

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)

- **States choose a variety of paths towards ACA implementation.** On November 6, voters in Wyoming, Montana, and Alabama approved amendments to their state constitutions designed to block implementation of the ACA's **individual mandate**, while voters in Florida rejected a similar measure. However, because of the US Constitution's Supremacy clause, state constitutional amendments cannot halt ACA implementation ([Kaiser Health News, 11/7a](#); [Modern Healthcare, 11/7](#); [Washington Post, 11/7](#)).
- **Deadline for state decisions on Affordable Insurance Exchanges extended to December 14.** The **U.S. Department of Health and Human Services (HHS)** extended the deadline for states to submit their letters of intent and blueprint applications for state-based **Affordable Insurance Exchanges** from November 16 to December 14. In a [letter](#) to state governors, HHS **Secretary Kathleen Sebelius** extended the deadline for the blueprint applications on November 9 and later announced the extension for letters of intent. HHS will allow states until February 15, 2013 to declare their intention to pursue a partnership exchange with the federal government ([Kaiser Health News, 11/15](#); [Kaiser Health News, 11/9](#)).
- **HRSA awards \$9.8 million for behavioral health training.** To increase the number of behavioral health providers who work with Americans in rural areas, military personnel, and veterans, the **Health Resources and Services Administration (HRSA)** awarded \$9.8 million through the **Mental and Behavioral Health Education and Training** grant program. Made possible by the ACA's Prevention and Public Health Fund, the funds will help graduate schools of social work and psychology recruit students and provide support for clinical training in behavioral health. HRSA will award the three-year grants to 24 schools, with total funding ranging from \$121,096 to \$480,275 ([HHS, 9/25](#)).
- **CMS issues final rule to increase Medicaid reimbursement rate.** On November 1, the **Centers for Medicare & Medicaid Services (CMS)** issued a [final rule](#) to increase the Medicaid reimbursement rate for primary care providers. Under the ACA, the Medicaid reimbursement rates for 2013 and 2014 will be increased to equal the Medicare reimbursement rates as of July 1, 2009. The federal government will fully fund the increase for all states whose Medicaid reimbursement rates are not already above the Medicare threshold ([CMS, 11/1](#); [Modern Healthcare, 11/1a](#)).

National News

- **Medicaid's FY2012 spending growth second lowest since 1998.** According to a Kaiser Family Foundation (KFF) [study](#), total state and federal Medicaid spending grew by only 2 percent in FY2012, compared to 9.7 percent in FY2011 and 6.6 percent in FY2010. The study attributes the low spending growth to states' continued cost containment measures and slower enrollment growth, down to 3.2 percent in FY2012 from 4.4 percent in FY2011 and 7.2 percent in FY2010. According to KFF, cutting or freezing provider reimbursement rates was the most common cost containment measure, with 45 states and the District of the Columbia

implementing such measures in FY2012. However, 29 states are currently planning to increase their reimbursement rates in FY2013 ([New York Times, 10/26](#); [Washington Post, 10/25](#)).

- **National Governors Association issues grants to reduce prescription drug abuse.** To help reduce prescription drug abuse, the **National Governors Association** (NGA) issued grants allowing seven states to participate in the NGA's **Prescription Drug Abuse Reduction Policy Academy**. The academy is a year-long exercise designed to promote the use of prescription drug monitoring programs (PMPs) and prescription drug take back programs. Alabama, Arkansas, Colorado, Kentucky, New Mexico, Oregon, and Virginia will receive grants ([AP via San Francisco Chronicle, 10/31](#); [NGA](#)).
- **NCBH finds every dollar invested in veteran's mental health treatment yields \$2.50 in future savings.** According to a **National Council for Behavioral Health** (NCBH) [study](#), every dollar spent on evidence-based care for veterans' untreated mental health disorders will yield \$2.50 in savings over the next two years. The study attributes the bulk of the savings to lower health care costs, reductions in lost wages, and reduced suicides. NCBH finds that providing adequate treatment to the estimated 210,000 veterans with untreated post-traumatic stress disorder (PTSD) or major depression would cost \$481 million but save \$1.2 billion over two years ([The Fix, 11/9](#); [PR Newswire via Sacramento Bee, 11/9](#)).
- **CMS launches new tools for dual-eligible research.** To facilitate research on dual-eligibles, CMS' [Chronic Condition Data Warehouse](#) (CCW) has added nine new mental health and tobacco-use [condition flags](#) for all CY2006-CY2008 enrollees in its database, expanded the use of the 27 existing flags to CY2008 Medicaid-only and dual-eligible populations, and added [data sources](#) to provide additional information about CY2008 dual eligibles. CCW is a research database designed to make Medicaid and Medicare enrollee data more readily available to support research to improve quality and reduce costs. Researchers can request the data through the [Research Data Assistance Center](#) (ResDAC) ([CCW](#)).

