

National Health Financing News

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National Health Financing News

- **President Obama Calls for Additional Taxes to Offset Health Reform Budgeting Error:** On May 11, **President Barack Obama's** administration proposed \$58 billion in new taxes to offset findings that returns from President Obama's original health care plan funding mechanism were overstated. The **U.S. Treasury Department** found that the president's plan to cap tax deductions for the top two federal tax brackets at 28 percent will generate \$266.7 billion over 10 years, roughly \$51 billion less than the \$318 billion President Obama's budget initially estimated. Among other tax increases, the White House **Office of Management and Budget (OMB)** is proposing \$12.7 billion in tax increases for life insurance companies and modifications to the estate and gift taxes designed to raise \$24.2 billion and affect less than 1 percent of estates ([Kaiser Daily Health Policy Report, 5/12](#)).
- **President Obama Announces Health Industry Groups Pledge \$2 Trillion in Spending Reductions; Groups Say Obama Overstated Pledge:** According to the Obama administration, numerous health industry groups met with the president on May 11 to discuss a collective commitment to reduce expected health care spending by \$2 trillion over the next 10 years. The administration said that the groups will do their part to meet **President Obama's** goal of decreasing the annual health care expenditure growth rate by 1.5 percent through lowered administrative costs, improved chronic illness management, reduced hospitalization rates, improved efficiency, and increased the use of health IT ([Kaiser Daily Health Policy Report, 5/12](#)). However, on May 14, the groups said that President Obama overstated their pledge when he said they promised to reduce the health care spending growth rate by 1.5 percent every year for 10 years ([Kaiser Daily Health Policy Report, 5/15](#)). **U.S. Department of Health and Human Services (HHS)** secretary **Kathleen Sebelius** said that the groups have until June 1 to submit a detailed plan to reduce health care spending; however, some have criticized the groups' plan for lacking enforcement mechanisms and for Congress' likely inability to use the savings for new initiatives. 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)** attended the meeting ([Kaiser Daily Health Policy Report, 5/12](#); [Kaiser Daily Health Policy Report, 5/11](#)).
- **Senate Finance Committee Releases Proposals for Health Care Reform Including Public Plan Options; Considers Health Reform Options:** On May 11, **Senate Finance Committee Chair Max Baucus (D-MT)** and ranking member **Chuck Grassley (R-IA)** released a 63-page policy options paper outlining numerous health care reform proposals, including three public plan options. One public plan would function similarly to Medicare, another calls for a third-party non-HHS administrator for oversight and regulation, and the third allows states to decide whether to create public options for state residents. The paper also proposes individual and employer insurance requirements, enforcing the individual requirement through a tax on a percentage of the cheapest coverage offered through an insurance exchange ([Kaiser Daily Health Policy Report, 5/12](#)). The next day, on May 12, the Finance Committee heard arguments for numerous health care reform proposals, including taxing employer-sponsored health care benefits. Senator Baucus said the committee should consider placing a cap on the amount of benefits that could be exempt from such a tax or placing an income limit on the exemption rather than eliminating the exemption completely ([Kaiser Daily Health Policy Report, 5/13](#)). Later in the week, on May 14, the Finance Committee held a closed-door meeting on the prospects of a public plan. Sens. Baucus and Grassley reported that no agreement was made on the creation of a public plan but that there was consensus on the requirement that every U.S. resident have health

coverage ([Kaiser Daily Health Policy Report, 5/15](#)). The policy options document is available on the committee's [website](#).

