

National Health Financing News

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National Health Financing News

- **Lawmakers Consider Public Plan, Health Benefits Tax, and Health Care Mandate as Part of the Health Reform Debate:** On June 4, **Senate Finance Committee Chairman Max Baucus** (D-MT) said his committee's health care reform legislation will likely include a public plan option, departing from his previous commitment to a more bipartisan health reform plan ([Kaiser Health News, 5/31](#)). Sen. Baucus' announcement comes after **President Barack Obama** voiced support for a government-run insurance plan on June 3 ([Kaiser Health News, 6/4](#)). However, the conservative **Blue Dog Coalition** said it will only support a public plan if it is subject to the same restrictions that govern private plans and numerous coalition members only support a public plan option contingent on the failure of a private system ([Kaiser Health News, 6/5](#); [Kaiser Health News, 6/4](#)). In addition, **Senate Minority Leader Mitch McConnell** (R-KY) says Republicans do not support the inclusion of a public plan ([Kaiser Health News, 6/4](#)). The **Senate Health, Education, Labor and Pensions Committee** (HELP Committee) also plans to include a public plan in its health care reform bill and **HELP Committee Chair Edward Kennedy** (D-MA) and Sen. Baucus say their bills will be complementary ([Kaiser Health News, 5/31](#)). In related developments, President Obama indicated that he is "open to" the possibility of taxing some health care benefits, a move which Sen. Baucus says may be necessary to ensure passage of any health care reform bill ([Kaiser Health News 6/4](#); [Kaiser Health News, 6/3](#)). In the same meeting, President Obama indicated that he is also "open to" the possibility of a health care coverage mandate ([Kaiser Health News, 6/4](#)). Finally, on June 1, **Sen. Judd Gregg** (R-NH) broke ranks with Senate Republicans and released his own health care reform plan that includes an individual insurance mandate with government subsidies, changes to employee benefits taxation, and does not include a public plan ([Politico, 6/2](#)).
- **Update: Health Care Industry Groups Offered Detailed Plans to Cut Health Care Costs:** As a follow up to a letter delivered to **President Obama** May 11 (Financing News Pulse 5/18, 5/26 editions), six health care industry groups offered detailed plans to cut \$1.7 trillion in health care costs over the next decade by improving chronic disease management, streamlining administrative tasks, and reducing unnecessary care. The plans come as the groups pledged to reduce the annual health care spending growth rate by 1.5 percent over 10 years. The groups estimate that improving chronic care management can save \$350 billion to \$850 billion, streamlining administration can save \$500 billion to \$700 billion, and improving utilization of care—including reducing unnecessary utilization—can save \$150 billion to \$180 billion. The groups' proposal also includes plans to reduce medical errors, switch to common insurance forms, improve performance measurement, and improve the efficiency of drug development. The six groups are: The **American Medical Association** (AMA), **American Hospital Association** (AHA), **Pharmaceutical Research and Manufactures of America**, **Advanced Medical Technology Association**, **America's Health Insurance Plans** (AHIP), and **Service Employees International Union** (SEIU) ([Wall Street Journal, 6/1](#); [Reuters, 6/1](#); [Kaiser Health News, 6/2](#)).
- **Council of Economic Advisors Report Says Health Reform Will Have Positive Economic Impact:** On June 2, The **Council of Economic Advisors** (CEA) released a report analyzing the economic effects of health care reform, including the effects of reductions in spending growth and expanded coverage. In addition, the report forecasted the economic impact of our current health care system in the absence of reform. The CEA found that slowing the annual health care spending growth rate by 1.5 percent would increase the gross domestic product (GDP) by over 2 percent in 2020 and nearly 8 percent in 2030, prevent increases in the federal deficit, and create 500,000 jobs. The report also found that expanding coverage to the uninsured would increase net economic wellbeing by roughly \$100

billion annually ([Washington Post, 6/2](#); [Bloomberg, 6/2](#); [Kaiser Health News, 6/2](#)). The report is available through the **White House website**.

