

Washington Update

**“The Changing Landscape of Behavioral
Health and Going into the Future”**

NASMHPD 2011 Annual Commissioners Meeting

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Drivers of Change Overview

Changing Policy Landscape Dictated by:

- Federal Budget Deficit/Debt Ceiling Limit
 - Entitlement Reform, Especially Medicaid
- State Budget Revenue Shortfalls
- Health Care Reform Implementation
- The Politics of Health Care Reform

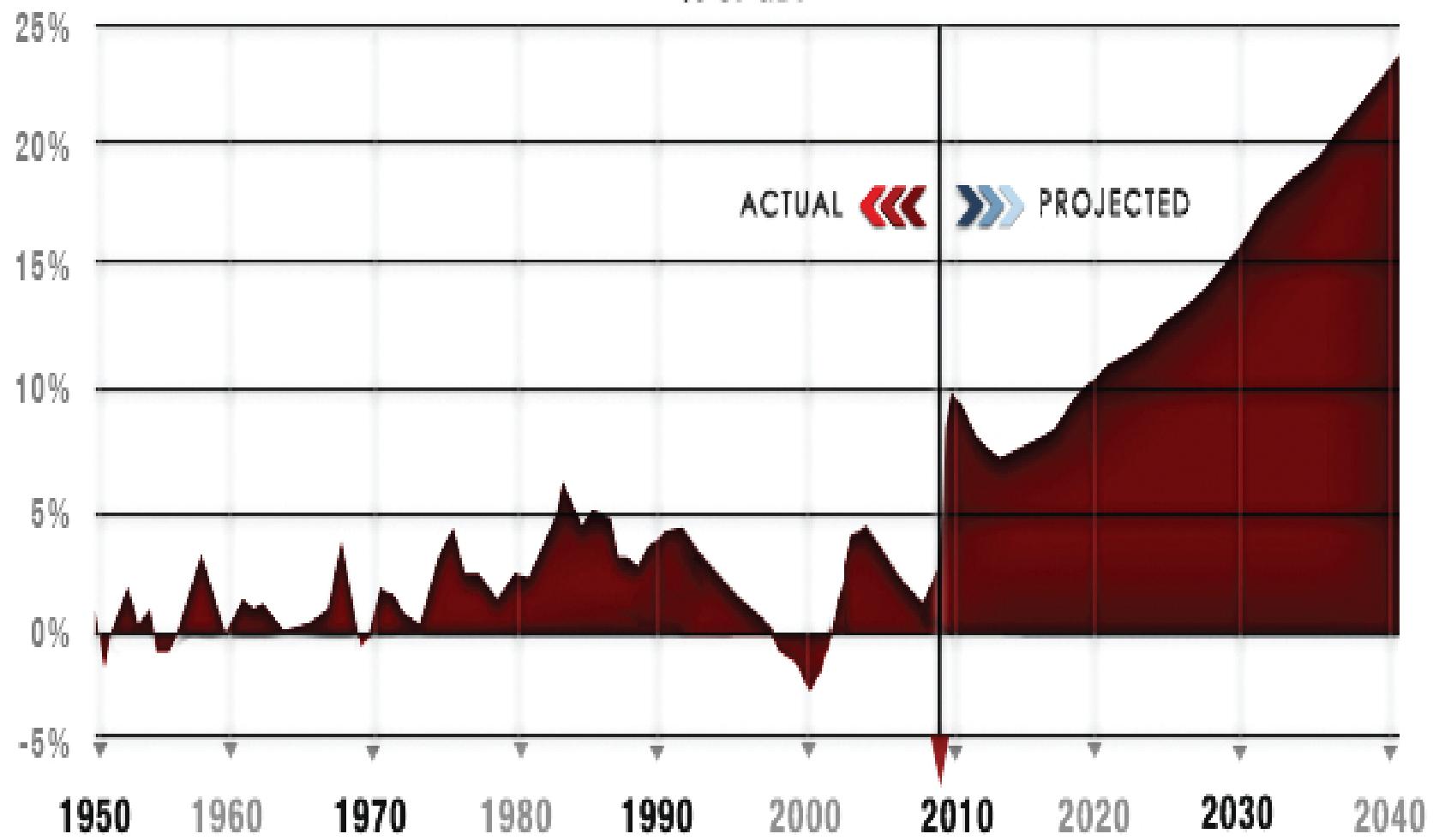
Congress in 2011

The Forecasted Focus for 2011 was:

- The Economy
- Job Creation; Job Creation
- Deficit Reduction and the Budget
- Entitlement Reform
- Health Care Reform

Federal Deficits

% of GDP



Source: Data the Office of Management and Budget, A New Era of Responsibility: The 2011 Budget, Historical Tables and the Government Accountability Office, The Federal Government's Long-Term Fiscal Outlook: January 2010 Update, alternative simulation using Congressional Budget Office assumptions. Compiled by PGPF.

