The MassHealth Demonstration Extension 2022–2027:

Building on Success, Focusing on Equity

EXECUTIVE SUMMARY

JUNE 2023

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). The 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. On September 28, 2022, CMS approved Massachusetts' request for a five-year extension of its Demonstration. It will be in effect from October 1, 2022 through December 31, 2027.

In this extension, 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 to maintain near-universal coverage; **(3) advance health equity** by addressing health-related social needs, investing in certain populations that experience persistent health inequities, and creating incentives for hospitals to improve quality and reduce health inequities; **(4) invest in primary care and behavioral health** through a new payment model to support primary care, and through loan forgiveness programs focused on primary care and behavioral health providers; and **(5) sustain the Safety Net Care Pool and Marketplace Subsidies**, which support safety net providers and funds health insurance subsidies.

ELEMENTS OF THE 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 (BH) and/or long-term services and supports (LTSS) needs.
- The FSP delivers social supports, such as housing supports and nutritional aid, to high-need members.
- Statewide Investments strengthened workforce capacity across the state, supported capacity building for ACOs, CPs, and other providers, and provided funds for initiatives that addressed statewide gaps in care delivery.

The development of these programs was supported by $1.8 billion in time-limited federal Delivery System Reform Incentive Payment (DSRIP) funding, which ended with the expiration of the prior Demonstration. In the Demonstration extension, Massachusetts received continued authority for ACOs, CPs, and the FSP, including some changes to these programs. With DSRIP funding ending, these will now be core elements of MassHealth, with Flexible Services for members with qualifying health needs and social risk factors integrating into managed care delivery systems by 2025. MassHealth has transitioned approximately 80 percent of DSRIP funding levels into ongoing funding streams to support the ACO and CP programs.

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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): (1) Accountable Care Partnership Plans (provider-led entities that partner with MCOs, receive a set monthly payment per member from MassHealth, and are accountable for the total cost of care for their members); (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). The new Demonstration makes the following changes to the ACO program:

Continuing two of the three models. Due to operational challenges and lack of interest from potential ACOs, MassHealth discontinued the MCO-Administered ACOs as of April 2023.

Continuing and enhancing the ACO program. Beginning in April 2023, MassHealth has contracted with 15 Accountable Care Partnership Plans and two Primary Care ACOs. Many of the ACOs from the prior demonstration continue under the new contract; several of the ACPPs are new to the program or are reconfigured partnerships of providers and MCOs. New features of the ACO contracts include:

- Enhanced requirements for population health (including care coordination), network access, and cost growth.
- New opportunities to pay primary care practices using payment models that reward value.

Updates to the Community Partners Program

The CP program was introduced in 2018 to provide additional care management for members with heightened needs. There 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 now 12 BH CPs and eight LTSS CPs, compared with 18 and nine, respectively, in the previous Demonstration

The changes to the CP program in the new Demonstration include:

- **Changes to the funding mechanism.** Previously, CPs were paid entirely using DSRIP funds. Massachusetts now requires that ACOs and MCOs pay CPs directly, using administrative payments built into the rates that MassHealth pays to ACOs and MCOs.
- **Increased requirements for BH CPs.** Massachusetts now requires 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 be accountable for health-related social needs (HRSN) screening, and will also face increased accountability for quality measures (the specific measures will be determined in the implementation process).
- **Increased requirements for LTSS CPs.** Changes will include being newly accountable for comprehensive assessments and HRSN screening, and responsibility for organizing and leading the care team, aligning them with the requirements for BH CPs. They will also be accountable for a subset of quality measures (the specific measures will be determined in the implementation process).

Updates to the Flexible Services Program

Massachusetts will continue the FSP, with some enhancements. These include offering nutritional supports to an eligible member's entire household (rather than just to the individual member) when the eligible member is a pregnant person or a child. The new Demonstration also envisions integrating FSP into managed care delivery systems by 2025.

2. UPDATE ELIGIBILITY POLICIES

The new Demonstration updates some 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 a previous Demonstration. In the new Demonstration, Massachusetts extends CommonHealth eligibility to members over age 65 who have been enrolled for ten years or longer, even if they are not working. The purpose is to ensure continuity of care for individuals with disabilities, who often rely on MassHealth for LTSS services, as they approach and enter retirement. MassHealth also eliminates a one-time deductible in the new Demonstration, which had been imposed on adults with disabilities who do not work

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

full-time, requiring 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 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." MassHealth has had a longstanding waiver of retroactivity, meaning members are entitled to 10 days of coverage prior to their application, rather than three months. In this Demonstration, Massachusetts eliminates this waiver for pregnant individuals and children, providing coverage for three months prior to the application date for those individuals who were eligible during that period.

