



Background Briefing

COMMUNITY HEALTH

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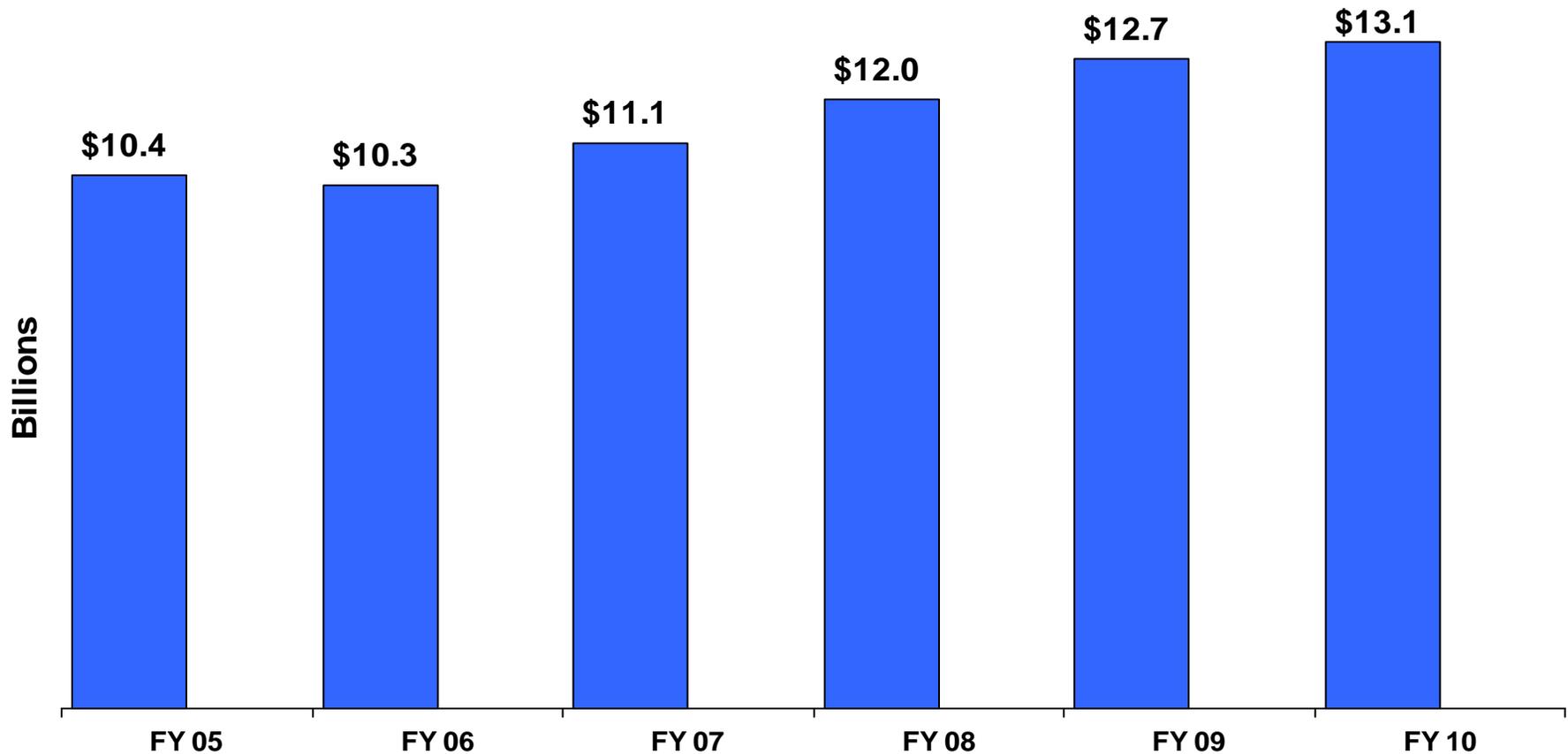
The fiscal information in this background briefing is based on data through January 1, 2010.

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**

Community Health Expenditures

At \$13.1 billion, Community Health is the second largest state budget; School Aid is the largest. Spending on Community Health grew by 25.2% since FY 2004-05; much of the growth is related to the Medicaid program with caseloads increasing by over 250,000 recipients since FY 2004-05

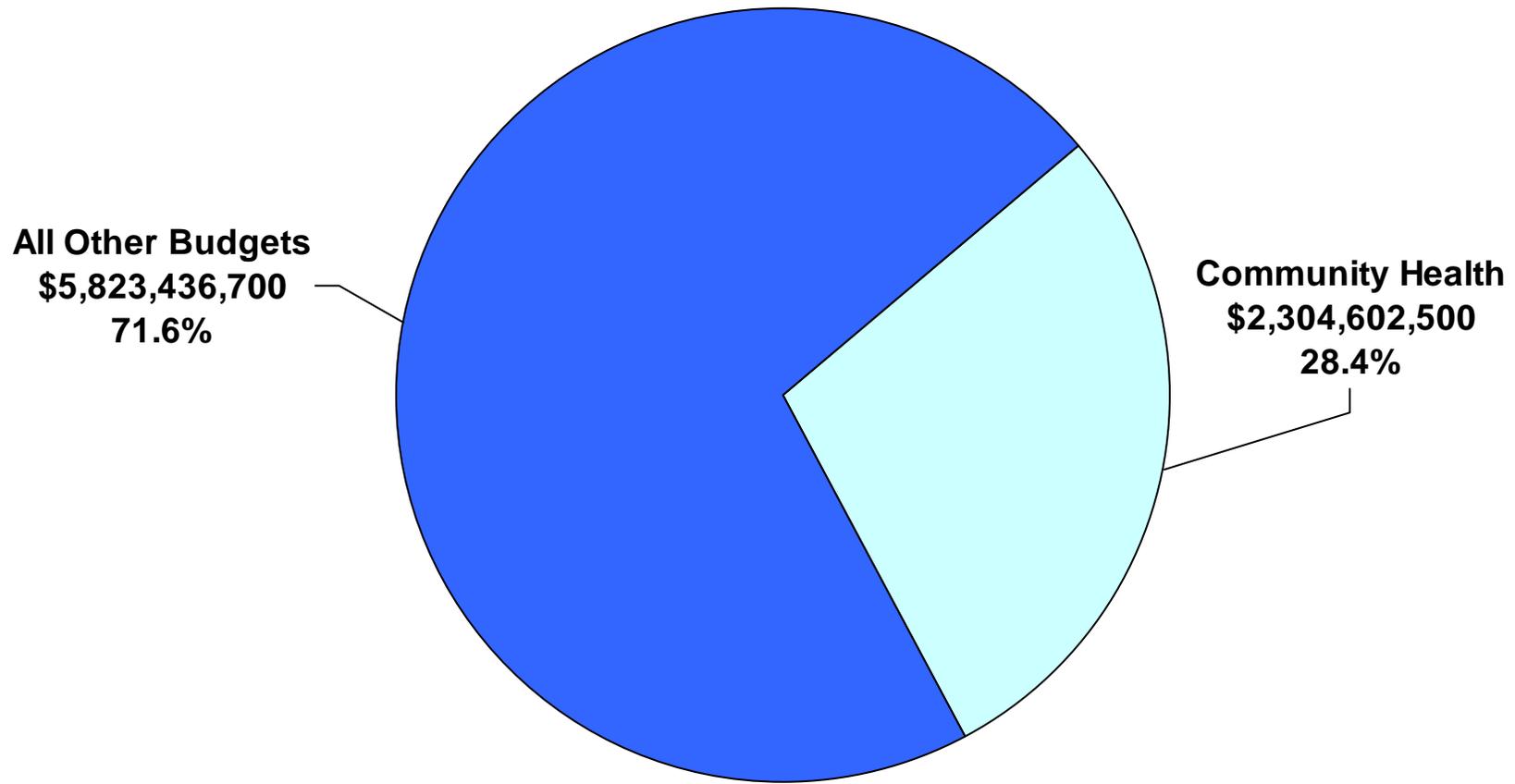


Note: FY 2009-10 amount reflects YTD authorization.

