

# FY 2024 BUDGET RECOMMENDATION

## BUDGET BRIEF

*Maura T. Healey, Governor | Kimberley Driscoll, Lt. Governor*

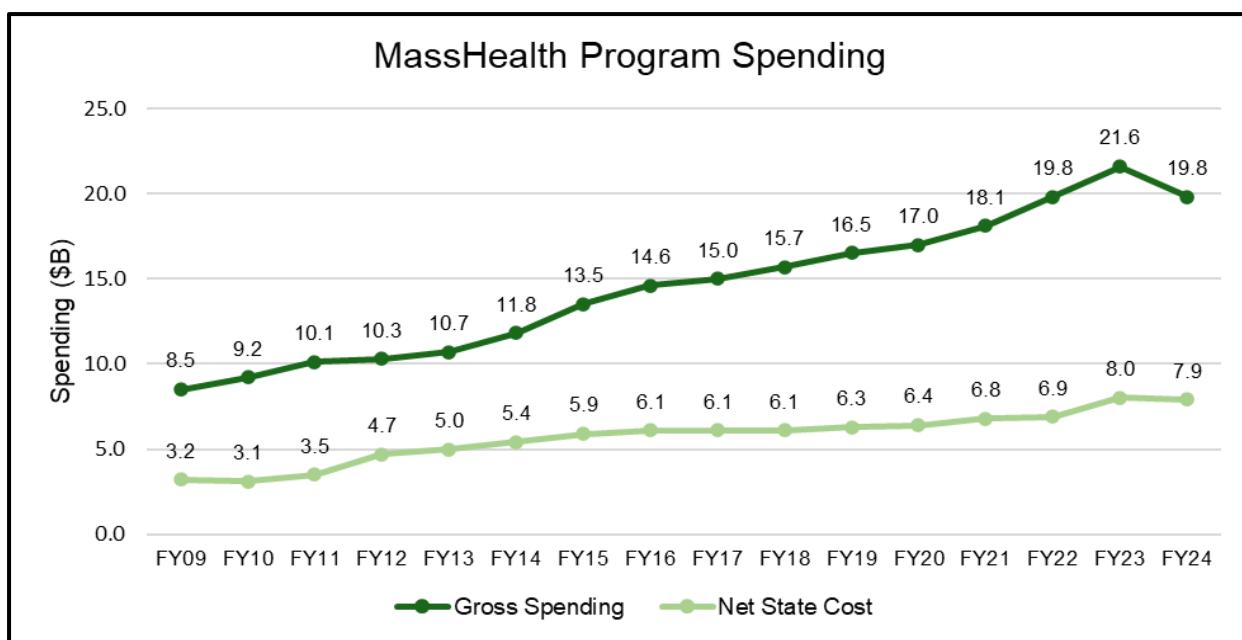
### MassHealth

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#### Introduction

MassHealth provides coverage of health care and related critical services to over 2 million members, including 1.6 million low- and moderate-income families and roughly 500,000 people with disabilities and older adults. MassHealth is the single largest program operated by the Commonwealth, at just over 30% of gross spending. The federal government partially reimburses states for Medicaid services at a rate known as the Federal Medical Assistance Percentage (FMAP). For Massachusetts, the base level of FMAP is 50%.

FY24 H.1 funds MassHealth at \$19.8 billion gross/\$7.9 billion net, a decrease of \$1.9 billion gross/\$254 million net below estimated FY23 spending. This change is driven largely by caseload decline and intentional distribution of funds across fiscal years to mitigate a revenue cliff due to the end of the federal COVID Public Health Emergency (PHE), offset by new investments in key services. The proposed FY24 budget for MassHealth maintains affordable, equitable, and comprehensive health care coverage for members without reducing benefits.



#### Federal Public Health Emergency

At the beginning of the COVID-19 pandemic, as a condition of the Families First Coronavirus Response Act, state Medicaid agencies were given an additional 6.2% increase to their FMAP, expected to last for as long as the federal Public Health Emergency (PHE) was in effect. Tied to this enhanced FMAP (eFMAP), individuals receiving Medicaid would generally not lose coverage unless they voluntarily withdrew, moved out of state, or passed away. This pause is

