MASSHEALTH: THE BASICS

FACTS, TRENDS AND NATIONAL CONTEXT

PREPARED BY
CENTER FOR HEALTH LAW AND ECONOMICS
UNIVERSITY OF MASSACHUSETTS MEDICAL SCHOOL

Updated April 2014

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MASSHEALTH: THE BASICS

EXECUTIVE SUMMARY

MassHealth is an essential health safety net more than 1.4 million of the state's adults and children

- The Massachusetts Medicaid program (commonly referred to as "MassHealth") provides health insurance to one-fifth of Massachusetts residents. Upon full implementation of the Affordable Care Act (ACA), enrollment is anticipated to rise to about 1.7 million.
- More than half of people with disabilities, more than half of children of low-income families, and two-thirds of residents of nursing facilities rely on MassHealth to help them pay for health care. Over one-third of all births are covered by MassHealth.

MassHealth covers a broad cross-section of the population

- While most members are children and adults without disabilities, who represent three-fifths of total MassHealth membership, adults and children with disabilities comprise 20 percent of MassHealth members, and seniors make up another 9 percent. Nearly two-thirds of the program's spending is for the care of members with disabilities and for seniors.
- MassHealth offers eligibility to a broader segment of the Massachusetts population than many other states' Medicaid programs. In particular, more people with disabilities qualify through the state's CommonHealth program, which offers benefits to persons with disabilities that are not generally available through employers or Medicare. But this does not mean that MassHealth covers an unusually high portion of the Massachusetts population when compared to other states, because of the high rate of employer-sponsored insurance and higher incomes in Massachusetts.

MassHealth supports workers' access to private insurance

- For nearly one-quarter of its members, MassHealth coverage is secondary to other insurance such as Medicare or employer-sponsored insurance. MassHealth benefits help make employer-offered insurance more affordable for eligible low-wage workers and their children by paying for the employee share of the premium and by covering most of the cost of copayments and deductibles. In addition, MassHealth benefits make it possible for many people with disabilities to remain in the workforce.

MASSHEALTH: THE BASICS

EXECUTIVE SUMMARY (continued)

Growing MassHealth enrollment has accompanied the decline in the number of uninsured.

- MassHealth already covered a million adults and children in Massachusetts when the state's health reform law was enacted in 2006. Enrollment continued to grow throughout the recession and stands today at approximately 1.4 million members.

MassHealth enrollment will grow as the state implements the Medicaid expansion under the Affordable Care Act.

- ACA-related changes include collapsing eligibility categories into broad coverage groups such as CarePlus and streamlining application and redetermination processes.
- Some eligibility groups who were previously covered through Commonwealth Care will now be eligible for MassHealth.

The biggest driver of MassHealth spending in recent years has been the jump in MassHealth members due to the recession, not the amount spent for each member

- Spending on the program has grown, driven by increases in enrollment due to the economic downturn. Per capita spending has grown by an average of just 1 percent per year in the past 5 years.

MassHealth spending trends reflect policy toward providing more care in community-based settings and less in facilities and inpatient settings

- In the past six fiscal years, spending on nursing facility and hospital inpatient care declined slightly while a substantial portion of growth in spending was attributable to increased spending on community based long term support services.

MassHealth is an important source of income for physicians, hospitals and other providers that low-income and uninsured individuals of all ages depend on for their care

- Community health centers and nursing homes receive at least half of their total patient revenues from MassHealth.

MASSHEALTH OVERVIEW

- MassHealth is Medicaid (Title XIX of the Social Security Act) and the State Children's Health Insurance Program (CHIP, Title XXI)
- Federally- and state-funded and state-administered
- A central part of the Massachusetts health care safety net
  - MassHealth provides health care coverage to the Commonwealth's most vulnerable residents.
  - It pays providers for treatments that would otherwise go uncompensated, or not provided at all.
  - It provides a valuable service to employers by covering some of the highest costs of their employees and dependents with disabilities.
  - It brings billions of federal dollars into the state to help finance physical and behavioral health care and long-term care for low-income people.
  - It is the financial engine for the publicly subsidized insurance expansion created by the 2006 state health reform law, which greatly expanded coverage in Massachusetts.
  - It is countercyclical, playing an important role in supporting people who are affected by economic downturns.

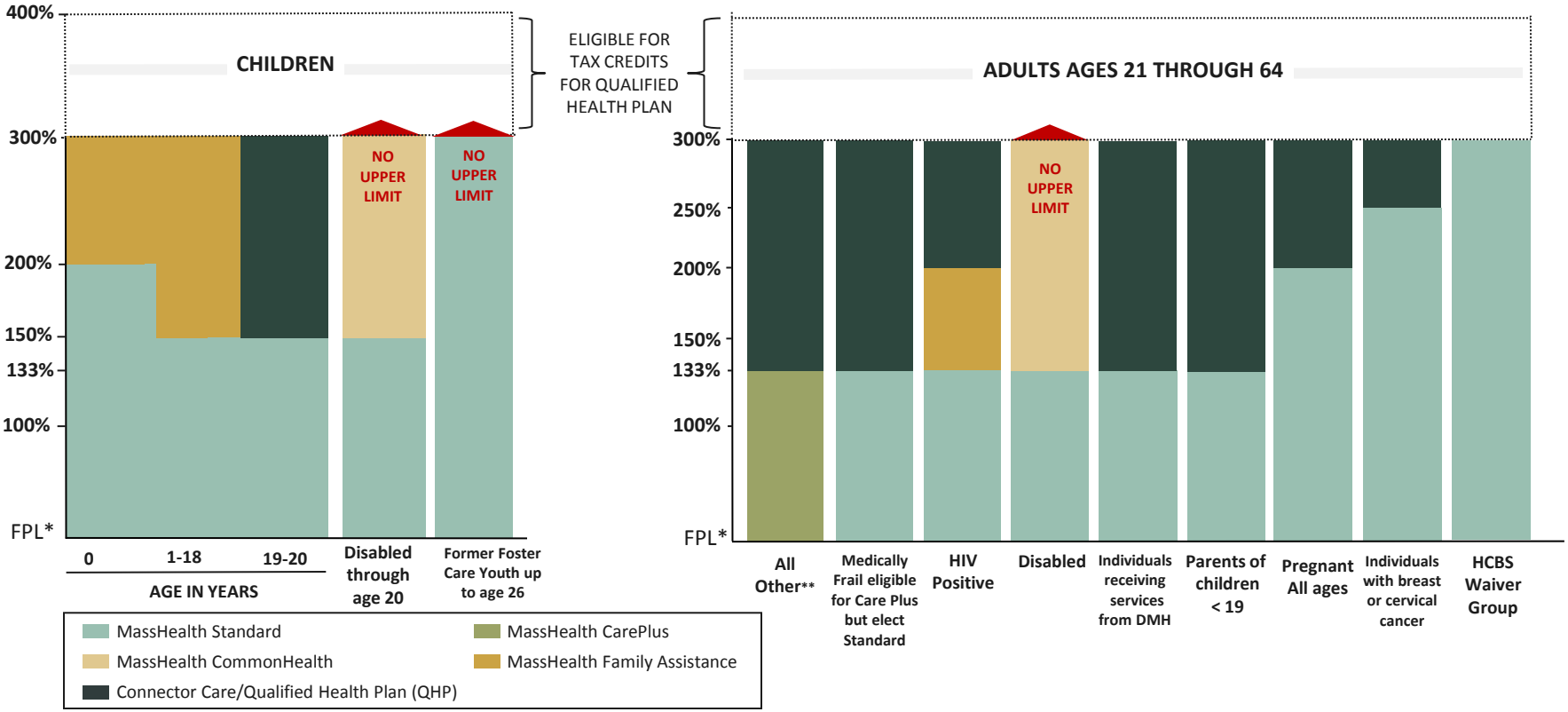
MASSHEALTH PRESENTS CHALLENGES

- It requires a great amount of public funding to support it.
- Many of its benefits and eligibility provisions are legal entitlements, which constrains the state's options for managing spending during difficult economic times.
- Change is occurring as a result of national health care reform and state cost containment initiatives.

THE FOLLOWING CHARTS

- Present an overview of MassHealth eligibility, enrollment and spending, providing national comparisons where possible.
  - Interstate comparisons are offered to provide perspective and should be interpreted with caution. Every state's Medicaid program is unique – eligibility criteria, services, reliance on managed care, and use of waivers for special or general populations vary by state. Broad conclusions based on these comparisons are not advised.
- Demonstrate that MassHealth
  - Provides health insurance that is an essential gateway to health care for one-fifth of the Massachusetts population;
  - Is an important source of income for providers who serve low income patients; and
  - Compares favorably to private insurance in controlling per capita cost increases.

MASSHEALTH ELIGIBILITY UNDER ACA



*FPL = income as percent of federal poverty level

** Includes members previously eligible for Commonwealth Care and for MassHealth Basic and Essential.

NOTE: Several MassHealth programs are no longer available effective 1/1/2014 including: MassHealth Basic and Essential, Insurance Partnership, Healthy Start, Prenatal, Commonwealth Care, and the Medical Security Program. Populations previously covered by these programs will now be covered by MassHealth Standard, Care Plus and Connector Care.

NOTE: In general, the eligibility level for seniors age 65 and older is 100% of FPL and assets of up to $2,000 for an individual or $4,000 for a couple. More generous eligibility rules apply for seniors residing in nursing facilities or enrolled in special waiver programs.

MANY DOORS TO MASSHEALTH

Individual applies directly, either on paper form or through Virtual Gateway

Health care providers assist uninsured patients with applications through Virtual Gateway

- Hospitals
- Community health centers
- Nursing homes
- Other providers

State social services agencies facilitate applications

- Department of Developmental Services
- Department of Mental Health
- Mass. Rehabilitation Commission
- Department of Transitional Assistance
- Department of Children and Families
- The Health Connector
- Other agencies

Community organizations and advocacy groups that provide health care referrals or other services assist clients with applications and follow-up

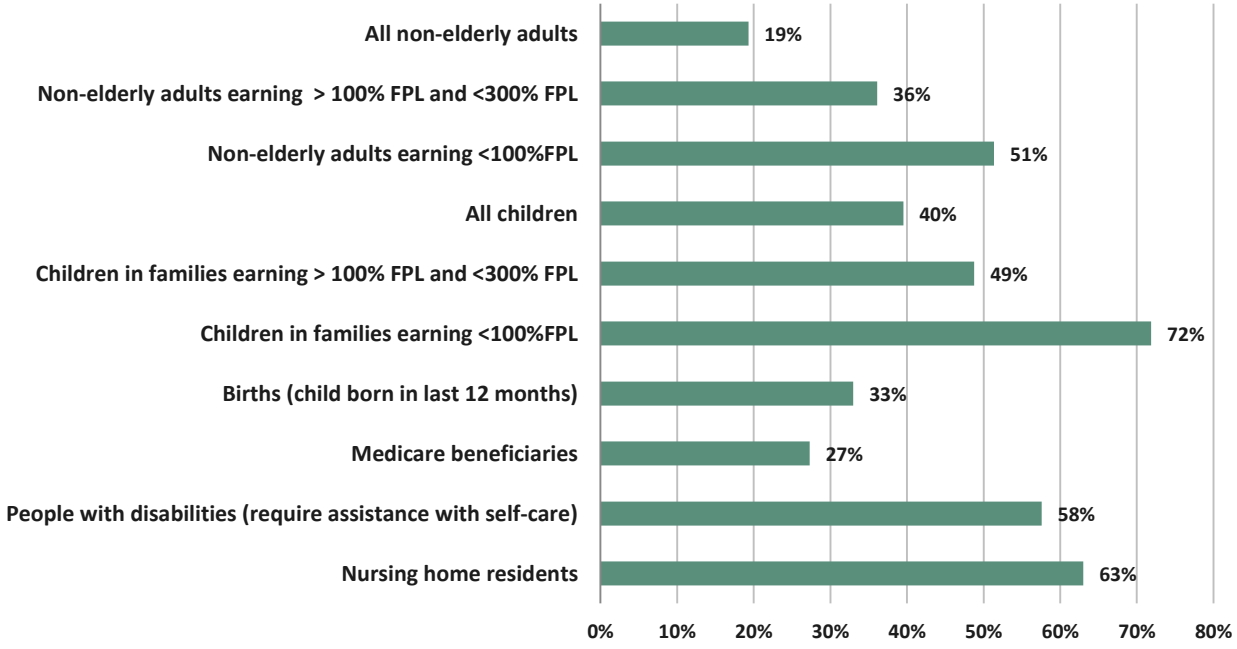
- Community action programs
- Community development corporations
- Aging services access points
- Health Care For All
- Other community organizations

Health Insurance Exchange (HIX)/Integrated Eligibility System (IES)
Once implemented, will allow individuals to shop and apply for health insurance while simultaneously determining eligibility for programs such as MassHealth.

