

SELLERS DORSEY DIGEST

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NAVIGATION

Federal Updates

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State Updates

An analysis by the National Association of State Budget Officers found that states spend roughly 20% of their own revenue on Medicaid.

Private Sector Updates

AM Best suggests that margins among Medicaid managed care plans have been unsteady in recent years and have shrunk tremendously.

Sellers Dorsey Updates

This week: 1) Q&A with one of the firm's former Medicaid directors Leesa Allen, 2) Upcoming panel discussion led by our own, Gary Jessee, 3) Sellers Dorsey is a great place to work, and we're hiring!

Summary of Key Updates

On October 2, Secretary Alex Azar extended the COVID-19 public health emergency (PHE) declaration for an additional 90 days, effective October 23, 2020. Without additional agency action (i.e., ending the PHE early, further extending the PHE), the PHE will now sunset in January, 2021 ([PHE.gov](#), October 2).

On October 1, the Trump Administration, through HHS and HRSA, announced \$20 billion in new funding for health care providers. These new dollars represent Phase 3 of provider relief funding and are available to any providers experiencing financial losses and changes in operating expenses caused by COVID-19, including those who were ineligible to apply under the prior Provider Relief Fund distributions. Specifically, providers who began practicing in 2020 and an expanded group of behavioral health providers confronting increased mental health and substance abuse issues are now eligible for relief payments. Applications for Phase 3 funding opened October 5 and will remain open through November 6 ([HHS](#), October 1).

According to CMS, over four million additional people enrolled in Medicaid and CHIP between the months of February and June, with enrollment increases seen in every state except Montana ([Modern Healthcare](#), September 30).

On September 30, the Senate passed and President Trump signed a bipartisan government funding bill that includes the necessary continuing resolutions (CRs) to avoid a government shutdown, continue funding for several Medicare and Medicaid programs, and extend the Disproportionate Share Hospital payment reductions to December 11. Another key provision within the CR includes relaxed Medicare loan repayment terms for health care providers. The bill extends the recoupment free repayment deadline to one year after the Medicare Accelerated and Advance Payment Program loan was issued and lowers the recoupment rate from 100% to 25% for the first 11 months of repayment and 50% for the six months following. In total, hospitals will have 29 months after payments to pay back the funds in full before interest accrues. The bill also lowers the interest rate from 9.6% to 4% ([Modern Healthcare](#), September 30).

California has applied to extend its existing 1115 waiver by one year.

From September 29 through October 5, CMS has approved three SPAs, one of which is a time-limited, COVID-19 response SPA.

Federal Updates

News

- On September 30, the Bipartisan Policy Center released a [report](#) that tracks FY2019 federal funds allocated to addressing opioid use disorder. Although the analysis finds funds are generally stable and targeted to counties with highest overall deaths, the report notes that “few individuals who are incarcerated receive the standard of care for opioid use disorder” and that “workforce shortages continue to limit treatment expansion.” The report concludes with several recommendations, including:
 - Increase SAMHSA’s Substance Abuse Prevention and Treatment Block Grant (SABG) funding for evidence-based programs.
 - Coordinate federal government harm reduction services.
 - Revise federal grants to allow spending on substance use disorders generally, including emerging drug use trends such as methamphetamine and cocaine.
 - Reduce the treatment gap in diverse communities.
 - Extend regulatory revisions made during COVID-19.
 - Remove the special licensing requirement (data waiver) for health care providers to prescribe buprenorphine.
 - Expand access through Medicaid by making changes such as removing prior authorization requirements for OUD medications.
- A report from HHS Office of Inspector General (OIG) found that between December 2018 and May 2019, multiple nursing homes in North Carolina had problems related to their life safety and emergency preparedness. Some of the issues found include smoking policies, fire drills, and emergency plan training and testing. The OIG has indicated that these issues emerged from inadequate nursing home oversight and high staff turnover. The State will be following up with the facilities in violation to ensure corrective actions are underway ([Inside Health Policy](#), September 30).

Federal Guidance

- On October 5, CMS and the Administration for Children and Families issued a [joint informational memo](#) in fulfillment of a requirement in the SUPPORT for Patients and Communities Act of 2018, regarding existing coverage and options for Family-Focused Residential Treatment for substance use disorders. The memo describes eligibility, benefit design, and funding considerations under current Medicaid and Title IV-E requirements, including how states might cover family-focused residential treatment without running afoul of the IMD exclusion or reimbursement exclusions for room and board.

Federal Legislation and Regulations

- President Trump signed an executive order to promote increased access to mental and behavioral health services in light of the growing need demonstrated throughout the COVID-19 pandemic. The executive order establishes a Coronavirus Mental Health Working Group to develop and submit a report to the president that outlines a plan for improved service coordination across private and public stakeholders. The order further encourages the Working Group to focus on the needs of minorities, seniors, veterans, small business owners, children, domestic violence victims, and other vulnerable populations when developing its recommendations ([WhiteHouse.gov](#), October 3).
- The House passed its latest version of the HEROES Act bill, which authorizes an additional \$2.2 trillion in total spending, including. \$50 billion in additional provider relief grants, increased Medicaid matching funds (14% FMAP up from 6% enhanced FMAP), a 2.5% increase to DSH payments, and additional funding targeted at state governments ([Modern Healthcare](#), October 1). President Trump recently

announced that he will halt COVID-19 focused negotiations until after the November 3 election ([BBC](#), October 7).