- **Other Legislators Discuss Health Care Reform Options: House Speaker Nancy Pelosi (D-CA) and President Obama** reaffirmed their commitment to introduce health care reform legislation before the August recess while **House Energy and Commerce Committee Chair Henry Waxman (D-CA)** said May 12 that the House will pass health care reform before the recess ([Kaiser Daily Health Policy Report, 5/13](#)). On May 13, Senate Democrats met with senior **White House Advisor David Axelrod** to focus on framing the democratic agenda around affordability and choice to combat a memo released last week by Republican strategist **Frank Luntz** ([Kaiser Daily Health Policy Report, 5/14](#)). Meanwhile, the fiscally conservative Democratic **Blue Dog Coalition** sent a letter to House committee leaders criticizing the lack of Blue Dog involvement in the health reform process ([Kaiser Daily Health Policy Report, 5/12](#)). The Blue Dog Coalition released a set of guidelines for health reform on May 12 requesting increased involvement and stressing fiscal discipline but taking no official position on a public insurance option ([Kaiser Daily Health Policy Report, 5/13](#)). Finally, the House Energy and Commerce Committee continued holding health care reform hearings including a closed-door session leaked on May 14. During the session, committee Democrats considered a health care mandate coupled with federal subsidies for individuals earning less than \$88,000 annually and an employer requirement to provide health coverage for fulltime employees or pay into a government plan. The committee also called for the establishment of a nation health exchange in which public and private plans compete and considered numerous public plans ([Kaiser Daily Health Policy Report, 5/15](#)).
- **MedPAC Reports that Medicare's Hospital Fund Will be Insolvent by 2017:** On May 12, the **Medicare Payment Advisory Commission (MedPAC)** released a report, which determined that the trust fund used to pay for Medicare hospital care will be insolvent by 2017, two years earlier than previous estimates indicated. **CQ HealthBeat** notes that the fund would not be "exhausted" by 2017 but would be unable to pay 100 percent of the scheduled hospital reimbursements. The report found that Medicare would immediately need to deposit \$13.4 trillion into an interest bearing account to fund its scheduled hospital benefits for 75 years. MedPAC's report also calculated that Medicare's total unfunded obligation is \$37.8 trillion, factoring in a scheduled 21 percent cut in provider fees that Congress has eliminated in previous years ([Kaiser Daily Health Policy Report, 5/13](#)).
- **President Obama Appoints Thomas Frieden as CDC Director:** On May 15, **President Obama** appointed former **New York City Health Commissioner Thomas Frieden** as the Director of the **Centers for Disease Control and Prevention (CDC)**. Frieden, an infection disease specialist known for advocating a smoking ban in New York City restaurants, is expected to take office in June ([Kaiser Daily Health Policy Report, 5/15](#)).
- **Secretary Sebelius Appoints HHS Office of Health Reform Staffers:** On May 11, **HHS Secretary Kathleen Sebelius** named nine new staff for the newly formed **HHS Office of Health Reform** that Sebelius says will work closely with the **White House Office of Health Reform** to cut health care costs, improve health care access, and assure quality care. Sebelius named **Jeanne Lambrew**, former health official at **OMB** during the Clinton administration as director of the office. She also named **Michael Hash** and **Neera Tanden** as senior advisors, **Linda Douglas** as director of communications, **Meena Seshamani** as director of policy analysis, **Caya Lewis** as prevention and public health advisor, **Karen Richardson** as

outreach coordinator, **Jennifer Cannistra** as policy analyst and director of special projects, and **Michael Halle** as special assistant ([Kaiser Daily Health Policy Report, 5/12](#)).

- **Senate HELP Committee Advances FDA Commissioner Nomination:** On May 13, the **Senate Health, Education, Labor and Pensions Committee** (HELP Committee) approved **Margaret Hamburg's** nomination as **Food and Drug Administration Commissioner**. A spokesperson for **Senate Majority Leader Harry Reid** (D-NV) said the full Senate will vote on Hamburg's nomination soon ([Kaiser Daily Health Policy Report, 5/14](#)).
- **Senate Confirms ONDCP Director:** On May 7, the Senate confirmed **Gil Kerlikowske** as the Director of the **Office of National Drug Control Policy** (ONDCP). Kerlikowske comes to the job after serving as **Seattle Police Chief** for nine years. The ONDCP director position, often referred to as the "drug czar," will lose its cabinet-level status under the Obama administration in part because of **Vice President Joe Biden's** experience with substance abuse policy, including his involvement in the creation of ONDCP in the 1980s ([AP, 5/8](#)).
- **Lawmakers Consider Tax Credits for Employers Offering Wellness Programs:** **Senator Tom Harkin** (D-IA) is developing a plan that would provide tax credits to employers offering wellness programs like periodic health screenings or counseling. Lawmakers are also considering changes to a current law, which caps the incentives that employers can offer workers for enrolling in wellness programs at 20 percent of the cost of health coverage, to allow employers to use additional financial incentives and penalties to reward healthy behavior ([Kaiser Daily Health Policy Report, 5/11](#)).
- **Influenza Pandemic Funds Progress Through Congress:** On May 14, the **Senate Appropriations Committee** approved a \$91.3 billion defense and foreign spending bill that includes President Obama's requested \$1.5 billion in emergency H1N1 influenza (swine flu) pandemic prevention funding. The same day, the House approved a version of the bill adding \$500 million to the president's requested influenza pandemic funds ([Kaiser Daily Health Policy Report, 5/15](#); [AP via Winston-Salem Journal, 5/15](#)).
- **AHRQ Report Finds Fewer Families Can Afford Health Insurance:** A study by the **Agency for Healthcare Research and Quality** (AHRQ) published in *Health Affairs* found that most uninsured families not covered by employer-sponsored health insurance cannot afford to purchase health insurance. The study shows that family's median net worth—the value of their savings and assets minus their debt—is a better predictor than family's net income, the current standard, for determining a family's ability to purchase health insurance. The study found that the median net worth of families that purchased health insurance was \$105,819, nearly 35 times greater than the median net worth of \$3,057 for uninsured families. In contrast, the median income of families that purchased insurance was \$41,086, only 2.3 times the median income of uninsured families, \$17,690 ([AHRQ Press Release, 5/8](#)). An abstract of the study is available on the *Health Affairs* [website](#).
- **Walk-In Health Clinics Increasingly Affiliated with Hospitals and Medical Centers:** Few walk-in health clinics associated with large retail chains were affiliated with hospitals and medical center when they were initially gaining popularity in 2005; however, according to **Merchant Medicine**, roughly 10 percent of the more than 1,000 such clinics in the U.S. are currently affiliated with a hospital or medical center. Over 25 **Wal-Mart** clinics are currently affiliated with hospitals in Texas, Wisconsin, and Missouri and the **Cleveland Clinic** and **Mayo Clinic** have entered into similar arrangements with other retail

clinics. The **New York Times** (NYT) reports that hospitals partner with clinics both because they filter paying non-emergency clients out of emergency rooms and because they offer marketing opportunities. The NYT reports that the strategy is becoming increasingly popular among clinic operators and hospitals ([Kaiser Daily Health Policy Report, 5/12](#); [New York Times, 5/11](#)).

