

Fiscal Year 2013: The House Budget Proposal

On April 25, 2012 the House of Representatives approved its final Fiscal Year (FY) 2013 budget after three days of debate. During the House debate legislators approved amendments that increased spending on MassHealth programs by \$45.3 million over the amount initially proposed by the House Ways and Means (HWM), and added new provisions governing aspects of the MassHealth programs. The House also reduced the transfer to the Commonwealth Care Trust Fund (CCTF) included in the HWM budget to reflect updated projections for the cost of the Commonwealth Care program (see discussion below for more detail on the amendments). After taking these changes into account, the final House budget includes a total of \$12.66 billion in funding for programs that provide health care for approximately 1.5 million low- and moderate-income residents of Massachusetts. This total represents an increase of 6.2 percent over current FY 2012 spending (after taking into account additional spending expected to occur in FY 2012 the increase is 4.5 percent). The budget process now moves to the Senate, which is expected to debate its budget in the latter half of May.

MassHealth and Health Reform (Millions of Dollars)

		FY 2012 Current Appropriation*	FY 2013 Governor	FY2013 House Ways and Means	FY2013 Final House
MassHealth (Medicaid)	MassHealth	10,432.27	10,950.86	10,945.83	10,991.13
	MassHealth Administration	89.22	89.03	89.96	89.96
	Sub-Total	10,521.5	11,039.9	11,035.8	11,081.1
Commonwealth Care Trust Fund	General Fund Transfer**	745.01	737.12	795.02	741.28
	Tobacco Tax Transfer	120.00	192.90	120.00	120.00
	Sub-Total	865.0	930.0	915.0	861.3
Other Health Finance and Safety Net Funding	HHS Information Technology	81.76	100.30	86.76	86.76
	Div. of Health Care Finance & Other Initiatives	37.66	29.09	28.89	28.89
	Prescription Advantage	21.60	19.00	19.00	19.00
	Medical Assistance Trust	394.0	394.0	394.0	394.0
	Delivery Service Initiatives Trust	0.0	186.9	186.9	186.9
	Health Insurance Technology Trust	0.5	0.0	0.0	0.0
	Sub-Total	535.5	729.3	715.6	715.6
Total Spending		11,922.05	12,699.24	12,666.39	12,657.95
State Budget Total***		33,949.52	35,230.40	35,134.26	35,196.60

*FY 2012 Current Appropriations include all enacted supplemental budgets through March, 2012.

**General Fund Transfer for FY 2012 includes a \$728 million transfer from the General Fund, as well as \$17 million in FY 2011 revenues carried forward for use in FY 2012.

***This total includes all line item appropriations, operating transfers, and direct spending from statutorily designated taxes, as well as a reduction to account for municipal participation in the state's Group Insurance Commission, and an adjustment to account for tuition retained by state universities and colleges. These adjustments allow for more accurate year-to-year comparisons.

MassHealth/Medicaid

During floor debate the House approved the following changes to the HWM budget:

- A restoration of \$30 million for supplemental rates for nursing homes (4000-0640), along with language earmarking \$2.8 million of the funds for a MassHealth Nursing Facility Pay-for-Performance Program that provides incentive grants for quality improvement efforts at nursing homes. A similar funding level and earmark language were included in the FY 2012 budget, using funds that were carried over from FY 2011. The Governor's FY 2013 budget did not include this increase.
- New provisions in the MassHealth administrative account (line item 4000-0300) that a) require supplemental rate payments for certain severely ill children in pediatric hospitals, b) maintain FY 2012 rates for McInnis House, a medical respite program for the homeless, c) prohibit limits on hospital inpatient-outpatient case-mix adjustment appeals, and d) authorize funds for the Office of Health Equity within the Office of Health and Human Services (HHS). The House also approved an increase of \$14.8 million for the MassHealth Fee-for-Service account that is sufficient to pay for the pediatric hospital and McInnis House rate payments, but does not cover the cost of the limit on hospital case-mix appeals (estimated at \$8.0 million).
- An increase of \$500,000 for a new MassHealth Operations line item (4000-1602), bringing total proposed funding to \$1.0 million in the final House budget.
- A requirement that when MassHealth assigns MassHealth members who don't select a managed care plan on their own, it assign more of them into Managed Care Organizations (MCOs) than into the MassHealth Primary Care Clinician (PCC) plan by dividing assigned members equally among the PCC Plan and all five individual MCOs, until the Managed Care Advisory Committee created in 2010 has filed its report.
- Language requiring HHS to contract for an analysis of children with complex care needs in the MassHealth program that looks at the needs of these children and makes recommendations for how they can best be served in keeping with the goals of the Patient Centered Medical Home Initiative. No new funding is appropriated for this new requirement.
- Language requiring HHS to determine which public assistance programs could share data with MassHealth in order to facilitate the enrollment of children and parents into MassHealth programs, as well as language reenacting FY 2012 budget provisions that require MassHealth to verify U.S. citizenship through a social security data match, and to begin verifying immigration status through the Systematic Alien Verification for Entitlements (SAVE) system.

