SAMHSA’s Center for Financing Reform & Innovations (CFRI)
Financing Focus: January 17, 2014

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Financing Reports

The Center for Financing Reform and Innovations (CFRI) 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.

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National News

- **ACA health coverage takes effect, 2.15 million individuals enroll in Marketplace plans.** On January 1, coverage took effect for individuals enrolled in Health Insurance Marketplace plans and the Medicaid expansion. According to a U.S. Department of Health and Human Services (HHS) report, over 2.15 million individuals purchased Marketplace plans through December 28, 2013. Additionally, the report provides the first data on enrollee age, finding that 6 percent of enrollees are under 18, 24 percent are 18 to 34, 37 percent are 35 to 54, and 33 percent are 55 and older. Meanwhile, according to the Washington Post, 4.4 million individuals were determined eligible for the Medicaid expansion through December 2013. However, the Post also reported that approximately 100,000 of the individuals determined eligible for the expansion remained unenrolled due to “lingering software defects” in the federally-facilitated Marketplace’s data system (New York Times, 12/31; Washington Post, 12/31; Washington Post, 1/6a; HHS, 12/29; FierceHealthPayer, 12/18; Washington Post, 1/4).

- **Medicaid DSH reduction shifted; FY2014 budget to reduce Prevention Fund, increase SAMHSA funding.** On December 26, President Obama signed a bill (HJ 59) setting the funding level for the FY2014 and FY2015 federal budgets at $1.012 trillion and $1.014 trillion, respectively. HJ 59 also shifts the ACA’s Medicaid Disproportionate Share Hospital (DSH) reductions to run from FY2016-FY2023 instead of FY2014-FY2022. As authorized by HJ 59, on January 13, Congress introduced an omnibus FY2014 federal appropriations bill (HR 3547) that would restore $40 billion previously sequestered under the Budget Control Act of 2011. The appropriations bill would also reduce the ACA’s Prevention and Public Health fund by $1 billion and allocate no additional funding for HHS to implement the ACA. Meanwhile, under the bill, SAMHSA would receive $3.6 billion in FY2014, a $144 million increase over FY2013 levels. Congress is expected to approve the appropriations bill and may restore an additional $23 billion in sequestered funds under FY2015 appropriations bills (Washington Post, 12/10; Washington Post, 12/18; NPR, 12/19; Politico, 12/26; Washington Post, 1/13).

- **HHS expands hardship exemption to previously insured individuals.** On December 18, HHS released guidance that expanded the hardship exemption to the ACA’s individual mandate. Under the ACA, individuals who obtain a hardship exemption are not subject to the mandate’s penalty and may enroll in catastrophic Health Insurance Marketplace coverage plans even if they are over age 30. In a letter to Senator Mark Warner (D-VA), HHS Secretary Kathleen Sebelius stated that the expansion is a temporary measure to ease the transition to the ACA’s health insurance market reforms. According to the new guidance, the exemption will apply to individuals whose individual market plans were not renewed for 2014 (Washington Post, 12/19; Politico, 12/19).

- **HHS extends federal PCIPs through January 2014, encourages insurers to delay payment deadlines.** To give individuals additional time to enroll in Health Insurance Marketplace coverage, HHS announced that federal Pre-existing Condition Insurance Plan (PCIP) enrollees may extend their plans from December 31, 2013 through January 31, 2014. In a separate move, HHS required health insurers to accept premium payments for January 2014 coverage through December 2013 and encouraged insurers to accept payments through January

- **States receive $307 million in Medicaid & CHIP bonuses from CMS.** To reward states reaching Medicaid and Children’s Health Insurance Program (CHIP) access and enrollment goals, the Centers for Medicare & Medicaid Services (CMS) awarded 23 states a total of $307 million in incentive payments. According to CMS, states qualified for payments by simplifying their Medicaid and CHIP enrollment and renewal processes, with the size of the payment corresponding to the increase in enrollment over a specified target. Authorized under the Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA), this is the fifth and final round of incentive payments (CMS, 12/30).

- **CMS: Total health care spending grew by 3.7 percent in 2012.** According to a CMS report, overall U.S. health care spending grew to approximately $2.8 trillion in 2012, an increase of 3.7 percent from 2011. Additionally, the report found that health care spending as a percentage of U.S. gross domestic product (GDP) shrank for the first time since 1997, from 17.3 percent in 2011 to 17.2 percent in 2012. The report also noted that the annual health care spending growth rates have set record lows every year since 2009, citing slower growth in prescription drug, nursing home, private health insurance, and Medicare expenditures (CMS, 1/6; Washington Post, 1/6b).

