SAMHSA's Center for Financing Reform & Innovations (CFRI)
Financing Focus: May 18

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 announces $122 million for 26 health care innovation awards**. On May 8, the **U.S. Department of Health and Human Services** (HHS) announced $122.6 million to support 26 health care innovation projects. Funded through the ACA and administered through the **Centers for Medicare & Medicaid Services'** (CMS) Center for Medicare & Medicaid Innovation (CMMI), the grants will reduce costs, deliver high quality medical care, and enhance the health care workforce. The 26 preliminary awardees expect to reduce health spending by a combined $254 million over three years. The CMMI may eventually award up to $1 billion under the program and will announce the next round of grants in June. The CMMI provides detailed information on awardees' programs here. At least one grant will coordinate mental health and primary care (CMS, 5/8; Kaiser Health News, 5/8a; Kitsap Sun, 5/9).
- **Dual eligible demonstration pilots draw significant state interest**. Over 3 million dually eligible Medicare and Medicaid beneficiaries have been included in 23 state applications for CMS' financial alignment demonstration integrated care program. Derived from six final applications and 17 draft applications, the beneficiary total is over CMS' stated maximum of 2 million individuals. However, CMS says it will assess each proposal individually, based on merit. Officials note that, because the beneficiary estimate is based on several proposals, it may change as states finalize their applications. The **Medicare-Medicaid Coordination Office** and the **Center for Medicare and Medicaid Innovation** are collaborating on the dual eligible initiative (ModernHealthcare, 5/7).
- **CMS issues final regulations governing medical loss ratio rebates**. On May 11, CMS issued final rules governing the ACA's medical loss ratio (MLR) provisions. Under the ACA, insurers must pay set percentages of premium revenue towards health care costs and quality improvement or return the difference to consumers. Large group plans must spend 85 percent of premium revenue on health care while small group and individual plans must spend at least 80 percent. Under the final rules, insurers must deliver rebates by August 1 or notify beneficiaries that they will not receive a rebate. The rules also require that insurers reference the ACA when providing rebates (Kaiser Health News, 5/14).
- **Medicaid payments for primary care physicians to increase $11 billion under proposed regulations**. On May 9, HHS Secretary Kathleen Sebelius announced a proposed rule that would temporarily raise Medicaid reimbursements for primary care physicians to Medicare reimbursement levels. Enacted as part of the ACA and set to take effect for 2013 and 2014, HHS estimates that the change will provide an additional $11 billion for primary care. The federal government will assume the entire cost and states are not required to match federal expenditures (CMS, 5/9; Kaiser Health News, 5/10). Additional information is available from the CMS factsheet.

National News

- **SAMHSA to award $42 million in grants for adult and family drug courts**. On May 11, the Substance Abuse and Mental Health Services Administration (SAMHSA) announced that it is accepting up to $42.4 million in grant applications for the **Adult and Family Drug Court** program. Funded over three years, up to 52 grants will expand or enhance services for substance abuse or

co-occurring disorders in existing adult and family "problem solving" courts that use the treatment drug court model. SAMHSA expects annual grant awards of up to $350,000 per grantee (SAMHSA, 5/11a).

