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Volume 1

Addressing Health Care Costs

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FY 2013 Budget Recommendation: Issues in Brief

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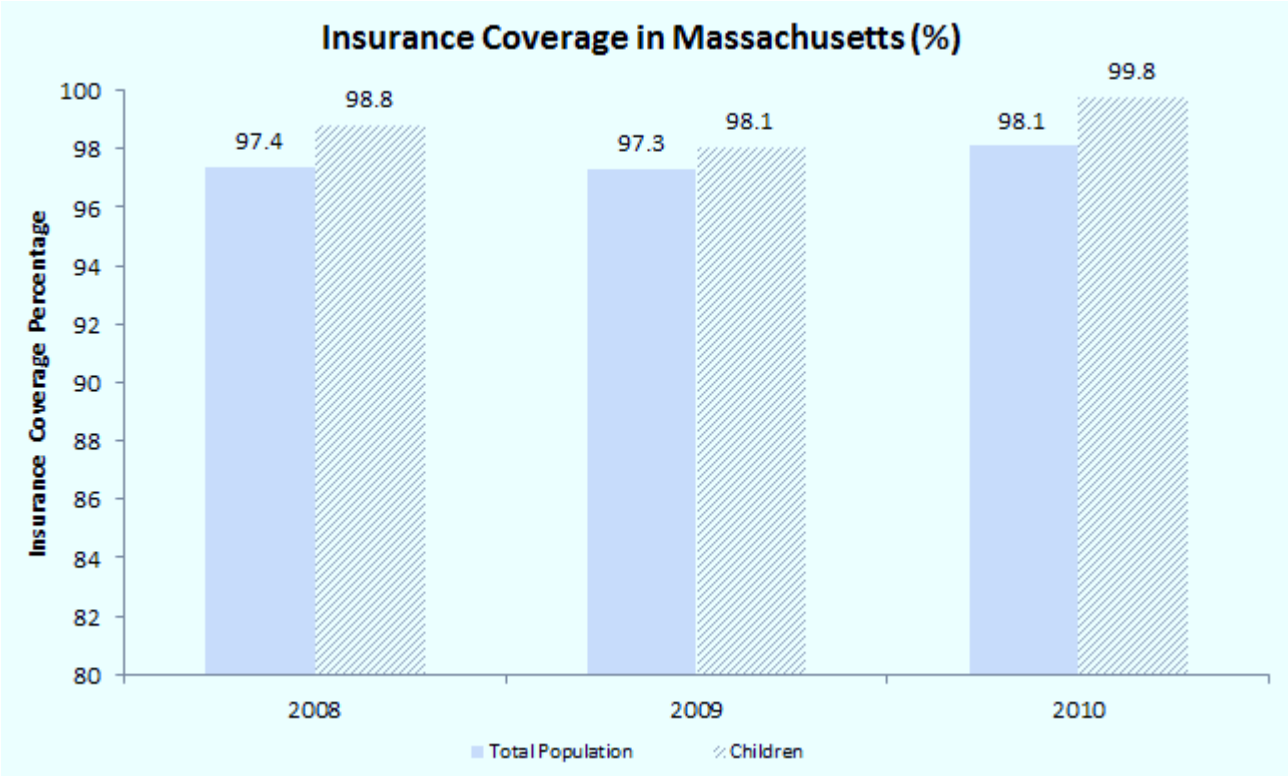
The Commonwealth is a national leader in ensuring access to health insurance. More than 98% of residents have coverage, the highest rate in the nation with nearly all children (99.8%) and seniors (99.6%) insured. This state has been a model for the nation in expanding access to health care services, and now it is taking the lead in controlling costs and improving quality through payment and delivery system reform initiatives.

