

## National Health Financing News

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## National Health Financing News

- **Congressional Health Care Reform Slows:** On July 17, the **Congressional Budget Office** (CBO) released a cost estimate for the House health care reform bill (**HR 3200**), finding that it will result in a \$239 billion deficit over 10 years, largely due to Medicare physician payments. The CBO reported the bill's gross cost at \$1.04 trillion but noted that much of that would be offset with \$583 billion in revenue raisers, including a surtax on the wealthy, and \$219 billion in savings from Medicare and Medicaid. In addition, the CBO noted that numerous provisions of the bill would have no impact on the deficit, making it much more difficult to pass through the budget reconciliation process in the Senate ([CQ Politics, 7/18](#)). In addition, after passing in the **House Ways and Means Committee** and the **House Education and Labor Committee** on July 17 (Financing News Pulse 7/20 edition), HR 3200 has faced opposition from the **Blue Dogs** in the **House Energy and Commerce Committee**, which has delayed the legislation's progress to the House floor. Blue Dogs, **House Energy and Commerce Chairman Henry Waxman** (D-CA), and **White House** officials met throughout the week, announcing July 21 that they had reached a compromise to empower an independent Medicare rate-setting authority and decrease Congressional authority over Medicare payments ([New York Times, 7/21](#); [Kaiser Health News, 7/22](#)). However, not all Democrats support the change, and **Democratic Caucus Chairman John Larson** (D-CT) said on July 23 that Democratic Leadership would consider bypassing the Energy and Commerce Committee, bringing the vote to the House floor without committee approval. **House Speaker Nancy Pelosi** (D-CA) has insisted that she has the votes to pass HR 3200 and has signaled a willingness to stay in session through the August recess to pass health care reform. However, numerous Democratic lawmakers are less certain that HR 3200 would pass on the House floor "as-is" ([Kaiser Health News, 7/24](#); [Kaiser Health News, 7/23](#); [Kaiser Health News, 7/23](#); [CQ Politics, 7/22](#)). Meanwhile, in the Senate, **Senate Majority Leader Harry Reid** (D-NV) announced on July 23 that the **Senate Finance Committee** will vote on its health reform bill before the August recess; however, the Senate will not have a floor vote on health reform before September ([CQ Politics, 7/23](#)). **Senate Finance Committee Chairman Max Baucus** (D-MT) said he hopes to mark up health care reform the week of August 3. However, the committee has already lost one member of the bipartisan group known as the "coalition of the willing" when **Sen. Orrin Hatch** (R-UT) withdrew from the closed-door bipartisan talks ([Kaiser Health News, 7/23](#)).
- **Governors Concerned About Medicaid Expansion in Health Care Reform:** At a **National Governors Association** (NGA) meeting in Biloxi, Mississippi, Democratic and Republican governors voiced deep concerns about the state-level impact of Medicaid expansions included in various health care reform proposals under consideration in Congress. In the House bill (HR 3200), the federal government would pay the full Medicaid costs for the newly eligible; however, under a **Senate Finance Committee** draft, the states would eventually assume their usual share of the cost of the newly eligible Medicaid enrollees ([New York Times, 7/19](#)).
- **House Energy and Commerce Committee Includes FQBHC Definition in Health Reform Bill:** **Rep. Eliot Engel** (D-NY) and **Rep. Doris Matsui** (D-CA) introduced an amendment to the **America's Affordable Health Care Choices Act of 2009** (**HR 3200**) to include a definition for Federally Qualified Behavioral Health Centers (FQBHCs). The **House Energy and Commerce Committee** approved the amendment which will require that FQBHCs "provide person-centered, multi-disciplinary, evidence-based screening, assessment, diagnostic, treatment, prevention and wellness services, link patients to

other essential community health and social services, and facilitate peer support and counselor services as well as family supports" ([News Blaze, 7/22](#); [OBSNews, 7/21](#)).

