

# **SAMHSA’s Center for Financing Reform & Innovations (CFRI)**

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***The Center for Financing Reform and Innovations provides information, analysis, products, and technical assistance to address changes in the organization and financing of behavioral health care, and to guide Federal officials, States, Territories, Tribes, communities, and private payers on the most effective and efficient use of available resources to meet the prevention, treatment, and recovery support needs of the American public.***

## Implementing the Affordable Care Act (ACA)

- **State reactions vary after Supreme Court's Medicaid ruling.** After the **Supreme Court** ruled that the Federal Government cannot link existing Medicaid funds to the ACA's Medicaid expansion, the governors of Alabama, Florida, Maine, Mississippi, South Carolina, Texas, and Wisconsin announced that they will not expand their Medicaid programs and will veto any attempts to do so. **Texas Governor Rick Perry (R)** and **Florida Governor Rick Scott (R)** added that they will not establish **Affordable Insurance Exchanges**. Meanwhile, California, Connecticut, Delaware, Illinois, Maryland, Massachusetts, Minnesota, New York, Vermont, Washington, and the District of Columbia announced plans to participate in the ACA's expansion. In a [letter](#) to governors on July 10, **U.S. Department of Health and Human Services Secretary Kathleen Sebelius** said she will hold meetings with state officials throughout the summer to address ACA implementation issues ([Washington Post, 7/9a](#); [Washington Post, 7/9b](#); [Washington Post, 7/10](#); [Kaiser Health News, 7/3a](#); [Kaiser Health News, 7/11](#); [Tucson Citizen, 7/9](#); [Boston Globe, 6/30](#); [Bangor Daily News, 7/8](#); [NPR, 7/5](#)).
- **HHS announces 89 new Accountable Care Organizations.** On July 9, **HHS Secretary Sebelius** [announced](#) that 89 new **accountable care organizations (ACOs)** have entered into agreements with the **Centers for Medicare & Medicaid Services (CMS)**. The new ACOs began serving 1.2 million people in 40 states and the District of Columbia on July 1. Starting this year, HHS will accept new ACO applications annually, with the next application period running from August 1 through September 6 ([Kaiser Health News, 7/9](#)).

## National News

- **SAMHSA awards up to \$12 million to benefit homeless individuals.** The **Substance Abuse and Mental Health Services Administration (SAMHSA)** will provide up to \$12 million to eight public service agencies to reduce barriers to obtain treatment and stable housing for chronically homeless persons with mental and substance use disorders. Announced July 9, the grants will support intensive individualized treatment services to increase recovery and sustain permanent supportive housing. SAMHSA will fund eight grants at approximately \$500,000 per year for up to three years ([SAMHSA, 7/9](#)).
- **SAMHSA issues \$3.5 million in System of Care Expansion Planning Grants.** On July 10, SAMHSA awarded \$3.5 million through System of Care Expansion Planning Grants for Children and their Families to develop comprehensive strategic plans for improving and expanding services. SAMHSA awarded six grantees up to \$800,000 ([SAMHSA, 7/10](#)).
- **DOL issues \$12 million in employment support services grants, funds behavioral health treatment.** To provide employment and support services for previously incarcerated females transitioning back into their communities, on June 28, **U.S. Department of Labor Secretary Hilda Solis** announced \$12 million in grants to nine non-profit organizations. Seven grantees will serve adults and two will serve children, providing services including substance abuse and mental health treatment ([DOL, 6/28](#)).
- **GlaxoSmithKline to pay \$3 billion in antidepressant fraud case.** British pharmaceutical company **GlaxoSmithKline** has reached a settlement agreement with the **U.S. Department of**

**Justice** (DOJ) to resolve allegations that the company falsely advertized several prescription drugs, failed to report safety data, and falsely reported drug prices. Under the settlement, GlaxoSmithKline will plead guilty to charges of misbranding the antidepressants Paxil and Wellbutin as well as failing to report safety data on a diabetes drug. Under the settlement, Glaxo will pay \$1 billion in criminal fines and forfeitures and an additional \$2 billion to the Federal Government and states to resolve civil liabilities for violations of the False Claims Act. The U.S. District Court in Boston must approve the settlement ([DOJ, 7/2](#); [New York Times, 7/2](#)).

