

The MassHealth Waiver

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Today's Forum

- Overview of the waiver, changes and implications
- Questions and answers with the panel
- Questions and answers with the audience
- Pop quiz

The MassHealth Waiver Blues



IGTs become CPEs
Keep the DSH coming, if you please
(and don't forget the IMDs).
MCO supplements will go
And that will make the funding slow
(but not if we let enrollment grow).
Provider assessments could be swell
But we cannot jump the UPL.
And if Bush's reform is the next big news
We'll all be singing the Waiver Blues!

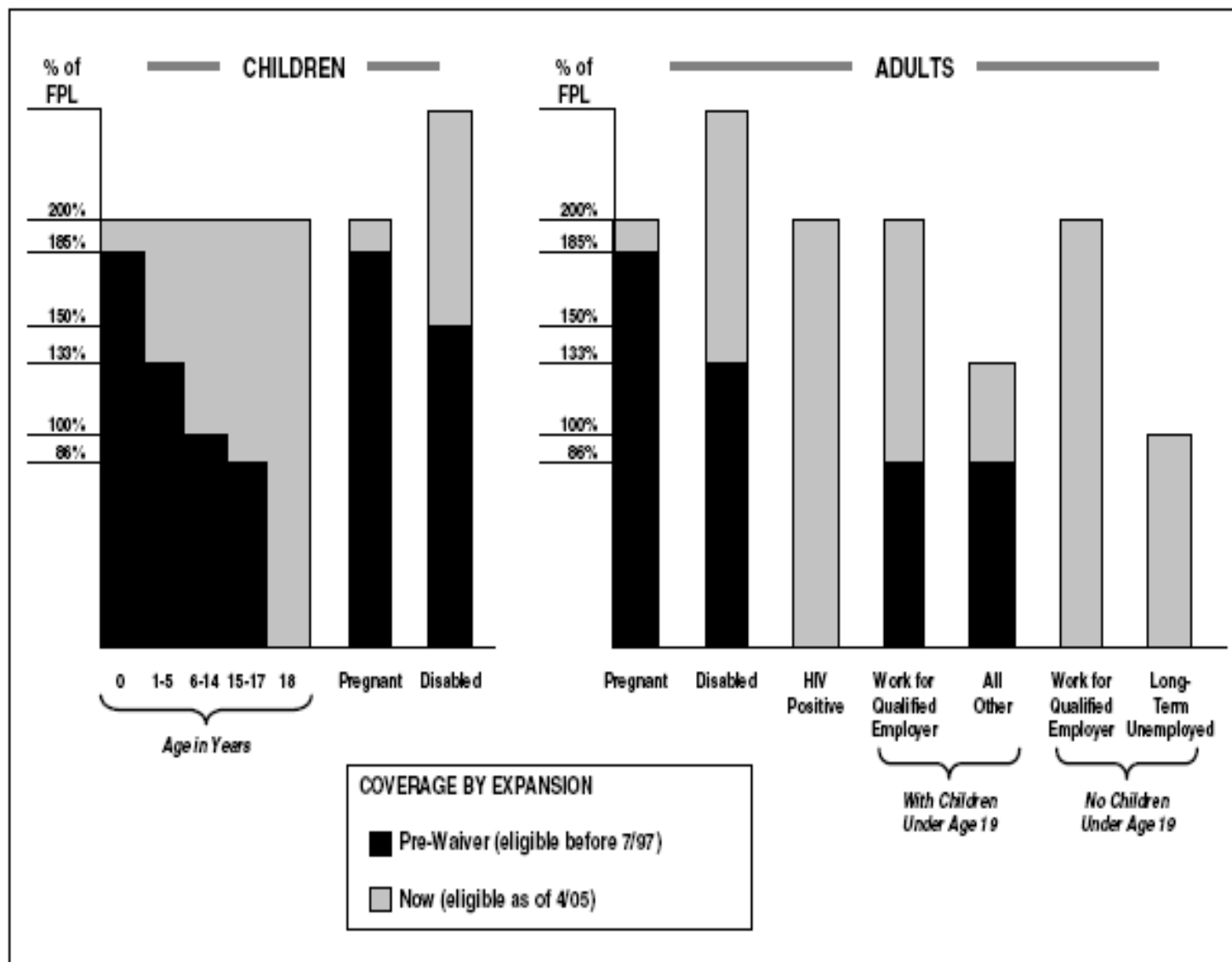
What is the MassHealth Waiver?

