



ASSOCIATION
FOR BEHAVIORAL
HEALTHCARE

ABH Preliminary Analysis of the FY20 Governor's House 1 Budget January 23, 2019

To: ABH Members
From: Mandy Gilman, Senior Director of Public Policy & Research
Stuart Figueroa, Public Policy and Research Specialist
Re: **Analysis of the FY20 Governor's House 1 Budget**

Earlier this afternoon, Governor Baker released his Fiscal Year 2020 Budget proposal (referred to as House 1 or H1), totaling \$42.7 billion. The budget is modeled on a projected tax revenue forecast of \$29.9 billion, representing 2.7% growth and assuming that the state income tax will drop to 5.0%, effective January 1, 2020, from its current rate of 5.05%. ABH continues to gather further information on how the proposed budget would impact existing services.

The FY House 1 budget includes the following highlights:

- The Adult Community Services line item (5046-0000) is approximately level funded from FY19. The Governor has recommended a decrease of \$2.8 million in the Children's Services line item (5042-5000) from projected final FY19 spending.
- The Governor proposed funding Bureau of Substance Addiction Services be funded at \$148,671,349. This is a decrease of nearly \$7 million from projected final FY19 spending. This decrease is largely due to the exclusion of earmarks in line-item 4512-0205 which are typically added by the Legislature.
- MassHealth is funded at \$16.539 billion. MassHealth covers 1.9 million Massachusetts residents, and the Administration projects that caseload growth will slow in FY20 to .6% over FY19 due to eligibility system improvements. House 1 proposes maintaining program benefits and eligibility in FY20.
- \$20.5 million in funding in the Chapter 257 rate reserve for rates adjusted in the upcoming year.
- House 1 proposes a new line item (1599-0105) for costs associated with the delivery of medication assisted treatment in County Correctional facilities. This new account is funded at \$10 million in FY20.
- House 1 includes a new tax on e-cigarettes and vapor products.
- The Governor is also proposing to tax opioid manufacturers, however drugs used for medication assisted treatment would be exempt.



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ABH will hold an **all-member conference call on Thursday, January 24, 2019 at 9:00am** to brief you on Governor Baker's FY2020 Budget recommendations. The conference call will provide an overview of the budget and its potential impact on ABH members. It will conclude with a question and answer period.

Community Conversation Details

Date: Thursday January 24th
Time: 9:00 a.m.
Call: 1-800-867-0549
Access Code: 6478300

Next Steps:

The legislation is now before 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.

*** Note: Line item figures categorized as GAA on the following pages come from the General Appropriations Act (GAA). The **GAA** is the annual budget act, effective each July 1st. Line items labeled **Spending** include any supplemental funding and trust fund transfers throughout the fiscal year.



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Department of Mental Health (DMH)

Line item/program	FY'16 Spending	FY'17 Spending	FY'18 GAA	FY'18 Spending	FY'19 GAA	FY'19 Spending	FY'20 Governor's Budget
5011-0100 Operations	\$26,682,875	\$27,691,510	\$27,408,942	\$27,408,642	\$27,917,805	\$28,154,849	\$29,270,863
5042-5000 Child/Adolescent Services	\$87,795,268	\$89,277,600	\$91,738,321	\$90,853,591	\$92,857,039	\$93,384,162	\$90,600,702
5046-0000 Adult Community Services	\$376,404,699	\$381,023,039	\$387,080,579	\$392,173,147	\$488,735,614	\$489,178,116	\$488,880,275
5046-0005 Comm Placements	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$0	\$0	\$0
5046-2000 Homeless Initiative	\$21,538,690	\$22,038,690	\$22,727,689	\$22,727,689	\$22,727,689	\$22,727,689	\$22,792,063
5047-0001 Emergency/Acute Inpatient	\$24,234,504	\$24,924,320	\$24,101,834	\$24,101,834	\$24,103,309	\$24,103,309	\$22,168,933
5055-0000 Forensic services	\$9,042,404	\$9,147,474	\$9,232,517	\$9,232,517	\$10,797,407	\$10,859,283	\$11,006,497
5095-0015 State psych hosp	\$193,027,776	\$209,041,405	\$205,623,406	\$205,623,406	\$208,230,158	\$212,714,256	\$221,497,920
5095-1016 Occupancy Fees	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
TOTAL	\$743,351,216	\$767,644,008	\$772,413,288	\$776,620,826	\$869,869,021	\$881,621,664	\$886,717,253