NOTE: The Virtual Gateway is a web-based tool that includes applications for MassHealth and other Massachusetts programs.

MASSHEALTH IS IMPORTANT TO MANY POPULATION GROUPS

PERCENT OF SELECT MASSACHUSETTS POPULATIONS COVERED BY MASSHEALTH, 2012



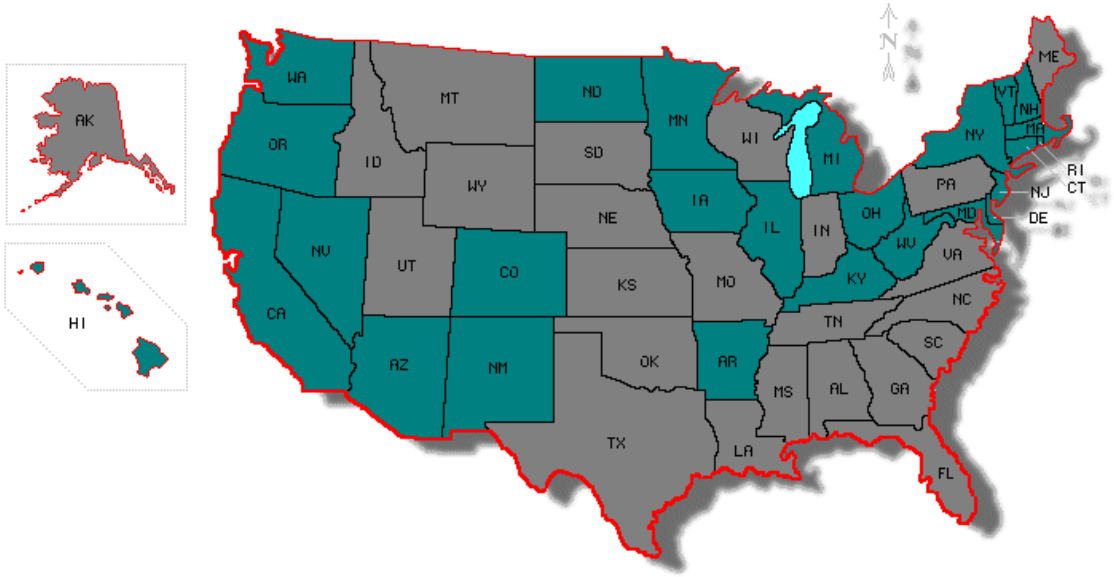
SOURCES: Author's calculations using the 2012 American Community Survey (ACS). Nursing home data from Kaiser State Health Facts (C. Harrington, H. Carrillo, M. Dowdell, P. Tang, and B. Blank. Table 6, "Nursing, Facilities, Staffing, Residents, and Facility Deficiencies, 2005 Through 2010," Department of Social and Behavioral Sciences, University of California, San Francisco, accessed January 2012). Data for "all children" and "all elderly adults" calculated from Census 2012 population data projections and MassHealth Snapshot report, 2013 monthly average.

Nearly three-quarters of poor children (<100 percent FPL) and half of near-poor children (100-300 percent FPL), half of poor adults and people with disabilities, and nearly two-thirds of nursing home residents are MassHealth members. More than one-quarter of people covered by Medicare rely on MassHealth to assist with premiums and cost sharing and to cover services, such as long-term services and supports, which Medicare does not cover.

STATES OPTING FOR MEDICAID EXPANSION AS RESULT OF ACA:

INCOME ELIGIBILITY FOR NON-DISABLED ADULTS AMONG STATES CHOOSING NOT TO EXPAND

EXPANSION CHOICE AND MEDICAID INCOME ELIGIBILITY FOR NON-DISABLED ADULTS - AS OF 4/1/2014



Not currently opting for Medicaid expansion, eligibility varies by state from 0% to 106% FPL

Opting for Medicaid Expansion, eligibility for adults up to at least 133% FPL

Connecticut (196%), the District of Columbia (216%), and Minnesota (200%) had previously expanded Medicaid to parents with incomes above 133% FPL and are maintaining these higher limits

**ID, IN, LA, ME, MO, MT, OK, UT = The state has a section 1115 demonstration or a pending demonstration proposal that provides Medicaid coverage to some low - income adults. The demonstration includes limitations on eligibility and/or benefits, is not offered to all residents of the state, and/or includes an enrollment cap.

SOURCE: CMS http://www.medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Downloads/Medicaid-and-CHIP-Eligibility-Levels-Table.pdf

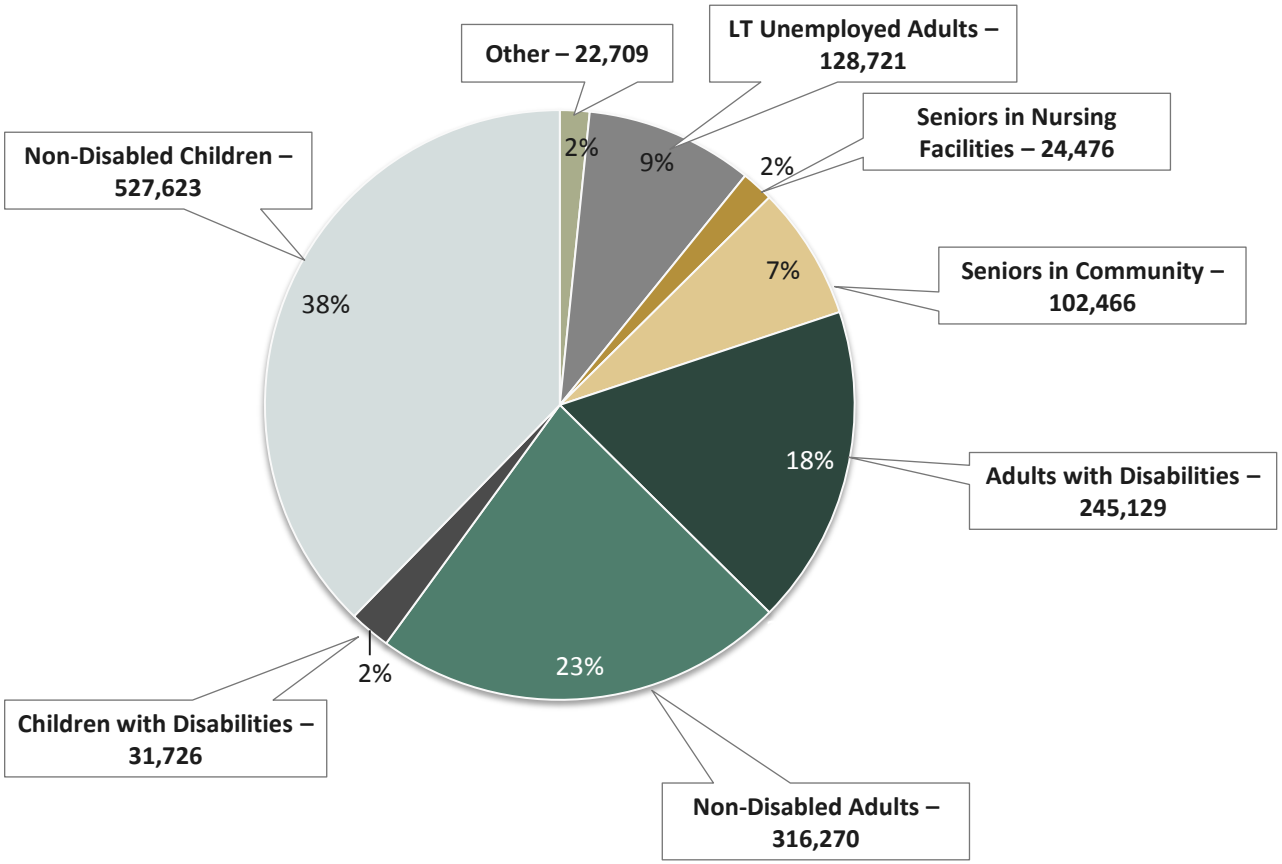
Graphic made with: http://diymaps.net

Starting in 2014, states will receive Federal Financial Participation if they provide Medicaid coverage to adults with incomes at or below 133 percent of the federal poverty level (FPL). 26 states and the District of Columbia have expanded Medicaid to provide coverage to adults with incomes up to 133 percent FPL, and 24 states have not chosen to expand.

Non-disabled adults with no children in non-expanding states are not eligible for Medicaid at any income level unless the state has a demonstration waiver (see note to map). The income eligibility level for parents ranges from 13 percent FPL in Alabama to 106 percent FPL in Tennessee.

MASSHEALTH COVERS CHILDREN, ADULTS & SENIORS, AND OFTEN SUPPLEMENTS OTHER INSURANCE

PERCENT OF TOTAL MASSHEALTH ENROLLMENT, DECEMBER 2013

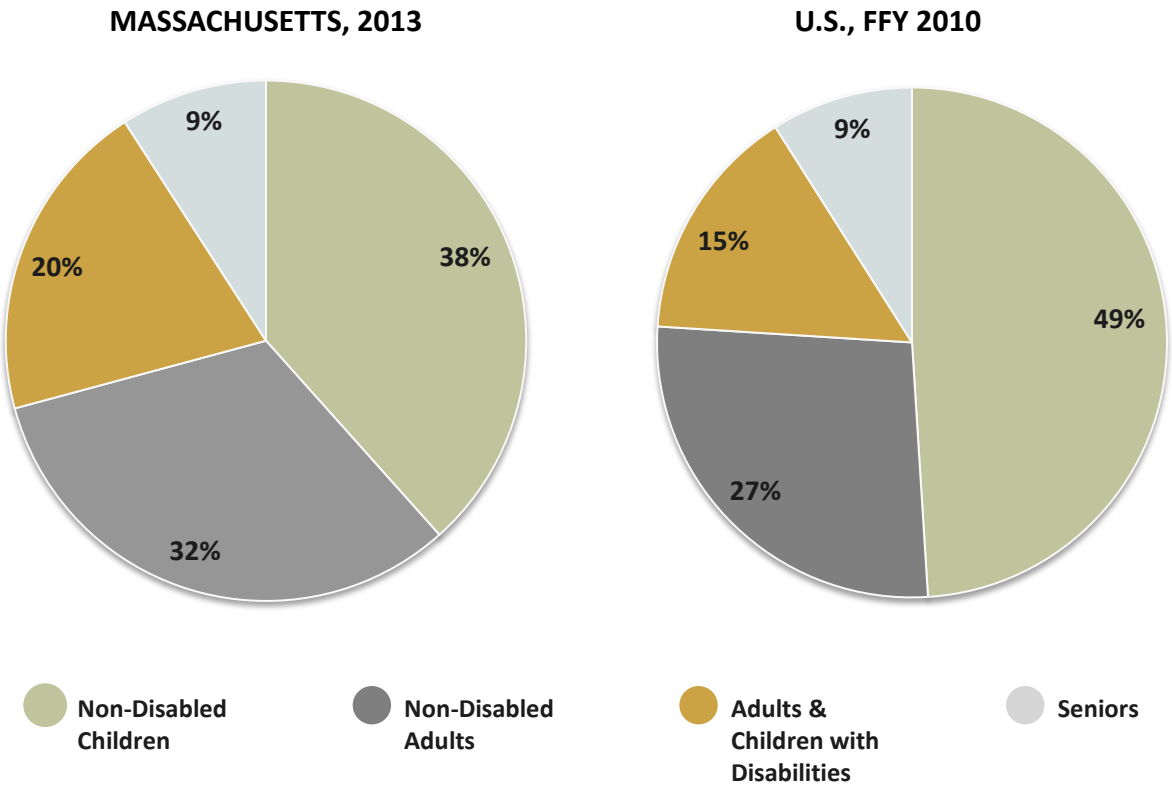


SOURCE: MassHealth, December 2013 Snapshot Report.