- HHS published its final rule on hospital price transparency, effective January 1, 2021. Under the rule, hospitals operating in the United States must establish, update, and disclose a list of their standard charges for the times and services they provide. HHS believes that this action is necessary to promote price transparency, but opponents of the rule have cited significant antitrust and price fixing issues, as well as other privacy concerns in the now finalized requirements. Hospitals will need to make the following standard charges public ([Federal Register](#), [CMS](#), September 30):
 - Gross charge (charge for an individual item or service that is reflected on a hospital's chargemaster, absent any discounts).
 - Discounted cash price (charge that applies to an individual who pays cash, or cash equivalent, for a hospital item or service).
 - Payer-specific negotiated charge (the charge that a hospital has negotiated with a third-party payer for an item or service).
 - De-identified minimum negotiated charge (the lowest charge that a hospital has negotiated with all third-party payers for an item or service).
- The National Institutes of Health (NIH) awarded nearly \$234 million to improve COVID-19 testing for underserved and vulnerable populations as part of the Rapid Acceleration of Diagnostics (RADx) and RADx Underserved Populations (RADx-UP) programs. The funding will offer three NIH grants to 32 institutions that will make up a collaborative clinical research network to develop and implement interventions and research centers focused on determining social, ethical, and behavioral implications of health disparities ([NIH.gov](#), September 30).

Letters

- In an [October 1 letter](#) to HHS, a group of senators led by Senator Bob Casey, Pennsylvania, urged Secretary Azar to work with states to encourage and expand the use of community health workers in Medicaid and public health departments. A [similar letter](#) was also submitted from the House side.

Waivers

- Section 1115
 - On September 16, California [submitted an application](#) to CMS to extend its Medi-Cal 2020 1115 waiver by 12 months through December 31, 2021. The application notes the public health emergency as a mitigating factor in the State requiring additional time to negotiate and implement its larger CalAIM initiative, which will replace the current 1115 waiver. The federal comment period for this waiver will close November 1.
 - Arizona is seeking public comments on its [draft 1115 waiver renewal](#). Public comments will be accepted through November 30. In addition to renewing the State's existing expenditure authorities (including the state's DSRIP-like Targeted Investments Program), the waiver renewal seeks:
 - Authority to allow for verbal consent in lieu of written signature for up to 30 days for all care and treatment documentation for Arizona Long Term Care System (ALTCs) members when included in the member's record and when identity can be reliably established.
 - Authority to reimburse traditional healing services provided in, at, or as part of services offered by facilities and clinics operated by the Indian Health Service (HIS), a tribe or tribal organization, or an Urban Indian health program.

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- Authority to reimburse IHS and Tribal 638 facilities to cover the cost of adult dental services that are eligible for 100% FFP, that are in excess of the \$1,000 emergency dental limit for adult members in Arizona’s State Plan and \$1,000 dental limit for individuals age 21 or older enrolled in the ALTCS program.
- Section 1135
 - [Texas](#)
 - Waive HCBS Settings Requirements for Specified Settings.
- Section 1915(c) Appendix K
 - [Maryland](#)
 - Extend deadlines for required waiver reports.
 - [Hawaii](#)
 - Temporarily increase payment rates.
 - [Alabama](#)
 - Temporarily add services
 - Temporarily make retainer payments
 - [Mississippi](#)
 - Extend deadlines for required waiver reports.

SPAs

- Traditional SPAs
 - [Illinois \(IL-20-0010\)](#): Increases the rate of reimbursement for mental health and substance use disorder services by two percent. This SPA has an effective date of July 1, 2020.
 - [Washington, DC \(DC-20-0005\)](#): Updates the Medicaid fee schedule to add reimbursement for medical alert devices under the state plan home health benefit. This SPA has an effective date of October 1, 2020.
- COVID-19 Response SPA
 - [Colorado \(CO-20-0035\)](#): Establishes a COVID-19 interim payment for primary care medical providers (PCMP) who provide integrated services. This time-limited COVID-19 response SPA has effective date of September 11, 2020.

State Updates

Click [here](#) to view Sellers Dorsey’s state budget tracking summaries.

- An analysis by the National Association of State Budget Officers found that states spend roughly 20% of their own total state general revenue on Medicaid. The Center on Budget and Policy Priorities reports that states are facing an average budget shortfall of 10% in 2020 and 20% in 2021, leading to potential cuts to provider rates to help balance state budgets ([Modern Healthcare](#), September 30).
- California has a projected \$54 billion budget deficit and its legislative year concluded with Governor Newsom enacting multiple new laws with intentions of lowering consumer health care spending and expanding access to coverage. Key bills passed include granting nurse practitioners the ability to practice without physician supervision and require state-regulated health insurers in California to cover all treatment deemed medically necessary for mental health and substance abuse disorders, from depression to opioid addiction. California will also enter the generic drug market, passing a first-in-the-nation law that will put the state government in direct competition with private drug manufacturers.

