



## HEALTH POLICY BULLETIN

### FOCUS: A MEDICAID MOMENT

Last Friday, the legislature completed its work on the FY 1991 budget. The Medicaid budget was settled in conference committee without much fanfare, and outgoing Department of Social Services (DSS) Director Pat Babcock received a much-deserved standing ovation from the conferees and observers. The ovation was not only a sign

of the genuine respect among legislators and lobbyists alike for Babcock, it also was a momentary pause to credit hard work and good humor before the serious problems with the budget have to be considered once again.

First, the good news. The DSS budget conferees and state budget director Shelby Solomon agreed to give providers their two-percent inflation increase for the last two months of FY 1990. That increase also has been rolled into the increase in the Medicaid base for FY 1991, producing a \$64 million gain over the current fiscal year.

Despite these adjustments, the Medicaid budget is smaller than it was in FY 1990 when the supplemental is included. Of the four biggest lines, only nursing homes avoided cuts. The total Medicaid budget is \$1,780 million, down 3.0 percent from FY 1990. Hospitals will receive \$716 million for FY 1991, 7.9 percent less than in the current fiscal year. Physicians will receive \$197 million, a 1.6 percent cut; nursing homes, \$344 million, a 6.8 percent increase; and pharmaceutical services, \$185 million, an 8.1 percent cut from FY 1990. These figures include the \$29 million in cost-containment measures, which is much less than the governor's original recommendation for \$83 million in cuts.

The equanimity with which, at least in public, the House and the Senate conferees as well as lawmakers and health industry representatives ironed out this budget masks a central truth: Medicaid is gravely underfunded, probably to the tune of \$100 million. This does not take into account the additional funding that will be necessary if the appeals court upholds lower courts' decisions in favor of hospitals and nursing homes. Underfunding has been the cry in past years, but this year the magnitude of the problem is likely to force major changes in policy and/or revenue collection, rather than be simply a matter of passing a supplemental.

The gravity of the situation is reflected in many observers' comments. Mary Anne Ford of the Michigan State Medical Society says that physician services are "adequately funded, but we aren't optimistic that it will hold. We'll have to face up to the underfunding in December." Larry Wagenknecht of the Michigan Pharmacists Association is pleased with the two-percent provider increase, but "the budget may not be over; after the election, we may have big cuts."

Imminent cuts are written into all but the community colleges budget. Boilerplate calls for the Department of Management and Budget (DMB) to audit every line item to determine whether the FY 1991 appropriation, given expenditures and projected revenues, is sufficient to carry out the program as the legislature intended for the entire fiscal year. If the budget director believes funding is insufficient for any line item, he/she must notify the legislature. Working with the fiscal agencies, the legislature will determine if it agrees with the budget director's assessment. If the legislature does not agree, the fiscal agencies have ten days to decide whether a line item can be funded at the appropriated level. If the line item cannot be funded adequately, or if the legislature agrees with the budget director, it has thirty days to (1) reduce the mandated level of service, (2) authorize the program to end before the completion of the fiscal year, or (3) increase the appropriation by a transfer or supplemental. If the legislature fails to act within thirty days, the budget director would reduce the rate of spending for the line item to ensure that the program is funded for the entire year.

Chuck Ellstein of the Michigan Hospital Association is wary. "We could see increased caseloads and even lower appropriations. If this occurs, I'm not sure where cuts will be made. Federal law seems to prohibit cuts in payment levels for hospitals and nursing homes based solely on state budgetary pressures. That leaves cutting eligibility or services."

Why has the legislature passed a budget that everyone agrees is underfunded? House DSS Appropriations Subcommittee chair David Hollister explains: "It buys time; it gets us through the election. The boilerplate doesn't allow for cuts to be made until December, but it does allow for cuts then. It will be difficult for the governor to cut the hospital and nursing home lines, however, given the fact that the lawsuits alleging Medicaid underpayment are still on appeal." Rep. Hollister adds that the governor could veto the entire DSS budget or Medicaid, but that is less likely if he has the option to sign the budget and make cuts in December.

The consensus is that, come December, the Medicaid budget will be revisited. "After the election and before the new session, the crash will come. I hope that we have a serious debate then about new sources of revenue," Hollister says.

