SAMHSA's Weekly Financing News Pulse April 20, 2009

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

National Health Financing News

- **Lawmakers Discuss Health Care Reform**: The **Chair of the House Education and Labor Committee's Subcommittee on Health, Employment, Labor and Pensions Rob Andrews** (D-NJ) and **Chair of the House Energy and Commerce Committee's Subcommittee on Health Frank Pallone** (D-NJ), two of the six representatives who will write the House's health reform bill, say that the bill is likely to expand the employer-based health care system and create a "marketplace" in which those without access to employer-sponsored coverage can purchase private plans. The congressmen also said the bill, which is expected to be complete by next month, will likely include incentives for employers offering insurance (Kaiser Daily Health Policy Report, 4/14). **Senator Chuck Grassley** (R-IA),Ranking Republican on the **Senate Finance Committee**, said that he does not support a public insurance option, nor does he support the creation of a national health care board or the use of the budget reconciliation process (Financing News Pulse 4/13 edition) to pass health reform in the senate. However, Senator Grassley said he is working closely with **Senate Finance Committee Chair Max Baucus** (D-MT) to draft bipartisan health care reform this year (Kaiser Daily Health Policy Report, 4/14). The Senate Finance Committee and the **Senate Health, Education, Labor and Pensions Committee** are working on separate health care reform bills which they intend to combine on the Senate floor early this summer (Kaiser Daily Health Policy Report, 4/16). At a briefing on April 15 **Nancy-Ann DeParle, director of the White House Office of Health Reform** said that she is hopeful a bipartisan compromise can be reached on the issue of a public plan. She believes the plan can be crafted to minimize its effect on private insurers (AP, 4/16; Kaiser Daily Health Policy Report, 4/16).

- **Senate HELP Committee Names Senior Advisor on Health Reform**: The **Senate Health, Education, Labor and Pensions (HELP) Committee** named **Mark Childress** as senior advisor for health reform. Childress formerly served as Chief of Staff at **U.S. Department of Health and Human Services** (HHS), a position which will be filled by **Laura Petrou** (Modern Health Care, 4/15).

- **States Cut Safety Net Programs That Could Provide Long Term Savings**: The **New York Times** reports that states are increasingly cutting safety net programs to deal with immediate budget deficits. The **Center for Budget and Policy Priorities** reports that 34 states have reduced funding for social safety net programs. The Times reports that the cuts, though cost saving in the long-term, have largely affected programs that are considered long-term cost savers; the article goes on to highlight cuts in Arizona, Florida, Illinois, New York, and Ohio (New York Times, 4/11; Kaiser Daily Health Policy Report, 4/14).

- **Obama Nominates McLellan as Deputy Director of ONDCP**: On April 10, **President Obama** announced **A. Thomas McLellan** as his nominee for **Deputy Director of the Office of National Drug Control Policy** (ONDCP). McLellan, a University of Pennsylvania psychologist, is a prominent addiction researcher. Last month President Obama nominated **Seattle Police Chief Gil Kerlikowske** as director of ONDCP (Chicago Tribune, 4/10).

- **House Republicans Criticize States' Use of ARRA Medicaid Funds for Non-Medicaid Projects**: Republican members of the **House Oversight and Government Reform Committee** released a draft report on April 14 criticizing **Florida, Indiana, Kansas, Michigan, Nevada, New York, Virginia,** and **West Virginia** for considering using Medicaid funds in the **American Recovery and Reinvestment Act** (ARRA) for other state projects. Though the **Centers for Medicare & Medicaid Services** (CMS) does not consider diverting the funds a violation of the ARRA, the report contends that the practice violates the spirit of

the ARRA by diverting targeted funds. A spokesman for the Obama administration said that Congress intended to grant states flexibility with the Medicaid funding (Kaiser Daily Health Policy Report, 4/15).

- **Express Scripts Acquires WellPoint Pharmacy Benefit Manager**: **Express Scripts Inc**. has agreed to purchase **WellPoint's** pharmacy benefits manager (PBM) unit, **NextRx**, for $4.68 billion in cash and stock. Express Scripts stands to gain purchasing clout from the deal, likely passing **CVS Caremark** as the second-largest PBM. Under the deal, WellPoint will receive a minimum of $3.28 billion in cash and Express Scripts will provide PBM services to WellPoint for 10 years. The deal is subject to federal antitrust approval and is expected to close in the second half of 2009. Some analysts believe the deal could result in better pricing for employers, but are split on whether those effects would trickle down to employees. Both companies' stocks rose on the announcement of the deal and industry analysts say the deal was good for both companies (Kaiser Daily Health Policy Report, 4/14; AP, 4/14; New York Times, 4/13).

- **Local Groups Seek Alternative Means of Insuring Small Business Employees**: **The Wall Street Journal** (WSJ) reports that small business, including one from Galveston, Texas, have partnered with non-profit groups and hospitals to provide discounted health care for their employees. One such system, "three share", involves employees and employers each paying one-third of the health care costs while a non-profit group finds funding for the other share through governments, foundations, or hospitals. The version of "three share" profiled by the WSJ is offered by the **University of Texas Medical Branch Hospital**. The program is not recognized by Texas as insurance, and is therefore exempt from state laws requiring the program to maintain sufficient funds to handle claims increases. The plan does not offer behavioral health coverage, and places patients at greater risk than traditional plans because the plan maintains fewer assets but allows those who would likely have gone uninsured to obtain health coverage (Wall Street Journal, 4/14; Kaiser Daily Health Policy Report, 4/14).

