
MASSHEALTH: THE BASICS

FACTS AND TRENDS

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MASSHEALTH: THE BASICS

EXECUTIVE SUMMARY

MassHealth is an essential health safety net for 1.8 million of the state's adults and children

- The Massachusetts Medicaid program (commonly referred to as “MassHealth”) provides health insurance to more than one in four Massachusetts residents. Since the full implementation of the Affordable Care Act (ACA), enrollment has risen from 1.4 million to 1.8 million as of March 2015. More than half of people with disabilities, more than half of children of low-income families, and nearly two-thirds of residents of nursing facilities rely on MassHealth to help them pay for health care. Forty percent of all births are covered by MassHealth.
- MassHealth covers services that commercial insurance typically covers, plus other benefits like long-term services, additional behavioral health care, and non-emergency medical transportation.

MassHealth covers a broad cross-section of the population

- Children and adults without disabilities represent three-quarters of total MassHealth membership, adults and children with disabilities comprise about one-sixth of MassHealth members, and seniors make up another 9 percent. More than 60 cents of every MassHealth dollar spent is for the care of members with disabilities and for seniors.
- Implementation of ACA coverage provisions has shifted the makeup of MassHealth membership more toward people without disabilities, particularly adults. Still, many people with disabilities qualify through the state's CommonHealth program, which offers benefits to persons with disabilities that are not generally available through employers or Medicare. The CommonHealth program can supplement other private insurance or Medicare to provide benefits that are critical to maintaining independence, such as personal care assistance (PCA) services.

MassHealth supports workers' access to private insurance

- For more than one-fifth of its members, MassHealth coverage is secondary to other insurance such as Medicare or employer-sponsored insurance. MassHealth benefits help make employer-offered insurance more affordable for eligible low-wage workers and their children by paying for the employee share of the premium and by covering most of the cost of copayments and deductibles. In addition, MassHealth benefits make it possible for many people with disabilities to remain in the workforce.
- The coordination of public and private sources of coverage contribute to Massachusetts's lowest-in-nation percentage of population who do not have health insurance.

MASSHEALTH: THE BASICS

EXECUTIVE SUMMARY (continued)

MassHealth enrollment has continued to grow even as the number of uninsured leveled off

- MassHealth enrollment has steadily grown since 1997, and the number of Massachusetts residents without insurance steadily declined from 2004 to 2010.
- Enrollment continued to grow after the recession ended and to the present day, even though the number of uninsured has stabilized since 2010.
- During ACA implementation, approximately 200,000 people were temporarily enrolled in Medicaid while the state resolved technical problems with the Health Connector's new, ACA-required eligibility and enrollment system.
- With the implementation of the ACA, roughly 130,000 persons formerly covered under Commonwealth Care through the Health Connector were shifted to MassHealth's new CarePlus program on January 1, 2014.

Most members receive their health care in a managed care arrangement

- Nearly half of members are enrolled in a MassHealth managed care organization (MMCO), including nearly 350,000 with CarePlus coverage, a new option related to the ACA expansion.

The biggest driver of total MassHealth spending in recent years has been the jump in MassHealth membership due to economic trends and the ACA expansion, not the amount spent for each member

- Spending on the program has grown, driven by increases in enrollment. Per capita spending for all enrollees combined has grown by just 1.3 percent per year since 2007 and has been virtually unchanged since 2010.

MassHealth spending trends reflect policy toward providing more care in community-based settings and less in facilities and inpatient settings

- The share of spending on community-based long-term services and supports (15%) now exceeds that spent on nursing facilities (13%); both the share and dollar value of spending on hospital inpatient care declined from state fiscal year 2013 to state fiscal year 2014.

MassHealth is an important source of income for physicians, hospitals and other providers that low-income individuals of all ages depend on for their care

- Community health centers and nursing homes receive half of their total patient revenues from MassHealth. Providers of long-term services and supports also rely greatly on MassHealth revenue.

MASHEALTH OVERVIEW

- MassHealth is Medicaid (Title XIX of the Social Security Act) and the State Children’s Health Insurance Program (CHIP, Title XXI).
- Federally- and state-funded and state-administered
- A central part of the Massachusetts health care safety net
 - MassHealth provides health care coverage to one-quarter of the Commonwealth’s residents, including many of its most vulnerable.
 - It pays providers for treatments that would otherwise go uncompensated, or not be provided at all.
 - It provides a valuable service to employers by covering some of the highest costs of their employees and dependents with disabilities.
 - It brings billions of federal dollars into the state to help finance physical and behavioral health care and long-term care for low-income people.
 - It was the financial engine for the publicly subsidized insurance expansion created by the 2006 state health reform law, and continues to supplement federal coverage subsidies under the Affordable Care Act (ACA).
 - It plays an important role in supporting people who are affected by economic downturns.

**MASHEALTH PRESENTS
CHALLENGES**

- It requires a great amount of public funding to support it.
- Many of its benefits and eligibility provisions are legal entitlements, which constrains the state’s options for managing spending during difficult economic times.
- State systems struggled to adapt to the requirements and expansion authorized by the ACA, resulting in the need to enroll thousands of applicants with “Temporary Medicaid” status during state fiscal year 2014, until their eligibility could be positively determined.

THE FOLLOWING CHARTS

- Present an overview of MassHealth eligibility, enrollment and spending.
- Demonstrate that MassHealth
 - Provides health insurance that is an essential gateway to health care for more than one-quarter of the Massachusetts population;
 - Is an important source of income for providers who serve low-income patients; and
 - Has seen modest recent growth in per capita costs while enrollment continues to grow.

MASSHEALTH PROVIDES COVERAGE SIMILAR TO COMMERCIAL INSURANCE, PLUS SOME ADDITIONAL BENEFITS

MassHealth

Covers typical commercial benefits, plus:

- Long-term services and supports (facility and community)*
- Diversionary behavioral health services (to avert hospitalization)
- Dental services
- Transportation to medical appointments*



Typical Commercial Insurance Coverage

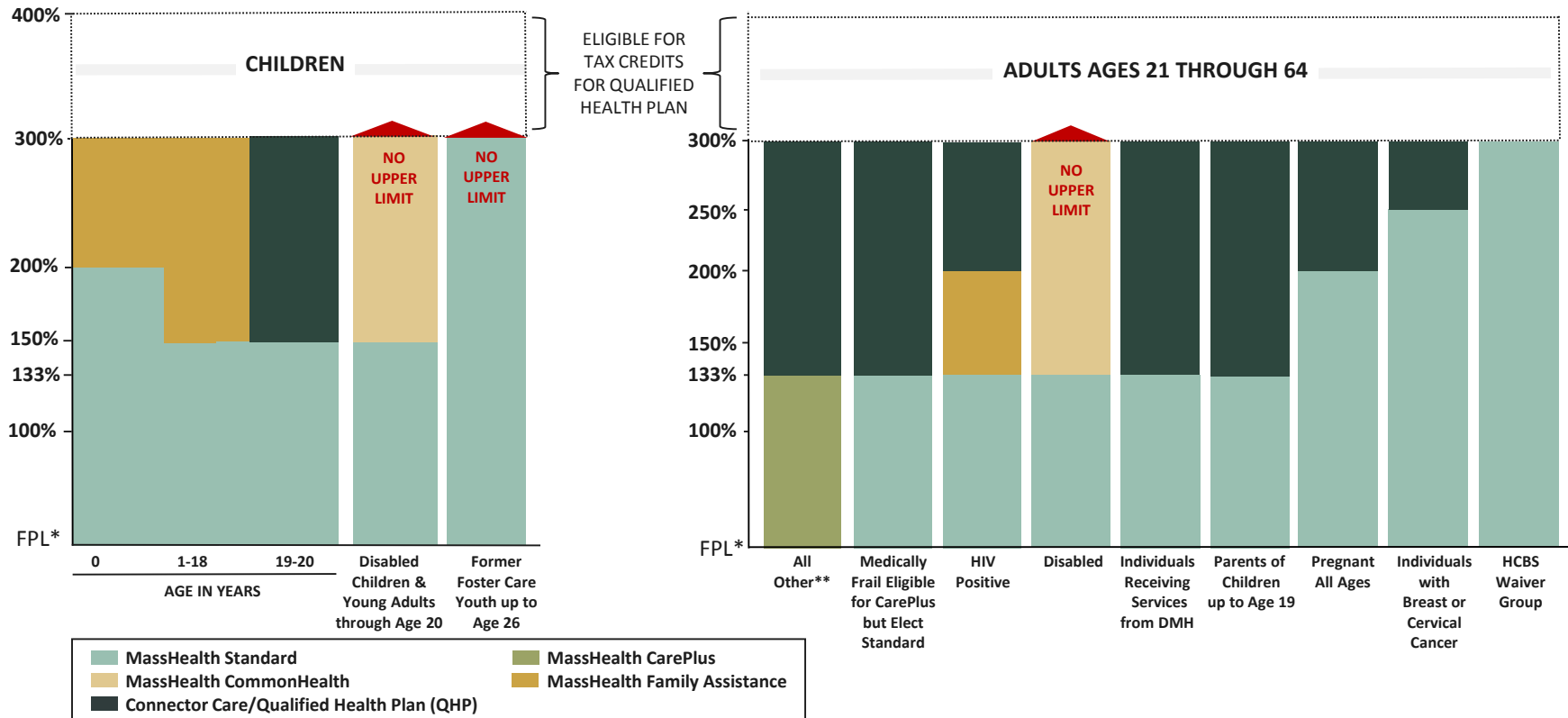
- Hospital services
- Physician services
- Well child visits
- Ancillary services (lab, radiology, etc.)
- Mental health/substance use treatment
- Prescription drugs
- Vision, hearing, medical equipment

* Services are available to most but not all MassHealth members.

