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**SAMHSA's Weekly Financing News Pulse will take a two-week hiatus after August 10. SAMHSA will not publish the Financing News Pulse August 17 or August 24 but will resume publication August 31.**

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## National Health Financing News

- **House Democrats Strike Health Care Reform Deal, GOP Releases Health Reform Proposal, Senate Finance Committee Progress Slows:** After **Blue Dogs** held up passage of the health care reform bill (**HR 3200**) in the **House Energy and Commerce Committee** last week (Financing News Pulse 7/27 edition), House Democrats reached a deal with the Blue Dogs addressing their policy concerns and delaying a floor vote until after the August recess. The deal allowed committee markup to resume July 30 and paved the way for the committee's approval of a public plan option on July 31 ([New York Times, 7/31](#)). The deal reached with the Blue Dogs includes eliminating a provision linking public plan payment rates to Medicare rates, allowing the **U.S. Department of Health and Human Services (HHS) Secretary** to negotiate rates with hospitals and insurers, expanding the state share of Medicaid costs incurred by newly covered populations, reducing the eligibility for government insurance subsidies, and exempting more small businesses for health care mandates. With the compromises, the bill would cost \$100 billion less over 10 years ([Kaiser Health News, 7/31](#); [Kaiser Health News, 7/30](#); [CQ Politics, 7/29](#)); however, numerous liberal Democrats oppose the compromise. Fifty-seven Democrats authored a letter to **House Speaker Nancy Pelosi** (D-CA) on July 30 warning that they would vote against a bill that contained concessions to the Blue Dogs ([Kaiser Health News, 7/31](#)). House leaders also reached a deal on July 24 to address regional disparities in Medicare rates, allowing the **Institute of Medicine (IOM)** one year to study the rates and make recommendations to the HHS Secretary who would implement new rates in light of those recommendations ([Reuters, 7/24](#)). Also in the House, the GOP released its health care reform legislation on July 29. In addition to lacking a public plan or a publicly regulated purchasing pool, the GOP package contains neither an individual nor an employer health care mandate. It would allow individuals to purchase plans over the internet, set up high-risk pools for those who are denied coverage due to pre-existing conditions, and limit medical malpractice awards. Though not yet scored by the CBO, Republicans report that the bill will cost \$700 billion over a decade and is fully paid for through decreasing defensive medicine, reducing waste and improving efficiency, and an annual 1 percent step-down in non-defense discretionary spending ([Kaiser Health News, 7/30](#)). Meanwhile, in the Senate, **Senate Finance Committee Chairman Max Baucus** (D-MT) announced July 30 that, in spite of progress this week, the **Senate Finance Committee** will not vote on health care reform before the August recess and will hold no official meetings the week of August 3 but instead continue to work behind the scenes ([Kaiser Health News, 7/31](#)). The announcement comes after the CBO scored a partial version of the Finance Committee's proposal on July 29, determining that it would cost less than \$900 billion over 10 years, insure 95 percent of Americans by 2015, and be fully offset ([CQ Politics, 7/29](#)). In addition, though not yet finalized, the **Associated Press (AP)** reports that the Finance Committee's bill will not include a public health plan or an employer mandate ([AP, 7/28](#); [Kaiser Health News, 7/28](#)).
- **Legislators Introduce Bills to Combat Medicare Fraud:** On July 28, **Reps. Patrick Murphy** (D-PA) and **Mike Arcuri** (D-NY) and **Senators Amy Klobuchar** (D-MN) and **Mel Martinez** (R-FL) unveiled the **Improving Medicare and Medicaid Policy for Reimbursements through Oversight and Efficiency Act (IMPROVE)**. The legislation proposes reducing Medicare and Medicaid fraud by replacing the existing provider payment system with direct deposit payments. In addition to preventing mail-based health care fraud, the change would expedite provider payments and reduce the cost associated with facilitating paper-based payments ([Kaiser Health News, 7/29](#); [Bucks County Courier Times, 7/29](#); [Minnesota Public Radio, 7/28](#)).