## State News

- **California budget changes Medicaid program.** To help close a \$15.7 billion deficit, California's FY2013 budget will make several changes to **Medi-Cal**, the state's Medicaid program. The state will cut over \$1 billion from the program by reducing services, lowering provider reimbursement rates, and moving 1.4 million "dual eligibles" into managed care. The budget also requires Medi-Cal co-pays for select services and medications. Additionally, the budget will eliminate the state's insurance program for low-income children, **California Healthy Families**, transitioning its 880,000 enrollees into Medi-Cal managed care. The Los Angeles Times offers [additional information](#) on California's budget changes ([Los Angeles Times, 6/28](#); [Office of Governor Brown, 6/27](#); [California Healthline, 6/28](#)).
- **Delaware Medicaid to reimburse for telemedicine.** Delaware's Medicaid program, the **Delaware Medical Assistance Program** (DMAP), has announced a new initiative to improve access to behavioral and general health care services. On July 1, DMAP began reimbursing for telemedicine-delivered services, paying providers a facility fee for telemedicine space and equipment and reimbursing for e-consultations at the same rate as face-to-face services ([Delaware.gov, 6/27](#)).
- **Illinois: McHenry mental health center to close.** After operating for 53 years, non-profit **Family Service and Community Mental Health Center** in McHenry County closed on June 30. The center accumulated debt by serving numerous uninsured patients and constructing a new headquarters in 2006; however, center representatives cite a backlog of unpaid bills from the state as the primary reason for the closure. Earlier this year, the Counseling Center of Lakeview also closed, citing late state funding. The Illinois Comptroller estimates that the state currently owes \$8 billion in unpaid bills to various service providers ([Chicago Tribune, 6/27](#)).
- **Illinois Governor blocks funds for mental health facilities.** While signing Illinois' FY2013 budget on June 30, **Governor Patrick Quinn** (D) blocked funds that the Illinois Legislature tried to appropriate to prisons and mental health facilities scheduled for closure by the Quinn Administration. The closures are part of the administration's plan to shift care for individuals with mental illnesses from institutional to community-based settings. Governor Quinn will seek legislative approval to use the blocked funds to restore most of the \$50 million that the budget cut from the Department of Children and Family Services ([Chicago Tribune, 6/29](#); [State Journal-Register, 6/29](#)).
- **Louisiana's federal Medicaid funding adjusted by \$651 million.** A provision included as a cost-offset in the [Moving Ahead for Progress in the 21st Century Act](#), signed by President Obama on July 6, will cut Louisiana's federal Medicaid funding by \$651 million. The cut corrects

an error in a provision of the ACA, which awarded Louisiana more funding than Congress intended. The ACA provision adjusted the **Federal Medical Assistance Percentage (FMAP)** formula with the intention of ensuring that Louisiana's federal Medicaid funding would not decline because of increased economic activity in the wake of hurricanes Katrina and Rita. Louisiana officials plan to enact several Medicaid changes, including 10 percent provider reimbursement reductions ([New Orleans Times-Picayune, 7/8](#); [New Orleans Times-Picayune, 7/6](#); [CBS Moneywatch, 7/3](#)).

- **Massachusetts' budget to contain health costs and implement reforms.** On July 8, **Massachusetts Governor Deval Patrick** (D) signed a \$32.5 billion FY2013 budget expected to achieve \$700 million in health care savings. The budget will continue "competitive procurement strategies" to lower premiums at the **Health Connector Authority**, Massachusetts' insurance exchange, and enact "innovative management and contracting strategies" in the state's Medicaid program, including doubling the financial penalty on providers with above-average readmission rates. The budget also provides \$82 million for the state share of the **Delivery System Transformation Initiatives (DSTI)** program at seven safety net hospitals and allocates funds for ACA implementation and Medicaid payment reforms. Governor Patrick vetoed \$5.1 million to operate the Taunton State Psychiatric Hospital; however, hospital supporters intend to seek a legislative override. Governor Patrick also signed a bill requiring the Massachusetts Department of Public Health to develop minimum standards of care for Alzheimer's and dementia patients in nursing homes ([Office of Governor Patrick, 7/8](#); [Boston Globe, 7/8](#); [Worcester Business Journal, 7/9](#); [AP via Boston Globe, 7/9](#); [Patriot Ledger, 7/10](#)).
- **Massachusetts and Aetna Life Insurance Co. reach \$1 million health settlement.** The **Massachusetts Office of the Attorney General** and **Aetna Life Insurance Co.** announced a settlement over allegations that Aetna failed to cover mandatory health insurance benefits, including mental health services. The agreement also settles allegations that Aetna falsely marketed insurance plans to college students by misrepresenting the plans' maximum coverage limit. Aetna has agreed to pay at least \$500,000 in consumer reimbursements, \$500,000 in civil penalties to the state, and \$55,000 to cover the cost of the investigation ([Boston Globe, 6/28](#)).
- **New Jersey reorganizes mental health care system.** On June 29, New Jersey Governor Chris Christie (R) signed a \$31.7 billion FY2013 budget, instituting a large-scale mental health care reorganization. As part of a process to shift mental health and developmental disabilities services from institutional to community-based settings, the budget provides \$34.4 million to enhance the state's capacity for community-based services. In addition, the New Jersey Department of Children and Families will create a new **Division of Child Integrated System of Care Services** to manage services for children with developmental disabilities while the New Jersey Department of Human Services will create a new **Division of Aging Services** to better integrate services for the elderly, including long-term care and community-based services. More information on the budget's changes are available [here](#) ([Office of Governor Christie, 6/29a](#); [New York Times, 6/29](#)).
- **New Jersey creates pilot program for mandatory drug court participation.** The New Jersey Legislature approved a bill ([S-881](#)) creating a pilot program to automatically enroll all