- **Up to $35 million for primary care and behavioral health integration available from SAMHSA**. On May 4, SAMHSA announced that it is accepting applications for up to $35.7 million in **Primary and Behavioral Health Care Integration** (PBHCI) grants over four years. The grants aim to improve the physical health status of individuals with serious mental illness (SMI) who have or are at risk for co-occurring primary care conditions and chronic diseases. The program will provide coordinated and integrated services by co-locating primary and specialty care medical services in community-based behavioral health settings. SAMHSA expects to award up to 32 grants of up to $400,000 annually (SAMHSA, 5/4). SAMHSA is also accepting applications for $825,000 over two years to fund a **Minority Fellowship Program** grant. The grant seeks to reduce health disparities and improve outcomes among racially and ethnically diverse populations by increasing the number of culturally competent mental health counselors (SAMHSA, 5/11b).
- **Veterans' mental health care not an issue for the courts, Appeals Court rules**. On May 7, the **U.S. Court of Appeals for the 9th Circuit** overturned a previous ruling that had instructed the **U.S. Department of Veterans Affairs** (VA) to modify its mental health system. The appeals court found that only Congress and the President have the authority to direct changes in veterans' treatment. The new decision stems from a 2008 case, which alleges that the VA failed to provide adequate and timely care for veterans with combat-related mental health conditions. Prior to the May 7 reversal, a three judge panel from the Court of Appeals upheld a District Court ruling that the VA must overhaul its mental health care system. The non-profit groups that brought the suit plan to appeal to the U.S. Supreme Court (Kaiser Health News, 5/8b).
- **DSM-V draft criteria open for final public comment**. From May 2 through June 15, the **American Psychiatric Association** (APA) will seek a third and final round of public comment on proposed draft revisions set to form the **Diagnostic and Statistical Manual of Mental Disorders 5th Edition** (DSM-V). The final DSM-V will be released at the APA's annual meeting in May 2013 (APA, 5/2; New York Times, 5/11). Feedback on the proposed changes can be submitted here.
- **BP settlement to include $36 million in behavioral health grants**. On May 2, a federal judge preliminarily approved a settlement in the class action suit against **BP Public Limited Company** stemming from the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. In the $7.8 billion settlement, BP agrees to distribute $104 million in health care grants, including $36 million for behavioral health services. LSU Health Sciences Center in New Orleans, the University of Southern Mississippi, the University of South Alabama, and the University of West Florida will lead the Mental and Behavioral Health Capacity Project. The judge will hold a final "fairness hearing" on the settlement in November (Bloomberg Business Week, 5/3; Times-Picayune, 5/6).
- **Abbott reaches $1.6 billion drug marketing settlement**. On May 7, **Abbott Laboratories** announced an agreement with the federal government and 45 states to settle allegations that the company illegally marketed its anti-seizure drug, Depakote. Under the agreement, Abbott

will pay a $500 million criminal penalty and forfeit $200 million in assets. In addition, Abbott will pay $800 million in civil penalties to the federal government, the District of Columbia, and most states to settle charges that the company's actions artificially inflated Medicaid and Medicare claims. Abbott will plead guilty to one misdemeanor charge for misbranding (Kaiser Health News, 5/8c).

State News

- **Arizona budget allocates $39 million for individuals with serious mental illness**. On May 7, Governor Jan Brewer (R) signed an $8.6 billion budget, increasing general fund expenditures by 3.5 percent over FY2012 levels. The budget allocates $38.7 million to fund housing, counseling, brand-name drugs, and other services for **individuals with serious mental illness** (SMI) that do not qualify for the state's Medicaid program. The move comes after Arizona cut funding for those services by $50 million in 2010. When enacting the 2010 cuts, Arizona officials also reached a two-year agreement to delay a ruling in a 1981 lawsuit alleging that the state failed to meet its legal obligations to residents with SMI. The state is expected to announced a new two-year deal in that suit later in May (Office of Governor Brewer, 5/7; Arizona Republic, 5/11; Inside Tucson Business, 5/4). Additional information on health care funding in the Arizona budget is available through the Governor's Office here.
- **Georgia budget allocates $10 million for alternative courts**. On May 7, Governor Nathan Deal (R) signed Georgia's $19.3 billion state budget, increasing funding 4.5 percent over FY2012 levels. Among other changes, the budget includes an additional $10 million in grants to fund county alternative courts, a 400 percent increase in alternative court funding. The budget supplement supports a bill (**HB 1176**) that Governor Deal signed the previous week, reforming the state's criminal justice system to save an estimated $264 million over five years. The criminal justice bill will direct more non-violent drug offenders to alternative courts, using the additional $10 million to expand those courts throughout Georgia (Office of Governor Deal, 5/7; Office of Governor Deal, 5/2; CBS, 5/8; Atlanta Journal Constitution, 5/1).
- **Iowa passes mental health reform**. Before adjourning on May 9, the Iowa Legislature passed a **mental health reform** plan to transition the state from county-based mental health care to a state-financed, regional system. Under the current system, counties finance their own mental health services through local property taxes, resulting in disparate funding levels, services, and access across the state. Under the new regional system, counties will gradually transition to state-paid services. Initially, mental health funding for all counties will be set at $41.28 per-capita, with some counties reducing their mental health levies to reach that level and others receiving state subsidies to supplement local revenue. State officials estimate Iowa will spend $17.3 million supplementing funds for low-revenue counties. To complete transition, the per-capita tax rate will decline over four years until the system is entirely state-financed and regionally operated. During the transition the state will replace all local revenue with state funds to maintain the $41.28 rate. An additional $20 million in one-time federal funding will also be available to ease the transition. Beyond changing financing and delivery, the new system will also set statewide service standards, increase the number of inpatient mental health

beds, and move towards expanded home- and community-based services (HCBS) (Quad-City Times, 5/10; Des Moines Register, 5/9; Sioux City Journal, 5/9; Office of Governor Branstad, 5/9)

