

COMPARISON OF THE FY 2015 HOUSE AND SENATE BUDGET PROPOSALS FOR MASSHEALTH AND HEALTH REFORM PROGRAMS

BUDGET BRIEF

JUNE 2014

The Fiscal Year (FY) 2015 Massachusetts state budget has moved into the final stages prior to enactment. On May 22, the Massachusetts Senate completed its version of the budget after just two days of debate. The House of Representatives had filed its budget three weeks earlier. The House and Senate proposals include more than \$14.6 billion in funding for the Massachusetts Medicaid program (MassHealth) and for other subsidized health coverage programs and related activities. The Senate MassHealth budget is slightly less than the House budget, but both include more funding than recommended by the Governor in January.

A legislative conference committee will meet to reconcile differences between the two versions and send a compromise budget to the Governor. The Governor has 10 days to review and sign the budget and has the power to veto or reduce the funding for individual line items or propose changes to budget language. The fiscal year begins on July 1.

Although there are important differences between the House and Senate budgets (described in more detail below), both budget proposals reflect the implementation of many of the components of the federal Affordable Care Act (ACA). FY 2015 will be the first full year of implementation of the ACA. The ACA expands MassHealth coverage with enhanced federal Medicaid reimbursement starting in calendar year 2014. The ACA also reduces spending by the Health Care Connector as federal tax credits and subsidies assume most of the cost of bringing private insurance purchased through the Connector to affordable levels for individuals not eligible for MassHealth.

The FY 2015 House and Senate budgets, like the Governor's budget, fund expanded MassHealth coverage in an "ACA Expansion Populations" line item (4000-0940) at \$1.7 billion. The Administration estimates that federal reimbursements for the spending on this expanded program will be close to \$1.4 billion.

SUMMARY TABLE (DOLLARS)	FY 2014 Current Appropriations*	FY 2015 House	FY 2015 Senate
MassHealth Programs and Administration			
MassHealth Programs	12,113,435,972	13,517,118,243	13,496,356,335
MassHealth Administration**	99,435,854	157,974,236	158,370,861
MassHealth Subtotal	12,212,571,826	13,675,092,479	13,654,727,196
Commonwealth Care and ConnectorCare			
General Fund Transfer to the Commonwealth Care Trust Fund	405,078,633	0	0
Tobacco Tax Transfer to the Commonwealth Care Trust Fund	151,267,760	144,268,172	144,268,172
Commonwealth Care and ConnectorCare Subtotal	556,346,393	144,268,172	144,268,172
Prescription Advantage	16,988,821	16,162,178	16,573,523
Center for Health Information and Analysis and Other Health Finance***	34,767,824	33,767,824	34,867,893
EOHHS Information and Technology	98,348,924	108,718,835	108,718,836
Transfers to Trust Funds			
Delivery System Transformation Initiatives Trust Fund	93,449,470	210,261,307	210,261,307
Medical Assistance Trust Fund	620,025,000	464,000,000	464,000,000
Health Information Technology Trust Fund	1,125,000	8,153,272	8,153,273
Transfers to Trust Funds Subtotal	714,599,470	682,414,579	682,414,580
Total Spending	13,633,923,257	14,660,424,067	14,641,570,200
State Budget Total****	37,751,720,566	39,430,794,757	39,488,846,539

*FY 2014 Current Appropriations represent spending approved in the FY 2014 General Appropriations Act and supplemental spending approved through May 29, 2014.

**MassHealth Administration includes line items funding auditing, operations, and payment reform activities, as well as the main administrative line item (see chart at end for more detail). In FY 2015, funding includes \$60 million in administrative costs that were not previously authorized through a line item appropriation. These are not new costs.

***The Center for Health Information and Analysis is almost entirely supported by assessments.

****State Budget Total includes all line item appropriations, operating transfers, and direct spending from statutorily designated taxes, as well as adjustments to allow for more accurate year-to-year comparisons.

