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State Case Study:

Medicaid and the 2003-05 Budget Crisis—A Look At How Massachusetts Responded

Prepared by

Randall R. Boubjerg
The Urban Institute

August 2005

THE HENRY J. KAISER FAMILY FOUNDATION

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The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bi-partisan group of national leaders and experts in health care and public policy.

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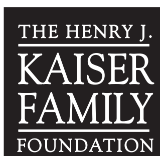

Preface and Acknowledgments

This report is part of a Kaiser Commission on Medicaid and the Uninsured project that examined how eight states from around the nation responded to their budget crises during the 2003-05 time period, with a special focus on Medicaid and the State Children's Health Insurance Program. The state case studies review budget decisions made by state policymakers in Alabama, California, Colorado, Massachusetts, Michigan, New York, Texas, and Washington. An Overview that summaries these eight states' experiences was published in *Health Affairs* as a web exclusive in August 2005.

This study would not have been possible without the many state officials and representatives of provider and consumer groups in the study state who gave so freely of their time and insights. We also wish to thank Erin Barringer who did a terrific job doing background research. Finally, we thank Barbara Lyons, Molly O'Malley, David Rousseau and Robin Rudowitz of the Kaiser Commission on Medicaid and the Uninsured for their help throughout the project.

Medicaid and the 2003-05 Budget Crisis: A Look at How Massachusetts Responded

Abstract
Massachusetts Medicaid was left largely intact despite significant budgeting challenges. Massachusetts responded to large revenue shortfalls in fiscal 2002 and 2003 by drawing down reserves and trimming across the board, but spending on Medicaid increased by nearly double digits. Spending cuts predominated in fiscal 2004, including curtailed Medicaid growth. For fiscal 2005 revenues recovered and Medicaid spent below budget. Over 2001-05, health care other than public health was the biggest winner and higher education the biggest loser.

Massachusetts is a high-income, heavily urbanized, mid-sized state. Its population of 6.4 million (2002-03) ranks 13th among states.[1] Its age distribution resembles that of the nation but its incomes are substantially higher and its shares of black and Hispanic residents much lower. The state also has about a one third lower rate of uninsurance than average, mainly because of a strong base of private insurance. Generous Medicaid eligibility standards also boost coverage. Since 2001, however, private coverage has declined, and the number of uninsured has risen.[2]

The past four governors have been Republicans—from William Weld who took office in 1991 to Mitt Romney, who started in 2003. Yet Democrats have held veto-proof legislative majorities since 1993 and even gained slightly in the last two elections. Once derided as Taxachusetts, the state repeatedly cut taxes during the 1990s, and voters in 2000 mandated a gradual rate rollback, ultimately worth about 5 percent of total revenues. By 2002 Massachusetts' taxes were among the lowest as a share of personal income.[3] Simultaneously, residents support expanding health coverage, in 2000 almost passing a mandate for universal coverage.

Starting in 1997, the state embarked on a comprehensive Medicaid-SCHIP expansion called MassHealth, and enrollment rose through 2001. Medicaid eligibility for traditional categories of eligibles was extended to 200 percent of FPL and higher for disabled beneficiaries.

The state also expanded its extensive free-care pool for the uninsured; and seniors of any income got new pharmaceutical protection in 2001. The result was that in 2001-02 Massachusetts insured 51 percent of its poor population through Medicaid, trailing only Tennessee and DC. The year 2002 proved to be a high water mark, as cuts have been made since.

State budgetary pressures became intense during fiscal 2002. Overall revenues fell almost 15 percent from 2001 to 2002.[4] Medicaid also exceeded its original budget, as usual. The state coped by using stabilization and other trust funds. Very modest program cuts were made to MassHealth, for example, dropping adult dental services, and program spending still rose. Other programs were cut more, and state workforce was trimmed by some 7 percent, mainly through early retirements.