MassHealth members range from the very young to the very old. Members with disabilities, representing 20 percent of membership, receive coverage for long-term care services from MassHealth that are not usually available through other health insurance sources.

About 22 percent of people enrolled in MassHealth have coverage through Medicare or through an employer. In these cases, MassHealth acts as secondary coverage, providing additional benefits that MassHealth covers but others do not. In some circumstances, MassHealth also pays members' premiums and cost sharing for their employer-sponsored or Medicare coverage, if it is determined to be more economical than paying for full MassHealth benefits.

COMPARED TO THE REST OF THE NATION, MASSHEALTH'S MEMBERSHIP INCLUDES MORE ADULTS AND NON-ELDERLY PEOPLE WITH DISABILITIES



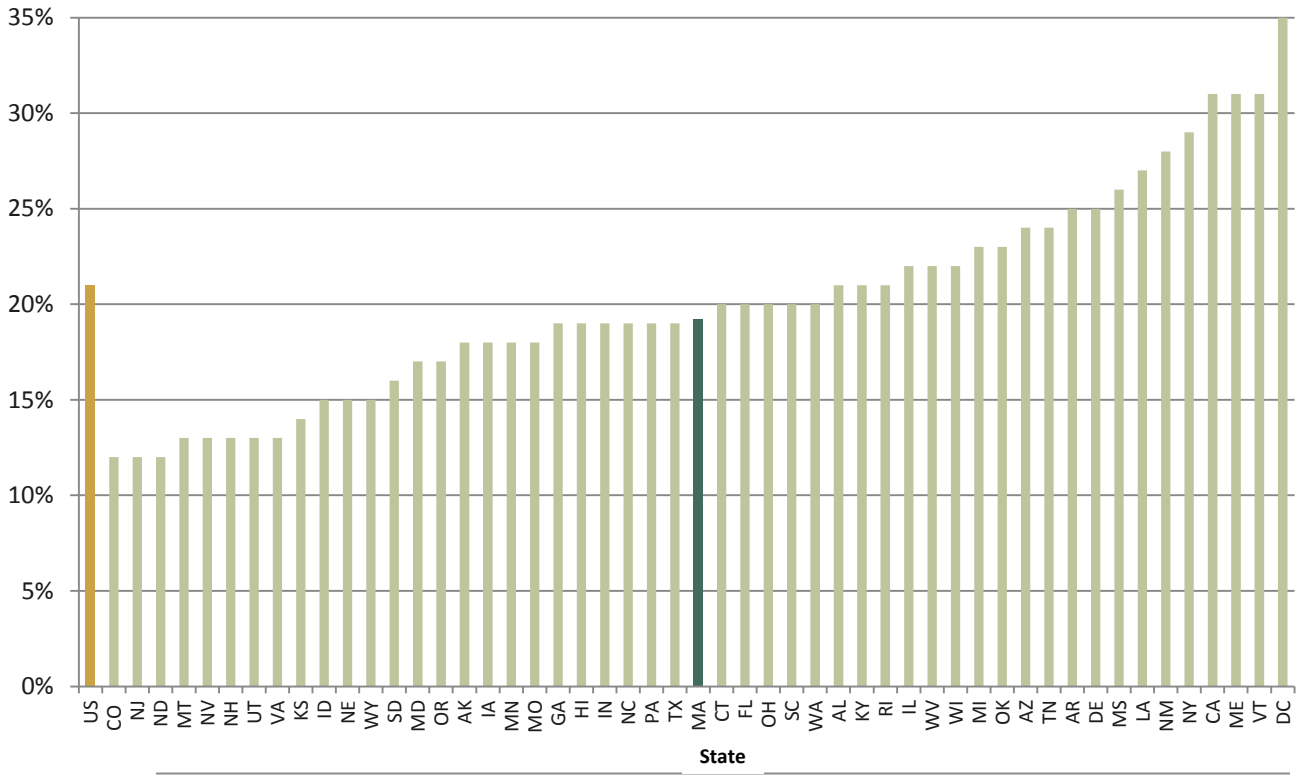
People with disabilities comprise a larger share of Medicaid membership in Massachusetts than nationally. Adults without disabilities qualify in Massachusetts at higher income levels than are typical in other states.

MassHealth CommonHealth provides opportunity for more people with disabilities to get coverage. Seniors make up about the same portion of Medicaid enrollment in Massachusetts and the nation.

SOURCES: MassHealth Snapshot Report, monthly averages for January 2013 – December 2013; Kaiser Commission on Medicaid and the Uninsured.

MASSHEALTH PLAYS A SIGNIFICANT BUT NOT DISPROPORTIONATE ROLE IN THE COVERAGE OF MASSACHUSETTS RESIDENTS

PERCENTAGE OF POPULATION ENROLLED IN MEDICAID, 2010

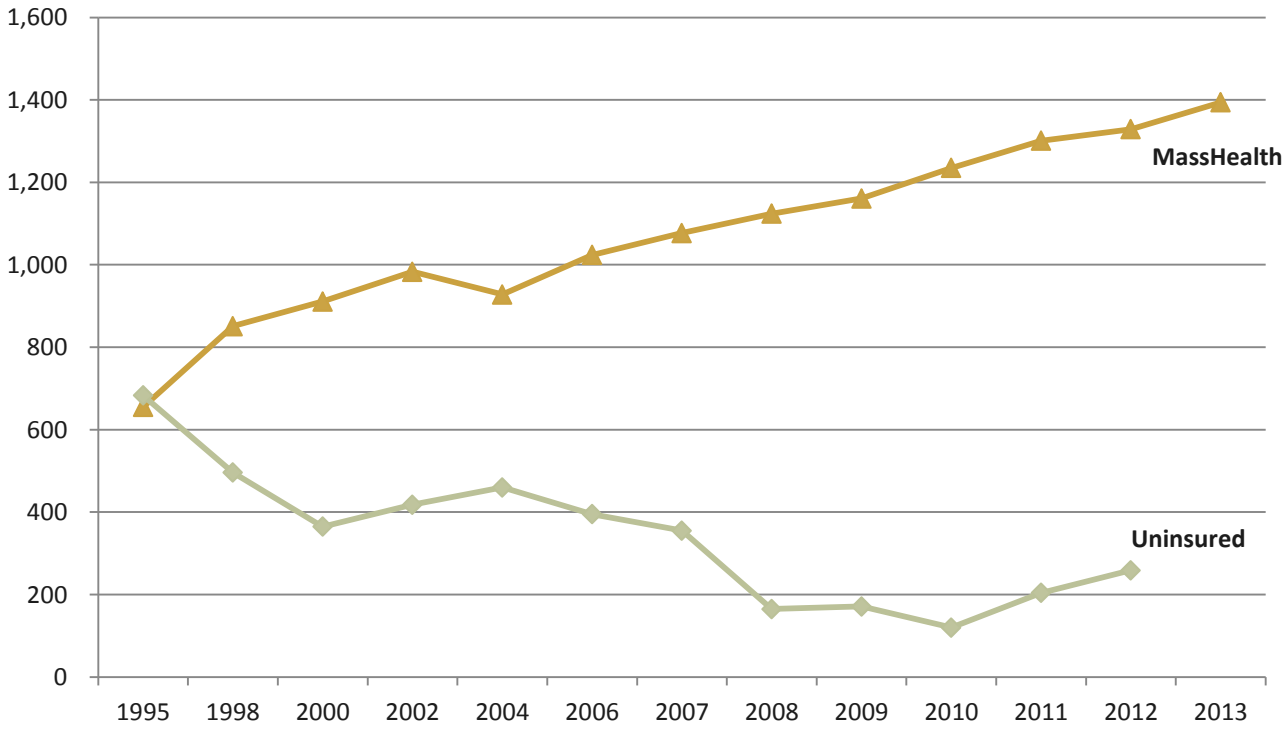


SOURCES: Calculations based on Medicaid enrollment data from Henry J. Kaiser Family Foundation (FY 2010), Statehealthfacts.org; Population estimates from the U.S. Census Bureau, Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2012 (NST-EST2012-01), July 2010 data. Massachusetts data based on MassHealth Snapshot report 7/10.
NOTE: Enrollment estimates differ slightly from previous data as some individuals were categorized incorrectly (Kaiser Family Foundation)

Despite its much lower uninsured rate, higher Medicaid eligibility standards than many other states and successful outreach to ensure those eligible for Medicaid are enrolled, MassHealth does not cover an unusually high percentage of the state population. Massachusetts has relatively high incomes and a high rate of employer-sponsored insurance.

GROWING MASSHEALTH ENROLLMENT HAS ACCOMPANIED THE DECLINE IN THE NUMBER OF UNINSURED

TRENDS IN MASSHEALTH ENROLLMENT AND UNINSURED, 1995-2011
(THOUSANDS)



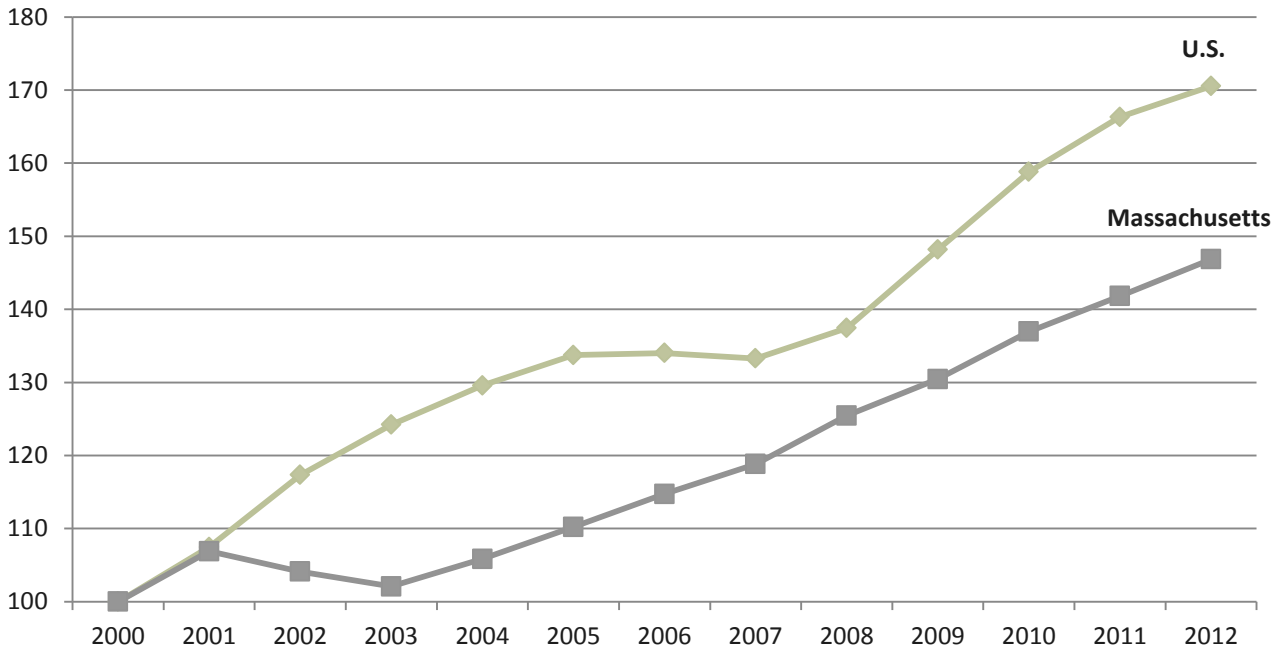
SOURCES: MassHealth figures are from the Office of Medicaid and are monthly averages, except 1998-2002 which are as of June 30. Uninsured numbers for 1998-2011 from the Division of Health Care Finance and Policy, from a survey in that year, and for 2012 from the Center for Health Information and Analysis, from ACS data. 1995 Uninsured numbers from Blendon et al., "Massachusetts Residents Without Health Insurance, 1995," Harvard School of Public Health.