- **Independent Pharmacies Protest CVS Caremark's Plan to Charge Higher Copays at Non-CVS Pharmacies:** The **National Community Pharmacists Association** (NCPA) sent a letter to **Federal Trade Commission Chair Jon Leibowitz** regarding letters sent for pharmacy benefits manager (PBM) **CVS Caremark** indicating that the PBM charges higher copays for some members who fill their prescriptions at non-CVS pharmacies. One such letter pertaining the CVS' Maintenance Choice program indicated copays for patients filling prescriptions at non-CVS pharmacies would increase to 50 percent of the prescription price rather than the 25 percent they would pay at a CVS pharmacy. The NCPA's letter asked the FTC to investigate CVS Caremark's "anticompetitive and deceptive conduct" ([Kaiser Daily Health Policy Report, 5/13](#); [CNN, 5/13](#)).
- **Pfizer Creates Program to Offer Some Customers Free Prescription Drugs:** On May 14, **Pfizer** announced a new program that will provide free access to over 70 types of prescription medications for certain eligible customers who were laid off or lost prescription coverage. To qualify for the program, **Medicines Assistance for Those who Are in Need** (MAINTAIN), individuals must show that they have been unemployed since January 1, no longer have prescription drug coverage, cannot pay for their medications themselves, and have been taking their medications for at least three months prior to losing their jobs. The program will begin July 1 and will offer the covered drugs for up to one year or until an individual obtains new coverage ([Kaiser Daily Health Policy Report, 5/15](#)).
- **Young Adults Among the Fastest Growing Groups of Uninsured:** **Kaiser Health News** and the **Philadelphia Inquirer** examined health insurance among young adults, finding that, according to the **Commonwealth Fund**, adults 19-29 are among the largest and fastest growing groups of uninsured people in the country. In addition, the unemployment rate among individuals ages 20-24 has increased from 9 percent in 2008 to 14.7 percent in April. Kaiser and the Inquirer report that some states have enacted regulations requiring insurers to extend coverage to young adults under their parents health plans and that some insurers have begun offering low-cost plans to young adults, though such plans generally carry high deductibles and provide mainly catastrophic coverage ([Kaiser Daily Health Policy Report, 5/11](#); [Philadelphia Inquirer, 5/11](#)).
- **CMS Awards HMS Medicaid Integrity Program Contract:** On May 11, **The Centers for Medicare & Medicaid Services** (CMS) awarded the second Medicaid Integrity Program (MIP) Task Order to HMS Holdings Corp. HMS will examine payments to providers under Title XIX of the Social Security Act to identify overpayments stemming from fraud, waste, or abuse. The program is for the MIP San Francisco Jurisdiction, which includes Alaska, Arizona, California, Hawaii, Idaho, Oregon, Washington, Guam, American Samoa, and the Commonwealth of Northern Mariana Islands. The contract is valued at \$3.2 million for the base year. CMS previously awarded HMS the MIP Task Order for the Dallas Jurisdiction in September 2008 ([PRNewswire, 5/11](#)).
- **Hospital Payment System Fails to Reward Readmission Reductions:** The **NYT** reports that hospitals that successfully reduce the number of patients requiring readmission receive no compensation under the current health care financing system. **Robert Berenson** of the **Urban Institute**

notes that hospitals lose money when they provide quality care because they prevent patients from returning to the hospital for readmissions. Both the Obama administration, **Senate Finance Committee Chair Max Baucus** (D-MT), and ranking member **Chuck Grassley** (R-IA) support changes to hospital payments that provide incentives for reduced readmissions ([Kaiser Health Policy Report, 5/11](#)).

