

FY 2026-27: MEDICAID AND BEHAVIORAL HEALTH

Summary: As Reported by House Subcommittee

House Bill 5607 (H-1)



Analysts: Kent Dell and Kevin Koorstra

IDG/IDT	FY 2025-26 Year-to-Date as of 2/11/26	FY 2026-27 Executive	FY 2026-27 House	FY 2026-27 Senate	FY 2026-27 Conference	Difference: House From FY 2025-26 YTD	
						Amount	%
IDG/IDT	\$2,478,700	\$2,524,000	\$2,524,000			\$45,300	1.8
Federal	14,826,362,300	22,534,054,700	15,741,872,700			915,510,400	6.2
Local	68,354,300	69,691,300	68,691,300			337,000	0.5
Private	25,466,500	35,431,400	23,501,200			(1,965,300)	(7.7)
Restricted	1,534,805,200	4,803,589,400	1,510,348,900			(24,456,300)	(1.6)
GF/GP	5,440,604,000	5,132,671,200	5,589,494,800			148,890,800	2.7
Gross	\$21,898,071,000	\$32,577,962,000	\$22,936,432,900			\$1,038,361,900	4.7
FTEs	3,876.8	4,220.8	3,832.3			(44.5)	(1.1)

Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Department of Health and Human Services (DHHS) includes programs and services to assist Michigan's most vulnerable families, including public assistance programs, protecting children and assisting families by administering foster care, adoption, and family preservation programs and by enforcing child support laws, and funding for behavioral health (mental health and substance use disorder), public health, aging, crime victim, and medical services programs, including Medicaid and the Healthy Michigan Plan.

<u>Major Budget Changes from FY 2025-26 Year-to-Date (YTD) Appropriations</u>	<u>FY 2025-26 YTD (as of 2/11/26)</u>	<u>Executive Change from YTD</u>
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MEDICAID – GENERAL

1. Traditional Medicaid Cost Adjustments

Executive includes an increase of \$677.3 million Gross (\$159.1 million GF/GP) to recognize caseload, utilization, inflation, and special financing adjustments, and traditional FMAP cost-sharing adjustments from FMAP increasing from 65.30% to 65.70% for medical and behavioral health services in the traditional Medicaid program. Also incorporates estimates of caseload and provider tax-related savings resulting from the implementation of federal requirements under H.R. 1, totaling \$142.1 million Gross (\$55.9 million GF/GP). House concurs, but retains provider tax revenue and associated federal match as boilerplate contingency.

Gross	\$17,109,563,700	\$617,649,200
Federal	11,416,017,600	456,664,900
Local	43,035,800	(505,100)
Private	9,011,700	(51,700)
Restricted	1,203,228,900	2,431,100
GF/GP	\$4,438,269,700	\$159,110,000

2. Healthy Michigan Plan Cost Adjustments

Executive includes a net reduction of \$149.9 million Gross (\$12.1 million GF/GP) to recognize caseload, utilization, inflation, and special financing adjustments for medical and behavioral health services in the Healthy Michigan Plan (HMP). Also incorporates estimates of caseload and provider tax-related savings resulting from the implementation of federal requirements under H.R. 1, totaling \$204.4 million Gross (\$14.0 million GF/GP). House concurs, but retains provider tax revenue and associated federal match as boilerplate contingency.

Gross	\$2,800,801,300	\$8,397,800
Federal	2,515,803,400	20,191,700
Local	1,911,600	31,700
Private	700,000	0
Restricted	164,256,300	284,900
GF/GP	\$118,130,000	(\$12,110,500)

