

Department of Community Health

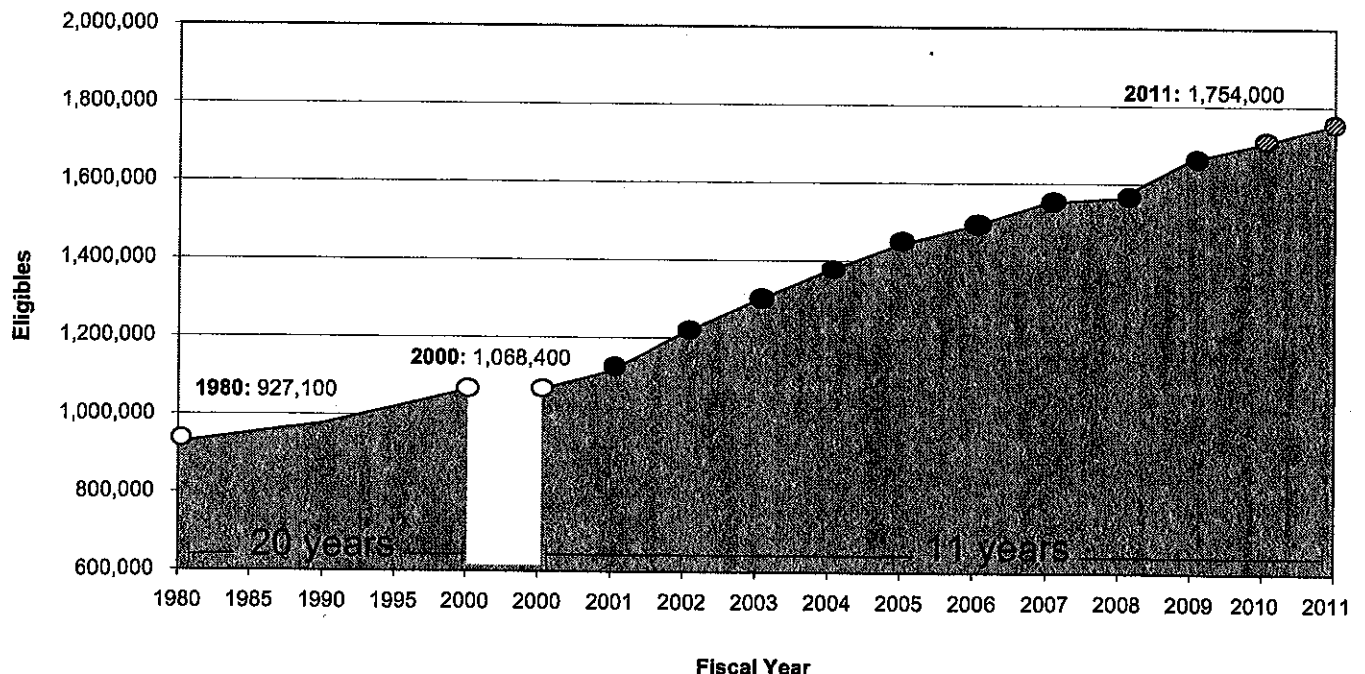
The Department of Community Health (DCH) is responsible for health policy and management of the state's publicly funded health care systems. These programs include Medicaid health coverage for those with limited incomes; mental health services for people who have a mental illness or developmental disability; services for individuals who need substance abuse treatment; and services provided through local public health programs. The department also provides services to promote the independence and preserve the dignity of Michigan's elderly through the Office of Services to the Aging. *The Governor's proposed budget for fiscal year 2011 recommends total funding of \$14.4 billion, of which \$2 billion is general fund.*

Highlights of Governor's Budget Recommendation for DCH

Medical Services

- The DCH budget recommends \$7.3 billion for medical services and \$2.1 billion for the long term care portion of the Medicaid program. This represents a 14.3 percent increase over fiscal year 2010 due to actuarial soundness requirements, caseload increases, utilization/inflation and special provider payments. Medicaid provides health care services for one out of every six Michigan residents.
- \$137.2 million is added to the Medicaid budget for increases in the number of Medicaid recipients and increased utilization of services.

