

COMPARISON OF THE FY2017 HOUSE AND SENATE BUDGET PROPOSALS FOR MASSHEALTH (MEDICAID) AND HEALTH REFORM PROGRAMS

BUDGET BRIEF
JUNE 2016

SUMMARY

On May 26, 2016, the Massachusetts Senate passed its version of the proposed budget for fiscal year (FY) 2017, which will begin July 1, 2016. The Senate FY2017 budget proposes \$16.97 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 Charlie Baker and the Massachusetts House of Representatives. The House and Senate versions of the budget move forward to a conference committee, where differences will be resolved before being sent to the governor. Differences between the House and Senate budget proposals, including several policy initiatives, are described in this budget brief.¹

FY2017 SENATE BUDGET PROPOSAL

An analysis of the Senate budget proposal by the Massachusetts Medicaid Policy Institute (MMPI) shows \$16.35 billion in spending on MassHealth, \$230.3 million in spending by the Health Connector, and \$345.4 million in spending through the Health Safety Net (HSN) Trust Fund for health care services for the uninsured or underinsured. The following table provides a summary of major program areas and spending associated with MassHealth and other health reform activities.

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

TABLE 1: MASSHEALTH AND HEALTH REFORM BUDGET SUMMARY

	FY2016 Estimated Spending	FY2017 House	FY2017 Senate	Senate Variance from FY2017 House Budget	
EOHHS/MassHealth	\$16,275,703,886	\$16,383,008,446	\$16,349,859,834	-\$33,148,612	-0.2%
• MassHealth Programs	\$14,825,840,293	\$15,433,653,833	\$15,401,853,833	-\$31,800,000	-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	\$281,757,279	\$280,408,667	-\$1,348,612	-0.5%
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	\$345,400,000	\$345,400,000	\$0	0.0%
• Health Safety Net Program	\$349,000,000	\$334,000,000	\$334,000,000	\$0	0.0%
• 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	\$28,410,511	\$28,453,696	\$43,185	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 Eligibility 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	\$17,009,494,851	\$16,976,389,424	-\$33,105,427	-0.2%

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 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. For details on sources and uses of MATF and DSTI Incentive Fund monies, see Appendix B of MMPI's analysis of the governor's FY2017 budget proposal.

** 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.

† Health Safety Net (HSN) spending reported on a Hospital Fiscal Year basis (October through September).

†† Health Policy Commission (HPC) administrative expenditures were funded from off-budget sources in FY2016. Beginning in FY2017, HPC administrative expenses will be funded through an appropriation that is fully assessed on the health care industry.

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

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/MassHealth Administration

Executive Office of Health and Human Services (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 Senate budget funds these line items at \$1.35 million less than the House budget proposal.

Unlike the House, the Senate included:

- An additional \$1.2 million for information technology services within EOHHS
- \$1 million for development and support of a common application portal for individuals to simultaneously apply for MassHealth benefits, child care subsidies, the Supplemental Nutrition Assistance Program, and for housing subsidies²
- \$200,000 to support EOHHS operations associated with submission of applications for existing or new Medicaid state plan amendments, state plan options, and/or state waiver or demonstration requests to the federal government. Some examples of the types of waivers and other initiatives to be pursued include a 1915(i) home and community-based services state plan and a 1915(k) community first choice state plan option; coverage for postpartum placement of long acting reversible contraception; expanded federal reimbursement for lead poisoning testing and follow-up services; the pursuit of Medicaid coverage for justice-involved individuals; and expanded federal reimbursement for comprehensive family planning services
- \$250,000 for the Brookline Community Mental Health Center's Healthy Lives program
- \$100,000 for the MetroWest Free Medical Program
- \$100,000 for the Edward M. Kennedy Health Center to train community health workers
- \$50,000 for a pilot program in Norfolk County for home health care nurses to work with patients with rare diseases and disorders
- \$50,000 for a MassHealth liaison to the Trial Court
- \$30,000 for the Leominster Veterans Center

Similar to the governor's budget proposal, the Senate did not include a separate line item of \$3.8 million to support MassHealth auditing and utilization reviews (4000-0301), but assumed those functions would be funded out of the general EOHHS and MassHealth administration line item (4000-0300). In addition, the Senate did not include a \$25,000 earmark for Baystate Noble Hospital.