- **President Obama Proposes Allowing MedPAC to Set Medicare Policy, Sen. Hoyer Opposed:** On June 3, **President Obama** suggested that he would consider allowing the **Medicare Payment Advisory Committee** (MedPAC) to set Medicare reimbursement rates. Under the current system, MedPAC makes recommendations on Medicare financing but only joint resolutions from Congress can change the program ([Kaiser Health News, 6/4](#)). **Senate Finance Health Subcommittee Chair Jay Rockefeller** (D-WV) has proposed legislation suggesting similar changes (Financing News Pulse 5/11, 3/20 editions); however, **House Majority Leader Steny Hoyer** (D-MD) opposes the change ([Kaiser Health News, 6/5](#)).
- **President Requests Additional Swine Flu Funding, Including Funds from the ARRA:** On June 2, **President Obama** requested an additional \$2 billion to prepare for a possible outbreak of the H1N1 influenza virus (swine flu) and an additional 1 percent of the \$311 billion in discretionary **American Recovery and Reinvestment Act** (ARRA) funds, \$3.1 billion, for the same purpose. **House Majority Leader Steny Hoyer** (D-MD) says that after the House added \$2 billion to a war funding bill and the Senate added \$1.5 billion to its companion bill (Financing News Pulse 5/26 edition), it is unlikely Congress will appropriate additional swine flu funding absent dire need ([Kaiser Health News, 6/4](#); [Wall Street Journal, 6/4](#); [Reuters via Washington Post, 6/3](#)).
- **Senator Proposes Long-Term Care Insurance Protections:** **Senate Special Aging Committee Chair Herb Kohl** (D-WI) introduced legislation on June 3 to boost consumer protections and ensure the solvency of long-term care insurance products. The legislation would create uniform systems for handling claims, transferring policies between states, and raising premiums. Since 1987, Americans have purchased about 10 million long-term care insurance policies ([Bloomberg, 6/3](#)).
- **CMS Takes Steps Improve Quality of Care in Nursing Homes:** Beginning this summer, the **Centers for Medicare & Medicaid Services** (CMS) will begin a pilot program under which nursing homes are provided cash incentives to improve quality of care. The pilot will focus on reducing preventable hospitalizations and improving nursing staffing. The program comes after CMS began ranking nursing home facilities in December 2008 based on the results of government inspections, staffing data, and other quality measures. CMS' ranking system, the **Nursing Home Compare** system, ranks 16,000 nursing homes on a scale from one to five stars ([Kaiser Health News, 5/31](#); [Wall Street Journal, 6/1](#)). Nursing Home Compare is available on CMS' [website](#).
- **CMS Announces Timeline for Medicare Competitive Bidding for Durable Medical Equipment:** Originally slated to begin July 2008, **CMS** has announced a timeline for the "Round One Rebid" of the **Medicare Competitive Bidding Program** for durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS). Registration for bidders will begin this summer and the bid window will open this fall. CMS has also adjusted the bidding process including increased bidder education and oversight. In June, CMS anticipated a 26 percent savings for certain equipment through the program ([Kaiser Health News, 6/3](#); [McKnight's Long-Term Care News & Assisted Living, 6/2](#)).
- **CMS Proposes Delaying Medicaid Provider Tax Rule:** **CMS** has proposed delaying the implementation of a Medicaid rule limiting the use of provider taxes until July 1, 2010. The rule would

tighten the "hold harmless" test used to judge provider tax programs ([McKnight's Long-Term Care News & Assisted Living, 6/1](#)).

- **Cindy Mann Appointed Director of CMSO:** On May 29, U.S. Department of Health and Human Services (HHS) Secretary Kathleen Sebelius appointed **Cindy Mann** as the **Director of the Center for Medicaid and State Operations (CMSO)** at CMS. Mann served as executive director and research professor at the **Center for Children and Families at Georgetown University's Health Policy Institute** and worked at CMSO between 1999 and 2001 ([Kaiser Health News, 6/2](#); [HHS News Release, 5/29](#)).
- **HHS Releases \$30 million to Help Medicare Beneficiaries Access Benefits:** On June 1, HHS Secretary Kathleen Sebelius released \$25 million in grants to help Medicare beneficiaries apply for special assistance as well as an additional \$5 million to create a national resource center to support the effort. The grants, funded by the **Medicare Improvements for Patients and Providers Act of 2008 (MIPPA)** provide assistance to people eligible for the Low-Income Subsidy Program, the Medicare Savings Program, and the Medicare Prescription Drug Program (Part D) ([HHS via Business Wire, 6/1](#)).
- **Report Finds State Fiscal Conditions Continue to Decline:** A report issued by the **National Governors Association (NGA)** and the **National Association of State Budget Officers (NASBO)**, "*The Fiscal Survey of States*," found that over half of states experienced negative budget growth in 2009 and almost 75 percent are recommending budgets with negative growth for FY2010. On average, the survey found that governors plan to cut spending by 2.5 percent. The report also found that states have already enacted or are considering \$24 billion in tax and fee hikes and that the combined estimated state budget shortfall through 2011 now totals \$183.3 billion ([AP, 6/4](#); [NGA Press Release, 6/4](#)). The study is available on the NGA's [website](#).
- **Study Finds Out-of-Pocket Costs Rising Under Employer-Sponsored Health Care:** A study published in *Health Affairs* found that out-of-pocket expenses for adults with employer-sponsored health insurance have increased 34 percent between 2004 and 2007, from \$545 to \$729 annually. The authors attributed the rising out-of-pocket costs to the growth in overall health care spending. The study also notes that, for individuals earning 200 percent of the federal poverty level (FPL), the percentage spending more than 10 percent of their income on health care increased from 13 percent to 18 percent over the same period ([Kaiser Health News, 6/3](#); [Houston Business Journal, 6/2](#)). An abstract of the study is available on the *Health Affairs* [website](#).
- **Dominion Donates \$1 Million to Free Health Clinics:** On June 2, energy company **Dominion Resources Inc.** announced that it will give \$1 million in grants to 100 free clinics in 14 states where the company operates. The grants, which will be tied to the number of Dominion employees residing in each state, will go to Connecticut, Indiana, Illinois, Maryland, Massachusetts, North Carolina, New York, Ohio, Pennsylvania, Rhode Island, Texas, Virginia, West Virginia, and Wisconsin. The grants come from the **Dominion Foundation** ([Houston Chronicle, 6/2](#); [Kaiser Health News, 6/3](#)).
- **Report Finds Physician Wait Times Increasing:** A survey conducted by **Merritt Hawkins and Associates**, a health care consulting firm specializing in health care professional recruiting, found that wait times for physician appointments have increased 8.6 days since 2004. The survey measured wait times for family medicine, cardiology, dermatology, obstetrics, and orthopedic surgery in 15 U.S. cities and found that the average wait time is now 20.5 days. Wait times in Boston were longest, averaging

