

HOUSE OF REPRESENTATIVES FY2016 BUDGET PROPOSAL FOR MASSHEALTH (MEDICAID) AND HEALTH REFORM PROGRAMS

BUDGET BRIEF
MAY 2015

SUMMARY

On April 29, 2015, the Massachusetts House of Representatives (House) passed its version of the proposed budget for fiscal year (FY) 2016, which will begin July 1, 2015. The House FY2016 budget proposes \$16.23 billion for MassHealth and related health care coverage programs as summarized in the table below.

The FY2016 budget process moves forward in the context of a current fiscal year in which spending has outpaced expected revenue. When Governor Charles Baker released his budget proposal in March, the administration projected a structural deficit of \$1.8 billion in FY2016, based on estimates of actual spending and revenue growth and the

use of one-time revenue sources in FY2015. In order to address the state's ongoing fiscal challenges, the House's budget proposal largely adopts Governor Baker's spending recommendations for MassHealth and related health care coverage programs. The House budget reflects nearly all \$1.6 billion in budget solutions proposed by the Governor.¹ Differences between the two budget proposals, including several policy initiatives, are described on the following pages.

¹ For a detailed analysis of the Governor's budget proposal, see MMPI's April 2015 budget summary, available at <http://bluecrossmafoundation.org/publication/governor%E2%80%99s-fy-2016-budget-proposal-masshealth-medicare-and-health-reform-programs>.

TABLE 1: MASSHEALTH AND HEALTH REFORM BUDGET SUMMARY

	FY2015 Estimated Spending	FY2016 Governor	FY2016 House	House Variance from FY2016 Governor	
EOHHS/MassHealth	\$14,769,906,337	\$15,605,027,941	\$15,621,628,036	\$16,600,095	0.1%
• MassHealth Programs	\$13,765,815,352	\$14,678,388,674	\$14,695,704,525	\$17,315,851	0.1%
• Provider Supplemental Payments*	\$637,500,000	\$465,000,000	\$465,000,000	\$0	0.0%
• Delivery System Transformation Initiative*	\$116,167,223	\$189,141,606	\$189,141,606	\$0	0.0%
• EOHHS/MassHealth Administration**	\$250,423,762	\$272,497,661	\$271,781,905	-\$715,756	-0.3%
Health Connector	\$324,239,422	\$196,515,726	\$196,515,726	\$0	0.0%
• ConnectorCare	\$60,244,338	\$169,088,903	\$169,088,903	\$0	0.0%
• Commonwealth Care Extension	\$178,441,039	\$0	\$0	\$0	0.0%
• Health Connector Administration***	\$19,722,059	\$19,000,000	\$19,000,000	\$0	0.0%
• Other Health Connector Programs†	\$65,831,986	\$8,426,823	\$8,426,823	\$0	0.0%
Health Safety Net	\$349,200,000	\$360,877,350	\$360,877,350	\$0	0.0%
• Health Safety Net Program	\$336,800,000	\$350,000,000	\$350,000,000	\$0	0.0%
• Health Safety Net Administration	\$12,400,000	\$10,877,350	\$10,877,350	\$0	0.0%
Center for Health Information and Analysis	\$32,890,444	\$32,890,444	\$31,140,523	-\$1,749,921	-5.3%
Other Health Reform Administration	\$9,253,272	\$16,178,132	\$17,278,132	\$1,100,000	6.8%
• HIT Trust Fund and Integrated Eligibility System	\$8,153,272	\$15,078,132	\$15,078,132	\$0	0.0%
• Health Care Access Bureau	\$1,100,000	\$1,100,000	\$1,100,000	\$0	0.0%
• Reserves: Health Policy Commission Pilot Programs	\$0	\$0	\$1,100,000	\$1,100,000	100.0%
TOTAL	\$15,485,489,475	\$16,211,489,593	\$16,227,439,767	\$15,950,174	0.1%

Expenditures are reported in gross amounts. Actual state fiscal impact is net of federal reimbursements on eligible Medicaid (Title XIX) and CHIP (Title XXI) expenditures.

