

The MassHealth Waiver & MA Health Care Reform

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February 25, 2009



Titles we rejected...

- Together We Can: The MassHealth Waiver 2009-2011
- Yes We Can: The MassHealth Waiver 2009-2011
- Show us the Money: The MassHealth Waiver 2009-2011
- Worth the Wait: The MassHealth Waiver 2009-2011
- The Real DSH on the Waiver
- Thanks for the IGTs!
- CMS: 10-Q4D\$\$\$\$\$

Part 1: History and Context for the 2008 Renewal



MA has a long history of health access reforms

- 1985 – Uncompensated Care Trust Fund (aka, "Free Care Pool")
- 1988 – Health Security Act:
 - CommonHealth, "Welfare to Work", Pregnant women, Children's Medical Security Plan; health plan for unemployed ("Pay or Play" employer mandate repealed)
- 1994-1996 – MassHealth Waiver submitted and approved
- 1997 – MassHealth Waiver implemented (SFYs 1998-2002)
- 1998 – SCHIP and Insurance Partnership implemented
- 1997-2002 - Some services expanded to higher income groups
 - State funded and sponsored Prescription Advantage - 185% FPL
 - HIV-AIDS waiver – 200% FPL
 - Breast and Cervical Cancer Treatment – 250% FPL, per federal statutory option
- 2002 – MassHealth Waiver extension 1 (SFYs 2003-2005)
- 2005 – MassHealth Waiver extension 2 (SFYs 2006-2008)
- 2006 – Chapter 58 enacted; implemented in phases
- 2008 – MassHealth Waiver renewal (SFYs 2009-2011)

Waiver provides flexibility within fiscal constraints

- Waiver authorizes State to:
 1. expand Medicaid coverage to more people (some of whom the State previously had covered at full State cost)
 2. simplify the Medicaid application process and financial eligibility rules;
 3. require most beneficiaries to enroll in a managed care plan; and
 4. provide supplemental payments to Medicaid MCOs operated by BMC and CHA safety net health systems
- But State required to demonstrate "budget neutrality":
 - that federal Medicaid expenditures under the Waiver program would not exceed what federal expenditures would have been in the absence of the Waiver program

Waiver serves as catalyst for 2006 Reform

- CMS decides to withdraw its financial contribution to the MCO supplemental payments (\$385M) at the end of SFY 2005
 - Motivated by changes in federal rules in 2002 and 2003 that add new restrictions on how States pay MCOs and finance supplemental payments
- State persuades CMS to keep money in system by committing to use it to expand insurance coverage for low-income uninsured

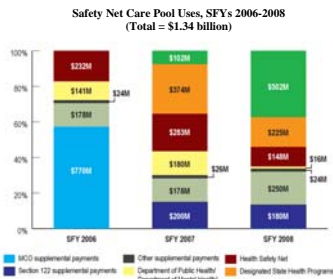
Waiver serves as catalyst for 2006 Reform (cont.)

- Safety Net Care Pool (SNCP) created to be used for reducing # of uninsured and for residual support for uncompensated care
 - SNCP capped at \$1.34B annually for SFYs 2006-2008
 - Structure forces redirection of dollars from subsidizing uncompensated care to subsidizing coverage
- SFY 2006 is transition year for State to:
 - Develop comprehensive health care reform plan
 - Identify Designated State Health Programs (DSHP)

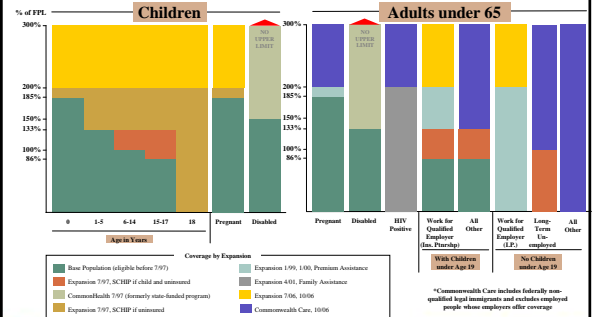
Chapter 58 creates new coverage options in the Waiver

