

National Health Financing News

- Senate Finance Committee Releases Health Reform Funding Options; Senator Baucus Discusses Health Care Reform
- Republicans Introduce Health Care Reform Plans
- Other Democratic Legislators Progress Towards Health Care Reform
- Update: Health Care Industry Groups Clarify Commitment to Reducing Health Spending Growth
- Urban Institute Report Says Failure to Institute Health Care Reform Could Result in 66 Million Uninsured Residents
- Daschle Continues to Play Role in Health Care Reform
- Senate Confirms Hamburg as FDA Commissioner
- New Democrat Coalition Seeks Independent Panel to Oversee Comparative Effectiveness Research
- Senate HELP Committee Approves Bill to Place Tobacco Under FDA Regulation
- Senate Approves Supplemental Spending Bill with Funds for Flu Pandemic
- DOJ and States Join Whistle-Blower Lawsuit Accusing Wyeth of Medicaid Fraud
- Health IT Lobby Group Asks HHS to Designate CCHIT as EHR Certification Body
- Report Finds U.S. Residents Will Pay Greater Share of Employer-Sponsored Health Coverage in 2009
- HHS and DOJ Expand Health Care Fraud Investigations
- Survey Finds Few Employers Plan to Drop M/SU Coverage In Response to Federal Parity Legislation
- IHS Releases \$500 Million in ARRA Health Care Funding
- NEJM Study Finds IOM's Medical Resident Rest Recommendations Would Cost \$2.5 Billion Annually
- Update: UAW and General Motors Agree to Tentative VEBA Deal
- KFF Launches Health Reform Gateway

Around the Hill: Hearings on Health Financing

Around the States: State and Local Behavioral Health Financing News

Alabama	Maryland	Nebraska	Texas
Arizona	Massachusetts	New Jersey	Utah
California	Michigan	New Mexico	Vermont
Colorado	Minnesota	New York	Virginia
Connecticut	Mississippi	Oklahoma	Washington
Iowa	Missouri	Oregon	West Virginia
Kansas	Montana	Pennsylvania	Wyoming

SAMHSA will release this week's issue of the Financing News Pulse Tuesday May 26, 2009 because of Memorial Day.

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

National Health Financing News

- **Senate Finance Committee Releases Health Reform Funding Options; Senator Baucus Discusses Health Care Reform:** On May 18, **Senate Finance Committee Chair Max Baucus** (D-MT) and ranking member **Chuck Grassley** (R-IA) released a document outlining policy options for financing health reform. Though Sens. Baucus and Grassley do not support all of the proposals included in the paper, the last in a series of three produced by the committee, the document indicates which proposals are supported by senators. The report examines numerous ways to generate health care reform funding by altering the current employer-sponsored health care model. The proposals include capping the amount of health benefits that qualify for tax-exempt status, taxing benefits only for higher-income residents, and replacing the tax exemption with a tax deduction/credit system. The report also proposes levying new taxes on non-profit hospitals that do not meet minimum charity care requirements and taxing alcohol and sugar-sweetened beverages. Finally, the report suggests making changes to Medicare and Medicaid suggested by the **Medicare Payment Advisory Commission** (MedPAC), adjusting some Medicare payment formulas, and instituting geographic spending adjustments in Medicare Part A and Part B ([Kaiser Daily Health Policy Report, 5/18](#)). In a May 20 meeting to discuss the funding mechanisms outlined in the paper, Senator Sen. Baucus estimated that there is a 75 to 80 percent chance that the committee can construct a bipartisan bill ([Kaiser Daily Health Policy Report, 5/21](#)). On May 21, **Sen. Baucus** said that Congress' health reform will likely cover 94 to 96 percent of the population but will not provide coverage to undocumented immigrants. Senator Baucus refused to rule out health reform options, noting that a health care mandate, health insurance exchange, and employer tax incentives are all still under consideration. The financing options paper, "*Financing Comprehensive Health Care Reform: Proposed Health System Savings and Revenue Option*," is available on the Finance Committee's [website](#).
- **Republicans Introduce Health Care Reform Plans:** On May 20, **Senators Richard Burr** (R-NC), **Lamar Alexander** (R-TN), and **Tom Coburn** (R-OK) and **Reps. Devin Nunes** (R-CA), and **Paul Ryan** (R-WI) introduced the **Patients' Choice Act (SB 1099, HR 2520)** that would require states to create state-based private health insurance exchanges and provide tax credits to subsidize health insurance premiums. The legislation would provide tax credits totaling \$5,700 for families and \$2,200 for and an additional \$5,000 tax credit for low-income families. The Republican plan would also allow states to shift residents currently enrolled in Medicaid into private coverage through the insurance exchanges ([Kaiser Daily Health Policy Report, 5/21](#)). The same day, another group of Republicans, led by **Rep. Mark Kirk** (R-IL) proposed the **Medical Rights Act**, which would make changes to the private insurance market and medical lawsuits to help reduce the price of coverage and prevent government interference with medical decisions. The bill would also increase the number of public health clinics and strengthen state-run insurance pools but would not include a mandate that U.S. residents obtain health coverage ([Kaiser Daily Health Policy Report, 5/20](#)). In related news, **Senator Olympia Snowe** (R-ME) met privately with numerous other legislators including **Senate Finance Committee** ranking member **Chuck Grassley** (R-IA) to discuss a compromise on health care reform that would include a public plan option as a fallback, to be instituted only if a private health insurance exchange failed. The plan would be modeled on the public plan back up included the Medicare prescription drug benefit (Part D) ([Kaiser Daily Health Policy Report, 5/19](#)).
- **Other Democratic Legislators Progress Towards Health Care Reform:** On May 21, **House Ways and Means Committee Chair Charles Rangel** (D-NY) said that his committee is considering taxing employer health benefits to fund a health care expansion. Meanwhile **Senator Sherrod Brown** (D-OH)

