



## **Background Briefing**

# **COMMUNITY HEALTH**

**Margaret Alston, Susan Frey, Steve Stauff**  
**Senior Fiscal Analysts**

**December 2011**

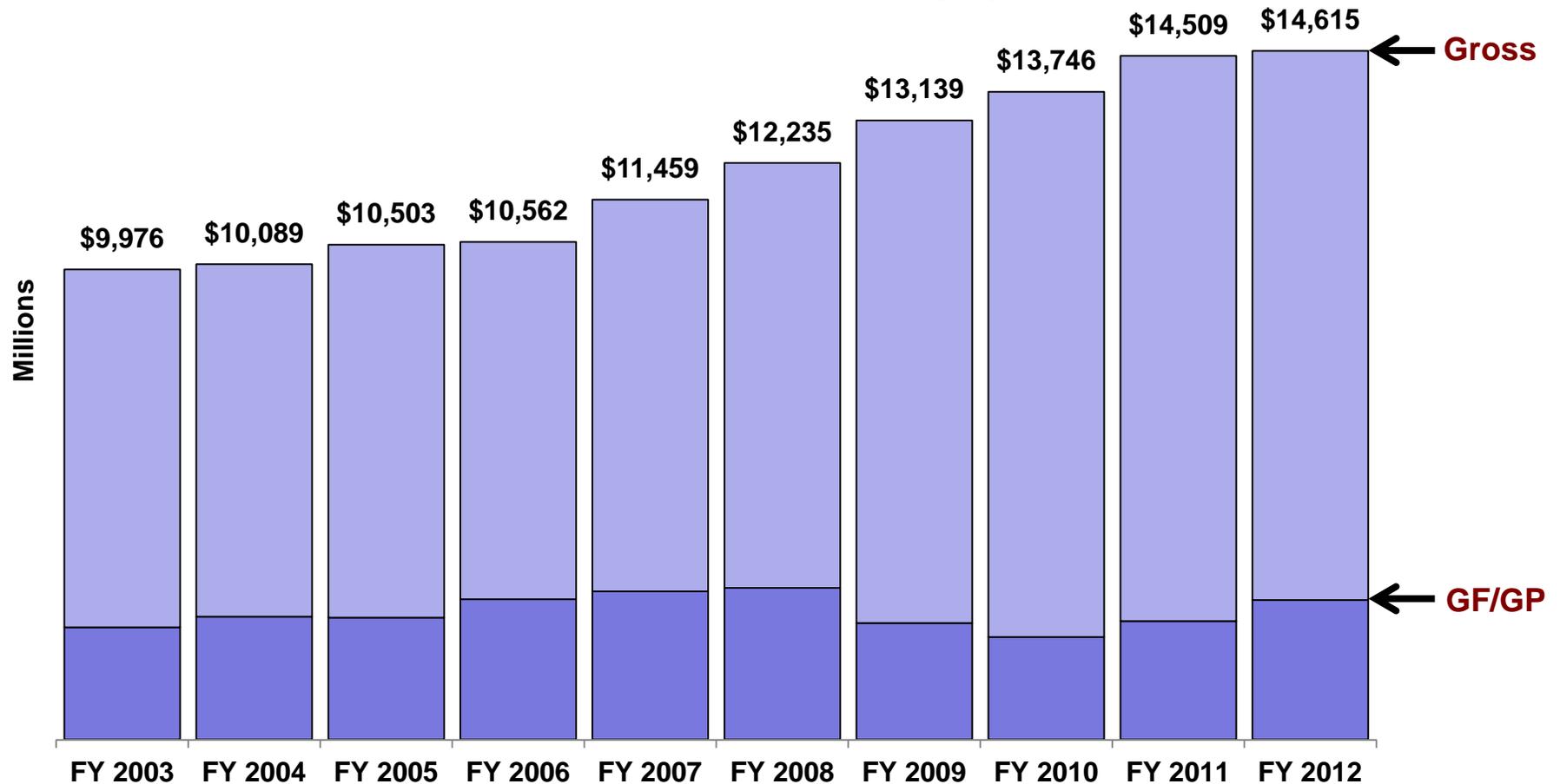
**The fiscal information in this background briefing is based on data through December 31, 2011**

# 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 transferred to Licensing and Regulatory Affairs in April 2011**

# Community Health: Gross Appropriations

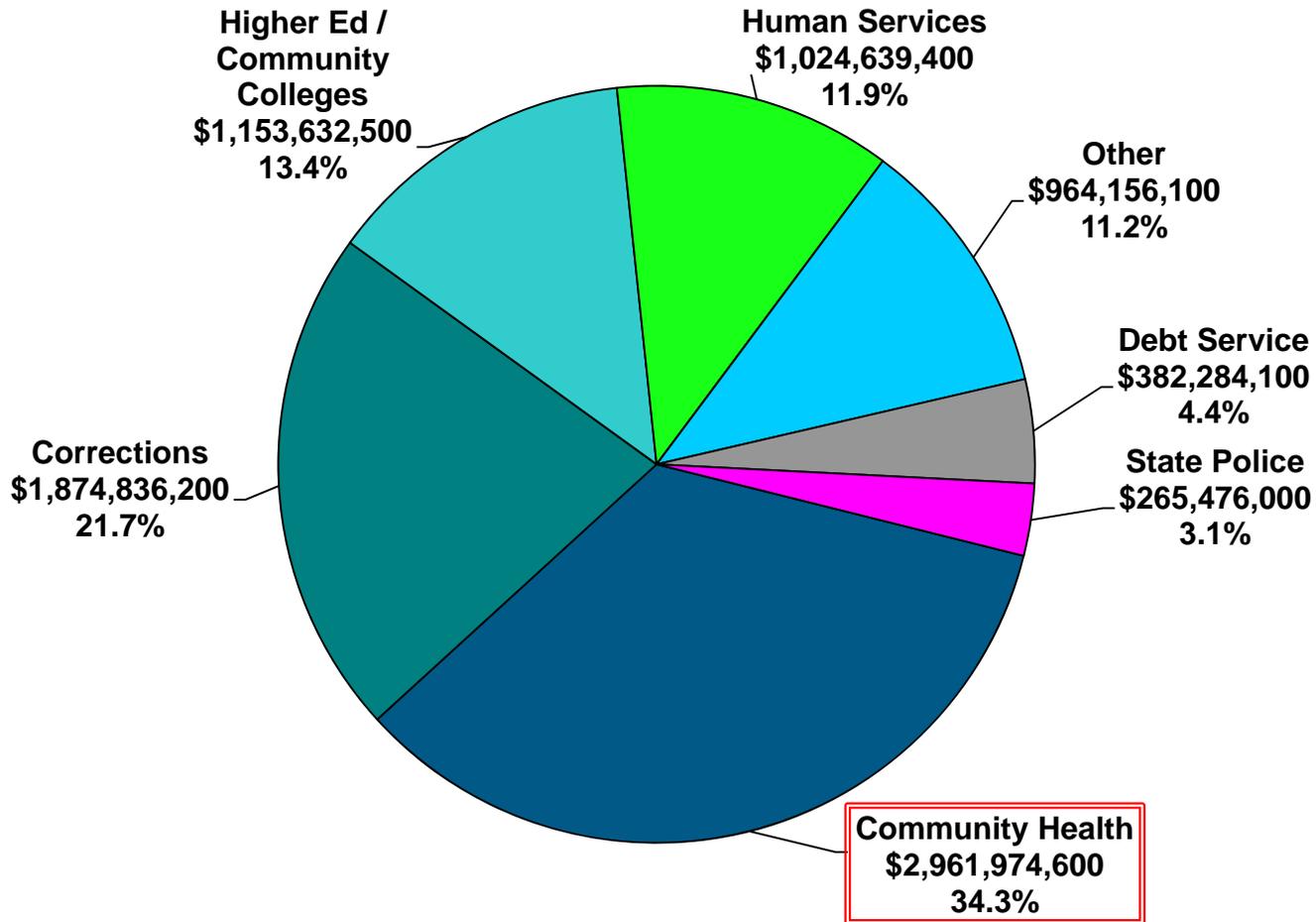
At \$14.6 billion, Community Health is the largest state budget; School Aid is the second largest. Gross appropriations for Community Health grew by 46.5% since FY 2002-03. Much of the growth is due to increases in Medicaid caseload, inflation and utilization. From FY 2008-09 through FY 2010-11, \$2.8 billion of federal ARRA funds 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 34.3% of the total state GF/GP budget

