

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. Contact us at CFRI.Info.samhsa@samhsa.hhs.gov.

Implementing the Affordable Care Act (ACA)

- **HHS conditionally approves exchange plans, extends deadline for state-based exchanges, and releases guidance on partnership exchanges.** In a series of announcements indicating that many states are on track to create certifiable **Affordable Insurance Exchanges**, **HHS Secretary Kathleen Sebelius** conditionally approved state-based exchange plans in CO, CT, HI, ID, KY, MD, MA, MN, NM, NV, NY, OR, RI, UT, VT, WA, and DC. HHS delayed approval of a plan submitted by Mississippi, following in-state disagreements ([here](#) and [here](#)) over the Mississippi Insurance Commissioner’s legal authority to develop an exchange. Secretary Sebelius also announced that HHS will extend the deadline for any states that expressed interest in developing a state-based exchange. In related news, Secretary Sebelius released further [guidance](#) to help states that elect to create partnership exchanges with the federal government. Though the submission deadline for partnership exchanges is February 15, AR, DE, IA, IL, MI, NC, and WV have already submitted or announced their intention to submit partnership plans, and HHS has approved plans in Arkansas and Delaware. Finally, AK, AL, AZ, FL, GA, IN, KS, LA, ME, MO, MT, NE, ND, NH, NJ, OH, OK, PA, SC, SD, TN, TX, WI, VA, and WY plan to default to federally-run insurance exchanges ([HHS, 1/3](#); [Kaiser Family Foundation, 12/14](#); [CMS, 12/20](#); [WLOX 13, 1/4](#); [New York Times, 1/15](#); [U.S. News & World Report, 1/15](#)).
- **HHS issues proposed rule governing the ACA’s impact on Medicaid, CHIP, and Insurance Exchanges.** On January 14, **HHS Secretary Sebelius** announced [proposed rules](#) that establish a structure and options for coordinating eligibility notices and appeals between Medicaid, the Children’s Health Insurance Program (CHIP), and the Exchanges; provide additional benefits and cost-sharing flexibility for Medicaid programs; and codify several provisions included in the ACA and **Children’s Health Insurance Program Reauthorization Act** (CHIPRA). Among other changes, the proposed rule modifies existing **“benchmark” Medicaid regulations** to implement the benefit options available for low-income adults beginning January 1, 2014. CMS provides a [factsheet](#) on the proposed rule ([HHS, 1/14](#); [Kaiser Health News, 1/15](#)).
- **Medicaid expansions planned in Arizona, California, and New Mexico.** **Arizona Governor Jan Brewer** (R), **California Governor Jerry Brown** (D), and **New Mexico Governor Susana Martinez** (R) recently announced plans to participate in the ACA’s Medicaid expansion. The **Advisory Board Company** provides a [map](#) tracking states’ positions on the expansion, based on governors’ comments from the past year ([Kaiser Health News, 1/14](#); [Albuquerque Business Journal, 1/9](#); [LifeHealthPro, 1/14](#); [AP via Washington Post, 1/14](#)).
- **HHS allocates \$80 million to support school-based health centers.** To provide health care to an additional 384,000 students, the **U.S. Department of Health and Human Services** (HHS) awarded 197 school-based health centers a total of \$80 million in **School-Based Health Center Capital Program** (SBHCCP) grants. School-based health centers offer primary care, mental health care, substance abuse counseling, case management, dental health, nutrition education, health education, and health promotion activities. The grants are the third in a series of awards authorized by the ACA to allocate \$200 million for the SBHCCP between FY2010 and FY2013. The **Health Resources and Services Administration** (HRSA) provides a [full list](#) of awardees ([HHS, 12/19](#)).

