

National Health Financing News

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For questions or comments, please contact Sarah Wattenberg (sarah.wattenberg@samhsa.hhs.gov).

National Health Financing News

- **Senate Finance Committee Reduces Health Reform Proposal Cost, House Democrats Release Outline:** On June 19, House Democrats unveiled their health care reform plan which includes a public plan, a Medicaid expansion, an individual health care mandate, significant federal regulation of private health insurers, and a requirement that employers offer health insurance or pay a tax ([Kaiser Health News, 6/19](#)). The plan is financed through an 8 percent payroll tax on employers that do not provide health coverage for their employees and a 2 percent tax on individuals who do not purchase health insurance. This proposal has not yet been priced by the **Congressional Budget Office** (CBO) ([Kaiser Health News, 6/22](#)). Hearings on the House plan began June 23 and on June 24 the **U.S. Chamber of Commerce** came out strongly against the bill in a **House Ways and Means Committee** hearing ([Kaiser Health News, 6/23](#); [Kaiser Health News, 6/24](#); [Kaiser Health News, 6/25](#)). Details of all of the current legislative health care reform packages, including the House plan, are available for side-by-side comparison on the **Kaiser Family Foundation** (KFF) [website](#). Meanwhile, **Senate Finance Committee Chair Max Baucus** (D-MT) announced that his committee has reduced the cost of its health care reform proposal to less than \$1 trillion over 10 years but will likely tax employee health benefits ([CQ Politics, 6/25](#)). The committee has yet to release an officially updated draft but Sen. Baucus said the committee aims to finish the bill shortly after the July 4 Congressional recess ([Kaiser Health News, 6/26](#)). On June 24, **President Barack Obama** rejected the idea of fully taxing employer health benefits but said that he remained open to taxing particularly generous benefit packages ([Kaiser Health News, 6/25](#)). Finally, President Obama met with **Governors Jim Douglas** (R-VT), **Jim Doyle** (D-WI), **Jennifer Granholm** (D-MI), **Chris Gregoire** (D-WA), and **Mike Rounds** (R-SD) who expressed concern over the effects of Medicaid expansions on state budgets. They urged President Obama to consider a federal plan to fund any proposed Medicaid expansions without increasing the financial burden on states ([Kaiser Health News, 6/25](#); [Kaiser Health News, 6/23](#)).
- **Pharmaceutical Companies Agree to Help Cover Drug Costs for Medicare Enrollees, Pledge \$80 Billion to Reform the System:** On June 22, **President Obama** announced a deal with U.S. pharmaceutical companies to reduce the cost of prescription drugs for Medicare beneficiaries and contribute to health care reform. Under the plan, members of the **Pharmaceutical Research and Manufacturers Association** (PhRMA) agreed to forego \$80 billion in revenue over 10 years. PhRMA members will discount brand-name prescription drugs for most seniors in the Medicare Prescription Drug Benefit (Part D) “doughnut hole” by as much as 50 percent¹. Only some of the \$80 billion reflects direct governmental savings because, under the current Medicare system, the Medicare discounts will yield individual savings ([Kaiser Health News, 6/23](#); [Kaiser Health News, 6/22](#); [Kaiser Health News, 6/22](#); [New York Times, 6/20](#)).
- **HHS Report Documents Out-of-Pocket Health Care Costs:** On June 23, the **U.S. Department of Health and Human Services** (HHS) **Office of Health Reform** released a report, “Hidden costs of Health Care: Why Americans are Paying More but Getting Less.” The report documents the rising costs of deductibles, co-payments, and other out-of-pocket expenses, noting that the average health care costs for individuals with employer-sponsored insurance was \$1,522 excluding premiums in 2006—up from

¹ The “doughnut hole” refers to the gap in Medicare prescription drug coverage in which seniors must pay for their prescription drugs out of pocket

\$1,260 in 2001. Including premiums, out-of-pocket costs rose 30 percent from 2001 to 2006 and insurance premiums have nearly doubled since 2000 ([HHS Release via Business Wire, 6/23](#)). The report is available on HHS' health reform [website](#).

