MASSHEALTH: THE BASICS

FACTS AND TRENDS

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MASSHEALTH: THE BASICS

EXECUTIVE SUMMARY

MassHealth is an essential health safety net for nearly 1.9 million of the state's residents:

- MassHealth is Massachusetts' name for its Medicaid and Children's Health Insurance programs. MassHealth provides health insurance to more than one in four Massachusetts residents. Since implementation of the Affordable Care Act (ACA), enrollment has grown by nearly 500,000 members. Half of the population with disabilities, 40 percent of all children, two-thirds of people in low-income families, and over 60 percent of residents of nursing facilities rely on MassHealth to help them pay for health care.
- MassHealth covers services that commercial insurance typically covers, plus other benefits such as long-term services and supports and additional behavioral health care services.

MassHealth covers a broad cross-section of the population:

- Three-quarters of MassHealth members are children and non-elderly adults without disabilities. Seniors (over age 65) make up 9 percent of members, and adults and children with disabilities comprise about 16 percent.
- Though they are a minority of members, about 66 cents of every MassHealth dollar is spent for the care of seniors or members with disabilities.
- Implementation of ACA coverage provisions has shifted the makeup of MassHealth membership more toward people without disabilities, particularly adults. Still, many people with disabilities qualify through MassHealth's CommonHealth program, which offers benefits to persons with disabilities that are not generally available through employers or Medicare. CommonHealth can supplement other private insurance or Medicare to provide benefits that are critical to maintaining independence, such as personal care assistance (PCA) services.

MassHealth supports workers' access to private insurance:

- For more than one-fifth of its members, MassHealth coverage is secondary to other insurance such as Medicare or employer-sponsored insurance. MassHealth benefits help make employer-sponsored insurance more affordable for eligible low-wage workers and their children by paying for the employee share of the premium and by covering most of the cost of copayments and deductibles. In addition, MassHealth benefits make it possible for many people with disabilities to work.
- The coordination of public and private sources of coverage contribute to Massachusetts' lowest-in-nation percentage of population who do not have health insurance.

MASSHEALTH: THE BASICS

EXECUTIVE SUMMARY (continued)

MassHealth enrollment has continued to grow even as the number of uninsured leveled off:

- MassHealth enrollment has steadily grown since 1997, and the number of Massachusetts residents without insurance steadily declined from 2004 to 2010.
- Enrollment continued to grow after the recession ended, even though the number of uninsured has been stable since 2010.

Nearly 70 percent of MassHealth members receive their health care in a managed care arrangement:

- Nearly half of members are enrolled in a MassHealth-contracted private managed care organization (MMCO) and 20 percent with the state-administered Primary Care Clinician (PCC) Plan.
- More than 50,000 "dual eligibles" – MassHealth members who also have Medicare – are enrolled in managed care plans: 40,000 in Senior Care Options, and about 13,000 in One Care for adults with disabilities age 21 to 64.

MassHealth is an important source of income for some provider types:

- Community health centers, nursing homes and community-based providers of long-term services and supports receive half of their total patient revenues from MassHealth.

MassHealth spending growth in recent years was driven by membership growth:

- Total MassHealth spending (not inflation-adjusted) has increased more than 80 percent since 2007, with most growth occurring in the past two years.
- Average per-member spending was virtually unchanged from 2010 to 2014 and fell slightly in 2015 as there was increased enrollment of non-disabled adults, a relatively inexpensive group.

MassHealth has been consuming a growing portion of the state budget, but is also an important source of federal revenue to the state:

- MassHealth now represents nearly 40 percent of the state's budget and the program brings in more than 90 percent of all federal revenues received by the state.

MassHealth plans to transform the delivery of care and how it is paid for:

- MassHealth is undertaking an initiative to contain costs and improve quality by paying for the value of care rather than the volume.
- Provider-led Accountable Care Organizations (ACO) would provide coordinated, comprehensive care in partnership with community providers of behavioral health and long-term services and supports.

MASSHEALTH OVERVIEW

MassHealth is Massachusetts' name for its Medicaid and Children's Health Insurance (CHIP) programs. MassHealth provides coverage for more than a quarter of the state's residents and has been the centerpiece of state health care reform and an important contributor to the state having more than 96 percent of its people covered by health insurance.

Crucially, MassHealth serves as a safety net – the insurer of last resort – for some of the state's most disadvantaged residents and many with very complex health care needs. MassHealth covers low-income families for whom employer-sponsored coverage is unavailable or unaffordable, people who are affected by economic downturns, and people with physical, behavioral and intellectual disabilities, among others. It offers assistance with premiums, co-payments and additional benefits to people who have another source of primary coverage, such as Medicare or an employer plan, but who are challenged by the cost of that coverage.

MassHealth also benefits other stakeholders in the health care system. It pays health care providers (primary care physicians, community health centers, hospitals, nursing homes, and others) for treatments that would otherwise go uncompensated or would simply not be provided at all. It provides a valuable service to employers by covering some of the highest cost services for their employees and employees' dependents with disabilities. It brings billions of federal dollars to the state: the program is administered by the state, but funded jointly by the state and federal government. These federal funds help stretch dollars the state spends for health care and long-term care for populations with a high level of need.

During the rollout of the ACA coverage expansion in 2014, Massachusetts systems struggled to implement the new federal requirements, preventing tens of thousands of people from enrolling in coverage. Massachusetts received permission from the federal government to enroll these applicants under a temporary MassHealth status until the system's problems were overcome and eligibility could be determined. MassHealth enrollment temporarily swelled to more than 2 million members during State Fiscal Year 2014, which inflated cost, but served as a key bridge of coverage while the eligibility systems were being fixed.

MASSHEALTH CHALLENGES

Massachusetts' preeminent challenge today is to bring MassHealth spending under control, while maintaining or improving the quality of service its members receive. Costs can be high because members with low incomes or with disabilities tend to have greater health care needs, on average, than the general population. As is the case with other parts of the health care system, care also is often fragmented and uncoordinated across providers, which leads to inefficiencies and higher costs.

Historically, a key cost containment strategy for MassHealth has been holding down the rates it pays to providers for services and to managed care organizations to deliver comprehensive care to members. Still, spending grows, driven largely by growing enrollment. Today, outlays for certain long-term services and for new, high-priced pharmaceuticals, as well as the general lack of coordination, are particularly vexing areas for MassHealth.

An emerging strategy is to transform the payment and delivery systems so that MassHealth pays for value rather than volume, and providers are held accountable for the results of the care they provide. MassHealth is proposing to work with providers in creating accountable care organizations (ACO) that would embody this strategy.

MASSHEALTH PROVIDES COVERAGE SIMILAR TO COMMERCIAL INSURANCE, PLUS SOME ADDITIONAL BENEFITS

MassHealth

Covers typical commercial benefits, plus:

- Long-term services and supports (facility and community)*
- Diversionary behavioral health services (to avert hospitalization)
- Dental services
- Transportation to medical appointments*

+

Typical Commercial Insurance Coverage

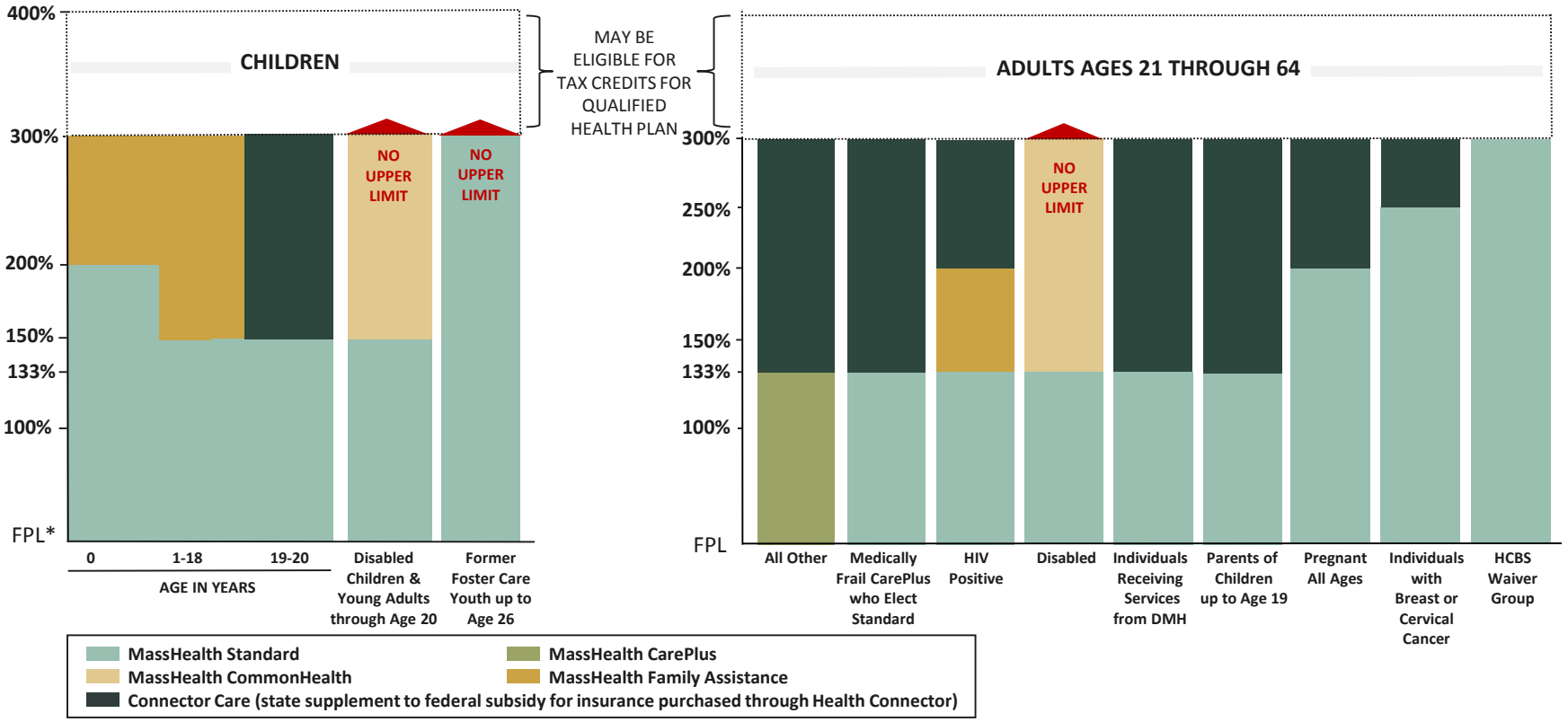
- Hospital services
- Physician services
- Well child visits
- Ancillary services (lab, radiology, etc.)
- Mental health/substance use treatment
- Prescription drugs
- Vision, hearing, medical equipment