- **SAMHSA offers $46.1 million for children’s behavioral health services.** Through multiple grant programs, SAMHSA announced plans to expand services for children and their families. To support system-of-care-based community behavioral health services, SAMHSA will award up to $31 million in Expansion of the Comprehensive Community Mental Health Services for Children and their Families Program grants, distributing up to $8 million in Planning Grants and up to $23 million in Implementation Cooperative Agreements. To fund children’s services in American Indian and Alaska Native communities, SAMHSA will award up to $4.4 million in Planning And Developing Infrastructure To Improve The Mental Health And Wellness Of Children, Youth And Families In American Indian/Alaska Natives Communities grants. In addition, to further support children’s services, SAMHSA is offering up to $10.2 million in Cooperative Agreements For Linking Actions For Unmet Needs In Children’s Health grants and up to $490,000 in Statewide Family Network Program grants (SAMHSA, 12/19; SAMHSA, 12/26; SAMHSA, 12/31a; SAMHSA, 12/31b; SAMHSA, 1/2; SAMHSA, 1/3).

- **Veterans’ mental health services receive $3.28 million from Bristol-Myers Squibb.** On December 17, Bristol-Myers Squibb (BMS) awarded 10 grants totaling $3.28 million through its Mental Health & Well Being funding initiative. Launched in 2011, the program supports efforts to establish community-based mental health services for veterans and their families. According to a BMS spokesperson, grantees will “implement novel modes of support” and conduct evaluations that will strengthen the behavioral health evidence base (Bristol-Myers Squibb, 12/17).

**State News**

- **Iowa expands Medicaid through premium assistance, Pennsylvania submits premium assistance waiver.** On December 12, Iowa Governor Terry Branstad (R) announced that the
Iowa Department of Human Services will begin implementing the state’s newly-approved Section 1115 Research and Demonstration waiver, which uses federal Medicaid expansion funds to provide private health insurance premium assistance. According to Governor Branstad, HHS did not approve the waiver’s full scope of cost-sharing provisions, but the waiver still “fits the health needs” of Iowa. In related news, the Pennsylvania Department of Public Welfare also submitted a Section 1115 Research and Demonstration waiver, seeking permission to provide premium assistance with federal Medicaid expansion funds. Pennsylvania’s waiver would set a job-search requirement for unemployed and underemployed enrollees over age 21 and restructure the state’s existing Medicaid program into “Low Risk” and “High Risk” programs, with different coverage based on enrollees’ pre-existing conditions. Pennsylvania’s waiver also seeks cost-sharing provisions for individuals with incomes above 50 percent of the federal poverty level (FPL), a provision that HHS rejected in Iowa’s waiver (Washington Post, 12/12; New York Times, 12/7; Philadelphia Inquirer, 12/7).

- Arizona reaches settlement in mental health class-action lawsuit. On January 8, Arizona Governor Jan Brewer (R) announced a settlement in the mental health class-action lawsuit, Arnold v. Sarn. 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). Under the settlement, which is still subject to court approval, Arizona will provide $37.8 million annually for community-based treatment services, crisis intervention services, respite services for family members, supportive housing, and employment programs. Each year, Arizona will also direct an estimated $30 million to $40 million in savings from the state’s Medicaid expansion to support the settlement’s services and programs (Office of Governor Brewer, 1/8; Arizona Central, 1/9; AP via Seattle Post Intelligencer, 1/8).

- Kansas postpones Medicaid managed care transition for intellectual & developmental disability services. On December 27, the Kansas Department for Aging and Disability Services (KDADS) indefinitely postponed the state’s plan to transition Medicaid intellectual and developmental disability services to Kansas’ managed care program, KanCare. KDADS previously set the transition date as January 1, 2014, but HHS requires additional information before it will approve the necessary amendment to Kansas’ Section 1115 Research and Demonstration waiver. According to a KDADS spokesperson, the postponement is temporary, and the department hopes to reach an agreement with HHS by February 1 (Wichita Eagle, 12/27).

- Michigan: HHS approves ACA Medicaid expansion waiver. On December 30, HHS approved Michigan’s Section 1115 Research and Demonstration waiver, which will implement the state’s Medicaid expansion. The expansion will begin April 1, imposing certain cost-sharing requirements on new enrollees. Among other requirements, new enrollees with incomes over 100 percent FPL must pay additional cost-sharing fees or transfer to a Marketplace plan after four years of Medicaid enrollment (Detroit News, 12/30).

- Nevada: Governor convenes special council to review state behavioral health system. In the wake of recent investigations into the operations of the Nevada public behavioral health system, Nevada Governor Brian Sandoval (R) signed Executive Order 2013-26, establishing the
Governor’s Behavioral Health and Wellness Council. Under the order, the 18-member council will provide oversight for the state’s public behavioral health system and submit recommendations for improvements. Each year, the council must meet at least six times and deliver at least two reports (Sacramento Bee, 12/17).