and 27 other senators introduced a resolution ([S.Res.156](#)) calling for the creation of a public plan but not addressing specific provisions for inclusion in such a plan ([Kaiser Daily Health Policy Report, 5/22](#)). Also this week, **Congressional Budget Office (CBO) Director Douglas Elmendorf** reported that previous estimates by the **Lewin Group** (Financing News Pulse 4/13 edition) which indicated that 70 percent of privately insured residents would switch to a newly created public plan were inaccurate. Elmendorf said Lewin Group estimates were based on assumed premiums much lower than premiums forecasted by the CBO ([Kaiser Daily Health Policy Report, 5/20](#)).

- **Update: Health Care Industry Groups Clarify Commitment to Reducing Health Spending Growth:** After claiming that **President Obama** misrepresented their commitment to reduce health care spending growth when he said that they would reduce the growth rate by 1.5 percent per year, six health care industry groups reiterated their commitment to reducing spending growth in a May 15 statement (Financing News Pulse 5/18 edition). **White House Office of Management and Budget (OMB) Director Peter Orszag** said that the groups have committed to "significant reductions in the growth rate." The six groups, **The American Medical Association (AMA)**, **American Hospital Association (AHA)**, **Pharmaceutical Research and Manufacturers of America**, **Advanced Medical Technology Association**, **America's Health Insurance Plans (AHIP)**, and **Service Employees International Union (SEIU)**, will issue recommendations for specific cost-saving measures by June 1 ([Kaiser Daily Health Policy Report, 5/18](#)).
- **Urban Institute Report Says Failure to Institute Health Care Reform Could Result in 66 Million Uninsured Residents:** A report released by the **Urban Institute** and funded by the **Robert Wood Johnson Foundation** found that, if Congress fails to overhaul the U.S. health care system, 66 million U.S. residents may be left uninsured and family health care spending may increase 68 percent by 2019. The study ran three simulated scenarios under which the health care system is not reformed. Under the best of the three, the number of uninsured individuals increased to 53.1 million and family health care costs increased 46 percent ([Kaiser Daily Health Policy Report, 5/22](#)). An abstract of the study is available on the Urban Institute's [website](#).
- **Daschle Continues to Play Role in Health Care Reform:** Despite withdrawing his name for consideration as **U.S. Department of Health and Human Services (HHS) Secretary**, **former Senate Majority Leader Tom Daschle** (D-SD) has remained involved with health care reform. Daschle has had private meetings with members of Congress and co-founded the **Bipartisan Policy Center**, which plans to release a health care reform plan in June. Daschle was also named to the board of **General Electric's** new initiative to reduce medical costs (Financing News Pulse 5/11 edition) ([Kaiser Daily Health Policy Report, 5/21](#)).
- **Senate Confirms Hamburg as FDA Commissioner:** On May 18, the Senate confirmed **Margaret Hamburg** as **Food and Drug Administration (FDA) Commissioner** by voice vote following her approval by the **Senate Health, Education, Labor and Pensions Committee** (HELP Committee) last week (Financing News Pulse 5/18 edition) ([Kaiser Daily Health Policy Report, 5/19](#)).
- **New Democrat Coalition Seeks Independent Panel to Oversee Comparative Effectiveness Research:** On May 19, members of the moderate **New Democrat Coalition** proposed a bill ([HR 2502](#)) to establish a non-governmental institute to oversee comparative effectiveness research funded by the **American Recovery and Reinvestment Act (ARRA)**. The institute, the **Health Care Comparative Effectiveness Research Institute**, would be funded with remaining ARRA funds and fees imposed on

Medicare and private insurers. In addition, a 21-member panel appointed by the **U.S. Comptroller General** and composed of HHS officials, doctors, patients, and private insurers, would oversee the institute. The oversight panel established by the ARRA for this purpose is composed of entirely of government health experts ([Kaiser Daily Health Policy Report, 5/20](#)).

