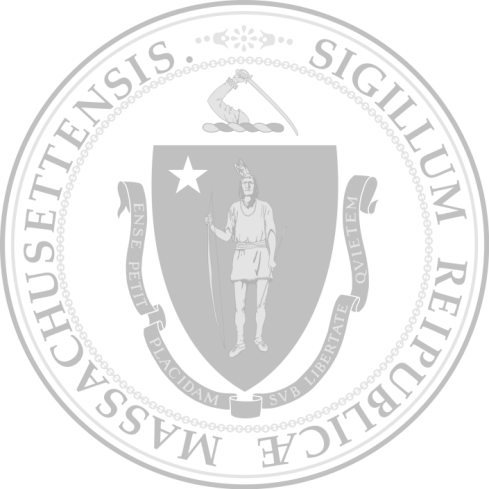
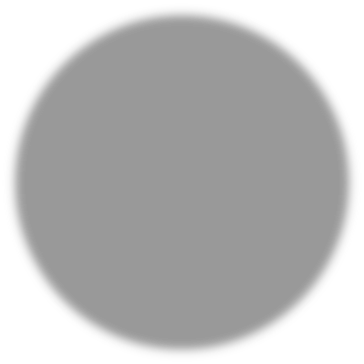
**FY18 MassHealth and Commercial Market Reform Package**



Marylou Sudders, Secretary Executive Office of Health & Human Services

July 25, 2017

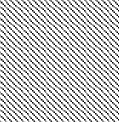
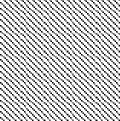
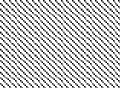
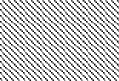
**Affordability, rising health care costs, and other factors have resulted in more residents covered by MassHealth and fewer by Commercial insurance since 2011**