- Originally approved in 1995; implemented in 1997
- Allows state to operate Medicaid program in ways that federal rules would not ordinarily allow
- MassHealth is a demonstration program to
 - reduce the number and cost of the uninsured
 - get federal funding for existing state health programs
- MassHealth covers most non-elderly people in the Medicaid program

Provisions of the Current Waiver

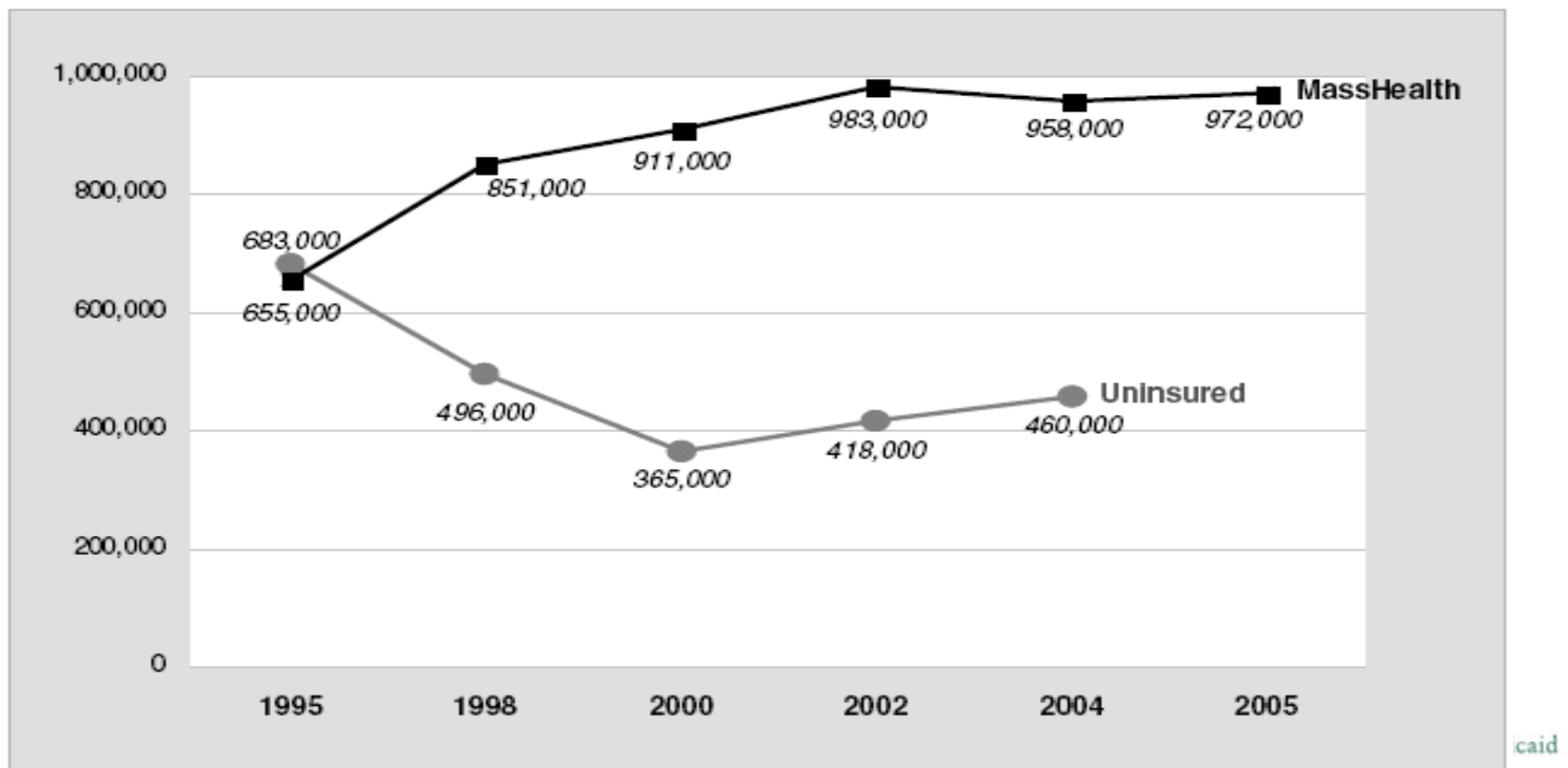
- New eligibility categories and expanded income limits for existing categories
- Increased the number of Medicaid enrollees in managed care
- Authorized federal matching funds for expenditures not ordinarily eligible
- Supplemental payments to Medicaid MCOs and safety net hospitals