The table does not include Health Policy Commission administrative and program expenditures, which are currently funded from revenues established under Chapter 224 of the Acts of 2012.

The table does not include expenditures associated with certain other programs and services eligible for federal reimbursement under the MassHealth 1115 Demonstration Waiver, including Designated State Health Programs (DSHP), payments to DPH- and DMH-owned hospitals, and Institutions for Mental Disease. Note, however, that expenditures associated with the Children's Medical Security Program, a DSHP-eligible program, are included under MassHealth Program spending in this table.

* Provider Supplemental Payments and Delivery System Transformation Initiative: Amounts reflect operating budget transfers from the General Fund to the Medical Assistance Trust Fund (MATF) and Delivery System Transformation Initiative (DSTI) Incentive Fund to support provider supplemental payments and DSTI incentive payments.

** EOHHS/MassHealth Administration: Expenditures include a subset of line items funding auditing, operations, and payment reform activities, as well as EOHHS-wide administrative line items. For a complete list of the administrative line items included herein, see Appendix A.

*** Health Connector Administration: Expenditures reported in the table are net of federal grants, carrier revenue, miscellaneous revenue, and other reserves.

Source: Massachusetts House of Representatives.

FY2016 HOUSE OF REPRESENTATIVES BUDGET PROPOSAL

An analysis of the House budget proposal by the Massachusetts Medicaid Policy Institute (MMPI) shows \$15.6 billion in spending on MassHealth, \$196.5 million in spending by the Health Connector, and \$360.9 million in spending through the Health Safety Net Trust Fund for health care services for the uninsured or underinsured. The table on page 1 provides a summary of major program areas and spending associated with MassHealth and other health reform activities.

DIFFERENCES FROM THE GOVERNOR'S BUDGET PROPOSAL

The House budget adopted virtually all of Governor Baker's FY2016 budget recommendations for MassHealth and related health care coverage programs. Differences between the two versions include the following:

EOHHS/MassHealth

- **Global Payment Pilot Program:** The House budget requires MassHealth to establish a prospective global payment pilot program under which it contracts with risk-bearing provider organizations for the provision and coordination of health care services (including behavioral health services) for attributed members beginning not later than September 1, 2016. The provision states that the program shall not go into effect until the Division of Insurance completes promulgation of regulations providing for risk certificates or procedures for waivers for such risk-bearing provider organizations. No additional funding is allocated to this pilot program.
- **Nursing Facility Pay-for-Performance Program (+\$2.8 million):** Funding is allocated in line item 4000-0640 to support incentive payments to nursing facilities that meet the criteria determined under the MassHealth Nursing Facility Pay-for-Performance Program.
- **Nursing Facility Assessment (+6.0 million):** Funding is included for MassHealth share of nursing facility assessment.
- **Community Health Center Grant Program (+\$1 million):** The House budget includes \$1 million in line item 4000-0700 for a primary care workforce development grant program for the purpose of enhancing recruitment and retention of primary care physicians and other clinicians at community health centers. Funding for this initiative has been included in previous budgets; however, it was most recently cut in FY2015 as part of efforts to address the state's ongoing budget challenges.
- **Infrastructure Capacity Building Grants to Hospitals and Community Health Centers:** The House budget authorizes \$30 million for infrastructure grants to hospitals and community health centers in line item 4000-0500; however, the amount of funding proposed in this line item is not larger than that proposed by the Governor.
- **Chiropractic Services (+\$600,000):** Whereas the Governor proposed cutting \$600,000 in spending on MassHealth coverage for chiropractic services, the House budget included funding to provide these services in line item 4000-0700.
- **High Acuity Patient Payments (+\$7.4 million):** Funding is included for a half-year of supplemental payments to Boston Children's Hospital and Tufts Medical Center for high acuity patients.
- **Children's Behavioral Health Initiative (-\$484,000):** The House budget funds administrative and program expenses associated with the

Children's Behavioral Health Initiative, which supports comprehensive community-based behavioral health services to children suffering from severe emotional disturbances, at \$221.3 million. This represents \$484,000 less than the Governor's budget proposal.

