

## Budget Brief

June 2011

# Fiscal Year 2012: House and Senate Budget Proposals Comparison Brief

On June 8, 2011, the House and Senate members named to the budget Conference Committee met to begin reconciling the differences between the House and Senate Fiscal Year 2012 (FY 2012) budget proposals. The House budget proposes \$11.8 billion in funding to support health care for nearly 1.5 million of the state's low- and moderate-income residents, and the Senate proposes \$11.9 billion. Within those totals, however, there are differences in program eligibility, services and benefits, as well as in payments to providers and in program administration that will need to be reconciled prior to the submission of a budget to the Governor for the fiscal year starting July 1.

Although the two budget proposals differ on details, both the House and Senate budget proposals are built upon assumptions of substantial savings that will greatly constrain program spending. They both rely heavily on the Administration's pro-

posals for \$800 million in cuts and savings to the MassHealth program — most of which are to be achieved through new procurement strategies aimed at those currently enrolled in managed care as well as other strategies to constrain provider rates and payments. It is important to note that if these targets are not met, other significant program cuts might be necessary to stay within budget, or additional funding may be needed later in the year.

Both the Senate and House assume the MassHealth caseload will grow by approximately 4.6 percent 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. Both also assume 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.

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

		FY 2011 Current Appropriation*	FY 2012 Governor H.1	FY 2012 House	FY 2012 Senate
<b>MassHealth (Medicaid)</b>	<b>MassHealth</b>	10,269.0	10,340.0	10,335.4	10,391.0
	<b>MassHealth Administration</b>	170.1	167.2	166.3	166.8
	<b>Sub-Total</b>	<b>10,439.1</b>	<b>10,507.2</b>	<b>10,501.7</b>	<b>10,557.8</b>
<b>Health Reform and Health Safety Net</b>	<b>Prescription Advantage</b>	31.5	21.7	21.6	21.6
	<b>Div. of Health Care Finance &amp; Other Initiatives</b>	24.1	22.4	26.4	27.4
	<b>Commonwealth Care Trust</b>	842.0	879.5	847.0	871.5
	<b>Health Insurance Technology Trust</b>	0.0	0.5	0.5	0.5
	<b>Medical Assistance Trust**</b>	886.1	394.0	394.0	394.0
	<b>Sub-Total</b>	<b>1,783.7</b>	<b>1,318.1</b>	<b>1,289.5</b>	<b>1,315.0</b>
	<b>Total</b>	<b>12,222.8</b>	<b>11,825.3</b>	<b>11,791.2</b>	<b>11,872.8</b>
	<b>State Budget Total***</b>	<b>34,083.1</b>	<b>33,342.8</b>	<b>33,335.3</b>	<b>33,398.2</b>

\*Including all enacted supplemental budget requests as of June 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 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.

Below is a table detailing the areas of difference between the House and the Senate budget proposals that will require resolution during Conference Committee deliberations. Among the more significant differences are the following:

- **Commonwealth Care Bridge.** The Senate funds Commonwealth Care Bridge for current recipients for a year, and the House funds the program for six months.<sup>1</sup>
- **Adult day health services.** The House cuts funding by \$45 million, but restricts certain cuts for six months and makes other program changes intended to minimize loss of coverage for current recipients; the Senate does not include this cut.
- **Adult day habilitation services.** The Senate cuts MassHealth program funding by \$14 million and assumes (but does not

require) a corresponding cut in adult day habilitation service; the House does not include this cut.

- **Infrastructure and capacity-building grants.** The Senate includes \$10 million targeted to grants and other support for hospitals, health centers and primary care physicians; the House does not include this funding.
- **Baseline program funding.** Although both the House and Senate base their proposals on the Governor's budget, which adds \$100 million to managed care and holds all other funding to estimated FY 2011 levels, the House budget cuts several line items below the Governor's baseline. The Senate budget re-allocates the \$100 million from managed care to the Children's Behavioral Health Initiative.