Major Budget Changes from FY 2025-26 Year-to-Date (YTD) Appropriations		FY 2025-26 YTD (as of 2/11/26)	Executive Change from YTD
3. Actuarial Soundness		Gross	NA
<u>Executive</u> includes \$658.1 million Gross (\$182.1 million GF/GP) for estimated managed care actuarial soundness adjustments for prepaid inpatient health plans (PIHPs) (3.0%), Medicaid health plans (5.0%), Program of All-inclusive Care for the Elderly (PACE) (3.5%), home- and community-based services (MI Choice) (6.8%), Integrated Care Organizations (MI Health Link) (4.3%), and Healthy Kids Dental (1.3%). <u>House</u> concurs.		NA	\$658,058,000
	Federal	NA	475,911,200
	GF/GP	NA	\$182,146,800
4. Provider Tax Revenue Reincorporation		Gross	NA
<u>Executive</u> includes \$9,331.4 million Gross (\$2,497.2 million state restricted) to recognize the elimination of Sec. 1833 and Sec. 1834 received-and-expend authority and reincorporate Hospital Quality Assurance Assessment Program (QAAP) and Insurance Provider Assessment (IPA) provider tax revenue (and federal match) authorization into Part 1 appropriations. This adjustment reflects a technical reversion to how these revenues were accounted for prior to FY 2025-26. <u>House</u> retains provider tax revenue and associated federal match as boilerplate contingency; Sec. 1833 and 1834 are related boilerplate.		NA	\$0
	Federal	NA	0
	Restricted	NA	0
	GF/GP	NA	\$0
5. Tax Proposals – Medicaid GF/GP Offset		Gross	NA
<u>Executive</u> includes a net-zero Gross fund shift to realize \$780.4 million GF/GP savings resulting from estimated Medicaid Benefits Trust Fund revenue increases from:		NA	\$0
	Restricted	NA	0
	GF/GP	NA	\$0
- Tobacco tax increases (\$232.0 million). \$1.00 per pack increase on cigarettes. - Non-cigarette wholesale increase from 32% to 57%. - Online and sports gaming tax increases (\$192.8 million). - New 57% wholesale tax on vaping products (\$73.6 million). - New 4.7% digital advertising tax (\$282.0 million). <u>House</u> does not include.			
6. Direct Care Worker Wages		Gross	NA
<u>Executive</u> includes \$351.8 million Gross (\$118.9 million GF/GP) to backfill federal COVID-19 Public Health Emergency (ARPA) revenue and retain \$3.40 per hour wage add-on, incorporate state minimum wage increases for CY 2025 and 2026, include an additional \$1.27 per hour increase to recognize minimum wage rate effective January 1, 2027, and provide for statutorily-required sick-leave payment costs for Medicaid reimbursed Direct Care Worker wages. <u>House</u> includes adjustments for CY 2025 and 2026 minimum wage increases only.		NA	\$258,427,200
	Federal	NA	171,094,100
	GF/GP	NA	\$87,333,100
DEPARTMENT ADMINISTRATION			
7. Tax Proposals – Coordinated Children’s Healthcare		Gross	\$22,663,300
<u>Executive</u> includes \$7.5 million state restricted from the Healthy Michigan Fund to support behavioral health services. Reflects a portion of the additional revenues estimated to be available from the proposed wholesale tax on vaping products. <u>House</u> does not include.		\$0	\$1,000,000
	FTE	74.0	0.0
	Federal	13,271,100	0
	TANF	450,200	0
	Private	200,000	0
	Restricted	0	0
	GF/GP	\$8,742,000	\$0
8. Autism Navigator – Coordinated Children’s Healthcare		Gross	\$0
<u>Executive</u> includes \$1.0 million GF/GP to reinstate funding for autism services coordinator contracts, which were eliminated in FY 2025-26. <u>House</u> concurs; Sec. 302 is related boilerplate.		\$0	\$1,000,000
	GF/GP	\$0	\$1,000,000

Major Budget Changes from FY 2025-26 Year-to-Date (YTD) Appropriations		FY 2025-26 YTD (as of 2/11/26)	Executive Change from YTD
9. TANF Reductions		Gross	NA (\$12,413,700)
<u>Executive</u> includes a reduction of \$12.1 million TANF across multiple line items to better align expenditures with annual TANF block grant revenue. Larger reductions include:		TANF	NA (12,413,700)
- Property management - \$9.2 million. - Bridges information system - \$1.7 million.		GF/GP	NA \$0
<u>House</u> concurs.			
10. SNAP Administrative Cost Share Increase – H.R. 1		Gross	NA \$0
<u>Executive</u> includes net-zero adjustments that replace \$27.0 million of federal funding for SNAP administrative costs with GF/GP due to an increase in the state SNAP administrative cost share from 50% to 75% as a requirement of H.R. 1. Larger impacts by section include:		Federal	NA (27,031,800)
- Department Administration - \$13.9 million. - Information Technology - \$13.0 million.		GF/GP	NA \$27,031,800
<u>House</u> concurs.			
11. Property Management – Administrative Reduction		Gross	\$65,006,000 (\$3,250,300)
<u>House</u> includes a reduction of \$3.3 million Gross (\$1.6 million GF/GP) to apply a reduction to FY 2025-26 property management appropriations of approximately 5%.		IDG/IDT	644,300 0
		Federal	21,483,200 (1,658,100)
		TANF	10,502,300 0
		Private	36,400 0
		Restricted	495,800 0
		GF/GP	\$31,844,000 (\$1,592,200)
12. Information Technology – Administrative Reduction		Gross	\$231,695,000 (\$115,847,500)
<u>House</u> includes a reduction of \$115.8 million Gross (\$29.3 million GF/GP) to apply a general, departmentwide information technology reduction to FY 2025-26 Information Technology Services and Projects line item appropriations of approximately 50%.		Federal	154,262,000 (86,509,300)
		TANF	16,528,900 0
		Private	250,000 0
		Restricted	1,977,600 0
		GF/GP	\$58,676,500 (\$29,338,200)
BEHAVIORAL HEALTH			
13. Southeast Michigan State Psychiatric Hospital		FTE	584.2 150.0
<u>Executive</u> adds \$70.8 million Gross (\$64.7 million GF/GP) and authorizes an additional 323.0 FTEs for expanded operational costs at the new Southeast Michigan State Psychiatric Hospital, which will have a 264-bed capacity. The census for Walter Reuther and Hawthorn, the two facilities this new hospital will replace, had averaged 215 individuals, of which 50 were children and adolescents. <u>House</u> adds \$32.9 million Gross (\$30.0 million GF/GP) and authorizes an additional 150.0 FTEs. <u>House</u> also divides line into adult and child and adolescent line items.		Gross	\$119,200,400 \$32,860,000
		Federal	27,090,300 1,177,700
		Local	6,063,900 1,655,200
		Restricted	4,282,600 0
		GF/GP	\$81,763,600 \$30,027,100
14. Other State Psychiatric Hospital Cost Adjustments		Gross	NA \$3,212,200
<u>Executive</u> includes a net increase of \$9.2 million Gross (\$19.7 million GF/GP) for state psychiatric hospital cost adjustments including, \$10.8 million GF/GP to offset less Medicaid reimbursable activities and \$7.2 million GF/GP for one-time costs for medical and business record systems and to purchase personal protection devices at Caro, Center for Forensic Psychiatry, and Kalamazoo. <u>House</u> concurs except only provides \$1.2 million GF/GP for one-time costs.		Federal	NA (10,507,500)
		Local	NA 0
		Restricted	NA 0
		GF/GP	NA \$13,719,700
15. Family Support Subsidy		Gross	\$16,290,400 \$882,700
<u>Executive</u> increases family support subsidy costs \$882,700 federal TANF based on updated, estimated number of income-eligible families with a child under age 18 living at home who is cognitively impaired, severely multiply impaired, or autistic. <u>House</u> concurs.		TANF	16,290,400 882,700
		GF/GP	\$0 \$0