- **Substance Abuse Treatment Pre-Authorization:** The House budget expands and clarifies MassHealth coverage for substance abuse treatment. It states that no pre-authorization is required for substance abuse treatment and specifies that approved medications for alcohol or opioid dependence will be covered by MassHealth, including 24-hour post-acute detoxification, relapse prevention, and aftercare services.
- **EOHHS/MassHealth Administration (-\$716,000):** EOHHS and MassHealth administrative costs are funded from a variety of line items, including ones that fund auditing, operations, and payment reform activities, and several EOHHS-wide administrative line items. Taken together, the House budget funds these line items at \$716,000 less than the Governor's proposal. For a complete list of the administrative line items included in this analysis, see Appendix A.

Center for Health Information and Analysis (CHIA)

- **CHIA Administration (-\$1.8 million):** While both the House and the Governor propose making CHIA an EOHHS agency rather than allowing it to continue as an independent center, the House budget proposes to reduce administrative spending at the agency by \$1.8 million compared with the Governor's budget, which had proposed level funding from FY2015.

Health Policy Commission (HPC)

The Health Policy Commission (HPC) is generally financed off-budget through mechanisms set in Chapter 224; however, the House budget proposal includes funding for several health care pilot programs, including:

- **Substance-Exposed Newborns (+\$500,000)** to implement a fully integrated model of postnatal supports for families with substance-exposed newborns at up to three regional sites to be selected by the HPC through a competitive process.
- **Primary Care Narcan Training (+\$100,000)** to develop a training and technical assistance program to improve and expand the capacity and ability of primary care providers to prescribe Narcan to prevent deaths by opioid overdose.
- **Behavioral Health Field Triage (+\$500,000)** to develop a pilot program in the greater Quincy area to implement a model of field triage for behavioral health patients under medical control by specially trained emergency medical services providers.

Off-Budget Transfers²

The House budget provides funding for several initiatives from the Distressed Hospital Trust Fund, an off-budget source of revenue. The Distressed Hospital Fund is the source of funding for the Health Policy Commission's Community Hospital Acceleration, Revitalization, and Transformation (CHART) Investment Program, a multi-year \$120 million program that is funded by a Chapter 224 assessment on large health systems and commercial insurers. The House budget transfers funds from the Distressed Hospital Trust Fund to the following:

² Off-budget transfers are not included in Table 1: MassHealth and Health Reform Budget Summary.

• **Acute Care Hospital Fund (+\$17.15 million):** Under the House budget proposal, this newly created fund would provide \$11 million to support MassHealth acute care hospital rate increases and an additional \$6.15 million in supplemental MassHealth payments for inpatient and outpatient behavioral and mental health services provided by any acute care hospital that has greater than 63 percent of its gross

patient service revenue from governmental payers and free care as determined by the Executive Office of Health and Human Services.

• **Delivery System Transformation Initiatives (DSTI) Program (+\$8.2 million):** In addition to the \$189.1 million allocated from on-budget sources through line item 1595-1067, the House budget supports an additional \$8.2 million in DSTI program spending.

APPENDIX A

Appendix A details on-budget funding for administrative and MassHealth program accounts.

