The ACA's Impact on Medicaid: Changes and Opportunities for MassHealth

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About the Massachusetts Medicaid Policy Institute

The Massachusetts Medicaid Policy Institute (MMPI)—a program of the Blue Cross Blue Shield of Massachusetts Foundation—is an independent and nonpartisan source of information and analysis about the Massachusetts Medicaid program, "MassHealth." MMPI's mission is to promote the development of effective Medicaid policy solutions through research and policy analysis.

About Bailit Health Purchasing

Bailit Health Purchasing, LLC is a health care consulting firm dedicated to working with public agencies and private purchasers to expand coverage and improve health care system performance for consumers, purchasers and taxpayers.

Executive Summary

The Patient Protection and Affordable Care Act (ACA) requires states to make a number of changes to their Medicaid programs that will impact the administration of MassHealth. The ACA also presents Massachusetts with opportunities to make optional changes meant to improve quality while containing costs. Both the mandatory and many of the optional changes are accompanied by significant increases in federal funding. The key ACA provisions follow.

Mandatory Coverage of Adults to 133 percent of the Federal Poverty Level (FPL)

The ACA expands mandatory coverage under the Medicaid program to all individuals up to 133 percent FPL, beginning in January 2014. Massachusetts currently provides coverage for much of this population under a combination of MassHealth and Commonwealth Care. Benefits must meet the essential health benefits standard required under the ACA, but can be less generous than those a state provides to other mandatory Medicaid populations. Premiums are not allowed, but cost sharing may be required up to 5 percent of family income.

Beginning in 2014, the federal government will pay for most of the expansion population's benefits as long as states maintain the eligibility standards they had in place for other populations as of July 2008. Massachusetts will receive an increasing level of federal matching funds toward coverage of childless adults with incomes up to 133 percent FPL, reaching 90 percent federal match in 2020.

Simplified Eligibility Determinations

The ACA requires that Medicaid and the Children's Health Insurance Program (CHIP) coordinate their eligibility with the state's Exchange, allowing individuals to access coverage through a "no wrong door" approach and using a single application for Medicaid, CHIP, or subsidies through the Exchange. MassHealth currently operates a combined eligibility determination process for Medicaid, CHIP, and Commonwealth Care consistent with the ACA and plans to modernize its eligibility system, including through the provision of online eligibility and redeterminations as required by the ACA beginning in 2014.

Massachusetts, in partnership with a consortium of New England states, received a $35 million Innovator Grant from the U.S. Department of Health and Human Services to support the early development of system changes focused on Exchange-related enrollment

processes. Among other things, this funding will allow Massachusetts to develop systems to adopt the ACA's Modified Adjusted Gross Income (MAGI) standard to be used in determining an individual or family's income beginning in 2014. Under MAGI, all eligibility determinations will be standard across all state Medicaid programs for the non-aged, non-blind, and non-disabled population, will include a gross income test with an automatic 5 percent income disregard and will not consider assets. While Massachusetts currently uses gross income and does not count assets in determining eligibility for MassHealth and Commonwealth Care, the state does not currently provide any income disregard.

Enhanced Benefits

The ACA provides a number of opportunities for states to receive enhanced federal match for providing certain benefits. Massachusetts should carefully review these opportunities to determine whether they will improve the quality of care for MassHealth members while helping the state contain costs. Opportunities include:

- An incentive to eliminate cost sharing for preventive services with a 1 percentage point increase in federal match for those services starting in 2013.
- A new state plan option to provide health home services to individuals with certain chronic conditions, including mental health, substance abuse, diabetes, heart disease or obesity.
  - Health home services include comprehensive care management, care coordination, health promotion services, comprehensive transitional care, patient and family support, and utilization of health information technology (HIT) to link to services.
  - CMS will support state health home planning efforts by matching planning-related expenditures at a state's regular match rate. Upon implementation, health home services will receive 90 percent federal matching funds for the first two years.

Impact on the MassHealth Waiver

The ACA dramatically shifts the federal funding for both MassHealth and Commonwealth Care and allows full federal funding for subsidies towards the purchase of Exchange coverage for individuals and families up to 400 percent FPL. Currently Commonwealth Care is only available to those with incomes up to 300 percent FPL. It also allows legal immigrants who have been in the country for less than five years to obtain federal subsidies towards coverage purchased through the Exchange. Beginning in 2014, Massachusetts will receive increasing levels of enhanced federal match for coverage of adults without dependent children with incomes up to 133 percent FPL. Then, beginning in 2015, Massachusetts will receive a 23 percentage point enhanced match for

CHIP. Availability of this federal funding without the need for a Section 1115 Medicaid demonstration waiver significantly changes the financial landscape and has implications for the need for and use of the state's current MassHealth 1115 waiver. At the same time, the ACA reduces funding for disproportionate share hospitals (DSH) starting in 2014.