² Outside Section 42A of the House budget directed 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). No funds were specifically set aside for the study.

For a complete list of the administrative line items included in this analysis, see Appendix A.

MassHealth Program Spending

• MassHealth Benefit Restructuring

Similar to the House, the Senate 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, including a reduction in coverage of certain optional benefits in the Primary Care Clinician (PCC) Plan effective October 2017, implementing a 12-month lock-in policy for MassHealth Managed Care Organization (MCO) members after a 90-day transition period, and implementing passive enrollment (with the ability to opt-out) in the Senior Care Options (SCO) and One Care programs.³ Both the House and the Senate budgets explicitly state that chiropractic benefits shall be covered for PCC Plan members in FY2017.

• Estate Recovery

Unlike the governor's budget proposal, the House and Senate budgets do 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.

• Addition of College Savings Accounts as Non-Countable Assets

Outside Section 36 of the Senate budget adds tax exempt college savings accounts to the list of non-countable assets in the MassHealth program. The House budget does not include this provision.

• Nursing Facility Rates

The Senate budget proposes to increase nursing facility rates by \$30 million over FY2016 spending, with \$20.5 million of that devoted to wages, benefits, and related employee costs of direct care staff. 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 went further by increasing total funding for nursing homes by \$45 million over the prior year including an earmark of \$35.5 million for direct care worker costs.

• Primary Care Workforce Development Grant Program

Unlike the House, the Senate did not include a \$1 million earmark for community health centers with family medicine residency programs in Fitchburg, Worcester, Lawrence, and South Boston.⁴

• Infrastructure and Capacity Building Grants

The Senate version of the budget authorizes \$10 million spending on infrastructure and capacity building grants to promote delivery system reform. The House version stated that up to \$20 million shall be expended for this purpose.

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

⁴ See House budget language in line-item 4000-0700, which states, "the funds appropriated in item 4000-0265 of section 2A of chapter 142 of the acts of 2011 shall again be appropriated for the same dollar amount as in said item 4000-0265 and shall be distributed in and managed in the same manner as designated in section 60 of chapter 118 of the acts of 2012."

• High Acuity Patient Supplemental Payments

The House budget included an earmark for \$14.8 million in supplemental hospital payments to Boston Children's Hospital and Tufts Medical Center for high acuity pediatric patients.⁵ The Senate assumed only \$7.4 million would be spent for this purpose and did not include an earmark directing this expenditure.

• Behavioral Health Rate Increases

The Senate included \$1 million for rate increases to mental health and substance abuse providers in the PCC Plan; the House did not include such an increase.

Hospital Assessment

The House and Senate budgets include 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. Unlike the governor's budget, the House and Senate budgets sunset the \$250 million increase in 2022 to coincide with the end of the five-year 1115 Medicaid waiver. All three budget proposals (governor, House, and Senate) start the increased assessment on October 1, 2016 which would result in proceeds of \$187.5 million in state FY2017 (covering nine months of the year), of which \$73.5 million would go the General Fund in FY17 to plug revenue shortfalls. The balance would be used to make enhanced Medicaid service payments and incentive payments to providers or care organizations as part of delivery system reform efforts.⁶

Health Safety Net Trust Fund

The 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. Until recently, full reimbursement for care has been provided for people with incomes below 200 percent of federal poverty level (FPL), and partial reimbursement for people with incomes between 200 and 400 percent FPL. EOHHS is currently implementing changes to the HSN 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. As part of the regulatory changes, the Baker administration has also reduced retroactive coverage for HSN from six months to 10 days and implemented presumptive eligibility. The Senate budget includes a provision which would maintain current HSN eligibility rules through April 1, 2017. In addition, both the House and the Senate include \$15 million more than the governor's proposal to support HSN spending, which has the effect of reducing the "shortfall" of reimburs-

able expenses absorbed by hospitals.⁷ Whereas the House indicates that "up to" \$15 million will be transferred to the HSN, the Senate makes the amount explicitly \$15 million.