* Services are available to most but not all MassHealth members

WAIVERS

WHAT IS A WAIVER?	States may request approval from the federal government to waive certain parts of federal Medicaid law, to test program innovations or gain more flexibility in how they deliver and pay for Medicaid services. MassHealth has two types of waivers, which are authorized under Sections 1115 and 1915c of the Social Security Act.
1115 DEMONSTRATION WAIVER	The MassHealth program operates under the authority of an 1115 demonstration waiver for all members under age 65, except those who are eligible based on institutional status and a small number of other members. The waiver was first implemented in 1997, and has evolved through five extensions to expand coverage, support the safety net, provide incentives for delivery system innovations and serve as a platform for health care reform. An important condition of all 1115 waivers is that they be "budget neutral," meaning the federal government will contribute no more to a waiver program than it would to a Medicaid program operating under standard rules. As part of a new extension, MassHealth is proposing comprehensive transformation in how care is delivered and paid for, including the creation of Accountable Care Organizations (ACO).
1915c HOME & COMMUNITY-BASED SERVICES (HCBS) WAIVERS	HCBS waivers permit states to provide long-term services and supports in a home or community setting to members whose disabilities qualify them for an institutional level of care. Services include home health care, personal care, habilitation, respite, physical and occupational therapy, group adult care, home modification, assistive technology and others. MassHealth obtains federal matching funds on expenditures made by the agencies that authorize and oversee the services, such as the Executive Office of Elder Affairs, the Department of Developmental Services and the Department of Mental Health. The state must demonstrate that providing the HCBS waiver services does not cost more on average than providing those services in an institution. In addition, the programs have enrollment limits. MassHealth has 10 HCBS waivers, which are an important component of the Commonwealth's "Community First" policy. The waiver programs are targeted to specific populations: ▪ Elders age 60 and over with physical disabilities (Frail Elder Waiver) ▪ Adults age 22 and over with intellectual disabilities (Community Living, Intensive Supports, Adult Supports Waivers) ▪ Adults age 22 and over with acquired brain injuries (ABI Residential, ABI Non-Residential, Traumatic Brain Injury Waivers) ▪ Adults and Elders age 18 and over with physical disabilities who are moving from a facility back to the community (Money Follows the Person Community Living and Residential Supports Waivers) ▪ Children age 0 to 8 with autism (Children's Autism Spectrum Disorder Waiver)

MASSHEALTH ELIGIBILITY UNDER ACA



FPL = income as percent of federal poverty level; in 2015 100% FPL for a family of four was $24,250.

NOTE: In general, the eligibility level for seniors age 65 and older is 100 percent of FPL and assets of up to $2,000 for an individual or $3,000 for a couple. More generous eligibility rules apply for seniors residing in nursing facilities or enrolled in special waiver programs.

ELIGIBILITY FOR SENIORS AGE 65 AND OLDER IS MORE STRINGENT, THOUGH MOST ALSO HAVE MEDICARE

POPULATION	INCOME/ASSETS*	COVERAGE
Living in community, with or without Medicare eligibility, citizen or lawfully present immigrant	100% FPL <=$2,000 Assets	Comprehensive coverage through MassHealth Standard or Family Assistance (based on immigration status); those with Standard also have coverage of Medicare cost sharing and premiums.
Living in community, undocumented non-citizen	100% FPL <=$2,000 Assets	MassHealth Limited – Emergency services only
Living in community, eligible for Medicare	100% FPL <=$7,280 Assets	MassHealth Senior Buy-In – covers Medicare premiums, copays and deductibles. Does not cover other MassHealth Standard services.
Living in community, eligible for Medicare	>100% - 135% FPL <=$7,280 Assets	MassHealth Buy-In – covers Part B premiums only. People who meet a spend-down deductible may also qualify for MassHealth Standard.
Living in or waiting for facility-based long-term care	No specific income limit <=$2,000 Assets	MassHealth Standard – including long term services and supports; member must pay income minus a monthly personal needs allowance towards nursing facility care.

Notes: Seniors (age 60 or older) can qualify for MassHealth through the Frail Elder Waiver with income up to 300% of the SSI benefit rate. Asset limits listed are for individuals; the amounts for couples are higher. See http://www.mass.gov/eohhs/docs/masshealth/membappforms/saca-1-english-mb.pdf

* Certain assets – home (in most cases), vehicle, life insurance and burial expenses up to $1,500 – are excluded

MANY DOORS TO MASSHEALTH

Individual applies directly, by phone, on paper form, with assistance at a MassHealth Enrollment Center or Health Connector walk-in center or through the MA Health Connector website (see below)

Health care providers assist patients with applications

- Hospitals
- Community health centers
- Nursing homes
- Other providers

State social services agencies facilitate applications

- Department of Developmental Services
- Department of Mental Health
- Mass. Rehabilitation Commission
- Department of Transitional Assistance
- Department of Children and Families
- Other agencies

Community organizations and advocacy groups that provide health care referrals or other services assist clients with applications and follow-up

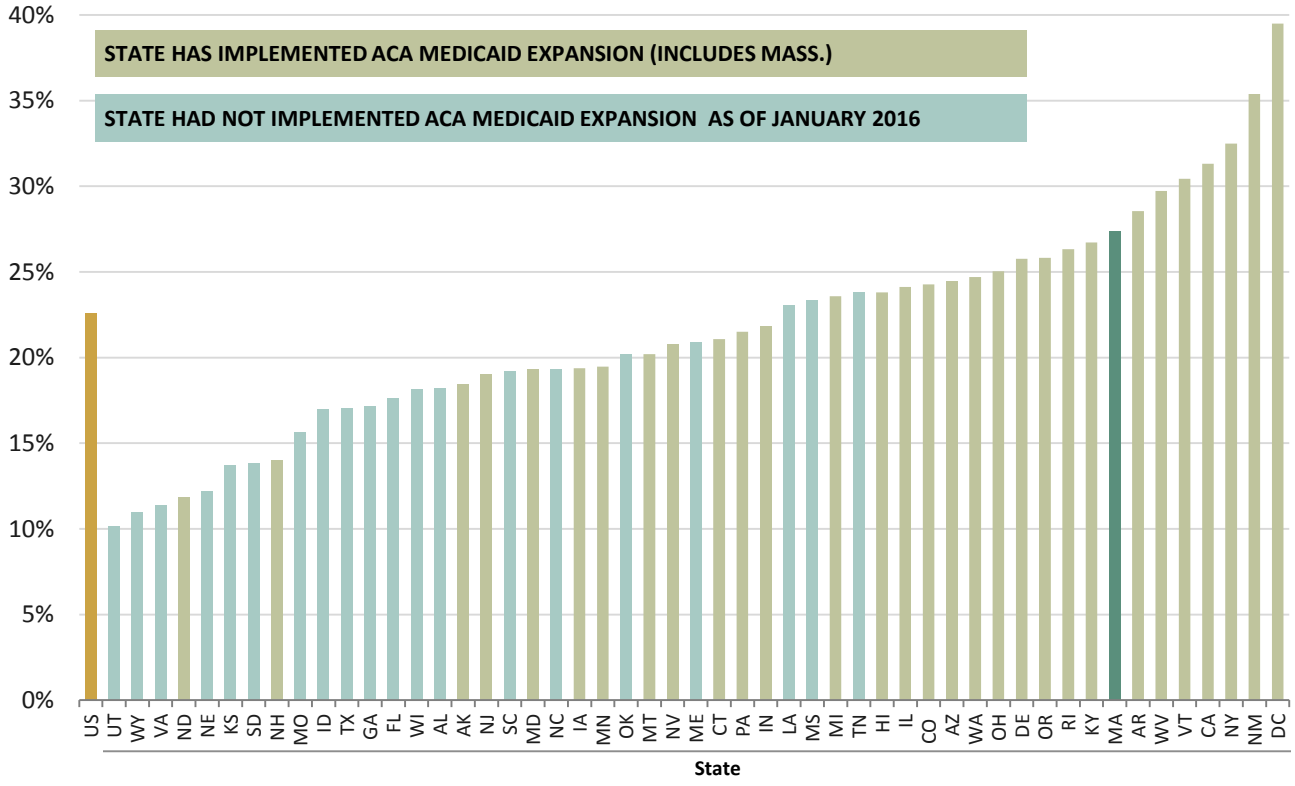
- Community action programs
- Community development corporations
- Aging services access points
- Health Care For All
- Other community organizations designated as Enrollment Assisters

MAHealthConnector.org

An integrated eligibility system that allows individuals to shop and apply for health insurance while determining eligibility for MassHealth and other health insurance programs. (The Virtual Gateway, formerly the online portal for MassHealth applications, is still available to apply for other public programs and provides information on MassHealth eligibility)

MASSHEALTH PROVIDES COVERAGE TO MORE THAN ONE IN FOUR MASSACHUSETTS RESIDENTS

PERCENTAGE OF POPULATION ENROLLED IN MEDICAID, JANUARY 2016



SOURCES: Calculations based on Medicaid enrollment data from Centers for Medicare and Medicaid Services, "Medicaid & CHIP: January 2016 Monthly Applications, Eligibility Determinations and Enrollment Report"; enrollment includes CHIP. Massachusetts enrollment is as of January 2016 from MassHealth Snapshot Report. Population estimates for July 1, 2015 from the U.S. Census Bureau.

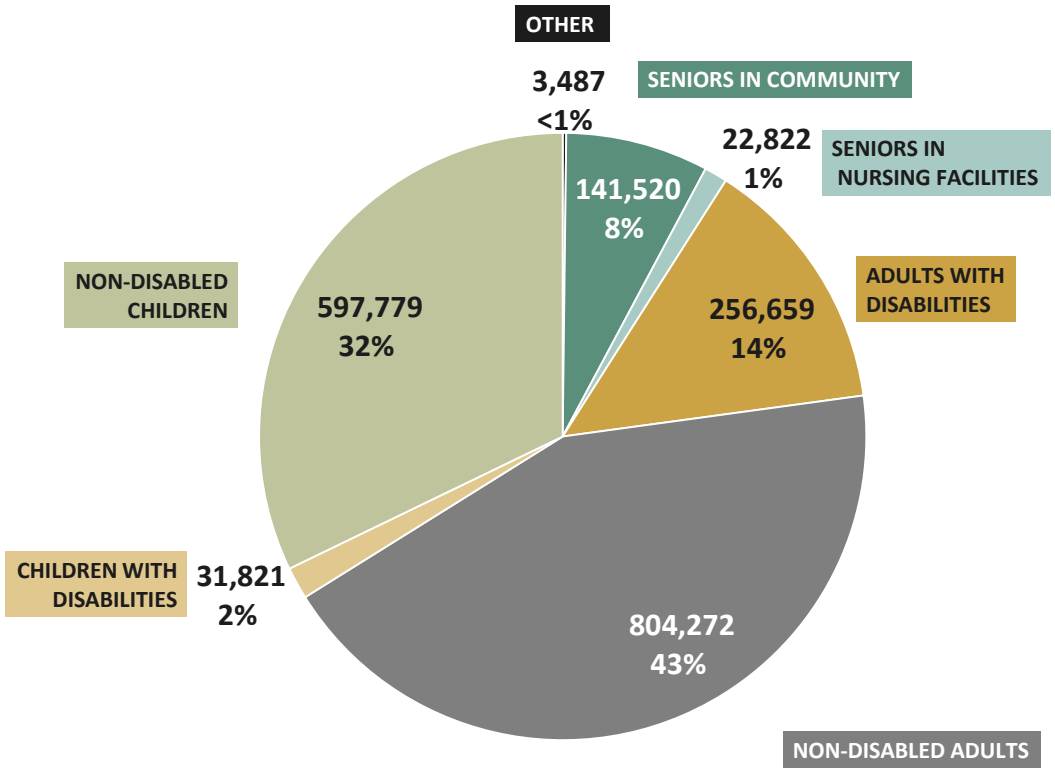
States that exercised the ACA option to expand their Medicaid programs to cover most residents with incomes up to 138 percent of the federal poverty level tend to cover a larger portion of their residents in Medicaid than states that did not expand. Massachusetts, which now covers more than one-quarter of its people, is among the expansion states.

