

This year, the MassHealth program (the name for Massachusetts' Medicaid program) will provide health insurance coverage for 1.7 million low- and moderate-income and disabled children and adults in the Commonwealth, or roughly 25 percent of the entire state population. As a result, total spending on MassHealth represents a large share of the state budget. However, since MassHealth is jointly funded by the state and federal governments, much of this health care coverage is actually paid for by the federal government. Therefore, the "net" state cost of MassHealth (determined by subtracting the federal reimbursement and similar revenues from the budgeted total) gives a much clearer picture of the impact of MassHealth on the state budget than state budget totals alone.

Unlike in all but a handful of other states,<sup>1</sup> the Massachusetts state budget for the Medicaid program includes both state and federal spending combined. The FY 2015 budget includes approximately \$14.7 billion allocated for MassHealth and health reform programs,<sup>2</sup> amounting to 37 percent of the total budget. This total includes \$13.7 billion for the MassHealth program and administration (35 percent of the total budget), and an additional \$1 billion for health care finance and other health

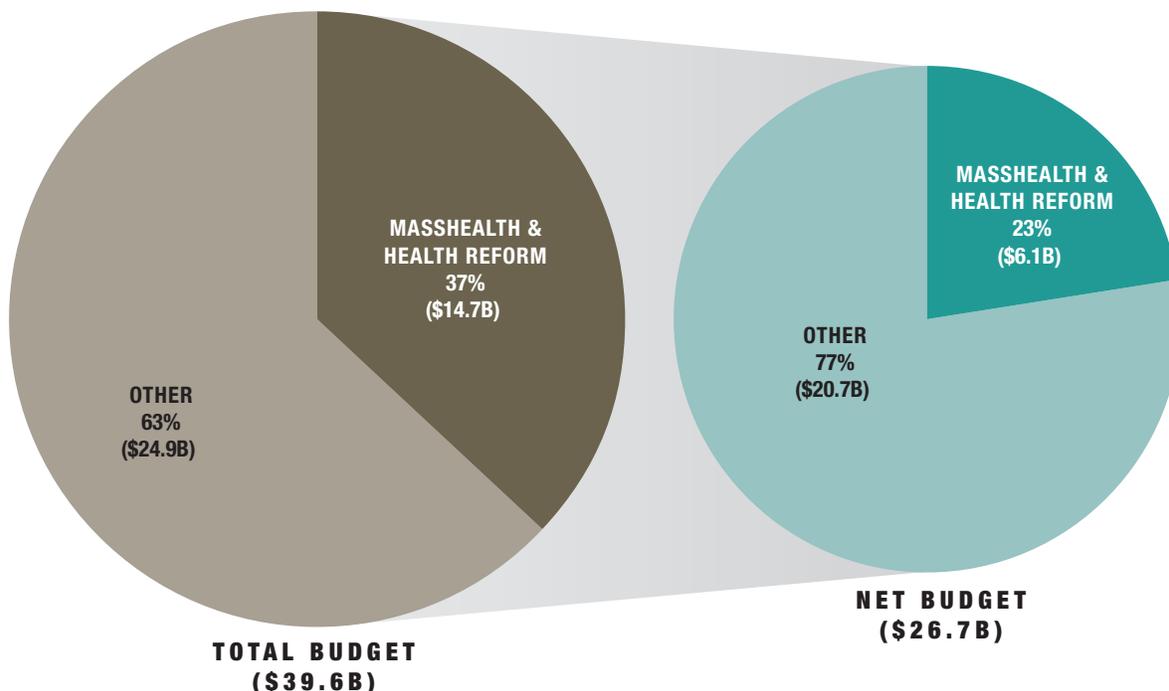
## FEDERAL REIMBURSEMENT PERCENTAGES

The federal government typically reimburses Massachusetts for **50%** of MassHealth spending, with some key exceptions such as:

- **65%** — Spending on the Children's Health Insurance Program (S-CHIP), which covers certain children in MassHealth, and spending on the Breast and Cervical Cancer Treatment Program.
- **75%** — Spending on ongoing operational costs for enrollment and eligibility systems.
- **80%** — Spending on members previously covered by MassHealth waiver programs, Commonwealth Care, or the Medical Security Program who are now covered under the ACA expansion. This reimbursement rate increases to 90% in 2020 and beyond.
- **90%** — Spending on upgrading of information technology and other data systems.
- **100%** — Spending on newly eligible adults age 19-64 who were not eligible for any coverage as of Dec. 1, 2009. This reimbursement rate decreases gradually to 90% in 2020 and beyond.

spending (2 percent of the total budget). Taking into account the very substantial amount of federal revenue that comes into the Common-

## FY 2015 MASSHEALTH AND HEALTH REFORM SHARE OF BUDGET



<sup>1</sup> See state budgeting information state by state from the National Association of State Budget Officers at [www.nasbo.org](http://www.nasbo.org).