The Executive Office of Health and Human Services (EOHHS) and the Office of Medicaid should undertake a comprehensive analysis of current spending under its 1115 waiver, the funding that will be available upon full implementation of the ACA, and consider how best to propose using such funding going forward. As part of their efforts, EOHHS and the Office of Medicaid must continue to be transparent and meet the new public notice requirements for waiver proposals required under the ACA.

Rethinking Coverage across MassHealth, Commonwealth Care, and MSP

The ACA provides Massachusetts with an opportunity to reconsider many aspects of its own health reform. In Massachusetts, coverage through the Connector was specifically differentiated from coverage through MassHealth in eligibility start date, premium payment requirements, and benefit packages. This differentiation, as well as differences between the Connector and the Medical Security Program (MSP), leads to some potentially avoidable gaps in coverage, splits families across programs, and may make transitions across programs difficult for individuals to navigate and understand. The ACA provides an opportunity for the state to examine its public coverage programs through a new lens, to look comparatively across programs to understand if and where these programs treat similarly situated individuals differently, and to consider making changes to make programs more equitable.

The ACA provides the state with an option to implement a Basic Health Plan for individuals with incomes between 133 percent and 200 percent FPL and for legal immigrants with incomes up to 200 percent FPL who are not eligible for Medicaid. Under the Basic Health Plan, the federal government will provide the state with 95 percent of the funds that would have been available to individuals at this income through premium tax credits and cost-sharing subsidies; however, the state must be able to demonstrate that it can contract with entities to offer a higher level of benefits at a lower premium price. Massachusetts should consider whether it should use the Basic Health Plan as a transition program between MassHealth and the options available through the Connector. To answer this question, the state must analyze whether it would be able to offer the higher level of benefits at a lower premium price with the funding it will receive in lieu of the premium tax credits for those enrolled. It should also consider the administrative issues associated with having a package for only a certain set of individuals

within the Connector if it were to decide to have the Connector rather than MassHealth administer the Basic Health Plan, and the impact on the merged market risk pool of continuing to separate these individuals from it.

Further, the state should consider how it will treat individuals with incomes above 200 percent FPL who are currently in Commonwealth Care. Under the ACA those individuals will receive a federal premium subsidy for coverage purchased in the individual or small group market through the Exchange, and it is likely that the benefits available through the Exchange will be less generous than Commonwealth Care.

Opportunities to Enhance Community Based Long-Term Care

The ACA provides enhanced federal matching funds to support expanded community long-term care services. For example, through the Community First Choice Option, beginning in October 2011 for five years the state will have the option to receive a six percentage point higher matching rate for personal care attendant services. In addition, starting in October 2011, states can start applying for enhanced federal matching funds to shift spending from institutional to community based long-term care under the State Balancing Incentive Program. Also, the state has been awarded $110 million over five years under the "Money Follows the Person" demonstration to assist in moving individuals from institutional care to the community.

Additional ACA Opportunities

The ACA provides MassHealth with significant additional opportunities to improve quality and experiment with payment reform models. The ACA created the Center for Medicare and Medicaid Innovation, which will test innovative payment and service delivery models, as well as the Federal Coordinated Health Care Office, which focuses on simplifying access to health care services and improving quality for individuals dually eligible for Medicare and Medicaid. MassHealth was recently awarded a $1 million design contract from the Innovation Center to support development of a proposal that describes how the state would structure, implement, and evaluate an intervention aimed at improving the quality, coordination, and cost-effectiveness of care for dual eligible adults ages 21-64. The ACA also includes several provisions aimed at improving the integrity of the Medicaid program and reducing fraud, waste, and abuse.

Conclusion and Next Steps

The ACA is already beginning to have a significant impact on the Massachusetts Medicaid program. The national health reform law provides a number of opportunities to advance initiatives the state has long pursued, such as integrated care for the dual eligible populations, while adding a number of mandated administrative responsibilities, such as implementation of standard program integrity programs. A number of changes have already taken effect and EOHHS, working closely with the Commonwealth Health Insurance Connector Authority, is conducting or planning to conduct a thorough analysis of each of the remaining provisions of the ACA, as it considers the programmatic and financial impact of mandatory changes, the pros and cons of implementing optional changes and opportunities, and the timing of those efforts. Implementation of ACA provisions will require ongoing resources and commitment from EOHHS over the next several years.

Opportunities for Enhanced Federal Matching Funds

ACA Provision	Enhanced Funding Available
Development and implementation of health home services for individuals with certain chronic conditions	Began January 2011; 90% federal funding available for two years after implementation
Enhanced match of 6 additional percentage points for provision of personal care attendant services	Begins October 2011; for five years
Enhanced match of 2 additional percentage points, based on current split of spending, to shift spending from institutional to community-based long-term care	Begins October 2011; for four years
Enhanced match of 1 additional percentage point for elimination of cost-sharing for preventive services	Begins January 1, 2013
Increasing federal match for coverage of adults without dependent children (up to high of 90%)	Begins January 1, 2014; reaches 90% in January 2020
Increased CHIP federal match by 23 percentage points	January 1, 2015 through December 31, 2019

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