This high level of MassHealth participation contributes to Massachusetts's lowest-in-nation uninsured rate.

[Note: The Massachusetts bar in this chart uses a different source of data from the rest of the states. Using the same source, Massachusetts would fall between Arizona and Washington, at 24.5%]

MASSHEALTH COVERS CHILDREN, ADULTS AND SENIORS, AND OFTEN SUPPLEMENTS OTHER INSURANCE

PERCENT OF TOTAL MASSHEALTH ENROLLMENT (1.86 MILLION), JANUARY 2016



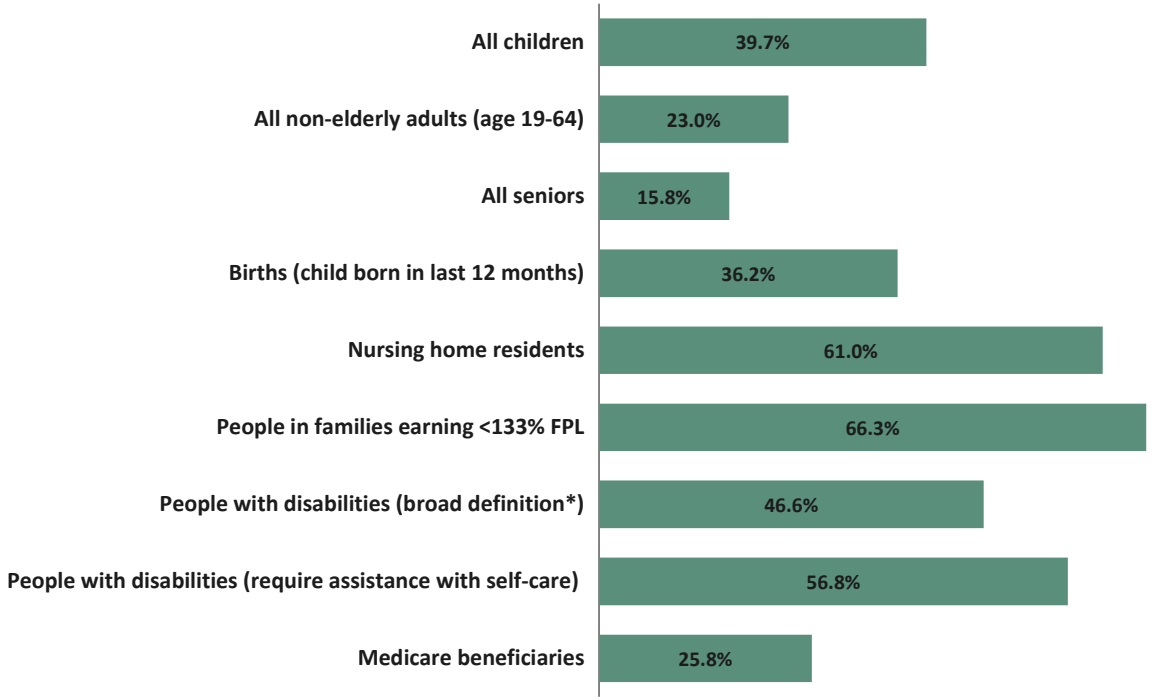
SOURCE: MassHealth, January 2016 Snapshot Report.

MassHealth members range from the very young to the very old. Non-disabled adults under age 65 are now the largest group of members. Children comprise about a third of MassHealth members. Members with disabilities represent 16 percent of membership. Nearly one out of every 10 MassHealth members is age 65 or over. Most of these seniors also have Medicare coverage, and most live in non-facility settings in their communities.

About one-quarter of MassHealth members have coverage through Medicare or an employer, and MassHealth acts as secondary coverage. In some circumstances, MassHealth also pays members' premiums and cost sharing for their employer-sponsored or Medicare coverage, if it is more economical than paying for full MassHealth benefits.

MASSHEALTH IS IMPORTANT TO MANY POPULATION GROUPS

PERCENT OF SELECT MASSACHUSETTS POPULATIONS COVERED BY MASSHEALTH, 2014



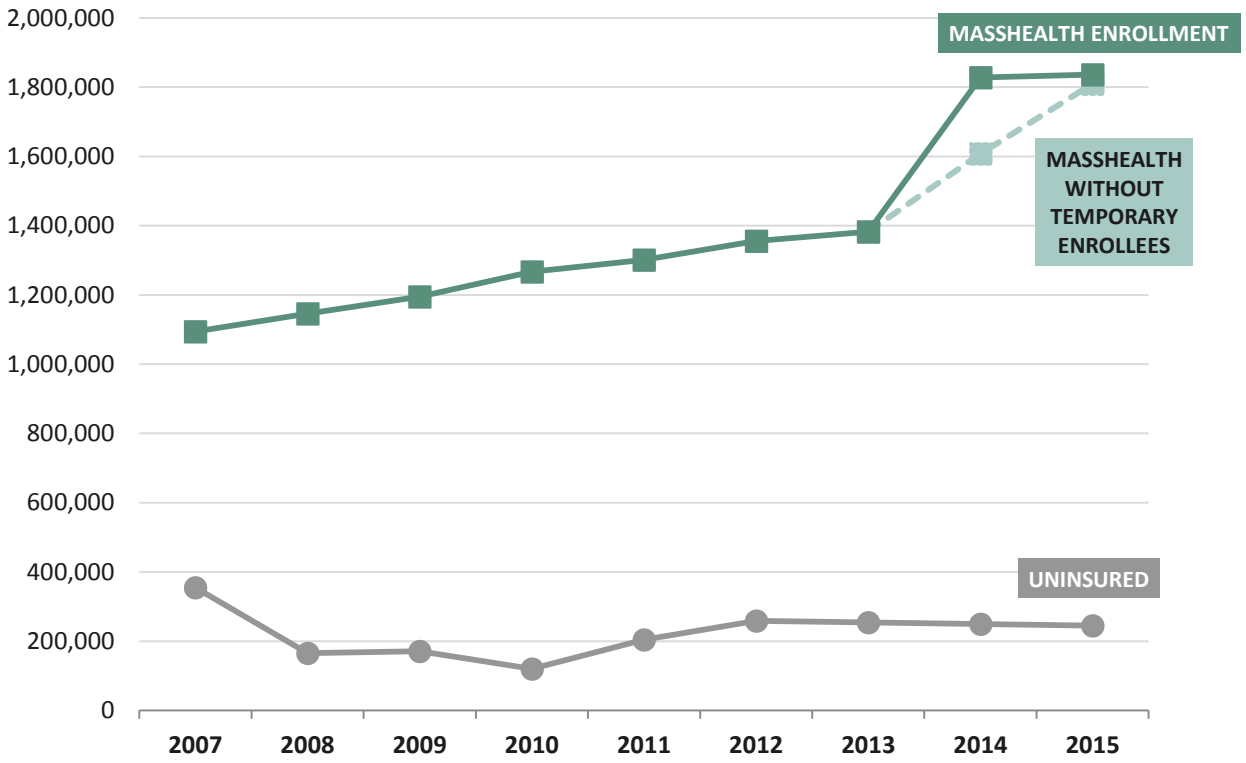
*Deaf or serious difficulty hearing; blind or serious difficulty seeing; cognitive, ambulatory, self care or independent living difficulty

SOURCES: Authors' calculations using the 2014 American Community Survey (ACS). Nursing home data from C. Harrington, H. Carrillo and R. Garfield, "Nursing Facilities, Staff, Residents an d Facility Deficiencies, 2009 through 2014." Kaiser Family Foundation, August 2015. Data for "all children," "all non-elderly adults" and "all seniors" calculated from 2014 ACS population data and MassHealth Snapshot report, enrollment as of 12-31-14.

Four in 10 children in Massachusetts and about one-quarter of adults under age 65 are MassHealth members. MassHealth is an especially important source of coverage for people with low income (below 133% of the federal poverty level), of whom two-thirds are members, and people with disabilities, of whom more than half rely on MassHealth. Six out of 10 nursing home residents are MassHealth members.

