

# COMPARISON OF THE FY2016 HOUSE AND SENATE BUDGET PROPOSALS FOR MASSHEALTH AND HEALTH REFORM PROGRAMS

## SUMMARY

On May 22, 2015, the Massachusetts Senate unanimously passed its version of the proposed budget for fiscal year (FY) 2016, which will begin July 1, 2015. The Senate FY2016 budget proposes \$16.186 billion for MassHealth and related health care coverage programs as summarized in the table below.

The Senate's budget largely aligns with the health care spending priorities of both Governor Charles Baker and the Massachusetts House of Representatives. All three versions seek to close an estimated budget shortfall of \$1.8 billion, and both the House and the Senate budgets

adopt nearly all \$1.6 billion in MassHealth and health reform fiscal solutions proposed by the Governor. The House and Senate versions of the budget move forward to a conference committee, where differences will be resolved before the budget is sent to the Governor. Differences between the House and Senate budget proposals, including several policy initiatives, are described in this budget brief.<sup>1</sup>

<sup>1</sup> For detailed analyses of the budget plans put forward by the Governor and the House of Representatives, see MMPF's budget briefs, available at <http://bluecrossmafoundation.org/tag/publication-collection/budget-briefs>.

**TABLE 1: MASSHEALTH AND HEALTH REFORM BUDGET SUMMARY**

	FY2015 Estimated Spending	FY2016 House	FY2016 Senate	Senate Variance from FY2016 House	
<b>EOHHS/MassHealth</b>	<b>\$14,769,906,337</b>	<b>\$15,621,628,036</b>	<b>\$15,586,911,974</b>	<b>-\$34,716,062</b>	<b>-0.2%</b>
• MassHealth Programs	\$13,765,815,352	\$14,695,704,525	\$14,665,848,673	-\$29,855,852	-0.2%
• Provider Supplemental Payments*	\$637,500,000	\$465,000,000	\$462,000,000	-\$3,000,000	-0.6%
• Delivery System Transformation Initiative*	\$116,167,223	\$189,141,606	\$186,906,667	-\$2,234,939	-1.2%
• EOHHS/MassHealth Administration**	\$250,423,762	\$271,781,905	\$272,156,634	\$374,729	0.1%
<b>Health Connector</b>	<b>\$324,239,422</b>	<b>\$196,515,726</b>	<b>\$196,515,726</b>	<b>\$0</b>	<b>0.0%</b>
• 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%
<b>Health Safety Net</b>	<b>\$349,200,000</b>	<b>\$360,877,350</b>	<b>\$360,877,350</b>	<b>\$0</b>	<b>0.0%</b>
• Health Safety Net Program	\$336,800,000	\$350,000,000	\$350,000,000	\$0	0.0%
• Administration	\$12,400,000	\$10,877,350	\$10,877,350	\$0	0.0%
<b>Center for Health Information and Analysis</b>	<b>\$32,890,444</b>	<b>\$31,140,523</b>	<b>\$31,755,802</b>	<b>\$615,279</b>	<b>2.0%</b>
<b>Other Health Reform Administration</b>	<b>\$9,253,272</b>	<b>\$17,278,132</b>	<b>\$9,753,272</b>	<b>-\$7,524,860</b>	<b>-43.6%</b>
• HIT Trust Fund and Integrated Eligibility System	\$8,153,272	\$15,078,132	\$8,153,272	-\$6,924,860	-45.9%
• Health Care Access Bureau	\$1,100,000	\$1,100,000	\$1,100,000	\$0	0.0%
• Reserves: Health Policy Commission Pilot Programs	\$0	\$1,100,000	\$500,000	-\$600,000	-54.5%
<b>TOTAL</b>	<b>\$15,485,489,475</b>	<b>\$16,227,439,767</b>	<b>\$16,185,814,124</b>	<b>-\$41,625,643</b>	<b>-0.3%</b>

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 and Senate.

