Executive Budget Recommendation
Department of Community Health Overview
Fiscal Year 2014

Presentation to Senate Appropriations Subcommittee on Community Health
February 14, 2013

James K. Haveman, Director

Healthcare is an Economic Force in Michigan

- ✓ **Health Care Industry is Michigan's Largest Private-Sector Employer[1]**
  - Provides more than 555,400 direct jobs[1]
    - Hospitals employing nearly 222,000[1]
    - One third of the projected fastest growing occupations are health care related[2]
    - Health care employment as a percentage of total Michigan employment is 10.6%[3]
  - 1.1 million people who collectively earn more than $52 billion a year in wages, salaries and benefits[1]
- ✓ **Health Care Industry Generates $16 Billion in Federal, State & Local Tax Revenues[1]**
- ✓ **Health Care Spending Per Capita in Michigan is $6,618[3]**
- ✓ **Total Health Care Spending in Michigan is $65.9 Billion[3]**

1 Economic Impact of Health Care in Michigan, 7th ed.
2 U.S. Bureau of Labor Statistics
3 Kaiser State Health Facts (2009 data)

Michigan Department of Community Health
MDCH
Rick Snyder, Governor
James K. Haveman, Director

Our Guiding Principles

Our Mission is to protect, preserve, and promote the health and safety of the people of Michigan with particular attention to providing for the needs of vulnerable and under-served populations.

Our vision is to improve the experience of care, improve the health of populations, and reduce per capita costs of health care.

Leadership, Excellence, Teamwork

Michigan Department of Community Health
MDCH
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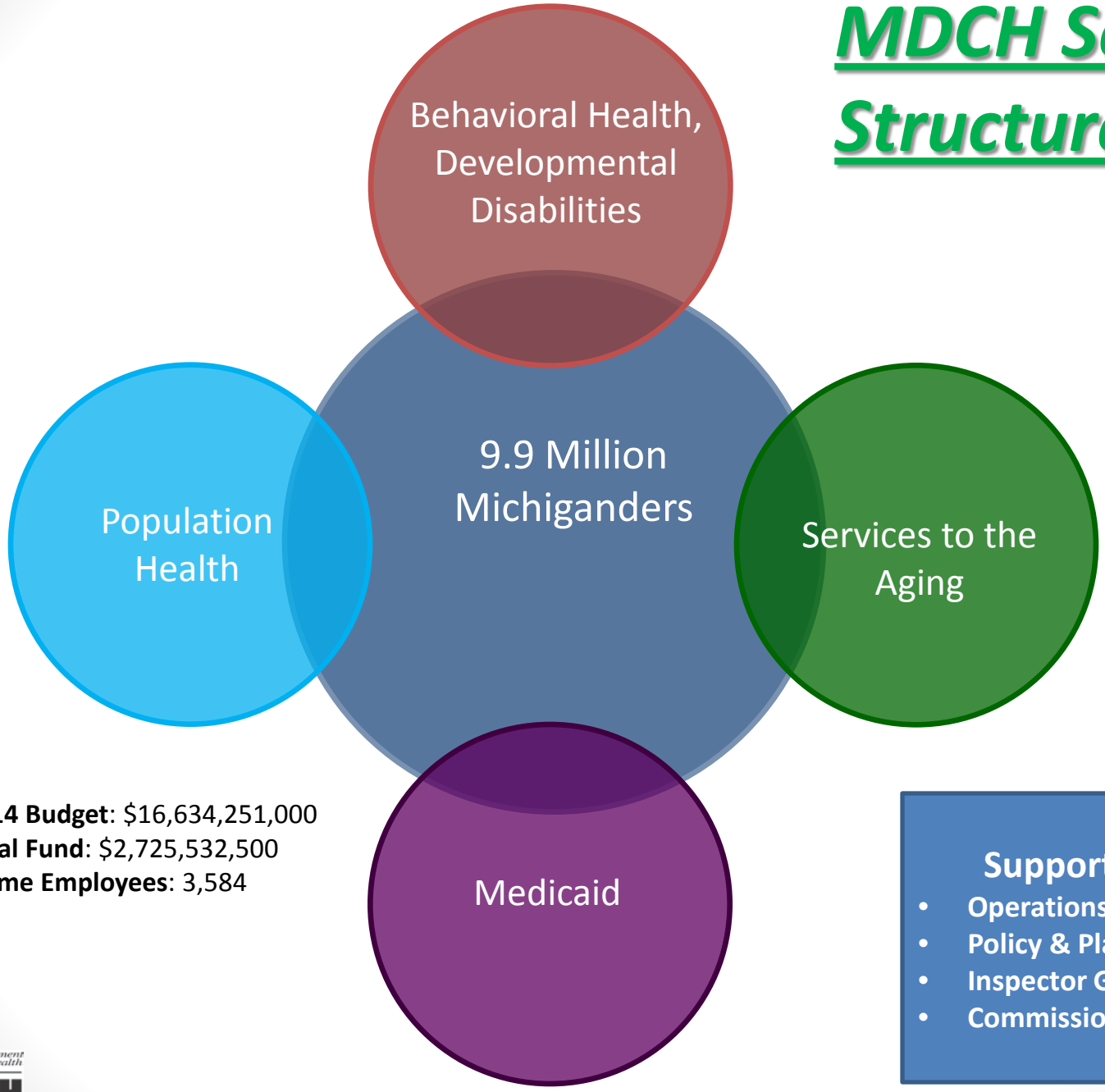
MDCH Service Structure



FY 2014 Budget: $16,634,251,000
General Fund: $2,725,532,500
Full Time Employees: 3,584

Supported by:

- Operations
- Policy & Planning
- Inspector General
- Commissions

MDCH Senate Budget Presentation Schedule

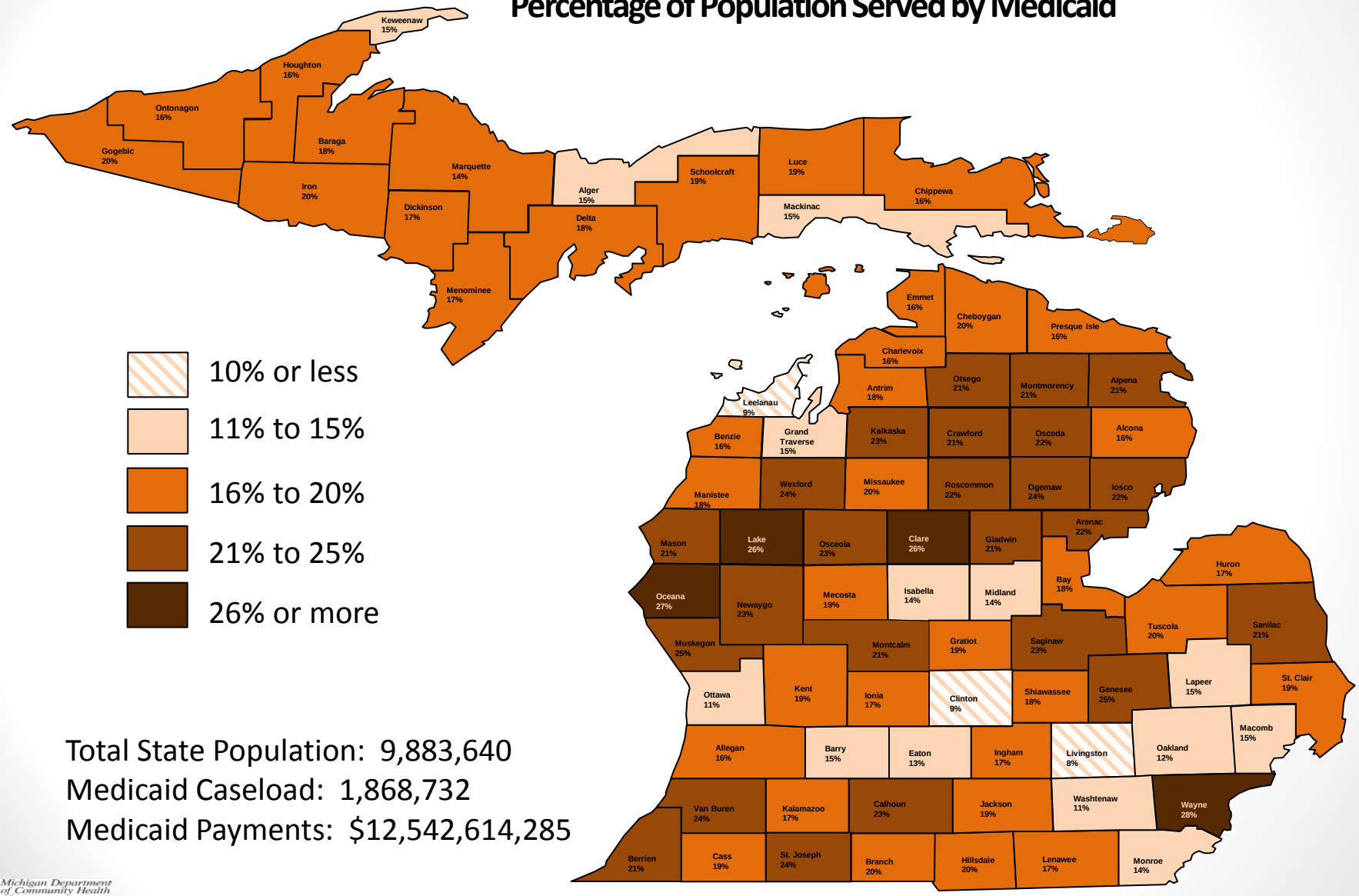
Administration	Presenter	Presentation Date
MDCH Overview	James Haveman MDCH Director	February 14
Office of Services to the Aging	Kari Sederburg OSA Director	February 14
Medicaid	Steve Fitton Senior Deputy Director	February 21
Behavioral Health and Developmental Disabilities	Lynda Zeller Senior Deputy Director	February 28
Population Health	Melanie Brim Senior Deputy Director	February 28

MDCH Services Statistics

- 1,868,732 Medicaid Total Eligibles
- 1,134,589 children served by Medicaid
- 357,336 disabled adults served by Medicaid
- 13 Medicaid Health Plans
- 715,118 Medicaid School-Based direct service procedures
- 71,500,000 Medicaid transactions processed last year
- 442,637 children currently enrolled in Healthy Kids Dental
- 37,890 currently enrolled in MI Child
- 1,030,000 calls handled annually by Michigan Enrolls
- 3,300 women using Maternal Outpatient Medical Services (MOMS) program each month
- 27,490 Medicaid nursing home residents
- 7,826 autopsies performed
- 46 Community Mental Health Services Programs (CMHSP)
- 18/10 Prepaid Inpatient Health Plans (PIHPs)
- 233,139 people served by CMHSPs and PIHPs
- 5 state operated hospitals and centers
- 1,017 state psychiatric hospital bed capacity
- 2,013 licensed psychiatric beds in the community for adults; 232 for children
- 7,279 allegations investigated by Office of Recipient Rights
- 38 Developmental Disabilities Council grants
- 39,229 received substance use disorder treatment
- 1,603 compensation applications received and 2,000 claims paid for crime victims
- 14,000 CSHCS children moved to managed care
- 256,300 eligible Women, Infants and Children (WIC) receive WIC services each month
- 46 Local Public Health Departments (LPHD)
- 12,000 live emergency department reports daily
- 93,000,000 doses of vaccine in the Vaccine for Children program distributed to 2,600,000 million eligible children
- 34: Michigan's 2011 rank (71.2%) based on a national childhood immunization survey
- 102,776 Infectious Disease Specimens Tested
- 121,786 Newborn Screening specimens tested
- 5,694 children less than six years of age were identified with blood lead levels 5 to 9 ug/dL in 2012 vs. 21,301 in 1998
- 145,000 Facilitated epidemiology responses to communicable disease cases
- 475,000 dollars in healthy food purchased daily from local grocers
- 1,000,000 hearing and vision Screenings done yearly for Pre-K and school aged kids
- 6,000 residents test positive for gonorrhea and/or chlamydia yearly by State Lab System and Local Public Health
- 7,200,000 lab services provided to over 356,339 individuals.
- 360,000 new vital records events recorded each year
- 32,000,000 records in vital records depository dating to 1867
- 1,900,000 older adults (aged 60+) in Michigan
- 85+ age group is fastest growing
- 10,300,000 home delivered/congregate meals provided to aging population in Michigan
- 6,407 caregivers for the aging that were supported by 694,401 hours
- 2,315 people received dementia services
- 55,296 older adults received 508,461 hours/units of community services

MDCH Serves Michigan Citizens

Percentage of Population Served by Medicaid



- 10% or less
- 11% to 15%
- 16% to 20%
- 21% to 25%
- 26% or more

Total State Population: 9,883,640
Medicaid Caseload: 1,868,732
Medicaid Payments: $12,542,614,285

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Status of New FY 2013 Initiatives

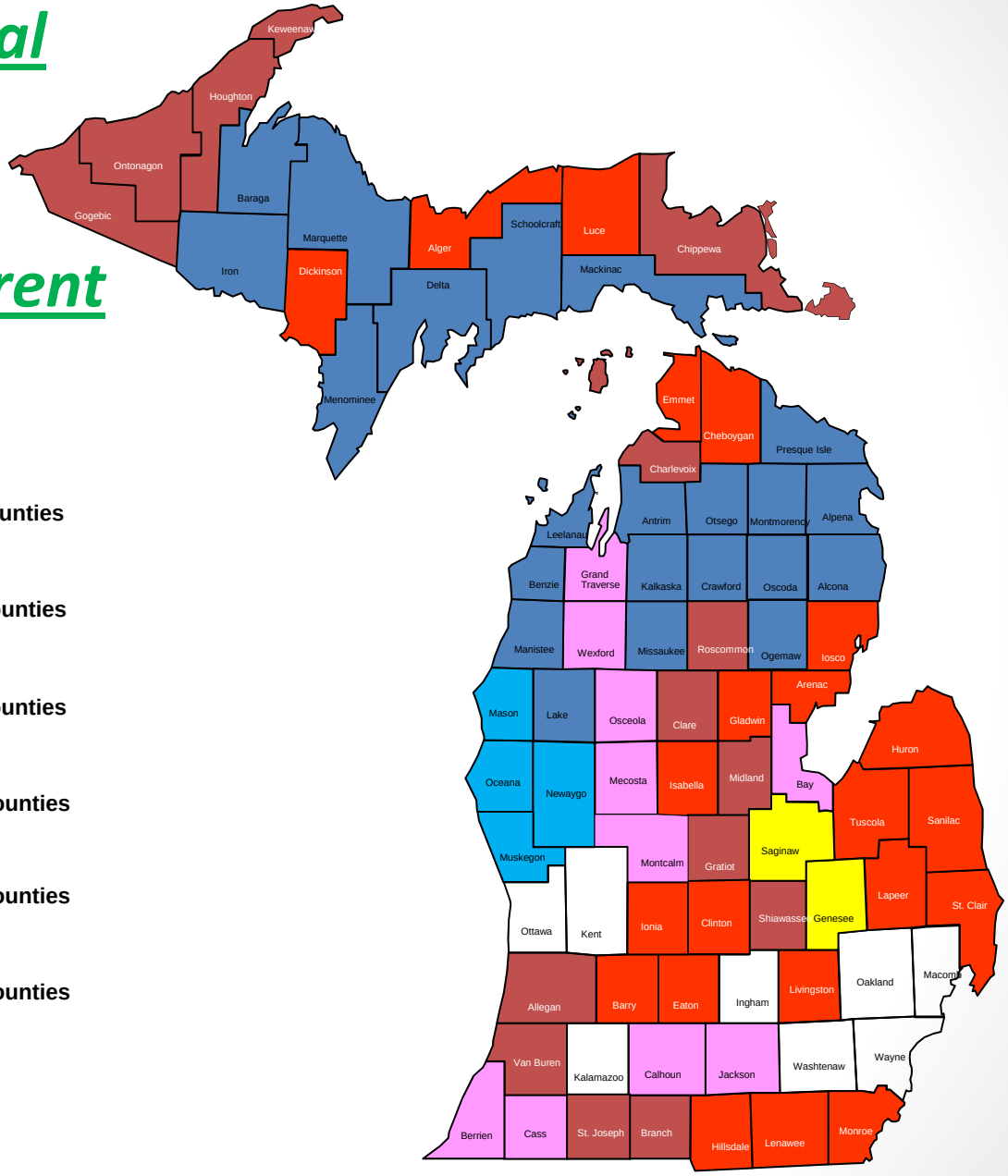
- ✓ Healthy Kids Dental Expansion
- ✓ Autism Coverage
- ✓ Integrated Care for Dual Eligibles
- ✓ Children's Special Health Care Services (CSHCS)
- ✓ Alignment of Behavioral Health Provider Systems
- ✓ Health and Wellness Initiatives
- ✓ Michigan Primary Care Transformation Project (MiPCT)

