

# Executive Office of Health & Human Services



**FY2020 Budget Proposal**

**January 23, 2019**

# Secretariat FY20 Budget Summary – Spending

Department	FY19 H.2	FY19 GAA	FY19 Estimated Spending	FY20 H.1	H.1 vs. Spending	%	H.1 vs. GAA	%
Exec Office of Health and Human Services	346,683,174	341,983,204	320,280,133	349,557,349	29,277,217	9.1%	7,574,145	2.2%
Department of Elder Affairs	544,637,068	546,110,068	548,204,297	555,438,272	7,233,975	1.3%	9,328,204	1.7%
Department of Public Health	608,591,223	643,732,290	650,981,210	651,290,860	309,650	0.0%	7,558,570	1.2%
Department of Mental Health	869,988,291	875,994,021	881,746,665	886,842,254	5,095,589	0.6%	10,848,233	1.2%
Office of Refugees and Immigrants	400,001	500,001	500,001	501,575	1,574	0.3%	1,574	0.3%
Department of Youth Services	177,789,195	178,337,194	180,053,465	178,721,364	(1,332,100)	-0.7%	384,170	0.2%
Department of Transitional Assistance	656,963,828	669,636,438	658,056,578	655,808,607	(2,247,971)	-0.3%	(13,827,831)	-2.1%
Department of Children and Families	998,327,255	1,007,346,982	1,023,180,676	1,050,393,332	27,212,656	2.7%	43,046,350	4.3%
Massachusetts Commission for the Blind	22,622,857	25,113,204	25,391,853	24,642,579	(749,274)	-3.0%	(470,625)	-1.9%
Massachusetts Rehabilitation Commission	49,037,632	51,650,732	62,522,378	61,455,145	(1,067,233)	-1.7%	9,804,413	19.0%
Commission for Deaf and Hard of Hearing	5,732,684	5,832,684	5,959,187	6,113,951	154,765	2.6%	281,267	4.8%
Chelsea Soldiers Home	27,886,376	27,886,375	28,573,430	29,866,737	1,293,306	4.5%	1,980,362	7.1%
Holyoke Soldiers Home	23,921,216	23,921,216	25,366,998	25,217,438	(149,560)	-0.6%	1,296,222	5.4%
Department of Developmental Services	1,922,975,426	1,926,026,587	1,966,483,981	2,074,337,762	107,853,781	5.5%	148,311,175	7.7%
Veterans Services	93,145,353	93,730,829	94,048,737	90,012,194	(4,036,542)	-4.3%	(3,718,635)	-4.0%
MassHealth Programmatic	15,906,441,566	16,223,791,567	16,528,513,972	16,538,785,379	10,271,407	0.1%	314,993,812	1.9%
<b>Subtotal</b>	<b>22,255,143,145</b>	<b>22,641,593,392</b>	<b>22,999,863,561</b>	<b>23,178,984,798</b>	<b>179,121,238</b>	<b>0.8%</b>	<b>537,391,406</b>	<b>2.4%</b>
MassHealth Hospital Supplemental Payments	620,090,000	620,090,000	754,240,000	646,360,000	(107,880,000)	-14.3%	26,270,000	4.2%
<b>Total</b>	<b>22,875,233,145</b>	<b>23,261,683,392</b>	<b>23,754,103,561</b>	<b>23,825,344,798</b>	<b>71,241,238</b>	<b>0.3%</b>	<b>563,661,406</b>	<b>2.4%</b>

# FY20 H.1 – Across the Secretariat

## House 1 (H.1) Budget

- H.1 funds HHS at \$23.178 B, a \$179.1 M (.8%) increase above FY19 spending and a \$537.3 M (+2.4%) increase above FY19 GAA
- EOHHS departments comprise approximately 54% of the total state budget.

	FY19 Estimated Spending	FY20 H.1	H.1 vs. FY19 Spending	% Increase from Spending
<b>HHS Total</b>	22,999,863,561	23,178,984,798	179,121,238	0.8%
<b>Commonwealth Total</b>	42,101,202,632	42,744,768,513	643,565,881	1.5%
<b>HHS as % of Total</b>	55%	54%	28%	

# FY20 H.1 – Across the Secretariat

## House 1 (H.1) Budget

- H.1 funds HHS at \$23.178 B, a \$179.1 M (.8%) increase above FY19 spending and a \$537.3 M (+2.4%) increase above FY19 GAA

