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The Governor's FY 2019 Budget Proposal: Preliminary Analysis of Selected Cash and Nutrition Assistance, Child Welfare, Health Care, Homeless Services, Housing, Income Supports and Legal Services Items

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Yesterday Governor Baker released his budget proposal for fiscal year 2019 (FY 19), which is referred to as House 2. MLRI offers this preliminary analysis of selected budget topics affecting low-income residents of the Commonwealth.

Cash Assistance, SNAP, Related Items Administered by DTA, and Other Nutrition Programs.

1. Cash Assistance (including TAFDC, EAEDC, SSI State Supplement, Nutrition Assistance)

- **In contrast with past years, the Governor does not propose drastic cuts to TAFDC (Transitional Aid to Families with Dependent Children, item 4403-2000).** For the past two years, the Governor proposed to cut off or drastically reduce TAFDC benefits for families where a member receives Supplemental Security Income (SSI) benefits because of a severe disability. In each of the past two years, the Legislature included budget language barring DTA from changing the way benefits are calculated unless the change would result in a benefit increase. The Governor vetoed the budget language, and the Legislature overrode the veto, first for the FY 17 budget and then for the FY 18 budget**. The Governor does not repeat that proposal this year!**

- **The Governor would keep the annual TAFDC children's clothing allowance at $300 (item 4403-2000).** We applaud the Governor's inclusion of the clothing allowance at $300 a year for FY 19. This small payment helps low-income families provide winter clothes for their children. The children's clothing allowance is paid in September for each child receiving TAFDC. Last year the Legislature increased the clothing allowance from $250 to $300 a year. The Governor vetoed the increase and purported to rewrite the line item to provide for a $250 annual clothing allowance. Legal experts say the Governor does not have the power to rewrite a line item, but DTA nevertheless paid only $250 in September. The Legislature overrode the veto in October. DTA says it will finally pay the $50 that is owed beginning in March 2018, six months after it was supposed to have been paid. While $50 is a small amount, it is concerning that the Administration demonstrated such lack of regard for very low- income children as well as lack of regard for the limits of the Governor's power. Current and past years' line items also increased the standard of need in September when the clothing allowance is paid to allow very low income working families to qualify. House 2, like past governors' proposals, says the standard of need "may" be raised in September but would not require it to be raised.

- **Increasing grants for work-required families to the amounts for other families (item 4403-2000, section 46).** Since 1995, grants for work-required families have been set at 2.75% less than grants for families who are not work-required (generally families where the parent has a severe disability and families with a very young child). For example, the maximum grant for a family of three subject to the work requirement and time limit is $578 a month, compared with a maximum grant of $593 a month for families who are exempt from the work requirement and time limit. The 2.75% grant reduction adds complexity to the program without promoting any discernible policy goal. **The Governor proposes to raise the TAFDC benefits for families who are subject to the work requirement to the amounts for non-work-required families.** Eliminating the differential grant amounts is a good step towards simplifying an overly complicated program and will provide a small but welcome benefit to about 7,000 families. DTA does not ascribe any cost to this grant increase.

- **Changing how much earned income is counted in determining the amount of the TAFDC benefit (sections 15, 16, 46).** Under current law, DTA deducts the first $200 in monthly earned income plus 50% of the remainder in determining the amount of a recipient's income which is counted against the maximum TAFDC grant. Under the Governor's proposal, all of the family's earned income will be disregarded for 6 months after the start of employment, as long as total income does not exceed 200% of the federal poverty level. After 6 months, half of the income will be disregarded as long as total income does not exceed 200% of the federal poverty level. For families during the first six months, the proposed changes are a significant step towards making work pay. However, for families who are working at low wages past the 6-month point, the proposed changes would mean a $100 per month cut in benefits, which will cause substantial hardship. House 2 says these provisions reduce the cliff effect – the problem families experience when they go to work and lose benefits. But the cut in benefits for families beyond the first 6 months effectively creates a new cliff. DTA says that the improved treatment of earnings would cost about $2 million in FY 19 if it is implemented starting in November. DTA does not ascribe any savings to the reduction in benefits for families who are working past the 6-month point.

- **Denying TAFDC to very low-income applicants who recently received TAFDC (section 47).** Current law allows the same deductions and disregards from earnings for applicants who received TAFDC in the previous 4 months as are allowed for recipients ($200 plus half of the remainder). This protects applicants whose cases closed shortly before for procedural reasons or because of a short-term increase in earnings. The language proposed in House 2 would deny TAFDC to these applicants if their earned income is equal to or slightly above the maximum grant plus $200. DTA says this change was not intended but has declined to offer any corrective language. Instead, DTA proposes to keep the current regulation despite the statutory change. Unfortunately, we have no assurance that a future Administration will continue the long-standing protection of applicants.

- **Transitional Support Services not specified but intended to be retained (item 4403-2000).** House 2 does not include language specifying continuation of Governor Transitional Support Services, the program created at the Administration's initiative in FY 17 for families who lose eligibility for TAFDC because of earnings. Currently, these families are eligible for four months of transitional benefits after TAFDC ends, starting at $280 a month and reducing month by month to $70 in the fourth month. However, DTA states that the Administration intends to retain Transitional Support Services at a cost in FY 19 of 43.2 million.