- New Hampshire reaches $32.1 million settlement over unnecessary mental health hospitalizations. To resolve complaints that the New Hampshire Department of Health and Human Services (NHDHHS) violated the Americans with Disabilities Act, the state reached a $32.1 million settlement with the U.S. Department of Justice (DOJ) and the Disability Rights Center. In Amanda D. v. Hassan, DOJ and the center alleged that NHDHHS placed individuals with serious mental illness (SMI) in “prolonged or needless stays in state institutions due to a lack of community-based mental health services.” Under the settlement, which is still subject to court approval, the state agreed to provide an additional $6 million in mental health funding for FY2014-15 and another $23.7 million for FY2016-17. The settlement specifies that NHDHHS will use the new funding to expand coverage of its Assertive Community Treatment teams, create three mobile mental health crisis teams, expand supported employment assistance and housing opportunities for individuals with mental illness, and send more individuals to community-based services (New Hampshire Public Radio, 12/19; DOJ, 12/19).

- Ohio Supreme Court approves Medicaid expansion. On December 20, the Ohio Supreme Court rejected a lawsuit claiming that the Ohio Controlling Board (OCB) lacked the authority to expand Ohio’s Medicaid program. At the request of Ohio Governor John Kasich (R), OCB approved the expansion, citing its mandate to “adjust the state budget to reflect fluctuations in federal funding.” Meanwhile, the Ohio Department of Jobs and Family Services (ODJFS) began implementing the expansion prior to the ruling, launching a website for individuals to determine their Medicaid eligibility and enroll in coverage. ODJFS’ website operates independently of Healthcare.gov, although individuals who are ineligible for Medicaid are redirected to the federal website to purchase Marketplace coverage (Cleveland Plain Dealer, 12/9; Cleveland Plain Dealer, 12/20).

- Virginia: Governor convenes mental health task force, proposes $38.3 million in additional funding. In the wake of recent events, former Virginia Governor Robert McDonnell (R) created the Task Force on Improving Mental Health Services and Crisis Response. According to Governor McDonnell, the task force includes stakeholders from throughout the mental health system and is ordered to “seek and recommend solutions that will improve Virginia’s mental health crisis services and help prevent crises from developing.” Governor McDonnell also announced that his FY2015 budget proposal will contain $38.3 million in additional mental health funding. Virginia Governor Terry McAuliffe (D) pledged to continue the task force and support the additional funding request (Richmond Times Dispatch, 1/3).

- Washington awards $4.8 million for involuntary adult mental health services. To establish facilities for short-term involuntary adult inpatient mental health services, the Washington State Department of Commerce (WSDC) awarded $4.84 million in grants to four health care providers. According to WSDC, the new facilities are needed to accommodate the larger number of involuntary admissions resulting from recent changes to the state’s Involuntary Admissions Act. In 2011, the Washington State Institute for Public Policy (WSIPP)
released a report estimating that the state needed 54 additional short-term adult psychiatric beds. Under the new grants, awardees must maintain the new facilities for at least 10 years and will receive at least $3 million in additional funding from private sources (WSDC, 12/31).

- **Wisconsin delays HHS-approved Medicaid expansion plan.** On December 20, Wisconsin Governor Scott Walker (R) signed a bill (AB 1) delaying the state’s alternative Medicaid expansion from January 1 to April 1, 2014. Under Wisconsin’s Section 1115 Research and Demonstration waiver, which HHS approved through December 2018, the state will reduce the Medicaid income eligibility threshold from 200 percent of the FPL to 100 percent of the FPL, remove the program’s enrollment cap, and direct individuals affected by the eligibility reduction to purchase private coverage through the state’s Marketplace. According to Governor Walker, the delay will provide additional time for affected individuals to purchase coverage (Reuters, 12/19; Office of Governor Walker, 12/20; Milwaukee Journal Sentinel, 12/30; Milwaukee Journal Sentinel, 1/9).

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- Coordination across government agencies may increase effectiveness of Medicaid enrollment efforts. “Managing program change: Experience from maximizing enrollment states in
leadership, culture change, coordination and data” RWJF. Hensley-Quinn, M. & Snyder, A. December 2013.

- Estimating non-group health coverage prior to the ACA is challenging due to substantial turnover throughout plan years. “How many people have nongroup health insurance?” KFF. Claxton, G. et al. January 3, 2014.

- Lesbian, gay, bisexual, and transgender individuals gained better access to behavioral health services through ACA. “Health and access to care and coverage for lesbian, gay, bisexual, and transgender individuals in the U.S.” KFF. Ranji, U. et al. January 8, 2014.


- “The many roads to Medicaid: An overview of how people are connecting to the program today” KFF. December 16, 2013.


- Young adult ACA enrollment affected by Medicaid coverage gap, awareness, and “rate shock.” “Young adults and the Affordable Care Act: The health care law promises to extend coverage to millions of young adults, yet many will remain uninsured.” Health Affairs Health Policy Brief. Goldman, T. December 16, 2013.