

# HEALTH POLICY COMMISSION

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## FY13 Interim Budget

Presentation to the Board

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# FY13 HPC Budget- Chapter 224

Chapter 224 establishes the Health Policy Commission (HPC) as an independent state agency. The administrative budget for the HPC is supported by funding from the Health Care Payment Reform Fund.

The Health Care Payment Reform Fund receives dedicated funding from two sources:

- 5% of a one-time \$225 million assessment on certain hospitals and payers; and
- 23% of any one-time licensing fees collected by the Gaming Commission.

# FY13 HPC Budget – Chapter 224

Starting in fiscal year 2017, the administrative budget for the HPC will be supported by an annual assessment on hospitals, ambulatory surgery centers, and payers.

The assessed amount for hospitals and ambulatory surgery centers is not less than 33% of the HPC's total budget and the assessed amount for payers is not less than 33% of the HPC's total budget.

The General Court may supplement funding for the HPC through an appropriation in the state budget.

# FY13 HPC Budget – Expected Revenue

## *One-Time Assessment- Expected FY13 Revenue*

The total revenue collected by the one-time assessment for the HPC is \$11.25 million. Assessed hospitals and payers may choose to pay this liability in equal installments over 4 years. The first payment must be made before June 30, 2013.

Therefore, the minimum expected revenue in FY13 is \$2.8 million from this source.

# FY13 HPC Budget – Expected Revenue

## *Gaming License Fees - Expected FY13 Revenue*

The Healthcare Payment Reform Fund will collect 23% of each gaming license fee. The minimum license fee is \$85 million, resulting in at least \$19.5 million in revenue for the HPC for each license.

The Gaming Commission is currently targeting early 2014 for granting the first license. Therefore, it is not anticipated that this source will generate any revenue in FY13.

# FY13 HPC Budget – Revenue Timing

The law provides dedicated funding for the operations of the Health Policy Commission through two dedicated sources. However, the law did not consider the practical timing of when this revenue would be collected.

The revenue from this one-time assessment will not be collected until the end of the fiscal year.

As a result, the HPC faces a cash-flow problem with immediate spending needs and no immediate revenue. This is an unintended consequence of the law.

# FY13 HPC Budget – Revenue Timing

The Patrick Administration filed a supplemental budget last week that includes a technical fix to address this revenue timing issue.

The language would allow the HPC to expend funds “in anticipation” of future revenues. This authorization exists in a number of other Trust Funds where the timing of expenditures and the collection revenues do not align.

Passage of this language will allow the HPC to expend funds as intended by Chapter 224.

# FY13 HPC Budget – Interim Support

Pending the passage of this technical language the HPC has secured financial support from two sources:

- \$500,000 from a health care cost containment reserve, controlled by the Secretary of Administration and Finance;
- \$150,000 from the Center for Health Information and Analysis.

These contributions will provide bridge-funding for the immediate needs of the HPC.

# FY13 HPC Budget – Interim Support

In addition, the HPC has secured non-financial support from a number of state agencies. These agreements will help ensure an efficient operation and allow limited available funds to be used toward the mission of the HPC.

- Agreement with the Office of the Comptroller to provide the HPC with financial/operational processing services including HR, procurement, and payroll support. (Through FY13)
- Agreement with the Center for Health Information and Analysis to provide office space for the HPC at 2 Boylston Street. (Through FY13)

# FY13 HPC Budget – Interim Budget

The proposed interim FY13 Budget prioritizes the development of a senior policy team to support the work of the Board and the Subcommittees. The amount of funding available will allow for the hiring of 8-10 senior managers and policy experts.

In addition, some funds will be set aside for contracting costs and other expenses that may arise.

The Executive Director is committed to developing an efficient and highly professional organization.

# FY13 HPC Budget – Interim Budget

<b>FY13 - Proposed Interim Budget</b>		
<i>Estimated Revenues</i>		
	Contribution from A&F	\$ 500,000
	Contribution from CHIA	\$ 150,000
	OPP Funding from DPH	\$ 95,000
	Total	\$ 745,000
<i>Estimated Expenditures</i>		
	Payroll and Fixed Costs	\$ 515,000
	OPP Expenses	\$ 95,000
	Contracted Services	\$ 100,000
	Other Expenses	\$ 25,000
	Total	\$ 735,000
<b>FY13 Balance</b>		<b>\$ 10,000</b>