Organizational Changes at MSA

The new Medicaid Director at DCH, Steve Fitton, announced some organizational changes for the Medical Services Administration (MSA) that became effective February 1, 2010. Mr. Fitton indicated that the changes were made to provide more organizational balance to the three MSA Bureaus and to improve their functional focus.

- The Program Review Division, responsible for activities including prior authorization, moved from the Bureau of Medicaid Financial Management and Administrative Services to the Bureau of Medicaid Program Operations and Quality Assurance; the latter bureau is directed by Sue Moran.
- The staff that administer the Home and Community-Based Services and Long-Term Care Operations Support were moved from the Bureau of Medicaid Financial Management and Administrative Services to the Bureau of Medicaid Policy and Actuarial Services; the latter bureau was directed by Mr. Fitton before he became Medicaid director and is still under his direct purview.

The most recent director of the Bureau of Medicaid Financial Management and Administrative Services retired in late 2009; until that position is filled, the bureau will be directed by Dave McLaury, a previous director of the bureau who came out of retirement to accept the temporary assignment.

Medicaid Policies

DCH has issued six proposed policies that merit mention. They are available on DCH's web site at: www.michigan.gov/mdch; click on Medicaid Policy Bulletins at the bottom of that page.

- A proposed policy **(0945-Status)** has been issued that would change **payer responsibility** when a Medicaid beneficiary's **enrollment status changes during a hospital episode** of care and that episode **includes a transfer** between an acute and a rehabilitation hospital. Previously issued for comment in November, the **proposed policy is being re-circulated** for additional comments, which were due to DCH by February 25, 2010.
- A proposed policy **(1002-SBS)** has been issued that would change the start date for the **School Based Services** summer quarter **Random Moment Time Study**. Comments are due to DCH by March 6, 2010.
- A proposed policy **(1005-Hearing)** has been issued that would formalize into policy formerly internal processes related to coverage of **cochlear implants** and update the list of covered cochlear accessories. Comments were due to DCH by February 24, 2010.
- A proposed policy **(1007-Pharm)** has been issued that would **drop certain drug classes from the Medicaid Health Plan benefit,** specifically those commonly called **"MHP 60/40 Carve-Outs"**. Comments were due to DCH by February 24, 2010.
- A proposed policy **(1008-MIHP)** has been issued that would replace the current Maternal Infant Health program **(MIHP) chapter** in the **Medicaid Provider Manual** to reflect program redesign activities over the last five years. Comments are due to DCH by March 26, 2010.
- A proposed policy **(1009-CSHCS)** has been issued that would implement a **prior authorization requirement for all elective inpatient hospital admissions** for beneficiaries dually eligible for Medicaid and **CSHCS**. Comments are due to DCH by March 24, 2010.

DCH has also recently released an L-letter (L 10-02) of interest especially to Medicaid Health Plans. The L-letter provides guidance on Medicaid policy as it relates to responsibility for authorization and payment for services provided to beneficiaries with mental health conditions, especially those with co-occurring conditions. It is the result of a Mental Health Advisory Committee convened by DCH to address issues with regard to the interface of community partners treating these individuals and is available on the DCH web site at: www.michigan.gov/mdch/0,1607,7-132-2945_42542_42543_42546_42552-230806--,00.html.

The Michigan Update

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Medicaid Managed Care Enrollment Activity

The Michigan Department of Community Health (DCH) has advised that due to problems resulting from implementation of its new Community Health Automated Medicaid Processing System (CHAMPS) and with the department's data warehouse, Medicaid managed care enrollment information for February is not currently available. DCH advises that these problems will hopefully be resolved within a few months. Whether DCH will be able to generate enrollment reports for the missing months is unknown. Information from DCH and the Department of Human Services (DHS) indicates that enrollment in Medicaid continues to increase by about 10,000 individuals every month. The recent resolution of issues with managed care auto-assignments also would imply that enrollment in the health plans continues to climb.

Adult Benefits Waiver

Also due to the department's CHAMPS and data warehouse problems, information regarding the Adult Benefits Waiver (ABW) caseload and enrollment levels in the County Health Plans (CHPs) is unavailable for February. Information from DHS indicates that enrollment is decreasing by about 2,500 individuals per month. Since ABW enrollment is currently closed, decreased enrollment is expected. An even greater decline may occur in the near future as the ABW cases that were opened during the open enrollment period of March through May 2009 are reviewed during the redetermination process. Failure to return required paperwork could result in loss of ABW benefits for some individuals.

MIChild

According to MAXIMUS, the DCH contractor for MIChild enrollment, there were **30,304 children enrolled** in the MIChild program as of **February 1, 2010.** This is a decrease of 490 since January 2010.

As the enclosed report for February shows, enrollment is dispersed between seven plans, with more than 88 percent of the children enrolled with Blue Cross Blue Shield of Michigan. MIChild is one of the largest components of the Children's Health Insurance Program (CHIP) in Michigan.