**MA population by primary health coverage type**

Million residents

**Change 2011-2015**

Uninsured Connector **MassHealth**



6.7

3%

3%

###### 14%

6.7

3%

3%

###### 15%

6.8

3%

2%

###### 21%

6.8

3%

2%

###### 21%

**+523k**

**Total MassHealth enrollment at 28% of population** (including Medicaid as secondary payer for Medicare and Commercial)

Medicare

15% 15%

15% 16%

**Commercial**

**65% 63% 59% 58%**

**-454k**

Sep-11

Sep-13

Sep-15

Mar-16

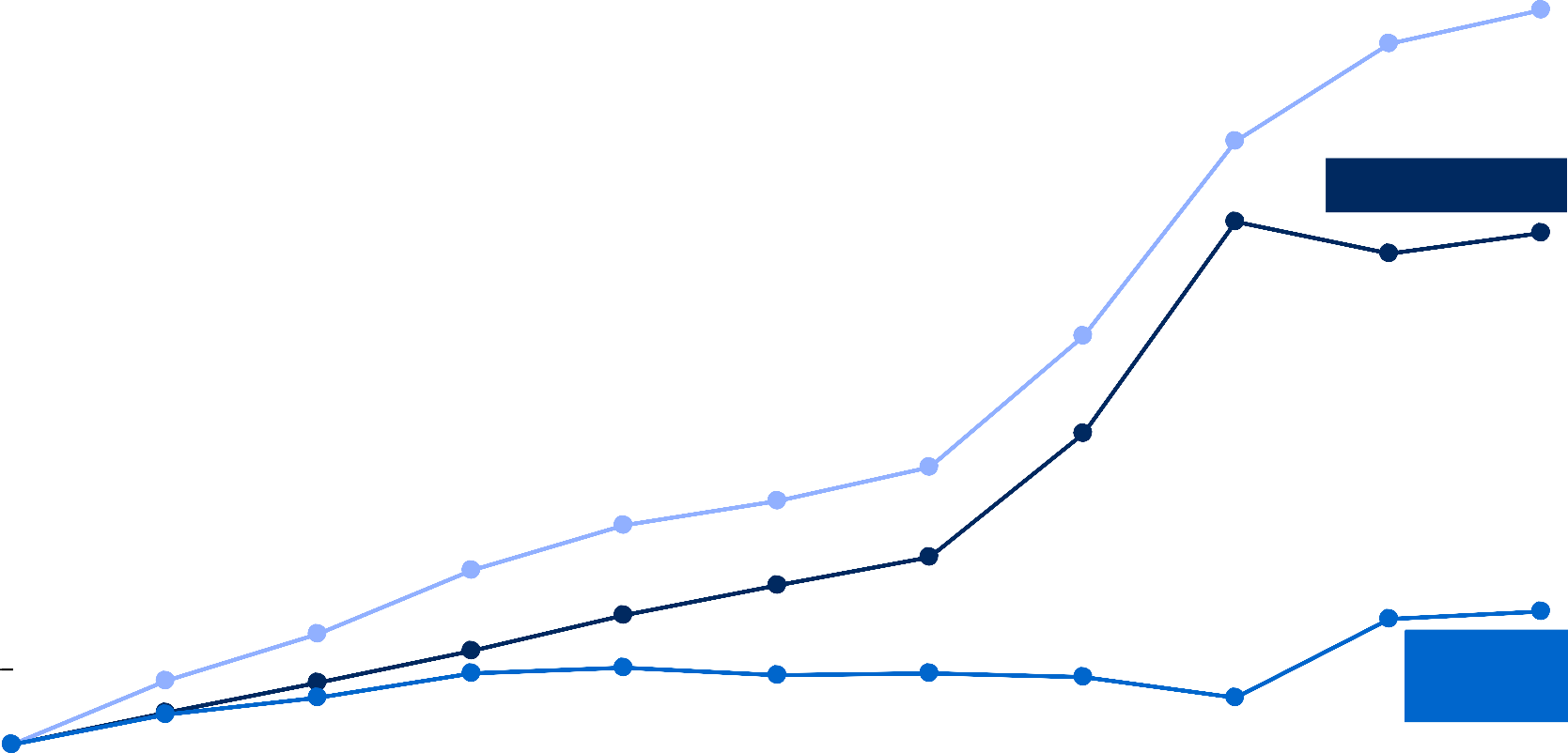
Source: CHIA | 1

## Enrollment has been the primary driver of MassHealth spending growth

###### MassHealth Program Spending Breakdown

Percent change since 2007

*210*



**Total spending**

* MassHealth spending has doubled since 2007
* MassHealth enrollment has increased 70% since 2007

**Enrollment**

* 270,000 members determined

ineligible in FY15 due to:

* + Redeterminations
  + Temporary Coverage expiration
* Remaining members had higher

acuity, resulting in higher average per-member cost in FY16

**Cost per**

**member**

*200*

*190*

*180*

*170*

*160*

*150*

*140*

*130*

*120*

*110*

*100*

*2007*

*2008*

*2009*

*2010*

*2011*

*2012*

*2013*

*2014*

*2015*

*2016*

*2017*

**Major initiatives underway to rebalance caseload and achieve historically low enrollment growth, but reforms are needed for sustainable growth**

* Significant drivers of MassHealth enrollment growth include both:
  + **Shift to public coverage** over multiple years as the share of lives covered in commercial plans has decreased, and the share of lives covered by MassHealth has increased
  + **Gaps in operational systems and processes due to ACA implementation**
* **Since 2015, MassHealth has been addressing eligibility systems and improving program integrity to ensure only those eligible are on MassHealth**, including:
  + Completing ~1.2M redeterminations in 2015 (members’ eligibility had not been checked since 2013, or >2 years)
  + Implementing new data matches to confirm income, residency, and assets (DOR, other states, other federal databases, bank accounts)
  + Enforcing mandatory premium assistance policies for individuals with access to insurance
* **As a result, MassHealth has achieved the lowest levels of enrollment growth in 10 years**
  + ~1% enrollment growth in FY17 vs. 3-4% from 2007-14 and 42% in CY 2014
  + >420K ineligible members closed over the past 2.5 years
* **These efforts have rebalanced the caseload. The largest opportunities for caseload cleanup have been captured**
* **The reform package allows for 1.6% caseload growth**

**We have achieved historically low enrollment growth due to fixing eligibility system defects and enhancing eligibility controls**

**Jan ‘15 – Jun ‘16:**

* Manual re-determination of

1.2 million members

* Restored critical eligibility system functionality
* Re-instatement of automated redetermination process