- **Senate HELP Committee Approves Bill to Place Tobacco Under FDA Regulation:** On May 20, the **Senate HELP Committee** approved **SB 982** allowing the **FDA** to regulate tobacco products. The bill would allow the FDA to place larger warnings on tobacco products and regulate marketing and advertising practices as well as the production of flavored tobacco products. In addition, the bill would require tobacco companies to pay fees to raise \$5.4 billion over 10 years to finance the regulatory effort. The House passed its version of the bill in April ([Kaiser Daily Health Policy Report, 5/20](#); [Kaiser Daily Health Policy Report, 5/21](#)).
- **Senate Approves Supplemental Spending Bill with Funds for Flu Pandemic:** On May 21, the Senate approved a \$91.3 billion FY2009 supplemental war appropriations bill (**HR 2346**) with \$1.5 billion for influenza pandemic preparedness (Financing News Pulse 5/18 edition). The House has already approved a \$96.7 billion version of the measure (**H.Res.434**) and a conference committee will reconcile the two bills after the Memorial Day recess ([Kaiser Daily Health Policy Report, 5/22](#)).
- **DOJ and States Join Whistle-Blower Lawsuit Accusing Wyeth of Medicaid Fraud:** Sixteen states (CA, DE, FL, IL, IN, LA, NY, MI, NV, NH, TN, TX, VA, WI, and DC) and the **U.S. Department of Justice** (DOJ) have joined two lawsuits filed in the federal **District Court in Massachusetts** alleging that **Wyeth** defrauded state Medicaid programs by charging different prices to Medicaid programs than to hospitals for two medications. Between 2000 and 2006, Wyeth offered hospitals discounts of up to 94 percent on oral Protonix, an acid-reflux drug, as part of a package designed to sell IV Protonix but refused to give state Medicaid programs rebates commensurate with those discounts. The lawsuits allege that Wyeth was obligated to give state Medicaid programs rebates because Medicaid programs are entitled to the lowest price offered to any other entity. The lawsuit seeks financial penalties three times greater than the actual Medicaid losses ([Kaiser Daily Health Policy Report, 5/19](#)).
- **Health IT Lobby Group Asks HHS to Designate CCHIT as EHR Certification Body:** The **Healthcare Information and Management Systems Society** (HIMSS), a health IT lobbying group, has asked HHS to designate the **Certification Commission for Healthcare Information Technology** (CCHIT) as the body responsible for authorizing electronic health record systems (EHRs). CCHIT currently oversees EHRs; however, they have not yet been designated the body responsible for certifying the EHR “meaningful use” provision of the ARRA that is a condition for Medicare and Medicaid incentive payments. Critics of the plan worry that CCHIT has too many associations with health IT companies to serve as the EHR certification authority ([Kaiser Daily Health Policy Report, 5/21](#)).
- **Report Finds U.S. Residents Will Pay Greater Share of Employer-Sponsored Health Coverage in 2009:** A report released May 18 by the actuarial consulting firm **Milliman**, examined employer-sponsored preferred provider organization (PPO) plans in 14 U.S. cities, concluding that U.S. residents enrolled in such plans will contribute an average of 41 percent of their health care costs in 2009. The report notes that average total medical costs for a family of four have risen 7.4 percent since 2008 to an estimated \$16,771. On average, employees are expected to pay \$4,004 of that cost through health plan

premiums and \$2,820 through out-of-pocket costs and employers cover the difference ([Kaiser Daily Health Policy Report, 5/20](#)). The report is available on the Milliman [website](#).

- **HHS and DOJ Expand Health Care Fraud Investigations:** HHS and DOJ announced a new **Health Care Fraud Prevention and Enforcement Action Team**, led by officials from both departments, to detect and prevent fraud in Medicare and Medicaid. The team will expand on enforcement teams in Miami and Los Angeles and set up taskforces in Houston, Detroit, and 10 other major cities. **President Obama's** FY2010 budget would allocate \$311 million for antifraud enforcement, including nearly \$30 million for DOJ. The DOJ also plans to establish teams to investigate fraud in the **State's Children's Health Insurance Program** (SCHP) and Medicare Prescription Drug Coverage (Part D) ([Washington Post, 5/20](#); [Kaiser Daily Health Policy Report, 5/21](#)).
- **Survey Finds Few Employers Plan to Drop M/SU Coverage In Response to Federal Parity Legislation:** A survey of 134 employers conducted by the **Partnership for Workplace Mental Health**, found that only 7.1 percent of employers are considering dropping M/SU coverage as a result of the **Paul Wellstone and Pete Domenici Mental Health Benefits Parity and Addiction Equity Act (HR 1424)**. The legislation, passed in 2008, requires that employers with 51 or more employees who offer M/SU coverage, offer coverage of M/SU conditions equal with coverage for general health conditions but does not require employers to offer M/SU coverage. The survey found that only 7.8 percent of employers were considering discontinuing substance abuse coverage. Nearly 20 percent of respondents said they did not know whether they would drop mental health coverage while 15.5 percent said they were unsure about how they would handle substance abuse coverage. The legislation is scheduled to take effect for plan years beginning October 3 ([Workforce Management, 5/19](#)). The results of the survey are available on the Partnership's [website](#).
- **IHS Releases \$500 Million in ARRA Health Care Funding:** On May 20, the **Indian Health Service** (IHS) announced the release of \$500 million in **ARRA** funding to improve health care among American Indian and Alaskan Native communities. The funding includes \$227 million for hospital construction in Alaska and South Dakota, \$100 million to renovate medical facilities nationwide, \$85 million for health IT, \$68 million for sanitation projects, and \$20 million for ambulances and medical equipment ([Kaiser Health Disparities Report, 5/18](#); [Kaiser Health Disparities Report, 5/22](#)).
- **NEJM Study Finds IOM's Medical Resident Rest Recommendations Would Cost \$2.5 Billion Annually:** A study published in the **New England Journal of Medicine** (NEJM) examined a recommendation by the **Institute of Medicine** (IOM) to reduce the maximum time that medical residents can work without sleep from 30 hours to 16. The study found that implementing the recommendation would cost \$2.5 billion annually due to increased staffing costs at teaching hospitals. The study determined that teaching hospitals would likely have to pay an average of \$3.2 million annually to hire additional staff ([Kaiser Daily Health Policy Report, 5/22](#)). An abstract of the study is available on the NEJM [website](#).
- **Update: UAW and General Motors Agree to Tentative VEBA Deal:** On May 21, **General Motors** (GM) and the **United Auto Workers** (UAW) agreed to a tentative deal under which GM would pay half of its retiree health care obligation to the **Voluntary Employees' Beneficiary Association** (VEBA) in company stock and half in cash (Financing News Pulse, 4/20, 3/13, 2/20 editions). Under the deal, GM

SAMHSA's Weekly Financing News Pulse

May 26, 2009

would pay roughly \$10 million of its VEBA obligation in cash and the other half in stock, giving the UAW as much as a 39 percent stake in the company ([Kaiser Daily Health Policy Report, 5/22](#)).

