

The Michigan Update

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Dear Reader,

We apologize for the delay in sending you the May edition of *The Michigan Update*. We experienced some systems problems that precluded timely distribution of the newsletter and its linked attachments.

Medicaid Managed Care Enrollment Activity

The Michigan Department of Community Health (DCH) has resolved systems issues that prevented the provision of Medicaid managed care enrollment information for the last several months; however DCH staff have also advised that there are no plans to generate information for the missing months.

As of May 1, 2010, there were **1,192,288 Medicaid beneficiaries enrolled** in 14 Medicaid Health Plans (HMOs), an increase of 84,617 since October 2009 when such information was last available. The number of Medicaid beneficiaries eligible for managed care enrollment in May was 1,270,137 and the number eligible but not yet enrolled in a contracted health plan, not counting exemptions, was 65,350.

DCH reports the availability of an additional health plan option in Leelanau County. Priority Health Government Programs will begin accepting new enrollees as soon as its network is complete.

As the [enrollment reports](#) for May reflect, every county in the state is served by at least one Medicaid Health Plan. Fee-for-service care is an option in six counties. Four of the six counties - Barry, Charlevoix, Cheboygan and Leelanau - have been designated as "Preferred Option" counties. Beneficiaries in these counties who do not specifically choose the fee-for-service option are auto-assigned to the contracted health plan but may return to fee-for-service at any time. Beneficiaries in Missaukee County have the option of voluntarily enrolling in one of the two health plans serving

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the county or receiving care on a fee-for-service basis, and auto-assignments are suspended in the county. Beneficiaries in Emmet County, where there is also only one available health plan, may voluntarily enroll in the plan or choose to receive care on a fee-for-service basis. Lastly, beneficiaries in all 15 counties in the Upper Peninsula are auto-assigned through federal "Rural Exception" authority to the one health plan serving the counties.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

MIChild

According to MAXIMUS, the DCH contractor for MIChild enrollment, there were **29,395 children enrolled** in the MIChild program as of **May 1, 2010**. This is a decrease of 298 since April 2010.

As the [enrollment report](#) for May shows, enrollment is dispersed between seven plans, with almost 88 percent of the children enrolled with Blue Cross Blue Shield of Michigan. MIChild is the largest component of the Children's Health Insurance Program (CHIP) in Michigan.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

Adult Benefits Waiver (ABW)

As of the middle of May 2010, DCH reports there were **49,746 ABW beneficiaries enrolled** in the program, a **decrease of 6,617** since the middle of April and a decrease of 27,177 since May 2009 in the midst of the last open enrollment period. In April, May and June of 2010 DHS will be reviewing the current eligibility status of individuals enrolled during the last open enrollment period. As a result of these reviews, a large decline in ABW enrollment is expected.

The systems issues that prevented the provision of County Health Plan (CHP) enrollment information for the last several months have also been resolved. There are 28 CHPs serving ABW beneficiaries in 73 of Michigan's 83 counties. As of May 1, 2010, the combined ABW **enrollment in the 28 CHPs was 44,542, a decrease of 28,451** since October 2009 when the information was last available.

For more information, contact [Eileen Ellis](#), Managing Principal, at (517) 482-9236.

Michigan Revenue Picture

Those present at the Revenue Estimating Conference held May 21, 2010 predicted that state general fund revenues for the current fiscal year will be lower than projected in January and that school aid revenues will be a little higher than earlier predicted. All acknowledged that increased tax refunds, including refunds of Michigan Business Tax payments, and lower property valuations have had an impact on the state's revenue picture. As a result of the conference, Governor Jennifer Granholm has said she considers the general fund deficit for the balance of the current fiscal year to be \$340 million. How this deficit will be addressed will be the subject of discussions in the near future. State Budget Director Bob Emerson noted that budget cuts will likely be required for the fiscal year ending September 30, 2010.

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MDCH Budget - House Action

Before adjourning for the Memorial Day holiday, the House of Representatives passed the DCH budget for Fiscal Year (FY) 2010-2011.

Among key Medicaid provisions are the following:

- Medicaid Eligibility:
 - The House did not concur with the Senate decision to end the availability of up to one year of Transitional Medical Assistance for individuals leaving Medicaid due to increased income.
 - The House did not concur with the Senate action to eliminate Medicaid coverage for "Caretaker Relatives" and individuals aged 19 to 20 (which was proposed to be effective as of July 1, 2011).
- Provider payment rates:
 - With the exception of 3 percent increases to Medicaid HMO and mental health Prepaid Inpatient Health Plan (PIHP) rates to maintain actuarial soundness, no provider rates are either increased or decreased.
 - The House did not concur with the 4 percent Senate reductions in payments for certain physician services (or with the Executive recommendation that physician rates be cut if a physician tax was not enacted).
 - The House (along with the Senate) did not agree with the Executive recommendation to reverse

the 25 cent increase in pharmacy dispensing fees that occurred in the current fiscal year.

