

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)

- **HHS and DOJ partner to combat health care fraud.** U.S. Department of Health and Human Services (HHS) Secretary Kathleen Sebelius and Attorney General Eric Holder have announced a new partnership to prevent health care fraud. Under the partnership, HHS and the U.S. Department of Justice (DOJ) will work in conjunction with other federal and state agencies, private health insurance organizations, and anti-health care fraud groups to improve information sharing and best practices, and help law enforcement officials better utilize the tools and authority provided by the ACA. More information on the partnership is available [here \(HHS, 7/26\)](#).
- **CMS issues final rule for Medicare inpatient payments, psychiatric provisions take effect in FY2016.** The Centers for Medicare & Medicaid Services (CMS) has issued a final [rule](#) to update the FY2013 Medicare rates and payment policies for inpatient hospital stays. The rule formalizes measures that will establish quality reporting standards for psychiatric hospitals and psychiatric units paid under the **Inpatient Psychiatric Facilities Prospective Payment System** beginning in FY2016. The rule also includes provisions to implement the ACA's hospital **Value-Based Purchasing (VBP)** and **Readmissions Reduction** Programs in FY2013. The VBP program adjusts hospital payments based on performance on quality measures, while the Readmissions Reductions program reduces payments to hospitals with excess readmissions for specific conditions ([Modern Healthcare, 8/1a](#); [Healthcare Finance News, 8/6](#)).
- **ACA provides access to free preventative care for 47 million women.** Under a provision of the ACA that took effect August 1, by the start of their next policy year, most insurers must cover eight preventative services for women at no charge. According to HHS, approximately 47 million women are enrolled in affected health plans that did not cover preventative services or imposed cost-sharing requirements on those services. Group health plans and issuers that have maintained grandfathered status as well as certain non-profit religious organizations are exempt from the requirements. The required services are: well-woman visits; gestational diabetes screening; domestic and interpersonal violence screening and counseling; FDA-approved contraceptive methods, contraceptive education, and counseling; breastfeeding support, supplies, and counseling; HPV DNA testing; sexually transmitted infections counseling; and HIV screening and counseling ([HHS, 7/31](#)).

National News

- **SAMHSA awards \$22 million for SBIRT programs.** The **Substance Abuse and Mental Health Services Administration (SAMHSA)** has awarded more than \$22 million in new funding to expand **Screening, Brief Intervention, and Referral to Treatment (SBIRT)** services for adults in primary care and community health settings. SBIRT is an innovative approach to delivering early intervention and treatment services for persons with or at risk for developing substance use disorders. The Arizona Governor's Office, the Iowa Department of Public Health, and the state of New Jersey will each receive up to \$7,575,000 over five years ([SAMHSA, 7/25](#)).
- **SAMHSA issues \$4 million to expand health information technology.** To increase access to substance abuse treatment for populations that have been traditionally underserved, SAMHSA has awarded \$4 million in grants for **Health Information Technology (HIT)** services. HIT

services enhance providers' ability to effectively communicate with persons in treatment and ensure that treatment and services are available where and when they are needed. The six awardees will receive up to \$840,000 for three year projects ([SAMHSA, 8/6](#)).

- **SAMHSA awards \$12 million to benefit individuals with chronic homelessness.** SAMHSA has awarded \$12 million in grants to public service agencies serving persons with mental and substance use disorders who are chronically homeless. To reduce barriers to treatment and stable housing, the grant will support intensive individualized treatment services designed to increase recovery and sustain permanent supportive housing. Eight organizations will receive approximately \$500,000 annually for up to three years ([SAMHSA, 8/1](#)).
- **SAMHSA awards \$11 million to fund Residential Treatment for Pregnant and Postpartum Women.** To increase the availability of comprehensive, residential substance abuse treatment, prevention, and recovery support services for pregnant and postpartum women and their minor children, SAMHSA has awarded \$11 million through the **Services Grant Program for Residential Treatment for Pregnant and Postpartum Women**. SAMHSA awarded grants to seven organizations at \$524,000 annually for up to three years ([SAMHSA, 8/7](#)).
- **McKesson to pay \$151 million to settle Medicaid fraud allegations.** **McKesson Corp.** has agreed to pay \$151 million to 29 states and the District of Columbia to settle allegations that the company reported inflated drug prices to artificially increase Medicaid pharmaceutical payments. In April, McKesson agreed to pay \$190 million to settle the federal government's portion of the lawsuit. McKesson did not admit any wrongdoing ([AP via Washington Post, 7/27](#)).
- **Appeals court rules against pharmaceutical "pay-for-delay settlements".** The **U.S. Court of Appeals for the 3rd Circuit** has ruled that "pay-for-delay settlements" are illegal. Under such settlements, patent-holding pharmaceutical companies pay generic drug makers to delay bringing generic equivalents to market, which both brand-name and generic drug companies maintain is an efficient way to settle patent disputes. Three federal appellate courts have ruled in favor of the payments in recent years, while two have ruled against them. Congress has also considered legislation outlawing the practice, and the Congressional Budget Office estimates that a ban would reduce drug costs in the United States by \$11 billion and save the federal government \$4.8 billion over 10 years ([New York Times, 7/26](#)).
- **President signs Sequestration Transparency Act of 2012.** On August 7, **President Obama** signed a bill ([HR 5872](#)) that requires him to send Congress a report detailing the programs cuts that will go into effect on January 2, 2013 under the sequestration enacted by the **Budget Control Act of 2011**. The report is due within 30 days of the bill becoming law ([Politico, 8/7](#); [Politico, 7/25](#)).