- **KFF Launches Health Reform Gateway:** The Kaiser Family Foundation (KFF) has launched a health reform gateway featuring the Foundation's health reform resources in a centralized location on the internet. New features available on the webpage include an interactive tool for comparing health care reform proposals, an interactive health care reform timeline, overviews of key health care topics, and a glossary of applicable terms. The health care reform website is available at www.healthreformkff.org.

Around the Hill: Hearings on Health Financing

Senate Finance Committee: Financing Health Care Overhaul

10:00 a.m. May 20, 215 Dirksen

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

Fiscal 2010 Appropriations: Labor, HHS, Education

10:30 a.m. May 20, 138 Dirksen

House Oversight and Government Reform Committee: State and Local Pandemic Preparedness

2:00 p.m. May 20, 2154 Raeburn

House Appropriations Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies: Fiscal 2010 Appropriations: Agriculture, Rural Development, FDA, and Related Agencies

10:00 a.m. May 21, 2362-A Rayburn

Senate Appropriations Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies: Fiscal 2010 Appropriations: Agriculture, Rural Development, FDA, and Related Agencies

2:00 p.m. May 21, 192 Dirksen

Around the States: State and Local Behavioral Health Financing News

Alabama

- **Legislature Overrules Governor; Passes Budget with SCHIP Expansion:** On May 14, Governor Bob Riley (R) vetoed portions of the Alabama budget; however, the Legislature overrode that veto to enact the \$2.5 billion general fund budget (Financing News Pulse 5/18 edition). The Legislature's budget, which includes an \$8 million expansion of the SCHIP program, **ALL KIDS**, raises the income eligibility cap from 200 percent of the federal poverty level (FPL) to 300 percent of the FPL, and takes effect October 1 ([AP via Forbes 5/15](#)).

Arizona

- **Judge Says State Ignored Report Calling for Mental Health Reform, Orders New Progress Report:** On May 18, Superior Court Judge Karen O'Conner criticized the **Department of Behavioral Health Services** for failing to address a January audit that said the state was failing to provide treatment for **Maricopa County's** 19,000 residents with serious mental illness. The audit (Financing News Pulse 1/30 edition) found that the quality of care had decreased under **Magellan Health Services**, the contractor managing behavioral health for the county since replacing **ValueOptions** in 2007. Judge O'Conner ordered the

state to submit a new progress report on September 3 to be followed by a status conference a week later. State officials say they are working with Magellan and are in the process of improving behavioral health care in Maricopa County ([Arizona Republic, 5/18](#)).

California

- **Voters Reject Proposition 1E, Governor Proposes Alternative Budget with Health Care Cuts:** On May 19, California voters rejected **Proposition 1E** (Financing News Pulse 5/4, 3/6, 2/20 editions), which would have transferred \$460 million in **Proposition 63** mental health funding to the state's general fund over the next two years ([AP via San Jose Mercury News, 5/19](#)). Proposition 1E was one of six propositions put to California voters on May 19 as part of a plan to close the state's \$21 billion budget deficit. All but one of the propositions, Proposition 1F, were defeated by more than 65 percent of the vote. Prop. 1F, the only measure passed, prevents **Governor Arnold Schwarzenegger** (R) and legislators from receiving pay raises in years when the state is running a deficit. Had all of the other measures passed, they would have reduced the state budget deficit to roughly \$15 billion ([Washington Post, 5/20](#)). Governor Schwarzenegger outlined two budget proposals prior to the election, one designed for a scenario where voters approved the measures and the other for a situation where the measures were rejected. Under the latter plan, the Governor Schwarzenegger cuts \$2 billion from health and human services including \$750 million in cuts to **Medi-Cal**, the state's Medicaid program. The Medicaid cuts would reduce eligibility as well as provider rates—including a 10 percent reduction for private hospitals—and require a waiver from CMS. The budget also proposes eliminating coverage for 225,000 children under California's SCHIP program, **Healthy Families**, eliminating non-emergency Medicaid benefits for immigrants, and reducing spending on developmental disabilities by \$234 million ([Kaiser Daily Health Policy Report, 5/18](#); [Modern Healthcare, 5/20](#)).
- **State Did Not Violate ARRA Terms, Will Receive Additional Medicaid Funding:** On May 20, **HHS Secretary Kathleen Sebelius** delivered a letter to **Governor Schwarzenegger** (R) stating that California did not violate federal law by cutting pay for home healthcare workers as part of Governor Schwarzenegger's plan to balance the state's budget. Federal authorities had previously notified state officials on May 3 that their decision to cut the maximum pay rate for home healthcare providers might constitute a violation of ARRA provisions. As a result of the recent decision, California remains eligible for the \$8 billion in additional Medicaid funds it is slated to receive through the **ARRA** ([Los Angeles Times, 5/20](#)).
- **San Francisco Health Department Outlines Budget Cuts:** The **San Francisco Department of Public Health** presented the **San Francisco Health Commission** with its proposal to make \$140 million in budget cuts as ordered by **Mayor Gavin Newsom** (D) (Financing News Pulse 4/27 edition). The budget includes a \$15 million cut to mental health and substance abuse treatment spending and a reduction in HIV services. However, because of a failed union negotiation, Mayor Newsom has asked the department to cut an additional \$23 million ([San Francisco Chronicle, 5/19](#)).