Since the MassHealth waiver began in 1997, MassHealth membership has steadily grown, and the number of Massachusetts residents without insurance steadily declined from 2004-2010. 2011 saw a slight increase in the number of uninsured perhaps due to the unusually low number of uninsured MA residents in 2010. Commonwealth Care, introduced in 2007, has also played a role in recent declines in the number of uninsured.

Most of the recent increase in MassHealth enrollment has been driven by the recession. Enrollment growth in categories of eligibility that were expanded under Massachusetts' health reform law represented only a quarter of overall growth in MassHealth enrollment since implementation of reform.

MEDICAID ENROLLMENT HAS GROWN IN THE PAST DECADE, BOTH NATIONALLY AND IN MASSACHUSETTS

U.S. AND MASSACHUSETTS MEDICAID ENROLLMENT GROWTH INDICIES
(YEAR 2000 = 100)



NOTE: The decline in Massachusetts enrollment in 2003 was due to the changes to the MassHealth Basic program that resulted in the disenrollment of thousands of members (many of whom were later reinstated to the MassHealth Essential program), and the tightening of requirements for the periodic redetermination of eligibility.

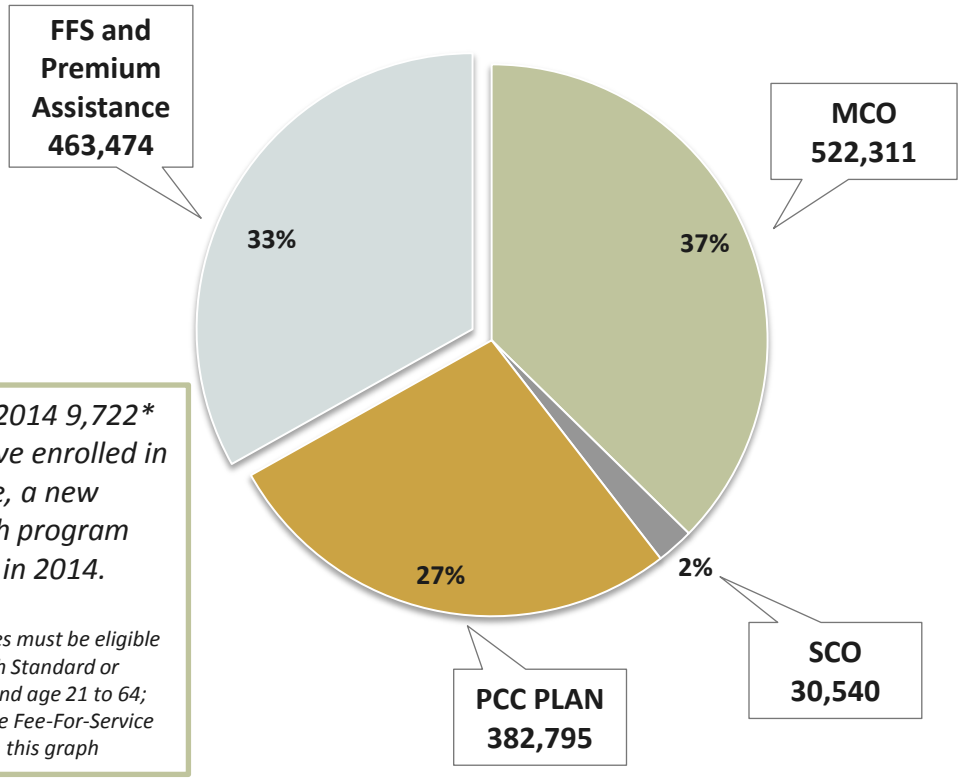
SOURCE: Kaiser Commission on Medicaid and Uninsured, "Medicaid Enrollment: June 2012 Data Snapshot," August 2013. June data for all years.

Medicaid enrollment increased at a similar rate in Massachusetts and the U.S. between 2003 and 2012.

The acceleration in growth in the U.S. since 2008 is due largely to the recession. Enrollment in Massachusetts did not grow as quickly during that period because employer-sponsored insurance did not decline as much as it did in the nation as whole. The trend slowed slightly in the second half of 2010.

MORE THAN THREE IN FIVE MASSHEALTH MEMBERS ARE ENROLLED IN MANAGED CARE

MASSHEALTH ENROLLMENT BY PAYER TYPE, DECEMBER 2013



As of March 2014 9,722 individuals have enrolled in One Care, a new MassHealth program available in 2014.*

** One Care enrollees must be eligible for MassHealth Standard or CommonHealth and age 21 to 64; they are part of the Fee-For-Service (FFS) total in this graph*

SOURCE: MassHealth, December 2013 Snapshot Report.

For persons under age 65, MassHealth offers two options for managed care: enrolling in one of five private managed care organizations (MCOs), or in the MassHealth-administered Primary Care Clinician (PCC) Plan. Individuals under 65 who quality for MassHealth and Medicare may enroll in One Care as a managed care option for individuals with disabilities. Seniors may enroll in managed care via Senior Care Options (SCO). More than three in five Massachusetts residents enrolled in Medicaid have managed care through one of these three options.

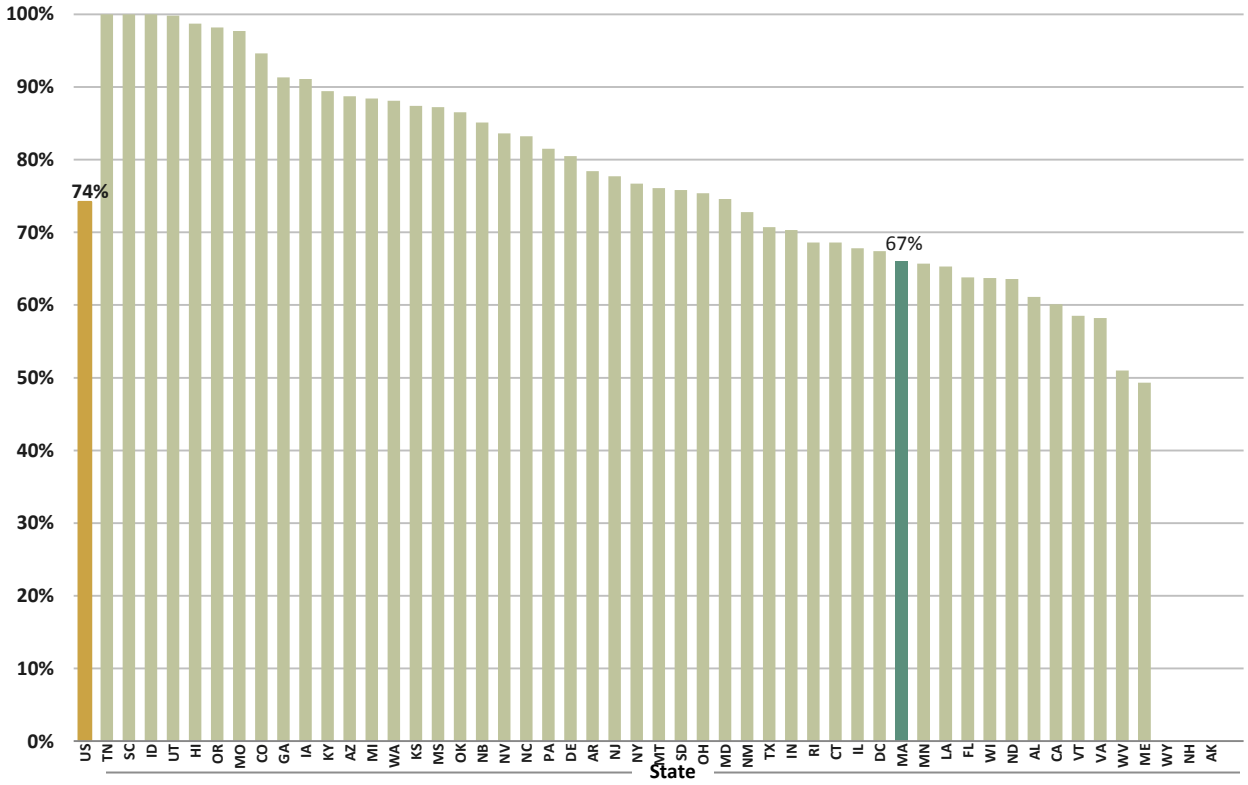
Those in fee for service (FFS) include seniors not enrolled in SCO, people with other coverage as primary (e.g., Medicare or employer sponsored insurance) and people who are institutionalized.

MANAGED CARE: PROGRAM FEATURES

Managed Care Program	Populations Served	Covered Services
Managed Care Organizations (MCO)	MassHealth Standard, Family Assistance & CarePlus members under 65	Medical and Behavioral Health services covered by a capitated payment to health plans. LTSS and dental benefits not included in MCO benefit but available through MassHealth Fee-For-Service
Primary Care Clinician Plan (PCC)	MassHealth Standard and Family Assistance Members under 65	Behavioral Health services covered by capitated payment to behavioral health plan. Medical services, which are not capitated, are managed by primary care clinician and dental and LTSS benefits are available through MassHealth Fee-for-Service
One Care	Ages 21-64 Eligible for MassHealth and Medicare	Full spectrum of services covered by capitated payment to one health plan (includes LTSS, Dental, & Behavioral Health)
Senior Care Options (SCO)	65 + Eligible for MassHealth and Medicare	Full spectrum of services covered by capitated payment to one health plan (includes LTSS, Dental, & Behavioral Health)

MANY OTHER STATES' MEDICAID PROGRAMS RELY MORE THAN MASSACHUSETTS ON MANAGED CARE ARRANGEMENTS

PERCENTAGE OF MEDICAID MEMBERS ENROLLED IN SOME FORM OF MANAGED CARE, 2011



NOTE: Managed care includes managed care organization and primary care case management models. In Massachusetts, managed care includes enrollees in private Managed Care Organizations (MCO), the MassHealth Primary Care Clinician (PCC) program, and the Senior Care Options (SCO) program.

SOURCES: Henry J. Kaiser Family Foundation, Statehealthfacts.org; Massachusetts data from MassHealth Snapshot Report December 2013

Managed care penetration in MassHealth is below the national average for Medicaid programs. "Managed care arrangement" includes primary care case management programs as well as managed care organization contracts and long term managed care contracts.

In MassHealth, members for whom Medicaid is secondary to Medicare or employer-sponsored coverage are not enrolled in managed care (except for a relatively small number of seniors who opt to enroll in the Senior Care Options program and persons with disabilities enrolled with a One Care plan).

