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Testimony of the Executive Office of Health & Human Services
Fiscal Year 2020 Budget
Hearing of the Joint Committee on Ways & Means
Marylou Sudders, Secretary
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Good morning, Vice Chair Garlick, Senator Rush, and other distinguished members of the Joint Committee on Ways and Means. It is a privilege to be with you today in order to provide a high-level overview of Governor Baker's Fiscal Year 2020 budget proposal for the Executive Office of Health and Human Services (EOHHS) and to continue to serve as Secretary of Health and Human Services. On behalf of all of the agency heads who will offer testimony, today and on the 26th, you have our commitment to provide whatever information you need to develop the FY20 budget for the Commonwealth.

EOHHS Overview

EOHHS is the largest secretariat in state government; our services directly touch the lives of slightly more than 1 in 4 residents of the Commonwealth – including some of our most vulnerable children, youth, adults and elders. EOHHS represents more than half of our state's budget, making it vitally important to responsibly oversee services effectively and efficiently. Some public health programs touch every community in the Commonwealth.

EOHHS is comprised of 12 state agencies, the MassHealth program, plus our two soldiers' homes. I work with a diverse and dedicated group of subject matter experts; our agency heads and staff reflect the richness that is our state's diversity. Throughout the secretariat's nearly 22,000 employees, 67% of our workforce are women, including 66% of our managers, and 39% are minorities, including 20% of our managers.

In addition to providing executive leadership to the agencies and fostering a commitment of real interagency collaboration, I chair a number of councils and commissions. They include: the Massachusetts Health Connector Board, the Autism Commission, the newly-established Community Behavioral Health Promotion and Prevention Commission, the Recovery Coach Commission, and the Section 35 Commission, as well co-chair the Governor's Interagency Council on Housing and Homelessness and the Governor's Council on Aging. I am a member of the Health Policy Commission and serve as the Governor's point person for the opioid epidemic.

Throughout the secretariat, we are charged with improving health outcomes, building resilience and maximizing independence, thus contributing to the quality of life for the residents we are privileged to serve. We provide access to medical and behavioral health care, long-term services and supports and nutritional and financial benefits to those with low incomes. We connect elders, individuals with disabilities, and veterans with employment opportunities, housing and supportive services. We steer at-risk youth towards a more successful path and do everything possible to keep children in our child welfare system safe. We offer safe haven to refugees and open doors to opportunity for immigrants. We support individuals who are developmentally or intellectually disabled, blind, deaf or hard of hearing, and those with addictions, mental illness or with a co-occurring illness. We are tasked with setting and executing policies on public health issues ranging from the opioid epidemic to the containment of infectious diseases to overseeing a changing nursing home industry. We honor our veterans with gratitude and support. We are taking important and appropriate steps to prepare our state to serve our growing older adult population with grace and dignity. We are committed to providing sustainable solutions for the MassHealth program and for affordable health care in our state.

Some highlights to note before outlining the administration's budget request and diving into some challenges going forward:

- Massachusetts is one of the healthiest states (2nd only to Hawaii) in the nation, according to the America's Health Rankings 29th annual report. This report highlighted Massachusetts' low percentage of uninsured individuals, low cardiovascular death rates and high rates of immunization compared to national rates.
- Life expectancy rose in Massachusetts, bucking national trends. The average life expectancy of our residents rose to 80 years and 8 months in 2016, while national estimates over that same time period have been in decline.
- Massachusetts ranks second in the nation (after NH) in overall child well-being, according to the Annie Casey Foundation. Rankings are based on Economic Well-Being, Education, Health and Family and Community. Massachusetts has some of the lowest birth rates among teen moms (age 15-19) at 39 per 1,000 compared to the national average of 73 per 1,000. Infant mortality is also lower in Massachusetts at 3.9 per 1,000 live births compared to 5.9 nationally.
- Massachusetts is the national leader in health care access; just over 97 percent of residents have health insurance. According to data from the Centers for Medicare and Medicaid Services, in 2018, the Health Connector had the lowest average Exchange premiums in the country.
- The Health Connector just finished its successful open enrollment period for individuals and had the highest uptake of any state, with a 13.6% increase. In addition, its efforts to target communities with high rates of uninsured individuals yielded positive results. More than 47 percent of new enrollees were from these 21 communities.
- In order to address the escalating health insurance costs for small businesses with fewer than 50 employees, the Connector reshaped its small business platform to offer highly competitive, high quality and low cost health coverage for companies with fewer than 50 employees.