- **Asset limit raised from $2,500 to $5,000 (section 45).** This is a good step forward. The state should consider eliminating the asset test altogether. Applicants for and recipients of TAFDC rarely have substantial assets so the asset test adds to administrative burdens without reducing program costs. Eight states do not have an asset limit for their cash assistance programs. Seven states that removed their asset limits between 2000 and 2014 experienced no statistically significant increase in the number of recipients during this period. Ohio, which eliminated its asset limit earlier, also saw a sharp drop in caseload. A recent policy brief from the PEW Charitable Trusts concludes that "[A]sset limits return no advantage to the states that use them and expend resources to administer them."

- **The Governor's proposes $194.1 million for TAFDC (item 4403-2000), a significant increase over the FY 18 appropriation of $162.9 million.** According to House 2, spending for FY 18 is estimated at $184.5 million, substantially more than the appropriation. The key reason is that the caseload is somewhat higher than projected, in part because of the addition of families escaping the hurricane devastation in Puerto Rico. The Executive Office of Health and Human Services (EOHHS) says that an additional $6.7 million will be needed in FY 19 because of the increased caseload and $2.8 million for the proposed small increase in the grant amount for families subject to the work requirement and the proposed improved treatment of earnings for families in the first six months after they start working.

- **The line item (item 4403-2000) does not include language requiring the**

Governor to give advance notice to the Legislature before cutting benefits or making changes in eligibility. In FY 18 the Legislature required 75 days' advance notice. The advance notice language prevented the Governor from eliminating the clothing allowance in September 2010. In FY 10, the advance notice provision was critical to giving the Legislature time to work with the Governor to come up with a solution so that children in 9,100 families headed by a severely disabled parent would not lose their TAFDC benefits. The line item also does not include last year's requirement of 75 days' advance notice before DTA proposes any changes to the disability standard, though it does expressly authorize DTA to revise the standards. The Governor also eliminates a requirement that DTA tell recipients about their eligibility for child care. The Governor includes language inserted by the Legislature for the past two years allowing DTA to make eligibility or benefit changes that lead to an increase in eligibility or benefits.

- **The Employment Services Program (ESP, item 4401-1000) would be almost level-funded at $14.2 and the Pathways to Self Sufficiency line item (4400-1979) would be level-funded at $1 million.** The Governor does not propose any earmarks for ESP. Currently, the program funds the Young Parents Program; some education and training for TAFDC parents; the DTA Works Program (paid internships at state agencies); $80 a month in transportation assistance for recipients who are working or in education, training or job search; learning disability assessments; and job search services for parents with limited English proficiency. The Governor does not include a current requirement that the Administration report on program outcomes. The Governor would add authorization to use funds from the ESP line item for noncustodial parents with children on TAFDC. This is a worthy purpose but ESP funding is already insufficient to provide the programs and services TAFDC parents need; diverting funds elsewhere would aggravate the funding inadequacy.

- **EAEDC (Emergency Aid to Elders, Disabled and Children, item 4408-1000) would be funded at $74.8 million, about $3 million less than the FY 18 appropriation.** Because the EAEDC caseload has been going down, the reduced appropriation likely would be sufficient at the current shockingly low benefit amount of $303 a month for a single person with no countable income. EAEDC grants were last raised in the 1980s. The decline in the caseload provides an opportunity to increase grants while still spending less than in past years. EAEDC benefits paid while a recipient is applying for SSI are reimbursed to the state once SSI is approved, so the state would recover the cost of any grant increase for some EAEDC recipients. Like the TAFDC line item, House 1's proposed EAEDC line item does not include language requiring advance notice to the legislature before the Administration cuts benefits or makes changes in eligibility.

- **The state supplement for SSI (Supplemental Security Income, item 4405-2000) would be funded at $220.5 million,** slightly more than the FY 18 amount.

- **The Supplemental Nutrition Program (item 4403-2007) would be funded at only $300,000,** compared with $600,000 in FY 18. This program provides a small state food SNAP supplement to thousands of low income working families who also receive federal SNAP benefits (formerly called Food Stamps). The Governor reduced the $600,000 appropriation for FY 18 to $300,000. Even though the Legislature overrode the veto, and House 2 says the Administration is only planning to spend $300,000. That amount in FY 18 which the Governor is also proposing for FY 19 is not enough to provide a meaningful benefit.

- **Secure Jobs Connect (item 4400-1020)** would be level-funded at $650,000. This program provides employment support, job training and job search services for homeless or previously homeless families through community based organizations.

- **A new line item to provide transportation benefits for SNAP Work Program participants (item 4403-2008)** would be funded at $960,000. Federal SNAP law imposes a work requirement on beneficiaries considered to be "Able Bodied Adults with Dependents." An estimated 20,000 SNAP recipients lost their nutrition assistance because of this law in 2016 and 2017; an estimated 8,500 are at risk of losing benefits this April. DTA has expanded its work activity programs for these individuals, but since many of them have no income at all, lack of transportation to get to a work activity has been a barrier. Providing transportation assistance will help. Unfortunately, an even greater investment would be needed to connect all of the at-risk SNAP recipients with a work activity. The difficulty of providing SNAP beneficiaries with a work activity that will allow them to retain critical nutrition benefits should be a cautionary tale to states that are considering imposing work requirements in their Medicaid programs.