- **HHS announces 106 new Accountable Care Organizations.** On January 10, **HHS Secretary Kathleen Sebelius** [announced](#) that 106 new **Accountable Care Organizations** (ACOs) entered into agreements with the **Centers for Medicare & Medicaid Services** (CMS), bringing the total number of ACA-sponsored ACOs to 254. Secretary Sebelius also announced that 15 of the new ACOs will use **Advanced Payment Models** that help smaller ACOs participate in the **Shared Savings Program** by providing upfront payments to cover the startup costs for smaller ACOs. Under the Shared Savings Program, ACOs that meet certain quality standards keep a percentage of the Medicare savings they achieve. CMS offers a full [list](#) of the new ACOs ([HHS, 1/10](#); [The Hill, 1/10](#); [Modern Healthcare, 1/10](#)).

National News

- **President Obama signs “fiscal cliff” deal, impacts health care.** On January 2, **President Obama** signed [HR 8](#), averting most of the tax increases and discretionary spending cuts known as the “fiscal cliff,” delaying sequestration until March 1, and extending the Medicare “doc fix” for one year. To offset the cost of the extension, the bill cut federal spending by \$30 billion, including \$14.5 billion in Medicare and Medicaid hospitals payments over the next decade. Additionally, the bill eliminates the remaining \$1.4 billion in ACA funding available for loans to establish **Consumer Operated and Oriented Health Plans** (CO-OPS) but will not affect funding already allocated to CO-OPS ([Washington Post, 1/1](#); [CNN, 1/2](#); [Kaiser Health News, 1/1](#); [Becker’s Hospital Review, 1/3](#)).
- **National Defense Authorization Act strengthens mental health care.** On January 3, **President Obama** signed the [2013 National Defense Authorization Act \(HR 4310\)](#) to fund the **U.S. Department of Defense** (DOD) and U.S. overseas operations for FY2013. Under the law, DOD is required to create a comprehensive suicide prevention program for service members and strengthen oversight requirements for its mental health services. In addition, the law expands eligibility for certain **U.S. Department of Veterans Affairs** (VA) mental health services to veterans’ family members, promotes peer counseling for veterans of the wars in Iraq and Afghanistan, and requires the VA to establish new measures to evaluate its mental health services ([The Hill, 1/3](#); [New York Times, 1/4](#); [Washington Post, 11/29](#)).
- **U.S. health care cost growth stays at lowest rate in 52 years.** According to **CMS**, national health care costs grew by only 3.9 percent in 2011, matching 2009 and 2010 for the smallest percentage increase in 52 years. CMS reports that total health spending rose to \$2.7 trillion in 2011 but remained at 17.9 percent of the gross domestic product (GDP). Though the full report is published in [Health Affairs](#), CMS also offers a public [highlight sheet](#) ([New York Times, 1/7](#); [Modern Healthcare, 1/7](#)).
- **CMS awards states \$306 million in CHIP bonuses.** To reward states reaching **Children’s Health Insurance Program** (CHIP) access and enrollment goals, CMS awarded 23 states a total of \$306 million in incentive payments. To qualify for payments under the [Children’s Health Insurance Program Reauthorization Act of 2009](#) (CHIPRA), states must increase enrollment above a preset baseline and implement at least five of eight program features designed to streamline enrollment procedures. CMS offers a [factsheet](#) on the payments and a [history](#) of enrollment and payment levels ([CMS, 12/19](#)).

