HOUSE OF REPRESENTATIVES FY2017 BUDGET PROPOSAL FOR MASSHEALTH (MEDICAID) AND HEALTH REFORM PROGRAMS

BUDGET BRIEF
MAY 2016

SUMMARY

On April 27, 2016, the Massachusetts House of Representatives (House) passed its proposed budget for fiscal year (FY) 2017, which will begin July 1, 2016. The Massachusetts Medicaid Policy Institute's (MMPI) analysis of the House budget proposal shows a total of $17 billion for MassHealth and related health care coverage programs including:

- $16.4 billion in spending on MassHealth
- $230.3 million in spending by the Health Connector
- $345.4 million in spending through the Health Safety Net (HSN) Trust Fund for health care services for the uninsured or underinsured.

In total, the House budget proposes approximately $41.8 million more in spending on MassHealth and health reform programs than Governor Charlie Baker's FY2017 budget proposal released in January, a difference of only 0.2 percent.[1] Of this difference, $15 million is devoted to the Health Safety Net, $24.4 million to MassHealth programs and nearly $2.5 million to administrative expenses. Like the governor's budget, the House version generally holds provider rates flat. The following table provides a summary of major program areas and spending associated with MassHealth and other health reform activities. Differences between the two budget proposals, including several policy initiatives, are described below.

1 For a detailed analysis of the Governor's budget proposal, see MMPI's March 2016 budget summary, available at: http://bluecrossmafoundation.org/sites/default/files/download/publication/FY-2017_Gov_Budget-Brief_v04_FINAL.pdf

TABLE 1: MASSHEALTH AND HEALTH REFORM BUDGET SUMMARY

	FY2016 Estimated Spending	FY2017 Governor	FY2017 House	House Variance from FY2017 Governor	
EOHHS/MassHealth	**$16,275,703,886**	**$16,356,129,833**	**$16,383,008,446**	**$26,878,613**	**0.2%**
• **MassHealth Programs**	$14,825,840,293	$15,409,253,833	$15,433,653,833	$24,400,000	0.2%
• **Provider Supplemental Payments***	$1,001,097,177	$462,000,000	$462,000,000	$0	0.0%
• **Delivery System Transformation Initiative***	$186,906,667	$205,597,334	$205,597,334	$0	0.0%
• **EOHHS/MassHealth Administration****	$261,859,749	$279,278,666	$281,757,279	$2,478,613	0.9%
Health Connector	**$225,707,314**	**$230,280,337**	**$230,280,337**	**$0**	**0.0%**
• **ConnectorCare**	$199,773,496	$190,792,527	$190,792,527	$0	0.0%
• **Health Connector Administration*****	$19,000,000	$24,500,000	$24,500,000	$0	0.0%
• **Other Health Connector Spending**	$6,933,818	$14,987,810	$14,987,810	$0	0.0%
Health Safety Net †	**$360,000,000**	**$330,400,000**	**$345,400,000**	**$15,000,000**	**4.5%**
• **Health Safety Net Program**	$349,000,000	$319,000,000	$334,000,000	$15,000,000	4.7%
• **Health Safety Net Administration**	$11,000,000	$11,400,000	$11,400,000	$0	0.0%
Center for Health Information and Analysis	**$31,140,523**	**$28,453,693**	**$28,410,511**	**-$43,182**	**-0.2%**
Health Policy Commission ††	**$0**	**$8,479,800**	**$8,479,800**	**$0**	**0.0%**
Other Health Reform Administration	**$9,215,757**	**$13,915,757**	**$13,915,757**	**$0**	**0.0%**
• **HIT Trust Fund and Integrated Eligiblity System**	$8,153,272	$12,853,272	$12,853,272	$0	0.0%
• **Health Care Access Bureau**	$1,062,485	$1,062,485	$1,062,485	$0	0.0%
TOTAL	**$16,901,767,480**	**$16,967,659,420**	**$17,009,494,851**	**$41,835,431**	**0.2%**

Expenditures are reported in gross amounts. Actual state fiscal impactis net of federal reimbursements on eligible Medicaid (Title XIX) and CHIP (Title XXI) expenditures.
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 Administrative: Expenditures reported in the table are net of federal grants, carrier revenue, miscellaneous revenue, and other reserves.
† Health Safety Net (HSN) spending reported reported on a Hospital Fiscal Year basis (October through September).
†† Health Policy Commission (HPC) administrative expenditures were funded from off-budget sources in FY 2016. Beginning in FY 2017, HPC administrative expenses will be funded through an appropriation that is fully assessed on the health care industry.