FY 2011-12 GF/GP Total = \$8,626,998,900

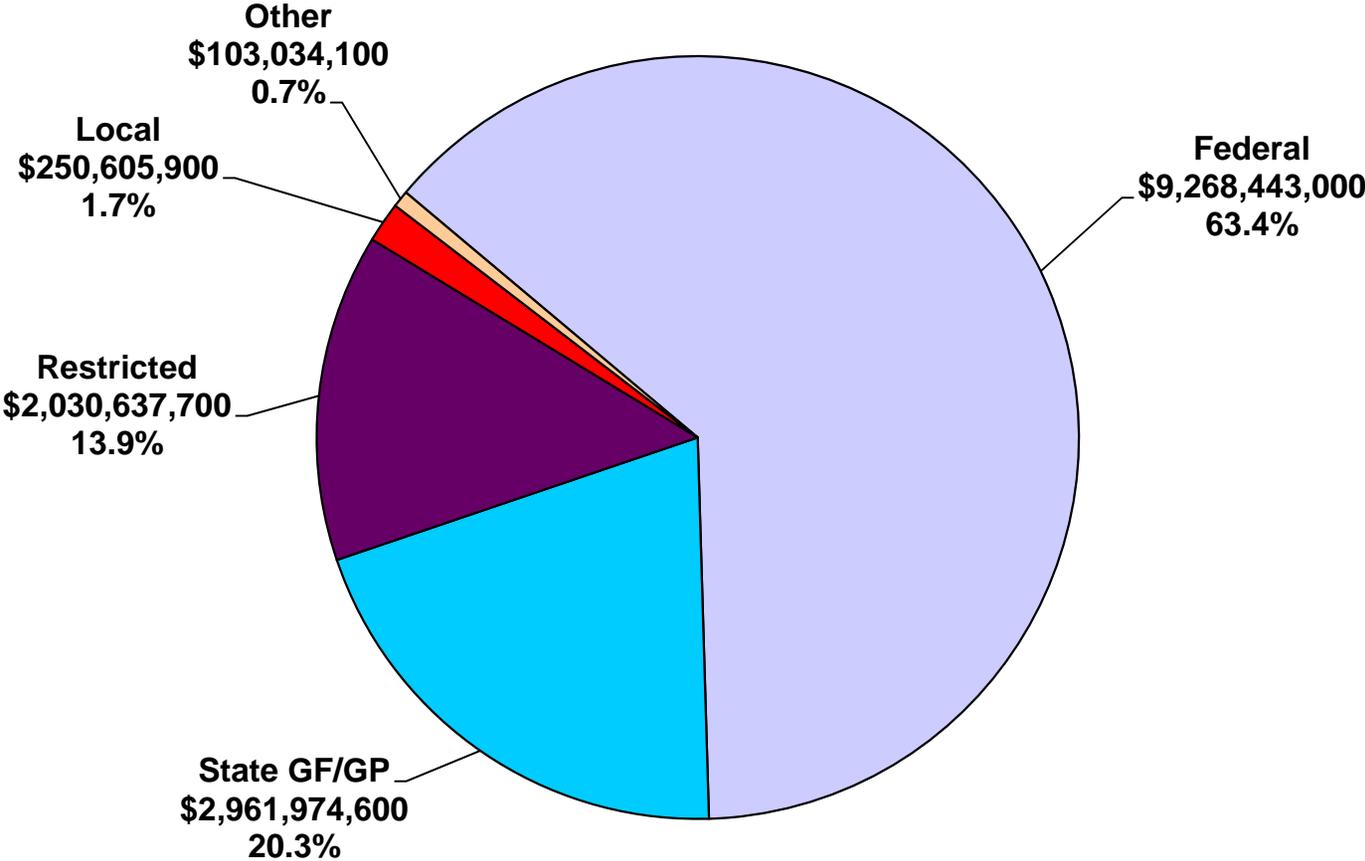


# **SOURCES OF FUNDING**

# Community Health Funding Sources

Federal funds make up 63.4% of the Community Health budget;  
state GF/GP represents 20.3% of the total.

FY 2011-12 Community Health Budget = \$14,614,725,300



# Community Health Funding Sources

- **The Department of Community Health (DCH) budget is \$14.6 billion for FY 2011-12 as authorized by 2011 PA 63, Article IV and 2011 PA 278; major sources of revenue are shown on the previous slide**
- **Slightly more than 63% of DCH revenue is from federal sources, primarily Medicaid matching funds.**
- **State GF/GP represents 20.3% 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, and provider, user, and licensing fees**
- **Local revenue includes funds from community mental health services programs, county medical care facilities, and school districts**
- **Other revenue includes private funds from grants, patient gifts and bequests, manufacturer rebates, and interdepartmental grants for services**
- **One-time only funding of \$53.0 million Gross (\$22.1 million GF/GP) is included in FY 2011-12 DCH budget, Sec. 1901, for designated uses**

# **DEPARTMENT APPROPRIATIONS**

# Community Health Appropriations

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

- **Mental health and substance abuse services provided through community mental health services programs, prepaid inpatient health plans, state-run hospitals, and substance abuse coordinating agencies**
- **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**

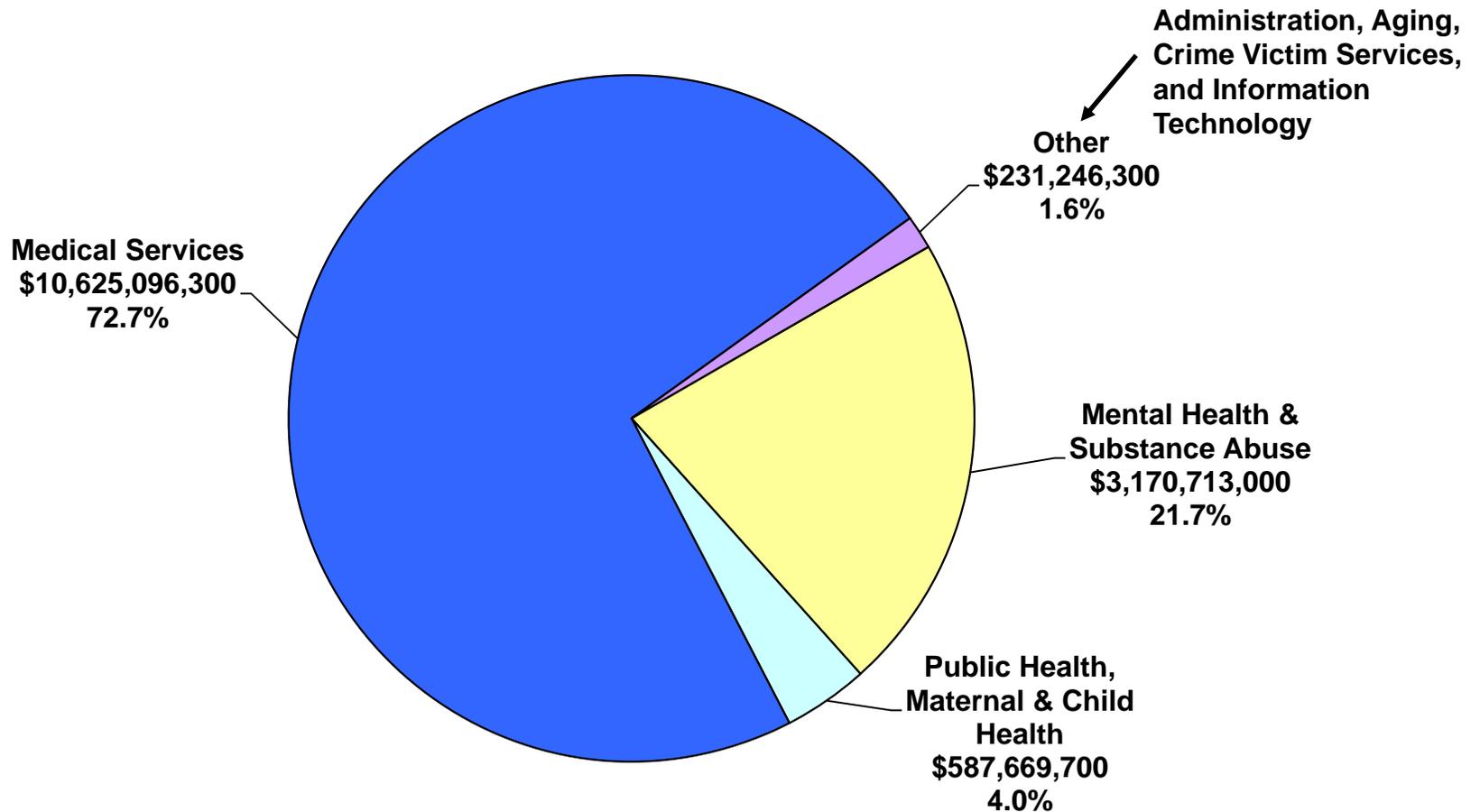
# Community Health Appropriations

- **Support services for Michigan's older persons and their families 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