Major Budget Changes from FY 2025-26 Year-to-Date (YTD) Appropriations		FY 2025-26 YTD (as of 2/11/26)	Executive Change from YTD
16. Certified Community Behavioral Health Clinics (CCBHCs)	Gross	\$916,062,700	\$0
<u>Executive</u> includes \$7.9 million GF/GP to offset a like amount of federal funds based on updated, anticipated federal cost reimbursements.	Federal	750,583,900	(7,868,200)
<u>House</u> concurs.	GF/GP	\$165,478,800	\$7,868,200
17. Health Homes	Gross	\$50,239,800	\$0
<u>Executive</u> adds \$4.9 million GF/GP to account for a temporary enhanced Medicaid match ending for most of the behavioral health and substance use disorder health homes. Health homes receive a 90% enhanced federal match for its first 8 quarters. <u>House</u> concurs.	Federal	39,527,000	(4,900,000)
	Restricted	560,000	0
	GF/GP	\$10,152,800	\$4,900,000
18. Nursing Home PAS/ARR-OBRA	Gross	\$15,213,600	\$3,600,000
<u>Executive</u> includes \$3.6 million Gross (\$900,000 GF/GP) based on anticipated cost and utilization increased of pre-admission screenings for persons with serious mental illness who are seeking admission into a nursing home. <u>House</u> concurs.	Federal	11,424,200	2,700,000
	GF/GP	\$3,789,400	\$900,000
19. Federal Authorization Adjustments	Gross	NA	\$11,300,000
<u>Executive</u> adds \$11.3 million federal for the following behavioral health programs:	Federal	NA	11,300,000
• \$8.3 million federal Medicaid reimbursements based on the expected opening of new psychiatric residential treatment facilities in Grand Rapids, Lansing, and Livonia which have an estimated combined number of 50 beds.	GF/GP	NA	\$0
• \$3.0 million from the federal Mental Health Block Grant.			
<u>House</u> concurs.			
20. Multicultural Integration Funding Elimination	Gross	\$17,284,900	(\$17,284,900)
<u>House</u> eliminates \$17.3 million Gross (\$16.2 million GF/GP) allocated for multicultural integration funding.	Federal	694,500	(694,500)
	TANF	421,000	(421,000)
	GF/GP	\$16,169,400	(\$16,169,400)
21. Crisis Stabilization Unit Expansion	Gross	NA	\$4,055,000
<u>House</u> adds \$4.1 million GF/GP to expand the number of crisis stabilization units.	GF/GP	NA	\$4,055,000
22. Nonprofit Mental Health Clinics	Gross	\$100,000	\$1,000,000
<u>House</u> includes \$1.0 million GF/GP to increase support for nonprofit mental health clinics. Sec. 916 is related boilerplate.	GF/GP	\$100,000	\$1,000,000
23. Online Health Information Consent Tool	Gross	\$600,000	\$150,000
<u>House</u> includes \$150,000 GF/GP to increase support for the online health information consent tool. Sec. 922 is related boilerplate.	GF/GP	\$600,000	\$150,000
24. Opioid Healing and Recovery Fund – One-Time	Gross	\$76,750,000	(\$14,000,000)
<u>Executive</u> includes a net reduction of \$14.0 million state restricted Opioid Health and Recovery one-time funding, for a total FY 2026-27 one-time amount of \$62.8 million. Sec. 1914 is related boilerplate that also changes the allocation of these funds. <u>House</u> concurs with a revised distribution in Sec. 1914.	Restricted	76,750,000	(14,000,000)
	GF/GP	\$0	\$0
HEALTH SERVICES			
25. Medicaid Cost Savings – Resource Optimization	Gross	NA	(\$300,000,000)
<u>Executive</u> assumes \$150.0 million GF/GP savings from – yet to be determined – policy recommendations made in consultation between the department and third-parties. SBO estimates recommendations will be determined by May. <u>House</u> assumes \$300.0 million GF/GP savings included as a negative appropriation; Sec. 1890 is related boilerplate.	GF/GP	NA	(\$300,000,000)