- **Rep. Markey Introduces Bill to Expand Military Mental Health Care:** On July 28, **Rep. Betsy Markey** (D-CO) introduced legislation that mirrors the **Honoring Our Nation's Obligations to Returning Warriors (HONOR) Act (SB 722)**, to expand active-duty military members' access to mental health care through community-based veterans centers ([Denver Post, 7/29](#); [Greeley Tribune, 7/29](#)).
- **HHS Secretary Announces ARRA Funding to Educate Health Professionals:** On July 28, **HHS Secretary Kathleen Sebelius** announced that \$200 million in American Recovery and Reinvestment Act (ARRA) funds will be available for loans, scholarships, and grants to train 8,000 health care professionals by the end of FY2010. The money will focus on primary care, nursing, and equipment purchases ([Kaiser Health News, 7/29](#)).
- **HHS/DOJ Medicare Fraud Strike Forces Makes Arrests:** On July 29, the **Medicare Fraud Strike Force**, operated by the **U.S. Department of Justice (DOJ)** and **HHS**, arrested 32 suspects in New York, Louisiana, Massachusetts, and Texas on charges of Medicare fraud focusing on "arthritis kits." The suspects are charged with submitting \$16 million in false Medicare claims ([AP, 7/29](#); [HHS Press Release, 7/29](#)).
- **Numerous Outlets Release Health Care Poll Results:** Numerous outlets released health care reform polls this week, consistently finding that Americans believe that health care reform is necessary while simultaneously worrying about the effects it may have on their personal care and the effectiveness of reforms proposed by Congress and **President Obama** ([CQ Politics, 7/30](#)). The **Wall Street Journal/NBC poll**, conducted July 24-27, found that 46 percent of Americans disapprove of **President Obama's** handling of health care reform ([CQ Politics 7/29](#)) while a **New York Times/CBS News poll** conducted July 24-28 found that 59 percent of registered voters believe the current health care legislation will not benefit them and the same percentage of respondents also believe it will increase health care costs for most Americans ([CQ Politics, 7/29](#)). A **Time Magazine poll**, conducted July 27-28, found that 62 percent of Americans believe that health care reform will raise costs and 56 percent believe it will limit provider choice. Time also found that 63 percent of respondents support universal coverage and 56 percent back a public option ([CQ Politics, 7/29](#)). Meanwhile an **National Public Radio (NPR) survey**, conducted July 22-26, found that 47 percent opposed Democratic health care reform plans ([CQ Politics, 7/29](#)) and a **Gallup poll**, conducted July 24-25, found that 44 percent of Americans believe that health care reform will produce better care but 34 percent believe it will worsen their personal care ([CQ Politics, 7/29](#)). The **Employee Benefits Research Institute (EBRI)** released its [2009 Health Confidence Survey](#), finding that 83 percent supported a "public plan option that anyone can purchase," 75 percent support expanding Medicare or Medicaid, 80 percent supported abolishing insurance exclusions based on pre-existing conditions, 72 percent support an employer mandate, 68 percent support an individual mandate. Rasmussen also released a [poll](#) with similar results ([CQ Politics, 7/28](#)).
- **Survey Finds Americans Spending More on Alternative Medicine:** A survey conducted by the **Centers for Disease Control and Prevention (CDC)** and the **National Institutes of Health (NIH)** found that, in 2007, Americans spent roughly \$34 billion out-of-pocket on alternative therapies that are not covered by insurance, a 25 percent increase over the past decade. The study found that alternative medicine now accounts for 11 percent of Americans' out-of-pocket health care expenditures ([USA Today, 7/30](#); [NIH Press Release, 7/30](#)).

