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## *The Michigan Update*

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### Fiscal Year (FY) 2014-2015 Executive Recommendation

On February 5th Michigan Governor Rick Snyder made public his proposed Fiscal Year (FY) 2014-2015 Executive Budget Recommendation. The Governor's Recommendation totals \$52.4 billion across all State Departments and School Aid. Of this total, \$10.1 billion is State General Fund, which represents an increase of nearly \$650 million (6.8 percent) over the current year level of State General Fund spending. The Recommendation includes \$11.9 billion in State School Aid funding. Major highlights of the Governor's Recommendation include:

- An increase in State School Aid expenditures of \$322.0 million, \$150.0 million of which would be used to increase the K-12 foundation allowance;
- An additional \$65.0 million in funding for Early Childhood Education;
- Additional funding for State Higher Education (\$80.3 million);
- An increase in Revenue Sharing payments to local governments of \$19.4 million; and
- A proposal to provide to the City of Detroit \$350.0 million over 20 years (\$17.5 million per annum).

The Recommendation expands eligibility for the State's Homestead Property Tax Credit by increasing the homestead property tax credit's income limit and the size of the tax credit.

### Proposed Michigan Department of Community Health Appropriation

Governor Snyder's proposed \$17.4 billion Gross / \$2.9 billion State General Fund appropriation for the Michigan Department of Community Health (MDCH) funds several expansions of existing health coverage and assistance programs. This represents a 7 percent increase (\$191.4 million) in State General Fund spending in MDCH. Detailed below are major changes included in Governor Snyder's Recommendation for MDCH.

### **Medicaid**

The FY 2014-15 Recommendation assumes \$15.3 billion Gross / \$2.3 billion General Fund to support Michigan's Medicaid program. The Recommendation proposes additional spending on several fairly significant program expansions.

- **Caseload, Utilization and Inflation:** The Recommendation projects a one percent growth in the Medicaid program caseload. The budget funds moderate cost growth in Medicaid physical and behavioral health care and the MIChild program. **(\$150.9 million Gross / \$42.4 million General Fund)**
- **Medicaid Managed Care Rate Adjustment:** The Recommendation adjusts capitation rates paid to Medicaid HMOs for physical health care and to Prepaid Inpatient Health Plans (PIHPs) for behavioral health services to meet federal "actuarial soundness" requirements. The budget assumes a 2.5 percent increase for Medicaid HMOs and a 1.5 percent increase for PIHPs. **(\$121.9 million Gross / \$42.0 million General Fund)**
- **Elimination of Rural Hospital Payment:** The FY 2013-14 MDCH budget included \$35.6 million in Medicaid funding for a targeted payment to specified rural hospitals. Funding for this effort is not included in the Governor's Recommendation for FY 2014-15. **(-\$35.6 million Gross / -\$12.0 million General Fund)**
- **Graduate Medical Education (GME) Funding:** The Recommendation continues the baseline level of funding for GME at \$158 million, but does not repeat a "one time" appropriation of \$4.3 million that was part of the FY 2013-14 appropriation.
- **Special Indigent Care Payments:** The Recommendation removes this \$95.7 million line item (federal and local funds only) due to elimination of DSH payments based on Indigent Care Agreements.

- **Healthy Michigan Plan Savings Assumption:** The Recommendation assumes an average enrollment of 401,000 in the Healthy Michigan Plan for FY 2014-15. The proposed budget annualizes program savings in non-Medicaid behavioral health care service costs associated with implementation of the Medicaid expansion. **(\$16.0 million General Fund)**
- **ACA Primary Care Rate Increase:** Medicaid primary care services have been reimbursed at Medicare rates for calendar 2013 and 2014, with the rate enhancement supported with 100% federal funds. The 100% funding ends as of January 1, 2015. The Recommendation provides \$26.0 million in General Fund dollars to support Medicaid primary care reimbursement at levels that include 50% of the difference between Medicaid and Medicare rates. **(\$75.4 million Gross / \$26.0 million General Fund)**
- **Expansion of Healthy Kids Dental:** The Recommendation funds expansion of the State's Healthy Kids Dental program (that provides enhanced reimbursement for Medicaid children's dental services) to Macomb and Kalamazoo Counties. With the addition of these two counties, the Healthy Kids Dental program would be available in 80 of the state's 83 counties. **(\$15.7 million Gross / \$5.4 million General Fund)**
- **MI Choice Expansion:** The Recommendation provides funding for an additional 1,250 individuals through the State's home and community-based services (HCBS) waiver program for the elderly and disabled. **(\$26.2 million Gross / \$9.0 million General Fund)**

#### **Mental Health**

- **Mental Health Commission Report:** The Recommendation provides funding for implementation of the recommendations included in the Governor's Mental Health Commission report released this past month. **(\$10.6 million Gross / \$10.6 million General Fund)**
- **Mental Health Jail Diversion:** The Recommendation also provides resources for an initiative to support strategies to prevent incarceration of individuals with serious mental illness or developmental disabilities. Funded strategies would include in-jail mental health

treatment, crisis intervention teams and data collection.

### **Public Health and Other Services**

- **Home Delivered Meals:** The Recommendation provides an additional \$5.0 million for home-delivered meals and other in-home services provided through Michigan's Area Agencies on Aging. **(\$5.0 million Gross / \$5.0 million General Fund)**

The Executive Recommendation will now be reviewed and discussed by both houses of the Michigan Legislature as the appropriation process begins in earnest.

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

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