

# 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 sets deadline for health insurance exchange proposals, releases new guidance, and awards \$181 million in establishment grants.** On May 16, the **U.S. Department of Health and Human Services** (HHS) released two new guidance documents, “[Draft Blueprint for Approval of Affordable State-Based and State Partnership Insurance Exchanges](#)” and “[General Guidance on Federally-Facilitated Exchanges](#).” The documents further clarify the requirements for state-based and state partnership insurance exchanges and explain how HHS will establish federally-facilitated exchanges in states that do not create their own exchanges. In addition, the Blueprint sets November 16 as the deadline for states to submit proposals describing their planned exchanges, now officially known as **Affordable Insurance Exchanges**. As part of the same announcement, HHS also issued \$181 million in health insurance exchange Establishment Grants. Illinois, Nevada, Oregon, South Dakota and Tennessee received Level One Establishment Grants while Washington became the second state to receive a Level Two Establishment Grant, which provides multi-year funding for states that are further along in the establishment process. Including the latest awards, HHS has provided over \$1 billion to help states establish health insurance exchanges. Complete state-level insurance exchange funding information is available [here](#) ([HHS, 5/16](#); [California Healthline, 5/17](#); [Kaiser Health News, 5/16](#)).
- **IRS issues final regulations for the health insurance premium tax credit.** On May 18, the **Internal Revenue Service** (IRS) issued [final regulations](#) governing the ACA’s premium tax credit for individuals purchasing health coverage through an **Affordable Insurance Exchange**. Under the ACA, the tax credit will be available to individuals and families with incomes between 133 percent and 399 percent of the federal poverty level (FPL). The IRS will calculate from individual’s credit based on the difference between the premium for the exchange’s benchmark plan and the taxpayer’s income-indexed contribution for that coverage. The credit will be fully refundable. The **Congressional Budget Office** (CBO) estimates that over 18 million Americans will be eligible to receive credits, with credits averaging \$5,000 ([IRS, 5/18](#); [LifeHealthPro, 5/18](#)).
- **ACA to fund Family-to-Family Health Information Centers with \$4.9 million.** On May 23, **HHS Secretary Kathleen Sebelius** announced \$4.9 million in ACA funding to support **Family-to-Family Health Information Centers**. Created in 2005, the centers are statewide, family-led organizations that provide information, training, outreach, and peer support to families of children with special health care needs and the professionals who serve them. The funding will support 51 centers, one in each state and the District of Columbia. Each grantee will receive \$95,700 ([HHS, 5/23](#)).

## National News

- **Army to review mental health diagnoses; reports find DOD mental health hospitalizations rising.** To determine whether treatment costs and other non-medical factors played a role in finalizing behavioral health diagnoses, on May 16, the **U.S. Army** began reviewing all behavioral health evaluations performed at its medical facilities since 2001. The review comes after an Army investigation found that the special forensic psychiatric team at Madigan Army Medical Center rejected at least 290 soldiers’ initial post traumatic stress disorder (PTSD) diagnoses in favor of illnesses with lower disability ratings and treatment costs.

The investigation found over 100 improper rejections and restored the soldiers' proper diagnoses. Secretary of the Army John McHugh and Army Chief of Staff General Ray Odierno issued a statement saying that the new review "will ensure that we apply an appropriate standard at every installation — one that is influenced only by the opinion and expertise of our medical professionals." In related news, the **U.S. Department of Defense (DOD)** recently released [two reports](#) on mental health hospitalization among service members, finding that mental health hospitalizations rose 19 percent in 2011 and were DOD's leading type of hospitalization, accounting for 40 percent of all hospital bed days ([Washington Post, 5/16](#); [TIME, 5/16](#)).

- **SAMHSA accepting applications for \$45.8 million in project LAUNCH grants.** On May 22, the **Substance Abuse and Mental Health Services Administration (SAMHSA)** announced that it is accepting [applications](#) for **Linking Actions to Unmet Needs in Children's Health** (Project LAUNCH) grants. SAMHSA expects to provide up to 11 grants of up to \$850,000 per grantee, for up to five years. The program will promote the wellness of young children from birth to eight years by addressing the physical, social, emotional, cognitive, and behavioral aspects of their development. Project LAUNCH aims to create a shared vision for the wellness of children that drives the development of coordinated networks. Applications are due by July 3 ([SAMHSA, 5/22](#)).

