

# STABILIZING MASSHEALTH FUNDING

## OPTIONS TO BREAK THE RECURRING CYCLE OF EXPANSION AND CONTRACTION

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# THE CYCLICAL NATURE OF MASSHEALTH

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## ■ Program Eligibility

- MassHealth is an income based entitlement program
- With coverage expansions to 300% of the FPL, increased pressure on the program
  - Today serves 1.32 million members
  - Stable membership in elderly and disabled populations
  - Variable membership for adults and children

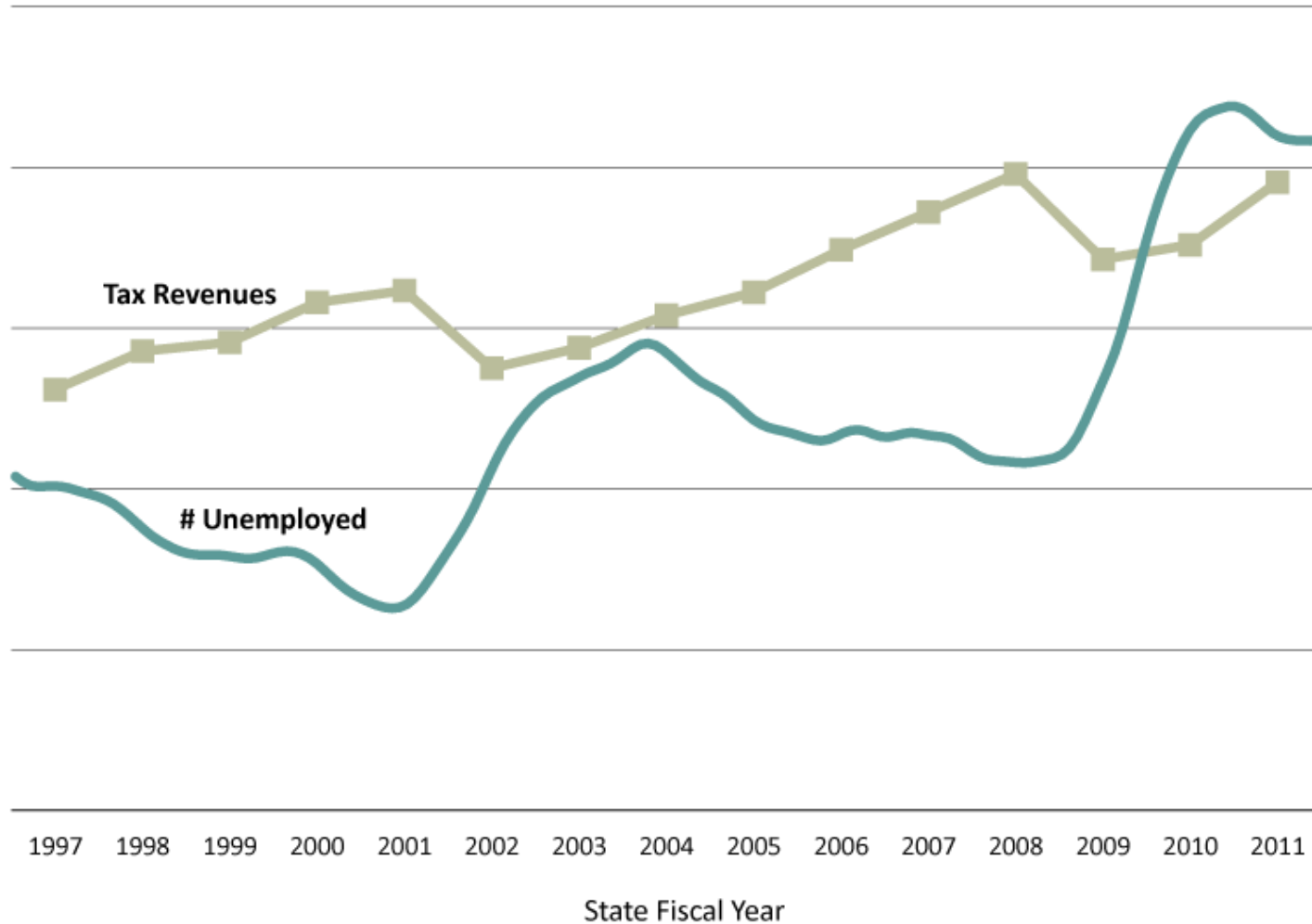
## ■ Economic Cycles

- In weak economies, more individuals look for coverage and less tax revenue available to pay for it
- In strong economies, Commonwealth traditionally makes efforts to expand program (either to cover more individuals or to increase services)

