

Budget Brief

April 2012

The House Ways and Means Budget Proposal for FY 2013

On April 11, 2012, the House Committee on Ways and Means (HWM) released its Fiscal Year 2013 (FY 2013) budget proposal. The budget plan will go to the House floor for debate and likely amendment the week of April 23rd. The Senate will then release and debate its own budget proposal in May. The HWM proposal includes a total of \$12.7 billion in funding for programs that provide health care for approximately 1.5 million low- and moderate-income residents of Massachusetts. This total represents an increase of 6.2 percent over current FY 2012 spending (after taking into account additional spending expected to occur in FY 2012 the increase is 4.6 percent). The HWM budget is quite similar to the Governor's FY 2013 spending proposals in most areas; the few differences between the two plans are described below.

MassHealth and Health Reform (Millions of Dollars)

		FY 2012 Current Appropriation*	FY 2013 Governor	House Ways and Means
MassHealth (Medicaid)	MassHealth	10,432.27	10,950.86	10,945.83
	MassHealth Administration	89.22	89.03	89.96
	Sub-Total	10,521.5	11,039.9	11,035.8
Commonwealth Care Trust Fund	General Fund Transfer***	745.01	737.12	795.02
	Tobacco Tax Transfer	120.00	192.90	120.00
	Sub-Total	865.0	930.0	915.0
Other Health Finance and Safety Net Funding	HHS Information Technology	81.76	100.30	86.76
	Div. of Health Care Finance & Other Initiatives	37.66	29.09	28.89
	Prescription Advantage	21.60	19.00	19.00
	Medical Assistance Trust	394.0	394.0	394.0
	Delivery Service Initiatives Trust	0.0	186.9	186.9
	Health Insurance Technology Trust	0.5	0.0	0.0
	Sub-Total	535.5	729.3	715.6
Total Spending		11,922.05	12,699.24	12,666.39
State Budget Total****		33,953.09	35,229.85	35,134.26

*FY 2012 Current Appropriations include all enacted supplemental budgets through March, 2012.

**General Fund Transfer for FY 2012 includes a \$728 million transfer from the General Fund, as well as \$17 million in FY 2011 revenues carried forward for use 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.

MassHealth/Medicaid

The HWM budget proposes \$10.95 billion in funding for MassHealth programs, or 4.9 percent over current FY 2012 spending. HWM Committee briefing documents suggest that the budget relies on the same set of savings strategies that the Governor assumed in his House 2 budget proposal. These include \$544 million in savings from a variety of activities, including changes in provider rates, initiatives to strengthen long-term care services, and efforts to promote program integrity; in addition the House expects to realize \$45 million in revenue from activities designed to draw down additional federal Medicaid reimbursement (for a detailed discussion of the Governor's MassHealth savings and investment initiatives, see *The Governor's House 2 Budget Proposal for FY 2013*).

The two budgets propose identical funding levels for the majority of MassHealth accounts; the few differences include:

- The Governor's budget dedicated \$2.0 million to a new operations line item (4000-1602) to improve the timeliness and efficiency of the MassHealth enrollment and redetermination processes, in recognition of increased demands on the program, and it appropriated \$3.13 million (line item 4000-1604) for activities related to implementation of the Affordable Care Act, including efforts to promote integrated care models. The HWM budget includes these initiatives, but funds them at lower levels; \$500,000 and \$750,000, respectively, a total of \$3.9 million less than the Governor. The proposed appropriation for 4000-1602 is unlikely to be sufficient to address the backlog at MassHealth, where since July 2008 caseloads have increased by 13.4 percent while full-time employees have dropped by 9.5 percent.
- The HWM budget appears to provide a higher level of funding for MassHealth administration, but it also includes language earmarking administrative funds for Hale Hospital. Like previous budgets, the FY 2012 budget contained \$2.4 million in a reserve account for the hospital, which the Governor did not include in his budget proposal for FY 2013 (see Appendix for detail).

Commonwealth Care

The HWM budget also provides funding for the Commonwealth Care Trust Fund (CCTF) at a level similar to that proposed by the Governor. However, the two plans differ on the source of funding—the HWM budget proposes a transfer of \$795.0 million from the General Fund to the CCTF, in addition to an assumed transfer of \$120.0 million in tobacco tax revenue, for a total of \$915.0 million. In contrast, the Governor proposed \$930.0 million in funding—a General Fund transfer of \$737.1 million, \$72.9 million from an increase in the tobacco tax, and \$120.0 million from the existing tobacco tax. The HWM budget's lower funding level appears to be due to updated assumptions about enrollment levels. The proposed funding represents an increase of about \$50 million over FY2012 that is largely the result of enroll-

ment growth in the program, including the reinstatement of legal immigrants following a state Supreme Judicial Court decision that found the state's exclusion of this group unconstitutional. The Commonwealth Care program has implemented cost-saving initiatives through a competitive bidding process.

Other Health Financing and Safety Net Issues

- As in FY 2012, the HWM budget does not include funding for Community-Based Outreach, Enrollment, and Retention grants. The HWM also follows the Governor in including language that would allow the administration to restructure optional MassHealth benefits, and it does not include the restoration of adult dental benefits eliminated in 2010.
- Like the Governor's budget, the HWM plan provides \$19.0 million in funding for Prescription Advantage, \$2.6 million less than in FY 2012. The decrease is the result of changes to Medicare Part D drug coverage made by the Affordable Care Act that reduced the size of the "donut-hole" (drug costs that Part D does not cover), so that Medicare will now cover a greater share of costs for which the state formerly paid.
- The HWM budget proposal, like the Governor's budget, includes the annual transfer of \$30 million from the CCTF to the **Health Safety Net (HSN) Program**, which provides reimbursement to hospitals and community health center for care provided to uninsured and underinsured patients. In addition, the HSN will receive \$320 million in off-budget revenue from assessments paid by hospitals and insurers and another \$70 million in separate payments will be made to two hospitals and counted as HSN reimbursement. There is concern about stress on this program due to the recent economic crisis. The administration projects a \$134 million shortfall in FY 2013.
- Like the Governor's budget, the HWM budget proposes that in FY 2013, as in FY 2012, \$1 million of CCTF funds will support a **wellness subsidy** which reduces premiums by 15 percent for small businesses enrolled in Commonwealth Choice plans purchased through the Connector.