49.6 days, while Atlanta had the lowest average wait time at 11.2 days ([USA Today, 6/3](#); [Kaiser Health News, 6/4](#)). The report is available on the Merritt Hawkins [website](#).

- **Study Finds Medical Bills Underlie Most Bankruptcies:** A study published in *The American Journal of Medicine* (AJM) and funded by the **Robert Wood Johnson Foundation** found that 62.1 percent of all bankruptcies in 2007 were the result of medical expenses. The study, conducted by researchers at **Harvard Law and Medical Schools**, and **Ohio University**, found that over 75 percent of the bankrupt families had health insurance but were still unable to pay their medical debts ([Reuters, 6/4](#); [Washington Post, 6/4](#)). The study is available on the AJM [website](#).
- **Report Finds Public Employers Modifying Health Benefits:** A report by the **International Foundation of Employee Benefit Plans** found that 72 percent of public employers are increasing or considering increasing employees' deductibles, coinsurance, or copayments and 74 percent are considering increasing employee premiums. Most public employers cited current economic conditions as the impetus for the shift ([Charlotte Business Journal, 6/1](#)).
- **Report Finds Mental Health Care Overlooked in Rural Areas:** A report published by the **Center for Rural Affairs** found significant deficiencies in the mental health care system in rural America. The report found that rural Americans remain underserved in both access to mental health care providers and insurance coverage for mental health services ([Grand Island Independent, 5/29](#)). The report is available on the Center's [website](#).
- **VA Study Finds Pay-for-Performance Does Not Hurt Patient Care:** A **Veterans Administration** (VA) study, published in *Circulation*, analyzed individuals treated for high blood pressure at VA centers and found that those whose cases were complicated by other medical conditions were more likely to receive quality care. The findings, based on both medical records and patient-reported quality, confound expectations that complicated cases will receive lower quality care under pay-for-performance systems because doctors will not want to treat cases that may lower their ratings. The study authors note that VA facilities may not be analogous to other U.S. health care facilities ([Kaiser Health News, 6/4](#); [Health Day, 6/3](#)). An abstract of the study is available on *Circulation's* [website](#).
- **KFF Releases Policy Brief Examining Long-Term Care Insurance:** The **Kaiser Family Foundation's** (KFF) **Commission on Medicaid and the Uninsured** released a policy brief examining private long-term care insurance. The brief also outlines the results of a study that analyzed the long-term care insurance market and discusses policy challenges for the field. The brief is available on the KFF's [website](#).

Around the Hill: Hearings on Health Financing

House Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies:

Fiscal 2010 Appropriations: Labor, HHS, Education

2:00 p.m. June 2, 2359 Rayburn

2:00 p.m. June 3, 2359 Rayburn

Senate Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies:

Fiscal 2010 Appropriations: Labor, HHS, Education

9:30 a.m. June 3, 124 Dirksen

House Small Business Committee: *Small Business Views on Health Overhaul*

1:00 p.m. June 3, 2360 Rayburn

Around the States: State and Local Behavioral Health Financing News

Arizona

- **Governor Proposes Budget, Includes Plan to Delay Payment to Medicaid Program:** On June 1, **Governor Jan Brewer** (R) proposed a \$9.1 billion state budget designed to close a budget shortfall now estimated at \$4 billion. In addition to increasing the state's sales tax and cutting nearly \$1 billion in state spending, Governor Brewer's plan would delay a \$104 million payment to the **Arizona Health Care Cost Containment System**, the state's Medicaid program, until next fiscal year ([Arizona Republic, 6/3](#)).
- **Senate Considers Eliminating Health Benefits for Domestic Partners of State Employees:** The Arizona Senate is currently considering eliminating health coverage for the domestic partners of state workers to whom the state recently extended health coverage last year. Roughly 750 individuals have signed up for the program, costing the state approximately \$3 million annually. Arizona spends roughly \$650 million on state employee health care benefits ([Phoenix Business Journal, 6/4](#)).