- **Wal-Mart Reduces Preferred Brand Name Drugs for Employee Benefit Program:** On July 20, **Wal-Mart** announced plans to reduce the number of brand name drugs on its preferred drug list for employee health plans from 260 drugs to 128. Wal-Mart's plan covers 700,000 company employees and the company's move is expected to increase the use of its \$4 generic drug plan that allows employees to obtain generic drugs from any Wal-Mart pharmacy. The change becomes effective August 10 ([BNet, 7/20](#)).
- **UnitedHealth to Acquire Some of Health Net:** On July 20, **UnitedHealth Group Inc.** announced that it will acquire northeast U.S. operations from **Health Net Inc.** for roughly \$510 million. Under the deal, 578,000 members in Connecticut, New York, and New Jersey will become UnitedHealth enrollees. The deal is expected to boost both companies' earnings, expanding UnitedHealth's northeast presence and allowing Health Net to focus on the west coast ([Reuters, 7/20](#)).
- **Segal Company Releases State Employee Health Benefits Report:** On July 20, the **Segal Company** released a [report](#) outlining the results of its 2009 study of state employee health benefits. The report, which covers all 50 states and the District of Columbia, highlights commonalities as well as regional differences ([Business Wire, 7/20](#)).
- **Article Assesses the Effects of Medicare Part D:** An [article](#) published in the **New England Journal of Medicine** (NEJM) examined the Medicare Prescription Drug Benefit Program (Part D) as Congress attempts to reform health care. The report determined that Part D has increased access to prescription drugs among Medicare beneficiaries and produced savings for seniors but is still plagued by gaps in coverage and other problems ([Kaiser Health News, 7/23](#)).
- **U.S. PIRG Releases Small Business Health Care Survey:** On July 21, the **U.S. Public Interest Research Group** (U.S. PIRG) released a [survey](#) that found that 29 percent of small businesses were unable to offer health insurance to their employees and that 76 percent felt that health care reform was not addressing small business' concerns. The survey also found that only 25 percent of businesses with five or fewer employees offer health insurance and that roughly 26 million of the 46 million uninsured Americans are employees, owners, or dependents of small businesses. In addition, 78 percent of small businesses not currently providing health coverage reported a desire to provide coverage and 80 percent cited cost as a major barrier ([Kaiser Health News, 7/22](#)).
- **Gallup Releases Well-Being Poll:** **Gallup-Healthways Well-Being Index** for June found that 16 percent of Americans were uninsured, up slightly since 2008 when the poll found a 14.8 percent uninsurance rate. The poll also found strong racial disparities with 11.6 percent of whites reported have no insurance, 19.9 percent of African Americans, and 41.5 percent of Hispanics. In addition, uninsurance was associated with lower income and Americans between the ages of 18 and 29 were most likely to lack health insurance ([Kaiser Health News, 7/22](#)).
- **RWJF, KFF, and Rasmussen Release Health Reform Polls:** A [survey](#) conducted by the **Robert Wood Johnson Foundation** (RWJF) in June found that Americans' attitudes about recent health care experiences and future expectations have improved. However, 40 percent of respondents still reported

worrying about paying for health care, down slightly from 46 percent in May ([Kaiser Health News, 7/22](#); [AP via Cleveland.com, 7/21](#)). A **Kaiser Family Foundation** (KFF) [poll](#) conducted July 7 to July 14 found that 56 percent of Americans support health care reform, down from 61 percent in June. In addition, the KFF poll found that 39 percent of Americans believe reform will benefit them, 21 percent believe it will hurt them, and 32 percent believe it will not affect them. The KFF poll showed that 51 percent of respondents would be willing to pay more for expanded health coverage, up from 41 percent in June, and that views on views on a public plan—which 59 percent of respondents support—are still movable depending on the presentation of arguments for and against the plan([Kaiser Health News, 7/23](#); [KFF News Release, 7/23](#)). Finally, **Rasmussen Reports** conducted telephone interviews on July 20 and 21 and found that 44 percent of Americans were at least somewhat supportive of health care reform but 53 percent were at least somewhat opposed. Rasmussen found that support for reform has dropped from 50 percent in late June while opposition from grown 5 percent over the same period. Moreover, Rasmussen found a strong partisan divide, with 68 percent of Democrats supporting reform compared with 20 percent of Republicans ([Kaiser Health News, 7/22](#); [Rasmussen via Yahoo News, 7/22](#)).

- **Commonwealth Report Examines the Individual Insurance Market:** On July 21, the **Commonwealth Foundation** released an [issue brief](#), “Failure to Protect: Why the Individual Insurance Market is not a Viable Option for U.S. Families.” Using data from the Foundation’s 2007 survey, the report examines the individual health insurance market and concludes that the barriers to entry are too great and that health care reform is required ([Kaiser Health News, 7/24](#)).
- **KFF Report Outlines Strategies to Simplify Medicare Advantage Market:** On July 21, the **KFF** released a [report](#), “Strategies for Simplifying the Medicare Advantage Market”, which examines new data on the Medicare Advantage (MA) market and considers numerous options for MA market simplification that research suggests may benefit MA beneficiaries ([KFF News Release, 7/21](#)).