House Fiscal Agency: January 2010

Community Health Share of State GF/GP

FY 2009-10 GF/GP Total = \$8,128,039,200



SOURCES OF FUNDING

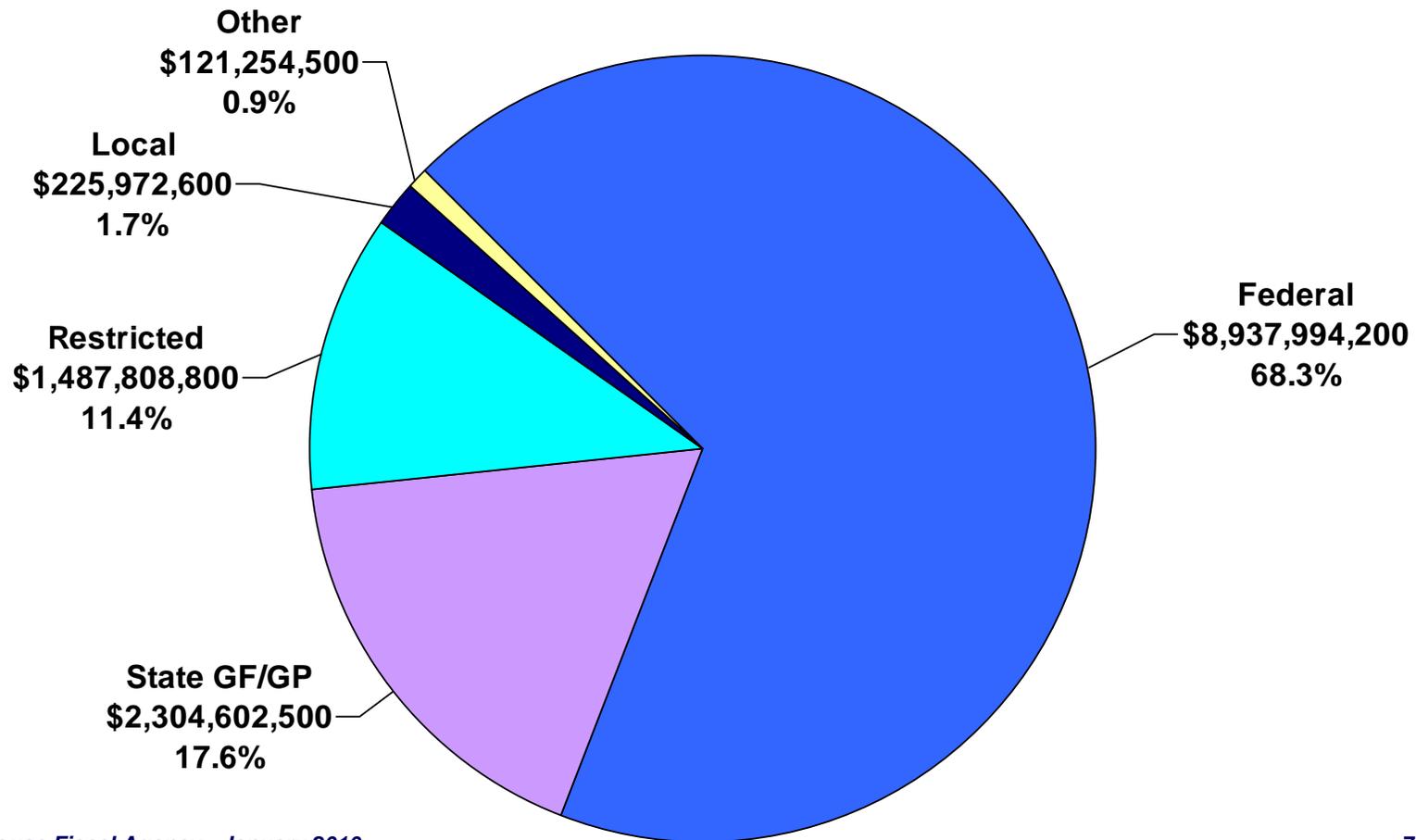
Community Health Revenue

- **The Department of Community Health (DCH) budget is \$13.1 billion for FY 2009-10 as authorized by 2009 PA 131, 2009 PA 140, and Executive Order 2009-42 ; major sources of revenue are shown on the next slide**
- **Slightly more than 68% of DCH revenue is from federal sources, primarily Medicaid matching funds. Includes almost \$1.1 billion in temporary Medicaid funding received under the American Recovery and Reinvestment Act**
- **State GF/GP represents 18% 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, 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, gifts and manufacturer rebates, and interdepartmental grants for services**

Community Health Revenue Sources

Federal funds make up 68% of the Community Health budget;
state GF/GP represents 18% of the total.

FY 2009-10 Total = \$13,077,632,600



STATE SPENDING

Community Health Spending

- **DCH funds a wide range of mental health, substance abuse, public health, aging, and medical services to 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**
 - **Communicable disease surveillance, prevention and control in partnership with local health departments, health needs assessment, access to health care 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**

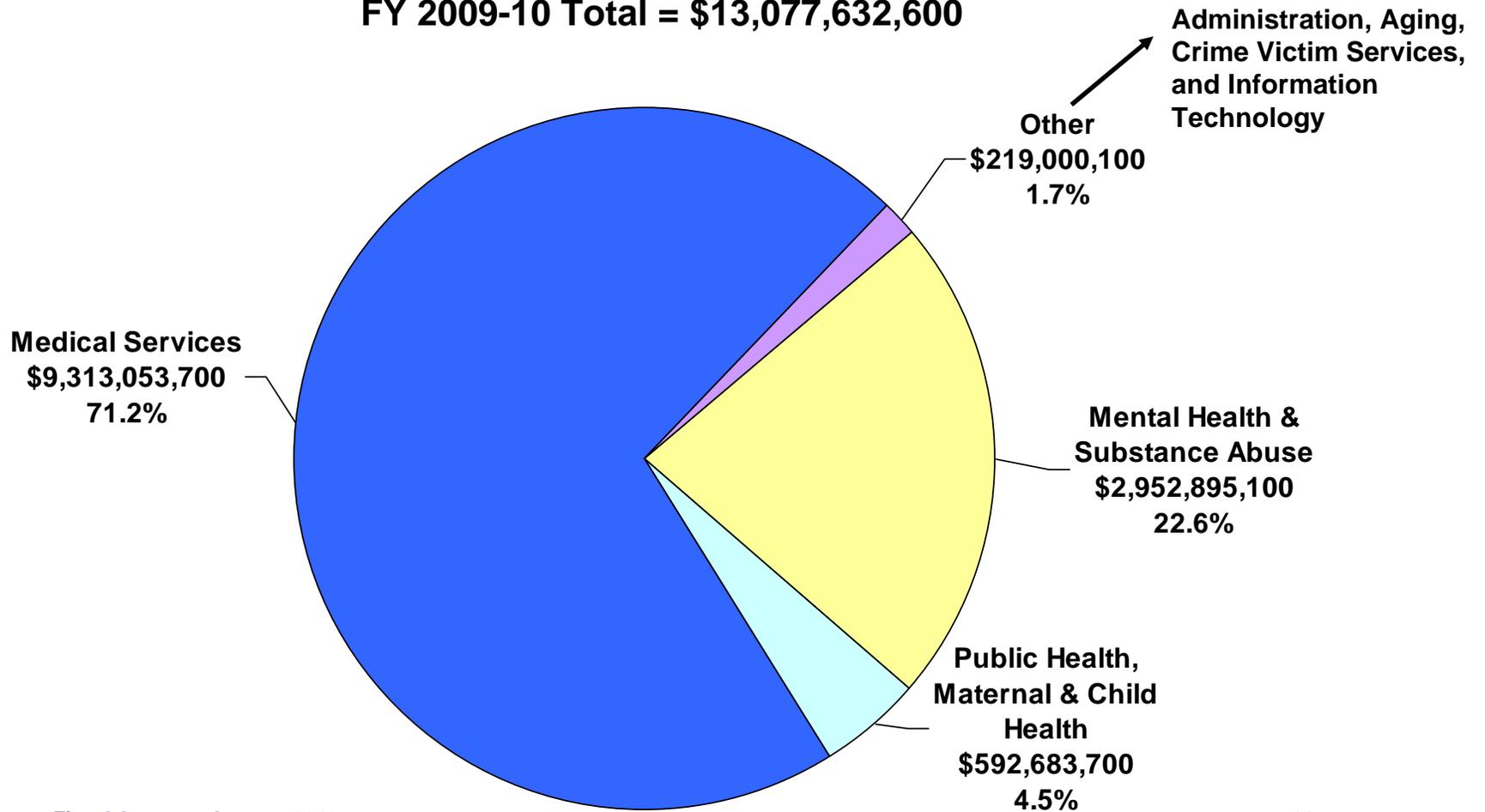
Community Health Spending

- **MIChild coverage for non-Medicaid eligible children, and indigent care programs**
- **Support services for Michigan's older persons and their families through regional Area Agencies on Aging**
- **Anti-drug abuse education and drug law enforcement grants**
- **Services, support, and compensation for victims of crime**
- **Implementation of safe health care services through health care facilities and professionals**
- **FY 2009-10 DCH spending by major area is shown on the next chart**

