



ABH Analysis of the Governor's Fiscal Year 2014 Budget Proposal (House 1)

January 23, 2013

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To: ABH Members
From: Mandy Gilman, Director of Public Policy and Research
Re: Analysis of the Governor's Fiscal Year 2014 Budget Proposal (House 1)

Today, Governor Patrick released his FY 2014 budget proposal (sometimes called House 1 after the assigned bill number).

Of interest to ABH members, are the following:

- Governor Patrick's budget recommendations are ***predicated on the Legislature passing his proposed tax package***, which includes \$1.2 billion in new tax revenue from a variety of sources. It also includes a \$400 million draw from the state's rainy day fund, which leaves the reserve fund with a balance of more than \$1 billion.
- The Governor is proposing to increase overall funding for DMH by approximately \$22.45 million in FY14 above projected FY13 spending ***which appears to be sufficient to cover existing levels of services***. This includes:
 - \$1.04 million in new funding for the DMH operations account.
 - An approximate \$11.4 million increase in the Child and Adolescent account, including \$6.9 million for increased rates in accordance with Chapter 257.
 - \$10.1 million in new funding for the Adult Community Services account.
 - A \$2 million increase for Emergency Services for increased mobile personnel and health information technology.
- The Governor's budget also proposes an approximately \$2 million cut for DMH inpatient services, including the closure of the remaining 45 beds at Taunton State Hospital.
- The Governor proposes to increase funding in the main BSAS line item by approximately \$6.8 million above projected FY13 spending. ***This funding is sufficient to maintain existing service levels, included expanded Section 35 services, and also includes rate adjustments in accordance with Chapter 257.***
 - He has proposed level funding for the remaining BSAS line items.
 - The Governor's budget proposes extending the Section 35 trust fund so that \$3.25 million in unexpended funds will be available in FY14.



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- According to EOHHS, the Governor's budget recommendations include approximately \$120 million across EOHHS agency line items for rates set in accordance with Chapter 257.
 - Approximately \$59.3 of that amount is to fund the second year of rate increases implemented during the current fiscal year.
 - \$60.4 million is for new rates going into effect in FY14 and for adjustments of existing rates previously set in accordance with Chapter 257.
- There appears to be no significant cuts pertaining to behavioral health services in the MassHealth budget.

The legislation will now be sent to the House of Representatives. The House Ways & Means Committee will hold a budget hearing in the late winter or early spring, likely in conjunction with the Senate Committee on Ways & Means. In early April, the House Ways & Means Committee will release its own budget proposal which will be debated, amended and voted upon by the full House. The Senate will then follow in the same manner in May.

After each chamber has approved its version of the budget, the Senate President and House Speaker will make appointments to a conference committee to resolve differences between the House and Senate spending bills and produce a final legislative budget known as a conference committee report.

The conference committee report will be voted either up or down (no amendments are permitted) by each chamber, and if approved, sent to the Governor who will have ten days to review the budget and return his vetoes and recommendations for amendment.

**ABH will hold an all member *Community Conversation* conference call
on Thursday, January 24 to discuss the budget proposal:**

Community Conversation

Thursday, January 24 at 10:30 am -
Call In # : 800-714-9583 Access Code: 973472

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Department of Mental Health

Line item/program	FY'10 Post 9C	FY'11 Spending	FY'12 Spending	Final FY'13 Approved	FY'13 Post 9C	Governor's FY'14
5011-0100 Operations Account	\$28,672,819	\$26,401,636	\$26,748,859	\$27,373,198	(\$338,057)	\$28,075,844
5042-5000 Child/Adolescent Services	\$72,184,407	\$71,773,509	\$71,805,352	\$76,816,757	(\$1,890,000)	\$86,284,967
5046-0000 Adult Community Services	\$302,913,735	\$326,755,801**	\$332,466,264**	\$344,027,150	(\$1,962,186)	\$354,162,452
5046-2000 Statewide Homelessness Initiative	\$20,134,424	\$20,134,424	\$20,134,424	\$20,134,424	\$20,134,424	\$20,134,424
5047-0001 Emergency Services/Acute Inpatient	\$34,704,390	\$34,122,197	\$35,134,207	\$35,242,254	(\$500,000)	\$36,742,254
5055-0000 Forensic services for the mentally ill	\$8,146,363	\$8,081,928	\$8,104,964	\$8,321,818	\$8,321,818	\$8,321,818
5046-4000 CHOICE program RR	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
5095-0015 State psychiatric hospitals/Community-Based Mental Health Services	\$167,133,711	\$143,900,803	\$146,803,087	\$159,313,321	(\$2,723,359)	\$162,625,002
5095-0017 Trust Fund Contributions			\$10,000,000			
TOTAL	\$634,014,849	\$631,295,298**	\$651,327,157**	\$671,353,922	\$673,940,324	\$696,471,761