- **UAB Survey Finds Many Employers Believe Employees Understand the Necessity of Rising Health Insurance Costs: United Benefit Advisors, LLC's (UBA) 2009 UBA Employer Benefit Perspectives Survey** found that 40 percent of employers felt that, though their employees did not like rising health insurance costs or reduced benefits, they understood their necessity given the current health care market place. Only 20 percent of employers reported thinking their employees were upset by reductions in health care benefits or increases in costs. The survey also found that over 67 percent of employers reported that their employees need tools to help them become healthier, including tools to help them select the best possible health plan ([Huliq News, 5/12](#)).
- **WellCare Reports First Quarter Loss Due to Fraud Expenses:** On May 11, **WellCare Health Plans Inc.** reported losing \$36.9 million in the first quarter of 2009 because of \$44.8 million set aside for payments relating to federal fraud investigations (Financing News Pulse 5/11 edition) and \$11.5 million in administrative expenses related to that investigation. WellCare has been under investigation for fraud since October 2007. Excluding items related to the investigation, WellCare reported an adjusted profit of \$12.3 million for the first quarter of 2009 ([AP via Forbes, 5/11](#)).
- **Employment Status Affects Health:** A study by **State University of New York at Albany** analyzed employment and health data collected by the **Panel Study of Income Dynamics** at the **University of Michigan** during 1999, 2001, and 2003. The study found that 6 percent of people with steady jobs over 18 months developed new health conditions compared with 10 percent of workers who had lost their jobs through no fault of their own. The study found that obtaining employment did not alter laid-off workers increased chance of developing a new health condition ([Kaiser Daily Health Policy Report, 5/11](#)).
- **HHS Will Announce Specifications for "Meaningful Use" of Health IT Under the ARRA:** On May 8, **National Coordinator for Health IT David Blumenthal** announced that HHS will issue guidelines and specifications to define the "meaningful use" of health IT by this summer. The definition is necessary to allow for the allocation of the \$17 billion in ARRA Medicaid and Medicare payments slated to go to health care providers meaningfully utilizing health IT. Blumenthal also announced appointments to the **Health IT Policy Committee** and the **Health IT Standards Committee** established by the ARRA. The two committees will advise Blumenthal on the adoption of an interoperable health IT system including electronic health records (EHRs). Blumenthal did address the extent to which the **Certification Commission for Health IT** will maintain its current responsibility for EHR system certification ([Kaiser Daily Health Policy Report, 5/11](#)).
- **KFF Releases New Resources Examining Medicaid as Health Reform Platform, Medicare Buy-In Option, and State-Level Data:** The **Kaiser Family Foundation (KFF)** released new resources examining the policy opportunities for expanding Medicaid to cover additional low-income individuals and enabling the program to serve as a health care reform platform. The Medicaid resources include: "[Medicaid as a Platform for Broader Health Reform: Supporting High-Need and Low-Income Populations](#)," "[Coverage and Cost Impacts of Expanding Medicaid](#)," [Expanding Health Coverage for Low-Income Adults: Filling the Gaps in Medicaid Eligibility](#)," and "[Community Care of North Carolina: Putting](#)

[Health Reform Ideas into Practice in Medicaid.](#)” KFF also released new state-level data available via their state health facts [website](#) and a new brief examining the proposed Medicare buy-in option for adults ages 55-64. The Medicare brief is available the KFF's website [here](#).

- **Ford to Sell Stock to Fund VEBA:** On May 11, **Ford Motor** said it will sell up to 300 million shares of its own stock to pay its 2009 obligation to the **United Auto Worker's (UAW) Voluntary Employees' Beneficiary Association (VEBA)** which pays for retiree's health care. Ford reached an agreement with the UAW in March (Financing News Pulse 3/13 edition) allowing the company to pay for a portion of its VEBA obligation, \$1.85 billion in 2009, using company stock.

Around the Hill: Hearings on Health Financing

Senate Finance Committee: *Health Care Overhaul*

10:00 a.m. May 12, 106 Dirksen

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

Fiscal 2010 Appropriations: Labor, HHS, Education

10:00 a.m. May 12, 2359 Rayburn

2:00 p.m. May 12, 2358-C Rayburn

House Energy and Commerce Subcommittee on Health: *Medical Device Safety*

2:00 p.m. May 12, 2123 Rayburn

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

Fiscal 2010 Appropriations: Labor, HHS, Education

9:45 a.m. May 13, 138 Dirksen

House Veterans' Affairs Committee: *Innovative Technologies and Treatments for Veterans*

10:00 a.m. May 13, 334 Cannon

Senate Health, Education, Labor and Pensions Committee: *Primary and Specialty Health Care*

10:00 a.m. May 14, 430 Dirksen

Senate Appropriations Committee: *Fiscal 2009: War, Flu Supplemental*

2:00 p.m. May 14, 106 Dirksen

House Oversight and Government Reform Subcommittee on Federal Workforce, Postal Service, and the

District of Columbia: *Federal Workers' Response to the H1N1 Outbreak*

2:00 p.m. May 14, 2154 Rayburn

Around the States: State and Local Behavioral Health Financing News

Alabama

- **Legislature Approves SCHIP Expansion; Governor Rejects Measure:** The Alabama Legislature included an expansion of the **State's Children's Health Insurance Program (SCHIP), ALL Kids**, in the general fund budget. The proposal, not originally included in **Governor Bob Riley's (R)** budget, raises the income eligibility cap for SCHIP from 200 percent to 300 percent of the federal poverty level (FPL). The change would increase the state portion of the SCHIP budget from \$32.5 million to \$40.5 million and draw down

an additional \$32 million in federal matching funds. Officials believe the change would cover an additional 14,000 children ([AP via AL.com, 5/12](#)). However, on May 14, Governor Riley sent the state budget back to the legislature without the SCHIP funding. ([AP via NBC, 5/14](#)).

