

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

- **IRS finalizes individual mandate and Marketplace disclosure rules.** On August 30, the **Internal Revenue Service** (IRS) issued a [final rule](#) to establish the **individual mandate**, which will require individuals to obtain health insurance coverage or pay a penalty. Supplementing previous regulations, the new rule specifies nine categories of people who will be exempt from the mandate, including those with incomes below the tax return filing threshold. The IRS also finalized a [rule](#) that will allow the agency to provide individuals' tax return information to **Health Insurance Marketplaces** to support ACA tax credit and subsidy decisions. Additionally, the IRS issued several proposed rules including: a [rule](#) to implement the ACA's employer mandate on January 1, 2015, a [rule](#) to establish employer and insurer coverage reporting requirements, and a [rule](#) granting businesses with 25 or fewer full-time equivalent employees greater flexibility to purchase employee health insurance through Marketplaces' **Small Business Health Options Program** (SHOP). Under the SHOP rule, eligible businesses may apply Marketplace tax credits to the entire 2014 calendar year regardless of when their insurance plan year begins ([Washington Post, 8/27](#); [LifeHealthPro, 8/13](#); [AP via Washington Post, 9/5](#); [LifeHealthPro, 8/25](#)).
- **HHS finalizes Marketplace standards and program integrity rule.** Building on previously-released guidance and rules, HHS finalized a [rule](#) that outlines program integrity and oversight standards for all **Health Insurance Marketplaces**. According to a companion [factsheet](#), the rule seeks to safeguard federal funds and ensure access to affordable health insurance. Additionally, the rule implements oversight standards for insurers that offer plans in federally-facilitated Marketplaces, consumer protections for enrollment assistance, and payment options for individuals without bank accounts or credit cards. The rule also permits states to develop parallel Marketplace systems in which HHS runs a federally-facilitated Marketplace for individual plans while the state administers an independent **SHOP** ([Kaiser Health News, 8/29](#); [CNN, 8/28](#)).
- **SAMHSA: Public funds account for 61 percent of behavioral health treatment expenditures.** On August 14, SAMHSA released the [National Expenditures for Mental Health Services and Substance Abuse Treatment, 1986-2009](#), finding that mental health and substance abuse treatment spending totaled \$147 billion and \$24 billion, respectively, in 2009. Public funds accounted for 69 percent of substance abuse treatment spending and 60 percent of mental health treatment spending, compared with only 49 percent of all health care spending. In addition, the report notes that increased federal funding during and after the recent recession partially offset the effect of state budget cuts on behavioral health funding ([SAMHSA, 8/14](#)).
- **SAMHSA proposes National Behavioral Health Quality Framework.** On August 22, SAMHSA released its proposed [National Behavioral Health Quality Framework](#) to provide "a mechanism to examine and prioritize quality prevention, treatment, and recovery elements." According to SAMHSA, the Framework is aligned with HHS' [National Strategy for Quality Improvement in Health Care](#) and is meant to serve as a guiding document to identify and implement key quality measures for use in public and private funding decisions.

- **HHS launches \$12 million Marketplace marketing campaign.** To encourage eligible individuals to enroll in **Health Insurance Marketplace** coverage, HHS announced plans to launch a \$12 million informational campaign on September 30. The campaign will operate in AZ, FL, IN, GA, LA, MI, MO, NC, OH, OK, PN, TN, and TX ([Politico, 9/5](#)).