## H.1 Budget Highlights

- Maintains MassHealth program without reducing benefits
- Increases funding to combat opioid epidemic by an additional \$23.8 M over FY19 across EOHHS Agencies
- Expands the eligibility of the Medicare Savings Program (MSP) which will reduce out of pocket medical expenses for seniors by generating more than \$100 M in Medicare prescription drug subsidies at a \$7 M net annual cost to the Commonwealth
- Fully funds Turning 22 classes at DDS and smaller disability agencies
- Maintains MRC core services despite reduction in federal funding and federal audit findings (audit dates October 1, 2013 through September 30, 2016)
- Chapter 257 funding for human service provider rate review
- Revises DTA benefit structures to better align with other public benefit programs, simplify the grant structure, lifts the family cap and increase incentives to work
- Increases Safe and Successful Youth Initiative to include young women and high need communities
- Increases funding for Sexual Assault and Domestic Violence prevention

# Executive Office (EOHHS)

## House 1 (H.1) Budget

FY20 recommended funding is \$349.5 M

\$29.2M (+9.1%) above FY19 spending

\$7.5 M (+2.2%) above FY19 GAA

## H.1 Budget Highlights

- \$20.5 M in Ch. 257 reserve to ensure funding of provider rate increases
- \$10 M for Safe and Successful Youth Initiative, a \$1.9 M (23%) increase above FY19 spending
- Maintained funding at FY19 levels for Homeless Youth

# Department of Mental Health (DMH)

## Agency Summary

DMH provides clinical treatment and supportive services to meet the needs of individuals with serious mental illness of all ages, enabling them to live, work and participate in their communities. DMH provides community-based and continuing care inpatient services for approximately 21,000 individuals throughout Massachusetts.

## House 1 (H.1) Budget

The H.1 budget funds DMH at \$886.8 M, a \$5.1 M (+.6%) increase above FY19 spending and a \$10.8 M (+1%) increase above FY19 GAA

## H.1 Budget Highlights

This continues the historic \$84 M investment in the redesign of Adult Community Clinical Services (ACCS)

- Continuation of \$64.3 M to fully implement provider rates, improve client oversight and vendor performance for delivering the clinically-strengthened ACCS model
- \$14 M transfer to MassHealth to continue consumer access for care coordination services through MassHealth's Behavioral Health Community Partners
- \$4.5 M transfer to Mass Rehab Commission for employment services to benefit 1,200 DMH clients
- In FY20, DMH anticipates fully expending the new rental subsidy funding (\$2 M total, \$1 M at DMH and \$1 M at the Department of Housing and Community Development) which will lead to 175 newly-leased units

# Department of Developmental Services (DDS)

## Agency Summary

DDS creates opportunities for individuals with intellectual disabilities to participate in and contribute meaningfully to their communities. DDS provides specialized services and supports approximately 41,000 adults and children with intellectual and developmental disabilities including those with Autism Spectrum Disorder. DDS also provides residential services to individuals with acquired brain injury. Services include day and employment, residential, family support, and transportation. Services through state operated facilities, 261 community-based state operated program, and with more than 255 private provider agencies.

## House 1 (H.1) Budget

The H.1 budget funds DDS at \$2.074 B, a \$107.9 M (+5.5%) increase above FY19 spending and a \$148.3 M (+7.7%) increase above FY19 GAA

## H.1 Budget Highlights

- Turning 22 – H.1 includes significant investments for the Department's Turning 22 population for the third year in a row
  - Fully funds services for nearly 1,300 members of FY19 Turning 22 class (\$25 M)
  - \$67.3 M increase to fund services for 1,171 members aging out of the Turning 22 class

# Department of Developmental Services (DDS)

## H.1 Budget Highlights (cont.)

- \$28.5 M increase to cover changing needs within the existing DDS client base – caused by increasing acuity and aging caretakers
- \$4.2 M increase for an additional day of residential and day and work services due to the leap year
- Includes an additional \$4 million increase (\$10.5M total funding) at the Department of Elementary and Secondary Education to increase available capacity in its highly successful existing partnership program with DDS to support youth at home in their communities. The program will support approximately 264 new, 760 total youth and their families



# Department of Children and Families (DCF)

## Agency Summary

DCF protects children from abuse and neglect and ensures child safety in a manner that holds the best hope of nurturing a sustained, resilient network of relationships to support the child's growth and development into adulthood. DCF serves approximately 48,000 children at any given time, primarily children ages 0-18, and youth ages 18-21 who were previously involved with the Department.

