

# **SAMHSA’s Center for Financing Reform & Innovations (CFRI)**

## **Financing Focus: February 14, 2014**

<b>National News</b>	<b>2</b>
• More than 6 million determined eligible for Medicaid & CHIP; 3 million enroll in Marketplace plans	2
• Federal PCIPs extended through March 2014	2
• HHS changes primary Healthcare.gov IT contractor	2
• IRS proposes exemptions to the individual mandate’s minimum coverage provision	2
• IRS employer mandate rule provides additional transition time for certain businesses	2
• House and Senate committee leaders reach long-term “Doc Fix” compromise but funding is uncertain	3
• CMS’ draft letter on Marketplace network adequacy standards may affect behavioral health	3
• CVS to end tobacco sales	3
<b>State News</b>	<b>3</b>
• South Dakota submits waiver for partial Medicaid expansion, Utah Governor supports expansion	3
• Texas expands Marketplace navigator regulations; judge blocks Missouri navigator law	4
• Kansas unveils \$10.5 million plan to reopen behavioral health facility as a crisis stabilization center	4
• Maryland provides retroactive health coverage to individuals affected by technical difficulties	4
• Massachusetts hires Optum to repair the state’s Marketplace for \$9.8 million	5
• New Hampshire non-profit launches \$2.25 million SBIRT program	5
• New York: Health insurers reach settlements over parity and child continuum coverage	5
• Pennsylvania: HHS grants one-year extension for CHIP-Medicaid transition	5
• Wisconsin implements mental health system reforms and provides \$4 million in new funding	6
<b>Financing Reports</b>	<b>6</b>

***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.***

**Subscribe to the free Financing Focus at:**

**<https://public.govdelivery.com/accounts/USSAMHSA/subscriber/new>**

## National News

- **More than 6 million determined eligible for Medicaid & CHIP; 3 million enroll in Marketplace plans.** Released January 22, the **U.S. Department of Health and Human Services'** (HHS) monthly [Medicaid and Children's Health Insurance Program \(CHIP\) Applications and Eligibility Determinations Report](#) found that over 6.3 million individuals were determined eligible for Medicaid or CHIP from October through December 2013. Although the report does not reveal how many individuals were newly-enrolled or newly-eligible for coverage under the Medicaid expansion, an **Avalere** [analysis](#) estimates that 1.1 million to 1.8 million individuals were newly-enrolled in Medicaid as a result of the ACA. Meanwhile, on January 24, **Centers for Medicare & Medicaid Services (CMS) Administrator Marilyn Tavenner** announced that approximately three million individuals enrolled in **Health Insurance Marketplace** coverage through mid-January. A new **Congressional Budget Office (CBO)** [report](#) now estimates that, through March 31, 2014, six million individuals will obtain Marketplace coverage and eight million individuals will obtain new Medicaid coverage ([HHS, 1/22](#); [HHS, 1/24](#); [Reuters, 1/22](#); [FierceHealthPayer, 2/5](#); [Washington Post, 2/5a](#)).
- **Federal PCIPs extended through March 2014.** To allow additional time to enroll in **Health Insurance Marketplace** coverage, HHS announced that enrollees in federal **Pre-existing Condition Insurance Plans (PCIPs)** may extend their plans through March 31. Originally set to expire December 31, 2013, HHS previously extended PCIPs through January 31. According to an HHS spokesperson, 55,000 of the 85,000 individuals that were enrolled in PCIPs prior to ACA open enrollment have already obtained Marketplace coverage ([Kaiser Health News, 1/14](#); [New York Times, 1/15](#); [PCIP.gov](#)).
- **HHS changes primary Healthcare.gov IT contractor.** On January 10, HHS announced that it will not renew its contract with **CGI Federal** when it expires on February 28. CGI was the primary IT contractor responsible for developing the **Healthcare.gov** website; however, HHS signed a one-year, \$90 million contract with **Accenture** to function as the new primary contractor for overseeing and improving the site. Additionally, HHS awarded **Quality Software Services (QSSI)** a \$43 million contract to remain the general contractor responsible for the website ([Washington Post, 1/10](#); [Politico, 1/10](#); [Washington Post, 1/14](#)).
- **IRS proposes exemptions to the individual mandate's minimum coverage provision.** To provide further guidance on the implementation and enforcement of the ACA, the **Internal Revenue Service (IRS)** proposed a [rule](#) detailing exemptions to the **individual mandate's** minimum coverage provision. Under the ACA, individuals whose health insurance coverage does not meet the law's minimum essential coverage requirements are still subject to the mandate's penalty. However, the proposed rule would exempt certain insured individuals from the requirement, including individuals enrolled in TRICARE, certain Medicaid waivers and specialty programs, or coverage for the medically needy. The IRS also published a [notice](#) providing additional information about the proposed rule ([Reuters, 1/24](#)).
- **IRS employer mandate rule provides additional transition time for certain businesses.** On February 10, the **IRS** finalized a [rule](#) to enforce the **employer mandate**, which requires that businesses with 50 or more full-time-equivalent employees (FTEs) provide health