Healthy Kids Dental Expansion

- ✓ **Healthy Kids Dental Expansion to 10 counties effective 10/01/2012**
  - Bay, Berrien, Calhoun, Cass, Grand Traverse, Jackson, Mecosta, Montcalm, Osceola, and Wexford
  - 91,233 children added in the FY ’13 expansion

Healthy Kids Dental Expansion Map

May 1, 2000 - Current



- **Healthy Kids Dental Counties May 1, 2000 22 counties**
- **Healthy Kids Dental Counties October 1, 2000 15 counties**
- **Healthy Kids Dental Counties May 1, 2006 22 counties**
- **Healthy Kids Dental Counties July 1, 2008 2 counties**
- **Healthy Kids Dental Counties February 1, 2012 4 counties**
- **Healthy Kids Dental Counties October 1, 2012 10 counties**
- **Not Covered 8 counties**

Autism Coverage

- ✓ **As of December 2012, 3,141 children were receiving limited treatment for Autism**
  - Implement for Medicaid
  - Implementation waiver submitted to CMS December 27, 2012
  - Targeted population age 18 months through 5 years
  - Autism Applied Behavioral Analysis (ABA) therapy will become an option for Medicaid and MIChild children in Michigan upon approval from the Federal Government
    - Expected to serve 604 children in FY 2013 and 1,235 children in FY 2014
    - Proposed effective date of April 1, 2013

Children's Special Health Care Services (CSHCS)

✓ Transition to Managed Care

- Implemented on October 1, 2012
- 14,000 children transitioned
- 12 participating health plans
  - Must meet core competencies
  - Contractually obligated to maintain continuity of care and network availability

Integrated Care for Dual Eligibles

- ✓ **Integrated behavioral and physical health care for those eligible for both Medicare and Medicaid**
- ✓ **Implementation in 4 pilot regions beginning January 1, 2014**
  - Entire Upper Peninsula
  - Southwest Michigan including: Barry, Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph, and Van Buren
  - Macomb County
  - Wayne County
- ✓ **In process of negotiating memorandum of understanding with Centers of Medicare and Medicaid Services**

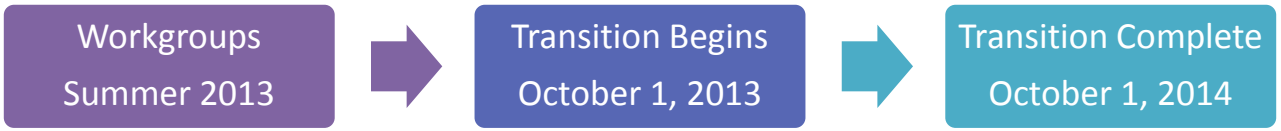
Alignment of Behavioral Health Provider Systems

✓ Medicaid Prepaid Inpatient Health Plans (PIHPs)

- 18 to 10

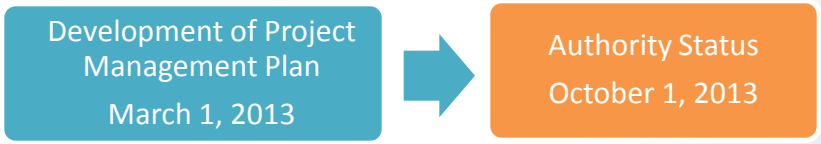
✓ Substance Abuse Coordinating Agencies merge into Community Mental Health Services Programs