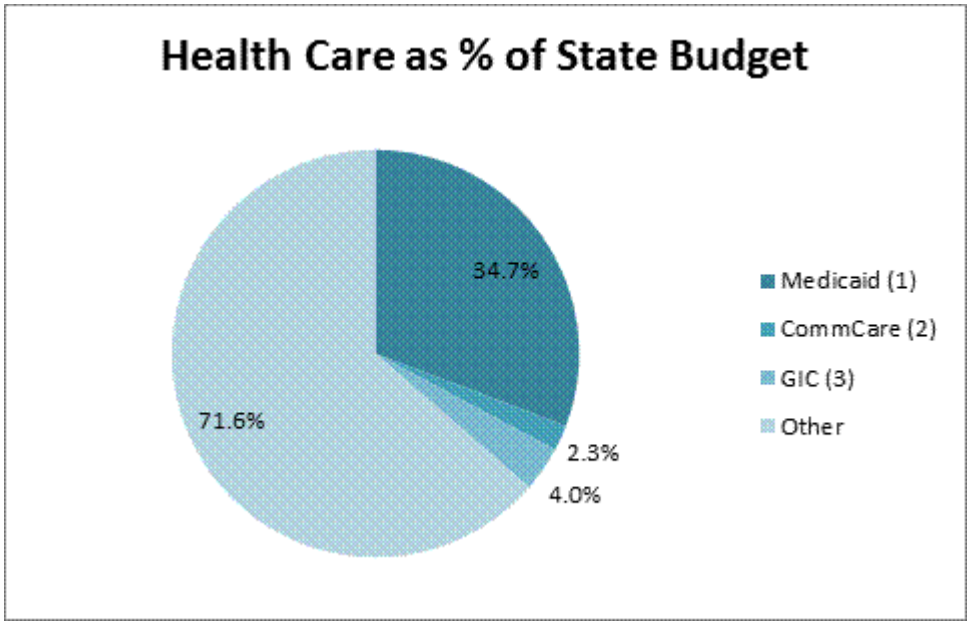


Source: Division of Health Care Finance and Policy

The Patrick-Murray Administration has carefully managed the financing of health care reform. Independent, non-partisan analysis underscores that the incremental state costs of health care reform have been moderate and in line with original expectations. Despite this achievement, the total costs of state-subsidized and employee coverage create a difficult challenge for the Commonwealth. These costs are occupying an ever-increasing share of the state budget as

state revenues have declined and the recession has increased demand for subsidized insurance.

From FY 2011 to FY 2012 average enrollment growth in state subsidized health care programs is estimated to increase over 4%, most notably due to the planned integration of the Aliens With Special Status (AWSS) population into the Commonwealth Care program (see section on Commonwealth Care). Health spending growth for the same period is estimated to be approximately 3.5%. Holding the average annual growth in state subsidized health care costs to 3.5% is a significant achievement. The historic rate of growth in state subsidized health care costs from FY 2008 to FY 2011 grew over 8%. As a result of this growth and declining state revenue, health care spending for subsidized and employee coverage programs now account for close to 41% of the state budget. Based on long term forecasts conducted by the Executive Office for Administration and Finance, were health care costs to continue to grow at these historic rates, they would consume approximately 50% of state spending by 2020. Health care spending has crowded out key public investments that, among other things, likewise significantly impact the health and welfare of the people in the Commonwealth. The historic trends are also unsustainable for local governments, businesses and families, forcing all of these groups to make difficult choices between paying for health care and other areas of potential investment.



Notes:

1. Spending for Medicaid and Commonwealth Care is not offset by Federal Matching Funds. In addition, Medicaid spending includes payments to Delivery System Transformation Initiative Payments to safety net hospitals.
2. Commonwealth Care spending includes the reintegration of the Aliens with Special Status into the Commonwealth Care program
3. GIC excludes municipalities which are included in the state's appropriation but are reimbursed by cities and towns for their costs

Health Care Cost Containment Efforts and Progress to Date

The Patrick-Murray Administration has taken a number of steps to successfully control health care costs to date and it is working. The Administration is moving aggressively to reform the entire health care payment and delivery system to ensure that health care costs are sustainable for government, businesses and families over time. The successful cost containment initiatives implemented to date and planned for FY 2013 with respect to the Commonwealth's subsidized and employee health insurance programs are described below.

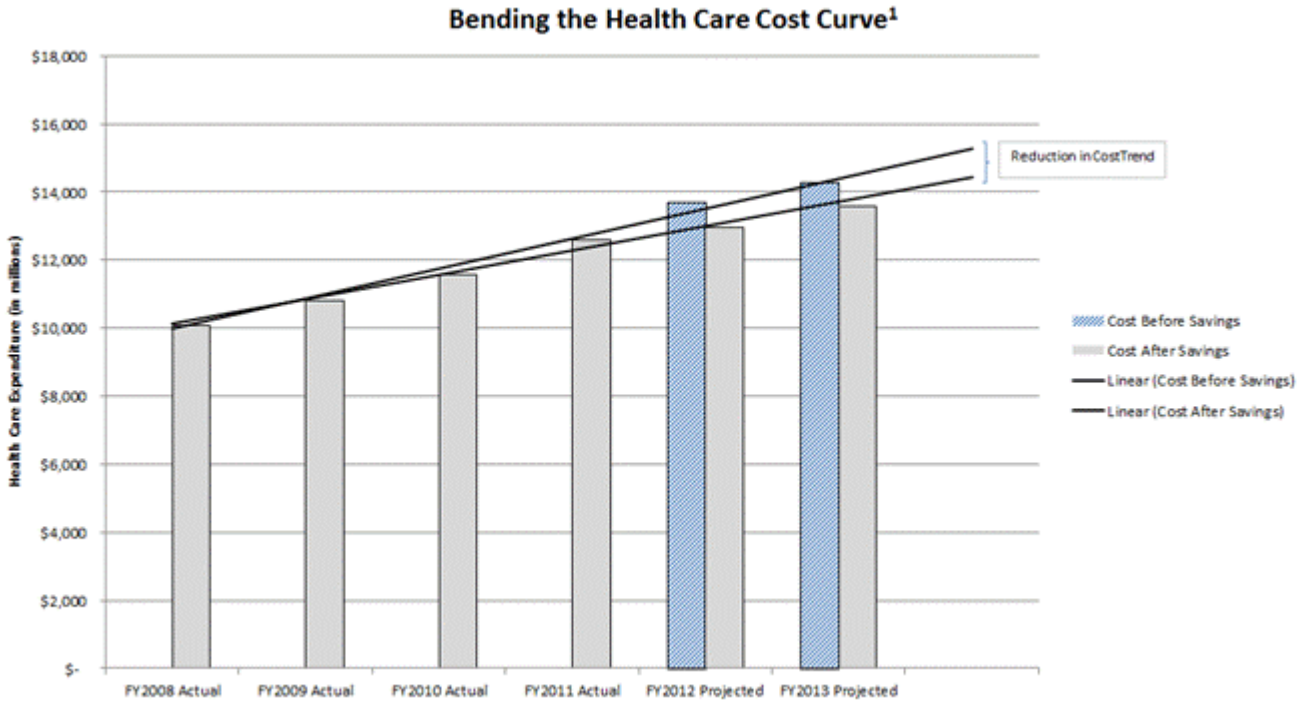
In FY 2012, the Administration mitigated dramatic increases in health care costs, but also launched major reform initiatives. Government health care programs faced unprecedented challenges brought on by the impact from the economic recession that drove caseload to historic peaks and increases in health care program costs. Despite these cost pressures, Massachusetts achieved ground-breaking progress in health care cost containment. For many of the state's health care programs – Massachusetts Medicaid program (MassHealth), Commonwealth Care, the Group Insurance Commission (GIC), Municipal Health, and the Medical Security Program (MSP) – the current FY 2012 budget reflects bold changes to achieve significant cost savings while providing continued access to coverage and high-quality care. These programs are on track to reach nearly over $900 M in savings in FY2012 and going forward. Below are just a few examples of our major achievements in FY 2012:

- *MassHealth* – MassHealth is on track to achieve almost $588 M in savings through a variety of initiatives, including but not limited to rate restructuring, program integrity efforts, capitation cost control and payment strategies;
- *Municipal Health* – Municipal health care reform, signed into law by Governor Patrick in July 2011, is already helping municipalities achieve significant savings. The nine communities that have completed the new reform process as of January 15, 2012, have collectively saved more than $30 M – putting this reform on track to far exceed the initial estimate of $100 M for FY 2012 and going forward in savings for local governments statewide;
- *Medical Security Plan* – The competitive procurement for a new managed care insurance plan for unemployed individuals resulted in a 30% reduction in costs leading to a savings of $16 M in FY 2012 and an annual savings of $32 M;
- *Commonwealth Care* – A competitive procurement that provided incentives for *all* MCOs to improve their cost structures by rewarding aggressive, lower bids with membership allowed the Connector to accommodate projected enrollment increase with a flat budget (saving the program from growing by $80-$100 M); and
- *Group Insurance Commission (GIC)* – A new policy requiring employees to actively re-enroll in health insurance and incenting employees to switch to more cost effective limited network plans with three months premium holidays, led to $20-30 M in savings. In addition, GIC has seen utilization decline and has realized some savings related to that phenomenon in FY 2012.

Bending the Health Care Cost Curve

The Commonwealth will continue to face health care cost pressures in FY 2013. In the FY 2013 budget the Patrick-Murray Administration proposes a range of reforms that continue to reduce costs but maintain coverage and access to quality health care. From FY 2012 to FY 2013, the administration is limiting increases in health care spending growth for MassHealth, Commonwealth Care and GIC to an aggregate of 5.1%, even after taking into account significant

enrollment growth. The budget summaries for major government health care entities are described below.