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House 1 funds the Department of Mental Health at approximately \$886.7 million. This is \$5 million increase over the projected final FY19 spending.

5011-0100 Operations. House 1 recommends the DMH operations line-item be funded at approximately \$29.3 million. This increase represents \$1.3 million over FY19 GAA funds.

5042-5000 Child/Adolescent Mental Health Services. House 1 funds this account at \$90.6 million for child and adolescent services, including funding for the Massachusetts child psychiatry access program and including the costs of psychiatric and related services provided to children and adolescents determined to be medically ready for discharge from acute hospital units or mental health facilities. This figure represents a \$2.8 million decrease from projected final FY19 spending.

5046-0000 Adult Mental Health Community Services. House 1 funds this line item at approximately \$488.8 million. This sum represents a decrease from projected final FY19 spending, but is consistent with FY19 GAA appropriations. House 1 budget language allows DMH to allocate not more than \$5 million from the inpatient hospital line item (5095-0015) for community services for clients formerly receiving inpatient care at the department facilities.

5046-0005 Community Placements. This account has previously included \$4 million in funding for community-based placements. In FY19, this amount was moved into line item 5046-0000, and this consolidation continues in FY20.

5046-2000 Homelessness Services. House 1 funds this account at \$22.8 million, a modest increase over FY19 spending.

5047-0001 Emergency Services/Acute Inpatient. The line item includes \$22.1 million for emergency services, a decrease of approximately \$1.9 million from projected final FY19 spending.

5055-0000 Forensic Services. House 1 recommends that this account be funded at \$11,006,497. This funding constitutes a modest increase over both FY19 GAA appropriations and projected FY19 spending.

5095-0015 State Psychiatric Hospitals. The Governor's budget proposes that this line item be funded at \$221.5 million, approximately \$8.8 million over projected final FY19 spending. Budget language allows DMH to transfer up to \$5 million from this line item to the adult mental health community services line item (5046-0000) to serve individuals in the community that were formerly receiving care at a DMH inpatient unit.

5095-1016 Occupancy Fees Retained Revenue. This line item, added in FY16, allows DMH to retain \$500,000 in revenue collected from occupancy fees charged to the tenants of the state hospitals.



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Department of Public Health/Bureau of Substance Addiction Services (BSAS)

Line item/program	FY'16 Spending	FY'17 Spending	FY'18 GAA	FY'18 Spending	FY'19 GAA	FY'19 Spending	FY'20 Governor's Budget
4512-0200 BSAS Program & Operations	\$113,773,064	\$123,962,540	\$132,575,888	\$136,123,457	\$141,863,457	\$141,997,744	\$139,362,719
4512-0201 Step-Down Services	\$4,854,090	\$4,469,905	\$4,908,180	\$4,859,098	\$4,908,180	\$4,908,180	\$4,908,180
4512-0202 Jail Diversion	\$2,000,000	\$1,980,000	\$1,940,000	\$1,920,600	\$5,000,000	\$2,500,000	\$1,940,000
4512-0203 Young Adult Treatment Program	\$1,500,000	\$1,485,000	\$1,440,450	\$1,426,045	\$1,440,450	\$1,440,450	\$1,440,450
4512-0204 Naloxone for First Responders	\$1,000,000	\$996,008	\$970,000	\$960,300	\$1,020,000	\$1,020,000	\$1,020,000
4512-0205 Grants & Contracts	-	-	\$980,000	\$0	\$3,784,000	\$3,784,000	\$0
4512-0211 Recovery High	-	\$2,469,000	\$3,600,000	\$2,475,000	Transferred to 7061-9607	Transferred to 7061-9607	Transferred to 7061-9607
SUBTOTAL	\$123,127,154	\$135,362,453	\$146,414,518	\$147,764,500	\$158,016,087	\$155,650,374	\$148,671,349
1595-4510 Substance Abuse Services Fund	\$5,000,000**	\$5,000,000	\$0	\$0	\$0	\$0	\$0
TOTAL	\$128,127,154	\$140,362,453	\$146,414,518	\$147,764,500	\$158,016,087	\$155,650,374	\$148,671,349

