

# THE GOVERNOR'S FY 2016 BUDGET PROPOSAL FOR MASSHEALTH (MEDICAID) AND HEALTH REFORM PROGRAMS

BUDGET BRIEF  
APRIL 2015

## SUMMARY

On March 4, 2015, Governor Charles Baker filed his proposed budget for fiscal year (FY) 2016, which will begin July 1, 2015. Ordinarily, the governor would file his or her budget proposal three weeks after the legislature convenes, but the Massachusetts Constitution provides five additional weeks to a newly elected administration. The governor's FY 2016 budget proposes \$38.1 billion in spending, of which \$16.2 billion is designated for MassHealth and related health care coverage programs as summarized in the table below.

Governor Baker filed his FY 2016 budget in the context of a current fiscal year in which spending has outpaced expected revenue. Both former Governor Deval Patrick and Governor Baker instituted midyear reduc-

tions to address the FY 2015 budget gap. The new administration projects a structural deficit of \$1.8 billion in FY 2016 based on estimates of actual spending and revenue growth and the use of one-time revenue sources in FY 2015.<sup>1</sup>

In filing the budget proposal, the governor's administration described the MassHealth program as growing more than 16 percent above FY 2015 spending unless a total of approximately \$1.6 billion in budget adjustments are adopted. The administration stated that its budget will hold MassHealth growth at 5.6 percent over FY 2015.

<sup>1</sup> Executive Summary, Governor Charles D. Baker's Budget Recommendation—House 1 Fiscal Year 2016, March 4, 2015. Available at [http://www.mass.gov/bb/h1/fy16h1/exec\\_16/ndefault.htm](http://www.mass.gov/bb/h1/fy16h1/exec_16/ndefault.htm).

**TABLE 1: MASSHEALTH AND HEALTH REFORM BUDGET SUMMARY**

	FY 2015 Estimated Spending	FY 2016 Governor	Change	
<b>EOHHS/MassHealth</b>	<b>\$14,769,906,337</b>	<b>\$15,605,027,940</b>	<b>\$835,121,603</b>	<b>5.7%</b>
• MassHealth Programs	\$13,765,815,352	\$14,678,388,673	\$912,573,321	6.6%
• Provider Supplemental Payments*	\$637,500,000	\$465,000,000	\$(172,500,000)	-27.1%
• Delivery System Transformation Initiative*	\$116,167,223	\$189,141,606	\$72,974,383	62.8%
• EOHHS/MassHealth Administration**	\$250,423,762	\$272,497,661	\$22,073,899	8.8%
<b>Health Connector</b>	<b>\$324,239,422</b>	<b>\$196,515,726</b>	<b>\$(127,723,696)</b>	<b>-39.4%</b>
• ConnectorCare	\$60,244,338	\$169,088,903	\$108,844,565	180.7%
• Commonwealth Care Extension	\$178,441,039	\$-	\$(178,441,039)	-100.0%
• Health Connector Administration***	\$19,722,059	\$19,000,000	\$(722,059)	-3.7%
• Other Health Connector Programs†	\$65,831,986	\$8,426,823	\$(57,405,163)	-87.2%
<b>Health Safety Net</b>	<b>\$349,200,000</b>	<b>\$360,877,350</b>	<b>\$11,677,350</b>	<b>3.3%</b>
• Health Safety Net Program	\$336,800,000	\$350,000,000	\$13,200,000	3.9%
• Health Safety Net Administration	\$12,400,000	\$10,877,350	\$(1,522,650)	-12.3%
<b>Center for Health Information and Analysis</b>	<b>\$32,890,444</b>	<b>\$32,890,444</b>	<b>\$-</b>	<b>0.0%</b>
<b>Other Health Reform Administration</b>	<b>\$9,253,272</b>	<b>\$16,178,132</b>	<b>\$6,924,860</b>	<b>74.8%</b>
• HIT Trust Fund and Integrated Eligibility System	\$8,153,272	\$15,078,132	\$6,924,860	84.9%
• Health Care Access Bureau	\$1,100,000	\$1,100,000	\$-	0.0%
<b>TOTAL</b>	<b>\$15,485,489,475</b>	<b>\$16,211,489,592</b>	<b>\$726,000,117</b>	<b>4.7%</b>

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 Health Policy Commission administrative and program expenditures, which are currently funded from revenues established under Chapter 224 of the Acts of 2012.

