



Winter 2021 Public Policy Update

Changes at MDHHS

On Friday, January 22 Robert Gordon announced via Twitter “Today, I am resigning from the Whitmer Administration. It’s been an honor to serve alongside wonderful colleagues. I look forward to the next chapter.”

Governor Gretchen Whitmer quickly appointed Elizabeth Hertel as Director of the Michigan Department of Health and Human Services (MDHHS).

- * Elizabeth Hertel previously served as the Senior Chief Deputy Director for Administration for MDHHS, where she oversees External Relations and Communications, Finance and Administration, Legislative Services, Legal Affairs, Policy & Planning, Strategic Integration, Organizational Services, Workforce Engagement and Community and Faith Engagement.

Impact moving forward – goals / priorities at MDHHS

State of the State Address

On Wednesday, January 27 Governor Gretchen Whitmer delivered her third State of the State address from the Michigan State Capitol. And while it was held in the Capitol, it looked decidedly different in pandemic times with only a few staff present as opposed to all members of the legislature.

Key Highlights

- * The Governor aimed to strike a bipartisan tone, and she reiterated her desire to work with the Legislature in passing the Michigan COVID Recovery Plan that focuses on vaccine distribution, supporting small businesses, getting Michigan's students back on track, and extending unemployment benefits from 20 to 26 weeks.
- * Governor Whitmer discussed MI Classroom Heroes – a program to reward teachers and support staff – which will reward up to \$500 in grants in February to offset expenses and reward educators who have worked throughout the pandemic.

State of the State Address

- * The Governor touched on the temporary extension of the \$2/hour wage increase for direct care workers and stated, “Now it’s time to make the pay raise permanent.”

“In addition to MI Classroom Heroes, we owe a special thank you to frontline health care workers. Including direct care workers who provide nursing and health care for seniors and Michiganders with disabilities. We gave these heroes a \$2 an hour raise. I worked with the legislature to extend it for a few months, and then a few more months. Now it’s time to make that pay raise permanent.”

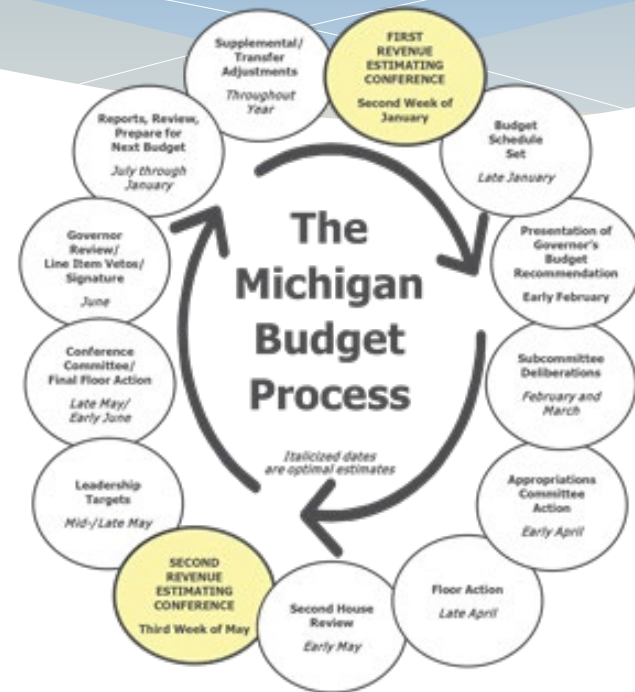
“Because it’s not enough to just say “thank you” – we need to show support.”

- * She highlighted her intent to address prescription drug prices by building on the recently-released report from the bipartisan Prescription Drug Task Force that includes reform proposals that she wants to see “get on the legislature’s to-do list.”
- * Finally, Governor Whitmer asked that the legislature continue to work with her on a plan to fix roads across the state. She specifically is looking to provide local communities with more options to address crumbling infrastructure, which will not include an increase at the pump.

Budget Items



Figure 1



Budget Items

CONSENSUS REVENUE ESTIMATING CONFERENCE

Friday, January 15 – Consensus Revenue Estimating Conference (CREC) was held.

FY21 projections showed General Fund and School Aid Fund revenue is \$1.23 billion more than projected in August during the last CREC.

- * Specifically, General Fund revenue is \$700.8 million higher than previously projected, while School Aid Fund revenue is up \$528.3 million.
- * Compared to FY 2019-20, which preceded the COVID-19 pandemic, incoming revenue in FY 2020-21 reflects a 2 percent decrease.

