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**Testimony of Daniel Tsai, Assistant Secretary for MassHealth and Medicaid Director
Joint Hearing of the House and Senate Committees on Ways and Means
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Good afternoon, Vice Chair Friedman, Vice Chair Donato, and other distinguished members of the Joint Committee on Ways and Means. Thank you for the opportunity to come before you to discuss the MassHealth program and Governor Baker's Fiscal Year 2022 budget proposal.

The Baker-Polito administration is committed to a strong and sustainable MassHealth program that robustly meets the needs of the 2 million residents, or more than one in four people in the Commonwealth, who are covered by the program.

MassHealth's role in providing equitable access to health care for low-income residents, many of whom come from underserved communities, has never been more important than during the past year.

MassHealth remains committed to managing a sustainable program while maintaining comprehensive coverage, access, and benefits for the population we serve. Over the past year, our caseload has increased to over 2 million members—an addition of over 230,000 individuals since February 2020. Despite this growth, the Governor's FY22 budget proposal maintains a robust and sustainable MassHealth program that preserves coverage and comprehensive benefits for members, provides targeted rate increases for critical providers such as community health centers and behavioral health providers, and produces savings for the Commonwealth through program integrity efforts and direct negotiations with drug manufacturers.



As of today, the federal public health emergency is in effect through April 2021 and that timing underlies the FY22 MassHealth budget as filed, with a decrease of -3.4% gross and growth of +7.2% net over FY21. However, in late January, the Biden Administration indicated the public health emergency is likely to continue through the end of calendar year 2021. The increased spending due to caseload growth would be largely offset by the increased federal funding in FY22 on a net basis. After accounting for this update, the MassHealth program would require an increase of 4.0% gross and 6.8% net in FY22 over FY21.

In this testimony, I will discuss five specific elements of the FY22 budget: (1) an update on pharmacy savings through direct negotiations with drug manufacturers, (2) an update on MassHealth's Accountable Care Organization Program and delivery system restructuring, (3) behavioral health investments that support the Commonwealth's Roadmap to Behavioral Health Reform, (4) an update on one-time federal funding for home-and-community-based services, (5) an update on MassHealth's efforts to support members and providers during the COVID-19 pandemic, and (6) an update on the Acute Hospital Assessment.

MassHealth Overview

MassHealth offers essential health care coverage to approximately 2 million people, an increase of over 230,000 since March 2020, including some of our most vulnerable citizens. Of those covered, 35% are non-disabled children, 40% are low-income non-disabled adults, and 25% are people with disabilities and/or seniors.

MassHealth also covers a range of long-term services and supports not covered by commercial insurance or Medicare. These include nursing home care, community long-term services and supports, transportation to medical appointments, and services for individuals with complex behavioral health or long-term health needs that private insurers often do not reach. In addition, we are the "coverage of last resort" for about 440,000 individuals who have commercial insurance or Medicare. MassHealth generates over \$10 billion of federal revenue per year and accounts for over 75% of the total federal revenue that comes into the state. Nearly all MassHealth spending qualifies for a federal match.

H.1 FY22 Highlights

The Governor's proposed FY22 budget:

- Funded MassHealth programmatic accounts at \$17.6 billion gross, \$6.9 billion net. Assuming the public health emergency extends through December 2021, the MassHealth program would require \$19.0 billion gross, \$6.9 billion net, an **increase of +4.0% gross and an increase of +6.8% net over FY21** estimated spending

- Forecasted **5% decline in caseload growth from FY21** due to the expectation that the public health emergency would end in April 2021. Assuming the public health emergency extends through December 2021, revised FY22 MassHealth caseload would increase by 5% over FY21 estimated caseload.

In addition, the H.1 proposal includes:

- **Maintains all eligibility and benefit levels at pre-COVID-19 levels**
- Significant **investments in community health centers, many of which are caring for individuals in communities most impacted by the pandemic**
- An \$84 million **investment to expand access to outpatient and urgent behavioral health services** and the continuation of over \$200 million in investments made over the last 6 years through the **MassHealth Substance Use Disorder waiver**
- Funding to restore **full dental coverage for adults**
- \$50 million in **new program integrity solutions**

Pharmacy savings through direct negotiations with drug manufacturers

The FY20 budget gave MassHealth the authority to directly and freely negotiate with drug manufacturers to reach supplemental rebate agreements, a significant step in ensuring MassHealth can maximize pharmacy rebates at a time when high-cost drugs are driving spending in the MassHealth program and across the health care system. This authority also allows MassHealth to engage in a public process with drug manufacturers to publicly name a target value of a drug, hold a public hearing, and refer to the Health Policy Commission when negotiations are not successful.

Since July 2019, MassHealth has finalized agreements with 13 manufacturers on 36 drugs – for approximately \$103 million in additional annual supplemental rebates – with more in various stages of negotiation. We have projected \$150 million in rebates and savings from this initiative and are on track to continue to produce high levels of savings in future years. These agreements include innovative value-based agreements which can tie payments for very high-cost drugs, some priced over \$1 million, to patient outcomes. These agreements maintain robust access to innovative treatments for MassHealth members while ensuring taxpayer dollars are not expended for high-cost drugs that are not effective.