The House and Senate budgets — like the Governor's budget — anticipate that in FY 2015, the Commonwealth will spend approximately \$235.4 million for the ConnectorCare program, the successor program to Commonwealth Care. ConnectorCare is paid for out of the Commonwealth Care Trust Fund (CCTF). The House and Senate — like the Governor — do not make a direct transfer of funds into the CCTF in FY 2015. The CCTF is expected to receive sufficient revenue for expected expenditures in FY 2015 from its other revenue sources including cigarette taxes, penalties paid by individuals without required health coverage, and an employer assessment.

DIFFERENCES BETWEEN THE HOUSE AND SENATE FY 2015 BUDGET PROPOSALS: MASSHEALTH PROGRAM

4000-0500 MassHealth Managed Care		
House	Senate	Difference
\$4,792,819,941	\$4,792,819,941	–

Senate funding for MassHealth Managed Care is \$4.8 billion, the same as in the Governor's and House proposals. Unlike the Governor or House, however, the Senate version includes a provision from the FY 2014 budget that would ensure that managed care capitation rates are adjusted based on changes in provider rates. (Both the House and Senate provide for a 2 percent rate increase for MassHealth managed care providers, but the Senate adds this proviso to the 4000-0500 line item and the House to the 4000-0300 line item.)

The House proposal includes an earmark of \$8.0 million for mental health and substance abuse providers, an amount not designated in the Senate budget.

4000-0600 MassHealth Senior Care		
House	Senate	Difference
\$3,197,069,129	\$3,158,615,115	(\$38,454,014)

The House funding for MassHealth Senior Care is \$3.2 billion, \$38.5 million more than the Senate's \$3.16 billion. Both proposals anticipate slight reductions in the Senior Care program caseload compared with the Governor's projections in January. The primary difference between the two proposals, however, is in the language describing nursing home facility rates.

The House proposes that for FY 2015, nursing home reimbursement rates be re-based using 2007 costs, rather than costs from 2005. This would result in an increase of \$47.5 million over FY 2014. The House also adds language stipulating that if federal reimbursement is not available for these payments, the rates would remain at the 2005 base year and the state would make a one-time supplemental payment of \$23.7 million to the nursing homes.

The Senate also proposes re-basing nursing home rates, but starting in April, rather than in October as in the House budget. The Senate estimates that this change would cost approximately \$15.0 million. The Senate restores language ensuring payment to nursing homes for times

when a patient has a leave of absence (such as during a hospitalization) and adds language guaranteeing payments of at least \$10.0 million to reimburse nursing homes for these "bed holds." The Senate also asks MassHealth to report back to the legislature on the number of nursing home residents taking leaves of absence.

The Senate also includes a provision asking the Executive Office of Health and Human Services to conduct a review of rates for the Adult Foster Care program. The review would consider alternative payment methods to promote caregiver retention and to encourage innovation to help lower long-term care and health care costs.

4000-0640 MassHealth Nursing Home Supplemental Rates		
House	Senate	Difference
\$298,600,000	\$301,400,000	\$2,800,000

The Senate budget includes \$301.4 million, \$2.8 million more than the House, for MassHealth Nursing Home Supplemental Rates. During floor debate, the Senate added this \$2.8 million to the line item to fund "pay-for-performance" incentive payments for nursing homes that maintain particular cooperative arrangements between employees and management.

4000-0700 MassHealth Fee-for-Service		
House	Senate	Difference
\$2,367,151,217	\$2,381,520,091	\$14,368,874

The House proposes \$2.37 billion and the Senate propose \$2.38 billion for MassHealth Fee-for-Service, with the Senate proposal \$14.4 million higher than the House. There are several significant differences between the House and Senate proposals that are embedded in this funding.

Adult Dental Coverage

Unlike the House, the Senate includes \$4.0 million to restore coverage for adult dentures and states that such coverage would start no later than April 1, 2015. The House provision precludes the Administration from restoring dentures. Both House and Senate proposals include full-year funding for adult dental fillings for all teeth, a service that was restored in March 2014.

Hospital Rates

The Senate makes a supplemental payment of \$12.3 million to acute care hospitals that serve a disproportionate share of low-income patients ("DSH" hospitals) for mental and behavioral health services. The House, on the other hand, includes \$200,000 in a supplemental payment for pediatric intensive care.

