



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
One Ashburton Place, 11th Floor
Boston, Massachusetts 02108

CHARLES D. BAKER
Governor

Tel: (617) 573-1600
Fax: (617) 573-1891
www.mass.gov/eohhs

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

Testimony of the Executive Office of Health & Human Services
Joint Hearing of the House & Senate Committees on Ways & Means
Marylou Sudders, Secretary
March 21, 2017

Madame Chairs and Members of the Joint Committee - thank you for the opportunity to present testimony on the Fiscal Year 2018 budget for the Executive Office of Health and Human Services (EOHHS).

EOHHS Overview

As you know, EOHHS is the largest secretariat in state government; our services directly touch the lives of slightly more than 1 in 4 residents of the Commonwealth – some of our most vulnerable children, youth, adults and elders. Some of our public health programs touch every community in the Commonwealth. MassHealth, our joint Medicaid and Children's Health Insurance Program (CHIP), provides health insurance coverage for more than 1.9 million residents, almost 30% of our state's residents. 1 in 9 residents receive SNAP benefits and almost 50,000 children and youth receive support from or are in the care or custody of the Department of Children and Families (DCF).

EOHHS is comprised of 12 state agencies in addition to the two soldiers' homes and MassHealth. I work with a strong and dedicated group of subject matter experts - agency heads as well as secretariat staff. In addition to providing executive leadership throughout the secretariat, I chair the Connector Board, Autism Commission and Center for Health Information and Analysis (CHIA) Oversight Council, co-chair the Governor's Interagency Council on Homelessness, and serve as an ex-officio member of the Health Policy Commission.

Throughout the secretariat, our efforts are focused on: health; resilience; and independence. We are charged with improving health outcomes; building resilience; and maximizing independence thus contributing to the quality of life for the residents we serve and the Commonwealth as a whole.

EOHHS provides access to medical and behavioral health care, long term services and supports, and nutritional and financial benefits to those with low incomes. We connect

elders, individuals with disabilities and veterans with employment opportunities, housing and supportive services. We steer troubled youth towards a more successful path and do everything possible to keep children in our child welfare system safe. We offer safe haven to refugees and open doors of opportunity for immigrants. We support individuals who are developmentally disabled, mentally ill, blind, deaf or hard of hearing and those with addictions. We are tasked with setting policies and providing action on public health issues ranging from the opioid epidemic to the containment of infectious diseases to overseeing a changing nursing home industry. We must ensure that our MassHealth program is a sustainable public insurance plus program now and for the future for the nearly 1.9 million residents of the Commonwealth who rely on it. We honor our veterans with gratitude and support. And, we are taking appropriate steps preparing our great state to serve our growing older adult population with grace and dignity.

Although there is always more progress to be made and there will never be enough resources to meet every need, we build from a strong base. Massachusetts is ranked:

- First nationally as the best state by US News and World Report.
- Second nationally in overall child well-being by the Annie E. Casey Foundation annual Kids Count.
- First nationally in health insurance coverage by Kaiser Family Foundation.
- The healthiest state in the nation for older adults according to the America's Health Rankings Senior Report.

Update

Since the last time I came before you presenting the fiscal year budget testimony, there has been progress including (but not limited to):

- Successfully negotiated a new federal (1115) Medicaid waiver. It secures \$1 billion that the state would have otherwise lost on July 1, 2017 and provides \$52.4 billion over five years for restructuring MassHealth into accountable care models. Included within this total is \$150 million over five years in new spending on substance misuse treatment services, beginning with \$25 million in FY 2018.
- Reduced MassHealth spending growth from an average of 12.5% in FY13 – FY15 to single digit growth rates in FY17 (*as indicated in attached slide – 1.*)
- Closed the Fernald Campus by successfully transitioning the remaining 28 individuals to appropriate services in the community or at either Hogan or Wrentham.
- Taken affirmative steps to address the opioid epidemic utilizing a public health approach and in strong partnership with the Legislature and our communities (*as indicated in attached slide - 2.*)
- Certified more than 147 sober homes, 1,974 beds, for the first time.
- Implemented a new Prescription Monitoring Program to comply with state requirements and to improve opioid prescribing practices.
- Ended the decades long practice of sending women to MCI Framingham for the treatment of addictions with the opening of 45 treatment beds at Taunton State Hospital.

