The MassHealth Proposed Demonstration Extension 2022–2027:

Building on Success, Focusing on Equity

EXECUTIVE SUMMARY

JUNE 2022

INTRODUCTION

MassHealth is Massachusetts' combined Medicaid program and Children's Health Insurance Program (CHIP), providing coverage to more than one in four Massachusetts residents. MassHealth mostly operates under a "demonstration waiver" (referred to in this report as the Demonstration) granted by the Centers for Medicare and Medicaid Services (CMS), which must be renewed periodically (typically every 5 years). This Demonstration allows MassHealth to depart from certain federal Medicaid standards in pursuit of programmatic and population health goals. Since its inception in 1997, MassHealth's Demonstration has been used to expand coverage, support safety net providers, and introduce delivery and payment reforms intended to improve access to affordable, quality care and, ultimately, the health of the Commonwealth. In December 2021, Massachusetts submitted to CMS a request to extend the Demonstration for another five years. The current Demonstration request was set to expire on June 30, 2022, but CMS recently approved a temporary extension of the current waiver through September 30, 2022, to allow CMS and MassHealth time to finalize their negotiations over the proposed five-year Demonstration extension.

In this extension proposal, MassHealth seeks to: **(1) improve delivery system reforms and enhance services and supports** for members, for example by refining the Accountable Care Organization (ACO) program and enhancing services offered to address certain members' health-related social needs (such as housing and food insecurity); **(2) update eligibility policies** for MassHealth; **(3) advance health equity** by addressing health-related social needs, investing in certain populations that experience persistent health inequities, and creating incentives for ACOs and hospitals to reduce health inequities; **(4) invest in primary care and behavioral health** through a new payment model to support primary care, as well as loan forgiveness programs focused on primary care and behavioral health providers; and **(5) sustain the Safety Net Care Pool**, which supports safety net providers and funds health insurance subsidies.

ELEMENTS OF THE PROPOSED DEMONSTRATION EXTENSION

1. IMPROVE DELIVERY SYSTEM REFORMS AND ENHANCE SERVICES AND SUPPORTS

In 2018, Massachusetts introduced major health care delivery reforms to the MassHealth Demonstration, including the creation of ACOs, Community Partners (CP), the Flexible Services Program (FSP), and Statewide Investments.

- ACOs are groups of doctors, hospitals, and other health care providers who come together to deliver coordinated, high-quality, and cost-effective care.
- CPs are community-based organizations designed to provide additional care management to individuals with serious behavioral health and/or long-term services and supports (LTSS) needs.
- The FSP delivers social supports, such as housing and nutritional aid, to ACO-identified high-need members.
- Statewide Investments financially support innovations designed to improve access and quality of care.

The development of these programs was supported by $1.8 billion in time-limited federal Delivery System Reform Incentive Payment (DSRIP) funding included in the current Demonstration. In the proposed Demonstration extension, Massachusetts is requesting continued authority for ACOs, CPs, and the FSP, including incorporating additional changes to these programs. And with DSRIP funding ending, MassHealth is proposing to make them core elements of the MassHealth program and is planning to transition approximately 80 percent of current DSRIP funding levels into sustainable base funding for primary care, health-related social needs, and care coordination.

Updates to the Accountable Care Organization Program

MassHealth began the ACO program in 2018 with three models of care, each with different payment models and relationships to managed care organizations (MCO):

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(1) Accountable Care Partnership Plans (provider-led entities that partner with MCOs and receive a set monthly payment per member from MassHealth); (2) Primary Care ACOs (provider-led entities that MassHealth pays for services provided on a fee-for-service basis and that are held accountable for the cost of the care they provide through a calculation of shared savings and shared losses against a benchmark spending target); and (3) MCO-Administered ACOs (provider-led organizations that contract with an MCO and are held accountable through shared savings and shared loses similar to Primary Care ACOs). In this Demonstration request, MassHealth proposes the following changes to the ACO program:

Continuing two of the three models. Due to operational challenges and lack of interest by potential ACOs, MassHealth will discontinue the MCO-Administered ACOs, effective in 2023.