Home Care Commission

Outside Section 74 of the Senate budget creates a special commission to make recommendations for the oversight and licensure of home health agencies, which are undergoing increased scrutiny, in part due to a 41 percent growth in MassHealth spending on home health services (\$170 million) from FY2015 to FY2016. EOHHS implemented a moratorium on new home health providers effective February 1, 2016, and referred 12 home health agencies to the Medicaid Fraud Unit within the Attorney General's Office for investigation.

Medication-Assisted Treatment Pilot

The Senate did not adopt a House budget initiative that would create a two-year \$3 million pilot program under the Health Policy Commission (HPC) to test a model of emergency department initiated medication-assisted treatment for individuals suffering from substance use disorders.

Community Hospital Marketing Campaign

The Senate also did not adopt a House budget plan to direct the HPC to develop a \$500,000 community hospital marketing campaign to show the benefits to patients and employers of seeking care in local settings.

Spouses as Caregivers

Outside Section 77A of the Senate budget directs the Office of Medicaid to submit by December 1, 2016 a feasibility report on the inclusion of spouses as a family member authorized to serve as paid caregivers.

Dental Hygiene Practitioner

Outside Sections 35A–35D of the Senate budget create a new licensed provider type—dental hygiene practitioner. This new provider type would be reimbursed by MassHealth and other third-party payers for providing oral health care services.

⁵ See House budget language in line-item 4000-0300, which states, "provided further, that in calculating rates of payment for children enrolled in MassHealth receiving inpatient and outpatient services at acute care pediatric hospitals and pediatric specialty units as defined in section 8A of said chapter 118E, the executive office shall make a supplemental payment not less than \$14,800,000 to any acute care pediatric hospital and pediatric specialty unit in the Commonwealth, above base rates, to compensate for high-complexity pediatric care."

⁶ Note that the governor signed into law on May 31 a bill that makes changes to hospital assessments and Medicaid payments, including annual funding available for the operation of the Center for Health Information and Analysis.

⁷ Whereas in prior years, the HSN relied on a transfer of \$30 million from the Commonwealth Care Trust Fund, the House and Senate FY2017 budgets reduce the amount of the transfer to \$15 million. The governor's FY2017 budget 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 House	FY2017 Senate	Senate Variance from FY2017 House Budget	
Total EOHHS/MassHealth Administration	\$261,859,749	\$281,757,279	\$280,408,667	-\$1,348,612	-0.5%
4000-0300 EOHHS and MassHealth Administration*	\$85,974,577	\$100,213,866	\$100,245,735	\$31,869	0.0%
4000-0301 MassHealth Auditing and Utilization Reviews	\$3,878,472	\$3,878,472	\$0	-\$3,878,472	-100.0%
4000-0321 EOHHS Contingency Contracts (Retained Revenue)	\$50,000,000	\$60,000,000	\$60,000,000	\$0	0.0%
4000-0328 Medicaid State Plan Operations	\$0	\$0	\$200,000	\$200,000	100.0%
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	\$117,664,941	\$118,862,932	\$1,197,991	1.0%
4000-0010 Common Application for HHS programs	\$0	\$0	\$1,000,000	\$1,000,000	100.0%
4000-0014 Edward M. Kennedy Community Health Center	\$100,000	\$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.

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

TABLE A2: MASSHEALTH PROGRAM ACCOUNTS

	FY2016 Estimated Spending	FY2017 House	FY2017 Senate	Senate Variance from FY2017 House Budget	
MassHealth Program Accounts	\$14,825,840,293	\$15,433,653,833	\$15,401,853,833	-\$31,800,000	-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	\$5,487,523,203	-\$9,000,000	-0.2%
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	\$347,900,000	\$332,900,000	-\$15,000,000	-4.3%
4000-0700 MassHealth Fee-for-Service Coverage	\$2,539,586,015	\$2,435,238,433	\$2,427,438,433	-\$7,800,000	-0.3%
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%

Sources: Massachusetts Executive Office for Administration and Finance, Massachusetts House of Representatives, Massachusetts Senate