- Completed successful open enrollment at the Connector yielding almost 250,000 newly insured enrollees, 195,000 with subsidized coverage and much improved customer experience.
- Increased the number of older adults receiving SNAP benefits by an additional 7,373 individuals or 5%.
- Invested \$114 million in our DCF over the past two years and engaged in a top/down and bottom/up complete restructuring from policy to practice, infrastructure to support (*as indicated in attached slide - 3.*) Adding a net increase of 266 front line social workers, 96% of them licensed, and resulting in the lowest caseloads in the past 3 years.
- Opened a new 45-bed DYS residential facility serving youth involved in the juvenile justice system in the Northeast region of the Commonwealth.
- Continued focus on the goal of ending homelessness and with a strong partnership with the Executive Office of Housing and Economic Development, hotel-motel family homelessness has decreased from 1,500 families in January, 2015 to less than 70 as of mid-March.
- Completed a landmark overhaul of the Department of Public Health's Determination of Need (DoN) process; the first major revision in more than 40 years.
- Expanded support and respite services for families caring for their loved ones with intellectual or development disabilities at home to 2,600 families, including 600 older caregivers.
- Strengthened linkages with our local police and mental health providers by providing \$1.4M in crisis intervention training funding in FY17 with an additional \$2M proposed for FY18.
- Increased reimbursement rates by \$26 M for behavioral health outpatient, inpatient and emergency services rates in the Medicaid program.
- By the end of FY17, the Commonwealth will be close to full compliance with the Chapter 257 settlement. Over the past two years, new rates have been set for 39 different human service programs and rate reviews conducted for 116 programs; only seven services remain to have a rate set.

EOHHS FY18 Budget Overview

Looking towards FY18, the Governor's budget proposes \$23.026B for EOHHS: \$16.2B for MassHealth; and \$6.182B for non-MassHealth spending. Overall, the EOHHS budget represents a \$877.2 M or 4% increase over FY17 estimated spending and \$1.296B or a 6% increase over the FY17 GAA. To put our budget in context, EOHHS comprises approximately 57% of the total state budget, and 67% of the anticipated growth from FY17 into FY18. The budget supports a projected 19,707 FTEs. It is a strong budget.

In preparing the FY18 budget proposal, a comprehensive set of budget solutions was developed:

- Maximizing revenue opportunities.
- Examining state administrative structures for efficiencies.

- Minimizing impact on recipients and prioritizing mission-critical programs and services.
- Benchmarking state programs against national and state emerging trends and best practices
- Working across state agencies to better serve the residents of the Commonwealth.
- Restructuring MassHealth into a more sustainable public insurance plus program.
- Implementing key legislation, including an Act Relative to Substance Use Treatment, Education and Prevention (STEP Act) and an Act to Improve Public Records.

Highlights of the overall EOHHS budget proposal for FY18 include but are not limited to:

- **A more robust addictions treatment system.** Continuing our commitment to addressing the **opioid crisis** and supporting expanded treatment access in substance misuse prevention and treatment. A key component of the MassHealth 1115 waiver, we will be expanding the continuum of addictions treatment services from outpatient to inpatient for all full benefit MassHealth members commencing in July. This will increase funding for treatment by \$25M in FY18.
- **A fully funded Turning 22 Program.** For the first time, a Governor's budget fully funds services to support 970 individuals who are intellectually or developmentally disabled or who are diagnosed with Autism Spectrum Disorder who are turning 22 and fully annualizes the services for individuals who turned (or who are turning 22) within this fiscal year. In addition to providing services, hopefully it allays the anxiety of families as they approach this critical transition for their loved one.
- **Enhanced community supports for our elders.** The Governor's budget supports an increase of \$10.7M to address growing caseloads in the Home Care Program, a \$1.1M increase for protective services, \$226M in funding for the frail elder waiver, additional inspectors within the Department of Public Health for the oversight of nursing homes (among other health care facilities) and an explicit expectation that home health agencies will be licensed.
- **Strengthened child welfare system.** Continuing our significant, multi-year investment in our child welfare agency with a commitment to child protection. Working together we have added \$114M in funding over the past two years. The budget proposal increases spending by \$26.9M to support full funding of newly hired social workers, social work technicians, supervisors, managers and support staff. These staffing will continue us towards the path of meeting a responsible case load standard. Today, more than 96% of our social workers are licensed and we have a net gain of more than 266 social workers with the lowest caseloads in the past 3 years.
- **Commitment to community providers/Chapter 257.** H1 supports \$50.8 M for rates, including \$39.7 M for the reserve account and \$11.1M in annualization of rate increases at the agency level.

- **IT infrastructure.** H1 supports an additional \$21.5M for IT including \$16.4M in funding to support the daily work of 19,707 employees across 150 plus sites. Specifically, system improvements are planned for the Virtual Gateway, Beacon, VetsAdvisor and the State Office of Pharmacy Services.