Continuing and enhancing the ACO program. Beginning in 2023, MassHealth will contract with current and new organizations that meet the requirements for Accountable Care Partnership Plans and Primary Care ACOs. New features of the ACO contracts include:

- Enhanced requirements for population health, network access, and cost growth.
- Payment incentives that reward improvements in health equity.

Updates to the Community Partners Program

The CP program was introduced in 2018 to provide additional care management for members with heightened needs. The two types of CPs are Behavioral Health (BH) CPs, and LTSS CPs. CPs are responsible for a range of activities, including care coordination, support for transitional care, and connection to social supports. There are 18 BH CPs and nine LTSS CPs, with a combined total monthly average of 42,000 members. CPs are paid entirely with DSRIP funds, which will expire at the end of the current Demonstration period.

The planned changes to the CP program under the proposed Demonstration extension include:

- **Changes to funding mechanism.** Massachusetts intends to require that ACOs and MCOs pay CPs directly, using administrative payments that MassHealth will pay to ACOs and MCOs. These administrative payments will be built into MassHealth payment rates to ACOs and will explicitly account for the required payments to CPs.
- **Increased requirements for BH CPs.** Massachusetts intends to require BH CPs to have formalized processes for communication and referral with the Community Behavioral Health Center (CBHC) in each of their service areas, if the BH CP is not a CBHC itself. CBHCs are a new type of MassHealth provider, created as part of a broader initiative to improve outpatient BH care delivery in Massachusetts.[1] BH CPs will also face increased accountability for a subset of ACO quality measures, which emphasize outcomes over processes (the specific measures will be determined in the implementation process).
- **Increased requirements for LTSS CPs.** Changes will include being newly accountable for outreach, engagement, assessment, and care planning; a new role as the "lead responsible entity" for care coordination for enrolled members; higher requirements for clinical staffing; and accountability for a subset of ACO quality measures, which emphasize outcomes over processes (the specific measures will be determined in the implementation process).

Updates to the Flexible Services Program

Massachusetts is requesting authority to continue the FSP, with some enhancements. These include supporting child care for members while they are engaging in the FSP (e.g., attending a Section 8 housing voucher information session), extending flexible services coverage for postpartum individuals, and offering nutritional supports to an eligible member's entire household (rather than just to the individual member).

2. UPDATE ELIGIBILITY POLICIES

In the proposed Demonstration extension, Massachusetts is requesting some updates to eligibility policies to support coverage—including for individuals with disabilities, pregnant individuals, children, individuals experiencing homelessness, and individuals experiencing incarceration.

Streamlining eligibility for people with disabilities

CommonHealth is a MassHealth program available to individuals with disabilities whose incomes are above the thresholds to qualify for the standard MassHealth program. CommonHealth allows residents with disabilities, regardless of income, to purchase health coverage with a monthly premium. While the program was initially designed for people under the age of 65, MassHealth expanded coverage for CommonHealth for people with disabilities who continue working past age 65 as part of the last Demonstration extension request. In its current Demonstration request, Massachusetts is asking to extend CommonHealth eligibility to members over age 65 who have been enrolled for ten years or longer, even if they are not working. The goal of this request is to ensure continuity of care for individuals with disabilities, who often rely on MassHealth for LTSS services, as they approach and enter retirement. Also in the current Demonstration request, MassHealth seeks to eliminate a one-time deductible that is imposed on adults with disabilities who do not work full-time, which requires them to show medical expenses at a certain level for six months before becoming eligible for MassHealth. Eliminating this deductible will help people with disabilities maintain continuous health

1 MassHealth, Roadmap for Behavioral Health Reform, accessed at https://www.mass.gov/service-details/roadmap-for-behavioral-health-reform.

care coverage, even if their number of hours worked fluctuates or their employment is unsteady.