Waivers

WHAT IS A WAIVER?	<p>States may request approval from the federal government to waive certain parts of federal Medicaid law, to test program innovations or gain more flexibility in how they deliver and pay for Medicaid services. MassHealth has two types of waivers, which are authorized under Sections 1115 and 1915c of the Social Security Act.</p>
1115 DEMONSTRATION WAIVER	<p>The MassHealth program operates under the authority of an 1115 demonstration waiver for all members under age 65, except those who are eligible based on institutional status and a small number of others. The waiver was first implemented in 1997, and has evolved through five extensions to expand coverage, support the safety net, provide incentives for delivery system innovations and serve as a platform for health care reform. An important condition of all 1115 waivers is that they be “budget neutral,” meaning the federal government will contribute no more to a waiver program than it would to a Medicaid program operating under standard rules.</p>
1915c HOME & COMMUNITY- BASED SERVICES (HCBS) WAIVERS	<p>HCBS waivers permit states to provide long-term services and supports in a home or community setting to members whose disabilities qualify them for an institutional level of care. Services include home health care, personal care, habilitation, respite, physical and occupational therapy, group adult care, home modification, assistive technology and others. Many of the services are authorized and overseen by state agencies such as the Executive Office of Elder Affairs, the Department of Developmental Services and the Department of Mental Health, and MassHealth obtains federal matching funds on expenditures made. The state must demonstrate that providing the HCBS waiver services does not cost more on average than providing those services in an institution. In addition, the programs have enrollment limits. MassHealth has 10 HCBS waivers, which are an important component of the Commonwealth’s “Community First” policy. The waiver programs are targeted to specific populations:</p> <ul style="list-style-type: none"> ▪ Elders age 60 and over with physical disabilities (Frail Elder Waiver) ▪ Adults age 22 and over with intellectual disabilities (Community Living, Intensive Supports, Adult Supports Waivers) ▪ Adults age 22 and over with acquired brain injuries (ABI Residential, ABI Non-Residential, Traumatic Brain Injury Waivers) ▪ Adults and Elders age 18 and over with physical disabilities who are moving from a facility back to the community (Money Follows the Person Community Living and Residential Supports Waivers) ▪ Children age 0 to 8 with autism (Children’s Autism Spectrum Disorder Waiver)

MASSHEALTH ELIGIBILITY UNDER ACA



*FPL = income as percent of federal poverty level

** Includes members previously eligible for Commonwealth Care and for MassHealth Basic and Essential.

NOTE: Several MassHealth programs are no longer available effective 1/1/2014 including: MassHealth Basic and Essential, Insurance Partnership, Healthy Start, Prenatal, Commonwealth Care and the Medical Security Program. Populations previously covered by these programs will now be covered by MassHealth Standard, CarePlus and Connector Care.

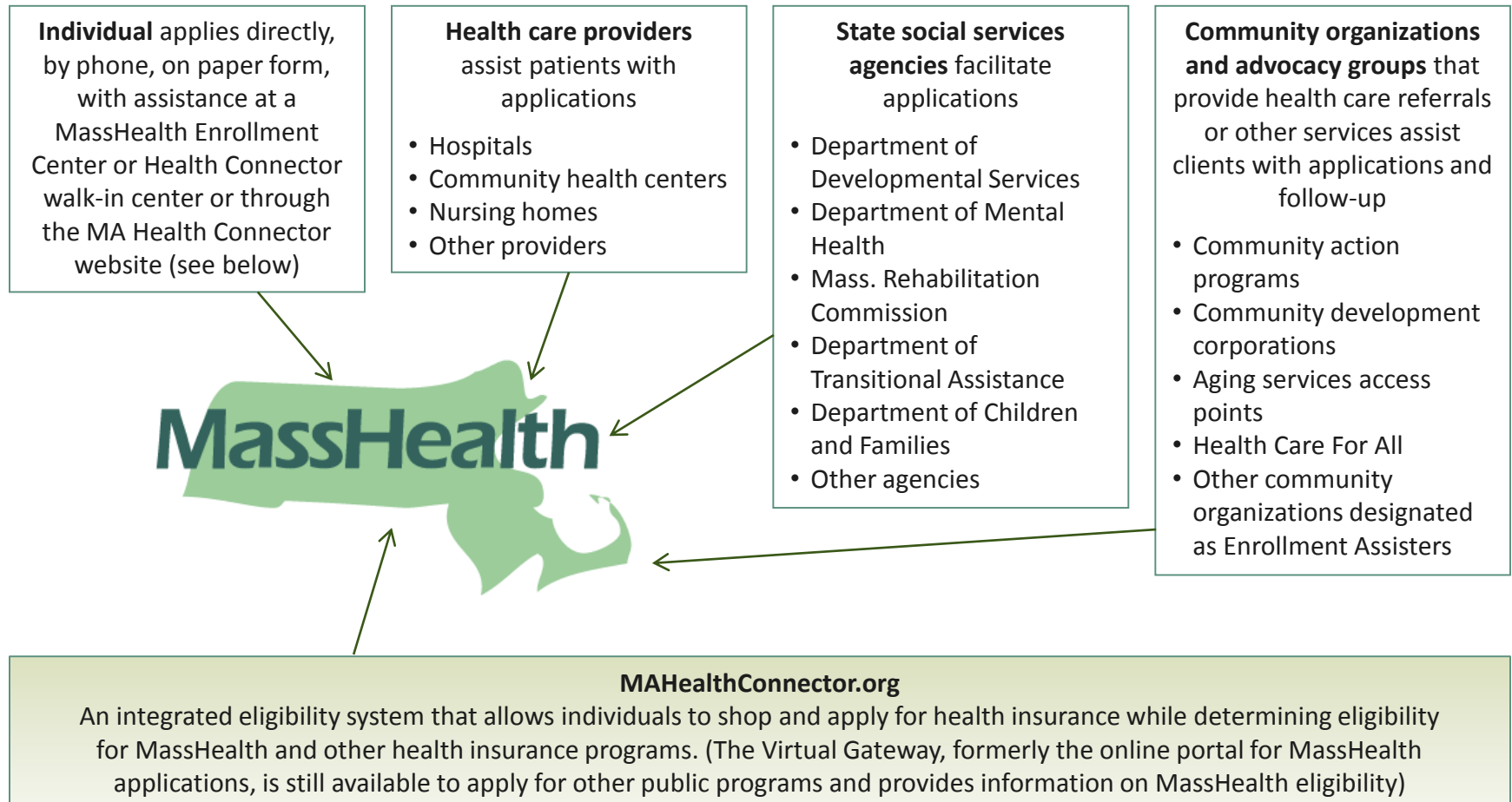
NOTE: In general, the eligibility level for seniors age 65 and older is 100% of FPL and assets of up to \$2,000 for an individual or \$3,000 for a couple. More generous eligibility rules apply for seniors residing in nursing facilities or enrolled in special waiver programs.

MORE STRINGENT MASSHEALTH ELIGIBILITY FOR SENIORS, THOUGH MOST ALSO HAVE MEDICARE

POPULATION	INCOME / ASSETS	COVERAGE
Living in community, with or without Medicare eligibility, citizen or lawfully present immigrant	100% FPL Assets at or below \$2,000	MassHealth Standard or Family Assistance (based on immigration status); wide range of medical services, plus for Standard, coverage of Medicare cost sharing and premiums
Living in community, undocumented non-citizen	100% FPL Assets at or below \$2,000	MassHealth Limited – Emergency services only
Living in community, eligible for Medicare	100% FPL Assets at or below \$7,280	MassHealth Senior Buy-In, covers non-prescription drugs, Medicare premiums, copays and deductibles. Does not cover other MassHealth Standard services.
Living in community, eligible for Medicare	>100% – 135% FPL Assets at or below \$7,280	MassHealth Buy-In covers Part B premiums only. People who are meeting a spend-down deductible may qualify for MassHealth Standard.
Living in or waiting for facility-based long-term care	No specific income limit Assets at or below \$2,000	MassHealth Standard Covering Long-Term Care, patient must pay income minus a monthly personal needs allowance towards nursing facility care.

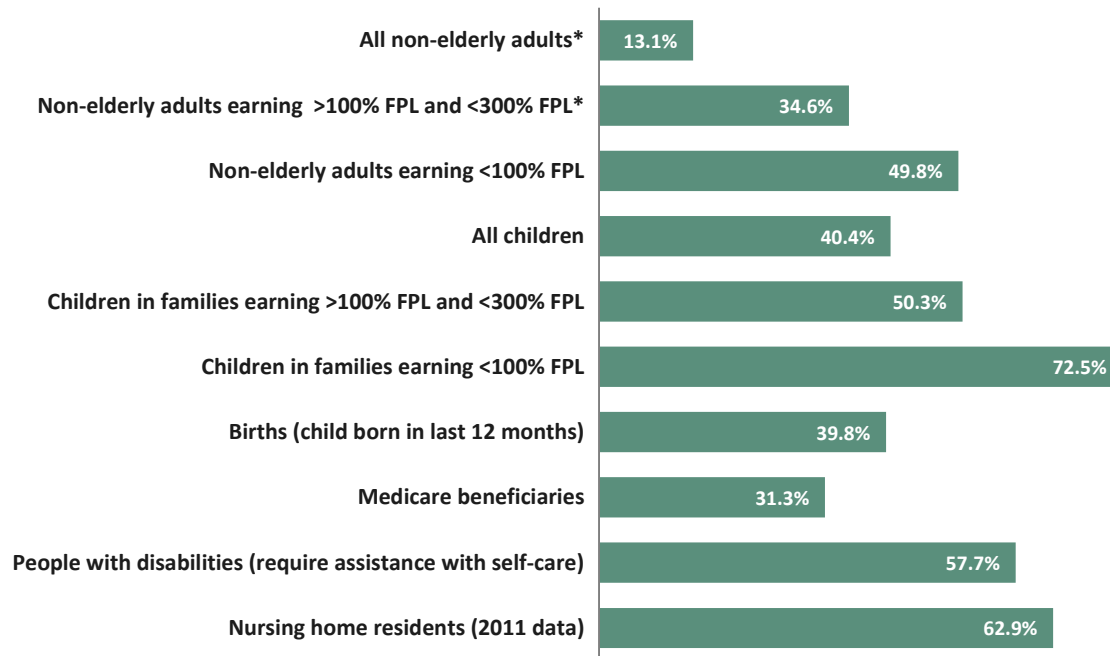
NOTE: Seniors can qualify for MassHealth through the Frail Elder Waiver with income up to 300% of the SSI benefit rate. Asset limits listed are for individuals; the amounts for couples are higher. See <http://www.mass.gov/eohhs/docs/masshealth/membappforms/saca-1-english-mb.pdf>