California

- **San Francisco Mayor Proposes Budget, Cuts M/SU Funding:** On June 1, **Mayor Gavin Newsom** (D) announced a \$6.6 billion city budget for the 2009-2010 fiscal year, up 1.1 percent from the current year budget. Among other changes, the budget cuts \$438 million in general spending including several million dollars in cuts to non-profits providing M/SU treatment. The mayor's budget also increases the city's universal health care program budget by \$9.45 million ([San Francisco Chronicle, 6/2](#)).
- **Contra Costa County Expects Deep Health Cuts Under State Plan:** In addition to the \$150 million that **Contra Costa County** has cut since May, county experts expect to lose as much as \$33 million as a result of the state budget crisis, with the bulk of the cuts affecting health and human services programs. Among the anticipated health care cuts, **Governor Arnold Schwarzenegger's** plan to eliminate SCHIP, **Healthy Families**, would cost the county an estimated \$15.5 million (Financing News Pulse 6/1 edition) ([San Jose Mercury News, 6/3](#)).
- **Hospital System Freezes Wages:** In an effort to contain costs and avoid layoffs, **St. Joseph Health System** has announced a freeze on wages and bonuses for all levels of staff in the coming fiscal year. The company, based in **Orange, CA**, operates primarily in California but also has facilities in Texas and New Mexico ([Times-Standard, 6/3](#)).
- **Shasta County to Receive \$2.8 Million in Proposition 63 Funding:** The **Shasta County Mental Health Department** will receive \$2.8 million for prevention and early intervention from **Proposition 63** funds,

which funds mental health care through taxes paid by individuals with income over \$1 million ([Redding, 5/30](#)).

Connecticut

- **Senate Approves Two Health Care Bills:** On May 30, the Senate passed two health care bills designed to expand access to health care in the state. One would allow municipalities and small businesses to join the state employee health care pool and the other would create a public health insurance pool, **SustiNet**, to compete with private insurance. The House passed both bills on May 20 (Financing News Pulse 5/26 edition). However, the Connecticut Legislature adjourned June 3 without passing a state budget, leaving health care funding in doubt. A special session will likely convene later in June ([Hartford Courant, 6/4](#)). Last year, **Governor M. Jodi Rell** (R) vetoed a bill similar to the state employee bill and has publicly opposed it this year ([Kaiser Health News, 5/31](#); [Hartford Courant, 5/30](#)).

Delaware

- **Walgreens to Leave Medicaid Program:** On June 4, **Walgreens Inc.** announced that it will no longer fill Medicaid prescriptions beginning on July 6 to protest the state's cuts to brand-name prescription drug reimbursement rates. The company threatened to take similar action when Washington State planned to reduce brand-name prescription reimbursements (Financing News Pulse 6/1, 5/18, 4/27, 4/6 editions) ([Reuters, 6/4](#); [Kaiser Health News, 6/5](#)).

Florida

- **Governor Signs Legislation Expanding Access to KidCare:** On June 2, **Governor Charlie Crist** (R) signed **SB 918**, approved by the House and Senate May 1 (Financing News Pulse 5/4 edition), to shorten the amount of time families must wait after losing private health coverage before they can enroll in **KidCare**. KidCare is Florida's program subsidizing health insurance costs for families earning up to 200 percent of the FPL. The bill also allows families dropped from the program for failure to pay to re-enroll in the program more quickly ([Kaiser Health News, 6/4](#); [Capitol News Service, 6/2](#)).
- **State Has No Data For Medicaid Pilot:** Florida's Medicaid pilot, instituted by **former Governor Jeb Bush** in October 2006 (Financing News Pulse 5/11, 3/6, 2/27, 1/30 editions), does not have the data required to measure program effectiveness, including approval rates for treatment and medication. The **Agency for Health Care Administration** says that a state computer system overhaul prevented the **University of Florida** from conducting an analysis of the program. The pilot program places patients into managed care plans to make the public system more like a private health care company and has been criticized by numerous lawmakers and advocacy groups. In addition, a study by the **Associated Press** (AP) found that nearly 25 percent of doctors in Broward and Duval Counties—the two largest counties in which the pilot operates—dropped out of the program due to excessive bureaucracy ([Kaiser Health News, 6/2](#); [AP via Miami Herald, 6/1](#)).

Hawaii

- **Governor Announces Budget Plan Including Medicaid Cuts:** In response to a \$185 million budget deficit in the current fiscal year and an additional \$426 million budget gap for the next two fiscal years, **Governor Linda Lingle** (R) has ordered furloughs, payment delays, and Medicaid cuts. Governor Lingle's

plan will force 14,500 state employees to take three furlough days per month, delay \$130 million in payments to the state health and retirement funds until next fiscal year, and cut Medicaid by 4.2 percent, \$42 million, by scaling back benefits for low-income adults ([KHNL, 6/2](#); [Pacific Business News, 6/1](#); [Honolulu Star-Bulletin, 6/2](#)).