- **Public Acts 500 and 501 of 2012**



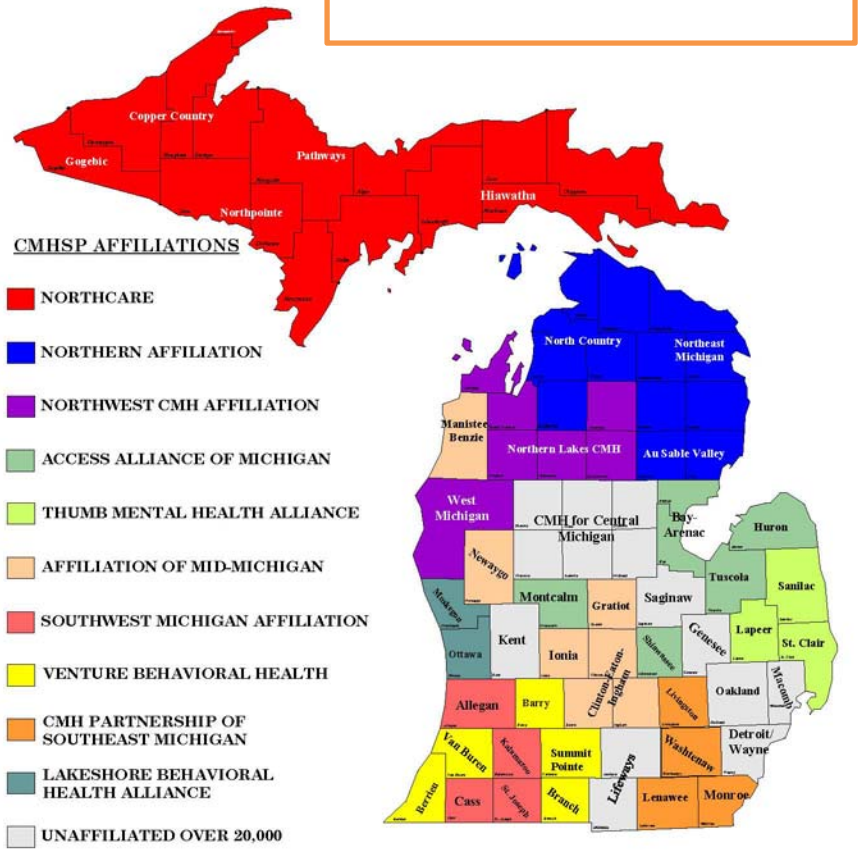
✓ Detroit/Wayne Community Mental Health

- Transition to authority status
- Public Acts 375 & 376 of 2012

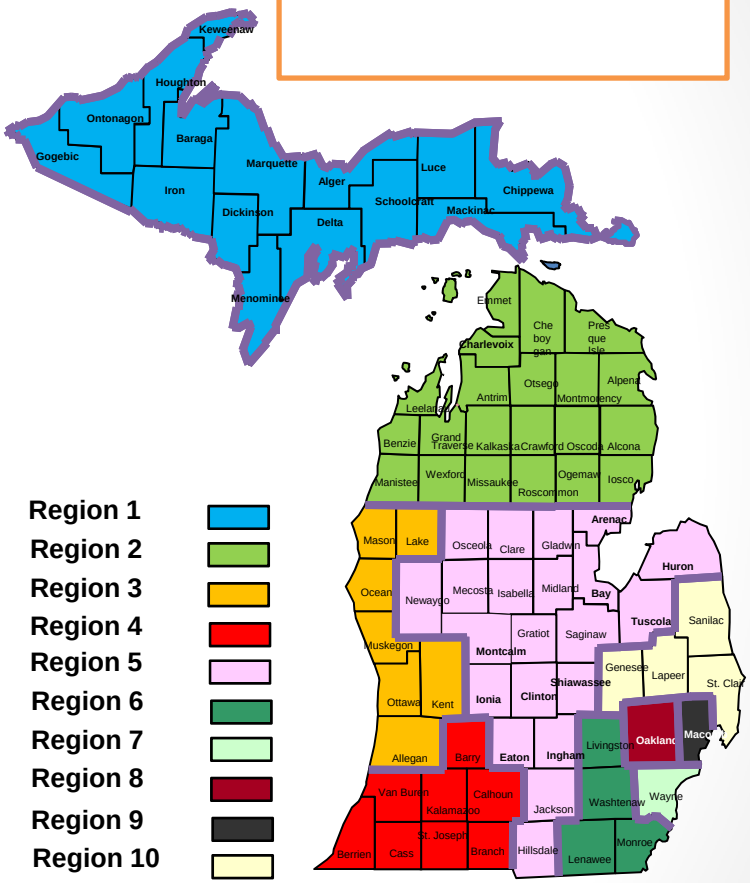


Prepaid Inpatient Health Plan (PIHP) Consolidation

Current PIHP Structure (18)



New PIHP Structure (10)



Health & Wellness Initiatives

✓ Create a Healthier & Stronger Michigan

- 2011 Center for Disease Control data on Michigan adults shows:
  - 31.3% are obese
  - 34.2% are overweight
  - 65.5%, or 2/3 of adults struggle with weight
- 6 coalitions selected for funding via competitive process
- MI Healthier Tomorrow
  - 15,335 pledges since start date of January 23, 2013
  - Awareness campaign partners: AFPD – 'Voice of Independent Retailers', Amway BCBSM, Compuware, Huntington Bank, Hylant, LOSEitWRITE, Marketing Assoc., McDonalds, Mercy Health, Michigan Assoc. of Broadcasters, Michigan Assoc. of Chiropractors, Michigan Chronicle, Michigan Osteopathic Assoc., Rockford, Quicken Loans, The YMCAs

✓ Reduce Infant Mortality

- Promote evidence based protocol for women at high risk of preterm birth
- Promote safer sleeping practices to prevent suffocation
- 39 weeks gestation hard stop policy
  - Medicaid policy bulletin number: MSA 12-59

Michigan Primary Care Transformation Project (MiPCT)

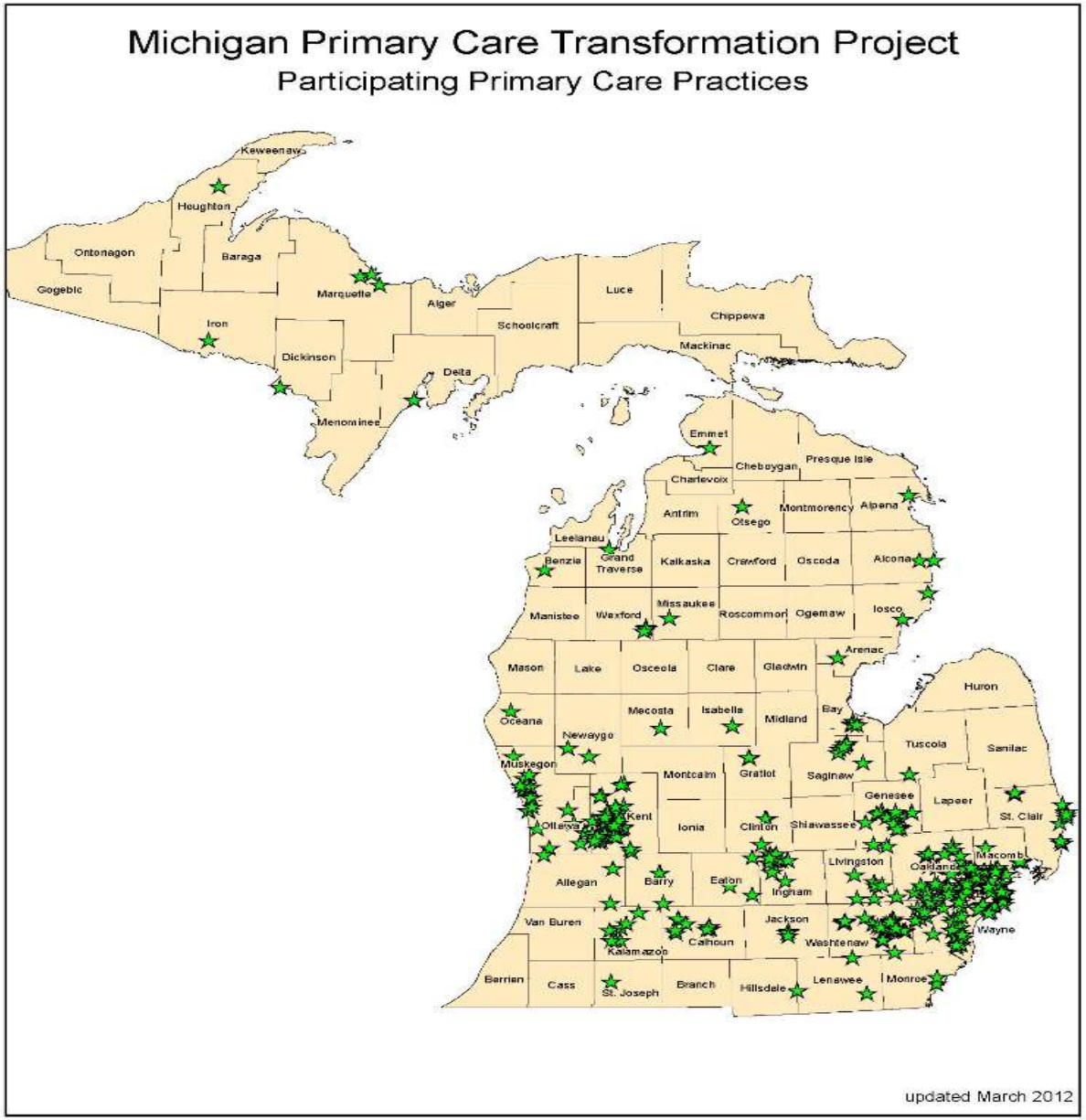
✓ The Vision for a Multi-Payer Model

- Use the CMS Multi-Payer Advanced Primary Care Practice demo as a catalyst to redesign MI primary care
  - Multiple payers will fund a common clinical model
  - Allows global primary care transformation efforts
- Create a model that can be broadly disseminated
  - Facilitate measurable improvements in population health for Michigan residents
  - Contribute to national models for primary care redesign

Michigan Primary Care Transformation Project (MiPCT)

✓ **Participating Provider and Payer Partners as of December 31, 2012**

Practices	Physician Organization/Physician Hospital Organization	Physicians	Payers
389	36	1,772	4 (Medicaid Managed Care, Medicare FFS, BCBSM, BCN)