Major Budget Changes from FY 2025-26 Year-to-Date (YTD) Appropriations		FY 2025-26 YTD (as of 2/11/26)	Executive Change from YTD
26. Rural Health Transformation Program	FTE	0.0	2.0
<u>House</u> includes a reduction of \$76.8 million to align appropriation with actual grant award, transfers 2.0 FTE positions, and designates the federal grant as a separate fund source. Sec. 1803 is related boilerplate.	Gross	\$250,000,000	(\$76,800,000)
	Federal	250,000,000	(76,800,000)
	GF/GP	\$0	\$0
27. Medicare/Medicaid Dual Eligible – Programmatic Structure	Gross	NA	\$0
<u>Executive</u> includes a net increase of \$20.9 million Gross (reduction of \$2.8 million GF/GP) from transitioning the current integrated care organizations to managed care as the new MI Coordinated Health Program. <u>House</u> concurs, but includes a technical adjustment for savings accounted for in actuarial soundness adjustments; Sec. 1775 is related boilerplate.	Federal	NA	0
	GF/GP	NA	\$0
28. Private Duty Nursing	Gross	\$5,891,400	\$9,931,700
<u>Executive</u> includes \$9.9 million Gross (\$3.4 million GF/GP) for CMS service requirements for home health private duty nursing services to Medicaid recipients under the age of 21. <u>House</u> concurs.	Federal	3,784,300	6,525,100
	Private	100,000	0
	GF/GP	\$2,007,100	\$3,406,600
29. Ground Emergency Medical Transportation – Federal Match	FTE	NA	6.0
<u>Executive</u> includes \$31.5 million Gross (\$0 GF/GP) and 6.0 administrative FTE positions to incorporate assumed additional revenues related to federal cost sharing for existing medical transportation costs incurred by government-owned providers. <u>House</u> concurs.	Gross	NA	\$31,500,000
	Federal	NA	31,350,000
	Local	NA	150,000
	GF/GP	NA	\$0
30. Community Health Workers	Gross	NA	\$0
<u>Executive</u> includes \$4.1 million Gross (\$1.6 million GF/GP), of which \$1.0 million Gross (\$500,000 GF/GP) is one-time, to develop and implement a health plan billing system for community based organizations for reimbursable community health worker (CHW) services, and to incorporate regional CHW ratio requirements, with the intent to work project the one-time appropriations. Sec. 1913 is related boilerplate. <u>House</u> does not include.	Federal	NA	0
	GF/GP	NA	\$0
31. MI Choice – Structured Family Caregiving	Gross	\$0	\$2,881,800
<u>Executive</u> includes \$2.9 million Gross (\$1.0 million GF/GP) to reinstate training supports and stipends for live-in family members that provide caregiving supports to Home and Community-Based Services waiver beneficiaries, funding was reduced by the same amount in FY 2025-26. <u>House</u> concurs.	Federal	0	1,881,800
	GF/GP	\$0	\$1,000,000
32. Medicaid Outreach – Chronic Kidney Disease	Gross	NA	\$1,000,000
<u>Executive</u> includes \$1.0 million GF/GP for ongoing grant for outreach regarding chronic kidney disease prevention and management. Sec. 1851 is related boilerplate. <u>House</u> concurs, with revised Sec. 1851.	GF/GP	NA	\$1,000,000
33. GLP-1 Savings	Gross	NA	(\$1,666,700)
<u>Executive</u> includes a reduction of \$1.7 million GF/GP for a full year's worth of GLP-1 policy savings that were effective January 1, 2026. <u>House</u> concurs.	GF/GP	NA	(\$1,666,700)
34. Federal State Psychiatric DSH Clawback – One-Time	Gross	NA	\$54,722,900
<u>Executive</u> includes \$54.7 million GF/GP for the final year of a 4-year repayment plan back to the federal government for state psychiatric disproportionate share hospital payments that the state inappropriately claimed prior to 2007. The total GF/GP cost is \$236.6 million. <u>House</u> concurs.	GF/GP	NA	\$54,722,900

