

THE FUTURE OF MASSHEALTH: FIVE PRIORITY ISSUES FOR THE NEW ADMINISTRATION

Executive Summary

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ABOUT THE MASSACHUSETTS MEDICAID POLICY INSTITUTE

The Massachusetts Medicaid Policy Institute (MMPI)—a program of the Blue Cross Blue Shield of Massachusetts Foundation—is an independent and nonpartisan source of information and analysis about the Massachusetts Medicaid program, MassHealth. MMPI's mission is to promote the development of effective Medicaid policy solutions through research and policy analysis.

ABOUT MANATT HEALTH SOLUTIONS

Manatt Health Solutions (MHS) is the interdisciplinary health policy and business strategy advisory division of the law firm of Manatt, Phelps & Phillips, LLP. As an integrated law and consulting firm, Manatt offers a unique combination of legal, policy, and operational expertise drawn from a team of attorneys, policy advisors, business strategists, project managers, and financial analysts with extensive experience working with foundations, federal and state government, providers, health plans, and other industry leaders.

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EXECUTIVE SUMMARY

The past decade marked an era of seismic change in the Massachusetts health care market and one in which the Commonwealth led the nation in coverage and delivery system reform. In 2006, Massachusetts passed its comprehensive health care reform law (Chapter 58 of the Acts of 2006), and has since achieved near universal coverage through a combination of expanded Medicaid, private market reforms, and individual subsidies to purchase coverage in the nation's first health insurance exchange, the Massachusetts Health Connector (the Connector). The national health care coverage reforms implemented earlier this year, part of the Affordable Care Act of 2010 (ACA), were modeled on the Commonwealth's successful reform road map. Having closed the coverage gap for most residents of the Commonwealth, Massachusetts policy makers turned their attention to reining in health care spending growth across all payers, culminating in landmark legislation, Chapter 224 of the Acts of 2012. In the first full year following enactment of Chapter 224, the Commonwealth appears to be making some progress: total health care costs in the Commonwealth grew by 2.3 percent, well below the 3.6 percent health care cost growth benchmark set for 2013.¹

As one of the largest health care insurers in the state and the steward of health care coverage and financing for an expected 1.7 million low- and moderate-income individuals, or one in four residents,² MassHealth—the state's Medicaid program—is at the center of these reforms. With anticipated expenditures of \$13.7 billion in 2015, MassHealth spending represents over 30 percent of the total state budget. This gross figure includes both state and federal Medicaid dollars. The federal government reimburses more than half of this total dollar amount. The MassHealth program is expected to generate \$7.7 billion in federal revenues this fiscal year, representing more than 80 percent of all federal revenues to be received by the Commonwealth. As a result of this spending and revenue generation, MassHealth is a major contributor to the Commonwealth's overall economy, supporting health care providers and health plans that employ thousands of people.

While its contribution to the state's economy and its effective stewardship of significant state and federal dollars are important, perhaps MassHealth's most important role is articulated in its mission, which is:

To improve the health outcomes of our diverse members, their families and their communities, by providing access to integrated health care services that sustainably promote health, well-being, independence, and quality of life.

1 Massachusetts Center for Health Information and Analysis. *Annual Report on the Performance of the Massachusetts Health Care System*. September 2014.

2 Massachusetts Medicaid Policy Institute, MassBudget, and the Massachusetts Law Reform Institute. *The Fiscal Year 2015 Budget for MassHealth and Health Reform Programs*. Budget Brief, September 2014. Available online at <http://bluecrossfoundation.org/publication/fiscal-year-2015-budget-masshealth-and-health-reform-programs>.

With this mission in mind, over the past decade MassHealth has implemented a sweeping array of initiatives including eligibility expansions for children, single adults, and special-needs populations; alternative payment methods (APM) through its Primary Care Payment Reform Initiative (PCPRI); enhanced access to home- and community-based long-term care services; and One Care, a major delivery system reform for non-elderly adults who are eligible for both MassHealth and Medicare.