Source: Massachusetts Executive Office for Administration and Finance, Massachusetts House of Representatives.

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HEALTH MANAGEMENT ASSOCIATES

DIFFERENCES FROM THE GOVERNOR'S BUDGET PROPOSAL

The House budget adopted virtually all of Governor Baker's FY2017 budget recommendations for MassHealth and related health care coverage programs. Differences between the two versions include the following:

EOHHS/MassHealth Administration

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 nearly $2.5 million more than the governor's proposal, including earmarks equaling $100,000 for health services on Martha's Vineyard and Nantucket and $25,000 for Baystate Noble Hospital. For a complete list of the administrative line items included in this analysis, see Appendix A.

MassHealth Program Spending

- **MassHealth Benefit Restructuring**

  The House did not include an outside section proposed by the governor (Outside Section 39) to allow EOHHS to restructure MassHealth benefits to the extent permitted by federal law. The Administration maintains that the language in the governor's budget is not necessary to implement certain gubernatorial policy initiatives. For example, in releasing his budget, the governor assumed implementation of several changes to the Primary Care Clinician (PCC) Plan including a requirement that MassHealth PCC Plan members who need certain optional Medicaid benefits (e.g. vision care/eyeglasses, therapies, chiropractor services, hearing care, and orthotics) has stated those benefits through one of MassHealth's MCOs.[2] The Administration has stated these changes, which they anticipate will go into effect October 2017, do not require specific legislative authorization.[3] (Of note, the House budget explicitly states that chiropractic benefits shall be covered for PCC Plan members in FY2017.)

- **Managed Care Organization Enrollment Lock-in Policy**

  Beginning October 1, 2016, the governor's budget assumed implementation of a 12-month lock-in policy for MassHealth MCO members after a 90-day transition period. MassHealth currently does not have a lock-in policy, and members who either choose or are assigned to an MCO may transfer to the PCC Plan or another available MCO in their geographic service area at any time for any reason. The House budget is silent on the issue, and EOHHS has stated that it needs no legislative authorization to move forward with the plan.[4]

- **Senior Care Options and One Care Enrollment**

  The governor's budget also assumed implementation of passive enrollment (with the ability to opt-out) in the Senior Care Options (SCO) and One Care programs. To date, SCO has been a voluntary opt-in program with a projected average enrollment of approximately 42,000 in FY2016. One Care enrollment peaked with more than 18,000 enrollees in July 2014 when the last major round of passive enrollment occurred. Like the MCO lock-in policy, the House budget is silent on the issue of passive enrollment for SCO and One Care. EOHHS has stated it is able to do passive enrollment for Medicaid-only SCO members under its current authority. For dual eligible members (i.e., those who also have Medicare coverage), EOHHS is working with CMS to determine any new federal authorities that may be needed. EOHHS states that it will focus initially on marketing activities to attract member enrollment in SCO and will move toward passive enrollment at a later date. With passive enrollment, MassHealth members can disenroll from SCO at any time, so EOHHS believes the program remains voluntary as required by statute.[5]

- **Estate Recovery**

  Unlike the governor, the House budget does not expand MassHealth's ability to recover benefits from the property of deceased members over age 55 and deceased members of any age who received long-term care services. The governor's budget proposal had sought to redefine "estate" to include any property interest the MassHealth member had immediately prior to death and authorized estate recovery for MassHealth payments to Medicare for the cost of drug coverage for members with both MassHealth and Medicare.

- **Nursing Facility Rates**

  The governor's budget proposal included a $30 million rate increase for nursing facilities. Pending federal approval, the increase will be supported by an increase in the current assessment on nursing facilities from $220 million to $235 million. The House budget increases funding for nursing homes by an additional $15 million above the governor's proposal resulting a $45 million rate increase over the prior year. The House budget includes several earmarks which can be interpreted as uses of the $45 million including $2.8 million for a MassHealth Nursing Facility Pay-for-Performance Program and $35.5 million to fund a rate add-on for wages, benefits, and related employee costs of direct care staff of nursing homes.