Medicaid Serves Over 1.7 Million People

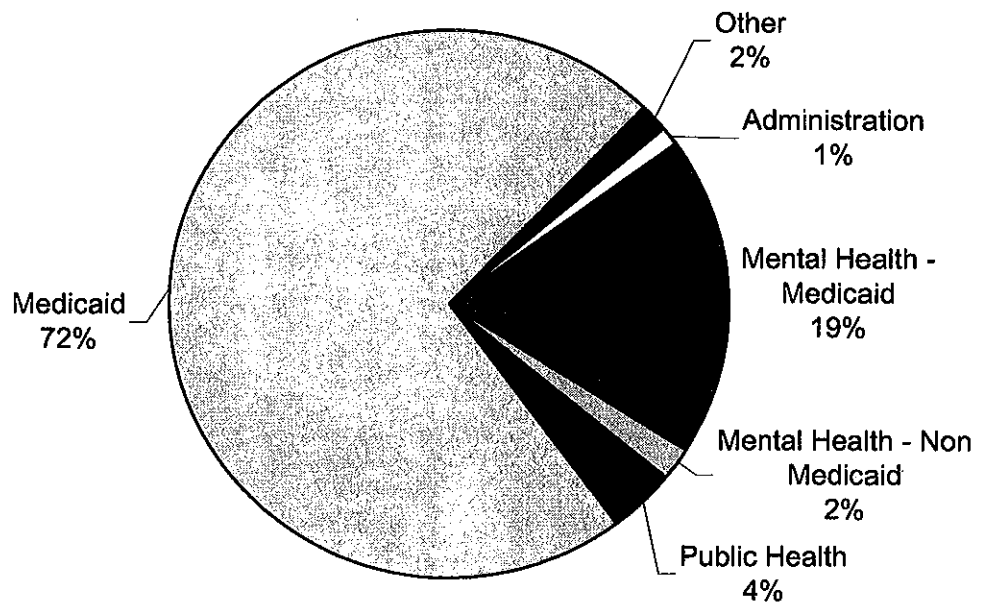


**From 1980 to 2000, Medicaid caseload increased by 15%.
From 2000 to 2011, Medicaid caseload increases by 65%.**

- \$73.7 million is added to increase payment rates to Health Maintenance Organization providers.
- \$526.3 million is invested in community-based long term care services. The DCH budget continues to move the elderly and disabled from nursing homes to home care, resulting in savings of \$19.7 million in fiscal year 2011. This successful initiative has already saved \$35 million since 2008. While nursing homes provide a valuable and necessary service for those with high care needs, home care can provide alternatives that meet client needs in a less costly community setting.
- \$137 million is allocated to fund the Adult Benefits Waiver program that provides basic health coverage to low-income childless adults.
- The DCH budget proposes a physician provider assessment to increase the state reimbursement rates to Medicaid participating physicians by 80 percent, saving \$133 million general fund while earning additional federal revenue.
- The Medicaid budget assumes \$709.4 million in general fund savings due to an enhanced federal Medicaid matching rate for three quarters of the fiscal year. The American Recovery and Reinvestment Act of 2009 authorized an enhanced rate for the first quarter of fiscal year 2011.

Based on actions now pending in Washington D.C., this budget assumes that the enhanced matching rate will be available for two additional quarters. These federal funds allow Michigan to preserve basic medical programs and services for low-income families and individuals in a difficult budget year.

Medicaid Makes up 91% of DCH Budget



Total: \$14.4 billion

Mental Health Services

- Mental health services are funded at \$2.9 billion gross, \$1 billion general fund, consisting of:
 - \$2.6 billion to provide community mental health services, including \$60 million to increase provider payment rates. Savings of \$11.3 million is achieved from reductions to community mental health administration and substance abuse services.
 - Funding for state operated psychiatric hospitals and centers of \$252 million.
 - \$51 million to provide forensic mental health services to prisoners incarcerated in Department of Correction facilities.

Other Medical Services

- \$529.7 million is invested in health promotion and disease prevention programs, including \$46.5 million in grants to local public health departments. Savings of \$2.7 million is achieved from reductions in local public health operations.
- Children's Special Health Care Services is supported with \$236.1 million to provide medical care and treatment for children with special health care needs.

Reform Proposals

- Reforms in the DCH budget will achieve savings of \$7.7 million in fiscal year 2011 and savings of over \$50 million by 2015. Proposals include an independent Office of Health Services Inspector General to identify and recover Medicaid waste and fraud; increasing Medicaid recoveries of overpayments; and ending immunity for drug manufacturers that produce harmful medications.

**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