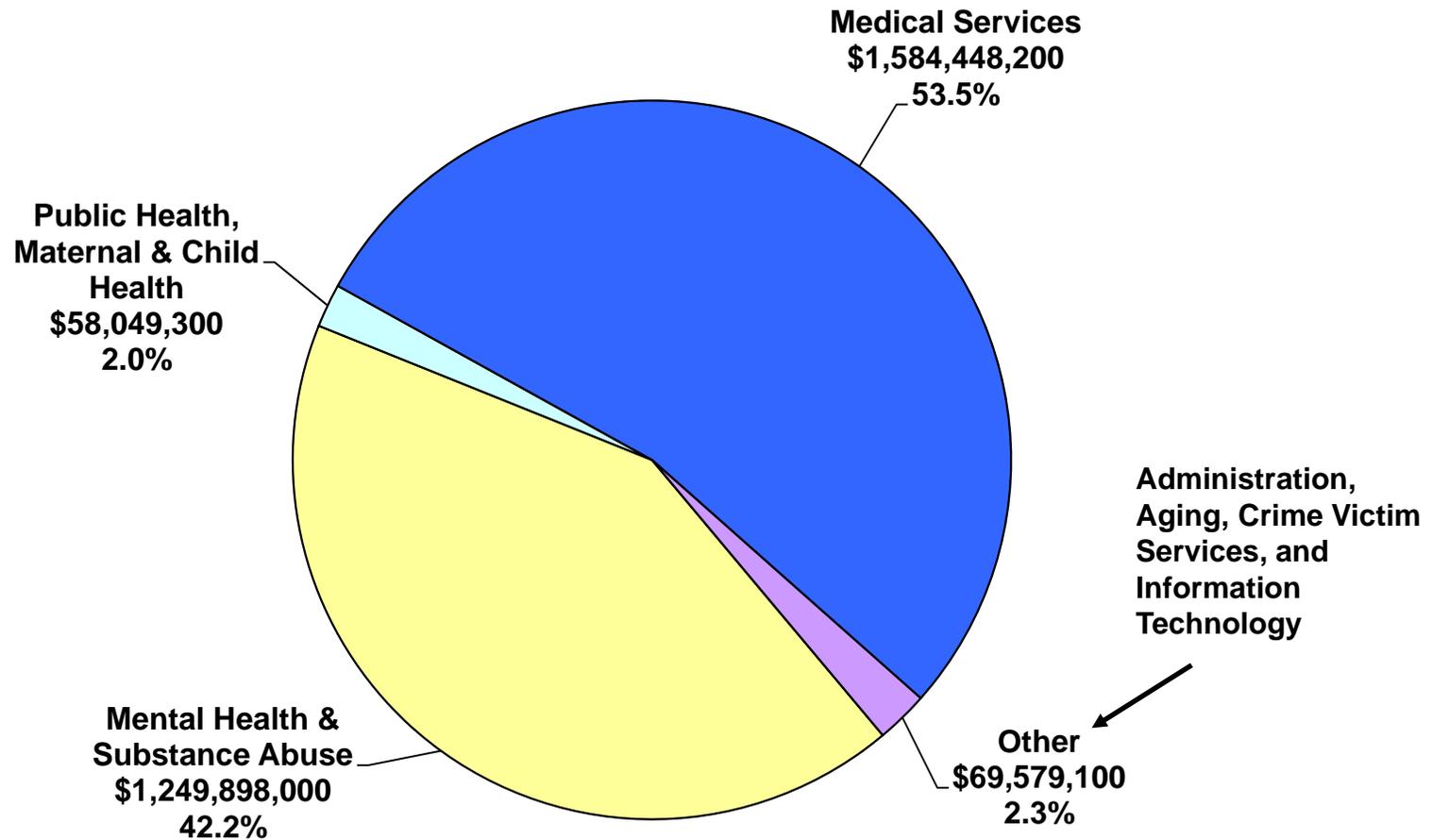
Medical Services account for 73% of Community Health spending, followed by Mental Health and Substance Abuse Services at 22%.

FY 2011-12 Community Health Budget = \$14,614,725,300



# Community Health GF/GP Appropriations by Program

FY 2011-12 Community Health GF/GP Budget = \$2,961,974,600



# **MAJOR BUDGET ISSUES**

# Community Health Budget Issues

- Exploring privatization of program and service areas
- Consolidations of CMHSPs and substance abuse coordinating agencies
- Mental health and substance abuse 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
- Healthy Michigan prevention funding reduction, and consolidation into a single appropriation line for DCH prevention project determination
- Local public health operations funding reduction
- Nurse Family Partnership program investment
- Senior meals, community services, and volunteer programs

# Community Health Budget Issues

- **Medicaid estate recovery**
- **Inclusion of psychotropic prescriptions on Medicaid preferred drug list**
- **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 special financing and federal funding reductions**
- **Health Insurance Claims Assessment**
- **Health information technology**

**MAJOR  
COMMUNITY HEALTH  
PROGRAM AREAS**

# Departmentwide Administration

Primarily for centralized administrative functions in DCH  
\$102.5 million – 181.2 FTEs

- Director and Other Unclassified FTE Positions
- Workforce Transformation
- Budget, Accounting, Audit, and Purchasing
- Rent and Building Occupancy
- Worker's Compensation Program
- Michigan Developmental Disabilities Council
- Information Technology Services and Projects

# **Mental Health and Substance Abuse**

**Administration and programs related to mental health and substance abuse services  
\$3.2 billion – 2,315.2 FTEs**

- **Mental Health and Substance Abuse 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**
- **Children's Waiver Home Care Program**
- **Family Support Subsidy**
- **Nursing Home Placement Assessment**

# Community Public Health

**Prevent and control disease and protect human health  
through programs and services  
\$262.0 million – 457.6 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**
- **Healthy Michigan Fund Programs including 1-time \$3.0M GF/GP**

# Health Policy

**License and regulate emergency medical services and personnel, programs for rural health and primary care services, certificate of need program  
\$17.6 million – 66.8 FTEs**

- **Health Policy Administration**
- **Emergency Medical Services Grants and Services**
- **Certificate of Need Program Administration**
- **Rural Health Services**
- **Primary Care Services including 1-time \$300,000 GF/GP**
- **Nurse Education and Research Program**
- **Michigan Essential Health Provider**

# **WIC and Family, Maternal, and Children's Health Services**

**Programs providing health services and support to infants, children, women of childbearing age, and families at risk  
\$307.7 million – 100.1 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  
\$37.5 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  
\$91.3 million – 43.5 FTEs**

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

# Medical Services

**Physical health care services to 1.90 million low income persons through  
Medicaid and other programs  
\$10.6 billion – 462.8 FTEs**