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 hospitals owned by the Department of Public Health or the Department of Mental Health, 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 Programs 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, see Appendix B.

\*\* 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.

† Other Health Connector Programs include risk sharing payments, the Medical Security Program, 9010 insurer fees, and Small Business Wellness Subsidy.

Source: Massachusetts Executive Office for Administration and Finance.

The Massachusetts Medicaid Policy Institute's analysis of the governor's budget proposal shows \$15.6 billion in spending on MassHealth, \$196.5 million in spending by the Health Connector, and \$360.9 million in spending through the Health Safety Net Trust Fund for health care services for the uninsured and underinsured. Table 1 provides a summary of major program areas and spending associated with MassHealth and other health reform activities.

### FY 2016 GOVERNOR'S BUDGET PROPOSAL

Without implementing a series of adjustments, the governor's maintenance budget projects a 16 percent increase in MassHealth program spending. (See box on page 3 for a description of the maintenance budget.) Relative to previous annual growth rates for MassHealth, this represents a substantial increase in spending at a time when the program is not slated for significant new programmatic or fiscal obligations. To understand the predicted growth rate and the impact of proposed changes on MassHealth members, providers, and other stakeholders, the following sections explain the assumptions built into the FY 2016 budget and the proposed adjustments used to curb projected growth. The figures presented in this budget brief include the full amount of the savings or investment. That is, the figures are "gross," which means they include both the net state cost and the anticipated federal revenues.

### Savings Initiatives: \$1.577 billion

#### • Eligibility Renewal Processes: \$418.9 million

The last two fiscal years have seen substantial shifts in caseload and spending as a result of the Affordable Care Act (ACA), which created a new Medicaid expansion group and shifted individuals covered by the state's pre-ACA Commonwealth Care program into MassHealth. The picture is complicated by the implementation of the ACA's new eligibility rules, which took effect in January 2014. Due to problems with the state's eligibility system, individuals who applied for subsidized coverage from either MassHealth or the Health Connector during calendar year 2014 were placed in a temporary MassHealth coverage group. That coverage program, along with the system's inability to conduct regular eligibility renewals (sometimes referred to as "redeterminations"), temporarily inflated MassHealth's caseload. MassHealth has already resumed a phased schedule of renewals that will ultimately touch 1.2 million members. That renewal schedule was accelerated to address the FY 2015 budget deficit.

The administration's FY 2016 maintenance budget did not include the fiscal impact of the new eligibility renewal policy. Therefore, the governor's budget proposal estimates savings from the renewal process at nearly \$400 million. It also includes an additional \$22 million associated with savings in MassHealth's premium assistance program—savings that are enabled by the new eligibility system through

**TABLE 2: SUMMARY OF FY 2016 PROPOSED GOVERNOR'S BUDGET ADJUSTMENTS**

	MassHealth Program Budget*	Provider Supplemental Payments**	Delivery System Transformation Initiative***	FY 2016 Governor's Budget Solutions†
<b>FY 2015 Estimated Spending</b>	<b>\$13,765,815,352</b>	<b>\$637,500,000</b>	<b>\$116,167,223</b>	
<b>FY 2016 Maintenance Budget Assumptions††</b>	<b>\$16,071,768,884</b>	<b>\$517,000,000</b>	<b>\$320,741,606</b>	
<i>% Change from FY 2015</i>	<i>16.8%</i>	<i>-18.9%</i>	<i>176.1%</i>	
<b>FY 2016 Governor's Budget Adjustments to Maintenance Budget</b>				
<b>Savings Initiatives</b>	<b>\$(1,393,380,210)</b>	<b>\$(52,000,000)</b>	<b>\$(131,600,000)</b>	<b>\$(1,576,980,210)</b>
• Eligibility Renewal Processes	\$(418,900,000)	\$-	\$-	\$(418,900,000)
• Provider and Health Plan Payments	\$(130,610,000)	\$-	\$-	\$(130,610,000)
• Continuation of FY 2015 9C Reductions	\$(49,000,000)	\$-	\$-	\$(49,000,000)
• Other Reductions	\$(38,850,000)	\$-	\$(16,500,000)	\$(55,350,000)
• Adjustments to Timing of Payments	\$(756,020,210)	\$(52,000,000)	\$(115,100,000)	\$(923,120,210)
<b>Revenue Initiatives</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$22,650,000</b>
<b>FY 2016 Governor's Budget Proposal</b>	<b>\$14,678,388,673</b>	<b>\$465,000,000</b>	<b>\$189,141,606</b>	<b>\$1,599,630,210</b>
<i>Change from FY 2015</i>	<i>\$912,573,321</i>	<i>\$(172,500,000)</i>	<i>\$72,974,383</i>	
<i>% Change from FY 2015</i>	<i>6.6%</i>	<i>-27.1%</i>	<i>62.8%</i>	

