

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)

- **CMS selects first ACOs under Medicare Shared Savings Program.** On April 10, the **Centers for Medicare & Medicaid Services (CMS)** announced the selection of the first 27 **accountable care organizations (ACOs)** to participate in the [Medicare Shared Savings Program](#). Under the Shared Savings Program, Medicare providers create health care entities that CMS holds accountable for improving the health of individuals and populations, while reducing the health care spending growth rate. The 27 ACOs will cover 375,000 Medicare beneficiaries in 18 states. Additional information on each ACO, including which ACOs will participate in the Advance Payment ACO Model established by the [CMS Center for Medicare and Medicaid Innovation](#) is available through CMS' [factsheet \(CMS, 4/10; Kaiser Health News, 4/11a; Kaiser Health News, 4/10a\)](#).
- **Two health insurers' premium increases excessive in six states, HHS says.** Under the rate review authority granted by the ACA, on April 6, **U.S. Department of Health and Human Services (HHS)** officials announced that the department deemed **Assurant Inc.'s Time Insurance Co.** and **United Security Life and Health Insurance Co.'s** proposed premium increases "unreasonable." The ACA allows HHS to review health insurers' premiums but does not permit HHS to modify or reject the rates. According to HHS, the rate increases will affect 60,000 residents in the individual and small group markets of Arizona, Louisiana, Missouri, Montana, Nebraska, and Wyoming ([Reuters, 4/16](#)).

National News

- **ONDCP releases 2012 National Drug Control Strategy & FY2013 Budget Summary.** On April 17, the **White House Office of National Drug Control Policy (ONDCP)** released the [2012 National Drug Control Strategy](#), outlining 113 specific actions to reform U.S. drug policy through evidence-based approaches. According to ONDCP, the strategy is guided by three facts: that addiction is a disease that can be treated; that people with substance use disorders can recover; and that criminal justice reforms can stop the revolving door of drug use, crime, incarceration, and rearrest. ONDCP also released the [FY2013 Budget and Performance Summary](#), requesting a total of \$25.6 billion for drug control, an increase of \$415.3 million over the FY2012 enacted level. The budget proposes \$9.2 billion for early intervention and treatment, \$1.4 billion for prevention, \$9.4 billion for domestic law enforcement, \$3.7 billion for interdiction, and \$2 billion for international support. The budget requests increases over FY2012 enacted levels for all areas except prevention, where the request is roughly 1 percent lower than FY2012 spending ([ONDCP, 4/17; U.S. News & World Report, 4/17](#)).
- **HHS extends ICD-10 implementation.** As part of a [proposed rule](#) to streamline health plan identifiers through the Health Insurance Portability and Accountability Act of 1996 (HIPAA), HHS announced that it will extend the compliance date for the implementation of **International Classification of Diseases, 10th edition (ICD-10)** standards. Now set to take effect October 1, 2014, numerous providers had expressed concerns about their ability to meet the original October 2013 deadline. Under ICD-10, doctors' offices must use approximately 68,000 billing codes, up from 13,000 under the current ICD-9 system ([HHS, 4/9; Kaiser Health News, 4/10b](#)).

- **SAMHSA Statewide Consumer and Family Network Programs accepting grant applications.** SAMHSA is accepting applications for up to \$2.31 million in [Statewide Consumer Network grants](#) over three years. The program aims to enhance statewide consumer-run organizations to promote service system capacity and infrastructure development that is recovery-focused and resiliency-oriented to address the needs of underserved and under-represented consumers. SAMHSA is also accepting applications for [Statewide Family Network Program grants](#), totaling up to \$1.3 million over three years. The purpose of the family network program is to enhance State capacity and infrastructure to be more oriented to the needs of children and adolescents with serious emotional disturbances and their families by providing information, referrals, and support to families who have a child with a serious emotional disturbance, and to create a mechanism for families to participate in State and local mental health services planning and policy development ([SAMHSA, 4/17a](#); [SAMHSA, 4/17b](#)).
- **Five states to improve the use of psychotropic medication among children in foster care.** On April 12, the **Center for Health Care Strategies Inc. (CHCS)** announced that Illinois, New Jersey, New York, Oregon, and Vermont will participate in a [new three-year initiative](#) to improve the use of psychotropic medication among youth and children in foster care. Recent legislation requires welfare and Medicaid agencies to collaborate on the oversight and coordination of health care services for foster children. Funded through the **Anne E. Casey Foundation**, the initiative will strengthen interagency partnerships, foster data sharing, coordinate oversight and quality assurance, and help coordinate care. After studying the initiative, CHCS will disseminate the results to help guide other states ([CHCS, 4/12](#); [KTVZ, 4/13](#)).
- **WellCare to pay \$137 million in Medicare/Medicaid settlement.** On April 3, the **U.S. Department of Justice (DOJ)** and **WellCare Health Plans Inc.** announced a deal to settle four lawsuits alleging that the company defrauded Medicare as well as Medicaid programs in Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Missouri, New York, and Ohio. The suits alleged that the insurer falsely inflated medical spending, knowingly retained overpayments, and falsified patient claims data. Under the \$137 million deal, each state and the federal government will receive fixed payments over three years ([Kansas Health Institute, 4/11](#); [AP via Yahoo!, 4/3](#)).