- **White House Says Biotech Drugs Should be Protected from Generics for 7 Years:** On June 11, the **Federal Trade Commission (FTC)** released a report concluding that 12-14 years of exclusivity for biotech drugs is too long to promote innovation (Financing News Pulse 6/15 edition). On June 25, **White House** officials announced that they support seven years of protection from generic competition for biotech drugs ([Kaiser Health News, 6/26](#)).
- **Senate Report Says Insurers Failed to Provide Information on Out-of-Network Calculations:** On June 25, the **Senate Commerce, Science and Transportation Committee** released a report saying that insurance companies throughout the country failed to provide their customers with accurate and understandable information regarding the calculation of out-of-network charges. The conclusions involve **UnitedHealth Group Inc.'s** Ingenix database, which insurers previously used to calculate reasonable and customary out-of-network charges. In January, UnitedHealth Group reached a settlement in which the company agreed to pay \$350 million in reimbursements resulting from Ingenix overcharges and fund a new independent database (Financing News Pulse 4/6, 2/20 editions) ([Kaiser Health News, 6/25](#); [Wall Street Journal, 6/25](#)). The report is available on the committee's [website](#).
- **Senator Calls for Structure Change in the VA Medical System:** On June 24, **Senate Veterans Affairs Committee Chair Daniel Akaka (D-HI)** called for more centralized control of the **U.S. Department of Veterans Affairs (VA)** medical system because of recent problems with equipment cleaning that exposed numerous veterans to infection. Akaka says that the central VA office responsible for patient safety must assume a larger role, managing quality assurance across the system rather than leaving quality control procedures to be set at the regional or local level ([AP, 6/14](#); [Kaiser Health News, 6/25](#)).
- **House Approves Bill to End Delay in VA Health Care Financing:** On June 23, the **U.S. House of Representatives** approved a bill that would end waits for federal financing of veterans' health care programs. In 19 of the past 22 years, the **VA** budget has been approved late, forcing the department to operate on the previous year's budget that often lacks funding for new programs slated for inclusion in the new budget. The bill approved by the House would allow Congress to appropriate funds for VA health care programs one year in advance. A similar bill has bipartisan support in the Senate and is expected to pass ([New York Times, 6/23](#); [Kaiser Health News, 6/24](#)).
- **President Signs Tobacco Regulation Bill:** On June 22, **President Obama** signed the **Family Smoking Prevention and Tobacco Control Act (HR 1256)** that passed the Legislature on June 12. The legislation creates a tobacco control center within the **Food and Drug Administration (FDA)**—funded by a fee on tobacco companies— allowing the FDA to regulate the content, sale, and marketing of tobacco products to protect public health (Financing News Pulse 6/22 edition) ([AP, 6/22](#); [Kaiser Health News 6/22](#)).
- **Washington Post-ABC Poll Finds Support for Reform, Confusion and Disagreement on Specifics, and Moveable Attitudes:** Much like the **KFF** and **Wall Street Journal/NBC** polls released last week (Financing News Pulse 6/22 edition), a **Washington Post/ABC** poll found that 58 percent of Americans say that health reform is necessary to control costs and expand coverage. However, the poll found that 60 percent of Americans are at least somewhat worried that health care reform will lead to

higher costs, lower quality, fewer choices, a bigger deficit, worse coverage, or more government bureaucracy. The poll also found that about 80 percent of respondents are satisfied with their current level of care. As in previous polls, opinions about a public health care plan varied based on question phrasing, with 62 percent supporting the plan when presented without details but only 37 percent supporting it when told it would drive some private insurers out of business ([Kaiser Health News, 6/24](#); [Washington Post, 6/24](#)). The results of the poll are available on ABC's website [here](#).

- **Study Finds Children from “Mixed Eligibility” Families More Likely to be Uninsured:** A study published in *Health Affairs* and authored by an economist from the **Agency for Healthcare Research and Quality** (AHRQ) found that children in families where siblings are eligible for different public insurance programs are less likely than other children to be insured, even when all children are eligible for public coverage. The paper finds that recent policies to encourage enrollment have not improved coverage of this “mixed eligibility” population and further finds that states where the State Children’s Health Insurance Program (SCHIP) is separate from Medicaid have higher mixed eligibility uninsurance rates than states in which SCHIP is part of the Medicaid program ([Kaiser Health News, 6/25](#)). An abstract of the study is available on the *Health Affairs* [website](#).
- **Report Finds Small Practices Face Significant Barriers to Providing High Quality Care:** A report, released June 24 by the **National Committee for Quality Assurance** (NCQA), examines small medical practices—those with fewer than six physicians—concluding that they play an important role in health care delivery yet face unique challenges in adapting key health care reform proposals. The report outlines tools to help small practices improve quality of care and implement electronic health records (EHRs) ([Kaiser Health News, 6/25](#)). The report is available on NCQA’s [website](#).
- **Thomson Reuters Study Finds One Quarter of Americans Struggle to Pay for Health Care:** A study by **Thomson Reuters** found that 25 percent of Americans reported struggling to pay for health care in the past 12 months. The study, released June 15, found that 17.4 percent of households reported delaying health care over the past year. The study also found that “Baby Boomers”—the generation born between 1946 and 1964—had the most difficulty paying for health care and were most likely to delay care. In addition, the study found that individuals in homes earning less than \$50,000 annually were three times as likely to have trouble paying for care than individuals in homes earning \$100,000 or more ([Reuters, 6/21](#); [Kaiser Health News, 6/22](#)).
- **APA Urges Broad Interpretation of Behavioral Health Legislation:** The **American Psychiatric Association** (APA) has urged federal regulatory agencies to seek the broadest interpretation of the **Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008** included in the federal “bail out” bill. Set to go into effect for most plans on January 1, 2010, the law requires that plans offering mental health and substance abuse benefits offer equal benefits that are equal to general medical coverage, including copayments, and treatment limitations. The APA is urging federal regulators to hold plans to the spirit of the law, for example disallowing the use of differential reimbursement schedules or separate but equal deductibles for M/SU services even though such practices comply with the law ([Psychiatric News, 6/19](#)).
- **Health Care For America Now Releases Report Outlining Health Care Costs:** The advocacy group **Health Care for America Now** released a report examining the rising out-of-pocket costs for health care and advocating for health care reform. The report documents decreasing coverage and

