The Commonwealth of Massachusetts
Executive Office of Health and Human Services
One Ashburton Place, 11th Floor
Boston, MA 02108

CHARLIE BAKER
GOVERNOR

KARYN POLITO
LIEUTENANT GOVERNOR

MARYLOU SUDDERS
SECRETARY

Testimony
Joint Hearing of the House & Senate Committees on Ways & Means
and the Joint Committee on Health Care Financing
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Kristen Lepore, Secretary, Executive Office for Administration and Finance
Marylou Sudders, Secretary, Executive Office of Health & Human Services
Rosalin Acosta, Secretary, Executive Office of Labor & Workforce Development

Madame Chair, Mr. Chairmen, Members of the House and Senate Ways and Means Committees, and Members of the Joint Committee on Health Care Financing, thank you for the opportunity to provide testimony regarding the MassHealth and Commercial Market Reform Package and for holding this hearing so quickly. Congratulations to the newly appointed chairs on your appointments.

At the outset, let us state unequivocally; this administration is committed to maintaining current levels of health care coverage for its residents. Back in January, when our administration filed our House 1 budget proposal for Fiscal Year 2018 (FY18), we put on the table a multi-faceted approach to address both the long-term cost concerns at MassHealth and in the commercial health insurance market. We said then that our proposal was a conversation starter, and that we were open to different ideas, but something needed to be done.

Since January, we have had numerous discussions with key stakeholders in the advocacy, health care, and business communities to develop this comprehensive reform package.

Overview

The Commonwealth's MassHealth program is one of the most robust and generous in the country. Over one in four residents receive health care coverage through MassHealth, with over 40% being non-disabled adults. Over the past ten years, MassHealth enrollment has grown by 70%, from 1.1 million to 1.9 million covered lives. The MassHealth program accounts for 40% of the state budget as compared to 29% in 2009 which threatens to crowd out funding for other critical investments. Without this package, MassHealth spending in FY18 will increase 5.6% net, or more than $300 million.

The MassHealth and Commercial Market Reform Package incorporates the fundamentals embedded in Chapter 58 of the Acts of 2006 (Chapter 58) and addresses some of the challenges inherent with implementation of the Patient Protection and Affordability Act (ACA). With the exception of non-emergency medical transportation (for non-substance abuse services only) for the CarePlus population, the package does not eliminate any Medicaid benefits; flexibility in benefit design and structure of coverage for certain populations is requested. These proposed reforms include changes to align coverage for non-disabled adults between the ages of 21 and 64 more closely with commercial plans, adopt widely-used commercial tools to obtain lower drug prices and enhanced rebates, and promote the uptake of employer sponsored insurance. The MassHealth and Commercial Market Reform Package yields $83 million in net savings in addition to $200 million in revenue from the employer contribution in FY18 and greater savings in FY19 and beyond. The reforms are also needed to absorb the additional $47 million in savings taken during the conference process.

The Commonwealth has a long tradition of health care innovation and solution based strategies. Since passage of Chapter 58 and the ACA, Massachusetts has achieved the highest rate of health care coverage in the country. The Health Connector, our health care exchange, is stable with nine carriers offering more than 50 health care plans to more than 250,000 residents, having rebounded from its failed 2014 ACA implementation.

Unique among all other states, Massachusetts offers state subsidies to augment the federal advanced premium tax credits (APTCs) in order to provide affordable health care insurance options. Our exchange offers zero premium plans for low income individuals; 25% of the exchange's ConnectorCare members are under 150% of the federal poverty level (FPL). Commencing this fall, a completely new group market exchange will be launched to encourage more small businesses to purchase affordable health care coverage for their employees.