State News

- **Alabama Governor announces new mental health plan.** On April 6, Governor Robert Bentley (R) announced a new long-range plan for **Alabama's mental health system**. In February, state officials said that Alabama would close four of the state's six mental hospitals by 2013, transitioning 473 patients to community-based care. However, in March, Governor Bentley and Department of Mental Health Commissioner Zelia Baugh announced that they would re-evaluate that plan. Under the new plan, the state will close Searcy Hospital in Mount Vernon and Greil Memorial Hospital in Montgomery, though there is no formal deadline for the closures. In addition, the state will move forward with plans to build a new 268-bed hospital in Tuscaloosa. A spokesperson for the state said that closing the hospitals in Mount Vernon and Montgomery will save an estimated \$43 million. Alabama is cutting general fund expenditures

by 10.6 percent, or \$188 million, for the remainder of the current fiscal year ([Tuscaloosa News, 4/6](#); [WAFF, 4/6](#); [Times Daily, 4/6](#); [Birmingham News, 4/1](#)).

- **Arizona: CMS approves CHIP expansion.** On April 6, CMS approved Arizona's plan to expand the state's **Children's Health Insurance Program** (CHIP), KidsCare, to insure an additional 22,000 children. Under the plan, three major Arizona hospital systems will contribute \$125 million, drawing down \$278 million in federal matching funds. In addition to generating \$77 million for the KidsCare coverage, the federal funds will also finance uncompensated care delivered at the contributing hospital systems. Under the new KidsCare rules set to take effect May 1, children in families earning up to 175 percent of the federal poverty level (FPL) will be eligible for coverage. Under the original program, children in families earning up to 200 percent of the FPL were eligible for coverage; however, the Arizona Legislature froze enrollment in 2010 ([AP via NBC, 4/8](#); [AZ Daily Sun, 4/7](#); [Arizona Republic, 4/6](#)).
- **Arkansas judge fines J&J \$1.2 billion in Risperdal case.** Circuit Judge Tim Fox found that **Johnson & Johnson** (J&J) committed nearly 240,000 cases of Medicaid fraud when marketing its anti-psychotic drug, Risperdal, to Arkansas' Medicaid program. Each violation carries a mandatory \$5,000 penalty. Combined with an additional \$11 million penalty, J&J's fines total \$1.2 billion. A spokesperson for Janssen Pharmaceuticals Inc., a subsidiary of J&J, said the company has moved for a new trial and will appeal the ruling if one is not granted. Texas and J&J settled similar allegations for \$158 million and a South Carolina judge upheld a \$327 million civil penalty over Risperdal ([Kaiser Health News, 4/12a](#); [AP via Los Angeles Times, 4/11](#)).
- **California and UnitedHealthcare reach agreement on autism coverage.** On April 16, the California Department of Insurance announced a deal with **UnitedHealthcare** under which the insurer will cover Applied Behavior Analysis Therapy (ABA) for enrollees with autism spectrum disorder (ASD). The settlement follows similar agreements with **Blue Shield**, **HealthNet**, and **Cigna Corp.** ([Sacramento Business Journal, 4/17](#); [Insurance & Financial Advisor, 4/17](#)).
- **California announces four counties for dual eligibles demonstration pilot.** On April 4, California officials announced that Los Angeles, Orange, San Diego, and San Mateo Counties will participate in the state's [Coordinated Care Initiative](#), coordinating care for dually eligible Medicare and Medicaid enrollees. California officials hope to add Alameda, Contra Costa, Riverside, Sacramento, San Bernardino, and Santa Clara Counties to that list before beginning the demonstration in January 2013. Using phased expansions, California plans to move all dual eligibles into managed care by 2015. The Director of the California Department of Health Care Services says the state hopes to save \$678 million through care coordination in 2013 and \$1 billion in 2014 ([California Healthline, 4/5](#); [California Healthline, 3/29](#)).
- **Florida Governor signs budget, vetoes some behavioral health funding.** On April 17, Governor Rick Scott (R) signed Florida's \$70 billion budget, making \$142 million in line-item vetoes. According to media reports, Governor Scott vetoed "millions for mental health facilities." The full list of Governor Scott's vetoes is available [here](#). As passed by the Florida Legislature, the budget imposed a \$2.5 million cut on community behavioral health services ([AP via the Examiner, 4/17](#)). In related news, on April 6, Governor Scott [vetoed](#) legislation (**HB 177**) that would have established an **offender reentry program** for certain incarcerated non-violent

drug offenders who have served a minimum of half their original sentence. The bill, which mandated treatment and rehabilitation, was approved on a 112-4 vote in the House and unanimously in the Senate ([Office of Governor Scott](#); [Florida Senate](#)).