**This fund is housed within the Executive Office of Health and Human Services for expansion of BSAS-funded services.



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House 1 recommends that the Bureau of Substance Addiction Services be funded at \$148,671,349. This is a decrease of nearly \$7 million from projected final FY19 spending. This decrease is largely due to reductions in the BSAS Program and Operations account (4512-0200), and the exclusion of earmarks (4512-0205).

4512-0200 BSAS Programming and Operations. House 1 recommends that this account be funded at \$139.9 million, a decrease of \$2.6 million from FY19 projected spending. A portion of this funding will come from the marijuana regulation fund. House 1 excludes several earmarks that were appropriated in the FY19 GAA budget.

4512-0201 Step-Down Services. Consistent with the past two fiscal years, this account for "substance abuse step-down recovery services" is funded at approximately \$4.9 million.

4512-0202 Pilot Jail Diversion Program. House 1 recommends that this account be funded at \$1,940,000 million. The account appropriates funding for jail diversion programs primarily for nonviolent offenders with opioid or heroin addiction. This sum is a decrease of \$560,000 less than FY19 spending, but more than \$3 million less than was appropriated through FY19 GAA. The line item retains language mandating that each program provide clinical assessment services to the courts, inpatient treatment for up to 90 days, and ongoing case management for up to one year. It has individual eligibility criteria as in the past, i.e., opioid heroin or another substance use disorder and diversion is appropriate both in accordance with clinical and public safety criteria. Programs are to be in separate counties. \$500,000 is dedicated to "support the ongoing treatment needs of clients after 90 days for which there is no other payer."

4512-0203 Family Intervention, Care Management, and Young Adult Treatment Program. This account is funded at \$1.44 million, equal to projected final FY19 spending, for the purposes of "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."

4512-0204 Naloxone Distribution Programs for First Responders. The budget includes \$1.02 million in funding for this line item, which funds the purchase, administration, and training of first-responders and bystander naloxone distribution programs. Funds shall be expended to maintain funding in communities with high incidences of overdoses. There is funds transfer authority between this account and the main BSAS line item, provided that DPH file an allocation plan with the Legislature 30 days before any transfer. DPH is required to report to the Committees on Ways & Means on (i) the communities receiving grants; (ii) the number of participants for each community; and (iii) the amount of naloxone purchased and distributed, delineated by community by October 1, 2019.

4512-0225 Grants and Contracts. House 1 does not include any earmarked grants or contracts, and therefore, this account is not funded. This represents a decrease of approximately \$3.8 million from FY19 GAA appropriations.

4512-0211 Recovery High Schools. In FY19, this account was transferred to the Department of Elementary and Secondary Education (7061-9607). Under this new line item, Recovery High Schools are funded at \$2.5 million, a decrease of \$600,000 from projected FY19 spending.