<sup>2</sup> "MassHealth and health reform" includes MassHealth; administration of the program at the Executive Office of Health and Human Services; funding for the Prescription Advantage pharmacy program; funding for health planning, research and finance, and health information and technology; and funding transferred into several special trusts established to support the state's publicly funded health care programs. State budget totals also include adjustments to municipal health costs and higher education (among others) that allow for more accurate year-to-year comparisons. See the MassBudget [Budget Browser](#).

wealth to pay for a large share of these costs, as well as fees and assessments that help pay for these services, the net cost of MassHealth and health reform programs is only 23 percent of the state's net budget dollars.

### CALCULATING NET STATE COST

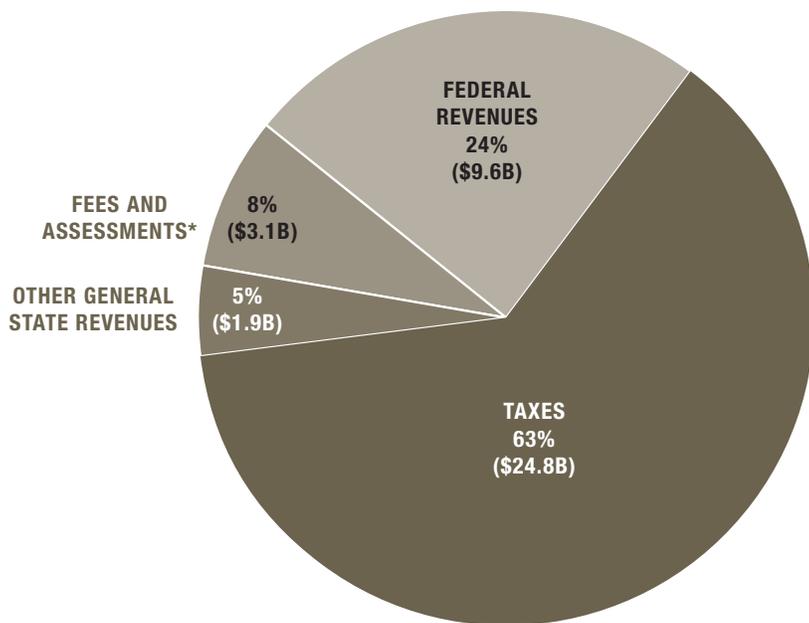
The cost of MassHealth and related programs — or for that matter any state budget category — can be thought of in two ways. The “total cost” is the total amount spent on the program each year, including the spending from all the types of revenue. The “net state cost,” on the other hand, includes only the share of the total paid for by general state revenues — that is, not including federal reimbursements or fees and assessments.

General state revenues are state tax dollars and other state revenues such as lottery proceeds or money withdrawn from the state's Stabilization — or “Rainy Day” — Fund. The FY 2015 budget includes \$24.8 billion in tax revenues and \$1.9 billion in other state revenues. The combination of these two sources of revenue is the net state budget, or \$26.7 billion in FY 2015.

Federal revenue is the second most significant revenue source supporting the state budget. Federal revenue includes Medicaid reimbursements, as well as federal reimbursements for the Transitional Assistance to Needy Families programs, for child care supports, for other social services, and more. The FY 2015 budget includes a total of \$9.6 billion in federal revenue, of which more than 80 percent (\$7.7 billion) will come as a result of spending on MassHealth and related health programs.

Fees and assessments include licensing fees, fines, state park admission fees, motor vehicle registration fees, and many more. There are close to 800 individual fees, assessments, and similar revenues that come in to the state treasury, mostly to help finance the cost of the activities that generate the fees. To support the MassHealth program, there are assessments on some health care providers, premiums paid by some MassHealth members, and rebates received from pharmaceutical companies. The FY 2015 budget estimates that the state will generate \$3.1 billion in fees and assessments, of which more than \$900 million will be generated to support MassHealth and other health reform programs.

### FINANCING THE STATE BUDGET



\* Estimates for fees and assessments includes adjustments to municipal health costs and higher education (among others) that allow for more accurate year-to-year comparisons.