insurance coverage or pay a penalty. Under the rule, the mandate will take effect in 2015 for businesses with more than 100 FTEs and in 2016 for businesses with 50 to 99 FTEs. Previously, the IRS [announced](#) that the mandate would take effect in 2015, and the ACA originally set the mandate to take effect in 2014. The new rule states that businesses with more than 100 FTEs are only required to provide health coverage for 70 percent of their employees during 2015 and that volunteers do not count as FTEs for purposes of the mandate. The IRS also released a [factsheet](#) providing additional information about the final rule ([Washington Post, 2/10](#); [New York Times, 2/11](#)).

- **House and Senate committee leaders reach long-term “Doc Fix” compromise but funding is uncertain.** On February 6, leaders from the **Senate Finance Committee** as well as the **House Ways and Means** and **House Energy and Commerce Committees** released bipartisan legislation ([HR 4015](#)) that offers a long-term policy change for Medicare physician payments. The proposed legislation would permanently repeal the existing system, known as the **Sustainable Growth Rate formula (SGR)**, which Congress has routinely “patched” with short-term legislative changes to avoid major cuts to the physician payment rate. In addition to avoiding a nearly 24 percent payment cut set for April 1, the long-term fix would permanently alter the payment system and set Medicare physician payments to increase 0.5 percent each year for the next five years. More details on the legislation’s shift toward a “value-based” reimbursement system and alternative payment systems are available [here](#). However, despite the policy agreement, Congressional leaders have yet to agree to a mechanism to finance the change, which is estimated to cost \$120 to \$150 billion ([Kaiser Health News, 2/7](#); [The Hill, 2/6](#)).
- **CMS’ draft letter on Marketplace network adequacy standards may affect behavioral health.** On February 4, **CMS’ Center for Consumer Information and Insurance Oversight (CCIIO)** issued a [draft letter](#), providing guidance to issuers preparing to offer 2015 products in **federally-facilitated Marketplaces**. The letter outlines a uniform “reasonable access” standard by which health plans’ provider networks would be evaluated, focusing on several specific provider types, including mental health providers. The guidance also seeks to increase the number of “essential community providers” that are included in a plans’ network; however, it is unclear how behavioral health providers may be affected by the community provider provisions ([National Council, 2/6b](#); [Health Affairs, 2/5](#); [Health Leaders Media, 2/6](#)).
- **CVS to end tobacco sales.** In an unprecedented move for a major pharmacy company, on February 5, **CVS Caremark** announced that its drugstores will stop selling tobacco products on October 1, 2014. As part of its move away from tobacco, CVS, which has more than 7,600 stores, will also launch a national smoking cessation program in the spring. CVS expects to lose \$2 billion in annual revenue as a result of the move; however, industry analysts note that the move is designed to position the company as a health care provider ([Los Angeles Times, 2/5](#); [Washington Post, 2/5b](#)).

## State News

- **South Dakota submits waiver for partial Medicaid expansion, Utah Governor supports expansion.** On January 31, the **South Dakota Department of Social Services** submitted a **Section 1115 Research and Demonstration waiver** to expand Medicaid to all

individuals with incomes up to 100 percent of the federal poverty level (FPL). Under the ACA, the Medicaid expansion is intended to apply to individuals with incomes up to 138 percent of the FPL, and HHS previously released [guidance](#) stating that partial or phased in expansions would be ineligible for full federal funding. According to **South Dakota Governor Dennis Daugaard** (R), in 2013, **HHS Secretary Sebelius** informally told him that the department would not approve such a waiver; however, the governor says that he believes HHS will be more open to the waiver now. Meanwhile, **Utah Governor Gary Herbert** (R) announced that he supports expanding Medicaid under the ACA, although he added that he has not decided if he supports a traditional expansion or a premium assistance waiver ([Sioux Falls Argus Leader, 2/1](#); [Salt Lake Tribune, 1/23](#)).

