

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)

- **Thirteen governors commit to establishing state-run Affordable Insurance Exchanges.** On July 11, U.S. Department of Health and Human Services (HHS) Secretary **Kathleen Sebelius** [released letters](#) from 12 states reiterating their commitment to establishing **Affordable Insurance Exchanges**. HHS received letters from the governors of California, Colorado, Connecticut, Hawaii, Maryland, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, and Washington, while **Kentucky Governor Steve Beshear** (D) acted to establish an exchange by executive authority on July 17. Meanwhile, the governors of Alaska, South Carolina, and Louisiana joined the governors of Texas and Florida by announcing plans to not create state-based exchanges ([The Hill, 7/11](#); [California Healthline, 7/13](#); [Business Insurance, 7/18](#); [Alaska Dispatch, 7/23](#)).
- **States may keep unused ACA implementation funding.** In a [letter](#) dated July 13, the **Centers for Medicare & Medicaid Services' (CMS) Acting Administrator Marilyn Tavenner** clarified that states receiving extra funding for Medicaid IT or Affordable Insurance Exchange implementation will not be required to repay those funds if they decide not to expand Medicaid or create a state-run exchange. Additionally, Acting Administrator Tavenner noted that there is no deadline for states to decide to expand their Medicaid programs under the ACA ([Modern Healthcare, 7/13](#); [FierceHealthIT, 7/16](#)).
- **Supreme Court's ACA ruling reduces coverage and federal spending, CBO finds.** After the Supreme Court's ACA ruling, the **Congressional Budget Office (CBO)** released [updated estimates](#) of the law's impact on coverage and spending. Because states may opt out of the ACA's Medicaid expansion, the CBO predicts that six million fewer individuals will gain coverage through Medicaid. However, the CBO estimates that three million of those individuals will receive coverage through an insurance exchange, yielding a net reduction of 3 million newly insured individuals. In addition, because of the changes, the CBO estimates that the ACA's insurance coverage provisions will cost \$1.168 trillion through 2022, a reduction of \$84 billion from previous estimates. At the request of **House Speaker John Boehner** (R-OH), the CBO also examined the impact of repealing the ACA, [estimating](#) that repeal would increase the deficit by \$109 billion through 2022 ([New York Times, 7/24](#)).
- **HHS announces State Innovation Models initiative.** To help states improve their health care systems, on July 19, **HHS Secretary Sebelius** announced the **State Innovation Models** initiative under the ACA. Through the initiative, states will design or test multi-payer payment and delivery system improvements for Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). States may apply for **Model Testing** or **Model Design** awards. In the initial round of funding, HHS expects to award up to \$225 million for five states' Model Testing awards and up to \$50 million for 25 states' Model Design awards. CMS also expects to offer a second opportunity for all states to apply for Model Testing awards ([HHS, 7/19](#)).
- **HHS issues final rule, moves towards essential health benefits.** HHS has issued a [final rule](#) to establish reporting standards for the health plan data collection to develop the benchmarks for state-specific **essential health benefits**. Under the rule, the three largest issuers in each state's small group market must report information on covered benefits. The rule also

establishes the **National Committee for Quality Assurance** and **URAC** (formerly known as Utilization Review Accreditation Commission) as the interim accrediting entities to certify Qualified Health Plans (QHPs) under the ACA ([Modern Healthcare, 7/18a](#); [Becker's Hospital Review, 7/19](#)).

- **CMS announces 15 Advance Payment ACOs.** On July 18, CMS announced that 15 of the 89 **Accountable Care Organizations** (ACOs) that HHS announced earlier this month will be **Advance Payment ACO Models**. Advance Payment ACO Models provide upfront payments to help smaller ACOs participate in the **Shared Savings Program**, which provides incentives to ACOs that meet certain quality standards by allowing them to keep a percentage of the Medicare savings they achieve. The advanced payments are designed to help smaller ACOs cover startup costs associated with setting up an ACO. Modern Healthcare [lists](#) the 15 ACOs ([Modern Healthcare, 7/18b](#); [FierceHealthcare, 7/19](#)).

National News

- **U.S. Army awards \$15 million to create Institute for Molecular Neuroscience.** The U.S. Army has awarded \$15 million to the **Ernest Gallo Clinic and Research Center** to administer and manage the new **Institute for Molecular Neuroscience** (IMN). The Institute's goal is to develop ways to treat alcohol and substance abuse in veterans with posttraumatic stress disorder (PTSD). Announced on July 11, the first round of pilot research grants awarded approximately \$3.7 million to researchers around the country ([UCSF, 7/11](#); [KQED News, 7/13](#)).

