

**Testimony of the  
Massachusetts Medicaid Policy Institute  
before the  
Joint Committee on Health Care Financing  
March 16, 2005**

Good afternoon, Senator Moore, Representative Walrath, and other members of the Committee. I am Nancy Turnbull, executive director of MMPI, an independent organization with a mission of broadening understanding of the state's Medicaid program. Thank you for the invitation to testify today about Medicaid and the FY 2006 budget.

MassHealth, the state's Medicaid program, is the most important health program in the Commonwealth. It provides health coverage to nearly one million people, making it the second largest source of health coverage in the state. The program has an extensive scope and reach, covering many of the poorest individuals and people with the greatest health care needs in the state, including one of every 4 kids, nearly one-third of people with disabilities and 7 of ten people in nursing facilities. Medicaid is *the* reason that Massachusetts has a relatively low rate of uninsurance compared to most other states, particularly among low-wage working families and children. Without a strong MassHealth program, the number of people without insurance—which has increased by nearly 100,000 in the past four years—would be much larger.

MassHealth plays a vital role in stabilizing the state's health care system. It does this in many ways: by providing coverage to many of the most vulnerable people in the state, and payment to the providers who care for them; by reducing the cost of uncompensated care; by promoting earlier treatment in appropriate settings and reducing unnecessary emergency room use and preventable hospitalizations; and, increasingly, by helping to plug some of the holes in the private health insurance system.

The Commonwealth should be proud of MassHealth and the commitment we make through the program to many of the most vulnerable in our community. Yet the people covered by the program, and its many successes, are often lost in the louder conversations and debates about Medicaid spending. Medicaid is frequently characterized by phrases such as “budget buster” or the “Pac-Man” of state spending. There is no doubt that the program is a budget challenge. It will account for about 28% of the total budget this year, although it's always important to remember that more than half of MassHealth spending is financed by the federal government —so state spending on MassHealth is only about 14% of the state's budget. But in times of fiscal constraints and tight state

revenues, it is clear that rising Medicaid spending is putting enormous pressure on the resources available for other important social priorities.

Finding ways to moderate rising MassHealth spending is difficult, for several reasons. First, the major reason for rising spending is rising medical costs—a national and statewide problem, not one that is unique to Medicaid. In fact, Medicaid looks like a bargain compared to experience of private health coverage: costs per member are rising more slowly than costs for private health insurance, even though MassHealth provides coverage to many of those with the greatest health needs, and pays many providers much less than other payers. There are no easy solutions to rising medical costs. The MassHealth program has taken many actions, and has others under way, to moderate growth in spending. These have been particularly successful for prescription drugs, shifting care for people with disabilities from institutional to community settings, and developing specialized managed care programs for certain groups of members. But any easy savings are gone. The latest approach that's being tried in the private health insurance sector--cost-shifting in the form of higher copayments, deductibles and premiums--cannot, and should not, be used in MassHealth. But until we develop new ways to control health care spending, as a state and as a nation, MassHealth will not be immune to overall trends in medical costs.

Second, Medicaid spending is affected significantly by policies of the federal Medicare program. Nearly 200,000 MassHealth members also have Medicare coverage. For these members, Medicaid plugs in the many holes in Medicare, including the lack of coverage for long-term care and, until next year, any real benefit for prescription drugs. But even when Medicare starts providing drug coverage next year, states will provide most of the funding, resulting in little or no savings for MassHealth and other state Medicaid programs. And the absence of effective mechanisms to integrate financing and care for most of these members creates tremendous incentives for cost-shifting to Medicaid by Medicare, and compounds the spending challenge.

Third, MassHealth, as our health coverage of last resort, is affected by changes in the overall economy and, in particular, in the employment-based private health insurance system. And that system is eroding. Approximately 60% of non-elderly MassHealth members are low-wage workers or their dependents. As fewer employers offer coverage that their employees can afford, more people seek coverage from MassHealth. As more people work in jobs without any health coverage, more people seek coverage from MassHealth. As poverty grows and wages stagnate in the Commonwealth, more people seek coverage from MassHealth. More and more, MassHealth is the way we ensure that many low-income individuals and their families have access to health care coverage.

While there are no silver bullets to moderate rising MassHealth spending, the state can build on past successes. But if we want to do better in the long-run, we need to make some new investments now.

In that vein, MMPI has three specific recommendations for the Committee to consider in its review of the FY06 Medicaid budget:

#1: Support efforts to develop and expand new systems and models of care: Improved care coordination and management of care hold the greatest promise for moderating Medicaid spending growth and improving quality of care. These efforts need to focus on members with disabilities and elders, the Medicaid members with the most significant needs and who account for most of spending and spending growth. The State has developed number of innovative programs for these members, including the Senior Care Organizations, Program of All Inclusive Care for Elders (PACE) and other programs. But most of these are small and serve very few members. As part of its budget review, MMPI urges the committee to work with Medicaid to bring successful programs to scale, and to develop other new initiatives.

#2: Enhance the MassHealth administrative infrastructure: The MassHealth administrative budget is about \$150 million, or about 2% of program spending. This budget is miniscule compared to the administrative spending of other health coverage programs. Limited administrative resources are being stretched by a number of new administrative responsibilities MassHealth has assumed in the past few years. In particular, the new Medicare Part D benefit has imposed a vast array of new duties on the Medicaid program.

Developing new cost control strategies and approaches and new programs requires administrative resources. In tight fiscal times, it is easy to forego investments in these areas to devote limited resources to paying for direct services for Medicaid members. But if the state expects the Medicaid program to successfully meet the continuing challenge of finding new ways to moderate spending for medical services, it will need to increase the administrative and technical resources available to the MassHealth program. The Committee should examine carefully Medicaid's proposed administrative budget in light of the demands and expectations for the program.

#3: Increase funding for enrollment, outreach and retention: This is an exciting time in the Commonwealth in terms of health reform. Several proposals—including one by Senator Moore—have been made for reducing the number of people without insurance, and others are in the works. Medicaid will likely play an important role in any successful health reform plan. One way that we can make progress without the need for legislative change is to maximize the enrollment of the estimated 106,000 Massachusetts residents who are eligible for MassHealth but uninsured.

This will be difficult because Massachusetts has already enrolled approximately 90% of eligible people, far better than virtually any other state. The state has undertaken several initiatives that should help increase enrollment, including the Virtual Gateway and the joint application for MassHealth and the Uncompensated Care Pool. The Governor's proposed budget also includes \$250,000 for new outreach and enrollment activities. While these initiatives are laudable, they will not be sufficient to meet the goal of enrolling most eligible people into the program. We urge the Committee to consider what additional initiatives would help us reach, enroll and retain as many eligible people as possible.

Your Committee has been created at a time when there are treacherous waters ahead for the Medicaid program. In particular, the signals from the Bush Administration about its desire to reduce federal support for Medicaid are ominous for Massachusetts and other states. The new MassHealth waiver may also reduce the federal revenues available to the state, although the waiver also presents us with a real opportunity to think anew and creatively about what type of health care financing and delivery system we want in the Commonwealth for people with no health coverage, if we have the will and leadership to take on some very hard policy and political questions.

An important component of the fight for Medicaid needs to be to reframe the public conversation about the program. Your committee can play an important role in changing the tone and terms of the Medicaid conversation and debate from one solely about what the program costs to one about what the program is worth.

MMPI looks forward to working with the Committee on these critical issues, and we hope you will let us know how we can be helpful to you.