SAMHSA's Center for Financing Reform & Innovations (CFRI)
Financing Focus: December 13

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 retain flexibility on Medicaid expansion, partial expansions ineligible for full federal funding**. In a letter to state governors on December 10, the **U.S. Department of Health and Human Services** (HHS) **Secretary Kathleen Sebelius** provided a 17-page ACA **Question & Answer document** (Q&A), summarizing previous guidance and providing new information on the **Medicaid expansion**, **Affordable Insurance Exchanges**, market reforms, consumer outreach, and ACA program coordination. The Q&A clarifies that there is no deadline by which states must decide whether to participate in the **ACA's Medicaid expansion**. Using a Medicaid state plan amendment, states may expand their programs to meet the law's coverage requirements at any time and may discontinue coverage at any time through the same process. Federal funding for the expansion remains tied to the specific calendar years previously enumerated (100 percent for 2014-2016, 95 percent for 2017, 94 percent for 2018, 93 percent for 2019, and 90 percent in 2020 and beyond). In addition, partial or phased expansions—those which offer expanded coverage to childless adults with an income threshold below 133 percent of the federal poverty level (FPL)—are ineligible for the ACA's 100 percent federal funding. Before 2017, states not participating in the ACA expansion may propose demonstrations that include partial expansions, which CMS may fund at the regular federal matching rate. Beginning in 2017, HHS will consider enhanced federal matching for all states that couple section 1115 Medicaid demonstrations with insurance exchange State Innovation Waivers in ways that meet the ACA's coverage goals. The Q&A also notes that states' Medicaid and Children's Health Insurance Programs (CHIP) may provide "premium assistance for Exchange plans or adopt 'bridge plans' that offer coverage through both Medicaid and Exchanges." Finally, the Q&A offers information on: consumer outreach, eligibility, and enrollment; funding for Medicaid eligibility systems; several facets of federally-facilitated insurance exchanges, including their interaction with state rules; and coordination between insurance exchanges and other programs, including subsidy eligibility for individuals in states that elect not to expand their Medicaid programs. HHS plans to issue the **Navigator Grant Funding Opportunity Announcement** to support federally-facilitated exchanges **early in 2013** (Healthcare.gov, 12/10; Kaiser Health News, 12/10a; The Hill, 12/10; Kaiser Health News, 12,10b).
- **Six states receive conditional approval for Affordable Insurance Exchanges as others make decisions**. In an announcement indicating that they are on track to create certifiable state-based **Affordable Insurance Exchanges**, on December 10, **HHS Secretary Kathleen Sebelius** conditionally approved exchanges in CO, CT, MD, MA, OR, and WA. Meanwhile, states are announcing their exchange plans in advance of the December 14 deadline to submit state-based exchange applications. The governors of AL, AK, AZ, GA, IN, LA, NE, ND, NJ, OK, SC, TN and WI joined the governors of KS, ME, SD, TX, and WY in declaring that they will default to federally-run exchanges, while voters in Missouri passed a referendum barring state officials from creating an exchange without legislative approval. Minnesota Governor Mark Dayton (D) and Mississippi Insurance Commissioner Mike Chaney (R) announced that their states would create state-based exchanges, joining CA, CO, CT, HI, IA, KY, MD, MA, NV, NM, NY, OR, RI, VT, WA, and DC. In addition, following the governors of AR, DE, and IL, the governors of MI, NC, and

OH announced plans to establish partnership-exchanges with the federal government. The governors of FL, ID, MT, PA, UT, VA, and WV have yet to announce formal decisions (Kaiser Family Foundation, 12/4; Bloomberg Businessweek, 11/25; AP via South Bend Tribune, 11/18; Bangor Daily News, 11/17; AP via WSBT, 11/29; AP via Mississippi Press, 11/14; AP via Albany Times Union, 12/7; Office of Governor Haslam, 12/10; Healthcare.gov, 12/10; New York Times, 12/10).