- **Some Rural Hospitals Fear Effects of Proposed Medicare Rate Changes:** Among CMS' proposed Medicare rate changes (Financing News Pulse 5/11 edition) is a proposal to increase hospital payment rates by 2.1 percent to compensate for inflation but subtract 1.9 percent of the increase to cover the cost of increased payments for certain sever diagnoses. Acute care hospitals in Alabama, including **Helen Keller Hospital** in Sheffield and **Eliza Coffee Memorial Hospital** in Florence, say the change will not allow them to keep pace with increasing medical costs ([Florence Times Daily, 5/11](#)).

California

- **Governor Signs "Mini COBRA" Bill:** Governor Arnold Schwarzenegger (R) signed legislation (**AB 23**) on May 12 expanding the **ARRA COBRA** subsidy (Financing News Pulse 2/20 edition) to state residents laid off from companies with two to 19 employees. The legislation also allows employees laid off between September 1, 2008 and February 16, 2009 who did not seek COBRA coverage when they lost their employment to do so now and obtain the 65 percent ARRA subsidy. Most other states have passed similar legislation to extend ARRA COBRA benefits to people laid off from small businesses not covered under the original ARRA provisions ([Sacramento Business Journal, 5/13](#)).
- **Solano County to Fund Early Intervention Mental Health Services for Children:** The **Solano County Health and Social Services Mental Health Division** will award funding to the **Vacaville Unified School District** and **Solano County Office of Education** to fund early intervention mental health services for school-aged children. The funding for the services comes from the **Mental Health Services Act** created by the state's **Proposition 63**, which taxes state residents with incomes of \$1 million or more to pay for mental health services. Details of the contract are currently under negotiations ([The Reporter, 5/10](#)).
- **Santa Clara County Executive Unveils FY2010 Budget Proposal:** Acting County Executive Gary Graves released a recommended FY2010 budget for **Santa Clara County** this week, cutting mental health, public health, and substance abuse treatment to address a \$273 million deficit. The budget will be analyzed in workshops later in May before receiving final approval in June ([Mountain View Voice, 5/8](#)).

Colorado

- **Colorado Trust Donates \$4.5 Million to Children's Health Services:** The **Colorado Trust**, a non-profit organization that gives grants to support universal access to health care in Colorado, announced May 12 that it will give \$4.5 million over three years to 14 health care providers to provide health care services for needy children. The grants will go to community clinics, federally qualified health centers, school-based health centers, safety net hospitals, and local public health departments. The Trust estimates that, by the end of the grant period, 18,000 additional children will have access to care ([Denver Business Journal, 5/12](#)).

Connecticut

- **State Employee Unions Agree to \$700 Million in Concessions:** Connecticut's 13 state employee unions voted unanimously to approve benefit concessions negotiated with **Governor M. Jodi Rell's** (R) administration this week. The negotiated health benefit reductions include higher prescription drug and copayment costs for retirees. In a more complicated process, state employees also voted to approve wage givebacks that, when combined with benefit concessions, total \$700 million in savings for the state ([Hartford Courant, 5/9](#)).

Florida

- **Legislature Passes Budget with Health Cuts:** On May 8, the **Florida Legislature** passed a \$66.5 billion state budget, relying on \$5.3 billion in ARRA funding. The budget allocates \$26.03 billion for health and human services, including \$1.7 billion from the ARRA. Legislators cut Medicaid hospital reimbursement rates by up to 1.6 percent, HMO reimbursement rates by slightly less than 1 percent, and nursing home reimbursement rates by 3 percent in addition to reducing funding for home and community-based elderly care. The budget also includes a \$1 per-pack increase in the state cigarette tax (Financing News Pulse 5/4 edition) ([AP via Miami Herald, 5/8](#); [Tallahassee Democrat, 5/9](#)).

Georgia

- **New DBHDD Director Will Alter Mental Health Plan, Keep Savannah Hospital Open:** The Director of the newly created **Department of Behavioral Health and Developmental Disabilities (DBHDD)**, **Dr. Frank Shelp** (Financing News Pulse 5/11 edition), announced modifications to the state's mental health plan this week. Shelp says he will maintain the state's focus on providing a full continuum of care; however, he eliminated a plan to close **Georgia Regional Hospital** in Savannah, Georgia. Shelp said that keeping Georgia Regional functioning will allow the state to treat 95 percent of mentally ill patients in their own region. Shelp continues to serve as the clinical director of Georgia Regional and will remain in that post until he officially becomes the DBHDD director in June ([Augusta Chronicle, 5/13](#); [Georgia Public Broadcasting News, 5/12](#)).