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

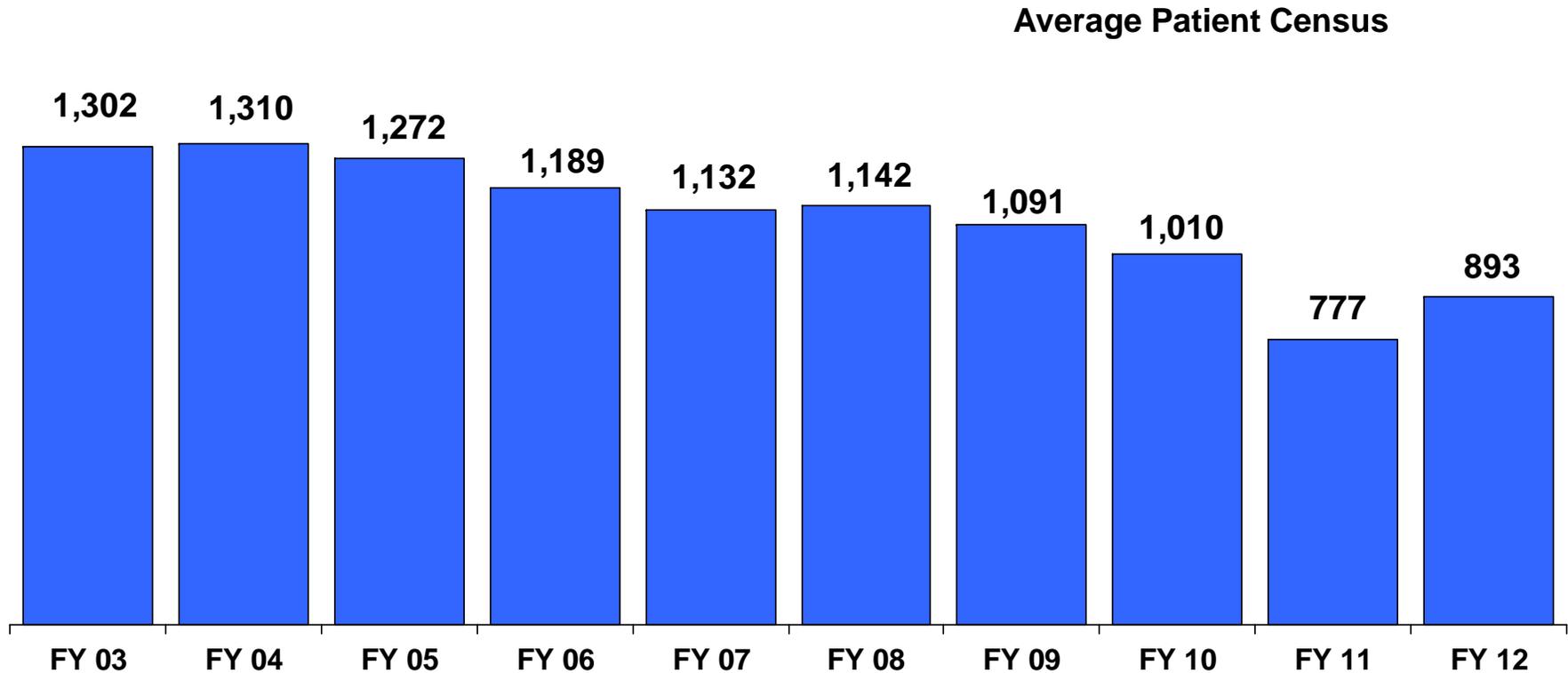
# **MENTAL HEALTH AND SUBSTANCE ABUSE**

# 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**

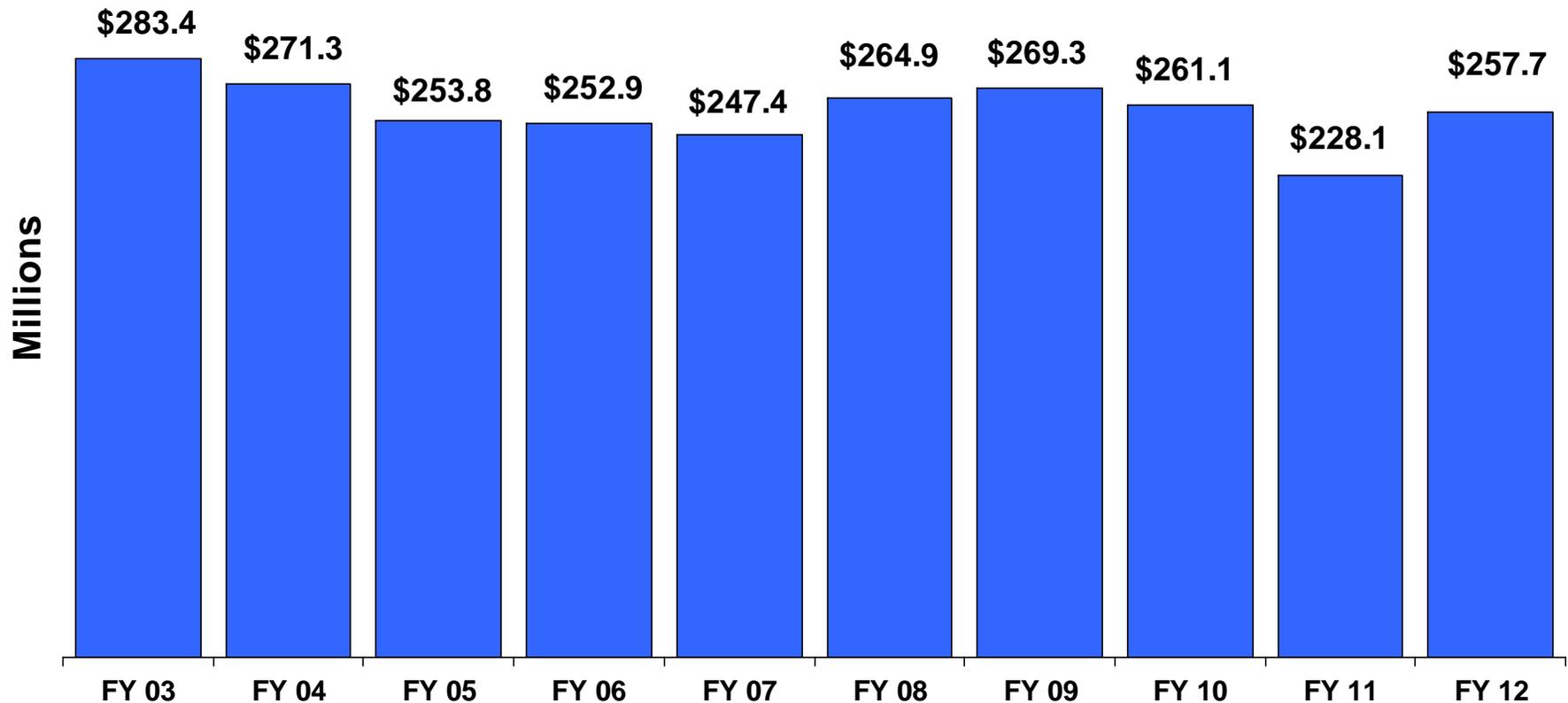
# Patients in State Mental Health Facilities

The number of patients in state-operated mental health facilities has fallen since FY 2002-03 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 2011-12 will not be known until the end of the fiscal year.



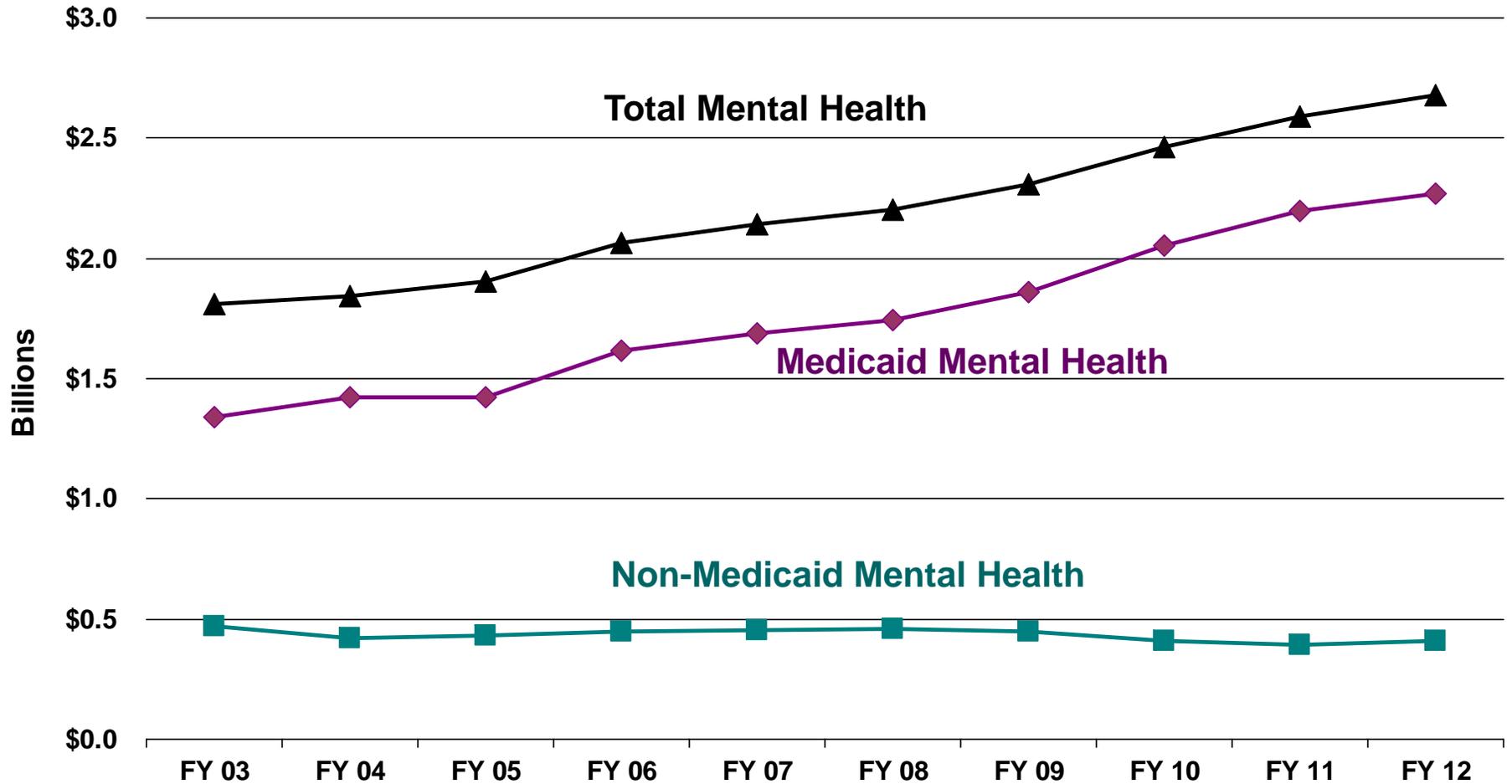
# State Mental Health Facility Expenditures and Authorizations

Expenditures and authorizations for state mental health facilities have declined since FY 2002-03 due to facility closures, transfer of responsibilities for Forensic Prisoner Mental Health Services to the Department of Corrections, and fewer patients although there have been some fluctuations.