- **Hospital Settles With U.S. Attorney Over Fraud Charges:** On June 3, **Queen's Medical Center**, the largest private hospital in Hawaii, settled two lawsuits with the U.S. Attorney for \$2.5 million. The lawsuits, which stem from civil suits, alleged that Queen's overcharged Medicare, Medicaid, and TRICARE, the health benefits program from military dependents, by wrongfully submitted claims for services and prescription drugs between 1999 and 2006. Under the terms of the settlement, the individuals who filed the original lawsuits received \$400,000 and Queen's admitted no wrongdoing. In addition, the hospital agreed to maintain a compliance agreement with **HHS** to ensure that it conforms to proper billing protocol ([AP, 6/4](#)).

Illinois

- **Lawmakers Pass Stopgap Budget, May Affect M/SU Funding:** Illinois lawmakers passed a stopgap budget, leaving a \$7 billion budget shortfall to be resolved in the coming weeks. Interest groups say that, if the budget is allowed to stand, programs for foster parents and M/SU treatment will face deep cuts. The next budget meeting between the Legislature and **Governor Pat Quinn** (D) is scheduled for June 9 ([Chicago Tribune, 6/5](#); [CBS, 6/4](#)).
- **Law Extending Parental Health Care Coverage for Young Adults Takes Effect:** On June 1, a new law took effect allowing parents with employer-sponsored health insurance to keep their children on their policies up to age 26, or age 30 if their child has served in the military. Under the new law, the individual assumes the full cost of the child's premium ([Kaiser Health News, 6/2](#); [Chicago Tribune, 6/1](#)).

Indiana

- **Governor Proposes Budget, Calls Special Legislative Session:** On June 2, **Governor Mitch Daniels** (R) introduced a two-year budget proposal and called a special legislative session to begin June 11. The move comes after Indiana lawmakers failed to pass a budget during the regular legislative session (Financing News Pulse 5/4 edition). Governor Daniels' plan cuts the budget for most state agencies by 2 percent, on top of 8 percent already cut from the current-year budget, but increases education funding through ARRA funds and maintains funding levels for prisons. In addition, the governor's plan would switch school districts to the state health insurance plan to save an estimated \$100 million. Governor Daniels agreed to use the state's reserves as long as state savings do not drop below \$1 billion ([AP via Forbes, 6/2](#); [WIBC, 6/2](#)).

Iowa

- **Lawmakers to Plan 2010 Legislative Session, Discuss Health Care Reform:** Key Iowa lawmakers will meet the week of June 8 to begin setting the agenda for the 2010 legislative session, including discussing a health care expansion. **Iowa Senate Majority Leader Michael Gronstal** (D) said that, though the Iowa Legislature is looking to move forward with health care expansion in the coming session, legislators will likely wait until the passage of national health care reform before taking major action. Legislators will

also discuss including government restructuring and income tax changes in the coming legislative session ([AP via MSN, 6/3](#)).

- **Plymouth County Does Not Approve Contract to Provide Choice of Mental Health Therapy Venue:** On June 2, the **Plymouth County Supervisors** elected not to approve a contract to allow **Moir Counseling** to provide mental health therapy to individuals receiving county funding for their services. The supervisors felt that approving the Moir contract would open the door to additional requests for private contracts and ultimately take away business from the county's current mental health services provider, **Plains Area Mental Health Center**. The supervisors were concerned about the already tight county mental health budget but requested additional information about the possibility of an appeal process for provider choice ([Le Mars Daily Sentinel, 6/3](#)).

Kansas

- **Kansas Health Policy Authority to Cut Jobs, Reduce Spending:** As a result of a \$3.5 million budget cut for the coming fiscal year (Financing News Pulse 5/18 edition), the **Kansas Health Policy Authority** will eliminate 14 positions, including one executive position, effective July 2. The Authority is also reducing spending on the contractor that processes claims for Medicaid and SCHIP for an expected savings of \$3.6 million in combined federal and state funds ([Kansas City Business Journal, 6/1](#)).

Kentucky

- **Governor Proposes Budget, Maintains Funding for Mental Health and Medicaid:** **Governor Steve Beshear** (D) proposed a budget on June 3 designed to close the state's \$996 million budget shortfall through \$200 million in cuts and \$742 million in ARRA funding. The governor proposed maintaining funding levels for Medicaid and education through ARRA funding, as well as for mental health services. The governor's plan, which is slated to be addressed in a June 15 special legislative session, would cut 2.6 percent from other agencies and eliminate some paid holidays for certain state employees ([Business First of Louisville, 6/3](#)).

Maine

- **Governor Uses ARRA Funding to Pay Hospitals for Medicaid Patients:** **Governor John Baldacci** (D) signed an executive order to use ARRA funding to pay debts that the state owes to hospitals for treating patients under **MaineCare**, the state's Medicaid program. Governor Baldacci's plan would use \$57 million in ARRA funding in FY2010 to pay down the \$374 million the state currently owes hospitals. In addition, the \$57 million in ARRA funding would draw down an additional \$163 million in federal matching funds, for a total of \$220 million in hospital payments. The governor signed an agreement with the **Maine Hospital Association** in 2006 to eliminate the state's hospital debt over four years ([National Center for Policy Analysis, 6/3](#); [Heartland Institute, 6/1](#)).

