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HEALTH POLICY BULLETIN

FOCUS: THE SOCIAL SERVICES AND MEDICAID BUDGET, ROUND TWO

The wrangling over the Department of Social Services (DSS) and Medicaid budgets has come and gone for another year, with most of the participants a little bit happy for small, short-term gains—or cuts in the case of the executive branch—but not at all encouraged by the big picture. The total general fund/general purpose (GF/GP) Medicaid budget is $759.9 million, a 2.5 percent decrease from last year's appropriation ($711.9 million) combined with the recently passed supplemental ($67.1 million). This compares to a .6 percent decrease in GF dollars for the entire DSS budget, from $2.3 billion, including the supplemental for FY 1988-89, to $2.285 billion for FY 1989-90.

By how much is the FY 1989-90 budget underfunded? "That depends on a number of factors next year," says House DSS Appropriations Subcommittee Chair David Hollister. "Federal budget cuts will increase the states' burdens, and the performance of the national economy affects caseloads. Extremely rapid growth this year in foster care payments may also continue. It is hard to say, but I'd estimate $50-70 million right now for the entire DSS budget." Rep. Hollister sums up the budget process as follows: "Given the fact that the governor didn't support any economic increases, I'm delighted with the 2 percent [recipient and provider] increase for six months. Otherwise, the underfunding is demoralizing."

The department itself also is concerned that the budget is underfunded. According to Eileen Ellis, director of Medicaid's Institution Reimbursement Policy Division, the DSS "fears that the small inflation increase for providers will continue to create access problems for recipients." Nevertheless, Ellis is "pleased that it was not necessary to undertake excessive cost-containment in the Medicaid program."

From the providers' perspective, there was a bright spot. Dennis Paradis, Vice-President for Government Affairs, Michigan Hospital Association, said: "The legislature repeatedly stood its ground on the governor's Medicaid cost-containment proposals. Only at the last moment did the conference committee give in a bit, with the utilization controls on inpatient psychiatric care. The legislature is hearing our message." Still, there is more bad news than good news: "This budget means that hospitals will now be reimbursed at 75 cents on the dollar for its costs," Paradis said. The hospital line in the FY 1989-90 budget is $733.8 million gross, down from $735.1 million gross when the FY 1988-89 appropriation and supplemental are added.

Mary Ann Ford, Chief of State Government Affairs, Michigan State Medical Society (MSMS), says that her organization is "pleased with the Medicaid fees enhancements for physicians, but we're not certain that they will have any measurable impact on physician participation in Medicaid."

While all other providers and recipients received an inflation increase of 2 percent for six months, nursing homes were granted a full-year economic increase of 4 percent. Donald Bentsen, Executive Director, Michigan Nonprofit Homes Association, says that while he is "pleased to see some recognition of the plight of nursing homes, this is a mixed blessing. We did better than other providers, but Medicaid still hasn't met its legal responsibility to reimburse us adequately." Bentsen notes that nursing homes are losing the battle for nurses' aides: "For example, a hospital I know of has just hired nurses' aides at $6.90 an hour; most of my members are only able to pay $4.00 to $4.10 an hour. The 50 cents per hour raise that the budget gives us is still not nearly enough."

The pharmacy line once again escaped cuts. The line grew 7.7 percent from FY 1988-89 (including the supplemental), compared with a .2 percent decrease for hospitals, a .2 percent increase for physicians, and an 8.9 percent increase for nursing homes. The pharmaceutical drugs line is by far the fastest growing in the Medicaid budget, having jumped 90.5 percent per recipient of service between 1983 and 1988. This compares to 37.5 percent for all providers, 18 percent for inpatient hospitalization, 16 percent for physicians, 17 percent for basic nursing home care, and 7 percent for skilled nursing home care.

The governor has fourteen days from the date the budget bill officially is presented to him to sign it or veto part or all of it; at press time, the DSS budget bill had not been officially presented. On August 4 the governor signed into law the supplemental, vetoing only $4.5 million in the Department of Commerce budget. Many observers believe he may veto parts of some of the budgets; whether this includes the DSS budget is difficult to predict.