## State News

- **Alabama budget relies on voter referendum to prevent Medicaid cuts.** On May 17, Governor Robert Bentley (R) announced plans to sign Alabama's \$1.6 billion FY2013 general fund budget, approved by the Alabama Legislature the previous night. The budget asks voters to approve a referendum on September 18 that would amend the Alabama Constitution allowing the Legislature to transfer \$145.8 million from the Alabama Oil & Gas Trust Fund to the state's general fund. If the referendum fails, Medicaid and all state agencies will face 10 percent cuts ([Montgomery Advertiser, 5/21](#); [AP via WKRG Mobile-Pensacola, 5/18](#); [AP via Advanced Internet, 5/20](#)).
- **Alaska Governor approves funding increase for substance abuse treatment.** On May 14, Governor Sean Parnell (R) signed a \$12.1 billion FY2013 budget that will provide an additional \$9 million for **substance abuse treatment centers** over three years. Revenue from the state's alcohol tax, 50 percent of which already funds substance abuse treatment and prevention, will supply the additional funding. The budget also allocates the Alaska Department of Corrections an additional \$1.3 million for substance abuse treatment. According to Governor Parnell, in FY2012, Alaska will spend over \$50 million on substance abuse treatment ([KTVA Alaska, 5/18](#); [AP via Homer News, 5/16](#)).
- **Arizona Governor signs two year agreement in mental health class-action lawsuit.** On May 17, Governor Jan Brewer (R) signed a temporary [agreement](#) with the plaintiffs in the *Arnold vs. Sarn* class-action lawsuit over the state's mental health care system. Originally filed in 1981, the suit held that the Arizona Department of Health Services, Arizona State Hospital, and Maricopa County broke state law by failing to create a comprehensive system of community-based mental health care for individuals with serious mental illness (SMI). While there have

been numerous interim agreements, the court has yet to find Arizona in compliance with the law and the state has yet to reach a final settlement with the plaintiffs. Under the new agreement, which requires court approval, the state has agreed to fund numerous community-based mental health services for two years and to implement national best-practice models and behavioral health standards. By the end of the agreement, expanded Medicaid eligibility under the ACA is expected to cover most affected individuals ([Office of Governor Brewer, 5/17](#); [The Arizona Republic, 5/21](#); [The Arizona Daily Sun, 5/18](#)).

- **California releases plan to transition Community Based Adult Services (CBAS) to managed care.** On May 21, the **California Department of Health Care Services (DHCS)** released the [details](#) of its previously announced plan to transition its new **CBAS** providers to managed care. Thirty-one CBAS providers will transition onto the new system July 1 while the remaining 222 providers will transition to managed care on October 1. The CBAS program provides community-based services for roughly 32,000 elderly and disabled residents who previously received Adult Day Health Care (ADHC) services until the California Legislature eliminated ADHC as an optional Medicaid benefit in 2011 ([California Healthline, 5/21](#)).
- **Colorado to launch Medicaid payment reform pilot program.** On May 9, the Colorado Legislature passed [HB 1281](#) to create a pilot program for Medicaid payment reform and innovation. Under the bill, the **Colorado Department of Healthcare Policy and Financing (DHCPF)** will pilot-test cost containment projects for the state Medicaid program. Under the legislation, the DHCPF must select pilot projects by April 1, 2013, giving preference to projects proposing global payment methodologies ([Modern Healthcare, 5/20](#); [Kaiser Health News, 5/21](#)).
- **Illinois Legislature fills \$2.7 billion Medicaid shortfall.** On May 24, the Illinois Legislature approved a bill to cut \$1.6 billion in FY2013 Medicaid spending through a combination of program cuts, service reductions, and lower provider reimbursements. The largest single savings will come from tighter Medicaid eligibility screening, which is expected to save \$350 million and potentially remove hundreds of thousands of individuals from the program. To further address the Medicaid shortfall, on May 29, the Illinois Legislature approved [SB 2194](#) to increase Illinois' cigarette tax by \$1 per-pack. Supporters say the bill will raise \$350 million in tobacco tax revenue and an additional \$350 million through a 100 percent federal revenue match. The bill will also raise an additional \$50 million through changes to hospital tax assessments and direct \$150 million in unexpected general revenue to Medicaid. Both changes will trigger a 100 percent federal match. Governor Pat Quinn (D) is expected to sign both bills after proposing similar plans in April ([Chicago Tribune, 5/25](#); [Daily Herald 5/29](#); [CBS Chicago, 5/29](#); [Office of Governor Quinn, 5/29](#)).
- **Iowa to require licenses for public health insurance advisors or navigators.** On May 25, Governor Terry Branstad (R) signed [HF 2465](#), requiring licenses for the new public advisors, or "**navigators**," who will help Iowans compare health insurance options in the state's **Affordable Insurance Exchange** established under the ACA. Health advocates argue that the license requirements make it difficult for non-insurance agents to obtain a license, violating federal rules stating that states cannot require that public advisors be insurance agents ([Des Moines Register, 5/23](#); [Office of Governor Branstad, 5/25](#)).

