

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

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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

- **Supreme Court hears case challenging health insurance marketplace subsidies.** On March 4, the **U.S. Supreme Court** heard oral arguments in [King v. Burwell](#), in which the plaintiffs argue that federally facilitated health insurance marketplaces may not offer federal insurance subsidies because the Affordable Care Act (ACA) restricts subsidies to those “enrolled in an Exchange established by the state.” Defending the federal government, **U.S. Solicitor General Donald Verrilli Jr.** argues that other provisions of the ACA authorize the **Internal Revenue Service (IRS)** to offer subsidies in all states. Furthermore, the Solicitor General argues that precedent grants federal agencies latitude to interpret legislative text within the broad context of a law. Previously, a three-judge panel of the **U.S. Court of Appeals for the Fourth Circuit** ruled against the plaintiffs, finding that the IRS may offer subsidies in all states because the ACA is unclear regarding federally facilitated marketplaces. According to CNN, the Supreme Court is expected to issue its ruling in May or June. The Duke Center for Health Policy & Inequalities Research has created a [summary](#) of other relevant cases that were decided by lower courts or are now pending, including *Halbig v. Burwell*, *Pruitt v. Burwell*, and *Indiana v. IRS* ([CNN, 3/4](#); [New York Times, 3/4](#)).
- **HHS ends marketplace open enrollment period, announces special enrollment period.** On February 15, the 2015 open enrollment period during which individuals may obtain marketplace coverage through [Healthcare.gov](#) ended. However, the **U.S. Department of Health and Human Services (HHS)** continued to accept applications until February 22 from individuals who were affected by technical difficulties or long help center wait times. HHS also announced plans to hold a special marketplace enrollment period, from March 15 to April 30, for individuals affected by the **individual mandate’s** coverage penalty who did not realize they would face a tax penalty if they failed to obtain health coverage. To qualify for the special period, individuals must attest that they first became aware of the penalty while filing their 2014 tax return. Individuals who obtain coverage during the special enrollment period will be required to pay their penalty for 2014 and for the months of 2015 during which they were uninsured ([New York Times, 2/17](#); [Healthcare.gov, 2/19](#); [Kaiser Health News, 2/20](#)).
- **CMS issues final rules for 2016 marketplace standards and Basic Health Program funding.** On February 20, the **Centers for Medicare & Medicaid Services (CMS)** issued a [final rule](#) that implements additional benefit and payment standards for the 2016 health insurance marketplace open enrollment period, which will run from November 1, 2015 to January 31, 2016. Building on previous standards, the rule strengthens marketplace transparency and accountability and sets additional coverage requirements for insurers. Among other changes, the rule clarifies pharmaceutical and network coverage requirements, revises reinsurance and risk adjustment parameters, and authorizes states to select new marketplace benchmark plans for 2017. CMS noted that it will revisit the benchmark selection process in the future and released a [fact sheet](#) summarizing the key sections of the rule. Meanwhile, CMS also issued a [final rule](#) implementing the 2016 federal payment methodology for state-administered **Basic Health Plans (BHPs)**, which may be offered through marketplaces. Under the ACA, states may create BHPs to provide coverage for U.S. citizens with incomes between 133 percent and 200

percent of the federal poverty level (FPL) and legal immigrants with incomes below 133 percent of the FPL who are ineligible for federal Medicaid funds. The new rule maintains the 2015 payment methodology, with updated values for factors such as average marketplace premiums and household income ([CMS, 2/20](#); [CMS, 2/19](#)).