## House 1 (H.1) Budget

The H.1 budget funds DCF at \$1.050 B, a \$27 M (+2.7%) increase above FY19 spending and a \$43 M (+4.3%) increase above FY19 GAA

## H.1 Budget Highlights

- \$11 M standard payroll increases to support existing staffing levels, representing the commitment to continue DCF's progress towards an 18:1 weighted caseload ratio and providing clinical support and oversight to DCF social workers
- \$4.9 M increase for projected caseload growth, including continued growth in the rate of adoptions and guardianships
- \$4.4 M for Foster Care rate increases to provide support for foster parents
- \$2.7 M to annualize investments in Family Resource Centers, including transitioning five "micro" FRCs to full-sized FRCs and creating two new full-sized FRCs to expand the network of services provided by the FRCs across the state

# Department of Transitional Assistance (DTA)

## Agency Summary

DTA assists and empowers low-income individuals and families to meet their basic needs, improve their quality of life, and achieve long-term economic self-sufficiency. DTA works with individuals and families to provide services through a combination of federal and state-funded programs with the ultimate goal of achieving fiscal stability for DTA clients. DTA serves one out of every eight people in the Commonwealth – including working families, children, elders and people with disabilities.

## House 1 (H.1) Budget

The H.1 funds DTA at \$655 M, a \$2.2 M (-.3 %) decrease below FY19 spending and a \$13.8 M (-2.1%) decrease below FY19 GAA. H1.1 includes significant reforms for families enrolled in the Transitional Aid to Families with Dependent Children (TAFDC) program. The budget proposes a more equitable and streamlined approach to the calculation of benefits while eliminating certain restrictive program requirements that are counterproductive to the support of families seeking self-sufficiency and a pathway out of poverty. Maintains clothing allowance at \$350 per child.

# Department of Transitional Assistance (DTA)

Proposal	History	Effective Date	Notes and Assumptions
Repeal the “Family Cap” Rule	Enacted in FY19, returned with amendment (RWA)	1-Oct-19	Grant only; if clothing allowance is maintained, cost is greater; would count 9,095 currently excluded children in TAFDC grant calculation
Include all SSI recipients in the TAFDC case and include SSI income of adults	Filed in FY18 H.1; included in FY19 RWA	1-Oct-19	Adds 8,240 people to the TAFDC household (+\$100/added person); concurrently counts the adult SSI-recipient income (avg. \$654/month) in the TAFDC grant calculation
Eliminate grant deduction for Homeless Families	Discussed for FY19 H.2, not filed	1-Oct-19	1,770 homeless families will receive an average increase of \$134/month, providing them with more resources to secure housing
Eliminate asset limit on first vehicle	Discussed for FY19 H.2, not filed	1-Oct-19	Aligns with other public benefit programs, e.g., SNAP, MassHealth, child care, housing; addressing key barrier to work
Total			

# Executive Office of Elder Affairs (EOEA)

## Agency Summary

EOEA promotes the independence, empowerment, and well-being of older adults and their caregivers. EOEA's strategic goals include supporting aging in community; preparing for evolving demographic trends; empowering healthy aging; preventing injury, violence, and exploitation; strengthening “no wrong door” access to services; and ensuring quality, value, and person-centered care.

## House 1 (H.1) Budget

The H.1 budget funds EOEA at \$555.4 M, a \$7.2 M (+1.3%) increase above FY19 spending and a \$9.3 M (+1.7%) increase above FY19 GAA

## H.1 Budget Highlights

- \$16.5 M to maintain \$12 per elder for local Councils on Aging
- \$4.4 M increase for the Community Choices program, which provides MassHealth-eligible elders with nursing facility levels of need with home care support
- \$2.4 M, a 34% increase to maintain nutritional quality of meals delivered to elders despite food and labor inflation, and to provide an additional 290,000 meals
- \$1.9 M increase to support over 350 new clients in the state Home Care program, ensuring clients will not be placed on a waitlist for services
- \$1.1 M increase for elder protective services

# Department of Public Health (DPH)

## Agency Summary

DPH prevents illness, injury, and premature death, to assure access to high quality public health and health care services, and to promote wellness and health equity. DPH addresses specific diseases and conditions and offers services to address vulnerable populations. DPH also develops, implements, promotes, and enforces policies to assure that the conditions under which people live are most conducive to health and enable people to make healthy choices for themselves and their families. DPH is also responsible for the oversight of substance use services.