FY22 projections show overall revenue will be \$874.8 million higher than previously projected.

- * The General Fund for FY 2021-22 is now \$504.6 million higher than previously projected and the School Aid Fund is \$370.2 million more.

The CREC traditionally symbolizes the beginning of a new appropriations cycle. **Governor Gretchen Whitmer will submit her FY22 budget recommendations to the Legislature on February 11.**

COVID Supplemental

- * Governor recently proposed a \$5.6 billion COVID FY21 supplemental budget. (\$575 million would be state funds - \$275 million GF/\$300 million school aid)
 - * \$2 billion schools
 - * \$225 million business support
 - * \$90 million vaccine distribution
 - * \$575 million testing & contact tracing

Bill must be negotiated with the legislature. House republicans released their proposal which was about \$2 billion less than the Governor's plan.

- * Tied school funding to in-person learning.

Legislative Supplementals

Tuesday, March 9 Governor Gretchen Whitmer signed House Bills 4047 and 4048, which provide supplemental funding for the state's COVID-19 relief and recovery plan. The \$3.55 billion spending measure provides funding for, among other things, vaccine distribution, money for schools, and emergency rental assistance. **Notably, HB 4047 includes an extension of the wage increase for direct care workers – \$2.25 per hour for the remainder of the fiscal year – as well as \$17 million for substance use disorder block grant, nearly \$16 million for the mental health block grant and \$1.3 million for congregate and home-delivered meals.**

While the majority of the funding initiatives will go into effect, Whitmer did line-item veto some items, including:

- \$150 million in General Fund dollars for the Michigan Unemployment Insurance Agency fund
- \$450 million in business property tax and fee relief
- \$86.7 million in non-public school funding
- \$10 million in parental expenses

Governor Whitmer cited her frustration with the Legislature, as the package took forty-eight days to arrive at her desk and was not the product of a bipartisan negotiation with her and the State Budget Director. Additionally, Whitmer called for the Legislature to appropriate the remaining \$2 billion in federal funding before the legislative spring break scheduled to begin March 29.

Legislative Supplementals

While Governor Whitmer signed the two major funding bills, she vetoed House Bill 4049, which was tie-barred to an \$840.7 million funding provision in HB 4048, and would have allowed local health departments to have the authority to open or close schools and youth sporting events. In her veto letter, Whitmer called the bill “a reckless idea, poorly executed and poorly timed.” While the Governor vetoed HB 4049, she did not veto the funding tied to it that was included in House Bill 4048.

It remains unclear whether the legislature’s use of the tie-bar in this way was legal and, according to reports, the Governor’s legal team continues to review.

Also tie-barred to a \$347.3 million funding provision in House Bill 4047 was Senate Bill 1, which would limit the power of the Michigan Department of Health and Human Services (DHHS) to extend a public health order past 28 days without legislative approval.

The House also unsuccessfully attempted to override the Governor’s vetoes – an action that requires a 2/3 majority vote to prevail.

FY22 Executive Budget

Specific Mental Health/Substance Abuse Services Line items

	<u>FY'20 (Final)</u>	<u>FY'21 (Final)</u>	<u>FY'22 (Exec Rec)</u>
CMH Non-Medicaid services	\$125,578,200	\$125,578,200	\$125,578,200
Medicaid Mental Health Services	\$2,487,345,800	\$2,653,305,500	\$3,011,525,500
Medicaid Substance Abuse services	\$68,281,100	\$87,663,200	\$80,988,900
State disability assistance program	\$0	\$2,018,800	\$2,018,800
Community sub abuse (prev, educ, & treatment)	\$108,754,700	\$108,333,400	\$78,005,200
Health Homes Program	\$3,369,000	\$26,769,700	\$33,005,400
Autism services	\$230,679,600	\$271,721,000	\$356,875,800
Healthy MI Plan (Behavioral health)	\$371,843,300	\$589,941,900	\$540,551,700
CCBHC	\$0	\$0	\$25,597,300

FY22 Executive Budget

Other Highlights of the FY22 Executive Budget:

CCBHC Implementation

The FY22 Executive Budget includes \$26.5 million gross, \$5.0 million general fund (6.0FTEs) to support a two-year implementation of the Centers for Medicare and Medicaid (CMS) Certified Community Behavioral Health Clinic (CCBHC) Demonstration program. Proposed funding will be used to:

- * **Establish 14 CCBHC sites**, through 11 Community Mental Health Programs and 3 non-profit behavioral health entities, to provide comprehensive access to behavioral health services to vulnerable individuals.
- * Create a new Behavioral Health Policy and Operations Office to oversee the implementation of the CCBHC demonstration, Medicaid Health Homes, and other behavioral health integration initiatives. The new office will comprise 6 new FTE positions and 9 reassigned FTE positions responsible for policy, operations, technical assistance, and quality monitoring support.