State News

- **Michigan expands Medicaid, Iowa submits expansion waiver, and court upholds Kentucky expansion.** As authorized under the ACA, on September 3, the Michigan Legislature approved a bill ([HB 4714](#)) to **expand Medicaid** to all individuals with incomes up to 138 percent of the federal poverty level (FPL). **Michigan Governor Rick Snyder** (R) is expected to sign the bill, which would implement the expansion on April 1, 2014. Additionally, Michigan's bill contains several provisions that will require HHS approval, including cost-sharing requirements. For enrollees with incomes between 100 and 138 percent of the FPL, the cost-sharing will take effect after four years in the program, while certain non-disabled enrollees will face cost-sharing provisions after six months. On August 23, the **Iowa Department of Human Services** (IDHS) submitted a [Section 1115 Research and Demonstration waiver](#) to implement **Iowa's Medicaid expansion alternative**, known as the [Iowa Health and Wellness Plan](#). Under the plan, IDHS would use federal Medicaid expansion funds to provide private premium assistance. Individuals with incomes up to 100 percent of the FPL would enroll in a state employee health insurance plan, while individuals with incomes between 101 and 138 percent of the FPL would purchase private insurance through the state's **Health Insurance Marketplace**. Iowa's plan would require individuals with incomes over 50 percent of the FPL to pay a portion of their premium on a sliding scale. Finally, **Kentucky's Medicaid expansion** will move forward after a Franklin Circuit Court judge rejected a lawsuit contending that **Kentucky Governor Steve Beshear** (D) lacked the statutory authority to unilaterally expand the state's Medicaid program ([Detroit Free Press, 8/29](#); [Detroit News, 9/3](#); [ModernHealthcare, 9/3](#); [Louisville Courier-Journal, 9/3](#); [Des Moines Register, 8/23](#)).
- **MN, WA, DC and a CA non-profit award \$50.9 million for insurance enrollment assistance and outreach.** In advance of **Health Insurance Marketplaces'** open enrollment on October 1, states continued to issue contracts supporting Marketplace outreach and enrollment programs. Minnesota's Marketplace awarded a \$9 million marketing contract to **BBDO Proximity Minneapolis**, while Washington's Marketplace awarded **GMMB** a \$19 million marketing contract as part of a \$26.3 million advertising campaign. Minnesota and Washington's Marketplaces also launched call centers to answer consumer questions about coverage and enrollment. Meanwhile, Washington, D.C.'s Marketplace awarded 35 organizations a total of \$6.4 million to become **Marketplace navigators**, and the non-profit **California Endowment** awarded \$9.6 million to 11 legal aid organizations to inform low-income individuals about health insurance options under the ACA ([Minnesota Public Radio, 8/18](#); [Kaiser Health News, 8/26](#); [Washington Post, 8/13](#); [CaliforniaHealthline, 8/26](#); [AP via NWCN, 9/3](#); [Minnesota Star Tribune, 9/4](#)).

- **States approve Marketplace insurance premiums.** Continuing to prepare for open enrollment on October 1, [Colorado](#), [Montana](#), [Rhode Island](#), and [Washington](#) finalized previously-announced premiums for plans available through their **Health Insurance Marketplaces**. Meanwhile, [Idaho](#), [Nebraska](#) and [Wisconsin](#) published insurers' proposed Marketplace premiums, and [Alaska](#) announced two insurers that will offer plans through the state's Marketplace. In related news, the **Kaiser Family Foundation** (KFF) released a [report](#) on proposed Marketplace premiums in 17 states and the District of Columbia, finding that Marketplace subsidies will have a substantial effect on individuals' costs, which will be "generally lower than expected" ([Washington Post, 9/6](#); [AP via Washington Post, 9/5](#)).
- **Alabama modifies Medicaid medication reimbursements, HHS-OIG identifies overpayments.** The **Alabama Medicaid Agency** announced that the state's Medicaid program will stop reimbursing for most over-the-counter medications on October 1. Additionally, the agency announced it will lower the limit on enrollees' concurrent brand-name prescription medications from five to four, beginning January 1. Alabama officials expect the changes to reduce state Medicaid costs by \$6.5 million annually. In other news, an **HHS Office of the Inspector General** (OIG) [audit](#) found that HHS gave Alabama \$88.2 million in unallowable Medicaid performance bonus payments from FY2009 through FY2013. HHS OIG recommends that Alabama refund the payments ([Anniston Star, 8/23](#); [Montgomery Advertiser, 8/29](#)).
- **California implements 10 percent Medicaid reimbursement reduction.** On September 5, the **California Department of Health Care Services** (CDHCS) implemented a 10 percent reduction in Medicaid provider reimbursement rates. First signed into law ([AB 97](#)) in 2011, the **U.S. Court of Appeals for the 9th Circuit** upheld the cuts in a May 2013 [ruling](#). According to the Los Angeles Times, CDHCS is implementing the change in three stages, with the final reductions set to take effect January 9, 2014. Reductions to physicians, pharmacists, and nursing facilities will be implemented last; however, per the court ruling, the reductions will apply retroactively to June 1, 2011 ([Los Angeles Times, 8/15](#)).
- **Georgia to launch three behavioral health crisis centers.** On August 19, the **Georgia Department of Behavioral Health and Development Disabilities** (GDBHDD) announced that it will launch three behavioral health crisis centers to provide assessment, short-term counseling, supportive services, and referrals. Located in Albany, Thomasville, and Valdosta, the centers will provide some services currently provided by **Southwestern State**, a state psychiatric hospital set to close on December 31. In other Georgia news, GDBHDD also announced that the **Governor's Office of Planning and Budget** will allow the department to request increased funding for FY2015 ([Georgia Health News, 8/20](#)).
- **Idaho reaches \$28.4 million Medicaid settlement with pharmaceutical companies.** On August 27, the **Idaho Office of the Attorney General** [announced](#) a \$28.4 million global settlement with 33 pharmaceutical companies over charges related to fraudulent Medicaid billings. Under the settlement, the federal government will receive \$13.6 million, Idaho will receive \$7.2 million, and the companies will reimburse the state for all litigation expenses. The settlement also requires the companies to publish all future Medicaid prescription drug prices ([Spokesman-Review, 8/28](#)).