## House 1 (H.1) Budget

The H.1 budget funds DPH at \$651.2 M, a \$309 K (-.0%) decrease below FY19 spending and a \$7.5 M (+1.2%) increase above FY19 GAA

## H.1 Budget Highlights

- H.1 includes \$2.7M investment in the Childhood Lead Prevention Program supporting the Baker administrations belief that no lead exposure is safe for children in the Commonwealth. This investment will support critical initiatives to investigate children or facilities with lead exposures, as well as, implement a wide-scale childhood lead prevention effort among populations most vulnerable to lead exposure.
- Domestic and Sexual Violence Services (funded at \$43.2 M across two accounts) to support the statewide shelter system, crisis response, and trauma-informed nurse examinations for adults and youth
  - Maintains \$500 K for domestic violence and sexual assault prevention awareness campaign
  - Adds \$850 K to the Health Relationships DV and sexual assault prevention program in schools and the community

# Department of Public Health (DPH)

## H.1 Budget Highlights (cont.)

- HIV/AIDS services (funded at \$30.8 M) – is further supported by the retained cap revenue for Mass. HIV Drug Assistance Program is doubling from \$7.5 M to \$15 M to support increasing drug costs and insurance premiums by maximizing the Commonwealth's HIV/AIDS revenue from the pharmaceutical industry
- State Lab (funded at \$12.9 M) to preserve critical scientific capacity, epidemic mitigation, and bioterror response
- Inspector capacity increases included in FY19 H.2 and GAA for long-term care facilities, food protection, and radiation monitoring are preserved in H.1
- Mobile Integrated Health fully funded and annualized to \$920 K

## Combating Substance Use Disorder- Funding in H.1

- Across DPH line items, H.1 includes \$154.5 M for substance misuse services. This includes:
  - \$71 M for residential services for individuals and families
  - \$25 M for detox and transitional support beds
  - \$6 M for youth detox, transitional, and residential services
  - \$4 M in Section 35 services
- Funding also supports:
  - Community coalitions (i.e. Learn to Cope) that work locally to prevent the use/abuse of opioids and prevent/reduce fatal and non-fatal opioid overdoses
  - Office Based Opioid Treatment Programs
  - Outpatient Treatment Programs
  - Recovery Support Centers, and
  - the Massachusetts Substance Abuse Helpline (800-327-5050).
- SUD Waiver – Under the recently-approved 1115 Medicaid waiver, federal funds will be used to expand SUD coverage and residential rehabilitation service programs, as well as support the coordination of recovery services to address the opioid crisis.

# Substance Use Disorder Prevention and Treatment

	<b>FY19 Est. Spending</b>	<b>FY20 Est. Spending</b>	<b>Variance</b>	<b>%</b>	<b>Comment</b>
SUD Waiver	21,013,584	49,439,102	28,425,518	135%	Continuing to work towards expansion of substance use disorder services projected to total \$200 M over 5 years
DPH	159,450,374	154,507,967	-4,942,407	-3%	Decrease primarily due to backing out \$4 M in earmarks; inclusive of \$2.0 M shifted to MassHealth
DMH	10,594,036	10,936,431	342,395	3%	Fully funds 45 Section 35 beds at Taunton State Hospital
<b>Total</b>	<b>170,044,410</b>	<b>165,444,398</b>	<b>23,825,506</b>	<b>14%</b>	

# Department of Youth Services (DYS)

## Agency Summary

DYS improves life outcomes for youth in care through investment in qualified staff and a service continuum that engages youth, families and communities in strategies that support positive youth development. As the juvenile justice agency, DYS provides a comprehensive and coordinated program of delinquency prevention and services to youth detained or committed to DYS by the courts.

## House 1 (H.1) Budget

The H.1 budget funds DYS at \$178.7 M, a \$1.3 M (-.7%) decrease below FY19 spending and a \$384 K (+.2%) increase above FY19 GAA

### H.1 Budget Highlights

- \$2.7 M increase in administrative costs including collective bargaining and step increases
- \$832 K for annualized program costs

### Savings

- \$4 M in savings from consolidation and realignment of programs in the service continuum. This undertaking is a function of the continuing decline in DYS Census.
  - Between FY18 and FY19 DYS projects the number of youth served will decline by 17%



# Massachusetts Rehabilitation Commission (MRC)

## Agency Summary

MRC promotes equality, empowerment and independence of individuals with disabilities by providing comprehensive services to help individuals maximize their quality of life and economic self-sufficiency in the community. These goals are achieved through enhancing and encouraging personal choice and the right to succeed or fail in the pursuit of independence and employment.