- **SAMHSA offers up to \$10.7 million for System of Care Expansion Planning grants.** On January 7, the **Substance Abuse and Mental Health Services Administration (SAMHSA)** announced that it is accepting applications for up to \$10.7 million in **System of Care Expansion Planning** grants. The funds will help grantees develop strategic plans to expand and sustain the system of care approach to providing services for children and youth with serious emotional disturbances. SAMHSA expects to award up to 13, one-year grants. Applications are due March 1 ([SAMHSA, 1/7](#)).
- **SAMHSA accepting applications for STOP Act funds.** To reduce underage alcohol use, SAMHSA announced that it will award up to \$3 million in **Sober Truth on Preventing Underage Drinking Act (STOP Act)** grants. The STOP Act program strengthens collaboration between communities and all levels of government to enhance effective local initiatives for preventing and reducing youth alcohol use. SAMHSA expects to award as many as 15 grants of up to \$50,000 annually. Applications are due March 1 and the grants will run for up to four years ([SAMHSA, 1/7](#)).
- **SAMHSA to award up to \$1 million for suicide prevention.** To promote systematic follow-up assistance for suicidal persons, SAMHSA announced plans to allocate up to \$1 million in **National Suicide Prevention Lifeline Crisis Center Follow-Up** program grants. Under the program, suicide crisis centers perform follow-up calls to suicidal persons discharged from hospital emergency rooms, individuals who call the National Suicide Prevention Lifeline program, and individuals otherwise helped by the Lifeline program. SAMHSA expects to award as many as six, three-year grants of up to \$60,000 annually. Applications are due March 1 ([SAMHSA, 1/7](#)).
- **SAMHSA accepting applications for BHbusiness and State Peer Awards for health reform education.** The [BHbusiness: Mastering Essential Business Operations](#) program will use learning networks to offer behavioral health providers targeted training and support services in strategic business planning, practice management and billing, third-party contract negotiations, eligibility and enrollment, and meaningful use of health information technology. Additional information on the BHbusiness program is available from the **State Associations of Addiction Services'** (SAAS) [frequently asked questions](#) and [applications](#) are due February 4. SAMHSA also [invited](#) peer-run organizations to apply for contract sub-awards under the **Bringing Recovery Supports to Scale Technical Assistance Center Strategy (BRSS TACS)** initiative, which will help peer-run organizations and recovery community organizations form networks designed to raise awareness about the services offered through **Affordable Insurance Exchanges** and Medicaid and develop outreach and enrollment strategies. Additional information on the program is available [here](#) ([SAMHSA, 1/4](#); [SAMHSA BHbusiness](#)).

State News

- **California: Court approves 10 percent Medicaid reimbursement reduction.** Overturning a lower court's injunction, a three-judge panel of the **U.S. Court of Appeals for the 9th Circuit** [ruled](#) that the **California Department of Health Care Services (CDHCS)** may reduce the state's Medicaid reimbursement rate by 10 percent. Rejecting the plaintiffs' argument that states seeking to reduce Medicaid rates must consider providers' costs, the court found that

HHS has the authority to determine its own criteria for Medicaid funding reductions under the **Administrative Procedures Act** (APA) and that California never guaranteed fixed provider rates for its Medicaid program. Additionally, because HHS already approved California's cuts through a [State Plan Amendment](#), the court ruled that CDHCS may apply the reduction retroactively to June 1, 2011. Despite the ruling, the plaintiffs have asked **California Governor Jerry Brown** (D) to rescind the cuts, citing the state's improved fiscal outlook ([Los Angeles Times, 12/13](#)).

- **California: CMS approves transitioning low-income children to Medicaid.** Immediately after CMS approved the California Department of Health Care Services' (CDHCS) [Medicaid Section 1115 Research and Demonstration waiver](#) on December 31, California began transitioning 860,000 low-income children to Medicaid managed care. The children were previously enrolled in **Healthy Families**, California's health insurance program for low-income children; however, the California Legislature eliminated the program under the state's FY2013 budget. CDHCS submitted the waiver to ensure that the children would retain health coverage through the state's Medicaid program ([California Healthline, 1/3](#)).
- **Hawaii awards \$54.2 million to develop health insurance exchange.** On December 7, the **Hawaii Health Connector** awarded CGI Technologies and Solutions, Inc. (CGI) a four-year, \$53 million contract to develop and maintain the state's **Affordable Insurance Exchange**. The Connector also awarded \$1.2 million to provide education, research, and outreach services for the exchange ([Government Health IT, 12/10](#); [Maui Now, 12/7](#)).
- **Kansas announces \$10 million mental health initiative.** In the wake of the school shooting in Newton, Connecticut, **Kansas Governor Sam Brownback** (R) announced a one-year, \$10 million program to treat the "most at-risk and challenging" individuals with mental illness. Under the program, the **Kansas Department of Aging and Disability Services** (KDADS) will offer grants to the state's 27 community mental health centers to target individuals who are not covered under Medicaid ([Wichita Eagle, 1/10](#); [AP via San Francisco Chronicle, 1/10](#)).
- **Louisiana eliminates children's behavioral health program.** To help close a \$166 million budget deficit, **Louisiana Governor Piyush "Bobby" Jindal** (R) eliminated the state's **Early Childhood Supports and Services** program, which provided behavioral health assessment, counseling, and case management services to low-income children at a cost of \$2.8 million annually. Set to end February 1, Governor Jindal contends that the program was inefficient and that Louisiana's children can receive similar care from other sources ([Baton Rouge Advocate, 1/9](#); [AP via NECN, 1/7](#)).
- **Maine: HHS limits Medicaid cuts, upholds maintenance of effort requirements.** On January 7, HHS gave [limited approval](#) to the **Maine Department of Health and Human Services'** (MDHHS) [State Plan Amendment](#) (SPA) to reduce the state's Medicaid enrollment. HHS ruled that MDHHS may implement some of its proposed eligibility changes for low-income parents and caretakers but may not categorically end coverage for all 19- and 20-year olds. In rejecting several of the proposed changes, HHS reiterated that the Supreme Court's ACA ruling did not affect Medicaid's "**maintenance of effort**" (MOE) requirements, which prohibit states from changing most adult eligibility requirements until January 1, 2014 ([Bangor Daily News, 1/8](#); [New York Times, 1/8](#)).

