

## Budget Brief

May 2011

# Fiscal Year 2012: The House Budget Proposal

On April 28, 2011, the House approved its final amended Fiscal Year 2012 (FY 2012) budget proposal, providing \$11.8 billion to support health care for nearly 1.5 million of the state's low- and moderate-income residents. During debate on the House Ways and Means (HWM) budget proposal, the House added \$27.8 million to MassHealth programs, \$250,000 to MassHealth administration, and \$5 million to the Commonwealth Care Trust Fund. The House total includes \$10.5 billion for MassHealth, an increase of just \$91.2 million over current FY 2011 projected spending and slightly lower than the Governor's proposal. The Senate Ways and Means Committee will release their own budget proposal in May.

Like the Governor's and HWM proposals, the final House budget incorporates close to \$800 million in MassHealth cuts

and savings initiatives and also includes \$822 million for the Commonwealth Care program. Significant changes from the HWM budget proposal included in the House final budget are:

- Adult day health: provides funding for most services through the end of the calendar year
- Commonwealth Care Bridge: restores \$25 million for the program providing coverage to legal immigrants for six months, with \$20 million coming from the HWM appropriation for the Health Safety Net and \$5 million added to the Commonwealth Care Trust
- Nursing facility rates: adds \$12 million for increased nursing facility rates to fund Medicaid's share of increased nursing facility assessments

### MassHealth and Health Reform (Millions of Dollars)

		FY 2011 Current Appropriation*	FY 2012 Governor H.1	FY 2012 House Ways and Means	FY 2012 House(Final)
MassHealth (Medicaid)	MassHealth	10,269.0	10,340.0	10,307.6	10,335.4
	MassHealth Administration	170.1	167.2	166.1	166.3
	<b>Sub-Total</b>	<b>10,439.1</b>	<b>10,507.2</b>	<b>10,473.7</b>	<b>10,501.7</b>
Health Reform and Health Safety Net	Prescription Advantage	31.5	21.7	21.6	21.6
	Div. of Health Care Finance & Other Initiatives	22.2	22.4	26.4	26.4
	Commonwealth Care Trust	842.0	879.5	842.0	847.0
	Health Insurance Technology Trust	0.0	0.5	0.5	0.5
	Medical Assistance Trust**	686.7	394.0	394.0	394.0
	<b>Sub-Total</b>	<b>1,582.4</b>	<b>1,318.1</b>	<b>1,284.5</b>	<b>1,289.5</b>
<b>Total</b>	<b>12,021.5</b>	<b>11,825.3</b>	<b>11,758.2</b>	<b>11,791.2</b>	
<b>State Budget Total***</b>	<b>33,671.1</b>	<b>33,342.8</b>	<b>33,245.9</b>	<b>33,335.3</b>	

\*Including all enacted supplemental budget requests as of May 2, 2011. See Appendix for line item detail as well as estimated FY 2011 spending as reported by the Secretariat for Administration and Finance and upon which FY 2012 proposals are based.

\*\*Transfers into this fund are contingent on federal approval and consist of primarily of federal matching funds. The Trust is an important source of additional funding for providers that care for low-income residents. With federal approval, additional funds may be transferred in FY 2012.

\*\*\*This total includes all line item appropriations, operating transfers, and direct spending from statutorily designated taxes, as well as a reduction to account for municipal participation in the state's Group Insurance Commission, and an adjustment to account for tuition retained by state universities and colleges. These adjustments allow for more accurate year-to-year comparisons.

## Caseload and Eligibility

- The House and Governor's budgets both assume **MassHealth** caseload will grow by approximately 4.6% over the course of the year, adding 19,000 children and 41,000 adults, for a total of 1.36 million people in FY 2012. **Commonwealth Care** will add 13,000 members for an estimated 174,000 by the end of FY 2012, due in part to the expiration of extended federal unemployment benefits and companion Medical Security Plan coverage. The House funds **Commonwealth Care Bridge** coverage for 19,000 people for six months.<sup>1</sup>