## House 1 (H.1) Budget

The H.1 budget funds MRC at \$61.5 M, a \$1.1 M (-1.7%) decrease below FY19 spending and a \$9.8 M increase (+19%) above FY19 GAA

## H.1 Budget Highlights

- Maintains core services despite declining federal funding

# Massachusetts Commission for the Blind (MCB)

## Agency Summary

MCB provides the highest quality rehabilitation and social services to individuals who are blind, leading to independence and full community participation.

## House 1 (H.1) Budget

The H.1 budget funds MCB at \$24.6M, which is a \$749 K (-3%) below FY19 estimated spending and \$471 K (-1.9%) below the FY19 GAA.

## H.1 Budget Highlights

- This funding level supports increases in MCB's Turning 22 caseload. In FY19, MCB projects to serve 1 new Turning 22 class member.
- H.1 also includes funding for collective bargaining and annualization of Chapter 257 rate increases that took place in FY19.

# Massachusetts Commission for the Deaf & Hard of Hearing (MCDHH)

## Agency Summary

MCHH provides accessible communication, education and advocacy to consumers and private and public entities, where a vision of universal access becomes the standard for Deaf and hard of hearing people to fully participate in all areas of life

## House 1 (H.1) Budget

The H.1 budget funds MCDHH at \$6.1 M, which is a \$154 K (+2.6%) increase above FY19 spending and a \$281 K (+4.8%) increase over the FY19 GAA.

## H.1 Budget Highlights

This funding level supports the Deaf and Hard of Hearing Independent Living Services (DHILS) contract. During FY18, DHILS programs delivered a total of 16,991 service hours by providing information and referrals, peer mentoring, advocacy and skills training and a variety of independent living skills. 217 consumers reported achieving at least one self-chosen goal demonstrating that DHILS Programs are effective in empowering consumers in attaining the success they desire.

# Department of Veterans' Services (VET)

## Agency Summary

VET supports annuity benefits to Gold Star families, transitional services and outreach to veterans, operates two veterans' cemeteries and acts as liaison on behalf of veterans seeking assistance from the Federal Veterans' Administration. Through the municipal veterans' agencies, Veterans' Services Officers (VSO) administers the need-based veterans benefits program (M.G.L. Chapter 115).

## House 1 (H.1) Budget

The H.1 budget funds Veterans' Services at \$90 M, which is generally level funded to the FY19 GAA except a \$3.8 M decrease associated with the catch-up of Gold Star Retro payments.

## H.1 Budget Highlights

- Investment in Training and Education – H.1 includes a \$1.3 M for clinical care, education and training in veterans' mental and behavioral health issues, including post-traumatic stress, traumatic brain injury, substance use disorder and suicide prevention administered by Home Base

# Soldiers' Home in Chelsea

## Agency Summary

The Soldiers' Home in Chelsea operates a 174-bed long-term care facility which includes skilled nursing beds, long-term care beds and dementia units along with 305 beds in an independent living/domiciliary service.

## House 1 (H.1) Budget

The H.1 budget funds the Chelsea Soldier's Home at \$29.8 M, which is \$1.2 M (+4.5%) increase over FY18 estimated spending and a \$1.9 M (7.1%) increase above the FY19 GAA.

## H.1 Budget Highlights

This funding level supports collective bargaining and other salary increases for the Chelsea Soldier's Home personnel.

# Soldiers' Home in Holyoke

## Agency Summary

The Soldiers' Home in Holyoke operates a 250-bed long-term care facility which includes long-term care beds, dementia units, comfort care services along with 30 beds in a domiciliary service.

## House 1 (H.1) Budget

The H.1 budget funds the Holyoke Soldiers' Home at \$25.2M, which is \$150 K (-.6%) decrease from FY19 estimated spending and a \$1.3 M (+5.4%) increase above the FY19 GAA.

## H.1 Budget Highlights

- This funding level supports increases in medical and operational expenses, implementation of an automated medication management system and a variety of maintenance costs at the facility in addition to collective bargaining and other salary increases.

# Office of Refugees and Immigrants (ORI)

## Agency Summary

ORI promotes the full participation of refugees and immigrants as self-sufficient individuals and families in the economic, social and civic life of Massachusetts. Primarily funded through the federal Office of Refugee Resettlement, ORI administers the refugee resettlement program, which includes refugee cash and medical assistance, case management, employment services, English language training and foster care for unaccompanied minors.

## House 1 (H.1) Budget

The H.1 budget funds ORI at \$502 K, which is a \$1,574 (+0%) increase over FY19 estimated spending and the FY19 GAA.

