

SAMHSA's Weekly Financing News Pulse: National Edition

National News

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Around the Hill: Hearings on Health Financing

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National News

- **Appellate Judges Hear Oral Arguments in Multi-State Health Reform Suit; Parties in Virginia Health Reform Suits Agree Appellate Court has Jurisdiction over Individual Mandate Challenge:** On June 8, a three judge panel of the **11th U.S. Circuit Court of Appeals** in Atlanta, Georgia heard oral arguments in the multi-state lawsuit challenging the national health care reform law's constitutionality. In the original case, **U.S. District Court Judge Roger Vinson** ruled that the law's individual mandate is an unconstitutional exercise of Congressional authority. The appellate judges have not yet indicated when they will rule on the case ([Kaiser Health News, 6/9](#); [The Washington Post, 6/8](#)). In other health reform news, the **U.S. Department of Justice (DOJ)**, **Virginia Attorney General Ken Cuccinelli's (R)** office, and **Liberty University** in Lynchburg, Virginia filed briefs with the **4th U.S. Circuit Court of Appeals** concurring that the court has jurisdiction to rule on their health reform cases. After hearing oral arguments in both cases on May 10, the court asked the parties to file briefs addressing whether the laws' fines for individuals failure to obtain health coverage fell under a federal statute prohibiting lawsuits that challenge taxes before they are paid. All three parties argued that the statute does not apply to the individual mandate, contending that the court should rule on the case. Federal judges originally rejected the measure's constitutionality in Attorney General Cuccinelli's suit and upheld the constitutionality in Liberty University's suit ([AP via The Washington Post, 6/2](#); [Kaiser Health News, 6/3](#)).
- **HHS Announces \$42 Million Medicare Coordinated Care Demonstration Project:** On June 6, the **U.S. Department of Health and Human Services (HHS)** announced a three-year \$42 million demonstration project to coordinate Medicare beneficiaries' primary care services. Operated by the **Centers for Medicare & Medicaid Services (CMS)**, the project will designate 500 Federally Qualified Health Center Advanced Care Practice facilities as medical homes, tasked with coordinating care for nearly 200,000 beneficiaries. CMS officials say the project is designed to demonstrate how the medical home model can improve the quality of services while reducing costs. Participating facilities will implement federally-approved care coordination practices and receive monthly payments for each patient they serve under the project ([McKnight's Long-Term Care News & Assisted Living, 6/7](#)).
- **Update: HHS Extends Deadline for ACO Pioneer Initiative:** On June 7, the **U.S. Department of Health and Human Services (HHS)** extended until August 19 the deadline for approval to participate in the "Pioneer" ACO program. Originally HHS set a July 18 deadline for program applications. The program will allow currently integrated health systems to expedite the transition to becoming ACOs ahead of health reform's 2012 target. The deadline was extended to allow providers more time to prepare for participation. **Centers for Medicare & Medicaid Services (CMS)** officials project that 30 Pioneer ACOs will participate in the initiative ([Health Informatrix, 6/8](#); [Kaiser Health News, 6/9](#)).

Studies Released

- **McKinsey & Company Suggest 30 Percent of Employers will Stop Offering Health Coverage under Health Reform:** In a survey of 1,300 employers, **McKinsey & Company** found that 30 percent have definite or probable plans to stop offering health coverage after health reform's provisions take full effect in 2014. Among employers rated as having a high awareness of the law, 50 percent planned to eliminate health coverage. McKinsey attribute the finding to reduced costs and a perceived reduction in employers' moral obligation to provide coverage in light of the law's provisions ([The Wall Street Journal, 6/8](#); [Kaiser Health News, 6/8](#)).

- **KFF Explains Medicaid Provider Taxes, Outlines their Future under Health Reform:** On May 31, the **Kaiser Family Foundation** (KFF) released a [brief](#) reviewing states' use of Medicaid provider taxes and outlining recent proposed changes in federal rules governing their structure. Under current law, states may enact provider taxes to help finance their Medicaid funding obligation. The brief offers a state-by-state breakdown, explaining which states use Medicaid provider taxes and to which services the taxes are applied. The authors note that limiting states' ability to apply provider tax revenue toward their share of Medicaid spending would limit access to federal matching funds and, in turn, lower federal spending obligations by reducing flexibility in state Medicaid budgets ([KFF, 5/31](#); [Kaiser Health News, 6/3](#)).
- **KFF Examines Conversion of Medicare into Premium Support Program:** On June 8, **KFF** released a [brief](#) examining the effect of converting Medicare into a premium support program, as outlined in the **U.S. House**-approved \$3.5 trillion FY2012 budget. The authors chart the history of the premium support policy concept, examine policy decisions and issues that would affect its impact, and consider its potential effect on out-of-pocket (OOP) spending. In addition, the brief explains how the government would set and adjust premium contributions, whether and how government contributions would be adjusted based on beneficiary demographics, and the required services plans must offer for participation in such a program ([KFF, 6/8](#)).
- **KFF Explains the Role and Function of Section 1115 Medicaid Waivers:** On June 3, **KFF** released a [brief](#) explaining Section 1115 Medicaid demonstration waivers, outlining how they are approved and financed, how states have used them, and how health reform affects them. KFF notes that the waivers have traditionally authorized the testing of novel coverage methods not normally allowed under Medicaid. The authors note that some states are now using the waivers to begin expanding health coverage under Medicaid in preparation for full implementation of health reform. In addition, the brief notes that some states use the waivers as a means to reduce costs and address budgetary shortfalls ([KFF, 6/3](#)).
- **Briefs Highlight California as Model for Medicaid Waiver and Health Exchange Policy Development:** Two recent briefs highlight California as an example for state policymakers interested in implementing Section 1115 Medicaid demonstration waivers or establishing health exchanges under the national health care reform law. On June 3, **KFF** released a [brief](#) exploring aspects of California's Section 1115 Medicaid waiver, which makes approximately \$8 million in federal matching funds available to expand Medicaid coverage over five years. KFF highlights aspects of the waiver that other states can draw upon in expanding their Medicaid programs under health reform, including its preservation of the county-based safety net system and California's expanded use of managed care for disabled and elderly beneficiaries. On May 31, the **Commonwealth Fund** released a [brief](#) offering state policy recommendations for establishing a health exchange based on California's experience. California was the first state to create its own health exchange after the approval of health reform. In particular, the authors highlight aspects of California's exchange that reduce adverse selection and promote cost-conscious consumer behavior ([KFF, 6/3](#); [Commonwealth Fund, 5/31](#); [Kaiser Health News, 6/3](#)).

Around the Hill: Hearings on Health Financing

House Veterans' Affairs Committee: *Veterans' Mental Health Care*

June 14, 10:00 a.m. 334 Cannon



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

Fiscal 2012 Appropriations: Labor, HHS, Education

July 26, Time TBA. 2358-C Rayburn

House Appropriations Committee: *Fiscal 2012 Appropriations: Labor, HHS, Education*

August 2, Time TBA. 2359 Rayburn