MANY DOORS TO MASSHEALTH



MASSHEALTH IS IMPORTANT TO MANY POPULATION GROUPS

PERCENT OF SELECT MASSACHUSETTS POPULATIONS COVERED BY MASSHEALTH, 2013



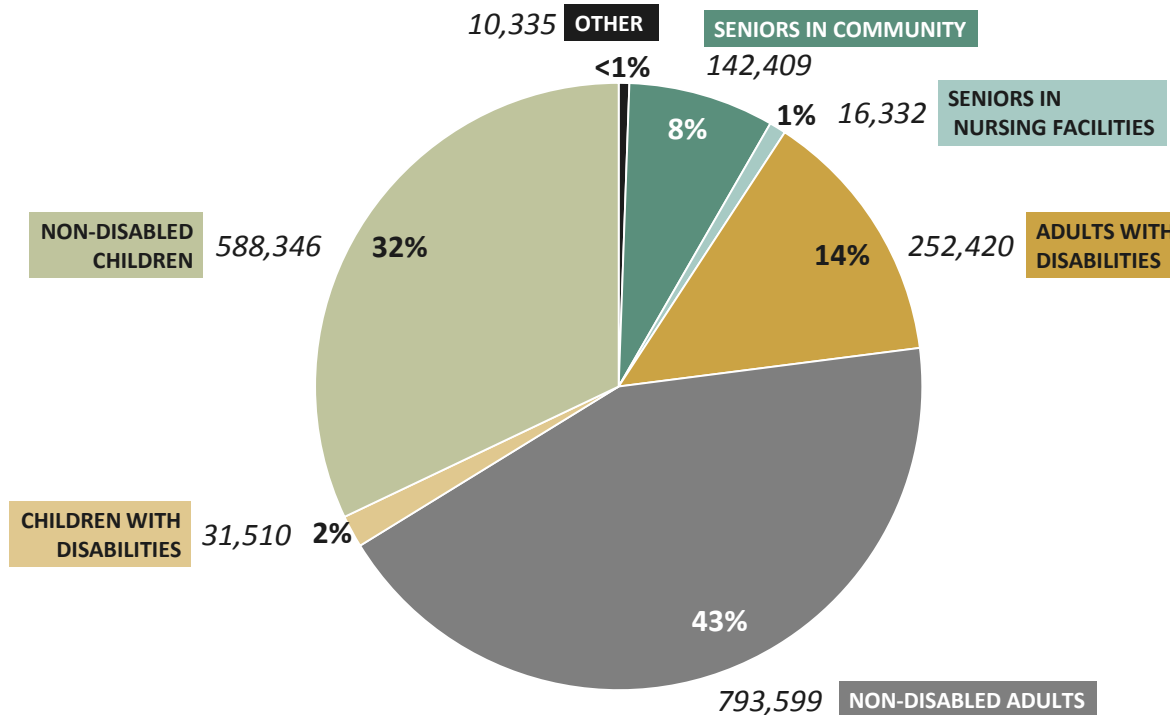
* Because of the wording of the survey question from which these data are drawn, these estimates are likely to include some Commonwealth Care enrollees in addition to adults enrolled in MassHealth. The MassHealth population between 100% and 300% of FPL consists mostly of people with disabilities, as well as smaller numbers of members in specific circumstances (pregnant, HIV positive, working for small employers eligible for subsidies, parents of MassHealth-eligible children up to 133% FPL).

SOURCES: Author's calculations using the 2013 American Community Survey (ACS). Nursing home data from Kaiser Family Foundation, "Overview of Nursing Facility Capacity, Financing, and Ownership in the United States in 2011," June 2013. Data for "all children" and "all non-elderly adults" calculated from 2013 ACS population data and MassHealth Snapshot report, enrollment as of 12-31-13.

Among the Massachusetts population, nearly three-quarters of poor children (<100 percent FPL) and half of near-poor children (100-300 percent FPL), half of poor adults and people with disabilities and nearly two-thirds of nursing home residents are MassHealth members. Nearly a third of people covered by Medicare rely on MassHealth to assist with premiums and cost sharing and to cover services, such as long-term services and supports, that Medicare does not cover.

MASSHEALTH COVERS CHILDREN, ADULTS & SENIORS, AND OFTEN SUPPLEMENTS OTHER INSURANCE

PERCENT OF TOTAL MASSHEALTH ENROLLMENT (1.8 Million), MARCH 2015



SOURCE: MassHealth, March 2015 Snapshot Report.

MassHealth members range from the very young to the very old. Members with disabilities, representing 16 percent of membership, receive coverage for long-term care services from MassHealth that are not usually available through other health insurance sources.

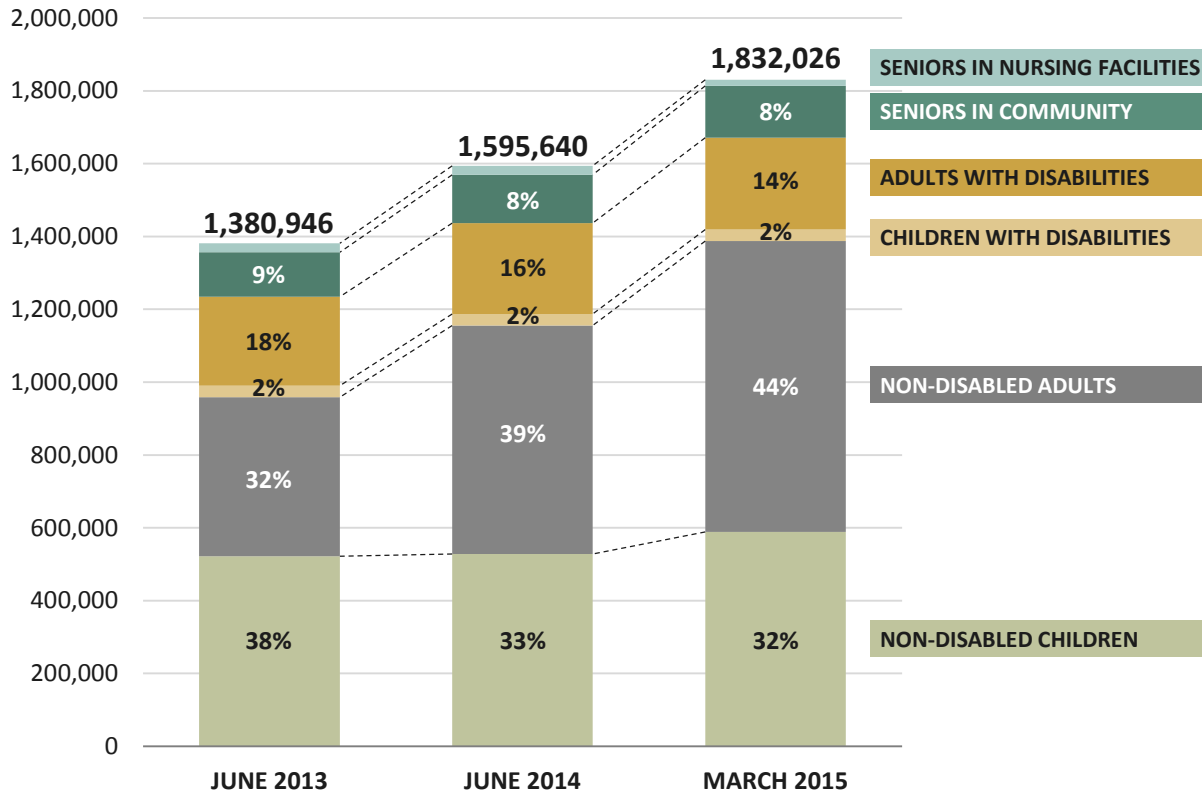
Non-disabled adults are a larger portion of MassHealth members than in the past because of the ACA-related introduction of MassHealth CarePlus.

About one-fifth of MassHealth members have coverage through Medicare or an employer, and MassHealth acts as secondary coverage. In some circumstances, MassHealth also pays members' premiums and cost sharing for their employer-sponsored or Medicare coverage, if it is more economical than paying for full MassHealth benefits.

ACA IMPLEMENTATION HAS DRIVEN RECENT MASSHEALTH ENROLLMENT GROWTH; NON-DISABLED ADULTS UNDER 65 NOW ARE NEARLY HALF OF MEMBERS

DISTRIBUTION OF MASSHEALTH ENROLLMENT, 2013-2015

(NUMBER OF MEMBERS)



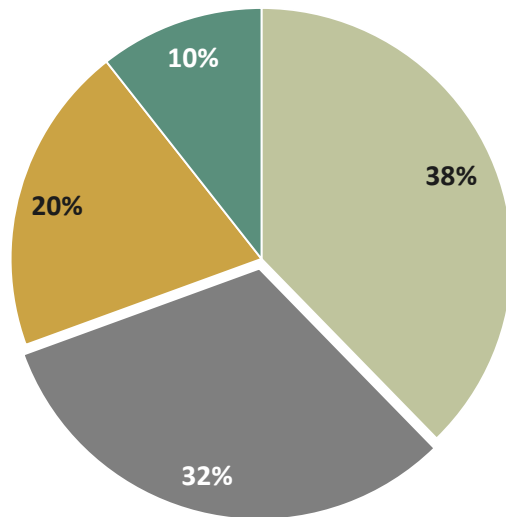
From June 2013 to March 2015, MassHealth grew by over 450,000 members. Much of that growth occurred among adults without disabilities, many of whom became eligible for the first time in January 2014, when the ACA's Medicaid expansion took effect. This group grew by over 360,000 during this period, and now accounts for 44 percent of total MassHealth membership, an increase from 32 percent in 2013.

It is notable that other populations grew as well, even though their eligibility was not impacted by the ACA. Between June 2013 and March of 2015, the number of seniors grew by 13,000 or 9 percent, while the number of children covered by MassHealth increased by 66,000 or 12 percent.

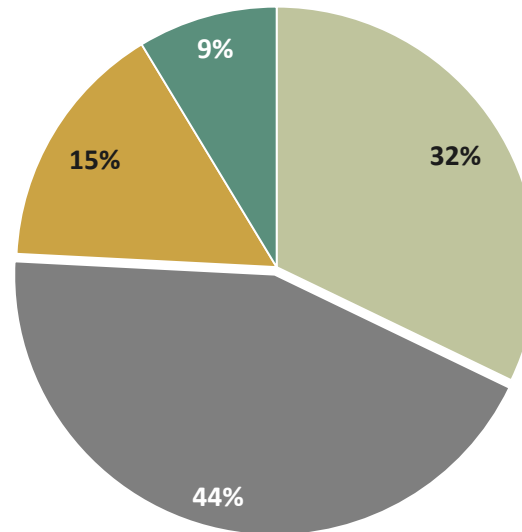
source: MassHealth, March 2015 Snapshot Report. Figures exclude applicants assigned "Temporary Medicaid" status. Non-disabled adults include those who, prior to January 2014, were eligible because they were long-term unemployed.

