

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

Financing Focus: July 12, 2013

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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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Implementing the Affordable Care Act (ACA)

- **HHS finalizes individual mandate rule, will implement ACA's employer mandate requirements in 2015.** On June 27, the **U.S. Department of Health and Human Services (HHS)** published a [final rule](#) implementing the ACA's **individual insurance mandate**, which requires nearly all individuals to obtain health insurance coverage or pay a penalty. The rule delineates exemptions to the mandate and outlines federal agencies' enforcement roles. In particular, the rule clarifies that individuals eligible for the ACA's Medicaid expansion but living in states that do not expand Medicaid are exempt from the law's penalty. In addition, on July 2, the **Internal Revenue Service (IRS)** [announced](#) plans to provide an additional year (until 2015) before the ACA mandatory employer and insurer reporting requirements begin. Beginning in 2015, the mandate will require companies with more than 50 full-time-equivalent employees to provide health insurance or pay a penalty. The IRS indicated that the change is designed to meet two goals. First, it will allow the IRS to consider ways to simplify the new reporting requirements consistent with the law. Second, it will provide time to adapt health coverage and reporting systems while employers are moving toward making health coverage affordable and accessible for their employees ([AP via Washington Post, 6/26](#); [Kaiser Health News, 6/27](#); [Washington Post, 7/2](#)).
- **AZ, CA, NJ, RI, & WA expand Medicaid; AR releases premium assistance proposal.** As authorized under the ACA, the governors of [Arizona](#), [California](#), [New Jersey](#), [Rhode Island](#), and [Washington](#) signed bills **expanding Medicaid** to all individuals with incomes up to 138 percent of the federal poverty level (FPL). **New Jersey Governor Chris Christie** (R) also vetoed a bill ([S 2644](#)) that would have maintained New Jersey's expansion regardless of federal funding levels. Meanwhile, **New Hampshire Governor Maggie Hassan** (D) signed a two-year budget ([HB1](#) and [HB2](#)) that creates a bipartisan commission to examine the impact of Medicaid expansion. Governor Hassan also announced plans to call a special legislative session to vote on the expansion after the commission submits its report on October 15. Finally, as part of Arkansas' plan to provide premium assistance with Medicaid expansion funds, the **Arkansas Department of Human Services (ADHS)** released its proposed [Section 1115 Research and Demonstration](#) for public comment ([Bloomberg Businessweek, 6/18a](#); [Los Angeles Times, 6/27](#); [AP via Boston Globe, 6/28](#); [Arkansas Times, 6/24](#); [New Jersey Star-Ledger, 6/28](#); [New Jersey Spotlight, 7/1](#); [WPRI 12, 6/25](#); [AP via Boston Globe, 7/3](#); [Spokesman-Review, 7/3](#)).
- **Pre-Existing Condition Insurance Plan administration transferred to HHS in 17 states.** In response to HHS' decision to move state-based **Pre-Existing Condition Insurance Plans (PCIPs)** to fixed appropriations and end additional funding for states with PCIP cost overruns, AR, CA, CO, IA, IL, KS, MI, MO, NH, NY, NC, OH, OR, PA, SD, UT, and WA transferred PCIP administration to HHS. According to HHS, the changes will ensure that PCIP funding lasts through December 2013, and HHS will administer PCIPs in states that do not approve the changes. Created under the ACA, PCIPs provide temporary health insurance coverage to individuals with pre-existing conditions in all 50 states and the District of Columbia. With these changes, HHS now runs PCIPs in 40 states and the District of Columbia, while 10 states run their

own PCIPs using federal funds. All PCIPs expire when **Health Insurance Marketplaces** open on January 1, 2014 ([Kaiser Health News, 7/1](#)).