Status of New FY 2013 Initiatives

MDCH 2014 Budget Recommendation (in millions)

	FY 2013 Current Law		FY 2014 Recommendation		Net Change in dollars		Net Change %	
	GF/GP	All Funds	GF/GP	All Funds	GF/GP	All Funds	GF/GP	All Funds
Ongoing Funding	$2,802.1	$14,979.2	$2,717.9	$16,610.6	($84.2)	$1,631.4	-3.0%	10.9%
One-Time Funding	$15.3	$49.9	$7.6	$23.6	($7.7)	($26.3)	-50.3%	-52.6%
Total Funding	$2,817.4	$15,029.1	$2,725.5	$16,634.2	($91.9)	**$1,605.1**	-3.3%	**10.7%**

FY 14 On-going Investments:	GF/GP	All Funds
Medicaid Expansion	($181.7)	$1,359.0
Establish Health Innovation Grants	$3.0	$3.0
Michigan Infant Mortality Plan	$2.5	$2.5
Phase in Year 2 of Healthy Kids Dental	$3.9	$11.6
Transformation Office	$1.5	$1.5
Health and Wellness Initiatives	$1.5	$1.5
Behavioral Health Homes	$0.1	$0.9
Improve Jail Diversion	$1.6	$1.6

FY 14 One-time Investments:	GF/GP	All Funds
Establish Mental Health Innovation Funding	$5.0	$5.0
Federally mandated diagnostic code project (ICD-10)	$2.3	$18.3
Northern Michigan Island Primary Care Clinics	$0.3	$0.3

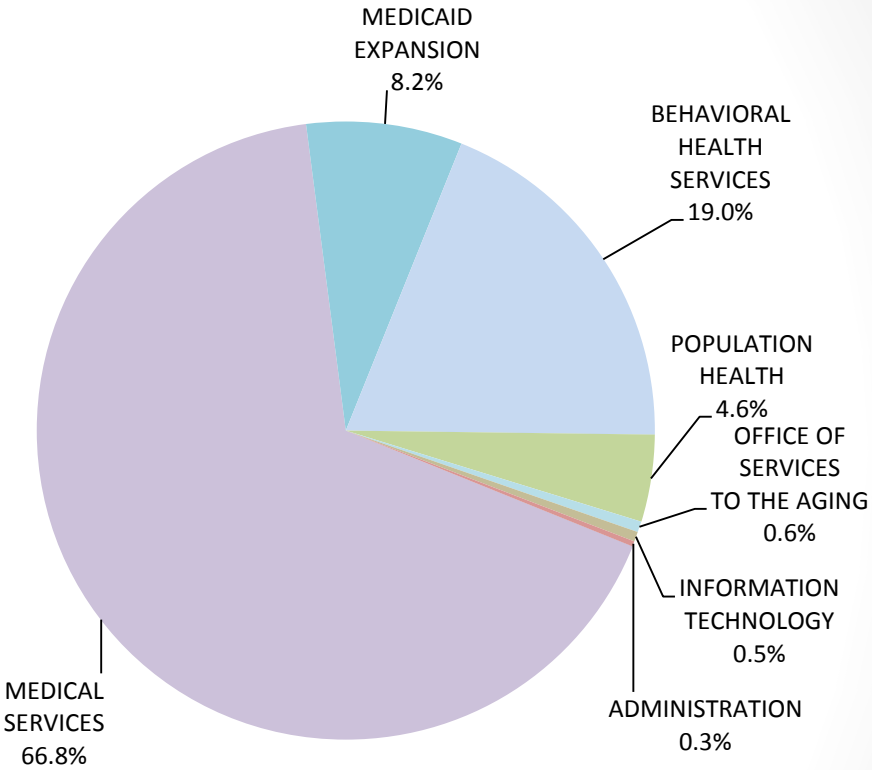
MDCH 2014 Savings Detail (in millions)

Description	FY 2014 Recommendation	
	GF/GP	All Funds
Detroit Medical Center Harper Hutzel Special Hospital Rate Adjustment Payment	($6.7)	($20.0)
Expand Medicaid - Use Federal Funds to Offset GF/GP(1):	($181.7)	$1,359.0
Adults Benefit Waiver		
Non-Medicaid Mental Health Services		
Total	($188.4)	$1,339.0

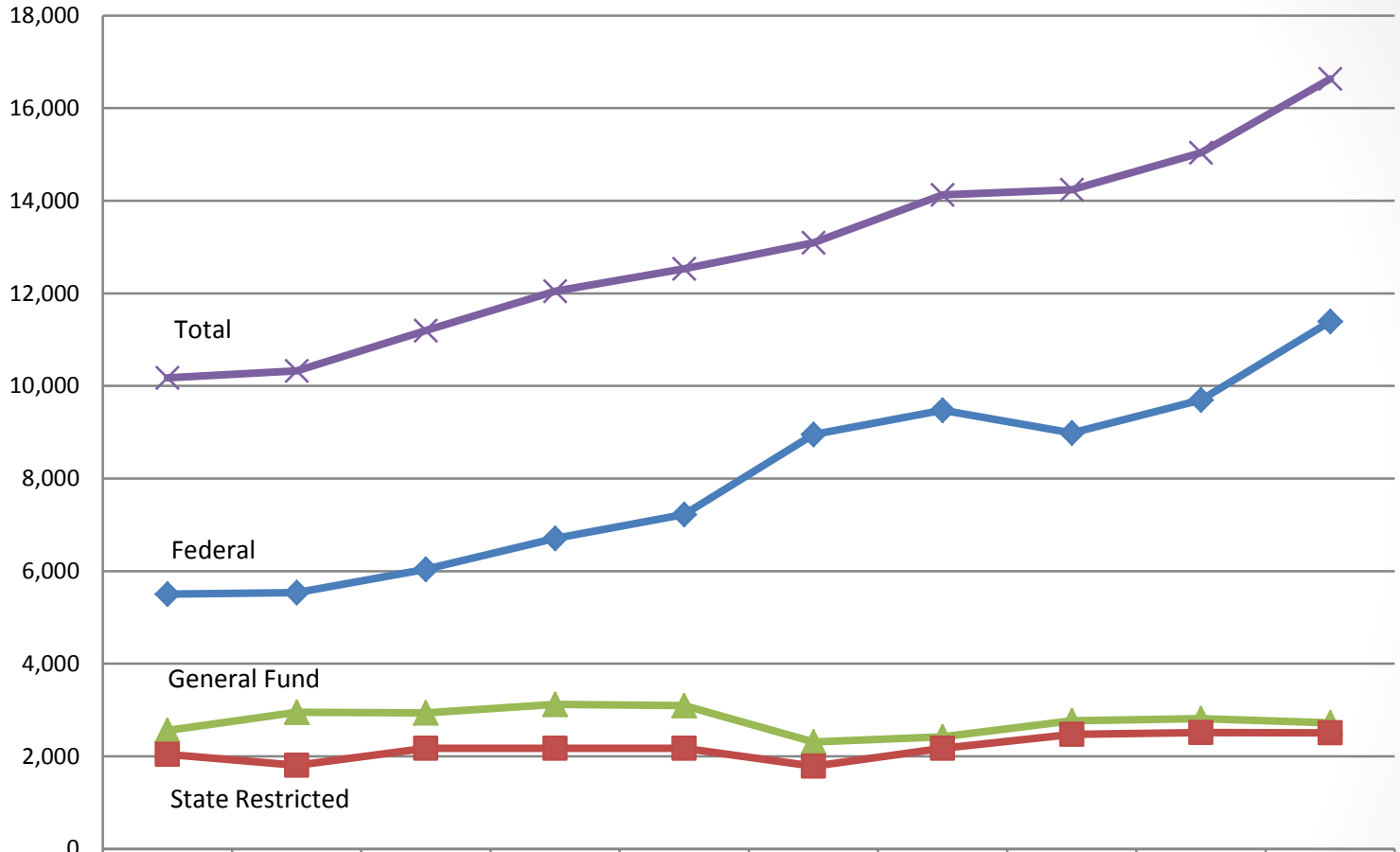
(1) Excludes savings of $24.2 in the budget for the Department of Corrections