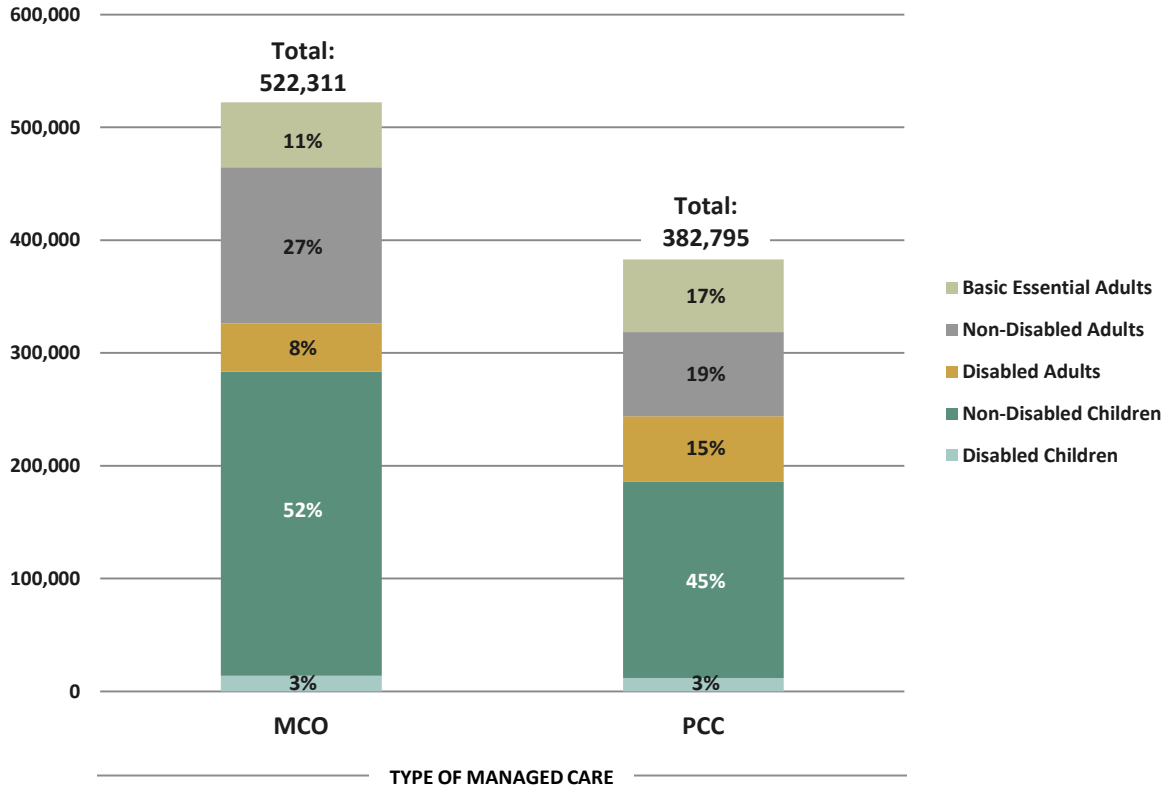
ONE CARE: MASSHEALTH PLUS MEDICARE

In Fall 2013, Massachusetts became the first state to implement a capitated model demonstration project to integrate care and align financing for individuals who are dually eligible for Medicare and MassHealth.

- The demonstration program, known as One Care, is offered by three health plans in the state.
- Covered services include: primary, acute, specialty, behavioral health, prescription medications, dental, vision, and long-term services and supports.
- Interdisciplinary Care Team (ICT) develops a customized care plan with involvement of the enrollee to reflect his or her needs and preferences.
- Eligible participants are those aged 21-64 who have both MassHealth and Medicare and live in one of nine counties covered by a One Care plan.
- As of March 2014 9,722 MassHealth members were enrolled in One Care.

MCOs SERVE A LESS MEDICALLY COMPLEX POPULATION THAN THE PCC PLAN

MASSHEALTH MCO AND PCC PLAN ENROLLMENT BY POPULATION TYPE, DECEMBER 2013



NOTE: Chart shows enrollment for members under age 65.
SOURCE: MassHealth, December 2013 Snapshot Report.

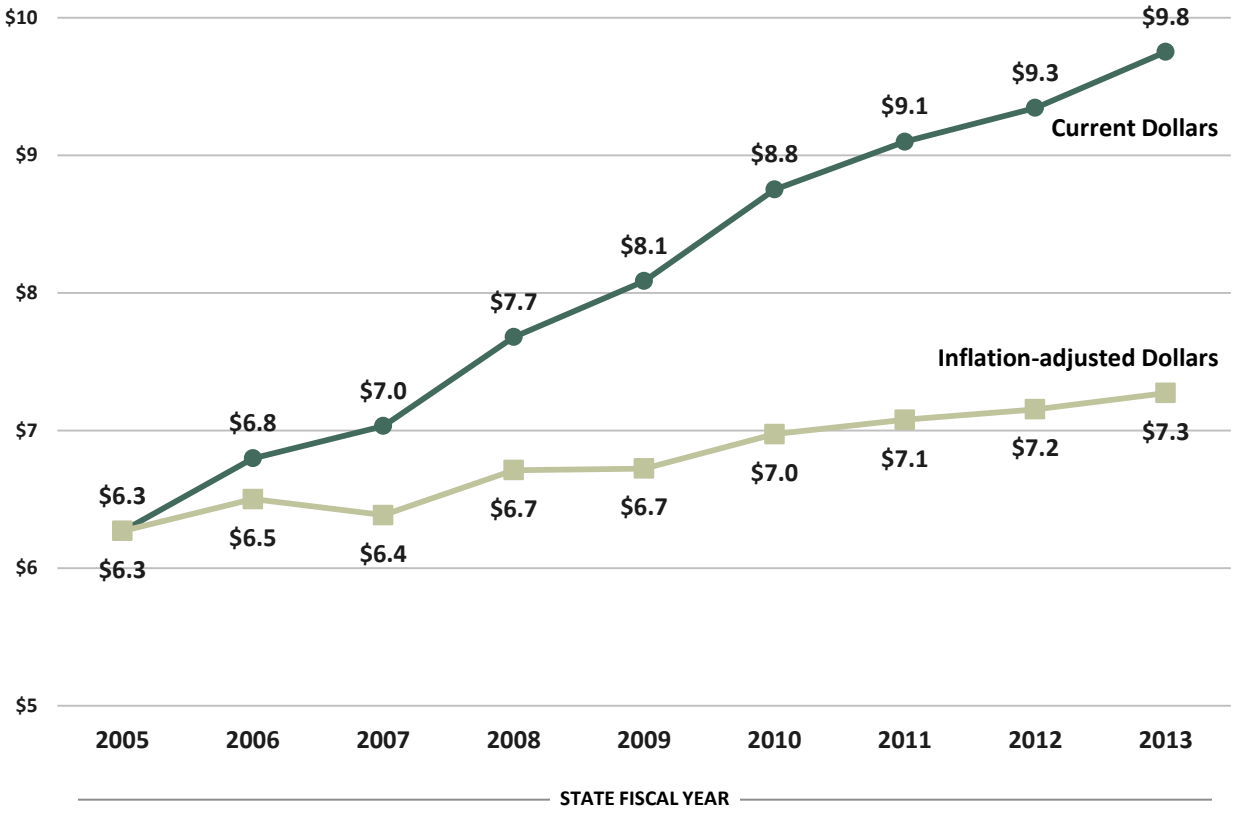
MassHealth members with disabilities and other medically complex care needs are generally more likely to enroll in the Primary Care Clinician (PCC) Plan rather than with an MCO. MCOs serve a less complex population – more than half are non-disabled children and a quarter are non-disabled adults.

The PCC Plan, on the other hand, serves a population with more complex care needs — nearly 20 percent of PCC Plan enrollees are people with disabilities and 17 percent are long term unemployed (Basic/Essential) who are more likely to have behavioral health needs.

With the introduction of CarePlus in 2014, enrollment in MCOs will likely increase as all newly eligible members under the ACA will be enrolled in MCOs through CarePlus.

NOMINAL MASSHEALTH SPENDING HAS GROWN BY MORE THAN HALF SINCE 2005; WHEN ADJUSTED FOR MEDICAL INFLATION SPENDING HAS GROWN ON AVERAGE 2% ANNUALLY

MASSHEALTH SPENDING, SFY 2005-2013
(BILLIONS OF DOLLARS)

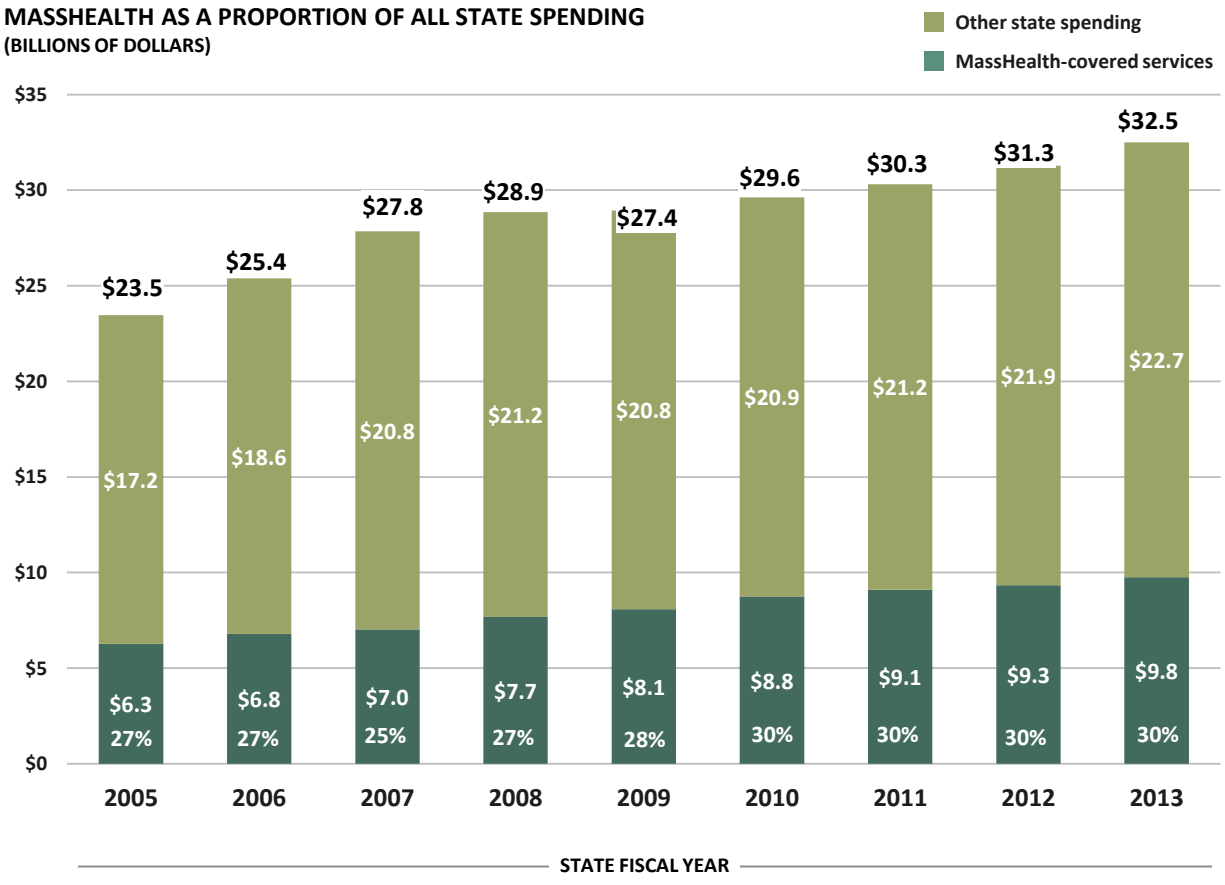


SOURCE: MassHealth Budget Office. Inflation adjustment uses the Medical Consumer Price Index for the Boston area, from the Bureau of Labor Statistics .

MassHealth spending has increased in nominal terms from $6.3 billion in state fiscal year (SFY) 2005 to $9.8 billion in SFY 2013. Adjusting for medical inflation, the average annual increase over the eight-year period was approximately 2 percent.

These are “gross” spending amounts, meaning that they include both state and federal revenues; the federal government reimburses Massachusetts for about half of its MassHealth spending.