- **HHS issues proposed rules on EHBs, insurance premiums, and employee wellness programs**. On November 20, the HHS issued proposed rules implementing ACA provisions relating to **essential health benefits** (EHBs), insurance premiums, and employee wellness programs. One rule outlines policies and coverage standards for EHBs and reaffirms earlier guidance released by HHS. While the rule only applies to private insurers, a letter from HHS to state Medicaid directors states that additional EHB rules are forthcoming. Another proposed rule prohibits health insurers from varying premiums based on pre-existing or chronic conditions while the third rule implements guidelines for employee wellness programs providing health insurance discounts for individuals who achieve certain medical or fitness goals. Comments on the rules are due to HHS on December 26, 2012 (Kaiser Health News, 11/20; HHS, 11/20; Washington Post, 11/20).
- **Federal insurance exchange user fee included in proposed ACA rule**. On November 30, the **Centers for Medicare & Medicaid Services** (CMS) issued a proposed rule providing guidance and regulation on a variety of ACA provisions. The rules include guidance for health insurance risk management programs, policies governing the premium tax credits offered through the **Affordable Insurance Exchanges**, and operating guidelines for the federally-run exchanges. Within the guidelines, CMS states that the federal exchanges will be largely self-financed, relying on a monthly premium assessment on plans sold in the exchanges. The assessment will start at 3.5 percent and change "as specified in the annual HHS notice of benefit and payment parameters for the applicable benefit year" (New York Times, 11/30 Washington Post, 11/30; LifeHealthPro, 11/30).
- **KFF finds ACA's Medicaid expansion will have limited financial impact on states**. According to a Kaiser Family Foundation (KFF) report, if all states participate in the ACA's Medicaid expansion the states will pay a cumulative $8 billion between 2013 and 2022. However, if all states expand their programs, they will receive a combined $800 billion in additional federal funds over the same period; the federal government will pay for 100 percent of the cost of the expansion from 2014 to 2016 and at least 90 percent every year thereafter. According to KFF, those states already providing coverage to some portion of the expansion population will achieve substantial savings by shifting those individuals to the new, higher federal matching rate. Regardless of whether they choose to expand their programs, KFF estimates that states will spend an additional $68 billion on Medicaid from 2013 to 2022 due to rising costs (Kaiser Health News, 11/26).

National News

- **APA approves final changes to DSM-V**. On December 1, the Board of Trustees of the **American Psychiatric Association** (APA) voted to approve the final draft of the **Diagnostic and**

Statistical Manual of Mental Disorders 5th Edition (DSM-V). Among other changes from DSM-IV, Asperger Syndrome has been removed as a specific diagnosis and folded into a category called autism spectrum disorder. Other changes include the addition of diagnoses for hoarding, disruptive mood dysregulation, and excoriation disorders. In addition, the APA combined substance abuse and substance dependence into the single category of substance use disorder, removed the bereavement exclusion from depression criteria, and replaced gender identity disorder with gender dysphoria. The full list of changes will not be available until DSM-V is published in May 2013 (CBS News, 12/3; Behavioral Healthcare, 12/3; Family Practice News, 12/3).

- **NIH to functionally integrate addiction agencies**. The **National Institutes of Health** (NIH) decided to "functionally integrate" the **National Institute on Drug Abuse** (NIDA) and the **National Institute on Alcohol Abuse and Alcoholism** (NIAAA), rather than merging them into a single institute as NIH's Scientific Management Review Board recommended two years ago. Under the plan, the institutes will improve their research coordination while remaining structurally separate entities. NIDA grantees supported a full merger; however, NIAAA grantees opposed it due to concerns over funding distribution (NIH, 11/16; Science Magazine, 11/16).
- **SAMHSA provides $5.75 million to fund evaluations in Oklahoma and Iowa**. On November 16, the **University of Kansas** (KU) announced that the **Substance Abuse and Mental Health Services Administration** (SAMHSA) will provide $5.75 million in grants to support KU's separate partnerships with the **Oklahoma Department of Mental Health and Substance Abuse Services** (ODMHSAS) and the **Iowa Court Administration Children's Justice Division** (ICACJD). The KU-ODMHSAS partnership will receive $3.25 million over five years to implement and evaluate UNCOPE, a universal substance abuse screening tool, while the KU-ICACJD partnership will receive $2.5 million over five years to strengthen efforts to reunite parents in recovery with court-removed children (KU News, 11/16; Wichita Eagle, 11/20).
- **Employer's 2012 health care cost growth lowest in 15 years**. According to a new study conducted by **Mercer & McLennan Companies, LLC**, employers' spending on health benefits increased 4.1 percent in 2012, the smallest such increase in 15 years. Since 1997, annual employer health care cost growth has varied from 5.5 to 14.7 percent. The study partially attributes the slower growth to an increased use of high deductible consumer directed health plans (CDHPs) and greater emphasis on employee wellness programs. In addition, the authors project 5 percent growth for 2013 (Kaiser Health News, 11/14).
- **Court weakens law prohibiting off-label prescription drug marketing**. Ruling on *United States v. Caronia*, a three-judge panel of the **U.S. Court of Appeals for the 2nd Circuit** found that prosecuting a pharmaceutical salesman for marketing off-label use of prescription drugs was a violation of his freedom of speech under the First Amendment. According to the court, there is a distinction between the discussion of legitimate off-label uses and making false or misleading statements. As the plaintiff, the **U.S. Food and Drug Administration** (FDA) is expected to appeal the decision to the court's full panel and to the U.S. Supreme Court if necessary. The 2nd Circuit's ruling only applies to its jurisdiction—the states of New York, Connecticut, and