THE ACA HAS EXTENDED ELIGIBILITY TO MORE NON-DISABLED ADULTS, CHANGING THE MAKEUP OF THE MASSHEALTH-ELIGIBLE POPULATION

MASSACHUSETTS, December 2013



MASSACHUSETTS, March 2015



NON-DISABLED CHILDREN

NON-DISABLED ADULTS

ADULTS & CHILDREN WITH DISABILITIES

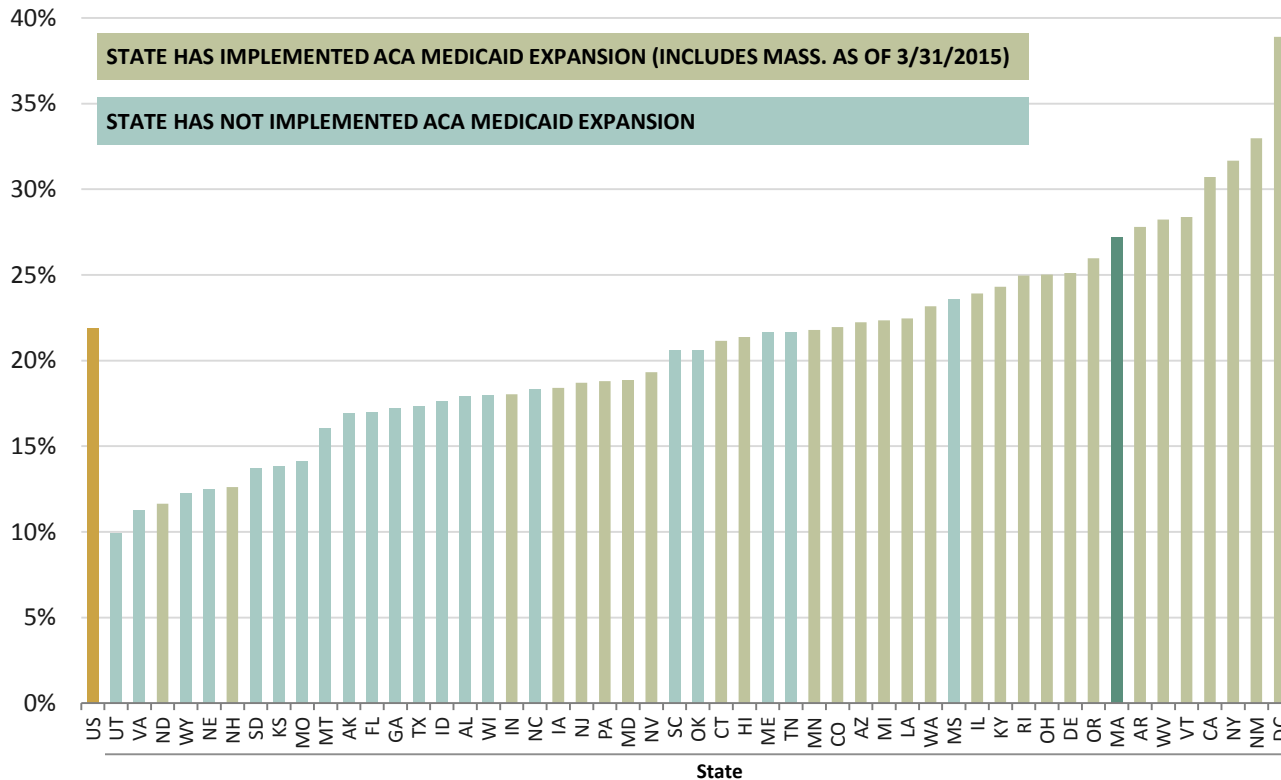
SENIORS

The Medicaid expansion authorized by the ACA brought overall growth in MassHealth enrollment, heavily influenced by newly eligible adults, which altered the distribution of MassHealth membership. Though their share of MassHealth members fell, the absolute number of non-disabled children grew somewhat. The number of members in the other categories grew very slightly, if at all, during this period.

SOURCES: MassHealth Snapshot Report, March 2015, with data from December 31, 2013 and March 31, 2015.

MASSHEALTH PROVIDES COVERAGE TO MORE THAN ONE IN FOUR MASSACHUSETTS RESIDENTS

PERCENTAGE OF POPULATION ENROLLED IN MEDICAID, as of 12/31/2014



SOURCES: Calculations based on Medicaid enrollment data from Centers for Medicare and Medicaid Services, "Medicaid & CHIP: January 2015 Monthly Applications, Eligibility Determinations and Enrollment Report" (March 20, 2015); enrollment as of 12/31/2014 and includes CHIP. Massachusetts enrollment is as of March 2015 from MassHealth Snapshot Report. Population estimates for July 1, 2014 from the U.S. Census Bureau.

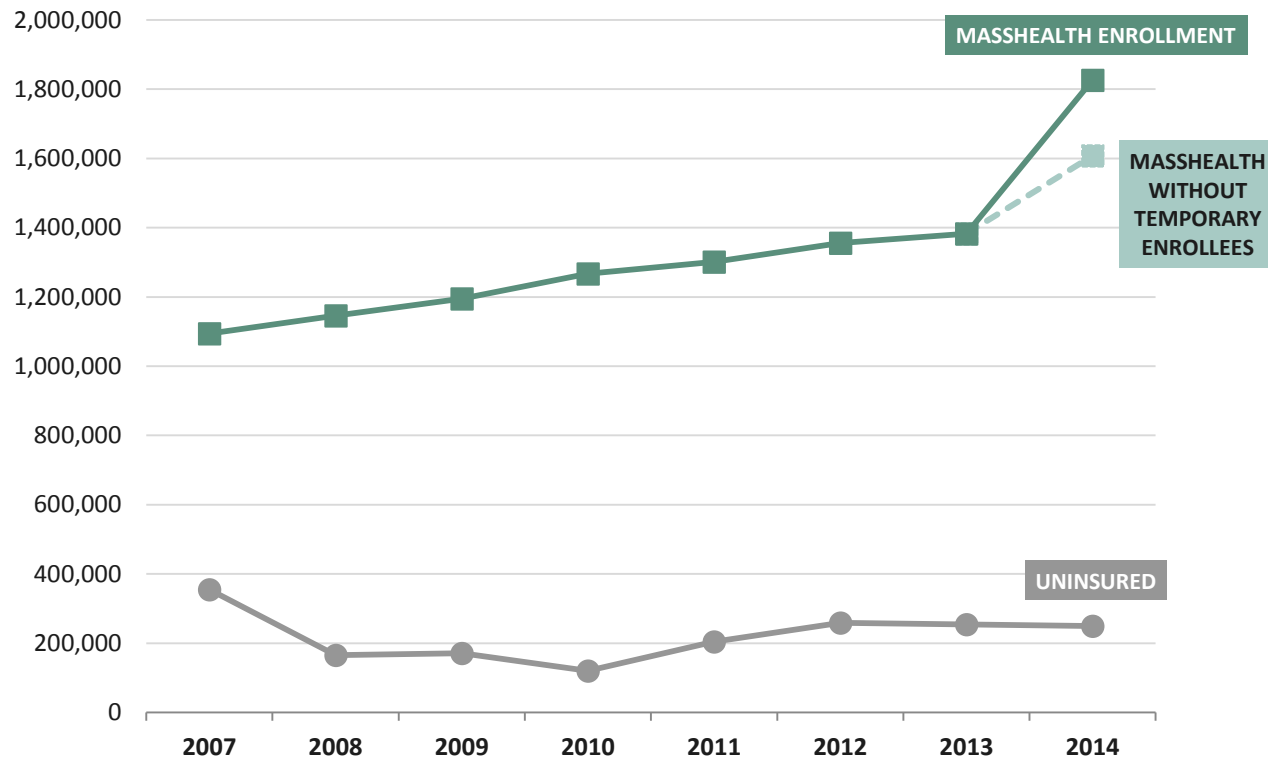
States that exercised the ACA option to expand their Medicaid programs to cover most residents with incomes up to 138 percent of the federal poverty level tend to cover a larger portion of their residents in Medicaid than states that did not expand.

Massachusetts is among the expansion states, and MassHealth now covers more than one-quarter of people in Massachusetts.

This high level of MassHealth participation combines with Massachusetts's higher-than-average level of employer-sponsored coverage to lead to the state's lowest-in-nation uninsured rate.

MASSHEALTH ENROLLMENT HAS CONTINUED TO GROW EVEN AS THE NUMBER OF UNINSURED LEVELED OFF

TRENDS IN MASSHEALTH ENROLLMENT AND UNINSURED, 2007–2014



SOURCES: MassHealth figures monthly averages from the Office of Medicaid. Uninsured numbers for 2007-2011 from the Division of Health Care Finance and Policy, from a survey in that year, for 2012-2013 from the American Community Survey (ACS) via the Center for Health Information and Analysis (CHIA), and for 2014 from a CHIA survey.

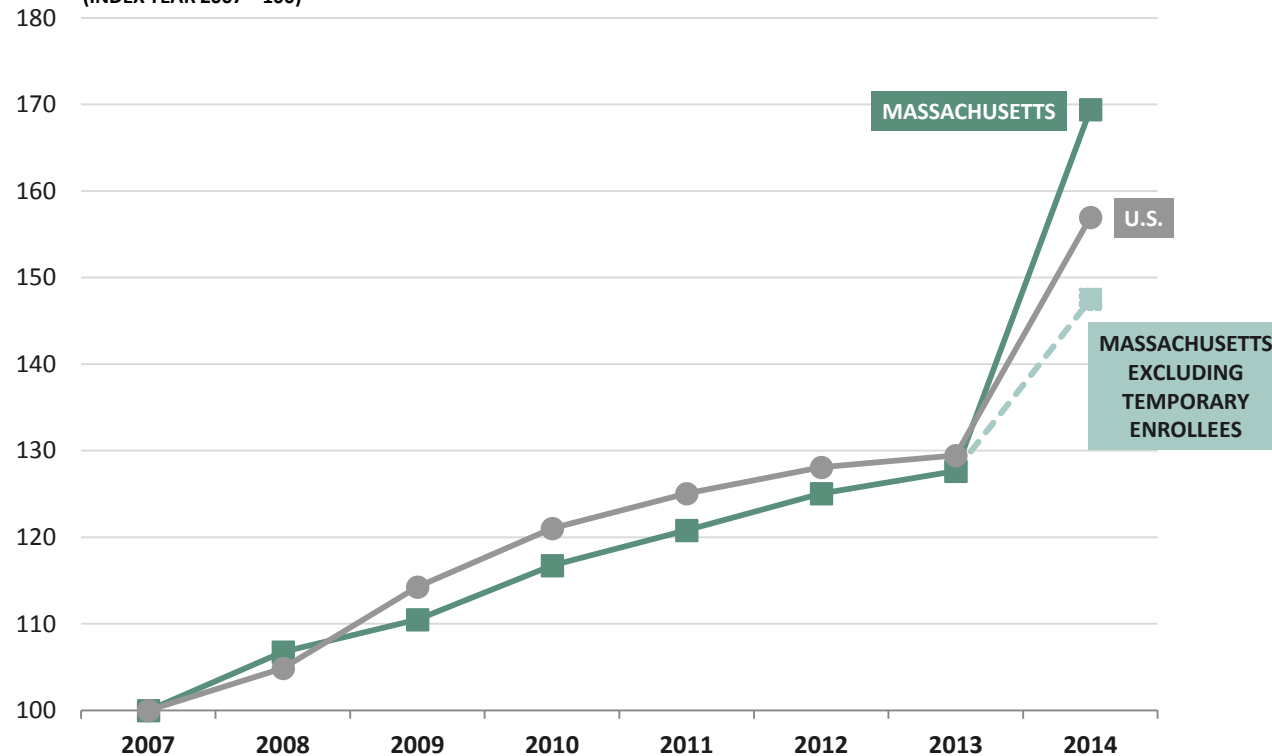
Since the MassHealth waiver began in 1997, MassHealth membership has steadily grown, and the number of Massachusetts residents without insurance steadily declined from 2004-2010. Commonwealth Care, introduced in 2007, also played a role in recent declines in the number of uninsured.

Since 2010, the number of uninsured has stabilized or slightly increased, while MassHealth enrollment has continued to grow. Much of this growth can be attributed to recent economic trends. Since 2009, the percentage of Massachusetts residents living below the poverty line grew from 10.8 to 11.9, and the percentage of residents with health insurance from an employer declined from 67.1 to 62.8 (U.S. Census Bureau).

