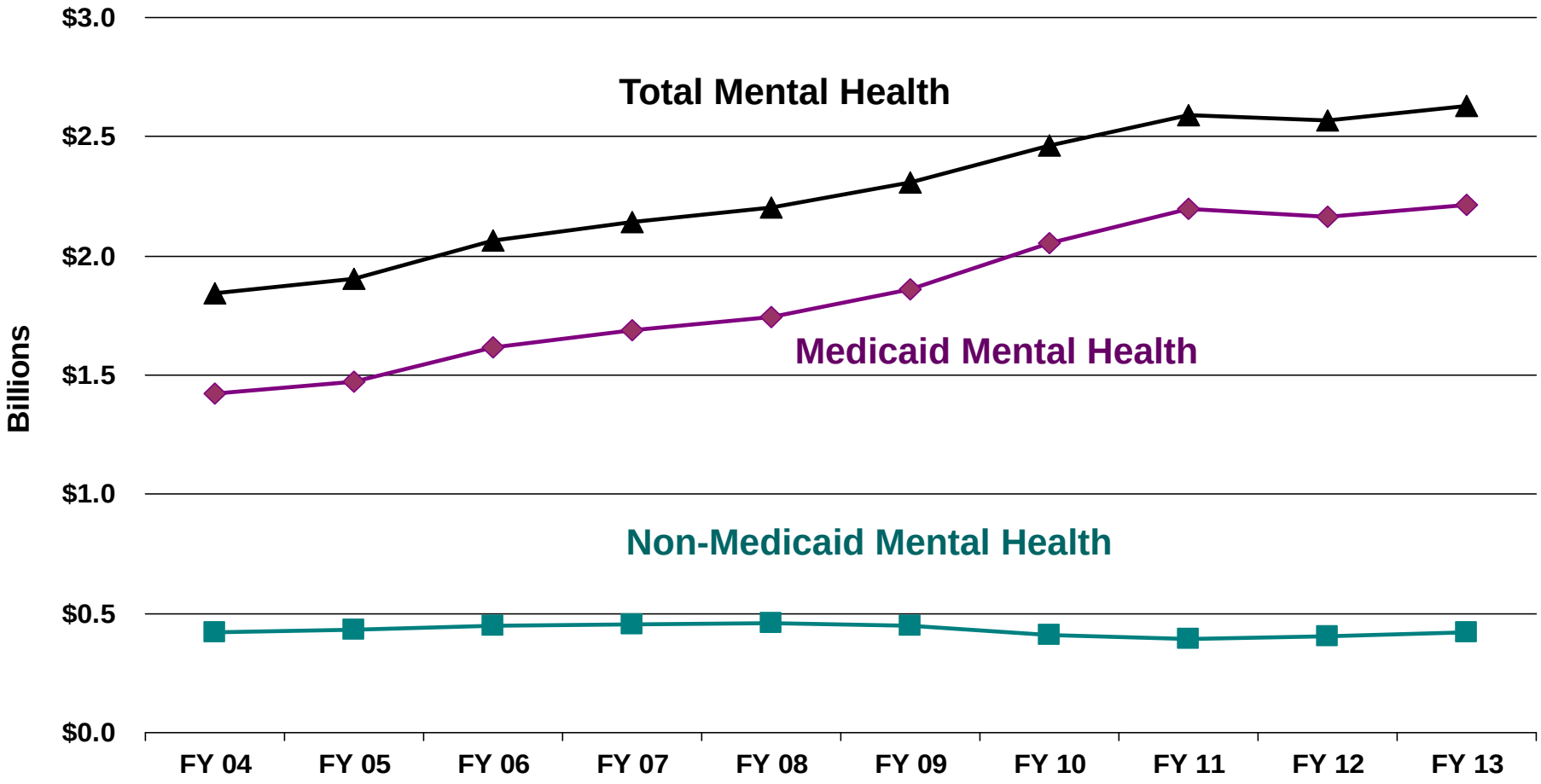
State Mental Health Facility Expenditures and Authorizations

Expenditures and authorizations for state mental health facilities have generally declined since FY 2003-04 (with some fluctuations) due to facility closures, transfer of responsibilities for Forensic Prisoner Mental Health Services to the Department of Corrections, and fewer patients. The actual expenditures for state mental health facilities in FY 2012-13 will not be known until the end of the fiscal year; the chart reflects the budgeted amount.



Mental Health Spending

Since FY 2003-04, Medicaid Mental Health spending has increased by 55.4%, Non-Medicaid Mental Health spending has decreased by 0.02%, and total Mental Health spending has increased by 42.8%. Conversely, the chart indicates since FY 2007-08 that Medicaid Mental Health spending has increased by 26.7%, Non-Medicaid Mental Health spending has decreased by 8.9%, and total Mental Health spending has increased by 19.3%.