increasing costs and provides both national and state-level data. The national and state-level reports are available on the organization's [website](#).

- **KFF Releases New State Health Facts Data:** KFF has released updated or new state-level data concerning demographics and the economy, health status, Medicaid and SCHIP, health costs and budgets, providers and service use, and women's health disparities. The information is available at statehealthfacts.org [here](#).

Around the Hill: Hearings on Health Financing

Senate Health, Education, Labor and Pensions Committee: *Health Care Overhaul*

3:00 p.m. June 22, 325 Russell

10:00 a.m. June 23, 325 Russell

10:00 a.m. June 24, 325 Russell

10:00 a.m. June 25, 325 Russell

10:00 a.m. June 26, 325 Russell

House Education and Labor Committee: *Health Care Overhaul*

12:00 p.m. June 23, Rayburn

House Energy and Commerce Subcommittee on Health: *Health Care Overhaul*

9:30 a.m. June 23, 2123 Rayburn

TBA, June 24, 2123 Rayburn

9:30 a.m. June 25, 2123 Rayburn

House Ways and Means Committee: *Health Care Overhaul*

9:00 a.m. June 24, 1100 Longworth

House Energy and Commerce Committee: *Health Care Overhaul*

9:30 a.m. June 24, 2123 Rayburn

House Oversight and Government Reform Subcommittee on Federal Workforce, Postal Service, and the District of Columbia: *Federal Employee Health Benefits Program Drug Benefit*

10:00 a.m. June 24, 2154 Rayburn

House Small Business Subcommittee on Regulations and Healthcare: *Health IT Adoption and Small Practices*

10:00 a.m. June 24, 2360 Rayburn

Senate Finance Committee: *Health Care Overhaul*

TBA June 23, 213 Dirksen *Postponed*.

