ML Strategies Alert

Baker Administration Submits Revised Health Care Proposal to Legislature

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On Tuesday June 20, the Baker Administration submitted to the legislature a package of insurance reforms and assessments for inclusion in the FY2018 budget. The proposal represents the most recent plan aimed at curbing rising MassHealth costs following the “fair share assessments” included in the FY2018 budgets proposed by Governor Charlie Baker in January, the House of Representatives in April, and the Senate in May.

Most notably, the Administration’s proposal calls for an increase in the Employer Medical Assistance Contribution (EMAC) levied on employers through a two-tiered system, modifies the unemployment insurance rate schedule to decrease employer contributions, seeks to preclude MassHealth eligibility for non-disabled adults with access to affordable employer sponsored insurance, limits the number of similar drugs MassHealth covers for a particular condition, and adopts a series of commercial market reforms. The Administration says that all together the reforms will result in just over $100 million in net savings and $200 million in net revenue for FY2018.

The new proposal deviates from the $2,000 assessment on employers that Governor Baker proposed in his FY2018 budget plan. That plan would have generated up to $300 million in revenue, but was met with resistance from the business community. It also does not include the cap on payments to high-priced hospitals contained in the Governor’s original proposal.

The proposal is a result of negotiations between the Baker Administration and business and health care groups. Several business groups, including the Retailers Association of Massachusetts, the Associated Industries of Massachusetts, the Mass High Tech Council, and the Massachusetts Taxpayers Foundation, among others, have come out in support of this reform package.

The proposal includes the following main components:

Employer Requirements

The Baker Administration proposes using a two-tiered approach building off of the existing Employer Medical Assistance Contribution (EMAC). Under Tier 1, the current EMAC rate is increased from 0.34 percent to 0.51 percent up to the annual wage cap of $15,000. The maximum per-employee contribution rate is increased from $51 to $77. This applies to all employers currently subject to the EMAC.

Under Tier 2, employers are required to pay an additional 5 percent on all wages – up to the annual wage cap of $15,000 – for each non-disabled employee on MassHealth and ConnectorCare. This tier would result in an annual maximum per employee contribution rate of $750.

These contributions would last two years, going into effect on January 1, 2018 and sunsetting at the end of 2019. Governor Baker’s original assessment on employers had no planned end date, whereas the House and Senate both proposed sunsetting any assessment by 2020. In total, the new fees will generate an estimated $200 million in revenue in the next fiscal year ($75 million under Tier 1 and $125 million under Tier 2).

To offset the costs of these requirements to employers, the Administration proposes modifying the unemployment insurance schedule, setting employer rates to Schedule "D" for 2018 and Schedule "E" for 2019. This change will require employers to pay $334 million less than they would under the current schedule.

Employer Sponsored Insurance

The Administration proposes precluding MassHealth eligibility for non-disabled adults with access to affordable employer sponsored insurance (ESI). This requires changes to state law and federal approval. As part of the measure, the Administration proposes reintroducing a modified Health Insurance Responsibility Disclosure (HIRD) form that requires employer reporting of plan offerings and employee eligibility status. The proposal also seeks to maximize premium assistance for ESI to incent MassHealth-eligible employees to remain on commercial plans. The Administration will also seek relief from certain filings by employers with the federal government through a waiver application. These changes are estimated to generate $76.5 million in net FY18 savings.

MassHealth Alignment with Commercial Plans

The proposal says that the Administration will encourage more coordinated, cost-effective care through the use of integrated and limited network products in MassHealth. It will pursue changes to the MassHealth pharmacy benefit to obtain lower drug prices and enhanced rebates utilizing tools widely used by commercial plans for selecting preferred and covered drugs, including a closed formulary and specialty pharmacy networks where appropriate. The Governor will also seek to eliminate non-emergency transportation services for CarePlus members. All of these proposals require federal approval and are estimated to generate $38.1 million in savings in FY18.

Transition Coverage for Non-Disabled Adults

The Administration proposes transitioning 140,000 non-disabled adults with incomes greater than 100 percent of the Federal Poverty Level (FPL) to the ConnectorCare program and shifting 230,000 non-disabled parents and caretakers with incomes below 100 percent of the FPL from MassHealth Standard to CarePlus. These transitions would take effect January 1, 2019. To eliminate redundant insurance coverage, the plan also requires individuals who are currently eligible for both MassHealth Limited and ConnectorCare to receive their coverage solely though the ConnectorCare program. All of these changes require federal approval and would generate $88.3 million in net FY19 savings.

Commercial Market Reforms

The proposal imposes a five-year moratorium on insurance mandates, which was originally included in the Governor's budget proposal but was not included in the House or Senate versions; increases the required premium differential for tiered network plans from the current 14 percent to 28 percent; implements additional transparency measures for health care prices through the Center for Health Information and Analysis (CHIA); and expands the scope of practice for dental therapists, optometrists, podiatrists, and advanced practice registered nurses (APRN) and creates a new mid-level provider (dental therapists).

Executive Office of Health and Human Services Secretary Marylou Sudders has indicated that she has discussed the concepts that would require federal approval with the Centers for Medicare and Medicaid Administrator Seema Verma and that she was encouraged by her initial conversations. After legislative approval, Secretary Sudders hopes to submit a final waiver application this summer for approval by late fall.

Next Steps

The Governor's proposal comes amidst discussions at the federal level to cut Medicaid funding, as Massachusetts struggles to close a $400 to $500 million budget gap, and just 10 days before the start of the next fiscal year on July 1, 2017. Neither of the chairs of the conference committee negotiating the FY2018 budget – House Ways and Means Committee Chairman Brian Dempsey and Senate Ways and Means Chairwoman Karen Spilka – has commented publicly on the Administration's proposal, but they are certainly mindful of the fact that portions of the

Administration's proposal have not been considered previously and would therefore be precluded under the rules governing conference proceedings. The legislature and Governor have until June 30 to finalize the FY2018 budget, though the Governor filed an interim budget designed to avoid a government shutdown should the conferees not reach a reconciled budget agreement by Saturday, July 1.

ML Strategies will continue to monitor and periodically report on discussions among political and industry leaders as they work to curb health care costs in the Commonwealth.

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