## ***Budget Brief: MassHealth***

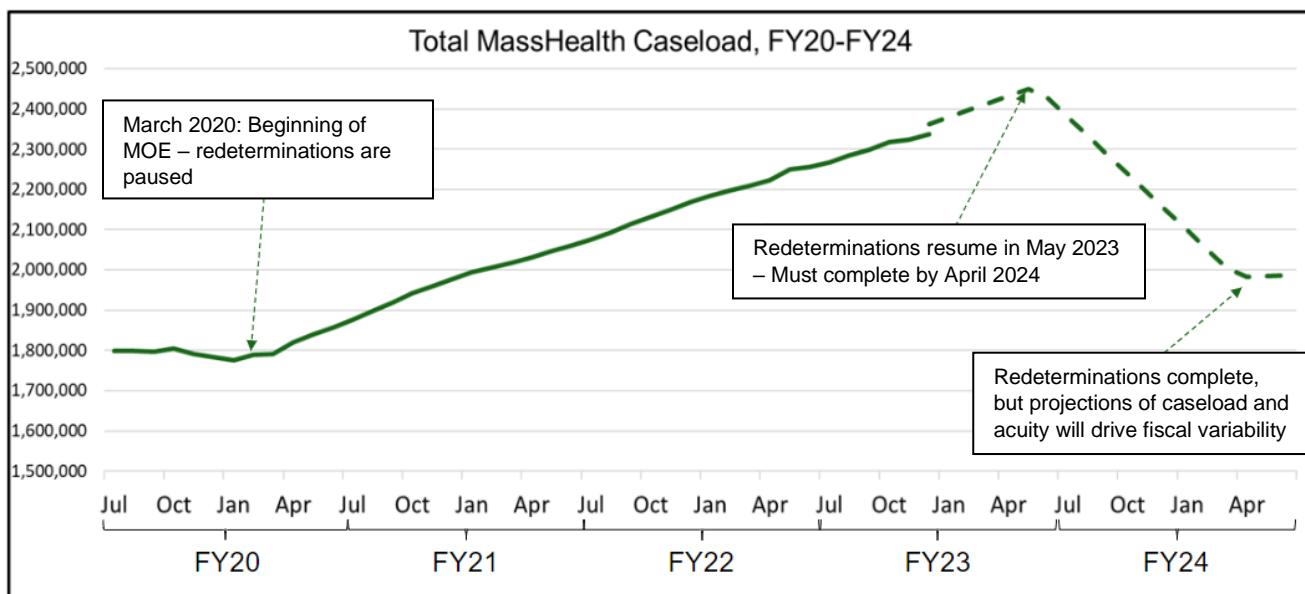
referred to as the Maintenance of Effort (MOE) requirement and caused Medicaid caseloads to increase rapidly across the United States during the PHE. This effect, coupled with the eFMAP, led to significant increases in both gross costs and revenues, producing overall savings versus a base case scenario since FY20<sup>1</sup>.

The MOE requirement will end in April 2023, allowing MassHealth to redetermine members for eligibility and disenrolling any ineligible members for the first time since March 2020. The eFMAP will also ramp down throughout calendar year 2023:

	FY20		FY21		FY23			FY24												
	Mar-Dec		FY21	FY22	Jul-Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
MOE																				
eFMAP						5%			2.5%		1.5%									
Redets																				

 MOE in effect  
 6.2% eFMAP  
 Reduced eFMAP  
 Redeterminations in progress

Elevated caseload will continue to impact MassHealth spending for several months after the loss of eFMAP because it will take MassHealth an estimated 12 months to complete the process of redetermining and disenrolling members who otherwise would have been disenrolled during the PHE. To prepare these individuals for a transition onto employer-sponsored insurance or to the Health Connector, H.1 proposes \$5.1 million of additional funding at the Executive Office of Health and Human Services for proactive communication with MassHealth members.



<sup>1</sup> eFMAP resulted in \$1.9 billion in additional revenue across FY20-FY24.

## **New Investments**

FY24 H.1 recommends \$311 million gross/\$152 million net of investments to enhance core services and supports:

- \$200 million gross/\$100 million net for enhanced rates for Adult Day Health and Day Habitation to ensure that provider reimbursement is competitive with other comparable services and to adjust rate structure to accommodate more complex acuity differences.
- \$80 million gross/\$37 million net for bolstering behavioral health access, including \$70 million of targeted investments to community providers to ensure programs maintain access in light of persistent workforce pressures with a special focus on pediatric diversionary settings. An additional \$10 million is proposed for increasing service capabilities for emergency departments and inpatient psychiatric units to better serve complex patients with behavioral health needs, with a focus on diversion. To see more about the Healey-Driscoll Administrations proposals around behavioral health, please refer to the **Behavioral Health budget brief**.
- \$26 million gross/\$13 million net for targeted investments to raise non-emergency ambulance rates to match Medicare, increase nursing rates for home health services, expand rate add-on for substance use disorder services to all nursing facilities, and provide a stipend for shipping costs for durable medical equipment.
- \$5 million gross/\$2 million net to increase affordability of services for MassHealth members by eliminating the asset limit for the Medicare Savings Program and funding the elimination of pharmacy copays for all members.