Major Budget Changes from FY 2025-26 Year-to-Date (YTD) Appropriations	FY 2025-26 YTD (as of 2/11/26)	Executive Change from YTD
35. Nursing Facility Staffing – Penalty Revenues – One-Time	Gross	NA
<u>Executive</u> includes \$10.0 million private revenues to support nursing facility workforce training programs, career development, and other hiring and retention efforts for CNAs and RNs. Revenues are available from civil monetary penalty payments by nursing facilities for infractions involving non-compliance with federal requirements, and allowable under CMS guidance for staffing level-related efforts. Program supported over a 5-year period with the intent to work project the appropriations. Sec. 1911 is related boilerplate. <u>House</u> does not include.	Private	NA
	GF/GP	NA
		\$0
		0
		\$0
36. Home Help Caregiver Council – One-Time	FTE	0.0
<u>Executive</u> includes \$2.0 million Gross (\$1.0 million GF/GP) and 3.0 FTE positions to establish the Home Help Caregiver Council, in accordance with 2024 PA 144. Funding to provide for administrative costs, pre-service orientation, communications, advisory group support, and voluntary training over a 5-year period with the intent to work project the appropriations. Sec. 1913 is related boilerplate. <u>House</u> does not include.	Gross	\$0
	Federal	0
	GF/GP	\$0
		\$0
		0
		\$0
37. Budget Structure – Programmatic Line Items	Gross	NA
<u>House</u> includes net-zero transfers to unroll programs into separate line item appropriations, including:	Federal	NA
• Healthy Michigan Plan – Fee-For-Service	Local	NA
• Healthy Kids Dental	Private	NA
• Plan First	Restricted	NA
	GF/GP	NA
		\$0
		0
		\$0
38. Restricted Fund Adjustments	Gross	NA
<u>Executive</u> includes net-zero adjustments that replace \$6.4 million state restricted revenues with \$6.4 million GF/GP adjustments include:	Restricted	NA
• Merit Award Trust Fund: increase of \$13.0 million.	GF/GP	NA
• Medicaid Benefits Trust Fund: reduction of \$18.2 million		(6,400,000)
• Healthy Michigan Fund: reduction of \$1.2 million		\$6,400,000
<u>House</u> concurs.		
39. Actual Operational Spending Adjustments	FTE	NA
<u>House</u> aligns appropriations throughout the Medicaid and Behavioral Health budget to reflect lapse savings estimates, work project utilization, and alignment of FTE levels with actual staffing.	Gross	NA
	Federal	NA
	Local	NA
	Private	NA
	Restricted	NA
	GF/GP	NA
		(193.5)
		(\$102,595,400)
		(42,339,400)
		(1,000,000)
		(1,930,200)
		(6,806,800)
		(\$50,519,000)
40. Removal of FY 2025-26 One-Time Appropriations	Gross	\$114,940,600
<u>Executive</u> removes \$114.9 million Gross (\$35.9 million GF/GP) of one-time funding that was included in the FY 2025-26 budget to support 14 one-time line items in FY 2025-26. Any funding retained into FY 2026-27 is noted elsewhere. <u>House</u> concurs.	Federal	2,306,900
	Restricted	76,750,000
	GF/GP	\$35,883,700
		(\$114,940,600)
		(2,306,900)
		(76,750,000)
		(\$35,883,700)
41. Economic Adjustments	Gross	NA
<u>Executive</u> reflects increased costs of \$15.7 million Gross (\$10.4 million GF/GP) for negotiated salary and wage increases (3.0% on October 1, 2026), actuarially required retirement contributions, worker's compensation, building occupancy charges, rent, and other economic adjustments. <u>House</u> includes all economic adjustments as a single line item appropriation.	IDG	NA
	Federal	NA
	TANF	NA
	Local	NA
	Private	NA
	Restricted	NA
	GF/GP	NA
		45,300
		5,209,700
		(3,400)
		5,200
		4,600
		34,500
		\$15,701,400
		\$10,405,500

Major Budget Changes from FY 2025-26 Year-to-Date (YTD) Appropriations	FY 2025-26 YTD (as of 2/11/26)	Executive Change from YTD
42. Employees by Status	Gross	NA
<u>House</u> includes the estimated number of full-time, limited-term, noncareer/per diem, part-time, permanent-intermittent, and seasonal people employed by the department. Estimates were obtained from the Forty-Sixth Annual Workforce Report published by the Civil Service Commission and are as follows:	GF/GP	NA
- Full-time employees – 3,390.3 - Limited-term employees – 51.5 - Noncareer/per diem employees – 12.7 - Part-time employees – 2.5 - Permanent-intermittent employees – 18.6 - Seasonal employees – 0.0		\$0

Major Boilerplate Changes from FY 2025-26

GENERAL SECTIONS

Sec. 240- 217. Legislative Contingency Transfer Authorization – REVISED

House authorizes the legislative transfer process to increase federal authorization by up to \$100 million, state restricted authorization by up to \$50 million, local authorization by up to \$30 million, and private authorization by up to \$45 million; prohibits increasing TANF authorization through the legislative contingency transfer process. House, in Sec. 217, revises federal to \$20 million, state restricted to \$20 million, local to \$5 million, and private to \$2 million.