- On March 1, 2018, after months of active stakeholder engagement and approval by the federal government, MassHealth launched the first major restructuring of the Medicaid program in 20 years. The implementation of seventeen Accountable Care Organizations (ACOs), two Managed Care Organizations (MCOs) and 27 Community Partners (CPs) offers the opportunity to integrate behavioral and physical care, as well as long-term services and supports through a strong primary care service. Transitions are never easy, but it was buffered with $1.8B in federal Delivery System Reform Incentive Program (DSRIP) funds over five years. The statewide launch included a smooth enrollment period, transitioning over 800,000 members into new health plans and stable enrollment across plans. Early outcomes data will be publically available at the end of the calendar year, including one of the nation's first surveys to measure the experiences of Medicaid members.
- For the second year in a row, we have experienced a decline in opioid-related overdoses (6% over 2 years) and for the first time observed a decrease in Section 35 civil petitions filed. In partnership with the Legislature, and with funding from the federal government, we continue to expand access for treatment, including for individuals with co-occurring disorders.
- Earlier this year, the Center for Health Information and Analysis (CHIA) launched a health care transparency website, CompareCare, to offer information to help Massachusetts residents be more aware of the costs of their health care. Building on this success, this summer, CHIA released a procedure price dataset containing an unprecedented amount of publicly available price data. Both tools have positioned Massachusetts as a national leader in health care price transparency.
- The overall weighted caseload for DCF social workers has reached and maintained historic lows for this past year. In September 2018, the overall weighted caseload dropped to 17.63 / 1 and 15.2 families per ongoing social worker. This is the lowest the caseload has been since January 2015. DCF has achieved nearly 100% of social worker licensure (99.9%) as compared to 54% in October 2014. This establishes a foundation to tackle the issues of foster care and permanence for children and youth involved in child welfare.
- Last year, we redoubled our statewide efforts to prevent sudden unexpected infant deaths (SUID), the leading cause of death for 1- to 11- month olds. These efforts include launching a public education campaign, *Safe Asleep,* and harm reduction initiatives in partnership with stakeholders.
- The Baker-Polito Administration continues to strengthen services and supports for the state's most vulnerable populations, including homeless youth, families and individuals. EOHHS allocated $3M in funding to ten community providers to connect homeless youth with education, employment services and affordable housing. These providers also are partnering with four state universities who are providing dorm rooms to homeless students attending community college through a state pilot. Homeless youth and young adults should have the same opportunities provided to them as are provided to others to help them succeed.

EOHHS House 1 FY20 budget

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

- Increasing funding to combat the opioid epidemic by an additional $23.8M over FY19 across EOHHS agencies.
- Maintaining the MassHealth program, without reducing benefits or eligibility. The budget expands certain benefits, including adult dental coverage and assumes increased spending in areas including autism-related services, community health centers and nursing homes. In addition, it proposes expanding the eligibility of the Medicare Savings Program (MSP), which will reduce out-of-pocket medical expenses for 40,000 seniors by generating more than $100M in Medicare prescription drug subsidies at a $7M net annual cost to the Commonwealth.
- Increasing funding for DDS by an additional $108M above FY19 spending. House 1 also includes an additional $4M at the Department of Elementary and Secondary Education (DESE) to increase available capacity in our highly-successful joint DDS/DESE partnership program to support youth with complex conditions at home. It also recommends, for the third year in a row, full funding for the Turning 22 program for nearly 1,300 young adults.
- Proposing a more equitable and streamlined approach to the calculation of DTA benefits, while eliminating certain restrictive program requirements that are counterproductive to the support of families seeking self-sufficiency and a pathway out of poverty. This proposal aligns DTA with other public benefit programs, simplifies the grant structure and increases incentives to work. House 1 also builds upon prior year reforms for families enrolled in the Transitional Aid to Families with Dependent Children program.
- Continuing our commitment to meet the requirements of Chapter 257 rates for human service programs.
- Increasing funding for the Safe and Successful Youth Initiative (SSYI) program by 23%. House 1 recommends funding at $10M in FY20, $1.9M above FY19. This youth violence prevention and intervention initiative operates in cities with the highest incidences of youth crime and has a record of significant positive impact on crime and victimization rates.
- Sun setting the temporary EMAC program at the end of CY19.