MASSHEALTH ENROLLMENT CONTINUED TO GROW AS THE NUMBER OF UNINSURED LEVELED OFF

TRENDS IN MASSHEALTH ENROLLMENT AND UNINSURED, 2007–2015



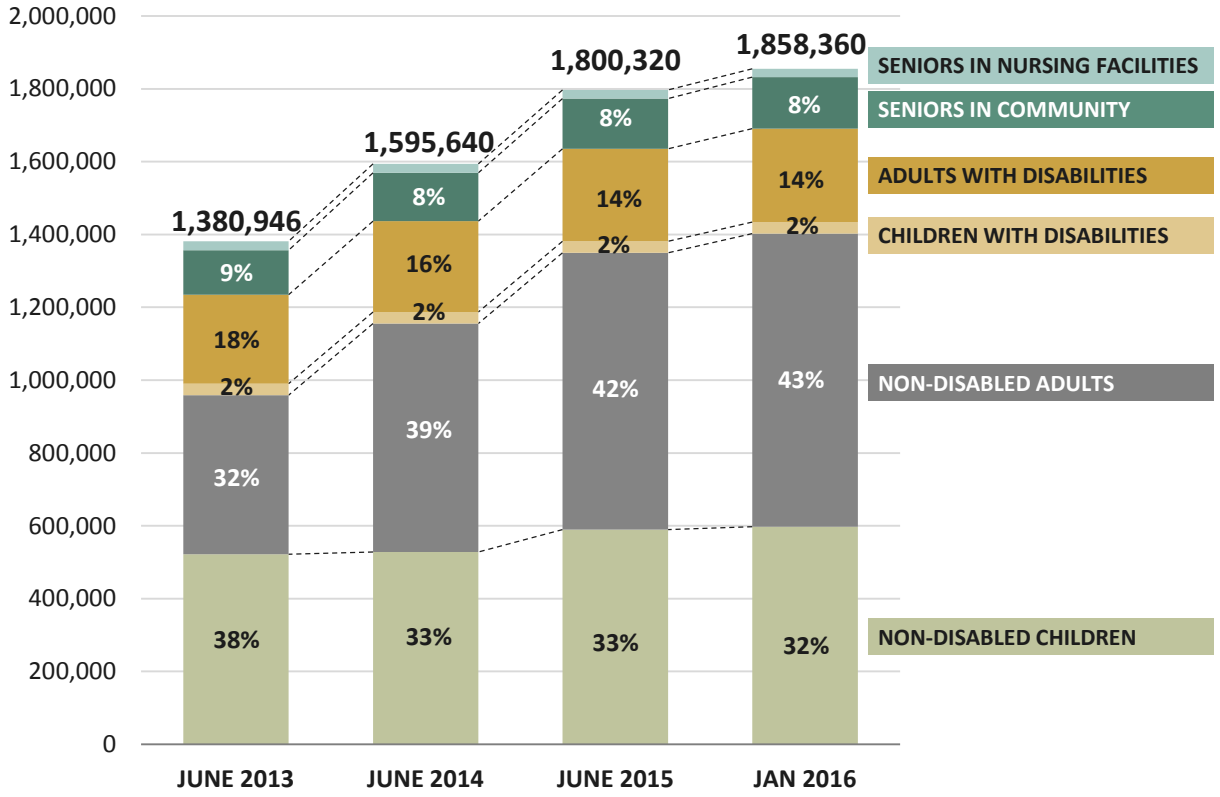
SOURCES: MassHealth figures monthly averages from the Office of Medicaid. Uninsured numbers for 2007-2011 from the Division of Health Care Finance and Policy, from a survey in that year, for 2012-2013 from the American Community Survey (ACS), and for 2014 -2015 from the Massachusetts Health Insurance Survey, conducted by the Center for Health Information and Analysis.

Since the MassHealth waiver began in 1997, MassHealth membership has steadily grown, while the number of Massachusetts residents without insurance steadily declined from 2004-2010. Commonwealth Care, introduced in 2007 and replaced in 2015 by ConnectorCare, also played a role in recent declines in the number of uninsured.

The number of uninsured increased between 2010 and 2012 but has since stabilized. MassHealth enrollment continued to grow, with a large increase in 2014 coinciding with ACA implementation.

ACA IMPLEMENTATION HAS DRIVEN RECENT MASSHEALTH ENROLLMENT GROWTH, SHIFTING THE DISTRIBUTION OF MEMBERS TOWARD NON-ELDERLY, NON-DISABLED ADULTS

DISTRIBUTION OF MASSHEALTH ENROLLMENT, 2013-2016
(NUMBER OF MEMBERS)



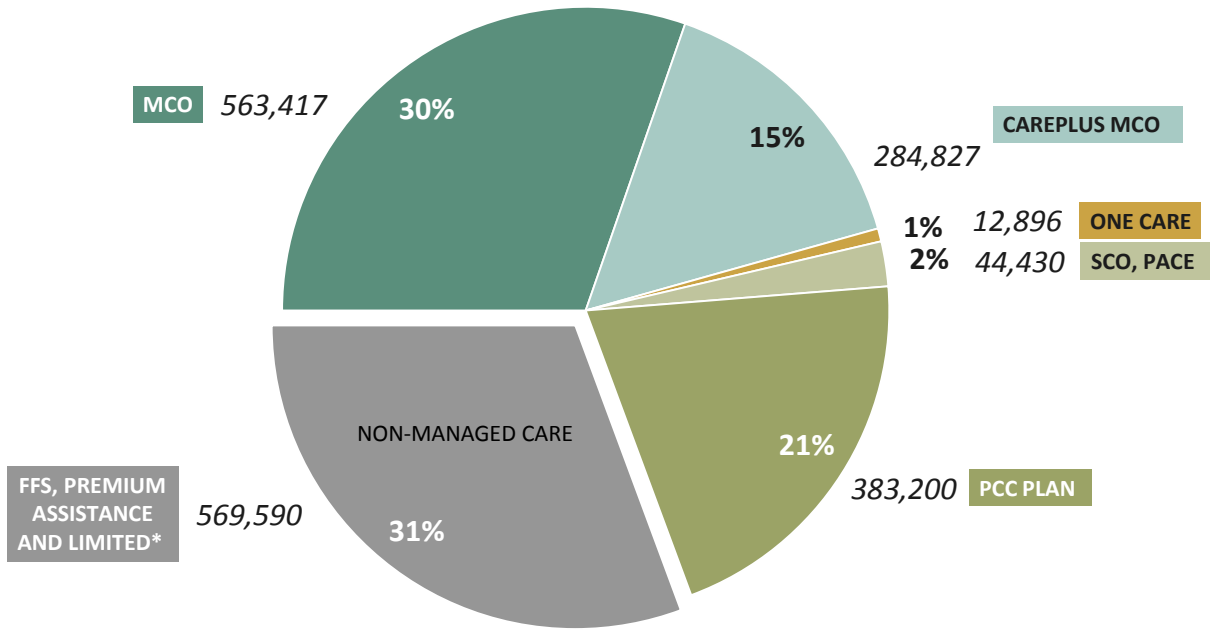
SOURCE: MassHealth, January 2016 Snapshot Report. Figures exclude applicants assigned "Temporary Medicaid" status in 2014.

From June 2013 to January 2016, MassHealth grew by nearly 500,000 members. Much of that growth occurred among adults without disabilities, many of whom became eligible for the first time in January 2014, when the ACA's Medicaid expansion took effect. Many of the expansion population are non-disabled adults who now represent 43 percent of the total MassHealth membership, an increase from 32 percent in 2013.

Other populations whose eligibility was not directly affected by the ACA grew as well, though their numerical growth is obscured by the swell of non-disabled adults. The total number of seniors enrolled in MassHealth grew 12 percent, even though the number of seniors in nursing facilities fell by 7 percent. The number of children covered by MassHealth increased 14 percent.

NEARLY 70 PERCENT OF MASSHEALTH MEMBERS ARE ENROLLED IN MANAGED CARE

MASSHEALTH ENROLLMENT BY PAYER TYPE, JANUARY 2016



*MassHealth Limited provides coverage for emergency medical services for 136,000 undocumented non-citizens.
SOURCE: MassHealth, January 2016 Snapshot Report.

MassHealth members under age 65 have two managed care enrollment options: the MassHealth-administered Primary Care Clinician (PCC) Plan or a MassHealth-contracted private managed care organization (MCO). People with disabilities under 65 who have MassHealth and Medicare may enroll in One Care. Seniors may enroll in Senior Care Options (SCO) or, if they have significant disabilities, may enroll in the Program of All-Inclusive Care for the Elderly (PACE – available for age 55 and older). New enrollees under the ACA are enrolled in CarePlus.

Members not in managed care are in fee for service (FFS); they include members with Medicare not enrolled in One Care, SCO or PACE, people with other coverage as primary (e.g., employer-sponsored insurance), people who live in an institution, and people with limited coverage due to their immigration status.

MANAGED CARE: PROGRAM FEATURES

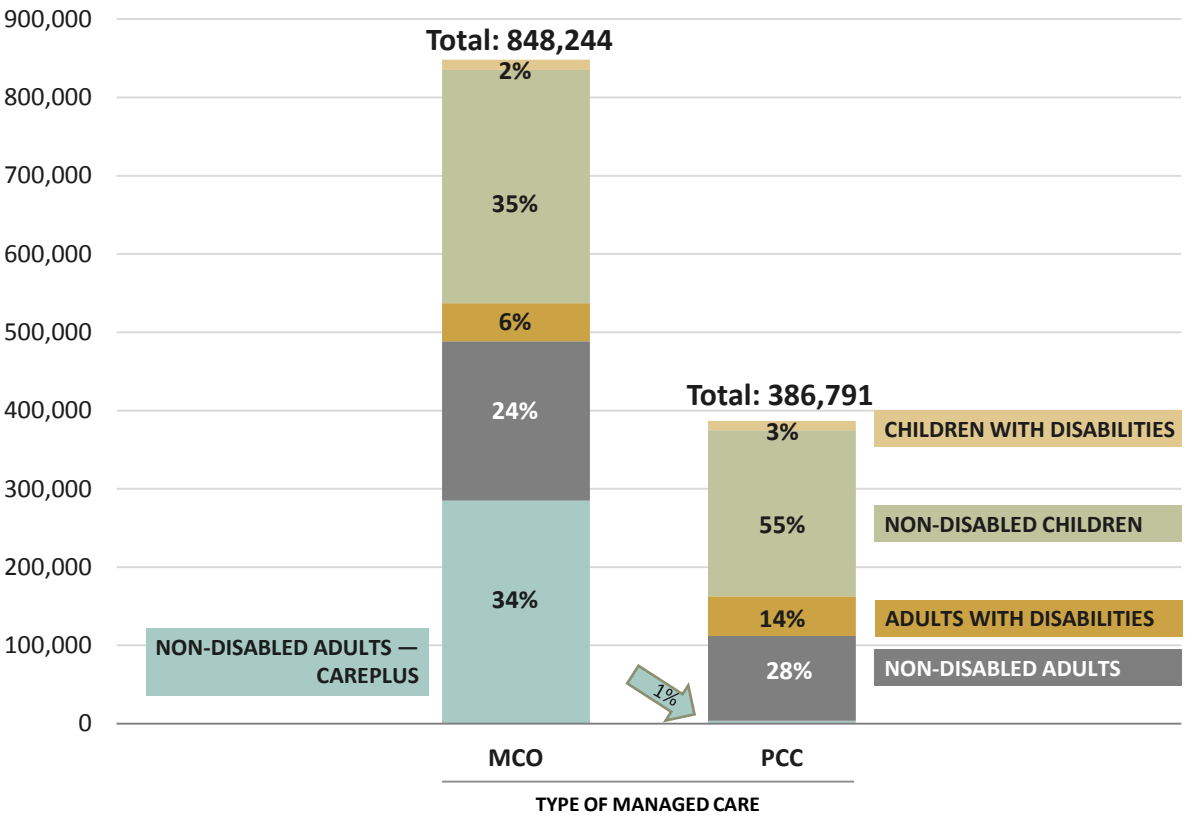
MANAGED CARE PROGRAM	POPULATIONS SERVED	COVERED SERVICES
Managed Care Organizations (MCO)	MassHealth Standard, Family Assistance and CarePlus members under 65	Medical and behavioral health services are covered by a capitated payment* to health plans. Long-term services and supports (LTSS) and dental benefits are not included in MCO benefit but available through MassHealth Fee-For-Service.* LTSS benefits are not part of the CarePlus benefit package.
Primary Care Clinician (PCC) Plan	MassHealth Standard, Family Assistance and CarePlus members under 65	Medical services are paid fee-for-service and are managed by a primary care clinician. Behavioral health services are covered by capitated payment to a behavioral health plan. Dental and LTSS benefits are available and paid fee-for-service. Some primary care clinicians receive capitated payments as part of the Primary Care Payment Reform Initiative.
One Care	Ages 21-64 with MassHealth and Medicare	Full spectrum of services covered by capitated payment to a single health plan (includes LTSS, dental and behavioral health).
Senior Care Options (SCO)	65+ most of whom also have Medicare coverage	Full spectrum of services covered by capitated payment to a single health plan (includes LTSS, dental and behavioral health).