- Indiana: HHS approves Healthy Indiana Plan extension through 2014.** On September 3, HHS [approved](#) a [Section 1115 Research and Demonstration waiver](#) that extends Indiana’s **Healthy Indiana Plan** (HIP) through December 31, 2014. Originally set to expire December 31, 2013, HIP supports special health savings accounts (HSAs), called **Power Accounts**, for low-income individuals who do not qualify for Medicaid. Enrolled individuals contribute 2 percent of their annual income to a \$1,100 HSA, with the state funding the remainder of the account and covering certain medical expenses incurred after the account is exhausted. Under the waiver, the **Indiana Family and Food Services Administration** will tighten HIP’s eligibility cap from 200 percent of the FPL to 100 percent of the FPL and transition higher income individuals to the state’s **Health Insurance Marketplace**, which offers insurance subsidies to individuals with incomes from 100 to 400 percent of the FPL. According to the Washington Post, the eligibility change will enable more individuals with incomes below 100 percent of the FPL to enroll in HIP, as the program has a cap of approximately 45,000 enrollees. Indiana’s waiver does not authorize an ACA Medicaid expansion ([Washington Post, 9/4](#); [Reuters, 9/3](#)).
- Louisiana announces FY2014 extension for Greater New Orleans Community Health Connection.** To continue providing primary care and behavioral health services for certain individuals who do not qualify for Medicaid, the **Louisiana Department of Health & Hospitals** (LDHH) allocated \$6.1 million to extend the **Greater New Orleans Community Health Connection** program through December 31, 2014. Under the program, 60,000 eligible individuals in Orleans, Jefferson, St. Bernard, and Plaquemines parishes receive free services from 38 community health and mental health centers operated by 18 provider organizations. The extension will reduce the program’s eligibility threshold from 200 percent of the FPL to 100 percent of the FPL, lower provider reimbursement rates by 13 percent, and eliminate funding for providers’ capital costs. According to LDHH, the changes will affect 20,000 current enrollees ([New Orleans Times-Picayune, 8/23](#); [LDHH](#)).
- Maine approves bill to reduce overcrowding at psychiatric center.** In response to HHS allegations of overcrowding, understaffing, and excessive use of force at **Riverview Psychiatric Center** (RSC), the Maine Legislature approved a bill ([LD 1515](#)) authorizing RSC to transfer violent patients and criminal suspects to a mental health unit at the **Maine State Prison**. To accommodate the additional patients, the bill allocates \$1.3 million for the prison to hire 14 additional mental health staff. **Maine Governor Paul LePage** (R), who is expected to sign the bill, also announced that HHS approved Maine’s plan to decertify 20 beds at RSC. According to the Associated Press, the beds did not meet federal standards and HHS planned to end all federal reimbursements for RSC if reforms were not implemented ([AP via Boston Globe, 8/29](#); [Bangor Daily News, 8/29](#); [AP via Kansas City Star, 8/30](#)).
- Missouri: Non-profit awards \$4.25 million for behavioral health services.** On August 14, the non-profit **Health Care Foundation of Greater Kansas City** awarded \$4.25 million to support behavioral health services. Allocated to 32 provider organizations, the funds will support trauma-informed therapies, integrated behavioral and physical health services, culturally competent mental health services, and school-based mental health services ([Kansas Health Institute, 8/14](#)).