Kansas

- **Legislature Approves Budget Balancing Plan:** On May 8, the Kansas House approved a tax bill (**HB 2365**), approved by the Senate the day before, which completes the Legislature's approval of the state's budget balancing plan designed to close a projected \$328 million deficit in the state's already-approved \$13 billion FY2010 budget. The tax bill, combined with a \$138 million spending reduction bill (**HB 2373**), now heads to **Governor Mark Parkinson** (D) for approval. The spending reduction bill includes cuts to the **Kansas Health Policy Authority (KHPA)** that will likely slow the health plan application approval process for the agency (Financing News Pulse 5/4, 4/27 editions). The KHPA's administrative budget was already cut 15 percent under the FY2010 budget ([Lawrence Journal-World & News, 5/13](#); [AP via Kansas City Star, 5/8](#)).

Louisiana

- **House Committee Approves Legislation Requiring DHH to Consult Advisory Board on Medicaid Changes:** The **House Health and Welfare Committee** voted on May 12 to send legislation (**HB 717**) to the House floor that would require the **Department of Health and Hospitals (DHH)** to consult with an

advisory board prior to implementing any changes to the Medicaid program. The board would consist of eight doctors and dentists and function independently of DHH and the Legislature ([New Orleans Times-Picayune, 5/12](#)).

Maryland

- **Governor Signs Law Setting New Rules for No-Cost and Low-Cost Hospital Care:** On May 7, **Governor Martin O'Malley** (D) signed two bills that set eligibility standards for no-cost and reduced-cost care at state hospitals. The new rules, which replace voluntary guidelines developed by the **Maryland Hospital Association**, mandate that Maryland hospitals provide no-cost care for all state residents with incomes up to 150 percent of the FPL and require hospitals to give certain discounts to low-income patients with income over 150 percent of the FPL. The legislation also requires hospitals to inform clients about the eligibility criteria and post information about financial assistance throughout the hospital ([Kaiser Daily Health Policy Report, 5/12](#)).
- **Commission Approves Hospital Rate Increase:** On May 13, the **Health Services Cost Review Commission** approved a 1.77 percent increase in the amount Maryland hospitals can charge patients. The commission reached the number based on the **Maryland Hospital Association's** requested 3.25 percent increase and commission staffers' recommended 1.27 percent increase. The change will take effect July 1, affecting 47 hospitals in the state. Officials expect the rate increase to generate an additional \$260 million in hospital revenues ([Baltimore Sun, 5/13](#); [Kaiser Daily Health Policy Report, 5/15](#)).

Massachusetts

- **Senate Releases Tight FY2010 Budget, Cuts Mental Health and Substance Abuse:** Senate leaders released a \$26.7 billion proposed FY2010 budget this week, \$1.3 billion less than the budget approved by the House. The Senate budget reduces aid to cities and towns by 30 percent and cuts mental health and substance abuse funding by nearly 25 percent ([WBUR, 5/14](#); [Boston Globe, 5/13](#)).

Michigan

- **AP Examines Impact of State Medicaid Cuts:** The **Associated Press** (AP) examined the effects of **Governor Jennifer Granholm's** (D) newest 4 percent Medicaid rate cuts (Financing News Pulse 5/11 edition) on state health care. The **Michigan State Medical Society** reports that, before the cut, Michigan reimbursed doctors for 61 cents for every dollar spent on Medicaid patients, contributing to the falling percentage of doctors (88 percent in 1999 and 64 percent in 2005) willing to accept Medicaid patients. The newest rate cuts will cost providers \$5.3 million in state funds and nearly three times that amount in federal matching funds through September 30. In addition, the state's worsening economy makes the prospect of the governor's planned Medicaid funding increase for FY210 less likely while Medicaid enrollment continues to grow. Michigan's Medicaid program added 22,619 new patients in February and 17,000 in March ([AP via Forbes, 5/9](#)).
- **Michigan Legislature Considers Numerous Health Care Proposals:** The Michigan Legislature is exploring methods to provide increased access to health coverage in light of increasing rates of unemployment and uninsurance in the state. One proposal would create a program, **Insure Michigan**, offering

subsidized low-cost plans to residents earning between 200 percent and 300 percent of the FPL. Another proposal would establish a state fund to pay claims of \$25,000 to \$250,000 and yet another proposal would raise the income eligibility cap on the state's Medicaid program to 250 percent of the FPL. The Medicaid proposal would raise the state share of the funding through fees for insurance plans, health plan administrators, and hospitals. The legislature is also considering altering insurance law to prevent insurers from rejecting applicants with chronic conditions or raising their rates after a diagnosis and instituting attorney general oversight of the state's health insurance companies ([Detroit Free Press, 5/14](#)).

- **Shiawassee County Prepares for Mental Health Program Cuts:** In response to a May 5 executive order in which **Governor Granholm** cut \$12.5 million in community mental health board funding from the state's general fund and reduced Medicaid provider payments by 4 percent (Financing News Pulse 5/11 edition), the **Shiawassee County Community Mental Health Authority (SCCMHA)** is trying to budget for reduced funding. SCCMHA officials are not sure exactly how much the authority will lose under the governor's cuts; however, it is already running a \$250,000 deficit. In addition, the authority's director notes that the state general fund money draws down 85 cents in federal Medicaid matching funds for every 15 cents of state funding. The SCCMHA says that the cuts will likely mean a reduction in client services and waiting lists for remaining services ([Argus Press, 5/9](#)).