After taking these changes into account, the final House budget includes a total of \$10.99 billion in funding for

MassHealth programs, or 5.4 percent over current FY 2012 spending, somewhat higher than the Governor's proposed increase of 5.0 percent. This difference is largely due to the adoption of the nursing home rate and fee-for-service appropriation increases during House debate.

HWM Committee briefing documents suggested that the initial HWM budget proposal relied on the same set of savings strategies that the Governor assumed in his budget proposal. These included \$544 million in savings from a variety of activities, including changes in provider rates, initiatives to strengthen long-term care services, and efforts to promote program integrity. In addition the House expects to realize \$45 million in revenue from activities designed to draw down additional federal Medicaid reimbursement revenue (for a detailed discussion of the Governor's MassHealth savings and investment initiatives, see The Governor's House 2 Budget Proposal for FY 2013 at http://www.massmedicaid.org/-/media/MMPI/Files/FY2013H2_BudgetBrief_v7.pdf). The spending increases adopted during House budget debate will reduce projected savings in the MassHealth program, although the increases are offset by a reduction in funding for the Commonwealth Care Trust Fund (see below).

Finally, while the Governor's budget dedicated \$2.0 million to a new operations line item (4000-1602) to improve the timeliness and efficiency of the MassHealth enrollment and re-termination processes, in recognition of increased demands on the program, the final House budget appropriates only \$1.0 million (including \$500,000 added during debate), an amount that is unlikely to be sufficient to address the backlog at MassHealth, where caseloads have increased by 13.4 percent since July 2008, but the number of full-time employees has dropped by 9.5 percent. Likewise, the House budget includes \$750,000 for another new line item (4000-1604) for activities related to implementation of the Affordable Care Act, including efforts to promote integrated care models, an amount that is well below the \$3.13 million appropriation proposed by the Governor. Also, while the House budget appears to provide a higher level of funding for MassHealth administration, the administrative line item (4000-0300) includes language earmarking \$2.4 million for Hale Hospital. The FY 2012 budget contained \$2.4 million in a reserve account (1599-2009) for the hospital, but the Governor did not include funding in his FY 2013 budget proposal.

Commonwealth Care

During budget debate the House also approved a reduction in funding for the CCTF that reflects updated cost estimates for the Commonwealth Care program, which is funded from the CCTF. The HWM budget originally proposed a transfer of \$795.0 million from the General Fund to the CCTF, in addition to an assumed transfer of \$120.0 million in tobacco tax revenue, for a total of \$915.0 million. However, shortly after the release of the HWM budget, the Connector—which

operates the Commonwealth Care program—announced new contracts with health plans that include an average per member spending drop of 5 percent. Accordingly, the final House budget includes a CCTF transfer of \$741.3 million, a reduction of \$53.7 million from the initial HWM proposal. This funding is expected to be adequate to cover enrollment growth, including the reinstatement of certain legal immigrants following a state Supreme Judicial Court decision that found the state's exclusion of this group unconstitutional. The Connector also reports that it will have sufficient funds for the planned enhancement of the smoking cessation benefit for Commonwealth Care members.

Other Health Financing and Safety Net Issues

- As in FY 2012, the final House budget does not include funding for Community-Based Outreach, Enrollment, and Retention grants. The budget also follows the Governor in including language that would allow the administration to restructure optional MassHealth benefits, and it does not include the restoration of adult dental benefits eliminated in 2010.
- Like the Governor's budget, the House spending plan provides \$19.0 million in funding for Prescription Advantage, \$2.6 million less than in FY 2012. The decrease is the result of changes to Medicare Part D drug coverage made by the Affordable Care Act that reduced the size of the "donut-hole" (drug costs that Part D does not cover), so that Medicare will now cover a greater share of costs for which the state formerly paid.
- The final House budget, like the Governor's spending plan, includes the annual transfer of \$30 million from the CCTF to the Health Safety Net (HSN) Program, which provides reimbursement to hospitals and community health center for care provided to uninsured and underinsured patients. In addition, the HSN will receive \$320 million in off-budget revenue from assessments paid by hospitals and insurers and another \$70 million in separate payments will be made to two hospitals and counted as HSN reimbursement. There is concern about stress on this program due to the recent economic crisis. The administration projects a \$134 million shortfall in FY 2013.
- Like the Governor's budget the final House budget proposes that in FY 2013, as in FY 2012, \$1.0 million of CCTF funds will support a wellness subsidy which reduces premiums by 15 percent for small businesses enrolled in Commonwealth Choice plans purchased through the Connector.