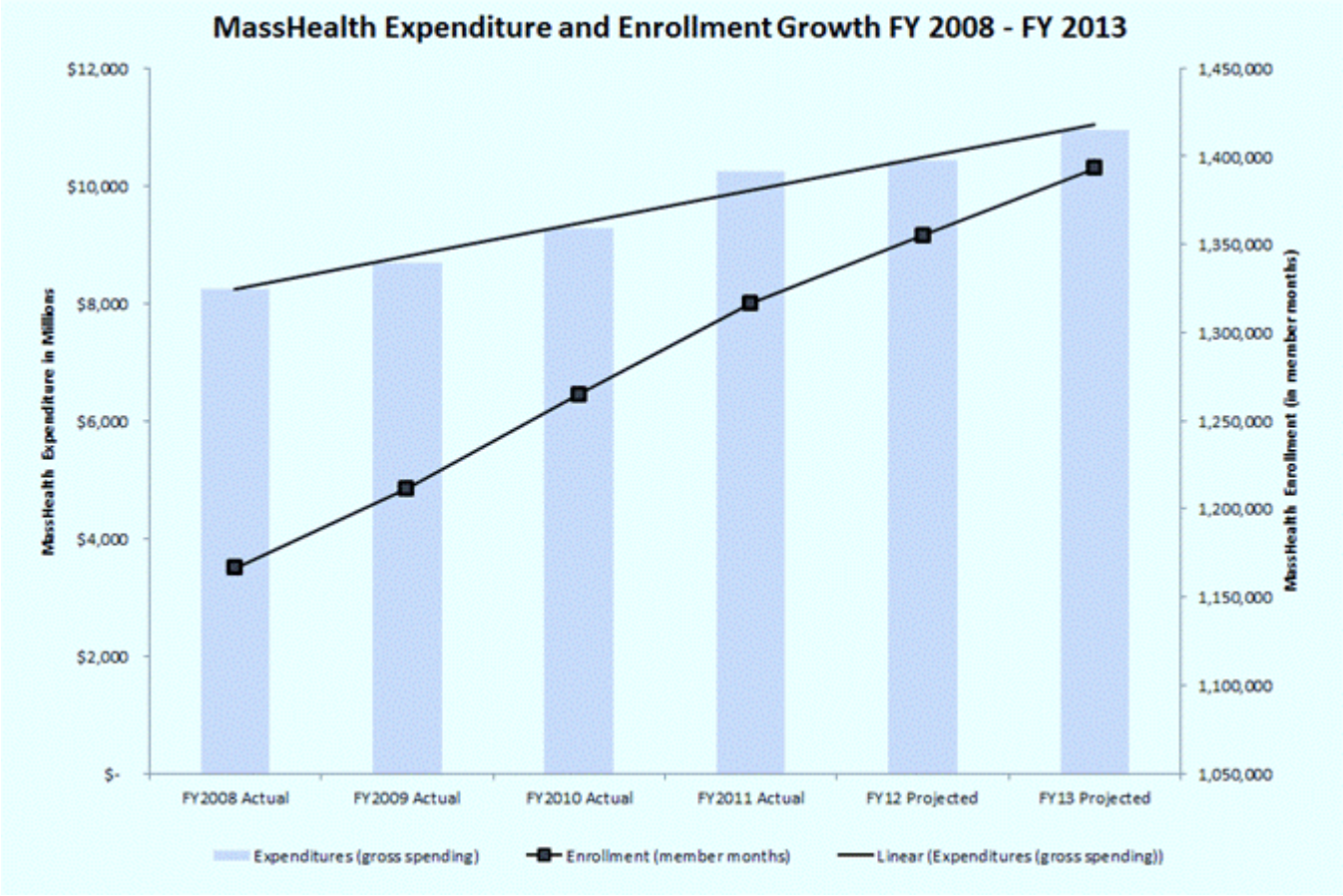


1. Costs and savings pertain to MassHealth, Commonwealth Care and Bridge, and the Group Insurance Commission

MassHealth

MassHealth provides comprehensive health insurance to approximately 1.3 million low-income Massachusetts children, adults, seniors and people with disabilities. The Administration's FY 2013 budget includes $10.951 B for MassHealth, allowing for approximately 5% spending growth from FY 2012 estimated spending to FY 2013. The Administration also plans to fund $186 M in incentive payments to hospitals under the Delivery System Transformation Initiative, with the federal government providing half of the revenue to support the initiative. (See section on "Build the Foundation for Payment and Delivery System Reform" for more information.)

Enrollment and utilization account for most of the projected spending in MassHealth and are sensitive to changes in the economic climate. The FY 2013 budget is primarily driven by program wide projected enrollment increase of 2.8% or 38,000 member months.



In FY 2013, MassHealth plans to once again contain the growth in costs by using a variety of reforms and innovative management and contracting strategies and will also move aggressively on several initiatives aimed at transforming the delivery system and payment methods. MassHealth is also implementing a number of organizational and policy changes required for timely and effective implementation of the federal Affordable Care Act and to implement the delivery and payment system changes in the 1115 Medicaid Waiver.

Commonwealth Care

The Commonwealth Health Insurance Connector Authority (Health Connector) administers the Commonwealth Care program. In addition, for FY 2012 the Health Connector, along with the Executive Office of Administration and Finance and the Executive Office of Health and Human Services, oversees the Commonwealth Care Bridge program. Commonwealth Care provides subsidized health insurance coverage for nearly 160,000 adults under 300% FPL that are not

eligible for MassHealth and do not have access to adequately subsidized employer sponsored insurance. The Commonwealth Care Bridge program, which will end in FY 2012, covers approximately 13,400 legal immigrants that have not met their five year immigration status. Funding for these programs is made available through the Commonwealth Care Trust Fund (CCTF), which is supported by the general fund and other dedicated revenue sources such as the cigarette tax and fair share and individual mandate penalties.

On January 5, 2012, the Supreme Judicial Court held that the Massachusetts statute limiting the eligibility of many legal immigrants for Commonwealth Care violates the equal protection provisions of the Massachusetts Constitution. The Health Connector is now faced with the challenge of re-integrating the Aliens With Special Status (AWSS) population into the Commonwealth Care program. The Health Connector estimates that over 24,000 new members, in addition to the 13,400 currently enrolled in Commonwealth Care Bridge, will become eligible for the Commonwealth Care program as a result. This may add as much as an additional $150 M to the annual cost of covering the AWSS population above the current spending on Bridge. Cost increase will likely begin to take effect in FY 2012 as AWSS members are reintegrated into the program.