* includes transfers ** includes Supplemental funding



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Overview:

The Department of Mental Health is funded at \$696,471,761. This represents an increase of approximately \$22m over FY'13 projected spending. This appears to be sufficient to cover existing levels of service.

5011-0100 Operations. Funding in this line item was increased by \$1,040,702 over FY'13 projected spending.

5042-5000 Child/Adolescent Mental Health Services. This funding was increased by \$11,358,210 over FY'13 projected spending. DMH has noted that \$6.9 million of this increase will fund rate increases for the DMH/DCF Caring Together joint procurement.

The account retains past language enabling the DMH Commissioner to allocate funds from this account to other EOHHS departments in order to support services for children and adolescents "stuck" in inappropriately restrictive settings due to lack of more appropriate placements

5046-0000 Adult Mental Health Community Services. This account has an approximately \$10.1m increase in funding over FY13. It contains previously included language requiring DMH to allocate up to \$5 million from the inpatient account (5095-0015) as necessary for "community services" for consumers formerly receiving care at DMH facilities.

5046-2000 Homelessness Services. This account is level-funded.

5047-0001 Emergency Services/Acute Inpatient. This account is funded at \$36,742,254; an increase of approximately \$2m over FY13 projected spending. This includes \$2m in new money to support secure mobile capacity and technology for mobile crisis teams.

5095-0015 State Psychiatric Hospitals/CMHCs. This line item includes a \$2m decrease in funding from FY13 which accounts for the closure of the remaining 45 beds at Taunton State Hospital. This funding level allows DMH to fully open the new Worcester Hospital, and to operate it at capacity. In addition, this account contains language mirroring that in the adult community account (5046-0000) which permits the transfer of up to \$5m from this account to the adult community account for "community services" for consumers formerly receiving inpatient care.

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Department of Public Health/Bureau of Substance Abuse Services

Line item/program	Final FY '10 – Post 9C**	Final FY'11**	FY '12 Spending	Final FY'13 Approved	Final FY'13 – Post 9C	Governor's FY'14
4512-0200 BSAS Programming & Operations	\$75,924,448	\$75,185,802	\$74,810,802	\$77,164,595	(\$135,417) \$77,029,178	\$83,858,094
4512-0201 Step-Down Services	\$4,800,000	\$4,800,000	\$4,800,000	\$4,800,000	\$4,800,000	\$4,800,000
4512-0202 Secure Treatment Facilities for Opiate Addiction/ Jail Diversion	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
4512-0203 Intervention, Care Management, and Young Adult Treatment Program	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Substance Abuse Service Fund					\$6,750,000***	\$3,250,000***
TOTAL	\$84,224,448	\$83,485,802	\$83,110,802	\$85,464,595	\$92,079,179	\$95,408,094

**Includes supplemental funding

***This is carryover trust fund money from the FY12 allocation of \$10m. \$6.75m of this funding was used in FY13 for the Section 35 expansion programs, and \$3.25 of the funding will carry forward past the current July 1, 2013 expiration.

Overview:

The Governor's budget recommendations fund the Bureau of Substance Abuse Services at \$95.4m. This represents an increase of approximately \$3.25 million over FY13 spending, and annualizes the \$6.75m in one time funding used for expanded Section 35 services this fiscal year.

