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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

- **HHS awards $110 million for health care innovation, additional $730 million available.** To promote health care delivery reform and improve patient outcomes, the U.S. Department of Health and Human Services (HHS) awarded 12 organizations a combined $110 million under round two of the Health Care Innovation Awards program. Authorized under the ACA, awardees will focus on the following priority areas: (1) reducing costs for Medicare and Medicaid enrollees, (2) improving care for populations with special needs, (3) testing improved financial and clinical models, and (4) linking clinical care delivery to preventive and population health. In addition, to further support the design and testing of health care delivery and payment systems, HHS announced $730 million in funding for State Innovation Model (SIM) grants. Also authorized under the ACA, this funding includes $700 million available to fund 12 SIM Testing grants and $30 million to fund 15 SIM Design grants (HHS, 5/22).

- **HHS offers $300 million to community health centers and $40 million for insurance rate review.** On June 3, HHS announced plans to award community health centers up to $300 million in Affordable Care Act Health Center Expanded Services grants. Under the grants, awardees will expand service hours and hire additional medical providers. Grantees will also begin offering behavioral health, dental, pharmaceutical, and vision services, if not already provided. In a separate move, HHS also announced plans to award up to $40 million in Grants to States to Support Health Insurance Rate Review and Increase Transparency in the Pricing of Medical Services, Cycle IV. An HHS report from September 2013 estimated that health insurance rate review standards saved consumers $1.2 billion in 2012 (HHS, 6/3; LifeHealthPro, 6/2).

- **CMS finalizes 2015 open enrollment standards for Health Insurance Marketplaces.** On May 16, the Centers for Medicare & Medicaid Services (CMS) issued a final rule implementing Health Insurance Marketplace administrative and operating standards, set to take effect with the 2015 open enrollment period (July 2014). Among other changes from the 2014 standards, the rule stipulates that states’ authority to implement laws affecting ACA programs is not unlimited, and HHS reserves the right to preempt state laws that are designed to restrict Marketplace navigators’ ability to provide enrollment assistance. For 2015, the rule also grants state insurance commissioners the authority to determine whether interested small businesses must use their state’s Small Business Health Options Program (SHOP) or continue to offer employees a single employer-selected plan (FierceHealthPayer, 5/19; California Healthline, 5/19).

- **HHS explains third-party payment requirements.** In a letter to the Chief Executive Officer of the Catholic Health Association dated May 21, HHS explained requirements for third-party payments to insurers to help individuals pay premiums and cost sharing requirements of health plans purchased through the Marketplaces. Current CMS policy permits health plans to accept third-party payments from state and federal government programs and grantees and tribal entities, including Ryan White HIV/AIDS Program grant recipients. The letter explains current HHS guidance and states that payments from private, nonprofit foundations are not prohibited
by HHS’s rules if provided in a manner consistent with current policies (Health Leaders Media, 5/23; Health Affairs).

- **IRS finalizes Marketplace tax reporting requirements.** The Internal Revenue Service (IRS) finalized a regulation on May 7, requiring Marketplaces to report on a monthly basis information for persons/families enrolled in qualified health plans. The regulations require Marketplaces to submit the individual’s name, address, and taxpayer identification number, their health plan and the plan’s premium, and the amount of any advance premium tax credit received. This information will be used to help compute income taxes owed (Modern Healthcare, 5/12).

- **CMS reviews Medicaid managed care payment rates, will update regulations.** Responding to reports of inconsistencies among and within states, on May 21, CMS announced a comprehensive review to examine how state Medicaid programs set managed care organizations’ (MCOs) payment rates and determine whether those rates are actuarially sound. The review will ascertain whether state payments cover all anticipated costs, taxes, and fees and ensure that MCOs are not overpaid. Additionally, CMS announced plans to release a proposed rule that will update many managed care regulations for the first time since 1998. According to a CMS spokesperson, the proposed rule will include “stronger beneficiary protection language” and consolidate provisions of more recent laws, including the Children’s Health Insurance Program Reauthorization Act (CHIPRA) and the ACA (California Healthline, 5/28; Modern Healthcare, 5/27).