Despite the cost pressure, the Patrick-Murray Administration is committed to fully funding the re-integration of AWSS. In an effort to close the budget gap for both FY 2012 and FY 2013, the Health Connector is developing an aggressive cost containment plan for Commonwealth Care focused on procurement savings and other reforms. The Health Connector's goal is to achieve this once again without relying on benefit cuts, member co-pay increases, or any other strategies that would severely damage the value of Commonwealth Care.

Group Insurance Commission (GIC)

The Group Insurance Commission (GIC) provides high value health insurance and other benefits to employees, retirees, and their survivors/ dependents of the Commonwealth and of certain of its public authorities. The GIC also provides health-only benefits to

participating municipalities' employees, retirees, and their survivors/ dependents.

Looking ahead, the GIC will continue its focus on providing high quality health insurance coverage to its members while containing costs for the Commonwealth. Next year the GIC will embark on a major procurement of its health plans. It will solicit innovative strategies through this procurement to maintain coverage and quality of care while containing costs. This includes implementing the principles of payment reform and incorporating any changes required by national health care reform.

Total GIC spending in FY 2013 is $1.665 B, inclusive of the $435 M transfer from the State Retiree Benefit Trust Fund (SRBTF) which covers the cost of retiree health insurance. Spending specific to health insurance premiums and plan costs for active state employees, retirees, and employees of participating municipalities and authorities is $1.582 B, a decrease of .3% from FY 2012 estimated spending. This includes an anticipated rate increase, and the addition of approximately 7,700 enrollees via municipal health reform. GIC has reduced spending for state only active employees premiums by 9% or $66 M from FY 2012. The GIC was able to successfully reduce spending in FY 2013 compared to its original projection using several strategies, including leveraging the use of federal Early Retiree Reinsurance Program (ERRP) funds, and working closely with its health plans to negotiate a lower premium increase.

Department of Corrections Health Care (DOC)

The Department of Correction provides medical and mental health care to inmates and civil commitment populations in its care and custody. The Commonwealth has successfully contained the growth in inmate health care costs since FY 2008. Without cost containment measures, the cost of inmate healthcare would have increased by 31% since FY 2008, but DOC held that growth to 1% total over those six years. In FY 2013, inmate healthcare is proposed at $98 M, essentially level funded from FY 2012 estimated spending, despite a projected growth of $7.6 M over FY 2012. DOC plans to achieve savings through re-negotiation efforts with the inmate health care

contractors and maximizing federal reimbursement opportunities for allowable costs.

FY 2013 Health Care Policy Initiatives

In FY 2013, Massachusetts is poised to once again provide a model for the nation by leveraging opportunities to control health care costs that: 1) promote care delivery in lower-cost, high-quality settings; 2) improve the coordination and management of care; 3) expand support for primary care; 4) place a greater emphasis on prevention and 5) promote innovative payment models that reward high-value care instead of high-volume care. With the scale of the health insurance coverage it purchases, the state is well-positioned to capitalize on this opportunity to foster innovation in the health care insurance and delivery systems and contain costs while maintaining coverage and improving quality of care. The state also has opportunities to achieve greater efficiencies and continuity of coverage within state-subsidized programs by aligning coverage standards and coordinating procurements. The Administration's major FY 2013 policy initiatives are described below.

Leverage Purchasing Power and Maximize Competition In State Health Care Contracts

- *Fully implement an integrated care model for both medical and behavioral health services for MassHealth members*: The FY 2012 behavioral health procurement was a competitive process that challenged bidders to manage costs but also provide innovative care management programs for MassHealth primary care clinician (PCC) members. The procurement provided a framework for medical and behavioral health integration and a targeted care management program for patients with highly complex medical and/or behavioral health conditions. It utilizes core performance management principles to create balanced incentives for the vendor based on improved health outcome for MassHealth members. In FY 2013 MassHealth will oversee the ongoing implementation to assure that the vendor demonstrates not only improved member outcomes, but also greater compliance with evidence-based guidelines for a number of chronic conditions.