DIFFERENCES BETWEEN THE HOUSE AND SENATE FY 2015 BUDGET PROPOSALS: MASSHEALTH ADMINISTRATION

4000-0300 Executive Office of Health and Human Services

House	Senate	Difference
\$90,557,569	\$90,446,479	(\$111,090)

The House budget proposes \$90.6 million for the Executive Office of Health and Human Services, and the Senate proposes \$90.4 million. There are several differences in budget language, summarized below:

- The Senate does not include new House language providing \$100,000 for improved access to the entryway at Noble Hospital.
- Both the House and Senate include language directing MassHealth to reimburse managed care and senior care organizations for an ACA-related insurer's fee, but the Senate language is slightly more specific and includes language directing MassHealth to include an add-on to capitation rates for these organizations to cover this fee.
- The Senate includes \$1.0 million for a drug and alcohol rehabilitation facility in Petersham.
- The House maintains current language providing \$150,000 for the Unaccompanied Homeless Youth Commission; the Senate removes this earmark.
- The House includes language providing for a supplemental payment for pediatric specialty units; the Senate removes this language.
- The Senate adds language specifying MassHealth reimbursement of telehealth remote patient monitoring (see also discussion of telemedicine below).

4000-0328 State Plan Amendment Support

House	Senate	Difference
–	\$500,000	\$500,000

The Senate budget includes a new line item for \$500,000 to support applications for new state plan options and waivers, such as health homes, in order to expand community-based services and increase federal reimbursement.

DIFFERENCES BETWEEN THE HOUSE AND SENATE FY 2015 BUDGET PROPOSALS: OTHER APPROPRIATIONS

9110-1455 Prescription Advantage

House	Senate	Difference
\$16,162,178	\$16,573,523	\$411,345

The House and Senate budget proposals differ little in their funding for the Prescription Advantage program, which reduces co-pays and helps fill a gap created by the “doughnut hole” in Medicare prescription drug coverage for low-income elders and certain disabled adults. (The ACA is expected to close the “doughnut hole” completely by 2020.) The House budget includes \$16.2 million for Prescription Advantage, while the Senate includes \$411,000 more and specifies that \$360,000 be available

to support the Serving the Health Insurance Needs of Everyone (SHINE) insurance counseling program.

1599-2004 Behavioral Health in Patient-Centered Medical Homes

House	Senate	Difference
\$2,000,000	\$1,500,000	(\$500,000)

The House and Senate both propose funding a reserve to support the integration of behavioral and mental health services into patient-centered medical homes. The House proposes \$2.0 million for this new initiative; the Senate proposes \$1.5 million.

4100-0060 Center for Health Information and Analysis

House	Senate	Difference
\$26,667,824	\$28,267,893	\$1,600,069

The House budget includes \$26.7 million for the Center for Health Information and Analysis (CHIA), and the Senate includes \$28.3 million, \$1.6 million more. The Senate language adds a requirement that CHIA publish a report on the financial condition of hospitals and other health care providers, using the health benchmarks project website.

DIFFERENCES BETWEEN THE HOUSE AND SENATE FY 2015 BUDGET PROPOSALS: STATUTORY LANGUAGE

The House and Senate budgets both include a large number of budgetary outside sections with statutory language affecting the administration and operations of the MassHealth program and other subsidized health care programs. Key differences between the House and Senate proposals are summarized below:

Affordability Provision

The House budget includes language stating that for people with incomes up to 150 percent of the federal poverty level, ConnectorCare must offer at least one health plan that has no required premium contribution. A similar provision was included in the statute creating Commonwealth Care, the program ConnectorCare replaces. The Senate budget does not include a similar provision.

Health Care Connector Contracts

The House budget requires the Office of Information Technology to oversee the information-technology-related contracting and procurement for the Health Care Connector. The Senate budget does not include a similar provision.

Behavioral Health

Several initiatives in the House budget focus on behavioral health. The House creates an interagency task force (which would include MassHealth) to focus on treatment and prevention of substance use disorders. The House budget includes another section creating a task force charged with examining barriers to the delivery of comprehensive and cost-effective behavioral health care. An additional section in the House budget regulates MassHealth managed-care subcontracting of behavioral health. A further section in the House budget creates a task force to review the collection of data about behavioral and mental health

cases, particularly in regard to emergency department usage by persons with mental health needs. The Senate budget does not include similar provisions.