FEDERAL AND STATE SPENDING ON MASSHEALTH NOW REPRESENTS 30 PERCENT OF THE STATE BUDGET



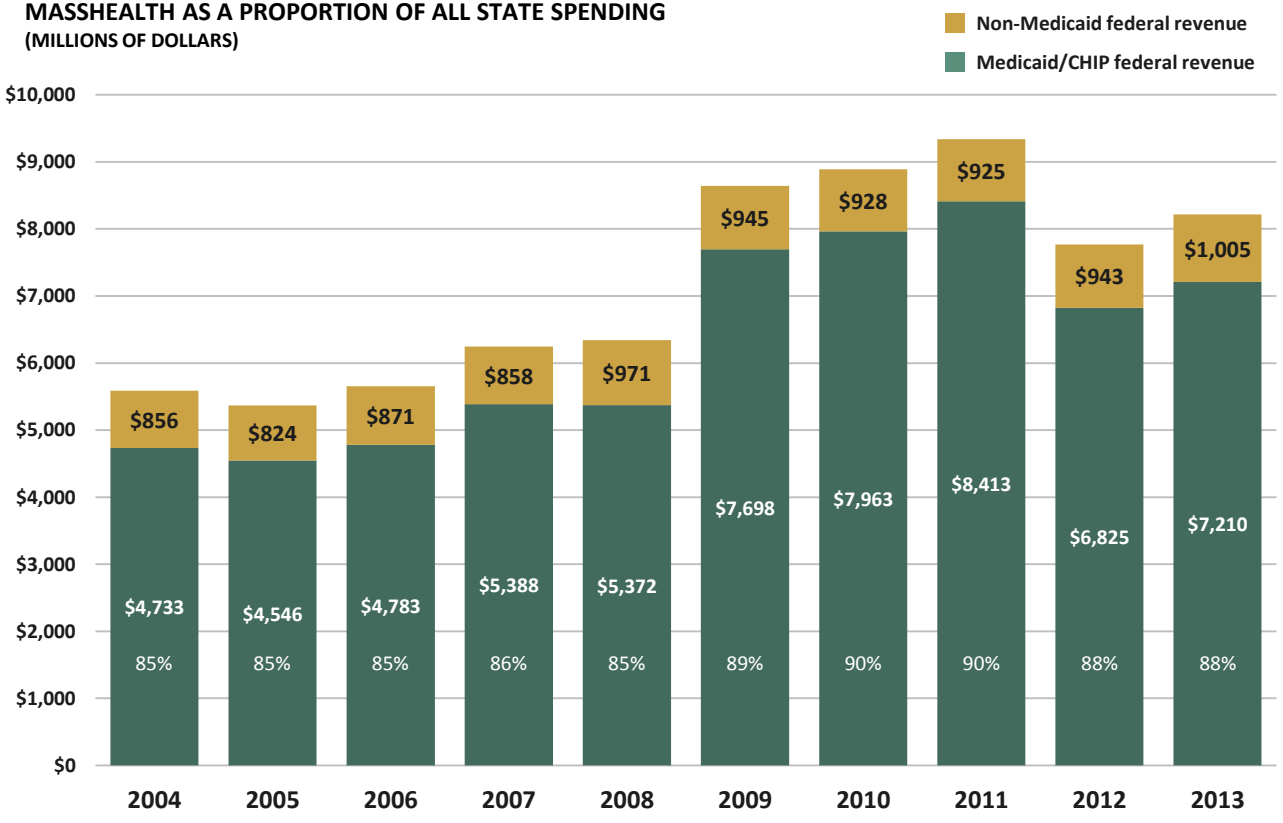
SOURCES: EOHHS (MassHealth data); Office of the Comptroller, Statutory Basis Financial Reports (other state spending).

Spending for MassHealth-covered services remained just over a quarter of all state spending between 2005 and 2008. The economic recession shrank state revenues in 2009 and 2010, which slowed overall state spending, and swelled Medicaid enrollment, thus increasing Medicaid spending to 30 percent of the budget.

The federal government reimburses the state's general fund for more than half of its spending on MassHealth (not shown in chart). In 2009 and 2010, the match was enhanced further by federal stimulus spending.

MEDICAID IS THE MAIN SOURCE OF FEDERAL REVENUES TO MASSACHUSETTS

MASSHEALTH AS A PROPORTION OF ALL STATE SPENDING
(MILLIONS OF DOLLARS)



SOURCE: Massachusetts Budget and Policy Center

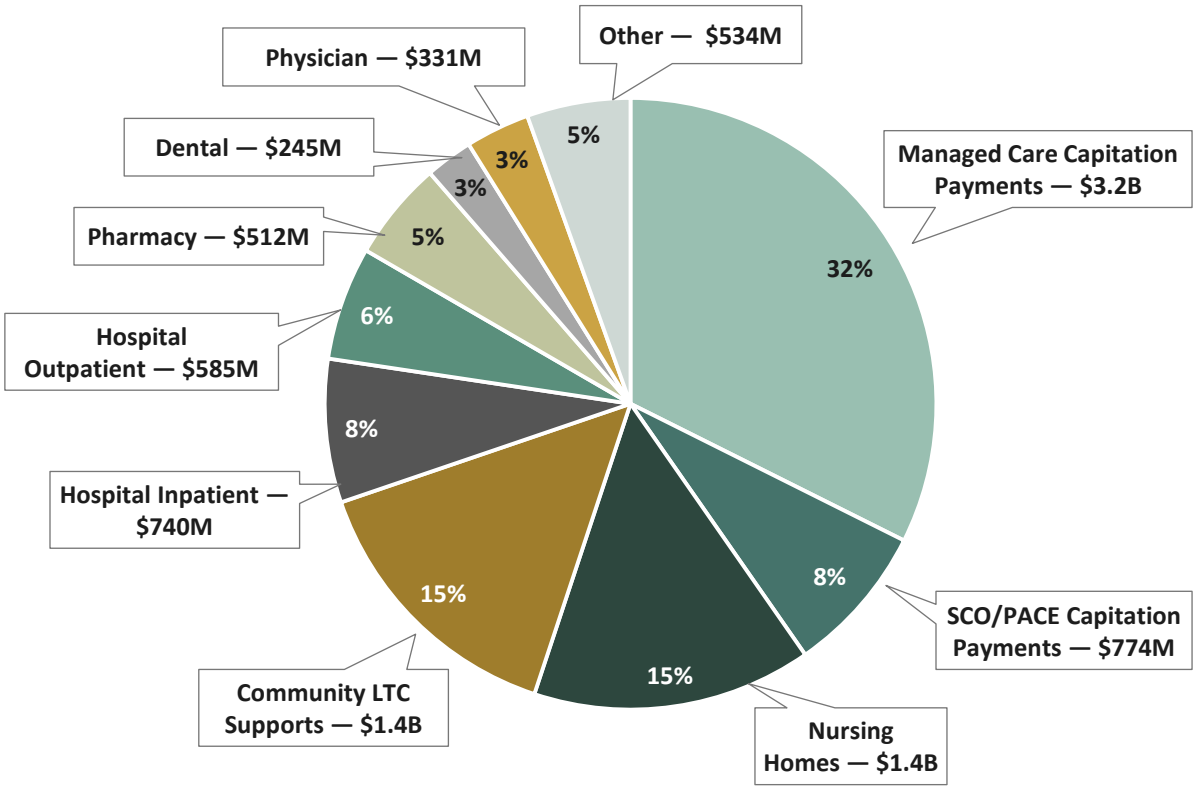
The federal government reimburses the Commonwealth for 50 percent of most Medicaid expenditures and 65 percent of CHIP expenditures.

"Medicaid" in this context is broader than that on the previous slide and includes not only MassHealth, but also Commonwealth Care, additional MassHealth Waiver spending and spending on a number of programs and facilities administered by the Departments of Developmental Services, Mental Health and Public Health which serve people eligible for MassHealth.

In SFY 2013, Medicaid accounted for nearly 90 percent of all federal revenue received by the state.

MASSHEALTH SPENDING BY SERVICE TYPE IN STATE FISCAL YEAR 2013

TOTAL MASSHEALTH SPENDING = $9.8B



NOTE: "Other" includes Transportation , community health centers, and smaller amounts of spending on rest homes, vision care, EI/Chapter 766, hearing care, group practice organization, family planning clinics, renal dialysis clinics, ambulatory surgery center, eye glasses, DME/Oxygen, imaging/radiation centers, certified independent labs, psychologists, mental health clinics, psychiatric day treatment, substance abuse services, and Medicare crossover payments.
SOURCE: MassHealth Budget Office.

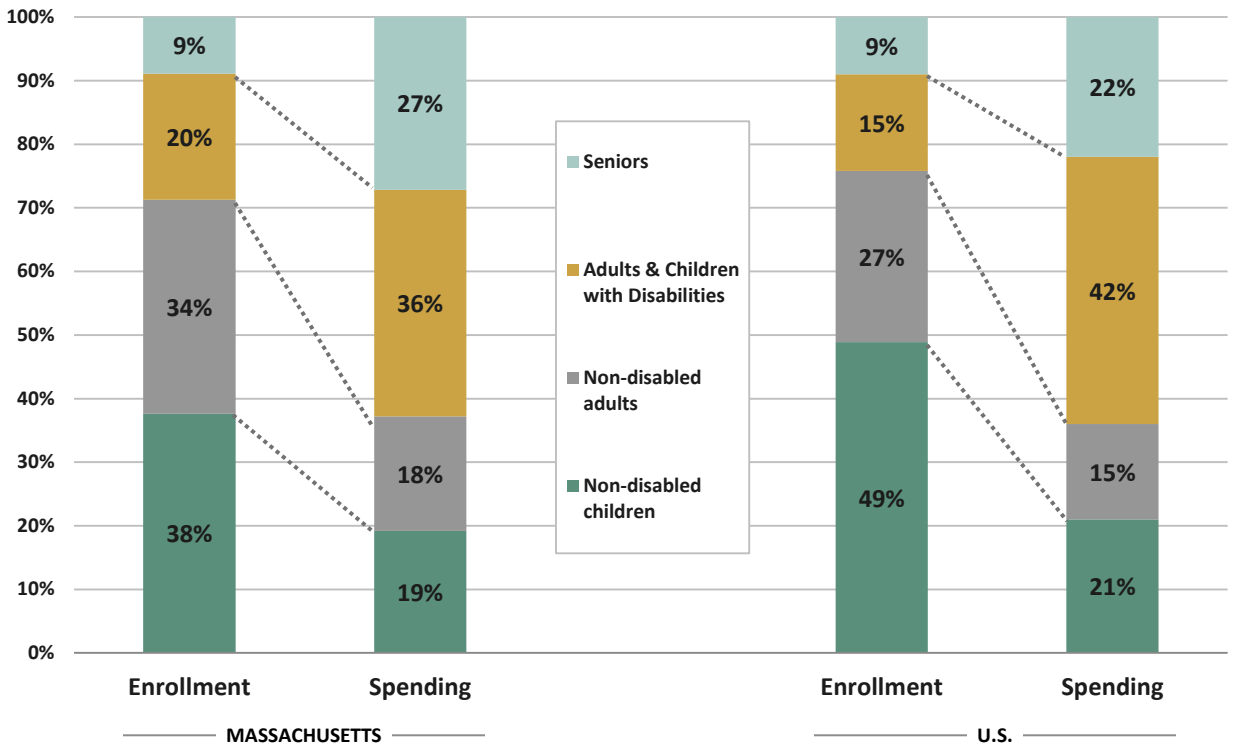
MassHealth spent $9.8B on services for its members in State Fiscal Year 2013. More than a third of spending was capitation payments to managed care organizations (MCO) and the PCC Plan's behavioral health carve out vendor (32 percent), or to senior care options (SCO) plans (8 percent). Roughly 66 percent of MassHealth members are enrolled in one of these three plans.

Nursing home payments accounted for 15 percent of spending, though only 2-3 percent of MassHealth members reside in nursing homes. Community-based long-term care supports (e.g., personal care attendants, home health aides, adult foster care) accounted for another 15 percent.

Hospital care was about 14 percent of spending, divided between inpatient (8 percent) and outpatient (6 percent) services.