## H.1 Budget Highlights

- This funding level supports ORI's state-funded citizenship assistance program for refugees and immigrants residing in the Commonwealth
- At this funding level, ORI expects to provide services to over 1,100 refugees and immigrants through grants to the agency's 17 partner organizations

# MassHealth overview

## Agency Summary

MassHealth offers essential health care coverage to 1.86 million members, or over 27% of the Commonwealth's residents, including:

- 750,000 low and moderate income adults (40% of all members)
- 800,000 low and moderate income children (43% of all members)
- 305,000 people with disabilities and 185,000 seniors (combined, 26% of all members)

## Priorities

- Maintaining comprehensive, high quality, and affordable **coverage** for all members
- **Significantly reducing out-of-pocket health care costs for low-income seniors** by expanding eligibility for Medicare Savings Programs (MSPs) up to 165% FPL
- **Managing prescription drug prices** to ensure continued access to prescription drugs for members and to maximize value for the Commonwealth.
- Continuing our commitment to making the MassHealth program sustainable through ongoing **program integrity** efforts
- Managing **MassHealth into restructured integrated, accountable care models**, with investments supported by the 1115 waiver (\$1.8B over 5 years)
- **Expanding access to addiction treatment, co-occurring disorder treatment services** to fight the opioid epidemic (\$49.4M in FY20, over \$200M over 5 years in new investments through the MassHealth SUD waiver)



# MassHealth overview (continued)

## H1 Budget:

- MassHealth programmatic accounts are funded at \$16.539 B gross, \$6.586 B net, an increase of 0.1% gross and 4.3% net over FY19 estimated spending
- FY20 budget assumes pre-payment of \$222 M gross / \$100 M net expenses in FY19 to mitigate impact of fiscal cliffs in FY20 (e.g. 53<sup>rd</sup> week of FFS claims; smoothing of reduction to federal match rate for CHIP)
  - H.1 budget would be 2.8% gross / 7.6% net increase without pre-payment
- \$646M in supplemental payments for hospitals funded by the Medical Assistance and Safety Net Provider Trust Funds, excluding intergovernmental transfers

## H1 Budget Highlights:

- **Significant continued efforts to ensure a sustainable MassHealth program without impacting eligibility or benefits**
  - Enrollment growth below historical trend (+0.6% vs. FY19 to 1.87 M avg. member months)
  - Preserves coverage and benefits for MassHealth members
  - Limited rate increases, outside of targeted investments and required spending increases
  - ACO/MCO capitations will increase by ~2% primarily (under the HPC benchmark) to account for utilization increases and population acuity
  - \$50 M gross / \$25 M net commitment to new program integrity solutions
    - \$50M gross is in addition to ~\$100M gross of incremental savings from program integrity initiatives between FY18 and FY19

# MassHealth overview (continued)

## H1 Budget Highlights (continued):

- **Continued investments in Behavioral Health (addictions, mental illness and co-occurring disorders)**
  - Continuation of SUD waiver expansion (>\$200 M investment over 5 years)
  - Separate from the waiver, annualization/continuation of significant rate investments made on Behavioral Health. MassHealth BH rate investments by the Baker-Polito administration total \$100M per year. The FY20 budget includes:
    - Annualization of \$7.5 M gross of rate increase for Community Mental Health Centers (CMHCs) and \$1.1 M gross for Psychiatric Day Treatment services
    - \$3 M gross of increases for Children's Behavioral Health Initiative (CBHI) providers
    - \$60 M gross / \$25 M net for increase in utilization of Applied Behavioral Analysis (ABA) services for children on the Autism Spectrum Disorder (ASD)
    - \$50 M gross / \$25 M net over 5 years for CHC rates (\$10 M gross per year) – a significant portion of which enhances rates for psychiatry services in CHC settings
    - \$30 M gross in outpatient BH rates implemented over the past several years
- **Other investments and required spending increases**
  - Annualization of other FY19 investments:
    - Restoration of **adult periodontal** services (\$12 M gross per year / \$6 M net)
    - **Nursing facility** rates (\$25 M gross per year / \$13 M net)
    - \$2 M gross annualized rate increase for **Adult Foster Care** (AFC)
    - \$2 M gross annualized rate increase for **Adult Day Health** (ADH)
  - \$35 M gross/ \$24 M net for **Medicare premium** increases
  - \$46 M gross / \$23 M net for additional capacity for **ABI and MFP waivers** (Hutchinson)
- **Significantly reducing out-of-pocket health care costs for low-income seniors by expanding eligibility for Medicare Savings Programs (MSPs)** – details on following page
- **Structural pharmacy reforms to mitigate drug spending increases:** proposal to significantly enhance the tools available for MassHealth to negotiate lower pharmacy costs – details on following page

