

## SAMHSA's Weekly Financing News Pulse: National Edition

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## National News

- **Thomas More Center Appeals Health Reform Lawsuit to the Supreme Court; HHS Rejects North Dakota's MLR Waiver, Grants Waivers for Iowa and Kentucky:** On July 26, the **Thomas More Law Center** formally [petitioned](#) the **U.S. Supreme Court** to hear its lawsuit contesting the constitutionality of the national health care reform law, making the case the first health reform lawsuit to reach the Supreme Court. The official petition comes after the **6<sup>th</sup> U.S. Circuit Court of Appeals** upheld **U.S. District Court Judge George Caram Steeh's** October 8 ruling that the law's individual mandate is constitutional. The Supreme Court will not meet again until early fall, making 2012 the earliest time that the court may hear the case, should it choose to do so ([New York Times, 7/27](#); [AP, 7/27](#); [Kaiser Health News, 7/28](#); [Kaiser Health News, 7/27](#)). In other health reform news, on July 22, **U.S. Department of Health and Human Services (HHS)** officials [rejected](#) North Dakota's request for an exemption from health reform's medical loss ratio (MLR) requirements, partially approving requests from [Iowa](#) and [Kentucky](#). In denying North Dakota's request, HHS argued that the new requirements would not disrupt the state's market. Under the approved exemptions, applicable Iowa plans must spend 67 percent of premium revenue on medical care in 2011, 75 percent in 2012, and meet the law's 80 percent requirement beginning in 2013. Kentucky plans must meet a 75 percent MLR for 2011 and begin following the law's rate in 2012. HHS previously approved MLR waivers for Maine, Nevada, and New Hampshire and additional seven waivers are still pending ([The Hill, 7/22](#); [Modern HealthCare, 7/22](#); [Kaiser Health News, 7/25](#)).
- **U.S. Army to Hire 130 Substance Abuse Counselors:** Beginning August 1, the **U.S. Army** will begin accepting applications to fill 130 vacant substance abuse counselor positions in the Army Substance Abuse Program. Authorized to pay up to \$93,000 annually in addition to benefits, recruitment bonuses, relocation incentives, and student loan payback, the **Department of the Army** is seeking to reach 562 counselors by October 1. To meet existing treatment needs, many of the vacant positions will fill spots at Fort Hood, Texas; Fort Bragg, North Carolina; Fort Jackson, Mississippi; and Fort Leonard Wood, Missouri; however, some positions would also staff Army facilities overseas, including those in Germany and South Korea ([U.S. Army, 7/28](#)).
- **Seven Top Selling Brand-Name Drugs to Come "Off Patent," Including Behavioral Health Medication:** Within 14 months, seven of the world's top selling brand-name drugs are scheduled to go "off patent," making generic versions available for a fraction of the brand-name cost and reducing both insurer and consumer out-of-pocket (OOP) costs. Among the affected drugs are **Eli Lilly & Co.'s** Zyprexa, which treats schizophrenia; **Forest Laboratories'** Lexapro, which treats depression and anxiety; and **AstraZeneca PLC's** Seroquel, which treats depression, bipolar disorder, and schizophrenia ([CBS News, 7/25](#); [AP via Chicago Sun Times, 7/26](#); [Kaiser Health News, 7/26](#)).
- **Sen. Kerry and Rep. Stark Introduce Bills to Raise Medigap MLRs:** On July 26, **Senator John Kerry (D-MA)** and **Rep. Pete Stark (D-CA)** introduced legislation (**S.1416** and **H.R. 2645**) that would increase the percentage of premium revenue that Medicare supplemental insurance plans, known as "Medigap" plans, must spend on medical care. Currently governed under the **Medigap Medical Loss Ratio (MLR) Improvement Act of 1990**, Medigap plans must meet MLRs of 75 percent and 65 percent for the group and individual markets, respectively. However, under the proposed legislation, those MLRs would increase to 85 percent and 80 percent, respectively. The bills are now before the **Senate Finance Committee**, the **House Ways and Means Committee**, and the **House Energy and Commerce Committee** ([Modern Healthcare, 7/26](#); [Kaiser Health News, 7/27](#); THOMAS).