Total FY 2014 Budget Recommendation (in millions)

	TOTAL	GF/GP
Medical Services	$11,115.6	$1,445.4
Medicaid Expansion	$1,359.0	($181.7)
Behavioral Health Services	$3,177.9	$1,253.2
Population Health	$757.2	$128.2
Office of Services to the Aging	$93.6	$28.9
Information Technology	$85.3	$22.0
Administration	$45.6	$29.5
FY 2014 TOTAL	$16,634.2	$2,725.5
FY 2013 TOTAL	$15,029.1	$2,817.4
NET CHANGE	$1,605.1	($91.9)



Revenue Sources (Millions)



	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Federal	5,503	5,534	6,043	6,709	7,226	8,949	9,474	8,987	9,696	11,392
General Fund	2,558	2,952	2,940	3,125	3,096	2,309	2,422	2,771	2,817	2,726
State Restricted*	2,043	1,807	2,176	2,175	2,171	1,785	2,175	2,477	2,511	2,506
Total	10,174	10,326	11,196	12,048	12,533	13,092	14,124	14,241	15,034	16,634

*Private and Local

MDCH 2014

- ✓ Improve Population Health
- ✓ Transform the System of Care
- ✓ Reform the Health Care System
- ✓ Transform the Department of Community Health

Improve Population Health

✓ Infant Mortality Reduction Plan

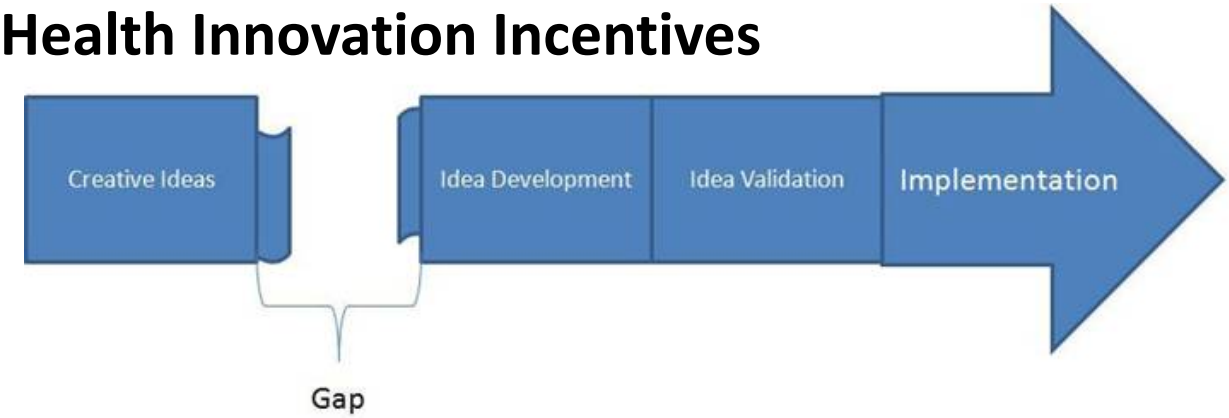
- Infant mortality rate (per 1,000 births)
  - 2012 = 7.4 per 1,000 births
- Michigan's national infant mortality ranking relative to other states
  - 2012 Michigan rank = 36th in America's Health Rankings®
- Medicaid pays for 51% of Michigan Births
- Implement a regional perinatal system
- Promotion of safer infant sleeping practices
- Support better health status of women to achieve healthier moms
- FY 2014 investment = $2.5M Gross/GF

Transform the System of Care

✓ Health Homes

- Better health management through coordinated care
- Targeted to serve high need, high cost, high risk mentally ill
- 3 demonstration sites
  - Washtenaw region (Washtenaw, Livingston, Lenawee and Monroe counties)
  - Northern Michigan (includes 21 counties from Manistee to Emmet to Iosco counties)
  - Either Saginaw County or Genesee region (includes St. Clair, Lapeer and Sanilac counties)
- Investment = $900k gross, $90k GF (90% Federal Match)

✓ Health Innovation Incentives



- New state incentive grants to encourage advances in health care
- Competitive application process to prototype health care system modifications at local levels for consideration of statewide implementation
- Incentives granted on merit and potential to bring efficiencies to health care system
- Investment = $3M Gross/GF

Transform the System of Care

✓ Mental Health Early Intervention

- FY 14 provides $5.0M Gross/GF in one-time funding for new and expanded programs for early intervention with youth:
  - Home-based services and treatments to additional children across the state $2.5M
  - Care management and treatment for high risk youths $1M
  - Training and Awareness $1.5M
    - Mental health first aid tools to recognize the signs and systems of mental health problems
    - Youth Crisis Intervention training for two law enforcement communities