## ■ Managing the Medicaid Budget

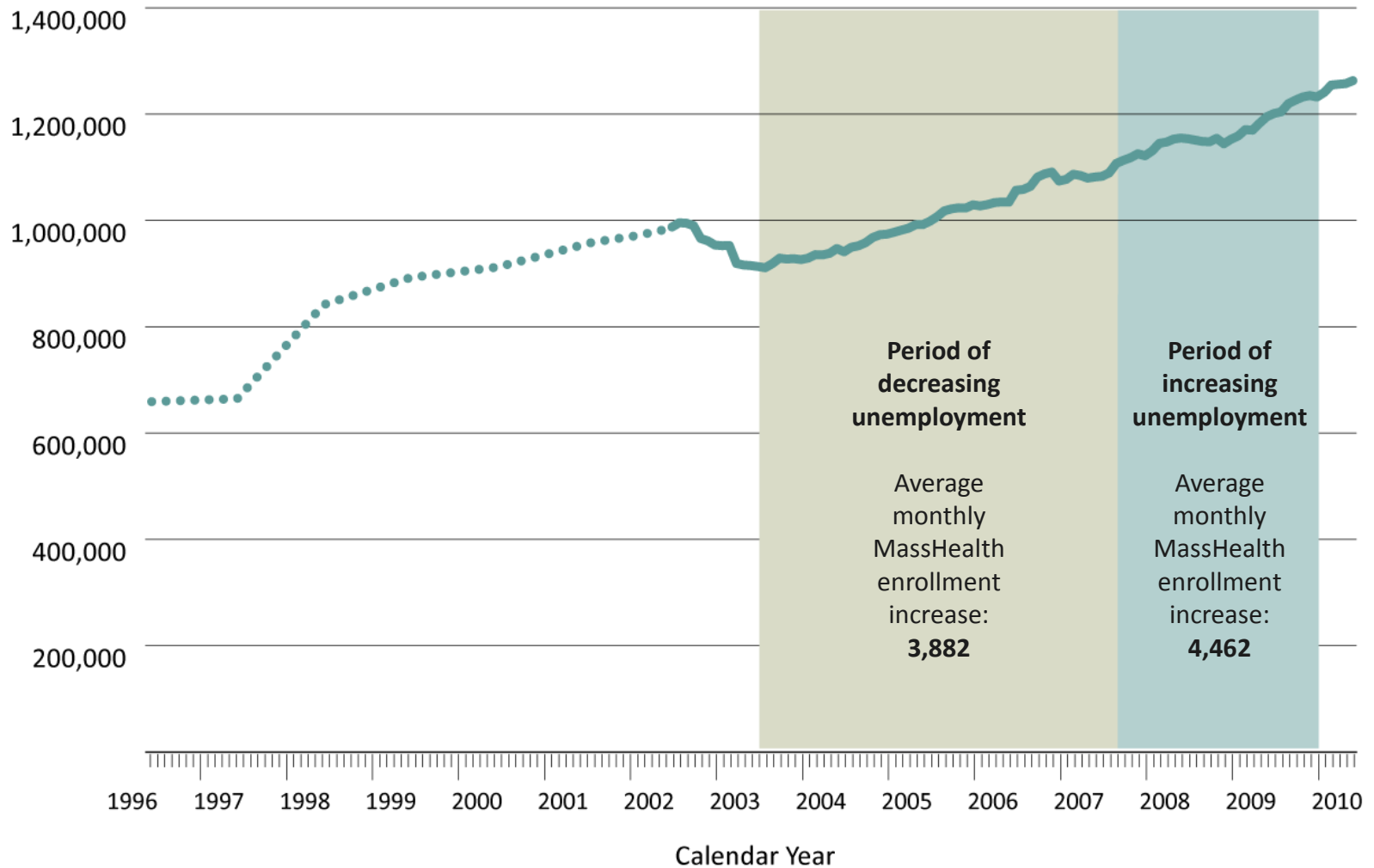
- Forces difficult decisions for the Administration and Legislature that has long- lasting effects on the overall stability of the program

# MASSACHUSETTS REVENUES and UNEMPLOYMENT TRENDS



source: Comptroller of the Commonwealth (revenue trend); U.S. Bureau of Labor Statistics (unemployment trend).