2. **Teen Living Programs (item 4403-2119) would be funded at $8.8 million, compared with $10 million in FY 18.** According to EOHHS, the reduction is because of savings from the declining caseload in the teen parenting program.

3. **DTA Administration**

   - **The DTA worker account (item 4400-1100) would be increased to $72.8 million, $2 million more than FY 18.** DTA needs additional staff to process cases timely and accurately. DTA has reduced the wait time for callers, but the average wait time is still 30 minutes – far too long, particularly for callers who have limited phone minutes. Lack of sufficient staff has also contributed to a backlog of 40,000 unprocessed documents. Households lose their SNAP benefits because of allegedly missing verification, when in fact the document has been received by DTA but DTA workers have not had time to look at it.

   - **DTA central administration (item 4400-1000) would get a small increase to $62.7 million.** The Governor proposes to retain language in the current line item that gives the Commissioner the authority to transfer funds between the TAFDC, EAEDC and SSI State Supplement accounts "for identified deficiencies." This language would not prevent transfers even if they would create deficiencies.

   - **DTA domestic violence workers (item 4400-1025)** would be funded at $1.6 million, slightly more than FY 18.

4. Other Nutrition Items

- **Closing the "SNAP Gap"** - House 2 proposes a small increase in funding for DTA Central administration (item 4400-1000) as well as a $2 million increase for the DTA caseworker account (4400-1100). According to EOHHS, some of this increase is, in part, to deal with the surge in requests from hurricane evacuees from Puerto Rico and earlier storms. DTA recently reported 3,500 SNAP households (including SNAP/cash cases) due to evacuees from Hurricanes Maria, Irma and Harvey. The increased administrative funding will also help address long phone waits and document processing, as well as support DTA's efforts to close the SNAP gap. DTA opened its now DTA Senior Assistance Office (SAO) on January 22, 2017 to handle new senior-only SNAP cases and do targeted outreach to MassHealth elders not on SNAP. The next frontier in the "SNAP Gap" campaign is to get the Administration to enroll low-wage working families, including the 228,481 children (and their parents) identified by the Administration who get MassHealth but are not receiving SNAP.

- **Funding for SNAP processing, outreach and the Healthy Incentives Program (item 4401-1001) would be increased from $4.4 million for FY18 to $4.5 million.** This line item, entitled "Food Stamp Participation Rate Programs," funds the Project Bread Food Source Hotline and other DTA systems projects. It also funds the HIP program which EOHHS confirms is level-funded in FY19 at $1.35 million, less than half of what was spent between April and December of 2017. House 1 also removes the HIP earmark that was in the final FY18 budget HIP is a dollar for dollar match, up to a capped amount, for SNAP recipients who make fresh fruit and vegetable purchases at EBT/HIP-approved farmers markets, mobile markets, community supported agriculture (CSAs) and farm stands. The HIP program has been wildly successful in 2017 with $3 million in HIP matching purchases so far. Over half of HIP purchases have been made by seniors alone. The House 1 appropriation is 20% of the $6.2 million needed to adequately sustain the program in FY19.

- **The state subsidy for Elder Nutrition Programs (item 9910-1900)** would be nearly level funded at $7.258 million compared with FY18 spending. However, the Executive Office of Elder Affairs has been tagged for a $3 million increase (item 9110-9002) in grants to Councils on Aging (COAs) as well as increases in other EOEA line items. Many COAs have joined DTA's FFY18 SNAP Outreach plan and are now assist seniors with SNAP applications – which application assistance qualifies the COAs for 50% federal reimbursement through the SNAP program.

- **The state subsidy for the Women, Infant and Children's (WIC) Program (item 4513-1002)** would be slightly decreased from $12.286 million to $12.236 million over FY 18, due in part to declining births. The WIC Manufacture Rebates Retained Revenue (item 4513-1012) is projected to remain at $28 million.

- **The Massachusetts Emergency Food Program (MEFAP) (item 2511-0105) is level funded at $17.6 million.** This program, which supplements federal TEFAP funding, is distributed by the Mass Department of Agriculture Resources (MDAR) to the regional food banks in Greater Boston, Western Mass, Merrimack Valley and

Worcester County. The food banks are anticipating increased demand during FY2019, especially as more recipients lose SNAP due to the expansion of the 3-month time limit on childless individuals, possible federal SNAP cuts and additional food needs from hurricane-evacuee families.

Child Welfare: Department of Children and Families and Related Items

5. The Governor proposes funding DCF at $998.2 million.

- This is an increase of $22 million over the FY 18 allocation, and $20 million above FY 18 projected spending. $14.5 million of that increase would cover the additional costs of out-of-home care for the children being removed from their homes.

- After three years of cuts in FY 10 through FY 12, DCF funding began to increase in the FY 13 budget. Under this administration, the DCF budget has already increased by $149 million. The Governor's proposed FY 19 budget would bring the increases in DCF's budget under the current administration up to $171 million, demonstrating this administration's strong commitment to strengthening DCF.

- This robust funding during four tight budget cycles has allowed DCF to gradually address a number of underlying management and workforce problems that had given rise to a sense of crisis at the agency. Much progress has been made, and there is still much to be done, in particular to curb the number of children being placed out of their homes.

6. The increases in DCF's budget from FY 16 to FY 19 primarily cover the costs of out-of-home placements for the rising number of children being removed from their homes.