Community Health Total Spending

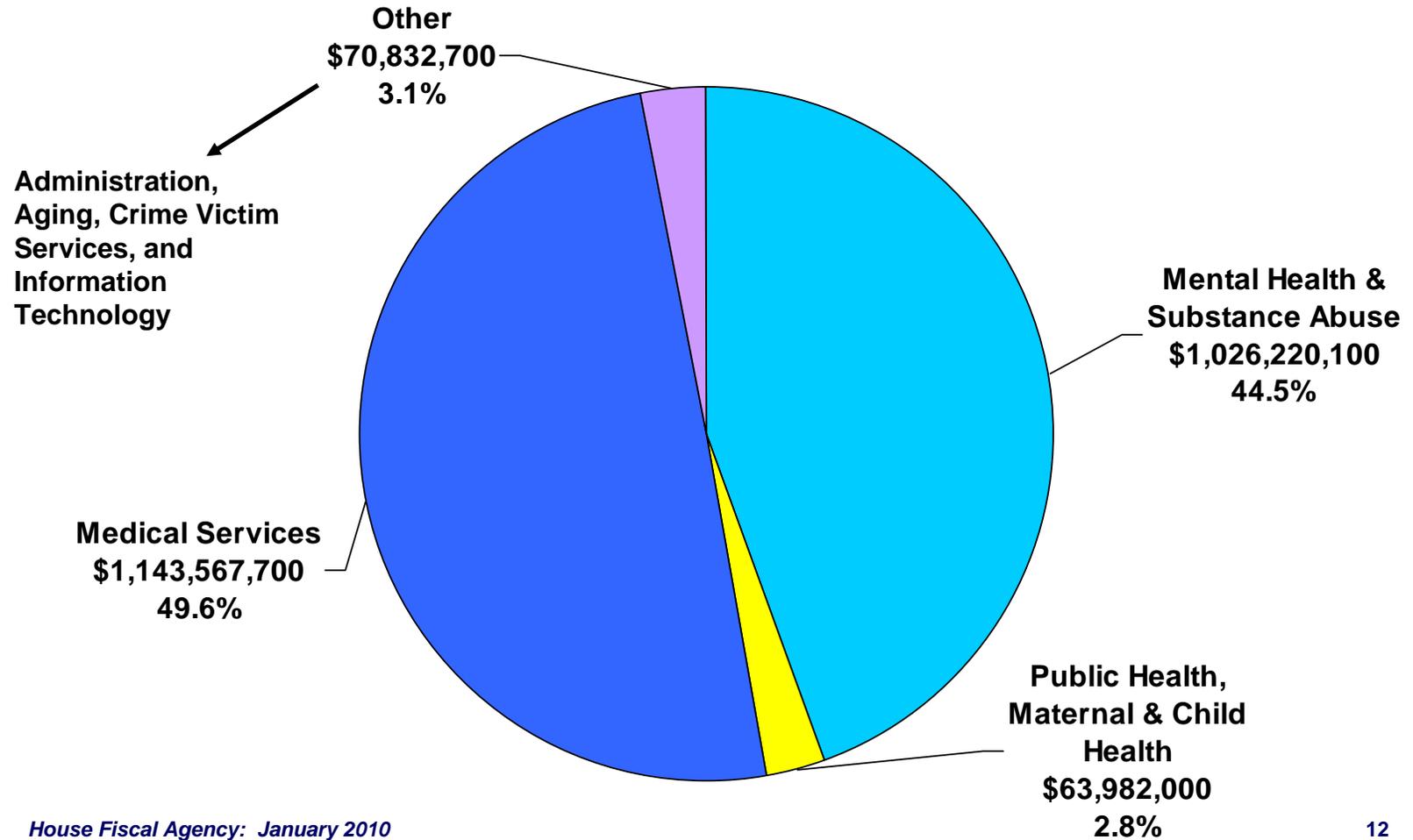
Medical Services account for 71% of Community Health spending, followed by Mental Health and Substance Abuse Services at 23%.

FY 2009-10 Total = \$13,077,632,600



Community Health GF/GP Spending

FY 2009-10 Total GF/GP = \$2,304,602,500



**MAJOR
COMMUNITY HEALTH
PROGRAM AREAS**

Departmentwide Administration

Primarily for centralized administrative functions in DCH
\$97.8 million – 188.2 FTEs

- Director and Other Unclassified Positions
- Organizational Support
- Budget and Audit
- Rent and Building Occupancy
- Workers Compensation Program
- Information Technology Services and Projects

Mental Health and Substance Abuse

**Administration and programs related to mental health and substance abuse services
\$3.0 billion – 2,718.5 FTEs**

- **Mental Health and Substance Abuse Program Administration**
- **Community Mental Health Services Programs**
- **State Operated Hospitals**
- **Forensic and Prison 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
\$249.6 million – 472.7 FTEs**

- **Public Health Administration**
- **Infectious Disease Control**
- **Laboratory Services**
- **Epidemiology**
- **Bioterrorism Preparedness**
- **Local Public Health Operations and Grants**
- **Chronic Disease and Injury Prevention, and Health Promotion**
- **Vital Records and Health Statistics**

Health Policy, Regulation, and Professions

License and regulate health care facilities, substance abuse programs, emergency medical services authorities, and health professions

\$66.8 million – 420.6 FTEs

- **Health Systems Administration**
- **Radiological Health Administration**
- **Background Check Program**
- **Emergency Medical Services Grants and Services**
- **Health Professions**
- **Certificate of Need Program Administration**
- **Health Policy, Regulation, and Professions Administration**
- **Rural Health Services**
- **Primary Care Services**

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
\$276.3 million – 99.3 FTEs**

- **Women, Infants, and Children Food and Nutrition Program**
- **Local Maternal and Child Health Services**
- **Family Planning and Pregnancy Prevention**
- **Childhood Lead Poisoning Prevention**
- **Dental Programs**
- **Administration and Other Projects**

Crime Victim Services

**Grants, services, support, and compensation for victims of crime
\$29.4 million – 11.0 FTEs**

- **Justice Assistance Grants**
- **Crime Victim Rights Services Grants**
- **Crime Victim Compensation Grants**
- **Crime Victim's Rights Fund Revenue for State Police and Human Services Programs**

Office of Services to the Aging

**Services and support for older persons in need
\$91.9 million – 44.5 FTEs**

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

Medical Services

Health care services to 1.68 million low income persons through Medicaid
and other programs
\$9.3 billion – 425.8 FTEs

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

MAJOR BUDGET ISSUES

Community Health Budget Issues

- **Consolidations of CMHSPs and substance abuse coordinating agencies**
- **Mental health and substance abuse services non-Medicaid funding**
- **Coverage and reimbursement for prescription drugs**
- **Medical Marijuana Program**
- **Healthy Michigan funding reductions for disease prevention projects**
- **Michigan Health Initiative Fund reductions to public health programs**
- **GF/GP funding reductions to public health and aging programs**
- **Local public health operations funding**
- **Availability of Federal American Recovery and Reinvestment Act (ARRA) funding for Medicaid, public health, and primary care**

Community Health Budget Issues

- **Medicaid estate recovery and citizenship verification**
- **Senior prescription drug assistance programs**
- **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 information technology**