- **Study Finds Health Care Spending on Obesity is Increasing:** An [article](#), published in *Health Affairs* and authored by researchers at **RTI International**, presents estimates of the medical cost of obesity with breakdowns by payer and type of spending. The study found that the increased prevalence of obesity caused health spending to increase \$40 billion since 1998 to roughly \$118 billion in 2006. The authors also estimate that such spending reached \$147 billion by 2008, or 9.1 percent of all health care spending. The study found that obese Americans spend about 42 percent more on health care than other Americans, or \$1,429 more annually ([New York Times, 7/27](#); [AP via Wall Street Journal, 7/27](#)).
- **Study Finds Cardiothoracic Surgeon Shortage Likely:** A [study](#) published in *Circulation* determined that demand for heart surgeons could increase 46 percent by 2025 if current population, aging, and health care utilization trends continue. The study also found that the surgeon supply is projected to decline by 25 percent over the same period due to decreased entrants and retirement ([Reuters, 7/27](#)).
- **Healthways Report Examines Potential Medicare Savings Through Prevention:** On July 30, the Center for Research at **Healthways Inc.** released a [report](#), "Potential Medicare Savings Through Prevention & Health Risk Reduction." The report concludes that government investments in prevention and risk reduction both during and before enrollment in Medicare could save between \$652 billion and \$1.4 trillion over 10 years ([Kaiser Health News, 7/31](#); [Healthways New Release, 7/30](#)).
- **Urban Institute Report Examines the Effects of Taxing Fatty Foods:** On July 24, the **Urban Institute** released a [report](#), "Reducing Obesity: Policy Strategies from the Tobacco Wars," which examines the effects of a tax on fattening foods. The report concludes that a 10 percent tax would yield \$500 billion over 10 years and reduce consumption of foods that contribute to obesity and rising health care costs ([Urban Institute, 7/27](#)).
- **EBRI Releases Report on Insurance Coverage:** **EBRI** released a [report](#) outlining insurance coverage for Americans ages 55 to 64. The report found that, along with children, that age group was the most likely to have health insurance in 2007; however, cautions that changes in retiree health care may affect data.
- **KFF Examines Health Care and the "Middle Class":** On July 24, the **Kaiser Family Foundation (KFF)** released a [report](#), "Health Care and the Middle Class: More Cost Less Coverage", examining health care coverage among Americans earning between 200 and 400 percent of the federal poverty level (FPL), \$44,000 to \$88,000 for a family of four. The report found that 11 million middle class Americans lack health insurance, nearly 75 percent of insured middle class Americans obtain their coverage through their employer, and that health care cost growth has outpaced wages affecting middle class access to care ([KFF News Release, 7/24](#)).
- **KFF Releases Numerous Health Care Reform Resources:** In addition to updating their side-by-side health care reform [tracker](#), **KFF** has released numerous new health reform resources. KFF released: "[Explaining Health Care Reform: How Might a Reform Plan be Financed](#)," issue briefs examining **HR 3200's** Medicaid, the State Children's Health Insurance Program (SCHIP), and Medicare, changes "[Key Questions About Changes for Medicaid and Low-Income Individuals](#)" and "[Summary of Key Medicare Provisions in H.R. 3200](#)," and a report, "[State Variation and Health Reform: A Chartbook](#)," providing state-level data including information on Medicaid, insurance, and a general economic profile of each state.

- **Kaiser Permanente Awards \$11 Million in Community Health Grants in Q2 of 2009:** On July 28, **Kaiser Permanente** announced that it has approved over \$11 million in grants and donations to over 700 non-profit agencies during the second quarter of 2009. The donations focus on providing access to care for the uninsured and underinsured, promoting fitness opportunities for children and families, and funding education programs for health professionals ([PR Newswire, 7/28](#)).
- **SAMHSA Awards 25 Strategic Prevention Framework State Incentive Grants:** **SAMHSA** announced that it has awarded 25 Strategic Prevention Framework State Incentive (SPF SIG) Grants to advance community-based substance abuse prevention programs. The Center for Substance Abuse Prevention (CSAP) will administer the grants, which will be used to implement a five-step step planning process that supports youth development, reduces risk-taking behavior, and prevents problem behaviors. The grants total \$190 million over five years and each state grantee will receive at least \$2.135 million for the first year. Additional funds are subject to awardees' progress and availability of funds. Recipients include: Alaska, the District of Columbia, Delaware, Iowa, Maryland, the Federated States of Micronesia, Minnesota, New York, the Northern Marina Islands, Ohio, Oklahoma, Oregon, Puerto Rico, the Republic of the Marshall Islands, South Carolina, South Dakota, the Virgin Islands, Virginia, and Native American tribes in numerous states ([Medical News Today, 7/27](#)).