\* Includes Hutchinson Settlement and Children's Medical Security Plan (CMSP) expenditures. CMSP is not a MassHealth program, but CMSP expenditures are currently eligible for federal reimbursement under Massachusetts' 1115 Demonstration Waiver through the Designated State Health Program.

\*\* Provider Supplemental Payments: Expenditure amounts reflect operating budget transfers from the General Fund to the Medical Assistance Trust Fund (MATF) to support provider supplemental payments. For details on sources and uses of MATF monies, see Appendix B.

\*\*\* Delivery System Transformation Initiative: Amounts reflect operating budget transfers from the General Fund to the Delivery System Transformation Initiative (DSTI) Incentive Fund to support DSTI incentive payments.

† FY 2016 Governor's Budget Solutions includes savings and revenue initiatives. These amounts most closely align with the total solutions identified in the Executive Summary of the governor's budget proposal.

†† The Administration's FY 2016 Maintenance Budget Assumptions include new spending for autism services and PCA paid sick days as well as full year of spending on the adult denture benefit reinstated during FY 2015.

Source: Massachusetts Executive Office for Administration and Finance.

## UNDERSTANDING THE MAINTENANCE BUDGET

In calculating the Commonwealth’s projected \$1.8 billion budget deficit, the governor’s budget staff begin by calculating a *maintenance budget*, which is an estimate of spending to support current programs and associated administrative costs during the next fiscal year. The maintenance budget reflects a variety of assumptions about changes in underlying costs. In the context of publicly funded health care spending, these estimates are typically associated with assumptions regarding program enrollment, utilization of services, and the amount providers and contracted health plans will be paid. After spending and revenues are estimated, an overall deficit or surplus is calculated for the upcoming fiscal year. Budget analysts then begin a process to reexamine assumptions and analyze potential policy changes that will result in spending decreases or increases, which are often described as savings initiatives or investments.

third-party-liability recoveries. In order to achieve these savings, the budget proposal also assumes a \$6 million investment in administrative resources to support the planned processes.

Table 3 provides a summary of MassHealth enrollment from FY 2014 through FY 2016 projections. The table highlights the impact of suspending MassHealth’s eligibility renewal processes as well as enrolling members into temporary MassHealth coverage as a result of problems with the state’s eligibility system.

**TABLE 3: MASSHEALTH ENROLLMENT**

Fiscal Year	Total Average Enrollment	Temporary Coverage Average Enrollment	Eligibility Renewals
FY 2014	1.5 million	92,000	<ul style="list-style-type: none"> <li>Suspended in October 2013</li> </ul>
FY 2015 (Projected)	1.9 million	174,000	<ul style="list-style-type: none"> <li>Initiated renewals for approximately 500K members in February 2015</li> </ul>
FY 2016 (Projected)	1.7 million	0	<ul style="list-style-type: none"> <li>All renewal processes in place</li> <li>Plan to complete outstanding renewals in first half of fiscal year</li> </ul>

### • Provider and Health Plan Payments: \$130.6 million

The governor’s budget proposes to hold MassHealth provider rates generally flat or with no rate increase when compared with FY 2015 while providing a modest increase in spending to ensure that Medicaid Managed Care Organization (MCO) capitation payment rates are actuarially sound.<sup>2</sup> In total, these assumptions result in \$130.6 million in MassHealth spending reductions, because the FY 2016 maintenance budget assumed that MassHealth would increase rates to providers and pay even higher MCO capitation rates, which would have resulted in higher spending. The change affects the total amount budgeted for skilled nursing facilities, chronic and rehabilitation hospitals, other providers, and Medicaid MCOs.