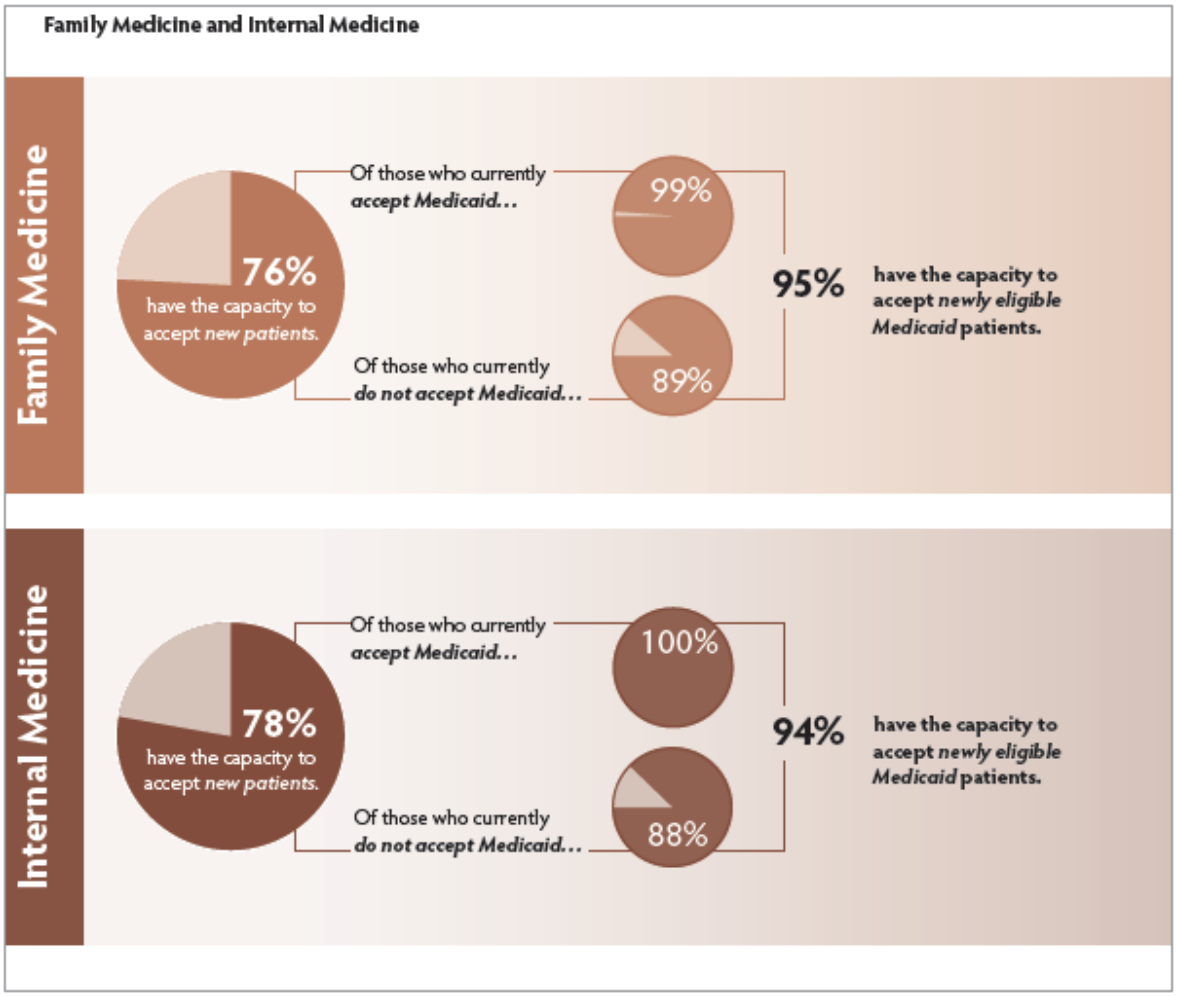
Medicaid Expansion

- ✓ **Work toward better care at lower cost to society**
- ✓ **Critical issue is having patient centered medical home vs. more ER visits**
- ✓ **Simpler and better for families, providers, and small business**
- ✓ **Reserve one half of short term savings into the Michigan Health Savings Fund to cover future costs and reduce federal risks**
  - ✓ Governor Snyder recommends depositing 50% of the revenue from expansion into a special health care savings account. Deposits from the revenue will continue for seven straight years up until fiscal year 2020. By fiscal year 2021, Michigan will have had a low income population between the ages of 21 and 65 managed for several years by a primary care physician with access to preventive and primary care services, leading to better management of health care costs.

Medicaid Expansion

- ✓ **Will provide health care for 322,000 uninsured Michigan citizens in the first year and more than 470,000 by 2021, reduce employer health care costs, increase economic activity in the state, reduce prison recidivism and decrease the state's long-term health care liabilities**
- ✓ **Federal funds will cover 100% of the cost of Medicaid expansion from 2014 to 2016, 95 percent in 2017, 94 percent in 2018, 93 percent in 2019 and 90 percent in 2020 and subsequent years**
- ✓ **Reduces uncompensated care costs caused by those who are unable to pay emergency room bills**
  - Estimated that Michigan's savings from decreasing uncompensated care through Medicaid expansion is expected to reach $320 million through 2022
  - The General Fund will experience savings of $1.2 billion through 2020 as a result of expansion and $206 million General Fund savings in 2014 alone
- ✓ **Having a primary care provider helps to treat health problems at an early stage, before more costly procedures are necessary**

Provider capacity exists in Michigan



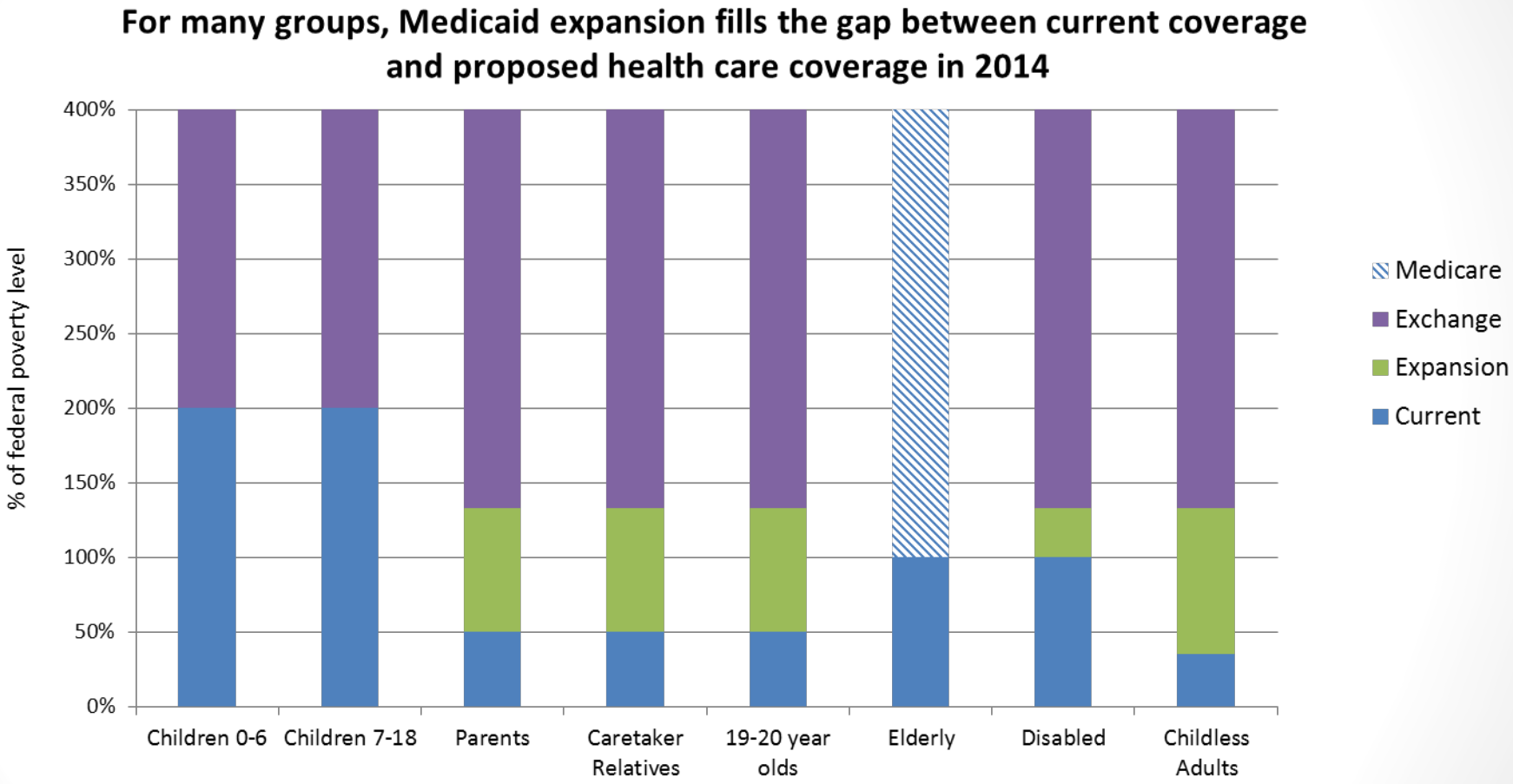
Center of Healthcare and Transformation Policy Brief, 1/28/13

A Medicaid expansion would dramatically reduce the number of uninsured

- ✓ **A recent national report concluded that a Medicaid expansion in Michigan would result in a 46% reduction in the uninsured***
- ✓ **If Michigan does not expand, it may have to eliminate coverage for 35,000 childless adults on January 1, 2014**
- ✓ **If Michigan does not expand, 252,000 individuals under 100% of the federal poverty level would be uninsured**
  - By 2022 those left uncovered would grow to 360,000