- Since December 13, 2013, following a series of child tragedies, the number of children placed out of their homes has increased by 25% (from 7677 children in 2013 to 9598 children in September of 2017). This steep increase in out-of-home placements is due in part to increased vigilance at DCF, in part to the impact of the opioid crisis on families and children, and in part to the fact that funding for prevention of child neglect (substance use, mental health, domestic violence, family homelessness services) as well as funding for family stabilization and support services to prevent the recurrence of child neglect, has not kept pace with the need.

- The Governor proposes $582.8 million in spending in FY 19 for out-of-home placements (in line items 4800-0038 and 0041). This would bring the total increase in spending on out-of-home placements under this administration to $104.9 million, a 22% increase in spending on foster care costs during the course of this administration.

- The Governor proposes to increase funding for family foster care placements (item 4800-0038) by $7.4 million, for a total of $297 million. He proposes to increase funding for group care placements (item 4800-0041) by $7.2 million, for a total of $285.8 million. According to EOHHS, this total of $14.6 million for out-of-home care includes $5.6 million for rate-driven increases including the annualization of chapter 257 rate increases, planned foster care rate increases, and chapter 766 school rate increases for FY 19, and it includes $8.9 million in projected caseload growth.

  As is typically the case, the Governor has removed all earmarks from the foster care and group care accounts. The legislature generally replaces many of them.

- For the foster care account (4800-0038), according to EOHHS, $2.8 million of the $7.4 million increase would cover a foster care rate increase and an increase to the clothing allowance to the USDA-recommended 2015 levels of the Cost of Raising a Child. The foster care account also includes $900,000 for the child abuse hotline and other contract services. Most of the rest covers the costs of the many new foster homes DCF has needed.

- Although fewer children are placed in congregate care than in family foster homes, congregate care is significantly more expensive. According to DCF, on average each 10 children in congregate care cost DCF over $1 million a year.

- House 2 also proposes to invest $250,000 for the third year in a new foster care recruitment campaign (item 4800-0058).

7. The Governor proposes to increase crucial Family Stabilization and Support Services (item 4800-0040) by $1.3 million for total funding of $48.9 million.

- These are the preventive services needed to keep children safely in their homes and to safely reunify children with their families after they've been placed in foster care. They help avoid the trauma of family disruption when possible as well as the financial costs to the state of placement in foster or group residential care. In the approximately 75% of all DCF cases in which the Department is involved because of neglect and not abuse, many children can remain safely at home with the appropriate services. Family Stabilization and Support services are less expensive than out-of-home placements, and greater investment in these services to keep and return more children safely at home reduces the need for out-of-home placements.

- The administration states that this increase is entirely to cover cost increases resulting from the January 1, 2018 Chapter 257 rate increase for providers. It is therefore unlikely to result in increased availability of services.

- Under House 2 Family Stabilization and Support services would continue to receive a disproportionately small share of DCF's services budget. As of September 2017, 87% of the children in DCF's caseload remained at home, or were in foster care with a goal of returning home, yet House 2 would allocate only 7% of DCF's total services budget to the family stabilization and support services that these children are supposed to be receiving.

8. **In House 2, the Governor proposes to level fund the social workers' account**.

- According to its most recent publicly available reports, DCF increased its social worker workforce by 375 social workers from February of 2016 to March of 2017. DCF also reported that as of June 2016 it needed 478 additional social workers to meet the caseload ratios it had agreed to with its union. This suggests that as of March 2017, DCF needed to hire at least 100 additional social workers. It is unclear how many workers DCF needs at this time. Social workers need the time to adequately monitor families, intensively manage those that present risk factors, and make sound decisions about whether a child can remain safely at home or needs to be removed.

- Although the Governor is proposing to level fund the social workers account, the administration plans to use surplus funding from FY 18 to continue to hire more social workers during FY 19.

- House 2 would increase DCF's training budget by $10,500, however this is $150,000 less than FY 18 projected spending. The funding increase will be needed to train not only the many new DCF hires, but also all DCF employees on the many new regulations and policies DCF is currently implementing.

9. **DCF's administrative account (item 4800-0015) would be increased by $4.3 million to $102.6 million.**

- Much of this increase is to cover the costs of new employees, and $2.6 of the increase is for leases.

- As is typically the case, House 2 strips most of the line item language in DCF's administrative account.

- House 2 would eliminate a longstanding requirement that DCF ensure its administrative "fair hearing" system is timely and fair, and the requirement that DCF report to the Legislature on its large fair hearing backlog. While DCF has made progress in reducing its fair hearing backlog, it has not yet eliminated it.

- House 2 would also strip current and longstanding reporting requirements which the Legislature requires to fulfill its oversight responsibilities. Among these are requirements that the Department report on the services it provides to: keep children safely in their homes, support kinship families, maximize federal reimbursements available to support kinship guardianships, and identify where it refers families when it denies their voluntary requests for services. Previous Governors' budgets had also proposed to remove these requirements, but the Legislature included them.

10. **House 2 proposes a $1.3 million increase for the lead agency account (item 4800-0030) to $6.7 million.**

- Lead agencies are regional nonprofits that contract for services but do not directly provide services themselves.

11. House 2 would fund the domestic violence line item, formerly in DCF's budget and now in DPH's budget, at $34.1 million.