State News

- **Alabama sets closing date for Greil Memorial Hospital.** After first announcing the planned closure in April as part of a long-range plan for the state's mental health care system, the **Alabama Department of Mental Health** announced that Greil Memorial Hospital will close on August 31 but continue to accept new admissions until mid-August. After the closure, the state will move the hospital's patients into community-based care and help the hospital's employees find new employment ([AP via WTVM 9, 7/23](#)).
- **Delaware alters mental health laws, DHSS to reimburse for voluntary mental health screenings.** On July 24, Delaware Governor Jack Markell (D) signed a bill ([HS 1 for HB 311](#)), which makes significant changes to **Delaware's mental health laws**. Under the bill, only a psychiatrist or credentialed mental health screener can involuntarily detain an individual for a mental health evaluation, and such involuntary evaluations may be conducted at any location deemed appropriate. Previously, any licensed physician could initiate the involuntary detention process and individuals were transported to the nearest hospital emergency room for evaluation. The bill also requires the **Delaware Department of Health and Human Services** (DHSS) to begin to reimburse providers for voluntary mental health assessments, expanding DHSS' previous policy of reimbursing only for involuntary admissions. Governor Markell also signed a companion bill ([HJR 17](#)) that establishes a study group to assess the state's mental health laws ([Delaware.gov, 7/24](#)).
- **Florida: Regional behavioral health providers to merge.** Behavioral health service providers Mental Health Care Inc. (MHC), Personal Enrichment through Mental Health Services,

Agency for Community Treatment Services Inc., and Tri-County Human Services Inc. have announced merger plans to form the largest behavioral health provider in the greater Tampa Bay area. The merger follows a mandate from the **Florida Department of Children and Families** to improve efficiencies through economies of scale among providers. Called **Gracepoint**, the new provider will have over 1,400 employees and an estimated \$83 million in annual revenue ([Tampa Bay Times, 7/18](#)).

- **Louisiana announces more than \$500 million in Medicaid cuts, psychiatric hospital to close.** After the federal government adjusted the state's Medicaid funding by \$651 million to rectify an error in the ACA, the **Louisiana Department of Health and Hospitals** (DHH) announced more than \$500 million in cuts to shrink the spending gap. Among the cuts, DHH will close **Southeast Louisiana Hospital**, a mental health hospital with 176 active beds. DHH has proposed to transfer all slots to other public and private hospitals in the state; however, mental health advocates argue that the state's plan will not adequately cover individuals previously treated by Southeast. An additional \$300 million in cuts is expected later this year, but DHH officials hope that increased state revenues render those cuts unnecessary ([New Orleans Times-Picayune, 7/22](#); [New Orleans Times-Picayune, 7/16](#); [AP via San Francisco Chronicle, 7/13](#)).
- **Massachusetts Legislature overrides Taunton State Psychiatric Hospital closure.** With unanimous votes in the House and Senate, on July 12, the Massachusetts Legislature overrode **Governor Deval Patrick's** (D) budget veto which would have blocked \$5.1 million to operate the Taunton State Psychiatric Hospital. With the funding approved, the hospital will remain open with 45 of its 169 beds in use. Governor Patrick had planned to close the hospital by the end of the year ([Taunton Daily Gazette, 7/12a](#); [Taunton Daily Gazette, 7/12b](#)).
- **Michigan accepting bids to privatize prison physical and mental health care. The Michigan Department of Corrections** is accepting bids for a three-year contract to provide all health care services to the 43,000 inmates held in state prisons. According to a department spokesperson, there is no guarantee that the state will accept any bids because the state is using the process to assess whether privatization will reduce costs. In 2011, inmate health care cost Michigan \$306 million, and the department estimates that privatization could replace 1,300 state employees. Proposals are due August 29 ([Detroit Free Press, 7/20](#)).
- **Minnesota awards \$41 million to create Affordable Insurance Exchange website.** On July 16, the **Minnesota Department of Commerce** signed a two-year \$41 million contract with **Maximus Inc.** to design and develop the consumer portal website for the state's **Affordable Insurance Exchange**. Among other features, the website will determine consumers' eligibility for subsidies, display health benefit plan options and costs, provide information from the Minnesota Department of Health on provider quality, and enroll consumers in coverage ([Minnesota Star Tribune, 7/16](#); [St. Paul Pioneer Press, 7/16](#)).
- **North Carolina changes local management entities.** On July 12, **North Carolina Governor Beverly Perdue** (D) signed a bill ([SB-191](#)) making several changes to the regulations and oversight of **Local Management Entities** (LMEs), the organizations responsible for overseeing the provision of mental health, developmental disabilities, and substance abuse services. Under the bill, LMEs will operate with fewer regulations and the LMEs oversight responsibility will shift

from county commissioners to the **North Carolina Department of Health and Human Services**. The bill also creates new guidelines for the composition of LMEs' boards, increases LMEs minimum population requirements, and allows LMEs to keep "competitive health care information" confidential. According to the bill's supporters, the changes will ease the transition to managed care set to take place at 10 LMEs on January 1, 2013 ([Winston-Salem Journal, 7/3](#); [North Carolina General Assembly, 7/12](#)