- **High Acuity Patient Supplemental Payments**

  The House budget earmarks $14.8 million in supplemental hospital payments to Boston Children's Hospital and Tufts Medical Center for high acuity pediatric patients.

- **Pilot Program for Western Massachusetts Hospital**

  The House budget earmarked $1 million (in 4000-0700) for a 1-year pilot program to increase efficiencies and align system-wide goals at a regional hospital system located in western Massachusetts. The funds would support efforts to prepare for health system reform under the state's new 1115 Medicaid Waiver.

COMMON APPLICATION FOR MASSHEALTH AND TRANSITIONAL ASSISTANCE BENEFITS

Outside Section 42A of the House budget directs EOHHS to study the feasibility of creating a "common application" for MassHealth and Department of Transitional Assistance programs such as the Supplemental Nutrition Assistance Program (SNAP), Emergency Aid to Elders, Disabled and Children (EAEDC), and Transitional Aid to Families with Dependent Children (TAFDC).

2 See MassHealth Delivery System Restructuring: Additional Details (14 April 2016). Executive Office of Health & Human Services, p. 11. Available at: http://www.mass.gov/eohhs/docs/eohhs/healthcare-reform/masshealth-innovations/additional-details-on-mh-restructuring.pdf.

3 Email communication with Office of Medicaid (29 April 2016).

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5 Email communication with Office of Medicaid (29 April 2016).

Hospital Assessment

The House budget includes a provision from the governor's budget to increase an existing assessment on acute hospitals by $250 million on October 1, 2016. The additional $250 million assessment would be deposited into a newly created "MassHealth Delivery System Reform Trust Fund" intended for Medicaid payments to support delivery system reform efforts authorized under a new 1115 Medicaid Waiver effective July 1, 2017. Under the assessment, some hospitals would get back more than they pay in, while other hospitals will contribute more than they receive back in Medicaid payments. Unlike the governor's budget, the House version sunsets the $250 million increase on June 30, 2022 to coincide with the end of the five-year 1115 Medicaid waiver. Both the House and the governor's budgets start the increased assessment as of October 1, 2016 which would result in proceeds of $187.5 million in state FY2017 (covering nine months of the year). Generally, spending from the fund would be intended for making Medicaid payments, including enhanced service payments and incentive payments, to providers or care organizations as part of delivery system reform efforts. However, the House and governor's budget proposals would transfer $73.5 million from the trust fund to the General Fund to avoid further budget cuts during FY2017.

Health Safety Net Trust Fund

The Health Safety Net (HSN) Trust Fund maintains a health care safety net by reimbursing hospitals and community health centers for a portion of the cost of reimbursable health services provided to low-income, uninsured or underinsured residents of the Commonwealth. Currently, full reimbursement for care is provided for people with incomes below 200 percent of the federal poverty level (FPL), and partial reimbursement is provided for people with incomes between 200 and 400 percent FPL. EOHHS has put forward new regulations scheduled to take effect June 1, 2016 to reduce eligibility for full reimbursement to those with incomes below 150 percent FPL and for partial reimbursement to those with incomes between 150 and 300 percent FPL. The Baker administrations also seeks to reduce retroactive coverage for HSN from six months to 10 days. EOHHS estimates that reimbursable expenses from the HSN will decline by a total of $60 million in hospital fiscal year (HFY) 2017. The House budget does not limit the Administration's ability to implement the new regulations, but it does include $15 million more than the governor's proposal to support HSN spending.[6] Since total reimbursable expenses from the HSN in HFY2017 are expected to exceed available revenues, the additional $15 million in funding would effectively reduce the "shortfall" absorbed by hospitals, from $60 million in HFY2017 as estimated under governor's budget to approximately $45 million in the House proposal. This compares to an estimated $88.6 million shortfall in HFY2016.

Distressed Hospital Fund

- **Medication Assisted Treatment Pilot**

  The House budget would create a two-year pilot program under the Health Policy Commission to test a model of emergency department initiated medication-assisted treatment for individuals suffering from substance use disorder. The pilot would be limited to three sites and funded by $3 million from the Distressed Hospital Fund (via an "off-budget" transfer of funds).