**Jun ‘16 – Jun ‘17**

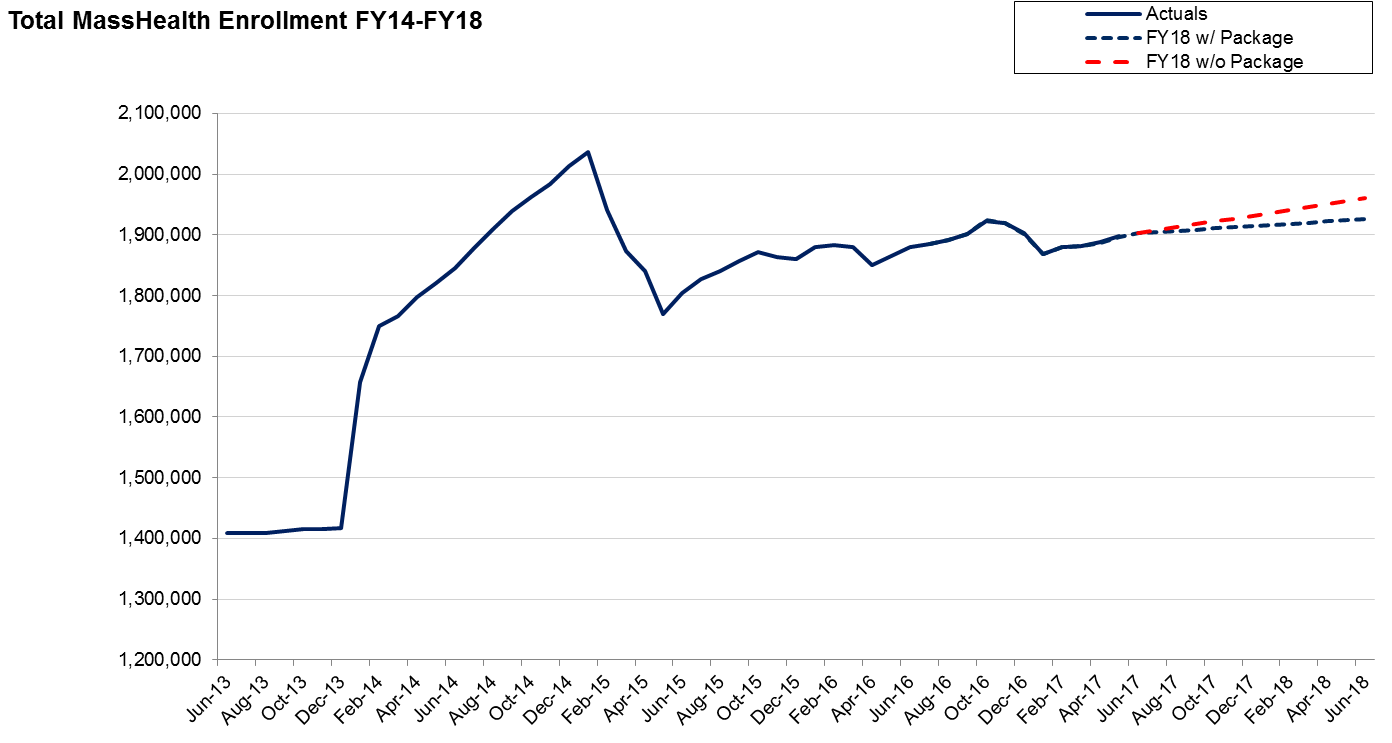
* Mandatory premium assistance
* New data matches (DOR, other states, other federal databases)
* Improved eligibility system functionality

▪ >150,000 cases closed

**FY18 Forecast**

* Growth contained by package reforms
* Continued enhancements/ new controls in eligibility system

**Annual enrollment growth**



**3-4%**

**42%\***

**–7.7% +1% +1.6%**

*Annual enrollment growth 2007-2014 (pre-ACA)*

*Without reform package: 2.2-3%\*\**

\* ACA Medicaid expansion + Temporary Medicaid due to failed HIX

\*\* Approximate range of caseload growth in conference budget; high end of range reflects exposures built into budget

## MassHealth spending has been reduced from historical double-digit annual growth to single-digits, but reforms are required for sustainable growth

###### MassHealth Program Spending

$ billions

Gross Program Spend Net State Cost

15.6

**FY10-13**

**FY13-15**

**CAGR**

**FY16 FY17**

**FY18 GAA**

**5.0%**

w/o package

9.2

10.1 10.3 10.7

11.8

13.5

14.6 15.0

5.1%

12.5%

8.5%

2.7%

**3.7%**

w/ package

Numbers assume MassHealth absorbs

$47M

exposure in conference budget\*\*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | | | **5.6%** | w/o package |
| 16.9% | 9.2% | 3.1% | -1.1% | **1.0%** | w/ package |