<sup>2</sup> Federal law and regulations require that managed care entities be reimbursed in a manner that is in accordance with generally accepted actuarial principles and appropriate for the populations to be covered and the services to be furnished.

### • Continuation of FY 2015 9C Reductions: \$49.0 million

In FY 2015, a variety of midyear 9C reductions<sup>3</sup> were instituted to address the FY 2015 budget gap. Due to timing, the FY 2016 maintenance budget did not account for those reductions. Governor Baker’s budget proposes to continue those policy changes in FY 2016 to take advantage of \$49 million in projected full-year (or “annualized”) savings. FY 2015 mid-year policy changes included changes to chronic and rehabilitation hospital “administrative day” rates, discontinuation of payments for “alternative caregiver days,” reducing a skilled nursing facility rate add-on payment, narrowing the definition of emergency services under the MassHealth Limited program, and updating assumptions for Senior Care Options (SCO) contractor payments.

### • Other Reductions: \$55.35 million

The governor’s proposed budget includes a variety of other spending reductions associated with programmatic and administrative changes. Those changes and the corresponding savings assumptions are detailed below:

- Eliminate planned increase in Delivery System Transformation Initiative (DSTI) incentive payments: \$16.5 million<sup>4</sup>
- Generate additional pharmacy rebates: \$16.25 million
- Strengthen controls on payments for MCO wrap services, which are services not included in the capitation rate: \$10 million
- Restructure Primary Care Clinician (PCC) Care Management Program: \$6.5 million
- Strengthen controls on MassHealth Limited<sup>5</sup> spending: \$4 million
- Reduce initial prescription period of select drugs (i.e., opioids) to prevent waste and abuse: \$1.5 million
- Eliminate coverage of chiropractic services: \$600,000

<sup>3</sup> Under Section 9C of Chapter 29 of the Massachusetts General Laws, the governor has unilateral authority, in the event that budgeted revenues are insufficient to meet authorized expenditures, to institute budget reductions in executive agencies.

<sup>4</sup> The most recent extension of the state’s MassHealth 1115 waiver included a 10 percent increase in the amount of Delivery System Transformation Initiative (DSTI) incentive payments that are eligible for 50 percent federal reimbursement. For further details, a summary by MMPI of the 1115 waiver extension is available at <http://bluecrossmafoundation.org/publication/summary-masshealth-1115-waiver>.

<sup>5</sup> MassHealth Limited covers emergency services only for people who meet the eligibility criteria for MassHealth but are noncitizens and do not have an immigration status that would make them eligible for MassHealth.

Section 24 of the governor's budget also authorizes MassHealth to negotiate bulk purchasing arrangements for manufacturers of durable medical equipment and supplies, though no savings are assumed.

• **Adjustments to Timing of Payments: \$923.1 million**

In order to address MassHealth's deficiencies, program administrators have at times delayed payments to providers and health plans—effectively pushing spending from one fiscal year to the next. Typically, all or a portion of June payments are pushed into July. This creates savings in the first fiscal year in which it is done, as fewer payments are made than are budgeted.

The maintenance budget included funding to cover costs associated with correcting several payment schedules that had previously been delayed, as described above. That is, an additional payment was budgeted in FY 2016 in addition to the costs of the full year of FY 2016 payments, so that payments going forward would be made in the correct fiscal year. In order to contain spending growth in FY 2016, the governor's budget proposal does not incorporate these corrective payments and also implements similar cash management practices by pushing some FY 2016 payments into FY 2017. The governor's proposed budget includes pushing a variety of payments to fee-for-service providers, MCOs, SCO and Program for All Inclusive Care for the Elderly (PACE) contractors, Medicare (Parts A, B, and D), and certain hospitals<sup>6</sup> into FY 2017. Additionally, a \$52 million provider supplemental payment<sup>7</sup> to Boston Medical Center as well as \$115.1 million in payments to hospitals eligible for DSTI incentives are similarly pushed into FY 2017 in the proposal.