Colorado

- **Medicaid Enrollment Hits Record High:** On May 15, Colorado officials announced that Medicaid enrollment hit 457,699 on April 30, the largest number of enrollees since the programs inception in 1969. In addition, officials noted that 72,597 residents joined the program in the past year and attributed the rapid enrollment increase to the recession ([Denver Post, 5/16](#)).

Connecticut

- **House Approves Two Health Insurance Bills:** On May 20, the Connecticut House approved two bills designed to expand health insurance coverage in the state. One bill ([HB 6582](#)) would create a public health insurance pool, known as **SustiNet**, which would compete with private insurance to ensure more universal health coverage. The bill creating SustiNet would also create a board of directors, four committees, and three taskforces to examine health care issues ranging from tobacco use to EHRs. The other health insurance bill would allow local governments, small businesses, and nonprofit groups to join the state employee insurance plan, increasing membership by as many as 100,000 enrollees ([Kaiser Daily Health Policy Report, 5/22](#)).

Iowa

- **Governor Signs SCHIP Expansion:** On May 19, **Governor Chet Culver** (D) signed **SB 389**, which raises the income eligibility cap on Iowa's SCHIP program, **Hawk-I**, from 250 percent of the FPL to 300 percent of the FPL. The law also allows the state more flexibility so subsidize private health care premiums for families qualifying for public insurance and expands eligibility for Hawk-I dental coverage. The medical expansion will cost \$5.7 million and cover an additional 12,000 children while the dental coverage will affect 35,000 new children and cost an additional \$2 million ([Radio Iowa, 5/19](#); [Kaiser Daily Health Policy Report, 5/21](#)).

Kansas

- **Douglas County Will Not Increase Employee Health Insurance Premiums:** On May 18, the **Douglas County Commissioners** voted not to increase state employee's share of health insurance premiums despite an anticipated 9 percent increase in health insurance costs for FY2010 ([Lawrence Journal-World & News, 5/18](#)).

Maryland

- **Governor Signs Law Requiring Insurers to Incentivize Adoption of EHRs:** On May 19, **Governor Martin O'Malley** (D) signed a law requiring insurance companies to offer incentives to physicians for adopting EHRs. The law, which takes effect in 2011, will require insurers to offer increased reimbursement rates, single sum payments, or in-kind services of monetary value to those doctors implementing EHR systems and may also impose penalties on doctors who do not adopt EHRs by 2015. The bill also establishes an information exchange to link hospitals, physicians, laboratories, and pharmacies within the state. Maryland is the first state to pass an EHR incentive law ([Kaiser Daily Health Policy Report, 5/22](#)).
- **Howard County Officials Debate Merits of Health Program, Decide to Fund It Fully:** Howard County officials recently debated the merits of a health coverage program for uninsured county residents, **Healthy Howard**, initiated October 2008. The program has roughly 200 enrollees who pay a monthly fee

of \$50 to \$115 for comprehensive medical coverage from a network of local doctors and helps eligible county residents enroll in state and federal insurance programs. While some members of the **Howard County Council** supported the program, others questioned whether the level of enrollment justifies \$500,000 in FY2010 county funding and suggested continuing the program with a reduced budget. The council approved the full \$500,000 Healthy Howard funding on May 20 ([Kaiser Daily Health Policy Report, 5/19](#); [Baltimore Sun, 5/18](#); [Baltimore Sun, 5/20](#)).

Massachusetts

- **Boston Globe Examines Mass General's Program to Reduce Emergency Visits Among the Elderly:** On May 17, the **Boston Globe** examined a program at **Massachusetts General Hospital** (Mass General) designed to reduce hospitalizations among the elderly by 15 to 20 percent while simultaneously improving quality of care. Mass General's program began in 2006 with an \$8 million to \$9 million initial investment over three years and, as a result, elderly readmissions have fallen 19 percent, hospital admissions have decreased 17 percent, and emergency department visits have decreased 15 percent since 2007. In addition, the program saves Mass General enough money to cover its own costs and generate savings of \$7 million to \$10 million for the hospital. The Boston Globe reports that a study of 35 similar programs found that only six saved money or covered program costs ([Kaiser Daily Health Policy Report, 5/18](#); [Boston Globe, 5/17](#)).
- **Medicaid Program Receives \$22.5 Million in Eli Lilly Settlement:** As part of a \$700 million national settlement with 36 states and the District of Columbia, **Eli Lilly & Co.** will pay the Massachusetts Medicaid program \$22.5 million to resolve allegations that the company improperly marketed its antipsychotic drug, Zyprexa. In addition to civil settlements, Eli Lilly previously pled guilty to a one-count misdemeanor violation of the **Food, Drug and Cosmetics Act** ([Boston Herald, 5/18](#)).
- **Report Says Health Care Mandate Has Only “Marginal Impact” on State Spending:** A report by the **Massachusetts Taxpayers Foundation** found that state health care spending will increase by \$707 million between fiscal years 2006 and 2010. Because the federal government reimburses some of that increase, the annual state increase is roughly \$88 million. The report found that Massachusetts' health reform succeeded in making the state's rate of uninsurance to the lowest in the country but had only “marginal impact” on state spending ([AP via Forbes, 5/19](#); [Kaiser Daily Health Policy Report, 5/21](#)). The report is available on the foundation's [website](#).
- **Update: State Instructs Cambridge Health Alliance to Maintain Detox Services:** The Financing News Pulse (5/4 and 4/27 editions) reported that the **Cambridge Health Alliance** (CHA) planned to eliminate its inpatient and detoxification units on June 30 as a result of cuts made by **Governor Deval Patrick (D)**. However, the **Department of Public Health** has determined that the services should be preserved and given CHA one week to plan for continuing detoxification services in the Somerville area ([Somerville Journal, 5/20](#)).