Reports and Studies on Deficit Reduction

- President's Debt Commission
- Bipartisan Policy Center
- Petersen Foundation
- Brookings Institution
- Center on Budget and Policy Priorities
- Congressional Budget Office (CBO)

Congress in 2011

Actual Focus:

- Deficit Reduction and the Budget
- Deficit Reduction and the Budget
- Deficit Reduction ... you get the picture
.... and recently the Debt Ceiling issue

CBO Budget Projections

Revenues-2011

\$2.2 Trillion

10-Year

\$39 Trillion

Spending-2011

\$3.7 Trillion

= -\$1.5 Tr. Deficit

10-Year

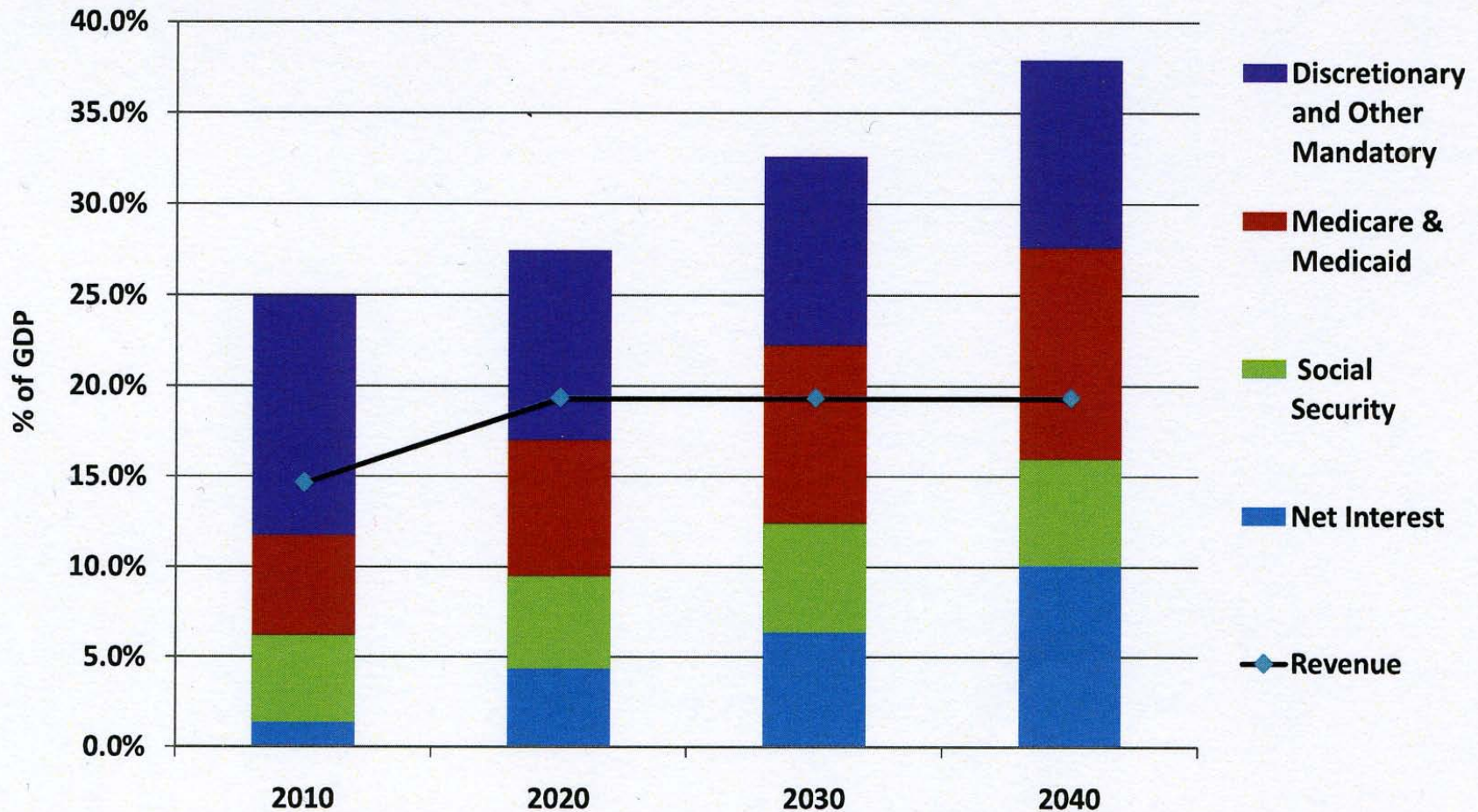
\$46 Trillion

= -\$7.0 Tr. Deficit

“A billion here, a billion there and
pretty soon you’re talking
real money”

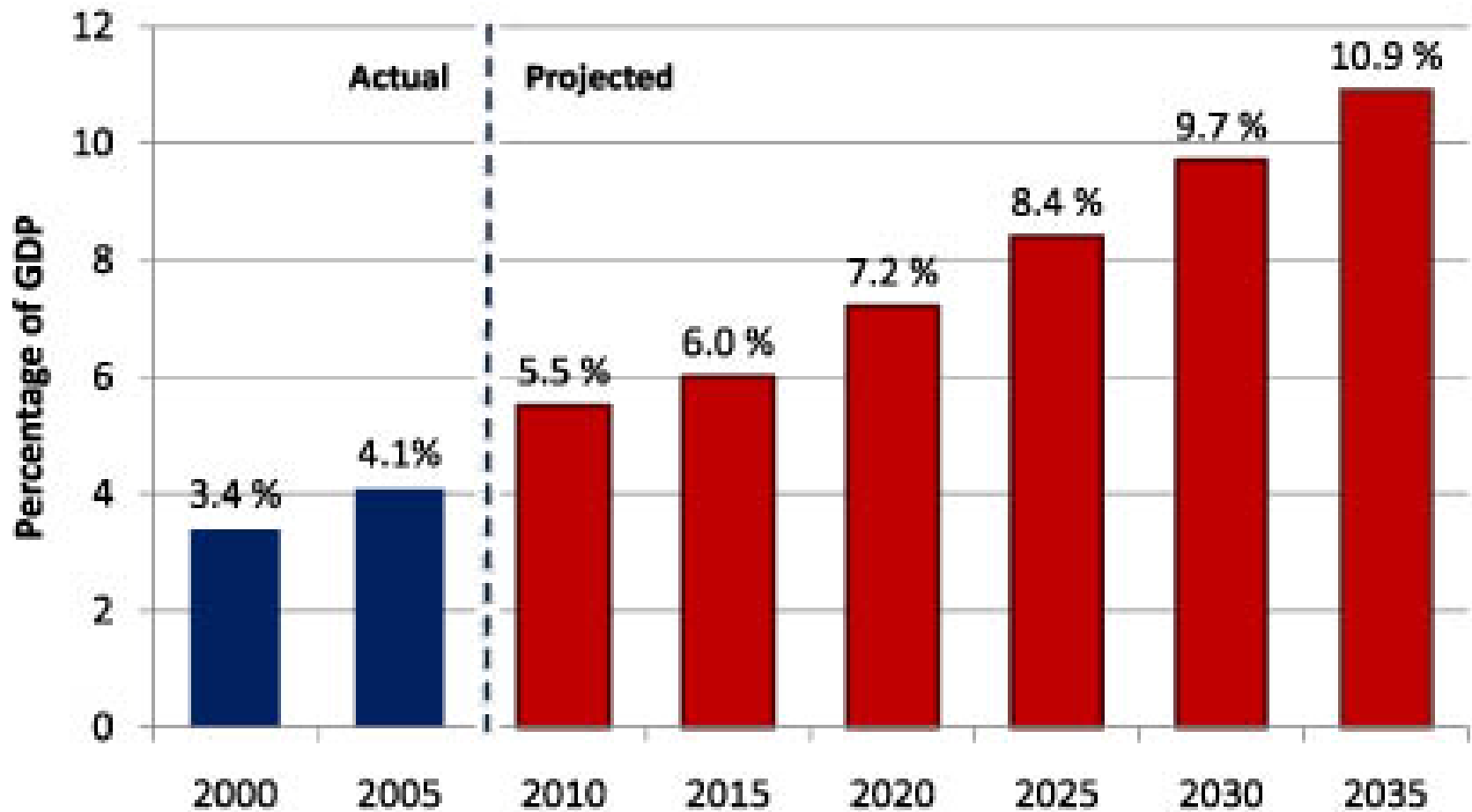
Senator Everett Dirksen (R-IL)