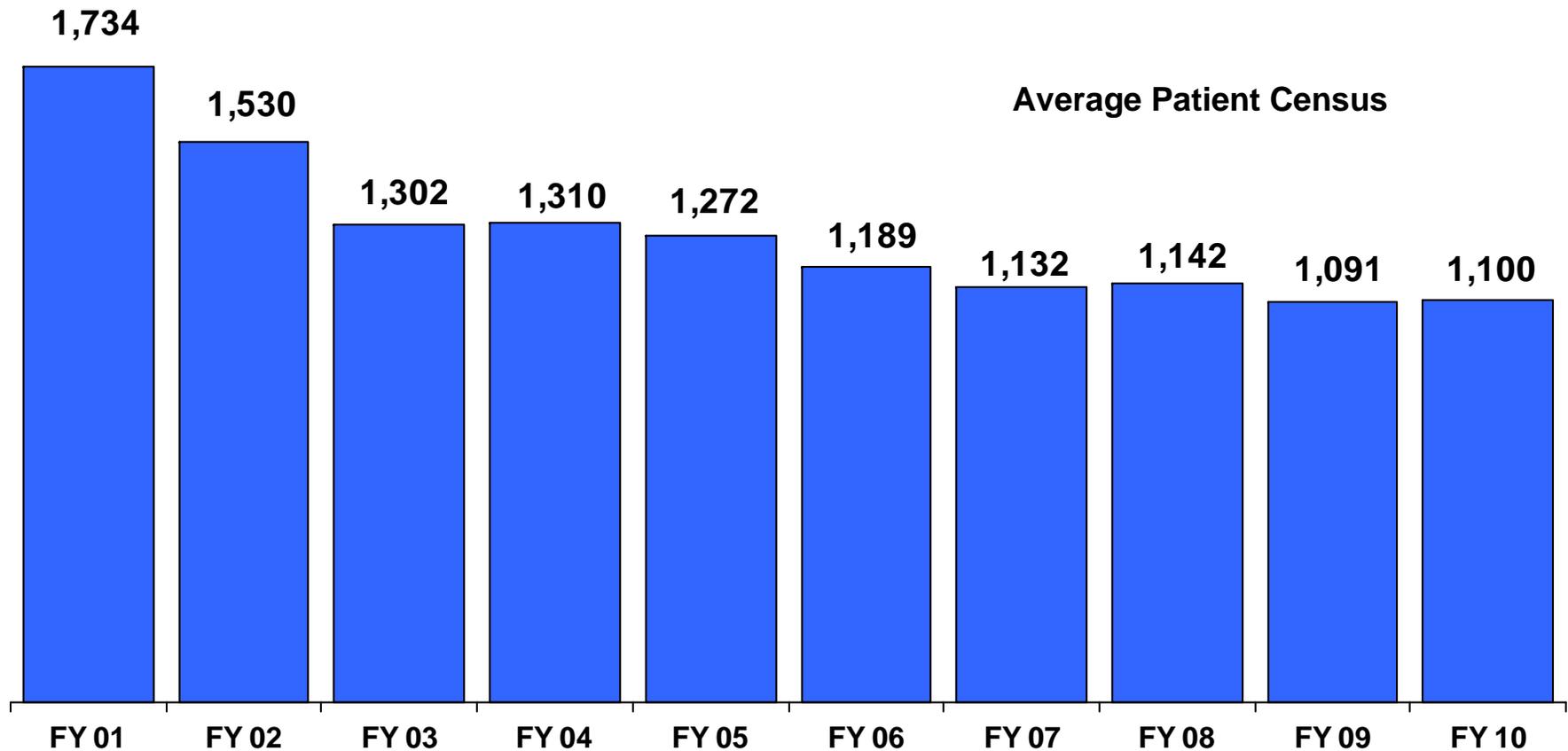
MENTAL HEALTH AND SUBSTANCE ABUSE

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**
- **Mt. Pleasant Center for Persons with Developmental Disabilities closed on October 10, 2009**
- **More recently, funding for Medicaid mental health services has increased significantly more than funding for Non-Medicaid mental health services**

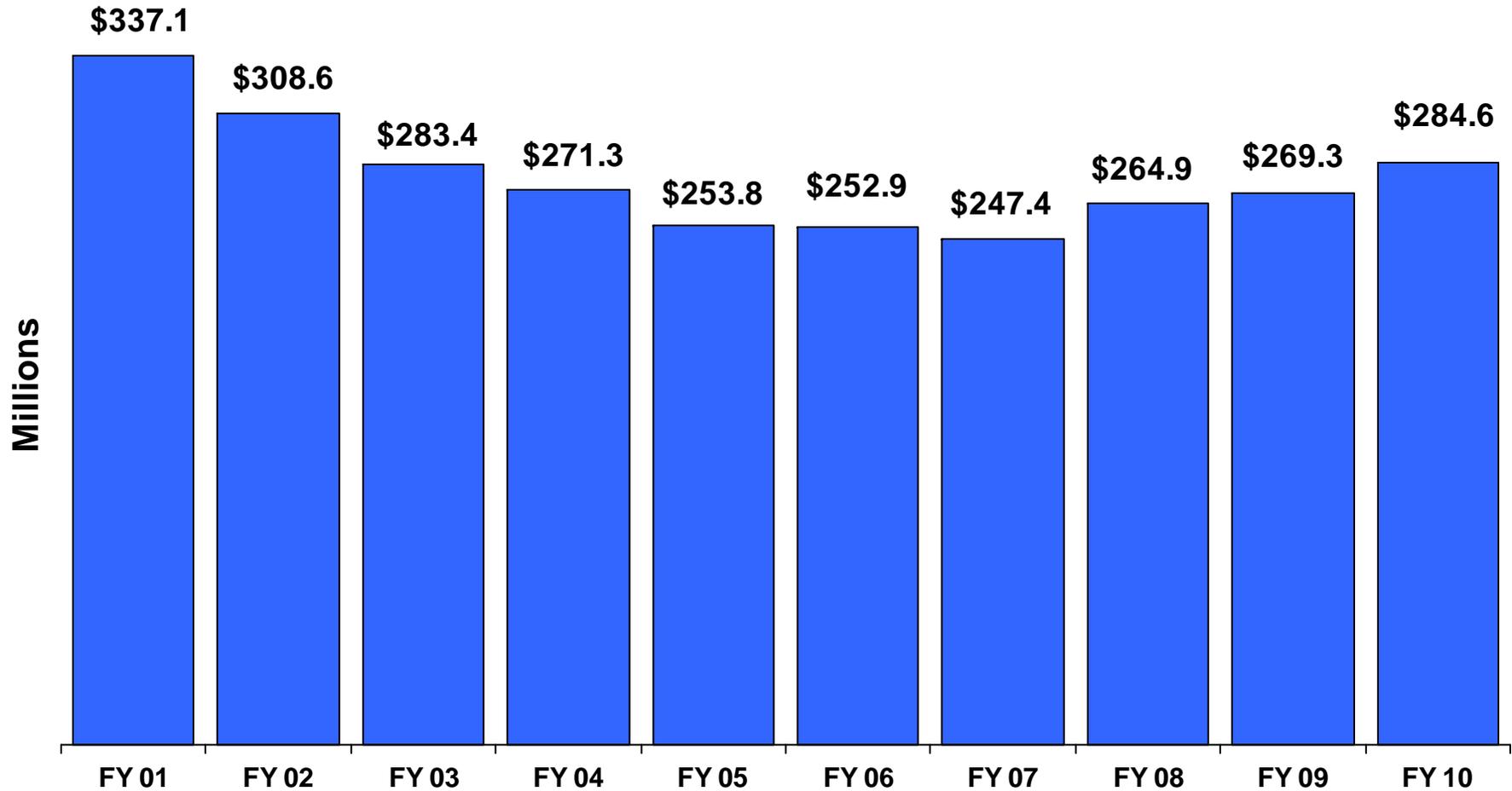
Patients in State Mental Health Facilities

The number of patients in state-operated mental health facilities has fallen since FY 2000-01 due to facility closures and more community based services.



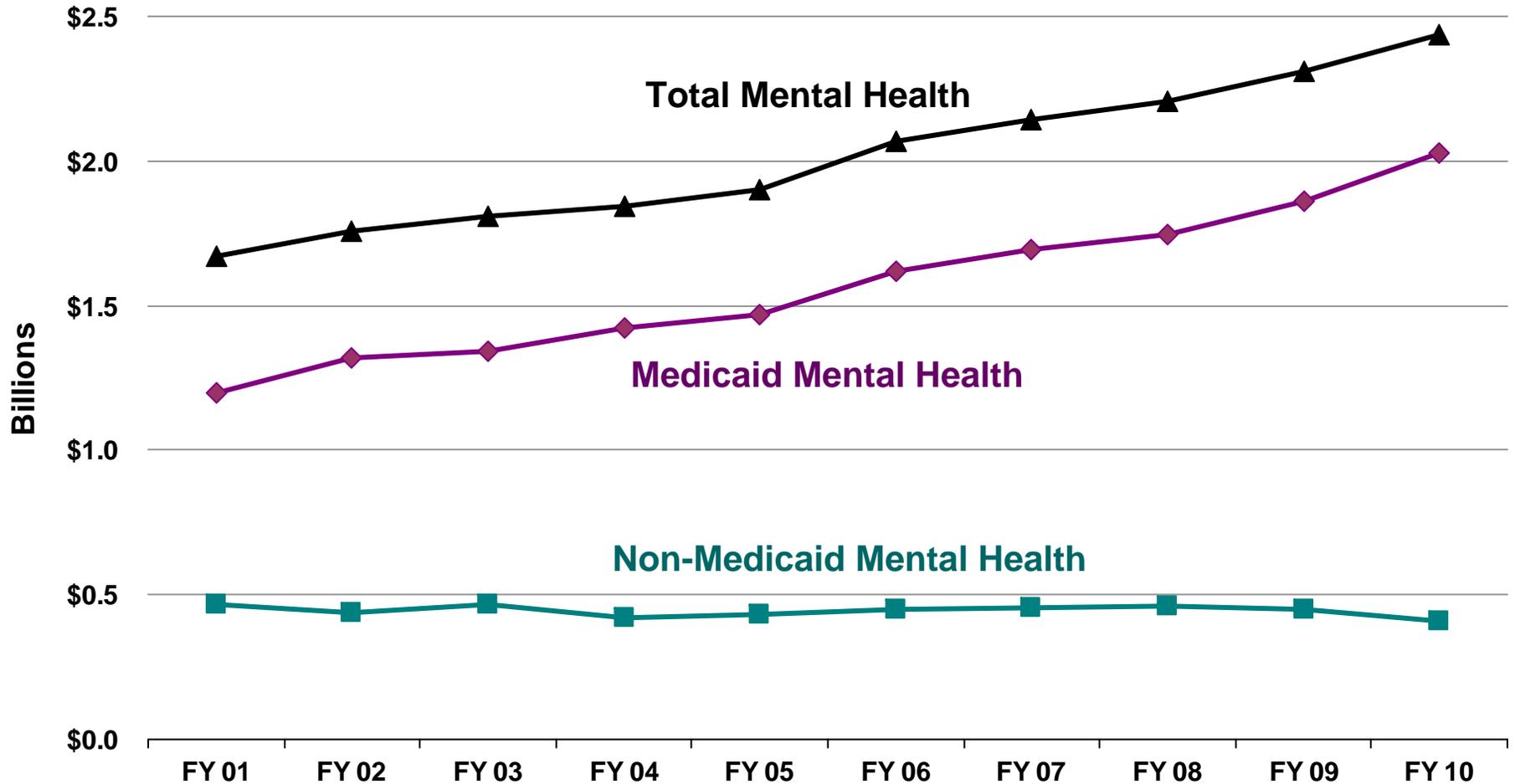
State Mental Health Facility Expenditures