Key Budget Debates and Decisions in Fiscal 2003 and 2004

Budgetary Stringency and Overall Response. The fiscal 2003 budget had to fill a projected gap of some $2 billion, almost 10 percent of total spending, which in Massachusetts includes the federal share of Medicaid. Most of the gap was filled by raising taxes and fees by $1.2 billion, or about 5 percent of the total budget. This included a freeze in rolling back income tax rates. The state also continued to tap reserves, but did not securitize future tobacco settlement funds. Spending cuts were also imposed, especially for higher education and public health, but Medicaid was trimmed only slightly, as the legislature rejected a number of proposed cutbacks. The legislature agreed to end eligibility for about 36,000 long-term unemployed enrollees, but implementation was delayed. The final fiscal 2003 budget raised Medicaid appropriations about 8 percent, well above the 2.1 percent rise for the entire budget.

More cuts were needed in mid-fiscal 2003, as revenue shortfalls continued. Then

Governor Jane Swift made a few Medicaid cuts in the year's first half, such as dropping five more optional services, including prosthetics, orthotics, and eyeglasses. New Governor Mitt Romney, elected on a pledge of no new taxes, in January 2003 had to make bigger mid-year budgetary corrections for fiscal 2003. He sought and received (though only for fiscal 2003) authority to cut local aid and higher education, previously off limits to gubernatorial mid-year changes. The administration also altered Medicaid enrollment and outreach, so that overall caseload declined about 7 percent during fiscal 2003.

For fiscal 2004 the projected deficit was some $3 billion. Bigger MassHealth changes were needed, especially since Governor Romney's adamant opposition to new taxes was largely accepted. Still, about one third of the gap was met with revenue increases—over $100 million in corporate tax "loophole closing," some $400 million in higher fees, about $350 million in one-time shifts, including payment of pension-fund obligations by property transfer rather than cash, and new Medicaid maximizations. A smaller than usual amount of inter-fund transfers occurred; and there was no new borrowing, pension recapitalization, or securitizing of tobacco revenues.

Two thirds of the fiscal 2004 adjustment occurred in spending: The budget cut local aid by some $230 million, or almost 5 percent, and kept Medicaid growth about $500 million below the preexisting trend, although still up about $500 million (9 percent) in appropriations. Only Medicaid, K-12 education, and debt service escaped cuts, and that the total fiscal 2004 budget increase was only about 1 percent above adjusted fiscal 2003 spending. The legislature ultimately needed to cut less for fiscal 2004 than the governor originally proposed because revenues improved late in fiscal 2003. A state tax amnesty raised more than expected, and $550 million in temporary federal fiscal relief arrived. Part of the latter was "banked" for future use, as urged by the governor.

Changes in Medicaid (MassHealth). MassHealth program cuts were ultimately less than initially feared by advocates, but fiscal 2003 did shift toward the long-run contraction in program scope that many in the administration appear to favor.[5] Provider payment was cut most: hospitals, nursing homes, physicians, CHCs, druggists, and MCOs had rates reduced by an average of 3-5 percent. The nursing home cuts were offset by a bundle of increases funded by a new quality assessment fee on homes plus the temporary increase in the federal Medicaid match rate Congress provided in the 2003 Jobs and Growth Tax Relief Reconciliation Act. The legislative budget of fiscal 2004 also barred the administration from mid-year cuts in the newly increased nursing home rates. Pharmaceutical rates were cut less than proposed after pharmacies all threatened to leave the program and sued. Benefit cuts were minor, such as increased copays and requirements for prior approval, and the fiscal 2004 budget even restored some optional benefits previously cut.

Further eligibility cuts were also made. The long-term unemployed were dropped from conventional MassHealth in the spring of 2003, but the governor and legislature agreed to cover them for at least one year in a new program, MassHealth Essential, started in mid-fiscal 2004. Essential has somewhat lower eligibility and benefits than its predecessor, and eligibility is not an entitlement, but rather subject to a spending ceiling and a waiting list. Two other small portions of MassHealth were also capped, along with some other tightening in enrollment.[6]

New revenues for MassHealth were sought from Medicaid maximization, a new "user fee" of $1.30 for all pharmaceutical prescriptions (held up in court, then dropped), some rises in beneficiary premiums and co-payments, and expanded estate recoveries.