- **Google Health's Records Contain Some Inaccuracies**: **Google Health**, the free electronic health record system which allows patients to view and share their medical history, frequently contains inaccurate information because the system imports insurance data which has complex and sometimes out-dated coding language, and because doctors do not always label tests in uniform ways. Because of those inaccuracies, health experts warn of the dangers of using personal health records, like Google Health, in a clinical setting. Google acknowledges the system's weaknesses, noting the Google Health pulls information from numerous sources but that the quality of information is still limited by the source and the coding methods (Kaiser Daily Health Policy Report, 4/14; Boston Globe, 4/13).

- **Insurers Routinely Deny Claims of Civilian Workers Injured in Iraq and Afghanistan Wars**: The **Los Angeles Times** and **ProPublica** report that insurers for civilian workers working in the Iraq and Afghanistan wars routinely deny coverage for medical and psychological services. Insurance companies rejected 44 percent of claims involving serious injury and 50 percent of claims involving psychological stress occurring in Iraq and Afghanistan. The insurance program, managed by the **U.S. Department of Labor**, allows only 14 days for insurers to judge the validity to the claim. The L.A. Times and ProPublica report that the time limit often results in initial claim denials which force the injured worker to pay out-of-pocket or delay treatment while the claim is being settled (Kaiser Daily Health Policy Report, 4/17).

- **Hospitals and Drug Companies Raise Prices to Reinforce Earnings**: The **Wall Street Journal** reports that hospitals and pharmaceutical companies are increasing the prices for their products and

services to maintain their earnings during the current recession. **Hospital Corporation of America** (HCA) expects to report an increase in earnings from $7.40 billion in the first quarter of 2008 to $7.45 billion in the first quarter of 2009. Health insurance analysts say insurance companies have easily obtained six to nine percent rate increases this year while **Express Scripts** reports that drug prices have increased 10 to 15 percent since the first quarter of 2008. **Johnson & Johnson** product prices increased an average of 10 percent in the past year while **Eli Lilly's** prices increased an average of 9.9 percent, and **Pfizer's** increased by 7.9 percent (Wall Street Journal, 4/15; Kaiser Daily Health Policy Report, 4/15).

- **AARP Study Shows Brand-Name Drug Prices Rising While Generic Prices Fall**: According a report by the **American Association of Retired Persons** (AARP) released April 15, the prices of the most common brand-name prescription drugs rose 8.7 percent in 2008, a rate higher than general inflation (3.8%). In contrast, the cost of generic drugs declined 10.6 percent in the same year. The **Pharmaceutical Research and Manufacturers of America** called the report "one-sided" saying that AARP's sample of brand-name drugs was selected to dramatize the report's results (Kaiser Daily Health Policy Report, 4/16).

- **Pharmaceutical Companies Reduce Spending on Drug Advertising**: In 2008, **pharmaceutical companies** reduced spending on prescription drug advertizing for the first time since the late 1990s. Drug companies spent 8 percent less, $4.4 billion, advertizing prescription drugs in 2008 than they did in 2007. Experts attribute the decline both to the reduced number of new drugs coming to market and to increased congressional oversight of drug marketing practices. Spending on print advertisements declined 18 percent while spending on television advertisements declined by 4 percent (Kaiser Daily Health Policy Report, 4/16).

- **Survey Shows Fewer People Believe They Can Afford Health Care Expenses During Retirement**: A survey conducted by the non-profit **Employee Benefit Research Institute** in conjunction with **Mathew Greenwald & Associates** found that the percentage of retirees who say they are "very confident" that they have saved enough money to cover their medical expenses has dropped from 41 percent in 2007 to 25 percent today. In addition, the number of people reporting that they are "very confident" in their ability to retire comfortably has dropped from 27 percent to 13 percent (Kaiser Daily Health Policy Report, 4/15). The report is available on the Employee Benefit Research Institute's website.

- **Pharmacists Bring in Additional Revenue Through Medicare Advantage Prescription Consultations, More to Come**: Under current CMS guidelines, **pharmacists** have capitalized on a rule which requires **Medicare Advantage** (MA) plans to cover consultations with pharmacists for beneficiaries who receive drugs with a total annual cost of $4,000 or more. The consultations are free to the beneficiaries and pharmacists typically earn $160 an hour. **CMS** is expanding the pharmacy consultation benefit in 2010 by requiring MA plans to review member rolls quarterly to indentify eligible beneficiaries, reducing the minimum annual drug cost from $4,000 to $3,000, and preventing health plans for restricting access to the benefit for members with numerous chronic health conditions. Under the new guidelines, pharmacists will also receive additional compensation if the recommend less-costly drugs (Kaiser Daily Health Policy Report 4/15).

- **Demand for Health Informatics on the Rise**: The **President and CEO of American Medical Informatics Association** estimates that the U.S. needs roughly 70,000 health informatics experts to meet

the current demand. The non-profit association for health informatics experts, also known as IT translators, represents professionals with knowledge of both the health and IT fields that are vital to creating and managing electronic health records (Kaiser Daily Health Policy Report, 4/14; New York Times, 4/11).

- **Recession Affects Health Care Job Growth**: The health care sector and the federal government are the only two major industries still adding jobs during the current recession; however, the pace of health care job growth has slowed in the first three months of 2009. Since January, the health care sector has added 17,000 jobs—less than have the rate of increase for 2008—and there were twice as many mass hospital layoffs in February 2009 as there were in February 2008. Industry experts expect the health care industry to rebound after the recession largely due to advances in medical technology (Wall Street Journal, 4/12; Kaiser Daily Health Policy Report, 4/14).