Vermont. However, if the case reaches the U.S. Supreme Court, the justices could issue a ruling for the entire country (New York Times, 12/4; FDALawBlog, 12/3).

- **SAMHSA rule increases flexibility for opioid addiction treatment**. On December 5, SAMHSA released a rule giving **Opioid Treatment Programs** (OTPs) greater flexibility in providing patients take-home supplies of **buprenorphine**, a semi-synthetic opioid medication with agonist and antagonist properties used to reduce withdrawal symptoms in individuals recovering from opioid addiction. The rule waives the previous restrictions which required that individuals spend a pre-set length of time in treatment before receiving take-home supplies of the drug. The rule is scheduled to take effect January 7, 2013 and will not alter any methadone requirements (SAMHSA, 12/5; National Institutes of Health, 3/2006).

State News

- **Alabama: HRSA awards UAB $1.1 million workforce grant**. To expand the workforce of psychiatric nurse practitioners in Alabama, HHS' **Health Resources and Services Administration** (HRSA) awarded $1.1 million over three years to the **University of Alabama at Birmingham** (UAB). UAB will use the funds to create a cross-disciplinary program to train nurse practitioners and health informatics professionals in IT-assisted patient management for psychiatric community-based treatment programs. According to the grant's principle investigator, Alabama has a shortage of mental health professionals in 66 of its 67 counties (UAB News, 11/19).
- **California: Stanislaus County to establish psychiatric health facility**. On November 13, the **Stanislaus County Board of Supervisors** unanimously approved a $2.1 million plan to establish a 16-bed psychiatric health facility to provide acute care. The facility is intended to replace local hospital emergency rooms as the primary treatment option for patients who do not require long-term or intensive care. In addition, at 16 beds, the facility is not considered an "institution for mental disease" (IMD) and is therefore eligible for Medicaid reimbursement. Once established, county officials expect the facility to save $1.5 million annually by reducing psychiatric hospitalization costs for the uninsured and individuals with Medicaid (Modesto Bee, 11/13).
- **Colorado Department of Human Services unveils behavioral health system expansion**. Testifying at the Colorado Legislature' Joint Budget Committee hearing, **Colorado Department of Human Services** (CDHS) officials released a proposal to expand the state's behavioral health system with over $18 million in additional funding in FY 2013-14. The expansion would: create and raise awareness of a 24-hour behavioral health crisis hotline and walk-in crisis stabilization units at a cost of $10.2 million; expand inpatient behavioral health services at a cost of $2 million; increase capacity and access to community-based behavioral health care at a cost of $4.8 million; continue efforts to implement trauma-focused approaches to treatment throughout the system with $900,000; and use $480,000 to develop an integrated substance abuse and mental health patient data system (Colorado News Agency, 11/30).
- **Guam: Local control over behavioral health agency delayed until February 3**. Due to uncertainty following staff changes, the transfer of operations at the **Guam Department of Mental Health and Substance Abuse** from the federal government to the Government of Guam (GovGuam) has been delayed from December 3 to February 3. Under federal control since

March 2010 as the result of a lawsuit, the federal government implemented a "team-based model of care," developed a provider fee schedule, and received CMS certification for the department to bill Medicare and Medicaid (Pacific Daily News, 11/27).