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

Line item/program	FY'16 Spending	FY'17 Spending	FY'18 GAA	FY'18 Spending	FY'19 GAA	FY'19 Spending	FY'20 Governor's Budget
4000-0300 EOHHS Admin.	\$85,974,577	\$99,496,881	\$102,682,373	\$102,128,020	\$104,535,714	\$104,188,321	\$107,816,936
4000-0328 State Plan Amend	\$0	\$50,000	\$50,000	\$49,500	\$50,000	\$0	\$0
4000-0500 MCOs	\$5,347,416,595	\$5,319,986,767	\$5,553,251,863	\$5,248,850,779	\$5,759,010,341	\$5,640,514,488	\$5,602,463,479
4000-0700 Fee for Service Payments	\$2,539,586,015	\$2,505,875,935	\$2,397,298,930	\$2,870,433,111	\$2,646,228,033	\$3,172,146,369	\$2,874,688,066
4000-0880 Family Assistance	\$253,769,000	\$431,380,194	\$526,812,502	\$445,136,493	\$468,898,836	\$303,570,057	\$335,369,313
4000-0940 ACA Expansion	\$1,957,441,133	\$2,095,563,761	\$2,238,691,278	\$2,083,465,923	\$2,138,679,253	\$2,120,286,982	\$2,334,634,687
4000-0950 CBHI	\$221,682,738	\$235,786,661	\$247,337,564	\$247,337,564	\$256,757,691	\$256,757,691	\$261,757,691
4000-0990 CMSP	\$13,006,000	\$17,471,111	\$12,096,978	\$12,096,978	\$12,096,978	\$12,096,978	\$14,700,000



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MassHealth

- House 1 funds MassHealth at \$16.539 billion. This represents a 0.1% gross (4.3% net) increase over projected FY19 spending. MassHealth covers 1.9 million Massachusetts residents, and the Administration projects that caseload growth will slow in FY20 to .6% over FY19 due to eligibility system improvements.
- House 1 proposes maintaining program benefits and eligibility in FY20.
- House 1 recommends several reforms to MassHealth's pharmacy program including:
 - "New drug pricing authority for MassHealth to engage in direct price negotiations with drug manufacturers; subject high-cost prescription drugs to a public rate-setting process, similar to the process used to set rates for most other MassHealth services. If a drug manufacturer does not offer a rebate to meet the regulated target price, the manufacturer may be referred to the Health Policy Commission and be subject to disclosure requirements, public hearings, and potential referral to the Attorney General for action under the state's consumer protection law. These reforms are projected to deliver savings of \$70 million gross (\$28 million net)."
 - A requirement for Pharmacy Benefits Managers (PBMs) to be transparent about their pricing spreads and rebates in contracts with MassHealth Managed Care Organizations (MCOs) and Accountable Care Organizations (ACOs) and to limit PBM margins under these contracts. This is projected to deliver partial year savings of \$10 million gross (\$4 million net).
- House 1 also proposes to expand eligibility for the Medicare Savings Program by reducing health care costs for 40,000 low-income seniors.



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Department of Children and Families (DCF)

Line item/program	FY'16 Spending	FY'17 Spending	FY'18 GAA	FY'18 Spending	FY'19 GAA	FY'19 Spending	FY'20 Governor's Budget
4800-0015 Operations	\$80,863,547	\$96,184,242	\$98,384,611	\$98,954,119	\$102,778,558	\$103,788,227	\$109,847,086
4800-0025 Foster care review	\$3,033,562	\$2,000,000	\$4,142,546	\$4,142,546	\$4,197,923	\$4,350,159	\$4,475,118
4800-0030 Lead Agencies	\$6,000,000	\$6,000,000	\$5,350,000	\$5,802,541	\$6,672,822	\$6,672,922	\$6,672,922
4800-0036 Sexual abuse	\$698,739	\$698,739	\$699,547	\$699,547	\$699,158	\$699,158	\$700,961
4800-0038 Child & Families	\$283,620,923	\$287,975,963	\$289,964,283	\$291,562,089	\$298,821,577	\$301,672,332	\$307,739,474
4800-0040 Fam Supp. Stab.	\$46,276,753	\$46,892,955	\$47,692,955	\$48,277,405	\$50,500,000	\$50,500,000	\$50,971,223
4800-0041 Group care	\$264,642,587	\$278,468,404	\$278,593,375	\$279,958,836	\$285,762,918	\$289,941,623	\$293,443,452
4800-0151 Overnight place	\$504,388	\$510,457	\$509,943	\$509,943	\$509,943	\$509,943	\$509,943
4800-0200 Family Resource Centers	\$7,398,054	\$9,553,671	\$9,731,116	\$9,731,116	\$15,050,000	\$12,309,384	\$15,000,000
4800-1100 Social worker case mgt.	\$203,047,077	\$223,462,675	\$236,811,034	\$233,541,034	\$236,811,035	\$247,167,893	\$255,414,307