- **CMS Begins New Pilot to Ease Transition After Hospital Care**: On April 13, **CMS** announced the selection of 14 communities in which to pilot the **Care Transitions Project**, designed to reduce hospital readmissions by easing the transition from hospital-based care to home or nursing-home-based care. Under the pilot, a state-run **Quality Improvement Organization** will lead the each of the participating communities through the summer of 2011. This approach is designed to allow local communities more flexibility to cater the project to their specific needs (McKnight's Long-Term Care News & Assisted Living, 4/14; Kaiser Daily Health Policy Report, 4/16). The 14 communities selected are: Tuscaloosa, AL; Providence, RI; Upper Capitol Region, NY; West Pennsylvania; Southwest New Jersey; Metro Atlanta East, GA; Miami.; Evansville, IN; Greater Lansing Area, MI; Omaha, NB.; Baton Rouge, LA; North West Denver, CO; Harlingen, TX; and Whatcom County, WA (Birmingham Business Journal, 4/13).

- **Health Affairs Article Examines Parity**: A study funded by the **Commonwealth Fund**, which will be published in *Health Affairs*, examines access to mental health care between 2004 and 2005. The study finds that roughly two-thirds of primary care physicians could not get outpatient mental health services for their patients and encountered even greater difficulty obtaining other mental health services (Kaiser Daily Health Policy Report, 4/14).

- **Update: Chrysler and the UAW Near Deal on VEBA Payments**: As reported in the Financing News Pulse (2/20, 3/13 editions) **Chrysler Group** is obligated by the terms of a federal bailout to seek a deal with the **United Auto Workers** (UAW) to pay half of the $10.6 billion it owes the retiree health care fund, the voluntary employees' beneficiary association (VEBA), in company stock rather than cash. Chrysler and the UAW are close to deal, which Chrysler must finalize before completing a proposed alliance with **Fiat**. **General Motors** is also obligated to pursue such a deal; however, the UAW is concentrating on first completing the Chrysler deal (Kaiser Daily Health Policy Report, 4/17).

- **KFF Updates State Health Facts**: The **Kaiser Family Foundation** (KFF) has updated its state health facts website with state-level data on unemployment, state fiscal distress, Medicaid data, and health insurance markets. More information is available at StateHealthfacts.org.

Around the Hill: Hearings on Health Financing

Congress is in spring recess. The House and Senate reconvene April 20.

Senate Veterans' Affairs Committee: *Health-Related Legislation*
2:30 p.m. April 22, 418 Russell

House Veterans' Affairs Committee: *Mental Health Needs of Veterans*
10:00 a.m. April, 30 334 Cannon

Around the States: State and Local Behavioral Health Financing News

Alabama

- **Hospitals Support Fee to Increase Medicaid Funding**: The **Alabama Hospital Association** supports bills in the state House and Senate that would impose a 5.38 percent fee on private hospital's net revenues to generate additional money for the state Medicaid program and draw down additional federal Medicaid matching funds. The fee proposed in the bills, which has until April 22 to receive approval from the legislature, would expire in two years (Birmingham News, 4/11).

California

- **Appellate Court Hears Counties' Suit Against CMS:** On April 13, a three-judge panel of the **U.S. Court of Appeals** heard a case brought by seven California counties seeking to overturn a ruling which prevented their efforts to raise Medicare reimbursement rates for local doctors. The seven counties—**Monterey**, **Marin**, **San Luis**, **Santa Barbara**, **Santa Cruz**, **San Diego**, and **Sonoma counties**—argue that only political considerations stop **CMS** from raising rates to match the local cost of living. Lawyers for CMS argue that the court is not empowered to rule on the matter because Congress grants Medicare sole authority over pricing decisions. California's legislators, including **House Speaker Nancy Pelosi** (D-CA), are scheduled to meet with CMS officials to pursue other solutions. The court is expected to rule within a few months (San Jose Mercury News, 4/14).

- **Riverside County Reworks Mental Health Services in Light of Funding Cuts**: The **Riverside County Department of Mental Health** has cut $14 million in department spending, eliminated 130 positions, and closed three clinics due to lower county revenue. The department estimates the cuts will affect roughly 2,400 clients who are not enrolled in Medi-Cal, California's Medicaid program. The county is shifting mental health treatment to state and federally funded programs and, in so doing, offering more inpatient care and less community-based care. Riverside has maintained its mental health emergency room and inpatient hospital because both are funded by non-county sources. The county has also added a 25-bed center for mentally ill homeless residents, funded by the federal government and the State of California. Riverside officials worry that **Governor Arnold Schwarzenegger's** (R) reallocation of **Proposition 63** funds (Financing News Pulse 3/6, 2/20 editions), which requires approval by popular vote, would cost the county $8 million in the coming fiscal year (Press-Enterprise, 4/11).

- **Lake County Mental Health Department May Use Layoffs to Balance Budget**: The **Lake County Board of Supervisors** told the county mental health director on April 14 to explore layoffs to address **Lake County Department of Mental Health's** $1.1 million deficit. The county currently owes roughly $2.1 million in provider payments and miscellaneous operating expenses, and still owes the **California Department of Mental Health** $1 million after a state investigation discovered that the county had been overpaid by

$5.63 million for mental health services between 1999 and 2006. The county is appealing a portion of the state fees and simultaneously seeking to settle on a payment plan with the state. The layoffs under consideration, which would solve only half of the county department's deficit, would eliminate 16 positions including nine that are already vacant. If necessary, the department will also consider cutting provider contracts, which would likely affect patient care (Lake County News, 4/15; Lake County Record-Bee, 4/14).

- **San Mateo County's Health System Overhaul Saving Money**: The **San Mateo Health System Redesign Initiative** which combined the **San Mateo Medical Center, Behavioral Health and Recovery Services, Correctional Health Services, Aging and Adult Services, Family Health Services,** and **Community Health** into one single $500 million health system has already yielded roughly $7.75 million in savings since its inception one year ago. The program has been successful in improving cost and quality of care, largely due to more efficient use of Medicaid funds. The county has encountered some problems with access to care and is trying to contract with private medical providers to reduce barriers to care (San Mateo Daily Journal, 4/16).