- **HHS launches Marketplace website and call center, awards \$1.25 billion eligibility support contract.** On June 25, HHS established a 24-hour call center to educate individuals about **Health Insurance Marketplaces** and relaunched [healthcare.gov](#) and [www.cuidadodesalud.gov/es](#). According to HHS Secretary Kathleen Sebelius, the tools aim “to make sure every American who needs health coverage has the information they need to make choices that are right for themselves and their families—or their businesses.” In addition to providing educational information, beginning October 1, the websites will become the consumer portals for federally-facilitated Marketplaces. In related news, HHS [awarded Serco, Inc.](#), a one-year, \$1.25 billion, eligibility support contract to process consumer health insurance applications for federally-facilitated Marketplaces ([HHS, 6/24](#); [New York Times, 6/25](#); [Kaiser Health News, 6/25](#); [Reuters, 7/2](#)).
- **Enroll America launches health reform educational campaign.** On June 18, non-profit **Enroll America** launched [Get America Covered](#), an outreach campaign designed to educate individuals about the ACA. Led by the former deputy director of the White House Office of Public Engagement, Enroll America is a collaboration between health care providers, insurance plans, physician groups, and consumer organizations, including notable organizations such as **Families USA**, the **American Hospital Association**, and the **Catholic Health Association**. According to Enroll America’s executive director, “well into the eight figures has been budgeted” for the campaign ([Politico, 6/18](#); [ModernHealthcare, 6/17](#)).
- **HHS proposes Marketplace integrity rule, eases income verification requirements in state Marketplaces.** Building on previously-released guidance and rules, HHS issued a [proposed rule](#) outlining 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 proposes 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 would also permit states to develop parallel Marketplace systems, wherein HHS runs a federally-facilitated Marketplace for individual plans while the state administers an independent **Small Business Health Options Program (SHOP)**. HHS also finalized a [rule](#) for state-based Marketplaces that delays insurance verification requirements until January 1, 2015 and reduces states’ audit requirements for consumer-reported income. The rule does not affect federally-facilitated Marketplaces. Finally, HHS issued new [guidance](#) to help state-based marketplaces develop consumer applications ([Reuters, 7/8](#); [Washington Post, 7/5](#); [CMS, 6/14](#); [Washington Post, 6/18](#); [CaliforniaHealthline, 6/17](#); [FierceHealthPayer, 6/17](#)).
- **CO, CT, HI, and OH pursue Marketplace outreach & navigator programs.** In advance of **Health Insurance Marketplaces’** open enrollment on October 1, Colorado, Connecticut, Hawaii, and Ohio continued developing educational, outreach, and navigator programs. Connecticut’s Marketplace, **Access Health CT**, launched a \$15 million marketing campaign. Meanwhile, Colorado’s Marketplace, **Connect for Health Colorado**, awarded 58 consumer organizations \$17 million to form an “assistance network” to help residents apply for health insurance. In

addition, the **Hawaii Health Connector** awarded **Maximus Health Services** a four-year contract to run a customer service call center for \$12 million. Finally, on June 4, **Ohio Governor John Kasich** (R) signed a bill ([SB 9](#)) setting regulatory and training standards for Ohio Marketplace navigators ([Kaiser Health News, 6/11](#); [Hawaii Health Connector, 6/7](#); [WTNH, 6/22](#); [Hartford Courant, 6/17](#); [AP via LifeHealthPro, 3/20](#)).

- **Idaho, Iowa, and Montana announce Marketplace participation and insurance rates.** Joining 16 other states and the District of Columbia, [Idaho](#) and [Iowa](#) announced which insurers have applied to offer plans in their **Health Insurance Marketplaces**. Additionally, Montana joined California, Maryland, Ohio, Oregon, Rhode Island, Vermont, and Washington in publishing insurers' proposed Marketplace premiums.
- **Medical loss ratio saved consumers \$3.9 billion in 2012.** [According](#) to HHS, in 2012, the ACA's **medical loss ratio** (MLR) resulted in \$500 million in health insurance premium rebates for 8.5 million Americans and \$3.4 billion in premium savings for 77.8 million Americans. HHS notes that the total value of the rebates declined from \$1.1 billion in 2011, because more insurers are complying with MLR rules. Under the ACA, insurers must pay set percentages of premium revenue towards health care costs and quality improvement or return the difference to consumers. Large group plans must spend 85 percent of premium revenue on health care, while small group and individual plans must spend at least 80 percent ([HHS, 6/20](#); [LifeHealthPro, 6/20](#)).