Expanding retroactive eligibility for pregnant individuals and children

Federal law requires states to extend most Medicaid coverage backwards in time, to three months prior to the application date. This is known as "retroactive coverage." However, MassHealth has had a longstanding waiver of "retroactivity"—meaning, members are not entitled to coverage prior to their application. In this Demonstration request, Massachusetts seeks to eliminate this waiver for pregnant individuals and children. This would restore coverage eligibility to three months prior to the application date for those individuals.

Supporting continuity of coverage for people experiencing homelessness

MassHealth typically redetermines the eligibility of each member every 12 months or sooner if a member reports a change in circumstances that would affect their eligibility (e.g., a change in income). In the proposed Demonstration request, Massachusetts asks to provide up to 24 months of "continuous eligibility" for individuals experiencing homelessness. Once determined eligible, these individuals would remain enrolled in MassHealth for 24 months, regardless of changes in circumstances.

Ensuring continuity of coverage for individuals experiencing incarceration as they transition back into the community

Medicaid's "inmate exclusion policy" means that incarcerated individuals, either in jail or prison, have their Medicaid coverage suspended or terminated, even if they are only incarcerated for a few days. Massachusetts makes two Demonstration requests to ensure coverage for individuals who have experienced incarceration.

First, Massachusetts requests extending MassHealth coverage for certain individuals who are incarcerated. Under the state's proposal, people who meet MassHealth eligibility requirements and who have a chronic physical condition, mental health condition, or substance use disorder would be covered by MassHealth for 30 days prior to their release. This would improve transitions between correctional facilities and the community and enhance access to health care services.

Second, Massachusetts asks CMS to maintain MassHealth eligibility continuously for one year following release from incarceration. The goal is to ensure individuals can access coordinated physical and behavioral health care during the transition back into the community, when the risk of adverse health outcomes is particularly high.

3. ADVANCE HEALTH EQUITY

The proposed Demonstration request includes efforts to reduce inequities based on race, ethnicity, language, disability status, sexual orientation, and gender identity. The key components of the proposal addressing inequities focus on health-related social needs, expanded services for justice-involved individuals and pregnant people, and payment mechanisms that incentivize health equity.

Addressing health-related social needs

Health-related social needs are non-medical factors that affect people's health. Health-related social needs, such as housing instability and food insecurity, are significant determinants of health and disproportionately affect people of color.[2] Through several programs aimed at addressing health-related social needs, the proposed Demonstration helps to address health inequities. For example, the proposed Demonstration requests to extend and enhance the FSP, as described above, which aims to reduce the harmful health effects associated with nutrition and housing insecurity.

The proposed Demonstration also requests an expansion of MassHealth's Community Support Program (CSP) for individuals experiencing homelessness, which delivers case management services, including help obtaining public benefits, housing, and health care. The proposed expansion of this program would include coverage of people who are experiencing homelessness but do not meet the federal definition of "chronically homeless." The proposed Demonstration also introduces another program, the CSP Tenancy Preservation Program, which would aid members who are facing eviction due to disability caused by substance use disorder or mental illness.

Expanding services for groups experiencing inequities

Black individuals are more likely to experience worse maternal health outcomes compared to the population as a whole, and Black and Hispanic individuals are more likely to experience higher rates of incarceration. The proposed Demonstration requests related to pregnant people and individuals who have experienced incarceration are intended to address these health inequities. The expanded coverage for justice-involved people could reduce avoidable hospitalization and emergency department use, improve behavioral health outcomes, and aid in connecting formerly incarcerated individuals with social services. The proposed Demonstration includes several provisions aimed at improving maternal and infant health, including extending MassHealth eligibility for three months prior to the application date for pregnant people

2 Massachusetts Senate Committee on Reimagining Massachusetts Post-Pandemic Resiliency, "Reimagining the Future of Massachusetts" (October 2021), accessed at https://malegislature.gov/Committees/Detail/S64/Documents. Greater Boston Food Bank, "Gaps in Food Access During the COVID-19 Pandemic in Massachusetts" (May 2021), accessed at https://www.gbfb.org/wp-content/uploads/2021/04/GBFB_Gaps_in_Food_Access_Report_Final_May_2021.pdf.

and expanding eligibility for flexible services for postpartum individuals.