Expenditures for state mental health facilities declined since FY 2000-01 due to facility closures and fewer patients although there have been some fluctuations.



Mental Health Spending

Since FY 2000-01, Medicaid Mental Health spending has increased by 69.1%, while Non-Medicaid Mental Health spending has decreased by 13.0%.

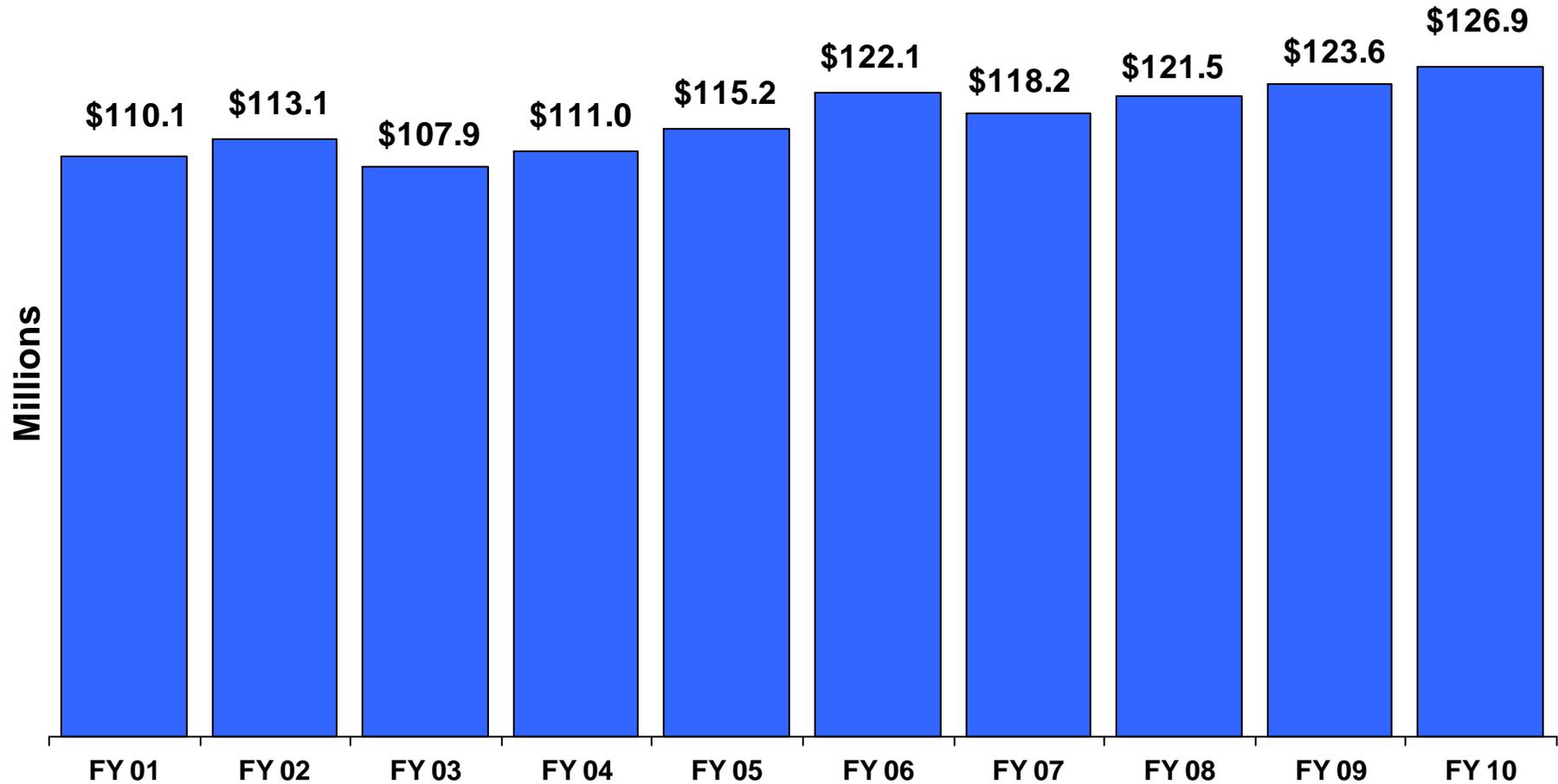


Substance Abuse Services

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



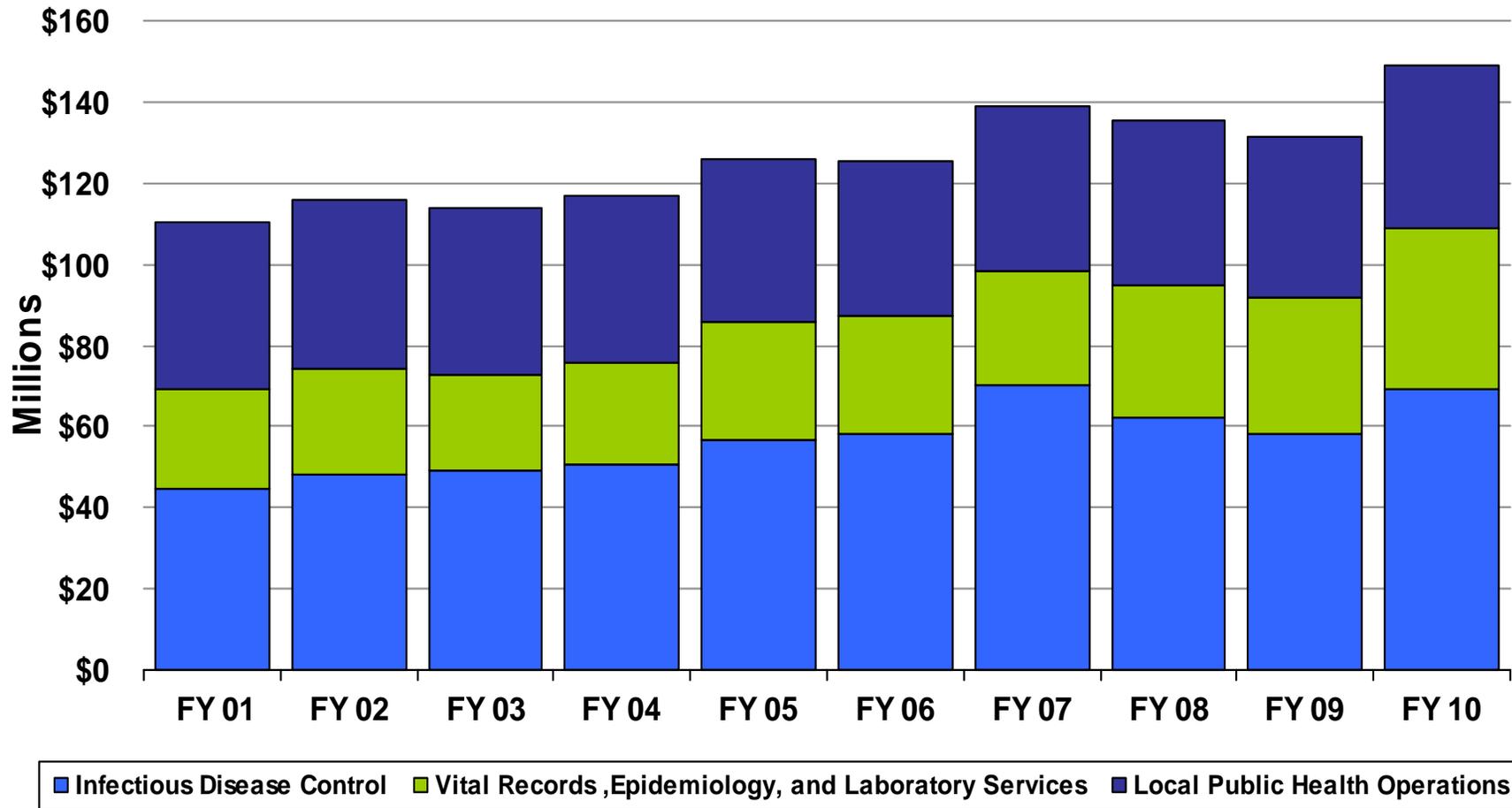
PUBLIC HEALTH

Public Health Services

- **The Michigan Constitution establishes public health as a matter of primary public concern and the 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 such as 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 have grown from 56% to 65% 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**

