MassHealth: Dispelling Myths & Preserving Progress

Massachusetts Health Policy Forum
June 5, 2002

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Successes of MassHealth

- Program serves most vulnerable
- State’s deliberate efforts to expand health coverage have been very successful
- Expansions are a major reason for relatively low rate of uninsured in Massachusetts
  - 3% for children vs. 12% in US
  - ~6% for adults vs. 16% in US
- Program is essential source of payment for many providers, particularly the safety net
MassHealth Enrollment Has Grown by Over 300,000 since FY97
**MassHealth Spending: FY 1996-2003p**

*Excludes disproportionate share hospital payments.

**Source:** Mass. Taxpayers Foundation

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</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$1,476.7</td>
<td>$1,543.9</td>
<td>$1,657.5</td>
<td>$1,603.9</td>
<td>$1,819.9</td>
<td>$2,043.4</td>
<td>$2,140.4</td>
<td>$2,465.6</td>
<td>$2,769.9</td>
</tr>
<tr>
<td>Federal</td>
<td>$2,026.6</td>
<td>$1,980.6</td>
<td>$1,939.3</td>
<td>$2,172.8</td>
<td>$2,155.3</td>
<td>$2,347.0</td>
<td>$2,623.8</td>
<td>$2,910.2</td>
<td>$3,182.1</td>
</tr>
<tr>
<td>Total Medicaid</td>
<td>$3,503.3</td>
<td>$3,524.5</td>
<td>$3,596.8</td>
<td>$3,776.7</td>
<td>$3,975.2</td>
<td>$4,390.4</td>
<td>$4,764.2</td>
<td>$5,375.8</td>
<td>$5,952.0</td>
</tr>
</tbody>
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Less Than Half of MassHealth Spending is Paid by the State

Source: MTF and DMA slides
MassHealth Is A Growing Share of the State’s Budget, Both In Total and in Terms of the State Share of Spending

Source: MTF, 2002e based on governor’s supplemental requests to date; 2003p Medicaid based on House 1, total budget based on MTF projection of 3% growth over 2001.

Massachusetts Health Policy Forum, 2002
The State’s Share of MassHealth Spending is Not Out of Line With Spending for Other Important Priorities, Such as Education and Benefits for State Employees

Source: Mass. Taxpayers Foundation

Spending in FY 2001 (Dollars in Millions)

Source: Mass. Taxpayers Foundation
Most MassHealth Spending Is For A Relatively Small Proportion of Members, Most of Whom are Elderly or Disabled

Enrollees

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Families</td>
<td>62%</td>
</tr>
<tr>
<td>Disabled</td>
<td>20%</td>
</tr>
<tr>
<td>Seniors</td>
<td>12%</td>
</tr>
<tr>
<td>LT Unemployed</td>
<td>7%</td>
</tr>
</tbody>
</table>

Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Families</td>
<td>24%</td>
</tr>
<tr>
<td>Disabled</td>
<td>34%</td>
</tr>
<tr>
<td>Seniors</td>
<td>37%</td>
</tr>
<tr>
<td>LT Unemployed</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Division of Medical Assistance, enrollment as of 6/30/01 and FY 2001 estimated expenditures.
Services Provided to Elderly and Disabled Members Are Much More Expensive Than Those Provided to Families and Long-Term Unemployed Adults

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditures Per Member: FY 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elderly</td>
<td>$17,515</td>
</tr>
<tr>
<td>Disabled</td>
<td>$8,723</td>
</tr>
<tr>
<td>Long Term Unemployed</td>
<td>$3,460</td>
</tr>
<tr>
<td>Families</td>
<td>$2,743</td>
</tr>
<tr>
<td>All Members</td>
<td>$5,195</td>
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</tbody>
</table>

Source: DMA

Massachusetts Health Policy Forum, 2002
Explaining The Trends in MassHealth Spending
Increased Membership Explains 55% of the Increase in Expenditures, and Cost Per Member Accounts for 45% FY98-01
Expansion Accounts for 11% of Total MassHealth Costs in FY01 and 33% of Increases from FY97-02

Medicaid Expenditures: Expansion and Non-Expansion Populations
($ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Expansion</th>
<th>Non-expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$166</td>
<td>$3,570</td>
</tr>
<tr>
<td>1998</td>
<td>$322</td>
<td>$3,608</td>
</tr>
<tr>
<td>1999</td>
<td>$436</td>
<td>$3,652</td>
</tr>
<tr>
<td>2000</td>
<td>$547</td>
<td>$3,982</td>
</tr>
<tr>
<td>2001</td>
<td>$629</td>
<td>$4,236</td>
</tr>
<tr>
<td>2002 est</td>
<td></td>
<td>$4,747</td>
</tr>
</tbody>
</table>

Source: Massachusetts Taxpayers Foundation. 2002.
Uncompensated Care Costs Went Down During the Initial Period of MassHealth Expansion ($ millions)

Source: DHCFP

Massachusetts Health Policy Forum, 2002
Distribution of MassHealth Fee for Service Payments, FY 01

- Long Term Care Facilities: 37.5%
- Community Based Care: 12.1%
- Acute Care Hospitals: 16.3%
- Pharmacy: 18.8%
- Ancillary/Support Services: 3.5%
- Medicare Crossover Payment: 5.0%
- Professional Services: 6.8%
Total Spending on Pharmacy is Growing Twice as Fast as Spending for Any Other Service