Michigan

- **Legislatures Introduce a Package of Bills to Expand Health Care Access for the Uninsured:** On May 14, senators introduced a package of health care bills, known as **MI Health**, to establish two state health plans to provide residents with more affordable health coverage. The package would expand the state's Medicaid program to residents with income up to 200 percent of the FPL and provide subsidized coverage for residents earning between 200 percent and 300 percent of the FPL, with residents paying fees commensurate with their health levels and lifestyle habits. The legislative package would also create a state fund to pay insurance claims in excess of \$25,000 with an annual maximum of \$250,000. In addition, the legislation would prevent insurers from denying coverage to individuals with pre-existing conditions or raising premiums after a diagnosis of chronic illness ([Kaiser Daily Health Policy Report, 5/18](#)).
- **Survey Finds Fewer Mid-Size Firms Pay for All of Employee's Health Coverage:** A survey conducted by **McGraw Wentworth**, a benefits consulting firm, found that the number of mid-sized firms paying the full cost of employee health care through PPO plans dropped to 17 percent this year from 23 percent in 2004. The firm reports that similar trends have been observed for firms using HMOs ([Detroit Free Press, 5/18](#)).
- **State Budget Affects Kent County Health Services:** The **Kent County Health Department** announced that it will lose \$188,000 in current year funding and nearly \$750,000 in the next fiscal year because of **Governor Jennifer Granholm's** (D) recent executive order (Financing News Pulse 5/11 edition). The loss of funds will affect prevention programs like immunizations, home nursing care, and the Poison Control Call Center, resulting in 12 to 13 layoffs ([ABC, 5/20](#)).
- **Livingston County Mental Health Court Opens:** On May 15, **Livingston County** officially began its pilot mental health treatment court, **Intensive Treatment Court**. The court is a diversion program for non-violent offenders with severe and persistent mental illness, designed to redirect the mentally ill from District and Circuit courts to mental health treatment centers and community services. **District Judge Carol Sue Reader** will oversee the court, which is one of nine pilot programs funded by a grant from the state **Supreme Court Administrator's Office** ([Livingston Daily Press, 5/19](#)).

Minnesota

- **Legislature Adjourns, Governor Plans to Eliminate Programs at His Discretion:** The Minnesota Legislature adjourned May 19 after passing a tax measure designed to close the state's budget deficit. **Governor Tim Pawlenty** (R) plans to use a budget move known as "unallotment" to eliminate \$2.7 billion from the budget; however, he cannot do so until the budget year begins on July 1. Governor Pawlenty is expected to make significant cuts to health and human services spending but has not made detailed public comments about his plans (Financing News Pulse 5/18 edition) ([AP via Forbes, 5/19](#); [Minnesota Independent, 5/20](#)).

Mississippi

- **Legislators Face Continued Stalemate Over Medicaid Funding:** This Mississippi Legislature adjourned May 8 without reaching a compromise on the state's FY2010 budget because of disagreement over how

to fill a \$90 million shortfall in the state's Medicaid budget (Financing News Pulse 5/11). On May 21, a joint House-Senate committee failed to resolve the Medicaid funding stalemate in advance of a scheduled May 26 special legislative session. House negotiators offered \$60 million in state funds to fill the gap; however, the Senate wants hospitals to pay fees totaling \$60 million in FY2010, \$75 million in FY2011, and \$90 million in FY2012. The **Mississippi Hospital Association** opposes the hospital tax ([Memphis Commercial Appeal, 5/21](#); [Clarion-Ledger, 5/22](#)).

Missouri

- **Legislature Fails to Reach Health Care Agreement Before the End of the Session:** After removing health care from the social services budget bill (**HB 11**) and promising to consider a separate bill to fund the state's planned health care expansion (Financing News Pulse 5/18, 5/11 editions), the Missouri Legislature failed to pass health care reform during the legislative session. **Governor Jay Nixon** (D) wanted to raise the hospital tax to generate \$52 million and draw down an additional \$92 million in federal funds to expand Medicaid; however, House Republicans rejected the proposal. The House later rejected the Senate proposal (**SB 306**) which House leaders had promised to consider as an alternative to the Medicaid expansion in HB 11. SB 306 would have created a new government health care program to provide private health coverage to low-income working residents ([Missouri Net, 5/17](#)).
- **Update: Senate Blocks Proposal to Drug Test Welfare Recipients:** In April, the Missouri House approved a measure that would require certain recipients of **Temporary Assistance for Needy Families** (TANF) to submit to drug tests as a condition of their benefits (Financing News Pulse 4/27 edition). However, opponents in the Senate have blocked the measure from passage during this legislative session ([Columbia Daily Tribune, 5/14](#)).