Sec. 215. Court Approved Judgments – NEW

House prohibits departmental funds from being used to pay a court-approved judgment more than \$200,000, unless authorized elsewhere.

Sec. 222. State Fiscal Recovery Fund Reappropriation – NOT INCLUDED

Executive allows for the automatic reappropriation of state fiscal recovery funds for the same, original appropriated purpose so funds are expended by December 31, 2026, and any subsequent financial close out period. House does not include.

Sec. 226. U.S. Citizenship Requirement – NEW

House prohibits DHHS from using state or federal funds to provide services to non-US citizens, except for qualified aliens under federal law. Excludes actions for the purpose of detaining non-U.S. citizens from this prohibition.

Sec. 227. Prohibition on DEI Programs – NEW

House prohibits DHHS from using state funds on diversity, equity, and inclusion initiatives as defined in various federal Executive Orders.

Sec. 234- 264. Direct Care Worker Wage Increase and Report – REVISED

Requires DHHS, Medicaid managed care organizations of MI Choice, MI Health Link, and PIHPs to continue the wage increase of up to \$3.40 per hour paid to direct care workers funded by DHHS appropriations, and states specific workers and wage increases to be supported. Includes provisions if a worker elects to reject the increase. Requires DHHS to report on previous fiscal year information and outcomes. House, in Sec. 264, revises by removing the specific direct care wage increase amount and replaces with the requirement to comply with expressly defined network adequacy standards for direct care workers and revises the report to include compliance with network adequacy standards and aggregated rates paid.

Sec. 233. ARPA Revenue Pre-Expiration Reallocation – NOT INCLUDED

Executive permits the state budget director to reallocate federal state fiscal recovery funds so they are expended by December 31, 2026 for payroll and benefits for public health and safety employees at the department of corrections and department of state police; and requires legislative notification within 10 business days of the reallocation. House does not include.

Major Boilerplate Changes from FY 2025-26

Sec. 250- 224. Legislatively Directed Spending Items – REVISED

Requires the legislature to provide the department and the state budget director with a list of legislatively directed spending items; provides requirements for the administration of grants; provides requirements for grant agreements; requires grant recipients to respond to reasonable information requests; provides deadline for grant expenditure; requires the department to post information about grant recipients on its website. Executive revises to require SFA and HFA to submit a jointly agreed upon list of legislatively directed spending items to SBO and requires DHHS to post a report by March 15 and updated June 15 and September 15. House, in Sec. 224, revises to require compliance with sections 364 and 364a of the Management and Budget Act, requires grant recipients to provide a spending plan, requires department to annually audit grants, requires Office of the Auditor General to have access to internal and external records, outlines conflict of interest provisions, and requires reports.

Sec. 254. Federal Receive and Expend Authority – NOT INCLUDED

Executive allows DHHS, upon approval from the state budget director, to receive and expend federal funds in addition to the federal funds appropriated in part 1; requires notification to the subcommittees and HFA and SFA 10 days after state budget director approval; and caps federal receive and expend at 1% of part 1 appropriations. House does not include.

BEHAVIORAL HEALTH SERVICES

Sec. 902. Contracts Between DHHS and CMHSPs/PIHPs – RETAINED

Requires final authorizations to CMHSPs or PIHPs be made upon the execution of contracts between DHHS and CMHSPs or PIHPs; requires DHHS to report if there are new contracts or amendments to contracts with CMHSPs or PIHPs that would affect rates or expenditures. Executive deletes. House retains.

Sec. 912. Salvation Army Harbor Light Program – REVISED

Requires DHHS to contract with the Salvation Army Harbor Light Program for providing non-Medicaid substance use disorder services, if program meets standard of care. Executive deletes. House revises so the funds are allocated to the same recipient as the previous fiscal year.

Sec. 917. Michigan Opioid Healing and Recovery Fund and Report – REVISED

Allocates \$55.0 million from the Michigan Opioid Healing and Recovery Fund, MCL 12.253, to supplement other opioid-related programs and services; permits DHHS to expend remaining funds for additional activities; and requires a semiannual report. Executive revises category amounts for the Michigan Opioid Healing and Recovery Fund, removes DHHS ability to expend remaining funds on additional activities, and removes semiannual report. House revises category amounts and removes DHHS ability to expend remaining funds on additional activities.

Sec. 924. Autism Services Fee Schedule – REVISED

Requires DHHS to maintain a fee schedule for autism services by not allowing expenditures used for actuarially sound rate certification to exceed the identified fee schedule, also sets behavioral technician fee schedule at not less than \$66.00 per hour. Executive revises to only require a minimum fee of not less than \$66.00 per hour for behavioral technicians. House revises so that behavioral technicians receive not more than \$66.00 per hour.