## Benefits

- The HWM and Governor's proposals both cut \$55 million from the **MassHealth adult day health program (ADH)**, which provides care in community settings to frail elders and disabled adults as a means to prevent hospitalization and, in some cases, to avoid or delay nursing home placement. The House restores \$10 million and adds language protecting most ADH services from eligibility or rate cuts for a six-month period. The House also imposes a moratorium on additional ADH providers until the Administration completes a program review.
- **Adult dental benefits** for MassHealth and Commonwealth Care members continue to be limited under the House and the Governor's proposals. In July 2010, restorative dental services (such as fillings) were eliminated from adult MassHealth coverage (with the exception of Department of Developmental Services clients), leaving MassHealth members with acute dental needs to access care in settings that can bill the Health Safety Net for such services.
- The House restores \$3 million for a **medical respite program for the homeless**, which the Governor's and HWM proposals had cut.

## Cost Sharing for Members

- Both the Governor's and House proposals **increase selected pharmacy co-payments** to as high as \$5 and add a \$2 co-pay for non-emergency transportation. This increase is estimated to save \$11 million in total (\$5 million in net state savings).

## Provider and Managed Care Organization Rates

- The Governor's and House proposals **reduce rates of payments to health care providers** resulting in total savings of \$150 million (net state savings of approximately \$75 million). These cuts include: not paying hospitals for "preventable" readmissions that occur within 30 days; reducing transition payments to certain hospitals; reducing rate "add-ons" for hospitals that serve a disproportionate share of publicly funded patients; eliminating special payments to community health centers to support increased dental capacity; and

- eliminating payments to nursing facilities to hold a patient's bed for up to 10 days while the patient receives hospital care.
- The House adds \$12 million to the Senior Care line item for **nursing facility rates** to recognize MassHealth's share for increased nursing facility assessments, and \$2.8 million for pay-for-performance incentives for certain nursing facilities.
- The Governor's and House proposals **eliminate inflation increases** for managed care plans rates for a projected savings of \$169 million in total (\$84 million in net state savings).

## Service Delivery

- The Governor and House propose **aggressive contracting of most state-administered health care programs**: MassHealth, Commonwealth Care, the Group Insurance Commission, and the Medical Security Program. The House and Governor's budgets estimate total savings of \$351 million to the MassHealth program from competitive procurement of services for up to 800,000 members. Soon MassHealth will release a request for responses, reflecting a new procurement strategy for FY 2012. The GIC and the Connector have completed their procurements for FY 2012 and appear to be on target for their projected savings.

## Other Programs and Initiatives

- **Prescription Advantage**. Both the Governor's and House proposals cut funding by roughly \$9.9 million, reflecting that under federal health reform Medicare covers more of the gap in prescription drug coverage—referred to as the "doughnut hole"—which Prescription Advantage previously filled.
- **Electronic Health Records (EHR)**. Both the Governor's and House proposals create the Health Insurance Technology Trust, a fund to allow the state to leverage federal reimbursement for the development of EHR within MassHealth. Using \$500,000 of state "seed" money, Massachusetts could get full (100%) federal reimbursement for the costs of developing such a system, and up to \$50 million for providers to implement EHR systems in FY 2012.
- **All Payer Claims Database**. The House budget includes a new line item appropriation of \$4 million for the Division of Health Care Finance and Policy's All Payer Claims Database, designed to provide more information about actual health care spending. The House assumes increased federal reimbursement will be available to fund this appropriation.
- **Outreach**. Previously, the state provided \$2.5 to \$3.5 million in funding for grants to community organizations to assist with enrollment and maintaining coverage for persons eligible for publicly subsidized health programs. Neither the House nor the Governor's proposals include this funding.

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<sup>1</sup> The Bridge program has provided limited health care coverage to immigrants known as "aliens with special status," — primarily legal immigrants with green cards who have been in the country for fewer than five years — since they were excluded from Commonwealth Care eligibility in August 2009. Bridge has been closed to new members since then, and now approximately 19,000 low-income legal immigrants are receiving care through the Health Safety Net who would otherwise have been eligible for Bridge.