Connecting Kids to Coverage

On February 4, 2009, President Barack Obama signed the Children's Health Insurance Program Reauthorization Act (CHIPRA) into law, which offered states financial and policy options to expand health care for children through either Medicaid or CHIP. Shortly thereafter the American Recovery and Reinvestment Act (ARRA) was enacted and provided additional financial support to state Medicaid programs.

On February 4, 2010, Health and Human Services (HHS) Secretary Kathleen Sebelius released a report reflecting progress made in the one year since CHIPRA was enacted. The report, *Connecting Kids to Coverage,* notes that during the federal fiscal year ending September 30, 2009, about 2.6 million children gained Medicaid or CHIP coverage and that the two programs served a combined 40 million children during the year. Of the 2.6 million children gaining coverage, the vast majority – 2.2 million – were enrolled into the Medicaid program due to their income status.

The provisions in CHIPRA encouraged states to simplify their enrollment processes and rewarded those that did with performance bonuses. (Michigan was one of the states to receive a performance bonus; see the article in the December 2009 edition of *The Michigan Update.*) CHIPRA also allowed HHS to award $40 million in federal grants to states and community-based organizations to expand their outreach and education efforts in order to reach and enroll more children. To assure that children enrolled in Medicaid and CHIP receive access to high-quality care, a national advisory committee worked with HHS and its administrations to propose a core set of new quality of care standards for children.

The complete report is available at: www.insurekidsnow.gov/chip/chipra_anniversary_report.pdf.

State Budget

Corrections: Shortly after mailing the Special Edition of *The Michigan Update* on February 12, 2010 we discovered an error that requires correction. In the introductory portion of the article on the Michigan Medicaid Budget, specifically in the third paragraph, there were four references to funding for DCH. Each of these references used the term "million" when in fact these dollar values should have been "billion". We apologize for any confusion this may have caused. In addition, the Special Edition did not correctly reflect the proposed alternative absent passage of a physician tax. Section 1830 of the Executive Budget for DCH indicates that if a physician tax program is not implemented or if it does not generate sufficient general fund savings, all providers that were subject to Executive Order 2009-22 will experience rate cuts. The cut required would be 11 percent and would apply to a wide range of providers. A corrected Special Edition is enclosed.

Because the Special Edition is focused primarily on the Medicaid budget, some of the other major components of Governor Jennifer Granholm's Executive Budget recommendation for Fiscal Year (FY) 2010-2011 are provided in this edition of the newsletter.

- The proposed budget is $47.1 billion – the budget includes $7.9 billion in general funds, about $11 billion in school aid spending, close to $2.8 billion in state transportation funds, more than $5 billion in fees and special revenues and about $20.1 billion in federal dollars. The Governor indicated that continuation of current revenue and program policies would result in a shortfall of $1.5 billion for the general fund and School Aid fund in combination for FY 2011. Nearly half of the general fund shortfall is solved if the federal government, as is anticipated, extends the Medicaid stimulus funding for an additional two quarters (through June 30, 2011). This action would increase Medicaid revenue by $514 billion. The budget includes a total of $566 billion in reduced general fund spending through a series of reductions and reforms.
- Sales tax – a reduction in the state sales tax from 6 percent to 5.5 percent was proposed but the tax would be extended to a number of services as well, including college sports and entertainment events. The projected additional revenue ($550 million) would initially be used to address the School Aid Fund deficit but would eventually be used to phase out the Michigan Business tax surcharge.
- Community Health – Total funding for the department is increased by 10.1 percent from $13.1 billion in FY 2010 to $14.4 billion in FY 2011. The state general fund contribution, however, is reduced by 12.5 percent from $2.3 billion in FY 2010 to $2.0 billion in FY 2011.
  - Community Mental Health (CMH) and Substance Abuse programs receive a total increase of 2.1 percent. The Medicaid CMH funding is increased by 3.3 percent due to increased Medicaid enrollment and a federal requirement for actuarially sound rates. However the non-Medicaid mental health funding is reduced by 1.2 percent and CMH funding for the Medicaid adult benefits waiver population is decreased by nearly 20 percent. CMH administration is also slated for a reduction of $3.8 million in general funds.
  - Funding for Family, Maternal and Children's Health Services is reduced from $34 million to $29 million; the largest reduction is the elimination of the "prenatal outreach and service delivery support" program ($3.2 million). Indicative of the state's economy, funding for the Women, Infants and Children Food and Nutrition Program (WIC) is increasing from $246 million to $267 million, with most of the increased funding coming from federal support.
  - Savings of $2.7 million in general funds would result from a reduction in funding for local health department operations.
  - Funding for Human Growth Hormone therapy under the Children's Special Health Care Services (CSHCS) program is eliminated for a savings of $2 million. Genetics counseling for CSHCS is also eliminated for a savings of $40,000.
  - The drug manufacturer immunity law (MCL 600.2946) is proposed for elimination and a savings of $342,000.
- Education – proposed budgets for K-12 schools, community colleges and the state's four-year universities would ***not*** be reduced. Schools would see a slight increase through the new sales tax revenues. The State Department of Education would receive an increase of more than $131 million, mostly in federal funds, to support recently enacted education reforms.
- Michigan Promise Scholarship – the proposed budget would restore the $4,000 scholarship but as a tax credit after a graduate worked in the state for a year, which by definition means it would not have a financial impact for FY 2010-2011.
- Corrections – the proposed budget would cut $139 million from the Department of Corrections' budget of almost $2 billion. A reduction in the prison population from 45,200 to 35,500 is a key element as is an expanded Prisoner Re-Entry Program to help parolees transition to the community.