Sec. 925. Autism Services Quality Control – NEW

House requires DHHS to dedicate up to 1.0% from the autism line to contract with an independent agency to identify fraud, institute quality control measures, and provide technical assistance to improve outcomes and accountability.

Sec. 965. Methadone Medication Assisted Treatment – RETAINED

Requires DHHS to reimburse methadone administration, bundled rate H0020, to at least \$19.00. Executive deletes. House retains.

Sec. 994. National Accreditation Review Criteria for Behavioral Health Services – RETAINED

Requires DHHS to seek, if necessary, a federal waiver to allow a CMHSP, PIHP, or subcontracting provider agency that is reviewed and accredited by a national accrediting entity for behavioral health care services to be in compliance with state program review and audit requirements; requires a report that lists each CMHSP, PIHP, and subcontracting provider agency that is considered in compliance with state requirements; requires DHHS to continue to comply with state and federal law not initiate an action by negatively impacts beneficiary safety; defines “national accrediting entity.” Executive deletes. House retains.

Sec. 1005. Health Home Programs – REVISED

Requires DHHS to maintain the number of behavioral health homes in PIHP regions and the number of opioid health homes in PIHP regions, and permits expansion into additional PIHP regions; requires a report. House revises to permit DHHS to submit a legislative approval to expand the number of health homes and revises the report to list the number of health homes that qualify for enhanced federal reimbursement and the date when the enhanced federal reimbursement expires.

Major Boilerplate Changes from FY 2025-26

Sec. 1034. PIHP Performance Incentives – REVISED

Requires PIHP to verify compliance with applicable reimbursement rates or fees required for autism services and direct care in section 924 and 231 using actual claims and utilization data; requires DHHS to seek CMS approval to condition PIHP performance incentives on compliance with the provider rates for autism services and direct care in section 924 and 231; and requires DHHS to audit the claims and utilization data and notify a PIHP if the audit determines providers are not being reimbursed at not the required rates. House revises so performance incentives are tied to compliance with network adequacy standards rather than reimbursement rates.

HEALTH SERVICES

Sec. 1507. Office of Inspector General Medicaid Managed Care Audits – RETAINED

Requires the Office of Inspector General to audit and recoup inappropriate or fraudulent payments from Medicaid managed care organizations to providers. Prohibits department from fining, suspending, or disenrolling a Medicaid provider due to the discovery of inappropriate payments, unless authorized by federal or state law. Executive deletes. House retains.

Sec. 1521. HMP Community Engagement Compliance – NEW

House requires implementation of federal community engagement requirements for Medicaid expansion population.

Sec. 1522. Medicaid Eligibility Verification Data Retrieval – NEW

House prohibits self-attestation for certain eligibility information; requires submission of periodic data requests from various state and federal government entities; requires periodic data review for eligibility verification; requires data-sharing agreements, where necessary; allows for third-party contracting for data review; and requires immediate eligibility redetermination for applicable Medicaid recipients.

Sec. 1523. Medicaid Multi-State Enrollment Verification – NEW

House requires semiannual reviews of federal change of address data; semiannual reviews of out-of-state Bridge Card transactions; immediate eligibility redetermination for applicable Medicaid recipients; report enrollment data to CMS to identify multi-state enrollment; and requires a report.

Sec. 1524. Medicaid Enrollment Death Records Review – NEW

House requires semiannual review of state and federal death records to identify Medicaid recipients who may be deceased; requires removal of Medicaid recipients verified as deceased; disallows reimbursements occurring after date of death; requires recoupment of erroneous payments; and requires OIG oversight to verify department compliance.

Sec. 1525. Medicaid Payment Error Report – NEW

House requires a report on erroneous Medicaid payments.

Sec. 1526. Medicaid Retroactive Coverage Compliance – NEW

House requires compliance with retroactive coverage provisions of H.R.-1.

Sec. 1527. Medicaid Waiver Budget Neutrality Report – NEW

House requires department to report on Medicaid waiver budget neutrality calculations.

Sec. 1528. Targeted Medicaid Provider Prohibition – NEW

House prohibits specified family planning services providers from participation in the state Medicaid program.

Sec. 1529. Medicaid Community Engagement Implementation Requirement – NEW

House prohibits the department from requesting a good-faith-effort waiver from CMS to extend the implementation deadline for Healthy Michigan Plan community engagement requirements, and requires the department to report on the implementation.

Sec. 1530. Medicaid Waiver Approvals – NEW

House prohibits the department from requesting or implementing a CMS waiver or Medicaid State Plan amendment prior to statutory approval.

Sec. 1608. Medicaid Eligibility Residency Requirements – REVISED

Provides legislative intent that the department comply with residency provisions when determining Medicaid eligibility. Executive deletes. House revises to require compliance, and require department to conduct 3 month community engagement requirement compliance look-back for Healthy Michigan Plan eligibility for new residents.