Maryland

- **Hospital Mergers on the Rise:** The Baltimore Sun reports that smaller Maryland hospitals have increasingly electing to merge with larger medical systems over the past 16 months. The Sun reports that the mergers offer small hospitals financial security while allowing the larger medical systems to gain access to new markets. Because nearly all of Maryland's hospitals are not-for-profit, the mergers do not

require cash exchanges, the parent company need only assume the new affiliates' debts and assets ([Kaiser Health News, 6/1](#); [Baltimore Sun, 5/31](#)).

- **Baltimore Cuts Public Funding for Substance Abuse Facility:** The **Baltimore Substance Abuse System** (BSAS), which allocates \$54 million annually and oversees more than 70 substance abuse treatment facilities, informed the substance abuse facility known as "I Can't We Can" that it will no longer receive public funds due to numerous rule violations. BSAS says that "I Can't We Can", which operates largely on a \$350,000 in annual public funding, has allowed its license to lapse, has not kept proper financial records, and has failed to maintain safe conditions at some of its properties ([Baltimore Sun, 6/3](#)).

Massachusetts

- **Bill Seeks Insurance Consortium for Small Business: Rep. Steven M. Walsh** (D-Lynn) proposed legislation that would allow business with 50 or fewer employees to form a consortium, similar to the state's Group Insurance Commission, to buy and administer health insurance for small businesses. Some business and insurance groups believe the legislation would reverse progress made by the state's 2006-health reform law that reduced individual insurance rates by 15 percent but raised rates for small businesses 1.5 percent. The legislation is currently pending consideration by the **Joint Committee on Financial Services** ([Boston Globe, 6/1](#)).

Michigan

- **State Officials Appeal Medicaid Ruling, Seek to Freeze Judge's Orders: U.S. District Judge Denise Page Hood** ordered Michigan to reexamine the Medicaid eligibility of residents that the state removed from the program after their children turned 18 or moved out of their parents' home. The judge ordered that the state reassess the individuals' eligibility for Medicaid. Michigan has asked the judge to stay her order while the state pursues an appeal, noting that it will cost the state \$21 million to review the cases. The judge has not yet ruled ([AP via Forbes, 6/3](#)).

Minnesota

- **Report Says Health Spending Will Double Over 9 Years Without Reform, State to Use Estimates as Benchmarks:** A report by the **Department of Health** projects that, without health care reform, Minnesota's health care expenses will double over the next nine years to \$78.5 billion. Under that scenario, health spending would increase from 15 percent to 20 percent of the state's economy. The Department plans to use the report to measure the effects of health care reform on state spending. Beginning June 2010, the department will conduct annual analyses comparing actual and projected health care expenses ([Kaiser Health News, 6/3](#); [Minneapolis Star-Tribune, 6/2](#)).

Mississippi

- **Update: Lawmakers Fail to Pass Budget, Await Special Legislative Session:** The Mississippi Legislature and **Governor Haley Barbour** (R) failed to pass a state budget by the end of the regular legislative session this week. Funding for the state's \$90 million Medicaid shortfall as well as the use of certain ARRA funds were among the major sticking points in budget negotiations (Financing News Pulse 6/1, 5/26, 5/11 editions). Governor Barbour will now call a special session to continue budget negotiations ([Clarion-Ledger, 6/4](#); [AP via ABC, 6/4](#)).

Nebraska

- **Community Health Endowment Awards 21 Health Grants:** The **Community Health Endowment**, created by the **Lincoln Mayor's Task Force** in 1998, will award \$378,923 through 21 grants to Lincoln-area health projects, including several focusing on M/SU treatment. The grants bring the Endowment's total awards for the fiscal year to over \$1.1 million ([Journal Star, 5/31](#)).

New Jersey

- **Lawmakers Consider Bills to Protect Medicaid Enrollees Utilizing Assisted Living:** On June 4, the New Jersey General Assembly's **Health and Senior Services Committee** began considering a package of bills (**AR 196, AR 198**) to enhance protections for assisted living residents enrolled in Medicaid. The legislation comes in response to an investigation that discovered one assisted living firm was terminating patient coverage after patients exhausted personal financing and were about to go on Medicaid. The package of bills would urge state commissioners to make Medicaid a more competitive payer in the assisted living market and provide additional consumer education about assisted living options. In addition, the bills would request that the **Health Commissioner** and **Consumer Affairs Division** recommend ways to use the state's fraud laws to protect Medicaid enrollees ([Kaiser Health News, 5/31](#); [AP via Philadelphia Inquirer, 5/31](#)).