House Budget Committee: *Statutory PAYGO*

10:00 a.m. June 25, 210 Cannon

House Natural Resources Committee: *Indian Health Care Improvement Act*

10:00 a.m. June 25, 1324 Longworth

Around the States: State and Local Behavioral Health Financing News

California

- **Democratic Budget Fails, Governor Threatens to Veto Stopgap Bills, Proposes New Cuts:** On June 24, Democrats in the **California Legislature** failed to obtain the two-thirds majority needed to pass a state budget to close the state's \$24 billion deficit (Financing News Pulse 6/22, 6/15, 6/1, 5/26 editions). The same day, **Governor Arnold Schwarzenegger** (R) offered two new budget proposals, including a plan to eliminate state contributions to employee health care, saving the state \$1 billion. On June 25, the **California Assembly** approved \$5 billion in budget revisions as a stopgap measure to keep the state running with the fiscal year set to expire July 1. However, Senate Republicans blocked the measures and Governor Schwarzenegger threatened to veto them should they reach his desk. If the state fails to pass a stopgap budget, it may be forced to issue IOUs to welfare recipients, college students, and local governments beginning July 2. Priority for payments if the state fails to pass a budget goes to debt, state payroll, Medicaid, and pensions obligations—in that order ([San Francisco Chronicle, 6/26](#); [Sacramento Bee via Miami Herald, 6/26](#); [Los Angeles Times, 6/26](#); [San Francisco Chronicle, 6/25](#); [California Healthline, 6/25](#)).
- **U.S Supreme Court Rules California Medicaid Providers May Challenge State Cuts:** The **U.S. Supreme Court** denied a review in the case of "Maxwell-Jolly v. Independent Living Center of Southern California" (U.S. No 08-1223), upholding a decision by the **U.S. Court of Appeals for the Ninth Court** that found that Medicaid providers have the right to challenge state provider cuts under Medi-Cal, the state's Medicaid program. The court's decision may set a precedent for providers' ability to challenge state Medicaid fee and service cuts under the Medicaid Act ([Kaiser Health News, 6/24](#); [McKnight's Long-Term Care News & Assisted Living, 6/24](#)).
- **Federal Judge Blocks In-Home Care Wage Cut; Superior Court says State May Cut Medicaid Benefits:** On June 25, the **U.S. District Court** blocked a plan for California to cut compensation for in-home care workers from \$12.10 an hour in wages and benefits to \$10.10 an hour (Financing News Pulse 6/15 edition). The move overturns a portion of a budget deal reached by **Governor Schwarzenegger** (R) and the Legislature in February, adding \$98 million to the state's \$24 billion deficit ([Kaiser Health News, 6/26](#); [Sacramento Bee, 6/26](#)). In related news, the **Sacramento County Superior Court** ruled that the state can eliminate some Medicaid benefits, including dental, podiatry, optometry, psychology, and speech therapy benefits. The cuts will be effective July 1 ([Record Searchlight, 6/25](#); [Kaiser Health News, 6/26](#)).
- **UCLA Policy Brief Examines Medical Home Coverage in 10 Counties:** The **University of California, Los Angeles (UCLA) Center for Health Policy Research** released a brief titled, "Health Coverage in the Safety Net: How California's Coverage Initiative is Providing a Medical Home to Low-Income Uninsured Adults in Ten Counties, Interim Findings." The brief presents interim findings of a medical home pilot that is

part of a three-year program through the state's Health Care Coverage Initiative. The brief describes the use of EHRs, standardization of disease registries, and modifications to communication between primary physicians and specialists ([Kaiser Health News, 6/25](#)). The brief is available on the [UCLA website](#).

- **Santa Clara County Approves Budget with Health Care Cuts, M/SU Affected:** On June 19, the Santa Clara County Board of Supervisors approved a \$2.2 billion budget, closing a \$273 million deficit (Financing News Pulse 5/18 edition). The budget eliminates roughly 25 percent of the health department's nursing staff and cuts mental health care and substance abuse programs for the uninsured. The county will hold additional meetings this summer to determine if further cuts are needed in light of state budget cuts ([San Jose Mercury News, 6/19](#)).
- **Update: Rep. Farr Says Congress May Include Medicare Rate Adjustment in Health Reform:** On June 19, **Rep. Sam Farr** (D-CA) said that the legislation that he introduced in the House, which was introduced by **Senator Dianne Feinstein** (D-CA) in the Senate, will be considered as part of the broader health care reform debate (Financing News Pulse 6/15 edition). The bill would alter the federal Geographic Practice Cost Index (GPCI) on which local Medicare reimbursement rates are based. The change, which is estimated to cost \$50 million, would raise the reimbursement rates for eight costal counties in California that are currently designated as "rural" despite having urban-level costs of living ([San Jose Mercury News, 6/20](#)).
- **San Mateo County Approves Medical Center Job Cuts:** On June 22, the San Mateo County Board of Supervisors approved a tentative budget eliminating 70 positions at the county-run hospital as part of a five-year plan to cut hospital costs by more than \$20 million. The plan would bring county general fund contributions for the hospital from \$72 million to \$50 million by 2013-14. The job eliminations target vacant positions ([San Jose Mercury News, 6/22](#)).
- **Lake County Approves Funding for Mental Health Beds:** The Lake Country Board of Supervisors approved a \$289,516 dollar contract with the **California Department of Mental Health** to provide two hospital beds to mental health patients from Lake County on an as-needed basis ([Lake County Record-Bee, 6/23](#)).
- **Stanford Receives \$10 Million NIMH Grant:** On June 22, officials announced that **Stanford University's School of Medicine** will receive a five-year \$10 million **National Institute of Mental Health** (NIMH) grant to establish and operate a Silvio O Conte Center for Neuroscience Research. The center will study neuroplasticity ([San Francisco Business Times, 6/22](#)).