Revenues Completely Consumed by Major Entitlements and Interest by 2025



Source: CBO's "Alternative Fiscal Scenario" constructed from the August 2010 Budget and Economic Outlook, additionally assuming that troops in Iraq and Afghanistan are reduced to 30,000 by 2013.

Federal health care costs will nearly double within the next 25 years.



SOURCE: Data from the Congressional Budget Office's *The Long-Term Budget Outlook*, June 2010, Alternative fiscal scenario. Compiled by PGPF.

Budget Deficit General Ground Rules

- Based on 10-year budget windows
- Reductions on top of reductions
- CBO is the ultimate scorekeeper

Federal Deficit Reduction Tools

- Reduce Spending (also called reforms)
- Increase Taxes
- Borrow from:
 - Descendants of Mao Tse-Tung
 - Middle East Potentates
 - Russian Gangsters (Rossiyskaya Mafiya)
 - Oprah Winfrey, Bill Gates, Warren Buffet?
- Federal Lottery like “MegaTrillions” or “PowerMall” or “Scratch Hard” or “Pick 20”?

Go to Your Corners and Come Out Fighting

- Dems Talking Point: “We will not cut spending – especially for entitlements, without some tax increases”
- GOP Talking Point: “Spending must be cut – especially entitlements, and taxes are off the table”
- Painted themselves into their corners?

Scorecard for the Budget Deficit Reduction Game

- House Budget -- Paul Ryan's (R-WI) Proposal
- House -- VP Biden Group with Leadership
- Senate CAP Act -- McCaskill (D-MO), Corker (R-TN)
- Senate Dems -- Budget Committee, Conrad (D-ND)
- Senate Bipartisan Group -- Chambliss, Conrad, Crapo, Durbin, Warner, (Coburn?) = \$2 trillion in savings?
- To What Extent will these be vehicles for changes in the Affordable Care Act?

Recent Deficit Reduction Discussions

- President Obama Proposal -- \$4 trillion saved over 10 years thru spending reductions and raising some taxes
- Recent policy announcements:
 - supports cuts to agency budgets, including DoD
 - ending Bush tax cuts for wealthy
 - changing entitlement programs



Polarized Bears

Federal Budget Deficit Reduction Theme

Proposals follow a similar framework:

Explicit, massive Medicaid cuts or spending caps

Bottom line: Proposals cut federal spending without reining in health care costs = end up significantly cutting Medicaid and shifting costs to the states

VP Biden Group

- Bipartisan goal of \$2.4 trillion in deficit reduction over 10 years as a condition of raising debt ceiling
- \$1.1 trillion cut in discretionary spending
- \$350 billion cut to Medicare and Medicaid -- on top of ACA, and \$200 in non-health cuts
- Reduction in the interest payments
- Complications ...

The Debt Ceiling Issue

- Debt Ceiling raised countless times
- Tied to deficit reduction talks
- Tea Party Conservatives insisting on budget entitlement reforms and spending reductions
- Senate Minority Leader McConnell (R-KY) proposal allows Obama to raise limit in 3 increments
- But if the debt ceiling is not increased by **August 2**



THE DAY AFTER SQUEEZE

Estimated Treasury cash flow: Aug 3

MONEY IN

MONEY OUT

Daily Shortfall
\$20 billion

\$12 billion

\$32 billion in committed spending:

\$23 billion	Social Security payment
\$2.2 billion	Medicare and Medicaid
\$1.8 billion	Education
\$1.5 billion	Other spending
\$1.4 billion	Defense vendors
\$1.4 billion	Safety net
\$500 million	Federal salaries and benefits
\$100 million	IRS refunds to businesses
\$100 million	Veteran's Affairs programs

If Things Go South ...