**Spending Increases: \$174 million**

Included within the governor's FY 2016 maintenance budget assumption is \$174 million in three areas that represent either new funding obligations or full-year spending levels for services provided beginning in FY 2015.<sup>8</sup>

• **Autism Services: \$137 million**

Under federal guidance issued in 2014, Medicaid programs now must cover services, including Applied Behavioral Analysis, for individuals under age 21 with autism spectrum disorders.<sup>9</sup> The budget proposal includes \$137 million to support a full year of these services in FY 2016 for approximately 10,000 children with autism.

• **Adult Denture Benefits: \$16 million**

The FY 2015 budget required MassHealth to provide coverage for adult dentures which will be implemented starting in May 2015. The governor's budget extends this coverage through FY 2016 at a cost of \$16 million.

<sup>6</sup> These hospitals include Boston Children's Hospital, Shriners Hospital, and Tufts Medical Center.

<sup>7</sup> Certain hospitals and health systems with a high share of patients who either are uninsured or have publicly funded health insurance are eligible for provider supplemental payments.

<sup>8</sup> The budget proposal further assumes a \$6 million investment in administrative resources to support eligibility renewal processes. This amount is captured in this analysis as a reduction to gross savings associated with the initiative.

<sup>9</sup> This is a state law requirement, subject to the availability of federal funding. See Section 25 of Chapter 226 of the Acts of 2014, An Act Relative to Assisting Individuals with Autism and Other Intellectual or Developmental Disabilities.

• **Personal Care Attendant Paid Sick Days: \$21 million**

Based on approval of a 2014 ballot initiative by Massachusetts voters, personal care attendants (PCAs) who provide services to MassHealth members are entitled to earn up to 40 hours per year of paid sick time. The budget proposal includes \$21 million to support that obligation, which is a component of wages negotiated on behalf of PCAs by the state's PCA Workforce Council.

**Revenue Initiatives: \$22.65 million**

In addition to savings initiatives and spending increases, the governor's budget projects a total of \$22.65 million in new or enhanced revenue initiatives. These initiatives include:

- Increase in federal revenue claiming on IT projects: \$11.5 million
- Increase in third-party-liability recoveries and drug rebate revenues: \$5.5 million
- Retroactive federal revenue claiming on Medicaid State Plan amendments: \$5 million
- Maximization of federal revenue claiming on allowable aid categories under home and community based waivers: \$650,000

**OTHER FY 2016 HEALTH CARE SPENDING**

Agencies outside the Executive Office of Health and Human Services (EOHHS) play important roles in financing health care in the Commonwealth. Some are funded through direct appropriations, while others have established revenue streams that support their operations.

**Health Connector**

The Health Connector administers the ConnectorCare subsidized program and operates as the state-based health insurance marketplace created by the ACA. The Health Connector also administers the risk-adjustment program for the small group and non-group insurance markets required under the ACA. Health Connector administrative expenses are financed through an assessment on health plans that sell coverage through the Health Connector. Because the ConnectorCare program did not begin until halfway through FY 2015, estimated spending on the program is projected to increase by nearly \$109 million (181 percent) in FY 2016, due to the full-year annualization of program costs.

The Medical Security Program (MSP), which provided health coverage for the unemployed, was originally scheduled to end in January 2014 when other Affordable Care Act coverage programs were scheduled to begin. However, the MSP was extended due to problems with the state's eligibility system, which prevented individuals from transitioning into new coverage categories. Now that implementation issues with the eligibility system have been resolved, the MSP has ended. Costs associated with the program's extension (including \$23.5 million in FY 2014 and \$21.9 million in FY 2015) were fully funded from the Commonwealth Care Trust Fund in FY 2015.

**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. The HSN

Trust Fund also supports the estimated expenses of the EOHHS in administering the health safety net and supports a portion of the costs of the Medicaid program.

### Center for Health Information and Analysis

The Center for Information and Analysis (CHIA), which monitors and reports on the health care finance system in Massachusetts and operates the state's All-Payer Claims Database, is financed through an assessment on hospitals and payers. CHIA was created by Chapter 224 of the Acts of 2012. The governor's budget proposes to level-fund CHIA at \$32.89 million and make it an EOHHS agency rather than an independent center.