- **Community Hospital Marketing Campaign**

  The House budget also directs the Health Policy Commission to develop a community hospital marketing campaign to show the benefits to patients and employers of seeking care in local settings. The budget directs up to $500,000 from the Distressed Hospital Fund to fund the development and implementation of the campaign.

6 Whereas in prior years, the HSN relied on a transfer of $30 million from the Commonwealth Care Trust Fund, the House FY2017 reduces the amount of the transfer to $15 million. The governor's FY2017 proposal eliminated the transfer altogether.

APPENDIX A

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

TABLE A1: EOHHS AND MASSHEALTH ADMINISTRATION

		FY2016 Estimated Spending	FY2017 Governor	FY2017 House	House Variance from FY2017 Governor	
Total EOHHS/MassHealth Administration		**$261,859,749**	**$279,278,666**	**$281,757,279**	**$2,478,613**	**0.9%**
4000-0300	**EOHHS and MassHealth Administration***	$85,974,577	$99,715,735	$100,213,866	$498,131	0.5%
4000-0301	**MassHealth Auditing and Utilization Reviews**	$3,878,472	$0	$3,878,472	$3,878,472	100.0%
4000-0321	**EOHHS Contingency Contracts (Retained Revenue)**	$50,000,000	$60,000,000	$60,000,000	$0	0.0%
4000-1602	**MassHealth Operations**	$2,225,498	$0	$0	$0	0.0%
4000-1604	**Health Care System Reform**	$946,601	$0	$0	$0	0.0%
4000-1700	**Health and Human Services IT****	$118,734,601	$119,562,931	$117,664,941	-$1,897,990	-1.6%
4000-0014	**Edward M. Kennedy Community Health Center**	$100,000	$0	$0	$0	0.0%

* 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 Executive Office for Administration and Finance, Massachusetts House of Representatives.

TABLE A2: MASSHEALTH PROGRAM ACCOUNTS

		FY2016 Estimated Spending	FY2017 Governor	FY2017 House	House Variance from FY2017 Governor	
MassHealth Program Accounts		**$14,825,840,293**	**$15,409,253,833**	**$15,433,653,833**	**$24,400,000**	**0.2%**
4000-0320	**MassHealth Recoveries (Retained Revenue)**	$225,000,000	$225,000,000	$225,000,000	$0	0.0%
4000-0430	**MassHealth CommonHealth**	$147,070,492	$155,037,096	$155,037,096	$0	0.0%
4000-0500	**MassHealth Managed Care**	$5,347,416,595	$5,496,523,203	$5,496,523,203	$0	0.0%
4000-0600	**MassHealth Senior Care**	$3,355,681,037	$3,516,116,093	$3,516,116,093	$0	0.0%
4000-0640	**MassHealth Nursing Home Supplemental Rates**	$302,900,000	$332,900,000	$347,900,000	$15,000,000	4.5%
4000-0700	**MassHealth Fee-for-Service Coverage**	$2,539,586,015	$2,425,838,433	$2,435,238,433	$9,400,000	0.4%
4000-0875	**MassHealth Breast and Cervical Cancer Treatment**	$6,011,459	$6,191,803	$6,191,803	$0	0.0%
4000-0880	**MassHealth Family Assistance**	$267,145,932	$333,308,169	$333,308,169	$0	0.0%
4000-0885	**Small Business Employee Premium Assistance**	$46,271,876	$34,042,020	$34,042,020	$0	0.0%
4000-0940	**ACA Expansion Populations**	$1,957,441,133	$2,155,410,368	$2,155,410,368	$0	0.0%
4000-0950	**Children's Behavioral Health Initiative**	$221,682,737	$240,077,183	$240,077,183	$0	0.0%
4000-0990	**Children's Medical Security Plan**	$16,176,955	$17,471,111	$17,471,111	$0	0.0%
4000-1400	**MassHealth HIV Plan**	$25,369,419	$27,374,419	$27,374,419	$0	0.0%
4000-1420	**Medicare Part D Phased Down Contribution**	$318,674,643	$372,317,542	$372,317,542	$0	0.0%
4000-1425	**Hutchinson Settlement**	$49,412,000	$71,646,393	$71,646,393	$0	0.0%

Source: Massachusetts Executive Office for Administration and Finance, Massachusetts House of Representatives.