MEDICAID ENROLLMENT HAS GROWN BOTH NATIONALLY AND IN MASSACHUSETTS BECAUSE OF ECONOMIC AND POLICY FACTORS

U.S. AND MASSACHUSETTS MEDICAID ENROLLMENT GROWTH

(INDEX YEAR 2007 = 100)



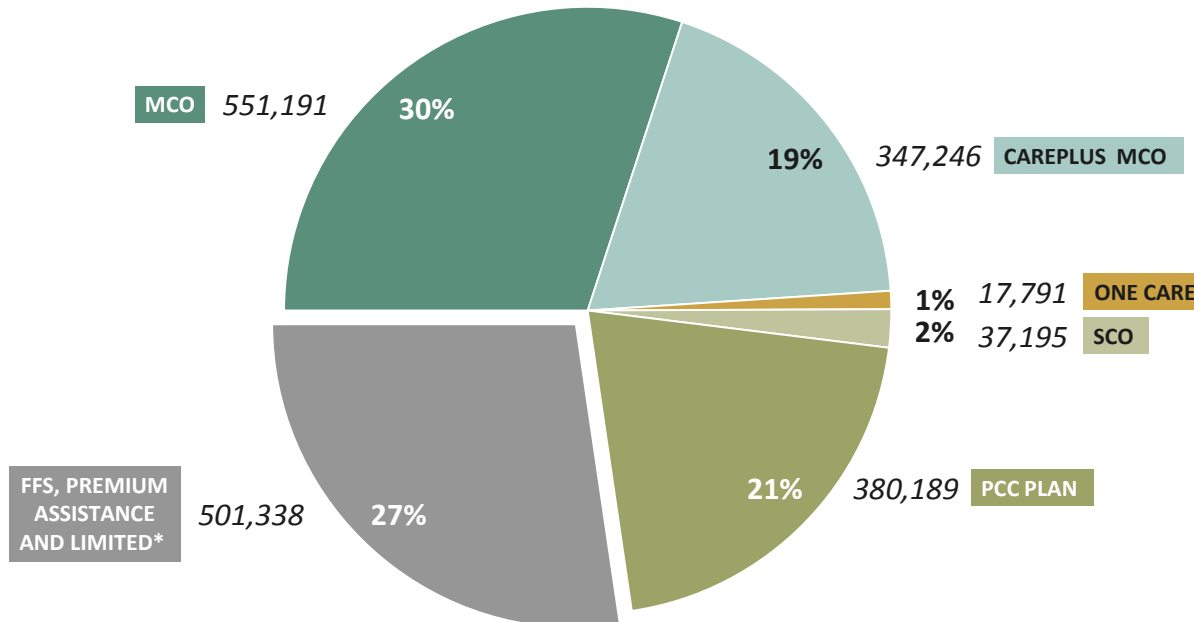
Medicaid enrollment grew steadily, both in Massachusetts and across the country, through the economic recession and its aftermath. Enrollment jumped dramatically in 2014, with the ACA-authorized Medicaid expansion.

SOURCES: <http://kff.org/medicaid/state-indicator/monthly-medicaid-enrollment-in-thousands/#graph> for notes and sources.

June data for all years, except 2014 U.S. from July (source: <http://medicaid.gov/medicaid-chip-program-information/program-information/downloads/august-2014-enrollment-report.pdf>). MassHealth Data from Snapshot Reports, June data.

NEARLY THREE-QUARTERS OF MASSHEALTH MEMBERS ARE ENROLLED IN MANAGED CARE

MASSHEALTH ENROLLMENT BY PAYER TYPE, MARCH 2015



*MassHealth Limited provides coverage for emergency medical services for 103,000 undocumented non-citizens.

SOURCE: MassHealth, March 2015 Snapshot Report.

For persons under age 65, MassHealth offers two options for managed care: enrolling in one of five private managed care organizations (MCOs) or in the MassHealth-administered Primary Care Clinician (PCC) Plan. People with disabilities under 65 who qualify for MassHealth and Medicare may enroll in One Care as a managed care option. Seniors may enroll in managed care via Senior Care Options (SCO). New enrollees under the ACA, as well as those who had been in MassHealth Basic and Essential prior to 2014, are enrolled in a new managed care option called CarePlus.

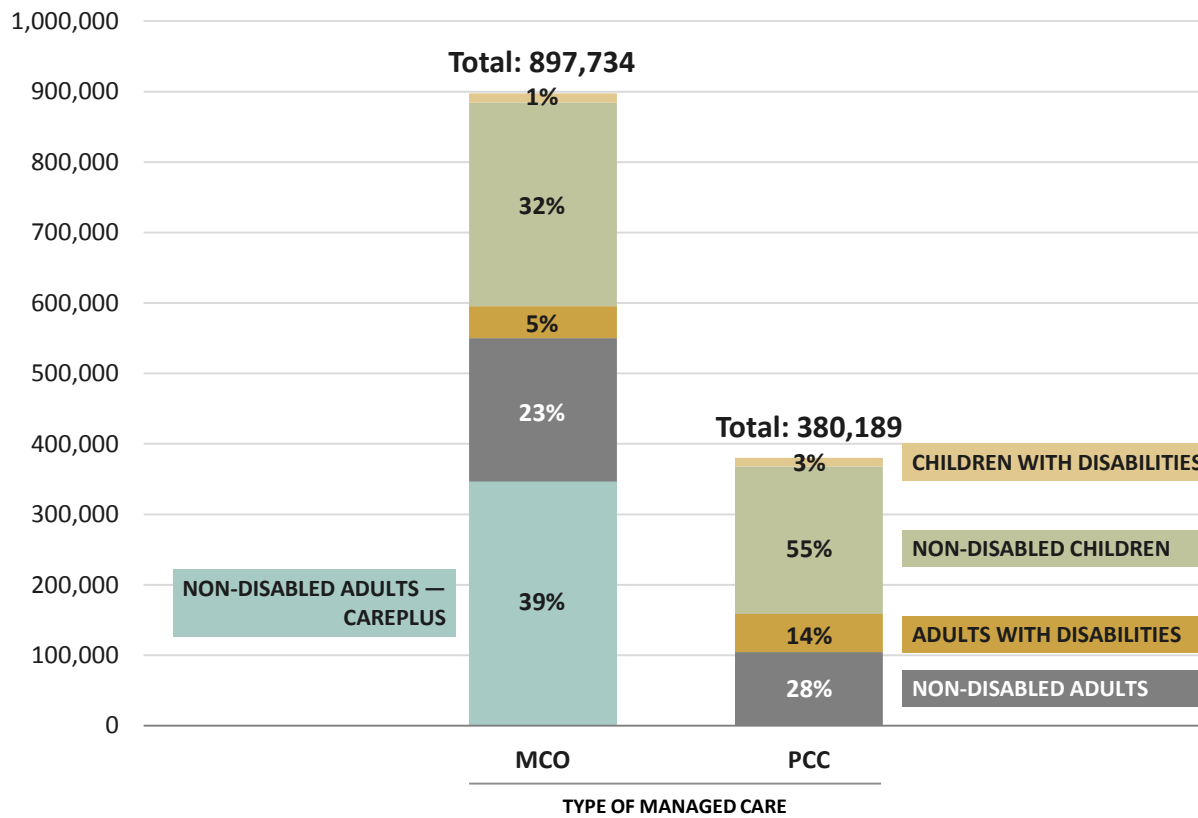
Those in fee for service (FFS) include seniors not enrolled in SCO, people with other coverage as primary (e.g., Medicare or employer-sponsored insurance) and people who live in an institution.

MANAGED CARE: PROGRAM FEATURES

MANAGED CARE PROGRAM	POPULATIONS SERVED	COVERED SERVICES
Managed Care Organizations (MCO)	MassHealth Standard, Family Assistance and CarePlus members under 65	Medical and behavioral health services are covered by a capitated payment to health plans. Long-term services and supports (LTSS) and dental benefits are not included in MCO benefit but available through MassHealth Fee-For-Service. LTSS benefits are not part of the CarePlus benefit package.
Primary Care Clinician Plan (PCC)	MassHealth Standard and Family Assistance members under 65	Behavioral health services are covered by capitated payment to a behavioral health plan. Medical services, which are not capitated, are managed by a primary care clinician, and dental and LTSS benefits are available through MassHealth Fee-for-Service. Some primary care clinicians receive capitated payments as part of the Primary Care Payment Reform Initiative. As of 10/23/15 CarePlus members will be able to choose PCC Plan.
One Care	Ages 21-64 eligible for MassHealth and Medicare	Full spectrum of services are covered by capitated payment to one health plan (includes LTSS, dental and behavioral health).
Senior Care Options (SCO)	65+ eligible for MassHealth and Medicare	Full spectrum of services covered by capitated payment to one health plan (includes LTSS, dental and behavioral health).

MCOs SERVE A LESS MEDICALLY COMPLEX POPULATION THAN THE PCC PLAN

MASSHEALTH MCO AND PCC PLAN ENROLLMENT BY POPULATION TYPE, March 2015



NOTE: Chart shows enrollment for members under age 65.

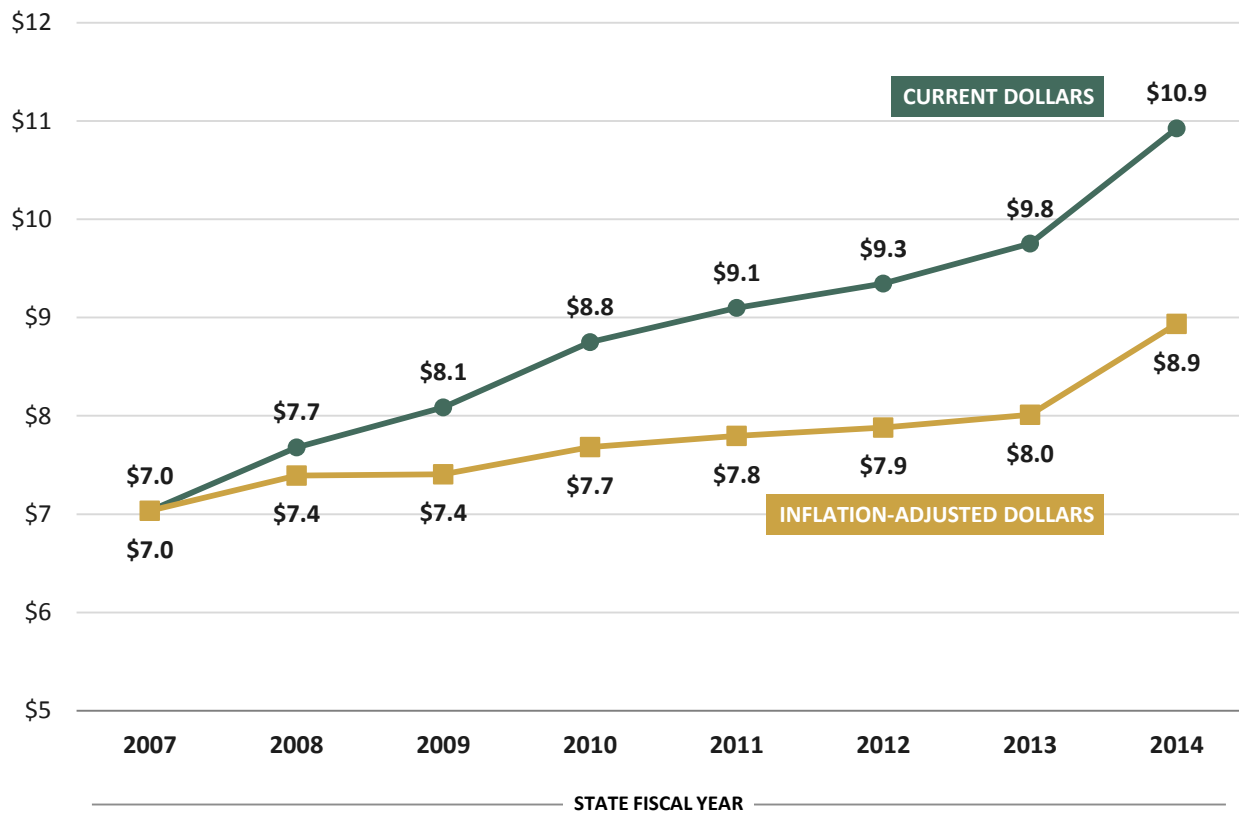
SOURCE: MassHealth, March 2015 Snapshot Report.