# Appendix

Line Item	Name	FY 2011 Current Appropriation*	FY 2011 Estimated Spending**	FY 2012 Governor H.1	FY 2012 House Ways and Means	FY 2012 House (Final)	Cat. ***
1599-2004	Health Care Cost Containment Reserve	1,900,000					F
4000-0300	Executive Office of Health and Human Services and MassHealth Administration	86,970,271	87,336,613	84,000,300	83,484,473	83,734,473	A
4000-0301	MassHealth Auditing and Utilization Reviews	1,736,425	1,736,425	1,736,425	1,736,425	1,736,425	M
4000-0320	MassHealth Recoveries Retained Revenue	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	M
4000-0430	MassHealth CommonHealth Plan	132,886,183	130,439,637	130,439,637	130,439,637	130,439,637	M
4000-0500	MassHealth Managed Care	3,772,835,669	3,772,835,669	3,872,835,669	3,872,835,669	3,875,835,669	M
4000-0600	MassHealth Senior Care	2,497,390,461	2,495,602,264	2,495,602,264	2,495,602,264	2,520,402,264	M
4000-0640	MassHealth Nursing Home Supplemental Rates	315,700,000	288,500,000	288,500,000	288,500,000	288,500,000	M
4000-0700	MassHealth Indemnity	2,011,390,506	2,026,206,633	2,026,206,633	2,026,206,633	2,026,206,633	M
4000-0870	MassHealth Basic Coverage	165,351,318	157,016,626	157,016,626	157,016,626	157,016,626	M
4000-0875	MassHealth Breast and Cervical Cancer Treatment	4,770,999	4,770,999	4,770,999	4,770,999	4,770,999	M
4000-0880	MassHealth Family Assistance Plan	222,090,812	218,925,814	218,925,814	207,173,987	207,173,987	M
4000-0890	MassHealth Premium Assistance and Insurance Partnership	58,181,956	58,181,956	58,181,956	38,181,956	38,181,956	M
4000-0895	Healthy Start Program	14,409,312	13,800,000	13,800,000	13,154,576	13,154,576	M
4000-0950	Children's Behavioral Health Initiative	214,743,708	214,743,708	214,743,708	214,743,708	214,743,708	M
4000-0990	Children's Medical Security Plan	12,600,000	12,600,000	12,600,000	12,600,000	12,600,000	M
4000-1400	MassHealth HIV Plan	18,801,714	18,541,135	18,541,135	18,541,135	18,541,135	M
4000-1405	MassHealth Essential	389,757,408	389,757,408	389,757,408	389,757,408	389,757,408	M
4000-1420	Medicare Part D Phased Down Contribution	211,370,985	211,370,985	211,370,985	211,370,985	211,370,985	M
4000-1700	Health and Human Services Information Technology Costs	83,112,075	83,197,047	83,197,047	82,571,886	82,571,886	A
4100-0060	Division of Health Care Finance and Policy	20,957,507	20,957,507	21,157,507	21,157,507	21,157,507	F
4100-0061	All Payer Claims Database				4,000,000	4,000,000	F
4100-0360	Health Care Quality and Cost Council Retained Revenue	100,000	100,000	100,000	100,000	100,000	F
7006-0029	Health Care Access Bureau Assessment	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	F
9110-1455	Prescription Advantage	31,542,765	31,542,765	21,665,608	21,602,546	21,602,546	Ph
1595-1068	Medical Assistance Trust Fund (operating transfer)	886,101,088	870,601,088	394,025,000	394,025,000	394,025,000	T
1595-1069	Health Insurance Technology Trust Fund			500,000	500,000	500,000	T
1595-5819	Commonwealth Care Trust Fund (operating transfer)	722,011,822	722,011,822	759,511,822	361,005,911	363,505,911	T
1595-5820	Commonwealth Care Trust Fund (operating transfer)				361,005,911	363,505,911	T
	Commonwealth Care Trust Fund (cigarette tax transfer)	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	T

\* FY 2011 Current includes funding in the General Appropriation Act, as well as supplemental funding provided over the course of the year as of May 2, 2011.

\*\* Estimated FY 2011 Spending provided by the Secretariat of Administration and Finance.

\*\*\* "Cat." refers to the category in the chart on page 1 of this brief. M= MassHealth; A=Administration; F=Finance; Ph=Pharmacy; T=Trust