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

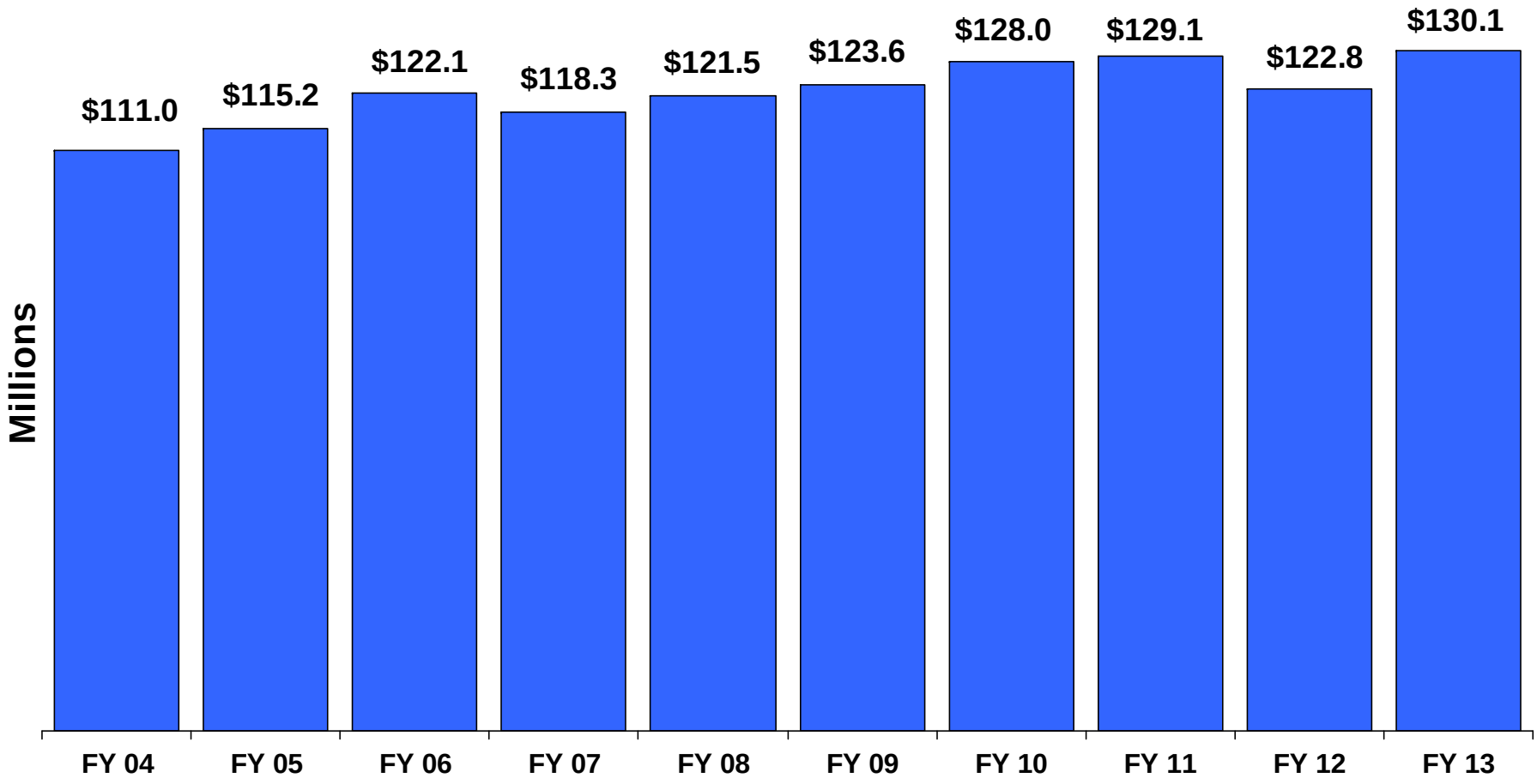
- Beginning no later than October 1, 2014, or at the time that the implementation of changes in Chapter 2A of the Mental Health Code are complete, whichever is sooner, Department-designated CMH entities are coordinating agencies for purposes of receiving any statutorily required funds

- 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 2003-04, funding for substance use disorder services has increased by 17.2% which is primarily due to increases in federal funding.