- **Minnesota: \$36 million inpatient mental health facility opens in St. Paul.** On December 10, **HealthPartners** opened a \$36 million, 100-bed inpatient mental health facility in St. Paul, Minnesota. According to state officials, the new facility is the largest private mental health investment in state history ([Pioneer Press, 12/7](#)).
- **Nevada awards \$6 million to market insurance exchange, approves user fees.** To publicize Nevada's **Affordable Insurance Exchange**, the exchange's Board of Examiners awarded a \$6 million marketing contract to **KPS 3, Inc.** The board also approved monthly user fees to finance the exchange after federal funding expires on January 1, 2015. Exchange enrollment is set to begin October 1 ([AP via LifeHealthPro, 1/9](#); [AP via CBS 8, 1/10](#)).
- **New Hampshire releases behavioral health system improvement plan.** On December 11, the **New Hampshire Department of Health and Human Services (NHDHHS)** released a plan to reform and expand the state's behavioral health system. Set to cost \$10 million, the plan would expand the state's community-based services, temporarily re-open a 12-bed psychiatric ward at **New Hampshire Hospital**, establish a tracking system for individuals waiting for inpatient beds, double the **Housing Bridge Subsidy** program for stabilized patients, and establish consulting guidelines for emergency room physicians treating behavioral health crises ([New Hampshire Union Leader, 12/11](#); [Nashua Telegraph, 12/23](#)).
- **New York City announces new initiative for mentally ill defendants.** On December 23, **New York City Mayor Michael Bloomberg** (I) announced a new initiative to reduce the number of mentally ill defendants in city jails. Under the initiative, experts will assess mentally ill defendants and recommend whether to release them to treatment or keep them incarcerated while they await trial. According to city officials, the initiative differs from the city's mental health courts because the initiative provides access to treatment for defendants with pending cases. City officials report that an estimated 36 percent of inmates in New York City jails have a mental illness ([AP via Wall Street Journal, 12/23](#)).
- **Ohio launches \$5 million youth mental health program.** On January 9, **Ohio Governor John Kasich** (R) announced a \$5 million program to provide mental health services to children who pose a danger to themselves, their families, or others. Designed to prevent potentially violent situations, the program will use Ohio's CHIP performance bonus to finance several mental health and developmental disability agencies throughout the state ([Columbus Dispatch, 1/11](#)).
- **Ohio adds autism treatment services to EHB package.** On December 21, **Ohio Governor John Kasich** (R) announced the addition of autism treatment services to the state's **essential health benefits (EHB)** package. Under the package, state employee, individual, and small group health insurance plans must cover up to 20 hours of applied behavior analysis (ABA). According to Ohio officials, EHB packages in 32 other states have similar provisions ([Cleveland Plains Dealer, 12/21](#); [Office of Governor Kasich, 12/21](#)).
- **Ohio joins dual eligible Financial Alignment Demonstration, expects to save \$243 million.** To better coordinate care for dual eligibles, Ohio became the third state to [partner](#) with CMS in the ACA's **Financial Alignment Demonstration**. Under the program, Ohio will contract with managed care organizations to test capitated and managed fee-for-service models

