

SAMHSA's Weekly Financing News Pulse: National Edition

National News

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National News

- **Federal Appeals Court Upholds Health Care Reform Law:** On June 29, the **6th U.S. Circuit Court of Appeals** upheld **U.S. District Court Judge George Caram Steeh's** October 8 ruling in the Thomas More Law Center's lawsuit challenging the national health care reform law. By a two-to-one majority, the court found that the law's individual mandate is constitutional because the provision regulates activity that Congress "has a rational basis to believe has substantial effects on interstate commerce" and is vital to reforming the interstate health care market. The Cincinnati court's ruling is the first of three opinions expected by separate courts of appeal that heard oral arguments in the past two months. The 4th Circuit in Richmond and the 11th Circuit in Atlanta are expected to rule on their cases soon ([New York Times, 6/29](#); [Los Angeles Times, 6/30](#); [Kaiser Health News, 6/29](#); [Kaiser Health News, 6/30](#)).
- **CMS Announces Medicare Part D Savings and Preventive Care Accomplishments Under Health Reform:** On June 28, the **Centers for Medicare & Medicaid Services (CMS)** announced that Medicare Prescription Drug Benefit Program (Part D) beneficiaries have saved a combined \$260 million through changes to the prescription drug coverage "doughnut hole" under health care reform. Between January 1 and May 31, the prescription drug discounts affected nearly 500,000 beneficiaries, reducing their out-of-pocket (OOP) drug expenses. CMS also released [data](#) outlining Part D savings by state ([The Hill, 6/28](#); [Kaiser Health News, 6/29](#)). In related news, CMS reported that more than 5.5 million Medicare beneficiaries have received preventative care without incurring OOP costs. Since January 1, health care reform has prevented Medicare from charging OOP costs for certain preventive services that receive high ratings from the **U.S. Preventive Services Task Force**, including tobacco cessation counseling ([AMA News, 6/30](#)).
- **Obama Administration Backs Increased Health Care Tax Credit:** On June 28, the **Obama Administration** announced support for a temporary increase in federal health care subsidies for individuals that are laid off because of foreign competition or lose benefits because of failed pension plans. Instituted in 2002, the Health Coverage Tax Credit established a federal tax credit that pays up to 65 percent of an individual's health insurance premium from qualified plans. In 2009, the **American Recovery and Reinvestment Act (ARRA)** raised the credit to 80 percent. Congress extended the 80 percent rate through February 13, 2011 but failed to reach an agreement on another extension, allowing the credit to return to its original 65 percent level. The Obama Administration now says that it supports raising the credit to 72.5 percent through December 31, 2013, when key health reform provisions will take effect. **Senate Finance Committee Chair Max Baucus (D-MT)** also supports the measure ([Modern Healthcare, 6/29](#); [Kaiser Health News, 6/29](#)).

Studies Released

- **NIHCM Foundation Finds 5 Percent of Patients Account for 48 Percent of Health Care Spending:** On June 24, the non-profit **National Institute for Health Care Management (NIHCM) Foundation** released a data brief, [Understanding U.S. Health Care Spending](#), analyzing total U.S. health care spending. Examining data from the **National Health Expenditure Accounts (NHEAs)** and the **Medical Expenditure Panel Survey (MEPS)**, the brief notes that annual health care spending reached \$2.5 trillion in 2009, or 17.6 percent of the Gross Domestic Product (GDP). The brief also notes that spending increased 29 percent between 2005 and 2009, averaging \$8,100 per person in 2009. The Foundation found that costs are highly concentrated among a small number of high-cost patients, with approximately 5 percent of the population accounting for 47.5 percent of all spending, while 50 percent of the population accounts for only 3 percent of spending. The brief also notes that rising prices have

played a larger role than increased utilization rates in driving recent cost growth ([Kaiser Health News, 6/28](#); [the National Journal, 6/27](#); [NIHCM Foundation, 6/24](#)).

- **NGA and NABO Report 33 States Plan to Cut Medicaid Provider Rates:** The **National Governors Association** (NGA) and the **National Association of State Budget Officers** (NABO) released the [Spring 2011 Fiscal Survey of States](#), finding that at least 33 states have plans to reduce Medicaid provider reimbursement rates for the fiscal year beginning July 1. Facing tough financial climates and the elimination the increased Federal Medical Assistance Percentage (FMAP) funding through the **American Recovery and Reinvestment Act** (ARRA), on average, governor's proposed FY2012 budgets include a 2.9 percent reduction in Medicaid funding. However, states' share of Medicaid is expected to increase by 18.6 percent as federal funding drops by 13 percent. In FY2010, Medicaid accounted for an estimated 22 percent of states' spending ([Stateline, 6/27](#); [Kaiser Health News, 6/27](#); [Reuters, 6/30](#)).
- **Families USA Finds House Medicaid Cuts Would Harm State Economics:** On June 29, **Families USA** released a [report](#) examining Medicaid cuts outlined under **U.S. Rep. Paul Ryan's** (R-WI) \$3.5 trillion FY2012 budget proposal, approved by the **U.S. House** on April 15. In addition to repealing most provisions of the national health care reform law, the budget would also convert Medicaid into a block grant program beginning in 2013, reducing state payments by 5 percent in 2013, 15 percent in 2014, and 33 percent in 2021. Based on an economic modeling tool used by the **U.S. Department of Commerce** to assess the impact of major events on regional economies, Families USA's analysis finds that the Medicaid cuts would risk a total of 35,210 jobs and \$4.2 billion in economic activity. The report estimates that the cuts would harm program enrollees, reduce business activity, and contribute to job losses. The report also provides state-level estimates of the impact of each cut on business activity and jobs ([Families USA, 6/29](#); [Salt Lake Tribune, 6/30](#)).
- **IOM Suggests Governments Review and Revise Public Health Laws:** On June 21, the **Institute of Medicine** (IOM) released a [report](#), suggesting that federal and state governments review and revise public health laws to ensure that they adequately address the current health care landscape. Created at the request of the **Robert Wood Johnson Foundation** (RWJF) and presenting the findings of a committee of experts, the report also stresses the importance of evaluating the effects of non-health care legislation, noting that such legislation can have a significant impact on public health. Finally, the report recommends that states require health agencies to require 10 essential public health services ([The National Academies, 6/21](#); [Kaiser Health News, 6/24](#)).
- **AIM Study Finds Doctors Increasingly Declining Privately Insured Patients:** A [study](#) published in the *Archives of Internal Medicine* found that 88 percent of physicians accepted new privately insured patients in 2008, down from 93 percent in 2005. The authors cited low reimbursement rates and significant administrative burdens as possible reasons for the decline. The study also notes that rate of acceptance declined less for Medicare beneficiaries, dropping from 96 to 93 percent between 2005 and 2008 ([Bloomberg, 6/27](#); [NPR, 6/27](#); [Kaiser Health News, 6/28](#)).

Around the Hill: Hearings on Health Financing

House Energy and Commerce Subcommittee on Health: Prescription Drug User Fee Act Reauthorization

July 7, 10:00 a.m. 2123 Rayburn



Senate Health, Education, Labor and Pensions (HELP) Committee: *Aid to Children's Hospitals; Autism; Workforce Investment*

July 13, 10:00 a.m. TBA

House Energy and Commerce Subcommittee on Health: *Impact of IPAB on Medicare*

July 13, 9:00 a.m. 2123 Rayburn

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