

Every month, MassHealth (the state's Medicaid and Children's Health Insurance Program [CHIP]) benefits over 1.8 million people—more than one-quarter of the Commonwealth's population, including almost half of the state's children.<sup>1</sup> This program provides health insurance for children in low-income households, low wage workers, elders in nursing homes, people with disabilities, and others with very low incomes who cannot afford insurance.<sup>2</sup> Not surprisingly, such a comprehensive program accounts for a large share of the state's budget. However, Medicaid is a “partnership” between the state and federal governments, and each pays for a specific portion of MassHealth services (see callout box to the right). This partnership is not evident in a first look at the MassHealth budget. Much of the state's essential health care coverage is actually paid for by the federal government.

In fiscal year (FY) 2019, the state projects it will spend approximately \$16.7 billion on MassHealth.<sup>3,4</sup> This total (or “gross” amount) is approximately 36 percent of total estimated state spending for FY 2019. The federal government reimburses Massachusetts for more than half of this spending, so the state's cost for MassHealth (“net of”—or minus—federal revenue) is \$8.3 billion. This is 24 percent of the total state spending net of federal revenue in FY 2019.

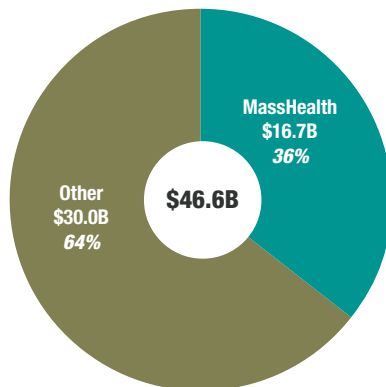
## CURRENT FEDERAL REIMBURSEMENT PERCENTAGES FOR 2019

The federal government reimburses Massachusetts for 50% of most MassHealth spending, with key exceptions such as:

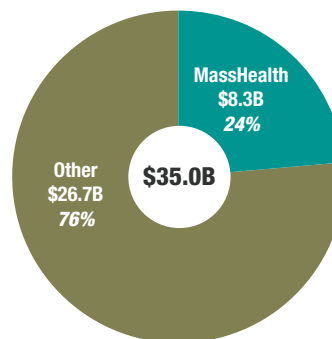
- **75%** — Spending on ongoing operational costs for claims and eligibility systems.
- **88%** — Spending on children in the Children's Health Insurance Program (CHIP) and on spending on the Breast and Cervical Cancer Treatment Programs. This reimbursement includes a temporary 23 percentage point increase associated with the Affordable Care Act (the “CHIP bump”). The rate will drop to 76.5% for federal fiscal year 2020.
- **93% [calendar year 2018] and 90% [calendar year 2019]** — Spending on members covered under the Affordable Care Act Medicaid expansion.
- **90%** — Spending on design of claims and eligibility systems and on family planning services.

See Federal Register 11/15/2016, 81 FR 80078 (<https://www.federalregister.gov/documents/2016/11/15/2016-27424/federal-financial-participation-in-state-assistance-expenditures-federal-matching-shares-for>); Federal Register 11/21/2017, 82 FR 55383 (<https://www.federalregister.gov/documents/2017/11/21/2017-24953/federal-matching-shares-for-medicare-the-childrens-health-insurance-program-and-aid-to-needy-aged>); Alison Mitchell, Congressional Research Service, Medicaid's Federal Medical Assistance Percentage (FMAP), April 25, 2018. <https://fas.org/sgp/crs/misc/R43847.pdf>.

**FIGURE 1:  
FY 2019 TOTAL STATE SPENDING**



**FIGURE 2:  
FY 2019 STATE SPENDING  
NET OF FEDERAL REVENUE**



1 See Office of Medicaid, Executive Office of Health and Human Services March 2019 Caseload Snapshot <https://www.mass.gov/lists/masshealth-measures#2019-masshealth-monthly-caseload-reports->.

2 For a more detailed overview of MassHealth, see Massachusetts Medicaid Policy Institute, *MassHealth: The Basics* <https://bluecrossmafoundation.org/publication/updated-masshealth-basics-september-2017>.