3.1 3.5

4.7 5.0 5.4

5.9 6.1 6.0 6.1

Negative net growth due to management initiatives, including:

* $30M in increased Rx rebates
* $73.5M one-time DSRIP revenue

FY10

FY11

FY12\*

FY13

FY14

FY15

FY16 FY17

FY18 GAA

- $25M in higher CHIP revenue

*\*Commonwealth lost >$1B in federal revenue with sunset of enhanced revenues under the American Recovery and Reinvestment Act (ARRA) Note: Excludes ELD Choices spending for all years.*

*\*\* If MassHealth cannot absorb this exposure, projected net growth is 6.4% without the reform package or 1.7% with the reform package*

## The proposed reforms are also critical for health care providers’ sustainability

**– the shift in volume toward public coverage puts significant pressure on provider fiscal health**

MA hospital payor mix

% of Gross Patient Service Revenue (GPSR) CHIA data

Other MassHealth

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 8% |  | 7% |  | 7% |  |
| 16% | 17% |
| 14% |
| 37% | 38% | 40% |
| 40% |
| 38% |
| 36% |

Medicare

Commercial

**Change**

(1%)

+3%

+3%

(4%)

Relative unit price by payor (approximate)

% of Medicare fee schedule\*

**-32%**

1.25

1.00

0.85

Medicare +

FY12

FY14

FY16

Commercial

Medicare

MassHealth

Medicaid Share

**51% 54% 57%**

* Approximate. Commercial % of Medicare estimated by comparing 2015 payment-to-cost ratios as reported on 2015 hospital cost reports; MassHealth

% of Medicare does not include supplemental payments to hospitals. | 6

## The Governor’s reform package creates structural sustainability for MassHealth while maintaining affordable coverage for all our residents

* + **Preserves quality, comprehensive coverage for 140,000 non-disabled adults >100% FPL at a savings to the Commonwealth**

### Maximizes federal revenue for subsidized coverage

* + - ~15% of the CarePlus expansion population will be impacted by this shift\*
    - All individuals have access to $0 premium plan
  + **Builds on the Connector’s recent success of affordable coverage**
    - Prior to 2014, the expansion population was covered in Massachusetts on the Connector
  + **Improves continuity of coverage for non-disabled adults ages 21-64** who are most likely to move back and forth between the Connector and MassHealth due to income changes

## Avoids alternative approaches that would otherwise be required:

### Provider rate cuts across the board

* + - Reduce benefits
    - Eligibility changes
* 40,000 of 300,000 CarePlus expansion lives | 7

## FY18 MassHealth and Commercial Market Reform Package: Summary

#### FY18 MassHealth and Commercial Market Reform Package represents a balanced approach that reinforces the shared commitment between the private and public sectors

##### Reaffirms the Commonwealth’s commitment to universal health care coverage

* + - Reduces FY18 MassHealth budget growth to 1% net (including new revenue)\*
    - Provides a prudent path towards a fiscally responsive, more sustainable MassHealth
  + **The Reform Package’s three components**:

–**1 MassHealth reforms,** including transitioning non-disabled adults >100% FPL to subsidized commercial coverage and addressing rising prescription drug costs

–**2**

**Commercial insurance market reforms** improving options for affordable health insurance, particularly for small businesses

–**3**

**Employer responsibility provisions** reinstating the Ch. 58 principle of employer contribution to universal coverage

#### The Reform Package provides savings in FY18 to balance the budget, with longer term savings that lay the foundation going forward

* + - **$200M revenue** from the employer contribution
    - **$200M gross/ $83M net savings** in FY18 from MassHealth reforms

##### ▫ Greater savings in FY19 and beyond due to population shifts 1/1/19 ($169M net annually)

* *Assumes MassHealth absorbs $47M exposure in conference budget. If MassHealth cannot absorb this exposure, projected growth is 6.4% without the reform package or 1.7% with the reform package .*