- The House agrees with the Senate to restore a second disproportionate share hospital (DSH) pool that was eliminated in the current fiscal year. However the House has restored the pool at its previous level of \$5 million, rather than concurring with the Senate's increase to \$10 million.
- The House agreed with the Senate to add \$16 million to the rates for the PIHPs to reflect an increase in psychiatric hospital payments through the PIHPs that will be funded primarily from hospital taxes.
- By policy (Section 1842) the House has added a requirement that certain rural hospitals receive reimbursement that covers the actual cost of delivering outpatient services to Medicaid recipients. The qualifying hospitals have fewer than 50 staffed beds and are located in small communities.
- The House agreed with the Senate recommendation to reinstate Medicaid dental and podiatric services for adults effective October 1, 2010.
- The House did not concur with the Senate proposal to transfer the MIChild program to Medicaid HMOs.
- Funding:
 - Total state general fund dollars in the House Subcommittee bill exceed the Governor's recommendation by \$7.1 million and exceed the Senate bill by \$103.1 million.
 - The House was able to come very close to the Governor's total recommendation without reliance on a physician tax. Since neither the House nor the Senate included a physician tax as part of Medicaid funding, this issue would appear to be closed.
 - The House uses as FY 2010-2011 revenue an expected \$160 million deposit from the federal government related to a revision in historical calculations of Michigan's federal matching funds rate. This modification excludes from the calculation of per capita personal income in Michigan the money contributed by General Motors to a Voluntary Employee Benefits Association (VEBA) in 2006.
 - The House and Senate both included \$123.8 million in additional savings as a result of a change in the calculation of the federal/state split on the amount the state must pay for Medicare Part D benefits for low-income individuals (commonly call the "clawback" amount).

It should be noted that some portion of the last two funding items could possibly be used to help resolve the budget shortfall for the current fiscal year. If that happens, the budget shortfall for FY 2010-2011 will be increased.

One non-Medicaid item of particular note is that the House scaled back the reduction in state general funds for Community Mental Health agencies from a cut of \$53.7 million recommended by the Senate to a reduction of only \$3.8 million, as recommended by the Governor. The \$3.8 million represents a reduction in funding for administration and not a reduction in funding for services.

The House also reversed Senate and/or Senate/Executive cuts related to non-emergency transportation, incontinence supplies and human growth hormone therapy for individuals enrolled in the Children's Special Health Care Services program and cuts to the Healthy Michigan Fund and Aging programs.

Other notable items included in the "boilerplate" language include the following:

- Section 1620 (3) (added by the Senate and retained by the House) requires the department to measure the savings that accrue from the change from the maximum allowable cost (MAC) methodology to the new average manufacturer's price (AMP) methodology. If savings are realized, they are to be returned to the pharmacies in the form of an increase of up to \$2.00 in the dispensing fee. In addition, section 1767 requires a study of the impact of changing from average wholesale price to AMP.
- Section 1678, added by the House, requires that the department automatically enroll in MICHild any children that meet the income criteria for free breakfast, lunch or milk under the national school lunch act. (HMA note: Many of these children would not be eligible for MICHild, but would rather be eligible for Medicaid.)

More detail on the House actions is available at:
www.legislature.mi.gov/documents/2009-2010/billanalysis/House/pdf/2009-HLA-1152-4.pdf

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Health Reform

According to new data developed by the Kaiser Family Foundation's Commission on Medicaid and the Uninsured

(KCMU), there could be as many as 590,000 new Medicaid beneficiaries in Michigan by 2019 as a result of the federal health reform law, the Patient Protection and Affordable Care (PPAC) Act of 2010. KCMU estimates that this caseload increase would have a cost to the state of about \$686 million over the period from 2014 to 2019 and that the federal government would contribute \$14.3 billion over the same period. KCMU has prepared an analysis of the PPAC Act's impact on all 50 states and the state-by-state analysis is available on the KCMU web site at: www.kff.org/healthreform/8076.cfm.

For more information, contact [Eileen Ellis](#), Managing Principal, at (517) 482-9236.

Drug Settlements

Two recent settlements by large pharmaceutical manufacturers will generate additional revenue for the Michigan Medicaid program.

Michigan Attorney General Mike Cox recently announced a \$520 million settlement between the pharmaceutical manufacturer AstraZeneca and the federal government over the illegal marketing of Seroquel, an antipsychotic drug. The drug was allegedly prescribed for persons and conditions for which it did not have approval from the Food and Drug Administration. The issue was brought to light by whistleblowers in Philadelphia. Michigan's Medicaid Benefits Trust Fund will receive \$7.7 million from the settlement.