The MassHealth and Commercial Market Reform Package builds on the deliberative steps the Baker-Polito administration has already taken to make the MassHealth program more sustainable. Annual growth in program spending has been reduced from double digits to single digits without eliminating benefits or changing eligibility, in large part due to focused efforts to both improve program integrity and strengthen operational systems and processes. While we have recently achieved the lowest level of MassHealth enrollment growth in 10 years more needs to be done to ensure the long-term sustainability of the program. In addition, the restructuring of the existing MassHealth program into an innovative accountable care program has been initiated under the recently approved five-year 1115 waiver agreement with the Centers for Medicare and Medicaid Services (CMS). All of these initiatives are intended to improve quality of member outcomes and to strengthen internal controls to ensure that only individuals who are eligible receive MassHealth.

Moratorium on new benefits & creation of dental therapy

The package before you also includes two additional health care cost containment elements: a moratorium on new benefits for five years and the creation of dental therapy. If you rewind the clock to the enactment of Chapter 58, that law included a moratorium on new benefits. As we together grapple with the overall costs of health care, it is proposed that we pause on any new insurance benefits. While it is impossible to estimate what the potential cost is of the moratorium, we do have some information from the Center for Health Information and

Analysis (CHIA). Their 2016 mandated benefit cost report suggests that of the 39 mandated benefits in effect as of 2014, the annual added lower bound costs of these mandates added $52.7 million with an upper bound estimated at an additional $796.8 million in costs to the fully insured (and GIC) markets.

One of the ways to control health care spending is by providing the right care at the right time at the right place. The Health Policy Commission (HPC) has been examining some of these cost drivers including avoidable emergency department (ED) visits. The most recent data published by HPC indicates that 40% of all ED visits could be avoided if there was greater access to care. In 2014, there were more than 36,000 visits for preventable oral health issues, costing the state upwards of $36 million. MassHealth was the primary payer of these oral health emergency department visits that year, paying upwards of $17 million. ED visits for oral health complaints represents suboptimal use of a very costly setting. HPC identified factors that contribute to higher rates of preventable oral health ED visits, including the fact that many dentists do not accept MassHealth payments. It is with the goals of improving oral health access and mitigating the use of EDs for non-urgent care, that we have proposed the creation of a more cost effective, midlevel dental therapist. Creating a mid-level dental therapist will expand access and will thus increase spending due to higher utilization; on the other hand, dental therapists will be less costly than dentists resulting in some cost savings. Based on these dynamics, we believe there would be modest savings.

Employer Medical Assistance Contribution

The package includes a requirement for employers to make contributions towards the cost of employees receiving subsidized health coverage. The proposal establishes a temporary across the board increase to the existing employer medical assistance contribution known as EMAC from the current maximum of $51 per employee to a maximum $77 per employee. In addition, a subset of those employers with non-disabled employees on public coverage will pay an additional assessment up to $750 per employee, per year. The proposed employer contribution is time limited for two years, effective beginning January 1, 2018 and sunsets at the end of calendar year 2019.

Unemployment Insurance

Lastly, the package contains an unemployment schedule modification. The modification changes the contribution rate at which employers pay into the unemployment insurance (UI) trust fund from where it currently sits, which is Schedule C, to Schedule D in 2018 and Schedule E in 2019. Without this modification, the contribution rate would automatically move to schedule F in 2018. Modifying the UI schedule for 2018 and 2019 smooths the employer contribution increases to the fund. Under the modified schedule, employers' contribution will increase $506 million over the next two years as opposed to an increase of $840 million under the current schedule. Under the modified schedule, employer contributions to the fund will keep pace with UI benefit payments over the next two years. By the end of 2019, the projected fund balance will increase from $845 million to $880 million. Under the current economic climate, these projections are more than sufficient to fund the benefits necessary for the next two years. The unemployment insurance schedule modification changes will help offset the increases to the Employer Medical Assistance Contribution that will go into effect on January 1, 2018.

The package before you reaffirms our commitment to health care coverage and the fiscal health of our state. We respectfully request that the Legislature act upon this proposal by mid-September to ensure we achieve the necessary savings and revenues in FY18. Thank you for your consideration.