MassHealth members with disabilities and other medically complex care needs are more likely to enroll in the Primary Care Clinician (PCC) Plan than with an MCO. MCOs serve a less complex population: with the advent of CarePlus, more than 60 percent of MCO enrollees are non-disabled adults and one-third are non-disabled children.

In the PCC Plan, about one enrollee in six is a person with a disability. Many long-term unemployed members who formerly were enrolled in MassHealth Basic and Essential are now in the CarePlus managed care plan. Many of these members are more likely than other adults to have behavioral health needs.

NOMINAL MASSHEALTH SPENDING HAS GROWN BY MORE THAN HALF SINCE 2007; WHEN ADJUSTED FOR MEDICAL INFLATION SPENDING WAS GRADUAL UNTIL 2014

MASSHEALTH SPENDING, SFY 2007-2014
(BILLIONS OF DOLLARS)



SOURCES: MassHealth Budget Office. Inflation adjustment uses the Medical Consumer Price Index for the Boston area, from the Bureau of Labor Statistics.

MassHealth spending has increased in nominal terms from \$7 billion in state fiscal year (SFY) 2007 to \$10.9 billion in SFY 2014. Adjusting for medical inflation, the average annual increase from SFY 2007-2013 was approximately 2 percent, but jumped to an increase of over 11 percent from SFY 2013 to SFY 2014.

These are gross spending amounts, meaning that they include both state and federal revenues; the federal government reimburses Massachusetts for about half of its MassHealth spending.

The spending amounts include payment for medical benefits provided by MassHealth, and do not include the cost of Medicaid-reimbursable services from other state agencies or supplemental payments to hospitals.

FEDERAL AND STATE SPENDING ON MASSHEALTH REPRESENTS OVER 30 PERCENT OF THE STATE BUDGET

MASSHEALTH AS A PROPORTION OF ALL STATE SPENDING
(BILLIONS OF DOLLARS)



NOTE: The spending amounts include payment for medical benefits provided by MassHealth, and do not include the cost of Medicaid-reimbursable services from other state agencies or supplemental payments to hospitals.

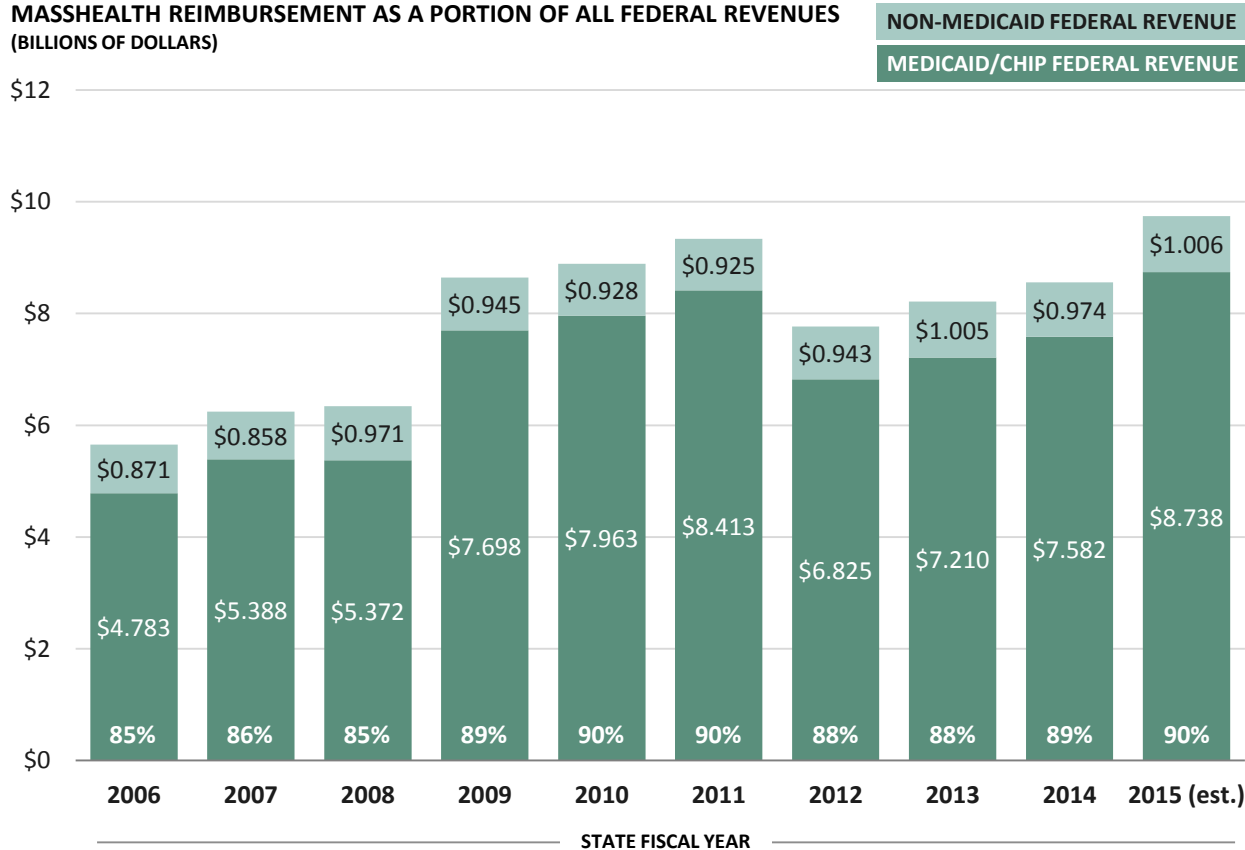
SOURCES: EOHHS (MassHealth data); Office of the Comptroller, Statutory Basis Financial Reports (other state spending).

Spending for MassHealth-covered services remained just over a quarter of all state spending between 2005 and 2008. The recession shrank state revenues in 2009 and 2010, which slowed overall state spending and swelled Medicaid enrollment, thus increasing Medicaid spending to 30 percent of the budget. While total state spending increased at a faster pace in SFY 2014 than in recent years, spending on MassHealth-covered services more than kept pace, mainly due to increased enrollment, and the share of the state budget going to MassHealth grew.

The federal government reimburses the state's general fund for more than half of its spending on MassHealth (not shown in chart). In 2009 and 2010, the match was enhanced further by federal stimulus spending.

MEDICAID IS THE MAIN SOURCE OF FEDERAL REVENUES TO MASSACHUSETTS

MASHEALTH REIMBURSEMENT AS A PORTION OF ALL FEDERAL REVENUES
(BILLIONS OF DOLLARS)



SOURCE: Massachusetts Budget and Policy Center.

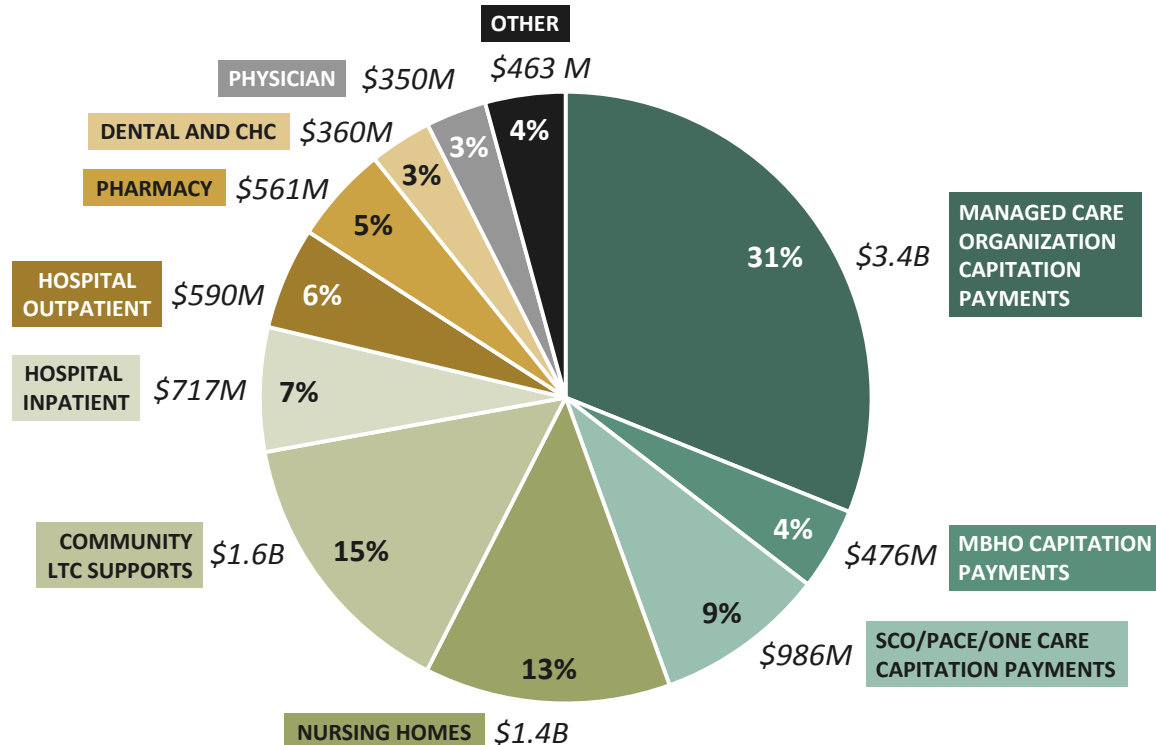
The federal government reimburses the Commonwealth for 50 percent of most Medicaid expenditures and 65 percent of CHIP expenditures. Members made newly eligible by the ACA Medicaid expansion draw an even higher federal match, which will settle at 90 percent in 2020.

“Medicaid” in this context includes MassHealth, Commonwealth Care (prior to 2014) and ConnectorCare (post-2014), additional MassHealth Waiver spending and spending on some programs and facilities administered by the Departments of Developmental Services, Mental Health and Public Health that serve people eligible for MassHealth.

