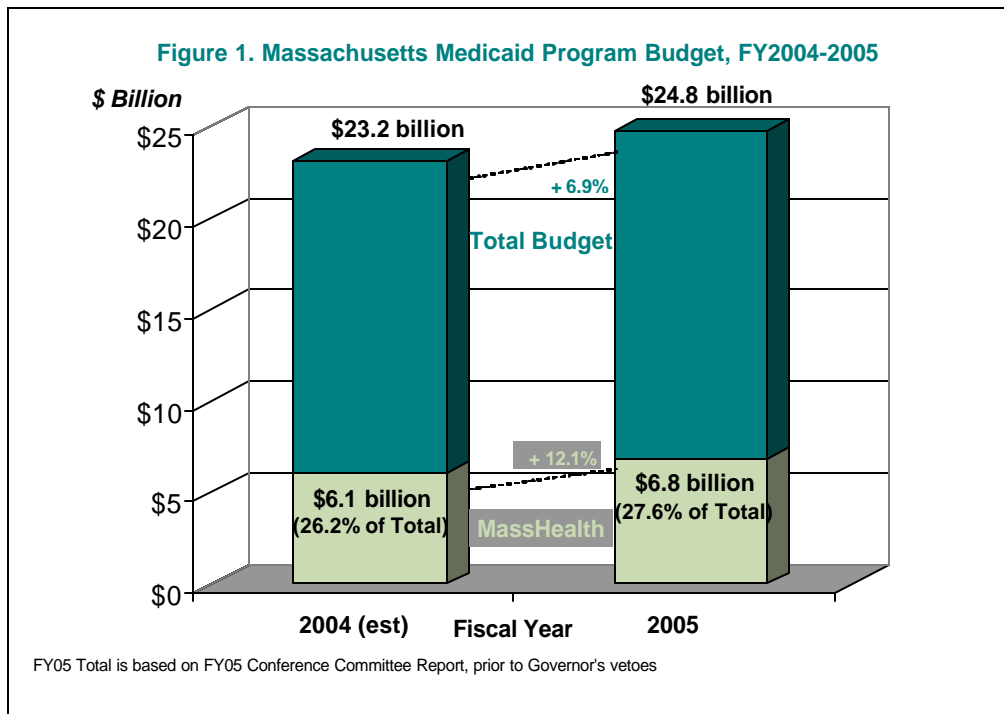


## MMPI Budget Bulletin The FY 2005 Massachusetts Medicaid Program Budget

On June 18, 2004 the Massachusetts Legislature approved the Joint Legislative Conference Committee Annual Budget Report for Fiscal Year 2005, which began July 1, 2004. The legislature sent the budget to the Governor, who approved the budget, vetoing certain line items, on June 25. The Legislature concluded its formal session for the year on July 30, having overridden some, but not all, of the Governor's vetoes. Following are highlights of the FY2005 budget that concern the Commonwealth's Medicaid program, known as MassHealth.

### 1. Highlights



- MassHealth program expenditures are projected to increase by about \$738 million in FY05, or 12.1 percent, for a total FY05 MassHealth budget of \$6.83 billion. Overall spending in the Massachusetts budget is expected to increase by 6.9 percent from FY04 to FY05.
- Based on data from a variety of sources, MassHealth constitutes 26.2 percent of the Commonwealth's spending in fiscal year 2004. The FY05 Conference Committee Budget projects MassHealth as 27.6 percent of the total budget expenditures.
- The FY05 Conference Committee Budget for the MassHealth program assumes an increase in medical expenditures of about 11 percent, according to legislative staff. This spending increase is consistent with national and regional trends.
- The budget includes additional funds to expand the MassHealth Essential program for long-term unemployed adults. The income eligibility level for the HIV program was also increased.
- The FY05 House and Senate budgets assumed MassHealth enrollment growth rates of four and seven percent respectively. The Conference Committee budget has no specific language on enrollment growth. There is an expectation that enrollment will grow during the year, due to new eligibility

criteria for HIV and immigrant populations, continuing new enrollment in the MassHealth Essential program, and a new “Virtual Gateway” eligibility and enrollment system.

- New initiatives in the budget include incentives to shift primary care to community health centers, funding to recruit and retain home health workers, and development of a disease management program for chronically ill people.