- **CMS releases new Medicare hospital charge data and new data toolsets.** On June 2, CMS released its annual Medicare physician and hospital charge data. The dataset covers calendar year (CY) 2012 and provides information on average prices for a variety of inpatient and outpatient services at over 3,000 hospitals. At the same time, CMS also released the Geographic Variation Dashboards and its Chronic Conditions Data Warehouse toolset. The dashboards present per-capita fee-for-service Medicare spending at the state and county levels, while the warehouse allows users to estimate the number of beneficiaries with certain demographic profiles or health conditions. According to HHS, releasing the data “furthers the administration’s efforts to increase transparency and support data-driven decision making which is essential for health care transformation” (HHS, 6/2; Fierce Health Finance, 6/2).

- **IRS clarifies ACA’s employer mandate requirements.** On May 13, the IRS issued a Question and Answer (Q&A) document, clarifying that employer reimbursements for individual plans purchased on Health Insurance Marketplaces do not satisfy the ACA employer mandate. The employer mandate requires that businesses with 50 or more full-time-equivalent employees (FTEs) provide health insurance coverage or pay a penalty. According to the Q&A, employers attempting such an arrangement will be subject to a daily excise tax of $100 per employee. Authorized under the ACA, the employer mandate will take effect in 2015 for businesses with more than 100 FTEs and in 2016 for businesses with 50 to 99 FTEs (New York Times, 5/25; Kaiser Health News, 5/28).

- **SAMHSA offers up to $2.6 million for service infrastructure, awards $900,000 for distress hotline.** On May 30, SAMHSA announced plans to award one currently funded Addiction Technology Transfer Center (ATTC) up to $1.8 million for a Center Of Excellence (CoE)
on Behavioral Health For Racial/Ethnic Minority Young Men Who Have Sex With Men (YMSM) and Lesbian, Gay, Bi-Sexual, and Transgender Populations (LGBT). Under the award, the ATTC will expand its workforce development efforts for substance use disorder treatment professionals who serve YMSM and LGBT individuals. Meanwhile, SAMHSA also announced plans to award up to $800,000 in Statewide Peer Network Development Program for Recovery and Resiliency grants and awarded Link2Health Solutions $900,000 in supplemental funding to expand the National Disaster Distress Hotline. The hotline provides free, confidential crisis counseling to those experiencing distress as a result of disasters (SAMHSA, 5/30; SAMHSA, 6/6; SAMHSA, 5/19).

- Senate confirms HHS Secretary Burwell. In a 78-17 vote on June 5, the U.S. Senate confirmed Sylvia Mathews Burwell as the 22nd Secretary of the U.S. Department of Health and Human Services. President Obama nominated Secretary Burwell in April 2014, after outgoing HHS Secretary Kathleen Sebelius announced her resignation (Washington Post, 6/5; Kaiser Health News, 6/6; HHS).

State News

- NV, MD & OR marketplaces move toward using Healthcare.gov. Citing ongoing technical issues and cost, Nevada’s Health Insurance Marketplace announced plans to end its state-based consumer portal and use Healthcare.gov. According to media reports, state officials emphasized that the Marketplace may develop its own consumer portal in the future and noted that Nevada will continue to administer all other aspects of the Marketplace. Meanwhile, Maryland’s Marketplace awarded a five-year, $29.3 million contract to Xerox and a three-year, $14.2 million contract to Deloitte to implement and support the state’s new consumer portal software. Finally, Oregon’s Marketplace is offering a $35 million contract to oversee its transition to Healthcare.gov. Under the transition plan, although Healthcare.gov will become the state’s consumer portal, the Oregon Health Authority (OHA) will maintain responsibility for determining Medicaid expansion eligibility. According to The Oregonian, most of the contract’s cost is related to developing OHA’s Medicaid eligibility determination systems, while the transition to Healthcare.gov is expected to cost $5 million (Politico, 5/20; Reuters via Chicago Tribune, 5/21; AP via News & Observer, 5/30; The Oregonian, 5/28).