- **Kansas: HHS approves Medicaid managed care overhaul**. On December 7, **Kansas Governor Sam Brownback** (R) announced that HHS had approved the state's **Section 1115 Medicaid Demonstration application**. Called Kancare, the demonstration will move Kansas' entire Medicaid program to managed care beginning in 2013, with the exception of long-term services for individuals with intellectual and developmental disabilities which will remain "carved out" of the new system until 2014. The **Kansas Department of Health and Environment** has already awarded contracts to three managed care organizations (MCOs) in anticipation of the approval (Topeka Capital Journal, 12/7; AP via San Francisco Chronicle, 12/7).
- **Kentucky: SAMHSA awards $6.25 million in grants to assist youth**. On November 21, **Kentucky Governor Steve Beshear** (D) announced that SAMHSA issued the **Kentucky Department for Behavioral Health, Developmental and Intellectual Disabilities** (DBHDID) $6.25 million in grants over three years to enhance substance abuse treatment and prevention efforts among youth. One grant provides $2.8 million to treat mental health and substance abuse disorders in youth involved or at-risk of becoming involved in the juvenile justice system, another allocates $2.7 million to treat underage drinking and prescription drug abuse among individuals age 12 to 25, and the third grant provides $750,000 to enhance treatment for families with co-occurring parental substance abuse and child maltreatment (Office of Governor Beshear, 11/21).
- **Louisiana privatizes Mandeville-area psychiatric hospital**. In an effort to reduce costs following a reduction in federal Medicaid funding, the **Louisiana Department of Health and Hospitals** (DHH) privatized operations at **Southeast Louisiana Hospital**. DHH originally announced plans to close the 58-bed psychiatric hospital; however, following complaints from advocates and local health officials, DHH reached an agreement to hand over all operations to Florida-based **Meridian Behavioral Health, Inc**. Under the initial three-year agreement, DHH expects that Meridian will reduce the daily cost of care from $828 per patient to $581 per patient, using "efficiencies that are not feasible in government operations" (New Orleans Times-Picayune, 12/3).
- **Maine: University of Maine launching $3.9 million substance abuse treatment project**. The **University of Maine**, in conjunction with the Bangor-based **Families and Children Together**, announced a new project to assist children under five in families with substance abuse issues. With $3.9 million over five years from HHS' **Administration for Children and Families**, the project will offer prenatal and parental education, substance abuse screening, and transportation assistance (Bangor Daily News, 11/12).
- **Nebraska DHHS releases new strategic plan for substance abuse prevention**. On November 14, the **Nebraska Department of Health & Human Services'** (NDHHS) **Division of Behavioral Health** (DBH) unveiled a five-year strategic plan for substance abuse prevention. Community coalitions in each of the six behavioral health regions funded by DBH will work with

other stakeholders to develop strategies to accomplish the plans' goals and objectives (NDHHS, 11/14; AP via Kearney Hub, 11/16).