# MASSHEALTH ENROLLMENT 1997-2010



source: MassHealth. Monthly enrollment from 1997-2002 imputed based on actual enrollment in June of each year.

# LIMITED DECISIONS AVAILABLE TO MANAGE TO REVENUE

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- As a jointly-funded program, specific federal rules must be followed
  - Mandatory populations
  - Mandatory benefits
  - Limited member cost-sharing strategies
  
- As a result, limited options to manage budget in short-term period
  - Reduce or eliminate coverage to specific optional populations (not available in MA since health reform and individual mandate)
  - Increase administrative burden on individuals applying for coverage to constrain population growth
  - Reduce or eliminate optional benefits
  - Reduce or constrain growth in vendor and provider payment
  - Reduce or constrain growth in administrative staff and functions

# WHY IS IT IMPORTANT TO STABILIZE MASSHEALTH?

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- Entitlement nature
- Size of the program
  - Accounts for approximately 30 cents of each state budget dollar
  - Covers approximately 1 in 5 MA residents
- Concurrent loss of federal Medicaid revenue resulting from program cuts
- Impact of cuts on health care sector
- Benefit to other HHS agencies, vendors, providers and businesses

# NOW IS THE TIME TO DEVELOP A STRATEGY TO PROVIDE LONG-TERM STABILITY TO THE PROGRAM

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- Economy is still fragile but on an upswing
  - However, not clear if ever reach previous peak
  
- Significant new federal funding becomes available in 2014
  - Moving towards 90% FFP for adults without dependent children that now receive only 50% match
    - MassHealth Basic
    - MassHealth Essential
    - Commonwealth Care (100% and below)
  - Moving to an 88% match for children covered through CHIP

# THREE POTENTIAL OPTIONS

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- 1 Establish a Medicaid Stabilization Fund
- 2 Adopt Multi-Year Budgeting for MassHealth
- 3 Create a Public Authority



## MEDICAID STABILIZATION FUND (1 of 2)

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### MassHealth-specific “Rainy Day Fund”

#### Deposit specific dollars in the fund:

- Additional federal money flowing to the state based on enhanced match provided in the ACA,
- Any appropriated but unexpended MassHealth dollars from given fiscal year,
- Targeted money during better economic times
  - Required minimum contribution prior to consideration of any eligibility or benefit expansions

# 1

## MEDICAID STABILIZATION FUND (2 of 2)

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### **Specific requirements on when and how the Fund can be used:**

- Only for MassHealth
- Only under specified adverse economic conditions
- Not available to increase benefits or rates in a way that is otherwise unaffordable in a fiscal year
- Limited use of fund to costs directly related to case load increases and maintenance of current rates/benefits
- Limited ability to use for up-front investments on longer-term initiatives focuses on reducing overall costs or slowing growth rate

# 2

## MULTI-YEAR BUDGETING FOR MASSHEALTH

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- Allows for long-term strategic planning projects
  - Investment in infrastructure and improvements
- Multi-year budgeting done in over 20 other states
  - Not Medicaid-specific; whole state
- Time to implement program improvements and reforms that produce greater ROI relative to cost and quality, but take longer to execute

# 3

## CREATE A PUBLIC AUTHORITY

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### **Convert MassHealth from an executive branch agency to a public authority**

- Create more flexibility for longer-term financial arrangements
- Will bring greater program stability
- More possible to develop and implement ambitious payment and delivery system reforms
- Improved program management
- Slower cost trajectory

# CROSS-CUTTING PRINCIPLES FOR STABILIZING MECHANISMS

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- Improve MassHealth's ability for long-term planning
  - Improved forecasting
  - Comprehensive program improvements and reforms
  
- Strong Governance Structure
  - Provides oversight
  - Assigns clear accountability for implementation and use of mechanism
  
- Be Transparent
  - Provide clear understanding of mechanism
  - Provide clear information on how/when mechanism can be used
  
- Apply Lessons Learned
  - Massachusetts and other states have made similar efforts before

## DISCUSSION AND PANEL

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- Brief meant to start the conversation, not provide definitive answers
- Discussion with panel on:
  - Premise of paper — should there be a stabilizing mechanism for MassHealth?
  - If yes, do one of these three options work? What are the pros and cons?
  - Are there other options for consideration?