Colorado

- **Larimer County Approves Employee Health Clinic:** On June 23, the Larimer County Commissioners approved a contract with Healthstat to operate a clinic for employees enrolled in the county's health plan. The clinic, which will be staffed by a physician's assistant and a medical office assistant, is slated to open November 1 and provide generic prescription drugs in addition to office visits. The estimated first-year cost for the clinic is \$473,000 with a \$406,000 projected annual expense in subsequent years;

however, the county believes the clinic will save \$3.3 million over five years. Funding from the project comes partially from the county's medical insurance reserves ([Coloradoan, 6/23](#)).

- **Budget Shortfalls Close Children's Behavioral Health Center:** The Kathleen Painter Littler Center in Greeley, Colorado will close on July 31 because of decreased federal funding and increasing operating expenses. The facility previously provided residential behavioral health treatment to 14 children and day treatment to 10 others. The facility's current patients will be transferred to other residential facilities or foster care ([Greeley Tribune, 6/25](#)).

Connecticut

- **Senate Passes Budget Without Medicaid Cuts, Governor Expected to Veto Over Taxes:** On June 25, the **Connecticut Senate** passed a \$37 billion two-year budget designed to close a projected \$8.8 billion deficit over two years. The Senate budget does not include the cuts to Medicaid coverage for dental care and eyeglasses proposed by **Governor M. Jodi Rell** (R) in February (Financing News Pulse 4/13, 2/6 editions). The budget is expected to pass in the **Connecticut House** and Governor Rell is expected to veto it over \$2.5 billion in proposed tax increases ([Norwich Bulletin, 6/25](#); [AP via Forbes 6/24](#)).

Florida

- **BlueCross BlueShield of Florida to Require Prior Authorization for Behavioral Health Visits:** Effective October 3, patients insured through **BlueCross BlueShield (BCBS) of Florida** will require prior authorization for outpatient psychiatrist visits, inpatient admissions, and partial psychiatric and substance abuse treatment. Providers accepting BCBS were required to sign contract amendments by June 24 ([Naples Daily News, 6/24](#)).
- **Miami Authorities Charge Suspects with Medicare Fraud:** Miami officials charged eight defendants with defrauding Medicare by billing for HIV and cancer drugs using 29 storefronts in Florida, North Carolina, South Carolina, Georgia, and Louisiana. Authorities estimate that the defendants attempted to steal \$100 million from Medicare and Medicare Advantage. Two of the defendants and \$30 million are still missing ([AP, 6/23](#); [Kaiser Health News, 6/24](#)).
- **Hernando County Sheriff Considers Eliminating DARE to Reduce Cost:** Tasked with cutting \$4.2 million from the budget, Hernando County Sheriff Richard Nugent is considering eliminating the county's **Drug Abuse Resistance Education (DARE)** program to save the sheriff's office \$275,000. The sheriff is also considering eliminating an anti-gang program and laying off staff ([Hernando Today via Tampa Bay Online, 6/21](#)).

Hawaii

- **State to Close Mental Health Clinic:** On July 16, budget cuts will force the **Hawaii Department of Health** to close a satellite mental health clinic serving Oahu residents. The clinic previously served over 100 mentally ill individuals ([KHON, 6/22](#)).

Illinois

- **Governor Signs Mini-COBRA Bill:** On June 18, **Governor Pat Quinn** (D) signed legislation to provide COBRA-like benefits to employees laid off from employers with fewer than 20 employees. The legislation will make former employees of small firms eligible for the 65 percent COBRA subsidy under the American Recovery and Reinvestment Act (ARRA) ([Insurance Journal, 6/22](#)).
- **Governor Settles Health Care Lawsuit:** On June 22, **Governor Quinn** (D) settled a lawsuit originally brought by a business against former **Governor Rod Blagojevich** (D). The suit came after Governor Blagojevich expanded a health care plan, "FamilyCare," which had previously been rejected by the **Illinois Legislature**. Upon assuming office, Governor Quinn ceased to defend Governor Blagojevich's expansion of the FamilyCare program and, in April, signed a health care program providing coverage to individuals earning up to 185 percent of the federal poverty level (FPL) ([AP via Forbes, 6/23](#)).

Indiana

- **Senate Passes Budget, Conference Committee Makes Little Progress:** On June 23, the Republican-controlled **Indiana Senate** passed a two-year \$28.8 billion budget, including \$1 billion in ARRA funding; however, the Democratic-controlled **Indiana House** passed a one-year \$14.5 billion budget. The two sides have yet to make significant public progress in budget negotiations but the state must pass a budget before the current-year budget expires June 30. According to the Senate press release, the Senate budget fully funds Medicaid based on the April 17 Medicaid forecast, providing \$3.38 billion in state funding over two years. The Senate also passed a contingency budget that would allow the government to continue functioning at current spending levels; however, House Democrats have refused to sign the bill. **Governor Mitch Daniels** (R) supports the Senate's plan. ([AP via Forbes, 6/25](#); [AP via MSNBC, 6/25](#); [Indiana Senate via Indiana Business, 6/23](#)).