eligible non-violent drug offenders into the state's drug court program. Funded with an additional \$2.5 million in the state's FY2013 budget, the pilot program will operate in two Superior Court Districts for two years. After the pilot, the Administrative Office of the Courts will determine whether to expand the program statewide. The bill also expands drug court eligibility to include individuals with more than one prior conviction for a second degree crime and individuals with more than one prior conviction for robbery. This expansion allows drug offenders currently serving time or awaiting sentencing to request a reexamination for drug court eligibility. Governor Christie is expected to sign the bill and has already approved the funding through the state budget ([New Jersey Today, 6/29](#); [Statehouse Bureau, 6/25](#); [Office of Governor Christie, 6/29b](#)).

- **Oregon receives formal CMS approval for Medicaid overhaul.** As part of an agreement under which the agency will provide \$1.9 billion over five years to support the Oregon's Medicaid transformation, CMS [formally approved](#) the state's **Medicaid Section 1115 Research and Demonstration waiver** on July 9. Under the program, Oregon will transition the state's Medicaid program—the Oregon Health Plan—to a managed care model featuring **coordinated care organizations** (CCOs). Slated to take effect August 1, the CCOs will focus on integrating medical, behavioral, and dental care as well as emphasizing preventive care. **Governor John Kitzhaber** (D) said he expects the transformation to save up to \$11 billion over 10 years. Additional details on the CCO applicants and the timeline for contract approval and enrollment are available from the Oregon Health Authority [here](#). Governor Kitzhaber announced the preliminary agreement with CMS earlier this year ([Modern Healthcare, 7/9](#); [The Oregonian, 7/9](#); [Kaiser Health News, 5/4](#); [The Lund Report, 5/5](#)).
- **Pennsylvania budget includes county human services funding pilot.** On June 30, **Pennsylvania Governor Tom Corbett** (R) signed a \$27.7 billion FY2013 budget, reducing state funding for county-provided human services by 10 percent and creating a pilot program for up to 20 counties to receive their funding through a block grant. Over five years, the program will transition counties to full control over internal funding allocation; however, for FY2013, counties must allocate at least 80 percent of the funding according to the state's standard allocations. County-provided human services include assistance for individuals with developmental disabilities and drug treatment programs ([Pittsburg Post-Gazette, 6/30](#); [Fox 43, 7/1](#)).
- **Washington: counties to form merged Behavioral Health Regional Support Network.** Effective October 1, Clark and Cowlitz Counties agreed to merge their respective regional behavioral health support networks to form the **Southwest Washington Behavioral Health Regional Support Network**. Skamania County, which did not have its own network, will also join the group. With a \$50 million annual budget primarily funded through Medicaid, the new network will maintain existing contracts with mental health service providers ([The Columbian, 6/26](#)).

## Financing Reports

- [“Association between patient-centered medical home rating and operating cost at federally funded health centers”](#) *The Journal of the American Medical Association* 308(1): 60-66. Nocon, R. et al. July 4, 2012 ([Modern Healthcare, 7/2](#)).

- [“Children’s health care spending report: 2007—2010”](#) Health Care Cost Institute. July 2012 ([Kaiser Health News, 7/3b](#)).
- [“Effects of Medicare part D coverage gap on medication and medical treatment among elderly beneficiaries with depression”](#) *Archives of General Psychiatry* 69(7): 672-679. Yuting Z. et al. July 2012 ([Chicago Tribune, 7/2](#)).
- [“Modeling the impact of “pay or play” strategies on employer health costs”](#) Truven Health Analytics. Justice, C. July 2012 ([BusinessWire via Yahoo! Finance, 7/3](#)).
- [“Opting out of the Medicaid expansion under the ACA: How many uninsured adults would not be eligible for Medicaid?”](#) Urban Institute. Kenney, G. et al. July 5, 2012 ([The Hill, 7/6](#)).
- [“Oversight of quality of care in Medicaid Home and Community Based Services Waiver programs”](#) HHS OIG. June 21, 2012 ([Philadelphia Inquirer, 6/28](#)).
- [“Parity for patriots: The mental health needs of military personnel, veterans and their families”](#) National Alliance on Mental Illness (NAMI). June 2012 ([Columbus Dispatch, 6/28](#)).
- [“Pennsylvania did not refund the full federal share of recouped excess capitation payments from the Medicaid Behavioral HealthChoices program”](#) HHS OIG. June 18, 2012.
- [“The mental health and substance use workforce for older adults: In whose hands?”](#) Institute of Medicine (IOM). July 10, 2012 ([US News & World Report, 7/10](#)).
- **UNODC: 100 percent global treatment of drug abuse would cost \$250 billion annually.** [“World Drug Report 2012”](#) United Nations Office on Drugs and Crime (UNODC). June 2012 ([Drugfree.org, 6/27](#)).