- **San Diego Mayor Proposes Budget Hinging on Retiree Health Benefit Cuts**: **San Diego Mayor Jerry Sanders** (R) proposed a budget for the coming fiscal year designed to close a $60 million budget deficit partly though a $30 million reduction in city employee's pay and benefits. Mayor Sanders' budget would reduce compensation to 10,600 city employees by 6 percent through salary and benefits. Officials estimate the city has $1.2 billion in retiree health benefit obligations, alone, with no identified funding source. The mayor's budget requires the approval of the city council (San Diego Union Tribune, 4/14).

- **ACLU Calls for the Closure of Los Angeles County Jail**: The **American Civil Liberties Union** (ACLU) ha called on the **L.A. County Board of Supervisors** to close Los Angeles' **Men's Central Jail** due to poor conditions, overcrowding, and inhumane treatment of inmates with serious mental illness. The ACLU's report documents massive overcrowding where mentally ill inmates are restricted to their cells much or all of the day (AP via San Francisco Chronicle, 4/14; Los Angeles Times, 4/14).

Colorado

- **House Approved Budget with Medicaid Provider Cuts**: The **Colorado House** approved a state budget for FY2010 designed to close a $300 million shortfall. The bill includes $58 million in **Medicaid** provider payment cuts (Kaiser Daily Health Policy Report, 4/17; Denver Business Journal, 4/17).

- **Organization Seeks ARRA Funding to Use Alternative Treatments for Veterans with M/SU Disorders**: Colorado Springs' **Pikes Peak Behavioral Health Group** is seeking **ARRA** funding for two veterans programs for all veterans, regardless of their mental health status. The programs are designed to prevent and pre-empt mental illness with early community involvement. One such program, for which Pikes Peak is seeking $4 million in ARRA funding, would employ veterans to build townhomes, market those homes to veterans and military families, and use the profits from those sales to continue similar projects. Another program pairs caseworkers with veterans and families to assist them with all aspects

of life—ranging from M/SU disorders to schooling or recreational opportunities. Some mental health advocates have criticized Pikes Peak, which recently shut down the only detoxification center in the region citing cost concerns, for seeking to pull funding from already-limited basic mental health services (Colorado Springs Gazette, 4/14).

- **Bill to Establish Central Health Care Authority Fails to Pass House**: The **Colorado House** rejected legislation to create a central health care authority run by a 23-member board of directors, which would have developed a plan to create a statewide single-payer health care system. The proposal, which was estimated to cost $1.4 million over two years, was terminated because it did not have enough votes to pass (Kaiser Daily Health Policy Report, 4/17).

Florida

- **Legislative Commission Approved ARRA Spending, Uses Some Medicaid Funding to Close State Deficit**: A special legislative panel, the **Legislative Budget Commission**, approved the use of $4 billion in **ARRA** funds in the current-year budget, using $1.9 billion in ARRA Medicaid funding to reduce the deficit. The increased federal Medicaid funding released up $913 million in state funding to fill a $700 million budget deficit in the year fiscal year ending June 30 (AP via Forbes, 4/15).

- **Committees Consider Bill to Move Some Mentally Ill Inmates into Treatment Centers**: The **Community Mental Health & Substance Abuse Treatment & Crime Reduction Act** (**LB/HB 7103**) currently in the **Florida House** would divert mentally ill inmates from jails and prisons to mental health treatment facilities. Mentally ill inmates currently cost Florida $250 million annually (Miami New Times, 4/14). Additional information on the bill can be found on the Florida House of Representatives' website

Illinois

- **State to Use Federal Funds to Pay Old Medicaid Bills, Remain Eligible for ARRA Medicaid Funding**: **Governor Pat Quinn** (D) announced that Illinois will use $200 million in federal funds to catch up with overdue **Medicaid** reimbursements to hospitals, nursing homes, and pharmacies. The move is necessary to ensure that the state complies with a provision of the **ARRA** requiring states to reimburse Medicaid expenses within 30 days to qualify for ARRA Medicaid funds. Illinois' Federal Medical Assistance Percentage (FMAP) will increase from 50 to 60 percent under the ARRA (AP via Daily Herald, 4/14; Chicago Tribune, 4/13).

- **McHenry County Creates Behavioral Health Website**: The **McHenry County Mental Health Board** has launched a new website to help residents find state and local M/SU treatment providers. The website also allows residents to create and store secure personal medical records and provides access to over 390,000 articles on mental health. McHenry County funded the website with $12,000 from a $9 million children's health grant from HHS, received in 2005. The county plans to pay the $12,000 annual maintenance cost with funds from property tax revenue (Northwest Herald, 4/12). The county's M/SU website can be viewed at www.mchenrycountynetworkofcare.org.

- **Hospital May Lose Medicare Certification: CMS** announced on April 14 that **Rockford Memorial Hospital** in Rockford, Illinois will lose CMS funding for Medicare patients on April 29 if it does not correct

two violations discovered in a survey by CMS officials the previous week. A CMS spokesman did not give the details of the violations but said one was related to inconsistent standards for recording vital signs in the ER. Rockford was originally cited for the violations on October 21 (Rockford Register Star, 4/14; Business Rockford, 4/14; CBS, 4/14).

- **State to Conduct Unannounced Follow-Up Inspection of Hospital, Failure Could Result in Lost Medicare Funding:** On February 5, the **University of Chicago Medical Center** was cited with violated patient care rules resulting in an elderly man's death in the hospital's waiting room. The university submitted a correction plan to **CMS** that federal officials accepted. However, the I**llinois Department of Public Health** must now conduct an unannounced follow-up inspection of the hospital before June 15. If the hospital fails the state inspection, it will lose federal Medicare funds (Chi Town Daily News, 4/16).