- **Kentucky Medicaid MCO reverses position, will cover buprenorphine**. Following legal threats, one of Kentucky's four **Medicaid managed care organizations** (MCOs) has called off plans to end coverage of **buprenorphine** (Suboxone) for opiate addiction. A spokesperson for the MCO, Coventry Cares, initially argued that ending the coverage was designed to align with the Kentucky Cabinet for Health and Family Services' policy to provide substance abuse treatment only for Medicaid enrollees who are under age 21, pregnant, or new mothers. However, Coventry has agreed to continue covering buprenorphine and meet with the cabinet, providers, and other MCOs to determine best practices for Medicaid substance abuse coverage (Courier-Journal, 5/14; Lexington Herald-Leader, 5/10; Courier-Journal, 5/10; AP via Lexington Herald-Leader, 5/11; FierceHealthPayer, 5/11).
- **Maryland: Federal pre-existing condition plan make changes affecting behavioral health**. Starting in July, the federally-backed high deductible plan in Maryland's ACA-sponsored **Pre-Existing Condition Insurance Plan** will begin requiring coinsurance payments for behavioral health services and hospital treatment. The plan will also lower premiums by an average of 4 percent. The preferred provider organization (PPO) plan offered under the program already charges coinsurance for behavioral health services (Baltimore Sun, 5/8).
- **Missouri: Medicaid managed care suit dismissed**. On May 11, a Missouri judge dismissed **Molina Healthcare's** lawsuit, which alleged that the state violated bidding laws when awarding $1.1 billion in Medicaid managed care contracts. In an effort to save an estimated $16 million over two years, Missouri elected to limit Medicaid contracts to only three MCOs. In February, the state awarded those contracts to health plans operated by **Centene Corp.**, **Aetna Inc.**, and **Coventry Health Care Inc.** The new contracts take effect July 1 and open enrollment runs through June 16 (St. Louis Post-Dispatch, 5/11;Kansas City Star, 5/11; Kaiser Health News, 5/9).
- **New Hampshire executive council approves Medicaid managed care contract**. The New Hampshire Executive Council voted to authorize $2.3 billion to establish a **Medicaid managed care system** for the state. Under the new system, New Hampshire will pay three managed care organizations (MCOs) to coordinate care for all enrollees. Under the three-year plan, which still requires approval from CMS, the MCOs would takeover financial and administrative responsibility for long-term care in second year of their contracts. State officials estimate the shift to manage care could save $16 million in its first year. The state awarded contracts to: Granite State Health Plan, owned by **Centene Corp.**; Boston Medical Center Health Plan, a non-profit HMO; and Granite Care-Meridian Health Plan of New Hampshire (Fosters Daily Democrat, 5/9).
- **New Jersey Governor vetoes health insurance exchange**. On May 10, Governor Chris Christie (R) vetoed a bill (**AB 2171**) that would have created a health insurance exchange in New Jersey. In his veto message, Governor Christie said it would be imprudent for the state to create a health insurance exchange until the U.S. Supreme Court rules on the constitutionality of the ACA. The bill would also have committed New Jersey to establish a health insurance program from individuals earning between 133 percent and 200 percent of the federal poverty level

(FPL). If the ACA is upheld and the state does not create an exchange, the federal government will set up an exchange in New Jersey (Office of Governor Christie, 5/10; Kaiser Health News, 5/11).