4512-0200 BSAS Programming and Operations. This account is funded at approximately \$83.8m; an increase of \$6.8m. This includes the annualization of \$6.7m in costs for expanded Section 35 services.



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4512-0201 Step-Down Services. This account is level-funded at \$4.8m. The language states that the account will fund “substance abuse step-down recovery services, otherwise known as level-B beds and services, and other critical recovery services with severely reduced capacity.”

4512-0202 Pilot Jail Diversion Program. This account is level funded at \$2m and preserves the language outlining the program.

The account appropriates funding for pilot jail diversion programs primarily for nonviolent offenders with OxyContin or heroin addiction. The programs will be procured by the Department of Public Health, shall have at least 60 beds, and shall provide clinical assessment services to the respective courts, inpatient treatment for up to 90 days and ongoing case management services for up to 1 year. Programs shall be established in separate counties in locations deemed suitable by the department of public health. However, “not more than \$500,000 shall be used to support the ongoing treatment needs of clients after 90 days for which there is no other payer.” The Department of Public Health must coordinate operations with Sheriffs, the District Attorneys, the Office of the Commissioner of Probation and the Department of Corrections.

Language also states that an individual may be diverted to this or other programs by a district attorney (in conjunction with the Commissioner of Probation) if:

- a.) there is reason to believe that the individual being diverted suffers from an addiction to OxyContin or heroin, or other substance use disorder; and
- b.) the diversion of an individual is clinically appropriate and consistent with established clinical and public safety criteria;

4512-0203 Family Intervention, Care Management, and Young Adult Treatment Pilot Program. This account is level-funded at \$1.5m. The language states that this appropriation is “for family intervention and care management services programs, a young adult treatment program, and early intervention services for individuals who are dependent on or addicted to alcohol or controlled substances or both alcohol and controlled substances.”

Substance Abuse Services Fund. \$10m was included in a supplemental budget (Ch. 142 of the Acts of 2011) for the purpose of expanding inpatient treatment facilities and ongoing case management services for persons who are civilly committed under Section 35. BSAS expects \$6.75m of this fund will be expended in FY13 for the expansion. The Governor's budget extends the deadline to allow the additional \$3.25m to be used in FY14. **(Outside Section 17).**

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Executive Office of Health & Human Services (EOHHS)/Office of MassHealth

Line item/program	Final FY 2010- Post-9C **	Final FY '11**	FY '12 Spending	Final FY'13	Final FY'13 Post 9C	Governor's FY14
4000-0300 EOHHS Admin. Account	\$91,326,742	\$89,970,271**	\$86,557,878**	\$87,224,888	\$87,244,888	\$90,598,693
4000-0500 Managed Care Plans	\$3,600,131,677	\$3,772,835,669	\$3,980,487,347	\$4,167,478,376	(\$86,130,000) \$4,257,117,147**	\$4,552,960,913
4000-0700 MassHealth Fee for Service Payments	\$1,719,399,286	\$2,009,447,966	\$1,809,829,381	\$1,957,480,126	(\$26,800,000) \$1,819,111,138**	\$2,247,826,061
4000-0870 MassHealth Basic	\$155,139,729	\$165,351,318	\$170,608,370	\$178,759,689	\$172,080,738**	\$180,437,109
4000-1405 MassHealth Essential	\$324,450,150	\$389,757,408	\$493,458,055	\$505,998,456	\$466,755,623**	\$489,878,244
4000-0950 Children's Behavioral Health Initiative	\$65,688,963	\$214,743,708	\$214,743,708	\$221,549,097	\$179,743,708**	\$203,237,576
4000-0114 Human Service Pilot	----		\$1,000,000**	\$1,000,000	\$1,000,000	\$1,500,000

**Includes supplemental appropriations



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4000-0300 Administrative. The Governor's budget funds the EOHHS & MassHealth Administration line item at \$90,598,693, a \$2,453,804 increase over projected FY13 spending.

The account retains language requiring the DMH Commissioner to approve prior authorization and other restrictions on medication used to treat mental illness "in accordance with written policies, procedures and regulations" of the Department of Mental Health.