# Mental Health Spending

Since FY 2002-03, Medicaid Mental Health spending has increased by 69.3%,  
while Non-Medicaid Mental Health spending has decreased by 13.0%.  
Total Mental Health spending has increased by 48.0%.

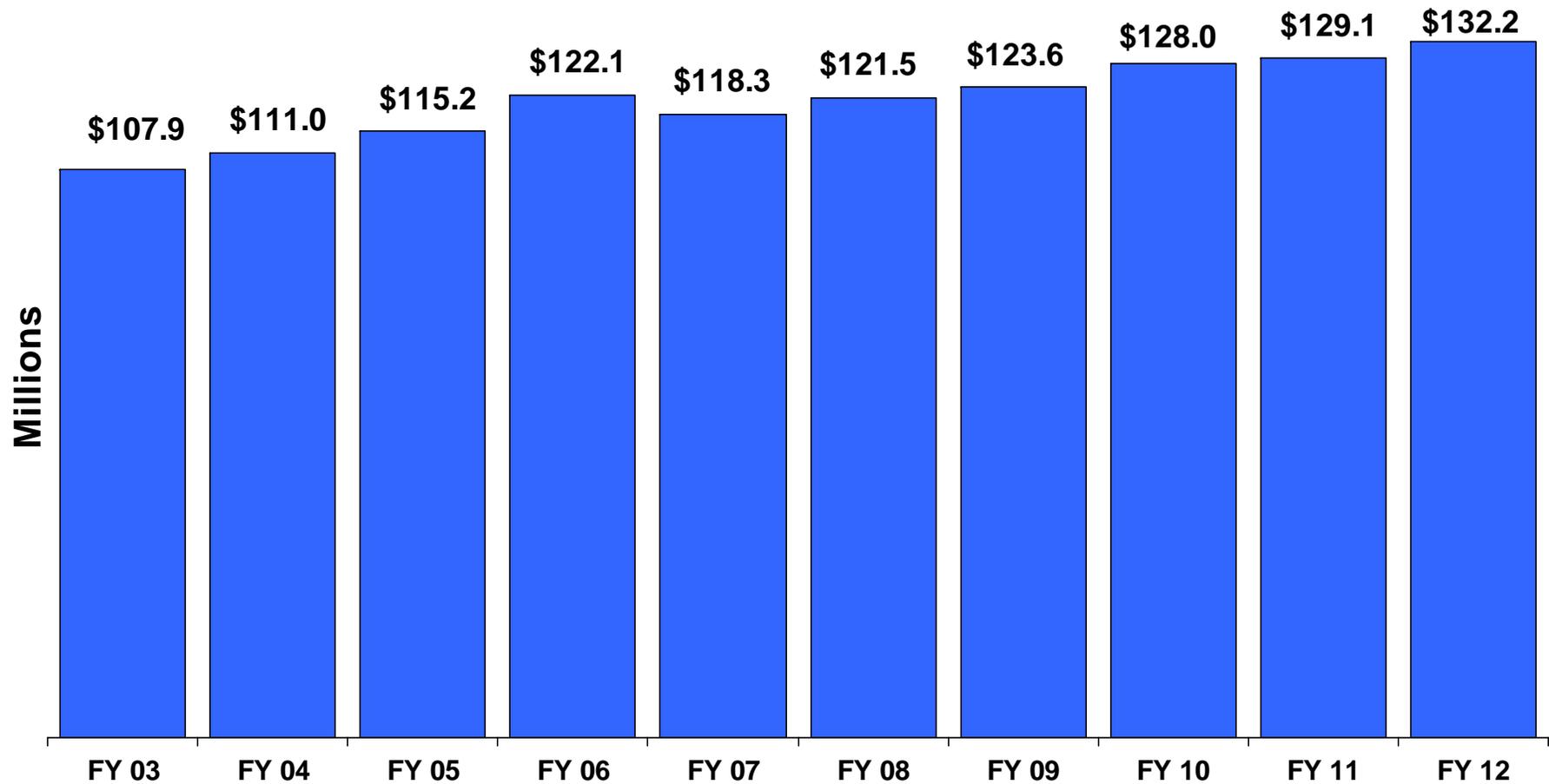


# Substance Abuse Services

- **Michigan's Public Health Code (1978 PA 368, as amended) provides for delivery of substance abuse services through regional substance abuse coordinating agencies**
- **Substance abuse services include prevention, education, and treatment programs**
- **The majority of funding for substance abuse services is from the federal substance abuse prevention and treatment block grant and federal Medicaid revenue**

# Substance Abuse Services Funding

Funding for substance abuse services has increased over the past decade primarily due to increases in federal funding.



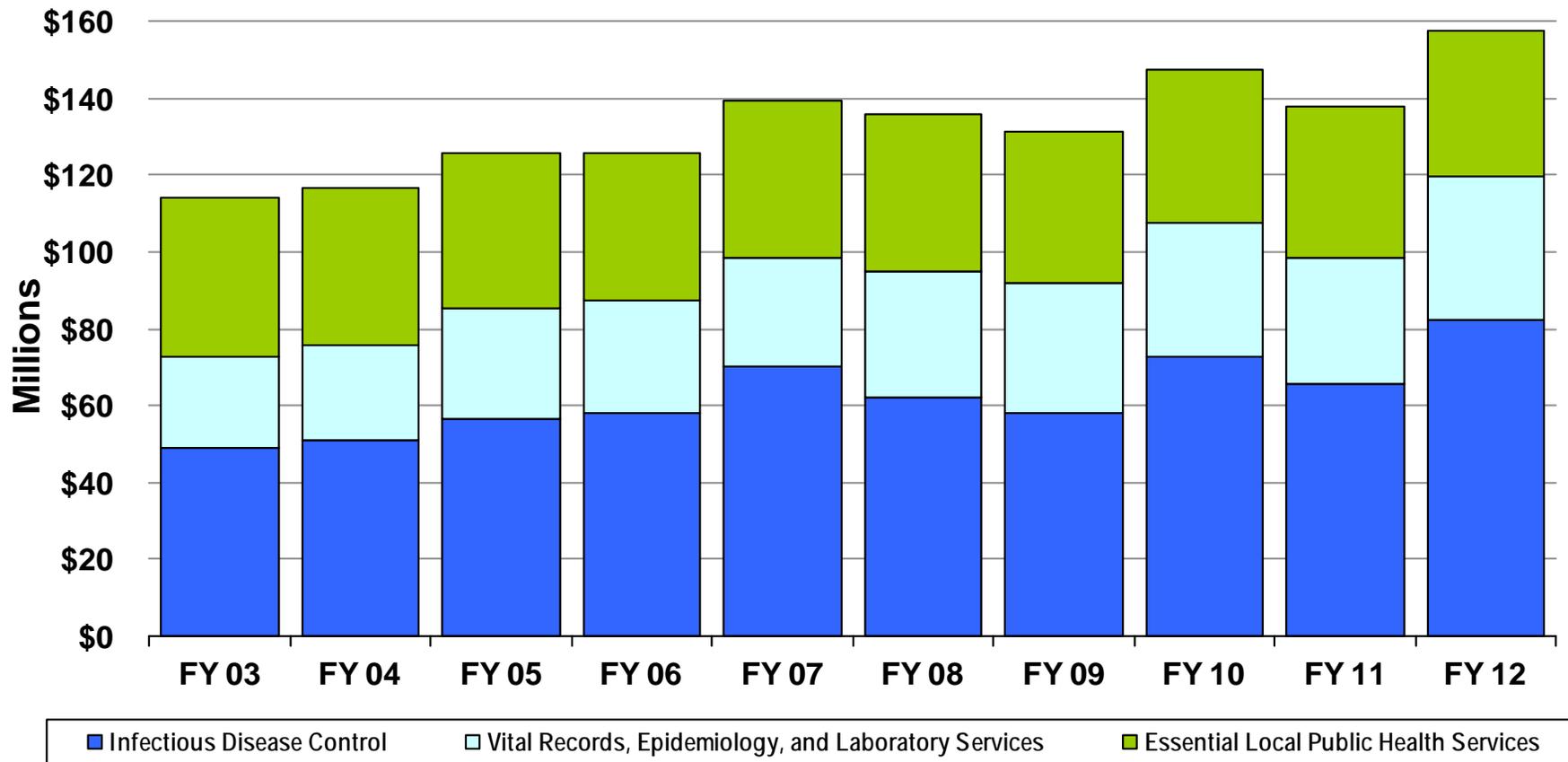
# **PUBLIC HEALTH**

# 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, and continue to increase, rising from 63% to 67% 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)**