## Around the Hill: Hearings on Health Financing

### House Energy and Commerce Committee: *Health Care Revision*

July 20, 4 p.m. 2123 Rayburn

July 21, 10 a.m. 2123 Rayburn (Postponed)

July 22, 10 a.m. 2123 Rayburn (Postponed)

## Around the States: State and Local Behavioral Health Financing News

### Arizona

- **Senate Debates Expanding Health Benefits For Unemployed, Altering Medicaid Re-Enrollment Policy:** The **Arizona Senate** is considering a bill that would extend unemployment health benefit eligibility by 13 weeks, to 72 weeks, if the state unemployment rate reaches 8 percent. The change would allow Arizona to claim \$1.7 billion in American Recovery and Reinvestment Act (ARRA) funding. The measure would also alter a law that requires Medicaid enrollees to reapply for benefits every six months, extending the reapplication period to one year. The state’s unemployment rate is currently 7.8 percent ([Heartland Institute via EmaxHealth, 7/19](#)).

## California

- **Lawmakers Reach Deal, Senate Passes Budget:** On July 20, **Governor Arnold Schwarzenegger (R)** and legislative leaders reached an agreement to close the state's \$26 billion budget shortfall with \$15 billion in spending cuts, loans, and transfers. The plan will cut \$1.3 billion from Medi-Cal, the state's Medicaid program, \$226 million from in-home support services, and \$124 million from Healthy Families, California's State Children's Health Insurance Program (SCHIP). The budget also cuts funding for welfare and other health care programs including mental health care and rural health care ([AP, 7/21](#); [California Healthline, 7/23](#)). The Medi-Cal changes come as previous cuts, made in February, became effective July 1. Previous changes eliminated 10 Medicaid services including mental health treatment for individuals who are not severely mentally ill ([Los Angeles Times, 7/20](#)). The **California Senate** passed the package of budget legislation on July 24 and the package now requires approval from the Assembly ([Los Angeles Times, 7/24](#)).
- **Legislature Considers Two-Year Hospital Tax:** The **California Legislature** is considering a measure ([AB 1383](#)), proposed by Assemblyman Dave Jones (D), that would impose a two-year hospital fee to help the state raise additional federal Medicaid matching funds while the Federal Medical Assistance Percentage (FMAP) is set at 62 percent under the ARRA ([California Healthline, 7/20](#)).
- **CMS Says Hospital Violated Medicare Rules:** In two letters to Mercy Medical Center, the **Centers for Medicare & Medicaid Services (CMS)** allege that the hospital failed to provide proper medical screenings, inappropriately transferred patients, and failed to maintain adequate medical staff on duty during a recent inspection. Mercy has 30 days to respond to the allegations after which CMS may revoke the hospital's permission to participate in Medicare, which accounts for nearly half of Mercy's net revenue ([Redding Record Searchlight, 7/23](#)).

## Connecticut

- **Connecticut Legislature Overrides Governor's SustiNet Veto:** After **Governor M. Jodi Rell (R)** vetoed two health care bills on July 8 (Financing News Pulse 7/13 edition), the **Connecticut Legislature** successfully overrode one of her vetoes on July 20. The Legislature overrode the governor's veto of **HB 6600**, which will create board of directors to take steps towards the creation of universal health care through a plan called SustiNet slated to begin in 2012. However, the legislature failed to override Governor Rell's veto of **HB 6582** that would have allowed municipalities and small businesses to join the state employee health care pool ([Hartford Courant, 7/20](#); [Wall Street Journal, 7/22](#)).

## Delaware

- **State to Privatize Detox Center, Causes Temporary Closure:** On July 17, the Kent-Sussex Detoxification Center, one of the state's two detox centers, closed temporarily as the state officials begin the process of privatizing the facility. The state will begin accepting bids to run the facility in August and expects the center to reopen in October. Official estimates indicate that privatization will reduce operating costs by 20 percent ([WBOC, 7/17](#)).

## Florida

- **Marion County Opens Mental Health Court:** On July 20, Marion County officially opened its mental health court. The court, which is partially funded by a federal grant, will accept individuals with severe and persistent mental illness who commit misdemeanors and meet certain other selection criteria. At the outset, the court will accept only 25 individuals but will expand after the initial pilot phase ([Ocala.com, 7/19](#)).