The line item also retains language forbidding expenditures on programs that are not federally reimbursable (including those related to Medicaid, SCHIP, the Section 1115 Waiver or the Community First section 1115 demonstration waiver) except as for administration of the Executive Office for the equivalent of MassHealth Standard benefits for children under 21 who are in the care/custody of DYS or DCF, for dental benefits provided to clients of DDS who are age 21 or older, or cost containment efforts the purposes and amounts which have been submitted to Executive Office of Administration and Finance and to the House and Senate Committees on Ways & Means thirty days before making such expenditures.

The account retains recurring language forbidding EOHHS/Center for Health Information and Analysis from implementing provider rate increases in the absence of "all measures possible" under the federal Social Security Act (which includes Medicaid) *"to ensure that rates of payment to providers do not exceed such rates as are necessary to meet only those costs which must be incurred by efficiently and economically operated providers in order to provide services of adequate quality."*

Language is also retained that permits EOHHS to recover provider overpayments made in the current and prior fiscal years and that EOHHS may collect directly from a liable third party any amounts paid to providers, if no other course of recoupment is possible.

4000-0500 Managed Care Plans. This account is funded at \$4,552,960,913. This is an increase of approximately \$295m over FY13 projected spending.

The language states that funds shall be used for health care services provided to medical assistance recipients under the Executive Office's Primary Care Clinician/mental health and substance abuse plan through a health maintenance organization under contract with the Executive Office and for MassHealth Benefits provided to children, adolescents and adults under clauses (a.) to (d.) and clause (h.) sub-section (2) of the Medicaid law.



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The language also directs that no funds shall be expended for children and adolescents under clause (c.) subsection (2) of the Medicaid law whose family incomes exceed 150% of the federal poverty level.

4000-0700 MassHealth Fee-for-Service Payments. This account is funded at \$2,247,826,061. This represents an increase of approximately \$428m over FY13 spending.

The line item includes language stating that children who have aged out of the custody of the Department of Children and Families shall be eligible for MassHealth benefits until they reach age 21 and states that funds may be used for individuals who qualify for early intervention. The account retains language permitting use of funds to purchase third party insurance for MassHealth members. The line item includes language permitting EOHHS to reduce premiums and/or co-pays or to offer other incentives to encourage MassHealth members to comply with wellness goals. The budget also retains language permitting the use of funds for disability determination activities, utilization management and review, and patient screenings and evaluations.

4000-0870 MassHealth Basic. This account is funded at \$180,437,109 which represents a little over \$8m increase from FY'13 projected spending.

4000-1405 MassHealth Essential. Funding for this account increased by approximately \$23m over projected FY13 spending. The budget adopts language similar to that included in past budgets which directs that MassHealth Essential be operated to provide "preventive and primary care for chronically unemployed persons who are not receiving unemployment insurance benefits and who are not eligible for medical assistance but who are determined by the executive office of health and human services to be long-term unemployed..." and who have incomes up to 100% of the federal poverty level.

Consistent with past budgets, account language also permits the restriction of the program to "certain providers" when taking into account capacity, continuity of care and geographic considerations. EOHHS is authorized to limit or close enrollment to ensure that expenditures do not exceed the appropriation, but the Secretary of EOHHS must notify the House and Senate Committees on Ways and Means and the Joint Committee on Health Care Financing 90 days before limiting or closing enrollment.

4000-0950 Children's Behavioral Health Initiative. Funding for this account was increased by \$23.5m over projected FY13 spending. This is a decrease over FY12 appropriations due to a decrease in funding to meet projected needs. This line item replaced the Rosie D. Reserve (1599-7050) in the FY 2010 budget and funding is appropriated for "administrative and program expenses associated with the children's behavioral health initiative...to provide comprehensive community-based behavioral health services to children suffering from severe emotional disturbances."