- First Priority? Likely pay \$200 billion for interest on the debt
- 2nd Priority? Payments to Military service persons
- 3rd Priority? “The Day After Scenario” – daily cost of Social Security payments alone is \$23 billion with only \$12 billion coming in that day
- 4th Priority? Payments would have to get delayed – Medicaid payments to states? Medicare payments to providers? MA payments to insurers?

What Does This Mean for Medicaid and Mental Health?

The Outlook

Federal Spending on Medicaid



Medicaid Reform

Where Discussions Should Focus

- Who should be eligible?
- How will Medicaid be financed?
- What benefits will be covered?
- Will enrollees be able to access services?
- What roles will Medicaid continue to fill?
- What is the connection to CHIP and Medicare?

Where Things Are

- It is likely the meat-ax approach to reducing Medicaid expenditures
- Latest proposals would cut Federal Medicaid spending anywhere from \$100 to \$350 billion over the next 10 years
- Public Health programs will take another hit
- Democrats concerned that cuts will impair access
- States in financial fix -- Stimulus package injected billions in Medicaid as recession deepened but – those \$\$ ran out this year

Key Policy Questions on Deficit Reduction Related to Medicaid

1. Does the budget proposal get to the target solely by reducing federal spending?
2. Does the budget proposal make deep cuts in Medicaid?
3. Even if the budget proposal doesn't seem to cut Medicaid, does it have across-the-board caps, cuts, or targets?
4. Does the budget proposal have automatic enforcement mechanisms, and does this mechanism apply to Medicaid?

Key Messages on the Deficit and Medicaid Cuts for SBHAs

- It's important to bring down the deficit ...
- But approach should be fair and balanced
- Medicaid is an invaluable safety-net program when economic crises or natural disasters hit
- Ability to expand to take care of additional people when needed

BH Messages for Advocates

- A growing awareness of the prevalence of BH disorders, and the **cost to the system of not providing effective treatment and supports ...**
- ... Combined with awareness that BH is necessary for Good Health ...
- ... Results in increasing recognition that we can't bend the cost curve trend – and improve quality of care throughout the system – ...
- ... without addressing the healthcare needs of persons with SMI and the BH needs of all Americans