## Georgia

- **Governor Cuts State Agencies, Medicaid Affected:** On July 21, **Governor Sonny Perdue** (R) ordered \$900 million in cuts across state agencies to close a budget shortfall resulting from a 16 percent decline in tax collections since June 2008. Governor Perdue ordered most agencies to cut their budgets by 5 percent; however, he instructed health and education departments, including the department responsible for Georgia's Medicaid program, to cut their budgets by only 3 percent. The **Department of Mental Health** will be unaffected by the cuts because it is currently operating under the terms of a **U.S. Department of Justice** (DOJ) settlement to improve the quality of mental health care in the state ([Atlanta Journal Constitution, 7/21](#); [Atlanta Business Journal, 7/21](#)).

## Kentucky

- **State Uses Unspent Medicaid Funds to Pay Down Shortfall:** Kentucky used \$55.7 million in unspent Medicaid funds to pay down the state's general fund shortfall in the budget that ended June 30, 2009. The state reports that Medicaid is fully funded for FY2010 and that the surplus resulted from a higher-than expected FMAP ([Business First of Louisville, 7/20](#)).

## Maryland

- **Board Approves Governor's Cuts, Medicaid Affected:** On July 22, the Maryland Board of Public Works approved **Governor Martin O'Malley's** (D) \$280 million budget cuts. The cuts come as the state faces a mid-year budget shortfall and may be followed by an additional \$470 million in cuts before Labor Day. The governor cut \$24.2 million by establishing limits on Medicaid payments for hospital stays, reduced nursing home payments by 2 percent to save \$23.1 million, and eliminated inflation adjustments for community health providers saving \$13.3 million. Maryland is also using \$75 million in ARRA Medicaid funds to close its budget gap ([AP via Examiner, 7/22](#); [Baltimore Sun, 7/22](#); [Maryland Daily Record, 7/22](#)).

## Massachusetts

- **Panel Recommends Closing Psychiatric Hospital Early, Eliminating Inpatient Beds, and Expanding Community Services:** A state commission, formed in response to a \$13 million budget deficit at the **Massachusetts Department of Mental Health**, released a report recommending the early closure of Westborough State Hospital, the closure of several other inpatient facilities throughout the state, and the discharge of 200 inpatient clients to community-based mental health services. The commission said that the impact of the closures would be reduced through expanded community mental health programs funded with \$12 to \$14 million from ARRA or trust funds. Westborough State Hospital is slated for closure in 2012 when it will be replaced by a new 320-bed hospital in Worcester ([Boston Globe, 7/18](#)).

- **School District Receives Grant:** The Hampden-Wilbraham Regional School District has received one of 29 federal Safe Schools-Healthy Students grants for \$731,899. In addition, pending the availability of future funds, the district is eligible for three additional years of funding. The program, which is co-administered by **SAMHSA** and **U.S. Department of Education's Office of Safe and Drug Free Schools**, will provide teacher trainings, parent workshops, and funding for in-class police officer visits ([Republican, 7/22](#)).

## New York

- **DOJ Announces New York State and City to Pay \$540 Million Medicaid Settlement:** On July 21, **DOJ** announced that New York State and New York City have agreed to pay \$540 million to settle allegations that they submitted false claims for school-bases services, primarily transportation and speech therapy, between 1990 and 2001. The state will pay \$440 million and the city will pay the remaining \$100 million; however, both the city and the state have negotiated payment plans ([Reuters, 7/21](#); [U.S. New & World Report, 7/22](#)).
- **State, Urban Institute Release Report on Health Insurance Options:** The **New York Department of Health and Insurance** and the **Urban Institute** released a report examining four proposals to reform the state's health insurance system, assessing the effects on quality of care and affordability of coverage. The study found that the public-private partnership proposal covered all state residents, had minimal change in employer-sponsored coverage, and cost the government an additional 25.3 percent, for a total government cost of \$35.8 billion. New York Health Plus, a proposal that would allow all state residents to enroll in Family Health Plus, would cover all state residents, significantly reduce employer-sponsored care, eliminate the market for individual insurance, and increase government health care spending by 119 percent to \$62.5 billion. The plan to eliminate private insurance and provide public insurance for all residents increased government spending by 202 percent to \$86.3 billion. The fourth proposal, the Freedom Plan, which relies on regulatory flexibility and tax credits, would increase government spending by 9.6 percent, to \$31.3 billion, but would leave 13.3 percent of state residents uninsured and drive up the price of individual policies ([Civ Source, 7/21](#)).