## FY18 MassHealth and Commercial Market Reform Package: Specifics

MassHealth Reforms

**1**

* + **Aligns coverage for non-disabled adult MassHealth members with commercial plans**
    - Transitions 140K non-disabled adults (ages 21-64) >100% FPL to Connector – *requires state + federal approval*
    - Shifts 230K non-disabled parents/caretakers <100% FPL from MassHealth Standard to CarePlus – *requires federal approval*
    - Eliminates redundant MassHealth Limited coverage for ConnectorCare-eligible members – *requires state + federal approval*
  + Adopts widely-used commercial insurance tools to obtain lower drug prices and enhanced rebates
    - Implements closed formulary with preferred and covered drugs (similar to commercial and Medicare) *requires state*

*+ federal approval*

* + - Procures specialty pharmacy network – *requires federal approval*
  + Promote uptake of Employer Sponsored Insurance (ESI)
    - Implements ESI “gate” to bar eligibility for people with access to insurance that is affordable (defined as premium

<5% of income, lower than Connector standard) - *requires state + federal approval*

* + - Reintroduces employer reporting on ESI availability for premium assistance/ ESI gate – *requires state approval*

**2**

Commercial Insurance Market Reforms

* + Institutes five-year moratorium on new insurance mandates – *requires state approval*
  + Expands Connector’s incentive program for small businesses to offer health insurance by requesting to administer federal small business tax credits - *requires state + federal approval*
  + Creates new mid-level provider type, dental therapists, to expand access and reduce costs (e.g., avoidable ED use) –

*requires state approval*

**3**

Employer Responsibility

* + Establishes temporary two-tiered EMAC with across-the-board increase and additional increase for employees on state- subsidized coverage (MassHealth and ConnectorCare), sunsets in 2 years – *requires state approval*
  + Adjusts unemployment insurance contribution – *requires state approval*
  + Requests relief from federal Employer Penalty and reporting requirements – *requires federal approval*

## In order to implement major pieces of the Reform Package in January 2019, state and federal authority must be final by end of 2017

2017 2018 2019

* Public comment (July/August)

**State + federal authorities**

* Legislative hearings
* State + federal approvals

**Shift non-disabled**

**MassHealth reform package implementation**

March: CCA releases RFR for 2019 plan year

1/1/19: 140,000 non-

**adults (21-64)**

1/1/18: details finalized and

July: CCA carrier rates

Nov: CCA

open

disabled adults shift to Connector

communicated to

health plans/ carriers

due

enrollment

Jan-Sep: HIX/ enrollment

system logic + coding

Summer: member communications to prepare for open enrollment

ESI gate, pharmacy changes, employer reporting for premium assistance

Modernized Health Connector Business Platform launches

**Commercial market reforms**

Moratorium on new insurance mandates

2-year, two- tiered EMAC begins

**Employer responsibility**

Connector expands small business tax credits

## The proposed shift of non-disabled adults ages 21-64 from MassHealth to Connector generates significant net savings

Federal contribution to coverage for non-disabled adults 100-133% FPL Estimated savings vs. Status quo

Current:

(Population covered on MassHealth)

61%

FY19

FY20+

Proposed:

(Shift ~140k non-disabled adults >100%

Connector)

If federal Cost Sharing Reductions (CSRs) remain

If federal CSRs end

*increase 20%*

* *MA covers difference through the state wrap*

91%

85-90%

(estimated)

$85M

$80-85M

$169M

$160M

* + Unique to MA – state “wraps” premiums and cost-sharing through additional subsidies to maintain member affordability
  + Even if federal CSRs are eliminated, federal funds would cover a significant portion of the resulting premium increases through Advanced Premium Tax Credits (APTCs), and the effective federal share of subsidies for ConnectorCare would remain relatively stable\*\*
* Includes federal APTCs, CSRs and 1115 matching funds for state wrap

\*\* There may be a short-term disruption from CSR’s ending if sufficient notice is not provided

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# Benefits comparison for non-disabled adults