## FY2016 SENATE BUDGET PROPOSAL

An analysis of the Senate 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 BETWEEN THE HOUSE OF REPRESENTATIVES AND SENATE BUDGET PROPOSALS

The Senate budget adopted many of the same budget recommendations for MassHealth and related health care coverage programs that were passed by the House of Representatives one month earlier. Differences between the two versions include the following:

### Executive Office of Health and Human Services (EOHHS)/MassHealth:

- **Updated Enrollment Forecast (-\$26.6 million):** The Senate budget incorporates updated MassHealth enrollment projections, which show more modest growth in FY2016 than earlier estimates. The updated enrollment projections result in approximately \$26.6 million in savings, which the Senate included in line item 4000-0700.
- **Academic Detailing (-\$3 million):** In contrast to the House budget, the Senate budget assumes approximately \$3 million less in line item 4000-0700 associated with new savings attributed to enhanced MassHealth academic detailing efforts. Academic detailing provides evidence-based information to prescribers about the relative effectiveness of various prescription medications
- **Nursing Facility Reimbursement:**
  - **Pay-for-Performance Program (-\$2.8 million):** Unlike the House, the Senate did not include funding in line item 4000-0640 to support Pay-for-Performance incentive payments to nursing facilities.
  - **Nursing Facility Assessment (-6.0 million):** The Senate did not include funding in line item 4000-0640 for the MassHealth share of a nursing facility rate increase, which had been included in the House version.
  - **Nursing Facility Wage Pass-through (+\$5 million):** An amendment adopted on the Senate floor added \$5 million to line item 4000-0640 to fund a rate add-on for wages, benefits, and related employee costs of direct care staff of nursing homes.
  - **Leave of Absence Days:** The Senate also included a provision stating that MassHealth must reimburse nursing home facilities for up to and including 20 medical leave of absence days and up to 10 nonmedical leave of absence days.
- **Global Payment Pilot Program:** The Senate budget did not adopt House language that required MassHealth to establish a prospective global payment pilot program under which it would contract 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.
- **Community Health Center Grant Program (-\$1 million):** The Senate did not include a House budget provision for \$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.
- **Infrastructure Capacity Building Grants to Hospitals and Community Health Centers:** While no additional funds were included, the House and Senate budgets authorized \$30 million for infrastructure grants to hospitals and community health centers in line item 4000-0500.
- **High Acuity Patient Supplemental Payments (-\$7.4 million):** In contrast to the House, the Senate did not include funding for a half-year of supplemental payments to Boston Children’s Hospital and Tufts Medical Center for high acuity patients.
- **High Public Payer Supplemental Payments:** A Senate floor amendment included language directing MassHealth to make approximately \$4 million in supplemental payments for inpatient and outpatient 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 (“high public payer hospitals”). Similarly, it directs an additional \$2 million for inpatient and outpatient behavioral and mental health services provided by high public payer acute care hospitals. The amendment did not add additional funds to any of the MassHealth line items. By contrast, the House proposed an off-budget transfer of \$17.15 million for high public payer payments, as further described in the “Off-Budget Transfers” section below.
- **Emergency Services and Mental Health Care (+\$6 million):** The Senate budget allocated \$6 million in line item 4000-0700 for emergency service programs and acute inpatient mental health care services previously funded through the Department of Mental Health (line item 5047-0001) for individuals eligible for MassHealth.
- **Behavioral Health Rate Increases (+\$3 million):** The Senate budget includes an additional \$3 million in line item 4000-0500 to support increased payments to mental health and substance abuse providers participating in MassHealth’s Primary Care Clinical Plan.
- **Substance Abuse Treatment Pre-Authorization:** The House budget expanded and clarified MassHealth coverage for substance abuse treatment. It stated that no pre-authorization is required for substance abuse treatment, including 24-hour post-acute detoxification, relapse prevention, and aftercare services, and specifies that approved medications for alcohol or opioid dependence will be covered by MassHealth. Similar language was not included in the Senate budget.
- **Chiropractic Services:** Whereas the Governor proposed cutting \$600,000 in spending on MassHealth coverage for chiropractic services, the House and Senate budgets included funding to provide these services in line item 4000-0700.
- **Provider Supplemental Payments (-\$3 million):** Following release of the Governor’s budget, the Executive Office for Administration and Finance (A&F) indicated that the amount allocated to support provider supplemental payments from the Medical Assistance Trust Fund was overestimated by \$3 million. Based on the updated spending informa-

tion, the Senate budget reduces spending in line item 1595-1068 by \$3 million—a change that was not reflected in the House version of the budget.

