

American Recovery and Reinvestment Act – Health Care

Nationally, one of the largest single allocations within the American Recovery and Reinvestment Act (ARRA) is more than \$128 billion provided to states for health care. Massachusetts will receive an estimated \$17.7 billion through ARRA programs, grants, and direct benefits, and more than \$3.5 billion of that will support direct health care benefits, funding for health care providers, funding for community-based health care and public health programs, and funding for health care research.¹

TEMPORARY INCREASE IN FEDERAL MEDICAID ASSISTANCE PERCENTAGE (FMAP)

To provide immediate fiscal relief to states, ARRA allocates \$85.6 billion nationally in the form of an increase in the federal reimbursement rate (Federal Medicaid Assistance Percentage, or “FMAP”) paid to states for their Medicaid spending. The Medicaid program (known as MassHealth in Massachusetts) is jointly funded by the state and federal governments. More than 1 million children, families and elders receive health care in Massachusetts under the state’s MassHealth programs. From Fiscal Year 2009 through FY 2011, Massachusetts will receive an estimated \$2.6 billion in enhanced FMAP reimbursement. This total consists of \$806 million spent in the FY 2009 state budget, \$1.223 billion estimated for the FY 2010 state budget, and \$600 million estimated for the FY 2011 state budget. Since the passage of ARRA, Massachusetts has spent \$1.1 billion of these enhanced FMAP funds to support a wide variety of health and safety net services within the state budget.

OTHER HEALTH CARE ALLOCATIONS

Temporary Increase in DSH (Disproportionate Share Hospital) Allotment. ARRA provides Massachusetts with approximately \$15.1 million to reimburse disproportionate share hospitals (DSH) for a portion of their services. A disproportionate share hospital is one that provides health care to a relatively large share of low-income people. These additional lump-sum payments alleviate some fiscal pressure on certain essential providers within the health care safety net.

Extension of the Qualifying Individual (QI) Program. The Qualifying Individual (QI) program provides federal funding to pay for the Medicare Part B premiums of low-income Medicare beneficiaries with incomes between 120 percent and 135 percent of the Federal poverty level. This program was scheduled to expire on Dec. 31, 2009, but ARRA extends this program until Dec. 31, 2010.

Community Health Center Construction and Expansion. ARRA includes a provision to provide \$2.5 billion nationally in competitive grants over two years to community health centers, in order to expand access to health care for low-income and vulnerable populations. In Massachusetts, 285 community health center sites provide primary care, preventive health care, and dental care, as well as mental health, substance abuse and other community-based services to more than 700,000 residents of the Commonwealth, regardless of their

¹ For a complete discussion of ARRA in Massachusetts, including citations for the numbers included in this brief, see Massachusetts Budget and Policy Center, “The American Recovery and Reinvestment Act of 2009: Federal Stimulus in Massachusetts - October 2009 update,” Oct. 14, 2009. Available at <http://massbudget.org/doc/695>.

ability to pay. This past spring, the North Shore Community Health Center was awarded \$1.3 million to develop a new community health center in Gloucester. Since then, 36 health centers in Massachusetts have also received a total of \$8.6 million to their health care services, and 36 have received a total of \$27.7 million for capital improvements.

Health Care Research. The federal stimulus bill includes substantial funding for competitive grants for health care. Included in this total is \$8.2 billion available over two years to support health research. Not only does investment in research ultimately improve health care outcomes, the health care sector is a major employer in Massachusetts, and this health care research funding, directed to academic medical centers as well as private medical research facilities, creates employment for researchers, technicians and support personnel. Currently, more than 1,200 grants worth \$503 million have been awarded to researchers in Massachusetts.

Development of Health Care Information Technology. The federal stimulus bill provides approximately \$598 million to support health technology expansion. Massachusetts, through its newly-created Massachusetts e-Health Institute, has submitted an application to improve health information technology, particularly for underserved populations. A large part of this initiative is to develop electronic medical records. These grants have not yet been awarded, although they are likely to be somewhere in the \$1 million to \$30 million range over the course of four years.

Prevention and Wellness. The federal stimulus legislation provides \$1.0 billion in competitive grants for community-based health and wellness programs, including \$300 million for expanded immunizations, \$650 million for community-based strategies to reduce chronic disease, and \$50 million to reduce “healthcare associated infections reduction strategies.” The Massachusetts Department of Public Health submitted its grant application for immunization funding, and was awarded \$4.3 million in August.

Extended COBRA Benefits. The federal stimulus bill includes changes to the COBRA health insurance benefit, estimated to directly affect approximately 200,000 unemployed persons in Massachusetts. COBRA (the Consolidated Omnibus Budget Reconciliation Act of 1985) allows certain people to extend their employer-provided group health coverage, if they would otherwise lose that health insurance coverage due to certain events such as divorce or loss of a job. ARRA provides for the federal government to subsidize temporarily (for up to nine months and through a tax credit) 65 percent of the cost of monthly premium for workers who have been laid off during the period Sept. 1, 2008 through Dec. 30, 2010. The benefit of this change to unemployed workers is estimated at \$24.7 billion. If Massachusetts’ total allocation is similar to its relative share of initial unemployment claims, residents of the Commonwealth will receive approximately \$483 million in COBRA benefits.

Massachusetts currently provides health insurance coverage for unemployed workers through its Medical Security Plan, which is financed by an assessment on employers. For families whose income is less than 400 percent of the poverty level, this program pays up to the entire costs of health care on a fee-for-service basis, or reimburses unemployment insurance claimants for up to 80 percent of their health insurance continuation costs (usually COBRA premiums). Accordingly, for any enrollee taking advantage of the COBRA premium benefit and the Medical Security Plan, the Medical Security Plan then reimburses the claimant for 80 percent of their COBRA premiums. Accordingly, the federal government covers 65 percent of the costs, the state Medical Security Plan covers 28 percent of the costs, and the enrollee covers 7 percent of the costs.