National News

- **National Institutes of Health awards CA, NC, NJ, and NY \$63.5 million to study behavioral health.** The **National Institute of Mental Health** (NIMH) awarded **Rutgers University** a five-year, \$44.5 million, grant to identify the DNA sequences that increase individuals' predisposition to behavioral health conditions. NIMH also awarded **University of California, Irvine** (UCI) a five-year, \$10 million, **Silvio O. Conte Center Grant** to study how pre- and post-natal care affects infants' vulnerability to behavioral health conditions in adolescence. Meanwhile, the **National Institute on Drug Abuse** (NIDA) awarded **Duke University's Center for Family and Child Policy** a five-year, \$6.7 million, grant to examine factors that lead to youth alcohol and substance use, and gave **University at Buffalo, The State University of New York** (UB) a five-year, \$2.3 million, grant to study why substance abuse rates are higher among reserve soldiers returned from deployment overseas than active duty soldiers ([New Jersey Star-Ledger, 6/27](#); [UCI, 6/11](#); [UB, 6/14](#); [Charlotte News & Observer, 6/24](#)).
- **HHS awards \$31.7 million for Medicaid and CHIP outreach and enrollment.** On July 2, HHS awarded \$31.7 million through **Connecting Kids to Coverage Outreach and Enrollment Grants** to identify and enroll eligible children in Medicaid and the **Children's Health Insurance Program** (CHIP). According to HHS, awardees will engage schools, reach out to populations with lower enrollment rates, streamline enrollment processes, improve application assistance, and provide outreach training to communities. Authorized under the **Children's Health Insurance Program Reauthorization Act** (CHIPRA) of 2009 and the ACA, HHS awarded funds to 41 state agencies, non-profits and school-based groups in 22 states, and two multistate organizations ([HHS, 7/2](#)).

- **SAMHSA offers up to \$46.5 million to help minority youth at high risk for HIV/AIDS.** To prevent and reduce substance abuse and the transmission of HIV/AIDS among minority youth, **SAMHSA** announced plans to award up to \$46.5 million in **Minority AIDS Initiative (MAI)** funding for **Minority Serving Institutions (MSI) Partnerships with Community-Based Organizations (CBOs)** grants. Under the program, MSIs will partner with one or more CBOs to provide integrated substance abuse and HIV/AIDS services in their surrounding communities. SAMHSA expects to award up to 52 three-year grants of up to \$300,000 annually ([SAMHSA, 6/11](#)).

State News

- **California fines Kaiser Foundation Health Plan \$4 million over behavioral health law violations.** On June 24, the **California Department of Managed Health Care (DMHC)** fined **Kaiser Foundation Health Plan** \$4 million for violating the [Knox-Keene Health Care Service Plan Act of 1975](#). According to [DMHC](#), Kaiser did not provide initial mental health appointments within the 14 days required by the Knox-Keene Act. In addition, DMHC alleges that Kaiser attempted to prevent state regulators from determining patients' wait times ([Los Angeles Times, 6/25](#); [ModernHealthcare, 6/25](#)).
- **California issues emergency regulations to implement essential health benefits.** On June 17, the **California Department of Insurance (CDI)** issued [emergency regulations](#) that require private health insurers to cover the ACA's **essential health benefits (EHBs)**. According to **California Insurance Commissioner Dave Jones**, the regulations give CDI the legal authority to review private insurance plans sold throughout the state ([CDI, 6/17](#)).
- **Florida: HHS approves Medicaid managed care waiver.** Following an initial announcement in February, HHS formally [approved](#) Florida's [Medicaid Section 1115 Research and Demonstration waiver](#) to transition most Medicaid enrollees to managed care by October 1, 2013. Originally proposed August 1, 2011, the waiver is an expansion of a Medicaid pilot program that has been operating in five Florida counties since 2006. During negotiations related to the waiver, HHS noted that nearly half of the 200,000 pilot enrollees were dropped from at least one managed care plan; however, according to the **Florida Agency for Healthcare Administration**, there are now new managed care oversight mechanisms and penalties, including fines of up to \$500,000 for dropping enrollees ([AP via Miami Herald-Tribune, 6/14](#)).
- **Georgia provides Region Four \$17.5 million in additional behavioral health funding.** On June 11, the **Georgia Department of Behavioral Health and Developmental Disabilities (DBHDD)** announced that it will provide an additional \$17.5 million in annual funding to expand services in **Region Four** of the state. Under DBHDD oversight, Region Four is one of six regional offices that administer Georgia's publically-funded behavioral health services. As part of the funding expansion, DBHDD will provide the **Dougherty County Mental Health Outpatient Center** an additional \$4.9 million annually to expand its inpatient capacity, establish six temporary observation beds, and create a full-time walk-in crisis center. The Center provides mental health services to eight counties within Region Four ([DBHDD, 6/11](#); [Albany Herald, 6/11](#)).
- **Kansas launches regional mental health services initiative.** First announced in response to the school shooting in Newton, Connecticut, the **Kansas Department of Aging and Disability**