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 new Demonstration, Massachusetts will provide up to 24 months of continuous eligibility for individuals experiencing homelessness. This means that, once determined eligible, these individuals will 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

In this Demonstration, MassHealth will maintain eligibility for individuals leaving incarceration for one year following release. The goal is to ensure individuals can access coordinated physical and behavioral health care during their transition back into the community, when the risk of adverse health outcomes is particularly high.

Massachusetts also requested that CMS authorize extending MassHealth coverage to people incarcerated in jail and prisons for 30 days prior to their release, if they meet MassHealth eligibility requirements and have a chronic physical condition, mental health condition, or substance use disorder. Under federal law, Medicaid coverage for people who are incarcerated is suspended or terminated until their release. The requested change would improve transitions between correctional facilities and the community and enhance access to health care services. Though CMS did not approve this request, it noted that it is generally supportive of increasing pre-release services and will continue to work with Massachusetts on its request.

3. ADVANCE HEALTH EQUITY

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

Addressing health-related social needs

HRSN are non-medical factors that significantly affect people's health and contribute to inequities. HRSN such as housing instability and food insecurity disproportionately affect people of color.[2] The Demonstration extends and enhances the FSP, as described above, which aims to reduce the harmful health effects associated with nutrition and housing insecurity.

The Demonstration also expands MassHealth's Community Support Program (CSP) for individuals experiencing chronic 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 and are high utilizers of health care but do not meet the federal definition of "chronically homeless." The Demonstration also expands eligibility for CSP beyond MassHealth members in managed care, and introduces two other CSP programs: (1) the CSP Tenancy Preservation Program, to aid members who are facing eviction due to disability caused by substance use disorder or mental illness, and (2) the CSP for Individuals with Justice Involvement (CSP-JI), which provides specialized services to improve and maintain health as people transition back to the community and to promote successful community tenure.

Expanding services for groups experiencing inequities

Black and Hispanic individuals are more likely to experience higher rates of incarceration compared to the population as a whole. 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.

Black individuals are also more likely to experience poor maternal health outcomes compared to the population as a whole. The Demonstration provisions related to pregnant people are intended to address these health inequities. The Demonstration includes several provisions aimed at improving

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.

maternal and infant health, including extending MassHealth eligibility for three months prior to the application date for pregnant people.

Incentivizing health equity through value-based payment mechanisms

To further combat health inequities, Massachusetts will introduce a $2 billion financial incentive program for hospitals to earn payments for collecting social risk factor data; for identifying disparities in performance on quality and access measures and developing and implementing interventions to reduce those disparities; and for improving health system capacity and collaboration to improve quality and reduce inequities. Incentive payments will be based on thresholds and benchmarks MassHealth will establish.

Separately, ACOs will also face financial incentives based on their health equity performance.

4. INVEST IN PRIMARY CARE AND BEHAVIORAL HEALTH

The Demonstration includes several initiatives aimed at increasing investments in primary care and BH. These include the development of new payment models and the continuation of loan repayment programs aimed at ensuring sufficient capacity of both primary care and BH providers.

Massachusetts will introduce a new payment model for ACO-affiliated primary care practices to support enhanced care delivery expectations (such as BH integration.) The model will move provider payments 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 and incentives for primary care providers to improve health outcomes and enhance the value of care, and comes with a $115 million annual investment to support needed care transformation.

To address the shortage of BH and primary care providers, Massachusetts will continue some loan repayment programs. The goal is to incentivize providers to remain in the field and to practice in settings that serve a significant number of MassHealth members. To be eligible for the BH loan repayments, a person must be a Masters-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 Demonstration also includes loan repayment for primary care providers and a Family Nurse Practitioner residency grant program in community health centers.

5. SUSTAIN THE SAFETY NET CARE POOL

The structure of the Safety Net Care Pool (SNCP) in the new Demonstration is similar to past Demonstrations, with some changes. The three funding streams, totaling $4.7 billion over five years, are the Disproportionate Share Hospital (DSH) Pool, the Uncompensated Care (UC) Pool, and closeout payments for DSRIP and the Public Hospital Transformation and Incentive Initiative (PHTII). 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 prior Demonstration.[3] The DSH pool 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—$3.9 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 will continue to have authority to fund 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, continues as part of the Demonstration, but it has been taken out of the SNCP. Projected ConnectorCare funding is $1.2 billion.

CONCLUSION

The new MassHealth 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 disparities. Key innovations in the Demonstration extension, particularly the incentives to improve health equity, have the potential to influence payers and providers beyond MassHealth.

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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.