MOST MEDICAID DOLLARS ARE SPENT ON SERVICES FOR A MINORITY OF MEMBERS

DISTRIBUTION OF MASSHEALTH AND US AVERAGE MEDICAID ENROLLMENT AND SPENDING BY VARIOUS POPULATIONS

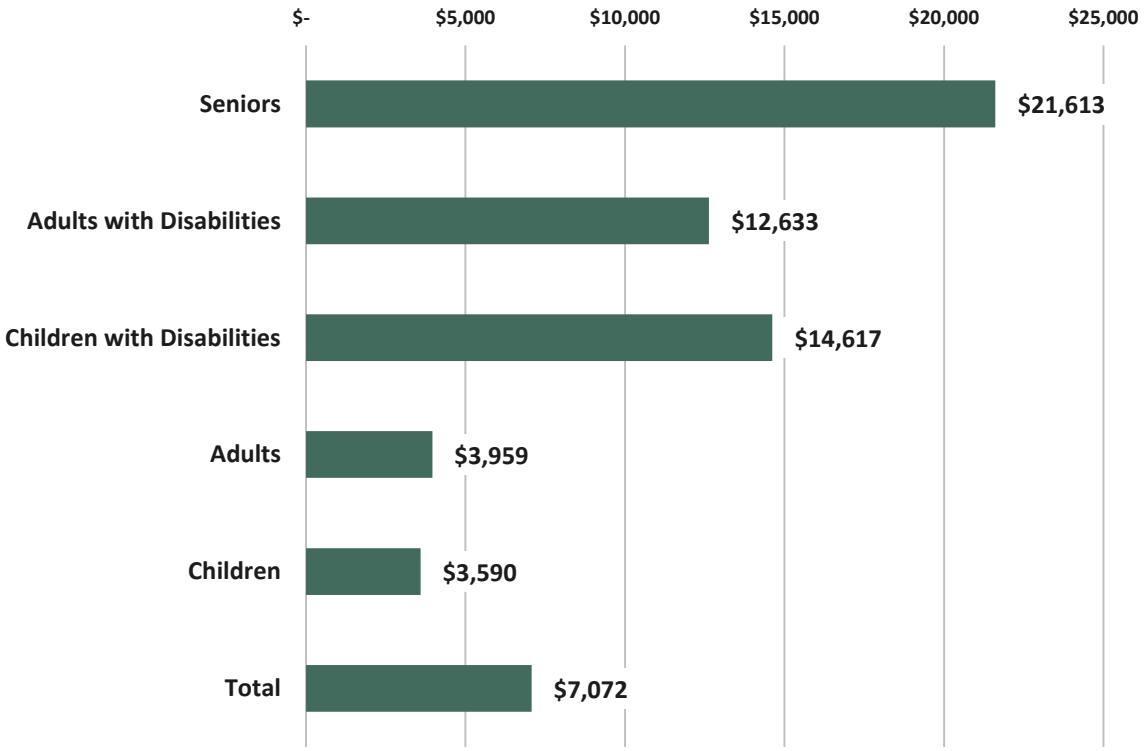


SOURCES: MassHealth Budget Unit, SFY 2013 data; Kaiser Commission on Medicaid and the Uninsured, FFY 2010 data.

MassHealth spending is not spread evenly across the various categories of beneficiaries. Nearly two-thirds of benefit spending in SFY 2013 was for services to people with disabilities and seniors, though these groups comprised less than a third of MassHealth membership. The same general pattern holds for Medicaid spending nationally.

MASSHEALTH SPENDING PER ENROLLEE IS FOCUSED ON SERVICES FOR SENIORS AND THE DISABLED

MEDICAID PAYMENTS PER ENROLLEE PER YEAR, FY 2013



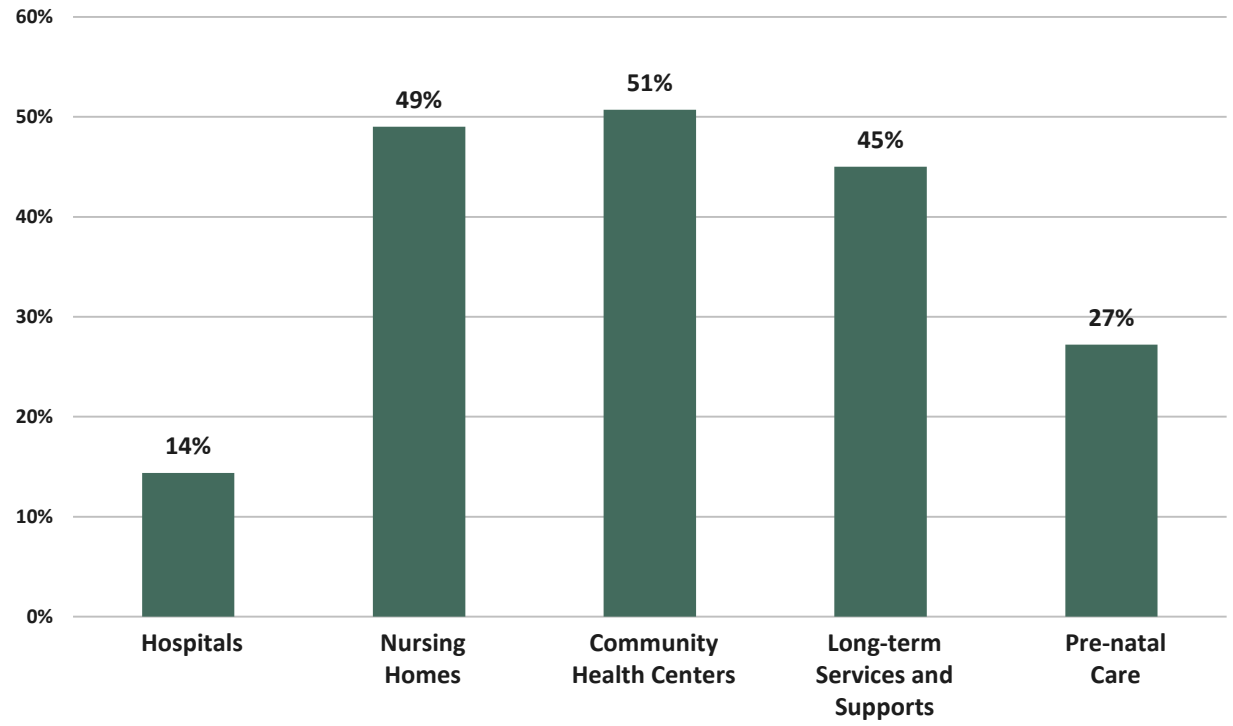
SOURCES: Calculations based on total spending form the MassHealth Budget Office, and average membership for July 2012 – June 2013 from the MassHealth Snapshot Report.

Seniors account for the highest level of MassHealth spending per member per year. Though seniors make up only 9 percent of MassHealth enrollment, approximately 15 percent of MassHealth spending is on nursing home services, which are predominantly used by seniors. Another 15 percent of spending is on long term services and supports (LTSS) accessed by seniors and members with disabilities.

The cost per enrollee per year represents the total cost to MassHealth including capitation payments and fee for service spending, divided by the average membership during the year.

MASSHEALTH SPENDING IS IMPORTANT TO MANY TYPES OF PROVIDERS

MASSHEALTH REVENUE AS A PERCENTAGE OF PROVIDERS' TOTAL PATIENT REVENUES



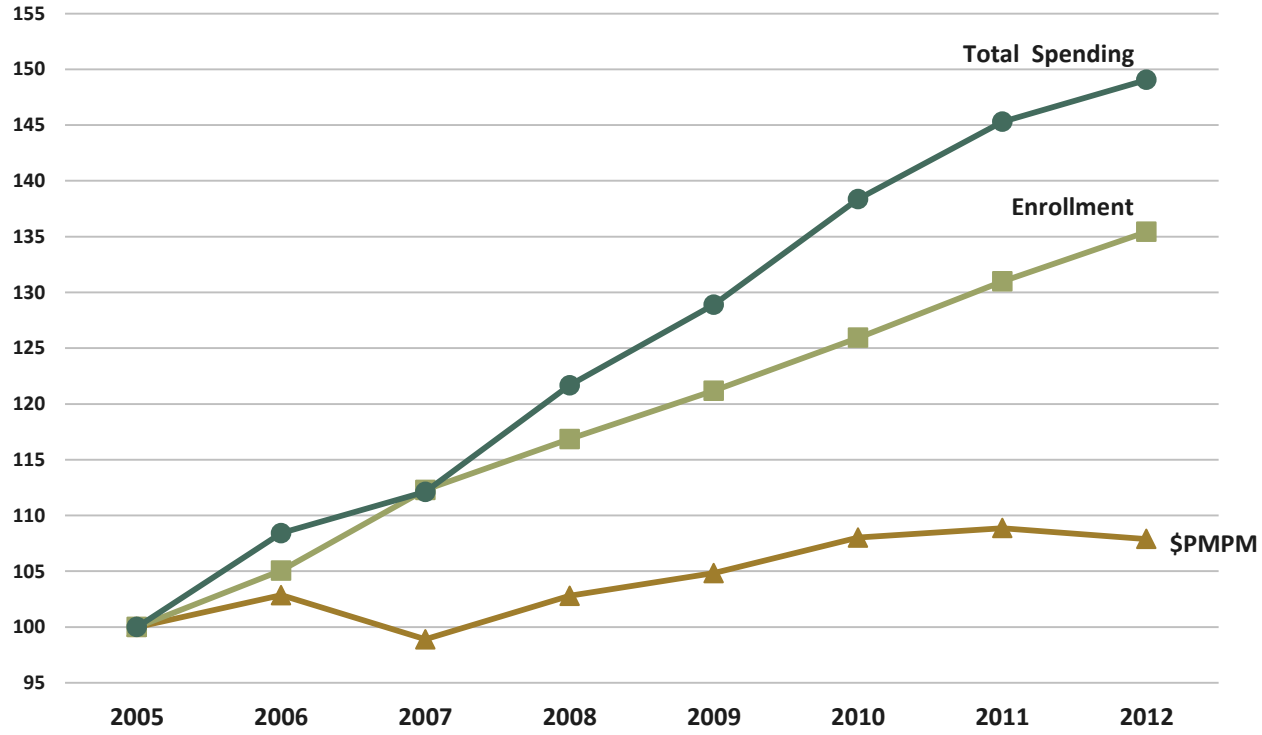
SOURCES: Center for Health Information and Analysis, 403 Cost Reports (Acute Hospitals, data from FY2012); Massachusetts Senior Care Association (Nursing Homes – data from CY 2012); Health Resources and Services Administration, Bureau of Primary Health Care, Uniform Data System Report (CHCs – data from Federal FY 2012); "Securing the Future: Report of the Massachusetts Long-Term Care Financing Advisory Committee," November 2010 (LTSS – data from Calendar Year 2005); Mass. DPH, Massachusetts Births 2010 (Pre-natal Care – data from Calendar Year 2010), March 2013.

MassHealth represents a significant portion of health care providers' revenues. This is especially the case for nursing homes and community health centers, which receive half of their total patient revenues from MassHealth.

In addition, MassHealth covers more than a quarter of all pre-natal care, which is provided by a mix of providers.

ENROLLMENT HAS DRIVEN GROWTH IN MASSHEALTH SPENDING IN RECENT YEARS

GROWTH IN MASSHEALTH TOTAL SPENDING, ENROLLMENT AND PER MEMBER PER MONTH (PMPM) COSTS
(YEAR 2005 = 100)

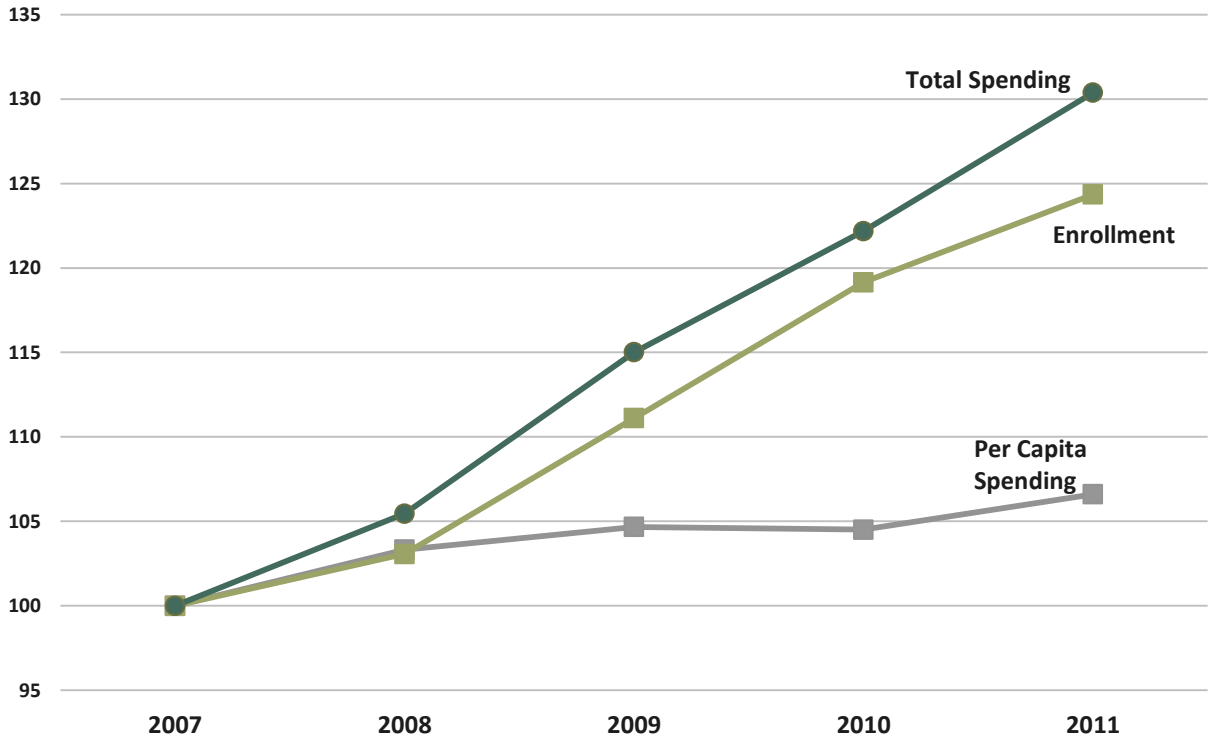


SOURCES: EOHHS (total spending and enrollment) and authors' calculations.