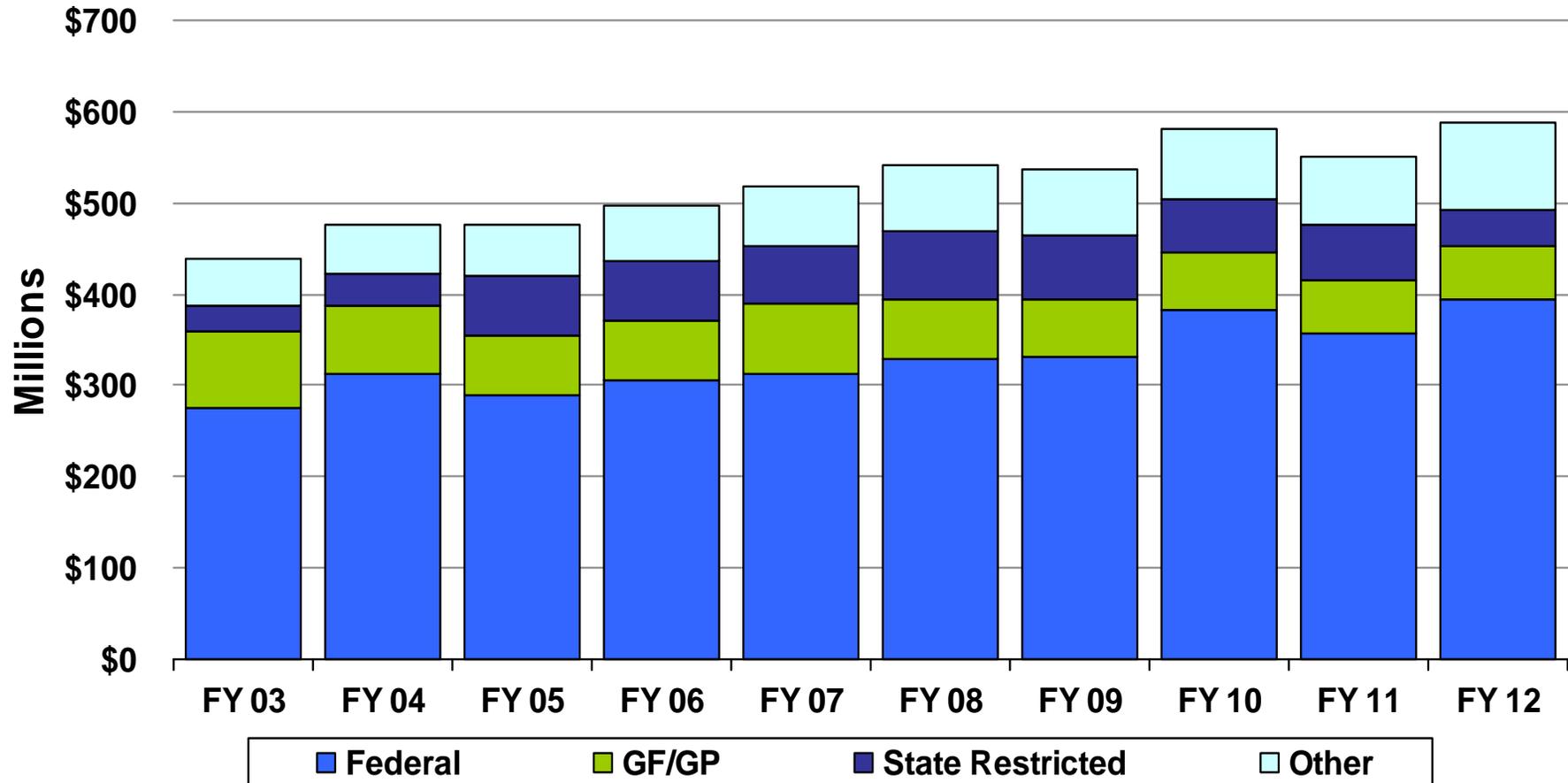
# Key Public Health Services

Spending for key public health services has increased 38% over the past ten years. Funding growth is seen in federal and private grants and fees, impacting AIDS programs, laboratory services, vital records, and epidemiology. GF/GP support has been reduced affecting Essential Local Public Health Services, vital records, and laboratory services.



# Total Public Health Funding and Sources

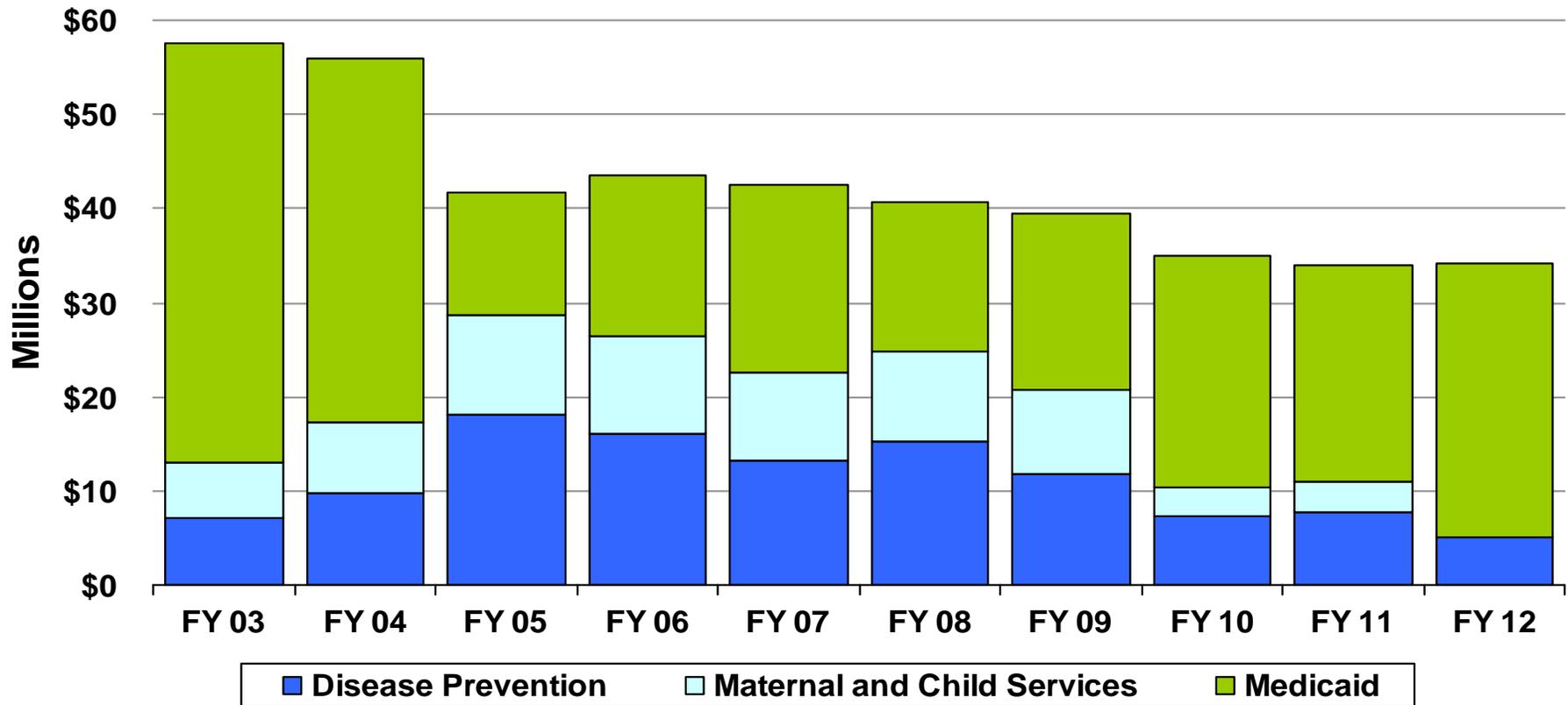
Growth in all public health and family health programming over the past ten years is primarily supported by increased federal grant funds. GF/GP funding continues to be reduced, primarily affecting state disease prevention and maternal and child health programs.



Note: Totals shown include health regulatory functions FY 2004-05 through FY 2010-11. Also, totals shown through FY 2004-05 include family support subsidy, and children's waiver home care program.