- **Delivery System Transformation Initiatives (-\$2.2 million):** The Senate allocates \$186.9 million in line item 1595-1067 to support the Delivery System Transformation Initiative (DSTI) program—an amount that reflects an updated estimate from A&F. The approximately \$2.2 million change was not reflected in the House version of the budget. The Senate did not adopt an \$8.2 million off-budget transfer for the DSTI program, as further described in the “Off-Budget Transfers” section below.
- **EOHHS and MassHealth Administration (+\$375,000):** The House and Senate adopted spending levels to support EOHHS and MassHealth administration at consistent levels—differing by only \$375,000 in total. Administrative 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 in this analysis, see Appendix A.) Note that the Senate version of the budget includes approximately \$275,000 in funds earmarked for various purposes, including:
  - \$100,000 for a Home Health Care Pilot Program
  - \$50,000 for direct payroll costs of a MassHealth liaison to the trial court responsible for the administration of health insurance benefits for participants in specialty courts
  - \$25,000 for the Harvard Street Neighborhood Health Center
  - \$100,000 for the Edward M. Kennedy Community Health Center to train community health workers (line-item 4000-0014)

### Center for Health Information and Analysis (CHIA)

- **CHIA Administration (+\$615,000):** The Senate budget includes \$28.3 million, approximately \$615,000 more than the House, in funding to support the operations of the Center for Health Information and Analysis (CHIA). Whereas the Governor and the House proposed making CHIA an EOHHS agency rather than allowing it to continue as an independent center, the Senate budget includes a provision to establish a CHIA oversight council appointed by the Governor, State Auditor, and Attorney General.

### Health Information Technology Trust Fund

- **Health Information Exchange Operations (-\$6.9 million):** Whereas the House budget increased funding from \$8.2 million in FY2015 to \$15 million in FY2016 to support the operational costs for the statewide health information exchange and certain costs of the health information exchange and integrated eligibility system, the Senate budget level-funded expenditures.

### Health Policy Commission (HPC)

The Health Policy Commission (HPC) is generally financed off-budget through mechanisms set in Chapter 224. However, the House and Senate budget proposals included funding for several health care pilot programs to be administered by the HPC as described below:

#### Senate Budget

- **Behavioral Health Integration (\$500,000)** to accelerate and support behavioral health integration within patient-centered medical homes.

#### House Budget

- **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 Transfers<sup>2</sup>

The Senate did not adopt provisions from the House budget that provided 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 HPC’s Community Hospital Acceleration, Revitalization, and Transformation (CHART) Investment Program, a multiyear \$120 million program that is funded by a Chapter 224 assessment on large health systems and commercial insurers. The House budget used funds from the Distressed Hospital Trust Fund to provide \$11 million in MassHealth acute care hospital rate increases to any acute care hospital that has greater than 63 percent of its gross patient service revenue from governmental payers and free care (“high public payer hospitals”), \$6.15 million in supplemental MassHealth payments for inpatient and outpatient behavioral and mental health services provided by high public payer hospitals, and an additional \$8.2 million for the DSTI program:

#### Other Health Coverage Provisions

A Senate floor amendment adopted by the full Senate calls for the phased-in expansion of income eligibility to 300 percent of the federal poverty level for home-care services under Elder Affairs’ Home Care Basic and Enhanced Community Options Programs. The amendment includes a provision that directs program administrators to seek out a state plan amendment pursuant to section 1915(j) of the federal Social Security Act relating to home- and community-based services under Title XIX (Medicaid) in order to maximize any federal reimbursement tied to the change.

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

## APPENDIX A

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

**TABLE A1: EOHHS AND MASSHEALTH ADMINISTRATION**

		FY2015 Estimated Spending	FY2016 House	FY2016 Senate	Senate Variance from FY2016 House	
<b>EOHHS/MassHealth Administration</b>		<b>\$250,423,762</b>	<b>\$271,781,905</b>	<b>\$272,156,634</b>	<b>\$374,729</b>	<b>0.1%</b>
4000-0300	<b>EOHHS and MassHealth Administration (1)</b>	\$88,223,229	\$92,065,452	\$91,073,463	-\$991,989	-1.1%
4000-0301	<b>MassHealth Auditng and Utilization Reviews</b>	\$4,161,845	\$4,291,711	\$4,487,432	\$195,721	4.6%
4000-0321	<b>EOHHS Contingency Contracts (Retained Revenue)</b>	\$50,000,000	\$50,000,000	\$50,000,000	\$0	0.0%
4000-0328	<b>State Plan Amendment Support</b>	\$394,000	\$0	\$400,000	\$400,000	100.0%
4000-1602	<b>MassHealth Operations</b>	\$2,105,757	\$2,231,497	\$2,262,427	\$30,930	1.4%
4000-1604	<b>Health Care System Reform</b>	\$868,022	\$949,100	\$972,161	\$23,061	2.4%
4000-1700	<b>Health and Human Services IT (2)</b>	\$104,670,909	\$122,244,145	\$122,861,151	\$617,006	0.5%
4000-0014	<b>Edward M. Kennedy Community Health Center</b>	\$0	\$0	\$100,000	\$100,000	100.0%

\* 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 and Senate.