Federal revenue supplies about one-quarter of the funding for the state budget. Medicaid and CHIP account for 90 cents of every federal dollar the state receives.

MASSHEALTH SPENDING BY SERVICE TYPE IN STATE FISCAL YEAR 2014

TOTAL MASSHEALTH SPENDING = \$10.9 Billion



NOTES: "Other" includes transportation and smaller amounts of spending on rest homes, vision care, early intervention, hearing care, family planning clinics, renal dialysis clinics, ambulatory surgery centers, Durable Medical Equipment/Oxygen, imaging/radiation centers, certified independent labs, psychologists, mental health clinics, psychiatric day treatment, substance abuse services and Medicare crossover payments. The spending amounts include payment for medical benefits provided by MassHealth, and do not include the cost of Medicaid-reimbursable services from other state agencies or supplemental payments to hospitals.

SOURCE: MassHealth Budget Office.

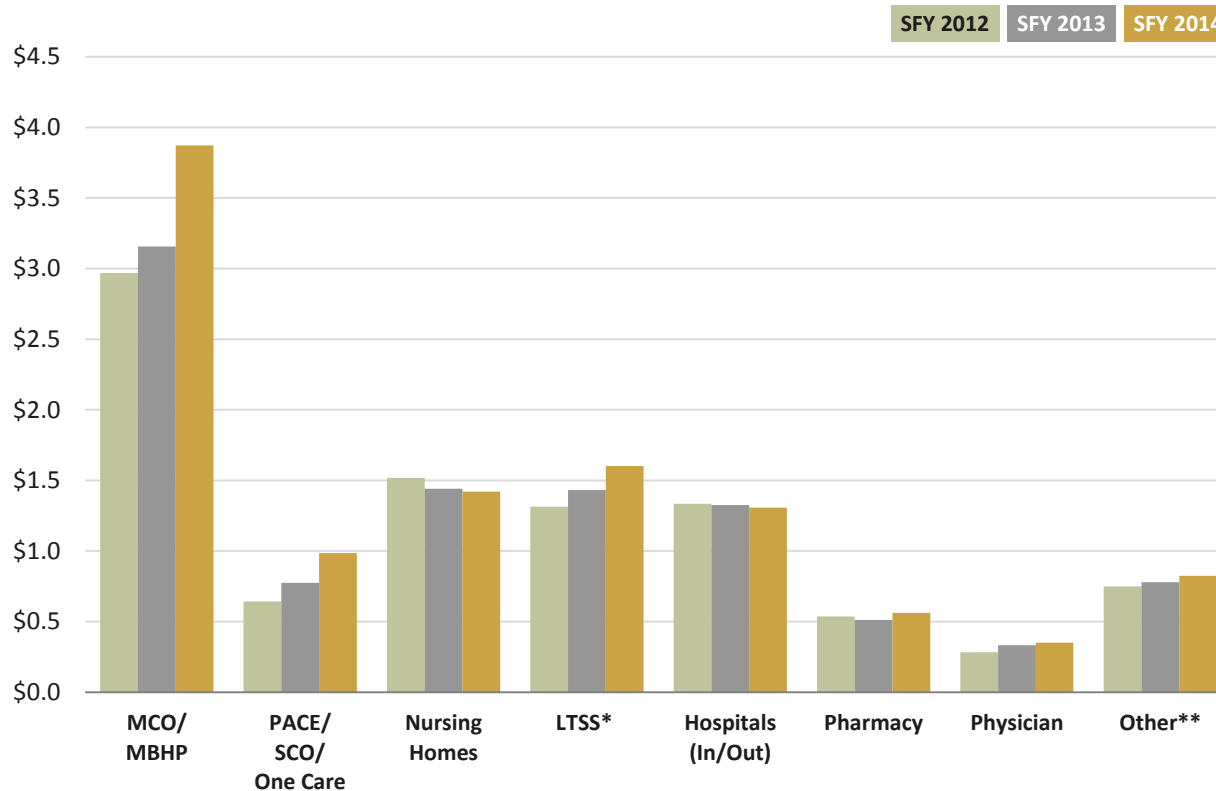
MassHealth spent \$10.9 billion on services for its members in state fiscal year 2014. Nearly half of spending was capitation payments to managed care organizations (MCOs), the PCC Plan's behavioral health carve-out vendor, Senior Care Options (SCO) and One Care plans and PACE providers. Nearly three-quarters of MassHealth members are enrolled in one of these managed care arrangements.

Nursing home payments accounted for 13 percent of spending, though only 2 to 3 percent of MassHealth members reside in nursing homes. Community-based long-term services and supports (e.g., personal care attendants, home health aides, adult foster care) accounted for 15 percent.

Hospital care (inpatient and outpatient) was about 13 percent of spending.

TRENDS IN MASSHEALTH SPENDING BY SERVICE TYPE

MASSHEALTH SPENDING TRENDS BY CATEGORY OF SERVICE BETWEEN STATE FISCAL YEARS 2012–2014
(BILLIONS OF DOLLARS)



*LTSS are long-term services and supports provided to people to enable them to live in the community.

**Services included in the “other” category include transportation, dental, community health centers and mental health clinics, among other services.

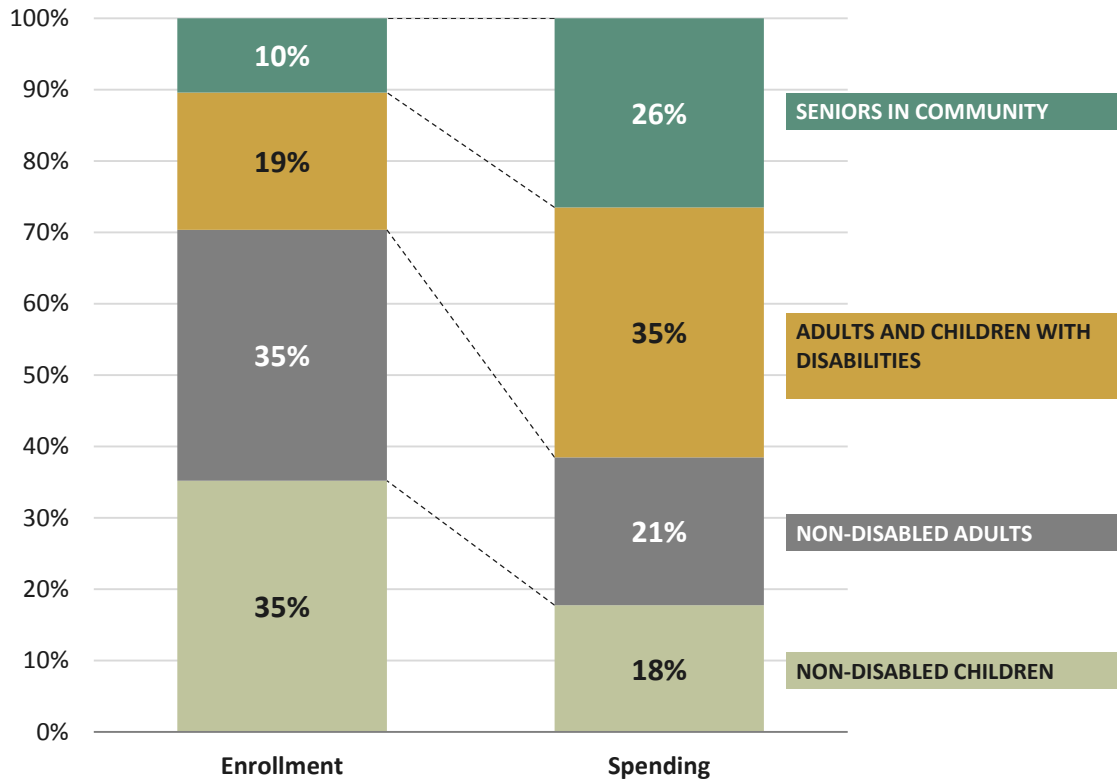
source: MassHealth Budget Office.

Most growth in expenditures is due to the increasing enrollment in managed care organizations and other capitated programs. Adults newly eligible for MassHealth through the ACA were all enrolled in MCOs. In addition, spending and enrollment in integrated health plans for people with Medicare have increased as more seniors enroll in SCO, and dually eligible adults with disabilities may enroll in One Care.

There has been a slight decrease in spending on nursing homes, as community long-term support spending has increased. Spending for hospital care, both in- and outpatient, has remained level.

MOST MEDICAID DOLLARS ARE SPENT ON SERVICES FOR A MINORITY OF MEMBERS

**DISTRIBUTION OF MASSHEALTH AND US AVERAGE
MEDICAID ENROLLMENT AND SPENDING BY VARIOUS POPULATIONS**

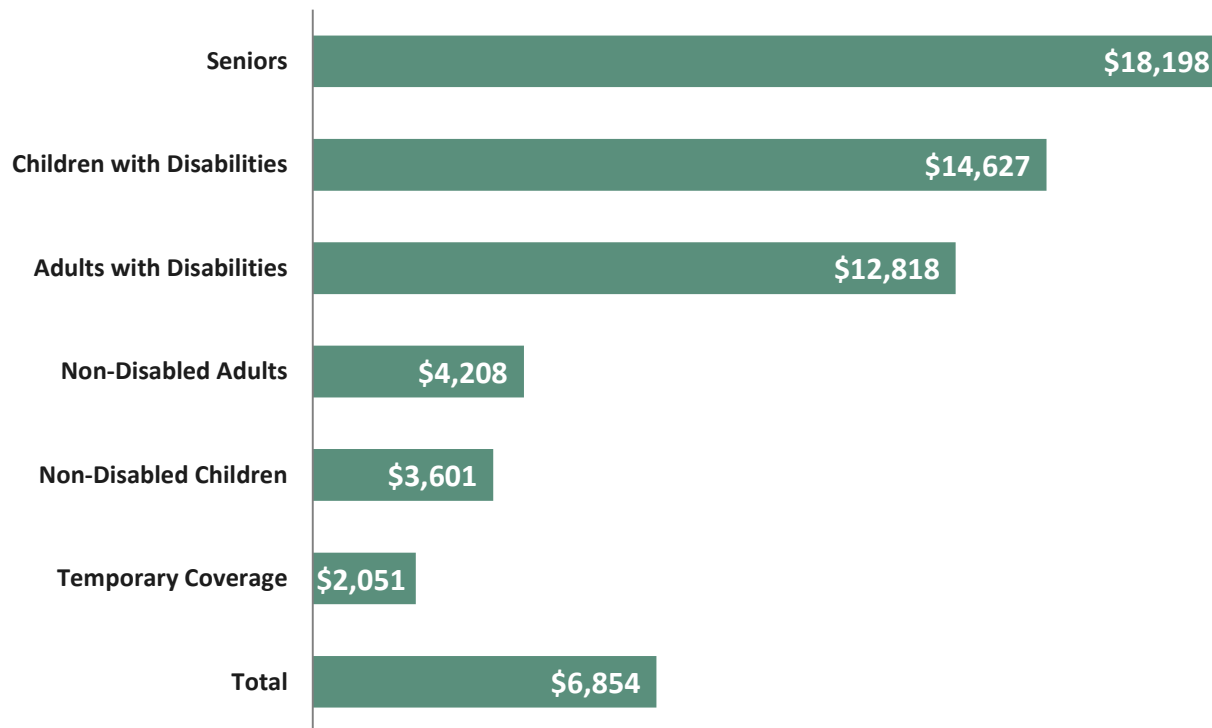


MassHealth spending is not spread evenly across the various categories of beneficiaries. More than 60 percent of benefit spending in SFY 2014 was for services to people with disabilities and seniors, though these groups comprise less than a third of MassHealth membership.