Inspector General's Audit of the Health Safety Net Trust Fund

The House proposes that \$1.0 million of the funds transferred from the Commonwealth Care Trust Fund to the Health Safety Net Trust Fund support a fund audit by the Office of the Inspector General. The Senate budget also includes an audit of the fund but does not allocate new funds to support that audit.

Health Care in Public Housing

The House budget directs the Center on Health Information and Analysis (CHIA) to report on the incidence of disease and access to care in public housing developments. This research, which the legislation suggests CHIA could conduct in conjunction with the Office of Medicaid and the Department of Public Health, would analyze patterns of disease and health insurance coverage, health care costs, and access, and would provide recommendations for improving the efficiency and effectiveness of health care for residents of public housing. The Senate budget does not include a similar provision.

Health Coverage for Incarcerated Prisoners

The House budget directs MassHealth, in conjunction with the Department of Correction, to study the feasibility of enrolling eligible prisoners in MassHealth. This study would consider such alternatives as temporarily suspending MassHealth enrollment (rather than terminating benefits) during incarceration, reactivating MassHealth coverage for a prisoner on medical leave or on probation or parole, or maintaining MassHealth coverage during incarceration.

The Senate, on the other hand, includes language that would allow eligible inmates or persons awaiting trial to be enrolled in MassHealth. While in prison, their membership would be suspended, but if they then required inpatient medical care outside the prison walls, the MassHealth membership could immediately be reinstated. This would allow the Commonwealth to receive federal reimbursement for the costs of medical care outside the prison. Currently, medical costs for inmates outside prison are primarily borne by the state through the Department of Correction. Moreover, because it would be easy to reinstate suspended coverage, this would eliminate gaps in coverage for people once they are released from prison.

Costs Associated with Delays in Implementation of the Affordable Care Act

The House budget includes a provision directing the Executive Office of Health and Human Services to review the financial impact of delays in the full implementation of the ACA due to difficulties with the state website. The House budget includes language asking for a report by the end of July 2014 that would detail the costs to the state of the backlog of health coverage applications and the provision of temporary health insurance coverage pending the proper functioning of the Massachusetts Health Connector website. The Senate budget does not include similar provisions.

MassHealth Savings

The Senate budget requires the Executive Office of Health and Human Services to report to the Legislature on how the MassHealth program will operate to stay within its appropriations. This is similar to language included in the FY 2014 budget. The House budget does not include a similar provision.

Report on Hospital Closures

The Senate budget includes language creating a task force to review recent hospital closures and make recommendations as to ways to ensure that communities affected by closures have access to alternative services. The House budget does not include a similar provision.

Nursing Facility Admissions

The Senate budget includes language directing the Executive Office of Health and Human Services to seek a waiver from a Medicare requirement that admission to a nursing home be preceded by a three-day inpatient hospital stay. The House budget does not include a similar provision.

Telemedicine Coverage

The Senate budget includes language requiring that insurers cover the costs of specified services provided remotely through telemedicine. For example, insurers would be required to cover a service provided remotely if that same service were covered when provided in person. The House budget does not include a similar provision.

Rural Hospitals

The Senate budget includes language allowing for higher-priced rural hospitals to be given the same consideration for funding from the Community Hospital Acceleration, Revitalization, and Transformation (CHART) Investment Program administered by the Health Policy Commission, if they are the only hospital in a given geographic area. The House budget does not include a similar provision.

Community First Trust

The Senate budget creates a Community First Trust Fund from revenue coming to the Commonwealth as part of the ACA and directs \$6.0 million from this fund to support increased wages for homemakers and personal-care homemakers who work with elders. This initiative is part of a "balancing incentive program" in the ACA designed to support and expand community-based long term care. The House budget does not include a similar provision.