Montana

- **Governor Strikes \$4.5 Million in ARRA Spending from Budget:** On May 15, **Governor Brian Schweitzer** (D) used his line item veto to eliminate \$4.5 million in spending from the state's ARRA spending plan (**HB 645**). The funding cut from HB 645 included \$500,000 for the **Montana Meth Project**, a nonprofit organization that aims to prevent methamphetamine use in Montana. Governor Schweitzer made no changes to the main state budget (**HB 2**) saying that it already allocated \$500,000 for the program using state funds ([AP via Forbes, 5/15](#)).

Nebraska

- **Legislature Passes Children's Behavioral Health Bill:** The Nebraska Legislature has passed legislation (**LB 603**) which includes five separate proposals designed to address children's behavioral health (Financing News Pulse 5/1, 2/27 editions). The legislation raises the income eligibility cap for the state's **Kids Connection** program from 185 percent of the FPL to 200 percent of the FPL, adds Medicaid reimbursement for community-based behavioral health services, expands services for families by allocating funds to Nebraska's six behavioral health regions, and creates a 24-hour helpline,. The legislation also establishes the **Behavioral Health Education Center at the University of Nebraska Medical Center** to increase the state's supply of mental health professionals. Finally, the bill creates a legislative committee to oversee the implementation of the new initiatives ([ABC, 5/21](#)).

- **Governor Signs Budget with No Line Item Vetoes:** On May 19, **Governor Dave Heineman** (R) approved the Legislature's two-year \$6.9 billion budget without using his line item veto. The budget increases spending by 1 percent annually over the two-year period and relies on \$500 million in **ARRA** funding in addition to state reserves ([Lincoln Journal Star, 5/19](#)).

New Jersey

- **Assembly Approves Autism Coverage Bill:** On May 21, the New Jersey Assembly approved a bill (**AB 2238**) mandating that insurers provide coverage for medically necessary expenses relating to autism disorders in individuals under age 21. The coverage would include physical, speech, and occupational therapy in addition to behavioral intervention but cap coverage at \$36,000 annually. The **Senate Budget Committee** will consider the senate version of the bill (**SB 1651**) and, if approved, send it to the Senate floor ([Kaiser Daily Health Policy Report, 5/20](#); [AP via Philly.com, 5/21](#)).

New Mexico

- **Federal Grand Jury Subpoenas Records Relating to Medicaid Behavioral Health Contract Change:** The Financing News Pulse (2/20, 2/13, 1/30 editions) reported that the **New Mexico Human Services Department** awarded the contract for the **New Mexico Behavioral Health Collaborative** to **OptumHealth New Mexico**, a subsidiary of **UnitedHealth Group**. Set to take effect July 1, OptumHealth would replace **ValueOptions New Mexico**, which has held the contract for the previous four years. ValueOptions filed a formal protest against the decision; however, a federal grand jury has now subpoenaed documents relating to the shift as part of a criminal investigation. While competing for the contract, both companies hired consultants with close personal ties to **Governor Bill Richardson** (D) ([New Mexico Independent, 5/19](#)).
- **San Juan County Board Approves County Employee Health Care Cost Increase:** As a result of a \$601,000 budget deficit created by the county employee health care plan, the **San Juan County Board of Commissioners** voted on May 19 to increase the share of health care expenses paid by county employees. The board voted to raise employees' share of health insurance premiums by 10 percent and increase copayments for certain services including, specialized physicians, emergency room visits, and medical testing. More than 600 of the county's 700 employees participate in the insurance program ([Farmington Daily Times, 5/20](#)).

New York

- **Chemung County Pursues Medicaid Reform Plan:** On May 20, **Chemung County Executive Tom Santulli** announced that Chemung County is proceeding with the second phase in a Medicaid project initiated in 2005, aimed at saving 15 to 20 percent on Medicaid costs and, ultimately, returning that savings to county residents. The county will open the first of two Medicaid community health centers later this year. The centers will utilize **Muni-Minder** software that tracks Medicaid clients' services at a patient level, allowing the centers to provide greater case management. Santulli has asked **Governor David Paterson** (D) to forgive the county's \$18.8 million share of Medicaid costs as a result of greater efficiency; however, the county plans to pursue the plan regardless of the governor's decision ([Star-Gazette, 5/21](#)).

Oklahoma

- **Governor and Legislature Agree on State Budget with Increased Medicaid Spending and M/SU Cuts:** On May 15, **Governor Brad Henry** (D) and the Oklahoma Legislature reached an agreement on a \$7.2 billion state budget, a 1.9 percent increase over the previous budget. The new budget relies on \$631 million in ARRA funding, including an increase of \$128 million for the **Oklahoma Health Care Authority** to fund Oklahoma's Medicaid program. The budget cuts the **Department of Human Services** budget by 1.7 percent and the **Department of Mental Health and Substance Abuse** budget by 2 percent ([AP via Forbes, 5/15](#)).

Oregon

- **Democratic Budget Writers Propose State Budget:** On May 18, Democratic legislators proposed a budget designed to close a projected \$3.8 billion budget gap through \$800 million in new taxes and \$2 billion in spending cuts. Legislators budget slightly more than \$4.2 billion for human services over the two-year budget; however, advocates say that figure is \$400 million short of what the department needs to address increased demand for food stamps and health care ([AP via Forbes, 5/19](#)).