- This is an increase of $2.8 million over the current allocation, but only $929,000 above FY 18 projected spending.

- The account for services to victims of domestic violence (item 4800-1400) was transferred out of the DCF budget and into the DPH budget (item 4513-1130) in FY 17. The costs of DCF's domestic violence specialists and some shelter costs that were covered by DCF line item 4800-1400 are now covered under other DCF line items.

- Domestic violence services include beds for domestic violence shelter, supervised visitation, and supports to victims of domestic violence, and pay for DCF domestic violence staff. These are preventive services that can help prevent abuse and neglect. Often, the domestic violence shelter system is full and must turn away many domestic violence survivors who then turn to the Emergency Assistance program for shelter for themselves and their children.

12. Funding for the Bureau of Substance Abuse Services (BSAS) would be increased by $3.5 million over the FY 2018 allocation to $136.1 million (item 4512-0200).

- This is the same amount as FY 18 projected spending.

- BSAS funds treatment for parents with substance use disorders. This can prevent the occurrence or recurrence of child neglect and enable parents to keep children safe at home.

- In addition to the funding in the BSAS line item, the administration notes that it expects to spend $30 million in FY 19 from the off-budget "Substance Use Disorder Federal Reinvestment Trust Fund" established under Chapter 110 of the Acts of 2017.

13. House 2 would slightly reduce funding for Family Resource Centers by $122,676 to a proposed level of slightly under $10.1 million

- Currently family resource centers are funded by two different line items. The larger line item is in DCF's budget (4800-0200) and the smaller is in the EOHHS Secretary's budget (4000-0051). House 2 would eliminate the EOHHS line item, as the Governor proposed to do last year, and would restore most of the funding from that line item by increasing funding in the DCF line item. The EOHHS line item currently funds the administrative component of Family Resources Centers. The Governor's elimination of the EOHHS line item suggests that Family Resource Centers would now be administered by DCF.

- These centers provide one of the few means by which families in crisis can voluntarily receive services to prevent neglect of their children. They connect families to voluntary community and state services, educational programs and peer support. They also provide a mechanism for the juvenile court to refer families to community-based services in order to fulfill the requirements of recent legislation (the "CRA" law) which replaced the former CHINS program with a system of community-based services for families in need.

14. The Office of the Child Advocate (item 0411-1005), would be increased by $200,000 to $1,000,000.

- This is a major increase for the Child Advocate's office which has a broad and growing set of responsibilities to oversee the Commonwealth's services to and protection of its children

Health Issues in MassHealth and ConnectorCare

1. The Governor proposes to end MassHealth coverage for 140,000 low-income adults (section 71).

- Last summer the Governor asked the legislature to end MassHealth coverage for 140,000 non-disabled adults under 65 with income between 100% and 133% of the poverty level many of whom would be able to transition to ConnectorCare at less state cost. After a full day of testimony, the legislature soundly rejected the idea. In Section 71 of House 2 the Administration reintroduces this proposal.

- The 140,000 people affected include 100,000 parents and grandparents raising children who have been eligible for MassHealth at 133% of poverty since 1997. It also includes 40,000 childless adults who became eligible for Medicaid under the Affordable Care Act in 2014 at an enhanced matching rate (89.6% in 2018 and 93% in 2019). The administration says shifting coverage from MassHealth to ConnectorCare will result in $60 million in net savings in FY 19 and $120 million annualized, and makes possible added spending in other EOHHS programs.

- ConnectorCare offers fewer benefits than MassHealth, charges higher copayments, and offers only one managed care plan with a premium deemed affordable (other plans come at a higher premium charge). Further, not all of those losing MassHealth will be eligible for ConnectorCare. For example, a low wage worker's spouse is ineligible for ConnectorCare if the employer offers family coverage regardless of the added cost of family coverage. According to the Administration, the new proposal includes updates that will address at least some of these concerns. However, the language of Section 71 is identical to the language of last year's bill and does not contain the protections described in the EOHHS powerpoints. ConnectorCare is governed by an 11 member board of directors, not by EOHHS.

- Section 71 is contingent on federal approval. In September 2017, the Administration submitted a set of amendments to the MassHealth Section 1115 Demonstration including a request for a partial Medicaid expansion to 100% of the poverty level. Savings depend on the state being able to retain the ACA enhanced matching rate for a partial expansion, something that the federal agency has so far refused to approve for other states. The request is currently pending.

2. The Governor tries again to win approval for a closed drug formulary in MassHealth and proposes a new initiative to negotiate supplemental drug rebates (sections 68 and 42)

- The Administration's package of MassHealth reforms introduced last summer included a proposal for a closed drug formulary. The proposal received many negative public comments from consumer groups concerned that low income Medicaid recipients would be denied access to vital medication. It was not enacted. However, despite the lack of legislative endorsement, the Administration's September 2017 request for amendments to the MassHealth 1115 Demonstration included a request for approval of a closed drug formulary. Section 68 would give EOHHS the authority to decide the extent to which to include drugs within MassHealth covered services. The only statutory limitations on EOHHS would be the requirement to include at least one drug in each therapeutic class and to establish an exceptions process for coverage of additional drugs when medically necessary.