3 MassHealth typically uses only program expenditures (gross and net) in public-facing materials; therefore the numbers in this report, which include additional administrative accounts and revenue codes, will not match the Governor's House 1 budget. The MassBudget state budget total is higher than typically presented by the state as it includes spending allocated prior to the legislative appropriations process (e.g., tobacco excise tax allocated for spending on health care). Similar adjustments are made in accounting for state revenues. For details, see, MassBudget's “Where Do MassBudget's Budget Numbers Come From?” [http://massbudget.org/report\\_window.php?loc=Where-Do-MassBudget%27s-Budget-Numbers-Come-From.html](http://massbudget.org/report_window.php?loc=Where-Do-MassBudget%27s-Budget-Numbers-Come-From.html).

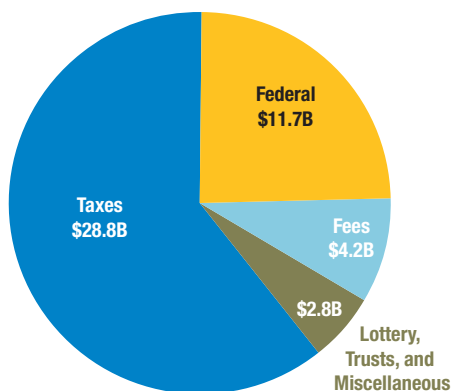
4 Please also note that due to rounding, some numbers in this brief may not appear to add exactly to the totals shown.

## CALCULATING NET STATE COST

The state budget relies on revenues of four types:

- **Tax Revenues:** The FY 2019 budget assumes \$28.8 billion in tax revenues.
- **Federal Revenue:** The FY 2019 budget assumes \$11.7 billion in federal revenue. Medicaid is by far the largest source of federal revenue in the state budget, accounting for close to \$10.0 billion of the total. Much of the other federal revenue supporting the state budget comes from federal block grants.<sup>5</sup>
- **Fees and Other Departmental Revenues:** The FY 2019 budget assumes \$4.2 billion from a wide range of departmental revenues—mostly fees, fines, and assessments. For example, assessments on health care providers, premiums paid by MassHealth members, and rebates received from pharmaceutical companies are among the significant departmental revenues. About half of departmental revenues support the state’s health care spending.
- **Lottery, Trusts, and Miscellaneous:** The FY 2019 budget assumes \$2.8 billion in other revenues transferred from the lottery and assorted trusts.<sup>6</sup>

FIGURE 3:  
FINANCING THE STATE BUDGET



The cost of MassHealth—or for that matter any state spending—can be thought of in two ways. The “total (gross) cost” is the total amount spent on the program each year financed with state and federal revenue. The “net state cost,” on the other hand, includes only the share paid with state revenues—that is, the total apart from federal revenue.

For the MassHealth program, it is also illustrative to consider the amount spent on the program net of (or minus) federal revenue as well as net of the fees, assessments, and other departmental revenues that support the program. Both sets of net spending calculations are in the table below.

FISCAL YEAR 2019 TOTAL AND NET SPENDING  
(BILLIONS)

	Total (Gross)	Total Net of Federal Revenue	Total Net of Federal and Departmental Revenue
<b>Total Budget</b>	<b>\$46.64</b>	<b>\$34.96</b>	<b>\$30.71</b>
• <b>MassHealth (Program and Administration)</b>	<b>\$16.69</b>	<b>\$8.26</b>	<b>\$6.36</b>
• <b>MassHealth (Program and Administration) Share of Total Budget</b>	<b>36%</b>	<b>24%</b>	<b>21%</b>

Because the federal government reimburses the state for so much of its MassHealth spending, it’s necessary to be aware of this federal and state Medicaid partnership to understand the actual state cost of this essential and comprehensive program.

5 See Nancy Wagman, *Partnership in Peril: Federal Funding at Risk for State Programs Relied on by Massachusetts Residents*, Massachusetts Budget and Policy Center, February 16, 2017. [http://massbudget.org/report\\_window.php?loc=Partnership-in-Peril-Federal-Funding-at-Risk.html](http://massbudget.org/report_window.php?loc=Partnership-in-Peril-Federal-Funding-at-Risk.html).

6 See Governor’s 2019 budget [https://budget.digital.mass.gov/bb/gaa/fy2019/app\\_19/ga\\_19/hdefault.htm](https://budget.digital.mass.gov/bb/gaa/fy2019/app_19/ga_19/hdefault.htm).