State News

- **California insurance exchange seeks \$196 million Level One Establishment Grant.** California's Affordable Insurance Exchange, the **Health Benefit Exchange**, has submitted an [application](#) to HHS seeking a \$196 million second-year **Level One Establishment Grant**. Level One Establishment grants provide one year of funding to states in the process of establishing exchanges. According to an exchange spokesperson, the predominant grant expenditures

would be \$153 million for IT and \$37 million for outreach and marketing ([California Healthline, 8/6](#)).

- **California delays non-profit requirement for Community Based Adult Services providers.** The **California Department of Health Care Services (DHCS)** has delayed the deadline for **Community Based Adult Services (CBAS)** providers to obtain non-profit status to January 1, 2013. According to California Healthline, the delay is designed to allow former **Adult Day Health Care (ADHC)** providers to continue operations while they transition to the CBAS program. The CBAS program provides community-based services for roughly 28,000 elderly and disabled residents who previously received ADHC services until the California Legislature eliminated ADHC as an optional Medicaid benefit in 2011 ([California Healthline, 8/3](#)).
- **Connecticut Affordable Insurance Exchange sets benchmark plan.** Using the benefits offered under Connecticut's Medicaid program as a template, the board of Connecticut's **Affordable Insurance Exchange** has established its benchmark plan, adding additional benefits including prescription drug coverage, pediatric dental and vision coverage, and autism treatments. By 2017, the board estimates that 180,000 residents will purchase insurance through the exchange and at least seven insurers will offer plans through it. The [benchmark plan](#) is available for public comment through August 25 ([Connecticut Mirror, 7/27](#)).
- **Illinois: Community Mental Health Council to close.** Chicago-based **Community Mental Health Council, Inc. (CMHC)** has announced plans to close after the **Illinois Department of Human Services (DHS)** elected not to renew its contract. According to DHS, the contract was not renewed because CMHC was fiscally mismanaged and faced insolvency; however, CMHC maintains that its financial problems were due to delays in state funding. With the support of several state legislators, CMHC is seeking temporary funding to transition its 1,000 patients to other organizations. Founded in 1975, CMHC provided mental health services, education, and consulting services and at its height had 100 residential beds, over 400 staff, and an annual budget of \$20 million ([Chicago Sun-Times, 7/28](#)).
- **Kansas resubmits Medicaid 1115 demonstration waiver application.** The **Kansas Department of Health and Environment** has resubmitted the state's [Medicaid Section 1115 Research and Demonstration waiver](#) application, which would move all Medicaid beneficiaries to managed care by 2014. Kansas initially submitted the waiver in April, but temporarily withdrew its application to allow further public comment from Native American tribal governments ([Kansas Health Institute, 8/6](#)).
- **Maine seeks approval to eliminate Medicaid coverage for 19- and 20-year olds.** The **Maine Department of Health and Human Services (MDHHS)** has submitted an [amendment](#) to its Medicaid State Health Plan to increase certain eligibility requirements and end coverage for 19- and 20-year olds. Maine contends that the Supreme Court's ACA ruling allows such moves and the MDHHS plans to file a lawsuit if HHS does not approve the amendment by September 1. However, last month, Secretary Sebelius wrote a [letter](#) to state governors stating that the Supreme Court's ruling did not affect the "maintenance of effort" (MOE) requirements, which prohibit states from changing eligibility requirements for adults until January 1, 2014 and for children until October 1, 2019. According to HHS, the only exception to the MOE requirements

is that states may reduce coverage for non-pregnant, non-disabled adults with incomes greater than 133 percent of the federal poverty level if they are facing a budget deficit in the current or succeeding year ([Bangor Daily News, 8/1](#); [AP via CBS News, 8/3](#); [Families USA, 3/23/10](#)).