Minnesota

- **Governor Line-Item Vetoes Items in HHS Budget, Threatens More Vetoes:** On May 14, **Governor Tim Pawlenty** (R) line item vetoed seven items in two budget bills and threatened to line-item veto other items in the Democratic spending bills if agreements cannot be reached by the May 18 legislative deadline (Financing News Pulse 5/4 edition). Among other items, the governor vetoed \$381 million in funding for **General Assistance Medical Care** in FY2011. The program provides health care for childless adults in Minnesota ([Minneapolis Star Tribune, 5/15](#)).

Missouri

- **House Approves Health Care Expansion:** After rejecting a bill (**HB 11**) that would have used hospital funds to expand the state's Medicaid program, the House has passed new legislation to fulfill the agreement reached by the legislature to pass an alternative health care expansion of equal value (Financing News Pulse 5/11 edition). **Governor Jay Nixon's** (D) proposal would expand Medicaid to custodial parents earning up to 50 percent of the FPL. The Senate's bill would create a new government program to cover the same population while the House's new proposal would use the \$147 million to cover a smaller subset of low-income adults through the state's existing high-risk insurance pool ([Kansas City Star, 5/12](#)).
- **Legislature Passes Bills Imposing Health Care Levies to Raise Medicaid Funding:** The Missouri Legislature approved two bills (**HB 740** and **SB 307**) extending or creating health care provider taxes and fees to draw down additional federal Medicaid matching funds. HB 740 creates provider taxes for ambulances and in-home care and a certification fee for certain mental health providers. SB 307

extends existing taxes on pharmacies, Medicaid managed care, and intermediate mental health facilities until 2011 ([Kaiser Daily Health Policy Report, 5/14](#)).

Nebraska

- **Legislature Will Address Magellan's Decision Not to Pay Provisionally Licensed Professionals for Medicaid:** Nebraska's Medicaid managed care company, **Magellan**, has decided it will not pay provisionally licensed mental health counselors and psychologists to deliver Medicaid services. The Nebraska Legislature plans to meet with the Medicaid administrators to discuss the issue and will consider passing legislation to force the Medicaid program to pay the provisional license holders if the administrators do not agree voluntarily. Provisionally licensed professionals must work 1,000-3,000 supervised hours prior to obtaining their full license. State legislators believe that the Medicaid policy impedes both professionals' ability to get needed supervision and the state's ability to help needy Medicaid beneficiaries ([Lincoln Journal Star, 5/7](#)).

Nevada

- **Budget Subcommittee Reinstates Some Cuts to Medicaid, Rejects Others:** A Senate-Assembly budget subcommittee voted to reject some of **Governor Jay Gibbons** (R) proposed changes to the state's \$900 million Medicaid budget while keeping others. The committee voted to continue the 5 percent hospital cuts instituted in October 2008 but rejected the governor's proposal to cut an additional 5 percent in July 2009. Eliminating that cut will require \$9.7 million additional state funds over the next two fiscal years. The committee also reduced the rate for in-home personal care and uncapped the budget for **Check Up**, the state program that provides medical care for low-income children. Committee members estimate that the change will cover 24,000 additional children next fiscal year and 31,000 the year after. Finally, the committee accepted Governor Gibbons' proposals to eliminate \$1.6 million in graduate medical education funding, cut a scheduled \$5 million enhancement for pediatrics and obstetrics, and limit hours for in-home services ([Las Vegas Sun, 5/11](#); [Kaiser Daily Health Policy Report, 5/13](#)).

New Jersey

- **Senator Opposes Governor's Health Cuts, Suggests Alternatives:** Chairman of the **Senate Health, Human Services, and Senior Citizens Committee** and member of the **Senate Budget and Appropriations Committee**, **Senator Joseph Vitale** (D-Middlesex) opposes **Governor Jon Corzine's** (D) proposed restrictions to the state's **FamilyCare** program, which offers free and low-cost health insurance to children and some parents (Financing News Pulse 4/13 edition). Sen. Vitale says he will not approve a budget that includes the governor's plan to save the state \$9.7 million by restricting adult enrollment in FamilyCare. Senator Vitale proposed three possible sources for the funding to avoid the governor's cuts. He suggested: reducing or eliminating property tax rebates for seniors earning between \$100,000 and \$150,000 in taxable income annually, redirecting the funds from \$603 million set aside to partially reimburse hospitals for charity care, or applying for Medicaid matching funds for half of the \$40 million that hospitals are assessed to pay uninsured patients at federal health clinics ([Philadelphia Inquirer, 5/13](#)).