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FOCUS: CON COMMISSION ADOPTS STANDARDS

Anyone who thought the state's new Certificate of Need (CON) Commission would be a rubber stamp for the health care industry or a prisoner of its Michigan Department of Public Health (MDPH) and Office of Health and Medical Affairs staff is busy revising that mindset. On August 1 and 2, the commission demonstrated a significant level of independence in reviewing eight of the eleven standards proposed to it by the staff. Five were adopted (neonatal intensive care and special newborn nursery services/beds, hospital beds, psychiatric beds, extracorporeal shock wave lithotripsy, and the addendum concerning hospital beds for AIDS patients), three were referred back to the staff for additional work (extrarenal organ transplantation services, computer tomography scanners, and the addendum for long-term care services for special population groups), and three were left for the October 11-12 meeting (surgical facilities, megavoltage radiation therapy, and long-term care services).

Comparative review, always a touchy subject in health care circles, was no less difficult for the commission. The staff proposal for a tie-breaker—that, all other things being equal, the CON should be awarded to the applicant filing first—was rejected. The explanation that this was the method used by the Liquor Control Commission was greeted with the reaction that a CON was not the same as a franchise to sell gin but dealt with people's lives and health. The issue was resolved by adopting language that requires the MDPH to award the CON to the applicant best able to promote the availability of quality health services at a reasonable cost.

A second thorny issue was access. The commission made it very clear that access to care was dependent upon clinical need and not on the ability to pay or the source of payment. Access language was inserted in every standard adopted.

The data used by the MDPH to run its Acute Care Bed Need Methodology came in for some criticism from commission members, who did not want to redo the formula but wondered why the department was using old data for planning when newer data were available. Upon discovering that only southeastern Michigan was above the recommended 800 patient days per 1,000 of population, that the rest of the state ranged from 547 patient days to 767 patient days per 1,000, and that the actual utilization of hospital beds statewide in 1986 was 735 patient days per 1,000, the commission adopted the 735 figure and directed the MDPH to adjust its bed need numbers to reflect the newer data. Hence, it appears that Michigan may be in for another round of debedding.

The Department of Mental Health took some lumps over its role in developing standards for psychiatric beds and services. The commissioners were not sympathetic to the difficulties of devising methodologies and standards for evaluating the ability of providers to treat mental illness. An amendment giving the department eighteen months to devise standards for its role in the process was adopted; the commission also instructed the department to report back in October with a workplan to achieve the goals and provided for progress reviews every three months.

Chairperson Lisa Hadden was pleased with the group's accomplishments. She said firmly: "The commission as it stands now will not be a rubber stamp group. Everybody contributed. We examined every problem from all angles and came up with rational and equitable solutions. I'm not sure people thought that would happen, but we proved in the last two days that will happen."

OF INTEREST

The Michigan Department of Public Health (MDPH) was appropriated $134.8 million GF/GP for FY 1989-90, an increase of 0.3 percent from FY 1988-89 when the supplemental is included. (The department received a supplemental appropriation of $4.8 million for the current fiscal year, which brought total GF/GP 1988-89 appropriations to $134.4 million.) The FY 1989-90 budget includes funding shifts from GF/GP to federal dollars of approximately $3.2 million; when these shifts are taken into account, this fiscal year's GF/GP appropriation increased 2.7 percent over the previous year.

The FY 1989-90 MDPH budget includes funding for one program focusing on pregnancy prevention ($1.25 million, all GF/GP) and another to address the problems facing chemically dependent women and children ($650,000, of which $150,000 is GF/GP). The latter program will be aimed at reducing the number of chemically dependent children born to substance abusers.

The Michigan Department of Mental Health (MDMH) received a GF/GP appropriation of $878.1 million for FY 1989-90, a 5.6 percent increase in funding (including supplemental) from the previous year. The MDMH's supplemental appropriation for the current fiscal year of $24.1 million includes a $17.5 million appropriation to cover shortfalls in federal and restricted funds. If the appropriation for the revenue shortfall is excluded, supplemental funding amounted to $6.6 million.

The legislature will reconvene the last week of September; until then, no committee action is expected.

— Frances L. Faverman, Editor

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