Among the many issues EOHHS will focus on going forward, I want to outline a few particular challenges including: the opioid epidemic, foster care and permanence in the child welfare system, MassHealth drug spending, the nursing home industry, workforce issues and behavioral health.

The Opioid Epidemic

In full partnership with the Legislature, the Baker-Polito Administration has made major investments to address the opioid epidemic, and with its FY20 budget proposal is recommending $266M in funding across several state agencies for substance misuse treatment and services. Since FY15, the Administration has increased funding for intervention, treatment and recovery supports by $147M, an increase of 123%. The total

includes funds made available through a federal 1115 waiver that allows Massachusetts to increase Medicaid funding for Substance Use Disorder (SUD) services.

Last August, Governor Baker signed the second major legislative effort to address the opioid crisis which included the creation of new pathways to treatment in emergency departments, the expansion of medication-assisted treatment (MAT) to individuals in county Houses of Correction, including a transition to treatment upon release, the expansion of the municipal naloxone bulk purchasing program, the removal of barriers for individuals accessing naloxone at pharmacies by creating a statewide standing order and a commission to promote the expansion of the use of recovery coaches.

The estimated $266M in House 1 for substance misuse prevention and treatment is a $48M increase (22%) above estimated FY19 spending.

Foster Care and Permanence in Child Welfare
Since 2015, funding for the Department of Children and Families (DCF) has increased by more than $180M, and the agency has been systematically rebuilding its foundation by developing or revising core child protection policies, expanding workforce capacity and increasing specialized support for the complex needs of the children and families served.

House 1 proposes a $27M increase in the DCF budget over FY19 projected spending, to a total of $1.05B. Together, the reforms put in place starting in 2016 provide the platform to intentionally address the issues of foster care and permanence going forward.

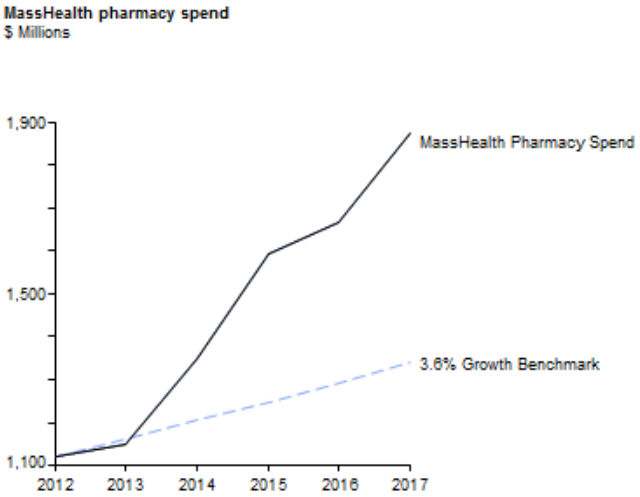
At any given time, approximately 80% of the children DCF serves are at home. In these circumstances, social workers connect families to services that help them meet their children's needs and develop skills to keep their children safe. But for children who are unable to remain in their biological homes, DCF must and will address core issues such as overall placement capacity, placement stability, foster parent communication and support and family resource workload, policies and practices.

To be clear, there have been gains. As a result of hiring dedicated foster care recruiters, there has been an increase of 300 foster and 385 kinship homes. Adoptions have increased by 22% as more pre-adoptive homes were identified. We need to be focused on the safety, health and permanence for all children in child welfare, whether it is reunification with their biological family or guardianship or adoption with a new family. We need to think in "kid time", not adult time.