**Table 1. Selected MassHealth Accounts from FY05 Budget**

Acct. #	Description	FY 05 Conference Budget (\$ millions)	FY 04 Actual Spending (estimate)	Change from FY04 to FY 05
4000-0500	MassHealth Managed Care	\$ 2,319.2	\$ 2,032.0	+ 14%
4000-0600	MassHealth Long Term Care	1,697.1	1,645.0	+ 3%
4000-0700	MassHealth Third Party Liability (TPL) for Dually Eligible Members with Disabilities	1,239.5	1,191.0	+ 4%
4000-0860	MassHealth Standard Expansion	390.0	359.9	+ 8%
4000-0320	MassHealth Recoveries (retained revenues from current and previous year TPL, and other cost recovery efforts)	333.5	230.0	+ 45%
O.S. 409	Nursing Home User Fee	288.5	288.5	0%
O.S. 265	MassHealth Essential	160.0	66.0	+ 142%
4000-0870	MassHealth Basic <sup>1</sup>	111.6	112.3	+ 8%
4000-0620	Senior Care Options (SCO) <sup>#</sup>	83.3	0.0	see note #
4000-0430	CommonHealth	83.2	76.7	+ 8%
4000-0880	Family Assistance for families with incomes 150% of FPL and above	63.1	53.8	+ 17%
4000-0890	Insurance Partnership Employee	30.8	26.7	+ 16%
4000-1400	MassHealth HIV	8.7	0.7	+ 1184%
4000-0891	Insurance Partnership Employer	6.5	5.9	+ 10%
O.S. 264	Disease Management Program*	5.0	0.0	new
4000-0625	Recruit/Retain Home Health Workers*	4.0	0.0	new
4000-0875	MassHealth Breast & Cervical Cancer	2.8	1.3	+ 119%
4000-0550	One Time Incentive for Community Health Center Utilization*	0.5	0.0	new
	<b>Total MassHealth Budget</b>	<b>\$6,827.3</b>	<b>\$ 6,089.8</b>	<b>+ 12.1%</b>

O.S.= Budget Outside Sections

<sup>#</sup> Funded in FY04 within line item 4000-0600 (long term care)

\*New programs in FY 05 Conference Committee Budget

<sup>1</sup>Governor reduced this line item by \$10 million in conjunction with his veto of Outside Section 164, which restored coverage to about 3,000 elderly and disabled non-citizens; the reason for the veto is that it increases MassHealth spending for which no federal reimbursement is available.

## 2. How the FY05 Budget Affects MassHealth

Provisions in the FY05 budget provide the framework for the MassHealth program for the coming year. Most obviously, the budget provides the funding necessary to administer the program and pay for services. Within the details of the budget, though, are important policy statements about various aspects of the MassHealth program concerning eligibility standards, access to programs and services,

participation and payment of health care providers, and innovations in MassHealth that are intended to improve the quality or cost effectiveness of the program and the services it supports.

### **Eligibility & Access Issues**

Eligibility standards for MassHealth services have been the focus of a tension between policy efforts to reduce state expenditures on the one hand, and to increase federal financial participation (FFP) on the other. The past few years have seen limitations on eligibility and access as the budget process sought to reduce direct expenditures for some MassHealth programs. The FY05 budget reverses some of these limitations and restores a number of eligibility standards to previous levels and, in some cases, seeks to expand eligibility, subject to FFP reimbursement approval. Some expansions that the Legislature passed were subsequently vetoed by the Governor. The budget provisions affecting **eligibility** include:

- Funding MassHealth Essential, a program providing coverage for the long term unemployed, many of whom lost MassHealth Basic coverage in FY04, at \$160 million. This is a level sufficient to enroll eligible members up to the statutory cap of 36,000. In addition, \$75 million of unspent FY04 MassHealth Essential funds are targeted for transfer to the uncompensated care pool.
- Restoring eligibility for the MassHealth HIV Program to 200 percent of the federal poverty level. Funding for the program is increased by about \$8 million – over 1,000 percent – over projected FY04 spending.
- Directing the Executive Office of Elder Affairs to seek an expansion of the current Home and Community-Based waiver so that the program would serve people with disabilities with incomes up to 300 percent of SSI guidelines. Eligibility for this expansion would include an asset test, but another outside section of the budget authorizes a study on how an asset test might affect working people with disabilities.

### *Governor's Vetoes not overridden*

- One provision to restore eligibility – reinstating MassHealth coverage for about 3,000 lawful elderly and disabled non-citizens – was vetoed by the Governor. In addition, the Legislature did not act to reinstate approximately 7,000 non-disabled adults under 65 who are non-citizens and who also lost coverage last year.
- The Governor also vetoed an outside section authorizing the Executive Office of Health and Human Services (EOHHS) to seek a federal waiver to expand MassHealth family planning services to people with incomes up to 200 percent of the federal poverty level, providing that such an expansion would be cost neutral for the state. He argued that the required cost neutrality for this expansion was not achievable.
- The Legislature's budget conference report also required Medicaid officials to hold public hearings before adopting any new rules that would restrict MassHealth eligibility or service delivery. The Governor vetoed this provision.

Other outside sections of the budget affect **access to programs and services** by:

- Ensuring that current nursing home residents are not negatively affected by more restrictive admission and continued stay criteria, and providing for medical and non-medical leaves of absence for nursing home residents of up to 10 days per year. The Legislature overrode the Governor's veto of this section.

- Directing the administration to seek federal approval to limit participation in the Breast and Cervical Cancer Treatment Program to women with incomes below 250 percent of the federal poverty line, and to institute cost-sharing (premiums and copayments) for women in the program whose incomes are between 133 and 250 percent of the poverty line. This section is counter to the general trend of expansion in the budget. The Breast and Cervical Cancer program receives 65 percent federal reimbursement, higher than the typical 50 percent for other MassHealth programs.