Sec. 1633. Federal Provider Tax Transition Period – DELETED

Requires the department to request a transition period for implementing new federal provider tax rules and to coordinate with the Department of Treasury and insurance providers to establish a reasonable payment timeline. Executive and House delete.

Major Boilerplate Changes from FY 2025-26

Sec. 1634. Insurance Provider Assessment Alternative – DELETED

Eliminates the Insurance Provider Assessment upon the establishment of an alternative provider assessment or other revenue source, and lowers assessment rates if alternative revenue sources do not equate to previous IPA revenue. Executive and House delete.

Sec. 1647. Home- and Community-Based Services Fund Report – DELETED

Requires the department to report on any changes to the approved HCBS fund spending plan, and requires an annual report on total expenditures with grantee and program progress details. Executive and House delete.

Sec. 1647. Home Office Nursing Costs – NEW

House requires department to recognize patient care-related home office nursing costs as reimbursable base costs.

Sec. 1762. Medicaid Health Plan – Medical Loss Ratio – NEW

House requires department to ensure adherence to CMS guidance for Medicaid health plans medical loss ratio requirements.

Sec. 1763. Drug Utilization Reviews – NEW

House requires documented net-cost reviews and affirmative determination of a drug's clinical appropriateness and cost effectiveness prior to inclusion on the state single preferred drug list; and requires a report.

Sec. 1788. Medicaid Reimbursement Rates – Ambulance QAAP – REVISED

Requires the department to provide reimbursement rates for ambulance Quality Assurance Assessment Program (QAAP) provider tax revenue equal to, or greater than, Medicare rates at a specified locality. Executive retains. House revises to provide for reimbursements up to 100% Medicare allowable rates, and removes date reference.

Sec. 1792. Portable Radiograph Travel Reimbursement – NEW

House requires department to provide for transportation costs as part of reimbursable services for portable x-ray and ultrasound services provided to residents of long-term care facilities.

Sec. 1793. Health Plan Pharmaceutical Encounter Data Report – NEW

House requires department to evaluate and report on pharmacy encounter data.

Sec. 1803. Rural Health Transformation Program – REVISED

Requires the department to distribute federal grant funding; requires a report on the Rural Health Transformation Program grant application submitted to CMS; and requires a report on final grant award, denial, and any CMS-required modifications. Executive revises to remove reporting requirements. House revises to require a report on revised grant award, and identify proposals to increase grant award; report on all reports submitted to CMS; require point-in-time expenditure-triggered reports; specify dashboard metrics, and require their public availability; require quarterly reports on MIHIN expansion; require prioritization of department personnel for administrative operations, and report on administrative costs for Michigan Public Health Institute contractual services; explore the development of a regional value-based care payment demonstration, and provide a report; allocate \$6.4 million to the MiDocs Consortium for general OB-GYN slots in rural areas; provide for quarterly stakeholder meetings; require revised grant application include for direct payments to rural hospitals; and require all reports to be available on the grant website.

Sec. 1830. Centering Pregnancy – DELETED

Allocates \$5.0 million to provide for grants to prenatal health care providers operating group-based maternity programs through hospitals. Executive retains. House deletes to reflect appropriation transfer to Public Health.

Sec. 1831. Hospital Maternal Health Incentives – REVISED

Allocates \$10.0 million for data-sharing systems and services between maternity care providers for improvements in service quality and maternal safety. Executive retains. House revises to include technical adjustment for allocation amount not transferred to Public Health, and includes reporting requirement.

Sec. 1862. Obstetrical Rates – RETAINED

Requires the department to maintain obstetrical service payment rates at 95% of Medicare levels effective October 1, 2014. Executive revises to remove October 1, 2014 payment rate reference date. House retains.

Sec. 1880. Medicaid Pharmaceutical Quality and Clinical Standards – REVISED

Requires the department to align all pharmacy-related policies with federal quality and clinical standards and any single preferred drug list utilization management criteria to be established in consultation with the Medicaid health plans and the Michigan pharmacy and therapeutics committee; and limits GLP-1 agonist utilization to specified cases. Executive retains. House revises to require utilization of generic and biosimilar pharmaceuticals, and prohibit requiring managed care plans to adhere to the state singled-preferred drug list.

Major Boilerplate Changes from FY 2025-26

Sec. 1881. Medicaid Managed Care Cost Savings Review – NEW

House requires department to collaborate with health plans to conduct a 15 year policy review, identify cost savings, and report on recommendations; and requires cost-savings recommendations implementation.

Sec. 1888. Contract Performance Standards – RETAINED

Requires the department to establish contract performance standards associated with the capitation withhold provisions for Medicaid health plans at least 3 months in advance of the implementation of those standards and clarifies that the determination of whether performance standards have been met shall be based primarily on recognized concepts, such as one-year continuous enrollment and healthcare effectiveness data and information set (HEDIS) data. Executive deletes. House retains.

Sec. 1890. Medicaid Resource Optimization – NEW

House requires department to identify optional Medicaid services and administrative overhead-related reductions to provide for negative appropriations item in Part 1.