New York

- **Hospitals and Health Facilities Face Staff Reductions:** Data obtained by the **Healthcare Association of New York State** illustrates the effects of the current recession on hospitals' staffing. Last week, Westchester Medical Center announced plans to leave 100 positions vacant while Maimonides Medical Center in Brooklyn is considering eliminating 150-170 positions in the face of an \$18 million budget gap. These cuts come in addition to previously announced cuts at Long Island College Hospital in October 2008, Metropolitan Jewish Geriatric Center Home Care Agency in November 2008, and Brookdale University Hospital and Medical Center in March ([Crain's New York, 5/11](#)).
- **Rochester School District Gets DOE Grant for Mental Health:** The **Rochester School District** has been awarded \$370,237 in a two-year **U.S. Department of Education (DOE)** grant from the **Improve the Mental Health of Children Program**. The school plans to collaborate with the Southeastern Regional Education Service Center, a non-profit organization, to provide mental health, juvenile justice, and other related services to the top 1 percent of needy children in the district ([Foster's Daily Democrat, 5/8](#)).

Pennsylvania

- **Maximus Wins Medicaid Education, Outreach, and Enrollment Contract:** The **Department of Public Works** awarded **Maximus Inc.** a contract to provide enrollment, education, and outreach for the **Pennsylvania Medical Assistance Program**, which handles the state's Medicaid program. Under the contract, valued at \$37.5 million if the state exercises all of its option years, Maximus will handle the enrollment in **HealthChoices** and **Access Plus**, the state's Medicaid managed care programs ([Washington Business Journal, 5/14](#)).

Virginia

- **Governor Asks State Agencies to Cutback Because of Revenue Projections:** On May 11, **Governor Tim Kaine** (D) asked all state agencies to reduce their spending through the end of FY2009. Recent figures show that revenues for April, May, and June were lower than anticipated and may create a \$225 million shortfall in the state's current year budget. Governor Kaine did not ask for specific cuts nor did he instruct state agencies to layoff staff. The state has \$160 million in unallocated funding from the FY2010 budget that the governor says he will use to address the shortfall if agencies are unable to spend less than their allocated FY2009 budgets ([Go Dan River, 5/12](#)).
- **Virginia Awards Medicaid Drug Rebate Services Contract to SXC Health Solutions:** Virginia's **Department of Medical Assistance Services** awarded **SXC Health Solutions Inc.**, a pharmacy benefits management and healthcare IT company, its Medicaid Drug Rebate Services contract. Under the contract, SXC will provide drug rebate management services including invoicing, payment collection, and dispute resolution. SXC will also interface with the state's currently existing health care IT systems ([PRNewswire, 5/11](#)).

Washington

- **Update: State Drops Medicaid Drugstore Payment Cuts:** Washington has elected to drop an attempt to cut Medicaid prescription reimbursement rates from 86 percent of the average wholesale price to 80 percent of that price. The cut was scheduled to take effect April 1 but temporarily blocked by a federal

judge after numerous pharmacy associations filed a lawsuit protesting the cuts. A hearing had been scheduled for May 18 (Financing News Pulse 4/27, 4/6 editions). The state's decision does not address Medicaid pharmacy rates for FY2010 but assures that the reimbursement rate will remain 86 percent through the end of FY2009 ([AP via Seattle Times, 5/13](#); [Kaiser Daily Health Policy Report, 5/15](#)).

- **State Officials Name New CEO for Western State Hospital:** Washington officials announced that **Jess Jamieson** will serve as CEO of **Western State Hospital**, one of three psychiatric hospitals in Washington. Jamieson, who previously served as CEO of **Alliance Behavioral Health Care** in Everett, will begin at Western on May 18 ([AP via Seattle Post-Intelligencer, 5/11](#)).

West Virginia

- **Update: Governor's Office Outlines Sources But Not Uses of New Mental Health Funding:** After vetoing legislation (**SB 672**) to fund mental health and promising \$12.7 million an alternate funding (Financing News Pulse 5/11 edition), **Governor Joe Manchin's** (D) administration has identified the source of that funding. The governor's administration says that roughly \$2 million will come from state funding, \$5.7 million from federal Medicaid matching funds, and the remaining \$5 million from ARRA funding. The administration has not yet said how it will allocate the money but indicated that it will likely spend the funds over two or three years ([West Virginia Gazette, 5/12](#)).
- **State Employee Health Care Program to End Retiree Subsidies for New Employees:** The finance board of the **Public Employees Insurance Agency** (PEIA) voted on May 14 to end the 60 percent subsidy for retiree health care premiums for new state employees. PEIA also voted to return the 35,000 former state employees currently enrolled in **Coventry Health Care's** Medicare Advantage (MA) plan to PEIA's main program when Coventry ceases providing MA plans at the end of the year. The West Virginia chapter of the **American Federation of Teachers** plans to sue agency over the change ([AP via Charleston Daily Mail, 5/14](#)).

Wisconsin

- **Assembly Passes Bills to Increase Health Insurance Access for High Risk Residents:** On May 13, the Wisconsin Assembly passed two bills expanding access for participants in the state's **Health Insurance Risk Sharing Plan**, which provides insurance for disabled or HIV-infected residents who cannot obtain employer-sponsored insurance. One bill would allow the plan to exceed the current \$1 million maximum per-person payout and the other would reduce the number of insurance rejections necessary for residents to qualify for the plan from two rejections to one ([AP via Chicago Tribune, 5/13](#)).