Services (KDADS) selected five **community mental health centers** (CMHCs) to implement **Kansas Governor Sam Brownback's** (R) [mental health initiative](#). Under the initiative, the CMHCs will assess mental health needs across the state and implement regional outreach plans to improve services for individuals at risk for institutionalization ([Kansas Health Institute, 6/26](#)).

- **Louisiana requires New Orleans hospital to expand behavioral health care.** On June 17, **Louisiana Governor Bobby Jindal** (R) signed a bill ([HB 720](#)) allowing **Children's Hospital of New Orleans** to purchase **New Orleans Adolescent Hospital's** (NOAH) property and facility. As a condition of the purchase, the bill requires Children's to establish at least 16 additional pediatric or adolescent mental-health beds at the NOAH facility and expand behavioral health services for children under age five. Additionally, the bill requires Children's to expand its autism center and improve services for behavioral health patients transitioning from inpatient to outpatient care ([New Orleans Times-Picayune, 6/6](#); [Louisiana State Legislature](#)).
- **Massachusetts establishes Opioid Abuse Prevention Collaborative Program.** Set to use \$3.6 million in SAMHSA **Substance Abuse Prevention and Treatment (SAPT) Block Grant** funding over three years, the **Massachusetts Department of Public Health** (MDPH) has established the **Massachusetts Opioid Abuse Prevention Collaborative Program**. Under the program, MDPH will provide local communities \$1.2 million annually to prevent opioid abuse and reduce the number of associated hospitalizations and deaths. The three-year program has two additional two-year options, contingent on Block Grant funding ([CBS Springfield, 6/14](#)).
- **Nebraska expands children's access to behavioral health screenings.** On June 4, **Nebraska Governor David Heineman** (R) signed a bill ([LB 556](#)) to reduce the average cost of behavioral health screenings by allowing providers to conduct them through wireless phones and internet connections. Previously, Nebraska required that such screenings be conducted through a landline or face-to-face. Additionally, the bill establishes a two-year pilot program to perform more children's mental health screenings. Administered by the **University of Nebraska**, the pilot will fund three additional child psychologists to conduct screenings throughout the state ([Nebraska News Service via North Platte Bulletin, 5/19](#)).
- **New Hampshire allocates \$28 million in additional behavioral health funding.** In addition to creating the **Medicaid Study Commission**, New Hampshire's two-year, \$10.7 billion, FY2014-FY2015 budget ([HB1](#) and [HB2](#)) allocates \$28 million in new behavioral health funding. According to the budget instructions, the funding will expand capacity at the state's public mental health system and eliminate the waitlist for state services to individuals with developmental disabilities ([AP via Boston Globe, 6/28](#); [New Hampshire Union Leader, 6/28](#)).
- **New Mexico: University of New Mexico launches behavioral health service support program.** Using \$4.6 million in funding from the **GE Foundation** and assisted by the **Robert Wood Johnson Foundation** (RWJF), the **University of New Mexico** (UNM) **Health Sciences Center** launched a program to support community health centers' behavioral health services. Developed under UNM's **Project ECHO** (Extension for Community Healthcare Outcomes), the program will establish weekly teleconferences between community providers and behavioral health specialists to discuss patients with complex behavioral health needs and develop treatment plans. First created as a way to improve care for patients with Hepatitis C, Project

ECHO programs are designed to expand medical knowledge by connecting community providers with academic specialists. The new behavioral health ECHO program will work with eight community providers throughout New Mexico ([Politico, 6/17](#); [MedPage Today, 6/14](#)).