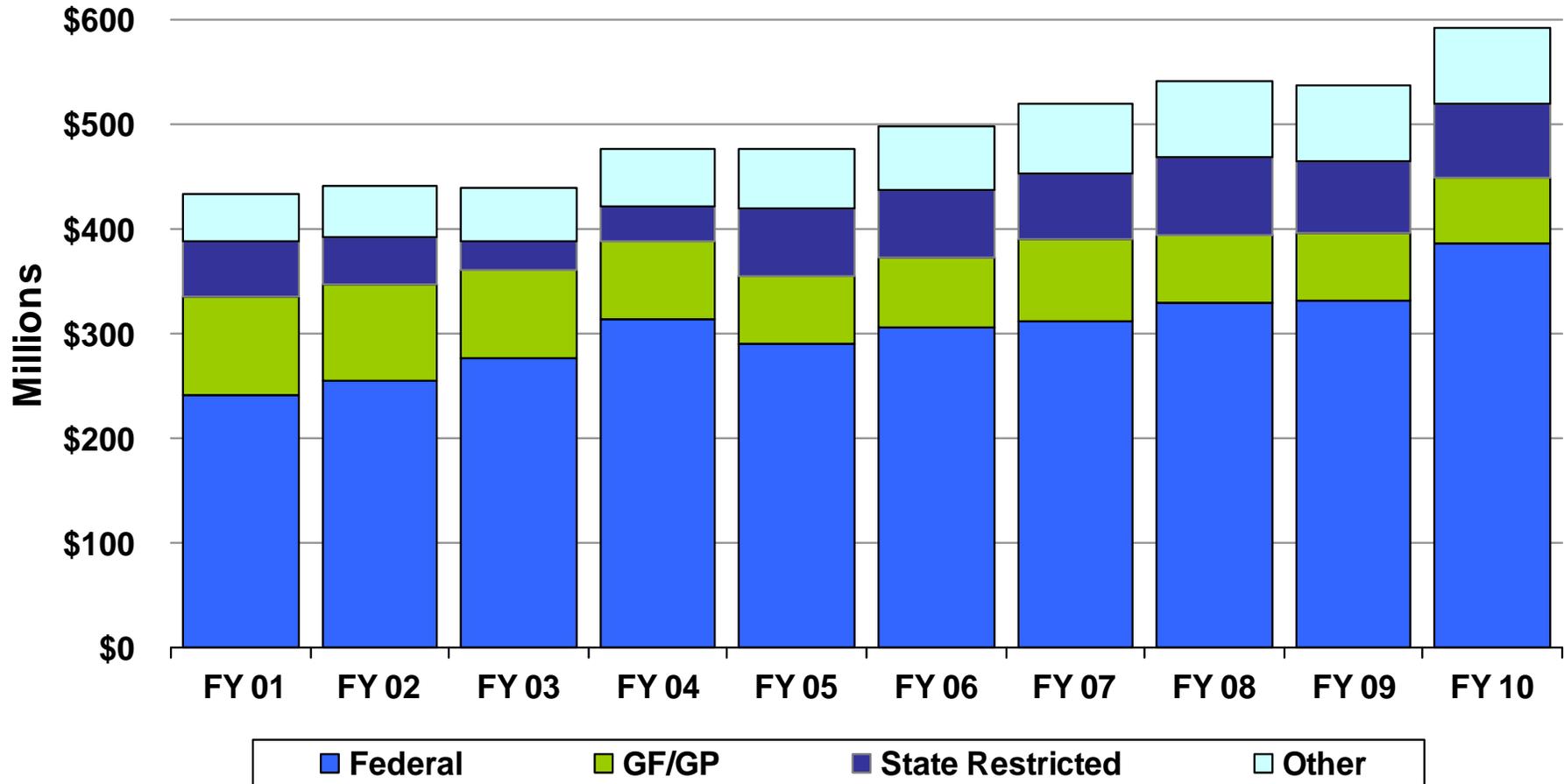
Key Public Health Services

Spending for key public health services has increased 35% over the past ten years. However, there has been no change in Local Public health Operations funding. Growth is supported by increases in federal and private revenues and fees. GF/GP support for all programs has been reduced.



Total Public Health Funding and Sources

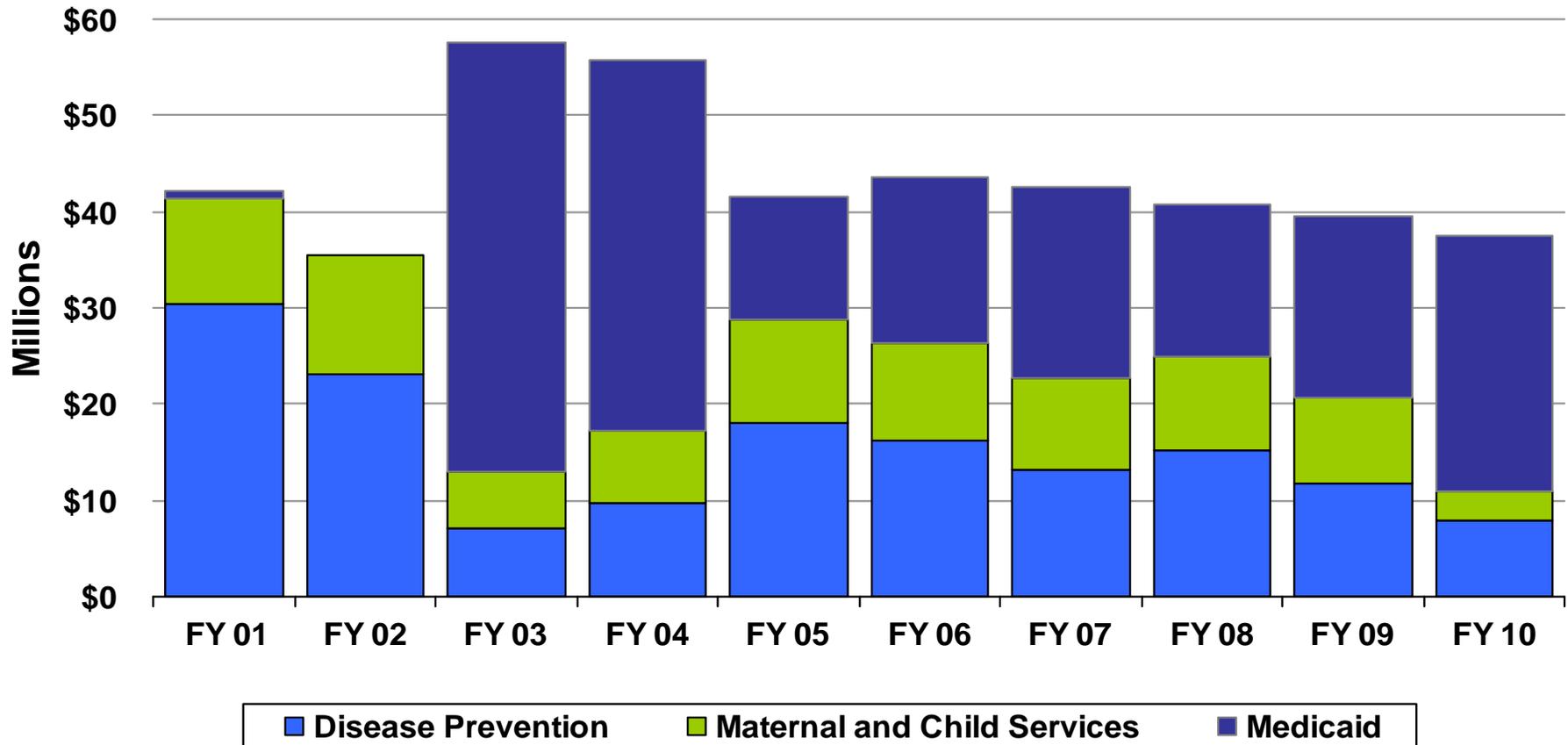
Growth in all public health and family health programming over the past ten years is primarily supported by increased federal grant funds. GF/GP funding continues to be reduced.



