

On May 1, the Massachusetts House of Representatives completed its version of the Fiscal Year (FY) 2015 budget, after more than two weeks of review and three days of debate and amendment. This budget includes a total of \$14.7 billion in funding for the Massachusetts Medicaid program (MassHealth) and for other subsidized health coverage programs and related activities. During debate, the full House added \$94.4 million to the budget proposal from the House Ways and Means Committee (HWM). This additional funding would enhance rates paid to specific providers. Since the state's Medicaid program is jointly funded by state and federal dollars, federal revenues are expected to pay for close to \$7.7 billion of the total MassHealth costs.

The House version of the final budget for MassHealth and other health programs does not differ dramatically from the Governor's budget proposal (see [brief](#)). Both proposals reflect that FY 2015 will mark the first full year of implementation of the federal Affordable Care Act (ACA). The ACA will allow for a significant expansion of enrollment in MassHealth, will change the way some people receive subsidized health coverage, and will bring in substantial new federal revenue to the Commonwealth.

SUMMARY TABLE (DOLLARS)	FY 2014 Current Appropriations*	FY 2014 Estimated Spending*	FY 2015 Governor	FY 2015 House
MassHealth Programs and Administration				
MassHealth Programs	12,113,435,972	12,113,435,972	13,499,021,275	13,517,118,243
MassHealth Administration**	99,135,854	99,435,855	157,174,766	157,974,236
MassHealth Subtotal	12,212,571,826	12,212,871,827	13,656,196,041	13,675,092,479
Commonwealth Care and ConnectorCare				
General Fund Transfer to the Commonwealth Care Trust Fund	340,078,633	340,078,633	0	0
Tobacco Tax Transfer to the Commonwealth Care Trust Fund	151,267,760	151,267,760	144,268,172	144,268,172
Commonwealth Care and ConnectorCare Subtotal	491,346,393	491,346,393	144,268,172	144,268,172
Prescription Advantage	16,988,821	16,988,821	16,213,523	16,162,178
Center for Health Information and Analysis and Other Health Finance***	35,462,824	35,413,130	32,567,859	33,767,824
Executive Office of Health and Human Services Information and Technology	98,348,924	104,621,424	108,718,835	108,718,835
Transfers to Trust Funds				
Delivery System Transformation Initiatives Trust Fund	93,449,470	93,449,470	210,261,307	210,261,307
Medical Assistance Trust Fund	620,025,000	568,025,000	412,000,000	464,000,000
Health Information Technology Trust Fund	1,125,000	1,125,000	8,153,272	8,153,272
Transfers to Trust Funds Subtotal	714,599,470	662,599,470	630,414,579	682,414,579
Total Spending	13,569,318,257	13,523,841,065	14,588,379,009	14,660,424,067
State Budget Total****	37,545,331,984	38,132,177,504	39,465,455,947	39,483,306,994

*FY 2014 Current Appropriations represent spending approved in the FY 2014 General Appropriations Act and supplemental spending approved through May 12, 2014. FY 2014 Estimated Spending reflects the Administration's expectations (as of January 2014) about actual final FY 2014 expenditures.

**MassHealth Administration includes line items funding auditing, operations, and payment reform activities, as well as the main administrative line item (see chart on page 4 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 account for municipal participation in the Group Insurance Commission and tuition retained by state universities and colleges to allow for more accurate year-to-year comparisons.

MASHEALTH PROGRAMS AND ADMINISTRATION

The final House budget for MassHealth programs and administration totals \$13.7 billion, \$18.9 million more than is in the Governor's budget. The HWM budget proposal had been approximately \$23 million below the Governor's proposal, but during debate, the full House added funding to the HWM proposed budget for three MassHealth line items:

- \$22.2 million for the MassHealth Fee-for-Service line item (4000-0700), bringing the total to \$2.4 billion, just \$1.1 million more than the amount proposed by the Governor;
- \$20.0 million for the MassHealth Senior Care line item (4000-0600), bringing the total to \$3.2 billion, \$17.5 million more than in the Governor's budget; and
- \$160,000 for a MassHealth administration line item (4000-0300) to improve health care access on Martha's Vineyard and at Noble Hospital in western Massachusetts, bringing the total to \$90.6 million.

The House budget largely tracks the Governor's MassHealth budget proposal, with a few significant exceptions, particularly in the funding totals and authorization language within the MassHealth Fee-for-Service and Senior Care line items. Differences between the Governor's budget proposal and the House proposal follow.

Affordability Provisions

In order to provide consistency for people transferring from Commonwealth Care to the new ConnectorCare program, the House added language to the budget that would require that out-of-pocket costs for people with incomes below 100 percent of the federal poverty level (FPL) be limited to those required of MassHealth enrollees. For people with incomes up to 150 percent FPL, one health plan would have to be made available that has no required premium contribution. While the Governor's budget proposal assumed these same subsidy levels, it did not include language requiring them.