Indiana

- **SIHO, Humana form Partner to Offer Group Medicare Plans**: **SIHO Insurance Services** and **Humana, Inc**. have partnered to allow SIHO to offer Humana's group Medicare and voluntary insurance benefits to Indiana employers and their employees. The companies say that the group Medicare plans will allow employers to offer complete medical and prescription coverage for their Medicare-eligible retirees while the voluntary benefits plan will allow employees access to numerous other services not previously available through SIHO plans (Business First of Louisville, 4/14).

- **Trends Show State to Face Primary Care Physician Shortage**: With the number of Indiana medical students going into family medicine declining, the state is projected to need 2,000 primary care physicians by 2020. Over half (54 percent) of Indiana's 92 counties have been designated as partially medically underserved areas. Experts note that primary care physicians earn significantly less than more specialized doctors, likely contributing to the shortage (Evansville Courier & Press, 4/11).

Kansas

- **Lawrence County Schools Cut Mental Health from Budget**: The **Lawrence County School Board** approved $1 million in cuts at a meeting on April 13. Included in the reductions is the elimination of a program, funded with $250,000 in county funds and $250,000 from other sources, known as **Working to Recognize Alternative Possibilities** (WRAP). WRAP previously offered students free mental health counseling. Under WRAP each high school was staffed with two social workers and each junior high school with one (Lawrence Journal-World & News, 4/15).

Louisiana

- **Governor's Hospital Cuts Focus on New Orleans**: **Governor Bobby Jindal's** (R) planned hospital cuts (Financing News Pulse 3/20 edition) will disproportionately affect New Orleans hospitals which are currently overstaffed as a result of Hurricane Katrina. The **Interim LSU Public Hospital** and **DePaul Hospital** will face staff cuts and the elimination of some services, including a dental clinic. New Orleans hospitals currently have sufficient staffing levels to support 100 more beds than the city's hospitals have available (Times-Picayune, 4/16).

Maine

- **State Faces Medicaid Shortfall**: Maine's **Medicaid** program faces a $65 million current-year shortfall which has yet to be filled by state lawmakers. The **Department of Health and Human Services Commissioner** cautions that, if a resolution is not reached soon, the state may have to delay payments. The commissioner also noted that a delay could impact the state's eligibility for federal **ARRA** funding, especially the ARRA Medicaid funding which is tied to a provision requiring states to reimburse Medicaid providers within 30 days (Main Pubic Broadcasting Network, 4/13).

- **Legislators Consider Bill Aimed at Limiting Prescription Drug Abuse**: A bill (**LD 1193**) under consideration in the Maine legislature seeks to close loopholes that lawmakers believe facilitate drug abuse. The bill, "**An Act to Establish Uniform Protocols for the Use of Controlled Substances,**" applies numerous restrictions to the prescription, administration, and procurement of controlled substances, including allowing patients to obtain their prescription narcotics from a single pharmacy (Exception Magazine, 4/14).

Maryland

- **General Assembly Approves Budget, Maintains Health Care Funding**: On April 13, the **Maryland General Assembly** approved the state's $13.8 billion operating budget, relying on $1.5 billion in **ARRA** funding. Republicans have criticized the budget for its heavy reliance of federal funds; however, Democrats say that the budget is consistent with health and education spending priorities (AP via Forbes, 4/14).

Massachusetts

- **House Releases Budget Proposal, Cuts Local Funding**: The **Massachusetts House** released its budget proposal April 15, which spends $535 million less than **Governor Deval Patrick's** (D) proposed budget (Financing News Pulse 2/6 edition). The House version does not increase taxes but cuts local aid for cities and towns by an average of 6.6 percent, cutting some areas of local aid by as much as 25 percent. Among other cost saving measures, state employee health care contributions would increase from between 15 and 20 percent to 30 percent, saving the state $135 million. Members of the House can file amendments through the end of April 17 and the House will begin debating the measure April 27. The House and Senate must send a budget to the governor before July 1 (Boston Globe, 4/15; Boston Globe, 4/16).

Michigan

- B**lue Cross Raises Cost of Individual Health Plans, Seeks Rate Adjustments on Others**: **Blue Cross Blue Shield of Michigan (BCBS)** will no longer offer two of its individual health plans. On March 27, Blue Cross stopped enrolling new customers in **Value Blue**, a catastrophic coverage plan, and **Individual Care Blue**, a no deductible plan. The company will allow enrollees to stay in those plans, but will now sell plans that cost up to $600 more annually and come with higher copayments and other out-of-pocket costs. As the insurer of last resort in Michigan, Blue Cross receives tax exemptions and is required to offer coverage to all state residents regardless of preconditions. The company lost $133.2 million in 2008 on individual plans and some health care advocates contend that the company's offering changes

are designed to make their individual plans less attractive to consumers. The company says the new plan offerings reflect changes in the individual insurance market. BCBS is also seeking a 56 percent rate increase for individual plans (excluding those mentioned above), a 42 percent rate increase for group plans, and a 31 percent increase for Medigap plans (Detroit News, 4/13).

- **Detroit Area Hospitals Begin to Adopt EHRs, Encounter Difficulties**: Several Detroit-area hospitals have started implementing electronic health record systems (EHRs) to allow doctors to share vital patient information; however, the process has proven expensive and issues of cross-health-system compatibility pose significant barriers to future expansion. **Henry Ford Medical System** began the transition to EHRs in the 1990s and now stores over five million patient records electronically; similarly, **Trinity Health**, a 44-hospital system, began transitioning to EHRs in 2003 and has transferred seven million patient records, while **St. John's** seven-hospital system has spent $116 million since 2006 to digitize only part of their records system. Currently, none of the systems allow doctors to share information across hospital systems (Detroit News, 4/11; Kaiser Daily Health Policy Report, 4/14).