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4800-0015 Operations Account. This account is funded at \$109,947,086, which is an increase of approximately \$6 million over projected final FY19 spending. The line item also includes language that allows limited transferability between specific line items provided they notify the House and the Senate Committees on Ways and Means.

4800-0030 Service Coordination/Administration. House 1 funds this line item at \$6.7 million, identical to project FY19 spending.

4800-0038 Services for Children and Families. This account is funded at approximately \$307.7 million, an increase of \$6 million over projected FY19 spending. Funding is for "permanency, stabilization, shelter, placement and congregate care."

4800-0040 Family Support and Stabilization. This account, which funds "family prevention and unification services", is funded at \$50.9 million. This is an increase of approximately \$471,000 over FY19 spending.

4800-0041 Group Care. House 1 funds this line item at \$293 million. 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. This account was funded at \$509,943. This account funds "alternative overnight non-secure placements for status offenders and nonviolent delinquent youths up to the age of 18 to prevent the inappropriate use of juvenile cells in police stations for such offenders." Programs are required to collaborate with the sheriffs' offices to refer the youth "to any programs within the sheriff's office designed to positively influence youths or reduce, if not altogether eliminate, juvenile crime."

4800-0200 Family Resource Centers. House 1 funds this line item at \$15 million, an approximately \$2.7 million increase over FY19. This increase in funding would allow for the expansion of five current micro family resource centers and fund two new centers in new communities.

4800-1100 Social Worker Case Management. This account is funded at approximately \$255 million, which is an increase of \$8.2 million over the final FY19 spending.



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Post-Natal Care for Substance-Exposed Infants

Line item/program	FY'16 Spending	FY'17 Spending	FY'18 GAA	FY'18 Spending	FY'19 GAA	FY'19 Spending	FY'20 Governor's Budget
Post-natal care for substance-exposed newborns (1599-1450)	\$600,000	\$600,000	\$0	\$233,997	\$0	\$0	\$0

1599-1450 Substance-Exposed Newborn Post-Natal Care. FY20 House 1 budget did not fund this program.

Behavioral Health Triage Pilot - Quincy

Line item/program	FY'16 Spending	FY'17 Spending	FY'18 GAA	FY'18 Spending	FY'19 GAA	FY'19 Spending	FY'20 Governor's Budget
Behavioral Health Triage (1599-2004)	\$500,000	\$250,450	\$0	\$83,325	\$0	\$0	\$0

1599-2004 Behavioral Health Triage Pilot in Quincy FY20 House 1 budget did not fund this program.



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Chapter 257 Rate Reserve

Line item/program	FY'16 Spending	FY'17 Spending	FY'18 GAA	FY'18 Spending	FY'19 GAA	FY'19 Spending	FY'20 Governor's Budget
Chapter 257 Rate Reserve (1599-6903)	\$21,058,061	\$14,692,481	\$39,698,478	\$9,785,061	\$38,536,773	\$174,972	\$20,500,000

1599-6903 Chapter 257 Rate Reserve. The line item funds the cost of implementation of Chapter 257 as well as the annualization of the human services salary reserve.