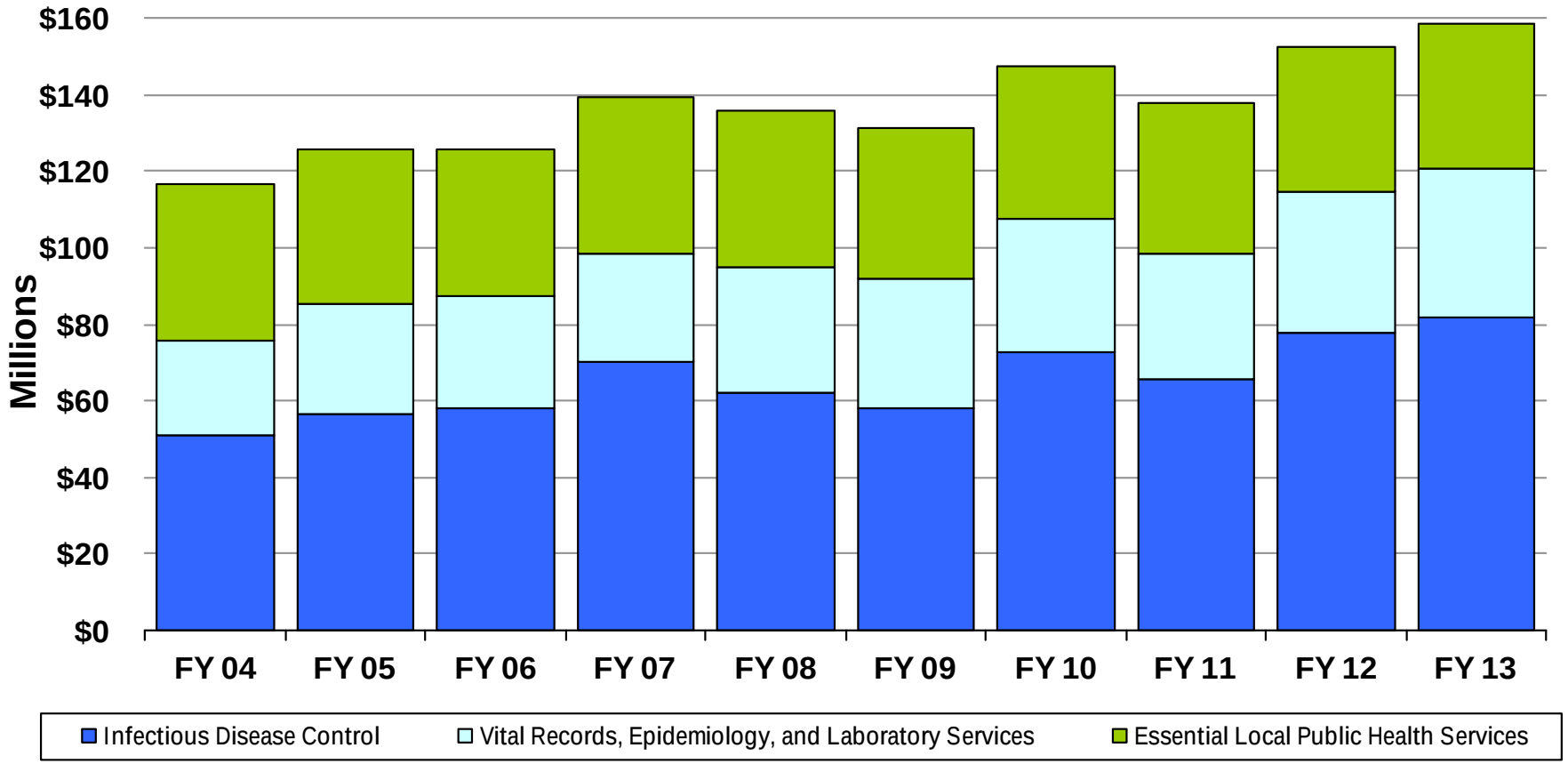
PUBLIC HEALTH

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
- Education and services are provided to prevent and control disease, and to improve health outcomes especially for vulnerable populations including infants, children, and pregnant women
- Federal grants are the primary source of funds for public health and family, maternal and children's health programs and services at about 66% of total funding over the past 10 years
- The Healthy Michigan Fund, established in 1995, provides funding for health-related programs using state tobacco tax revenue pursuant to the Michigan Constitution (Article IX, Section 36)