## **Around the Hill: Hearings on Health Financing**

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

*Fiscal 2010 Appropriations: Labor-HHS-Education*

July 28, 2:30 p.m. 138 Dirksen

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

July 28, TBA 2123 Rayburn

### **House Judiciary Subcommittee on Commercial and Administrative Law: *Medical Debt and Bankruptcy***

July 28, 11 a.m. 2141 Rayburn

### **Senate Special Aging Committee: *Medical Research***

July 29, 2:00 p.m. 562 Dirksen

### **Senate Appropriations Committee: *Fiscal 2010 Appropriations: Labor-HHS-Education***

July 30, 3:00 p.m. 106 Dirksen

### **Senate Homeland Security and Governmental Affairs Committee: *Evacuation and Mental Health Recovery of Children in Disasters***

August 4, 10:30 a.m. 342 Dirksen

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

### Arizona

- **IBM and UnitedHealth Partner to Pilot Medical Home Model:** **IBM Inc.** has collaborated with **UnitedHealth Group Inc.** to offer a three-year medical home pilot to IBM employees that eliminates the traditional fee-for-service (FFS) payment model and, instead, pays doctors upfront fees for preventative care with outcome-oriented bonuses. Under the program, doctors may earn 15 to 20 percent more than their traditional FFA rates because of the bonus payments for quality of care factors ([Arizona Republic, 7/31](#)).

### California

- **Governor Signs Budget, Makes Additional Cuts:** After the **California Legislature** passed a state budget July 24 (Financing News Pulse 7/27 edition), the final package left the state with a \$160 million shortfall and did not satisfy **Governor Arnold Schwarzenegger's** (R) demand that there be \$500 million in reserve. So on July 28, when Governor Schwarzenegger signed the budget that already contained numerous reductions including a \$1.3 billion cut to the state's Medicaid program, a \$124 million reduction in the state's SCHIP program, a \$226 million cut to in-home support services, and cuts the mental and rural health, the governor also issued \$489 million in line-item vetoes. The governor's vetoes include a \$6.3 million reduction to the **Department of Aging**, a \$7 million reduction to the **Department of Public Health**, and a \$50 million cut to the state's SCHIP program, Healthy Families. Some lawmakers have suggested that not all of the governor's cuts were legal and are investigating a potential challenge ([New York Times, 7/28](#); [Los Angeles Times, 7/28](#); [San Jose Mercury News, 7/29](#)).
- **Tulare District Health System Settles Medicare Allegations:** Tulare District Healthcare System has agreed to pay \$2.4 million to settle charges from a 2008 federal whistle blower lawsuit that alleged the health system paid doctors kickbacks for referring Medicare patients to Tulare Regional Medical Center. The suit claimed that the hospital provided below-market priced land and office space and forgave doctor debt in exchange for the referrals. Under the terms of the settlement, Tulare did not admit wrongdoing ([Fresno Bee, 7/27](#); [AP via San Jose Mercury News, 7/28](#)).
- **Colusa County Funds Mental Health Care in Jail:** On July 28, the Colusa County Board of Supervisors directed the county Department of Mental Health, the Sheriff's Department, and California Forensic Medical Group to provide crisis intervention and counseling for mentally ill inmates at the county jail. The board issued a \$12,000 contract to provide the services for one year ([Orlando Press Register, 7/29](#)).

### Colorado

- **Medicaid Enrollment Up 14 Percent:** In the budget year that ended June 30, the Colorado Medicaid program saw a 14 percent increase in enrollment. As of June 30, 2009, the state's Medicaid program had 467,556 enrollees, 20 percent more enrollees than on June 30, 2008 and the highest number of enrollees in the state for 40 years ([Denver Post, 7/28](#)).

### Georgia

- **State Assumes Control of Forensic Unit at Milledgeville Hospital:** The **Georgia Department of Behavioral Health and Developmental Disabilities** will assume control over the forensic unit at Central State Hospital in Milledgeville. The DOJ already cited the unit for poor conditions and the unit has failed to show improvement. The forensic unit houses individuals found not guilty by reason of insanity and those deemed unfit to stand trial ([Augusta Chronicle, 7/27](#)).