- **Massachusetts enacts “second phase of health care reform”.** Dubbed the “second phase of health care reform,” on August 6, **Massachusetts Governor Deval Patrick** (D) signed a wide-ranging bill ([S 2400](#)) to contain health care costs. Among its most notable elements, the bill links health care cost growth to increases in the gross state product; transitions all state-funded health care programs to new payment methods; requires significantly greater cost transparency from health care providers; establishes a \$60 million program to fund prevention and wellness efforts; invests \$185 million in new health care infrastructure; and standardizes health care authorization, billing, and coding forms. The bill also establishes a special task force to help integrate behavioral health providers into the payment and delivery reforms. Additionally, the bill reinforces the state’s mental health parity laws and expands the state’s workforce loan forgiveness program to include behavioral health providers. Massachusetts legislative leaders have released a [comprehensive summary](#) of the bill ([Kaiser Health News, 7/31](#); [Boston Globe, 7/31](#); [Office of Governor Patrick, 7/31](#); [Boston Globe, 8/6](#)).
- **Massachusetts issues \$13 million contract for Health Information Exchange.** On August 3, Massachusetts [issued Orion Health, Inc.](#) a three-year \$13 million contract to develop the first phase of its **Health Information Exchange** (HIE). HIEs are electronic health care systems that allow providers to share patient information and coordinate care. In February, Massachusetts became the first state awarded federal funds to establish a HIE, receiving \$16.9 million in American Recovery and Reinvestment Act (ARRA) and Medicaid funds. The development of Massachusetts’ HIE is expected to cost \$50 million, with phase one slated to launch later this year and create a cloud-based system for real-time data sharing ([Boston Globe, 8/3a](#)).
- **Minnesota expands children’s Medicaid coverage.** Under a state law passed in 2009 and approved by the federal government in 2011, Minnesota’s Medicaid program, **MinnesotaCare**, expanded children’s coverage on July 1. Under the expansion, children from families with incomes below 200 percent of the federal poverty level, including those who are eligible for health insurance through a parent’s employer, will no longer have to pay a premium or face a waiting period for coverage. State officials estimate that 16,000 additional children will receive coverage through these changes, which will cost \$11 million annually ([St. Paul Pioneer Press, 7/26](#); [Minnesota Star Tribune, 7/27](#)).
- **New York submits \$10 billion Medicaid waiver to reinvest Medicaid Redesign Team savings.** On August 6, New York submitted a \$10 billion [Medicaid Section 1115 Research and Demonstration waiver](#) that would reinvest the state’s **Medicaid Redesign Team** (MRT) savings back into the Medicaid program. The MRT reforms are a series of spending initiatives adopted in 2011 and projected to save \$34.3 billion in state and federal funds over the next five years. Under the waiver, New York would retain and match \$10 billion in federal funds to finance a variety of initiatives aimed at further reducing Medicaid costs. Among other investments, under the waiver, New York proposes spending \$525 million to expand care coordination for

individuals with chronic conditions, \$1.7 billion to provide financial assistance to hospitals in poor communities, and \$750 million to expand supportive housing services ([Albany Times Union, 8/6](#); [Office of Governor Cuomo, 8/6](#); [AP via Wall Street Journal, 8/7](#)).