- *Promote market competition among Commonwealth Care Managed Care Organizations*: The Health Connector is preparing to launch another aggressive procurement for FY 2013 that builds upon the successes achieved in FY 2012. By harnessing the power of competition, its procurement strategy will again provide strong incentives for health plans to develop innovative coverage models that hold down costs while maintaining comprehensive, affordable benefits for Commonwealth Care members.
- *Re-negotiating State Office of Pharmacy Services Service Contract*: The State Office for Pharmacy Services (SOPS) provides comprehensive pharmacy services to public sector healthcare organizations in a cost-effective, clinically responsible manner. SOPS currently provides clinical and pharmacy services to the following agencies: Department of Public Health, Department of Mental Health, Department of Developmental Services, Department of Correction, Department of Youth Services, the sheriff's departments of Bristol, Essex, Franklin, Hampden, Hampshire, Norfolk, Barnstable, Dukes, Middlesex, Berkshire and Plymouth, and the Soldiers Homes in Holyoke and Chelsea. This encompasses 24,000 patients at 46 sites. The Administration plans to re-align the cost structure and service level of the current pharmacy services contract to achieve the goals of cost savings, maintenance of current clinical initiatives and retaining revenue streams through realigning the cost structure and service level. The current vendor has developed a savings estimate achieved through internal changes at the vendor and increased standardization and reduced service levels for each participating agency.
- *Re-negotiate current medical and behavioral health contracts under the Department of Corrections*: After commissioning a study that analyzed the current delivery of Department of Correction (DOC) inmate healthcare services and cost contributors to identify options for cost containment in FY 2012, DOC will use recommendations from the study to cut costs for inmate healthcare in FY 2013. The Administration proposes to renegotiate current contracts and seek greater transparency in the pricing and cost of inmate health care services and staffing.

Build the Foundation for Payment and Delivery System Reform

The Patrick-Murray Administration made significant strides in FY 2012 that strengthen the foundation for payment delivery system reform for the next fiscal year. On February 11, 2011 Governor Patrick filed “An Act Improving the Quality of Health Care and Controlling Costs by Reforming Health Systems and Payments”. This bold, comprehensive payment and delivery system reform legislation will promote the transformation of the Massachusetts delivery system into an innovative care delivery and health care financing model. In December 2011, the Commonwealth successfully renewed the 1115 Medicaid waiver. Over three years, the waiver authorizes more than $26.7 B in federally supported expenditures, allowing the Commonwealth to fully fund its landmark health care reform law and to implement integrated delivery system and payment reform initiatives.

In FY 2013, to fully support the goals of payment reform and to promote the transition to integrated care systems, the Administration proposes a number of reform initiatives that support a transition towards value based purchasing, including global capitation and bundled payments, and that promote evidence-based, high quality medical and support services. These initiatives are significant steps forward that replace traditional fee for service arrangements and build the foundation for the next stage of payment and delivery system reform.

- *Supporting Integrated Systems of Care for Hospitals*: The Delivery System Transformation Initiative (DSTI) will offer incentive payments to Medicaid safety net hospitals throughout the Commonwealth to fundamentally change the delivery of care to Medicaid members. Payments will be tied to measurable outcomes of transformation and quality. The ultimate goal is to develop alternatives to fee-for-service payment arrangements to reward care that is delivered in integrated systems of care unique to safety net populations and that achieve high quality care for these populations. Hospitals will be required to promote patient-centered medical homes among their affiliated primary care practices. The Administration plans to fund $186 M in incentive

payments to hospitals, with the federal government providing half of the revenue to support the initiative. Additionally, the Administration proposes $20 M in Infrastructure Capacity Building grants to support delivery system transformation for non-safety net hospitals.

- *Invest in the infrastructure to transition government health care programs to alternative payment methods*: The Administration proposes to invest $2 M in the MassHealth infrastructure to support implementation of payments to Accountable Care Organizations that demonstrate increased care coordination and integration across care settings and to support the development of innovative payment strategies that reward providers for high value, patient-centered care.
- *Integrate care and long term care and support services for dual eligible MassHealth members*: In 2012 the Administration will submit an innovative proposal to the federal government to provide integrated, coordinated medical care and to expand independent living and long-term services and supports for Medicaid members ages 21-64 that are also eligible for Medicare. The Duals Demonstration will provide a strong foundation for payment and delivery system reform in the Commonwealth by providing dually eligible MassHealth members with access to an integrated, accountable model of care and support services financed jointly with Medicare through global payments.
- *Launch a payment reform pilot program for managed care organizations (MCO)*: A key initiative that MassHealth and the Health Connector are working together to explore for FY 2013 is the opportunity for a payment reform pilot. Specifically, the focus of MassHealth and the Health Connector's planning is on a "shared savings" model that will provide incentives for MCOs and providers to migrate towards alternative payment models that encourage better care coordination and accountability.
- *Build on the Success of the Primary Care Medical Homes Initiative (PCMHI):* Launched in FY 2010, the Administration has committed to assist 46 primary care practices, including community health centers, hospital-affiliated primary care offices, and group and solo

practices, to transition into certified medical homes focused on integrated and patient-centered care. The Administration proposes to fully fund the initiative at $10 M. There will also be $3 M dollars in additional funding made available from the 1115 Medicaid waiver Infrastructure and Capacity Building funds to support the establishment of new Patient-Centered Medical Homes at community health centers. $9 M will also be invested in higher rates for primary care providers and $4 M will be invested in higher rates for outpatient behavioral health providers, recognizing the critical role of these providers as the foundation of a transformed delivery system. Finally, qualified "Health Home" expenditures are allowed under the Affordable Care Act for a 90% federal matching rate. Health Homes are designed to be person-centered systems of care that promote access and coordination of health services, behavioral health services, and long-term community services and supports. The Health Home model will expand on MassHealth's patient-centered medical home model by building additional linkages and enhancing coordination and integration of medical and behavioral health care. This initiative will generate $10 M in new revenue for MassHealth due to the enhanced matching rate.