#### *Governor's Vetoes*

- The Governor vetoed an outside section repealing the enrollment caps for the CommonHealth, HIV and Insurance Partnership programs. These caps were put in place as part of the FY 2004 budget.
- The Governor also vetoed an outside section authorizing EOHHS to develop Personal Care Attendant (PCA) standards and regulations, in particular concerning the assessment of an individual for personal care attendant services, with an eye to “maximize[ing] efficiencies and cost savings in the program.” The section required EOHHS officials to consult and collaborate with members of a study commission and “personal care attendant program stakeholders” in the development of any substantive change to the personal care attendant program and to regularly communicate with the personal care attendant program stakeholders.

#### **Provider Participation Issues**

Though a Senate proposal to increase physician payment rates was not included in the Conference Committee budget, there are a few provisions that seek to enhance the participation of providers in MassHealth, including:

- \$4 million for the express purpose of recruiting and retaining home health workers
- Requiring EOHHS to issue a request for proposals for the third party administration of MassHealth dental benefits.

#### **Program Initiatives**

The FY05 MassHealth budget includes a number of new program initiatives. Some seek to enhance federal reimbursement for MassHealth programs and services (on average, the federal government reimburses the state for half of every dollar spent on approved Medicaid services), while others are additional MassHealth services offered to members. These new initiatives include:

- \$500,000 for a one-time financial incentive of \$5 to each member who shifts his or her site of primary care to a community health center. The Legislature overrode the Governor's veto of this line item.
- Designating at least 20 percent of the \$1.1 million allocated for interpreter services to MassHealth members in emergency rooms and acute psychiatric units to be spent as grants for innovative methods to improve interpreter services.
- \$5 million to fund the startup costs of a pilot program on primary and preventive care and disease management for people with chronic health conditions.
- \$83.3 million for Senior Care Options, an innovative program that combines MassHealth and Medicare benefits to provide comprehensive, coordinated services to seniors. Three demonstration organizations will expand their operations during FY05 to deliver services to voluntary enrollees.

#### *Governor's Veto*

- The Governor vetoed an outside section requiring EOHHS to seek the necessary waivers and regulatory changes to develop a pilot managed care program for up to 25,000 MassHealth members with disabilities. The program would include the provision of primary care and pharmacy benefits through community health centers, hospital-licensed health centers and community health centers.

### **Studies and Other Notable Provisions**

#### *Municipal Medicaid study*

One outside section of the budget creates a commission to study and propose legislation revising the Massachusetts Municipal Medicaid program. The revisions would seek to maximize federal Medicaid reimbursements for the cost of special education services to Medicaid eligible students with disabilities, and would amend state health insurance law to provide that insurers cannot exclude medically necessary services solely because such services are included in a child's special education plan. A State Auditor's report in June 2004 recommended legislative and executive actions that could potentially boost federal assistance to the program by \$50 million per year.

#### *Public Health Access Program Beneficiary Employer Report*

An outside section of the budget directs the Executive Office of Health and Human Services to prepare a report annually listing each employer in Massachusetts that employs 50 or more people who receive health benefits from either MassHealth or the Uncompensated Care Pool. For each employer, the report will specify the number of employees and family members who receive these public benefits, whether the employer offers health benefits to its employees, and the cost to the Commonwealth of providing the benefits. The Legislature overrode the Governor's veto of this section.

### **3. Summary Picture of the Conference Committee Budget**

The FY05 MassHealth Budget embraces:

- Improving access to MassHealth and FFP-reimbursable services for eligible individuals and families, and seeking to develop expanded and new programs for FFP reimbursement.
- Maximizing FFP to reduce Massachusetts direct costs, rather than limiting eligibility criteria.
- Moving sites of care to community-based and low-cost locations, where appropriate and possible.
- Seeking to develop innovative programs to improve service delivery and cost effectiveness.

The budget provides incentives for moving care to less expensive settings and creates new programs to close gaps, maximize federal financial participation (FFP) and improve innovative and integrated service delivery. It provides some incentives to selected providers where gaps in service exist (such as home health and dental care) and strives for cost effective and high quality care. The budget also removes some barriers to access to care for certain groups.

#### **Additional Resources for Budget Information**

Massachusetts FY04 and FY05 Budgets  
Massachusetts Taxpayers Foundation  
Health Care for All  
Massachusetts Law Reform Institute  
Massachusetts Budget and Policy Center  
Massachusetts Legal Services

[www.state.ma.us/legis/](http://www.state.ma.us/legis/)  
[www.masstaxpayers.org](http://www.masstaxpayers.org)  
[www.hcfama.org](http://www.hcfama.org)  
[www.mlri.org](http://www.mlri.org)  
[www.massbudget.org](http://www.massbudget.org)  
[www.masslegalservices.org](http://www.masslegalservices.org)

*This bulletin was researched and written by Thomas Taylor of Managed Results, Inc. and Robert Seifert of MMPI.*