# Medicare Savings Program (MSP) eligibility expansion to significantly reduce health care costs for low-income elders

- **The Baker-Polito Administration's FY20 budget proposes to expand eligibility for the Medicare Savings Program by bringing more than \$100M in federal subsidies directly to ~40,000 low-income seniors to significantly reduce their health care costs**
- **The Medicare Savings Program (MSP) helps low-income elders pay for their health care costs**
  - Under the MSP, MassHealth and the federal government share the cost of assisting elders with premiums and cost sharing in Medicare Parts A and B, which cover hospital and medical services.
  - MSP participants automatically qualify for federal subsidies for Medicare Part D drug coverage, which eliminate premiums, deductibles, and most cost-sharing (including elimination of the "donut hole") for low-income seniors
- **MassHealth is expanding income eligibility for the MSP program from 135% FPL to 165% FPL and doubling the asset limit for MSP**
- **The proposed expansion would significantly reduce Medicare costs for ~40,000 elders, providing thousands of dollars in out-of-pocket savings on average per year to promote elder economic security**
  - A 79 year old individual with \$17,000 in social security income per year could see a drop in annual out-of-pocket health care costs from approximately \$6,000 to \$600, or from 36% to 3% of their income
- **The proposal generates over \$100 million in federal subsidies that directly benefit low income seniors, at a cost to the state of \$7M net annually (\$4M in FY20)**
  - The \$100M in federal subsidies directly to seniors comes from increasing the number of individuals eligible for federal Medicare Part D subsidies

# MassHealth pharmacy reforms

**MassHealth Rx spend has nearly doubled from ~\$1.1B to ~\$1.9B since 2012, twice the growth vs. other MassHealth spending**

- Rapid pharmacy growth is expected to continue, with high cost drugs as a major driver
- 20 drugs recently launched or pending FDA approval are expected to cost well over \$100 million annually, after expected rebates
- Increasingly, new high cost drugs (at times ~\$1 million per course of treatment) are the only drugs in their classes. With no competition for these drugs, MassHealth lacks effective tools to negotiate rebates or cost-effective payment arrangements with manufacturers

**MassHealth maximizes rebates and management of prescription drug costs to the extent possible under current statutory and federal authorities**