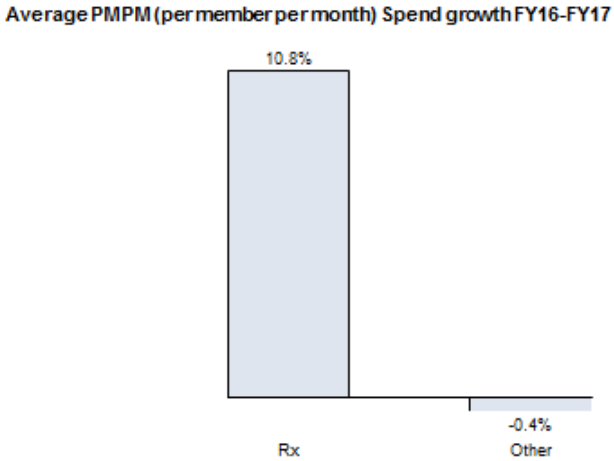
MassHealth Drug Spending
Representing 40% of the overall state budget, the Baker-Polito Administration remains laser-focused on ensuring a sustainable MassHealth program for its 1.86M members. Immediately upon taking office, we prioritized managing the program's unsustainable year-over-year double-digit growth, strengthened program integrity and other internal controls, which resulted in a reduction in cost growth without reducing benefits to

members. House 1 funds MassHealth at $16.539B gross, $6.586B net, representing growth of 0.1% gross (4.3% net) over estimated FY19 spending.
While our efforts to control MassHealth spending have yielded positive results, one area in particular requires immediate attention. Drug spending is growing faster than all other categories of MassHealth spending, and has nearly doubled from $1.1B to $1.9B over five years. While per member per month costs for all other categories of MassHealth spending has declined by 0.4%, drug spending has increased by 10.8%. The primary driver of drug cost growth on an aggregate and per member basis is high-cost drugs, at times costing $1M per course of treatment. Some have said MassHealth costs are growing only because enrollment is rising. In truth, enrollment has declined since 2015, while drug spending has risen by $260M over that same period of time.

MassHealth Rx spending has nearly doubled over 5 years



Pharmacy spend is growing much faster than other categories of MassHealth spending



Competition in the market works to drive down drug costs. For example, MassHealth leveraged competition in the Hepatitis C drug market to negotiate significant supplemental rebates with manufacturers, reducing per member spend four-fold over four years. However, new high-cost drugs are increasingly the only drugs in their classes. Without competition to motivate manufactures to come to the table, MassHealth is in effect left as a price taker. We do not have the tools to manage these drug costs.

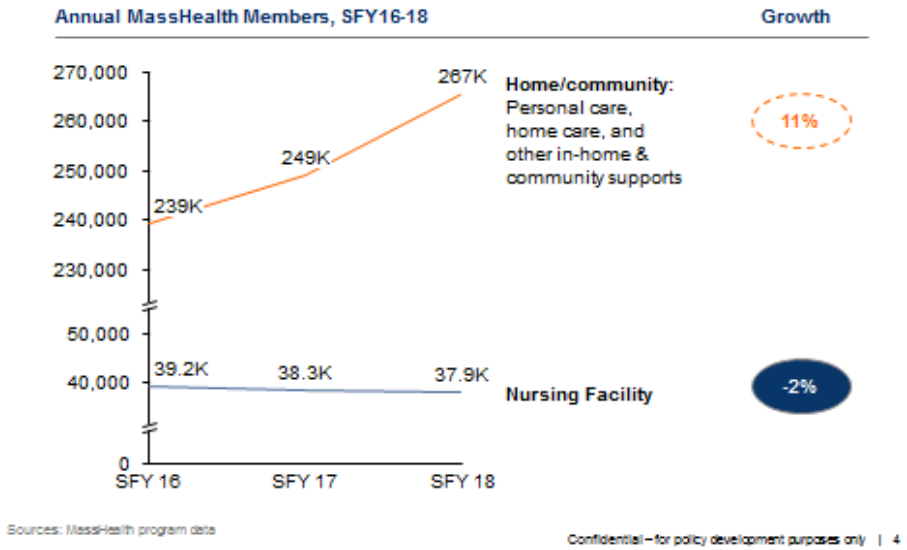
The FY20 budget proposes significant reforms to restrain cost growth in MassHealth's pharmacy program, a major driver of costs, projecting $80M in gross savings. I also want to unequivocally state that this proposal does NOT eliminate any drug from the MassHealth benefit program. Augmenting our existing tools to maximize available manufacturer rebates under existing authorities, the proposed reforms do not require federal approval and would provide:

1) New drug pricing authority for MassHealth to engage in direct price negotiations with drug manufacturers. The proposal subjects high-cost prescription drugs to a public rate-setting process, similar to the process used to set rates for most other MassHealth services. If negotiations are unsuccessful, MassHealth may refer a manufacturer to the Health Policy Commission (HPC) to publically justify their prices, and if the HPC determines the price is unreasonable, it may refer the issue to the Attorney General's Office for investigation under state consumer protection laws. These reforms are projected to deliver savings of $70M gross ($28M net).
2) The requirement that Pharmacy Benefits Managers (PBMs) be transparent about their pricing spreads and rebates in contracts with MassHealth MCOs and ACOs and limit PBM margins under these contracts. This is projected to deliver partial year savings of $10M gross ($4M net). Unlike other states, MassHealth only uses PBMs for less than half our pharmacy program, so a substantial portion of the program is already protected from any potential impacts of PBM margins. (We do not need legislative authority to implement this provision).

Nursing Home Industry

The nursing home industry is facing challenges driven by demographic shifts in the long-term care industry. This Administration has made significant investments in home- and community-based supports to provide individuals with choice. The expansion of publicly funded community-based supports and significant growth in assisted living residences have contributed to lower occupancy in nursing homes. In fact, almost one in four nursing homes has an occupancy rate under 80%, highlighting a structural challenge that cannot be solved by funding alone.

More individuals are served at home and in the community (+11%) than reside in nursing homes (-2%)…



Sources: MassHealth program data

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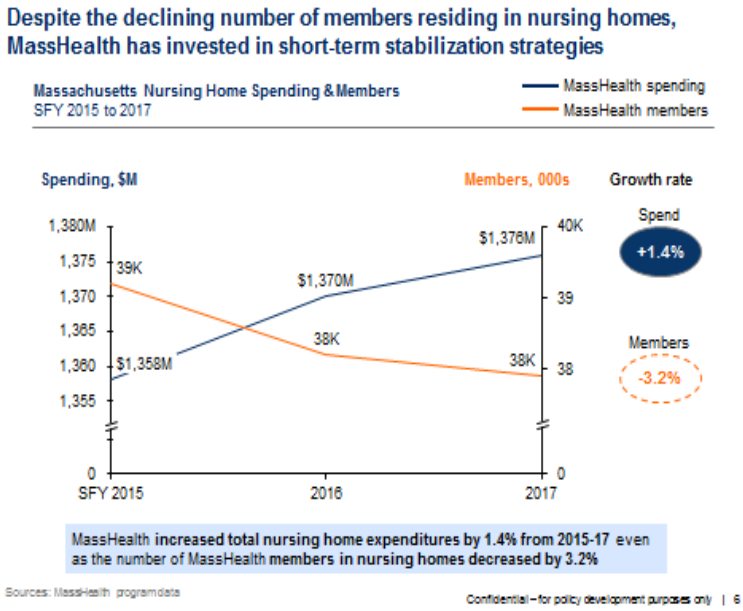
The nursing home industry is also facing financial challenges – broader than MassHealth reimbursement. Changing Medicare policies and reimbursement rates have also contributed to a 25% decrease in nursing home utilization since 2011. Medicare funding has decreased by $300M in Massachusetts and additional reimbursement changes become effective October 2019.