- **A sustainable MassHealth program.** MassHealth represents almost 40% of the state's budget. MassHealth growth continues to outpace state revenue growth; 85% of the growth has been driven by enrollment. **MassHealth enrollment continues to grow despite steady population numbers, near universal health care coverage, continued job growth and very low unemployment.** Since 2011, commercial insurance has declined by more than 450,000 lives for many reasons including: rising health care costs; increased access to subsidized public coverage; regulatory landscape changes; and demographic trends. The impact is that in FY18 approximately 2 million residents, nearly 30% of the state's population, will have MassHealth coverage (as indicated in attached slides – 4 & 5.)

We have embarked on a multi-year, multi-prong approach to addressing the health care needs of the 1.9 million residents who rely on MassHealth for insurance coverage. Our approach has been to be responsible and efficient stewards, to improve internal controls and program integrity, to restructure the MassHealth program from primarily fee for service into a global payment service (known as Accountable Care Organizations) and to analyze enrollment, eligibility, service needs and utilization.

The Governor's H1 Budget proposes a package of Massachusetts Insurance Reforms to manage spending growth at MassHealth and to address the commercial health insurance market. The package includes four key elements:

Affordability:

- Establish a cap on growth rates for certain health care providers.
- Eliminate certain facility fees that insurers and consumers pay to hospital systems.
- Institute a moratorium on new insurance mandates.
- Implement additional transparency measures to inform consumers about costs (already underway).
- Offer new employer options through the Connector (already underway).

Flexibility:

- Submit federal waivers for relief from the ACA employer mandate to simplify the health care administration burden for employers.

Employer Contribution:

- Reinstate an Employer Contribution for employers with 11 or more FTEs.

MassHealth Sustainability:

- Implement a third party administrator to manage long term services and supports.

- Strengthen internal controls for cost avoidance and recovery measures.
- Restructure MassHealth into integrated accountable care payment models through the 1115 waiver.
- Align certain CarePlus benefits with commercial plans.

MassHealth was projected to grow by \$1.228 billion gross or \$581M net in FY18. With the reforms filed in H1, spending growth will be \$997M gross or \$140M net. The H1 budget of \$16.2 billion includes a 6.5% increase in spending in long term services and supports, including \$23M to increase Personal Care Attendants (PCA) wages; \$27M rate increase for non-acute (psychiatric and rehabilitation) hospitals; \$20M increase in funding for the Hutchinson settlement and other Home and Community Based Services (HCBS) waivers; and a \$230M gross increase in Hepatitis C medications.

Conclusion

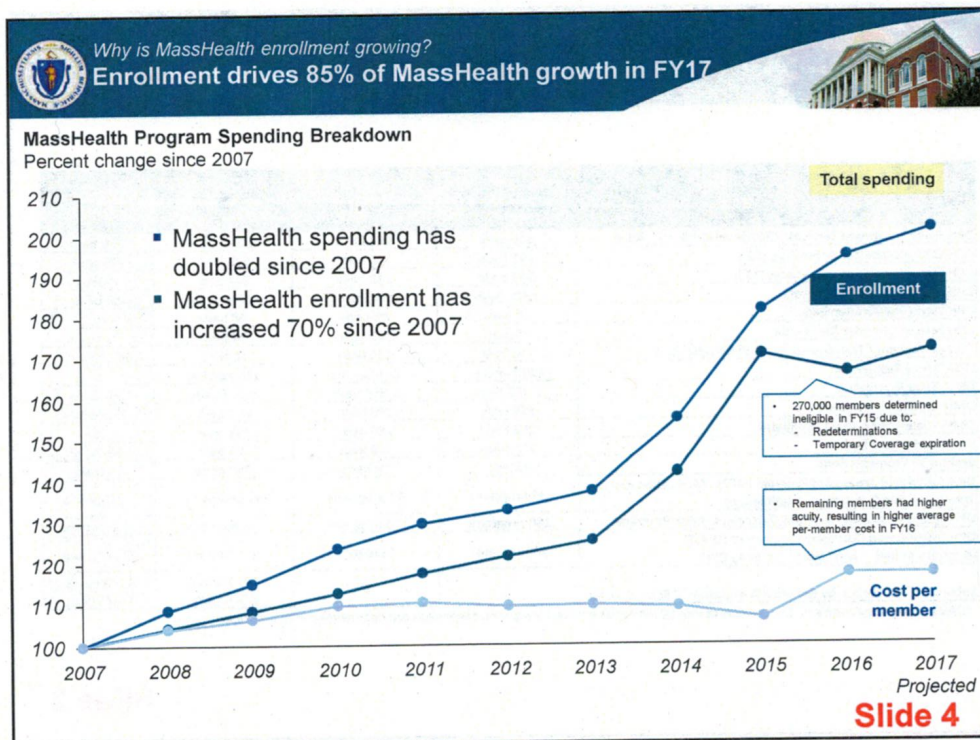
I look forward to working with you during the budget process and this legislative session to address the health and human service needs of our residents.