This authority has also allowed us to be more adept in rebate negotiations, particularly because we can proactively reach out to manufacturers without going through a standard procurement process. Since

MassHealth gained this new authority, we have seen an uptick in manufacturers who are willing to come to the table and negotiate.

Additionally, House 1 builds upon these reforms to allow the agency to directly negotiate for certain non-drug medical supplies such as durable medical equipment (e.g. blood sugar test strips, CPAP devices, oxygen equipment). It will also allow direct negotiations for the small number of drugs that are not subject to the Medicaid Drug Rebate Program.

MassHealth restructuring update: ACO and Community Partners implementation

MassHealth's Accountable Care Organization (ACO) program is the most significant restructuring of MassHealth since the 1990s. This multi-year effort is focused on reshaping and improving how health care is delivered for MassHealth members, allowing MassHealth to pay for health care based on value, not on the volume of services delivered. In 2018, MassHealth launched 17 ACOs that are accountable for the cost and quality of care for members, and 27 Community Partners that provide wrap-around supports and care coordination for the most complex members.

Over 1 million MassHealth members are now enrolled in an ACO, exceeding expectations. Enrollment has been stable. Community Partners have engaged over 28,000 members with complex behavioral and long-term care needs to provide specialized supports since the program's inception. The Delivery System Reform Incentive Payment (DSRIP) Program has invested nearly \$1 billion in ACOs and CPs to support them in standing up innovative care models and implement population management programs. The first few years of data from the program is showing that re-structuring has moved the delivery system forward toward a more integrated, value-based care approach.

During the pandemic, MassHealth worked closely with ACOs to ensure that the flexibilities MassHealth was implementing (telehealth, provider supports, etc.) were also being implemented across their organizations. ACOs created member support lines to answer questions members had about their care during the pandemic and have been contacting members directly about getting vaccinated and addressing hesitancy among high risk members.

At the beginning of 2020, we launched the Flexible Services Program, which provides funding to ACOs to pay for certain nutrition and housing supports in order to see if these interventions can reduce total cost of care and improve health outcomes for specific eligible members. Flexible Services is a prime example of how MassHealth can address health equity by creating targeted interventions to support the health-related social needs of our members.

In the first year of the program, ACOs have partnered with community organizations to create a range of innovative flexible services programs, nearly evenly split between nutrition and housing supports programs. These programs are providing vital services to high risk MassHealth members with the goal of reducing total cost of care and/or improving health outcomes for members. In addition, we have worked with providers in response to the COVID-19 pandemic to quickly implement flexibilities to the Flexible Services Program to make sure ACOs could meet the needs of their members. Our ACOs submitted COVID-19 specific plans to quickly stand up programs that supported members who were at risk of, experiencing, or recovering from COVID-19. We are pleased that we were able to quickly pivot and leverage this new program to support MassHealth members during a challenging time.

Recently, the federal government created the option for state Medicaid agencies to provide 12 months postpartum coverage of individuals with income up to 200% FPL. In March, MassHealth submitted an amendment to our current 1115 Waiver to implement this expansion, regardless of an individual's immigration status. This extension will significantly improve access to health care and continuity of care, particularly in the vulnerable period after childbirth.

This summer, MassHealth will be submitting a request to renew its 1115 Demonstration Waiver to the federal Centers for Medicare and Medicaid Services (CMS). Over the past several months, we have been working closely with stakeholders and have held two public listening sessions about the design of this waiver request and will continue to work with our partners to create a framework for the next waiver. We are proposing five key goals for the next waiver:

1. Continue the path of restructuring and **re-affirm accountable, value-based care** – holding a high bar for how ACOs improve care and trend management, and refining the model
2. Make reforms and investments in Primary Care, Behavioral Health and Pediatric Care that **expand access and move the delivery system away from siloed, fee-for-service health care**
3. **Advance health equity**, with a focus on initiatives addressing health-related social needs and specific disparities, including maternal health and health care for justice-involved individuals
4. Sustainably support the Commonwealth's safety net – including **level, predictable funding for safety net providers**, with a continued linkage to accountable care
5. **Simplify the MassHealth delivery system for members and providers** by standardizing behavioral health networks and pharmacy formularies, and by simplifying and streamlining care coordination

We look forward to working closely with stakeholders and the Legislature as we continue to develop our 1115 renewal request for submission this summer.

Roadmap to Behavioral Health Reform

As Secretary Sudders mentioned in her testimony, EOHHS recently launched the ***Roadmap to Behavioral Health Reform: Ensuring the right treatment when and where people need it.***

As part of the Roadmap's reforms, MassHealth is investing \$84 million to expand access to outpatient and urgent behavioral health services in FY22. Over the next 3 years, new public investments for the Roadmap will increase to over \$200 million to support the public sector components of the Roadmap.

Beyond these public sector expenditures, the success of this critical statewide effort depends on other payers, including commercial insurers playing their part, as the reforms included within the Roadmap are intended to expand behavioral health coverage for all residents of the Commonwealth, regardless of insurance type.