State News

- **Alaska: Drug and alcohol abuse cost state's economy \$1.2 billion in 2010.** According to a [study](#) conducted for **Alaska's Mental Health Board** and the **Advisory Board on Alcoholism and Drug Abuse**, alcohol and drug abuse cost the state's economy \$1.2 billion in 2010. The report estimated that alcohol and drug abuse caused \$673.2 million in lost productivity costs, \$237.3 million in health care costs, \$217.7 million in criminal justice costs, \$50.5 million in traffic accident costs, and \$13.2 million in public assistance and social services costs. In 2010, Alaska spent \$35 million on alcohol and substance abuse treatment services for low-income residents and an additional \$11 million on community-based prevention programs ([Juneau Empire, 10/27](#)).
- **California unveils Affordable Insurance Exchange.** On October 30, the board of California's Affordable Insurance Exchange (now officially called **California Connection**) announced that they expect more than 30 insurers to compete within the marketplace after the exchange formally opens in October 2013. In addition, officials estimate that the exchange will enroll nearly 2 million residents in Medi-Cal, the state's Medicaid program, and help another 2 million purchase private insurance using federal subsidies. After the general election, exchange

officials also announced plans to spend \$90 million on marketing and outreach efforts in 2013 ([Los Angeles Times, 10/31](#); [Los Angeles Times, 11/7](#)).

- **Florida: Baptist Health receives \$10 million donation for behavioral health services.** To fund pediatric and adolescent behavioral health services, Wayne and Delores Barr Weaver, former owners of the Jacksonville Jaguars, have donated \$10 million to **Baptist Health** in Jacksonville, Florida. According to the chief of Child & Adolescent Psychiatry at **Wolfson Children's Hospital**, a member of the Baptist Health network, the donation will fund educational outreach programs to reduce the stigma associated with behavioral health treatment ([Florida Times-Union, 11/1](#); [Baptist Health, 11/1](#)).
- **Illinois: CMS approves early Medicaid expansion in Cook County.** On October 31, CMS approved Illinois' [Medicaid Section 1115 Research and Demonstration waiver](#) to begin an immediate expansion of the state's Medicaid program in Cook County instead of when the ACA's expansion takes effect on January 1, 2014. According to county officials, the waiver will expand coverage to an estimated 115,000 individuals ([AP via Chicago Tribune, 10/31](#)).
- **Illinois to partner with federal government to create Affordable Insurance Exchange.** In a [letter](#) to CMS, **Illinois Governor Patrick Quinn** (D) declared the state's intention to participate in a **State Partnership Exchange** with the federal government in 2014, before transitioning to a state-based **Affordable Insurance Exchange** in 2015. **The Illinois Department of Insurance** is reviewing five bids from private contractors to build and maintain the exchange, and state officials estimate that the exchange will help over one million residents obtain coverage through Medicaid or private insurance ([AP via Chicago Tribune, 11/5](#)).
- **Kansas will not setup an Affordable Insurance Exchange.** On November 8, **Kansas Governor Sam Brownback** (R) announced that he will not sign the letter of support that would allow the state's Insurance Commissioner to establish a state-based **Affordable Insurance Exchange**. Without the letter, **Commissioner Sam Praeger** (R) cannot submit the blueprint application to establish an exchange. Under the ACA, the federal government will establish and operate exchanges in states that elect not to do so ([Kansas City Star, 11/9](#)).
- **Massachusetts awards cities \$3.6 million in federal funds to address prescription drug abuse.** To combat prescription drug abuse among youth, **Massachusetts Governor Duval Patrick** (D) announced the allocation of \$3.6 million in federal funds from the **Substance Abuse and Mental Health Services Administration** (SAMHSA) to the **Massachusetts Department of Public Health's Bureau of Substance Abuse Services**. The state will award the funds to eight cities: Boston, Worcester, Springfield, New Bedford, Fall River, Brockton, Lynn and Quincy ([Office of Governor Patrick, 11/1](#)).
- **Minnesota to apply for Exchange Establishment grant.** During a **Minnesota House Ways and Means Committee** hearing, Management and Budget Commissioner Jim Schowalter announced that the state will apply for another HHS **Exchange Establishment** grant to continue developing the state's Affordable Insurance Exchange. According to Commissioner Schowalter, the state will seek \$60 to \$80 million, although Minnesota officials have not yet made a final decision on whether they will create an exchange. HHS previously awarded Minnesota over \$70

million in Exchange Establishment grants, including \$42 million on September 27 ([Minnesota Public Radio, 10/23](#); [Healthcare.gov](#)).