TABLE A1: EOHHS AND MASSHEALTH ADMINISTRATION

		FY2015 Estimated Spending	FY2016 Governor	FY2016 House	Variance from FY2016 Governor	
Total EOHHS/MassHealth Administration		\$250,423,762	\$272,497,661	\$271,781,905	-\$715,756	8.8%
4000-0300	EOHHS and MassHealth Administration*	\$88,223,229	\$90,898,463	\$92,065,452	\$1,166,989	3.0%
4000-0301	MassHealth Auditing and Utilization Reviews	\$4,161,845	\$4,487,432	\$4,291,711	-\$195,721	7.8%
4000-0321	EOHHS Contingency Contracts (Retained Revenue)	\$50,000,000	\$50,000,000	\$50,000,000	\$0	0.0%
4000-0328	State Plan Amendment Support	\$394,000	\$400,000	\$0	-\$400,000	1.5%
4000-1602	MassHealth Operations	\$2,105,757	\$2,261,448	\$2,231,497	-\$29,951	7.4%
4000-1604	Health Care System Reform	\$868,022	\$972,161	\$949,100	-\$23,061	12.0%
4000-1700	Health and Human Services IT**	\$104,670,909	\$123,478,157	\$122,244,145	-\$1,234,012	18.0%

* Includes personnel and administrative expenditures to support the Office of the EOHHS Secretary and the Office of Medicaid.

** Supports EOHHS-wide IT costs.

Source: Massachusetts House of Representatives.

TABLE A2: MASSHEALTH PROGRAM ACCOUNTS

		FY2015 Estimated Spending	FY2016 Maintenance	FY2016 Savings Initiatives	FY2016 Governor	FY2016 House	Variance from FY2016 Governor	
MassHealth Program Accounts		\$13,765,815,352	\$16,071,768,884	-\$1,393,380,210	\$14,678,388,674	\$14,695,704,525	\$17,315,851	6.6%
4000-0320	MassHealth Recoveries (Retained Revenue)	\$225,000,000	\$225,000,000	\$0	\$225,000,000	\$225,000,000	\$0	0.0%
4000-0430	MassHealth CommonHealth	\$107,204,797	\$119,495,216	\$0	\$119,495,216	\$119,495,216	\$0	11.5%
4000-0500	MassHealth Managed Care	\$5,162,825,921	\$6,544,542,709	-\$613,003,112	\$5,931,539,597	\$5,931,539,597	\$0	14.9%
4000-0600	MassHealth Senior Care	\$2,986,699,932	\$3,258,036,450	-\$285,086,117	\$2,972,950,333	\$2,972,950,333	\$0	-0.5%
4000-0640	MassHealth Nursing Home Supplemental Rates	\$292,300,000	\$301,400,000	-\$9,800,000	\$291,600,000	\$300,400,000	\$8,800,000	-0.2%
4000-0700	MassHealth Fee-for-Service Coverage	\$2,553,352,397	\$2,697,116,700	-\$207,324,607	\$2,489,792,093	\$2,498,792,092	\$8,999,999	-2.5%
4000-0875	MassHealth Breast and Cervical Cancer Treatment	\$5,725,199	\$6,011,459	\$0	\$6,011,459	\$6,011,459	\$0	5.0%
4000-0880	MassHealth Family Assistance	\$238,231,570	\$276,669,135	-\$22,900,000	\$253,769,135	\$253,769,135	\$0	6.5%
4000-0885	Small Business Employee Premium Assistance	\$30,877,115	\$32,420,971	\$0	\$32,420,971	\$32,420,971	\$0	5.0%
4000-0940	ACA Expansion Populations	\$1,569,631,096	\$1,935,955,262	-\$223,844,754	\$1,712,110,508	\$1,712,110,508	\$0	9.1%
4000-0950	Children's Behavioral Health Initiative	\$211,389,021	\$221,798,049	\$0	\$221,798,049	\$221,313,901	-\$484,148	4.9%
4000-0990	Children's Medical Security Plan	\$13,214,180	\$13,214,180	\$0	\$13,214,180	\$13,214,180	\$0	0.0%
4000-1400	MassHealth HIV Plan	\$23,693,668	\$24,878,351	\$0	\$24,878,351	\$24,878,351	\$0	5.0%
4000-1420	Medicare Part D Phased Down Contribution	\$311,352,456	\$365,818,402	-\$31,421,620	\$334,396,782	\$334,396,782	\$0	7.4%
4000-1425	Hutchinson Settlement	\$34,318,000	\$49,412,000	\$0	\$49,412,000	\$49,412,000	\$0	44.0%

Source: Massachusetts House of Representatives.