Public service is a privilege. You have my commitment to be transparent, to be responsive to your information requests in order for you to carry out your responsibilities as elected officials; to provide the highest ethical leadership; and to meet the needs of the 1 in 4 residents of the Commonwealth who need our support. Caring for the people of our state is a profound responsibility. We take it very seriously. Thank you.

	THEN	AS OF FEBRUARY, 2017
# of Social Workers on Staff	As of September, 2015 2,265	2,531 (net gain of 266 SWs or 12%)
Percentage of Social Workers Licensed *	As of October, 2014** 54%	96%
Management Capacity	As of July, 2015 DCF operated with 192 total managers	Critical hires result in net gain of 94 (49%) managers
Policies	As of September, 2015 DCF operated with outdated policies that historically took years to update, negotiate and implement	7 new policies: Protective Intake (implemented), Supervision (implemented), FAAP*** (implemented), In-Home Case Practice, Case Closing, Children Missing From Care (implemented), and DA Referral
Regional Structure	As of September, 2015 DCF employed a 4-region structure with the Western Region accounting for 50% of the state's geography and caseload	Restored DCF's Central Region, improving oversight and strengthening management capacity
Area Office Decoupling	As of September, 2015 18 Area Offices remained "coupled" - 2 offices sharing the same Area Director (9 office pairings still in place)	All Area Offices are de-coupled
Statewide Caseload Growth	As of June, 2016 (peak month for total case count in FY16) Total count of cases: 26,706	Total count of cases: 25,064 (net decrease of 1,642 or 6.1%)
Medical	As of September, 2015 DCF's medical staff consisted of 6 nurses, 1 medical social worker and 1 part-time medical consultant	DCF's medical staff consists of a full-time Medical Director, a child psychiatry consultant, a medical data analyst, 6 nurses; and 20 medical social workers with 9 more to be hired by the end of April
Foster Homes	As of June, 2015 4,107 Foster and Kinship Families Available	4,158 Foster and Kinship Families Available

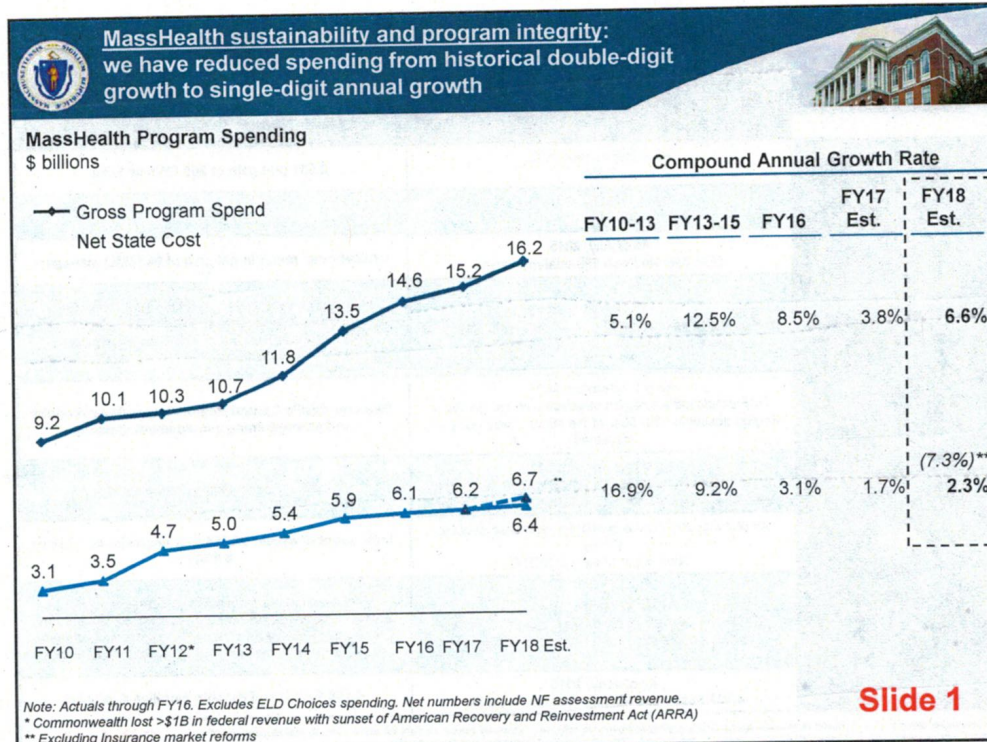
All September dates in "Then" column refer to the start of DCF's Agency Improvement Initiative; * Does not include workers still within 9-month probationary period; ** Date reflects when Dept. first began tracking new licensure requirement; ***FAAP = Family Assessment and Action Planning