### Illinois

- **Baxter Settles Medicaid Overcharging Allegations for \$6.8 Million:** On July 27, **Baxter International Inc.** agreed to pay Illinois \$6.8 million to settle a 2005 lawsuit alleging that the company overcharged the state Medicaid program for prescription drugs by misrepresenting average wholesale prices ([CNN, 7/27](#)).
- **County Health Department Closes Temporarily:** The Jackson County Health Department closed for July 31 to prevent staff layoffs while the county awaits information regarding state funding ([AP via Chicago Tribune, 7/28](#)).
- **Chicago School Receives Grant for Improved Mental Health Services for Latinos:** The Chicago Community Trust has awarded a grant to the Chicago School of Professional Psychology's Center for Latino Medicine to create a network of mental health providers for the city's Latino community ([PR Newswire, 7/28](#)).

### Maryland

- **ValueOptions Wins Maryland Mental Health Contract:** **ValueOptions** has won a two-year contract with the **Maryland Department of Health and Mental Hygiene's Mental Hygiene Administration**, which operates the state's public mental health system. Under the contract, ValueOptions will manage behavioral health services for 708,000 Medicaid enrollees and 100,000 public mental health system clients. The company plans to deploy numerous IT solutions to improve inter and intra-agency communication throughout the state ([PR Newswire, 7/27](#)).

### Massachusetts

- **Legislature Restores Some Health Care Funding:** After the state budget signed by **Governor Deval Patrick** (D) on June 29 eliminated state-sponsored health care for 30,000 legal immigrants by cutting \$130 million from the Commonwealth Care program (Financing News Pulse 7/20 edition), the **Massachusetts Legislature** voted on July 29 to restore \$40 million of the funding. The governor had asked the Legislature to restore \$70 million ([New York Times, 7/29](#)).
- **Boston Lab Settles Medicaid Suit:** Boston Clinical Laboratories Inc. reached an agreement with **Massachusetts Attorney General Martha Coakley** to settle charges that the company billed the state Medicaid program for over 66,000 unauthorized urine tests between 2000 and 2007. Under the terms of the settlement, Boston Clinical will pay the state \$615,000 for its share of the costs and another \$14,000 to the **Centers for Medicare & Medicaid Services (CMS)** for Medicare costs but does not admit wrongdoing. The lab also agreed to institute numerous compliance programs, including hiring an independent compliance monitor ([Legal Newline, 7/30](#); [Boston Globe, 7/30](#)).

### Missouri

- **Health Care Foundation Awards 31 Mental Health Grants:** On July 23, the Health Care Foundation of Greater Kansas City awarded \$6 million in mental health grants to 31 agencies. The grants included \$698,074 for behavioral health programs at the Kansas City Free Health Center, \$675,452 for a community-based hospital diversion program, and nearly \$500,000 for a co-occurring disorder treatment program ([Kansas City Business Journal, 7/23](#)).

### Nebraska

- **State to Issue Medicaid Cards to Cut Cost:** Beginning August 1, the **Nebraska Department of Health and Human Services** (DHHS) will begin using Medicaid ID cards to confirm residents' Medicaid enrollment status. Officials estimate that the switch to ID cards, which the state will issue one time and replace only if necessary, will save \$500,000 annually. Under the current system, DHHS mails monthly letters to Medicaid enrollees to use as proof of enrollment ([AP via KTIV, 7/30](#)).

### New York

- **NYC Board Forecasts Retiree Health Care Costs:** This week, the New York State Financial Control Board released documents indicating that New York City's retiree health care obligation will reach \$96 billion by 2013, 50 percent more than the city's FY2010 budget ([New York Times, 7/28](#)).
- **United Way Awards \$30,000 Substance Abuse Prevention Grant:** **United Way of Southern Chautauqua County** has awarded the Chautauqua Alcoholism and Substance Abuse Council a \$30,000 grant for youth and family substance abuse prevention ([Jamestown Post-Journal, 7/25](#)).