Changes in Prescription Advantage and the Uncompensated Care Pool. Governor Romney's initial fiscal 2003 budget sought to end Prescription Advantage, a very generous state-

only drug program mainly for elderly and for disabled persons. This stance was partly posturing in an (unsuccessful) attempt to win federal matching payment. Once federal fiscal stimulus monies arrived in May 2003, the governor supported continuing Prescription Advantage. The final budgets in both fiscal 2003 and 2004 increased the program's appropriation, while also economizing a bit by limited enrollment to once a year.

The final budgets in both fiscal 2003 & 2004 also boosted support for the state's unusual Uncompensated Care Pool, more in 2004 than 2003. The Pool provides for free care in hospitals and community health clinics for uninsured low-income people and partially free care (on a sliding scale) for those with incomes from 200 to 400 percent of poverty.[7] Pool claims rose sharply after MassHealth dropped the long-term unemployed in April 2003. For fiscal 2004 the governor had proposed zero increase for the Pool. Instead, the legislature not only increased funds for hospitals and clinics but also budgeted $160 million for MassHealth Essential; in all fiscal 2004 support for the Pool rose by about two thirds. The 2004 budget also funded a new $14.5 million grant-like program for "essential community providers," mainly hospitals.

Employee Benefits and Reorganization of Health Care Administration. The fiscal 2004 budget somewhat changed state employee health benefits, but less than the governor proposed. The legislature largely accepted the governor's reorganization of health agencies, which altered traditional stand-alone administration of what the Secretary for human services terms "mission agencies"—like public health and mental health. Four new offices incorporated 15 separate agencies, and the central Secretariat was strengthened. The streamlining is said to create savings, to an unclear extent; will assure that agencies seek federal Medicaid Match on all qualifying services; and will allow the administration to speak with one voice. These organizational changes also demonstrated an increase in gubernatorial power compared with the mid-1990s, when health

advocates helped defeat a similar reorganization in order to maintain a separate voice for public health ... including for higher funding.[8] After fiscal 2001, public health funding was cut sharply, by over 30 percent, according to one tally.[9]

Mid-Year Adjustments During Fiscal 2004

Fiscal 2004 from early on showed better than expected revenues and within-budget Medicaid spending, unlike immediately prior years. There was no need for executive rescissions in spending. In late November 2003, with higher than expected revenues for the first quarter of fiscal 2004, the legislature proposed $100 million of additional mid-year spending on an economic stimulus package and $100 million of additional spending to restore program cutbacks, including rape counselors, mental health and homeless programs, and University of Massachusetts teachers' salaries, about two thirds of which survived after gubernatorial vetoes.[10]

Key Budget Debates and Decisions in Fiscal 2005

The fiscal 2005 budget session began in January with less sense of crisis and ended under even less pressure in June. The governor proposed a $23.0 billion budget, about 5 percent higher than fiscal 2004,[11] twice the rate of increase as the year before. The legislature stayed close to that total but shifted priorities to make health spending the clear "winner," as the *Boston Globe* headlined.[12] MassHealth spending was finally budgeted to rise 7.2 percent during 2005, well above the 4.7 percent rise for the entire budget and almost half the total spending increase of $1.1 billion.[13]

Initial Budgetary Stringency, then Surplus and Overall Response. In January 2004, policymakers projected a fiscal 2005 deficit of $1-$1.5 billion, or about 5 percent, as revenue

growth was modest but spending needs were large for health care, pensions, and debt service.[14] Unlike the crisis years of fiscal 2002-04, the fiscal 2005 budget process showed little urgency about filling the gap. Revenues were rising after three very lean years, Medicaid was staying under budget for 2004, and the 2005 gap was little larger than the one-time adjustments policymakers were accustomed to making. Restoring some of the programs deeply cut in the prior few years was seen as a high priority.[15] The Governor's January budget bill did contain some economizing, often related to Mr. Romney's drive to restructure government. Most notably, he proposed (unsuccessfully) to combine the Department of Transportation with the Turnpike Authority and (with partial success) to rebase state employees' pension calculations.