**Dental options on Connector:**

* Available for purchase (~$29/ month)
* Available at Community Health Centers through Health Safety Net (<300% FPL) at no cost

|  |  |  |  |
| --- | --- | --- | --- |
| **Covered Services** | **CommCare (Ch. 58)** | **ConnectorCare** | **MassHealth** |
| Ambulance (emergency) | X | X | X |
| Behavioral Health Services | X | X | X |
| Community Health Center | X | X | X |
| Dental Services | Plan Type 1 only (<100% FPL) |  | X |
| DME and Supplies | X | X | X |
| Family Planning | X | X | X |
| Inpatient Acute Hospital | X | X | X |
| Laboratory/X-ray/ Imaging | X | X | X |
| Nurse Practitioner Services | X | X | X |
| Outpatient Hospital | X | X | X |
| Outpatient Surgery | X | X | X |
| Pharmacy | X | X | X |
| Physician | X | X | X |
| Therapy (PT, OT, ST) | X | X | X |
| Vision Care | X | X | X |
| Chiropractic Care | X | X | X |
| Home Health (short-term) | X | X | X |
| Hospice | X | X | X |
| Skilled Nursing Facility (short-term) | X | X | X |
| Long-Term Services and Supports (includes  long-term Skilled Nursing Facility) |  |  | X\* |
| Medically Necessary Non-emergency  Transport |  |  | Only for SUD\*\* |

*\*MassHealth Standard only – parents and caretakers*

**Individuals with disabilities will remain in MassHealth and have access to LTSS services**

*\*\*CarePlus will only cover NEMT for substance use treatment effective 11/1/17*

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## MassHealth and Connector copays (as of January 2019)

|  |  |  |  |
| --- | --- | --- | --- |
|  | | **MassHealth\* (as of 1/1/19) Members >50% FPL** | **Connector\*\* (2A&B) Members 100-150% FPL** |
| Medical Maximum Out-of-Pocket (Individual/Family) | | 2% of income maximum | $750/$1,000 |
| Prescription Drug Maximum Out-of-Pocket (Individual/Family) | |  | $500/$1,000 |
| Preventive Care/Screening | | $0 | $0 |
| Primary Care to treat injury/illness | | $0 | $10 |
| Specialist Visits | | $4 | $18 |
| Behavioral Health and Substance Use Disorder Outpatient Services | | $0 | $10 |
| Outpatient Therapy Services  *Physical, Speech, and Occupational* | | $4 | $10 |
| Emergency Room Services | | $5 (if non-emergency use) | $50 |
| All Inpatient Hospital Services | | $5 | $50 |
| High Cost Imaging (CT/PET Scans, MRI, etc.) | | $4 | $30 |
| Laboratory Outpatient/Professional | | $0 | $0 |
| X-Rays and Diagnostic Imaging | | $0 | $0 |
| Skilled Nursing Facility | | $0 | $0 |
| Retail | Generics | $1 | $10 |
| prescription | Preferred Brand | $4 | $20 |
| drugs | Non-Preferred Brand | $4 | $40 |
| Specialty High Cost | $4 | $40 |

Actual average cost sharing for individuals on this Connector plan

<150% FPL: **2-3% of**

**income**

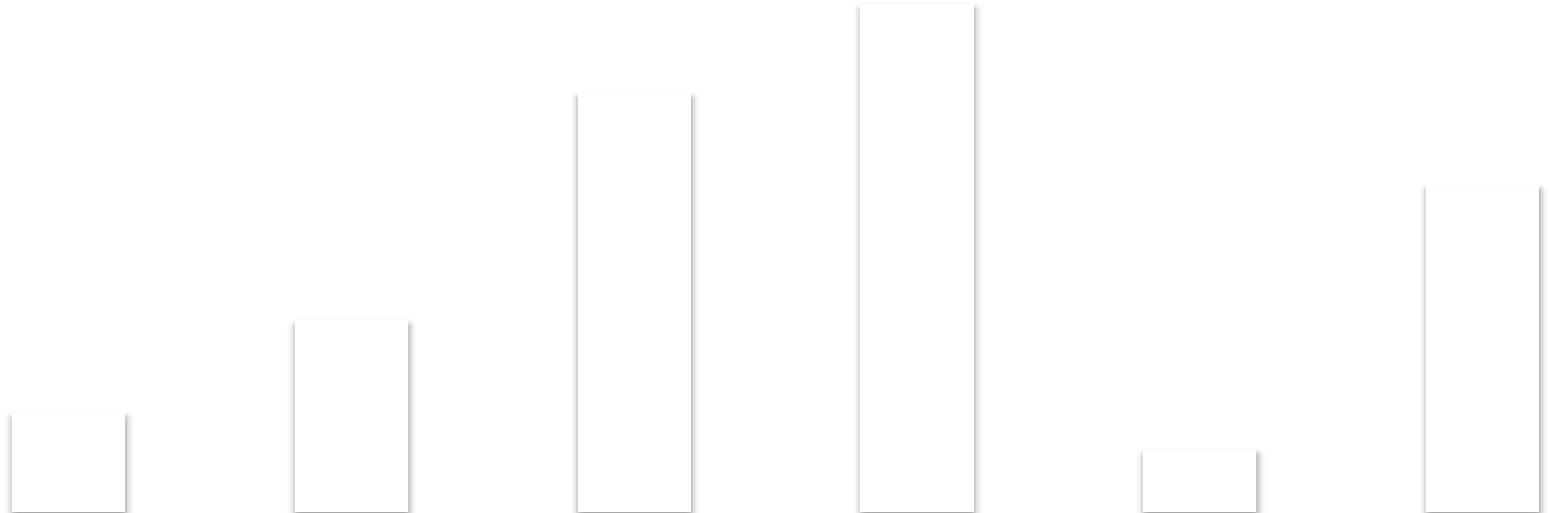
\*Table shows PCC Plan copays. ACO/MCO members will have lower copays as an incentive for enrollment in coordinated care options.