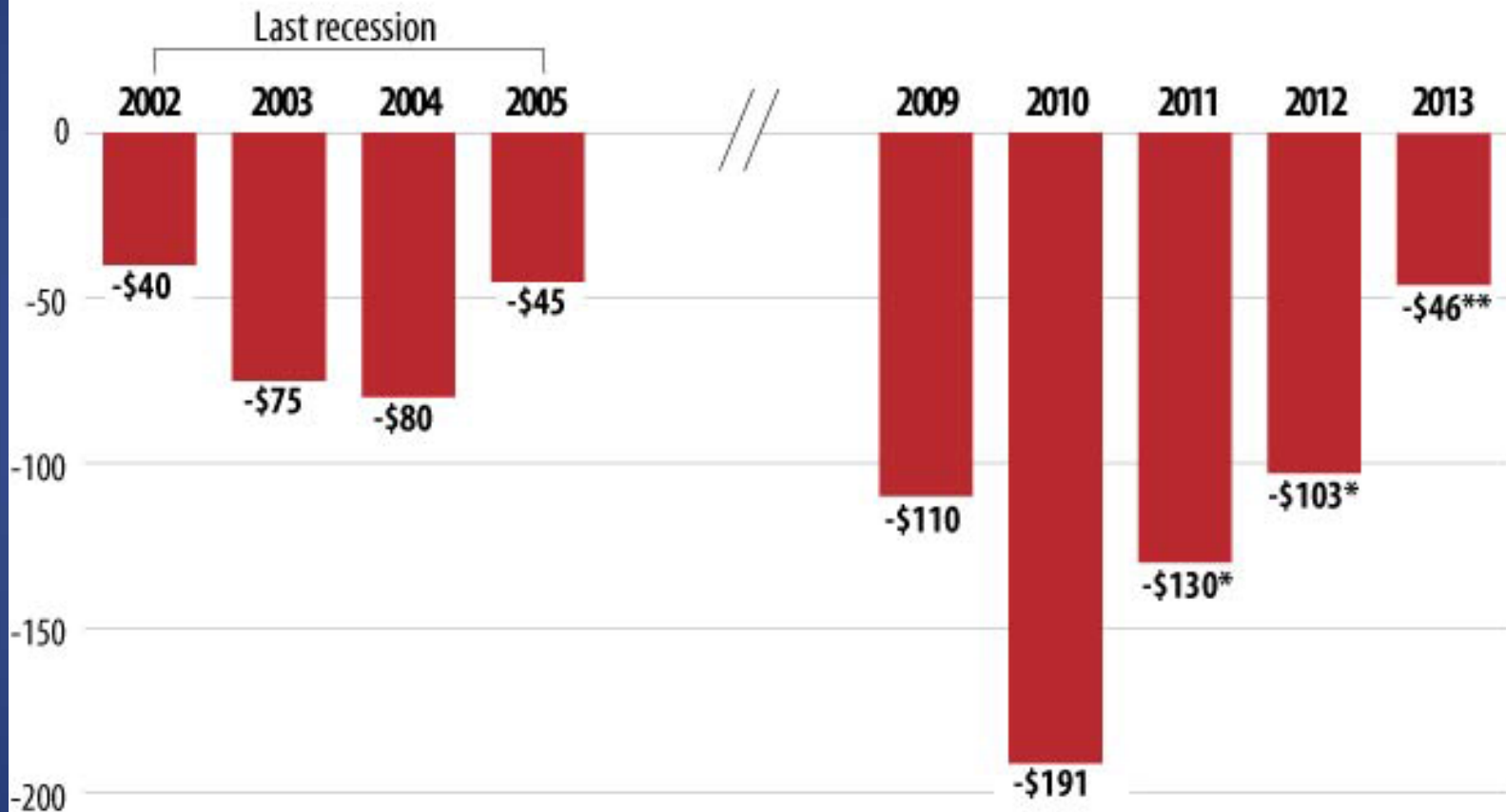
“Let us not seek the Republican
answer or the *Democratic* answer
but the *right* answer”

President John F. Kennedy

State Budgets

A Brief Look

Total state budget shortfall in each fiscal year, in billions



*Reported to date

**Preliminary

Source: CBPP survey, revised June 2011.

Level of SMHA Budget Reductions

FY2009 to FY2012 Total \$3.4 Billion in Cuts

Year	Average	Median	Minimum	Maximum	Total
FY 2009 <i>(39 States)</i>	\$36,849,116	\$13,226,000	\$0	\$554,003,000	\$1,216,020,843
FY 2010 <i>(38 States)</i>	\$29,123,575	\$12,300,000	\$0	\$213,591,000	\$1,019,325,136
FY 2011 <i>(37 States)</i>	\$37,981,650	\$12,000,000	\$0	\$523,437,000	\$1,177,431,138
FY 2012 <i>(7 states)</i>	\$12,959,616	\$6,150,000	\$0	\$32,000,000	\$77,757,695

Results based on 47 SMHAs Reporting, NRI

What Does This All Mean for Health Care Reform?

Implementation Outlook

National Health Care Reform: The Skinny

- Coverage Expansion
- Essential Benefits
- Insurance Reforms
- New Delivery System Approaches
- New Payment Strategies

Proposed Rules

- Accountable Care Organizations
- Value-Based Purchasing
- Community Health Centers
- Health Insurance Exchanges
- Home and Community-Based Services
- Many on the way

Impact of Health Care Reform for BH

- More people will have coverage with guaranteed BH benefits
- Medicaid will play a larger role in BH
- Increased demand for qualified, well-trained BH professionals
- Focus on PC & coordination with BH specialty care
- Major emphasis on home & community-based services; less reliance on institutional care
- Preventing diseases & promoting wellness – a major theme
- Focus on quality rather than quantity of care

Expanding Coverage

Greatly expand access to health insurance primarily through:

- Individual Mandate and Employer Mandate
- Medicaid expands to 133% of FPL in 2014 = 16-18 million newly eligible beneficiaries to 2019
- Private health insurance exchanges start-up in 2014 = 16-18 million newly eligible people obtain coverage through 2019
- Potential to reach 10 million people with BH conditions