- Under federal Medicaid law states are able to restrict access to drugs that are more costly than other comparable drugs through prior authorization. However, states cannot exclude drugs altogether through a closed formulary. EOHHS is seeking a waiver of this federal Medicaid law for a closed formulary

- In a document on House 2 posted on its website, EOHHS describes various additional limitations and member protections that it plans to incorporate into ongoing discussions with federal authorities on the pending 1115 amendment request. However, these added protections are not contained in Section 68.

- House 2 also includes a new drug pricing initiative in Section 42. This section allows MassHealth to negotiate supplemental rebate agreements directly with drug manufacturers without regard to procurement regulations, and to require disclosure of drug pricing information and impose sanctions on manufacturers who do not negotiate in good faith or engage in unfair pricing. According to the Administration, it is based on a similar law in New York that is showing promising results in negotiating lower drug costs. However, it is notable that New York is pursuing this approach without resort to a closed drug formulary. . Section 42, unlike section 68, does not violate Medicaid law and does not require federal approval.

3. House 2 reflects MassHealth's decision to retain non-emergency transportation benefits

- Currently, doctors and other providers can arrange a ride through a MassHealth transportation broker for MassHealth patients who are otherwise unable to get to medical appointments using private or public transportation. This is a required

Medicaid benefit. In its September 2017 request for amendments to the 1115 Demonstration, MassHealth asked to eliminate non-emergency transportation benefits for non-disabled adults under 65. House 2 reflects the Administration's decision to drop this waiver request. This is good news for the small number of people who relied on this benefit.

4. MassHealth's expansion of substance use disorder services and delivery system reform implementation continues in FY19

- According to the Administration's list of budget highlights, H 2 reflects some portion of $219 million in new funding for addiction treatment over 5 years. The extension and amendment of the MassHealth 1115 Demonstration approved in Nov. 2016 for the period from July 2017 to June 2022 authorized new substance use disorder services for MassHealth members including residential support services, transitional support services and recovery coaches and navigators. This initially enabled the state to obtain federal matching funds for DPH services available to MassHealth members, and, over time, will be used to enhance MassHealth benefits. In March 2018 when new MassHealth managed care contracts take effect, MassHealth benefits will include recovery coaches and recovery support navigators.

- The November 2016 1115 Demonstration also approved MassHealth's Delivery System Reform Initiative (DSRI) making $1.8 billion available over 5 years (2017-2022) much of it for infrastructure and capacity building for new Accountable Care Organizations (ACOs). In March 2018 over 1 million MassHealth members will be enrolling in new health plans that include 17 new ACOs. It is not clear what portion of the $1.8 billion in DSRI funding is reflected in House 2 in the MassHealth accounts or whether any FY 19 savings have been attributed to the new models of care.

5. The 4000-0700 Fee for Service line item is reduced by $245 million compared to FY18 spending

- The significance of variations in MassHealth line item amounts are often difficult to determine. The 4000-0700 account is for fee for service expenditures for members not in managed care or senior care or children in CHIP and for certain administrative expenses. FY 18 spending is $2.8 billion. H-2 proposes a reduction of $245 million to $2.65 billion. The budget summary indicates the account was decreased to meet projected need. It is not clear what accounts for the decreased need. It may reflect reduced expenditures for the 140,000 adults losing MassHealth pursuant to Section 71. However, most non-disabled adults under 65 are in managed care and more likely to be in the managed care account (4000-0500) which increases by $308 million in House 2 or the ACA account (4000-0940) which decreases by $12.8 million in House 2 than in 4000-0700.

- The Administration also stated that it projects a "historically low" enrollment growth of 1.2% in MassHealth due to "major eligibility system improvements and program integrity initiatives" that are not described. Effective Feb. 1, 2018, MassHealth will adopt more restrictive income verification requirements for adults which may generate significant savings by delaying enrollment until individuals whose income cannot be verified electronically gather documents, submit them to the state and have them processed. Unfortunately, MassHealth, unlike DTA and the majority of other state Medicaid programs, has not invested in the technology to make it possible for individuals to submit documents electronically. MassHealth still relies on mail and fax and has only four MassHealth Enrollment Centers state-wide and none in the population centers of Boston and Worcester. Added paperwork increases the number of eligible members churning in and out of coverage which may account for the decrease in projected need.

6. **$130 million transferred to the Commonwealth Care Trust Fund**

   - **1595-5819** authorizes an operating transfer of over $130 million to the Commonwealth Care Trust Fund (CCTF). The CCTF provides supplemental state funding for the ConnectorCare program. Since the ACA took effect in 2014, the CCTF has not required any appropriation from the General Fund. On the contrary, for the last three fiscal years, the CCTF has been able to transfer funds back to the General Fund. There is no such transfer back to the General Fund in H.2. There were about 178,000 members enrolled in ConnectorCare in January 2018.

7. **The MassHealth Dental Program would remain at the levels set for the end of FY 18 (Section 67)**

   - **Section 67** maintains the scope of dental services for adults in MassHealth at the same level in place at the end of the 2018 fiscal year. This includes coverage of fillings and dentures that were cut in 2010 and restored in FY 15 and FY 16, but does not represent a full restoration of all dental services cut in 2010, such as periodontal services.

Homeless Services

1. **Emergency Assistance (7004-0101) would be funded at $160.6 million, approximately $10 million less than FY 18 spending.** The Emergency Assistance (EA) program provides emergency shelter to certain families with children who are experiencing homelessness and have no safe place to stay.