For Medicaid, the governor proposed a $500 million increase (8 percent), net of about $150 million in program economies—whereas advocates argued that $800 million was needed to maintain existing services. The governor also proposed to cut public health yet again, by about 8 percent, but maintained support for elders' pharmaceuticals.[16] By a bipartisan agreement, the state's pension contributions were nearly doubled for fiscal 2005, to $1.2 billion, closer to the legislature's $1.4 proposal than to the governor's $700 million. An increase was overdue to make up for past inadequacies.[17] But the agreement simultaneously moved pension contributions "off budget," or outside the normal appropriations process, evidently to insulate budget making from large year-to-year swings in amounts. Budgetary growth in fiscal 2005 over fiscal 2004 hence understates the true increase, as the 2005 budget covers fewer obligations.[18]

As work on the budget progressed, the fiscal picture became increasingly positive. Medicaid enrollment was falling well short of growth expected during a recession and ended the year with a surplus available to offset the next year's growth. Revenues were also rising, ultimately by 6.6 percent for the year, which the governor credited to better management, but

which also reflected higher incomes and capital gains during the 2003 stock market recovery.[19] These developments prompted debate, first over how to allocate this 2004 surplus and, second, over how much to adjust 2005 revenue projections. The governor sought to use these “extra” fiscal 2004 funds mainly for one-time spending that would not affect baseline spending—such as contributions to localities and to the rainy day fund—as well as to cut income tax rates, which would have lasting effects. The legislature agreed to the rainy day contribution but not to the tax cut, and shifted 2004 program adjustments somewhat more toward health priorities. Fiscal 2005 revenue growth was forecast at 3.75 percent, lower than for 2004, which had benefited from a one-time “bulge” in collections.[20] The final fiscal 2005 budget also assumed an additional $150 million in new revenue from closing tax loopholes and tightening audits.[21]

The final fiscal 2005 budget raised state spending by 4.7 percent over 2004, not counting pension contributions, which rose over 70 percent but were newly off budget. Most budget categories saw an increase, with the notable exception of transportation, which dropped about 18 percent. Rises in support included: senior pharmacy (up 19.3 percent), economic development (18.1 percent), housing and community development (17.9 percent), K-12 education 5.7 percent, higher education (4.9 percent), public health (5.0 percent).[22] State employment was not cut, contrary to the governor’s proposal.

The reliance on one-time funding sources perpetuates what many observers see as a structural deficit. By one accounting these totaled nearly $1 billion, but the legislature cared less about ending such uses than about ameliorating the stringency of past cuts. Reserve funds were tapped, as in prior years, along with the remainder of federal fiscal relief. Medicaid maximization continued, including the nursing home quality assessment fee begun the prior year, but no new mechanisms were used. Both the governor and the legislature used current tobacco

settlement revenues to support current non-health spending—contrary to prior commitments to use them for anti-smoking efforts and to build a trust fund for the future. There was no securitization of future tobacco settlement revenues, however. Nor did the state rely on such other one-time adjustments as accelerated tax or fee collections, asset sales, or shifts in payment dates. The extent of intergovernmental transfers from localities increased, to support more safety-net health care (Pool discussion, below). IGTs are not technically one-time adjustments, but they are not fully under state control.