- **North Dakota: HRSA awards \$3.5 million to create Center of Excellence in Native Behavioral Health.** The **U.S. Health Resources and Services Administration's (HRSA) Bureau of Health Professions** has awarded the University of North Dakota (UND) a five-year, \$3.5 million grant to create a **Center of Excellence in Native Behavioral Health**. The new **Seven Generations Center** will recruit, train, and retain American Indian, Alaskan Native, and Native Hawaiian students interested in becoming mental health professionals ([UND News, 7/12](#)).
- **Ohio Medicaid to offer health homes benefit for individuals with severe mental illness.** Beginning October 1, the Ohio Medicaid program will offer a "health home" benefit to increase communication between behavioral health centers and other health care providers, improving the timeliness and quality of care for Medicaid beneficiaries with severe mental illnesses. Ohio will pilot the benefit in five counties, with the remaining 83 counties phased in by July, 2013. After the phase-in is complete, state health officials estimate that 177,000 state residents may be eligible for the benefit. The federal government is expected to cover 90 percent of provider reimbursement costs for the first 24 months; however, exact rates have not yet been negotiated ([AP via CBS Moneywatch, 7/13](#)).
- **Washington: Two of six insurers facing parity lawsuits agree to cover autism treatment.** To settle class-action lawsuits filed in 2010, the **Washington Health Care Authority's (HCA) Uniform Medical Plan** for state employees and their dependents and the insurer **Group Health Cooperative (GHC)** have agreed to cover applied behavioral therapy to treat autism spectrum disorders. If approved by a King County Superior Court Judge, the settlements will resolve two of six pending suits brought against insurers for alleged violations of Washington state's Mental Health Parity Act of 2005 ([Seattle Times, 7/12](#); [Seattle Times, 7/16](#)).
- **Wisconsin renews Medicaid 1915(c) community-based services waiver.** CMS has renewed Wisconsin's Medicaid 1915(c) community-based services waiver, **Family Care**, until December 31, 2014. First instituted in 2002, Family Care provides long-term care to the elderly and individuals with physical and developmental disabilities. In the renewal letter, CMS noted that the program's enrollment cap enforced from July 2011 until April 2012 violated the terms of the waiver and Wisconsin must reimburse individuals for health care costs incurred as a result of the cap ([Milwaukee Journal-Sentinel, 7/23](#)).

Financing Reports

- **Blue Cross Blue Shield of Massachusetts global payment system lowers costs and improves care.** "[The 'alternative quality contract,' based on a global budget, lowered medical spending and improved quality](#)" *Health Affairs* published online before print. Song, Z. et al. July 2012 ([Kaiser Health News, 7/11](#)).

- [“Federally qualified health centers and private practice performance on ambulatory care measures”](#) *American Journal of Preventive Medicine* published online before print. Goldman, L. et al. July 10, 2012.
- [“HIT adoption and readiness for meaningful use in community behavioral health”](#) National Council for Community Behavioral Health. June 2012 ([Modern Healthcare, 7/11](#)).
- [“Impact of deductibles on initiation and continuation of psychotherapy for treatment of depression”](#) *Health Services Research* 47(4). Fishman, P. August 2012.
- **Mental health disorders among active duty troops increase 65 percent since 2000.** [“Mental disorders and mental health problems, active component, U.S. armed forces, 2000-2011”](#) Armed Forces Health Surveillance Center. *Medical Surveillance Monthly Report* 19(6): 11-17. June 2012 ([MSNBC, 7/12](#)).
- [“Patient experience in safety-net hospitals: Implications for improving care and value-based purchasing”](#) *Archives of Internal Medicine* published online before print. Chatterjee, P. et al. July 2012 ([Kaiser Health News, 7/16](#)).
- [“Treatment for posttraumatic stress disorder in military and veteran populations: Initial assessment”](#) Institute of Medicine (IOM). July 13, 2012 ([Kaiser Health News, 7/13](#)).