Important: The vast majority of lower income, uninsured Americans with behavioral health disorders will obtain coverage by 2014

ACA Benefit Provisions

Medicaid

- Newly Eligible “Expansion population” will not receive regular Medicaid benefits – benefits modeled on private insurance packages and must include BH benefits
- For the newly eligible, states only have to offer a “benchmark” or equivalent plan, e.g., standard BC/BS Plan under FEHBP

Insurance Exchanges

- BH care included in list of essential benefits that must be covered in new plans

Specifics of essential benefits still in question

Essential Benefit Package

- Feds will create a floor of essential benefits that must be included in the expanded Medicaid & Exchanges
- States will be allowed to provide coverage above those basic levels established by the Secretary

Robust BH services should be provided in a way that people move through the system & access benefits based on their level of need & personal goals

SBHAs should be prepared to offer data to state Medicaid directors on how opportunities for expanding benefits could reduce costs

Health Insurance Exchanges

- New rule issued -- flexibility is the key, builds on state infrastructure
- States can partner with each other
- 49 states accepted planning \$\$
- 50% have passed legislation to develop implementation plan

Opportunities for SBHAs to participate in discussions

Opportunities to Design Service Delivery

- **ACA provides new opportunities to design service delivery to better meet the needs of beneficiaries with BH needs**
- HCBS will be pivotal to states covering components of recovery-focused BH system
- “The Integration Imperative” -- Models like ACOs and health homes aim to improve integration

Outreach and Enrollment

- Lower-income population will experience fluctuations in income -- person's eligibility for Medicaid or Insurance Exchange subsidies could change over time
- Massachusetts found 10,000 people move between Commonwealth Care and Connector each month
- Individuals with mental illness might have difficulty with transitions between coverage sources

SBHAs should encourage their state to coordinate planning of the Exchange and Medicaid expansion so BH benefits are consistent

Payment Reforms

- Authorizes Center for Medicare and Medicaid Innovation (CMMI) to implement Medicaid Global Payment System Demonstration Project
- Medicaid Emergency Psychiatric Demo Project
- New Demo allows states to adjust payments to a safety-net hospital system/network from a FFS payment structure to a capitated model
- Evaluate Integrated Care Around Hospitalizations
- Incentives for Prevention of Chronic Disease

Incentives for Prevention of Chronic Disease in Medicaid

- Authorizes grants to states to provide incentives to Medicaid beneficiaries who participate in prevention programs
- Goal is to help Medicaid beneficiaries address chronic diseases
- CMS currently inviting proposals from states to compete for grant awards

Opportunities

Medicaid 1915(i) HCBS Benefit

- Previous regs modified to include new services: CM, homemaker, HH aide, adult and respite care
- Permit states to provide HCBS for people who are not otherwise eligible for institutional care
- Permit states to provide community-based services to persons with chronic BH disorders
- New rule addresses definitions and waiver groups

Evolving Responsibilities of SBHAs

- Public policy formulation and implementation
- Coordination of resources
- Design and implementation of evidence-based practices
- Regulatory and monitoring oversight
- Public safety and welfare responsibilities
- Direct service provision
- Measuring and encouraging improved behavioral health performance and outcomes

Roles of SBHAs Under Reform

Issues

- Integration
- Exchanges
- Enrollment/Outreach
- Benefits
- Service Delivery
- Medicaid Contracting
- Workforce
- Prevention
- Information Exchange
- Quality Measures
- Parity

Proposed Materials

- White Paper
- Fact Sheets
- Talking Points
- Q&A
- Charts
- Summary of Rules
- Articles

The Politics of Health Care Reform

- Because Legislative Changes in Congress are Limited, Primary “Health Reform Game” has been:
 - Executive Branch Implementation
 - Congressional Oversight
 - Lower Court Actions
 - State Actions
 - Presidential Election Positioning
 - The Supremes (next year)
- The Next Real Health Care Debate will Likely be Deficit/Debt Driven and Move from “Repeal and Replace” to “Retain and Reform”

Federal Spending Comparison from 2011 to 2019

\$ 4 Billion



Funding

- Healthcare Reform
- MHBG

Other Policy Issues We are Tracking

- MoE
- Medicaid Managed Care
- VA delivery issues
- Housing
- Employment

Questions

For Follow-up Questions and Further
Information, Please contact:

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