Changes in Medicaid. MassHealth did not undergo major changes for fiscal 2005. The January budget had proposed some $150 million in program cuts. These included additional provider rate adjustments, a higher pharmacy discount, tightened inpatient efficiency standards, cuts for outpatient specialty hospitals, an audit adjustment, and repricing of outpatient acute hospital claims for beneficiaries whose MassHealth supplements Medicare Part B. In the end, few of the proposals were enacted for 2005, largely because 2004 experience showed that they were not necessary. Medicaid enrollment grew more slowly than projected throughout fiscal 2004, across almost every program spending category. The net reversion at year's end was almost $160 million.[23] A pharmacy rate cut did occur, not because of 2005 changes but because earlier changes that had been suspended were restored when the state won its legal appeal. The state now pays average wholesale price plus 5 percent. For fiscal 2005, the governor and legislature also agreed to fund a second year of MassHealth Essential coverage for the long-term unemployed. The program under spent in its partial first year, and its second year was almost half funded by carry-forward revenue.

The governor vetoed some legislative enactments, mainly to assert his view of appropriate health budgeting principles—(i) to maintain administrative flexibility to set provider

payment rates (although without seeking cuts for 2005), (ii) to spend MassHealth/Medicaid funds only where federal match is available (not for immigrants, for example), and (iii) to maintain executive authority to limit spending by imposing caps on enrollment in a few component programs of MassHealth. The legislature did not override these vetoes, although it did override other vetoes of some small health related programs or provisions.

Public Health, Prescription Advantage, the Pool, and Other Health Programs. With more funding available, the legislature also expanded other, smaller health programs well beyond the governor's January budget. The Department of Public Health received a 5 percent increase, to $393 million, rather than the proposed 8 percent cut—still well below its fiscal 2001 level of $535 million.[24] Prescription Advantage was raised by 14 percent rather then held to zero growth. The state-only Children's Medical Security Plan that provides limited outpatient care had its budget instead doubled to about $22 million rather than held steady. Healthy Start, which covers uninsured pregnant women, also doubled to about $14 million.

Similarly, the governor proposed to cut the Uncompensated Care Pool by almost 10 percent, planning to economize by denying coverage to non-Massachusetts residents and to those seeking hospital care instead of using a nearby clinic. The final budget did drop out-of-staters but did not change access to hospitals, and it boosted support by over 20 percent, to about $700 million (including Essential). All Pool spending is federally matched, but the Pool has become so much larger than its core assessment financing that the state general fund now contributes substantially to funding the Pool, rather than earning net revenues from the federal match.

Additional very large MassHealth payments are made to the largest safety net institutions, mainly as UPL rate supplements for their affiliated managed care organizations; their state share comes from IGTs.[25] In November 2004, federal officials announced that they

intended to disallow the state's use of IGTs in the future, as part of a nationwide campaign against creative state financing schemes. This would have cost the state $583 million a year, about 9 percent of Medicaid funding.[26] According to news accounts, a compromise agreement is being negotiated to extend the MassHealth waiver for three years and change how any local contributions are accounted for. The arrangement is expected to reduce federal match during federal fiscal year 2006 by $200 million or possibly not at all, but further cuts are threatened thereafter.[27]

Conclusions and Outlook for Fiscal 2006

Starting in fiscal 2002, revenue shortfalls and Medicaid overruns created severe budgetary stringency in Massachusetts. For fiscal 2002, the state cut workforce, drew down reserves, and used other temporizing stratagems. For fiscal 2003, budget makers made up for most of the budget gap by raising tax collections and continuing to draw down trust funds. They imposed relatively small cuts across many programs and allowed Medicaid growth to continue at nearly its baseline rate. Thereafter, slow revenue growth returned, but cuts were still necessary, as health and pension costs were rising. As a rule, the heavily Democratic legislature was much more supportive of health programs than were Republican governors, but no one in Massachusetts supports the draconian cuts sometimes seen in other states.

The political debate became more pointed in mid-fiscal 2003, as a new governor took office facing a mid-year deficit and an even bigger budget gap for fiscal 2004. His administration imposed mid-year provider rate cuts and cut enrollment though administrative tightening. For fiscal 2004, a large number of Medicaid cutbacks were proposed, many of which passed the legislature. Cutbacks elsewhere in the budget were far greater.