- **New York: FEMA issues $8.2 million for post-Hurricane Sandy mental health treatment**. To provide mental health outreach and treatment services to individuals affected by Hurricane Sandy, the **U.S. Federal Emergency Management Agency** (FEMA) awarded $8.2 million to the **New York State Office of Mental Health** (OMH) to create Project Hope. New York will use the Project Hope funds to provide the **Immediate Services Crisis Counseling Assistance and Training Program** followed by up to nine months of the **Regular Services Program**. Together the programs provide counseling services and assistance while helping individuals review disaster recovery options (The Atlantic, 11/24; FEMA).
- **North Carolina delays transition to managed care for three behavioral health organizations**. In response to requests for more preparation time, the **North Carolina Department of Health and Human Services** (NCDHHS) delayed the transition for three **Local Management Entities** (LMEs) to become managed care organizations (MCOs). Originally slated to occur on January 1, 2013, the transition will now occur on February 1. Under legislation passed in 2011, all LMEs—the organizations responsible for overseeing the provision of behavioral health services—are required to become MCOs by July 1, 2013. NCDHHS has been implementing the transitions in advance of that deadline; however, several other LMEs have also requested additional time (North Carolina Health News, 12/3).
- **Oregon: Kaiser Permanente to provide autism coverage**. On November 13, Kaiser Permanente announced that it will voluntarily cover applied behavioral analysis (ABA) therapy for individuals with autism and neurodevelopmental disorders in Oregon. Advocates maintain that such coverage is mandated by the state's 2005 insurance parity law. However, while no insurer has voluntarily offered coverage until now, the courts have ordered Oregon insurers to provide coverage or pay a fine in almost every lawsuit contesting the coverage issue. Advocates are now pushing for a new law to explicitly state that insurers must cover ABA therapy (Lund Report, 11/13).
- **Vermont to build new public psychiatric hospital**. To expand treatment capacity for individuals in need of mental health services, the **Vermont Department of Financial Regulation** has approved a permit for the **Vermont Department of Mental Health** to construct a new 25-bed psychiatric hospital. According to state officials, the new hospital will be the "anchor" of the state's mental health system and is expected to be open by January 2014 (AP via Boston Globe, 11/19).

Financing Reports

- **ACA's private insurance reforms saved consumers $1.5 billion in 2011**. "Insurers' responses to regulation of medical loss ratios" The Commonwealth Fund. McCue, M. & Hall, M. December 2012 (Los Angeles Times, 12/5).
- **Accountable Care Organizations (ACOs) serve 10 percent of US residents**. "The ACO surprise" Oliver Wyman Group. Gandhi, N. & Weil, R. November 2012 (Fierce Practice Management, 11/28).

- **Almost 90 percent of uninsured California residents in need of mental health services will be eligible for coverage through the state's Medicaid expansion and Affordable Insurance Exchange.** "Half a million uninsured California adults with mental health needs are eligible for health coverage expansions" University of California, Los Angeles Center for Health Policy Research. Padilla-Frausto, D. et al. November 28, 2012 (California Healthline, 11/29).
- **CHIP enrollment increases as eligible, un-enrolled youth fell 10 percent between 2008 and 2010.** "Medicaid/CHIP participation among children and parents" Urban Institute. Kenney, G. et al. December 2012 (Robert Wood Johnson Foundation, 12/3).
- "**Cross-cutting issues: Progress in implementing selected Medicaid provisions of the Affordable Care Act: A 10-state analysis**" The Urban Institute. Courtot, B. & Coughlin, T. November 2012.
- "**Essential health benefits: What have states decided for their benchmark?**" Kaiser Family Foundation. December 7, 2012.
- **Florida Medicaid expansion would save FL $100 million annually**. "Florida's Medicaid choice: Understanding implications of Supreme Court ruling on Affordable Health Care Act [sic]" Georgetown University. November 2012 (Tampa Bay Times, 11/16).
- **HHS OIG recovered $5.2 billion in fraudulent Medicare and Medicaid payments in FY2011**. "Office of Inspector General semiannual report to Congress: April 1, 2012 – September 30, 2012" HHS Office of the Inspector General (OIG). November 27, 2012 (Modern Healthcare, 11/27).
- **Medicaid Patient Centered Medical Homes (PCMHs) can improve children's development. "**Supporting healthy child development through medical homes: Strategies from Assuring Better Child Health and Development (ABCD) III states" National Academy for State Health Policy. Hanlon, C. November 2012.
- **Medicaid funding for community-based care increased from 20 to 45 percent of all Medicaid funding from 1990 to 2010. "**Medicaid home and community-based services programs: 2009 data update" Kaiser Family Foundation. December 3, 2012.
- **New Hampshire Medicaid expansion would cost NH $114 million over 10 years, increase federal funding by $2.5 billion**. "An evaluation of the impact of Medicaid expansion in New Hampshire" The Lewin Group, LLC on behalf of New Hampshire Department of Health and Human Services. November 2012.
- **"State regulations on substance use disorder programs and counselors: An overview**" National Association of State Alcohol and Drug Abuse Directors. Mandell, K. et al. December 2012.
- "**The role of Medicaid for adults with chronic illnesses**" Kaiser Family Foundation. November 16, 2012.