- **New Hampshire launches Medicaid managed care program, expects to save \$45 million.** On August 14, the **New Hampshire Department of Health and Human Services** (NHDHHS) [authorized](#) the state’s Medicaid Care Management program, set to begin December 1. First announced in 2011 and [approved](#) by CMS in August 2012, NHDHHS withheld final authorization for the program until participating managed care organizations (MCOs) “substantially developed” their provider care networks. According to NHDHHS, MCOs met that requirement after they completed contract negotiations with state’s community mental health centers. NHDHHS will pay MCOs \$2.2 billion over three years and expects the program to reduce state costs by \$45 million ([AP via Boston Globe, 8/13](#); [Concord Monitor, 8/14](#)).
- **New Mexico restores reimbursements to two behavioral health providers.** On August 16, the **New Mexico Human Services Department** (NMHSD) announced plans to resume reimbursements to two behavioral health providers. NMHSD previously suspended reimbursements to 15 behavioral health providers on June 25, citing an ongoing **New Mexico Attorney General’s Office** (NMAGO) probe into Medicaid overbilling. According to a NMHSD spokesperson, the two providers will continue operating while undergoing “intensive oversight of their management and billing practices.” NMHSD had resumed reimbursements to another provider in July ([Albuquerque Journal, 8/17](#)).
- **North Carolina launches \$4.6 million telepsychiatry program.** To increase rural access to behavioral health services, the **North Carolina Office of Rural Health and Community Care** (NCORHCC) announced a telepsychiatric program, set to launch on January 1, 2014. The two-year program will operate from **East Carolina University** and provide rapid-response assessments for individuals experiencing a behavioral health crisis at rural hospitals. Funded with \$4 million in state funds and \$600,000 from the Duke Endowment, NCORHCC estimates that the program will assess 4,350 individuals in 2014 and 13,200 individuals in 2015 ([Winston-Salem Journal, 8/17](#)).
- **Ohio launching substance abuse treatment program for newborns and mothers.** To treat newborns with opiate addictions, the **Ohio Department of Mental Health and Addiction Services** (ODMHAS) announced that it will launch the **Maternal Opiate Medical Support** (MOMS) project in “early 2014.” Under the three-year pilot project, with support from the **Ohio Department of Health** (ODH) and the **Ohio Department of Jobs and Family Services** (ODJFS), ODMHAS will provide interventions and pre- and post-natal treatment for approximately 200 mothers and newborns with opiate addictions. According to ODMHAS, the \$4.2 million pilot is expected to reduce state costs from **neonatal abstinence syndrome** (NAS) by \$1.8 million. The **Ohio Hospital Association** estimates that statewide NAS-related expenses totaled over \$70 million in 2011 ([ODMHAS, 8/29](#); [AP via Circleville Herald, 8/30](#)).
- **Oregon approves autism therapy law.** On August 15, **Oregon Governor John Kitzhaber** (D) signed a bill ([SB 365](#)) that requires the **Oregon Health Evidence Review Commission** to determine whether **applied behavioral analysis** (ABA) meets the state’s standards for an evidence-based practice. If the commission determines that ABA does meet those standards, the bill requires Oregon’s Medicaid program and private insurers to cover ABA. Under the law,

Medicaid coverage would begin in 2015 and private coverage would begin in 2016 ([The Lund Report, 7/1](#)).

- **South Carolina Department of Mental Health sells unused property for maintenance funding.** The **South Carolina Department of Mental Health** (SCDMH) sold its unused Bull Street campus in Columbia for \$15 million and a percentage of the profits from any future sale. According to a SCDMH deputy director, the sale will raise additional funds for facility and equipment maintenance, indirectly supporting patient services as the department's maintenance funding is drawn from its general budget. SCDMH faces \$25.6 million in unfunded and deferred maintenance costs through FY2017, and the General Assembly has cut department funding by \$87 million since FY2008 ([The State, 8/23](#)).
- **Washington launching intensive home- and community-based youth mental health program.** On August 30, the **Washington State Department of Social and Health Services** (WDSHS) announced a [settlement](#) in *T.R. vs. Dreyfus*, which alleged that state mental health services are insufficient for children and youth at-risk for placement in group homes or state facilities. Under the settlement, WDSHS will implement an intensive home- and community-based mental health program for children and youth enrolled in Medicaid. In a joint statement, WDSHS and the plaintiffs announced that the new program, known as **Wraparound with Intensive Services** (WISE), will use the **Child and Adolescent Needs and Strengths** (CANS) assessment tool and is expected to affect 3,000 to 6,000 youth annually ([WDSHS, 8/30](#)).
- **Wisconsin submits Medicaid waiver renewal seeking to remove enrollment cap.** On August 8, the **Wisconsin Department of Health Services** (WDHS) submitted a [Section 1115 Research and Demonstration waiver](#) that would renew the **BadgerCare Plus Childless Adults** Medicaid program. The waiver would reduce the income eligibility threshold from 200 percent of the FPL to 100 percent of the FPL and remove the program's enrollment cap. According to **Wisconsin Governor Scott Walker** (R), individuals affected by the income eligibility reduction can purchase private coverage through the state's **Health Insurance Marketplace**, while eliminating the enrollment cap will help the program serve lower income residents. The waiver does not implement the ACA's Medicaid expansion ([AP via Minneapolis Star Tribune, 8/9](#); [WDHS, 8/8](#)).