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Department of Children and Families

Line item/program	Final FY'10- Post 9C**	Final FY 2011**	FY 2012** Spending	Final FY'13	Final FY'13 – Post 9C	Governor's FY'14
4800-0015 Operations account	\$68,088,577	\$65,671,716**	\$65,257,818**	\$67,351,557	(\$275,000) \$67,251,557*	\$69,346,589
4800-0016 Transitional Employment Program	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
4800-0025 Foster care review	\$2,677,181	\$2,671,274	\$2,839,006**	\$2,943,098	\$2,943,098	\$3,001,961
4800-0030 Service Coordination/Admin.	\$7,000,000	\$6,000,000	\$10,215,181	\$6,000,000	\$6,000,000	\$6,000,000
4800-0036 Sexual abuse intervention	\$697,508	\$697,508	\$697,508	\$697,508	\$697,508	\$698,740
4800-0038 Services for Children and Families	\$293,440,713	\$247,433,594	\$238,142,461**	\$248,083,481	\$248,083,481	\$252,275,269
4800-0040 Family Support & Stabilization	----	\$40,950,000	\$43,317,551**	\$44,573,551	(\$558,000) \$44,015,551	\$45,410,551
4800-0041 Group care	\$219,854,417	\$201,586,480	\$196,697,573**	\$196,935,991	(\$5,207,000) \$193,128,991	\$212,967,991
4800-0091 Social worker development	\$2,133,535	\$2,058,735	\$2,058,735	\$2,077,119	\$2,077,119	\$2,007,119
4800-0151 Overnight non-secure placements	\$270,919	\$270,919	\$270,919	\$1,004,678	\$1,004,678	\$1,024,772
4800-1100 Social workers for case mgmt.	\$155,091,220	\$155,782,354**	\$162,697,463**	\$166,188,468	(\$470,000) \$165,718,468	\$172,833,758
4800-1400 Domestic Violence services	\$21,422,460	\$20,094,458	\$20,727,114	\$21,455,430	(\$433,000) \$21,022,430	\$21,607,946
TOTAL	\$775,676,358	\$742,217,038	\$744,921,329	\$759,310,881	\$753,942,881	\$789,174,696

* includes transfers **includes supplemental funding



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Overview:

The FY14 budget is an approximately \$35m increase over projected FY13 spending for the Department of Children and Families

4800-0015 Operations Account. This account is funded at \$69,346,589 which is an increase of approximately \$2m (over FY13 spending).

4800-0016 Transitional Employment Program. This account is level-funded at \$2m. Account language states that DCF may enter into a contract with Roca, Inc. to manage the transitional employment program and “to provide services to participants from the aging out population, parolees, probationers, youth service releases, or other community residents considered to have employment needs.”

4800-0030 Service Coordination/Administration. This account is level funded for FY13 at \$6m. The account appropriates funds for the DCF lead agencies, and references the continuation of “local and regional administration and coordination of services” and states that “flex services provided by the department” may be funded from the account.

4800-0038 Services for Children and Families. This account is funded at approximately \$252m, an increase of approximately \$4m over FY13 projected spending. Funding is appropriated “for services to children and families, including but not limited to permanency, stabilization, placement and congregate care.”

4800-0040 Family Support and Stabilization. This account, which funds “family prevention and unification services”, is funded at \$1.3m above projected FY13 funding.

4800-0041 Group Care. The Governor's budget proposal funds this account at \$212,967,991. This is an increase of approximately \$20m. The language in the account permits the use of funds “to provide intensive community-based services, including intensive in-home support and stabilization services, to children who would otherwise be placed in residential settings.”

4800-0151 Placement for Juvenile Offenders. The Governor's budget funds this line item at \$1,024,227, a small increase over FY13 spending. This account funds, “alternative overnight nonsecure placements for status offenders and nonviolent delinquent youths to prevent the inappropriate use of juvenile cells in police stations for such offenders”.

4800-1100 Social Worker Case Management. This account is funded at approximately \$172m which this is an increase of \$7m over FY13 spending.



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4800-1400 Domestic Violence Services. This account is funded at \$21.6m; an increase of approximately \$600,000 over FY13 spending. This account funds shelter and support services for people at risk for domestic violence as well as for the operation of the New Chardon Street Homeless Shelter.