SOURCES: MassHealth Budget Unit, SFY 2014 data.

MASSHEALTH SPENDING PER ENROLLEE IS FOCUSED ON SERVICES FOR SENIORS AND THE DISABLED

MEDICAID PAYMENTS PER ENROLLEE PER YEAR, SFY 2014

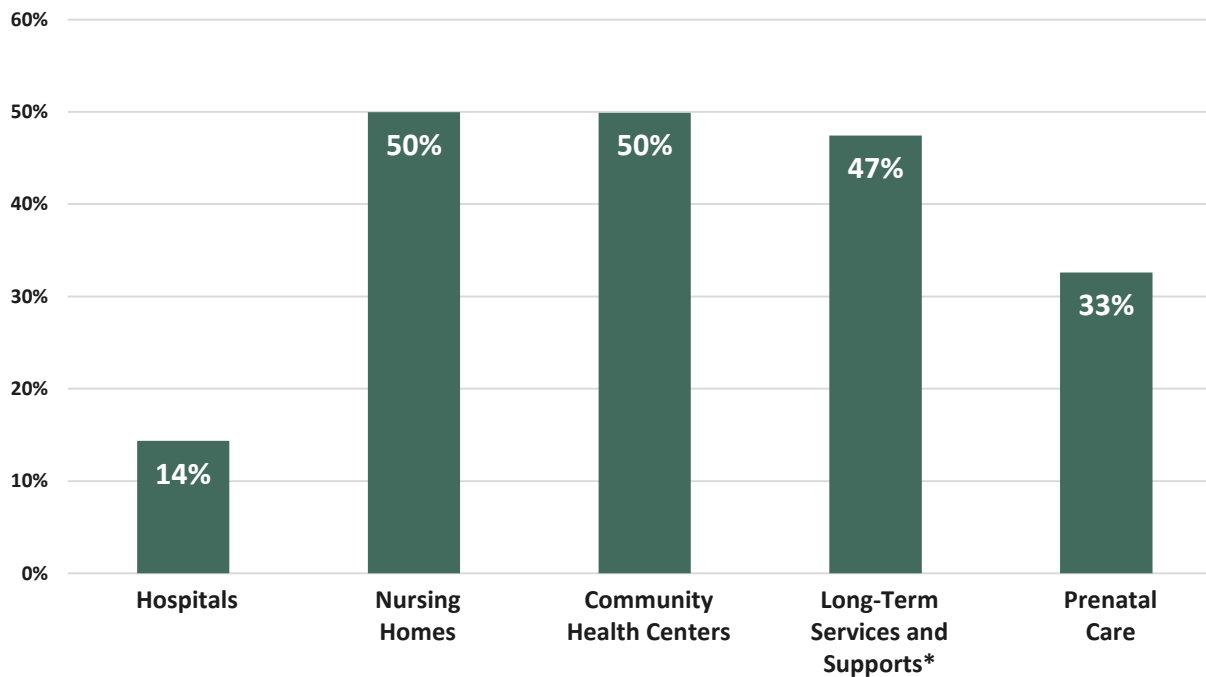


Seniors, who are more likely to have chronic conditions and complex health care needs, account for the highest level of MassHealth spending per member per year. Though seniors make up only 9 percent of MassHealth enrollment, approximately 14 percent of MassHealth spending is on nursing home services, which are predominantly used by seniors. Another 15 percent of spending is on long-term services and supports (LTSS) accessed by seniors and members with disabilities. Non-elderly members without disabilities are relatively inexpensive to cover.

SOURCES: Calculations based on total spending and member months from the MassHealth Budget Office.

MASSHEALTH SPENDING IS IMPORTANT TO MANY TYPES OF PROVIDERS

MASSHEALTH REVENUE AS A PERCENTAGE OF PROVIDERS' TOTAL PATIENT REVENUES, 2013



* Includes spending for home health care, durable medical supplies, Medicaid home- and community-based waivers, care provided in residential care facilities, ambulance services, school health and worksite health care.

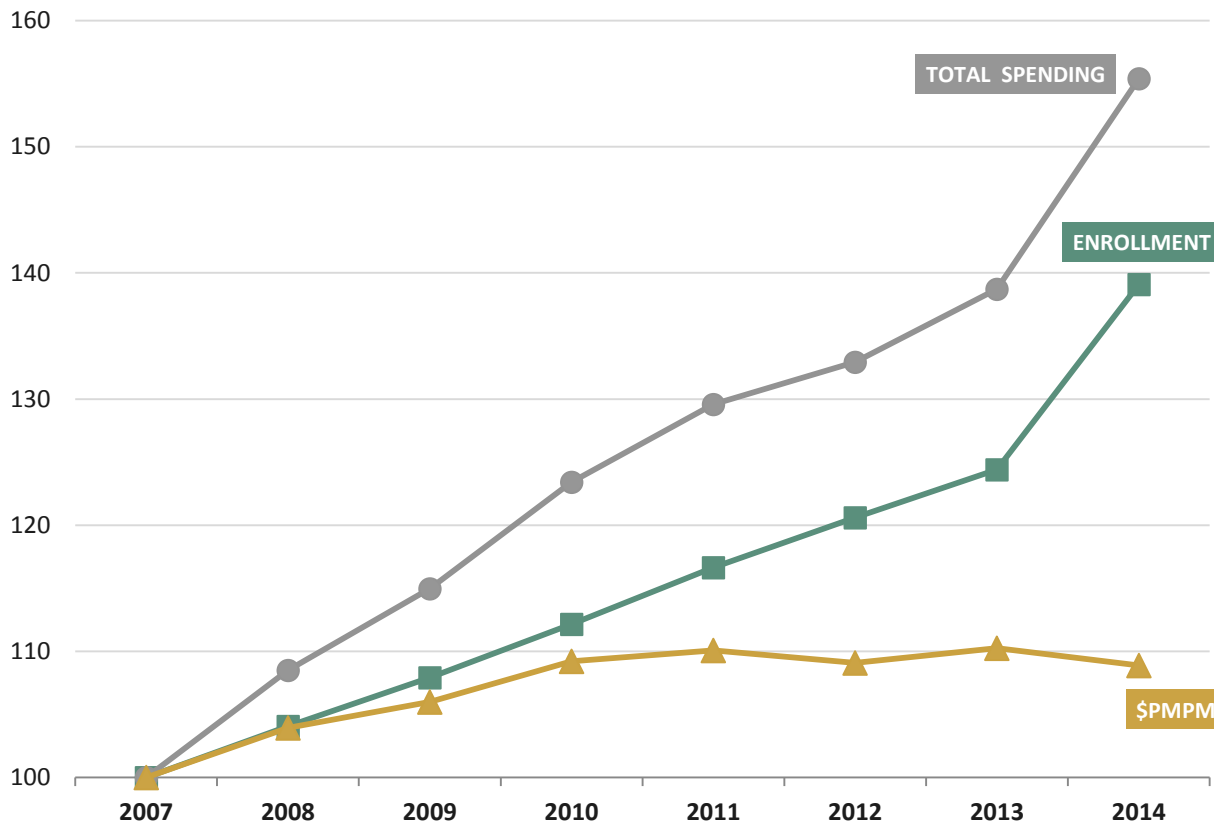
sources: Center for Health Information and Analysis, Massachusetts Hospital Profiles, Acute Hospital Data Appendix (2013 data); CHIA, Nursing Facility Cost Reports (Nursing Homes – data from calendar year 2013); Health Resources and Services Administration, Bureau of Primary Health Care, Uniform Data System Report (CHCs – data from Federal FY 2013); CMS National and State Health Expenditure Accounts (Mass. 2009 expenditures aged to 2013 using change in national expenditures 2009-2013); Mass. DPH, Massachusetts Births 2013 (Prenatal Care – data from calendar year 2013), December 2014.

MassHealth represents a significant portion of health care providers' revenues. This is especially the case for nursing homes and community health centers, which receive half of their total patient revenues from MassHealth.

MassHealth covers a third of all prenatal care, which is delivered by a mix of providers.

ENROLLMENT HAS DRIVEN GROWTH IN MASSHEALTH SPENDING IN RECENT YEARS

GROWTH IN MASSHEALTH TOTAL SPENDING, ENROLLMENT AND PER MEMBER PER MONTH (PMPM) COSTS (YEAR 2007 = 100)



SOURCES: EOHHS (total spending and enrollment) and authors' calculations.

The increasing number of MassHealth members, as opposed to the amount spent for each member, has been the greatest driver of MassHealth spending over the last several years. Spending per member increased an average of just 1.3 percent per year from fiscal year 2007 through 2014, and has been virtually unchanged since SFY 2010, even as total spending grew dramatically with the ACA expansion in SFY 2014. Enrollment grew an average of 5.2 percent per year over this period, including an 11.8 percent jump from SFY 2013 to SFY 2014.

MASSHEALTH'S PRIORITIES FOR REFORM

Massachusetts has used opportunities in the federal waiver process and the ACA to create innovations in how health care is organized, delivered and paid for. To ensure the future sustainability of MassHealth, its leaders have set these priorities:

- Improve customer service and the member experience
- Fix eligibility and operational processes
- Improve population health and care coordination through payment reform and value-based payment models
 - For example, accountable care organizations and bundled payments
- Improve integration of physical and behavioral health care
- Scale up innovative approaches for long-term services and supports
 - For example, One Care and SCO
- Improve management of existing programs

MassHealth currently is conducting a public dialogue about these priorities across the Commonwealth.

source: Executive Office of Health and Human Services, "Public Stakeholder Session: Creating a Sustainable MassHealth Program." April 6, 2015.

CONCLUSIONS

- MassHealth offers strong support to people who have no other source of health insurance and provides coverage for services and cost sharing not covered by other insurance (Medicare and employer-sponsored insurance) for low-income residents.
- Massachusetts has taken advantage of opportunities through the Affordable Care Act and the federal waiver process to develop innovations that expand access to health care, improve its quality and transform the way care is organized, delivered and paid for.
- Spending in the program has grown, driven mainly by increases in enrollment. Per capita spending has grown by an average of just 1.3 percent per year in the past 7 years.
- MassHealth offers eligibility to a broader segment of the population than many other states' Medicaid programs. In particular, more people with disabilities qualify through the CommonHealth program, which offers benefits that are not generally available through employers or Medicare.
- MassHealth spending trends reflect policy toward providing more care in community-based settings and less in facilities or inpatient settings.