# Healthy Michigan Fund

The Healthy Michigan Fund was established in 1995 for public health prevention projects but has been partially redirected to Medicaid beginning in FY 2002-03. Overall Fund revenue from the tobacco tax is declining due to reduced tobacco use. For the first time since its creation, funded projects will be determined by DCH under a single Healthy Michigan Fund Programs line item.



Notes: FY 2011-12 non-Medicaid amounts shown are based on DCH planned project allocations from a new single Healthy Michigan Fund Programs line item appropriation. Also, FY 2011-12 shown does not include a \$3.0 million 1-time GF/GP appropriation to the Healthy Michigan Fund Programs line item. Spending levels in 2003 and 2004 reflect use of available Fund balance.

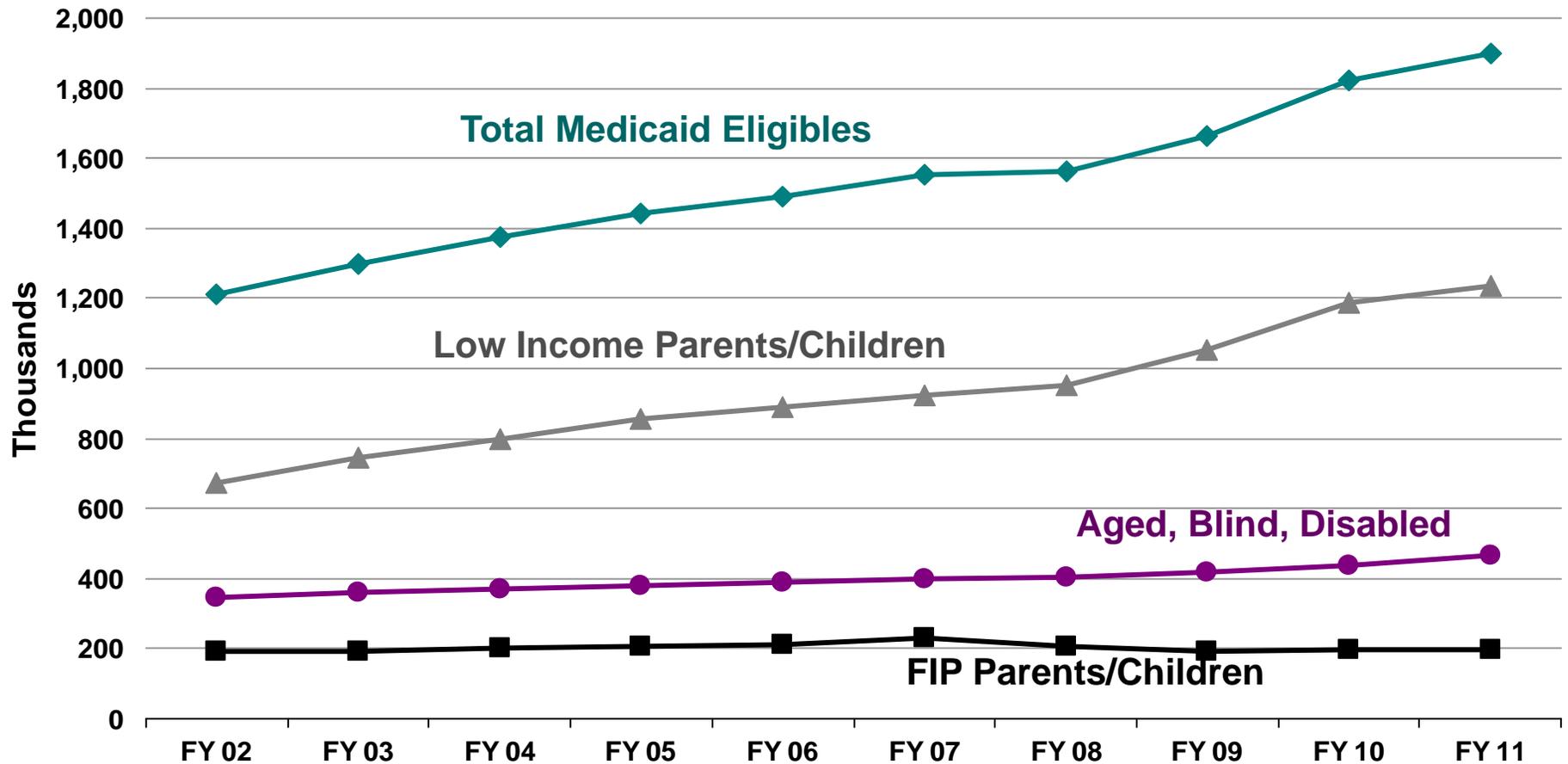
# **MEDICAL SERVICES**

# Medical Services

- **Medicaid is the state's primary health care safety net program providing coverage to 1.90 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**
  
- **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 2011-12 is 66.14%**

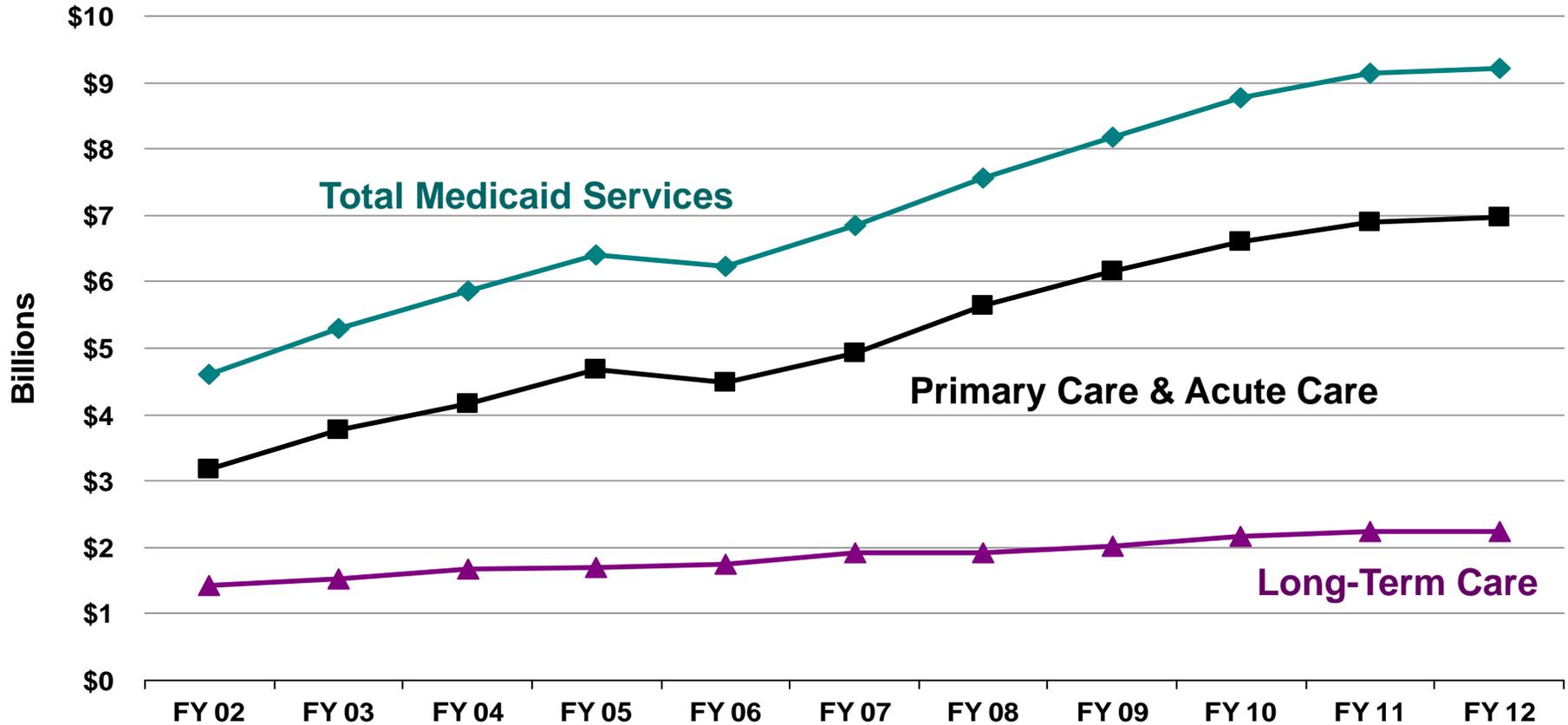
# Medicaid Caseload

The number of persons eligible for Medicaid has risen by over 686,900 since FY 2001-02, after years of gradual decline. Family Independence Program (FIP) families on Medicaid have held fairly steady while low income parents and children numbers have increased.