- **New York designates 14 health homes in pilot program.** The **New York State Department of Health** has approved applications from 14 organizations to become health homes under a [pilot program](#) launched in 2011 to coordinate care for Medicaid patients who receive treatment for mental health, substance abuse, or chronic conditions. In later stages, the program plans to include individuals with developmental disabilities and individuals living in long-term care situations. The 14 selected organizations will serve patients in 39 counties ([Buffalo Business First, 8/6](#); [Buffalo News, 7/12](#)).
- **North Carolina to transition mentally ill individuals to community-based housing.** With \$10.3 million allocated in the FY2013 budget, the **North Carolina Department of Health and Human Services (DHHS)** announced a plan to transition individuals with mental illnesses from adult care homes to community-based housing. The plan calls for \$67 million over 8 years to create slots for 3,000 of the 5,800 individuals currently living in adult care homes. Though the transition comes in response to DOJ allegations that DHHS is violating the **Americans with Disabilities Act** by failing to provide community-based alternatives to institutional care, DOJ did not approve the state's plan and has not stated whether it is sufficient to avoid litigation ([North Carolina Health News, 7/26](#); [AP via San Francisco Chronicle, 7/26](#); [News and Observer, 7/26](#)).
- **Oregon Health Authority approves Medicaid coordinated care organizations.** The **Oregon Health Authority (OHA)**, which oversees Oregon's Medicaid program, has approved five more **coordinated care organizations (CCOs)** for participation in the state's Medicaid transformation. The five CCOs will join eight others in integrating medical, behavioral, and dental care as well as emphasizing preventive care through a managed care model. Additional information on the transformation is available [here](#) ([The Oregonian, 7/31](#)).
- **Washington: Group Health Cooperative and Providence Health Services form joint venture.** Non-profit insurer **Group Health Cooperative (GHC)** and 32-hospital system **Providence Health Services** have announced plans to form a joint venture to offer a single service delivery network in the greater Spokane area. According to Kaiser Health News, the venture is similar to an **accountable care organization (ACO)**, but unique in that GHC employs its own providers, who will be involved in meeting the cost and quality goals using a **Patient Center Medical Home (PCMH)** model. GHC and Providence Health Systems officials hope the venture will expand the PCMH model throughout the community and smooth their expected transitions from fee-for-service to a global payment model ([Kaiser Health News, 8/1](#)).
- **Wisconsin to coordinate care for foster children.** **Wisconsin Governor Scott Walker (R)** has announced that the **Department of Health Services (DHS)**, in a joint initiative with the **Department of Children and Families (DCF)**, will create a coordinated care pilot program for foster children in six counties in southeastern Wisconsin. Using a trauma-informed care, an approach designed to address and treat physical or mental health needs caused by abuse or neglect, the program will also require timely medical, behavioral, and dental exams. Under the program, each child will have a primary care provider to create a specific care plan as well as a

care coordinator to communicate with other health care providers, the assigned child protection worker, and the child's foster parent or guardian. Officials estimate the program will cover 2,500 children ([Milwaukee-Wisconsin Journal Sentinel, 7/30](#)).

Financing Reports

- [“Access to care after Massachusetts' health care reform: A safety net hospital patient survey”](#) *Journal of General Internal Medicine* published online before print. McCormick, D. et al. July 24, 2012.
- [“Actuarial analysis: Impact of the Affordable Care Act \(ACA\) on small group and individual market premiums in Oregon”](#) Wakely Consulting Group. Peper, J. et al. July 31, 2012 ([AP via San Francisco Chronicle, 8/2](#)).
- [“Children’s Health Insurance: Opportunities exist for improved access to affordable insurance”](#) U.S. Government Accountability Office (GAO). June 2012 ([Kaiser Health News, 7/24](#)).
- [“Generic drug savings in the U.S.: \\$1 trillion over 10 years”](#) Generic Pharmaceutical Association. August 2012 ([The Hill, 8/2](#)).
- [“How five leading safety-net hospitals are preparing for the challenges and opportunities of Health Care Reform”](#) *Journal of Health Affairs* 31(8): 1690-1697. Coughlin, T. et al. August 2012 ([Kaiser Family Foundation, 8/6](#)).
- [“How will the Medicaid expansion for adults impact eligibility and coverage?”](#) Kaiser Family Foundation (KFF). July 2012.
- [“In 2011 nearly one-third of physicians said they would not accept new Medicaid patients, but rising fees may help”](#) *Journal of Health Affairs* 31(8): 1673-1679. Decker, S. August 2012 ([Kaiser Health News, 8/6](#)).
- [“Medicaid expansion: States’ implementation of the Patient Protection and Affordable Care Act”](#) GAO. August 1, 2012 ([Modern Healthcare 8/1b](#)).
- [“Medicaid health homes for beneficiaries with chronic conditions”](#) KFF. August, 2012.
- **Study: Georgia’s hospital tax helps draw down federal Medicaid funding.** [“Georgia hospital provider fee data SFY 2011”](#) Georgia Department of Community Health. June 2012 ([Georgia Health News, 7/24](#)).
- **Study: Massachusetts managed care program has not reduced fees.** [“Report pursuant to section 156 of chapter 68 of the acts of 2011: Rates of reimbursement to providers in the MassHealth MCO program”](#) Massachusetts Office of the Inspector General. July 2012 ([Boston Globe, 8/3b](#)).
- **Study: Medicaid expansions associated with 6.1% reduction in adjusted all-cause mortality rate.** [“Mortality and access to care among adults after state Medicaid expansions”](#) *The New England Journal of Medicine* Special Article. Sommers, B. et al. July 25, 2012 ([New York Times, 7/25](#)).
- **Study: Sequestration will cut Substance Abuse Prevention and Treatment Block Grant by \$131.8 million in FY2013.** [“Under threat: Sequestration’s impact on nondefense jobs and services”](#) Office of Senator Tom Harkin (D-IA). July 24, 2012.