- **IRS extends employer HRA transition period and requests comments on excise tax.** On February 18, the IRS released a [public notice](#) allowing employers with fewer than 50 full-time-equivalent employees (FTEs) to continue offering stand-alone **Health Reimbursement Arrangements** (HRAs) without financial penalty until July 2015. Under the ACA's **employer mandate**, employers with 50 or more FTEs must provide health insurance that meets certain coverage requirements or pay a penalty. In July 2013, the IRS [clarified](#) that HRAs do not satisfy the mandate and that employers that continue offering them as an alternative to coverage will be subject to a daily excise tax of \$100 per employee. According to the IRS, although the mandate's coverage penalties do not apply to small employers, small employers are also subject to the excise tax if they continue to offer HRAs as an alternative to coverage. The public notice offers those small employers transitional relief from the excise tax through June 30, 2015. Separately, the IRS released a [public notice](#) requesting comment on the ACA's 40 percent **excise tax** on the value of employer-sponsored health insurance that exceeds an annually updated statutory dollar limit (\$10,200 for individual coverage in 2018). Under the ACA, the excise tax goes into effect December 31, 2017, and the IRS is seeking comments prior to proposing a rule ([Washington Post, 2/19](#); [Modern Healthcare, 2/19](#); [IRS, 3/10](#)).
- **SAMHSA to award up to \$284 million for children, youth, and young adult services.** SAMHSA announced plans to award up to \$180 million in **Cooperative Agreements for Expansion and Sustainability of the Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances**, which support mental health and recovery support services for youth with serious emotional disturbances (SED) or early symptoms of **serious mental illness** (SMI). SAMHSA also announced up to \$25.8 million in **"Now is the Time" Project AWARE-Community** grants to increase mental health literacy through Mental Health First Aid programs and up to \$71 million in **Capacity Building Initiative for Substance Abuse and HIV Prevention Services for At-Risk Racial/Ethnic Minority Youth and Young Adults** grants to develop and implement community-level strategies to prevent the onset of substance abuse and transmission of HIV/AIDS among at-risk youth and young adults. Finally, SAMHSA announced up to \$6.2 million in **Campus Suicide Prevention** grants and up to \$1 million as a supplemental award to an existing **Addiction Technology Transfer Center (ATTC): Center of Excellence on Behavioral Health for Pregnant and Postpartum Women (PPW) and their Families** ([SAMHSA, 2/23](#); [SAMHSA, 3/11a](#); [SAMHSA, 3/11b](#); [SAMHSA, 2/25](#); [SAMHSA, 3/6](#)).
- **SAMHSA makes \$42 million available for medication assisted treatment and technical assistance.** On February 26, SAMHSA announced plans to award up to \$33 million in **Targeted Capacity Expansion: Medication Assisted Treatment - Prescription Drug and Opioid Addiction** (MAT-PDOA) grants and up to \$9 million in **National Consumer and Consumer Supporter Technical Assistance Centers** (CCS-TAC) grants. The MAT-PDOA program allocates funding for states to provide MAT and recovery support services for individuals with opioid use disorders,

and CCS-TAC provides technical assistance to organizations that support consumer-directed approaches to treating individuals with SMI ([SAMHSA, 3/4a](#); [SAMHSA, 3/4b](#)).

- **SAMHSA offers up to \$45.5 million to serve homeless individuals.** To improve and expand behavioral health and primary care services and provide permanent housing, **SAMHSA** announced plans to award up to \$45.5 million in **Cooperative Agreements to Benefit Homeless Individuals for States** (CABHI). Under the CABHI, **State Mental Health Authorities** (SMHAs) or **Single State Agencies** (SSAs) must improve statewide strategies that address the needs of homeless individuals, expand the capacity of permanent and supportive housing available to homeless individuals, and connect homeless individuals with housing and other state benefits ([SAMHSA, 2/11](#)).