Financing Reports

- **ACA will increase the number of insurers offering individual coverage by 35 percent in ten states.** [“Impact of national health reform and state-based exchanges on the level of competition in the nongroup market”](#) State Health Reform Assistance Network on behalf of RWJF. Kingsdale, J. et al. June 17, 2013.
- [“Advancing access to addiction medications: Implications for opioid addiction treatment”](#) American Society of Addiction Medicine. June 2013 ([Medpage Today, 6/20](#)).
- **California: ACA provides opportunity to simplify health care systems.** [“California’s health care environment and health reform efforts: June 2013 update”](#) Kaiser Family Foundation (KFF). Arguello, R. June 25, 2013.
- [“Effects of outpatient treatment on risk of arrest of adults with serious mental illness and associated costs”](#) *Psychiatry Services* published online before print. Van Dorn, R. et al. May 15, 2013 ([North Carolina Health News, 7/1](#)).
- [“Impact of state mental health parity laws on access to autism services”](#) *Psychiatric Services* published online before print. Bilaver, L. & Jordan, N. June 17, 2013.
- [“Implementation of small business exchanges in six states”](#) Urban Institute on behalf of RWJF. Blumberg, L. & Rifkin, S. June 27, 2013.
- **Individuals covered under Medicaid expansion less likely than current enrollees to have chronic conditions.** [“Health status, risk factors, and medical conditions among persons enrolled in Medicaid vs. uninsured low-income adults potentially eligible for Medicaid under the Affordable Care Act”](#) *Journal of the American Medical Association* published online ahead of print. Decker, S. et al. June 23, 2013.
- **Kansas: Medicaid managed care transition proceeded smoothly in Q1.** [“Quarterly report to CMS regarding operation of 1115 Waiver Demonstration Program – Quarter ending 3.31.13”](#) Kansas Department of Health and Environment. June 2013 ([Kansas Health Institute, 6/7](#)).
- [“Launching the Medicare Part D program: Lessons for the new Health Insurance Marketplaces”](#) Georgetown University Health Policy Institute on behalf of RWJF. Hoadley, J. et al. June 20, 2013.
- [“Medicaid expansion under the ACA: How states analyze the fiscal and economic trade-offs”](#) RWJF. Dorn, S. et al. June 12, 2013.
- **Medicaid Patient Centered Medical Homes can diminish service silos.** [“Measuring and improving care coordination: Lessons from Assuring Better Child Health and Development \(ABCD\) III”](#) National Academy for State Health Policy (NASHP). Hanlon, C. June 2013.
- **Medical cost growth projected to drop to 6.5 percent in 2014.** [“Medical cost trend: Behind the numbers 2014”](#) PricewaterhouseCoopers LLP. June 2013 ([Bloomberg Businessweek, 6/18b](#)).

- **Missouri Medicaid’s health homes pilot program saved MO \$4.2 million in first year.** [“Missouri’s community mental health center health care homes”](#) Health Care Foundation of Greater Kansas City. June 2013 ([Kansas Health Institute, 6/25](#)).
- **Pennsylvania: Medicaid expansion could add \$3 billion in annual economic activity.** [“The budgetary effects of Medicaid expansion on Pennsylvania: An expansion on previous work”](#) RAND Corporation. Price, C. & Eibner, C. June 2013.
- **States could see increased Medicaid enrollment among the already-eligible after expansion.** [“Medicaid ‘welcome-mat’ effect of Affordable Care Act implementation could be substantial”](#) *Health Affairs* published online ahead of print. Sonier, J. et al. June 2013.
- **States have drawn down \$380 million of the \$3.7 billion HHS awarded for Marketplace development.** [“HHS’s process for awarding and overseeing exchange and rate review grants to states”](#) GAO. June 2013.
- [“State sharing of insurance exchanges: Options, priorities, and next steps from the West Virginia regional exchange study”](#) NASHP. Arons, A. et al. June 2013.
- **States should use community partners to disseminate information about managed care transitions, KFF recommends.** [“Transitioning beneficiaries with complex care needs to Medicaid managed care: Insights from California”](#) KFF. Graham, C. et al. June 25, 2013.
- [“State-level progress in implementation of federally facilitated exchanges: findings from Alabama, Michigan, and Virginia”](#) Urban Institute on behalf of RWJF. Blumberg, L. & Rifkin, S. June 14, 2013.