# Medicaid Expenditures

The cost of Medicaid services has increased steadily since FY 2001-02, after remaining relatively flat for several years. Expenditures for primary care and acute care services reflects 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.



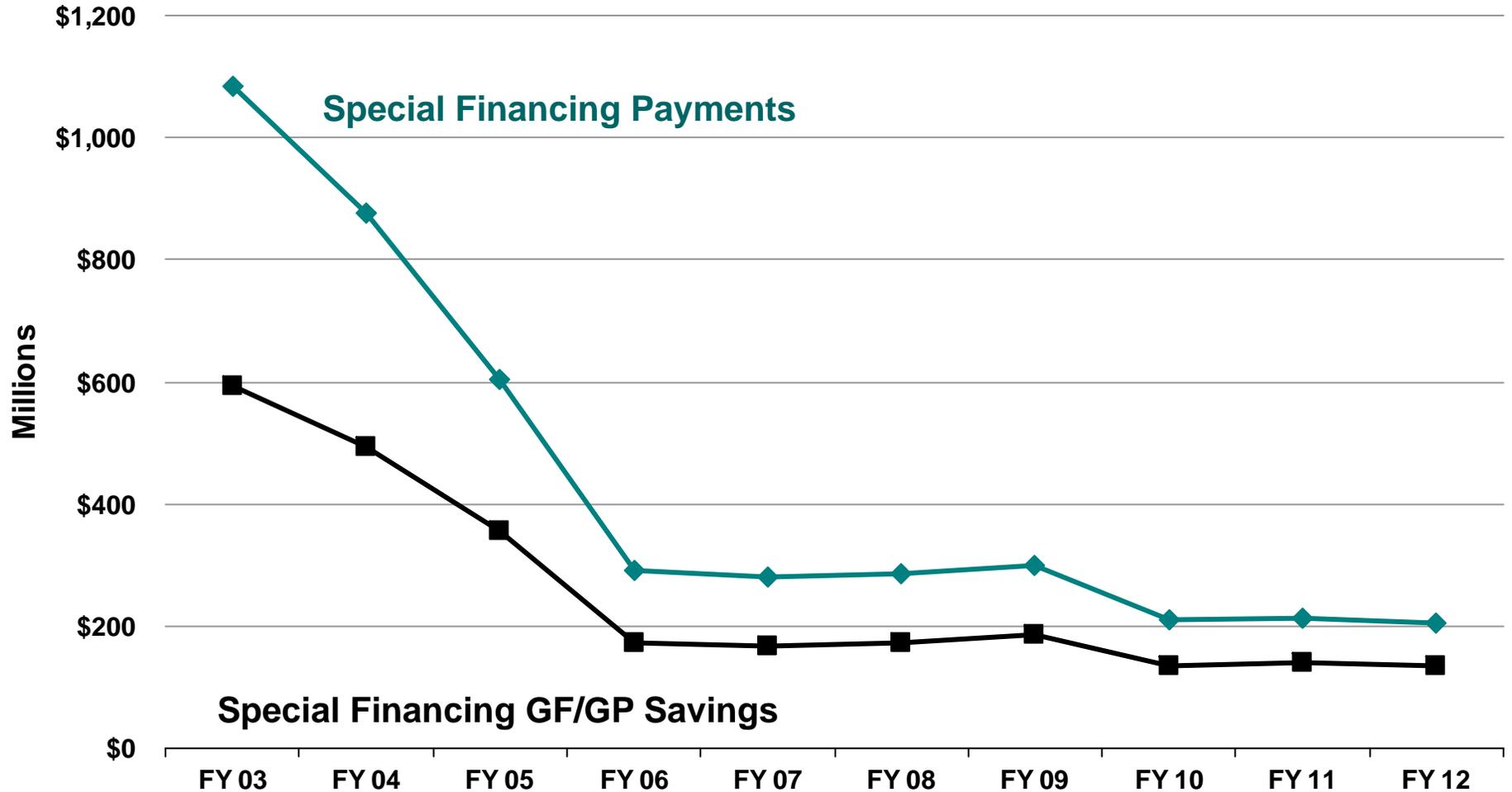
Note: Expenditures exclude mental health, substance abuse, children's waiver, and children's special health care.

# Medicaid Special Financing Revenues

- **Special Medicaid payments earn federal matching funds and are returned to the state through intergovernmental transfers**
- **These special financing payments reduce the amount of state GF/GP needed to fund the Medicaid program**
- **Federal rules restricted the amount of special Medicaid payments beginning in FY 2001-02 and increased the state funding required to maintain the Medicaid program**

# Medicaid Special Financing Trends

Medicaid Special Financing GF/GP savings continued to decline through FY 2005-06, which increased the state funds needed to fund the Medicaid program.

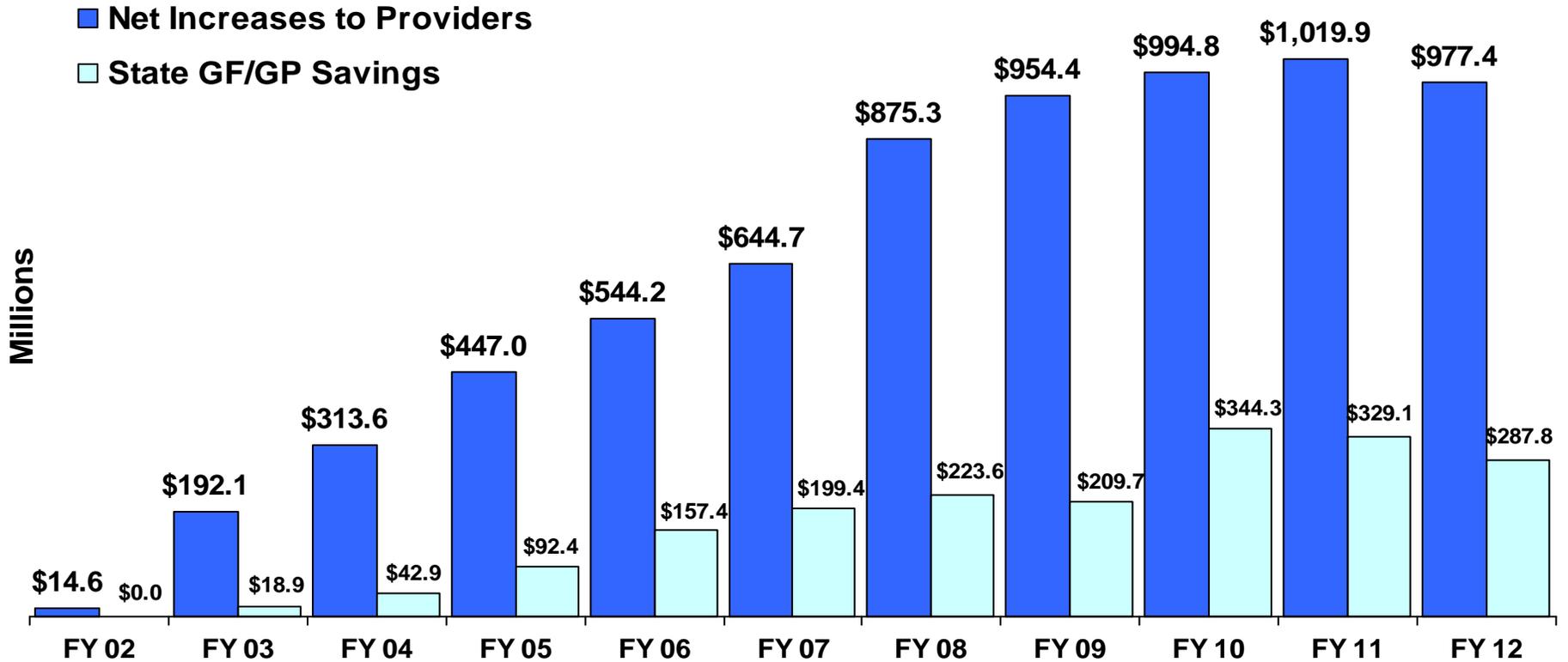


# Health Care Provider & Claims Assessments

- 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
- For the first four months of FY 2011-12 the Use Tax of 6% on Medicaid managed care organizations will be in effect. The new HICA will apply from January 1 to September 30<sup>th</sup> of FY 2011-12.

# 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 2001-02. Provider tax revenues retained by the state to offset GF/GP within the Medicaid program are projected to total \$287.8 million in FY 2011-12.



# **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](mailto:MAIston@house.mi.gov)**

## **Susan Frey, Senior Fiscal Analyst**

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

**[SFrey@house.mi.gov](mailto:SFrey@house.mi.gov)**

## **Steve Stauff, Senior Fiscal Analyst**

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

**[SStauff@house.mi.gov](mailto:SStauff@house.mi.gov)**

**(517) 373-8080**