   - House 2 would continue restrictions on access to EA shelter that force many families and children to first prove they slept in a place not meant for human habitation before they can be eligible. Advocates continue to push for a more humane policy so that children must not first sleep in cars, emergency rooms, or other inappropriate places before they are eligible for shelter.

   - House 2 proposes to eliminate the obligation that DHCD provide the Legislature with 90 days' advance notice before imposing any new eligibility or benefits restrictions. In previous years this language has been critical to giving the Legislature time to ensure that access to EA for children and families is not unduly restricted. House 2 also proposes to eliminate requirements that DHCD report quarterly to the Legislature about what is happening to families, including those denied shelter. These requirements were included in the enacted FY 18 budget, and advocates will work to ensure they continue to be included.

- House 2 proposes new language that would specify that funds be used for "homelessness prevention, diversion and strategic re-housing, and contracted family shelters." It is unclear how the Governor defines these terms or why they were inserted, but this language raises concerns about EA funds potentially being shifted towards non-EA shelter services.

- House 2 also changes language requiring DHCD to place families in hotels when contracted shelter beds are unavailable, instead making such use of funds optional. This discretion could further restrict shelter options, particularly for families most in need of placements near their home communities. Advocates will work to ensure hotels remain available for EA eligible families.

2. **HomeBASE (7004-0108) would be funded at $30.1 million, a slight increase over estimated FY 18 spending.** HomeBASE was created in FY 12 to provide short-term rental assistance, instead of shelter, to families experiencing homelessness.

   - House 2 maintains the maximum assistance level in a 12-month period at $8,000. Advocates have called for this amount to be increased to better reflect housing costs and increase families' chances at self-sufficiency.
   - House 2 proposes to eliminate the obligation that DHCD provide the Legislature with 90 days' advance notice before imposing new eligibility restrictions or benefits reductions. House 2 also proposes to eliminate DHCD's obligation to provide timely reports to the Legislature. This language was included in the enacted FY 18 budget, and advocates will work to ensure it continues to be included.
   - House 2 would remove language providing that assistance funds be advanced monthly based on the prior month's expenditures.
   - House 2 would allow DHCD to expend up to $300,000 on HomeBASE for eligible families in domestic violence and residential treatment programs (4512-0200 and 4513-1130), as originally proposed in an FY 17 pilot program. Only families in these shelters who meet all the EA eligibility requirements could receive assistance, and DHCD would develop guidance to clarify how this program will operate.

3. **DHCD Administrative line item (7004-0099) would be decreased by nearly $1.5 million** from estimated FY 18 spending.

   - House 2 would eliminate a requirement that DHCD promulgate and enforce regulations that would clarify that recipients of HomeBASE housing assistance should remain eligible for a homelessness priority or preference in state subsidized housing. This language has been included in budgets for the past several years, including the enacted FY 18 budget. Advocates will be work to ensure this language continues to be included.

4. **DHCD homelessness operations account (7004-0100) would be funded at $5.37 million**, an increase of about $200,000 from FY 18.

6. **Shelters and services for homeless individuals (7004-0102) would be funded at just over $45 million,** a decrease of about $500,000 as compared to FY 18.

7. **Home and Healthy for Good program (7004-0104) would be funded at just over $2 million**, a slight increase over FY 18. This program provides housing for chronically homeless individuals.

8. **Residential Assistance for Families in Transition (RAFT) program (7004-9316) would be level-funded at $15 million.** RAFT is a homelessness prevention program for families with children.

   - As in prior years RAFT would provide up to a maximum of $4,000 in assistance, but no family could receive assistance from HomeBASE and RAFT above a maximum of $8,000.

   - House 2 would eliminate language that broadens the definition of "family" to include unaccompanied youth, elders, persons with disabilities, and other households. Advocates will work to ensure this definition is expanded.

   - House 2 would eliminate the obligation that DHCD provide quarterly reports to the Legislature, which was included in previous budgets.

Housing

1. **Public Housing Operating Subsidies (item 7004-9005),** which provide housing authorities with operating funds for state public housing, would be **level funded** under House 2 at **$64.5 million.** Public Housing is a critical source of affordable housing for extremely low-income families, seniors, and people with disabilities. There are approximately 45,600 state public housing units, with 30,250 units for seniors and people with disabilities, 13,450 units for families, and 1,900 for people with special needs. Data shows that 81% of the households in state public housing are extremely-low-income with incomes of less than 30% of area median income. In addition:

   - House 2 continues to provide that DHCD should make efforts to rehabilitate local housing authority family units in need of repairs requiring $10,000 or less. With family homelessness on the rise, it is critical to rehabilitate family public housing and bring apartments back on line.

   - House 2 did not include language included in the FY18 budget which required housing authorities to offer first preference for elderly public housing to elders receiving MRVP vouchers.

2. **Public Housing Reform (item 7004-9007)** for costs associated with the implementation of the public housing reform law passed in 2014 (Chapter 235 of the Acts of 2014) would be **level funded at $950,000**. The line item specifically references funds for "the creation and implementation of an information technology platform for state-aided public housing," which is a centralized waiting list for public housing applicants. Other reforms in the 2014 law in need of continued funding include technical assistance training for resident commissioners and tenant organizations. Last year a Public Housing Training Program was successfully launched by the Mel King Institute, based at the Massachusetts Association of Community Development Corporations and accomplished in partnership with the Department of Housing and Community Development, Mass Housing Partnership, Massachusetts Union of Public Housing Tenants, MassNAHRO, and Massachusetts Law Reform Institute. The training helps residents participate and engage as leaders in their Housing Authority contributing to the stronger public housing communities.