New Mexico

- **Lawsuit Alleges ValueOptions Cut Services to Kids After Losing State Contract:** A lawsuit filed by non-profit **New Mexico Youth Providers Alliance** alleges that **ValueOptions New Mexico** reduced authorizations for numerous services after the company lost its bid to continue contracting with the **New Mexico Behavioral Health Collaborative** (Financing News Pulse 5/26, 2/20, 2/13, 1/30 editions). The Alliance argues that ValueOptions denied treatment for foster children and authorized lower levels of care with lower reimbursement rates for numerous services. The Collaborative agreed that ValueOptions changed its policy after the decision not to continue its contract and issued a Directed Corrective Action Plan. However, ValueOptions did not fully comply with the state's instructions ([New Mexico Independent, 5/29](#)).

New York

- **Labor Unions Agree to Reductions in Health Benefits:** On June 2, **Mayor Michael Bloomberg** (I) and the **Municipal Labor Committee** announced a tentative agreement to amend health benefits for 550,000 current and retired city employees to save the city \$400 million over two fiscal years. Among other changes to the plan, about 20 percent of city employees will begin making copayments of \$50 to \$100 for emergency room, inpatient, and ambulatory treatment. In addition, the plan will restrict hospital, ambulatory, and hemodialysis coverage to in-network providers, reduce dental coverage, and make numerous administrative changes. Unions must ratify the agreement before it takes effect ([Kaiser Health News, 6/3](#); [New York Times, 6/3](#)).
- **Lewis County Legislators Vote to Privatize Substance Abuse Treatment:** On June 2, **Lewis County** legislators voted to privatize control of the county Community Recovery Center, which provides treatment for alcohol and substance abuse. The county will contract with non-profit **Credo Community**

Center for Treatment of Addictions Inc. and anticipates significant savings from the move. County officials estimate it will take five months to obtain state approval and implement the change ([Watertown Daily Times, 6/3](#)).

- **Rochester to Restructure Employee Health Plan:** On June 3, union officials reported that the city of **Rochester** will restructure its employee health insurance plan, yielding a savings of \$5 million to \$10 million in the coming year. Among the changes, which city officials would not confirm until the agreement is signed, the city will switch from dual carriers to a single carrier and restructure its coverage plan to set rates based on the health of employees rather than the larger community. The new plan will eliminate the option of **Excellus BlueCross BlueShield**, offering only three tiers of coverage from **MVP Health Care**. The city will cover premiums under the first two tiers and offer a premium credit for the third tier ([Democrat and Chronicle, 6/4](#)).

North Carolina

- **Private Providers to Replace AMHC, ECBH to Manage Providers:** On July 1, the **Albemarle Mental Health Center** (AMHC) will be replaced with a network of private providers managed by **East Carolina Behavioral Health** (ECHB) (Financing News Pulse 3/20 edition). The providers will offer the mental health, substance abuse, and developmental disability services previously provided directly by AMHC. ECHB does not expect a problem with continuity of care during the privatization process ([Daily Advance, 6/4](#)).

Ohio

- **Senate Passes Budget, Returns Hospital Fees Through Medicaid, Rejects Health Care Provisions:** On June 3, the Republican-controlled Ohio Senate passed a two-year budget that spends nearly \$1 billion less than its House counterpart does. In addition, working with the **Ohio Hospital Association**, the Senate modified **Governor Ted Strickland's** (D) proposed plan to tax hospitals to fund Medicaid. The governor's plan would impose new fees on hospitals totaling roughly \$333 million; however, the Senate budget will give nearly all of the funding back to hospitals through a 5 percent increase in Medicaid payments and several other program changes. The senate plan will still allow the state to receive the additional \$1.7 billion in federal matching funds generated through Governor Strickland's plan ([Business First Columbus, 6/3](#); [AP via Forbes, 6/2](#)). In related news, the Senate removed provisions from Governor Strickland's proposed budget that would have reduced the rates health insurers may charge individuals with preexisting conditions and required employers to offer uninsured employees the option of purchasing insurance through flexible spending plans, expanding private health insurance to nearly 110,000 residents. Finally, the Senate rejected a "**Mini COBRA**" provision that would have extended the eligibility period for the COBRA-like state benefits from six to 12 months after an employee is laid off ([Business Insurance, 6/4](#); [Kaiser Health News 6/5](#)).

Oregon

- **Hospitals Agree to Medicaid Expansion Tax; Commercial Health Plans Agree to Tax to Insure Children:** Oregon hospitals have reached an agreement with **Governor Ted Kulongoski** (D) and the Legislature to submit to a tax allowing the state to expand Medicaid eligibility to an additional 60,000 residents.

Under the agreement, 26 of the state's 57 hospitals would be taxed using a formula based on their location and patient population. The tax would raise roughly \$150 million annually from the hospitals and draw down an additional \$300 million in federal matching funds. Oregon will also change its fee-for-service reimbursements, setting them equal for all hospitals throughout the state. In related news, commercial health plans have agreed to a 1 percent premium tax that will pay to insure about 80,000 children ([Modern Healthcare, 5/29](#)).