**TABLE A2: MASSHEALTH PROGRAM**

		FY2015 Estimated Spending	FY2016 Maintenance	FY2016 Savings Initiatives	FY2016 Governor	FY2016 House	FY2016 Senate	Senate Variance from FY2016 House	
<b>MassHealth Program Accounts</b>		<b>\$13,765,815,352</b>	<b>\$16,071,768,884</b>	<b>-\$1,393,380,210</b>	<b>\$14,678,388,674</b>	<b>\$14,695,704,525</b>	<b>\$14,665,848,673</b>	<b>-\$29,855,852</b>	<b>-0.2%</b>
4000-0320	<b>MassHealth Recovers (Retained Revenue)</b>	\$225,000,000	\$225,000,000	\$0	\$225,000,000	\$225,000,000	\$225,000,000	\$0	0.0%
4000-0430	<b>MassHealth CommonHealth</b>	\$107,204,797	\$119,495,216	\$0	\$119,495,216	\$119,495,216	\$119,495,216	\$0	0.0%
4000-0500	<b>MassHealth Managed Care</b>	\$5,162,825,921	\$6,544,542,709	-\$613,003,112	\$5,931,539,597	\$5,931,539,597	\$5,934,539,597	\$3,000,000	0.1%
4000-0600	<b>MassHealth Senior Care</b>	\$2,986,699,932	\$3,258,036,450	-\$285,086,117	\$2,972,950,333	\$2,972,950,333	\$2,972,950,333	\$0	0.0%
4000-0640	<b>MassHealth Nursing Home Supplemental Rates</b>	\$292,300,000	\$301,400,000	-\$9,800,000	\$291,600,000	\$300,400,000	\$296,600,000	-\$3,800,000	-1.3%
4000-0700	<b>MassHealth Fee-for-Service Coverage</b>	\$2,553,352,397	\$2,697,116,700	-\$207,324,607	\$2,489,792,093	\$2,498,792,092	\$2,469,752,092	-\$29,040,000	-1.2%
4000-0875	<b>MassHealth Breast and Cervical Cancer Treatment</b>	\$5,725,199	\$6,011,459	\$0	\$6,011,459	\$6,011,459	\$6,011,459	\$0	0.0%
4000-0880	<b>MassHealth Family Assistance</b>	\$238,231,570	\$276,669,135	-\$22,900,000	\$253,769,135	\$253,769,135	\$253,769,135	\$0	0.0%
4000-0885	<b>Small Business Employee Premium Assistance</b>	\$30,877,115	\$32,420,971	\$0	\$32,420,971	\$32,420,971	\$32,420,971	\$0	0.0%
4000-0940	<b>ACA Expansion Populations</b>	\$1,569,631,096	\$1,935,955,262	-\$223,844,754	\$1,712,110,508	\$1,712,110,508	\$1,712,110,508	\$0	0.0%
4000-0950	<b>Children's Behavioral Health Initiative</b>	\$211,389,021	\$221,798,049	\$0	\$221,798,049	\$221,313,901	\$221,298,049	-\$15,852	0.0%
4000-0990	<b>Children's Medical Security Plan</b>	\$13,214,180	\$13,214,180	\$0	\$13,214,180	\$13,214,180	\$13,214,180	\$0	0.0%
4000-1400	<b>MassHealth HIV Plan</b>	\$23,693,668	\$24,878,351	\$0	\$24,878,351	\$24,878,351	\$24,878,351	\$0	0.0%
4000-1420	<b>Medicare Part D Phased Down Contribution</b>	\$311,352,456	\$365,818,402	-\$31,421,620	\$334,396,782	\$334,396,782	\$334,396,782	\$0	0.0%
4000-1425	<b>Hutchinson Settlement</b>	\$34,318,000	\$49,412,000	\$0	\$49,412,000	\$49,412,000	\$49,412,000	\$0	0.0%

Source: Massachusetts House of Representatives.