Additional One-Time Federal Funding for Home and Community-Based Services

A portion of the recently signed American Rescue Act provides additional support for Medicaid home and community-based services during the COVID-19 emergency by providing a 10% increase in federal funding for a one-year period from April 1, 2021 to March 31, 2022. This is an exciting opportunity to further support home and community services and the Commonwealth will work to access as much federal funding as possible.

However, the enhanced federal funding is time-limited and non-recurring. Enhanced funding will not be provided beyond March 2022. This is important to consider when developing implementation plans. All states are awaiting further guidance from CMS before finalizing or implementing plans. We will issue a Request For Information (RFI) to gather broad feedback and ideas from the community on how to best utilize the enhanced funding.

COVID-19 Coverage Protection, Flexibilities, and Provider Supports

During the COVID-19 public health emergency, MassHealth responded rapidly to make important changes to its program to ensure members had access to the services they need and to help stabilize and support health care providers. During the public health emergency, access to affordable and comprehensive health care coverage was more important than ever, and MassHealth played a critical role in providing coverage to some of the Commonwealth's more vulnerable residents. These broad flexibilities and efforts to ensure access to services include protecting coverage for members, expanding telehealth coverage, providing remote member services when walk-in centers had to close, and providing over \$1 billion in stabilization funding to vital health care providers.

Since March 18, 2020, MassHealth also stopped all coverage redeterminations, protecting coverage for all members and only ending coverage for individuals who moved out of state or requested to disenroll. This has led to a significant increase in MassHealth enrollment, with over 230,000 individuals newly enrolled during the pandemic. The federal government has indicated that the federal public health emergency that requires MassHealth to stop all redeterminations will likely continue through the end of 2021, meaning MassHealth's caseload will continue to grow through the end of the calendar year. MassHealth also expanded hospital presumptive eligibility, allowing people to gain coverage immediately while seeking care in the hospital.

At the onset of the state public health emergency, MassHealth quickly expanded telehealth coverage to all clinically appropriate services and has committed to maintaining telehealth coverage long-term. MassHealth has covered telehealth for behavioral health services since February 2019, and during the pandemic, we expanded telehealth coverage for all appropriate services for a broad set of technologies and modalities including audio-only consultations, and ensured rate parity between telehealth and in-person visits. Since March 2020, MassHealth members have accessed over 8.2 million telehealth visits. Telehealth is an important tool to increase access to important services, particularly behavioral health services. At the onset of the pandemic, behavioral health utilization dropped by about half. However, as providers pivoted to adopt telehealth, utilization quickly rebounded. Among MassHealth members, 75% of behavioral health visits were delivered via telehealth, with some providers experiencing 90% of their visits via telehealth. MassHealth will continue to cover telehealth for both behavioral health services and physical health services long-term.

In order to stabilize vital health care providers who were especially impacted at the onset of the pandemic, MassHealth has provided approximately \$1 billion in provider stabilization funding over the course of the pandemic. This included:

- Over \$400 million to hospitals with high-Medicaid populations
- Over \$50 million to community health centers
- Over \$100 million to community behavioral health providers
- Over \$400 million to nursing homes, tied to accountability measures and requirements for funding to be spent on direct care staffing, PPE, and infection control
- Over \$120 million to community long-term services and supports providers including home health agencies, personal care attendants, and adult day health programs

MassHealth implemented additional flexibilities to support members and providers, including allowing 90-day and early refills of prescriptions and prescription delivery services. In addition, MassHealth obtained federal waivers for a range of flexibilities such as coverage for providers offering care in

alternate care settings (such as field hospitals) and allowing cost-sharing and deductions to be waived for members experiencing financial hardship because of the pandemic.

MassHealth continues to support members and providers as we work to get people across the state vaccinated and stop the spread of COVID-19. MassHealth covers all services related to COVID-19, including testing, vaccination, and treatment without copays or other cost-sharing. To further support members getting to and from COVID-19 vaccine appointments, MassHealth recently expanded access to transportation services and streamlined the process to request transportation for these appointments. All members, including individuals who were not previously eligible for transportation services, such as people with MassHealth Limited and Health Safety Net, can now get transportation to and from their vaccine appointment through a simplified customer service process.

Acute Hospital Assessment

House 1 includes an extension of the acute hospital assessment beyond FY22. This assessment will enable EOHHS to significantly expand its investment in hospital services for MassHealth members, preserve critical payments to safety net hospitals, and ensure ongoing sustainability for all hospitals assessed. Taken as a whole, acute hospitals experience a net benefit from the assessment, as the payments made to hospitals from MassHealth through the assessment exceeds the amount assessed. Adjustments to the assessment formula require federal approval prior to implementation, and EOHHS will work closely with its hospital partners to ensure that the any changes to the assessment meets these objectives prior to seeking federal approval.

Thank you for holding this hearing, and thank you for your continued support for the MassHealth program. I have appreciated the opportunity to talk with many of you individually about our efforts to strengthen the MassHealth program, and I look forward to a continuing dialogue with you about this budget proposal as the process moves forward.