Pennsylvania

- **Legislature Approved Bill Allowing Adults Up to Age 29 to Remain on Parents' Health Policies:** The Pennsylvania House approved a bill allowing single state residents and with no dependents to remain or be added to their parents health insurance plans up to age 29 as long as they live in the state or are full-time students. The bill, which was approved by the Senate in March, would allow employers to decide if they want to offer the coverage option through employer-sponsored health plans. **Governor Ed Rendell** (D) is expected to sign the bill ([Kaiser Daily Health Policy Report, 5/19](#)).

Texas

- **House Approves SCHIP Expansion:** On May 15, the **Texas House** approved a measure to raise the income eligibility cap for the Texas SCHIP program from 200 percent of the FPL to 300 percent. The move would add an estimated 80,000 children to the program ([Dallas Morning News, 5/16](#)).

Utah

- **Legislators Increase Medicaid Funding in Special Session:** In a one-day special legislative session, the Utah Legislature restored \$6.5 million in hospital Medicaid reimbursements. The additional state funding will draw down federal matching funds yielding a total of \$30 million for state hospitals. Legislators say the funding corrects an error they made when they cut hospital funding by about 28 percent earlier this year instead of an intended 10 percent cut ([Salt Lake Tribune, 5/20](#)).

Vermont

- **Governor Proposes Alternative Budget, Threatens to Veto Legislature's Budget:** Attempting to avoid a promised veto of the budget passed by the Vermont Legislature on May 9, **Governor Jim Douglas** (R) proposed a \$4.5 billion alternative budget on May 19 for consideration in a June 2 special legislative session. Governor Douglas' alternate budget would increase taxes by \$13 million less than the Legislature's budget and cut spending by \$32.8 million more than the Legislature does. Among

Governor Douglas' cuts are reduced Medicaid reimbursement rates for doctors, hospitals, and nursing homes ([AP via Rutland Herald, 5/21](#); [AP via Forbes, 5/20](#); [Burlington Free Press, 5/20](#)).

- **Legislature Passes Law Regulating Drug and Medical Device Company Marketing and Mandating Gift Disclosure:** The Vermont Legislature passed a law (**SB 48**) banning nearly all gifts from pharmaceutical and medical device companies to health care providers, facilities, and administrators. The bill requires that such gifts to health providers be publicly disclosed, including the name of the recipient and the dollar value of the gift. The bill also eliminates a "trade secret" loophole that allows pharmaceutical companies to avoid disclosing certain gifts (Financing News Pulse 4/20 edition). **Governor Jim Douglas** (R) is expected to sign the law, which would take effect July 1 ([Kaiser Daily Health Policy Report, 5/20](#)).

Virginia

- **Virginia Localities to Receive Mental Health Crisis Intervention Funding:** Five Virginia localities will receive funds from the \$200,000 in grants that the state is allocating to assist with mental health crisis intervention. The funding, which will create crisis intervention teams composed of law enforcement officers and mental health professionals to better respond to crises involving mentally ill individuals, will go Henrico, Richmond, Chesapeake, Staunton, and Alexandria. Chesapeake will receive \$26,122, Henrico will receive \$49,590, and Richmond will receive \$50,163 ([Richmond Times-Dispatch, 5/21](#); [Virginian Pilot, 5/21](#)).

Washington

- **Governor Signs Budget with Health Care Cuts:** On May 19, **Governor Christine Gregoire** (D) approved the state's two-year \$35 billion operating budget that eliminates a projected \$9 billion deficit. The budget removes 40,000 residents from **Basic Health**, a program providing subsidized health care to low-income residents, and cuts reimbursement rates for hospitals and nursing homes ([AP via Seattle Times, 5/19](#)).
- **DSHS Consolidating Regional M/SU Offices:** The **Department of Social and Health Services** (DSHS) is phasing out the regional offices of the **Division of Alcohol and Substance Abuse**. The regional offices managed contracts with local providers of substance abuse and alcohol treatment. DSHS plans to consolidate that management in Olympia. Across the state, regional offices employ about 25 individuals ([Spokesman-Review, 5/15](#)). In related news, **Governor Gregoire** (D) swore in **Susan Dreyfus** (Financing News Pulse 4/6 edition) as the new secretary of DSHS on May 20 ([Office of the Governor of Washington, 5/20](#)).

West Virginia

- **Update: Task Force Issues Recommendations to Governor on Mental Health Spending:** After vetoing legislation (**SB 672**) to add \$12.7 million to mental health funding through the state's Medicaid program, **Governor Joe Manchin** (D) promised to spend an equal amount on behavioral health outside of Medicaid (Financing News Pulse 5/18, 5/11 editions). Governor Manchin instructed the state's **Behavioral Health Commission** to form a task force and issue recommendations for allocating the \$12.7 million. On May 20, the taskforce issued draft recommendations to the governor, saying the

SAMHSA's Weekly Financing News Pulse

May 26, 2009

administration should focus on group homes, crisis intervention, and care coordination ([Charleston Gazette, 5/20](#)).

Wyoming

- **Federal Designation Sets Stage for Higher Medicare and Medicaid Reimbursements:** The **Health Resources and Services Administration** at HHS has granted a request by **Governor Dave Freudenthal** (D) to designate new areas of Wyoming as **Health Professional Shortage Areas** (HPSAs). The HPSA designation will make it easier for many areas in rural Wyoming to qualify for federal Rural Health Clinic status, which, in turn, would increase primary care reimbursements under Medicare and Medicaid. Albany County, northern Campbell County, Crook County, Uinta County, Fremont County, northern Lincoln County, and Sheridan County now qualify as HPSAs ([Wyoming Business Report, 5/19](#)).