Overall through fiscal 2005, health care has been a big winner in nominal dollars. Within health, public health has declined as MassHealth has grown apace. MassHealth has been trimmed somewhat, particularly in provider payment rates. Enrollment dropped in 2003, then resumed growing, but more slowly than expected. Medicaid thus ended fiscal 2004 in surplus of about $250 million. Fiscal 2005 Medicaid spending is also running below expectations.

Outlook for Fiscal 2006. Early expectations were for a budget gap of $500 million or more for fiscal 2006, but no longer. A feared large drop in federal Medicaid match has been averted, other revenues are rising, and Medicaid spending is lower than expected.

Baseline revenues are expected to continue growing, but only about 4 percent, less than in fiscal 2004 and 2005, as modest economic recovery continues.[28] The administration and the legislature could not agree on a baseline revenue forecast; the administration expects over $200 million more than legislative leaders. This amount is almost enough to fund one of the governor's lead proposals for fiscal 2006—to cut income tax rates to 5.0 percent starting January 1, 2006.[29] The 2000 referendum called for a rollback to this rate, but the decline was halted at 5.3 percent when revenues plummeted in 2002. A mid-fiscal 2006 rate reduction would cost some $225 million, but at least twice that for the full year of 2007.[30] The budget relies on generally rising revenues and the closing of $170 million in corporate tax loopholes to offset the income tax cut.

Spending is expected to grow slowly. The governor's fiscal 2006 budget proposes an overall increase of only 2.4 percent, a figure that would be a little higher if pensions and the other off-budget items were still included. Holding down new appropriations depends heavily on low 2006 growth in Medicaid spending, only 5.6 percent, even though enrollment will rise by about 3 percent, and on substantial Medicaid carry-forward from 2005.[31] The pattern of higher

growth has been ended by Medicaid economizing, argues the governor, including a better drug formulary and administrative consolidations. Critics are skeptical, but the lower growth appears to be similar to actual experience in fiscal 2005, which the administration expects to end with enough surplus to cover the proposed fiscal 2006 increase over 2005.[32]

Many other spending categories are also expected to increase, but none by very much, given the overall 2.4 percent target. Welfare is proposed for a modest cut. The Pool is also slated for a cut, but demand has been reduced through coordination of Pool eligibility determinations with MassHealth enrollment, thus moving some claimants into regular Medicaid.[33]

Both the governor and legislative leaders have announced that they want to make progress toward universal health coverage in fiscal 2006, but neither has made any concrete proposals. A big debate appears to be looming over the overall scope of MassHealth and whether to grow the public sector while promoting private coverage. The long-term viability of the Pool and of local contributions toward state Medicaid match also remain open questions.

Endnotes

[1] This report is based upon interviews and published sources. It builds upon earlier studies. See John Holahan, Randall Bovbjerg, Allison Evans, Joshua Wiener, and Susan Flanagan. 1997. Health Policy for Low-Income People in Massachusetts (Washington, DC: Urban Institute/Assessing the New Federalism, November) <http://www.urban.org/UploadedPDF/Hp_mass.pdf>; Randall R. Bovbjerg and Frank C. Ullman. 2002. Recent Changes in Health Policy for Low-Income People in Massachusetts (Washington, DC: Urban Institute/Assessing the New Federalism, State Update No. 17, March) <http://www.urban.org/UploadedPDF/310431.pdf>; Randall R. Bovbjerg, "State Responses to Budget Crises in 2004: Massachusetts," Urban Institute issue brief, February 01, 2004 <http://www.urban.org/url.cfm?ID=410951>. For comparative demographics and coverage information, see Kaiser Family Foundation <http://www.statehealthfacts.org>.

[2] The latest state survey found 10.6 percent of non-elderly adults uninsured in 2004, up a point and a half from 2002. Massachusetts Division of Health Care Finance and Policy, Health Insurance Status of Massachusetts Residents, Fourth Edition, November 2004 <http://www.mass.gov/Eeohhs2/docs/dhcfp/pdf/ins_status_04_report.pdf>.