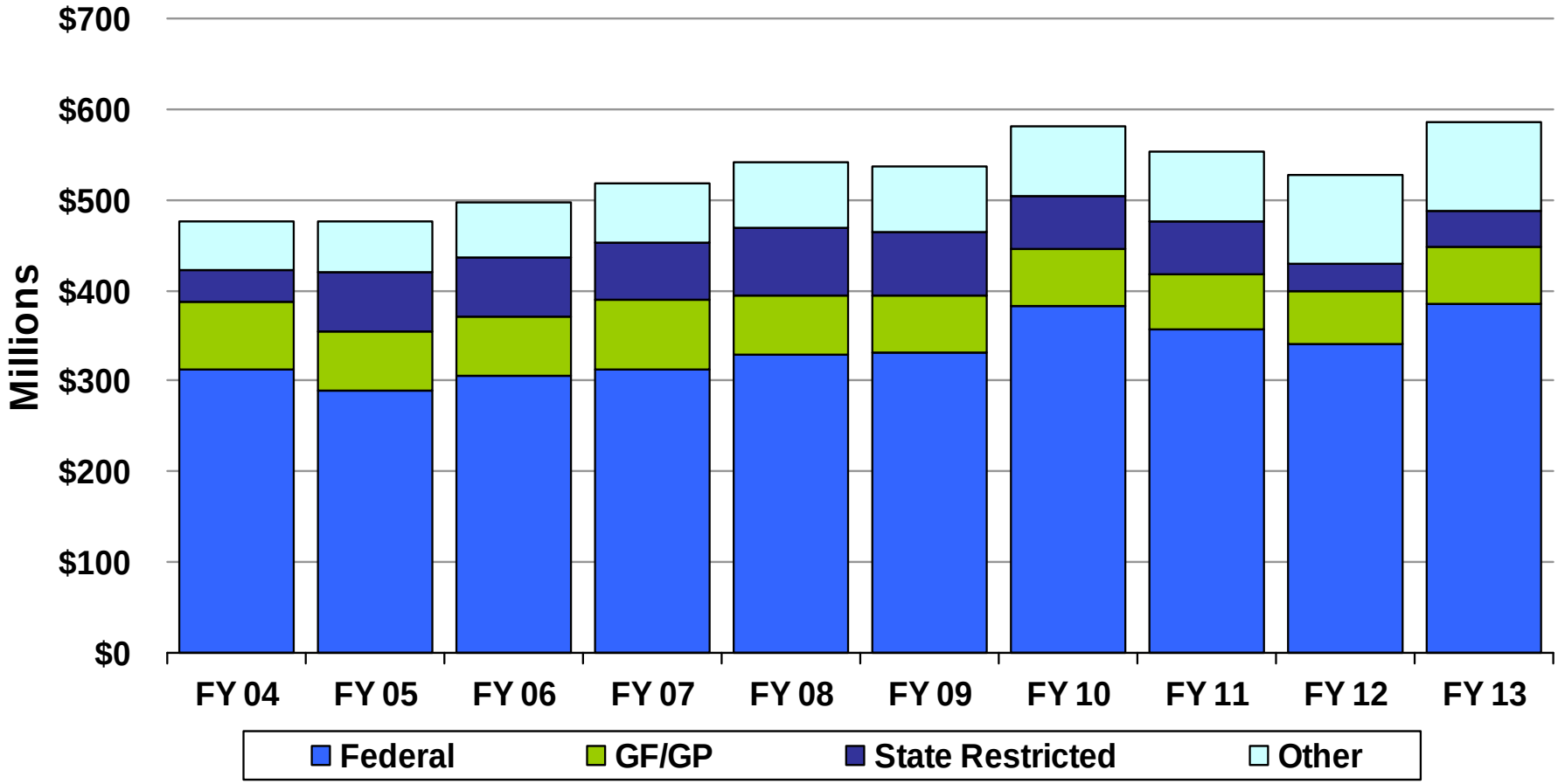
Key Public Health Services

Spending for key public health services has increased 36% over the past ten years. Growth in federal, private, and fee revenue has benefited infectious disease control programs as well as laboratory services, vital records, and epidemiology. However, appropriations for Essential Local Public Health Services have declined over this period by 8% due to reductions in state GF/GP funds.