- Human Services – the proposed budget for the Department of Human Services would include funding for 850 additional staff to manage that department's ever increasing caseload of individuals applying for public assistance, including the Family Independence Program (FIP – the state's cash assistance program), Supplemental Nutrition Assistance Program (SNAP – the new name for Food Stamps) and Medicaid. The staff would also provide children's services.
- Retirement of state employees – the proposed budget assumes savings of $87 million during FY 2010-2011 from the retirement before October 1, 2010 of approximately 6,300 state employees out of the more than 7,000 who qualify. The qualifying employees (age 55 with 30 years of service or age 60 with 10 years of service) currently participate in a defined benefit retirement system and would receive a slight increase in their retirement pensions if they retire. If they qualify but choose not to retire before October 1, 2010 they would be required to contribute more to the retirement fund and lose the state subsidy for dental and vision benefits when they ultimately do retire. Only about a third of the vacancies resulting from the retirements would likely be filled.
- Retirement of school employees – similar in structure to the proposal for state employees, the proposed budget assumes that a large percentage of the 39,000 public school employees who qualify would retire before October 1, 2010. The slight increase in retirement pension would be borne by the schools but the budget assumes savings of $660 million for the schools through lower salaries for replacement staff and increased contributions by all school employees into the retirement system.
- Pure Michigan – the state's advertising campaign to support tourism would be funded through a $2.50 fee assessed on cars rented near airports to generate $13 million. This is far less than the $40 million requested by the industry but may be supplemented by other plans under discussion in the Legislature.
- Transportation – the proposed budget reflects a dramatic (more than 15 percent) reduction in state funds for road work. The Governor in her State of the State address urged the Legislature to take necessary actions to increase available revenues, perhaps through a change in the way the gasoline tax is structured, to secure as much as $475 million in available federal funds.
- Worker education and skills training – the proposed budget for the Department of Energy, Labor and Economic Growth would lose much of its general fund support for worker education and training but be replaced with federal funds to cover such programs as No Worker Left Behind and the Michigan Nursing Corps.

Federal Fiscal Relief

On February 18, 2010, HHS Secretary Sebelius announced $4.3 billion in federal fiscal relief for states by reducing the amount they will have to pay to offset the cost of Medicare coverage of prescription drugs for Medicare beneficiaries dually eligible for Medicaid. This reduction in the "clawback" payments required of states is possible through a provision in the ARRA and will be in effect for the period from October 1, 2008 through December 31, 2010. The fiscal relief may be extended through June 30, 2011 if a provision in President Obama's executive budget recommendation for FY 2010-2011 is approved. Michigan is expected to reap approximately $101.3 million in savings over the original nine calendar quarters and would save even more under the extension.

Medicaid Inspector General

As promised in her State of the State address, Governor Granholm issued an Executive Order (EO) on February 19, 2009 to create an autonomous inspector general in DCH to deal with Medicaid fraud and waste. EO 2010-1 would, if approved by the Legislature, take effect on October 1, 2010, giving DCH time to set up the office. The inspector general would be appointed by the Governor. DCH estimates savings of $3.7 million during FY 2010-2011 and more than $19 million over the following four years. Some members of the Legislature questioned the delay, believing the office should be established sooner. The text of EO 2010-1 is available at: www.michigan.gov/gov/0,1607,7-168-21975-231984--,00.html.

Electronic Newsletter

As announced in the November 2009 edition of *The Michigan Update*, Health Management Associates (HMA) will soon be issuing an electronic newsletter focused on national news and issues. It will be sent via email rather than in hard copy. Eventually, *The Michigan Update* will be re-formatted and become an electronic newsletter as well, though its content will not change.

HMA is developing the distribution list for the electronic newsletters now. Enclosed is a form for your use in providing contact information. Whether you are interested in both national and Michigan news or only in *The Michigan Update*, please make sure to send us your contact information for the electronic version. This can be faxed to HMA or be sent via email; details are included on the form. **Please send the contact information by March 19, 2010.**

Thank you very much if you have already submitted a contact form. It is not necessary to submit another unless you wish to place additional names on our distribution list.