

Executive Summary

As the economy falters, Massachusetts is struggling to address both a sharp decrease in state revenues and an increased demand for social services. The response to the state budget crisis by the legislature and the administration has been to cut the services and eligibility of MassHealth, the state Medicaid program.

Administered by the Massachusetts Division of Medical Assistance, MassHealth provides health care coverage to nearly one million residents. It provides comprehensive benefits for eligible low and middle income people, including children under 19, parents, pregnant women, people with disabilities, people who are HIV positive, long-term unemployed, adults who work for qualified employers and people in nursing homes.

MassHealth is funded by both state and federal funds. For most MassHealth programs, Massachusetts receives fifty-cents for every dollar it spends on services. For others, e.g. the State Children’s Health Insurance Program (SCHIP), the Commonwealth receives sixty five-cents for every dollar spent. These federal funds – \$2.9 billion of the total \$5.38 billion MassHealth budget – go to the state’s General Fund and make MassHealth the largest revenue generator for the Commonwealth.

In October 2002, Governor Jane Swift announced the elimination of several benefits and programs for the nearly 600,000 adults enrolled in MassHealth. The eliminated benefits are:

- Dentures
- Prosthetics
- Orthotics
- Chiropractic Therapy
- Eyeglasses

The estimated savings from eliminating these services totals approximately \$22 million, or \$11 million in state costs.¹ Ultimately, these are not cost-saving measures because the needs that they serve will not go away. Instead, the result will be sicker people who require more expensive care in hospital emergency departments or nursing homes. Further, MassHealth recipients who rely on these critical services will be far less able to work without them.

These cuts to MassHealth come in the wake of a series of devastating cuts to health and human service programs. In January 2002, Governor Swift eliminated nearly all dental benefits for adults covered by MassHealth. The Governor also imposed increased cost-sharing in several MassHealth programs, which will discourage members from seeking care and shift costs to providers.

In its Fiscal Year 2003 budget, the legislature voted to eliminate eligibility for 50,000 MassHealth Basic members as of April 1, 2003. MassHealth Basic serves very low-income, unemployed adults with high health needs who will have few options for care except emergency rooms. Costs will be shifted to other state programs, including the Department of Mental Health and the Department of Corrections, as well as “off-budget” to the Uncompensated Care Pool, hospitals and health centers. In her announcement

¹ based on Fiscal Year 2002 expenditures

last month, Governor Swift asked the legislature to move the closure of the MassHealth Basic program to February 1, 2003, to save an additional \$11.5 million.

As this report was being written, the administration closed the Children’s Medical Security Plan (CMSP) to new enrollees. Administered by the Department of Public Health, this November 4th closure effectively ends the Commonwealth’s claim that every child – regardless of family income, age, or disability – will have access to health care coverage.

Instead of instituting these cuts that will condemn vulnerable populations to antiquated or non-existent care, this paper recommends the following alternative cost-saving measures:

- Maximize currently available Medicaid federal matching funds (FFP) for state programs
- Support an enhanced Federal Medical Assistance Percentage (FMAP)
- Implement better care coordination and early treatment to avoid preventable hospitalizations to reduce costs in MassHealth.
- Control Pharmaceutical Costs in MassHealth and other state programs.
- Support targeted fraud and overpayment initiatives.

We believe that these recommendations would address much of the gap in funding for MassHealth. The next few months are critical and will determine the future direction of the MassHealth program. It is a time for action. During the election campaign, Governor-elect Romney expressed his desire to restore the MassHealth Basic program. He also called for new federal revenue for the Medicaid program. Clearly he is in a strong position to provide leadership and we look forward to hearing the Governor-elect’s plans for how we can avoid this impending crisis. We call on him to move forward quickly.