- **Texas expands Marketplace navigator regulations; judge blocks Missouri navigator law.** On January 20, the **Texas Department of Insurance** (TDI) issued [new regulations](#) for **Health Insurance Marketplace** navigators. Among the new requirements, navigators must undergo criminal background checks, provide proof of identity, and receive 20 hours of state-specific training in addition to their 20 hours of federal training. Meanwhile, the **U.S. District Court for the Western District of Missouri** granted a [preliminary injunction](#), enjoining enforcement of a Missouri law that would have implemented new Marketplace navigator regulations. Under that law, the [Health Insurance Marketplace Innovation Act of 2013](#), navigators would be required to receive state-specific training, pass state-approved licensing tests, and undergo criminal background checks. According to the court, the law is intended to obstruct ACA implementation and places an undue burden on navigators ([Texas Tribune, 1/21](#); [New York Times, 1/24](#); [Bloomberg News, 1/24](#)).
- **Kansas unveils \$10.5 million plan to reopen behavioral health facility as a crisis stabilization center.** On January 23, **Kansas Governor Sam Brownback** (R) announced plans to reopen the 50-bed **Rainbow Mental Health Facility** as a 22-bed crisis stabilization center. Under the plan, the facility will have a six-bed triage and observation unit and a six-bed substance use detox unit, neither of which may hold patients for longer than 24 hours. Additionally, the facility will have a 10-bed “crisis stabilization resource unit,” which may hold patients for over 24 hours while the facility connects them with community-based services. According to the *Kansas City Star*, the facility was mostly shut down in 2011 due to federal and state code violations. Following the governor’s announcement, the **Kansas Department for Aging and Disability Services** (KDADS) announced a three-year, \$10.5 million contract with **Wyandot, Inc.** and two community providers to manage the facility. Additionally, because the facility’s operating cost will be half its previous cost, KDADS announced plans to provide an additional \$3.5 million annually to the **Osawatomie State Psychiatric Hospital** ([Kansas City Star, 1/23](#); [Kansas Health Institute, 1/23](#)).
- **Maryland provides retroactive health coverage to individuals affected by technical difficulties.** On January 30, **Maryland Governor Martin O’Malley** (D) signed a bill ([SB134](#)) providing retroactive health insurance to individuals who submitted applications to the state’s **Health Insurance Marketplace** but were not enrolled in coverage due to technical difficulties in the consumer portal. Under the bill, those individuals will receive coverage through the **Maryland Health Insurance Plan**, the state’s high-risk-pool plan, from January 1, 2014, until they

successfully enroll in Marketplace coverage. According to state officials, the bill is expected to affect approximately 5,000 individuals and will remain in effect through June 30, 2015 ([Baltimore Sun, 1/28](#)).