Removal of Funding to Maintain Coverage until the End of the Month

The Governor's budget would provide continuity of coverage through the end of the month for someone switching from MassHealth to ConnectorCare. Currently, MassHealth coverage ends 14 days after a person receives notice. This can happen at any point in the month, and if the person has new coverage beginning on the first of the month, there can be up to several weeks' gap in coverage. The House budget does not include the estimated \$14.0 million necessary to provide this MassHealth coverage through the end of the month, but it does not prohibit providing the coverage if it can be provided within the amount of the appropriation.

Adult Dental Benefits

The House budget does not include funding to cover adult dentures, a benefit that the Governor's budget had proposed to cover starting in January 2015 and for which the Governor had included \$8.0 million in the Fee-for-Service line item (4000-0700). In addition, language in the House budget states that the level of dental coverage in FY 2015 may not be greater than the level of covered services in FY 2014, which would in effect limit the ability of MassHealth to restore the benefit.

As with the Governor's budget, the House budget includes continued funding for the coverage of adult dental fillings for all teeth. Coverage of dental fillings beyond just the two front teeth is a benefit that was restored in the FY 2014 budget and implemented in March 2014.

Caseload Assumptions and Senior Care

The House budget proposal includes language in the MassHealth Senior Care line item (4000-0600) stating that for FY 2015, nursing home reimbursement rates would be re-based on 2007 costs, rather than on costs from 2005, resulting in an increase of \$47.5 million over FY 2014. The House also added 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 make up the difference. Some of this increase in payments for nursing homes is offset by anticipated reductions in caseload in the Senior Care program. All told, the House proposal for the Senior Care line item is \$17.5 million more than the Governor's proposal.

Hospital Rates

The House includes \$22.2 million in the MassHealth Fee-for-Service line item (4000-0700) to continue the increased inpatient and outpatient rates for disproportionate share hospitals, as in the FY 2014 budget.

Behavioral Health

Several initiatives in the House budget focus on mental health supports. For example, the House budget includes \$2.0 million in a reserve account (1599-2004) to support the integration of behavioral health into the development of patient-centered medical homes.

The House budget also includes initiatives that are intended to improve the coordination of behavioral health services. HWM had included language requiring hospital emergency rooms to collect and report data on mental health or substance abuse visits. The full House deleted this language and instead created a task force charged with examining barriers to the delivery of comprehensive and cost-effective behavioral health care.

Finally, the House budget funds the Children's Behavioral Health Initiative (4000-0950) at \$207.4 million, \$522,000 less than the Governor's budget. The House budget, however, restores language omitted by the Governor requiring detailed reporting on the implementation of the program.

Health Care for Incarcerated Prisoners

The House budget adds language directing MassHealth, in conjunction with the Department of Correction, to consider 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.

Support for Breastfeeding

The House budget adds language to require that MassHealth or any commercial insurer that insures MassHealth members provide breast

pumps to expectant and new mothers as prescribed by an attending physician. This provision is consistent with a directive in the ACA.

COMMONWEALTH CARE TRUST FUND AND HEALTH SAFETY NET

As in other years, the House budget transfers \$30.0 million from the Commonwealth Care Trust Fund (CCTF) to the Health Safety Net Trust Fund (HSNTF). However, the House budget directs \$1.0 million of this transfer to support an audit of the HSNTF by the Office of the Inspector General (OIG). The Governor's budget proposed \$5.0 million over five years from the CCTF to support the OIG audit of the HSNTF.

As in the Governor's budget, the House budget does not make a direct transfer of funds into the CCTF in FY 2015. The CCTF would continue to receive approximately \$144.3 million in revenue from cigarette taxes, as well as an estimated \$15.0 million from penalties paid by individuals who do not have required health coverage. Employers would also provide an estimated \$139.0 million in FY 2015 to the CCTF, replacing funds previously directed to the Medical Security Trust Fund for the Medical Security Program (MSP) for the unemployed, a program that ended with the expansion of subsidized coverage under the ACA in 2014.

During debate, the full House added a provision to the budget directing that the Executive Office of Health and Human Services conduct a review of the financial impact to the state of the delays in the full implementation of ACA due to difficulties with the state website. The final 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.

OTHER HEALTH INITIATIVES

House budget language in Section 99 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.

During debate, the full House also added language in an outside section that would initiate a multi-agency effort to reduce the incidence of chronic disease, such as cardiovascular disease, stroke, cancer, diabetes, and mental illness, in the general population. The language directs the agencies to work together to create a plan to improve care coordination and reduce hospital readmissions for persons with these illnesses.

The House budget also creates a new Office of Information Technology to coordinate the information and technology initiatives across the state agencies. Section 76 of the House budget specifies that for the purposes of this initiative, the Health Connector would be considered a

"state agency," meaning that this new office would oversee IT-related contracting and procurement for the Connector.

The Governor's budget proposed creating a Health Insurance Expansion Fund to hold the increased federal Medicaid reimbursements coming to the Commonwealth that are associated with the implementation of the ACA. The House budget does not include this fund, so all federal reimbursements would go into the General Fund. This difference between the two proposals has no fiscal impact.