- California: Orange County allocates $4.4 million to implement Laura’s Law. In the wake of recent events, the Orange County Board of Supervisors unanimously voted to become the second California county to implement Laura’s Law. Passed by the California Legislature in 2002, counties may opt-in to the law, which allows courts to order individuals with serious mental illness (SMI) and a recent history of psychiatric hospitalization or violent behavior into outpatient treatment without their consent. The Orange County Board also voted to allocate $4.4 million in mental health funding annually to support assessment and treatment for up to 120 individuals who will be affected by the law each year. Additionally, the Board allocated funding for the Office of the Orange County Public Defender and the Office of the Orange County Counsel to hire additional staff to manage legal issues associated with Laura’s Law. Nevada County is the only other county to adopt Laura’s Law (Los Angeles Times, 5/13).
Indiana proposes Medicaid expansion alternative. On May 15, Indiana Governor Mike Pence (R) unveiled a draft Section 1115 Research and Demonstration waiver that would provide private health insurance premium assistance using federal Medicaid expansion funds. Under the waiver, the Indiana Family and Social Services Administration (IFSSA) would reform its current Healthy Indiana Plan (HIP) premium assistance program to comply with ACA requirements, and IFSSA would offer enrollment to all individuals eligible for the ACA’s Medicaid expansion. The waiver would offer two programs: HIP Basic, which would be available only to individuals with incomes below 100 percent of the federal poverty level, and HIP Plus, which would be available to all expansion-eligible individuals. HIP Basic enrollees would receive a subsidy for the entire cost of their premium, with co-payments no greater than five percent of their income. In addition to copays, HIP Plus enrollees would pay monthly premiums of $3 to $25; however, they would receive additional coverage, including vision and dental. According to IFSSA, Indiana will seek additional public comment prior to submitting the waiver (Office of Governor Pence, 5/15; New York Times, 5/16; Politico, 5/15).

Kansas allocates $9.5 million to review and expand behavioral health services. Using funding from the Temporary Assistance for Needy Families block grant along with state funds, Kansas Governor Sam Brownback (R) announced plans to expand behavioral health treatment and prevention services, statewide. According to Governor Brownback, the Kansas Department for Children and Families (KDCF) will award $7 million to expand services for at-risk families, $1 million to expand community mental health center (CMHC) services for uninsured individuals, and $500,000 to create 81 new substance use disorder residential treatment beds. KDCF will also use $150,000 to identify and support 12 to 15 of the most at-risk communities in the state. Additionally, Governor Brownback announced the creation of the Law Enforcement Behavioral Health Advisory Council and the Behavioral Health Subcabinet. The Council will award $500,000 to support grants to divert persons with mental illness from the criminal justice system, while $350,000 will be used to fund a comprehensive review of state behavioral health services (Kansas Health Institute, 5/27; Office of Governor Brownback, 5/27).

Massachusetts awards $8 million for behavioral health services. To expand access to behavioral health services, the Office of the Attorney General of Massachusetts awarded 22 organizations a total of $8 million in Increasing Access to and Measuring the Benefits of Providing Behavioral Health Services in Massachusetts grants. Funded by a recent settlement with a Johnson & Johnson subsidiary, the grants will develop or expand behavioral health programs that target underserved populations, including veterans, children, victims of violence, and low-income populations (Office of Attorney General Coakley, 5/20).