***Capitated payment:** A monthly payment to a health plan for each enrollee; in return the health plan must provide or arrange for all medically necessary covered services.

Fee-for-service (FFS) payment: A payment made to providers for each service delivered.

MCOs SERVE A RELATIVELY LESS MEDICALLY COMPLEX POPULATION THAN THE PCC PLAN

MASSHEALTH MCO AND PCC PLAN ENROLLMENT BY POPULATION TYPE, JANUARY 2016



NOTE: Chart shows enrollment for members under age 65 for whom MassHealth is the primary insurer. Percentages may not add to 100 due to rounding.

SOURCE: MassHealth, January 2016 Snapshot Report.

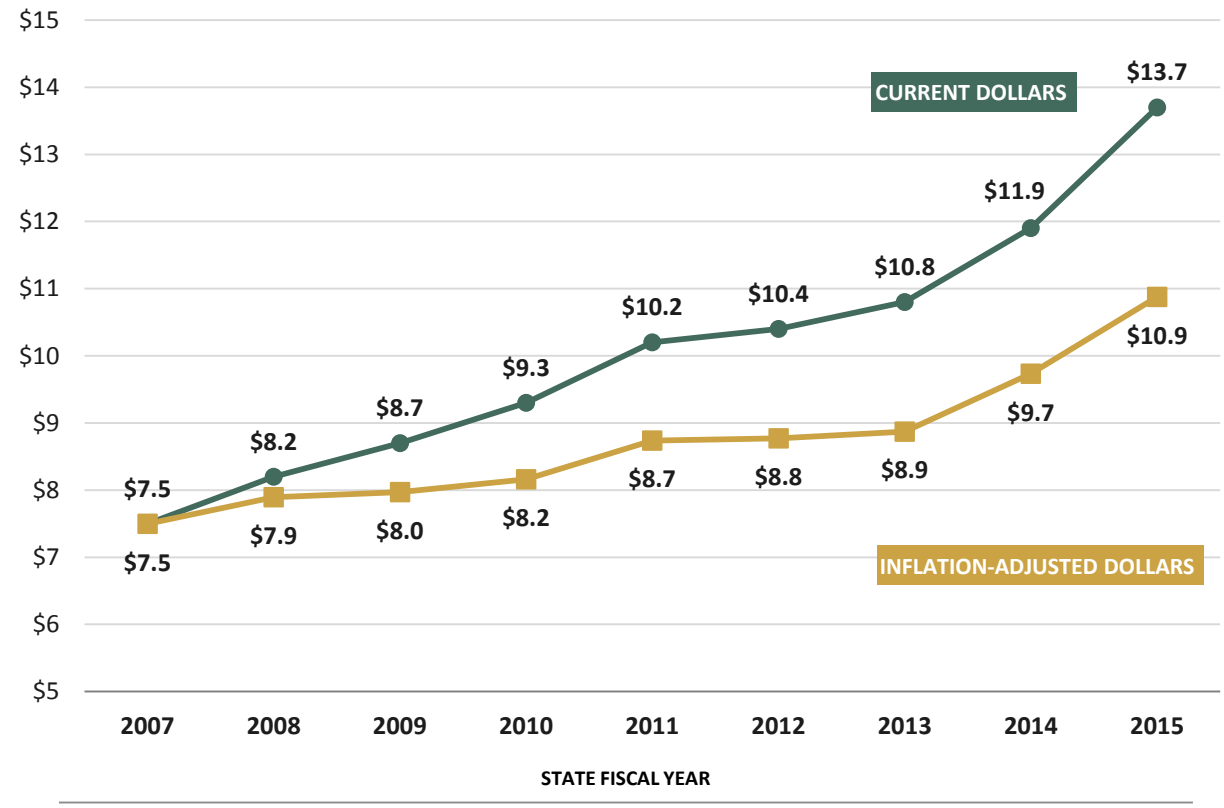
MassHealth members with disabilities and other medically complex care needs are disproportionately represented in the Primary Care Clinician (PCC) Plan relative to managed care organizations (MCO). Nearly 60 percent of MCO enrollees are non-disabled adults and more than one-third are non-disabled children.

In the PCC Plan, about one in six enrollees is a person with a disability. Adults and children with disabilities represent more than double the proportion of the PCC population as their counterparts in the MCO program.

This comparison is shown since all members under 65 who do not have other coverage must enroll in managed care, but are able to choose between the PCC Plan and an MCO.

NOMINAL MASSHEALTH SPENDING HAS GROWN BY MORE THAN 80 PERCENT SINCE 2007; WHEN ADJUSTED FOR MEDICAL COST INFLATION, GROWTH WAS GRADUAL UNTIL 2014

MASSHEALTH SPENDING, SFY2007-2015
(BILLIONS OF DOLLARS)



NOTE: MassHealth spending amounts for some years may differ from amounts reported in earlier versions of *MassHealth: The Basics - Facts and Trends* due to a change in the approach used to calculate the total spending figure.
SOURCES: MassHealth Budget Office. Inflation adjustment uses the Medical Consumer Price Index for the Boston area, from the Bureau of Labor Statistics.

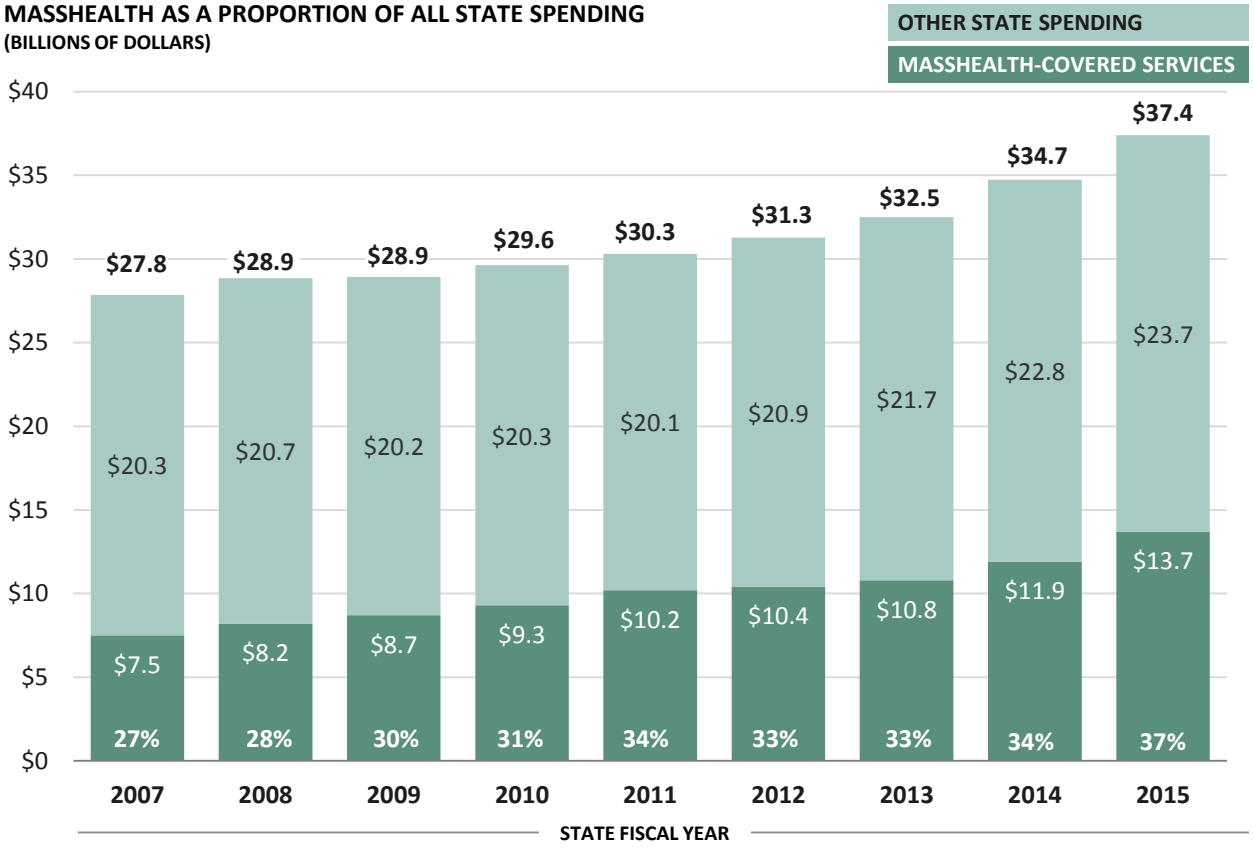
MassHealth spending has increased in nominal terms from $7.5 billion in state fiscal year (SFY) 2007 to $13.7 billion in SFY2015. Adjusting for medical cost inflation, the average annual increase from SFY2007-2013 was approximately 3 percent, but jumped to increases over 10 percent per year in the last two years, due in large part to increases in enrollment as a result of the ACA expansion.

These are gross spending amounts, including both state and federal revenues.

The spending amounts include payment for medical benefits provided by MassHealth and Medicare premiums, but do not include the cost of Medicaid-reimbursable services from other state agencies, administrative spending or supplemental payments to hospitals.