Pennsylvania

- **Governor Proposes Expanding State's Prescription Drug Program for Older Residents:** On June 2, **Governor Ed Rendell** (D) announced that he is working with House Democrats to raise the income limits for elderly residents participating in the state's prescription drug program, **PACENET**, from \$23,500 to \$30,000 for individuals and from \$31,500 to \$40,000 for married couples. The change would allow an additional 30,000 seniors to enroll in the program, which currently covers 220,000 state residents. In addition, the legislation would increase state reimbursements to pharmacies under PACENET. Governor Rendell plans to fund the expansion through lottery revenue and by requiring pharmaceutical companies to charge PACENET the same prices they charge Medicaid ([Kaiser Health News, 6/3](#); [Philadelphia Inquirer, 6/3](#)).
- **Update: Senate Approves "Mini COBRA" Legislation:** On June 3, the Pennsylvania Senate approved legislation (Financing News Pulse 5/11 edition) to extend **COBRA** coverage to individuals laid off from employers with fewer than 20 employees. The bill would make employees of small businesses eligible for the COBRA subsidies included in the ARRA (Financing News Pulse 5/4, 4/20, 2/20 editions). **Governor Rendell** (D) intends to sign the bill ([Philadelphia Inquirer, 6/4](#)).

Rhode Island

- **Nursing Home Group Criticizes Obama's Medicare Spending Reductions:** The **Rhode Island Health Care Association**, which represents the state's nursing homes and rehabilitation centers, says that **President Obama's** pledge to reduce Medicare spending on nursing homes by \$1.05 billion will take over \$9 million from Rhode Island's economy. The Association says that the cuts would result in \$6.19 million less in business activity for the state and \$3.18 million in lost personal income due to the loss of 94 jobs ([Kaiser Health News, 6/2](#); [Providence Business News, 6/1](#)).

Tennessee

- **Governor, Mental Health Officials Say Layoffs Will Not Affect Patient Care:** As part of **Governor Phil Bredesen's** (D) proposed budget, he suggested eliminating 552 positions from the **Mental Retardation Services Division** and the **Department of Mental Health and Developmental Disabilities** (Financing News Pulse 6/1 edition). However, the directors of both agencies report that the governor's layoffs will not affect patient care and that the layoffs fit the overall state mental health treatment plan. Officials say the state is underutilizing its mental health treatment system and will reduce capacity as well as staff ([AP via Forbes, 6/1](#)).

Texas

- **Hogg Foundation Awards Grant to Promote Integrated Care:** The **Hogg Foundation for Mental Health** has awarded a \$259,092 grant to **Mental Health America of Greater Houston** to accelerate and expand integrated health care in Texas by creating a statewide network of health care providers. The grant will create a learning community to promote best practices as well as policy and financing solutions for care integration ([University of Texas, 6/3](#)).

Vermont

- **Update Governor Vetoes State Budget; Legislators Override:** The Financing News Pulse (5/26 edition) reported that **Governor Jim Douglas (R)** threatened to veto the budget passed by the Vermont Legislature on May 9 and, instead, proposed an alternative budget which, among other cuts, reduced Medicaid rates for doctors, hospitals and nursing homes. Governor Douglas vetoed the budget on June 1 and the Legislature overrode the veto June 2—refusing to consider the governor's alternate budget ([AP via Forbes, 6/4](#); [Burlington Free Press, 6/3](#)).

Washington

- **State Officials Consider Five Plans for Cutting Basic Health Plan Enrollment:** After **Governor Christine Gregoire (D)** signed a budget on May 19 cutting funding for **Basic Health Plan** by 50 percent (Financing News Pulse 5/26 edition), the state is now considering five ways to eliminate nearly 40,000 people from the plan that covers the working poor. The state is considering lowering the income cutoff, increasing premiums to make the program unaffordable for more people, eliminating those who have been in the program the longest, eliminating those who most recently enrolled, or using a lottery system. Basic Health's income cut off is currently 200 percent of the FPL ([Seattle Times, 5/31](#)).
- **King County to Use One-Time Funding for Public Health:** On June 2, the **King County Office of Budget & Management** announced plans to submit a \$2.8 million one-time funding plan to provide funding for, among other things, public health programs and unfunded mandates. The county intends to use the public health funding for flu preparation and communicable disease prevention. King County faces a \$50 million deficit for 2010 ([Seattle Post Intelligencer, 6/3](#)).

Wyoming

- **Governor Cuts State Budget, Health Funding Affected:** On June 4, **Governor Dave Freudenthal (D)** announced \$231.6 million in state budget cuts for the second year in the state's current biennium. Governor Freudenthal will cut most state agencies by 10 percent in FY2010, including \$43 million in cuts to the **Department of Health**. The governor is also recommending capping SCHIP enrollment at 5,900 ([Wyoming Business Report, 6/4](#); [Kaiser Health News, 6/5](#)).