

## THE MASSHEALTH WAIVER EXTENSION FOR STATE FISCAL YEARS 2015–2019

## Foundation for Coverage, Engine for Innovation

MassHealth, the Massachusetts Medicaid program, operates as a “Section 1115 Demonstration Project,” which since 1997 has allowed the Commonwealth to experiment with innovative strategies for delivering and financing health care for many of its Medicaid-eligible residents. The demonstration is authorized by a waiver of parts of federal Medicaid law, and it must be reauthorized and extended periodically; extensions are often occasions to revise the terms of the waiver in order to pursue new initiatives or policy goals. The most recent extension, which the Centers for Medicare and Medicaid Services (CMS), the federal oversight agency, granted in October 2014, is for five years (until June 30, 2019). However, a major component—the Safety Net Care Pool—was extended for only three years (until June 30, 2017), with the terms for the remaining two years subject to further negotiation.

Over its lifetime, the 1115 waiver has been the vehicle for important innovations in Massachusetts health policy, including:

- Expansion of MassHealth eligibility to people not eligible under traditional Medicaid rules, such that MassHealth now covers 1.8 million Massachusetts residents, about one-quarter of the population (when the waiver began in 1997, about 10 percent of residents had Medicaid);
- Supplemental payments to key “safety net” hospitals to support the creation of their own managed care plans;
- Premium subsidies for Commonwealth Care, the health insurance program for low- and moderate-income uninsured adults, created by the 2006 Massachusetts health care reform law; and
- Support for certain hospitals to design system reform projects that enhance access to care, improve the quality of care and health of patients, and adopt payment models that reward value rather than volume.

## THE NEW WAIVER EXTENSION: STATE FISCAL YEARS 2015–2019

The new extension is structurally similar to the previous one as amended in January 2014 to comply with requirements of the Affordable Care Act (ACA). The Commonwealth estimates the value of the waiver at about \$40 billion over five years, slightly

more than half of which will come from the federal government. Increases in the value of the waiver are primarily explained by ACA expansion–related enrollment growth, population growth, and a 4 to 5 percent per year growth in spending per member. Spending in the waiver is expected to be within the federal “budget neutrality” constraint, which requires that federal spending on a waiver program be no more than it would have been for a traditional Medicaid program over the same time period.

### Innovations

The waiver continues several specific service innovations:

- A pediatric asthma pilot program, which provides a payment to participating providers to manage the care of high-risk pediatric asthma patients;
- Intensive early intervention services for children with autism spectrum disorder;
- Home- and community-based behavioral health services intended to divert admissions to inpatient behavioral health facilities; and
- Streamlined eligibility redetermination processes for certain members, intended to reduce gaps in coverage.

Though they have not yet been incorporated into the waiver, CMS has also indicated support for MassHealth’s Primary Care Payment Reform (PCPR) and Accountable Care Organization (ACO) initiatives, two important efforts to develop alternative payment methods that depart from traditional fee-for-service payment. CMS has asked Massachusetts for further analysis of the financial incentives and payment models for these initiatives; contingent on this information, CMS considers it feasible that it will approve a waiver amendment incorporating PCPR and ACO by the end of 2015.

### Safety Net Care Pool

The Safety Net Care Pool (SNCP) is a part of the waiver that furnishes additional financial support to providers and programs that deliver services to MassHealth members and other low-income uninsured or otherwise disadvantaged groups. The SNCP has also been the financing mechanism to support the final three of the four key innovations listed above. Authorized spending in the SNCP includes insurance subsidies (via Commonwealth

Care and, under the ACA, ConnectorCare), payment for uncompensated care (via the Health Safety Net), supplemental payments to safety net providers that serve a disproportionate share of disadvantaged populations, and federal funding for certain state health programs serving vulnerable individuals and administered by agencies other than MassHealth. Beginning with the last waiver extension in 2011, the SNCP began to support delivery system transformation and infrastructure expenditures aimed at improving access to effective, quality care. The main recipients of these incentive-based system reform expenditures are seven safety net hospitals with high proportions of Medicaid patients and low proportions of commercially insured patients.<sup>1</sup> For just the first several months of the extension (through February 2015), the SNCP also finances the temporary coverage by MassHealth and Commonwealth Care of individuals who were unable to receive appropriate eligibility determinations during the problem-plagued launch of the Health Connector website in late 2013 and early 2014.

### Three-year extension

CMS authorized continued SNCP spending for only three years, until June 30, 2017. For the three years, annual funding for most of the components of the SNCP is at least equal to that in the final year of the previous extension. Areas in which spending is increased or reduced include:

- The authorized spending for system transformation projects in the seven safety net hospitals is 10 percent higher than the state fiscal year 2014 levels, though a portion of that spending is contingent on achieving specific process and outcome measures.
- Spending for the state health programs related to vulnerable populations is scheduled to phase out over the three years, as CMS has intended since these programs were added to the waiver in 2005.
- SNCP funding ends for Commonwealth Care, which Massachusetts is closing out as ACA programs take hold, replacing it with ConnectorCare. ConnectorCare requires a lower level of SNCP spending to achieve the same end as Commonwealth Care because it is a supplement to the federal premium subsidies under the ACA.

### What is at risk?

At risk in the negotiation of the future structure of the SNCP is spending authority of close to \$1 billion, or nearly \$500 million

per year over the last two years of the waiver extension. These funds are primarily connected to the system transformation and infrastructure projects, mostly in safety net hospitals. The waiver terms specify an alternative to the SNCP for continuing the direct payments to providers that deliver services to uninsured and low-income patients, including the Health Safety Net, so that spending is protected. Also protected are the ConnectorCare subsidies, which, unlike the rest of the SNCP, are already approved for the full five years. The remaining parts of the SNCP will expire or phase out by design within the currently authorized three-year period.

The likely focus of the upcoming SNCP negotiation will be the tension between the newer system transformation expenditures of the SNCP and the legacy purpose of supporting safety net providers that serve people who have low incomes, have little or no insurance, or are otherwise disenfranchised. One indication of the direction in which CMS is likely to try to push Massachusetts is in some of the 1115 waivers it has recently approved in other states. These waivers include “Delivery System Reform Incentive Payment” initiatives that represent an evolution from the type of system transformation projects in the MassHealth waiver by including a broader range of providers, greater accountability for achieving desired outcomes, and a greater emphasis on improving population health. Certain terms of the MassHealth waiver extension suggest an intention by CMS to tip the balance of the SNCP toward supporting system-wide transformation and away from supporting individual providers. The challenge of restructuring the SNCP will be to promote a broader concept of system change while continuing to sustain a group of providers that are important to geographical regions of the state and, critically, to the populations that rely on their services.

## CONCLUSION

The MassHealth waiver continues to be a foundation for coverage and health system innovation. The latest waiver extension affirms the federal government’s support for the demonstration by approving a five-year extension and the continuation of many of its elements, modified to comply with the requirements of the Affordable Care Act. As the health care landscape changes, Massachusetts officials are challenged to adapt the demonstration to new priorities while not relinquishing its traditional roles of serving a broad and growing group of members and supporting providers that are critical to serving those members.

<sup>1</sup> Boston Medical Center, Cambridge Health Alliance, Holyoke Medical Center, Lawrence General Hospital, Mercy Medical Center, Signature Healthcare Brockton Hospital, and Steward Carney Hospital.