Chart 1: Overview of MassHealth Waiver Eligibility Changes



The Waiver Has Had Many Positive Effects

- Medicaid membership is 300,000 higher than before the waiver
- Number of uninsured is lower



Support for Providers and the Safety Net

- Enhanced rates for hospitals and certain Medicaid MCOs, without additional state dollars
- Intergovernmental Transfers (IGTs) were permitted to finance the non-federal share of supplemental payments
- Medicaid MCOs able to pay rates above standard Medicaid to their contracting providers
- Support for the Uncompensated Care Pool
- Support for Essential Community Provider Trust Fund

How is the Waiver Changing?

- Extended through June 30, 2008
- Most provisions of MassHealth program remain the same, for now
 - Eligibility and benefits
 - General federal matching of state spending
- Restrictions on how to access federal funds for supplemental payments
- Increased flexibility in how supplemental funds can be spent

Restrictions on Accessing Federal Funds

- IGTs no longer permitted to finance non-federal share of hospital supplements as of July 1, 2005
- Certified public expenditures (CPEs) allowed, but only if from state or local tax dollars
- MCO supplements using IGTs permitted for one more year but capped at FY2005 level
- Safety Net Care Pool funded up to cap on MCO supplements and DSH as of July 1, 2006
- Phase-out of expanded federal match for services provided in IMDs
- Reduced annual growth trends for “budget neutrality” calculation

Increased Flexibility

- MCO supplemental payments and DSH allotment combined in a “Safety Net Care Pool” (SNCP)
 - \$770 million supplements plus \$574 million DSH = \$1.3 billion
- May be used to cover unreimbursed Medicaid costs, provide services to the uninsured, and improve infrastructure
- Method for allocating SNCP is undefined, but subject to federal approval

Who is Affected by the Waiver Changes?

- State and local governments
- Safety net providers
- Providers contracting with the Medicaid MCOs
- Essential Community Providers
- Uncompensated Care Pool
- Uninsured people

Implications and Policy Issues

Federal Funds are Likely to Decrease

- Existing financing mechanisms not permitted
 - after FY 2005 for hospital supplements
 - after FY 2006 for MCO supplements
- Sustaining current federal funds requires
 - Dealing with restrictive CPE language
 - Identifying ~\$600m in existing state spending that qualifies for federal match
 - ~\$300m in new state revenues and/or provider assessments, or
 - A combination of the two
- No inflation adjustment for capped Safety Net Care Pool
- Potential future state budget pressures for MassHealth because of slowed growth trends used in budget neutrality

New Flexibility Presents Opportunities and Challenges

- Possibility of new approaches to serve the uninsured and cover “unreimbursed Medicaid costs”
- BUT competing claims for resources and different views on how to finance and deliver care raise difficult issues:
 - Resource allocation between Medicaid and uninsured?
 - Role and level of support for safety net providers and their affiliated MCOs?
 - Financing of care for uninsured: the Pool or something new?

Additional Wild Cards

- Key provisions in the waiver are still to be resolved
 - Requirement that CPEs be tax dollars only
 - Final amount of federal funds depends on Medicaid MCO enrollment by June 30, 2005
- Federal Medicaid reform
 - President's budget proposal would further constrain state options

Now What?

- MassHealth is a valuable asset in the Commonwealth
- Current waiver has been a successful and innovative public policy tool
- What are the options and limitations
 - In short term?
 - In longer term?