## **FOCUS: NATIONAL COUNCIL ON ALCOHOLISM SURVEY**

Crack may get the headlines, but alcohol kills and the people of Michigan know it, according to a survey released in mid-June by the Michigan chapter of the National Council on Alcoholism. A telephone survey of a random sample of 400 Michigan residents by the Communication Research Institute, Michigan State University, drew several responses guaranteed to raise the blood pressure of the alcoholic beverages industry and to warm the cockles of substance abuse prevention and treatment professionals.

More than three-quarters (78 percent) of the sample viewed alcohol abuse as either a very serious or somewhat serious problem where they live. More women (59 percent) than men (43 percent) see alcohol as a very serious problem, as do college graduates (58 percent). Less than half (46 percent) of college students see alcohol abuse as very serious. By comparison, other substances such as cocaine (56 percent), marijuana (53 percent), heroin (29 percent), and prescription drugs (31 percent) are viewed as being linked to very serious or somewhat serious abuse problems.

There was overwhelming support across all groups in the sample for increasing public awareness of substance abuse services (94 percent), increasing the treatment services available to help with such problems (90 percent), and increasing prevention and education efforts to reduce problems (95 percent). Only the alternative of increasing law enforcement efforts to reduce problems received less support (80 percent).

Five questions on the survey dealt with funding sources for treatment. Half of the survey respondents favored changing health insurance coverage so that substance abuse services were covered; only the 50 and older age group and rural residents were opposed to this approach. (Substance abuse services are a mandated benefit under Michigan law but not under self-insurance plans regulated by federal law.) Nearly three-quarters (71 percent) of the sample approved increasing government funding for services. While respondents were opposed to raising the state income tax (62 percent) or the state sales tax (72 percent), they heartily supported (83 percent) raising taxes on alcoholic beverages and earmarking the increased revenues for treatment services. The current state tax on a bottle of beer is 1.9 cents (the federal tax is 2.7 cents); 34 percent of those surveyed feel the state tax per bottle should be between 3 and 5 cents, and 35 percent feel it should be 6 to 10 cents per bottle or more. The other 14 percent favoring a tax increase did not specify the size. According to the Liquor Control Commission, in 1989 6,799,926 barrels of beer (or 376 million six-packs) and 63,921,759 liters of wine were sold in Michigan. If the Michigan tax on beer were increased to 6 cents per bottle, about \$100 million dollars would be raised.

Two questions surveyed attitudes about changes in drunk driving laws: 64 percent favored lowering the blood alcohol level to .08 percent from the current .10 percent, and 67 percent supported changing the law to allow police to revoke a driver's license on the spot if a driver failed a breathalyzer test. Finally, the survey showed that 72 percent of the sample knew well someone who had experienced alcohol or other drug problems.

William Fairgrieve, executive director, National Council on Alcoholism, Michigan, was surprised by some of the survey results: "I am astounded by the number—72 percent—who had either a family member or a close friend with a problem." Asked about what kind of legislation substance abuse groups were likely to support, he said, "I think one can safely conclude that increased money for prevention and treatment rather than law enforcement is going to be a goal, and more warning and labeling legislation. The real push is going to be on access to care for individuals and members of the family because substance abuse is a family disease." Noting that in this era of cost containment, some insurers and employers are eliminating or restricting coverage for substance abuse treatment, he commented, "The irony is that they are being pennywise and pound foolish. Studies show that when a family member gets help for a substance abuse problem, the use of other health services by the rest of the family goes down."

Joan Walker, administrator, Office of Substance Abuse Services, was very pleased by the degree of public support for restricting alcohol advertising, especially in college newspapers and at events frequented by young people. Walker also said, "I'm not surprised at the opposition to an increase in the income or sales taxes, but the willingness of the public to make a sacrifice and pay more alcohol taxes shows that the public is very concerned. Perhaps their concern reflects some of the effort we have put into prevention and making people aware of the problem." She noted that her agency will undoubtedly use some of the information in the study in its long-range planning.

If legislators take note of the enthusiasm of the survey respondents for both increased treatment services and increased alcohol taxes to fund them, the alcoholic beverages industry could find itself plunged into another battle to defend the present favorable tax rates on beer and wine. The House Subcommittee on Drunk Driving, while it has not yet used the report in its deliberations, appears to be near agreement on a legislative package to tighten drunk driving laws.

## **OF INTEREST**

The legislature is adjourned until September 11.

—Frances L. Faverman, Editor

—Peter Pratt, Health Policy Consultant