In other news, Ortho-McNeill-Janssen Pharmaceuticals, a subsidiary of Johnson & Johnson, has agreed to an \$81 million settlement, almost a third of which will be shared by state Medicaid programs, including Michigan. The settlement resulted from allegations to the US Department of Justice by two whistleblowers who said they and others were trained and encouraged to promote the drug Topomax for symptoms other than those for which it is approved.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

Organizational Change at MSA

DCH Medicaid Director Steve Fitton recently announced another organizational change for the Medical Services Administration (MSA) that will become effective May 31, 2010. Chris Priest has been appointed to the position of director for the Bureau of Medicaid Policy and Actuarial

Services, the position held by Mr. Fitton before he became Medicaid Director. Mr. Priest comes to MSA from Governor Granholm's Washington DC office where he most recently served as its acting director.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

Crawley v DHS and DCH

As a result of litigation brought against the Departments of Human Services and Community Health by a group of Medicaid beneficiaries, filed on their behalf by the Center for Civil Justice, Medicaid eligibility policy is being changed. Effective July 1, 2010, individuals determined ineligible for Medicaid in a particular category of eligibility will have their cases reviewed prior to any case closure to determine if they are eligible under any other category. The program bulletin (MSA 10-19) appears below.

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Non-Emergency Medical Transportation

As required by Section 1773 in the current year DCH appropriation measure, a Request for Proposals (RFP) was released on May 26, 2010 for a contractor to act as a broker and administrator for the provision of non-emergency medical transportation (NEMT) services in Macomb, Oakland and Wayne Counties beginning on or about October 1, 2010.

The contractor's primary focus will be Medicaid and Children's Special Health Care Services (CSHCS) beneficiaries receiving care on a fee-for-service basis but the contractor will also be required to arrange and pay transporters for NEMT for beneficiaries enrolled in the Medicaid Health Plans if the services are "carved out" of the health plan contract, such as dental or mental health and substance abuse.

For more information, contact [Esther Reagan](#), Senior Consultant, at (517) 482-9236.

Medicaid Policies

DCH has issued seven final and six proposed policies that merit mention.

The policies are available on DCH's web site at: www.michigan.gov/mdch; click on Medicaid Policy Bulletins at the bottom of that page.

- **MSA 10-13** informs **Pharmacies of new policy** related to **Coordination of Benefits** that will become effective **October 1, 2010**. The policy requires pharmacies to submit both a primary insurer's payment amount and the beneficiary's liability amount (coinsurance, deductible and/or copayment) to DCH. The DCH Pharmacy Benefit Manager will implement this through the electronic billing functionality of the National Council for Prescription Drug Programs (NCPDP), Section 20.9 of the NCPDP Telecommunication Version 5 Questions, Answers and Editorial Updates.
- **MSA 10-14** notifies **Physicians, Clinics, Clinical Laboratories** and other providers of **HCPCS/CPT** code changes for **laboratory services and immunizations**. This bulletin was **simultaneously issued for comment (1015-Lab)**. Comments are due to DCH by May 30, 2010.
- **MSA 10-15** informs **Physicians** that they must provide the National Drug Code (**NDC**) on claims for **physician-administered drugs** when billing for services to **ABW** beneficiaries. The bulletin also requires physicians treating ABW beneficiaries to use **tamper-resistant prescription pads** in the same manner as required for Medicaid.
- **MSA 10-16** notifies **Medical Suppliers, Hospitals, Long-Term Care Facilities, Physicians, Clinics** and other providers of a change in Medicaid policy for coverage of **mobility and custom fabricated seating systems**. The revised policy includes a new standardized mobility assessment requirement.
- **MSA 10-17** informs **Prepaid Inpatient Health Plans and Community Mental Health Services Programs** of revised **eligibility criteria** and additional **services** for two **children's waiver programs**. This bulletin was **simultaneously issued for comment (1016-Waivers)**. Comments are due to DCH by May 30, 2010.
- **MSA 10-18** provides **Maternal Infant Health Program (MIHP)** providers and others with additional **policy changes consistent with the program redesign** that has been underway over the last few years.
- **MSA 10-19** informs holders of the **Medicaid Eligibility Manual** that effective July 1, 2010, individuals no longer eligible for Medicaid under a particular category will be reviewed for eligibility under other categories prior to any negative action (termination of coverage) being taken. This bulletin

was **simultaneously issued for comment (1017-Eligibility)**. Comments are due to DCH by June 23, 2010.

- A proposed policy (**1011-NF**) has been issued that would **revise non-available bed plan policy for Nursing Facilities** holding a written agreement with an accredited medical school. Comments were due to DCH on May 27, 2010.
- A proposed policy (**1020-Pharm**) has been issued that would **reimburse Pharmacy** providers for the **administration of seasonal influenza vaccine**. Comments are due to DCH by June 24, 2010.
- A proposed policy (**1019-Hearing**) has been issued that would **eliminate prior authorization** requirements for **hearing aids for children** with unilateral hearing lost. Comments are due to DCH by June 25, 2010.

DCH has also recently released an **L-letter to selected providers** that may be of interest. **L 10-14** relates to the state's **Electronic Health Record (EHR) Incentive Program** to encourage adoption and meaningful use of EHRs and includes a **survey** through which **DCH is gathering baseline information** necessary to understand the current information technology environment. **Responses to the electronic survey are requested by June 4, 2010.**

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