Michigan approves involuntary substance abuse treatment services. On June 3, the Michigan Legislature approved a bill (HB 4486) allowing the state to involuntarily admit individuals with a substance use disorder (SUD) into treatment services. Under the bill, individuals who have been found incapacitated in a public place or who have a petition for involuntary treatment submitted on their behalf may be held and treated for up to 72 hours pending a court hearing. The petition may be submitted by any relative, a health care professional, or a group of three adults who know the individual and have “personal knowledge”
of his or her SUD. To continue involuntary treatment services, a judge must determine that an individual has harmed or is likely to harm themselves or others or that an individual’s judgment is so impaired that they “do not appreciate the need for services.” The bill notes that merely refusing treatment does not constitute sufficient evidence for this determination. According to the Michigan House Fiscal Agency, involuntary treatment services will cost the state $646 to $2,593 per individual, depending on the services required. Michigan Governor Rick Snyder (R) is expected to sign the bill (AP via NBC25, 6/4; Michigan Legislature).

- **New Hampshire submits waiver to expand behavioral health services.** To prepare for the state’s coverage expansion, on June 6, the New Hampshire Department of Health Human Services (NHDHHS) submitted a Section 1115 Research and Demonstration waiver to expand its Medicaid behavioral health system. According to the Governor’s office, the waiver is titled “Building Capacity for Transformation” to reflect “the state’s efforts to strengthen substance use disorder (SUD), mental health treatment and population health efforts.” Among other changes outlined in the waiver, NHDHHS would implement multi-disciplinary treatment teams for individuals with behavioral health conditions, expand community-based programs for children and youth with serious emotional disturbances, fund behavioral health workforce development grants, and increase Medicaid reimbursement rates for hospitals and CMHCs that expand or improve their behavioral health services. According to New Hampshire Governor Maggie Hassan (D) the waiver will support New Hampshire’s overall health reform strategy, including its plan to expand Medicaid before transitioning the expansion population to premium assistance (Office of Governor Hassan, 5/30; New Hampshire Union Leader, 5/28).

- **Rhode Island approves behavioral health parity law.** Building on existing Federal and state requirements, on May 28, the Rhode Island General Assembly approved a bill (S 2801) expanding state behavioral health parity protections. Under the bill, insurers are explicitly barred from implementing visit or dollar limits on behavioral health services that are more stringent than such limits on physical health services. Additionally, the bill supports medication-assisted treatment, requires insurers to better inform enrollees of their substance use disorder (SUD) treatment benefits, and requires hospitals to amend their discharge planning to better address the needs of patients with SUDs. Rhode Island Governor Lincoln Chaffee (D) is expected to sign the bill (Providence Journal, 5/28; Providence Journal, 4/30).

- **Tennessee expands treatment services for DUI offenders.** On May 14, Tennessee Governor Bill Haslam (R) signed a bill (HB 1429) authorizing courts to reduce but not eliminate jail sentences for second- and third-time Driving Under the Influence (DUI) offenders who agree to enter and successfully complete a substance abuse treatment program upon their release. Under the bill, individuals must request this reduction, but courts may deny the request or require individuals to enter treatment without reducing their sentence. According to the bill’s sponsor, an account funded by DUI fines will fully fund treatment for uninsured individuals unable to afford services. All other individuals will be responsible for the cost of their services (Columbia Daily Herald, 2/16).

- **West Virginia awards $1.3 million for substance abuse treatment services.** As part of the state’s ongoing efforts to reduce criminal justice recidivism, West Virginia Governor Early
Ray Tomblin (D) awarded seven organizations a total of $1.3 million in West Virginia Justice Reinvestment Treatment Supervision grants. Under the program, grantees will develop and expand community-based substance abuse treatment services that focus on criminal-justice-involved individuals on supervised release from prison or jail. According to Governor Tomblin, the state will award additional grants throughout 2014 (Office of Governor Tomblin, 5/22; AP via The Republic, 5/22).

Financing Reports

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• States report insufficient funding to address heroin abuse. “State substance abuse agencies, prescription drugs, and heroin abuse: Results from a NASADAD membership inquiry” National Association of State Alcohol and Drug Abuse Directors (NASADAD). Morrison, R. et al. May 2014.


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