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

Healthy Michigan Fund

Past Healthy Michigan funding targeted to disease prevention projects has been redirected to Medicaid since FY 2002-03. Fluctuations in total Healthy Michigan Fund spending also reflect 2002 and 2004 cigarette tax changes, and use of available Fund balance in 2003 and 2004. Overall Fund revenue from the tobacco tax is declining due to reduced cigarette consumption.



Note: As shown, FY 2001-02 does not include a lapse of \$3.45 million of Healthy Michigan Funds to the General Fund pursuant to Executive Order 2001-9

MEDICAL SERVICES

Medical Services

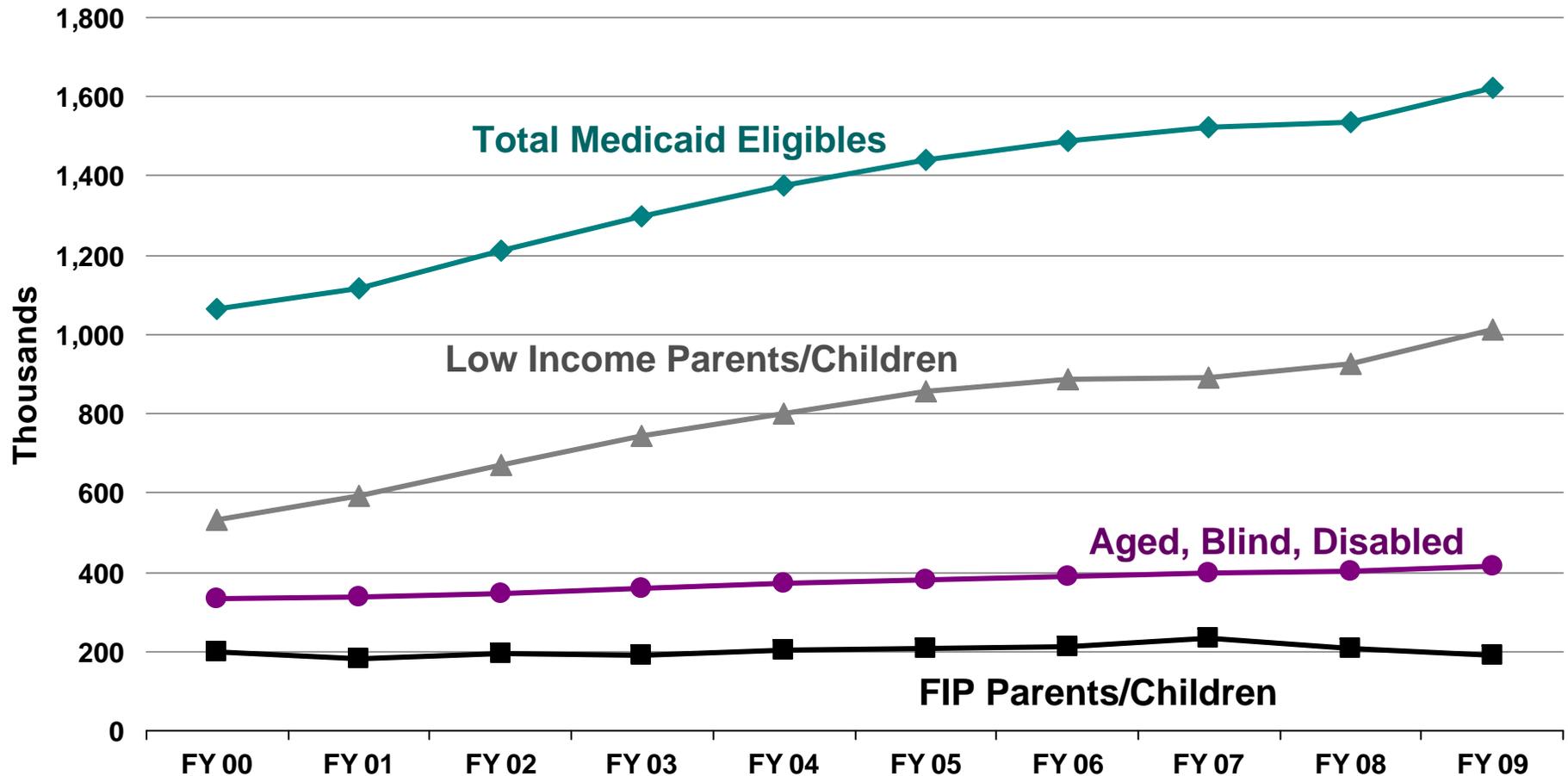
- **Medicaid is the state's primary health care safety net program providing coverage to 1.68 million persons including:**
 - **Families receiving Family Independence Program assistance**
 - **Aged, blind and disabled persons on Supplemental Security Income**
 - **Pregnant women and newborn children 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 2009-10 is 63.19%. However, the federal ARRA stimulus act increased federal cost sharing to 73.27%, thereby reducing the state share to 26.73%. Enhanced federal match rates will continue until January 2011.**

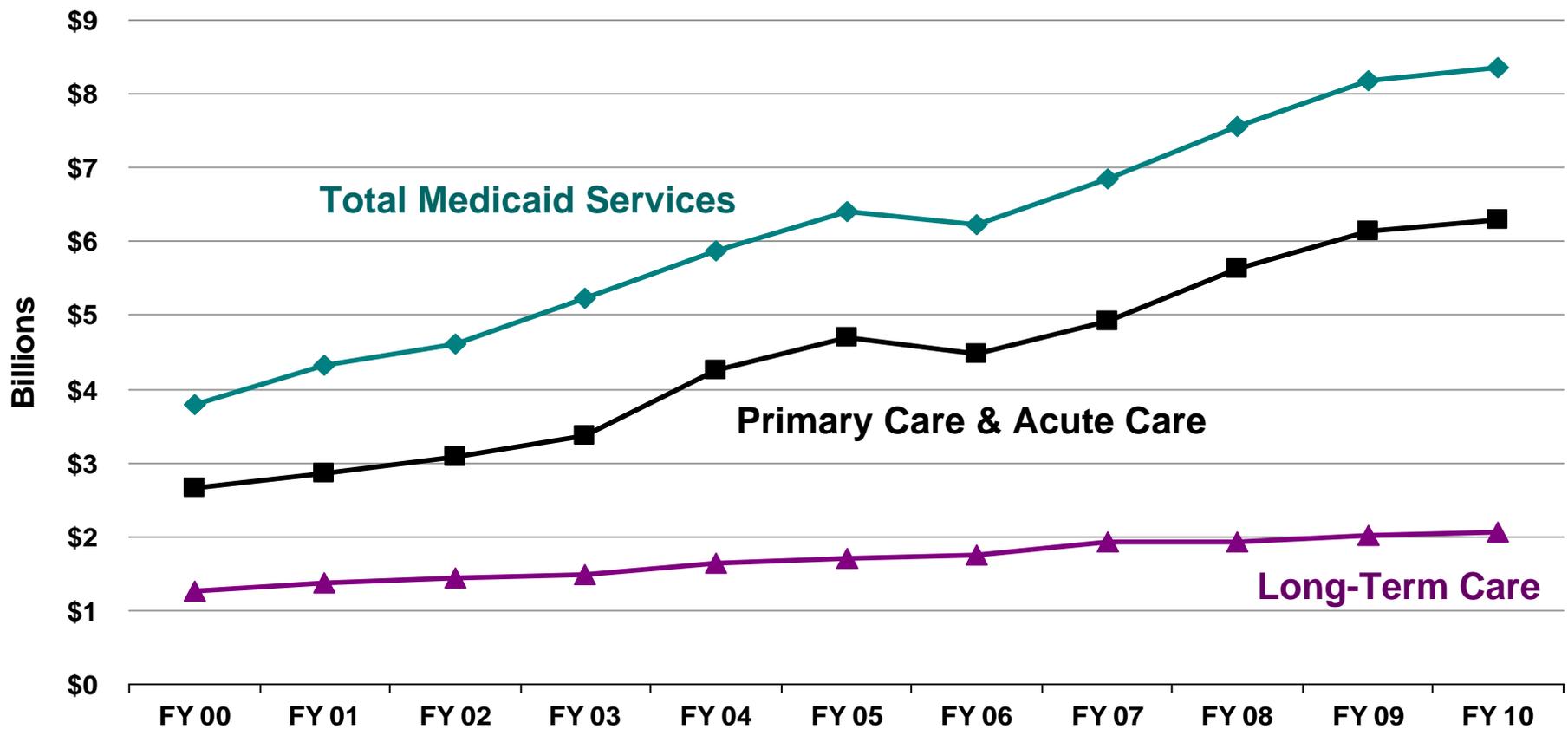
Medicaid Caseload

The number of persons eligible for Medicaid has risen by over 559,400 since FY 1999-2000, after years of gradual decline. Family Independence Program (FIP) families on Medicaid have declined since FY 1997-98; this has been offset by increases in low income parents and children who do not qualify for FIP and by the aged/disabled.