State News

- **NH premium assistance waiver approved, PA transitions to Medicaid expansion, AK proposes expansion.** On March 5, **New Hampshire Governor Maggie Hassan** (D) announced that **CMS** approved the state's [Section 1115 Research and Demonstration waiver](#) to provide **private premium assistance** using federal Medicaid expansion funds for individuals with incomes up to 138 percent of the FPL. Under a bill Governor Hassan signed in April 2014 ([SB 413](#)), New Hampshire temporarily expanded its Medicaid program, with the requirement that all eligible individuals transition to a premium assistance program during the FY2016 open enrollment period. Meanwhile, on February 9, **Pennsylvania Governor Tom Wolf** (D) unilaterally began the state's transition from a [premium assistance Medicaid expansion alternative](#) to a traditional **Medicaid expansion**. Governor Wolf directed the **Pennsylvania Department of Human Services** to submit a letter to CMS withdrawing the state's premium assistance waiver and begin transitioning covered individuals to Medicaid. According to Governor Wolf, the transition will simplify a complicated process and promote health care access. Finally, on February 6, **Alaska Governor Bill Walker** (I) unveiled his [proposal](#) to **expand Medicaid** to individuals with incomes up to 138 percent of the FPL. Under the proposal, the state would explore ways to improve care and reduce costs after the expansion is implemented, including new payment methodologies and workforce innovations. According to *Alaska Public Media*, the **Alaska Legislature** removed language approving the expansion from Governor Walker's FY2016 budget proposal but is still considering a standalone bill that would implement the expansion ([Office of New Hampshire Governor Hassan, 3/5](#); [Philadelphia Inquirer, 2/11](#); [Office of Pennsylvania Governor Wolf, 2/9](#); [Alaska Public Media, 2/6](#); [Alaska Public Media, 2/27](#)).
- **Colorado launches prescription drug abuse prevention campaign.** On February 24, **Colorado Governor John Hickenlooper** (D) launched the **Colorado Consortium for Prescription Drug Abuse Prevention** advertising campaign. According to Governor Hickenlooper, the campaign will focus on the safe use, storage, and disposal of prescription drugs and will feature "television and other ads." The **Colorado Office of the Attorney General** funded the campaign with \$1 million in settlement funds from pharmaceutical companies accused of misconduct ([Denver Post, 2/24](#)).

- **Iowa prepares to implement Medicaid managed care.** On February 16, the **Iowa Department of Human Services** (IDHS) [requested proposals](#) from bidders interested in becoming Medicaid managed care organizations (MCOs). IDHS currently contracts with MCOs for certain specialty services, but the new request calls for two to four MCOs to oversee all non-exempt services and populations. **Iowa Governor Terry Branstad** (R) previously announced plans to transition most Medicaid services to managed care to achieve \$51 million in annual savings and improve outcomes; however, IDHS has not yet finalized its transition plan or proposed a Medicaid waiver. Several state legislators have expressed concern over the transition but believe that Governor Branstad has the authority to order it without legislative approval ([Des Moines Register, 2/16](#); [American Journal of Managed Care, 2/17](#); [IDHS, 2/16](#)).
- **Massachusetts creates working group to develop state opioid strategy.** To address opioid abuse, on February 19, **Massachusetts Governor Charlie Baker** (R) announced the creation of the 16-member **Opioid Addiction Working Group**. According to Governor Baker, the group will work with experts to develop a statewide strategy to reduce opioid abuse and increase public awareness. Governor Baker also asked health insurers to develop new best practices for opioid management, citing **BlueCross BlueShield's Prescription Pain Medication Safety Program** as a potential model. Highlighting the issue, the **Massachusetts Department of Public Health** released [county-level data](#) showing that there were 978 unintentional opioid overdose deaths in Massachusetts in 2013, up 46 percent from 2012 ([Office of Massachusetts Governor Baker, 2/19](#); [WBUR, 2/19](#)).
- **Michigan merges state health agencies, Behavioral Health Administration affected.** On February 6, **Michigan Governor Rick Snyder** (R) signed an [executive order](#) merging the **Michigan Department of Community Health** (MDCH) and the **Michigan Department of Human Services** (MDHS) to create the **Michigan Department of Health and Human Services** (MDHHS). As part of the merger, MDCH's **Behavioral Health and Developmental Disabilities Administration** will transfer to the new MDHHS. According to state officials, Michigan will seek federal waivers to redesign 145 social services programs on a "program-by-program basis" after the merger is finalized on April 7. State officials also expect the merger to lead to "some consolidation of jobs, especially in administrative functions," although the details have not yet been determined ([Detroit Free Press, 2/6](#); [Detroit News, 2/6](#)).
- **New York announces behavioral health parity settlement with health insurer.** To resolve allegations that the company violated the federal [Mental Health Parity and Addiction Equity Act](#) (MHPAEA) and New York's 2006 parity act ([Timothy's Law](#)), on March 5, **New York Attorney General Eric Schneiderman** announced a \$900,000 settlement with **Beacon Health Options** (formerly ValueOptions). According to Attorney General Schneiderman, Beacon denied claims for behavioral health services two to four times as often as it did for medical or surgical services. In addition to the financial penalty, Beacon agreed to reform its claims review process and expand behavioral health coverage. Among other changes, Beacon agreed to remove visit limitations on nearly all behavioral health services, end preauthorization requirements for outpatient behavioral health services, cover all services provided by mental health professionals licensed under [Article 163 of the New York Education Law](#), issue detailed explanations of