Louisiana

- **Legislature Reaches Budget Compromise, Lessens Some Planned Health Cuts:** On June 25, the **Louisiana Legislature** agreed to a \$28 billion state budget that reduces planned cuts by \$127 million and taps numerous funding sources. The budget cuts Medicaid reimbursements by \$200 million; however, the budget reduces planned cuts by \$45 million in state funding and \$233 million in total federal-state funds ([Times Picayune, 6/25](#); [AP via WXVT, 6/25](#)).

Maryland

- **Frederick County Appoints New Director of Mental Health Services:** On June 3, Andrea Walker was appointed director of mental health services at the **Fredrick County Health Department**. Walker succeeds Robert Scheer who retired from the department after serving as director of mental health services for 16 years ([Fredrick News Post, 6/20](#)).

Massachusetts

- **Legislature Passes Budget; Some Medicaid Payments Delayed Until Final Approval:** The **Massachusetts Legislature** passed a \$24.7 billion budget (**HB 4129**) for FY2010, relying on \$1.5 billion in ARRA funding. The budget cuts local aid by up to 15 percent, raises the state sales tax from 5 percent to 6.25 percent, and requires some state workers to pay more for health insurance. The budget now heads to **Governor**

Deval Patrick (D) who says he will veto the budget unless significant ethics reform is passed first ([Boston Globe, 6/19](#); [Boston Globe, 6/19](#); [Wicked Local, 6/22](#); [NECN, 6/22](#)). In addition, MassHealth—the state's Medicaid program—has temporarily suspended some Medicaid provider reimbursements due to cash flow problems which they say will not be resolved until Governor Patrick approves a budget. MassHealth officials say they will consider hardship payments for providers based on the severity of need and availability of funds ([Wicked Local, 6/24](#)).

- **State Cuts Funding for Health Care Subsidies:** On June 23, the **Massachusetts Connector Authority**, which oversees the state's 2006 health care reform law, cut \$115 million—12 percent—from Commonwealth Care, the program that subsidizes health insurance premiums for low-income residents. The cuts come as Commonwealth Care enrollment has increased from 165,000 to 177,000 over three months. The bulk of the cuts will eliminate a program that automatically assigned health plans to the 18,000 residents that qualified for full subsidies but failed to designate health plans. In addition, the cuts will eliminate \$32 million in managed care payments and end dental coverage for 92,000 residents ([California Healthline, 6/24](#); [Kaiser Health News, 6/25](#)).
- **Worcester Medicare Costs Highest in State:** Data from the Dartmouth Atlas of Health Care show that Worcester's average Medicare reimbursement is \$10,248 per person, well above the national average of \$8,304 and the Massachusetts average of \$9,379 ([Worcester Business Journal Online, 6/22](#)). Additional information from the atlas is available [here](#).

Michigan

- **Federal Authorities Charge 53 with Medicare Fraud in Detroit:** On June 24, a joint fraud investigation by the **U.S. Department of Justice** (DOJ) and **HHS** charged 53 people with Medicare fraud in Detroit. Authorities estimate that the scheme defrauded Medicare of \$50 million, which was distributed to clinic owners, doctors, recruiters, and Medicare enrollees who conspired to commit the fraud. The charges came one day after officials in Miami charged eight people in a similar Medicare fraud investigation (see above) ([Kaiser Health News, 6/25](#); [Wall Street Journal, 6/25](#)).

Minnesota

- **Residential Alcohol Treatment Center to Close:** The Human Development Center's inpatient alcohol recovery center in Douglas County will close in mid-July because the company can no longer fund the program. The 20-bed facility has been unable to secure sufficient private funding to sustain operation and state and local government aid is capped at current spending levels ([Duluth News Tribune, 6/23](#)).

