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National News

- **21 Attorneys General File Brief Backing Missouri Health Reform Challenge; HHS Awards 39 Annual Benefit Limit Waivers:** On July 19, attorneys general in 21 states filed a brief backing **Missouri Lieutenant Governor Peter Kinder's** (R) challenge of the national health care reform law. Filed last July in **U.S. District Court**, Lieutenant Governor Kinder's suit contends that the law's individual insurance mandate is unconstitutional, the law's expansion of Medicaid could force Missouri to raise state taxes, and the law improperly alters state officials' compensation by changing their health care plan ([Kaiser Health News, 7/20](#)). In other health care reform news, in June, **U.S. Department of Health and Human Services** (HHS) officials awarded 39 waivers exempting health plans from the law's annual benefit limit requirement, bringing the total number of waivers to 1,471. September 22 is the last day that HHS will accept applications for waivers. Waivers granted or renewed by September 22 will run through 2013 ([Kaiser Health News, 7/18](#)).
- **HHS to Conduct Premium Rate Reviews for 10 States: U.S. Department of Health and Human Services** (HHS) officials have determined that 10 states lack adequate systems for health insurance premium rate review and have announced plans to conduct reviews on their behalf, as required under the national health care reform law. Beginning September 1, individual and small group premium increases of 10 percent or more will be subject to publicized review. HHS will review rate increases in Alabama, Arizona, Idaho, Iowa, Louisiana, Missouri, Montana, Pennsylvania, Virginia, and Wyoming, while all other states will conduct their own reviews ([The Birmingham News, 7/15](#); [Kaiser Health News, 7/15](#)).
- **House Approves Debt Measure with Potential Effects on Health Spending:** On July 19, the **U.S. House** approved legislation (**H.R. 2560**) to increase the federal debt ceiling and limit future spending. The U.S. risks defaulting on its debts if Congress does not raise the debt ceiling by August 2 to allow the federal government to borrow additional funding. The House bill would increase the debt ceiling, enact \$111 billion in immediate budget cuts, implement an annual spending cap, and require Congress to approve a bill mandating passage of a balanced budget. The bill would exempt Medicare and veterans' benefits from the immediate reductions; however, legislators opposed to the measure say that the annual spending limits would ultimately affect such spending. The measure now goes before the **U.S. Senate**, which is not expected to approve it. Congressional leaders and **President Obama** are also negotiating a comprehensive measure to increase the debt ceiling and reduce the deficit, including proposals that would reduce federal health spending and restructure federal health care programs ([Los Angeles Times, 7/19](#); [THOMAS](#); [Politico, 7/20](#); [Kaiser Health News, 7/21](#)).
- **HHS Proposes Health CO-OP Rules, Offers Loans to Begin Plans:** On July 18, the **U.S. Department of Health and Human Services** (HHS) issued [proposed rules](#) governing a new type of health plan, established under the national health care reform law. The Consumer-Oriented and Operated Plan (CO-OP) are non-profit insurance carriers governed by consumers. The rules provide \$600 million in planning loans to develop CO-OP business models and \$3.2 billion in solvency loans to provide CO-OPs with funding to cover unexpected health claims. The rules anticipate loan default rates of 40 percent and 35 percent, respectively. HHS will accept comments on the rules until September 16 ([The Hill, 7/18](#); [Kaiser Health News, 7/18](#)).
- **Sen. Brown Introduces Legislation Offering Incentives for Increased Generic Drug Utilization in Medicaid:** On July 13, **Sen. Scott Brown** (R-MA) introduced legislation (**S. 1356**) that would offer

states incentives for increasing generic drug utilization in their Medicaid programs. Designed to reduce Medicaid costs, the bill would provide rebates to states whose Medicaid programs demonstrate an increase in the proportion of generic drugs purchased. Beginning in FY2012, the bill would allow states to keep 50 percent of the savings achieved under the program. The bill now goes before the **Senate Finance Committee** ([Pharmaceutical Care Management Association via PR Newswire, 7/15](#); [WAMC, 7/19](#)).