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Department of Housing & Community Development

Line item/program	Final FY'10- Post 9C**	Final FY 2011**	FY 2012** Spending	Final FY'13	Final FY'13 – Post 9C	Governor's FY'14
7004-9033 Rental Subsidies for DMH consumers	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000

Human Services Salary Reserve

Line item/program	Final FY '10	Final FY '11	Final FY '12	Final FY'13	Final FY'13 – Post 9C	Governor's FY'14
1599-6901 Human Services Salary Reserve	\$0	\$0	\$10,000,000	\$20,000,000	\$20,000,000	\$0

SALARY RESERVE (1599-6901) – The Governor's Budget recommendation does not fund the human services salary reserve.



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OTHER ITEMS OF INTEREST

The budget appropriates \$1,270,000 to the **compulsive gamblers treatment program** (line item 4512-0225). This represents a reduction in funding of \$560,000 due to a decrease in dedicated revenue of unclaimed lottery monies. This will be an area to monitor as casino proposals move forward as funding must be dedicated to treatment.

The budget also includes \$3,857,550 for the **Department of Public Health's Statewide Suicide Prevention & Intervention Program (4513-1026)**. This is an increase of approximately \$18,000 over project FY13 spending.

The **Department of Public Health's HIV/AIDS Program (4512-0103)** is funded at approximately \$32 million, which is a small increase over FY13 projected spending.

The **HIV/AIDS drug assistance program at DPH (4512-0106)** is level-funded at \$7,500,000.

\$750,000 is appropriated for a **Department of Early Education and Care line item (3000-6075)** to early childhood mental health consultation services. Preference is to be given to services designed to limit the number of expulsions and suspensions.

NAMI and ABH advocated for a new \$125,000 line item, created in the FY13 budget but eliminated through 9C, known as the **jail diversion community safety initiative**. Funded through the executive office of public safety, the goal is to reduce arrests of people in mental health crisis by improving police responses and fostering access to emergency service programs. Proposals will come from law enforcement collaborating with other community agencies. This funding **was not included** in the Governor's FY14 budget recommendations.

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Outside Sections

Section 6. Interagency Agreements between DDS and Medicaid or DMH. This section expands the authority of the Department of Developmental Services to enter into interagency service agreements from its currently statutory ability with the department of mental health to now include the office of Medicaid.

Section 7. Adequate Revenues to Support Critical Investments. This section outlines Governor Patrick's major tax proposals, including an increase in the state income tax to 6.25%, doubling of the personal income tax exemption amounts, repeal of a myriad of tax deductions and credits, and lowering the sales tax rate to 4.5%. It also indexes the gas tax to inflation, repeals the sales tax exemption on candy and soda, and increases the cigarette excise tax and increasing other tobacco taxes.

Section 17. Extend Substance Abuse Services Fund. This section allows the funding left in the substance abuse services fund established in 2012 to carry forward until the end of FY14. BSAS estimates this will be \$3.25m.

Section 21. Funding for Payments to Certain Health Providers. This section transfers up to \$20m in available funding from the Healthcare Payment Reform Trust Fund for the 2% increase in payments required under the payment reform law for MassHealth providers adopting alternative payment methods. Eligible providers include hospitals and primary care providers.

Section 23. MassHealth and Commonwealth Care Dental Services. This section gives MassHealth and Commonwealth Care discretion to limit adult dental services as needed. It also provides that the Commonwealth Health Insurance Connector Authority include preventative procedures to any resident with a household income below 100% of the federal poverty limit.

Section 28. UMass/Health and Human Services Interagency Service Agreements. This section reauthorizes EOHHS to enter into interdepartmental services agreements with the UMass Medical School to perform administrative activities relative to Medicaid and other federal programs. Activities include administrative services, utilization management activities, determining eligibility, supporting case management activities, consulting services related to quality assurance, program evaluation and development, etc. and services pursuing FFP or cost avoidance. Federal reimbursement for any expenditure made by the medical school for services under ISA or contract to EOHHS will go directly to the school. EOHHS would be permitted to negotiate contingency fees up to \$40 million per year for up to three years for the pursuit of federal reimbursement or cost avoidance. EOHHS would be required to make quarterly reports on the projects and activities taking place under this authorization.