### Health Policy Commission

The Health Policy Commission (HPC), another independent agency created by Chapter 224, performs a range of responsibilities relating to health care finance and delivery system reform, including monitoring market consolidation, collecting data on registered provider organizations that take on risk-based contracts, developing standards for voluntary certification of Accountable Care Organizations and Patient-Centered Medical Homes, and designing a grant program for community hospital transformation.<sup>10</sup> The HPC is financed off-budget through mechanisms set in Chapter 224.

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<sup>10</sup> The Foundation has developed a tool that monitors developments based on Chapter 224, which is available at <http://bluecrossfoundation.org/publication/chapter-224-tracking-tool>.

### Other Health Reform Administrative Spending

Other funding was included in the governor's budget for a \$15 million operating budget transfer to the Health Information Technology Trust Fund to support the health information exchange and for operating costs for the Health Connector and the integrated eligibility system. An additional \$1.1 million was included for the Division of Insurance Health Care Access Bureau.

### Commonwealth Care Trust Fund Projected Surplus: \$110 million

Massachusetts General Law directs a variety of revenues into the Commonwealth Care Trust Fund (CCTF) including cigarette tax revenue, individual tax penalties, and employer medical assistance payments. These revenues are used to support CCTF expenditures, which have included the Commonwealth Care and ConnectorCare programs. With the implementation of the ACA, which shifted to MassHealth a large portion of the members previously receiving subsidized coverage through the Connector as well as the availability of federal tax subsidies for income-eligible individuals receiving health coverage through the Health Connector, the spending obligations that the state must meet with funds from the CCTF have decreased—resulting in a projected surplus of revenue in the fund. Section 34 of the governor's budget proposal allows a transfer of up to \$110 million from the CCTF to the state's General Fund to support spending on other programs.

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*The authors would like to thank staff from the Executive Office for Administration and Finance, the Office of Medicaid, and the Health Connector for providing a budget briefing, materials to support this analysis, and review of this document.*

## APPENDIX A

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

**TABLE A1: EOHHS AND MASSHEALTH ADMINISTRATION**

		FY 2015 Estimated Spending	FY 2016 Governor	Change	
<b>Total EOHHS/MassHealth Administration</b>		<b>\$250,423,762</b>	<b>\$272,497,661</b>	<b>\$22,073,899</b>	<b>8.8%</b>
<b>4000-0300</b>	<b>EOHHS and MassHealth Administration*</b>	\$88,223,229	\$90,898,463	\$2,675,234	3.0%
<b>4000-0301</b>	<b>MassHealth Auditing and Utilization Reviews</b>	\$4,161,845	\$4,487,432	\$325,587	7.8%
<b>4000-0321</b>	<b>EOHHS Contingency Contracts (Retained revenue)</b>	\$50,000,000	\$50,000,000	\$-	0.0%
<b>4000-0328</b>	<b>State Plan Amendment Support</b>	\$394,000	\$400,000	\$6,000	1.5%
<b>4000-1602</b>	<b>MassHealth Operations</b>	\$2,105,757	\$2,261,448	\$155,691	7.4%
<b>4000-1604</b>	<b>Health Care System Reform</b>	\$868,022	\$972,161	\$104,139	12.0%
<b>4000-1700</b>	<b>Health and Human Services IT**</b>	\$104,670,909	\$123,478,157	\$18,807,248	18.0%

\* 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.