- **Hawaii: CMS approves 30-day hospital limit, rejects tighter restrictions.** CMS officials rejected Hawaii's proposal to limit adult Medicaid enrollees to 10 days of annual hospital coverage. Instead, CMS will allow Hawaii to impose a 30-day hospital limit for adult Medicaid enrollees excluding pregnant women, cancer patients, the elderly, the blind, and individuals with disabilities. Several other Medicaid programs restrict hospital coverage including Alabama, Arkansas, Florida, Mississippi, and Massachusetts ([Kaiser Health News, 4/3](#)).
- **Kansas: Untreated mental illness costs \$1 billion annually.** A [study](#) released by the Health Care Foundation of Greater Kansas City and conducted by the HSM Group found that untreated serious mental illness (SMI) costs Kansas more than \$1 billion annually, with the majority of the cost absorbed by individuals and employers. Estimating that 10 percent of adults have at least one SMI and that 40 percent of those cases go untreated, the study finds that, in one year, Kansas' untreated mental illness costs individuals and families \$522 million, employers and the private sector \$429 million, the federal government \$111 million, and the Government of Kansas \$113 million. The study also calculates costs for Missouri and the Greater Kansas City Area ([Health Care Foundation, 4/5](#); [Kansas Health Institute, 4/4](#)).
- **Kansas to reorganize health agencies, prepare for Medicaid overhaul.** On April 6, the deadline passed for the Kansas Legislature to block Governor Sam Brownback's (R) executive order (**ERO 41**) reorganizing the state's health care agencies. Effective July 1, under the change, the Department on Aging will become the **Department for Aging and Disability Services**, absorbing Home and Community Based Waivers, behavioral health, and all state hospitals and institutions. In addition, the Department of Social and Rehabilitation Services (SRS) will become the **Department for Children and Families**. The Kansas Department of Health and Environment's Division of Health Care Finance will maintain responsibility for Medicaid financial management and oversight. The reorganization is designed to prepare the Kansas to transition its entire Medicaid program to managed care in 2013. Governor Brownback estimates that the transition to the new system, known as KanCare, will save \$850 million over five years ([Office of Governor Brownback, 4/12](#); [AP via Kansas City Star, 4/13](#); [Kansas Health Institute, 4/13](#)).
- **Kentucky budget funds Medicaid substance abuse services.** Making some line-item vetoes, on April 11, Governor Steve Beshear (D) signed a two-year \$19 billion state budget (**HB 265**), approved by the Kentucky Legislature on March 29. According to Governor Beshear, the budget, "funds aggressive **substance abuse treatment in Medicaid.**" Prior to the enactment of this budget, Kentucky was one of only seven states that do not offer substance abuse treatment through their Medicaid program ([Office of Governor Beshear, 4/11](#); [AP via HTR News, 4/11](#); [Lexington Herald-Leader, 2/6](#)).
- **Maryland passes health insurance exchange legislation.** On April 5, the Maryland General Assembly passed legislation to create a health insurance exchange and begin outlining the health plans available through that exchange. Governor Martin O'Malley (D) is expected to sign the bill ([Baltimore Sun, 4/5](#)).

