

SENATE FISCAL AGENCY MEMORANDUM

DATE: February 23, 2015

TO: Members of the Senate

FROM: Ellyn Ackerman, Fiscal Analyst
Steve Angelotti, Associate Director
Frances Carley, Fiscal Analyst

RE: Executive Order 2015-4

Executive Order 2015-4

On February 9, 2015, Governor Snyder issued Executive Order (E.O.) 2015-4, which would effectively combine the Departments of Human Services (DHS) and Community Health (DCH) into a new department, the Department of Health and Human Services (DHHS). The Executive Order would also create two new agencies within the DHHS, the Michigan Children's Services Agency and the Aging and Adult Services Agency. The latter Agency would take over the responsibilities and functions of the Office of Services to the Aging, which would be abolished. The E.O. would also create an independent and autonomous Health and Human Services Office of Inspector General within the DHHS. Article V, Section 2 of the Michigan Constitution states that the Legislature has 60 days following the issuance of an E.O. to reject it; the last day for the Legislature to reject E.O. 2015-4 is April 10, 2015.

Program Transfers Under Executive Order 2015-4

The new Department of Health and Human Services would receive all programs and agencies from the DCH and DHS with the exception of the Office of Child and Adult Licensing and the Adult Foster Care Licensing Advisory Council, which would be transferred from the DHS to the Department of Licensing and Regulatory Affairs (LARA).

The Michigan Children's Services Agency

Within the DHHS, the Michigan Children's Services Agency would be charged with reviewing, investigating, evaluating, and assessing all services and programs for children within DHHS, with making and analyzing recommendations to the DHHS director on children's services and programs, provide information to the DHHS director and the Governor related to children's services and programs, and serve as the liaison to State departments and agencies on children's services and programs. The Children's Services Agency would include, at a minimum, foster care, homeless youth services, and juvenile justice services. The Children's Services Agency would also take on any other responsibilities assigned to it by the DHHS director.

The Aging and Adult Services Agency

The Aging and Adult Services Agency would include all current functions of the Office of Services to the Aging (OSA), the Commission on Services to the Aging, and any other responsibilities assigned to it by the DHHS director. The OSA would be abolished, as would be the position of Director of OSA.

The adult services programs currently in DHS include disability determination, public assistance, rehabilitation services, adult protective services, and services through Community Action Agencies. It is not yet known how these programs would be integrated into the new Department. One or more of the programs could become part of the Aging and Adult Services Agency.

Other Boards

Three boards established through previous Executive Orders and statutes would be transferred from DCH and DHS to the DHHS. These would include the Autism Council (transferred from the DCH), the State Child Abuse and Neglect Prevention Board (transferred from the DHS), and the Human Trafficking Health Advisory Board (transferred from the DCH).

Members of the Interagency Coordinating Council for Infants and Toddlers with Developmental Disabilities, the Michigan Interagency Council on Homelessness, and the Human Trafficking Health Advisory Board, formerly appointed by the DHS and DCH directors would be appointed by the DHHS director.

The Health Insurance Reform Coordinating Council, created by Executive Order in 2010, would be abolished.

Office of Inspector General

The DHS Office of Inspector General, created by 2002 PA 573, would be transferred from the DHS to the DHHS. The DCH Office of Health Services Inspector General, created by E.O. 2010-1, would be transferred from the DCH to the DHHS. The new office would be an independent and autonomous entity within the DHHS. The office would be directed to conduct activities to prevent, detect, and investigate fraud, waste, and abuse in DHHS programs, including those overseen by the new Children's Services Agency and the new Aging and Adult Services Agency.

Fiscal Impact of Executive Order 2015-4

The short-term fiscal impact of the E.O. would be a minor reduction in costs for State government and no impact on local units of government. The longer-term impact would depend on the level of efficiencies gained through the reduction in duplication of services and administration. As there have been no details provided on efforts to reduce duplication of effort as a result of the E.O., the longer-term impact could vary but would likely result in savings to State government with the potential for reduced fiscal pressures on local governments as well.

The minor reduction in costs would occur as executive functions of the new Department were streamlined and duplicative staff positions were eliminated, whether through direct layoffs or attrition. The longer-term impact would depend on the decisions made, especially in terms of local offices. At present, DCH and DHS help fund or run local Community Mental Health (CMH) boards, Local Public Health (LPH) departments, local Area Agencies on Aging (AAA), and local DHS offices. It is not clear whether these functions could or would be combined to some degree in at least some locations around the State. If so, one would expect some savings due to the elimination of overlapping administrative services. The question of whether more streamlined services would result in better outcomes for clients is a far more difficult question to answer.

Summary

Executive Order 2015-4 would effectively combine the Departments of Community Health and Human Services into a new Department of Health and Human Services. Other than the transfer of Office of Child and Adult Licensing and the Adult Foster Care Licensing Advisory Council to the Department of Licensing and Regulatory Affairs, the Executive Order reflects a merger of two departments. The Governor issued the E.O. on February 9, 2015; the E.O. will take effect on April 10, 2015, unless the Legislature acts to disapprove it.

If you have any questions on the Executive Order, please don't hesitate to contact us.

c: Ellen Jeffries, Director