while coordinating care for 114,000 of the state's 180,000 dual eligibles. Passive will begin in September but enrollees may elect to opt-out of the program. According to the Ohio Medicaid Director, the three-year demonstration is expected to save the state \$243 million ([Cleveland Plains Dealer, 12/12](#)).

- **Washington, D.C. to merge mental health and substance abuse agencies.** On January 11, **Washington, D.C. Mayor Vincent Gray** (D) announced plans to merge the District's **Addiction, Prevention and Recovery Administration** (APRA) and **Department of Mental Health** (DMH) to form an integrated **Department of Behavioral Health**, beginning October 1. According to Mayor Gray, the merger will enable the city to streamline management and provide more comprehensive behavioral health care. DMH currently employs 1,200 individuals and operates under a \$190 million budget, while APRA is housed in the District's Department of Health (DOH), employs 90 individuals, and has a \$32 million budget ([Washington Post, 1/11](#); [CBS DC, 1/11](#)).

Financing Reports

- ["Access to employer-sponsored insurance and subsidy eligibility in health benefits exchanges: Two data-based approaches"](#) Urban Institute. Buettgens, M. et al. December 2012.
- **Arkansas: Full ACA implementation would raise state GDP \$550 million.** ["The economic impact of the Affordable Care Act on Arkansas"](#) RAND Corporation. Price, C. & Saltzman, E. January 2013.
- ["Confronting costs: Stabilizing U.S. health spending while moving toward a high performance health care system"](#) The Commonwealth Fund. January 2013 ([Kaiser Health News, 1/10](#)).
- **Disproportionate Share Hospitals (DSH) to lose an average of \$56 per patient-day under the ACA.** ["Medicaid expansion opt-outs and uncompensated care"](#) *New England Journal of Medicine* 367(25): 2365-2367. Graves, J. December 20, 2012.
- **Family health insurance costs increased five times faster than family incomes since 2003.** ["State trends in premiums and deductibles, 2003–2011: Eroding protection and rising costs underscore need for action"](#) The Commonwealth Fund. Schoen, C. et al. December 12, 2012 ([Kaiser Health News, 12/12](#)).
- **GAO: Medicaid issued \$21.9 billion in unnecessary payments in FY2011.** ["Medicaid integrity program: CMS should take steps to eliminate duplication and improve efficiency"](#) GAO. November 13, 2012 ([Politico, 12/11](#)).
- **Health insurance offered at 61 percent of small firms in 2012, up from 59 percent in 2011.** ["A comparison of the availability and cost of coverage for workers in small firms and large firms: A view from the 2012 Employer Health Benefits Survey"](#) Kaiser Family Foundation. December 2012.
- ["Implementing new private health insurance market rules"](#) Kaiser Family Foundation. January 8, 2013.
- **Medicaid and Medicare EHR spending to total \$30 billion between 2011 and 2019, GAO finds.** ["Electronic health records: Number and characteristics of providers awarded Medicaid incentive payments for 2011"](#) GAO. December 13, 2012.

- [“Medicaid eligibility and enrollment for people with disabilities under the Affordable Care Act: The impact of CMS's March 23, 2012 final regulations”](#) and [“Medicaid eligibility, enrollment simplification, and coordination under the Affordable Care Act: A summary of CMS's March 23, 2012 final rule”](#) Kaiser Family Foundation. December 12, 2012.
- [“Medi-Cal expansion under the Affordable Care Act: Significant increase in coverage with minimal cost to the state”](#) University of California, Berkeley Labor Center. Lucia, L. et al. January 2013 ([The California Report, 1/7](#)).