

Budget Brief

May 2011

Fiscal Year 2012: Senate Ways and Means Budget Proposal

On May 18, 2011, the Senate Ways and Means Committee (SWM) presented its Fiscal Year 2012 (FY 2012) budget proposal which provides \$11.9 billion in funding to support health care for nearly 1.5 million of the state's low- and moderate-income residents. This budget includes \$10.4 billion for MassHealth programs and \$166.8 million for MassHealth administration. The full Senate may amend this proposal, finalizing it before the end of the month. A Conference Committee will then reconcile the differences between the House and Senate budgets, and the Legislature will vote on a final version to be submitted to the Governor for the start of the fiscal year on July 1.

Unlike the House and Governor's budget proposals, SWM incorporates somewhat less than \$800 million in MassHealth cuts and savings initiatives. In particular, SWM does not include a \$55 million cut to benefits and eligibility for adult day health services, but does cut \$18 million and assumes (but does not require) a corresponding cut in adult day habilita-

tion services. SWM also reallocates funding among some line items, in order to better reflect anticipated spending.

Other highlights of the SWM budget include:

- Full-year funding for those currently enrolled in the Commonwealth Care Bridge Program (the House funded the program for six months)
- New funding in the Office of Medicaid for MassHealth audits, as part of a comprehensive "program integrity" initiative proposed by SWM
- Creation of a new caseload forecasting office to better project spending, including for MassHealth

Caseload and Eligibility

The SWM budget, like the House and Governor's, assumes 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 esti-

MassHealth and Health Reform (Millions of Dollars)

		FY 2011 Current Appropriation*	FY 2012 Governor H.1	FY 2012 House	FY 2012 Senate Ways and Means
MassHealth (Medicaid)	MassHealth	10,269.0	10,340.0	10,335.4	10,377.0
	MassHealth Administration	170.1	167.2	166.3	166.8
	Sub-Total	10,439.1	10,507.2	10,501.7	10,543.8
Health Reform and Health Safety Net	Prescription Advantage	31.5	21.7	21.6	21.6
	Div. of Health Care Finance & Other Initiatives	24.1	22.4	26.4	27.4
	Commonwealth Care Trust	842.0	879.5	847.0	871.5
	Health Insurance Technology Trust	0.0	0.5	0.5	0.5
	Medical Assistance Trust**	886.1	394.0	394.0	394.0
	Sub-Total	1,783.7	1,318.1	1,289.5	1,315.0
Total	12,222.8	11,825.3	11,791.2	11,858.8	
State Budget Total***	33,997.6	33,342.8	33,335.3	33,332.7	

*Including all enacted supplemental budget requests as of May 18, 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.

mated 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 Governor and SWM fund **Commonwealth Care Bridge** coverage for 18,500 people for a year (the House covers them for six months).¹

Benefits

- SWM does not cut **adult day health** services, 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 Governor's budget cut these services by \$55 million and the House partially-funded adult day health services for six months.
- SWM cuts MassHealth funding by \$18 million (\$9 million net state savings) and suggests reducing **adult day habilitation** services—rehabilitative community-based supports for developmentally disabled adults—from 6 to 5 hours a day to meet this cut.
- SWM, the House and the Governor continue to limit **adult dental benefits** by not covering restorative dental services for most adults (with the exception of Department of Developmental Services clients).
- SWM follows the Governor's proposal to cut \$3 million in funding for a **medical respite program for the homeless**, unlike the House which restored the funding.
- SWM, the House and the Governor authorize further cuts in **optional adult benefits** if MassHealth does not achieve planned savings, but SWM adds language requiring 90 days advance notice prior to any such benefit "restructuring."

Cost Sharing for Members

- SWM, the House and the Governor **increase selected pharmacy co-payments** to as high as \$5 and add a \$2 co-payment for non-emergency transportation.

Provider and Managed Care Organization Rates

- SWM, the House and the Governor **reduce rates of payments to health care providers** in order to save approximately \$150 million (net state savings of approximately \$75 million). The 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.

¹The 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 approximately 21,000 low-income legal immigrants who would otherwise have been eligible for Bridge are receiving care through the Health Safety Net. During FY 2012, current policies related to coverage for legal immigrants 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. SWM is awaiting a final court decision before making budgetary adjustments to the programs.

- SWM, the House and the Governor **eliminate inflation increases** for managed care plan rates, for a projected savings of \$169 million (net state savings of approximately \$84 million).
- SWM does not follow the House proposal to add \$12 million for a **nursing facility** rate increase or \$2.8 million for a nursing facility pay-for-performance initiative.

Service Delivery

- SWM, the House and the Governor propose **aggressive contracting of most state-administered health care programs** and estimate that MassHealth re-contracting for close to 800,000 members would save the state approximately \$351 million (\$175 net state savings). MassHealth has just released a request for responses for its Primary Care Clinician Plan behavioral health vendor. The GIC and Connector have completed FY 2012 procurements, and appear to be on target for projected savings.

Other Programs and Initiatives

- SWM proposes \$1 million for new **MassHealth auditing** initiatives in order to reduce program fraud.
- SWM proposes a new independent **caseload forecasting office** to improve the accuracy of estimating costs for MassHealth, as well as state-subsidized childcare, transitional assistance benefits, emergency assistance and housing, and state employee health insurance. SWM appropriates \$400,000 for this office (not included in the budget totals in this brief).
- SWM, the House and the Governor reduce funding for **Prescription Advantage** by \$9.9 million, since Medicare now covers more of the prescription coverage gap—the "doughnut hole"—which Prescription Advantage previously filled.
- SWM, the House and the Governor create the Health Insurance Technology Trust, a fund to allow the state to leverage federal reimbursement for the development of **electronic health records (EHR)** within MassHealth. Using \$500,000 of state "seed" money, Massachusetts could get full (100%) federal reimbursement for system development costs, and up to \$50 million for providers to implement EHR systems in FY 2012.
- SWM follows the House budget proposal and adds a new 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. SWM and the House assume increased federal reimbursement will be available to fund this appropriation.
- SWM, the House and the Governor do not include **outreach** funding which previously provided \$2.5 to \$3.5 million in funding for grants to community organizations to assist people with enrolling in and maintaining publicly-subsidized health care coverage.

The authors would like to thank staff from Senate Office on Ways and Means (Kate Scarborough and Tim Sullivan), the Office of Medicaid (Alda Rego), and the Secretariat for Administration and Finance (Diana Ong and Candace Reddy) for their input towards drafting this document.

Appendix

Line Item	Name	FY 2011 Current Appropriation*	FY 2011 Estimated Spending**	FY 2012 Governor H.1	FY 2012 House	FY 2012 Senate Ways and Means	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	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	3,875,835,669	3,754,835,669	M
4000-0600	MassHealth Senior Care	2,497,390,461	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	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	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	14,409,312	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	18,801,714	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	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 May 18, 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