The House budget includes language that would allow for the transfer of an additional \$52 million from the General Fund to the Medical Assistance Trust Fund. This would support payment demonstration waivers at the state's safety net hospitals, and is largely funded by intergovernmental transfers and federal revenues. There was also \$52 million recently included in supplemental budget language in FY 2014, but the actual timing of that spending is as yet unclear and may also occur in FY 2015.

MASSHEALTH AND HEALTH REFORM APPROPRIATIONS (DOLLARS)		FY 2014 Current Appropriations*	FY 2014 Estimated Spending*	FY 2015 Governor	FY 2015 House
MassHealth Programs and Administration**					
4000-0300	Executive Office of Health and Human Services and MassHealth Administration (A)	91,785,813	92,085,813	89,758,100	90,557,569
4000-0301	MassHealth Auditing and Utilization Reviews (A)	4,416,519	4,416,520	4,425,793	4,425,793
4000-0309	MassHealth Field Auditing Taskforce (A)	0	0	0	0
4000-0321	EOHHS Contingency Contracts Retained Revenue (A)	0	0	60,000,000	60,000,000
4000-1602	MassHealth Operations (A)	2,083,756	2,083,756	2,117,904	2,117,905
4000-1604	Health Care System Reform (A)	849,766	849,766	872,969	872,969
4000-0320	MassHealth Recoveries from Current and Prior Fiscal Years Retained Revenue	225,000,000	225,000,000	225,000,000	225,000,000
4000-0430	MassHealth CommonHealth	91,074,613	73,766,048	111,115,925	111,115,925
4000-0500	MassHealth Managed Care	4,500,411,804	4,456,036,464	4,792,819,941	4,792,819,941
4000-0600	MassHealth Senior Care	2,853,835,505	2,908,122,947	3,179,589,454	3,197,069,129
4000-0640	MassHealth Nursing Home Supplemental Rates	319,300,000	319,300,000	298,600,000	298,600,000
4000-0700	MassHealth Fee-for-Service Coverage	2,212,377,039	2,160,941,377	2,366,012,322	2,367,151,217
4000-0870	MassHealth Basic Coverage	180,437,109	161,848,020	0	0
4000-0875	MassHealth Breast and Cervical Cancer Treatment	5,725,199	5,725,199	5,725,199	5,725,199
4000-0880	MassHealth Family Assistance	222,766,943	221,138,845	204,795,301	204,795,301
4000-0885	Small Business Employee Premium Assistance	0	0	30,877,115	30,877,115
4000-0890	MassHealth Premium Assistance and Insurance Partnership	30,877,115	30,877,115	0	0
4000-0895	Healthy Start Program	14,439,991	14,439,991	0	0
4000-0940	ACA Expansion Populations	448,000,379	470,668,500	1,702,696,743	1,702,696,743
4000-0950	Children's Behavioral Health Initiative	203,200,101	203,000,000	207,893,295	207,371,693
4000-0990	Children's Medical Security Plan	13,214,180	13,214,180	13,214,180	13,214,180
4000-1400	MassHealth HIV Plan	18,744,723	19,744,723	23,693,668	23,693,668
4000-1405	MassHealth Essential	489,878,244	544,459,536	0	0
4000-1420	Medicare Part D Phased Down Contribution	284,153,027	285,153,027	302,670,132	302,670,132
4000-1425	Hutchinson Settlement	0	0	34,318,000	34,318,000
Commonwealth Care Trust Fund***					
T0000660	Commonwealth Care Trust Fund (cigarette tax)	151,267,760	151,267,760	144,268,172	144,268,172
1595-5819	Commonwealth Care Trust Fund	340,078,633	340,078,633	0	0
Transfers to Other Trust Funds***					
1595-1067	Delivery System Transformation Initiatives Trust	93,449,470	93,449,470	210,261,307	210,261,307
1595-1068	Medical Assistance Trust Fund	620,025,000	568,025,000	412,000,000	464,000,000
1595-1069	Health Information Technology Trust Fund	1,125,000	1,125,000	8,153,272	8,153,272
Center for Health Information and Analysis and Other Health Finance					
1599-2004	Health Care Cost Containment Reserve	695,000	645,306	0	2,000,000
4000-0265	Primary Care Workforce	3,000,000	3,000,000	0	0
4100-0060	Center for Health Information and Analysis	26,667,824	26,667,824	27,467,859	26,667,824
4100-0061	All Payer Claims Database Retained Revenue	4,000,000	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	1,100,000
Prescription Advantage					
9110-1455	Prescription Advantage	16,988,821	16,988,821	16,213,523	16,162,178
HHS Information Technology					
4000-1700	Health and Human Services Information Technology Costs	98,348,924	104,621,424	108,718,835	108,718,835
TOTAL		13,569,318,257	13,523,841,065	14,588,379,009	14,660,424,067

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**In these categories (A) denotes line items that fund MassHealth administration costs.

***Funding for trust funds reflects operating transfers made from the General Fund into each fund and not actual spending from the fund.