[3] The Massachusetts share was 13.4 percent below the national average. Massachusetts Taxpayers Foundation, Massachusetts' Tax Burden Falls to Bottom Tier of States, September 8, 2004 <http://www.masstaxpayers.org/data/pdf/bulletins/MassachusettsTaxBurdenNRFINAL.PDF>.

[4] Massachusetts Taxpayers Foundation, MTF Forecast: Rising Revenues in 2005 and 2006; Insufficient to Close Budgetary Imbalance, News Release, December 6, 2004 <http://www.masstaxpayers.org/data/pdf/bulletins/Revenue percent20Forecast percent20Dec percent2004online.pdf>.

[5] The state's secretary for administration and finance articulates a vision of society divided into "givers" and "takers," with too few taxpayers and too many beneficiaries. His article is posted on the A&F website. Eric Kriss, Budget imbalance: Rising medical costs could throw off the ecology of government, CommonWealth 9-13 (Winter 2004) <http://www.mass.gov/eoaf/docs/EcologyofGovernment.pdf>.

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[7] John Holahan, Randall Bovbjerg, and Jack Hadley, *Caring for the Uninsured in Massachusetts: What Does it Cost, Who Pays and What Would Full Coverage Add to Medical Spending* (Boston, MA: Blue Cross Blue Shield of Massachusetts Foundation, November 16, 2004) <http://www.bcbsmafoundation.org/foundationroot/en_US/documents/roadmapReport.pdf>.

[8] See Holahan et al. 1997 [above note 1].

[9] Judith Kurland and Deborah Klein Walker, Funding Cuts to Public Health in Massachusetts, Boston Foundation and Massachusetts Health Policy Forum, June 2004 <http://www.tbf.org/uploadedFiles/Funding.Cuts.to.Public.Health.June2004.pdf>.

[10] *Scott S. Greenberger, "Governor Slashes New Spending," Boston Globe,* November 27, 2003 http://www.boston.com/news/local/massachusetts/articles/2003/11/27/governor_splashes_new_spending/.

[11] Governor Romney's 2005 Budget Recommendation: Governor's Message & Executive Summary, Jan. 29, 2004 <http://www.mass.gov/budget/download05/execsummary.pdf>.

[12] *Alice Dembner and Scott S. Greenberger, Health is winner in budget talks, Boston Globe,* June 16, 2004 <http://www.boston.com/news/local/massachusetts/articles/2004/06/16/health_is_winner_in_budget_talks_funds_revive_human_services/>.

[13] Massachusetts Budget and Policy Center. 2004. Budget Monitor--The FY 2005 Budget: Final Numbers Including Vetoes and Overrides, August 9 <http://www.massbudget.org/05Vetoes&Overrides.pdf>.

[14] *Associated Press, "Leaders begin budget dealings as governor prepares annual speech," Boston Herald,* January 14, 2004 <http://news.bostonherald.com/localRegional/view.bg?articleid=2595> (

[15] *Craig Sander, "'State of State' speech was really about the voters," Statehouse Roundup, Hingham Journal, MA*, January 22, 2004 <http://www.townonline.com/hingham/news/opinion/hj_colhjstatehouseroundup01222004.htm>.

[16] *Alice Dembner, "Public health programs face slashing," Boston Globe,* 1/29/2004 <http://www.boston.com/yourlife/health/diseases/articles/2004/01/29/public_health_programs_face_slashing/>.

[17] *Scott S. Greenberger, "$1.4b 'pension bomb' to burden budget, Romney warns," Boston Globe,* November 7, 2003 <http://www.boston.com/news/local/massachusetts/articles/2003/11/07/14b_pension_bomb_to_burden_budget_romney_warns/>.

[18] Sander 2004 [above note 15]; see also revenue section of final budget, Chapter 149 of the Acts of 2004 <http://www.mass.gov/legis/laws/seslaw04/sl040149.htm>.