As MassHealth has grown in size and scope during the last decade, it has become more administratively complex in terms of its relationship to the rest of state government, its eligibility and delivery system structure, and its day-to-day operations. MassHealth sits alongside 15 other agencies and departments under the Executive Office of Health and Human Services (EOHHS) and shares programmatic and budgeting responsibilities for the Medicaid program with several of these agencies. MassHealth also has interdependencies with other parts of government, including the Executive Office of Administration and Finance and the Connector. The program has over 150 eligibility categories, has payment and delivery mechanisms that span multiple managed-care and fee-for-service programs, and is run by over 800 staff who are dispersed across various agencies and physical locations.

As a new Governor takes office, there is a unique opportunity to take a fresh look at MassHealth and its role in the Commonwealth's health care system. Given the program's size and critical role in providing health coverage to one-quarter of the state's residents, MassHealth will, by necessity, be one of the Governor's top priorities. From July through September of 2014, the Massachusetts Medicaid Policy Institute (MMPI), a program of the Blue Cross Blue Shield of Massachusetts Foundation, and Manatt Health Solutions (Manatt) conducted over 40 in-person and telephone interviews with a range of individuals regarding the major opportunities and challenges for the MassHealth program that face the next Administration. These stakeholders included representatives of the provider community, the business community, insurers, consumers, and state and federal government, as well as Medicaid policy experts and former Commissioners and Directors. This report identifies the top five MassHealth priorities for the next Governor gleaned from these interviews.

While stakeholders uniformly commend MassHealth for achieving its coverage goals and for initiating major delivery system and payment reforms, they urge the next Governor to clarify the strategic vision and priorities for the program, leverage its size and market clout to lead a transformation of the Commonwealth's broader health care delivery system, and tackle pressing and persistent challenges in the program. A critical assessment of MassHealth management and budgets, including identifying opportunities for administrative and programmatic cost efficiencies, savings reinvestment strategies, and federal revenue enhancement measures, is necessary to protect MassHealth's coverage gains, benefit structure, and provider viability without jeopardizing other state priorities.

Among the issues and concerns raised by stakeholders, the following five priorities emerged as those demanding the urgent attention of the Governor in order to ensure the long-term strength and stability of the MassHealth program:

1. ELEVATE AND CONSOLIDATE MASSHEALTH LEADERSHIP

The beginning of a new Administration is an ideal opportunity to set a clear purpose, vision, and strategy that will drive MassHealth priorities for the next four years and beyond. MassHealth must have empowered leadership with the skills, authority, and accountability to implement the Governor's strategic direction. Many stakeholders suggest that MassHealth's current administrative structure and status within state government impedes effective, accountable program leadership and, ultimately, prevents state leaders from fully harnessing the power of the program to drive system change. A common sentiment is that MassHealth has "lost its voice and power" in the Secretariat and that galvanizing the agency may well require the Governor to restructure MassHealth's place within state government and elevate the role of the Medicaid Director. Stakeholders offer many and diverse opinions about the Governor's options for addressing these structural challenges, including consolidating the full MassHealth budget under the Medicaid Director and elevating the Medicaid Director to at least a Commissioner level.

2. LEVERAGE MASSHEALTH'S PURCHASING POWER TO ACCELERATE DELIVERY SYSTEM REFORM

MassHealth is missing a significant opportunity to more effectively use its clout as a purchaser to accelerate payment reform and delivery system transformation for the benefit of MassHealth enrollees and the Commonwealth overall. Stakeholders urge MassHealth leaders to revamp the program's currently fragmented purchasing approach and develop a comprehensive and cohesive MassHealth purchasing strategy that better leverages the program's size and purchasing power to achieve the program's Triple Aim goals.³

To achieve these goals, most stakeholders encourage MassHealth to push care management innovation closer to the roots of care delivery—the provider level—with MassHealth retaining responsibility for purchaser functions, regardless of whether MassHealth purchases care through managed care plans or directly from providers. Many stakeholders feel that community health centers in particular can play a critical role in implementing these reforms because of their deep connections to the communities they serve and their ability to link to efforts that address social determinants of health, such as food sources, housing supports, and other social support resources that can contribute greatly to health, well-being, independence, and quality of life.