- **County Seeks Federal Grant for Mental Health Court**: The **Allegan County Board of Commissioners** is seeking a $39,774 federal grant to fund a "Problem Solving Court" for mentally ill offenders. The county hopes the mental health court would help divert the 43 percent of county court cases involving mentally ill offenders (Kalamazoo Gazette, 4/10).

- **Congressman Announces Federal Support for Local M/SU Funding**: **U.S. Rep. Fred Upton** (R-MI) announced that he has secured $285,000 to support **Kalamazoo Community Mental Health and Substance Abuse Services** by funding the nurse practitioner distance-learning program. Under the program, for which Rep. Upton will seek additional funding in FY2010, local nurses participating in distance learning receive scholarships in exchange for commitments to remain working in the Michigan community for two years. Funding for the program was included in the **Omnibus Appropriations Act of 2009** (**HR 1424**) signed into law March 11 (WLKM, 4/16).

Minnesota

- **Blue Cross Blue Shield to Provide Web-Based Consultations Pilot**: Modeled after a program in Hawaii run by Blue Cross Blue Shield affiliate Hawaii Medical Service Association, **Blue Cross Blue Shield of Minnesota** will offer web-based video or text consultations with general physicians and specialists for its 10,000 employees. The pilot program, scheduled to begin this fall, will be open to company employees only to allow BCBS to test the system before offering it to its beneficiaries (Kaiser Daily Health Policy Report, 4/14; Minneapolis Star Tribune, 4/12).

- **Alina Hospitals Settle Charges with the State Over Interest Rates**: On April 14, **Alina Hospitals & Clinics** reached an agreement with **Minnesota Attorney General Lori Swanson** (D) to settle charges that the hospital was charging interest rates for medical debt in excess of the state's 8 percent cap. Alina will repay $1.1 million to patients charged interest rates above 8 percent between January 22, 2007 and January 31, 2009. Under the terms of the settlement, the company did not admit any wrongdoing (Kaiser Daily Health Policy Report, 4/16; Pioneer Press, 4/15).

- **Hospital Officials Oppose Governor's Health Care Cuts**: **Governor Tim Pawlenty** (R) proposed a total of $857 million in health care cuts which, according to the **Minnesota Hospital Association** and **Administrator Bill Flaig of Douglas County Hospital**, disproportionately burden the state's hospitals (Financing News Pulse 3/20 edition). Flaig wrote to state lawmakers noting that the governor's cuts exclude adults from MinnesotaCare and that those individuals will seek uncompensated care in hospital emergency rooms. Flaig also notes that the governor's budget eliminates the Health Care Access Fund but maintains the provider fee that funded it, diverting hospital funds to other state programs. Finally, Flaig criticizes the governor for using Minnesota's $1.8 billion in ARRA health care funding for other purposes (Alexandria Echo Press, 4/15).

Missouri

- **Missouri Senate Approves Budget, Includes Governors Hospital Fees, Medicaid Expansion; Excludes SCHIP Expansion**: On April 15, the **Missouri Senate** approved a $23.2 billion budget that differs by more than $300 million from the House version passed weeks ago (Financing News Pulse 3/27 edition). The Senate version uses funds from a hospital fee, proposed by **Governor Jay Nixon** (D) and approved by the **Missouri Hospital Association** (Financing News Pulse 3/13 edition), to fund an expansion of the state's **Medicaid** program. The expansion would raise the income eligibility cap to 50 percent of the federal poverty level (FPL), covering an estimated 35,000 additional residents. The Senate budget does not include Governor Nixon's proposed expansion of the **State Children's Health Insurance Program** (SCHIP) program, which would have eliminated premiums for families earning up to 185 percent of the FPL and reduced premiums for families earning up to 250 percent of the FPL. The House and Senate have until May 8 to resolve budget disputes and send legislation to the governor (Kansas City Star, 4/15; Springfield News-Leader, 4/11; Kaiser Daily Health Policy Report, 4/17).

Nebraska

- **Mental Health Center Uses Virtual Reality to Help Veterans**: The **Veterans Affairs Medical Center** in **Grand Island, Nebraska** will use virtual reality equipment to treat veterans with mid-level Post Traumatic Stress Disorder (PTSD). The funding for the equipment, which depicts war scenarios to help veterans isolate and address trauma they encountered during active duty, and for a psychologist to operate the equipment, comes from the **U.S. Department of Veterans Affairs** (Grand Island Independent, 4/12).

Nevada

- **Joint Money Committee Rejects Some of Governors' Mental Health Cuts**: On April 14 **Nevada legislators** rejected some of **Governor Jim Gibbons'** (R) proposed cuts to the state mental health department (Financing News Pulse 2/6, 1/30, 1/23 editions). The governor had proposed cutting $37 million and 209 positions from the state's mental health system, as well as closing all of the state's rural mental health clinics; however, lawmakers have voted to keep nine of the state's 11 rural mental health centers open, and to restore positions at the Southern Nevada mental health hospital. Lawmakers voted to eliminate some funding for mental health medication but agreed to send a letter to the affected division instructing its leaders to request additional money if needed (Reno Gazette-Journal, 4/15; San Jose Mercury News, 4/14).