Total Public Health Funding and Sources

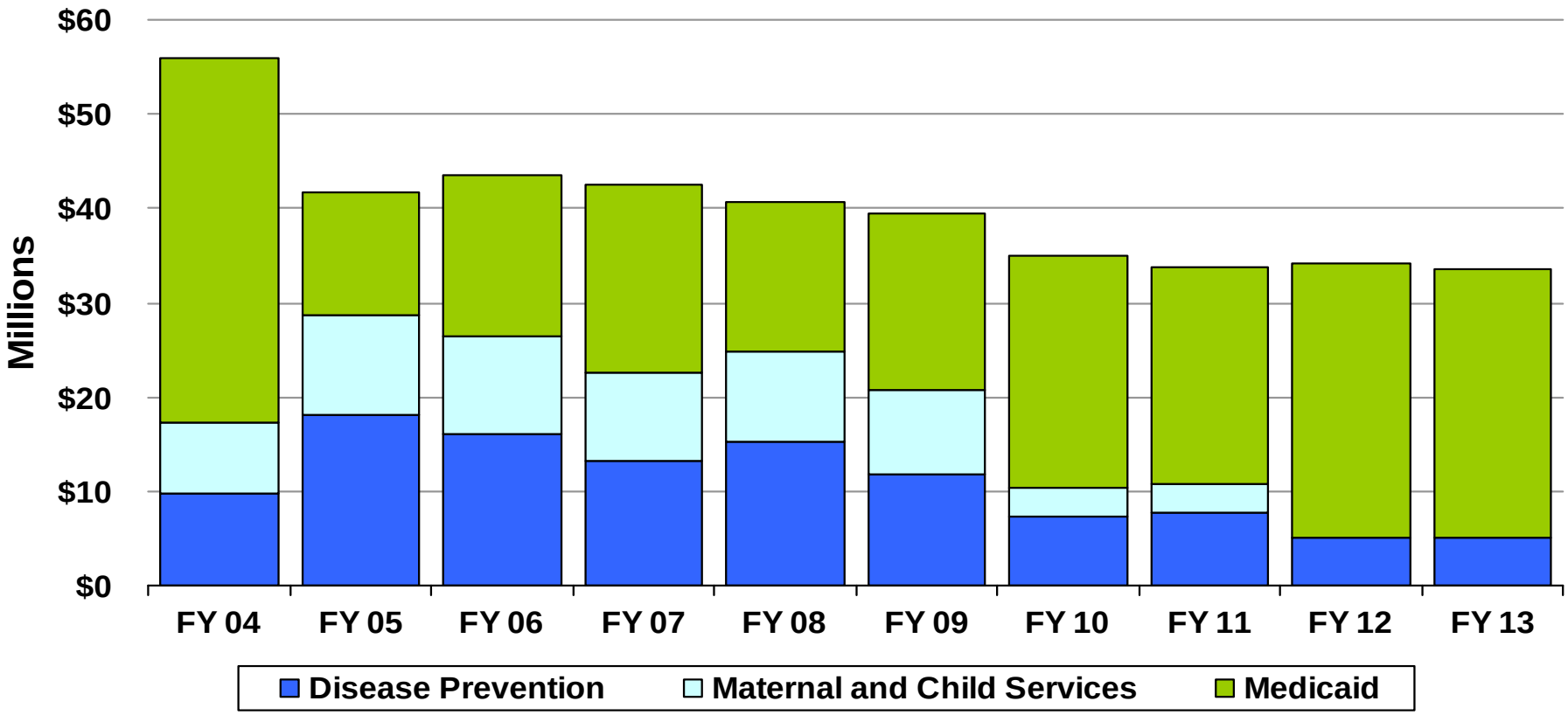
A 23% increase in total public health and family health programming over the past ten years is supported by increased federal grant funds, while state GF/GP and state restricted funds have been reduced. An increase seen in Other funding over this period is related to significant increases in private rebate revenue for the HIV/AIDS drug treatment program.



Note: Totals shown include health regulatory functions through FY 2010-11, when transferred to Dept. of Licensing and Regulatory Affairs. Also, totals shown through FY 2004-05 include family support subsidy, and children's waiver home care programs, later transferred to mental health.

Healthy Michigan Fund

The Healthy Michigan Fund was established with revenue from the tobacco tax in 1995 for public health prevention programs, but has increasingly supported Medicaid program medical services since FY 2002-03. In FY 2012-13, 15% of the Healthy Michigan Fund appropriations are for disease prevention and wellness. Overall Fund revenue is declining due to reduced tobacco use.



Notes: FY 2012-13 non-Medicaid amounts shown are based on DCH planned project allocations. FY 2011-12 funding shown does not include any GF/GP appropriations in the two Healthy Michigan Fund Programs line items. Elevated spending level in 2004 reflects use of available Fund balance.

MEDICAL SERVICES

Medical Services

- **Medicaid is the state's primary health care safety net program providing coverage to 1.88 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**