Average Annual Percent Increases in Total Spending*, FY98 – FY01

- Total: 8.9%
- Long Term Care Facilities: 3.6%
- Medicare Crossover Payments: 4.5%
- Professional Services: 9.6%
- Ancillary/Support Services: 10.3%
- Community Based Care: 11.6%
- Acute Care Hospitals: 11.8%
- Pharmacy: 19.9%

*Total spending reflect the effect of changes in membership, member mix, utilization and rates of payment
Causes of PMPM Cost Increases Vary by Group

<table>
<thead>
<tr>
<th>Enrollment Group</th>
<th>Pharmacy</th>
<th>Acute Hospital</th>
<th>Comm LTC</th>
<th>Non Disabled Children and</th>
<th>Disabled Adults and</th>
<th>Seniors</th>
<th>LT Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20%</td>
<td>25%</td>
<td>-1%</td>
<td>20%</td>
<td>51%</td>
<td>51%</td>
<td>-0.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9%</td>
<td>-2%</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13%</td>
<td>44%</td>
<td>-0.6%</td>
</tr>
</tbody>
</table>

Percent Contribution of Three Services to PMPM Expense Increases by Enrollment Group, FY98 - FY01

Massachusetts Health Policy Forum, 2002
Cost per Prescription is Driving Pharmacy Costs PMPM

% Change from FY00 – FY01

<table>
<thead>
<tr>
<th></th>
<th>Disabled Adults and Children</th>
<th>Non-Disabled Adults and Children</th>
<th>Seniors</th>
<th>Basic</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change in Total Pharmacy Cost PMPM</td>
<td>12.3%</td>
<td>13.8%</td>
<td>11.3%</td>
<td>9.0%</td>
</tr>
<tr>
<td>% Change in Cost/Script</td>
<td>6.8%</td>
<td>10.0%</td>
<td>7.7%</td>
<td>6.5%</td>
</tr>
<tr>
<td>% Change in Scripts/Member</td>
<td>5.2%</td>
<td>3.4%</td>
<td>3.3%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: DMA, FY00 – FY01 Change, Data through 3/30/02
Putting MassHealth in Perspective
Recent MassHealth Spending Growth is Lower than Trends for Private Health Insurance Premiums

MassHealth FY 2001 PMPM Growth Compared to Average Premium Growth

Source: DMA; Division of Health Care Finance and Policy, 2001 Employer Health Insurance Survey; Kaiser Family Foundation, Trends and Indicators in the Changing Health Insurance Marketplace, 2002.
Administrative Costs for MassHealth Are Far Lower Than For Commercial Health Plans

Administrative Costs as a Percent of Expenditures, 2001

Source: DMA and health plan 2001 financial reports. MassHealth includes administrative costs included in contracts with managed care plans and contract with UMass Medical School.
The Percent of Massachusetts State Expenditures Going to the Medicaid Budget is Average Compared to Peer States

Total Medicaid Expenditures as a Percent of Total State Expenditures, FY01

Source: National Association of State Budget Officers

Massachusetts Health Policy Forum, 2002
MassHealth Income Standards Are Generally Consistent With, And In Many Cases More Stringent, Than Those in Peer States

How Much Can A Working Parent with Two Children Earn and Still Be Eligible for Support?

Average Medicaid Expenditure Per Member, FY98

State
- MA
- CA
- CO
- CT
- DE
- IL
- MD
- MN
- NH
- NJ
- NY
- WA
- US

Average expenditure

CMS *A Profile of Medicaid: 2000. Figures exclude DSH
A Larger Proportion of MassHealth Members are Elderly, Disabled and/or in Nursing Homes Than in Other States

<table>
<thead>
<tr>
<th>Indicator</th>
<th>MA Rank of 13 states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Spending Per Member</td>
<td>#4</td>
</tr>
<tr>
<td>Medicaid Spending Per State Population</td>
<td>#2</td>
</tr>
<tr>
<td>Percent of State Population on Medicaid</td>
<td>#3</td>
</tr>
<tr>
<td>Elderly and Disabled as % Medicaid Members</td>
<td>#1</td>
</tr>
<tr>
<td>Percent of state population 65+ On Medicaid</td>
<td>#3</td>
</tr>
<tr>
<td>LTC spending as % total Medicaid spending</td>
<td>#4</td>
</tr>
<tr>
<td>Percent of Medicaid Members in Nursing Homes</td>
<td>#6</td>
</tr>
<tr>
<td>State Health Spending/Capita</td>
<td>#1</td>
</tr>
</tbody>
</table>

Source: Kaiser Family Foundation, State Health Facts
What More Can Be Done?
Broad Program Cuts are Not the Answer

• “Penny wise and pound foolish”
• Impact on UCP
• Loss of federal revenues
• Effect on poorest and most vulnerable
• Need is growing with economic downturn
• Potential consequences for financial condition of many providers
Focus on Major Spending Areas

- Institutional long-term care
  - Senior Care Options
  - Major reform of long-term care financing and delivery
- Prescription Drugs
  - Drug lists, drug price reductions
- Acute care hospital services
  - Care management and disease management
  - Initiatives to encourage community-based care
Other Priorities

• Federal revenue maximization
• Reform of Uncompensated Care Pool
• Longer-term approach to planning and financing MassHealth (e.g., ensure on-going health of Trust Fund)
• On-going mechanism for independent analysis and public discussion of MassHealth