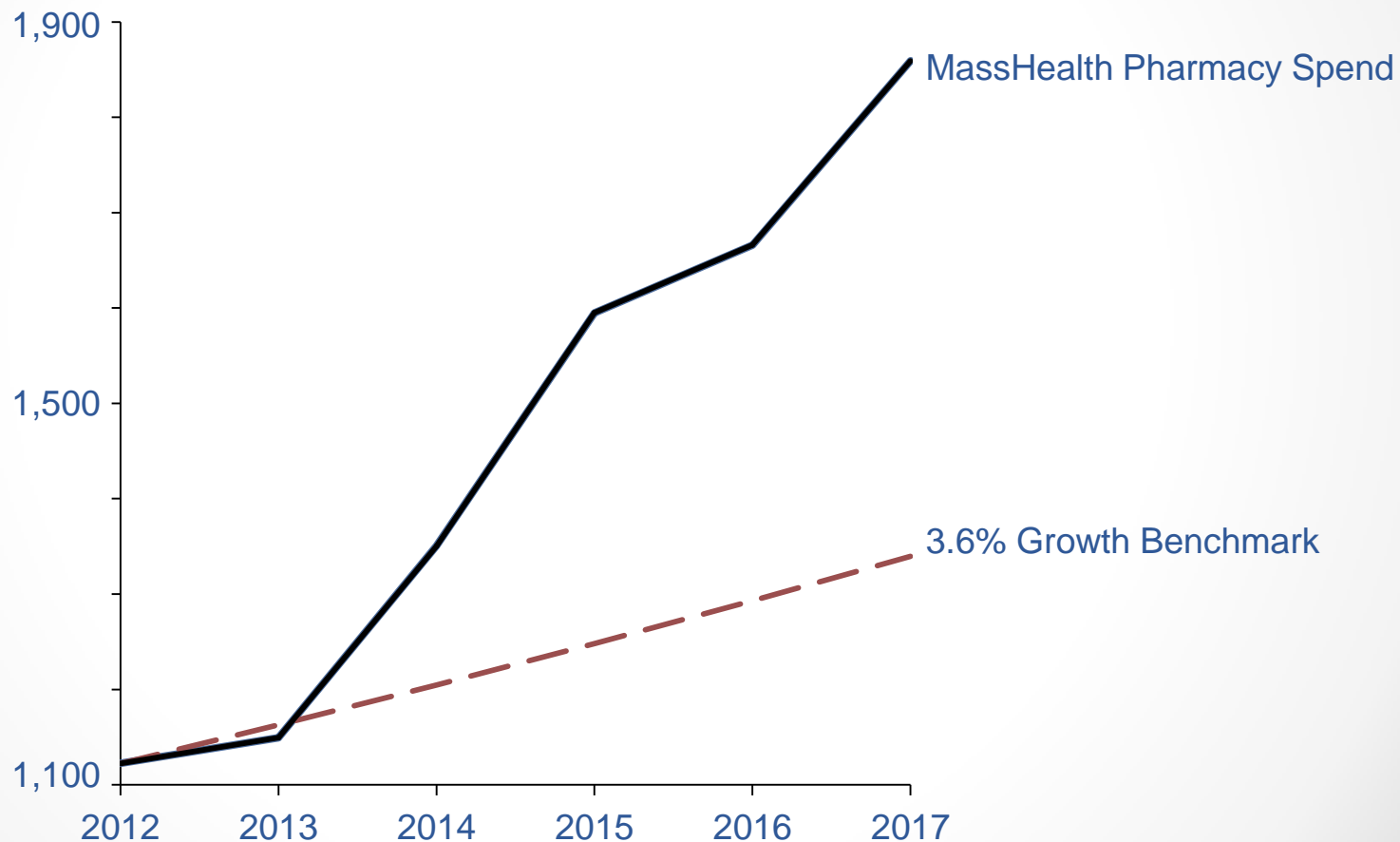
**The FY20 H1 budget proposes to significantly enhance the tools available for MassHealth to negotiate lower pharmacy prices**

- This updated proposal does not exclude drugs from the MassHealth prescription drug formulary
- First, the H1 FY20 budget proposes to significantly enhance the tools available for MassHealth to negotiate lower pharmacy prices
  1. MassHealth **can negotiate supplemental rebates and outcomes-based contracts directly** with drug manufacturers
  2. If negotiations are unsuccessful, MassHealth can **establish a value for a given high-cost drug through a public process**, similar to the rate-setting process that exists for most other services that MassHealth covers
  3. If the steps above are unsuccessful, and the drug costs \$25K person/year or \$10M in the aggregate annually, MassHealth may **refer manufacturers of high-cost drugs to the HPC**, leveraging the existing statutory framework in place for HPC to hold providers and health plans accountable for their role in health care cost growth. The HPC could require drug manufacturers to submit disclosures and testify at public hearings to justify their prices
  4. If the HPC deems the manufacturer's price for a particular drug to be unreasonable or excessive, **it may refer the matter to the Attorney General's office for potential violations of the consumer protection laws.**
- Second, MassHealth will also be implementing requirements to limit and make more transparent PBM margins or "spread pricing" within its ACOs and MCOs

**Together, these initiatives are projected to save the Commonwealth \$80 million net in FY20**

# MassHealth Rx spending has nearly doubled over 5 years

MassHealth pharmacy spend  
\$ Millions




# MassHealth pharmacy reforms: overview of approach

## Step 1: MassHealth Direct Negotiations




- Identify highest cost drugs and engage drug manufacturers in direct negotiations to achieve cost-effective, value-based prices
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## Step 2: MassHealth Public Process



- If no agreement is reached, MassHealth can establish a target value for a given high-cost drug through a public process, similar to the rate-setting process that exists for most other services that MassHealth covers
  - MassHealth may amend the proposed target based on public input
  - MassHealth will seek a supplemental rebate from the drug manufacturer consistent with the publically determined target
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## Step 3: HPC Accountability Process



- If no agreement is reached AND the drug meets certain cost thresholds, MassHealth may refer the manufacturer to the HPC for review – consistent with existing statutory frameworks to hold providers and health plans accountable
  - The HPC will request disclosures from manufacturers and may require public hearings to defend pricing
  - If the HPC review deems the price to be unreasonable or excessive, it may refer the manufacturer to the Attorney General for investigation under Chapter 93A
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## Step 4: AGO

- The Attorney General may investigate the manufacturer under the state's consumer protection law