- **Missouri voters approve ballot initiative restricting exchange creation.** On November 6, voters in Missouri approved [Proposition E](#), which prohibits state officials from developing an **Affordable Insurance Exchange** without approval from the state legislature or a ballot initiative. If the state does not create an exchange, the federal government will create and maintain one on its behalf ([Kaiser Health News, 11/7c](#); [Ozarks First, 11/6](#)).
- **New Jersey offers free crisis counseling after Hurricane Sandy.** To assist individuals in coping with the aftermath of Hurricane Sandy, **New Jersey Governor Chris Christie** (R) announced that state and federal emotional stress hotlines are available for free to residents and relief workers. Additionally, free in-person counseling is available at **U.S. Federal Emergency Management Agency** (FEMA) disaster recovery centers across the state. The **New Jersey Department of Human Resources' Division of Mental Health and Addiction Services** is coordinating the efforts to assist communities and individuals coping with the emotional effects of the Hurricane ([CBS New York, 11/4](#)).
- **New York: Westchester Medical Center settles Medicaid fraud allegations with the US DOJ.** On October 24, **Westchester Medical Center** agreed to pay DOJ \$7 million to settle allegations that the center improperly billed Medicaid for outpatient mental health services. According to Westchester Medical Center, the settlement covers “technical deficiencies” in its billing system from August 2001 through June 2010, and does not reflect the hospital’s quality of care. Westchester Medical Center admitted no wrongdoing ([AP via Wall Street Journal, 10/24](#); [The Journal News, 10/24](#)).
- **Pennsylvania reaches settlement over Medicaid eligibility claims.** To settle a class-action lawsuit filed on behalf of 100,000 former Medicaid recipients, the **Pennsylvania Department of Public Welfare** (DPW) agreed to reassess eligibility of any former recipient who formally requests reinstatement. Individuals who are reinstated will be reimbursed for all out-of-pocket medical expenses incurred while they improperly lacked coverage. Advocates filed the lawsuit because they were concerned that human error caused DPW to remove eligible recipients from the state’s Medicaid program while clearing a backlog of eligibility reviews ([AP via Lebanon Daily News, 10/23](#)).
- **Tennessee seeks federal approval to reduce impact of Medicaid “churn”.** The **Tennessee Department of Finance and Administration** is seeking HHS approval of a [plan](#) to allow managed care companies that provide Medicaid coverage in Tennessee to offer an insurance plan through the state’s **Affordable Insurance Exchange** in 2014. The goal is to reduce the effects of Medicaid “churn,” the phenomenon where individuals’ shifting income causes them to gain and lose Medicaid eligibility. To ensure a more consistent benefit package, the plan would be available only to individuals with at least one family member receiving Medicaid coverage and cover 70 percent of health care costs using Medicaid’s provider network ([Pew Stateline, 10/22](#); [Governing, 10/29/2011](#)).
- **Texas: Austin ballot initiative increases behavioral health funding.** On November 6, voters in Austin approved [Proposition 1](#) to raise the local property tax and yield an additional

\$54 million annually. The additional revenue will go to a variety of health care projects, the largest of which will be the construction of a new teaching hospital. In addition, \$10 to \$15 million annually will fund a local health care collaborative that includes behavioral health providers and is expected to draw down an additional \$14.6 to \$21.9 million in federal Medicaid matching funds. According to local officials, the precise effects of the drawdown will not be clear until Texas completes its statewide Medicaid overhaul ([Austin American-Statesman, 11/1](#); [Austin American-Statesman, 11/7](#)).