### House and Senate FY 2012 Budget Proposal Differences

	House	Senate
<b>Program Eligibility</b>		
<b>Commonwealth Care Bridge</b> — <i>state-funded health coverage for certain legal immigrants ineligible for Commonwealth Care</i>	<ul style="list-style-type: none"> <li>• Authorizes for six months and funds at \$25 million</li> </ul>	<ul style="list-style-type: none"> <li>• Authorizes for full year and funds at \$42 million</li> </ul>
<b>Benefits</b>		
<b>Adult Day Health</b> — <i>community-based care for frail elders and disabled adults as a means to prevent hospitalization and in some cases, to avoid or delay nursing home placement</i>	<ul style="list-style-type: none"> <li>• Cuts adult day health funding by \$45 million but protects most adult day health services from eligibility or rate cuts for a six-month period</li> <li>• Imposes a moratorium on additional adult day health providers until the Administration completes a program review</li> </ul>	<ul style="list-style-type: none"> <li>• No funding cut</li> <li>• Requires quality measures as a condition of licensure</li> </ul>
<b>Adult Day Habilitation</b> — <i>rehabilitative community-based support services for developmentally disabled adults</i>	<ul style="list-style-type: none"> <li>• No funding cut</li> </ul>	<ul style="list-style-type: none"> <li>• Cuts MassHealth program funding by \$14 million and suggests reducing adult day habilitation services to meet this cut</li> </ul>
<b>Medical Respite for Homeless Adults</b>	<ul style="list-style-type: none"> <li>• Restores \$3 million in funding and requires maintaining FY 2011 rates</li> </ul>	<ul style="list-style-type: none"> <li>• Does not include this requirement or funding</li> </ul>
<b>Other Benefit Changes</b>	<ul style="list-style-type: none"> <li>• Authorizes restructuring benefits if needed to manage appropriation</li> </ul>	<ul style="list-style-type: none"> <li>• Authorizes restructuring benefits if needed to manage appropriation and adds 90 days advance notice to the legislature prior to any such benefit restructuring</li> </ul>
<b>Legislative Notice and Report Requirements</b>	<ul style="list-style-type: none"> <li>• No additional legislative notice requirements related to benefits</li> <li>• Requires comprehensive study and recommendations regarding adult day health</li> </ul>	<ul style="list-style-type: none"> <li>• Requires 60 days legislative notice of changes in eligibility or rates for adult day health, changes in services or rates for the adult day habilitation programs, changes in rates for adult foster care and group adult foster care</li> <li>• Requires a semi-annual report on the impact of reductions to adult dental services</li> <li>• Requires quarterly report on adult day health enrollment and expenditures</li> <li>• Requires report by Sept. 1, 2011 on savings to be achieved in FY 2012 from rate cuts and procurement</li> </ul>

continued

<sup>1</sup> The Bridge program has provided limited health care coverage to certain legal immigrants since they were excluded from Commonwealth Care eligibility in August 2009. During FY 2012, current policies related to coverage for legal immigrants in Commonwealth Care will likely be determined by the courts. The state Supreme Judicial Court ruled on May 6, 2011 that discrimination against legal immigrants must be judged under the same strict standard required for discrimination based on race or sex.