SPENDING ON MASSHEALTH REPRESENTS OVER 35 PERCENT OF THE STATE BUDGET

MASSHEALTH AS A PROPORTION OF ALL STATE SPENDING
(BILLIONS OF DOLLARS)



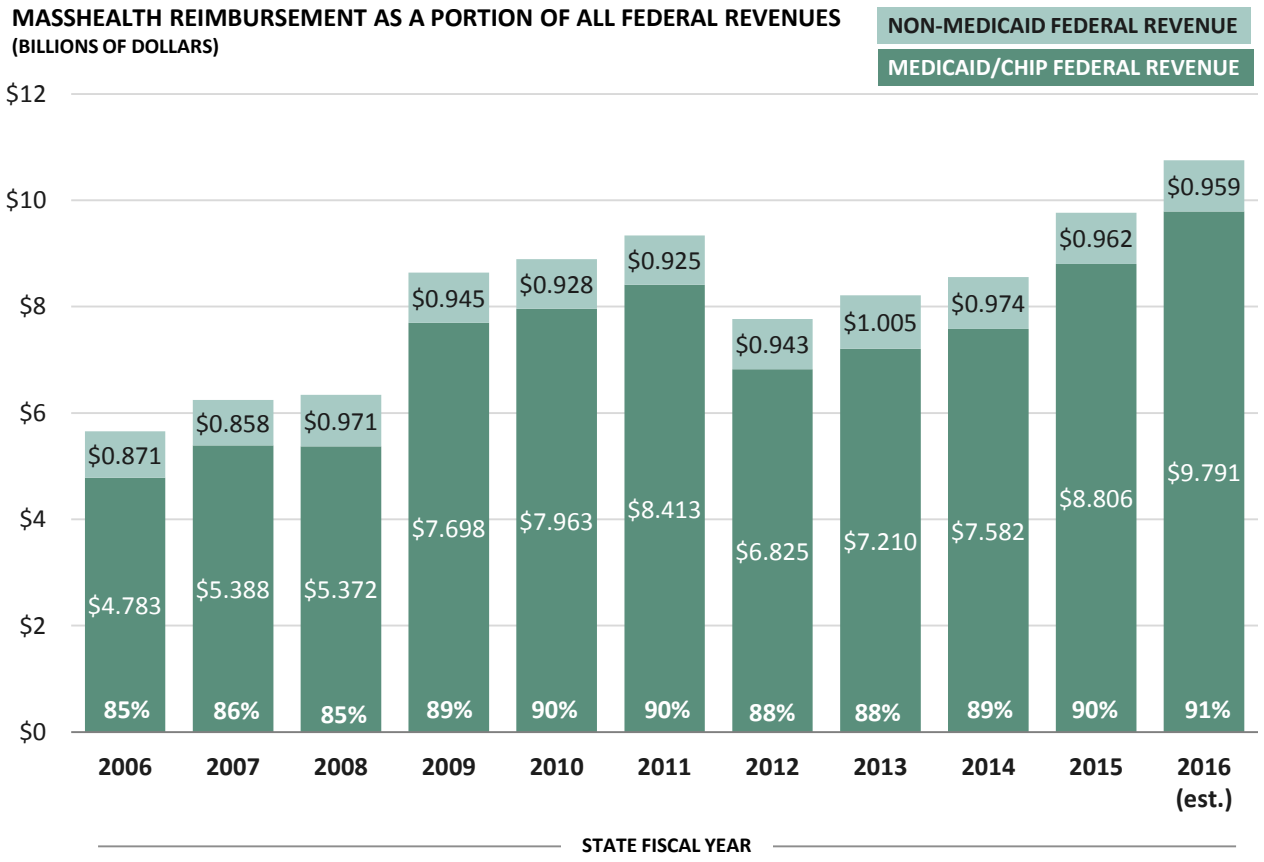
NOTE: MassHealth spending includes medical benefits provided by MassHealth and Medicare premiums. The figures do not include Medicaid-reimbursable services from other state agencies, administrative spending or supplemental payments to hospitals. MassHealth spending amounts for some years may differ from amounts reported in earlier versions of *MassHealth: The Basics - Facts and Trends* due to a change in the approach used to calculate the total spending figure.
SOURCES: EOHHS (MassHealth data); Office of the Comptroller, Statutory Basis Financial Reports (other state spending).

Spending for MassHealth-covered services remained under 30 percent of all state spending through 2008. During the recession, slower growth in overall state spending and greater Medicaid enrollment increased Medicaid spending to more than 30 percent of the budget.

The recent double digit growth in MassHealth enrollment and related spending as a result of the ACA expansion has put more pressure on the state budget. From SFY2014 to SFY2015, other state spending increased by 3.8 percent, while MassHealth spending increased by 15.1 percent. MassHealth spending now accounts for 37 percent of the overall state budget.

The federal government reimburses the state's general fund for more than half of its spending on MassHealth.

MEDICAID IS THE MAIN SOURCE OF FEDERAL REVENUES TO MASSACHUSETTS



SOURCE: Massachusetts Budget and Policy Center.

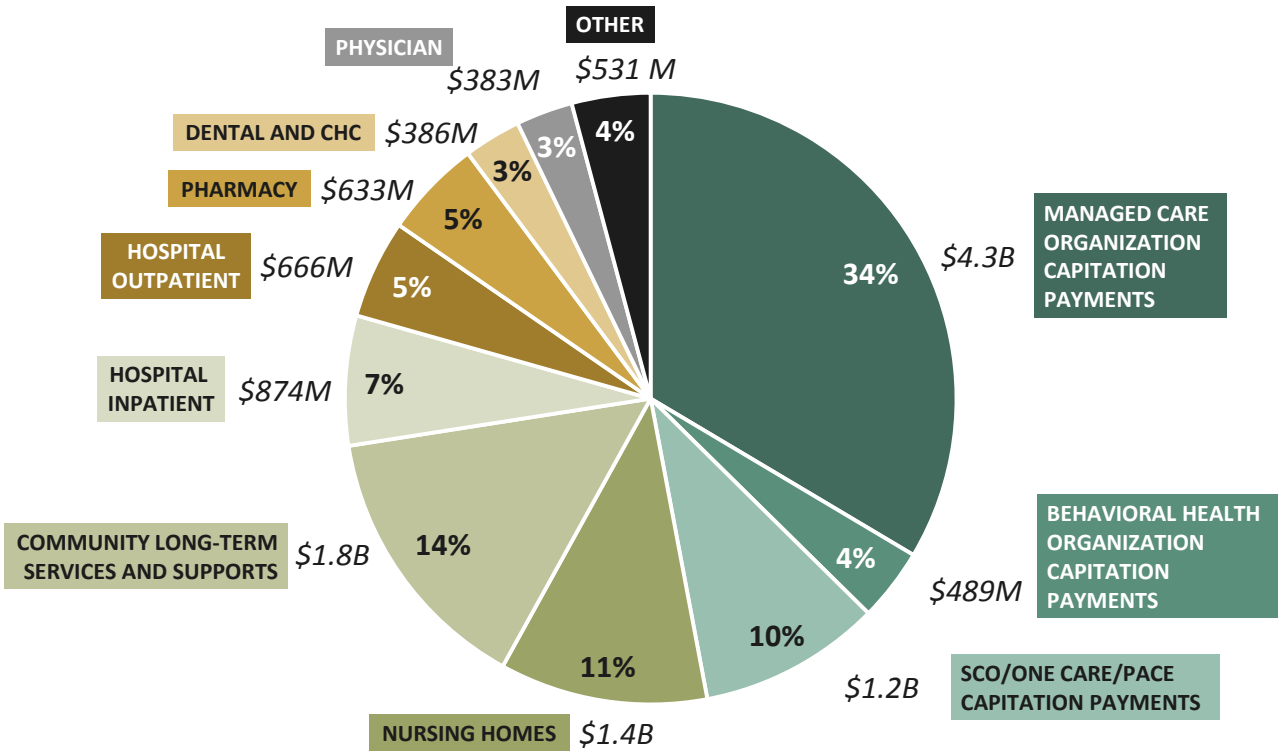
The federal government reimburses the Commonwealth for 50 percent of most Medicaid expenditures and 88 percent of CHIP expenditures. Members made newly eligible under the ACA Medicaid expansion draw an even higher federal match, which was 75 percent in 2014, 80 percent in 2015 and 85 percent in 2016.

Federal revenue supplies about one-quarter of the funding for the state budget.

"Medicaid" in this context includes MassHealth, Commonwealth Care (prior to 2014) and ConnectorCare (post-2014), additional MassHealth Waiver spending and spending on some programs and facilities administered by the Departments of Developmental Services, Mental Health and Public Health that serve people eligible for MassHealth.

MASSHEALTH SPENDING BY SERVICE TYPE IN STATE FISCAL YEAR 2015

TOTAL MASSHEALTH SPENDING = $12.8 BILLION



NOTES: "Other" includes transportation and smaller amounts of spending on rest homes, vision care, early intervention, hearing care, family planning clinics, renal dialysis clinics, ambulatory surgery centers, Durable Medical Equipment/Oxygen, imaging/radiation centers, certified independent labs, psychologists, mental health clinics, psychiatric day treatment, substance abuse services and Medicare crossover payments.
SOURCE: MassHealth Budget Office SFY2015 "date of service spending," which excludes spending on Medicare premiums. The figures do not include Medicaid-reimbursable services from other state agencies, administrative spending or supplemental payments to hospitals.

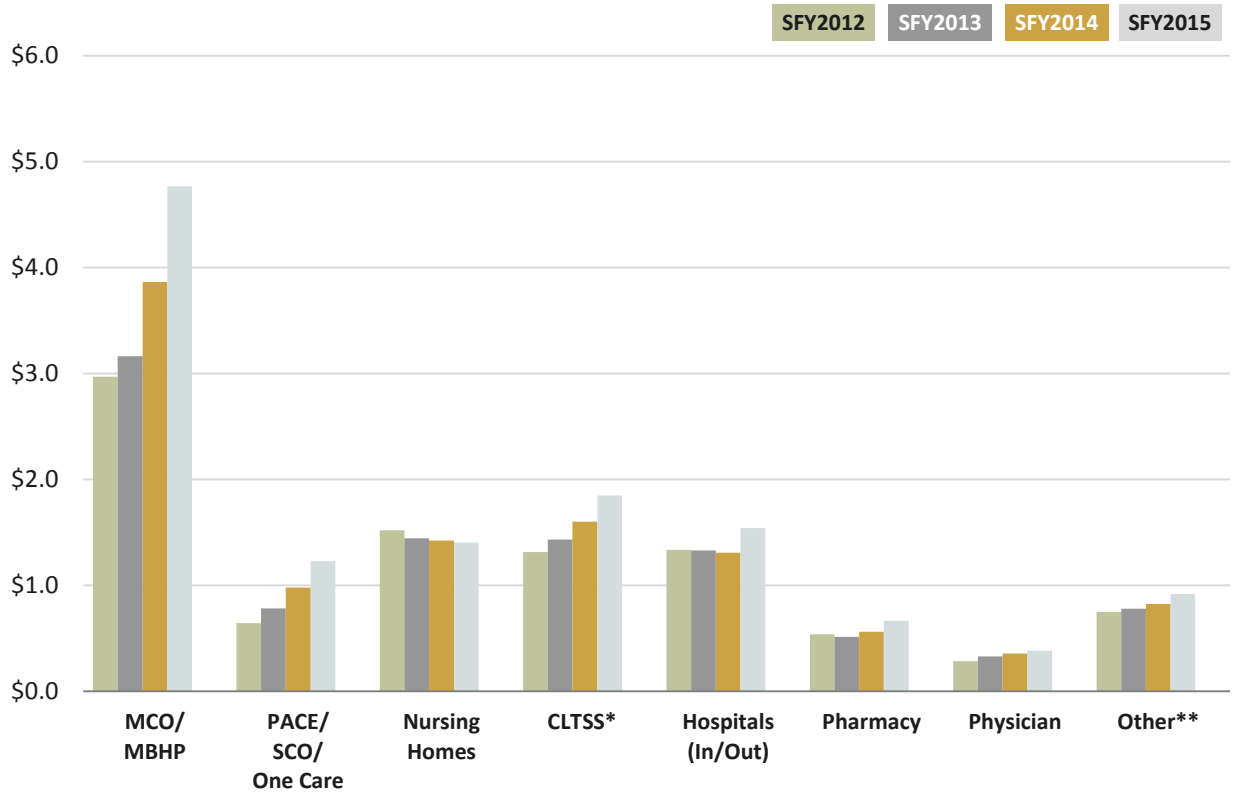
MassHealth spent $12.8 billion on services for its members in state fiscal year 2015. Nearly half of spending ($6.0 billion) was capitation payments to MCOs, the PCC Plan's behavioral health carve-out vendor, Senior Care Options (SCO), One Care plans and PACE providers. Nearly 70 percent of MassHealth members are enrolled in one of these managed care arrangements.