- **New York fines 15 insurers over mental health notices**. Regulators in New York have fined 15 insurers a total of $2.7 million for failing to notify small businesses that they were eligible to purchase special coverage for mental illnesses. The fines are the first imposed under Timothy's law, which requires insurers to offer small businesses the option to purchase mental health benefits when buying or renewing basic insurance plans. The violations occurred in 2009 and 2010 (AP via Wall Street Journal, 5/8).
- **Ohio to merge departments of mental health and substance abuse**. Pending legislative approval, on July 1, Governor John Kasich's (R) administration will merge the state's Department **of Mental Health** (DMH) with the **Department of Alcohol and Drug Addiction** (DADA). Headed by current DMH Director Tracy Plouck, the new Department will oversee a $650 million budget. DADA Director Orman Hall will maintain his cabinet-level position, reporting directly to the governor. State officials say the move will not prompt layoffs but note that the workforce may shrink with attrition (AP via Canton Reps, 5/5).
- **Oregon to receive $1.9 billion from HHS for Medicaid overhaul**. On May 3, Governor John Kitzhaber (D) announced a preliminary agreement with CMS under which the agency will provide $1.9 billion over five years to support Oregon's Medicaid transformation. Approved by the legislature earlier this year, 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 July 1, the CCOs will focus on integrating medical, behavioral, and dental care as well as emphasizing preventive care. Under the preliminary deal, CMS will give Oregon $620 million in the first year of the project; however, Oregon's Medicaid waiver for the project is still pending. Governor Kitzhaber says he expects the transformation will 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. State officials say the 14 CCO applicants would cover 90 percent of the state's Medicaid population (Kaiser Health News, 5/4; The Lund Report, 5/5).
- **Tennessee to close psychiatric hospital, reinvest funds in community-based services**. Beginning June 30, the Tennessee Department of Mental Health will close Lakeshore Mental Health Institute in Knoxville, diverting the estimated $20.5 million in savings to **community mental health services in East Tennessee**. The savings will fund the bulk of a $22.4 million "East Tennessee Community Behavioral Health Transformation Plan," which will cover inpatient hospitalization, detoxification, long-term support, support for individuals in jail, crisis services, peer support, and transitional support services. The remaining $1.9 million comes from a state pilot program designed to divert former Lakeshore clients to other facilities. The new plan would also fund an oversight office and transportation service to move clients who cannot be served in community settings into state facilities (Knox News, 5/5).

Financing Reports

- "**A decade of health care access declines for adults holds implications for changes in the Affordable Care Act**" *Health Affairs* 31(5): 899-908. Kenney, G. et al. May 2012.
- "**Assessing the quality of California dual eligible demonstration health plans**" National Senior Citizens Law Center. May 2012 (California Healthline, 5/3; NSCLC, 5/2).
- **California's medical spending grew in 2009, growth rate slowed**. "Health care costs 101" California Healthcare Foundation. May 2012 (Los Angeles Times, 5/9).
- "**Enrollment-Driven expenditure growth: Medicaid spending during the economic downturn, FFY2007-2010**" Kaiser Family Foundation. May 4, 2012.
- "**Explaining high health care spending in the United States: An international comparison of supply, utilization, prices, and quality**" Commonwealth Foundation. Squires, D. A. May 2012 (Stateline, 5/7).
- "**Five key questions about Medicaid and its role in state/federal budgets and health reform**" Kaiser Family Foundation. May 3, 2012.
- "**Good business sense: The small business health care tax credit in the Affordable Care Act**" Families USA & The Small Business Majority. May 2012 (The Hill, 5/9).
- "**Health care costs: A primer**" Kaiser Family Foundation. May 9, 2012.
- **Health care costs for families in employer-sponsored PPO plans exceed $20,000**. "2012 Milliman medical index" Milliman. May 2012 (Insurance Journal, 5/15).
- "**Health system measurement project**" HHS Assistant Secretary for Planning and Evaluation (HHS, 5/15a).
- "**Implications for ACOs of variations in spending growth**" *New England Journal of Medicine,* 366: e29. McWilliams, J. M. & Song, Z. May 2012 (Becker's Hospital Review, 5/14).
- "Improving the children's mental health system in the District of Columbia" The Children's Law Center. May 2012 (CLC, 5/8; Washington Post, 5/8).
- "**Massachusetts' experience suggests coverage alone is insufficient to increase addiction disorders treatment**" *Health Affairs* 31(5): 1000-1008. Capoccia, V. et al. May 2012.
- "**Medicaid payments per enrollee, 2009**" Kaiser Family Foundation.
- "**National plan to address Alzheimer's disease**" U.S. Department of Health and Human Services. May 2012 (HHS, 5/15b; Kaiser Health News, 5/15).
- "**New state insurance exchanges should follow the example of Massachusetts by simplifying choices among health plans**" *Health Affairs* 31(5): 982-989. Day, R. & Nadash, P. May 2012 (The Hill, 5/8).