Appendix

Line Item	Name	FY 2012 Current Appropriation*	FY 2012 Estimated Spending**	FY 2013 Governor H.2	FY 2013 House Ways and Means	Cat. ***
1599-2004	Health Care Cost Containment Reserve	1,900,000	1,900,000	-	-	F
1599-2009	Hale Hospital Reserve	2,400,000	2,400,000	-	-	F
4000-0265	Primary Care Workforce	1,000,000	1,000,000	-	-	F
4000-0300	Exec Office of Health & Human Services & MassHealth Admin.	86,484,473	86,484,473	86,291,466	87,222,963	A
4000-0301	MassHealth Auditing & Utilization Reviews	1,736,425	1,736,425	1,739,619	1,736,313	A
4000-0309	MassHealth Field Auditing Taskforce	1,000,000	1,000,000	1,000,000	1,000,000	A
4000-0320	MassHealth Recoveries Retained Revenue	225,000,000	225,000,000	225,000,000	225,000,000	M
4000-0430	MassHealth CommonHealth Plan	130,439,637	76,332,519	73,165,558	73,165,557	M
4000-0500	MassHealth Managed Care	3,879,010,669	3,980,487,347	4,164,475,376	4,164,475,376	M
4000-0600	MassHealth Senior Care	2,550,602,264	2,566,654,470	2,763,630,662	2,763,630,662	M
4000-0640	MassHealth Nursing Home Supplemental Rates	318,300,000	318,692,354	288,500,000	288,500,000	M
4000-0700	MassHealth Fee-for-Service	2,029,206,633	1,809,829,381	1,939,680,126	1,939,680,126	M
4000-0870	MassHealth Basic Coverage	157,016,626	170,608,370	179,909,689	179,909,689	M
4000-0875	MassHealth Breast & Cervical Cancer Treatment	4,770,999	4,734,599	5,248,099	5,248,099	M
4000-0880	MassHealth Family Assistance Plan	218,925,814	209,233,330	213,894,591	213,894,591	M
4000-0890	MassHealth Premium Assistance & Insurance Partnership	58,181,956	30,987,873	30,481,392	30,481,392	M
4000-0895	Healthy Start Program	13,800,000	13,818,028	15,850,244	15,850,244	M
4000-0950	Children's Behavioral Health Initiative	214,743,708	214,743,708	221,705,516	221,549,097	M
4000-0990	Children's Medical Security Plan	12,600,000	14,150,718	13,298,695	13,298,695	M
4000-1400	MassHealth HIV Plan	18,541,135	17,940,665	19,744,723	18,744,723	M
4000-1405	MassHealth Essential	389,757,408	493,458,055	505,998,457	505,998,456	M
4000-1420	Medicare Part D Phased Down Contribution	211,370,985	285,913,498	285,153,027	285,153,027	M
4000-1602	MassHealth Operations (NEW)	-	-	2,000,000	500,000	M
4000-1604	Health Care System Reform (NEW)	-	-	3,125,000	750,000	M
4000-1700	Health & Human Services Information Technology Costs	81,762,075	81,762,075	100,301,495	86,757,333	IT
4100-0060	Division of Health Care Finance & Policy	21,157,507	21,157,507	21,894,515	21,693,748	F
4100-0061	All Payer Claims Database	4,000,000	4,000,000	4,000,000	4,000,000	F
4100-0360	Health Care Quality & Cost Council Retained Revenue	100,000	100,000	100,000	100,000	F
4100-0062	Health Safety Net Claims Migration (NEW)	6,000,000	6,000,000	-	-	F
4100-0082	Health Safety Net Claims Migration (NEW)	-	-	2,000,000	2,000,000	F
7006-0029	Health Care Access Bureau Assessment	1,100,000	1,100,000	1,100,000	1,100,000	F
9110-1455	Prescription Advantage	21,602,546	21,602,546	18,996,516	18,996,516	Ph
1595-1067	Delivery Systems Transformation Initiatives Trust (NEW)	-	186,907,667	186,907,667	186,907,667	T
1595-1068	Medical Assistance Trust Fund (operating transfer)	394,025,000	394,025,000	394,025,000	394,025,000	T
1595-1069	Health Insurance Technology Trust Fund	500,000	500,000	-	-	T
1595-5819	Commonwealth Care Trust Fund (operating transfer)	745,011,822	745,011,822	737,122,286	795,022,286	T
	Commonwealth Care Trust Fund (cigarette tax transfer)	120,000,000	120,000,000	192,900,000	120,000,000	T

* FY 2012 Current Appropriation reflects funding in the General Appropriation Act, as well as supplemental funding provided during the fiscal year, through January 2012. It also includes FY 2011 revenue made available in FY 2012 for the Commonwealth Care Trust Fund and Nursing Home Supplemental Rates.

** Estimated FY 2012 spending reflects updated spending estimates for MassHealth programs and supplemental spending expected during the year.

*** "Cat." refers to the category in the chart on page 1 of this brief. M=MassHealth; A=Administration; F=Finance; Ph=Prescription Advantage; T=Trust; IT=Information Technology