- **Virginia to rely on federally-run Affordable Insurance Exchange.** On November 8, **Virginia Governor Bob McDonnell** (R) announced that the state will not establish an **Affordable Insurance Exchange** and will instead rely on the federal government to create and operate an exchange in Virginia. Additionally, Governor McDonnell announced that he is opposed to expanding the state's Medicaid program under the ACA; however, he noted that the state reserves the right to change either decision in the future ([AP via Washington Post, 11/8](#)).
- **Washington insurance programs for children to cover autism therapy.** To settle a class-action lawsuit, the **Washington Health Care Authority** agreed to cover applied behavior analysis therapy for autistic children covered by Medicaid and the state's Children's Health Insurance Program (CHIP). The court has already approved the settlement, which is expected to affect up to 9,000 children ([Seattle Times, 10/31](#)).
- **Washington, D.C. takes Medicaid managed care company into receivership.** On October 23, the Board of Directors of **Charted Health Plan** (CHP), the largest overseer of managed care for Medicaid recipients in the District of Columbia, voted to place the company into receivership under the **District of Columbia's Insurance Commissioner**. District and federal regulators had been investigating "financial irregularities" at CHP since 2008. The Insurance Commissioner will audit CHP and then seek a buyer for the company; however, receivership is not expected to affect CHP's current provider contracts ([Washington Post, 10/19](#)).

Financing Reports

- **Accountable care organization (ACO) initiative saves Colorado \$20 million in primary health care costs.** "[Report to the Joint Budget Committee: Accountable care collaborative annual report](#)" Colorado Department of Health Care Policy & Financing. November 1, 2012 ([Health Policy Solutions, 11/2](#)).
- "[Best bets for reducing Medicare costs for dual eligible beneficiaries: Assessing the evidence](#)" Mathematica Policy Research on behalf of Kaiser Family Foundation. Brown, R. & Mann, D. October 2012.
- "[Child-only coverage and the Affordable Care Act: Lessons for policymakers](#)" The Commonwealth Fund. Keith, K. et al. October 2012.
- **Colorado's employer-sponsored health insurance costs to rise 7.4 percent in 2013, down from previous years.** "[2013 Colorado employer benefits survey report](#)" Lockton Companies, Inc. October 26, 2012 ([Denver Post, 10/26](#)).
- **Employer-provided health insurance decreased from 68 percent in 2001 to 57 percent in 2011.** "[Jobs without benefits: The health insurance crisis faced by small businesses and their workers](#)" The Commonwealth Fund. Robertson, R. et al. October 2012 ([Modern Healthcare, 11/1b](#)).

- **Health insurance rate reviews reduce average premium increase by 1.4 percent.** [“Quantifying the effects of health insurance rate review”](#) Kaiser Family Foundation. October 2012 ([Becker’s Hospital Review, 10/25](#)).
- **“National and state-by-state impact of the 2012 House Republican budget plan for Medicaid”** Kaiser Family Foundation and The Urban Institute. Holahan, J. et al. October 2012.
- **Number of employees whose employer-provided health insurance includes a general annual deductible rose from 52 percent in 2006 to 72 percent in 2012.** [“The prevalence and cost of deductibles in employer sponsored insurance: A view from the 2012 Employer Health Benefit Survey”](#) Kaiser Family Foundation. November 2012.
- **Pennsylvania SMI pilot lowered mental health hospitalizations 12 percent and reduced readmissions by 10 percent.** [“Serious mental illness \(SMI\) innovations project in Pennsylvania: Final evaluation report”](#) Center for Health Care Strategies, Inc. Kim, J. et al. October 1, 2012.
- **Proposed bill to remove insurance agent and broker compensation from medical loss ratio calculations would cost the federal government \$1.1 billion through 2022.** [“Congressional Budget Office cost estimate: H.R. 1206, Access to Professional Health Insurance Advisors Act of 2011”](#) Congressional Budget Office. November 7, 2012 ([Life Health Pro, 11/8](#)).
- **Texas juvenile correctional facilities for girls not providing adequate mental health services.** [“Girls’ experiences in the Texas juvenile justice system: 2012 survey findings”](#) Texas Criminal Justice Coalition. October 2012 ([Texas Tribune, 10/24](#)).
- **“The fiscal and economic impacts of Medicaid expansion in Mississippi, 2014-2025”** Mississippi University Research Center. Neal, B. October 2012 ([AP via Mississippi Press, 10/22](#)).
- **Uninsured estimated to incur additional \$53.3 billion in unpaid medical bills in states opting out of Medicaid expansion.** [“Need for a sustainable solution: Restoring the balance in safety net financing”](#) National Association of Public Hospitals and Health Systems. October 2012 ([Washington Post, 10/26](#)).
- **Urban Institute predicts ACA will not negatively impact employment.** [“Will the Affordable Care Act be a job killer?”](#) Urban Institute Health Policy Center. Dubay, L. et al. October 2012.