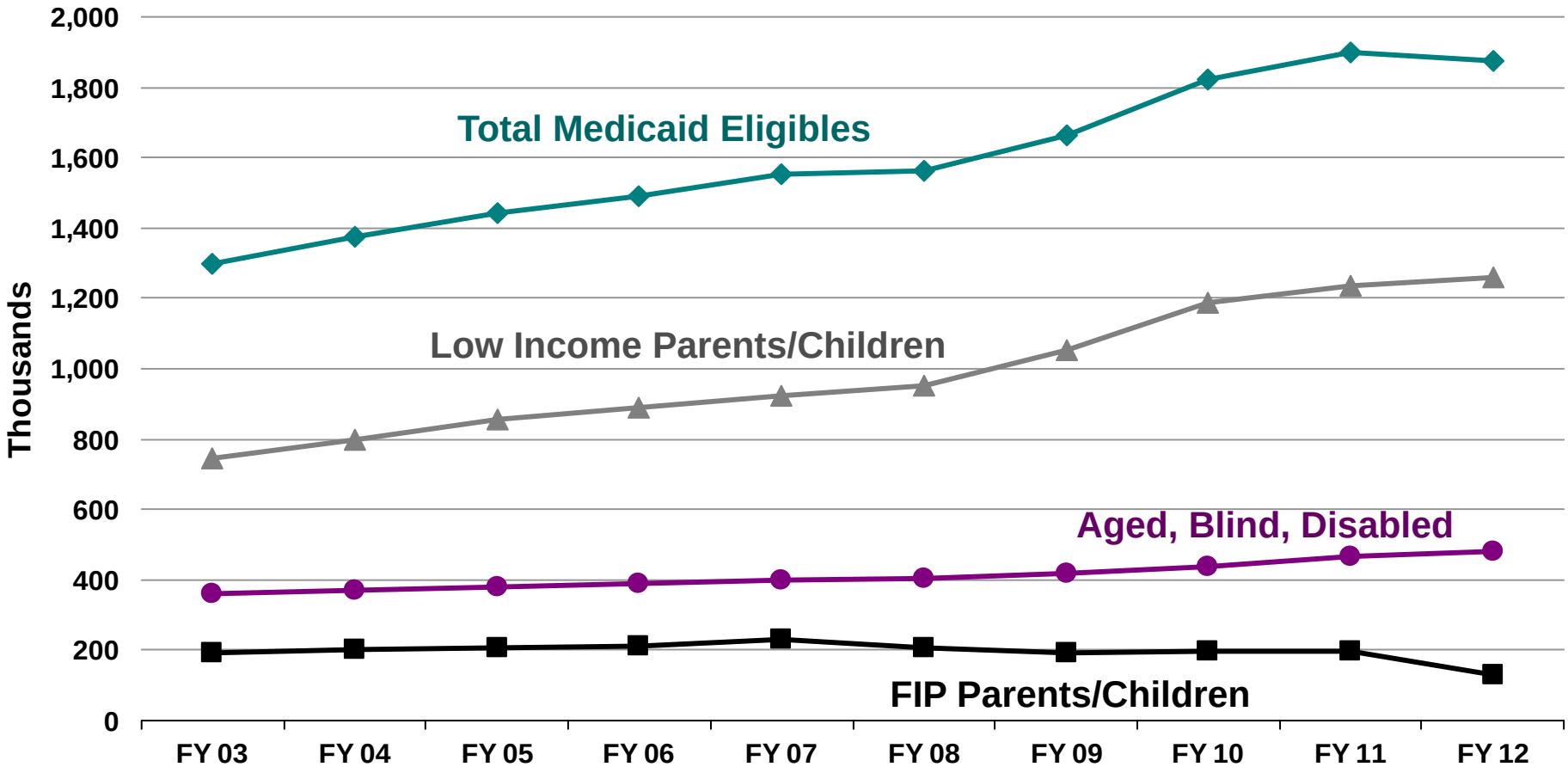
  Current provisions of the federal Affordable Care Act, as ruled on by the Supreme Court, allows for an optional expansion of Medicaid eligibility for adults up to 138% of the federal poverty level beginning January of 2014