**House and Senate FY 2012 Budget Proposal Differences** (continued)

	House	Senate
<b>Provider Rates</b>		
<b>Nursing Facility Rates</b>	<ul style="list-style-type: none"> <li>• Adds \$12 million for a nursing facility rate increase to recognize MassHealth's share for an increased nursing facility assessment</li> <li>• Adds \$2.8 million for pay-for-performance incentives for certain nursing facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Amends FY 2011 budget to add \$27 million for a nursing facility rate increase, as well as \$2.8 million for pay-for-performance incentives for certain nursing facilities, which could be spent in FY 2012</li> </ul>
<b>Infrastructure and Capacity-Building Grants</b>	<ul style="list-style-type: none"> <li>• Does not include this funding</li> </ul>	<ul style="list-style-type: none"> <li>• Adds \$10 million for infrastructure and capacity-building grants for hospitals, community health centers, and primary care physicians</li> </ul>
<b>Program Administration and Integrity</b>		
<b>MassHealth Audits</b>	<ul style="list-style-type: none"> <li>• Does not include this funding</li> </ul>	<ul style="list-style-type: none"> <li>• Adds \$1 million for new MassHealth auditing initiatives in order to reduce program fraud</li> </ul>
<b>Caseload Forecasting</b>	<ul style="list-style-type: none"> <li>• Does not include this language or funding</li> </ul>	<ul style="list-style-type: none"> <li>• Proposes a new independent caseload forecasting office to improve the accuracy of estimating costs for MassHealth, as well as state-subsidized child-care, transitional assistance benefits, emergency assistance and housing, and state employee health insurance; appropriates \$400,000 for this office (not included in the budget totals in this brief)</li> </ul>
<b>MassHealth Managed Care Contracting</b>	<ul style="list-style-type: none"> <li>• Requires MassHealth to develop regulations to increase competition among managed care plans</li> </ul>	<ul style="list-style-type: none"> <li>• Does not include this requirement</li> </ul>
<b>Health Safety Net</b>	<ul style="list-style-type: none"> <li>• \$15 million in Health Safety Net reimbursement for second half of the fiscal year would be contingent upon the implementation of a "claims adjudication system" in accordance with the 2006 health reform law</li> <li>• Requires regulations to ensure implementation of Medicare-like claims editing</li> </ul>	<ul style="list-style-type: none"> <li>• Directs EOHHS to switch Health Safety Net payments to the claims adjudication system now used in MassHealth by end of FY 2012</li> </ul>
<b>Funding Allocations</b>		
<i>Line Items:</i> <b>EOHHS and MassHealth Administration (4000-0300), Family Assistance (4000-0880), Premium Assistance/Insurance Partnership (4000-0890), and Healthy Start (4000-0895)</b>	<ul style="list-style-type: none"> <li>• Cuts these line items \$32.4 million below current FY 2011 estimated spending levels</li> <li>• Includes \$250,000 for technical assistance to community health centers in line item 4000-0300</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriates funding levels for these line items to match Governor's House 1 proposal, which mirrors current estimated FY 2011 spending</li> <li>• Includes \$250,000 for technical assistance to community health centers in Department of Public Health line item 4510-0110</li> </ul>
<i>Line Items:</i> <b>MassHealth Managed Care (4000-0500), Children's Behavioral Health Initiative (4000-0950)</b>	<ul style="list-style-type: none"> <li>• Bases funding on current estimated FY 2011 spending levels for the Children's Behavioral Health Initiative; adds \$100 million to funding for managed care</li> </ul>	<ul style="list-style-type: none"> <li>• Bases funding on current estimated FY 2011 spending levels for managed care; adds \$100 million to funding for Children's Behavioral Health Initiative</li> <li>• Allows for the transfer of up to \$2 million in funding from the Children's Behavioral Health Initiative to the Department of Mental Health to better coordinate children's mental health services</li> </ul>
<b>Other Initiatives</b>		
<b>Health and Human Services Information Technology</b>	<ul style="list-style-type: none"> <li>• Cuts funding by \$625,000</li> </ul>	<ul style="list-style-type: none"> <li>• Cuts funding by \$1.4 million</li> </ul>

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# Appendix

Line Item	Name	FY 2011 Current Appropriation*	FY 2011 Estimated Spending**	FY 2012 Governor H.1	FY 2012 House	FY 2012 Senate	Cat. ***
1599-2004	Health Care Cost Containment Reserve	1,900,000					F
1599-2009	Hale Hospital Reserve					1,000,000	F
4000-0300	Executive Office of Health and Human Services and MassHealth Administration	86,970,271	87,336,613	84,000,300	83,734,473	84,000,300	A
4000-0301	MassHealth Auditing and Utilization Reviews	1,736,425	1,736,425	1,736,425	1,736,425	1,736,425	M
4000-0309	MassHealth Field Auditing Taskforce					1,000,000	A
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	112,492,813	130,439,637	130,439,637	130,439,637	130,439,637	M
4000-0500	MassHealth Managed Care	3,941,366,922	3,772,835,669	3,872,835,669	3,875,835,669	3,764,835,669	M
4000-0600	MassHealth Senior Care	2,456,505,228	2,495,602,264	2,495,602,264	2,520,402,264	2,550,602,264	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	1,984,041,224	2,026,206,633	2,026,206,633	2,026,206,633	2,030,206,633	M
4000-0870	MassHealth Basic Coverage	161,149,680	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	217,106,647	218,925,814	218,925,814	207,173,987	218,925,814	M
4000-0890	MassHealth Premium Assistance and Insurance Partnership	58,181,956	58,181,956	58,181,956	38,181,956	58,181,956	M
4000-0895	Healthy Start Program	13,800,000	13,800,000	13,800,000	13,154,576	13,800,000	M
4000-0950	Children's Behavioral Health Initiative	214,743,708	214,743,708	214,743,708	214,743,708	314,743,708	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	18,078,571	18,541,135	18,541,135	18,541,135	18,541,135	M
4000-1405	MassHealth Essential	320,372,298	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	81,762,075	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	363,505,911	751,511,822	T
1595-5820	Commonwealth Care Trust Fund (operating transfer)				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 June 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