[19] Massachusetts Taxpayers Association (MTF), MTF Forecast: Rising Revenues in 2005 and 2006; Insufficient to Close Budgetary Imbalance Boston: MTF, Press Release December 6, 2004 <http://www.masstaxpayers.org/data/pdf/bulletins/Revenue percent20Forecast percent20Dec percent2004online.pdf>.

[20] Massachusetts Taxpayers Foundation, Commonwealth Faces Large and Growing Structural Deficits, MTF Bulletin, October 12, 2004 <http://www.masstaxpayers.org/data/pdf/bulletins/StructuralDeficitsBulletin.PDF>.

[21] Massachusetts legislative Conference Report, H.4850 <http://www.mass.gov/legis/05budget/sections_1a_1b.htm>.

[22] Budget monitor [above note 13].

[23] Senior Care requested a supplemental legislative appropriation of some $90 million, all of which the legislature granted. Administrative reallocation across accounts was not possible because the legislature had earlier withheld that requested authority from Governor Romney. Surpluses elsewhere were almost $250 million.

[24] Dembner and Greenberger, 2004, Health is winner [above note 12].

[25] See Holahan et al. 2004 [above note 7].

[26] *Alice Dembner, US threatens to cut $583m in Medicaid, Contends state is violating financing rules, Boston Globe,* November 11, 2004, accessed at <http://www.masilc.org/milan/index.php?mode=A&id=127;&sort=D>; Robert Pear, Administration Looks to Curb Growth of Medicaid Spending, New York Times, December 20, 2004.

[27] *Alice Dembner and Rick Klein, "Mass., US reach deal on funding averts major cut in Medicaid match," Boston Globe,* January 15, 2005 ($200 million); *Alice Dembner, "Medicaid: Proposal assumes healthcare costs will rise just 5.6 percent," Boston Globe,* January 27, 2005 (no loss of FMAP for FFY 2006).

[28] Massachusetts Taxpayers Foundation, Academy for New State Legislators, Overview of State Finances, UMass Amherst, MTF President Michael J. Widmer, December 9, 2004 <http://www.masstaxpayers.org/data/pdf/bulletins/Briefing percent20for percent20New percent20Legislators.pdf>.

[29] Mitt Romney, The Governor's Budget Recommendation, House 1 Fiscal Year 2006 <http://budget.mass.gov/budget/>.

[30] Scott S. Greenberger, "Romney offers $23.2b budget; Relies on recovery to fund increase," Boston Globe, January 27, 2005; Massachusetts Budget and Policy Center, Budget Monitor: Governor Romney's FY 2006 Budget, February 11, 2005. http://www.massbudget.org/FY06House1BudgetMonitor.pdf.

[31] Massachusetts Budget and Policy Center 2005 [above note 30].

[32] Dembner 2005 [above note 27].

[33] Mass. Budget and Policy Center 2005 [above note 30].

Appendix A
List of Study Respondents

Massachusetts

Corrinne L. Altman, Executive Office for Administration and Finance
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Mr. Rob Buchanan, Executive Office for Administration & Finance
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Sarah Iselin, Blue Cross Blue Shield of Massachusetts Foundation
Deborah Klein Walker, Abt Associates, Inc.
Amy Lischko, Health Systems Measurement and Improvement Group (HSMIG)
Katharine London, Attorney General's Office
Steve McCabe, Division of Health Care Finance and Policy
Julie Martin, Division of Health Care Finance and Policy
Karen M. Quigley, Hlth Pol & Mgt, Harvard School of Public Hlth
Brian Rosman, Health Care for All
David M. Seltz, Senate Committee on Ways and Means
Mr. Darrin Shaffer, Executive Office for Administration and Finance
Ms. Patricia Spellman, Executive Office of Human Services
Jean C. Sullivan, UMass Medical School
Nancy Turnbull, Harvard School of Public Health
David Urenas, Division of Health Care Finance and Policy
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Caroline Washburn, Division of Health Care Finance and Policy

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