- *All Payers Claims Database*: Since 2010, the Division of Health Care Finance and Policy has been undertaking the development of an All-Payer Claims Database (APCD) to facilitate cost containment and quality improvements in the Massachusetts health care system. The Division anticipates significant use of the APCD in FY 2013 to achieve administrative simplification at other state agencies, as well as to help inform policy development and implementation for both public and private health care payers and providers. Over the long term, such policies are anticipated to reduce costs while improving quality. In addition to the health system benefits of the APCD, the Division anticipates additional FY 2013 revenue from APCD activities. This revenue will come from two sources: fees for sharing APCD data for public purposes, and federal financial participation (FFP) for APCD activities that directly benefit the Medicaid program. With respect to FFP, the Division anticipates seeking an agreement (Advance Planning Document or APD) with the federal Centers for Medicare & Medicaid Services to receive up to 90% match for specific eligible activities.

Leverage National Health Care Reform

The Patrick-Murray Administration is moving aggressively to prepare the Commonwealth to take full advantage of the federal health reform legislation, the Patient Protection and Affordable Care Act (ACA), and the major components of ACA as of January 1, 2014. To date, Massachusetts has received over $186 M in funding as a result of the Affordable Care Act including $36 M for an "Early Innovators" grant to develop the health information technology necessary to develop a real time, integrated eligibility system, and enhance existing Massachusetts systems in order to meet federal guidelines for an ACA-compliant Exchange. Massachusetts hopes to develop reusable technology components that may subsequently be leveraged by one or more of the six New England states participating in this collaboration. Some of the major national health care initiatives underway include:

- Developing strategies to leverage federal support to maintain expanded health care coverage and further decrease the rate of uninsurance through subsidized health insurance;
- Establishment grant applications to support the transition of the Health Connector to an ACA-compliant health benefits Exchange;
- Early Innovators work to develop technological solutions supporting real-time eligibility and determinations for Exchange and Medicaid expansion populations;
- In depth analytical work assessing opportunities for Massachusetts to leverage optional programs under the ACA to provide subsidized health insurance to residents;
- Investigating the implications of reinsurance, risk adjustment and risk corridors programs to the Massachusetts small and non-group insurance markets;
- Building a common eligibility system for Medicaid and other federal entitlement programs to simplify and streamline the Medicaid and all government subsidized health care program eligibility and enrollment; and

- Analyzing the impact of federal reform policies on the Massachusetts reform policies related to the individual mandate, the employer fair share contribution and other state policies.

Strengthen Community Long Term Care Services for Elders and Disabled

Long term care is the fastest growing spending category in Medicaid and provides critical services for elderly and disabled populations. Building on its commitment to the principles of Community First, the Patrick-Murray Administration is transforming the long term care services and supports (LTSS) system through the following core initiatives:

- *Duals Initiative*: The Duals Demonstration described above will enhance members' access to community providers of independent living and long term supports and services and provide a seamless, person-centered care experience that reflects the members' goals and supports independent living.
- *Money Follows the Person*: This $110 M demonstration grant, made possible by the Affordable Care Act, will support Massachusetts's efforts to transition over 2,000 individuals from long-term care facilities to community settings by 2016 through the provision of resources for home and community based services, housing supports, and infrastructure development.
- Additionally, MassHealth will implement internal policies to ensure that members are being served in cost-efficient community settings that promote independence, consistent with the administration's commitment to Community First, and to increase utilization management and auditing activities in fee for service long term care programs. Innovative, performance-based payment methodologies will also be implemented in some community based long-term care programs.

Continue Program Integrity Efforts and Expand Audit Activities To Tackle Fraud, Waste And Abuse

MassHealth is undertaking a number of initiatives focused on ensuring that only eligible members receive services and that providers are only paid for appropriate services provided to eligible members. These efforts leverage enhanced data and field-based audit activities with a focus on program areas that have experienced rapid growth.

Reduce the Health Care Cost Burden for Small Businesses

- *Expand eligibility for the Small Business Wellness Subsidy offered through the Health Connector's Business Express program*: Currently, certain small businesses that purchase health insurance through Business Express and enroll their employees in a wellness program created by the Health Connector may be able to obtain a 15% rebate for the cost of their share of health insurance premiums for their employees. Eligibility for the wellness rebate is tied to eligibility for federal tax credits offered to small businesses under national health care reform. The Administration is proposing to maintain the rebate at 15% (a temporary increase in FY 2012 over the originally authorized level of 5%) and expand eligibility for the wellness rebate to include sole proprietors and small business employees that are family members of the business owners, so that more small businesses are able to take advantage of the wellness program while saving money on their health insurance.
- *Control health insurance costs through Division of Insurance's rate review process*: The Division of Insurance (DOI) will continue its efforts to examine the underlying factors driving health care costs when examining small group rate filings. To date, DOI has actively set appropriate limits to premium rate increases and prevented rates from increasing at an unaffordable pace for small group insurance purchasers. In the rate filing for the 2nd quarter of 2010, carriers filed for average weighted rate increases of 16.3%, but DOI disapproved the rates as unreasonable, settled with carriers for much lower rates and saved small group purchasers approximately $106 M in insurance premium costs. In DOI's second year of rate review, the average weighted rate increases fell to 9%. DOI has also taken steps over the past year to foster the development of more affordable health insurance products that