### North Carolina

- **Update: State Passes Temporary Budget with No Time Limit:** On July 30, the **North Carolina Legislature** passed a resolution to keep the state running at 84 percent of the FY2009 budget indefinitely while legislators and **Governor Beverly Perdue** (D) seek a compromise on a new state budget ([NBC, 7/30](#)).
- **State to Return \$300 Million to CMS Over Medicaid Billing Error:** The **North Carolina Health and Human Services Secretary** announced that the state will repay \$300 million to **CMS** because of a billing error in the state's Medicaid program that caused public hospital payments to draw disproportionately from federal funds. The state will pay \$200 million by July 31 and the remaining \$100 million in payments spread over the remainder of the fiscal year ([AP via Business Week, 7/24](#)).

### Ohio

- **Budget Errors Delay Mental Health Funding:** The two-year budget passed by the **Ohio Legislature** and signed July 17 (Financing News Pulse 7/27 edition) was supposed to reduce **Governor Ted Strickland's** (D) proposed \$179 million reduction to the **Ohio Department of Mental Health** (DMH) budget by \$65 million; however, DMH and Ohio counties report that the funding is not available. State officials believe that the funding discrepancy results from a legislative drafting error. Officials are currently working on a bill to restore \$14.7 million for hospital inpatient care but could not confirm the status of the remaining \$54 million. In the mean time, local mental health boards remain unable to allocate funds to treatment agencies and one board, the Marion County Board of Alcohol, Drugs, and Mental Health reports missing

\$300,000 for mental health. The state budget also cut funding for the **Ohio Department of Alcohol and Drug Addiction Services** by 30 percent ([Mansfield News Journal, 7/27](#); [Marion Star, 7/28](#)).

- **Union County Hospital Closes Psychiatric Unit:** On July 23, the Board of Trustees of Memorial Hospital of Union County voted unanimously to close a 10-bed psychiatric unit, the only one of its kind in Union County. The unit, which will cease operation at the end of August, has lost \$1.7 million since 2006 because of poor insurance reimbursement and a growing amount of uncompensated care ([Columbus Dispatch, 7/25](#); [Columbus Dispatch, 7/24](#)).

### Oregon

- **Oregon Hospitals Restrict Spending:** After Portland-area hospitals announced plans to spend \$1.3 billion on expansions in the past 18 months, they are now seeking to limit new spending. Oregon Health & Science University has halted a planned \$375 million expansion, Providence Health & Services has frozen non-critical spending effective July 1, Adventist Medical Center is leaving two floors of an addition undeveloped, and Legacy Health System has no plans for new projects for at least four years ([Portland Business Journal, 7/24](#)).

### Washington

- **State May Release Mentally Ill Prisoners to Cut Costs:** On August 1, a new state law signed by **Governor Christine Gregoire** (D) on May 11, will expand the **Washington Department of Corrections** (DOC) authority to discharge inmates with mental illness, allowing them to discharge the terminally or chronically mental ill for early parole if doing so will save the state money. DOC plans to release roughly two dozen inmates and estimates their release will save \$800,000 over two years. However, the **Department of Social and Health Services** anticipates increased costs associated with treating the newly released inmates through state programs. DOC officials still believe the change will save the state money, highlighting that DOC is already paying for treatment and that, at minimum, the cost of bedside guards is eliminated through the early parole program ([Los Angeles Times, 7/30](#)).

### West Virginia

- **WVU Report Examines State Medicaid Program:** On July 29, **West Virginia University** (WVU) released a report on the state's Medicaid program, the Mountain Health Choices Program, which provides enhanced Medicaid services to enrollees willing to sign a pledge to commit to healthy behavior. Though numerous reports have found that the program's "basic" tier provides inadequate services (Financing News Pulse 5/4 edition), the WVU report found that the enhanced plan does enroll a greater number of more unhealthy people and that those in the plan visited the doctor more and received more prescription medications than people in the basic plan. The report, however, does not determine whether individuals enrolled in the enhanced plan are actually benefiting from the enhanced services ([AP via Health Source, 7/30](#)).
- **Weirton Hospital Closes Inpatient Psychiatric Unit:** Beginning September 1, Weirton Memorial Hospital will eliminate its 18-bed inpatient psychiatric unit in the Center for Behavioral Health. Hospital officials say the move is necessary because of lower patient volume and investment losses ([WTOV, 7/27](#)).