- **Senators Enzi and Nelson Introduce Bills to Adjust Income Calculation for Federal Health Benefits:** On July 18, **Sens. Mike Enzi** (R-WY) and **Ben Nelson** (D-NE) introduced bills (**S. 1376** and **S. 1378**) that would amend the income calculations used to determine federal health benefit eligibility under the national health care reform law. Under current law, health reform does not include Social Security benefits as income when determining eligibility for Medicaid or subsidized coverage through the law's health exchanges. Legislators say that the current calculation method could make up to 3 million middle-income individuals Medicaid eligible in 2014. The new bills would count Social Security as income, reducing eligibility. The **Congressional Budget Office** (CBO) estimates the change would save an estimated \$13 billion between 2014 and 2021. The bills now go before the **Senate Finance Committee** ([The Hill, 7/18](#); [AP, 7/18](#); [Kaiser Health News, 7/19](#)).

Studies Released

- **RWJF Projects Health Reform Will Yield State Health Savings, Reduce the Cost of Uncompensated Care:** On July 11, the **Robert Wood Johnson Foundation** (RWJF) published a [brief](#) examining state costs under the national health care reform law. Citing health reform's health coverage expansion and increased federal financing for formerly state-funded functions, the authors estimate that, between 2014 and 2019, states will spend up to \$129 billion less than they would have without reform. Over the same period, the brief estimates that the law will reduce overall spending on uncompensated care by 12.5 to 25 percent, saving the federal government \$39 billion to \$78 billion, while saving states \$26 to \$52 billion. The authors estimate that states will be responsible for \$14 billion in new Medicaid spending to cover the costs of newly eligible Medicaid enrollees. The report also projects that expanding Medicaid coverage for individuals with mental illnesses will save states up to \$22 billion through 2019. [RWJF, 7/11](#); [Kaiser Health News, 7/15](#)).
- **KFF Estimates Reforming Medigap OOP Spending Requirements Will Save up to \$4.6 Billion:** On July 20, the **Kaiser Family Foundation** (KFF) released a [report](#) examining three proposals to prohibit Medicare supplemental insurance policies, known as "Medigap" policies, from covering 100 percent of beneficiaries' out-of-pocket (OOP) costs. Several recent proposals to reform Medicare and reduce federal spending have included such measures on the grounds that allowing Medigap plans to cover all OOP costs increases service utilization and Medicare spending. Based on the numerous OOP spending requirements that the proposals would impose on Medigap beneficiaries, the authors estimate that implementing the policy change in FY2011 would save Medicare between \$1.5 and \$4.6 billion. However, the report cautions that it does not account for the negative effects of the reduced utilization of needed care, which could negatively affect future spending in addition to adversely affecting outcomes ([KFF, 7/20](#)).
- **AAF Suggests Medicare Drug Rebate Changes Could Increase Part D Premiums:** On July 21, the **American Action Forum** (AAF) released a [report](#), examining the effect of providing drug rebates similar to those employed in Medicaid to dual eligibles and beneficiaries of the Medicare Prescription Drug

Benefit Program (Part D) Low-Income Subsidy (LIS). Legislation (**S. 1206**) to enact such a change is currently before the **Senate Finance Committee**, with supportive legislators arguing that it would save \$112 billion over 10 years. However, the AAF report contends that the change would result in Part D premium increases of up to 40 percent and argues that drug manufacturers may shift drug costs to the private health coverage market in response to the rebates ([Kaiser Health News, 7/21](#)).

- **KFF Offers Strategies to Leverage Existing Data to Streamline Health Program Eligibility Verification:** KFF has released a [brief](#), offering strategies for states to streamline eligibility verification systems for Medicaid, the Children's Health Insurance Program (CHIP), and subsidies through health reform's exchanges. Noting that health reform will dramatically expand health coverage through these programs, the authors suggest employing "express lane" principles that use existing data already held by other government agencies. The brief recommends establishing electronic links between health programs and other public programs, including the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and other federal databases ([KFF](#)).

Around the Hill: Hearings on Health Financing

Senate Judiciary Subcommittee on Crime and Terrorism: *Drug and Veterans Treatment Courts*

July 19, 10:30 a.m. 226 Dirksen

Senate Special Aging Committee: *Reducing Medicare Drug Costs*

July 21, 2:00 p.m. 106 Dirksen

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