- **Massachusetts hires Optum to repair the state’s Marketplace for \$9.8 million.** Following implementation problems with the state’s **Health Insurance Marketplace**, the **Massachusetts Health Connector**, **Governor Deval Patrick** (D) announced that the state will retain its original contractor, **CGI**, but also hire **UnitedHealthGroup’s Optum** to help repair the website and clear the application backlog. Optum’s contract, which will be paid out of unspent funds allocated for CGI, is for \$9.8 million over one month, with several options for extension ([Boston Globe, 2/6](#)).
- **New Hampshire non-profit launches \$2.25 million SBIRT program.** In collaboration with select hospitals and other health care providers, the **New Hampshire Charitable Foundation** (NHCF) will launch a statewide **Screening, Brief Intervention, and Referral to Treatment** (SBIRT) program for individuals at risk of substance use. Funded by a \$2.25 million grant from the **Hilton Foundation**, the program will target youth ages 12 to 22, and NHCF hopes to screen at least 10,000 youth through 2017. According to NHCF, the program will be incorporated into its ongoing, 10-year, \$12 million substance use prevention initiative ([New Hampshire Charitable Foundation, 1/21](#); [AP via KTVU, 1/21](#)).
- **New York: Health insurers reach settlements over parity and child continuum coverage.** **Cigna Health and Life Insurance** reached a [settlement](#) with the **New York Office of the Attorney General** (OAG) to resolve allegations that it wrongfully denied coverage of nutritional counseling for individuals with mental health conditions such as eating disorders. Under the settlement, Cigna will remove its three-visit limit on nutritional counseling for individuals with mental health conditions, which it had not placed on such counseling for individuals with chronic general health conditions. According to the Attorney General, Cigna did not admit to any wrongdoing but will pay a total of \$56,000, including civil penalties and claims previously denied under the cap. In a separate case, the OAG announced a \$190,000 settlement with **EmblemHealth** over allegations that the insurer was not in compliance with New York’s “Age 29” law, which allows families to keep children and young adults on their health plans through age 29. According to New York’s attorney general, EmblemHealth agreed to reinstate coverage for 8,300 young adults, repay \$90,000 in wrongfully denied claims, and pay \$100,000 in civil penalties ([Bloomberg News, 1/15](#); [New York Office of the Attorney General, 1/15](#); [AP via Wall Street Journal, 1/29](#); [New York Office of the Attorney General, 1/29](#)).
- **Pennsylvania: HHS grants one-year extension for CHIP-Medicaid transition.** In a [letter](#) dated January 9, HHS granted the **Pennsylvania Department of Insurance** one-year to transition all newly-Medicaid-eligible CHIP enrollees to the state’s Medicaid program. Under the ACA, all children ages six to 18 who are living in families with incomes below 138 percent FPL are Medicaid eligible, regardless of whether their state participates in the Medicaid expansion. Under the law, states were required to transfer those children out of CHIP by January 1, 2014. However, **HHS Secretary Kathleen Sebelius** approved Pennsylvania’s request to align those transfers with the children’s next regularly scheduled renewal of coverage, stipulating that the

transition must be complete by the end of 2014. The letter denied the state's request that the children may remain permanently enrolled in CHIP ([PDA, 1/22](#); [AP via The Reporter, 1/22](#)).

- **Wisconsin implements mental health system reforms and provides \$4 million in new funding.** On February 6, **Wisconsin Governor Scott Walker** (R) signed a package of bills ([AB450](#), [AB452](#), [AB454](#), [AB455](#), [AB458](#), [AB459](#), and [AB460](#)) to improve and expand Wisconsin's public mental health system. Under the bills, Wisconsin will provide \$4 million in additional funding for mental health services, establish a child psychiatric consultation hotline for primary care providers, and enable children with severe emotional disturbances to receive Medicaid-funded, in-home treatment without first participating in an outpatient program. In particular, the bills will provide additional funding for mobile mental health intervention teams in rural counties, peer-run respite centers, job placement programs for individuals with mental health conditions, mental health crisis intervention grants for law enforcement agencies, and grants to physicians and psychiatrists practicing in underserved areas. The Wisconsin Legislature also passed four other mental-health-related bills ([AB360](#), [AB453](#), [AB456](#), and [AB488](#)), which Governor Walker indicates he will sign. Those bills would reform the state's **involuntary commitment** laws to expand judges' and parents' authority to order involuntary commitments, modify state privacy laws to allow insurers and providers to more easily share mental health treatment records, and require the **Wisconsin Department of Health Services** to submit a biannual report to the State Legislature on county-level mental health services ([Office of Governor Walker, 2/6](#); [Minnesota Star Tribune, 2/6](#); [Milwaukee Journal Sentinel, 1/22](#); [Wisconsin State Journal, 1/5](#)).