will be more widely available in FY 2013. The majority of small group carriers will be required to offer select or tiered provider network products that have rates at least 12% less than the carriers' full network products. Certain carriers will also be offering health insurance through certified group purchasing cooperatives, which will offer wellness programs and negotiated small group rates that previously have not been available to small employers.

- *Medical Security Plan Procurement*: The success of the competitive medical security plan procurement completed in FY 2012, will annualize into FY 2013 at $32 M in savings for the Medical Security Trust Fund (MSTF), and in turn, savings for small business employer who are the main contributors to the trust fund and program.

Improve the Health Technology Infrastructure

The Executive Office of Health and Human Services (EOHHS), Information Technology Division (ITD), the Health Connector and the Massachusetts e-Health Institute are developing a strategic implementation plan to align IT resources for national health care reform readiness and transition to payment reform. IT systems are evolving from segmented to integrated based payment methodologies. The Administration proposes three major components in the health care IT strategic plan:

- *Coordinate and facilitate the dissemination of Electronic Health Record (EHR) systems throughout the Commonwealth*: The Administration plans to continue the distribution of provider incentive payments through the Health Information Technology Trust Fund, which is funded at 100% federal reimbursement to encourage Medicaid health care providers to adopt, implement, upgrade or meaningfully use certified EHR technology. EOHHS plans to distribute $125 M in funding in FY 2013;
- *Develop a secure and interoperable health information infrastructure that will allow providers, consumers and others involved in supporting health and healthcare to share clinical information securely and reliably (network of networks approach):* Leveraging both state and federal funds the

Administration is building technology infrastructure and services with the active participation of a multi-stakeholder Advisory Committee to enable secure end-to-end transmission of clinical and public health data. The goal is to better support patient care coordination as well as public health and quality reporting in order to improve outcomes and contain costs; and

- *Develop a Health Insurance Exchange (HIX) and Integrated Common Eligibility System (IES):* The creation of an integrated Health Insurance Exchange is a major undertaking in the Administration's national health care reform efforts. The Health Insurance Exchange will help individuals and small businesses identify and purchase affordable coverage and provide the IT infrastructure to insure individuals with means based needs by providing Medicaid coverage or tax credits. The Exchange will also integrate eligibility and enrollment with Medicaid and other state health subsidy programs.

Promote Wellness

- *Investment in wellness programs for Commonwealth employees:* Promoting wellness is a further opportunity for the Commonwealth to manage health care spending by encouraging healthy choices among its employees and retirees. In the FY 2012 budget, the Group Insurance Commission (GIC) was tasked with developing a wellness program for its members. After a competitive procurement, the GIC has selected a wellness vendor and has developed a plan to implement this initiative in FY 2012 and FY 2013. The GIC will leverage federal Early Retirement Reinsurance Program (ERRP) funds to expand the reach of this initiative beyond the initial FY2012 investment.

- *Expand Smoking Cessation programs*: The Administration proposes to invest a total of $5 M toward smoking cessation programs in government health care programs. The GIC plans to invest $2 M of its federal Early Retiree Reinsurance Program (ERRP) funds toward smoking cessation programs. Commonwealth Care will receive an additional $2 M and the Department of Public Health will receive $1 M. A recent study published by the George Washington University School of Public

Health shows that for every $1 invested in the Massachusetts Medicaid (MassHealth) smoking cessation benefit led to an average savings of $3.12 in cardiovascular-related hospitalization expenditures, so there was a net return of $2.12 for every dollar invested. [1]

- The Governor's FY 2013 budget also proposes to increase the cigarette tax by 50 cents and to tax other tobacco products at the same rate as cigarettes.
- *Commonwealth Health and Prevention Fund:* The Governor's FY 2013 budget proposes eliminating the sales tax exemption for soda and candy. In addition to generating $51.25 M for public health programs, the repeal of the sales tax exemption is an important step in discouraging overconsumption of these unhealthy products. The revenue will be directed to the new Commonwealth Health and Prevention Fund. Please see the Issue in Brief, "Health Promotion and Wellness Investments" for further information on the details on this proposal.

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[1] Richard P, West K, Ku L (2012) The Return on Investment of a Medicaid Tobacco Cessation Program in Massachusetts. PLoS ONE 7(1): e29665. doi:10.1371/journal.pone.002966

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