**TABLE A2: MASSHEALTH PROGRAM ACCOUNTS**

		FY 2015 Estimated Spending	FY 2016 Maintenance	FY 2016 Savings Initiatives	FY 2016 Governor	Change from FY 2015	
<b>MassHealth Program Accounts</b>		<b>\$13,765,815,352</b>	<b>\$16,071,768,884</b>	<b>\$(1,393,380,210)</b>	<b>\$14,678,388,673</b>	<b>\$912,573,321</b>	<b>6.6%</b>
<b>4000-0320</b>	<b>MassHealth Recoveries (Retained revenue)</b>	\$225,000,000	\$225,000,000	\$-	\$225,000,000	\$-	0.0%
<b>4000-0430</b>	<b>MassHealth CommonHealth</b>	\$107,204,797	\$119,495,216	\$-	\$119,495,216	\$12,290,419	11.5%
<b>4000-0500</b>	<b>MassHealth Managed Care</b>	\$5,162,825,921	\$6,544,542,709	\$(613,003,112)	\$5,931,539,597	\$768,713,676	14.9%
<b>4000-0600</b>	<b>MassHealth Senior Care</b>	\$2,986,699,932	\$3,258,036,450	\$(285,086,117)	\$2,972,950,333	\$(13,749,599)	-0.5%
<b>4000-0640</b>	<b>MassHealth Nursing Home Supplemental Rates</b>	\$292,300,000	\$301,400,000	\$(9,800,000)	\$291,600,000	\$(700,000)	-0.2%
<b>4000-0700</b>	<b>MassHealth Fee-for-Service Coverage</b>	\$2,553,352,397	\$2,697,116,700	\$(207,324,607)	\$2,489,792,092	\$(63,560,305)	-2.5%
<b>4000-0875</b>	<b>MassHealth Breast and Cervical Cancer Treatment</b>	\$5,725,199	\$6,011,459	\$-	\$6,011,459	\$286,260	5.0%
<b>4000-0880</b>	<b>MassHealth Family Assistance</b>	\$238,231,570	\$276,669,135	\$(22,900,000)	\$253,769,135	\$15,537,565	6.5%
<b>4000-0885</b>	<b>Small Business Employee Premium Assistance</b>	\$30,877,115	\$32,420,971	\$-	\$32,420,971	\$1,543,856	5.0%
<b>4000-0940</b>	<b>ACA Expansion Populations</b>	\$1,569,631,096	\$1,935,955,262	\$(223,844,754)	\$1,712,110,508	\$142,479,412	9.1%
<b>4000-0950</b>	<b>Children's Behavioral Health Initiative</b>	\$211,389,021	\$221,798,049	\$-	\$221,798,049	\$10,409,028	4.9%
<b>4000-0990</b>	<b>Children's Medical Security Plan</b>	\$13,214,180	\$13,214,180	\$-	\$13,214,180	\$-	0.0%
<b>4000-1400</b>	<b>MassHealth HIV Plan</b>	\$23,693,668	\$24,878,351	\$-	\$24,878,351	\$1,184,683	5.0%
<b>4000-1420</b>	<b>Medicare Part D Phased Down Contribution</b>	\$311,352,456	\$365,818,402	\$(31,421,620)	\$334,396,782	\$23,044,326	7.4%
<b>4000-1425</b>	<b>Hutchinson Settlement</b>	\$34,318,000	\$49,412,000	\$-	\$49,412,000	\$15,094,000	44.0%

Source: Massachusetts Executive Office for Administration and Finance.

## APPENDIX B

Appendix B provides details on sources and uses of funding allocated through off-budget trust funds.

**TABLE B1: COMMONWEALTH CARE TRUST FUND**

	FY 2015 Estimated	FY 2016
<b>Sources</b>	<b>\$347,489,107</b>	<b>\$339,404,067</b>
• Cigarette Tax Revenue	\$142,333,101	\$145,991,312
• Individual Tax Penalties	\$15,816,301	\$15,000,000
• Employer Medical Assistance Payments	\$178,412,755	\$178,412,755
• Prior Year Surplus	\$10,926,950	\$-
<b>Uses</b>	<b>\$347,489,106</b>	<b>\$339,404,069</b>
• ConnectorCare Subsidies (Non-AWSS)*	\$49,258,466	\$147,073,892
• ConnectorCare Subsidies (AWSS)*	\$10,985,872	\$22,015,011
• Commonwealth Care Extension (Non-AWSS)*	\$121,710,475	\$-
• Commonwealth Care Extension (AWSS)*	\$56,730,564	\$-
• FY14 Risk Sharing	\$15,499,219	\$5,800,000
• FY15 Medical Security Program	\$21,945,789	\$-
• FY14 Medical Security Program	\$23,488,110	\$-
• Connector Admin (Net of fed grants, carrier revenue, misc. reserves)	\$19,722,059	\$19,000,000
• Small Business Wellness Subsidy	\$-	\$526,823
• 9010 Insurer Fee	\$4,898,868	\$2,100,000
• Catastrophic Illness in Children Relief Fund	\$4,260,751	\$2,888,343
• Health Safety Net Trust Fund Transfer	\$-	\$30,000,000
• General Fund Transfer	\$18,988,933	\$110,000,000

\* AWSS = aliens with special status.