coverage denials, provide coverage during the claims appeals process, and integrate its medical and behavioral health claims review staff ([New York State Office of the Attorney General, 3/5](#); [Albany Times Union, 3/5](#)).

- **Oregon reorganizes marketplace administration, court orders Oracle to host Medicaid system.** On February 27, the **Oregon Legislature** approved a bill ([SB1](#)) to abolish the **Oregon Health Insurance Exchange Corporation** (OHIEC), the independent agency that managed Oregon's health insurance marketplace, transferring its responsibilities to the **Oregon Department of Consumer and Business Services**. According to *The Oregonian*, OHIEC had difficulty managing the marketplace and was using **Healthcare.gov** as its consumer portal due to technical difficulties with the portal that **Oracle** developed for the state. **Oregon Governor Kate Brown** (D) is expected to sign the bill. Meanwhile, the **Marion County Circuit Court** ordered Oracle to continue hosting the state's Medicaid enrollment system through February 2016, even after the company's contract with the **Oregon Health Plan** (OHP) expired on March 1, 2015. Oracle is currently involved in several lawsuits with Oregon regarding the development of the Medicaid enrollment system and the marketplace consumer portal. In December 2014, OHP announced plans to transition to a version of the **Kentucky Cabinet for Health and Family Services'** (KCHFS) enrollment system; however, that transition is not expected to be complete until January 2016 ([The Oregonian, 2/27](#); [AP via Baltimore Sun, 2/28](#)).
- **Virginia modifies Medicaid expansion plans.** In February, the **Virginia Legislature** approved a bill ([HB1400/SB800](#)) adjusting the state's \$96 billion FY2015-16 budget. Among other provisions, the bill continues funding for the **Governor's Access Plan** (GAP). Unilaterally implemented by **Virginia Governor Terry McAuliffe** (D) in 2014, GAP is a [Medicaid Section 1115 Research and Demonstration waiver](#) that provides Medicaid coverage to individuals with **SMI**. However, the new bill reduces GAP eligibility from 100 percent of the federal poverty level (FPL) to 60 percent of the FPL, temporarily grandfathering individuals with incomes up to 100 percent of the FPL who were previously enrolled in the program. Governor McAuliffe is expected to approve the change. The bill also allocates supplemental funding to expand community mental health centers and crisis and other psychiatric services for children ([Richmond Times-Dispatch, 2/23](#); [Washington Post, 3/3](#)).

Financing Reports

- **Average Medicaid spending per enrollee decreased post-ACA implementation.** "[Trends in Medicaid spending leading up to ACA implementation](#)" Garfield, R. et al. February 12, 2015.
- **California: Budgeting shortcomings continue for inpatient psychiatric hospitals.** "[The 2015-16 budget: Improved budgeting for the Department of State Hospitals](#)" California Legislative Analyst's Office. February 9, 2015 ([California Healthline, 2/10](#)).
- "[Cost-sharing subsidies in federal marketplace plans](#)" KFF. Claxton, G. & Panchal, N. February 11, 2015.
- "[Health care spending by those becoming uninsured if the Supreme Court finds for the plaintiff in King v. Burwell would fall by at least 35 percent](#)" Urban Institute. Buettgens, M. et al. February 2015 ([Fierce Health Finance, 2/12](#)).