- **Kansas budget provides additional funds for mental health care.** On May 20, the Kansas Legislature approved a \$14.3 billion FY2013 budget, allocating \$3.6 million to reduce waiting lists for home- and community-based services (HCBS) for Medicaid-eligible individuals with disabilities. The budget also adds \$1.8 million for admissions screenings at inpatient psychiatric facilities. In addition, Larned State Hospital, whose understaffing problems have led to a threatened loss of federal certification, will receive an additional \$1.9 million and 23 new full-time positions. The budget now goes to Governor Sam Brownback (R) ([Kansas Health Institute, 5/20](#); [Wichita Eagle, 5/20](#); [AP via Kansas City Star, 4/28](#)).
- **Maine Governor signs budget-balancing bill, cuts Medicaid.** On May 16, Governor Paul LePage (R) signed a bill to close the **Maine Department of Health and Human Services'** (DHHS) \$80 million funding shortfall for FY2012-13. Left open by the supplemental budget package approved on April 13, the legislation will close the shortfall through a variety of cuts to DHHS and MaineCare, the state's Medicaid program. Among other cuts, the legislation ends Medicaid coverage for 19- and 20-year olds and eliminates funding for home health care visits ([CBS News, 5/16](#); [Boston Globe, 5/15](#); [Bangor Daily News, 4/13](#)).
- **Massachusetts: CMS approves plan to provide \$628 million to state safety net hospitals.** On May 21, **CMS** approved Massachusetts' "master plan" for the state's **Delivery System Transformation Initiatives (DSTI)** program. The DSTI program will provide \$628 million in joint state and federal funding to seven Massachusetts safety net hospitals over three years. The seven hospitals serve the highest percentage of Medicaid patients in the state and the program funds are designed to improve their quality of care while reducing treatment costs. Among other projects, the hospitals will focus on developing fully integrated delivery systems and alternative payment methods. CMS preliminarily approved the DSTI program in December 2011 as part of the state's **MassHealth 1115 Medicaid Demonstration Waiver** renewal ([Office of Governor Patrick, 5/22](#); [Boston Globe, 5/23](#)).
- **New York: CMS overpaid \$701 million for developmentally disabled individuals, HHS-OIG finds.** On May 17, the **HHS Office of the Inspector General (OIG)** released a [report](#) finding that the daily reimbursement rate for New York's Intermediate Care Facilities (ICF) for individuals with intellectual or developmental disabilities grew by nine times the national average between 1985 and 2009. The OIG determined that the growth was the result of more than 35 CMS-approved State Plan Amendments. According to the report, calculating the reimbursement rate using the actual ICF costs would have reduced federal FY2009 costs from \$1.13 billion to \$429 million. The report did not recommend the New York repay the funds because the state was paid according to CMS-approved rates ([New York Times, 5/18](#)).
- **Oklahoma budget increases behavioral health funding by \$5.5 million.** On May 24, the Oklahoma Legislature passed a \$6.8 billion FY2013 budget, increasing total state appropriations by \$206 million. Under the bill, the **Oklahoma Health Care Authority** will receive an additional \$57 million for the state Medicaid program and the **Department of Mental Health and Substance Abuse Services (ODMHSAS)** will receive an additional \$5.5 million to fund System of Care Grants and an additional crisis center. The bill will also provide an additional \$667,000 for criminal offenders' mental health screenings. **Governor Mary Fallin (R)** is expected to sign the

bill. The Office of the Governor lists the budget's funding increases [here](#) ([The Oklahoman, 5/25](#); [AP via Enid News and Eagle, 5/21](#)).