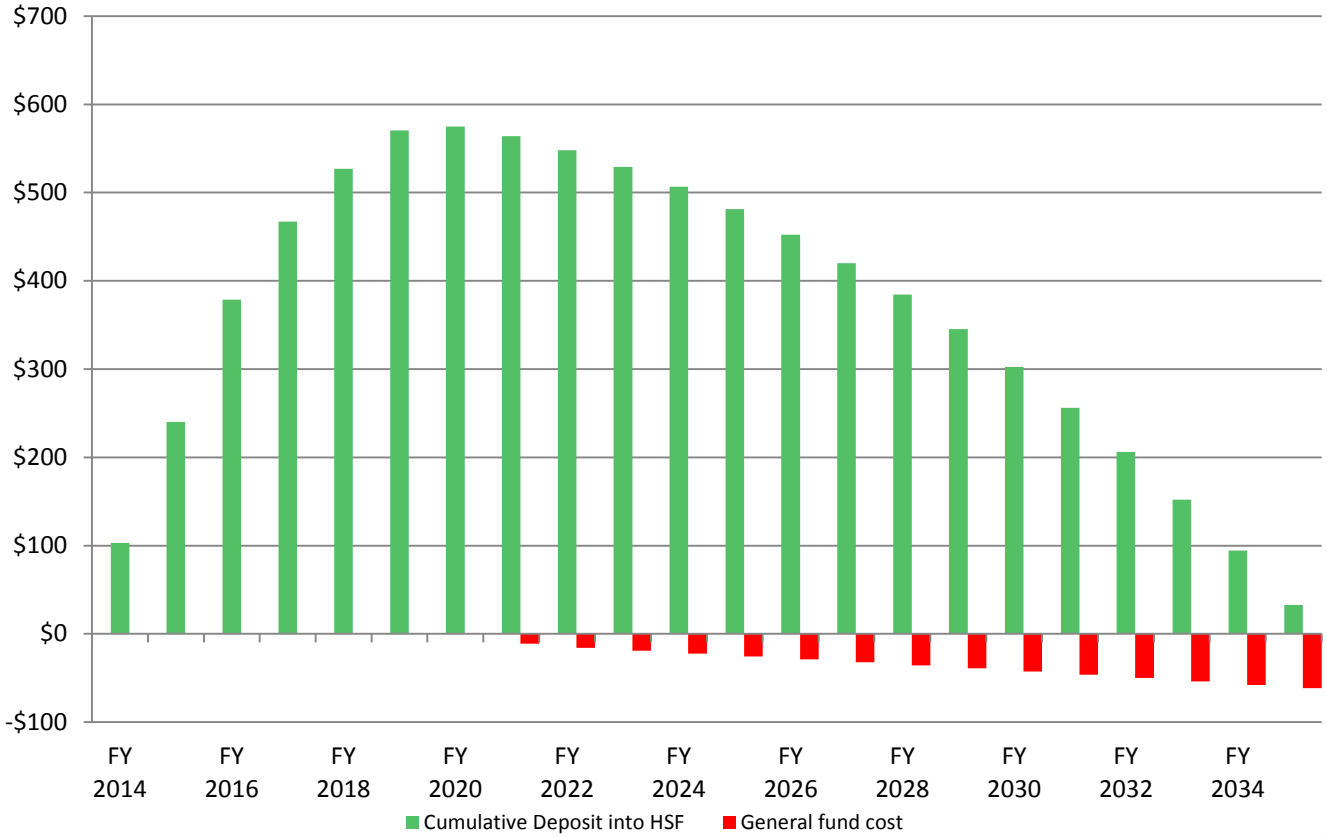
*Kaiser Commission on Medicaid and the Uninsured, November 2012

Medicaid Expansion



Non Medicaid elderly populations would continue to be covered by Medicare

Cumulative deposits into the Health Savings Fund will finance Medicaid expansion for the next 21 years



*in millions

Transform the System of Care

✓ Services to Veterans (with Military & Veterans Affairs)

- $60,000 Gross/GF investment in FY 2014
  - Credentialing of Community Mental Health Service Programs and Substance Use Disorder providers in TriCare (an insurance system that pays for MH/SUD treatment for active duty/military families ($20,000)
  - Co-location and/or Co-Credential of CMHSP and SUD clinicians by the Veterans Health Administration ($10,000)
  - Training Program for Law Enforcement in recognizing Post-Traumatic Stress Disorder related behavior and "mental health first aid" ($20,000)
  - Military Cultural Competency for all 46 CMHSPs and at least one SUD provider in each Coordinating Agency area ($10,000)

Transform the System of Care

✓ Jail Diversion (With Department of Corrections)

- $1.6M GF investment
  - Creating official advisory council similar to make up of workgroup (judges, local law enforcement, etc.)
  - Strengthen Community Systems via 5 Pilot projects

✓ Healthy Kids Dental Expansion

- Continue 4 year plan for statewide coverage (Year 1 of 4 = 2013)
- $11.6M gross/$3.9M GF investment to cover an additional 70,000 children
- Expand to 3 counties
  - Ingham
  - Ottawa
  - Washtenaw

Transform the Department of Community Health

- ✓ **International Classification of Diseases (ICD-10)**
  - Federally mandated code update
  - Investment = $18.3M gross for Medicaid (90% federal match)
- ✓ **Electronic Medical Records**
  - Implementation in state hospitals and centers
  - Investment = $6.5M for year 2 funding
- ✓ **Medicaid Expansion IT**
  - Eligibility processes required by Affordable Care Act
  - Interfaces with BRIDGES, CHAMPS, other systems
  - Increase hardware capacity to handle new enrollees
  - $10M gross/$1M GF (90% federal funding)
- ✓ **Cost-sharing with Illinois on Medicaid system**
  - Agreement with Federal Government, Illinois, and vendor (CNSI)

Transform the Department of Community Health

- ✓ **Transformation Office and Streamlined Health Information Technology Office**
  - Investment in FY 2014 = $1.5M Gross/$1.5M GF
  - Customer-focused
  - Collaborative partnerships
  - Rule-busters campaign with contractors
    - Modeled on state's bureaucracy busters initiative
  - Focus on Governor's and Director's priorities for workplace improvements
  - Organizational improvements/efficiencies

Safety Net & Fee Needs

Health & Wellness

✓ Protect Michigan's Health Care Safety Net

- Increase Medicaid primary care provider rates to 100 percent of Medicare rates (100% Federal for 2 years)
- Federal Medical Assistance Percentages (FMAP) decrease requires a $6.3M GF investment in FY 2014
- Actuarial soundness

Provider Capacity/Access to Care

✓ Emergency Medical Services (EMS)

- Funding solution needed (fees frozen at $25 for over 2 decades)
- Federal Preventive Block Funds of $600K at risk of loss in FY ’13
- A fee increase, as well as new fees on education providers, is included in the FY 14 budget to raise approximately $1M in additional revenue

✓ Certificate of Need (CON)

- A fee increase is included in the FY 14 budget to raise approximately $700,000 in additional annual revenue

✓ Health Insurance Claims Assessment (HICA)

- Increase rate to 1.5%

Provider Capacity/Access to Care

✓ Vital Records

- A fee increase is included in the FY 14 budget to raise approximately $1.5M in additional annual revenue
- Fee collections have steadily declined in recent years
  - The number of births in Michigan has declined 15.8% between 2000 and 2010
  - Movement to the electronic age has resulted in increased operating costs as well as search and verification requests which are performed for a substantially lower fee than traditional paper certified copies
- The state vital records system is important to Michigan citizens
  - The only centralized source of official records of Michigan Births, Deaths, Marriages, Divorces, and acknowledgements of parentage
  - The statistical data collected is the basis for:
    - University health research grants
    - Federal grants which support State of Michigan health programs and initiatives

MDCH Contact Info and Useful Links

Phone: (517) 373-3740

Website: http://www.michigan.gov/mdch

Facebook: http://www.facebook.com/michigandch

Twitter: @MIHealth, https://twitter.com/mihealth

Useful Links:

Executive Budget: http://www.michigan.gov/mibudget2014

MI Healthier Tomorrow: www.michigan.gov/mihealthiertomorrow

Medicaid Expansion: www.expandmedicaid.com