- **Senate Committee Rejected Governor's Proposal to Abolish Health Assistance Office**: On April 13, the **Nevada Senate Finance Committee** rejected **Governor Jim Gibbons'** (R) proposal to eliminate the **Governor's Office of Consumer Health Assistance for Hospital Patients** in an effort to save the state $926,993. Supporters of the office say it has saved consumers millions of dollars since its creation nearly 10 years ago (Kaiser Daily Health Policy Report, 4/17).

New Hampshire

- **State Insurance Department Files Complaint Against Health Benefits Management Firm**: The **New Hampshire Insurance Department** has accused **HMA Direct Benefits Consulting Group**, based in Newton, MA, of illegally using employee health information to carve out certain sick employees from an employer's health plan—a practice which is illegal in New Hampshire. HMA obtained the health information by saying it was required to for calculations needed to offer "bonus life insurance coverage" to the company's employees (AP via Boston Business Herald, 4/16).

New Jersey

- **State Launches Initiative to Enroll Children in FamilyCare**: **Governor Jon Corzine** (D) announced that the state will mail a new one-page **FamilyCare** application form to all families that indicated on their state tax forms that they have eligible uninsured children. The new one-page form replaces a 14-page application. Children living in families with incomes up to 350 percent of the FPL are eligible to enroll in FamilyCare, an insurance program for children and certain adults. The state will begin mailing the one-page application to families in May (Kaiser Daily Health Policy Report, 4/16; Star-Ledger, 4/15).

New York

- **Cost Effectiveness Report Delaying Reauthorization of Timothy's Law**: The **State Insurance Department** and the **Office of Mental Health** have yet to deliver a cost effectiveness report on New York's mental health parity law, **Timothy's Law**, which was due April 1. The report is the first step to reauthorizing the two-year-old law, which is set to expire on December 31. A spokesman for **Governor David Paterson** (D) said the report will be ready in time for consideration during the current legislative session. Timothy's law has different requirements for employers of different sizes but, at minimum, requires that all insured persons receive coverage for 30 inpatient days and 20 out patient days of mental health treatment annually. The state covers the additional cost of that coverage for employers with fewer than 50 employees (Press & Sun-Bulletin, 4/16).

- **APS Healthcare to Conduct Medicaid Review**: The **New York State Department of Health** has contracted with **APS Healthcare** and **Thomson Reuters** to analyze the state's Medicaid program, reviewing best practices and service utilization. The companies will seek to discover patterns of unnecessary care and the results of the analysis will be provided to clinics and physicians to improve outcomes and access while also lowering cost (PRNewswire, 4/16).

North Carolina

- **Rockingham County Privatizes County Mental Health Center**: The **Rockingham County Board of Commissioners** unanimously voted on April 13 to transfer responsibility for services at the county's **Mental Health Center** to **Daymark Recovery Services**, a major provider of behavioral health services in

the region. Daymark will take over on July 1 and continue operations at the county's facility. Day to day operations for clients will be largely unaffected by the transition; however, all 47 employees will lose their county jobs. Daymark plans to hire 43 employees to staff the center and plans to consider former county employees for those positions (Danville Register Bee, 4/14).

Ohio

- **Ohio Speaker Seeks Larger Hospital Fee, More Medicaid Funding**: The **Ohio Speaker of the House**, **Armond Budish** (D) has proposed a larger hospital fee than the one proposed by **Governor Ted Strickland** (D) (Financing News Pulse 3/6 edition) with a correspondingly larger Medicaid match and more Medicaid money directed towards hospitals. The governor's fee is estimated to raise $598 million and yield an additional $187 million in Medicaid payments for hospitals. Budish's proposal would yield $200 million more in Medicaid payments to hospitals and the additional federal funds would allow the state to shift more money to other programs (Indiana News Center. 4/13; AP via FOX 4/13).

- **Columbiana County Drug Treatment Costs Triple Due to Increased Utilization**: The **Columbiana County Mental Health and Recovery Services Board** reports that the cost of drug and alcohol treatment in the county has risen from $476,603 in 2004 to $1.26 million in 2008. The board's associate director is encouraged by the findings, noting that the cost increase results not from increased per-patient expenditures but from increased utilization. Service utilization increased from 658 clients in 2004 to 999 clients in 2008 (Vindicator, 4/12; Vindicator, 4/13).

- **County Court Creates Program for Mentally Ill**: The **Stark County Municipal Court** is working with the county's **Mental Health and Recovery Services Board** to create a new program, **Mental Health Court Docket**, to offer treatment rather than incarceration to non-severely-mentally-ill offenders charged with misdemeanors in which their mental health status contributed to the arrest. The presiding judge will make decisions about inclusion in the voluntary program. The Mental Health Court Docket will be jointly funded by the court and the board (Canton Rep, 4/10).

Rhode Island

- **Governor Expands COBRA Coverage to Former Small Business Employees**: On April 9, **Governor Don Carcieri** (R) signed a law expanding federal **COBRA** subsidies to employees who lost their jobs at companies with 20 or fewer employees. The federal COBRA provisions apply only to former employees of companies with more than 20 employees; however, by extending the state's COBRA-like coverage to employees of smaller business, Rhode Island allows many residents access to the 65 percent COBRA subsidy offered by the ARRA (Financing News Pulse 2/20 edition). The governor and lawmakers worked quickly to approve the measure, passed by the legislature on April 8, because of a federal provision requiring the alteration of state law to occur before April 17 (Providence Journal, 4/10; Kaiser Daily Health Policy Report, 4/14). At least 30 other states have passed similar laws to extend federal COBRA subsidies (Kaiser Daily Health Policy Report, 4/17).