- **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 2012-13 is 66.39%**

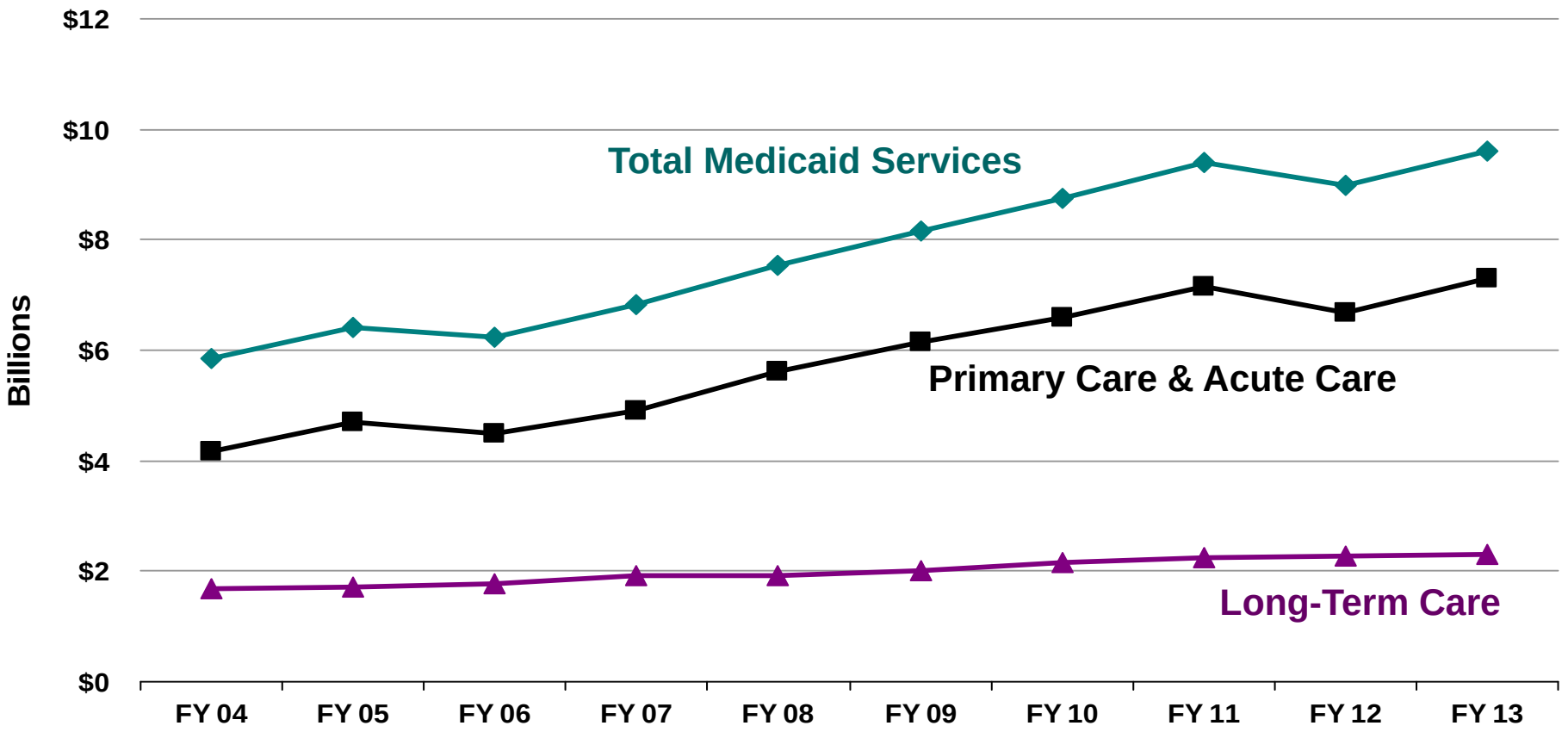
Medicaid Caseload

The number of persons eligible for Medicaid has risen by over 579,170 since FY 2002-03, after years of gradual decline. Family Independence Program (FIP) families on Medicaid are declining while low income parents and children numbers have increased.



Medicaid Expenditures

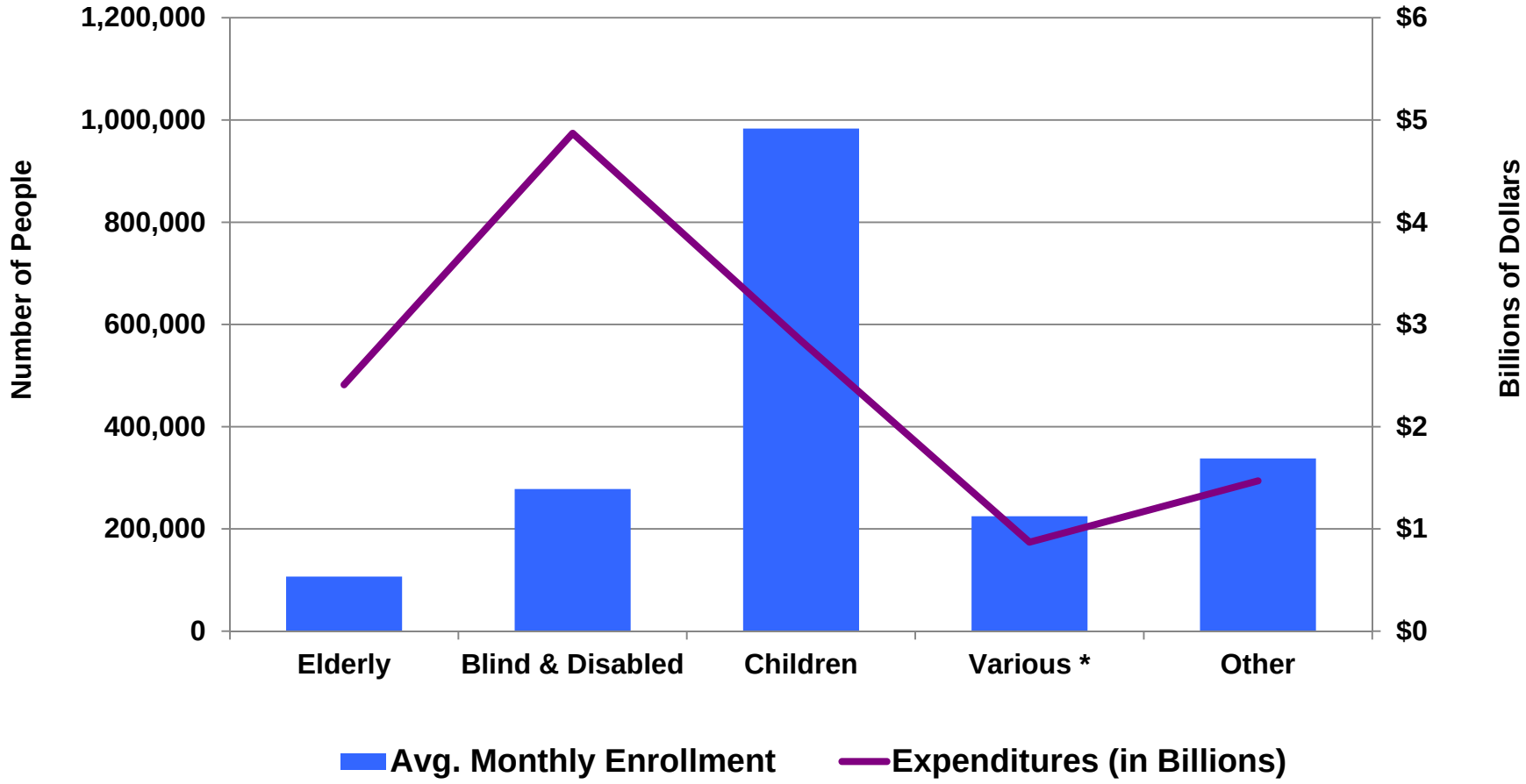
The cost of Medicaid services has increased steadily since FY 2003-04, with FY 2011-12 exhibiting a slight decline. Expenditures for primary care and acute care services reflect the rise in the numbers of low-income parents and children as seen in the previous slide. Long-term care expenditures continue to rise but at a much more gradual rate. FY 2012-13 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)