Nursing home payments accounted for 11 percent of spending, though less than two percent of MassHealth members reside in nursing homes. Community-based long-term services and supports (e.g., personal care attendants, home health aides, adult foster care) accounted for 14 percent.

Fee-For Service Hospital care (inpatient and outpatient) was about 12 percent of spending.

TRENDS IN MASSHEALTH SPENDING BY SERVICE TYPE

MASSHEALTH SPENDING TRENDS BY CATEGORY OF SERVICE BETWEEN STATE FISCAL YEARS 2012–2015
(BILLIONS OF DOLLARS)



*CLTSS are long-term services and supports provided to people to enable them to live in the community.
**Services included in the "other" category include transportation, dental, community health centers and mental health clinics, among other services.
SOURCE: MassHealth Budget Office date of service spending.

Most growth in expenditures has been due to the increasing enrollment in managed care organizations and other capitated programs which grew by 24 percent from SFY2014 to SFY2015.

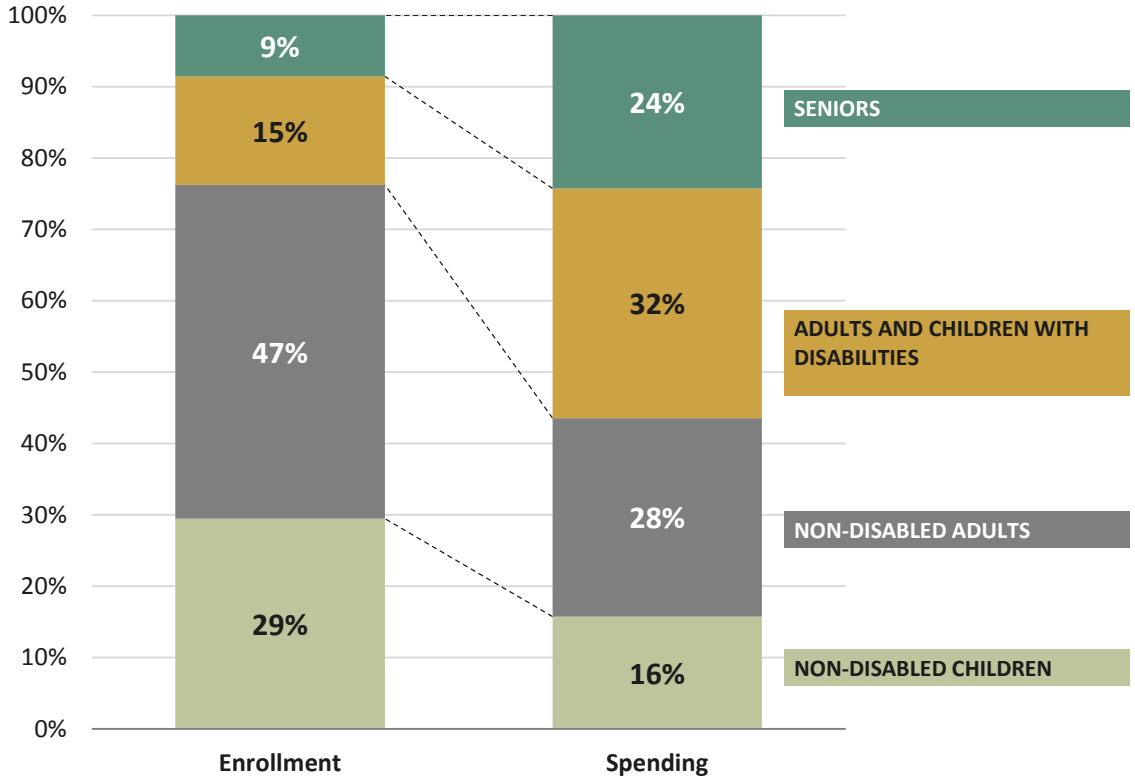
There has been a slight decrease (-1 percent) in spending on nursing homes, and spending on community long-term services and supports increased by 15 percent from SFY2014 to SFY2015.

Spending for hospital care, both in- and outpatient, remained level until SFY15, when there was an increase of 18 percent.

Pharmacy spending increased 18 percent from SFY2014 to SFY2015, most likely due in part to the introduction of new treatments for Hepatitis C.

MOST MEDICAID DOLLARS ARE SPENT ON SERVICES FOR A MINORITY OF MEMBERS

DISTRIBUTION OF MASSHEALTH ENROLLMENT AND SPENDING BY VARIOUS POPULATIONS, 2015

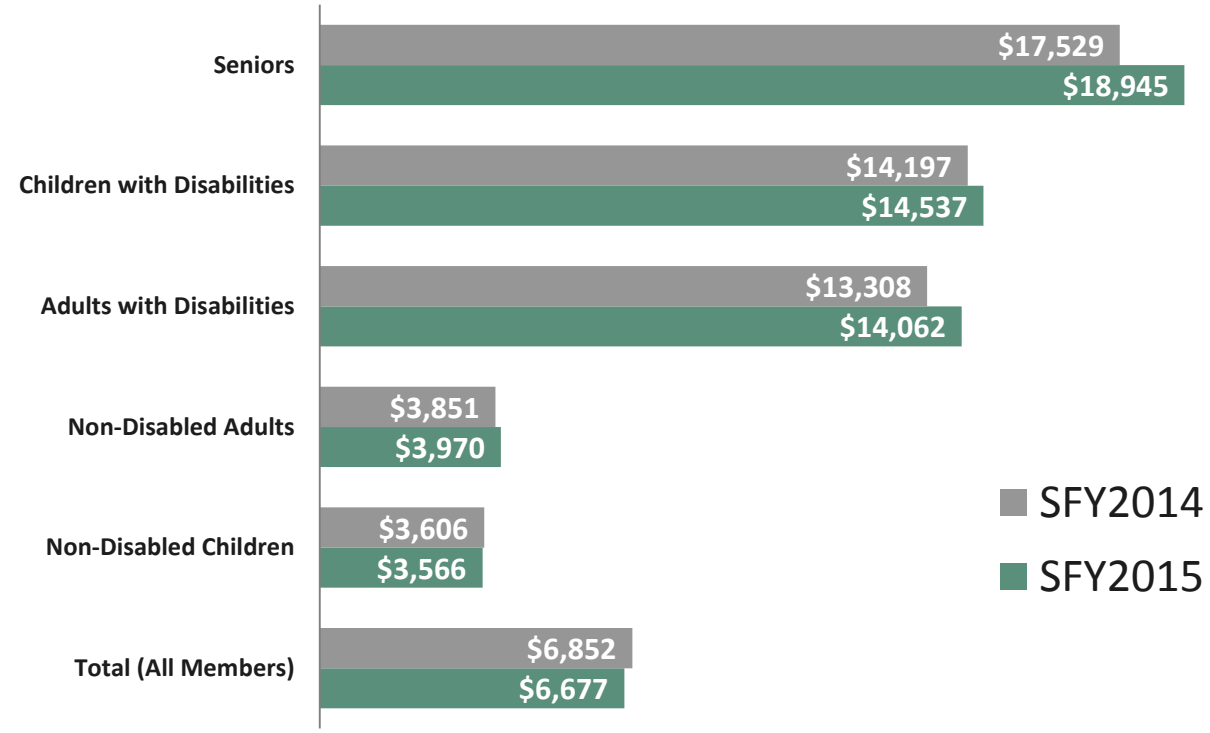


MassHealth spending is not spread evenly across the various categories of beneficiaries. Fifty-six percent of benefit spending in SFY2015 was for services to people with disabilities and seniors, though these groups comprise less than one quarter of MassHealth membership.

SOURCES: MassHealth Budget Office, SFY2015 date of service spending. Temporary enrollees are counted in the Non-Disabled Adult category.