3. **Massachusetts Rental Voucher Program (MRVP) (item 7004-9024**), which provides long-term rental subsidies to low-income tenants in the private housing market. Under House 2, MRVP would **be increased by $4.735 million, from $92.734 million in the FY 18 budget to $97.47**. Advocates are pleased with the proposed increase, but remain aware that MRVP vouchers often don't work well in many areas of the state because the subsidy and the ceiling rents are too low to allow households to find units or landlords that will accept the vouchers.

    - The Governor's budget continues the provisions in the FY 18 budget setting MRVP income limits at 80% of area median (low income) and allowing DHCD to require administering agencies to target up to 75% of the vouchers to extremely low income households (incomes not more than 30% of area median). We believe that this change has had very little effect on the income profile of MRVP tenants.

    - Previous budgets required tenants to pay not less than 30%, and not more than 40% of income for rent. The Governor's bill removes the 40% cap for MRVP occupants but keeps it for tenants at initial occupancy. This is similar to the Section 8 program.

    - The Governor's budget does not require, as did previous budgets, that DHCD report to the legislature on MRVP utilization including the number and average value of rental vouchers distributed in the Commonwealth.

    - Advocacy groups are proposing some needed changes to MRVP that would better align it with the federal Section 8 voucher program so that the program will be more useful and the failure rate much lower. These are not included in H2.

4. **Alternative Housing Voucher Program (AHVP) (item 7004-9030)** would be **decreased from $5 million to $4.6 million**. Advocacy organizations requested $7.7 million to be able to increase this essential rental assistance program for non-elderly, disabled households. House 2 omits the requirement that DHCD must submit an annual

report to the Secretary of Administration and Finance and the Legislature on the number of outstanding vouchers and the number of types of units leased.

5. **Tenancy Preservation Program (TPP) (item 7004-3045),** a homeless prevention program which helps preserve tenancies of people with disabilities, age impairments, substance abuse, and other mental health challenges, would be **level-funded at $500,000**. TPP, which is available only in Housing Court, needs to undergo a parallel expansion as the Housing Court expansion (see below). Advocates are requesting a modest increase of $500,000 for a total of $1 million in order to fund 7.5 full time TPP providers to serve the 84 additional cities and towns covered by the Housing Court's statewide expansion.

   - MLRI's updated conservative estimates show that TPP potentially saved the state approximately $5 million in shelter costs and could save an estimated additional $2.5 million as TPP is expanded into the new areas covered by the Housing Court.

   - TPP keeps tenants in permanent housing versus a shelter, motel, or the streets. In FY17, 652 cases were closed by TPP and homelessness was prevented in 607 of those cases (93% homelessness prevention rate). TPP staff also provided consultation services to an additional 2,474 households ineligible or waitlisted for services.

   - For FY17, the cost per TPP case (total statewide budget/total number of households directly assisted) was $2,339. In comparison, DHCD estimates on average a homeless family stays in a shelter for 324 days at a cost of $37,908 per family.

6. **Department of Mental Health Rental Subsidy Program (item 7004-9033),** which provides rental subsidies to eligible clients of the Department of Mental Health, would be **level-funded at approximately $5.5 million**.

7. **Housing Preservation and Stabilization Trust Fund (HPSTF) (item 7004-4778) is decreased from $5 million to $1.48.** This flexible fund helps to build affordable housing, provide supportive services, and is used for other purposes to assist low income families and individuals with housing needs.

8. **Housing Court Expansion (item 0336-0003)** would **appropriate $2.6 million** for costs associated with the expansion of the housing court statewide. Last year, statewide Housing Court expansion was achieved through the FY18 budget. As a result, 2 million people in 84 communities who did not previously have access to a Housing Court now have access. In FY18, $1 million in start-up funding was also provided. This allowed the process to bring on two of the five new judges authorized by the expansion to begin. Our hope is that those two new judges will be appointed soon. The $2.6 million proposed in the Governor's budget will enable the Housing Court to complete the expansion so that the Housing Court bring on new Housing Specialists, staff, and the three remaining Housing Court judges authorized. For more information go to: www.HousingCourt4All.org.

Income Supports

1. **State Earned Income Tax Credit (EITC).** In **Sections 28 and 75**, House 2 proposes to increase the state EITC from the current amount, which is 23 percent of the federal EITC, to 30 percent, effective in tax year 2019. EITC is a wage support program that primarily helps low income families with children. The state EITC was last increased (from 15 percent to 23 percent) in tax year 2016.

Legal Services

1. For the **Massachusetts Legal Assistance Corporation (item 0321-1600)**, which supports grants for civil legal aid programs for low-income residents of Massachusetts, House 2 recommending an appropriation of $18.18 million, a one percent increase from FY 18. MLAC is seeking a $5 million increase (to $23 million) to help meet the growing statewide demand for civil legal services.

For more information on our House 2 summary, contact Vicky Pulos (vpulos@mlri.org) who will direct your question to the appropriate advocate.