- **Minnesota Medicaid insurers pay \$73 million under new earnings cap.** Under a deal established last year between Governor Mark Dayton's (D) Administration and the non-profit HMOs operating in Minnesota Care and the state's Medicaid program, the insurers must return all profits exceeding 1 percent of their revenue. For 2011, the four insurers will pay a total of \$73 million, about half of which will be returned to the federal government. **HealthPartners** will return \$31 million, **Medica** will return \$25 million, **Blue Cross Blue Shield of Minnesota** will return \$9 million, and **UCare** will return \$8 million. The state expects to receive the funds by July ([MPR, 4/3](#); [Pioneer Press, 4/4](#); [FierceHealthPayer, 4/5](#)).
- **New York: Court nullifies housing ruling for mentally ill NYC residents.** On April 6, the U.S. Court of Appeals for the 2nd Circuit struck down a lower court's ruling that New York City must provide **non-institutional supportive housing for its residents with mental illness**. A lower court previously ruled that the city's system violated federal law and ordered the city to move 4,000 residents out of institutional settings. However, the Appellate Court found that organization that brought the case, Disability Advocates Inc., lacked standing to contest the law. As a result of the appellate ruling, in the short term, New York City is no longer required to move those individuals into supportive housing. A spokesperson for Disability Advocates said they will pursue a deal with the city; meanwhile, the **U.S. Department of Justice (DOJ)**, which intervened in the case on behalf of the plaintiffs, may pursue the case ([New York Times, 4/6](#); [AP, 4/7](#); [Reuters via Chicago Tribune, 4/6](#)).
- **New York Governor signs executive order to establish health insurance exchange.** After Republicans in the New York Legislature blocked legislation to establish a health insurance exchange, on April 12, Governor Andrew Cuomo (D) signed an [executive order](#) to establish an exchange within the New York Department of Health. According to the National Conference of State Legislatures (NCSL), Rhode Island is the only other state to establish a health insurance exchange by executive order. Governor Cuomo's office noted that the exchange does not set up a new governmental body and that the state will create the exchange using federal funds. The exchange will operate as the "New York Health Benefit Exchange" ([Kaiser Health News, 4/13](#)).
- **Vermont Governor signs legislation to expand community-based mental health care.** On April 4, Governor Peter Shumlin (D) signed legislation designed to shift Vermont's mental health care system towards community-based care. In addition to directing \$20 million to enhanced community services, the law also calls for a 25-bed psychiatric hospital in Berlin to replace the Vermont State Hospital, which closed after sustaining damage in Tropical Storm Irene. The legislation will also expand psychiatric units at two community-based mental health treatment facilities and authorize a temporary mini-mental hospital in Morrisville ([Office of Governor Shumlin, 4/4](#); [Burlington Free Press, 4/9](#); [AP via Washington Post, 4/4](#)).

Financing Reports

- ["ACA federal funds tracker"](#) Kaiser Family Foundation.
- **Estimate finds ACA could increase deficit by \$340 to \$540 billion.** "The fiscal consequences of the Affordable Care Act" Balhous, Charles. Mercatus Center, George Mason University. April 10, 2012 (Kaiser Health News, 4/11b; Kaiser Health News, 4/10c).

- **[“Estimating the impact of the medical loss ratio rule: A state-by-state analysis”](#)** The Commonwealth Fund. Hall, M. & McCue, M. April 5, 2012 ([FierceHealthPayer, 4/9](#)).
- **[“Health care budget deficit calculator”](#)** Center for Economic and Policy Research.
- **House GOP budget proposal would reduce health care funds for states.** **[“Republicans again propose slashing funding for Medicaid, Medicare, and other health programs”](#)** and **[“The Republican budget proposal: Ending Medicare as we know it—again”](#)** Families USA. April 2012 ([The Hill, 4/10](#)).
- **IOM recommends doubling public health funding, taxing medical care.** **[“For the public’s health: Investing in a healthier future”](#)** Institute of Medicine (IOM). April 2012 ([Kaiser Health News, 4/11c](#)).
- **KFF examines dual eligibles.** **[“Medicaid’s role for dual-eligible beneficiaries”](#)** & **[“Medicare’s role for dual-eligible beneficiaries”](#)** Kaiser Family Foundation. April 4, 2012.
- **[“Massachusetts health reform spending, 2006-2011: An update on the ‘budget buster’ myth”](#)** Massachusetts Taxpayers Foundation. April 2012 ([WBUR, 4/13](#)).
- **Medicaid and retiree health care costs drive governments’ long-term costs.** **[“State and local governments’ fiscal outlook: April 2012 update”](#)** Government Accountability Office (GAO). April 2, 2012 ([Reuters, 4/5](#)).
- **Public less willing to pay to avoid mental illness than general illness, despite finding mental illness more burdensome.** **[“What’s it worth? Public willingness to pay to avoid mental illnesses compared with general medical illnesses”](#)** *Psychiatric Services* 63(4): 319-324. Smith, D.M et al. April 2012 ([News Medical, 4/6](#)).
- **[“State action toward creating health insurance exchanges”](#)** Kaiser Family Foundation.
- **[“Supporting integration of behavioral health care through health information exchange: Recommendations for integrating Colorado’s mental health, substance use treatment, and medical communities through the development of statewide HIE”](#)** Colorado Regional Health Information Organization ([FierceHealthIT, 4/10](#)).
- **[“The coverage and cost effects of implementation of the Affordable Care Act in New York State”](#)** Commonwealth Fund. Balvin, F. et al. March 2012.
- **[“The use of medicines in the United States: Review of 2011”](#)** (Registration required) IMS Institute for Healthcare Informatics. April 2012 ([Kaiser Health News, 4/5](#)).