## Ohio

- **Governor Signs Budget, Cuts Mental Health Funding:** On July 17, **Governor Ted Strickland** (D) signed Ohio's two-year \$50.5 billion budget, making 61 line item vetoes. The budget cuts state spending by \$2.5 billion, including \$30 million from the state's Medicaid PASSPORT waiver program that provides nursing-home-level care for seniors at home or in day-treatment centers and \$50 million, or 15 percent, from mental health treatment. The budget also changes some state health insurance regulations, lowering the maximum amount that insurers may charge individuals with pre-existing conditions from an average of \$800 to \$400, and requiring that employer-sponsored insurance cover children as dependents up to age 28 ([Toledo Blade, 7/17](#); [Ashland Times-Gazette, 7/18](#); [Columbus Dispatch, 7/18](#); [Cincinnati.com, 7/19](#)).
- **Richland County Considers Effects of State M/SU Cuts:** The Mental Health and Recovery Services Board of Richland County estimates that the state's budget changes (see above) will reduce two-year county

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mental health funding by \$90 million. The state's budget reduced mental health and social services funding by \$2.7 billion and cut statewide alcohol and drug abuse treatment funding by \$30 million ([WMFD, 7/22](#)).

## Oklahoma

- **State to Restructure M/SU Services Because of Budget Shortfall:** The **Oklahoma Department of Mental Health and Substance Abuse Services** announced that it will initiate changes in its service delivery system because of state budget cuts and unfunded mandates that have reduced the department's budget by 2 percent, or \$6.9 million. The department plans to cut administrative costs, limit the available beds at Griffin Memorial Hospital in Norman, end a transitional living program for patients leaving inpatient care, and restructure the Central Oklahoma Mental Health Center, including eliminating a residential program housed there ([Norman Transcript, 7/20](#); [Oklahoman, 7/21](#)).

## Pennsylvania

- **Update: House and Senate Pass Separate Budgets, Governor Seeks Deal Next Week:** After the **Pennsylvania House** passed \$29.1 billion budget last week (Financing News Pulse 7/20) and the Senate passed a \$27.1 billion proposal on July 20, **Governor Ed Rendell** (D) announced that he is seeking a budget compromise early in the week of July 27. The state has operated without a budget since the July 4 break (Financing News Pulse 7/6 edition) and has been unable to pay its vendors, including Medicaid providers ([AP via Philadelphia Inquirer, 7/23](#)).
- **Allegheny County Includes Behavioral Health in Service Directory:** The Allegheny County Health Department partnered with the County Human Services Department to include behavioral health services in the county directory of health resources for the uninsured and underinsured ([Emax Health, 7/20](#)).

## Texas

- **Texas Hospital System Forms In-House Nurse Temp. Agency:** **Texas Health Resources Inc.**, the largest hospital system in North Texas, has formed an in-house temp-agency, Texas Health Single Source Staffing, with **Medfinders Inc.** to oversee the staffing of all per-diem nurses at the 14-hospital system. Texas Health says the system will allow them to fill their 5 percent nurse vacancy rate more efficiently and cost-effectively ([Dallas Morning News, 7/23](#)).

## Virginia

- **Maximus Renews State Medicaid Contract:** **Maximus Inc.** has renewed its contract with the **Virginia Department of Medical Services** to provide enrollment broker services for the state's Medicaid program. The contract value was not disclosed; however, it will run for three base years and has three one-year option periods. Under the contract, Maximus will operate a phone help line, develop and maintain a managed care website, and create information dissemination materials for 524,000 Medicaid-eligible residents ([Washington Business Journal, 7/21](#)).

## Washington D.C.

- **Department of Mental Health Privatizes Services, Lays off 120:** Effective August 1, 2009 the **District of Columbia Department of Mental Health** (DMH) will lay off 120 employees who previously staffed services at D.C. Community Service Agency clinics. DMH will begin offering certain services to 4,000 clients through private providers on March 21, 2010. As of July 20, DMH had already transferred roughly 2,300 of those individuals to private services ([Washington Business Journal, 7/20](#)).

## Wisconsin

- **Medicaid Program Receives Funds from Aventis Settlement:** On July 20, the Wisconsin Attorney General announced that the Wisconsin Medicaid program will receive \$1 million as part of a \$95.5 million multi-state settlement with **Aventis Pharmaceutical Inc.** The suit alleged that Aventis and its corporate predecessors misrepresented best prices for their steroid anti-inflammatory products (Financing News Pulse 6/1) ([Business Journal of Milwaukee, 7/20](#)).

## Errata

Last week's Financing News Pulse (7/20 edition) referred to Regina Benjamin, President Obama's nominee for Surgeon General, as Regina George.