

Executive Summary

➤ ***MassHealth Provides Vital Care for Massachusetts Residents***

MassHealth is the Medicaid program, which provides **health coverage for 1,000,000 Massachusetts residents**. One in four children (and one in six residents overall) in the Commonwealth receive their medical insurance through MassHealth. MassHealth provides coverage to a broad range of people, including children, low-income parents, the disabled, and seniors.

In 1996 and 1997, the state received a federal waiver to expand Medicaid coverage, using funding from a dedicated tobacco tax and federal matching funds. As a result, the number of MassHealth members increased, allowing coverage for more of our neediest populations. Today, approximately 108,000 additional children are insured, as are 88,000 low-income parents and 87,000 disabled/ chronically unemployed adults (see chart, page 4). **To date, coverage for nearly 300,000 citizens of the Commonwealth has been provided with no additional contribution from the General Fund.**

➤ ***MassHealth Generates Billions of Dollars in Federal Revenues***

The MassHealth program receives Federal Financial Participation (FFP) for qualified expenditures. The availability of FFP has made the MassHealth program a valuable mechanism for increasing state revenues for the Commonwealth. **MassHealth receives fifty cents in federal reimbursement for every dollar the state expends on MassHealth.** The federal State Child Health Insurance Program (SCHIP) provides an enhanced match rate for certain children. In these cases, MassHealth receives sixty-five cents in reimbursement for every dollar expended.

➤ ***The Expansion Programs Have Been Funded without General Fund Contributions***

The expansions of 1996/97 have been funded without additional General Fund contributions. A vital financing source for the expansions has been the twenty-five cent per package tobacco tax. These funds are deposited in a separate state account, the Children’s and Seniors’ Assistance Fund (CSAF). Another key source of funding for expansion has been the FFP related to expanded services, which has been re-deposited in the CSAF. Funding from the Uncompensated Care Pool has been diverted to the CSAF as more people become insured. Lastly, funding for a small segment of welfare recipients previously served by Emergency Aid to the Elderly, Disabled and Children, was also moved into the expanded programs.

➤ ***MassHealth Cost Increases are Largely Due to Medical Inflation***

Recent MassHealth cost increases are attributable to two primary, separate causes:

- Medical inflation primarily in nursing home, pharmaceutical, community-based long term care and hospital expenditures.
- Caseload increases largely in the expansion populations. **These have been budget neutral to the General Fund because caseload and tobacco tax predictions have been accurate.**

➤ ***Cutting MassHealth Hurts the Economy and Destabilizes the Health Care System***

Because the federal government reimburses more than one-half of MassHealth costs, every dollar cut from the state budget will reduce federal revenues unnecessarily.

If coverage is lost, recipients would be forced to rely more on other state-funded services, such as the Uncompensated Care Pool, further reducing savings.

Cutting MassHealth means cutting jobs. The health service sector is the single largest employment sector in Massachusetts, accounting for 10% of all employees in the Commonwealth. Health care ranks as the #1 employer in nine counties and as the #2 employer in three more counties (see graphic, page 13).

➤ ***Recommendations to Save Costs and Stabilize Funding***

Approve “Health Now!” (S. 1703).

We recommend passing this legislation, which would raise tobacco taxes and dedicate the funding to the Children’s and Seniors’ Assistance Fund. The “Health Now!” Proposal would stabilize funding for the expansion programs, maintaining critical health coverage to hundreds of thousands of our neediest residents.

Maximize Federal Revenue.

While many major revenue maximization strategies have already been implemented, further projects should be shifted out of the Division of Medical Assistance’s jurisdiction and into an Executive Branch office (either the Health and Human Services or Administration and Finance). This would minimize inter-agency disputes and assure a comprehensive perspective on budget issues.

Avoid Preventable Hospitalization.

Targeted initiatives should be encouraged to decrease preventable hospitalizations. Diverting “stuck kids” (those in psychiatric beds but ready for discharge and receiving hospital-level care) into community-based services is one possibility. The Minigrants program also has proven effective in linking people to community providers.

Control Pharmaceutical Costs.

With pharmacy costs growing at an unsustainable rate, a variety of measures, some in progress, should be taken to restrain cost increases in this area. Such measures include bringing the cost of the Pharmacy Advantage program under Mass Health for low-income seniors, and exploring whether or not fair prices are being paid for pharmaceuticals.

Support Targeted Fraud and Overpayment Initiatives.

Overpayment and fraud hurt all citizens. The legislative task force and the Attorney General should be supported in their pursuit of stopping these practices, but should assure that providers are not harassed.

Instituting Copayments and Broad Cuts in Eligibility and Services Won’t Work.

Both strategies are simplistic solutions unlikely to achieve their stated objective of saving money. Copays and eligibility cuts undermine patients’ ability to get preventive care, leading to higher costs elsewhere. Both would also signal an unnecessary retreat from our moral commitment to serving the health care needs of the most vulnerable.