- **State Forms Medicaid Waiver Task Force**: The **Executive Office of Health and Human Services** (EOHHS) created a task force to provide stakeholder input into the use Rhode Island's **Global Medicaid Waiver**

(Financing News Pulse 3/27, 3/13, 3/6, 2/6, 1/23, 1/16 editions). Legislation currently in the General Assembly would require such a task force; however, the EOHHS is seeking to jump-start the process by receiving public input. The task force currently consists of 63 members from a variety of consumer groups and will meet monthly beginning on May 12 and will be open to the public (Providence Business News, 4/16).

- **State Awards M/SU Information Contract:** Rhode Island has selected **KIT Solutions** to implement an integrated statewide information system for M/SU data, the **Substance Abuse and Mental Health Information Management System**. Over the two-year contract, KIT will create an information management system, which integrates the needs of professionals in both mental health and substance abuse treatment fields (EMediaWire, 4/15).

South Carolina

- **Governor's Senate Allies Propose Using ARRA Medicaid Money for Schools**: **Governor Mark Sanford's** (R) allies in the **South Carolina Senate** have created a budget proposal which uses over $400 million in **ARRA Medicaid** funding to pay for school programs, leaving just over $100 million for the **Department of Health and Human Services**. Governor Sanford has refused to request $350 million in ARRA funds unless it can be used to repay state debt (AP via WRDW, 4/15).

Tennessee

- **Medicaid Prescription Drug Use Declined After Cap; State Prescription Use Remains Above Average**: Tennessee's Medicaid program, **TennCare**, spent $706 million on prescription drugs in 2008, down from $2.44 billion in 2005 after the state capped the number of prescriptions beneficiaries could fill at five per month. State officials say savings also came from enrollment cuts and increased Medicare payments but experts note that prescription drug costs for comparable Medicaid beneficiaries fell by almost 40 percent in those three years. A study by **Novartis Pharmacy Benefits** found that, despite the decline in Medicaid prescription drug utilization, Tennessee residents use nearly 42 percent more prescription drugs than average U.S. residents (Kaiser Daily Health Policy Report, 4/15; Chattanooga Times Free Press, 4/12).

Texas

- **Attorney General Reached Agreement with Blue Cross Blue Shield to Modify Physician Rating System**: **Texas Attorney General Gregg Abbott** (R) said his office has ended an investigation into **Blue Cross and Blue Shield of Texas'** use of a physician rating program. The insurance company has reached a deal with the state to no longer use claims data to rank doctors' affordability, limiting the use of claims data to measuring compliance with certain best practices standards. BCBS says they will introduce a revised indicator to assess physician cost (Kaiser Daily Health Policy Report, 4/15; Dallas Morning News, 4/11).

Vermont

- **Drug Companies Spent Nearly $3 Million Marketing to Providers Last Year**: A report by the **Vermont Attorney General's Office** found that 78 pharmaceutical companies spent $2.9 million marketing products and providing gifts to physicians, hospitals, and universities in Vermont over the past fiscal year. Current state law does not allow the disclosure of individual recipients; however, the legislature is

currently considering a measure that would eliminate the "trade secret" exemption through which drug companies are able to prevent disclosing that information (Kaiser Daily Health Policy Report, 4/17).

Washington

- **Residents File Class-Action Lawsuit Against Nationwide Insurance**: Over 400 Washington residents have filed a class-action lawsuit against **Nationwide Insurance** alleging that the company offered fixed-payment indemnity health plans which do not comply with the state's mandatory minimum health benefits (Kaiser Daily Health Policy Report, 4/17).

- **Update: Medicaid Reimbursement Freeze May Cost State $3 Million**: The Financing News Pulse (4/6 edition) reported that the **District Court** halted **Governor Christine Gregoire's** (D) planned six percent pharmacy reimbursement cuts for brand-name prescription drugs. If enacted, the cuts would reduce reimbursements to 80 percent of the average wholesale price. A hearing is scheduled for May 18 and the **Washington Medicaid Director** says there are currently no settlement talks underway. The director estimates that the current rate freeze could cost the state $3 million before the court rules (AP via Seattle Times, 4/14; Kaiser Daily Health Policy Report, 4/15).

West Virginia

- **Update: Governor Considering M/SU, General Health Bills**: **Governor Joe Manchin** (D) is considering a bill (**SB 672**) to increase funding to the state's M/SU providers with $1.5 million in state funds, drawing an additional three-to-one federal match (Financing News Pulse, 4/13 edition). The **West Virginia Department of Health and Human Resources** opposes the bill because the funding goes largely to privately run regional mental health centers. The governor is also considering legislation establishing the **Governor's Office of Health Enhancement and Lifestyle Planning**, Go HELP, to coordinate state-wide health care efforts (Financing News Pulse, 4/13 edition) (Metro News, 4/16; Huntington Herald-Dispatch, 4/16; New York Times, 4/15; AP via Forbes, 4/14)

Wisconsin

- **Nursing Home Advocates Oppose Aspects of Governors Medicaid Budget**: Under **Governor Jim Doyle's** (D) proposed budget (Financing News Pulse 2/20 edition), Wisconsin would no longer return excess federal Medicaid funding to county nursing homes; instead, keeping the money to close Wisconsin's budget deficit. **John Sauer, Director of the Wisconsin Association of Homes and Services for the Aging** says the practice will hurt county nursing homes. A spokesman for the governor's administration said that some of the funding retained by the state would fund Medicaid and highlighted that that nursing homes will receive increased Medicaid reimbursement rates when the change takes effect (Pierce County Herald, 4/15).

Errata

An article in last week's edition of SAMHSA's Weekly Financing News Pulse (4/13 edition) about the Lewin Group's analysis of a potential national public health care option mistakenly characterized the difference between the estimated $761 monthly premium for the public plan and the average $970 premium for private plans as "over $200 more". The Lewin Group's analysis found that the public plan's premium would be over $200 less than the average premium for private plans.