



CRC Notes

STATE HEALTH EXPENDITURES IN MICHIGAN

Nearly \$10.3 billion in State of Michigan appropriations were directed toward health in Fiscal Year 2000-01. Not all of this spending is for programs whose main goal is health. For example, a significant level of health care service is provided in correctional facilities. Nevertheless, it is clear that, directly or indirectly, health spending accounts for a significant portion of state spending. By way of comparison, the School Aid Fund provided a total of \$10.9 billion for support of public schools, and even \$0.5 billion of that went for the purchase of health, vision, and dental insurance for public school retirees.

Chart 1 shows the relative spending authorization for major state program areas.

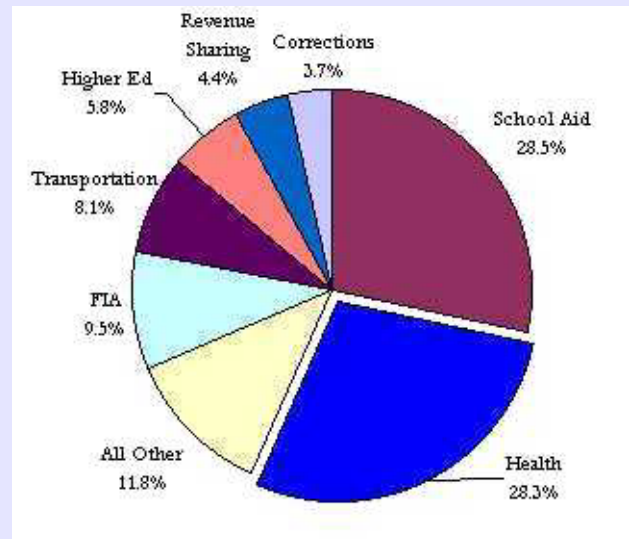
Types of Health Programs

The \$10.3 billion total expenditures consists of \$9.2 billion for 151 health programs and \$1.1 billion for health insurance for past and current state employees. The health programs have the primary purpose of: promoting the public health; preventing health problems; maintaining and improving personal health; identifying threats to health; and, treating physical and mental disease. The State addresses these goals in four ways (See Chart 2):

Direct Provision. The state, on its own or in conjunction with local government, directly provides 23 programs that account for almost 7 percent of total expenditures. These include epidemiology, vital statistics, state mental health facilities, prison infirmaries and other smaller programs.

Purchase. In the bulk of the health-related programs (95 of the 151), the state and/or local government purchases health services from a third party provider. These programs account for almost 87 percent of total expenditures. Among these are: health care for low-income individuals (Medicaid); community mental health and substance abuse; and, health insurance for current and retired state employees and public school retirees.

Chart 1
Michigan 2001 Total Appropriations by Major Category



Subsidization. Michigan has established 16 programs to provide funds to organizations and individuals that carry out health functions. Accounting for over 5 percent of total expenditures, subsidization programs include support of health and medical education at public universities; school nutrition programs; and, certain non-profit agencies.

Regulation. The state has 17 programs, which account for only 1.5 percent of total expenditures, to license and certify individual and organized providers; oversee occupational health and safety issues; license health insurers and managed care organization; and, authorize certain capital outlay expenditures by health providers.

Principal Michigan Health Expenditures, FY 2000-01	
Program	Appropriation (millions)
Medicaid*	\$5,459.4
Community Mental Health	1,661.2
Health Insurance Premium Payments	1,245.1
School Nutrition	262.1
Psychiatric Hospitals	184.9
WIC (Women, Infants, & Children)	161.9

* Cost of services to Medicaid recipients. Does not include Medicaid funds used to support state and local functions such as provider certification, veterans' home care, and fraud investigation.

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Source of Funds

As shown in Chart 3, one-half of the financial support for Michigan health spending comes from the federal government. Chief among the Federal programs are Medicaid, School Lunch and Women's, Infants and Children nutrition (WIC). One-third comes from the general fund/general purpose revenues generated by taxes and the balance from other

sources.

While health spending is already a major portion of the state budget, it will probably assume a greater share in future years. Chief factors in the increase will likely be: health insurance premiums which exceed inflation; concerns for the uninsured; pharmaceutical, biological and tech-

nical advances in medical care; pressures for greater reimbursement for Medicaid providers; and the aging of the population - it is estimated that those 65 and older will grow from 1.2 million in 2000 to 2.1 million in 2030 or from 12.4 percent to 19.8 percent of the state population.

Chart 2
Michigan Health Funding by Category

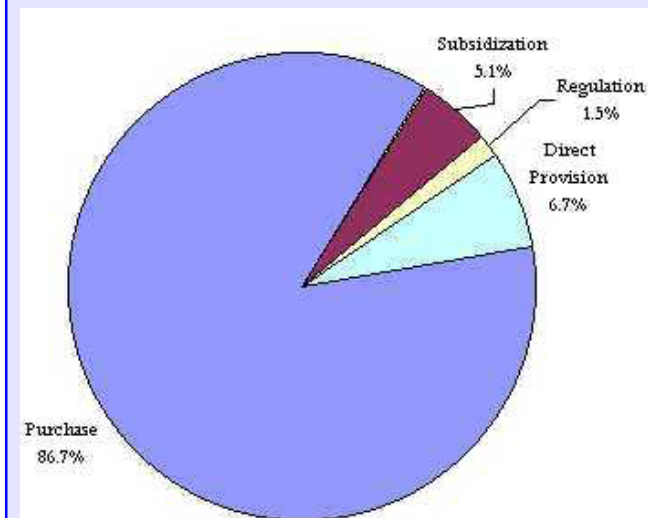
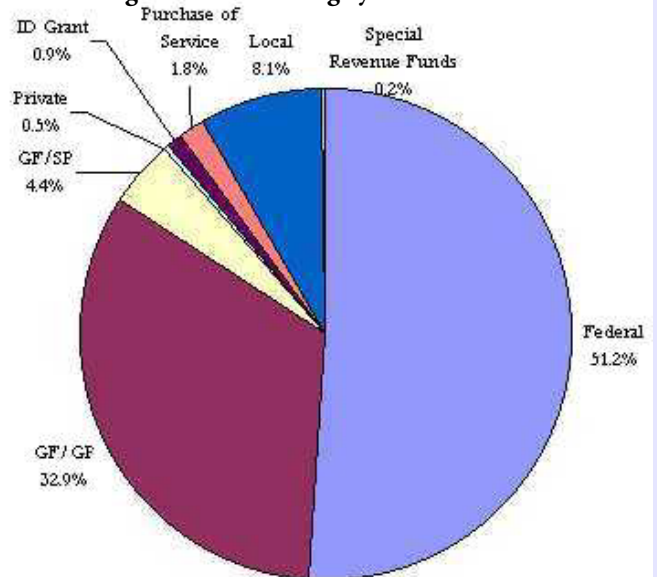


Chart 3
Michigan Health Funding by Sources of Funds



Report Number 333, *Outline of State of Michigan Health Programs*, has been published with the assistance of the W.K Kellogg and Hudson-Webber Foundations. The 162 page report is available at our website (www.crcmich.org/hcoutline/index.html) in both html and pdf versions and can be obtained in printed form by request. More than 150 separate entries include: a brief description; legislative authority; current spending authorization and source(s) of funds; the basis for allocation or distribution of funds; the responsible administrative agency; website; and, statistical information. Two appendices detail funding by type of program and source of funds and permit reference to specific line items in appropriations acts.