\*\*Commonwealth Care under Ch. 58 had the same copay schedule as ConnectorCare.

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# Connector today has >250,000 members and serves significant numbers of low-income enrollees

###### Connector Enrollment by FPL



<100% FPL 100-150% FPL 150-200% FPL 200-300% FPL

*ConnectorCare provides*

*federal + state subsidies for enrollees up to 300% FPL*

78,010

64,297

50,181

29,477

15,282

9,520

300-400% FPL

>400% FPL

***~25% of ConnectorCare enrollees are <150% FPL\****

* + Includes lawfully present immigrant adults not eligible for MassHealth (e.g., Green Card holders subject to 5-year bar on Medicaid benefits)

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# Non-disabled adults (ages 21-64) coverage: 650,000 lives

## Under 100% FPL 100-138% FPL

**Childless Adults**

**Parents and Caretakers**

**Remain in MassHealth CarePlus (~280,000)**

**Move from MassHealth Standard to MassHealth CarePlus (~230,000)**

**Transition to Connector from MassHealth CarePlus (~40,000)**

**Move from MassHealth Standard to Health Connector plan (~100,000)**

*Similar to Ch. 58 (covered on Connector)*

*If disabled or medically frail, remain in MassHealth Standard*

**~510,000**

**members**

**~140,000**

**members**

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# MassHealth coverage types\*

*Coverage changes under proposal*

Population (today) Covered Services Notes

* + - ~1.2M members

**MassHealth Standard**

* + - Kids <150% FPL
    - Pregnant women and infants

<200% FPL

* + - Parents/Caretakers <133% FPL
    - Disabled and medically frail adults\*\* <133% FPL
    - Seniors <100% FPL
    - ~320K members

**MassHealth CarePlus**

* + - “ACA expansion” population of childless, non-disabled adults 21- 64
    - ~185K members

**MassHealth Limited**

* + - Lawfully present adults <133% FPL
    - Individuals not lawfully present who would otherwise qualify for Standard or CarePlus but for immigration status
* Full MassHealth benefit, including medical, dental, behavioral health, long- term services and supports, and non-emergency medical transportation
  + Same benefits as Standard except does not cover LTSS because population is not disabled
  + Emergency services only
    - Under reform proposal, non- disabled parents/caretakers

<100% FPL will move to CarePlus, and parents/caretakers 100-133% FPL will move to ConnectorCare

* + - Under pending 1115 waiver request, CarePlus will not cover non-emergency medical transportation (except for substance use treatment)
    - Lawfully present individuals are also eligible for ConnectorCare
      * ~25K members

**MassHealth Premium Assistance**

* + - * Members with employer or student health insurance
      * MassHealth assists with premiums and cost sharing
* Commercial/primary insurance benefits + MassHealth “wrap” (e.g., dental services)
* Premium assistance is mandatory for adults when cost effective for MassHealth

*\*Not comprehensive (e.g., does not include Family Assistance for kids up to 300% FPL, CommonHealth for higher income disabled kids and adults)*

*\*\*Includes individuals with HIV, breast or cervical cancer*

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