

Michigan State Medical Society Government Relations

Issue: Governor's Executive Budget Proposal
Department of Community Health, Medicaid Budget

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ISSUE BRIEF

SHORT SUMMARY:

Today the governor offered the following for her balanced budget proposal in terms of Community Health.

- A general fund reduction towards Medicaid totaling \$133 Million.
- The implementation of a Physician Quality Assurance Assessment Program (estimated generated revenue of \$300 Million)

Other highlights possibly effecting Physicians:

- Ending pharmaceutical immunity in Michigan
- Creation of the Office of Health Services Inspector General
- Allocation of \$649 Million for No Worker Left Behind and Michigan Nursing Corps.
- Elimination of MBT Surcharge
 - Cutting in half by 2011
 - Total elimination by 2012
- Reduction of gross receipts rate for MBT
 - Lowering from 0.8% to 0.6% starting in 2012 and ending by 2013.

ISSUE:

Medicaid:

Current over all suggested appropriations for Medicaid: \$14.4 Billion

- The increase in the caseload in Medicaid from 2000-2011 increased by 65%.

Michigan State Medical Society Governmental Relations Department

- Medicaid budget makes up 91% of Department of Community Health Budget. (*see addendum 1*)
- Recommends:
 - \$7.3 Billion for medical services
 - \$2.1 Billion for Long term care (increase of 14% due to increased caseload, utilization/inflation, special provider payments, and actuarial soundness.)
 - \$137.2 Million added for the increased usage of Medicaid.
 - \$73.7 Million added for increasing payment rates to HMO providers
 - \$526.3 Million invested in community-based long term care services.
 - \$137 Million for Adult Benefits Waiver program.
- QAAP (Physician Tax)
 - Looking to increase the reimbursement rates to Medicaid participating physicians by 80%. Saving the GF/GP of \$133 Million while adding additional federal revenue.
 - Physicians would have to pay a rate of 3% generating an estimated \$300 Million which would create a net increase in Medicaid revenue of \$167 Million.
 - This would provide the state to additional federal revenue on the backs of Michigan Physicians while their reimbursement rate would not cover the rate at which they would pay the tax.
 - In section 1830 of the appropriations bill presented by governor offers the vehicle for the QAAP.
 - The section only directs where the funds shall go when the program is enacted.
- Reform Proposals:
 - Office of Health Services Inspector General:
 - Generate \$7.7 Million in FY 2011
 - \$50 Million by FY 2015.

General Department of Community Health Budget over can be seen in addendum 2.

Michigan Business Tax:

- In an effort to spur job growth the Governor offered a proposal to eliminate the MBT Surcharge and drop the tax rate two tenths from 0.8 to 0.6.
 - Surcharge:
 - Would be cut in half by 2011
 - Eliminated by 2012.
 - Tax rate:
 - Dropped to 0.7% by 2012
 - Dropped to 0.6% by 2013
- Changes in the tax rate would create \$2.6 Billion in total tax savings over 4 years.

Other Notable Issues:

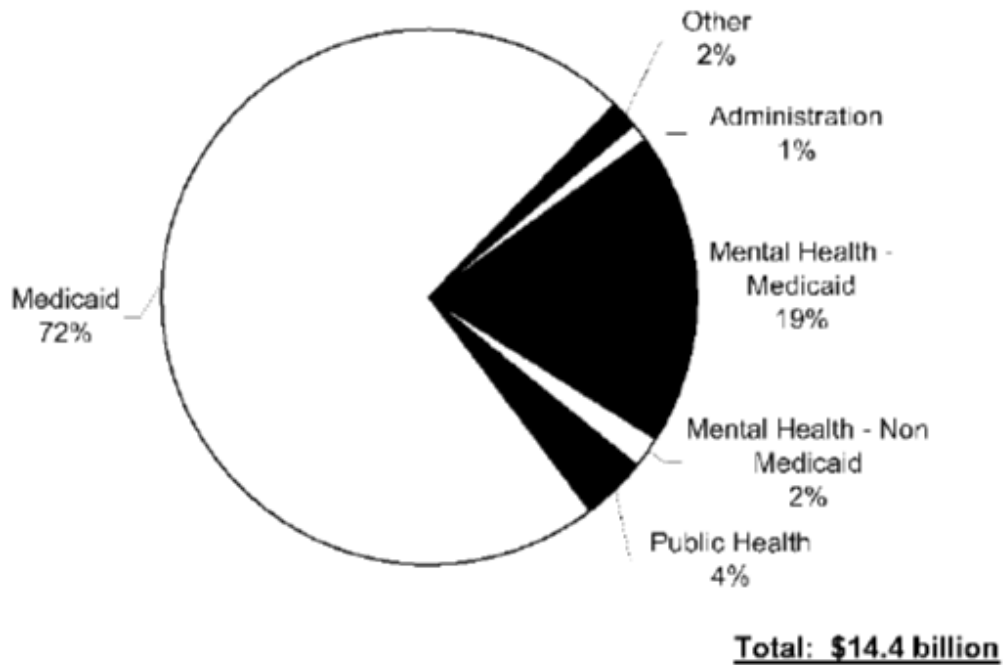
- Restructuring Michigan's tax system that would place the income tax rate at 5.2% and would generate revenue to the tune of \$554 Million.

- The Governor proposes ending the pharmaceutical immunity for drug manufactures in Michigan claiming that through the settlement revenues generated from the lawsuits would offset the costs of Medicaid.
- Offering \$648 Million for No Worker Left Behind and the Michigan Nursing Corp programs.

*The next revenue estimating conference happens in May, and then the budget will start to take shape after the legislature has revised estimates on the amount of revenue the state will generate.

Addendum 1

Medicaid Makes up 91% of DCH Budget



Emmerson, Robert. "Executive Budget for FY 2011." *State Budget Office*. 02/11/2010. State of Michigan, Web. 11 Feb 2010. <http://www.michigan.gov/documents/budget/2_310743_7.pdf>.

Addendum 2

Fiscal Year 2011 Governor's Recommendation Department of Community Health (\$ in Thousands)		
	FY10 Current Law*	FY11 Recommendation
GF/GP	\$2,304,602.5	\$2,016,461.8
All Funds	\$13,073,089.3	\$14,396,931.0
	% Change - GF/GP	-12.5%
	% Change - All Funds	10.1%
Programs	GF/GP	All Funds
Medicaid		
Medicaid Fee for Service	\$465,098.5	\$5,584,141.9
Medicaid Managed Care Services	\$231,797.1	\$4,371,469.1
Children's Special Health Care Services	\$89,864.4	\$248,073.3
Federal Medicare Pharmaceutical Program	\$20,945.8	\$180,945.8
Medicaid Adult Benefits Waiver	\$23,117.7	\$104,856.8
Mental Health - Medicaid	\$740,916.1	\$2,681,504.1
Mental Health - Non-Medicaid	\$283,912.6	\$283,912.6
Public Health	\$48,467.5	\$529,657.0
Administration	\$63,933.9	\$176,873.7
Other		
Office of Services to the Aging	\$27,566.4	\$90,827.0
Health Policy, Regulation & Professions	\$8,568.4	\$65,448.5
Information Technology Services	\$12,273.4	\$52,165.3
Crime Victim Services	\$0.0	\$27,055.9
* Adjusted for program transfers		
Total FY 2011 Recommendation	\$2,016,461.8	\$14,396,931.0

Emmerson, Robert. "Executive Budget for FY 2011." *State Budget Office*. 02/11/2010. State of Michigan, Web. 11 Feb 2010. <http://www.michigan.gov/documents/budget/2_310743_7.pdf>.