The budget includes the following directives:

1. It may include costs associated with any court order or settlement related to the rate implementation process and the compensation or salary and associated employee related costs to the salary-reserve for personnel earning less than \$40,000 a year;
2. Home care workers, and workers from shelters and programs that serve homeless individuals previously contracted through DTA and DPH and direct care workers that serve homeless veterans are all eligible for the funding from this line item;
3. Individuals employed in special education programs, early education and care, and programs for which payment is negotiated and paid as class rates, as well as positions funded by federal grants are not eligible for this funding;
4. Allows the Secretary of Administration and Finance (ANF) to transfer the appropriate funds to other line items in amounts necessary to meet the costs of new rates;



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Other Line Items of Interest

Line item/program	FY'16 Spending	FY'17 Spending	FY'18 GAA	FY'18 Spending	FY'19 GAA	FY'19 Spending	FY'20 Governor's Budget
0330-0601 Specialty Courts	\$3,229,651	\$3,229,651	\$3,232,881	\$3,232,881	\$5,744,888	\$5,767,244	\$5,836,728
0810-1205 AG Opioid Addiction	-	\$1,000,000	\$1,250,000	\$1,250,000	\$1,800,000	\$1,800,000	\$1,818,000
1599-0105 MAT at County Correctional Fac.	-	-	-	-	-	-	\$10,000,000
3000-6075 Early Childhood Mental Health	\$750,000	Consolidated Into 3000- 1020	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
4512-0103 HIV/AIDS Program	\$33,120,000	\$30,899,876	\$30,834,416	\$28,053,302	\$30,834,416	\$30,839,096	\$30,755,808
4512-0106 HIV/AIDS Drug Assist Prgm	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$15,000,000
4512-0225 Compulsive Gamblers	\$1,500,000	\$1,000,000	\$1,250,000	\$1,250,000	\$1,500,000	\$1,500,000	\$1,000,000
4513-1026 Suicide Prevention	\$4,350,000	\$4,088,940	\$4,340,051	\$4,268,939	\$4,490,788	\$4,477,876	\$4,319,372
7004-9033 DHCD Rental Subsidies for DMH	\$5,548,125	\$5,548,125	\$5,548,125	\$5,548,125	\$6,548,125	\$6,548,125	\$6,548,125
7006-0040 Div. Professional Licensure	\$1,698,531	\$2,893,988	\$3,097,238	\$3,079,921	\$3,189,154	\$3,338,169	\$5,045,237
7061-9607 Recovery High Schools	-	\$2,469,000	\$3,600,000	\$2,475,000	\$3,100,000	\$3,100,000	\$2,500,000



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Outside Sections

SECTION 6. MassHealth Drug Pricing 1. This section gives the Health Policy Commission the authority to hold public hearings and to require drug manufacturers to disclose information and documents related to the pricing of high-cost prescription drugs. It would also allow the Commission to impose appropriate sanctions for noncompliance.

SECTION 13, 14, 16, 24, 28, 31, 33, 35 & 82. Excise on Vapor Products and E-cigarettes. These sections apply the current regulatory regime for other tobacco products to vapor products. They extend the current 40% excise imposed on cigars and smoking tobacco to vapor products, and applies the current regulatory regime for other tobacco products to vapor products. They also impose a 13.75% retail tax on electronic cigarettes. The effective date of these sections is January 1, 2020.

SECTION 30, 68. Gross Receipts Tax on Opioid Manufacturers. These sections impose a gross receipts tax of 15% on the revenues of opioid manufacturers from the sale of their opioid products. Revenues associated with drugs used for medication assisted treatment and those used in inpatient settings are exempted from the tax. This tax would be implemented during the first six months of fiscal year 2020.

SECTION 48. MassHealth Drug Pricing 2. This section allows MassHealth to negotiate supplemental rebate agreements directly with drug manufacturers, including value-based agreements, regardless of state procurement rules. It also provides MassHealth additional tools to encourage manufacturers to engage in good faith negotiations for supplemental rebate agreements, including a public process to determine the value of a drug and referral to the Health Policy Commission to determine if the manufacturer has priced the drug excessively.

SECTION 76. MassHealth Dental Coverage. This section authorizes MassHealth to continue providing the same level of dental benefits that it is offering in fiscal year 2019.