Medicaid Expenditures

The cost of Medicaid services has increased steadily since FY 1998-99, after remaining relatively flat for several years. Medicaid fee-for-service expenditures declined as managed care grew; rising pharmacy costs and disenrollment of Medicare beneficiaries from managed care are driving fee-for-service costs up again. Long-term care expenditures continue to rise.



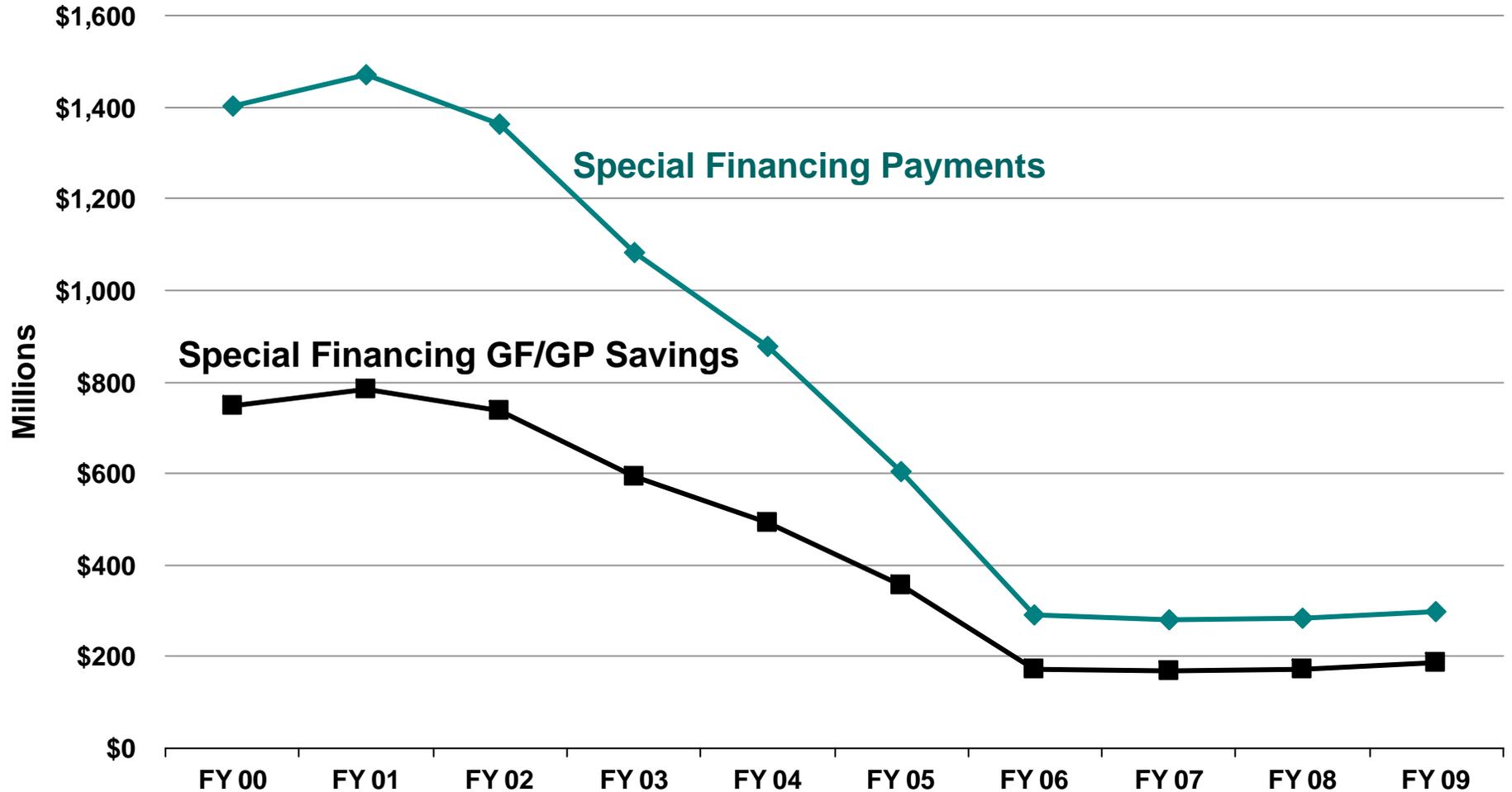
Note: Expenditures exclude mental health, substance abuse, children's waiver, and children's special health care.

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.

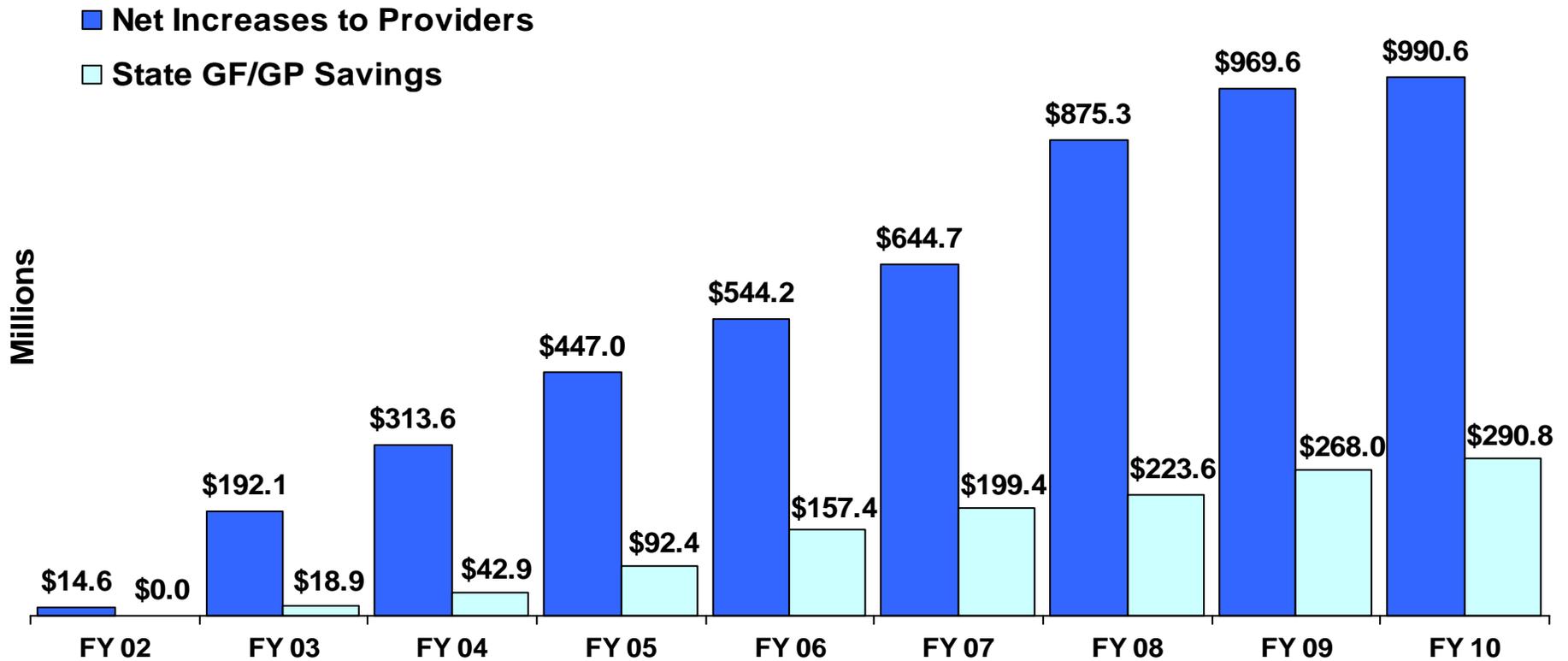


Health Care Provider Assessments

- Statutorily based, health care provider 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 (QAAP)
- 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 and QAAP 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
- Beginning in FY 2009-10, requirements of the Federal Deficit Reduction Act jeopardized operation of the managed care component of the assessment program. In April 2009, the Use Tax Act was amended to extend the 6% use tax to Medicaid managed care organizations. This replaced the 5.5% QAAP tax that had been previously imposed on these entities.

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 \$290.8 million in FY 2009-10.



**For more information about the
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