3. LEAD BEHAVIORAL HEALTH DELIVERY AND PAYMENT REFORM

Significant fragmentation and funding and capacity gaps in the Commonwealth's behavioral health system are well documented and urgently require the Governor's attention. Unlike the other priority areas identified by stakeholders, behavioral health reform is acknowledged as "bigger than MassHealth" —meaning that the imperatives for improving the Commonwealth's mental health and substance use disorder delivery system are critical to all residents of the state.

³ The Triple Aim is a framework developed by the Institute for Healthcare Improvement for optimizing health system performance through "(1) improving the patient experience of care (including quality and satisfaction); (2) improving the health of populations; and, (3) reducing the per capita cost of health care." See <http://www.ihl.org/Engage/Initiatives/TripleAim/Pages/default.aspx>

But it disproportionately impacts MassHealth, as the single largest payer for behavioral health services. The passionate consensus of stakeholders is that those impacted by mental illness and substance use disorders are unable to access the treatment they need, putting the Commonwealth at ethical, financial, and public health peril. While MassHealth cannot single-handedly solve these problems, it must be a leader in addressing challenges in the state's behavioral health delivery system through enhanced investment in the behavioral health system, particularly by better integrating behavioral health and primary care, and evaluating and expanding access to community-based behavioral health services. Increased investment in the behavioral health care infrastructure also has the potential to reduce acute care medical costs, as untreated behavioral health disorders can lead to physical health issues or functional impairment.

4. TAKE ON COMPREHENSIVE LONG-TERM CARE REFORM

MassHealth's dominant role in paying for long-term services and supports (LTSS) for a large and growing number of seniors and people with disabilities adds up to a looming crisis as we prepare for the changing demographics that the aging of the baby boomers will bring. The greatest opportunity to ensure MassHealth's future sustainability is to take on the complex task of reforming the long-term care delivery and funding systems. While stakeholders laud recent MassHealth efforts to expand access to community-based LTSS and integrate comprehensive services for high-need subpopulations, they express serious concern about the lack of a more comprehensive and deliberate strategy to ensure access to community-based LTSS that are person-centered and in compliance with the Americans with Disabilities Act (ADA) for all enrollees who need these services. They also point to the need for MassHealth leaders to develop focused LTSS cost-containment strategies, to advance a strategic plan for the future role of nursing facilities as more care moves into the community, and to work with the private sector on a long-term LTSS financing plan to help ensure the financial sustainability of the MassHealth program.

5. INVEST IN MASSHEALTH INFRASTRUCTURE

Transformation and innovation require investment in the people and technology needed to implement a new Governor's agenda. Stakeholders across the board question the sufficiency of MassHealth's infrastructure to support the strategic and day-to-day demands of the massive program. Stakeholders identify the need for critical MassHealth infrastructure enhancements in several areas, including staffing covering a wide range of expertise and information technology (IT) systems. Stakeholders particularly single out a need for MassHealth to invest in the subject-matter experts and IT systems necessary to perform high-level, sophisticated, and timely data analytics to support program planning, development, monitoring, and evaluation. MassHealth holds a wealth of data that could better inform basic program metrics, key cost drivers, and reinvestment of any savings MassHealth achieves from implementing program efficiencies. Not only will increasing data analytics capacity improve MassHealth program operations and oversight, but making data and analysis publicly available will enhance MassHealth's relationships with external stakeholders and deepen public understanding and support of the program. Providers, especially those who take on financial risk and accountability under integrated delivery models, need better and more timely MassHealth data. Stakeholders urge the new Governor to review the program's

administrative budget to ensure that it adequately supports these infrastructure needs and is appropriately allocated to drive the Administration's policy agenda.

By addressing these priorities, the new Governor has the opportunity to demonstrate Massachusetts' ongoing commitment to lead in health care reform through innovations aimed at increasing the effectiveness of MassHealth and its ability to sustainably promote the health, well-being, independence, and quality of life of its diverse members, their families, and their communities.

This report first provides a brief overview of MassHealth, including its impact on and contribution to the state budget and the current approaches taken to purchasing services for its many members. The overview is followed by a summary of the key challenges and opportunities for the five priority issue areas and options for addressing each to inform the new Administration's thinking and strategy.