MASSHEALTH SPENDS MORE PER ENROLLEE FOR SENIORS AND THE DISABLED

MASSHEALTH PAYMENTS PER ENROLLEE PER YEAR, SFY2014 - SFY2015



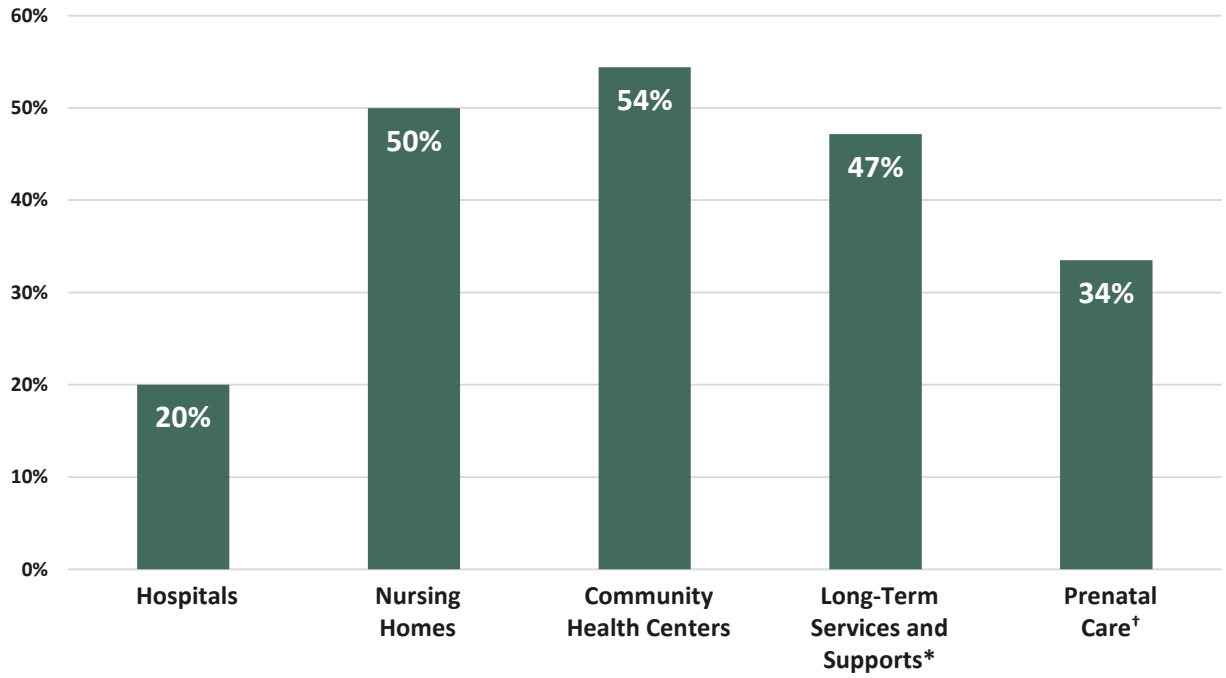
SOURCES: Calculations based on total spending and member months from the MassHealth Budget Office. Based on date of service spending. Spending and enrollment for Temporary category are included in "Non-Disabled Adults."

Seniors, who are more likely to have chronic conditions and complex health care needs, account for the highest level of MassHealth spending per member per year, followed by children with disabilities and adults with disabilities. MassHealth members who do not have disabilities have much lower levels of spending.

The overall per member per year spending declined from SFY2014 to SFY2015, despite the increase in spending for seniors and people with disabilities. This is because of a shift in the makeup of the MassHealth population: non-disabled adults comprise a significantly larger portion of MassHealth member in 2015 compared to 2014. Because this is a relatively low cost group, average overall spending declined, in spite of increased spending in some of the smaller groups.

MASSHEALTH SPENDING IS IMPORTANT TO MANY TYPES OF PROVIDERS

MASSHEALTH REVENUE AS A PERCENTAGE OF PROVIDERS' TOTAL PATIENT REVENUES, 2014



* Includes spending for home health care, durable medical supplies, Medicaid home- and community-based waivers, care provided in residential care facilities, ambulance services, school health and worksite health care.
† Percentage of births paid for by MassHealth

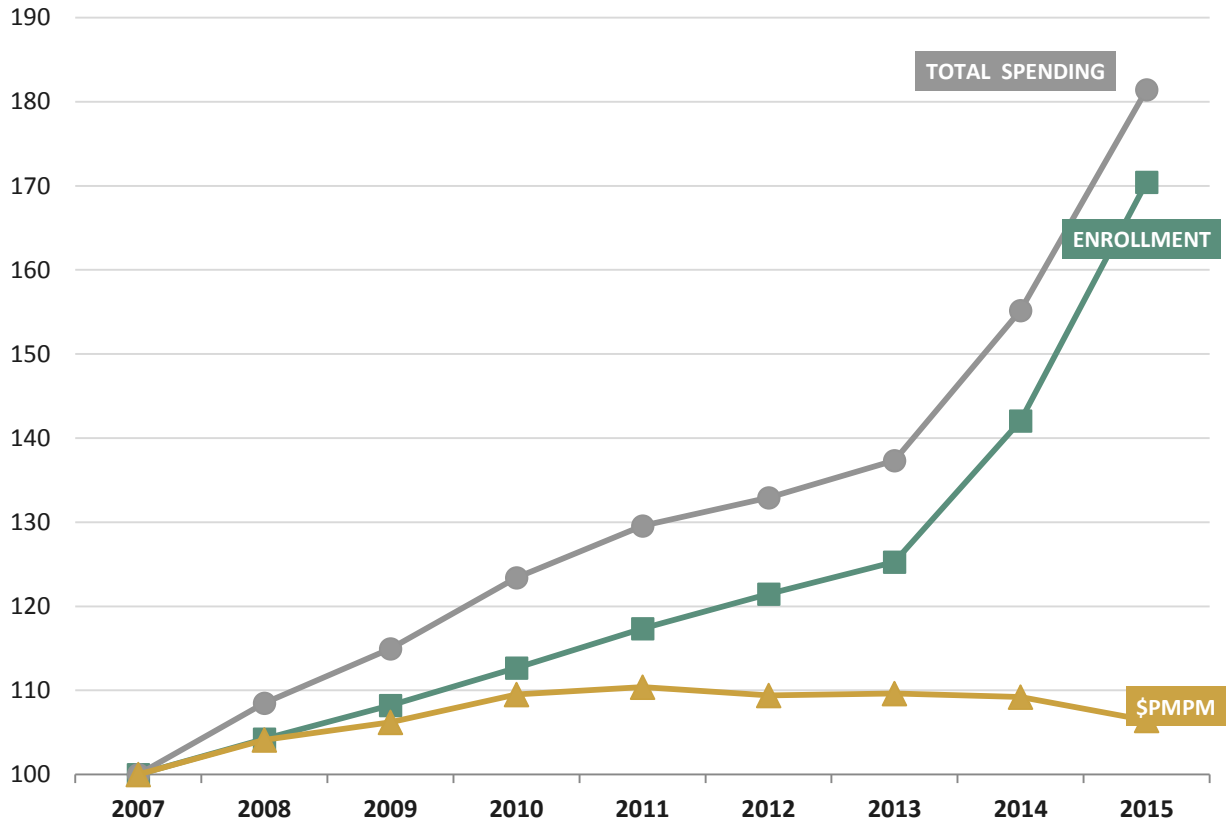
SOURCES: Center for Health Information and Analysis, Center for Health Information and Analysis, Massachusetts Hospital Profiles, November 2015 (SFY 2014 data); CHIA, HCF-1 Cost Reports (Nursing Homes – CY 2014); Health Resources and Services Administration, Bureau of Primary Health Care, Uniform Data System Report (CHCs – data from Federal FY 2014); CMS National and State Health Expenditure Accounts (Mass. 2009 expenditures aged to 2014 using change in national expenditures 2009-2014); Mass. DPH, Massachusetts Births 2014 (percentage of births).

MassHealth represents a significant portion of health care providers' revenues. This is especially the case for nursing homes and community health centers, which receive half of their total patient revenues from MassHealth.

MassHealth covers a third of all prenatal care, which is delivered by a mix of providers.

ENROLLMENT, NOT PER MEMBER COST, HAS DRIVEN GROWTH IN MASSHEALTH SPENDING

GROWTH IN MASSHEALTH TOTAL SPENDING, ENROLLMENT AND PER MEMBER PER MONTH (PMPM) COSTS
(YEAR 2007 = 100)



SOURCES: MassHealth Budget Office (total date of service spending and enrollment) and authors' calculations.

The main driver of MassHealth spending over the last several years has been the increasing number of MassHealth members, not the amount spent for each member. Not adjusting for inflation, spending per member grew less than one percent per year from fiscal year 2007 through 2014. Per member spending dropped 3 percent from 2014 to 2015, bringing it to the same level it was in 2009, even as total spending grew dramatically with the ACA expansion in SFY 2014.

Enrollment grew an average of 6.9 percent per year from SFY2007 to SFY2015, including increases of 13 percent from SFY2013 to SFY2014 and 20 percent from SFY2014 to SFY2015.

MASSHEALTH'S PRIORITIES FOR REFORM

MassHealth leadership has undertaken an ambitious transformation effort to address the program's fragmented delivery system and what it sees as unsustainable growth in spending. The centerpiece of the effort is the transformation of the delivery system from a largely fee-for-service model to one based on integrated accountable care organizations (ACO).

- ACOs are provider-led organizations responsible for the quality, coordination and total cost of their members' care, including physical health, behavioral health (BH), and pharmacy services. Accountability for long-term services and supports (LTSS) will be phased in over time. Care coordination and partnerships with community providers are essential features.
- Some ACOs will leverage managed care organizations to help pay claims and other functions.
- Different ACO options and approaches for providers will reflect the range of capabilities to take on the financial risk and clinical challenges of managing members' total cost of care.

MassHealth is seeking a $1.8 billion investment from the federal government, through the state's 1115 demonstration waiver, to support ACOs and the development of BH and LTSS Community Partners which will facilitate integration of physical health, BH, LTSS and health-related social services.

Also part of its 1115 waiver extension request, MassHealth is proposing major expansions of the treatment continuum for members with substance use disorders.

REQUEST FOR PUBLIC COMMENTS TO DRAFT 1115 WAIVER EXTENSION REQUEST

- MassHealth has released a draft of its 1115 waiver extension request for public comment: http://www.mass.gov/eohhs/gov/departments/masshealth/masshealth-and-health-care-reform.html
- Comments are due to the state by 5 pm on July 15, 2016
  - By email to: MassHealth.Innovations@state.ma.us and include "Comments on Demonstration Extension Request" in the subject line
  - By mail to: EOHHS Office of Medicaid, Attn: 1115 Demonstration Comments, One Ashburton Place, 11th Floor, Boston, MA 02108
- Public hearings will be held
  - Friday, June 24 2:30 – 4:00 pm, One Ashburton Place, 21st floor, Boston
  - Monday, June 27 2:00 – 3:30 pm, Fitchburg Public Library

CONCLUSIONS

- MassHealth offers strong support to people who have no other source of health insurance and provides coverage for services and cost sharing not covered by other insurance (Medicare and employer-sponsored insurance) for low-income residents.
- Spending has grown, particularly during the last two years, driven mainly by increases in enrollment. Per capita spending has grown by an average of less than one percent per year in the past eight years. In the most recent year available, spending on inpatient and outpatient hospital services and on pharmacy both increased by 18 percent from SFY2014 to SFY2015.
- Efforts to shift long-term care from facilities to community-based services have resulted in a growth in spending on community-based long term services and supports while spending on nursing facility care has declined slightly.
- MassHealth brings in nearly $10 billion in federal revenues to the state every year.
- Massachusetts is taking advantage of opportunities through the Affordable Care Act and the federal waiver process to develop innovations that expand access to health care, improve its quality and transform the way care is organized, delivered and paid for.
- MassHealth is now seeking to create Accountable Care Organizations to improve the value of the care its members receive.