Mississippi

- **Governor Rejects Mississippi Legislators' Budget Over Medicaid Funding, Impasse Endangers Providers:** On June 21, leaders in the **Mississippi Legislature** reached a compromise on a \$5 billion state budget for the fiscal year beginning July 1. The legislators agreed to fund the state's Medicaid program, which currently faces a current-year \$34 million deficit, using a \$60 million hospital tax and providing assurances that hospitals will not face further cuts. However, **Governor Haley Barbour** (R) favors a \$90 million hospital tax and does not believe the Legislature's plan would adequately fund the program. As a result, Governor Barbour has refused to call the special legislative session necessary for the Legislature

to approve its budget. Meanwhile, the current-year Medicaid shortfall has already prompted the state to halt Medicaid payments, which advocacy groups warn will threaten services despite assurances from the governor that it will not. Finally, Governor Barbour and the **Attorney General Jim Hood** (D) disagree over the governor's ability to run the state by executive order should the state fail to pass a budget before July 1. Hood notes that, though mental health treatment, prisons, and public schools would continue to function, most other state services would cease ([Memphis Commercial Appeal, 6/26](#); [AP via Forbes, 6/25](#); [Daily Leader, 6/23](#); [Clarion Ledger, 6/22](#); [Clarion Ledger, 6/20](#); [AP via WXVT, 6/20](#))

Missouri

- **Aetna Expands Medicaid Contract:** On June 19, **Aetna Inc.** announced that it renewed and expanded its contract to provide Medicaid benefits for Missouri Care members in central, eastern, and western Missouri. Aetna previously provided Medicaid coverage in 28 counties. After the expanded contract begins, Aetna will provide benefits in 26 more counties that include St. Louis and Kansas City ([AP via Forbes, 6/19](#)).

New Hampshire

- **Legislature Approves State Budget, Includes Health Cuts:** On June 23, the **New Hampshire Legislature** passed a two-year \$11.5 billion budget that directs agencies to make \$100 million in cuts, largely from the state's **Department of Health and Human Services**. Under the new budget, retired state employees will begin paying health insurance premiums, \$65 monthly for single retirees and \$130 monthly for families and premiums for the state's Healthy Kids Silver program will increase by \$7 to \$9 per month ([Manchester Union Leader, 6/24](#); [Concord Monitor, 6/25](#)).
- **Legislature Approves Medical Marijuana Bill, Governor Studies:** On June 24, the **New Hampshire Legislature** passed a bill that would allow severely ill individuals to obtain legal medical marijuana with a prescription. **Governor Lynch** (D) says he will study the bill and has yet to determine whether he will sign it ([AP via Boston Herald, 6/24](#); [USA Today, 6/24](#)).

New Jersey

- **Assembly Passes Budget:** On June 25, the **New Jersey Assembly** passed a \$28.9 billion state budget, relying on \$2.2 billion in ARRA funding. The Legislature was scheduled to vote on the budget June 18 but **Governor Jon Corzine** (D) delayed the vote to allow lawmakers to allocate \$400 million in unanticipated funds from a tax amnesty program (Financing News Pulse 6/22 edition). The budget uses the \$400 million to restore some property tax rebates. In addition, the budget increases funding for charity health care ([AP via Philly.com, 6/25](#); [Bloomberg, 6/25](#)).
- **Assembly Passes Mental Health Bills:** On June 25, the **New Jersey Assembly** passed three bills to improve access to behavioral health services. **AB 3582** would require the **Division of Mental Health Services** (DMHS) to develop procedures for prompt transfer of mentally ill patients to appropriate treatment settings. **AB 3583** would require the **Department of Human Services** to standardize admission protocols and criteria for state and county psychiatric hospitals and short-term care facilities, and **AB 3584** would require DMHS to perform a state-wide mental health needs assessment to identify available mental health services ([PRNewswire, 6/25](#); [New Jersey Legislature](#))

New Mexico

- **ValueOptions Awarding Behavioral Health Grants Before Contract Expiration:** Slated to end its behavioral health contract with the **New Mexico Behavioral Health Collaborative** on June 30, 2009 (Financing News Pulse 6/8, 5/26, 2/20, 2/13, 1/30 editions), **ValueOptions Inc.** announced that it will award \$3.1 million in grants to behavioral health providers in the state to develop community based services. Over two years, ValueOptions has granted \$13.4 million to expand behavioral health services in New Mexico ([PRNewswire, 6/25](#)).

North Carolina

- **State Awards Money for Local Mental Health Clinic:** North Carolina awarded Smoky Mountain Local Management Entity \$148,000 for New River Behavioral Health Care to help staff walk-in mental health clinics in North Wilkesboro and Sparta ([Wilkes Journal Patriot, 6/22](#)).

Ohio

- **Governor Proposes Numerous Budget Cuts, Behavioral Health Funding Affected:** On June 19, **Governor Ted Strickland** (D) proposed cutting \$2.4 billion from the budget for the coming fiscal year as legislators attempt to address a \$3.2 billion budget gap in the state's \$54 billion proposed budget. Among the cuts, Governor Strickland proposed cutting funding by 28 percent for the **Department of Alcohol and Drug Addiction Services** and by 34 percent for the **Department of Mental Health**, targeted at community-based mental health services. In total, the governor's plan would cut \$111 million from M/SU funding, drawing ire from numerous advocacy organizations ([AP via Forbes, 6/24](#); [News-Herald, 6/24](#)). The governor's plan also cuts Medicaid reimbursements to nursing homes, which advocates say could force dozens of facilities to close ([Columbus Dispatch, 6/25](#); [Kaiser Health News, 6/26](#)).