Financing Reports

- ["Aligning eligibility for children: Moving the stairstep kids to Medicaid"](#) KFF. Prater, W. & Alker, J. August 15, 2013.
- **California: State auditor finds lack of oversight for county behavioral health programs.** ["Mental Health Services Act: The state's oversight has provided little assurance of the Act's effectiveness, and some counties can improve measurement of their program performance"](#) California State Auditor. August 15, 2013 ([Los Angeles Times, 8/15](#)).
- **Cost of employee-sponsored health insurance may increase four percent in 2014.** ["2013 employer health benefits survey"](#) KFF. August 20, 2013 ([New York Times, 8/20](#)).
- ["Delaying the employer mandate: Small change in the short term, big cost in the long run"](#) RAND Corporation. Price, C. & Saltzman, E. August 2013.

- **[“In states’ hands: How the decision to expand Medicaid will affect the most financially vulnerable Americans”](#)** The Commonwealth Fund. Rasmussen, P. et al. September 2013.
- **Louisiana: Auditor finds transition to Medicaid managed care has been disruptive for local behavioral health providers.** [“Department of Health and Hospitals Office of Behavioral Health Louisiana Behavioral Health Partnership: Experience of four human services districts/authorities during implementation and transition”](#) Louisiana Legislative Auditor. August 14, 2013.
- **[“Making health insurance affordable: Assistance to individuals and families in the Affordable Care Act”](#)** Center for Rural Affairs. Bailey, J. August 2013 ([AP via Atlanta Journal-Constitution, 8/21](#)).
- **Massachusetts: From 2009 to 2011, health premiums increased 9.1 percent, while value of coverage decreased 5.7 percent.** [“Annual report on the Massachusetts health care market”](#) Massachusetts Center for Health Information and Analysis. August 2013.
- **Massachusetts: Private accountable care organization (ACO) also reduced costs for Medicare enrollees** [“Changes in health care spending and quality for Medicare beneficiaries associated with a commercial ACO contract”](#) *Journal of the American Medical Association* 310(8): 829-836. McWilliams, J. et al. August 28, 2013 ([Kaiser Health News, 8/28](#)).
- **Michigan: Mental health court graduates’ recidivism rate almost four times lower than that of non-participants.** [“Michigan mental health courts: 2012 annual report and evaluation summary”](#) Michigan Supreme Court State Court Administrative Office. August 2013 ([Detroit Free Press, 8/26](#)).
- **Ohio: Medicaid expansion could save state \$4 billion by 2025.** [“Testimony to the Senate Finance Committee Medicaid Subcommittee”](#) Health Policy Institute of Ohio & Ohio State University. McGee, A. & Hayes, W. August 13, 2013 ([Columbus Dispatch, 8/14](#)).
- **Oregon could save \$21.6 million annually if all high-risk individuals released from prison received substance abuse treatment.** [“Department of Corrections: Treatment of the highest-risk offenders can avoid cost”](#) Oregon Secretary of State. August 2013 ([Public News Service, 8/15](#)).
- **[“Quantifying tax credits for people now buying insurance on their own”](#)** KFF. Levitt, L. et al. August 14, 2013.
- **[“Small area health insurance estimates \(SAHIE\): 2011 highlights”](#)** U.S. Census Bureau. August 2013 ([Washington Post, 8/29](#)).
- **States do not expect shift to essential health benefits standards to be disruptive.** [“Moving to high quality, adequate coverage: State implementation of new essential health benefit requirements”](#) RWJF. Corlette, S. et al. August 2013.
- **[“The Affordable Care Act and health insurance markets: Simulating the effects of regulation”](#)** RAND Corporation. Eibner, C. et al. August 2013 ([Bloomberg, 8/29](#)).