Appendix

Line Item	Name	FY 2012 Current Appropriation*	FY 2012 Estimated Spending**	FY 2013 Governor H.1	FY 2013 House Ways and Means	FY 2013 Final House	Cat. ***
1599-2004	Health Care Cost Containment Reserve	1,900,000	1,900,000	-	-	-	F
1599-2009	Hale Hospital Reserve	2,400,000	2,400,000	-	-	-	F
4000-0265	Primary Care Workforce	1,000,000	1,000,000	-	-	-	F
4000-0300	HHS and MassHealth Administration	86,484,473	86,484,473	86,291,466	87,222,963	87,222,963	A
4000-0301	MassHealth Auditing and Utilization Reviews	1,736,425	1,736,425	1,739,619	1,736,313	1,736,313	A
4000-0309	MassHealth Field Auditing Taskforce	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	A
4000-0320	MassHealth Recoveries Retained Revenue	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	M
4000-0430	MassHealth CommonHealth Plan	130,439,637	76,332,519	73,165,558	73,165,557	73,165,557	M
4000-0500	MassHealth Managed Care	3,879,010,669	3,980,487,347	4,164,475,376	4,164,475,376	4,164,475,376	M
4000-0600	MassHealth Senior Care	2,550,602,264	2,566,654,470	2,763,630,662	2,763,630,662	2,763,630,662	M
4000-0640	MassHealth Nursing Home Supplemental Rates	318,300,000	318,692,354	288,500,000	288,500,000	318,500,000	M
4000-0700	MassHealth Fee-for-Service	2,029,206,633	1,809,829,381	1,939,680,126	1,939,680,126	1,954,480,126	M
4000-0870	MassHealth Basic Coverage	157,016,626	170,608,370	179,909,689	179,909,689	179,909,689	M
4000-0875	MassHealth Breast and Cervical Cancer Treatment	4,770,999	4,734,599	5,248,099	5,248,099	5,248,099	M
4000-0880	MassHealth Family Assistance Plan	218,925,814	209,233,330	213,894,591	213,894,591	213,894,591	M
4000-0890	MassHealth Premium Asst and Insur Partnership	58,181,956	30,987,873	30,481,392	30,481,392	30,481,392	M
4000-0895	Healthy Start Program	13,800,000	13,818,028	15,850,244	15,850,244	15,850,244	M
4000-0950	Children's Behavioral Health Initiative	214,743,708	214,743,708	221,705,516	221,549,097	221,549,097	M
4000-0990	Children's Medical Security Plan	12,600,000	14,150,718	13,298,695	13,298,695	13,298,695	M
4000-1400	MassHealth HIV Plan	18,541,135	17,940,665	19,744,723	18,744,723	18,744,723	M
4000-1405	MassHealth Essential	389,757,408	493,458,055	505,998,457	505,998,456	505,998,456	M
4000-1420	Medicare Part D Phased Down Contribution	211,370,985	285,913,498	285,153,027	285,153,027	285,153,027	M
4000-1602	MassHealth Operations (NEW)	-	-	2,000,000	500,000	1,000,000	M
4000-1604	Health Care System Reform (NEW)	-	-	3,125,000	750,000	750,000	M
4000-1700	HHS Services Information Technology Costs	81,762,075	81,762,075	100,301,495	86,757,333	86,757,333	IT
4100-0060	Division of Health Care Finance and Policy	21,157,507	21,157,507	21,894,515	21,693,748	21,693,748	F
4100-0061	All Payer Claims Database	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	F
4100-0360	Health Care Quality and Cost Council Ret Rev	100,000	100,000	100,000	100,000	100,000	F
4100-0062	Health Safety Net Claims Migration (NEW)	6,000,000	6,000,000	-	-	-	F
4100-0082	Health Safety Net Claims Migration (NEW)	-	-	2,000,000	2,000,000	2,000,000	F
7006-0029	Health Care Access Bureau Assessment	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	F
9110-1455	Prescription Advantage	21,602,546	21,602,546	18,996,516	18,996,516	18,996,516	Ph
1595-1067	Delivery Systems Transformation Initiatives Trust (NEW)	-	186,907,667	186,907,667	186,907,667	186,907,667	T
1595-1068	Medical Assistance Trust Fund (operating transfer)	394,025,000	394,025,000	394,025,000	394,025,000	394,025,000	T
1595-1069	Health Insurance Technology Trust Fund	500,000	500,000	-	-	-	T
1595-5819	Commonwealth Care Trust Fund (operating transfer)	745,011,822	745,011,822	737,122,286	795,022,286	741,278,955	T
	Commonwealth Care Trust Fund (cigarette tax transfer)	120,000,000	120,000,000	192,900,000	120,000,000	120,000,000	T

* FY 2012 Current Appropriation reflects funding in the General Appropriation Act, as well as supplemental funding provided during the fiscal year, through March 2012. It also includes FY 2011 revenue made available in FY 2012 for the Commonwealth Care Trust Fund and Nursing Home Supplemental Rates.

** Estimated FY 2012 spending reflects current spending estimates for MassHealth programs and supplemental spending expected during the year.

*** "Cat." refers to the category in the chart on page 1 of this brief. M=MassHealth; A=Administration; F=Finance; Ph=Prescription Advantage; T=Trust; IT=Information Technology