

State budget hinges on Medicaid

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By Tim Richard
staff writer

It's up to health care providers whether state government will have more money for schools and an Oct. 1 income tax cut.

Gov. James J. Blanchard is hoping to hold the line on his \$5.38 billion "continuation" budget by asking providers to take a zero increase in Medicaid payments in fiscal 1985. If they don't, his tightly drafted budget plan could fall apart.

"It'll be tough politically," the first-term governor admitted after a two-hour state presentation of his budget in Lansing Monday. "The (providers) lobby intensely. If they don't accept it, I anticipate Agnes' saying 'I want more.'"

"AGNES" MEANS Dr. Angus Mary Mansour, director of the Department of Social Services (DSS).

Medicaid is the state program that pays the health care costs of the poor. In recent years, the state's bill has risen 15 to 20 percent annually, according to legislative analysts.

"We're asking efficiencies and sacrifices and doing without by the providers," Mansour said, listing these cost histories since 1981:

- Add to Families with Dependent Children — down 8.5 percent.
- General assistance (mainly to men who have exhausted unemployment benefits) — down 11 percent.
- Child foster care — up 174 percent.
- Adult foster care — up 264 percent.
- Nursing home care — up 33 percent.

THE ADMINISTRATION'S political strategy is clear: If health care providers resist a zero increase in benefit levels and seek more money from the Michigan Legislature, Mansour's "clients" will do battle for a benefit increase.

The results: Blanchard's tenuously balanced budget would unravel; the \$130 million tax decrease that he wants to push forward from Jan. 1 to Oct. 1 would be out the window, and the new money the governor is promising educators would evaporate.

Mansour's DSS this year is spending 40 cents of every \$1 in the state general fund. Blanchard wants to cut this to 37 cents in the fiscal year beginning Oct. 1.

The DSS budget has two main components: 1) direct payments to individuals and 2) Medicaid, which goes entirely to health care providers.

To do it, he is betting the welfare caseload will drop 40,000 from the current level of 394,000 as the economy improves. That 10-percent decrease is a compromise between cautious DSS estimates and more buoyant estimates by the University of Michigan.

LAST YEAR Blanchard, at Mansour's urging, asked a 5-percent grant increase in welfare benefit levels. After a political eruption, the idea was shot down by legislators.

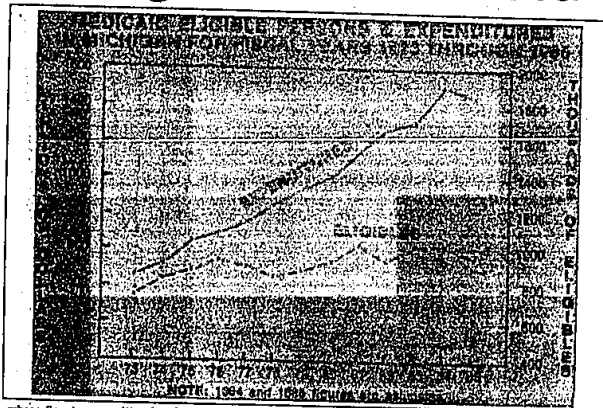
Blanchard Monday freely confessed his request was a political mistake. Instead, he is asking other increases for welfare recipients.

These include raising "workfare" to \$47.2 million (from \$12.9 million), raising energy allowances to \$80 million (from \$25 million), a second year of the Youth Job Corps, a Michigan Conservation Corps and an incentive payments to private employers who hire general assistance recipients.

CAN STATE government force health care providers to accept a zero increase in payments? The answer seemed to be yes.

"The federal government (which puts up half the Medicaid money) has to allow us to amend our agreements with hospitals," said Robert Naitaly, the certified public accountant from West Bloomfield Township who has been Blanchard's budget director since September.

State Sen. Patrick McCollough, D-Deerborn,



whose Senate committee has been studying health care costs, said the state's position should be: "This is what we will pay. We will go no further."

McCollough said that if large Detroit hospitals

refuse to accept a freeze on Medicaid payment levels, "There are a lot of good, small, community hospitals that charge far less than the downtown Taj Mahals."

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