- **Utah Medicaid OIG saves \$4 million on psychotropic prescriptions.** As part of a broader investigation into Medicaid overpayments, the **Utah Medicaid Office of the Inspector General** (OIG) has avoided \$4 million in state spending on off-label prescriptions for psychotropic drugs and other “questionable” psychotropic prescriptions. Psychotropic drugs account for over one-third of Utah’s Medicaid medication expenditures ([Salt Lake Tribune, 5/23](#); [Governing, May 2012](#)).
- **Virginia OIG: Barriers to discharge from adult behavioral health facilities increase state costs.** On April 25, the **Virginia Office of the Inspector General** (OIG) released a [report](#), concluding that Virginia could save an estimated \$12 million annually by transferring eligible individuals with behavioral health conditions from institutional- to community-based care. Over a six-month period in 2011, the OIG found that 165 patients, or 13 percent of the total institutional population, were eligible for discharge from state institutions but not released to community care. The report notes that the average annual cost of serving an individual in a state-operated institutional facility is \$170,000 more than community-based care, indicating that the state is incurring unnecessarily high costs. The report recommends that the **Virginia Department of Behavioral Health and Developmental Services** work more closely with regional groups to address the barriers to discharge and increase funding for discharge assistance projects ([News Leader, 5/25](#)).

## Financing Reports

- **173 million Americans to receive ACA’s Summary of Benefits and Coverage (SBC) in September.** [“Decoding your health insurance: The new summary of benefits and coverage”](#) Families USA. Saly, E. et al. May 2012 ([Springfield News-Sun 5/24](#)).
- **ACA to benefit 1.3 million uninsured veterans.** [“Uninsured veterans and family members: Who are they and where do they live?”](#) The Urban Institute & The Robert Wood Johnson Foundation. Haley, J. & Kenney, G. May 2012 ([Kaiser Health News, 5/25](#)).
- [“Health care cost and utilization report: 2010”](#) Health Care Cost Institute. May 2012 ([Philadelphia Inquirer, 5/23](#)).
- [“How is the Affordable Care Act leading to changes in Medicaid today? State adoption of five new options”](#) Kaiser Family Foundation. May 2012.
- **Illinois’ proposed Medicaid cuts will increase long-term state spending.** [“Medicaid home care cuts: Analysis of unintended and unnecessary consequences”](#) Health and Medicine Policy Research Group. Pavle, K. et al. May 17, 2012.
- [“Individual insurance benefits to be available under health reform would have cut out-of-pocket spending in 2001–08”](#) *Health Affairs* 31(6) [epub ahead of print]. Hill, S. May 11, 2012 ([The Hill, 5/17](#)).
- **Maryland 2010 per capita health care spending 9 percent higher than national average.** [“State health care expenditures”](#) Maryland Health Care Commission. Zhao, L. et al. May 2012 ([Baltimore Sun, 5/21](#)).
- [“Massachusetts health care reform: Six years later”](#) Kaiser Family Foundation. May 2012.

- [“More than half of individual health plans offer coverage that falls short of what can be sold through exchanges as of 2014”](#) The Commonwealth Fund. Gabel, J. et al. May 23, 2012 ([New York Times, 5/23](#)).
- [“Off-label use of antipsychotic medications in Medicaid”](#) *American Journal of Medicine* 18(3): 109-117. Leslie, D. & Rosenheck, R. March 2012 ([Gant Daily, 5/16](#)).
- **Oregon audit finds gaps in Oregon Health Authority’s (OHA) children’s mental health treatment.** [“Children’s mental health: ensuring access and sustaining services”](#) Oregon Secretary of State, Audits Division. May 2012 ([Oregon Public Broadcasting, 5/25](#)).
- [“Small employer health tax credit: factors contributing to low use and complexity”](#) Government Accountability Office (GAO). May 2012 ([CNN, 5/23](#)).
- [“Supreme Court healthcare reform decision: What will it mean for insurers?”](#) Moody’s Investors Services. May 2012 ([LifeHealthPro, 5/24](#))
- [“The ACA Basic Health Program in Washington state”](#) The Urban Institute. Buettgens, M. & Carroll, C. April 27, 2012.
- [“The economic impact of the Affordable Care Act on California”](#) Bay Area Council Economic Institute. Haveman, J. & Weinberg, M. May 2012 ([MarketWatch, 5/21](#))
- [“Trends in employment-based coverage among workers, and access to coverage among uninsured workers, 1995–2011”](#) Employee Benefit Research Institute. *Notes* 31(5): 15-19. Fronstin, P. May, 2012.