Source: Massachusetts Executive Office for Administration and Finance.

**TABLE B2: HEALTH SAFETY NET TRUST FUND**

	FY 2015 Estimated	FY 2016
<b>Beginning Balance</b>	<b>\$74,200,000</b>	<b>\$84,900,000</b>
<b>Sources</b>	<b>\$329,900,000</b>	<b>\$359,900,000</b>
• Assessments on Acute Hospitals and Ambulatory Surgical Centers	\$164,950,000	\$164,950,000
• Assessment on Insurers	\$164,950,000	\$164,950,000
• Commonwealth Care Trust Fund Transfer	\$0	\$30,000,000
<b>Uses</b>	<b>\$349,200,000</b>	<b>\$360,877,350</b>
• Health Safety Net Hospital Payments	\$267,800,000	\$269,000,000
• Health Safety Net CHC Payments and Demonstration Programs	\$69,000,000	\$81,000,000
• Health Safety Net Claims Operations	\$11,400,000	\$9,877,350
• Inspector General Health Safety Net Audit Unit	\$1,000,000	\$1,000,000
<b>Ending Balance</b>	<b>\$84,900,000</b>	<b>\$(51,494,196)</b>

Source: Massachusetts Executive Office for Administration and Finance.

**TABLE B3: MEDICAL ASSISTANCE TRUST FUND\***

	FY 2015 Estimated	FY 2016	FY 2017
<b>Beginning Balance</b>	<b>\$-</b>	<b>\$2,000,000</b>	<b>\$5,000,000</b>
<b>Sources</b>	<b>\$825,000,000</b>	<b>\$635,000,000</b>	<b>FY2017Budget</b>
• General Fund Appropriation (1595-1068)	\$412,000,000	\$465,000,000	
• General Fund Supplemental Appropriation	\$227,500,000		
• Cambridge Public Health Commission Transfer**	\$185,500,000	\$170,000,000	
<b>Uses</b>	<b>\$823,000,000</b>	<b>\$632,000,000</b>	<b>\$52,000,000</b>
<b>2014 Date-of-Service Payments</b>	<b>\$243,000,000</b>	<b>\$-</b>	<b>\$-</b>
• State Plan—Upper Payment Limit—Hospital (UMMHC)	\$212,000,000	\$-	\$-
• State Plan—Upper Payment Limit (CHA)	\$31,000,000	\$-	\$-
<b>2015 Date-of-Service Payments</b>	<b>\$580,000,000</b>	<b>\$52,000,000</b>	<b>\$-</b>
• Public Service Hospital Payment (BMC)	\$-	\$52,000,000	
• Public Service Hospital Payment (CHA)	\$88,000,000		
• Public Hospital Transformation & Incentive Initiative (CHA)	\$220,000,000		
• State Plan—Upper Payment Limit—Providers (UMMHC)	\$28,000,000		
• State Plan—Upper Payment Limit—Hospital (UMMHC)	\$212,000,000		
• State Plan—Upper Payment Limit (CHA)	\$32,000,000		
<b>2016 Date-of-Service Payments</b>	<b>\$-</b>	<b>\$580,000,000</b>	<b>\$52,000,000</b>
• Public Service Hospital Payment (BMC)	\$-	\$-	\$52,000,000
• Public Service Hospital Payment (CHA)	\$-	\$88,000,000	
• Public Hospital Transformation & Incentive Initiative (CHA)	\$-	\$220,000,000	
• State Plan—Upper Payment Limit—Providers (UMMHC)	\$-	\$28,000,000	
• State Plan—Upper Payment Limit—Hospital (UMMHC)	\$-	\$212,000,000	
• State Plan—Upper Payment Limit (CHA)	\$-	\$32,000,000	
<b>Ending Balance</b>	<b>\$2,000,000</b>	<b>\$5,000,000</b>	<b>FY2017Budget</b>

\* The timing of payments is subject to change based on timing of state plan amendment approval.

\*\* Cambridge Public Health Commission Transfers into the Medical Assistance Trust Fund do not show up on state budget appropriations.

Source: Massachusetts Executive Office for Administration and Finance.