Rhode Island

- **Update: House Passes Budget, Rejects Governor's Health Proposals, Reverses Health Insurance Commissioner Stance:** The **Rhode Island House** passed a \$7.76 billion budget, using \$226.5 million in ARRA funding to produce a 12 percent increase over the current-year budget. The House budget does not include a provision to eliminate the Health Insurance Commissioner to save \$700,000 that was initially included in the Democratic proposal (Financing News Pulse 6/22 edition) and it also excludes numerous proposals offered by **Governor Don Carcieri** (R). The House eliminated Governor Carcieri's proposed cuts to the Pharmaceutical Assistance for the Elderly program and to dental services for low-income residents under RIte care ([Providence Journal, 6/25](#)).

Tennessee

- **Update: Governor Signs Budget:** The Financing News Pulse (6/22 edition) reported that the **Tennessee Legislature** passed a budget on June 17 that was substantially similar to the budget proposed by **Governor Phil Bredesen** (D) earlier this year. The legislative budget, which the governor signed June 25, restored \$5.9 million in family support grants for mental health ([AP via Forbes, 6/25](#)).

Texas

- **Governor Signs Budget, SCHIP Expansion Fails:** On June 19, **Governor Rick Perry** (R) signed the state's \$182.3 billion two-year budget with few substantive changes. Governor Perry line item vetoed roughly

\$290 million in spending that was slated for programs that failed to pass the Legislature. Among the cuts was funding for an SCHIP expansion that would have raised the income eligibility cap from 200 percent of the FPL to 300 percent (Financing News Pulse 6/1 edition) ([Dallas Morning News, 6/20](#)).

- **Foundation Awards Mental Health Grants, Releases Report on Mental Health Investment Outcomes:** St. David's Community Health Foundation is awarding \$2.85 million in grants to 21 non-profits providing mental health services in Texas. After identifying mental health as a focus in 2006, the foundation has donated over \$7 million to mental health in Central Texas. The foundation has also released a report, conducted by **Texas State University**, which found that, with the additional funding, the area's two integrated behavioral health programs have reduced depression scores and emergency room admissions and realized cost savings ([Austin Business Journal, 6/23](#)).
- **El Paso Mental Health Board Creates Waiting List:** On June 22, the El Paso Mental Health and Mental Retardation Authority's board voted to move 1,500 stable mental health patients to a waiting list because of an \$8 million budget shortage. Individuals on the waiting list will not have immediate access to medication or therapy through the agency ([El Paso Times, 6/22](#)).

Washington

- **Panel Supports Grays Harbor County Mental Health Tax:** The Grays Harbor Task Force on Substance Abuse and Mental Health has recommended that Grays Harbor County adopt a one-tenth of 1 percent sales tax to fund mental health programs. Estimates indicate the tax could generate between \$1 million and \$375,000 the first year ([Olympian, 6/20](#)).

Washington D.C.

- **Survey Shows Area Businesses Reducing Health Benefits, Offering Perks:** A survey by the Human Resource Association for the National Capital Area found that District-area employers are shifting health care costs to workers but providing other perks to retain staff. The survey polled 265 companies and government agencies between February and April, finding that 23 percent of employers raised copays this year—up from 16.4 percent last year. The survey also found that 20 percent of employers raised deductibles, up from 12.8 percent last year. However, the survey also found that businesses are expanding other benefits—like telecommuting—to remain competitive ([Washington Post, 6/23](#); [Kaiser Health News, 6/23](#)).

Wyoming

- **Update: Committee Elects Not to Contest Governor's Cuts:** On June 19, the **Joint Appropriations Committee** passed **Governor Dave Freudenthal's** (D) \$232 million budget cuts by taking no action. The committee had the option of officially endorsing the cuts, recommending a special legislative session to modify the cuts, or allowing them to pass by taking no action ([Casper Star-Tribune, 6/19](#)). The cuts include \$43 million from the **Department of Health** (DOH) of which an estimated \$25.6 million will come from the state's Medicaid program (Financing News Pulse 6/22 edition). The DOH director is working with the governor's office to find ways to avoid cuts to Medicaid providers ([Wyoming Tribune Eagle, 6/22](#)).