FY22 Executive Budget

Other Highlights of the FY22 Executive Budget:

Direct Care Worker Wage Increase

The Executive Recommendation provides \$110 million (\$43.1 million general fund) in fiscal year 2021 and \$360 million (\$121.4 million general fund) in fiscal year 2022 to permanently continue the \$2 per hour wage increase for direct care workers who provide critical care to our most vulnerable neighbors through Medicaid-funded behavioral health supports, community- and facility-based long-term care services, and home-based services provided through area agencies on aging. Maintaining the wage increase will help to stabilize the workforce and ensure continued access to services.

FY22 Executive Budget

KB vs. Lyon lawsuit

The FY22 Executive Budget includes \$90 million gross (\$30 million general fund) to recognize new costs related to the implementation of policy changes associated with the KB v. Lyon lawsuit settlement.

These caseload costs will come from program changes aimed at increasing consistency in access to behavioral health services for Medicaid enrollees and those served through the child welfare system.

Other items

\$1 million for Autism Service Navigation (general fund) is maintained in the Executive Budget on an ongoing basis. Support for this program has been included in recent budgets on a one-time basis.

- * \$3.5 million for cross enrollment expansion to improve technology and communication tools to better identify and enroll individuals needing support and services.
- * \$8.4 million to reduce health disparities and expand the use of community-based navigators to enhance access to health coverage, and improve screening, data sharing and interoperability of existing data systems through the Michigan Health Information Network.
- * \$15 million one-time for state psychiatric hospital special maintenance for capital improvements at all five of Michigan's psychiatric hospitals.

Key Budget Items for CMHA Members

Certified Community Behavioral Health Clinics (CCBHC)

On August 5, 2020 the Centers for Medicare & Medicaid Services (CMS) and the Substance Abuse & Mental Health Services Administration (SAMHSA) announced that the states of Kentucky and Michigan have been selected as additional participants in the Certified Community Behavioral Health Clinic (CCBHC) Demonstration. As part of the state implementation and roll out of the demonstration program, Michigan will be required to put up a small amount of state match dollars to draw down federal support for the program.

- * FY22 budget – Advocate for at least \$5 million GF which will allow the state to implement the greatest number of CCBHC sites across the state.

Key Budget Items for CMHA Members

Direct Care Wage Increase

- * Support continuation of \$2/hour increase for remainder of FY21 and support Governor's call to permanently address the issue.

Local Match draw down – Section 928

- * FY21 supplemental budget – Advocate for \$5 million GF to offset local/county resources for Medicaid match purposes. FY21 budget boilerplate section 928 called for a 5-year phase out of the use of local/county dollars for Medicaid match purposes, however the \$5 million GF appropriation was not included in the final budget and the phase out remained paused at FY20 levels. FY21 should have been year 2 of the 5-year phase out plan.
- * FY22 budget – Advocate for continued 5-year phase out and inclusion of the FY20 & FY21 boilerplate language and \$5 million of GF to offset local/county resources (FY22 should be year 3 of 5-year phase out).

Key Budget Items for CMHA Members

Substance Use Disorder Items

In November of 2020 PIHPs were informed that the substance use disorder block grant program will be taking a \$15 million reduction in FY21 (permanent reduction moving forward) due to an over-allocation of funds (lapse funds) by the state in past years. In addition, PIHPs were recently informed that federal opioid response grant dollars would also be reduced in FY21. These reductions have caused an immediate and drastic hole in the SUD budget for the current and upcoming fiscal years. In December 2020 – Congress passed the last COVID stimulus package of \$900 billion, included in that package was an additional \$1.7 billion for Substance Abuse Prevention and Treatment Block Grant and \$1.5 billion for State Opioid Response Grants.

- * FY21 supplemental budget (HB 4019 adds \$13.1 million more in SUD block grant) – Advocate for the state to use the recently approved federal dollars to help fill current budget year gaps created by the recent reductions in the SUD block grant and federal SOR grants, which will help smooth the reductions to programs over a few years versus dramatic cuts all in one fiscal year.
- * FY22 budget – Advocate for the state to continue to use recently approved federal dollars to help smooth the recent reductions in the SUD block and federal SOR grant programs.

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