Nursing homes remain an important part of long-term care services offered. In concert with the industry, EOHHS has initiated strategies to help sustain a reformed nursing home industry including: an additional $25M more in annualized funding to support short-term stabilization, maintaining $38.3M in funding for direct care workers and revising DPH regulations to allow for co-location of other services and streamlined voluntary closures. These programmatic and financing changes provide short-term stabilization in direct response to the industry's request as we identify longer term solutions. Finally, MassHealth payments to nursing facilities are equal to 2015 costs not 2007.



EOHHS is engaging in efforts to design and roll out long term reforms to the nursing home industry in collaboration with stakeholders. But it is important to note that the current structure of the nursing home industry is not sustainable; long term reforms are required, and increased MassHealth funding alone will not solve these challenges.

Workforce Issues

Health and human service workers make up the largest occupational group (over 622,000 workers) in the Commonwealth and are a major economic driver. However, recruitment and retention of a qualified, well-trained workforce continues to be a challenge, in particular amongst the front-line workforce.

Through the Chapter 257 process, which over the past four years has invested $286M (including the FY20 proposed budget appropriation), the Baker-Polito Administration continues to increase reimbursement rates in support of marketplace labor costs. However, strengthening the health and human service workforce cannot be achieved solely by increasing rates of reimbursement. Multiple strategies are needed to recruit and retain the right workforce. This includes: identifying and addressing worker skills gaps, diversifying the workforce to meet the changing needs of our population, creating career paths and advancing the use of technology.

Recognizing the importance and urgency of this work, I have recently hired a dedicated staff member to lead these cross-agency efforts. Through an intentional and multi-tiered approach with our stakeholders, EOHHS will develop an overarching framework to address what the healthcare and human service worker of the future will be, the additional skills and capacities the workforce should have to address the changing needs of the population and the role of technology in augmenting the workforce.

Behavioral Health

Since January 2015, the Baker Administration has invested $1.9B in behavioral health care. These investments have been accompanied by significant changes, including dramatically expanded SUD services under our MassHealth 1115 waiver. These include new residential treatment services for individuals with co-occurring mental health and addiction treatment needs, a restructuring of adult community services at DMH and a myriad of new policies to improve treatment of individuals with mental illness, co-occurring disorders and substance use disorders. We are addressing the issue of emergency department (ED) boarding with a range of strategies from expedited admissions for individuals "stuck" to clinical protocols, to allowing for tele-psychiatry, to name a few. DMH is utilizing its authority to ensure that new psychiatric inpatient capacity serves the Commonwealth's needs.

But even as we make important strides in the integration of behavioral and physical health and increase treatment capacity, there are deep-rooted structural challenges. Simply put, there is no system – no treatment continuum for children, youth and adults. Ambulatory and outpatient behavioral health care is fragmented and often insufficient to meet the needs of patients and their families. We can and must do better for individuals and family members with addictions, mental illness and co-occurring disorders.

To this end, EOHHS is initiating a significant effort to design how ambulatory behavioral health care is delivered, to create a treatment system that presents a no-wrong-door point of entry with same-day access, integrates addiction and mental health services, provides community-based crisis response, meets the unique needs of children and youth and upholds consistent evidence-based standards. This EOHHS effort is undertaken as a full collaboration between MassHealth, the Departments of Mental Health, Public Health, Children & Families and Youth Services. It is my expectation that they will work to align payments and policies to streamline licensure, credentialing and regulations. Over the next year, we will also engage closely with stakeholders, including consumers and advocates, providers, plans and other experts; the time is now.

Federal Landscape

Last year, I testified that while we are highly focused on our work for the Commonwealth each and every day, much of our effort is also impacted by federal policy and fiscal decisions. This remains true this year. We continue to experience uncertainty, such as the recent partial federal government shutdown, changes in federal funding priorities and policy changes such as the public charge rule. We will remain vigilant to ensure that the needs of our residents are met.

Conclusion

Thank you for your continued partnership, on behalf of the citizens of the Commonwealth that most need our services. I look forward to working with you and am pleased to answer any questions you may have.