- Chapter 58 expands MassHealth coverage and creates new publicly-subsidized coverage program, called Commonwealth Care, in the SNCP
 - Also increases hospital and physician rates and creates new safety net health system supplemental payments for BMC and CHA ("Section 122" payments) for SFYs 2007-2009
- Chapter 58's new Waiver spending fits within Waiver's overall budget neutrality cap and SNCP cap for SFYs 2006-2008

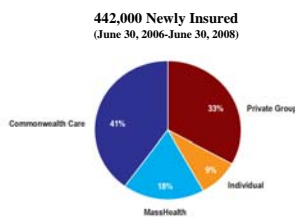
As CommCare grows, HSN and payments for uncompensated care decline



With Chapter 58, most MA residents below 300% FPL have access to affordable coverage



442,000 newly insured through public and private health insurance coverage



Source: Commonwealth Connector

Challenges going into 2008 Waiver Renewal

- Continued Waiver budget neutrality for another three years
 - Waiver now funds expanded MassHealth program and Commonwealth Care
- SNCP structure that accommodates all projected spending
 - \$1.34B annual cap would not accommodate projected Commonwealth Care, HSN, and other safety net spending items for SFYs 2009-2011

Part 2: Sustaining Health Care Reform in 2009-2011 and Beyond

2008 Waiver renewal fully funds Chapter 58's coverage expansions

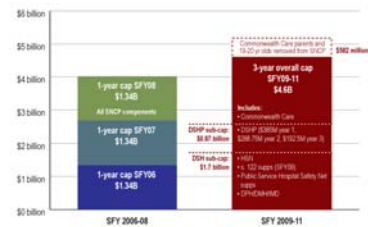
- Eligibility levels, benefit levels and federal funding is preserved
- Agreement reflects state and federal commitment to:
 - Health care reform goals: ↑ insured and ↓ uninsured
 - Continued redirection of \$ from uncompensated care to coverage
 - Cost containment and quality
- To further success of HCR, was necessary to:
 - Demonstrate continued budget neutrality
 - Restructure SNCP to accommodate projected spending

Waiver is budget neutral through SFY 2011

- Projected actual spending for three-year renewal period (as of 2/2008) leaves a \$13M "cushion"
 - Just 0.02% of the \$67B spending base (over 14 years)
 - Does not incorporate SFY 2009 "9c" cuts or SFY 2010 spending plan as proposed by Governor, so cushion likely is larger
- To ensure budget neutrality, needed to:
 - Increase budget neutrality cap and cushion
 - Move certain populations and spending into "without waiver" spending base
 - Slow Waiver spending growth through cost containment
 - Baseline savings of \$210 million over three years built into calculation

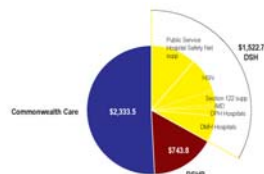
Higher and more flexible SNCP accommodates all projected spending for SFYs 2009-2011

Safety Net Care Pool Caps, Then and Now



SNCP flexibility enables claiming for projected CommCare spending

Projected Safety Net Care Pool Spending, SFYs 2009-2011 (\$ millions)



Challenges for the Future

- Waiver is budget neutral...for now
 - Baseline savings target of \$210M already may be realized due to SFY 2009 "9c" cuts
 - Due to budget situation, projected cushion likely is larger than \$13M, but still nominal given the Waiver's \$67B spending base (over 14 years)
 - Still need to monitor and manage spending now and into next Waiver extension period
- Cuts to date have disproportionately affected providers (which could jeopardize members' access to services)
 - If further savings needed (e.g., if economy recovers or worsening economy causes newly unemployed to enroll in Waiver expansion programs), additional actions may be necessary

Challenges for the Future (cont.)

- New SNCP structure accommodates all current projected spending for SFYs 2009-2011, but...
 - SFYs 2010 and 2011 projections are not finalized; final Commonwealth Care spending projections will affect claiming under the two sub-caps
 - DSH sub-cap spending projections are \$200M below the three-year limit, but still need to ensure uncompensated care continues to decline to stay within sub-cap
- National health care reform could impact MA's reform
 - Will it be based on MA's model? Will it force changes to MA's model?

Questions?

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