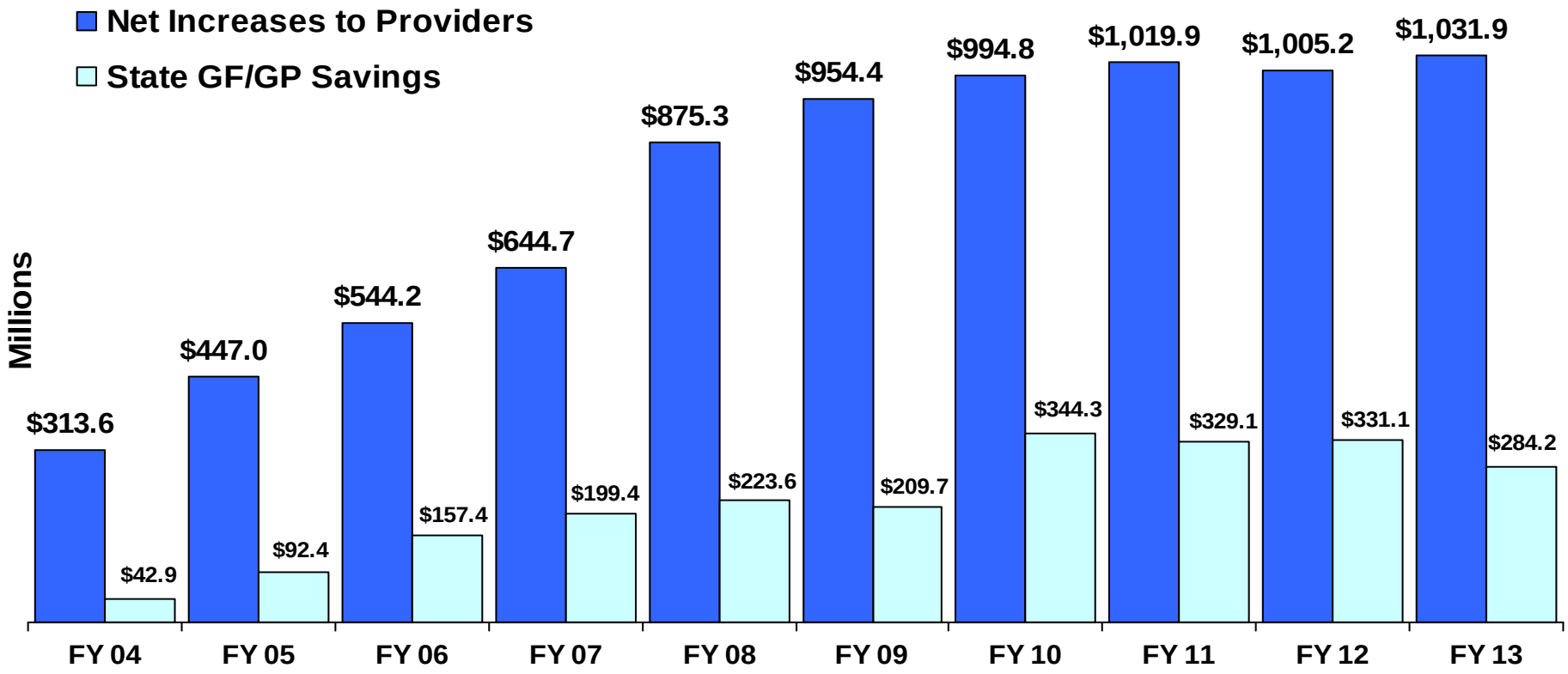
- A net benefit to Medicaid providers is created by taxing a broad class of health care, and using the funds to increase Medicaid payment rates. Federal Medicaid matching funds, QAAP and HICA revenue support higher payment rates for Medicaid services

- 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 2012-13 will be $144.0 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 $284.2 million in FY 2012-13.



For more information about the Community Health budget, contact:

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