The increasing number of MassHealth members, as opposed to the amount spent for each member, has been the greatest driver of MassHealth spending over the last several years. Spending per member increased an average of just 1.1 percent per year from fiscal year 2005 through 2012, while enrollment grew an average of 4.4 percent per year over the same time period.

NATIONALLY, ENROLLMENT HAS BEEN THE DOMINANT DRIVER OF MEDICAID SPENDING GROWTH IN RECENT YEARS AS WELL

GROWTH IN MEDICAID TOTAL SPENDING, ENROLLMENT AND PER CAPITA SPENDING
(YEAR 2007 = 100)

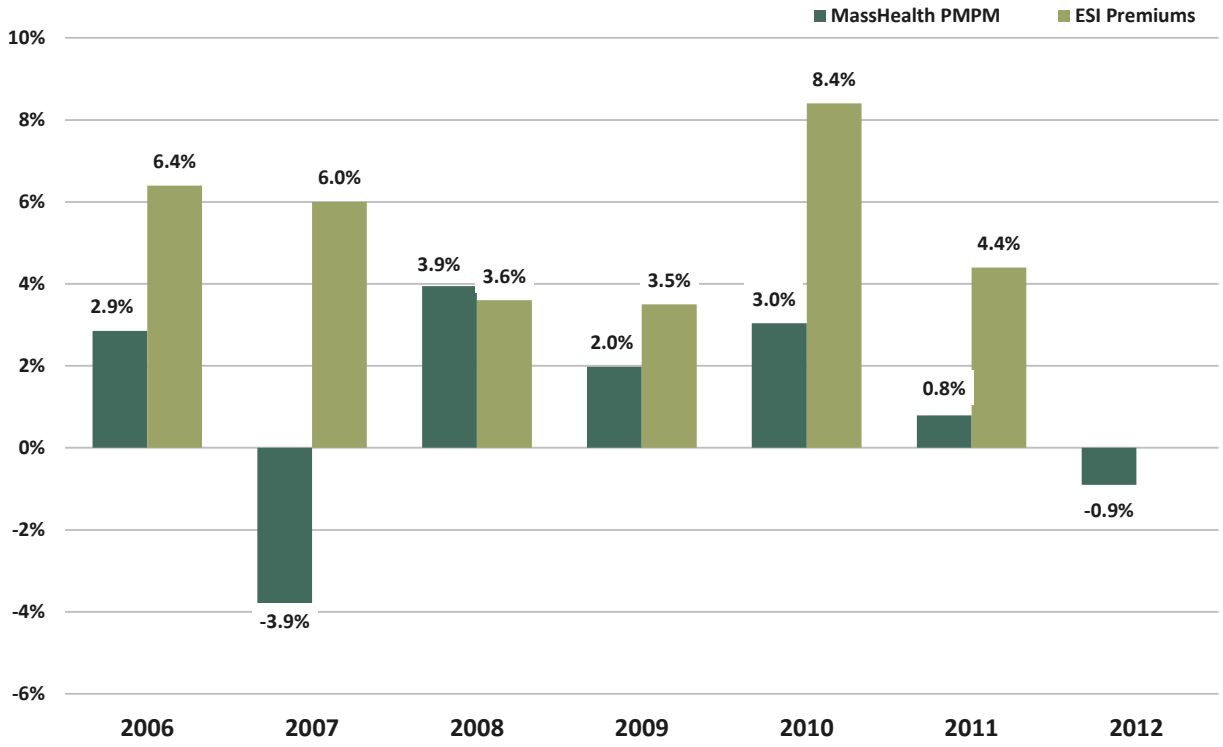


SOURCES: Young et al., "Enrollment-Driven Expenditure Growth: Medicaid Spending during the Economic Downturn, FFY2007-2011." Kaiser Commission on Medicaid and the Uninsured #8309, April 2013.

With the onset of the recession in 2007 and 2008, enrollment grew rapidly, fueling increased Medicaid spending across the nation. Spending per enrollee was relatively flat during this period.

MASSHEALTH SPENDING PER CAPITA HAS GROWN MORE SLOWLY THAN PRIVATE HEALTH INSURANCE PREMIUMS

CHANGES IN MASSHEALTH PER MEMBER PER MONTH (PMPM) SPENDING AND PREMIUMS FOR EMPLOYER-SPONSORED INDIVIDUAL INSURANCE



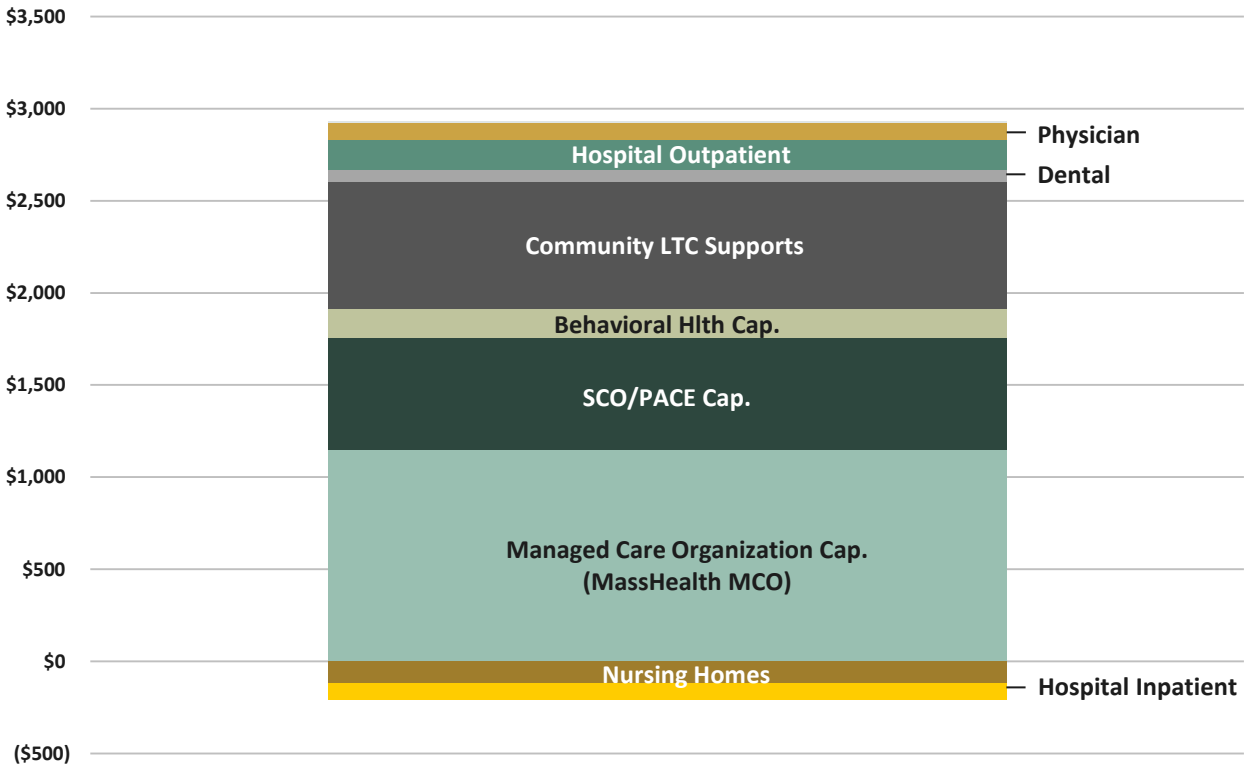
SOURCES: MassHealth; Division of Health Care Finance and Policy, Massachusetts Employer Survey 2011
The employer survey was conducted in 2005, 2007, 2009, 2010 and 2011. Annual percentage increases are derived by imputing premiums for 2006 and 2008 using the midpoint of the two-year interval. ESI premium trends are for small and large employers.

Spending per member for MassHealth has increased at a slower pace than premiums for employer-sponsored insurance (ESI). The decline in spending in 2007 was attributable in part to the introduction of the Medicare Prescription Drug ("Part D") program, which removed a significant portion of MassHealth's spending on pharmaceuticals.

Employers are able to contain premium growth by reducing benefits and increasing employee cost sharing (deductibles and co-payments). Federal rules give MassHealth very limited latitude with cost sharing, but it does have the ability to hold down provider rates, which can limit spending growth. Some providers and commercial plans argue that reductions in Medicaid provider rates result in their needing to shift costs to private payers to make up for Medicaid losses.

WHICH SERVICES CONTRIBUTED TO RECENT INCREASES IN MASSHEALTH SPENDING?

CHANGE IN MASSHEALTH SPENDING SFY07-13
($ MILLIONS)



SOURCE: MassHealth Budget Office

From SFY 2007 through 2013, community-based long-term care grew rapidly, during a period when utilization of long-term care services has shifted away from facilities and toward services provided in the community.

Capitation fees to MassHealth MCOs were the largest part of the increase in spending. This was mainly due to increases in MassHealth MCO enrollment over this period. Data on which services MCOs spent capitation payments were not made available.

Capitation payments for the SCO and PACE programs for the elderly also grew substantially as result of increasing enrollment in those programs.

Pharmacy spending did not increase over these 6 years, physician and dental spending grew only slightly, and spending on nursing homes and hospital inpatient services declined.

PRIMARY CARE PAYMENT REFORM INITIATIVE (PCPRI)

- Chapter 224 calls on MassHealth to swiftly transition its members to Alternative Payment Methods (APM) other than fee-for-service, by requiring that 25 percent of members participate in APMs by July 2013, 50 percent by July 2014 and 80 percent by July 2015.
- MassHealth has developed PCPRI, an APM that allows primary care providers to assume accountability for the cost and quality of care through a patient-centered medical home and uses a risk-adjusted, per member per month payment, a quality incentive payment and a shared savings/risk payment.
- The delivery model includes care management and care coordination, enhanced access to primary care, coordination with community and public health resources, integration with behavioral health, and population health management.

SOURCE: MassHealth

CONCLUSIONS

- MassHealth offers strong support to people who have no other source of health insurance and provides coverage for services and cost sharing not covered by other insurance (Medicare and employer sponsored insurance) for low-income residents.
- As result of opportunities allowable through the Affordable Care Act, MassHealth is undertaking several health care reform initiatives to transform the way care is delivered and paid for.
- Spending in the program has grown, driven mainly by increases in enrollment due in large part to the economic downturn. Per capita spending has only grown by an average of 1.1 percent per year in the past 7 years.
- MassHealth offers eligibility to a broader segment of its population than many other states' Medicaid programs. In particular, more people with disabilities qualify through the CommonHealth program, which offers benefits that are not generally available through employers or Medicare.
- MassHealth spending trends reflect policy toward providing more care in community-based settings and less in facilities or inpatient settings.