## Financing Reports

- **ACA will increase average income by six percent for individuals in lowest income quintile.** "[Potential effects of the Affordable Care Act on income inequality](#)" Brookings Institute. Aaron, H. & Burtless, G. January 27, 2014 ([AP via Yahoo! News, 1/27](#)).
- **AL, MO, OK, TX, & WY: The only states to take no role in implementing ACA reforms.** "[Implementing the Affordable Care Act: The state of the states](#)" Commonwealth Fund. Keith, K. & Lucia, K. January 2014.
- **Cognitive therapy may be effective treatment for individuals with schizophrenia who are unwilling to take medication, further study required.** "[Cognitive therapy for people with schizophrenia spectrum disorders not taking antipsychotic drugs: A single-blind randomized controlled trial](#)" *The Lancet*. Online publication. Morrison, A. et al. February 6, 2014.
- **Early ACA Marketplace applicants were "highly motivated" to obtain coverage.** "[Key findings from the field: Early experience with ACA enrollment in Maryland and Nevada](#)" KFF. Artiga, S. & Stephens, J. January 27, 2014.
- "[Effects of the Massachusetts health reform on financial distress](#)" Federal Reserve Bank of Chicago. Mazumder, B. & Miller, S. January 2014.
- "[Explaining health care reform: Risk adjustment, reinsurance, and risk corridors](#)" KFF. January 22, 2014.

- **Federal parity law (MHPAEA) did not substantially increase health plan costs.** [“The effects of federal parity on substance use disorder treatment”](#) *American Journal of Managed Care* published online before print. Busch, S. et al. January 23, 2014.
- **Florida: Medicaid expansion opt-out could cost employers up to \$253 million annually in employer mandate penalties.** [“State Medicaid choices and the hidden tax surprises for employers”](#) Jackson Hewitt Tax Service. Haile, B. & Brandes, G. January 2014 ([AP via Ocala Star Banner, 1/22](#)).
- **Half of all uninsured Americans reside in 116 of the 3,143 U.S. counties.** [“Finding uninsured Americans by the numbers”](#) Associated Press. Alonso-Zaldivar, R. February 5, 2014.
- **Many states considering standards for Medicaid presumptive eligibility.** [“Hospital presumptive eligibility”](#) *Health Affairs*, Health Policy Brief. Brooks, T. January 9, 2014.
- **“Medicaid enrollment: June 2013 data snapshot”** KFF. Snyder, L. et al. January 29, 2014 & **“CHIP enrollment: June 2013 data snapshot”** KFF. Smith, V. et al. January 29, 2014.
- **Medicaid programs spent an average of \$5,555 per enrollee in FY2010.** [“Medicaid per enrollee spending: Variation across states”](#) KFF. Young, K. et al. February 3, 2014.
- **“Minimizing care gaps for individuals churning between the Marketplace and Medicaid: Key considerations for states”** Center for Health Care Strategies. Guerra, V. & McMahon, S. January 30, 2014.
- **“MNsure Assessment Summary”** Optum Insight. January 17, 2014 ([Minnesota Star Tribune, 1/23](#)).
- **Most previously-insured individuals can find more comprehensive plans with lower costs on Health Insurance Marketplaces.** [“Will those with cancelled insurance policies be better off in ACA marketplaces?”](#) Robert Wood Johnson Foundation. Holahan, J. et al. January 2014 ([FierceHealthPayer, 1/26](#)).
- **Oregon “made only limited progress” expanding community-based mental health services in 2013, DOJ finds.** [“Integration of community mental health and compliance with Title II of the Americans with Disabilities Act”](#) U.S. Department of Justice. January 2, 2014 ([The Oregonian, 1/23](#)).
- **Outreach and education key to raising awareness of ACA options among individuals with mental illness.** [“Strategies to enroll uninsured people with mental health conditions under the Affordable Care Act”](#) National Association of State Mental Health Program Directors. Miller, J. & Glover, R. January 2014.
- **“Private health insurance: The range of base premiums for individuals age 19 and 64 in the individual market by state in January 2013”** GAO. January 31, 2014.
- **SAMHSA tracks rates of behavioral health conditions at national and state level.** [“National Behavioral Health Barometer”](#) SAMHSA. January 31, 2014 ([SAMHSA, 1/31](#)).
- **“State, local government spending on health care grew faster than national rate in 2012”** Pew Charitable Trust. January 27, 2014.
- **“Transition to ICD-10: What it entails and why it’s important to behavioral health providers”** SAMHSA. January 29, 2014 ([SAMHSA, 1/29](#)).

- [“Uninsured at the starting line: Findings from the 2013 Kaiser survey of low-income Americans and the ACA”](#) KFF. February 6, 2014.
- **Volume of Medicaid eligibility determinations has increased significantly since ACA enrollment started.** [“Medicaid enrollment under the Affordable Care Act: Understanding the numbers”](#) KFF. Artiga, S. & Rudowitz, R. January 29, 2014.