Incentivizing health equity through payment mechanisms

To further combat health inequities, Massachusetts proposes introducing financial incentives that would apply to hospitals and ACOs. These incentives would allow them to earn payments for collecting social risk factor data, identifying and monitoring inequities, and reducing identified inequities. Incentive payments would be based on thresholds and benchmarks MassHealth will establish.

4. INVEST IN PRIMARY CARE AND BEHAVIORAL HEALTH

The proposed Demonstration request includes several initiatives aimed at investing in primary care and BH. These include the development of new payment models and the continuation of some loan repayment programs aimed at ensuring sufficient capacity of both primary care and BH providers which are described in more detail below.

Massachusetts proposes a new payment model for ACO-affiliated primary care practices to support enhanced care delivery expectations (such as BH integration.) The model would move payment to providers away from fee-for-service and towards a sub-capitation payment—a fixed monthly amount per member (adjusted for characteristics such as age and health risks), regardless of the health care services the member uses in that month. This new payment model offers more flexibility, as well as incentives for primary care providers to improve health outcomes and enhance the value of care.

To address the shortage of BH and primary care providers, Massachusetts proposes to continue some loan repayment programs. The goal is to incentivize providers to remain in the field and practice in settings that serve a significant number of MassHealth members. To be eligible for the BH loan repayments, a person must be a Master-prepared BH clinician intending to obtain licensure within one year of the student loan repayment award, a psychiatrist, or a nurse practitioner with prescribing privileges. The provider must make a four-year commitment to serve a significant number of MassHealth members. The proposed Demonstration request also includes loan repayment for primary care providers, as well as a Family Nurse Practitioner residency grant program.

5. SUSTAIN THE SAFETY NET CARE POOL

Massachusetts is maintaining the structure of the Safety Net Care Pool (SNCP), which supports safety net providers and funds health insurance subsidies. The three main funding streams, totaling $5.6 billion over five years, are the Disproportionate Share Hospital (DSH) Pool, Uncompensated Care (UC) Pool, and Connector subsidies. Safety net hospitals, which serve a large share of patients who are uninsured or are enrolled in MassHealth, can receive funding from the DSH Pool if they demonstrate meaningful participation in MassHealth's ACO program. There are 23 hospitals that meet the criteria to receive safety net provider payments, up from 14 in the current Demonstration.[3] The DSH pool also includes other funding for hospitals and other providers, such as funding to reimburse facilities (acute hospitals, community health centers, and non-acute hospitals operated by the Department of Public Health and the Department of Mental Health) for uncompensated care they provide to un- and under-insured patients. The DSH Pool is the largest component of the SNCP—$3.7 billion over five years.

The UC Pool reimburses hospitals and community health centers to cover costs from uninsured patients (beyond the amounts reimbursed in the DSH pool); Massachusetts proposes to continue funding the UC Pool at $100 million dollars per year. ConnectorCare, subsidized health insurance offered by the Massachusetts Health Connector for people with income up to 300 percent of the federal poverty level, also continues as part of the SNCP, with proposed funding of $1.4 billion.

CONCLUSION

Under the current Demonstration, MassHealth introduced major health care delivery reforms, including ACOs, as well as new initiatives intended to help address members' health-related social needs. The current Demonstration expires on September 30, 2022, and must be extended in order for many of these reforms to continue. Massachusetts submitted its request to extend the Demonstration on December 22, 2021, and is currently in negotiation with CMS over the terms of the Demonstration extension.

If approved, the proposed Demonstration extension will allow Massachusetts to continue its commitment to accountable, value-based care, mirroring trends in the broader health care system, while also prioritizing the reduction of health inequities. Key innovations in the proposed Demonstration extension, particularly the proposed incentives to improve health equity, have the potential to influence payers and providers beyond MassHealth.

3 To qualify as a safety net provider, a hospital must have a "patient mix" of 20 percent or more MassHealth members or patients without insurance, combined with no more than 50 percent patients with commercial insurance. The number of hospitals qualifying as a safety net provider has increased because of changes in their "patient mix" over time.