- **[“Health Insurance Marketplace 2015: Average premiums after advance premium tax credits through January 30 in 37 states using the Healthcare.gov platform”](#)** HHS. Misra, A. & Tsai, T. February 9, 2015 ([HHS, 2/9](#)).
- **[“Healthcare.gov: CMS has taken steps to address problems, but needs to further implement systems development best practices”](#)** GAO. March 2015.
- **Individuals newly ensured under the ACA expected to receive over 180,000 additional mental health service visits annually.** **[“How will the Affordable Care Act affect the use of health care services?”](#)** Commonwealth Fund. Glied, S. & Ma, S. February 2015.
- **Kentucky: Medicaid expansion will save state approximately \$1 billion through FY2021.** **[“Economic impacts of Medicaid expansion”](#)** University of Louisville. Kornstein, B. & Kelly, J. January 2015 ([New York Times, 2/12](#)).
- ***King v. Burwell*: Supreme Court ruling could increase premiums in states with federally facilitated marketplaces by an average of 255 percent.** **[“Nearly 7.5 million consumers could face premium increases as a result of Supreme Court King v. Burwell ruling”](#)** Avalere Health. February 26, 2015 ([The Hill, 2/26](#)).
- **[“Medicaid: Additional federal action needed to further improve third-party liability efforts”](#)** U.S. Government Accountability Office (GAO). January 2015.
- **[“Medicaid prior authorization policies for pediatric use of antipsychotic medications”](#)** *Journal of the American Medical Association* 313(9): 966-968. March 3, 2015.
- **Michigan made progress funding behavioral health reform recommendations.** **[“Improving quality of life by supporting independence and self-determination: 2014 annual report”](#)** Michigan Mental Health and Wellness Commission. January 2015 ([Crain’s Detroit, 2/15](#)).
- **Seven states collaborated to implement Medicaid Accountable Care Organizations.** **[“Supporting social service delivery through Medicaid Accountable Care Organizations: Early state efforts”](#)** Center for Health Care Strategies. Mahadevan, R. & Houston, R. February 2015.
- **Shift marketplace enrollment period to tax season, report recommends.** **[“Enrollment periods in 2015 and beyond”](#)** Urban Institute. Dorn, S. February 11, 2015.
- **[“Special enrollment periods in 2014: A study of select states”](#)** Urban Institute. Wishner, J. et al. February 25, 2015.
- **[“State payment and financing models to promote health and social service integration”](#)** Center for Health Care Strategies. Crawford, M. & Houston, R. February 2015.
- **[“The ACA and Medicaid expansion waivers”](#)** KFF. Rudowitz, R. et al. February 17, 2015.
- **[“The Affordable Care Act and its effect on employers: 2015 update”](#)** Center for Healthcare Research and Transformation. Fangmeier, J. & Udow-Phillips, M. February 12, 2015.
- **[“The cost of care with marketplace coverage”](#)** KFF. Claxton, G. et al. February 11, 2015.
- **[“The coverage provisions in the Affordable Care Act: An update”](#)** KFF. Tolbert, J. March 2, 2015.
- **[“The implications of King v. Burwell: Highlights from three analyses of the consequences of eliminating ACA tax credits in 34 states”](#)** Urban Institute. Blumberg, L. et al. March 2, 2015.
- **Wisconsin: Medicaid expansion would save state up to \$325 million through FY2017.** **[“Medical assistance and related programs \(BadgerCare Plus, Family Care, Senior Care\).”](#)** Wisconsin Legislative Fiscal Bureau. Austin, S. et al. January 2015 ([Wisconsin State Journal, 2/16](#)).