## Studies Released

- **CMS Office of the Actuary Predicts Rising Health Care Spending Growth Through 2020:** Published July 28 in *Health Affairs*, the **Centers for Medicare & Medicaid Services' Office of the Actuary** released a [report](#), finding that health care spending will grow an average of 5.8 percent annually through 2020. The report estimates the increasing growth rate will drive the U.S. to spend \$4.6 trillion on health care in 2020, up from \$2.6 trillion in 2010 and accounting for nearly 20 percent of the U.S. economy. The report predicts that the growth rate will increase to 8.3 when health reform's coverage expansion takes effect in 2014, returning to 6.2 percent between 2015 and 2020. However, despite the rising growth rate, the report predicts the average yearly health care cost growth will increase only .1 percent more than it would without health care reform. The authors also estimate the effects of health reform on health care payers, noting that federal, state, and local government spending will increase 4 percent to account for 49 percent of all spending in 2020, while employers' share declines to 18 percent. The report notes that federal spending will drive the shift towards public payers, with the federal share of health care spending increasing from 27 percent in 2009 to 31 percent in 2020. Finally, the report estimates that the number of Americans with employer-sponsored insurance will reach 170 million in 2014 but decline to 168 million by 2020 ([Kaiser Health News, 7/28](#); [The Hill, 7/28](#); [AP via Washington Post, 7/28](#); [CNN, 7/28](#); [Kaiser Health News, 7/28](#)).
- **Update: CBO Finds Bill to Adjust Income Calculations Under Health Reform would Affect Fewer Than One Million Americans:** On July 22, the **Congressional Budget Office (CBO)** released an [analysis](#), finding that legislation (**S. 1376**) amending the income calculations used to determine health reform benefit eligibility will prevent fewer than one million individuals from accessing Medicaid. 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. The new bills would count Social Security as income, reducing eligibility and saving an estimated \$13 billion over 10 years ([The Hill, 7/25](#)).
- **JAMA Study Finds Medicare Part D Associated with Reduced Non-Drug Spending:** A [study](#) published in the *Journal of the American Medical Association (JAMA)* found that that the Medicare Prescription Drug Program (Part D) was associated with a significant decline in non-drug expenditures among enrollees with previously inadequate drug coverage. By increasing access to medication and adherence to drug regimens, the study found that Part D reduced hospital and nursing home spending on acute and post acute care. Among the roughly 10 million beneficiaries with previously inadequate care, the authors found that spending on non-drug services declining by \$1,200 per capita ([Bloomberg, 7/26](#); [AP via FoxNews, 7/26](#); [PBS NewsHour, 7/26](#); [Kaiser Health News, 7/27](#)).
- **Stateline Examines the Obama Administration's Proposal to "Blend" Reimbursement Rates:** On July 28, the **Pew Center on the States'** non-partisan non-profit news service **Stateline** released a [primer](#) on Medicaid financing, exploring the changes offered under the **Obama Administration's** plan to "blend" rates for Medicaid and the Children's Health Insurance Program (CHIP). Offered as an alternative to the GOP budget plan that passed in the **U.S. House** on April 15, rather than convert Medicaid into a block grant program, **President Obama's** proposal would blend the CHIP rate, the existing Federal Medical Assistance Percentage (FMAP) for Medicaid, and the rate set to apply to newly covered Medicaid enrollees under health reform's 2014 expansion. Though the Administration has yet

to release details of the blending plan, the primer examines the impact of potential rate blending on states as well as initial reactions from state lawmakers ([Kaiser Health News, 7/28](#)).

- **Moody's Says State Medicaid Cuts will Affect Hospitals:** On July 25, **Moody's Investors Services** issued a report saying that state Medicaid cuts will negatively affect non-profit hospitals. Noting that states continue to face harsh economic climates, Moody's reports that 37 states have already cut Medicaid hospital reimbursements for FY2012, partially compensating for expiring funds under the **American Recovery and Reinvestment Act (ARRA)** ([Modern HealthCare, 7/26](#); [Kaiser Health News, 7/27](#)).
- **KFF Examines States' Progress Towards Health Insurance Exchanges:** On July 27, the **Kaiser Family Foundation (KFF)** released a [brief](#) examining states' progress towards implementing the health insurance exchanges required under national health care reform. The brief examines challenges states face and summarizes early trends in exchange governance, structure, and financing. The **U.S. Department of Health and Human Services (HHS)** recently issued regulations giving states until January 1, 2013 to demonstrate their ability to operate a functional exchange. To date, more than a third of states have begun working towards implementation. Required in every state by January 1 2014, HHS will operate exchanges in states that are unprepared or unwilling to operate their own ([KFF, 7/27](#)).
- **KFF Tools Examine Medicare Provisions in Deficit and Debt Reduction Proposals:** On July 22, **KFF** updated a side-by-side comparison [tool](#), examining provisions designed to achieve Medicare savings in various deficit and debt reduction plans. KFF examines plans from **President Obama**, the **U.S. House**, the **U.S. Senate "Gang of Six,"** the **National Commission on Fiscal Responsibility and Reform (Bowles-Simpson)**, and the **Bipartisan Policy Center Debt Reduction Task Force (Domenici-Rivlin)**. The brief also provides descriptions of applicable provisions from numerous other debt proposals offered by legislators and think tanks ([KFF, 7/22](#)). KFF's has also released [updated data](#) on CHIP enrollment, Medicare, employer-sponsored coverage, health maintenance organizations (HMOs), and numerous health care reform topics.

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

### **House Veterans' Affairs Subcommittee on Health: *Veterans Affairs Health Legislation***

July 25, 4:00 p.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

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

*Fiscal 2012 Appropriations: Labor, HHS, Education and Related Agencies*

July 27, 10:00 a.m. 124 Dirksen

### **House Oversight and Government Reform Subcommittee on Health Care, District of Columbia, Census, and the National Archives: *Impact of Health Care Overhaul on Businesses Offering Health Insurance***

July 28 9:30 a.m. 2154 Rayburn



**House Oversight and Government Reform Subcommittee on Government Organization, Efficiency and Financial Management:** *Improper Medicare Payments*

July 28 9:30 a.m. 2247 Rayburn

**House Veterans' Affairs Subcommittee on Health:** *Veterans Health Bills*

July 28, 9:30 a.m. 340 Cannon

**House Small Business Subcommittee on Healthcare and Technology:** *Health Care Overhaul Law and Small Business Health Coverage*

July 28 10:00 a.m. 2360 Rayburn

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

August 2, Time TBA. 2359 Rayburn