MASHEALTH AND HEALTH REFORM APPROPRIATIONS (DOLLARS)		FY 2014 Current Appropriations*	FY 2015 House	FY 2015 Senate
MassHealth Programs and Administration**				
4000-0300	Executive Office of Health and Human Services and MassHealth Administration (A)	91,785,813	90,557,569	90,446,479
4000-0301	MassHealth Auditing and Utilization Reviews (A)	4,416,519	4,425,793	4,428,131
4000-0309	MassHealth Field Auditing Taskforce (A)	300,000	0	0
4000-0321	EOHHS Contingency Contracts Retained Revenue (A)	0	60,000,000	60,000,000
4000-1602	MassHealth Operations (A)	2,083,756	2,117,905	2,121,671
4000-1604	Health Care System Reform (A)	849,766	872,969	874,580
4000-0328	State Plan Amendment Support (A)	0	0	500,000
4000-0320	MassHealth Recoveries from Current and Prior Fiscal Years Retained Revenue	225,000,000	225,000,000	225,000,000
4000-0430	MassHealth CommonHealth	91,074,613	111,115,925	111,115,925
4000-0500	MassHealth Managed Care	4,500,411,804	4,792,819,941	4,792,819,941
4000-0600	MassHealth Senior Care	2,853,835,505	3,197,069,129	3,158,615,115
4000-0640	MassHealth Nursing Home Supplemental Rates	319,300,000	298,600,000	301,400,000
4000-0700	MassHealth Fee-for-Service Coverage	2,212,377,039	2,367,151,217	2,381,520,091
4000-0870	MassHealth Basic Coverage	180,437,109	0	0
4000-0875	MassHealth Breast and Cervical Cancer Treatment	5,725,199	5,725,199	5,725,199
4000-0880	MassHealth Family Assistance	222,766,943	204,795,301	204,795,301
4000-0885	Small Business Employee Premium Assistance	0	30,877,115	30,877,115
4000-0890	MassHealth Premium Assistance and Insurance Partnership	30,877,115	0	0
4000-0895	Healthy Start Program	14,439,991	0	0
4000-0940	ACA Expansion Populations	448,000,379	1,702,696,743	1,702,696,743
4000-0950	Children's Behavioral Health Initiative	203,200,101	207,371,693	207,894,925
4000-0990	Children's Medical Security Plan	13,214,180	13,214,180	13,214,180
4000-1400	MassHealth HIV Plan	18,744,723	23,693,668	23,693,668
4000-1405	MassHealth Essential	489,878,244	0	0
4000-1420	Medicare Part D Phased Down Contribution	284,153,027	302,670,132	302,670,132
4000-1425	Hutchinson Settlement	0	34,318,000	34,318,000
Commonwealth Care Trust Fund				
T0000660	Commonwealth Care Trust Fund (cigarette tax)	151,267,760	144,268,172	144,268,172
1595-5819	Commonwealth Care Trust Fund	405,078,633	0	0
Transfers to Other Trust Funds				
1595-1067	Delivery System Transformation Initiatives Trust	93,449,470	210,261,307	210,261,307
1595-1068	Medical Assistance Trust Fund	620,025,000	464,000,000	464,000,000
1595-1069	Health Information Technology Trust Fund	1,125,000	8,153,272	8,153,273
Center for Health Information and Analysis and Other Health Finance***				
1599-2004	Behavioral Health Integration in Patient-Centered Medical Homes	0	2,000,000	1,500,000
4000-0265	Primary Care Workforce	3,000,000	0	0
4100-0060	Center for Health Information and Analysis	26,667,824	26,667,824	28,267,893
4100-0061	All Payer Claims Database Retained Revenue	4,000,000	4,000,000	4,000,000
7006-0029	Health Care Access Bureau Assessment	1,100,000	1,100,000	1,100,000
Prescription Advantage				
9110-1455	Prescription Advantage	16,988,821	16,162,178	16,573,523
HHS Information Technology				
4000-1700	Health and Human Services Information Technology Costs	98,348,924	108,718,835	108,718,836
TOTAL		13,633,923,257	14,660,424,067	14,641,570,200

*FY 2014 Current Appropriations represent spending approved in the FY 2014 General Appropriations Act and supplemental spending approved through May 29, 2014.

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