Slide 3



Slide 4

Increasing health care costs
 Budget 25-30% over three years
 Repealed employer mandate in 2013



Expansion of Psychiatric and Substance Use Services in the Commonwealth, As of March 1, 2017

Program Type	Total Operational Licensed Capacity as of January 1, 2015	Total Operational Licensed Capacity as of January 1, 2016	Total Operational Licensed Capacity as of March 1, 2017	Change Since January 1, 2015
DPH Acute Treatment Services (ATS) (level 4.0 & 3.7), Adult	846 beds	902 beds	1,052 beds	206 beds
DPH Clinical Stabilization Services (CSS)	297 beds	340 beds	575 beds	278 beds
DPH Transitional Support Services (TSS)	339 beds	312 beds	342 beds	3 beds
DPH Adult Residential Recovery	2,300 beds	2,375 beds	2,356 beds	56 beds
DPH Youth Stabilization Beds	48 beds	48 beds	48 beds	0
DPH Second Offender Residential	58 beds	58 beds	58 beds	0
DPH Adolescent / Transitional Youth Residential Beds	144 beds	111 beds	86 beds	-58 beds*
DPH Family Residential	110 families	110 families	110 families	0
DMH Adult Psychiatric	1,782 beds	1,854 beds	2,019 beds	237 beds
DMH Geriatric Psychiatric	399 beds	399 beds	458 beds	59 beds
DMH Adolescent & Child Psychiatric	252 beds	266 beds	298 beds	46 beds
Section 35 Men's Beds	258 beds	308 beds	308 beds	50 beds
Section 35 Women's Beds	90 beds	90 beds	163 beds	73 beds
DPH Outpatient Treatment Program (OTP) - Medication Assisted Treatment (MAT) Programs (Methadone)	39 programs	41 programs	41 programs	2 programs
DPH Outpatient Counseling and Outpatient Detox Programs	190 programs	190 programs	206 programs	16 programs
DPH Office-Based Outpatient Treatment (OBOT) (buprenorphine) - MAT Sites funded by DPH	14 programs	17 programs	31 programs	17 programs
Sober Homes Certified by the Mass Association of Sober Houses	0	0	147 homes	147 homes
			1,974 beds	1,974 beds

*DPH has awarded contracts to providers to add 60 new beds across 4 programs, these beds are not included in this number

Slide 2



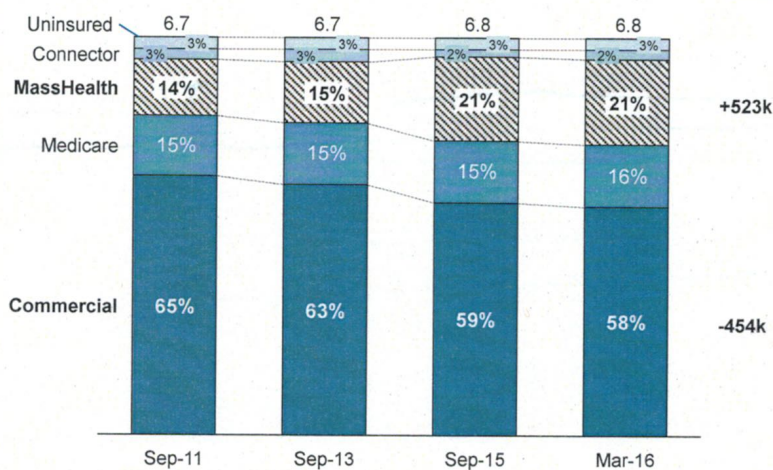
Why is MassHealth enrollment growing?

MassHealth enrollment growth has been driven by a shift of MA residents from commercial coverage to public coverage



MA population by primary health coverage type*
Million residents

Change
2011-2015



* MassHealth enrollment including members with primary Medicare or commercial coverage represents 28% of population in 2016.

Source: CHIA

Slide 5