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- Bills not passed include: a measure that would have given the state attorney general more authority to reject hospital consolidations, expanded the state's Medicaid program to unauthorized immigrants ages 65 and up, and capped consumers' out-of-pocket costs for insulin ([Modern Healthcare](#), October 1).
- Gov. Beshear of Kentucky relaunched Kynect, a state-run web portal designed to help Kentuckians sign up for health coverage and other assistance programs. For now, the program will provide access to the national health benefit exchange, but by January 2022 it is expected to switch back to a state-run exchange program where people can shop for health coverage saving an estimated \$15 million a year for Kentuckians ([Modern Healthcare](#), October 5).
- The National Association of Medicaid Directors released its [FY2020 Annual Report](#) detailing its operations and accomplishments throughout the year, with particular emphasis on the support it has provided to certain state Medicaid programs around the public health emergency.

Private Sector Updates

- AM Best suggests that margins among Medicaid managed care plans have been unsteady in recent years and have shrunk tremendously. However, the 10 top payers in that segment remain extremely profitable. Average profit margin for Medicaid managed care hit its recent peak in 2015, the second full year of expanded Medicaid eligibility under the Affordable Care Act, at around 2.7%. However, margins dropped to around 1% the following year, and again to around 0.25% in 2019. Larger payers have size as an advantage, suggesting greater profitability. The top three payers in terms of enrollment are Centene, Anthem, and UnitedHealth Group. They control more than 36% of the entire Medicaid managed care market ([Health Payer Specialist](#), October 5).
- Cigna received the highest score from consumers on telehealth services, according to a new report from J.D. Power and Associates, which suggests consumer satisfaction and the COVID-19 crisis will likely make the service a large part of the payer landscape in the future. According to J.D. Power's telehealth satisfaction survey, Cigna scored 874 out of 1,000 points for its telehealth services. Kaiser Foundation Health Plan was in second place, with a score of 867 points, while UnitedHealthcare scored 865 points ([Health Payer Specialist](#), October 2).
- On October 1, Ohio released its request for proposals for the state's 2022 Medicaid managed care program, valued at \$20 billion and covering about 85% of the state's Medicaid population – or close to 2.5 million Ohioan lives - representing one of the highest rates of managed care enrollment in the Midwest. Five payers currently have Medicaid managed care contracts in Ohio: UnitedHealthcare, Molina Healthcare, Buckeye Health Plan, CareSource, and Paramount Advantage. They have held contracts since July 2013, with CareSource holding the largest market share with about 1.2 million enrollees in total, or roughly 50% of the market share. The RFP focuses on improving wellness and medical outcomes, more emphasis on personalized care, improved care for enrollees with complex needs, and improved transparency and accountability ([Health Payer Specialist](#), October 2).
- A Mercer survey of U.S. employers whose companies offer sponsored health plans found that most employers do not plan on shifting more of the cost of health benefits to their workers in 2021. Mercer commented that due in part to the COVID-19 pandemic and the uncertainty over its full impact, the cost of benefits is likely to rise on average 4.4%. However, most employers surveyed said they would share equally in that increase, rather than passing it on to their workers. That is a higher percentage than last year when 47% said they would not make changes in cost sharing for 2020 coverage, and 44% who said they would not make such changes to 2019 coverage ([Health Payer Specialist](#), October 1).
- According to a Guidehouse Center for Health Insights analysis of an executive survey conducted by the Healthcare Financial Management Association (HFMA), about 70% of health system and hospital

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executives are expecting an increase in self-pay customers and Medicaid patients, as well as a decline in commercial reimbursement, due to the COVID-19 pandemic. The analysis reports that hospitals have been turning to remote consumer engagement by increasing use of telehealth (92%), which includes using telehealth to better engage patients and address consumer responsibility (73%), financial counseling (63%), and online portals for price estimates and payment plans (56%) amid challenges posed by COVID-19. Other areas of concern raised in the report include hospital readiness to comply with price transparency rules during this crisis. A rule that requires facilities to post payer-negotiated rates for 300 services is set to go into effect on January 1, 2021 ([Fierce Healthcare](#), September 30).

Sellers Dorsey Updates

- Check out our Q&A with Leesa Allen, Deputy Managing Director, who comes from the Pennsylvania Department of Human Services (DHS). She joined Sellers Dorsey last year after spending 26 years at DHS. Leesa serves as a subject matter expert to Sellers Dorsey's client-servicing team and provides strategic guidance to many of our Medicaid financing projects. She also focuses on researching new policies and policy updates surrounding states. [Read more about Leesa here.](#)
- Gary Jessee, Managing Director, will lead a panel of Medicaid Directors at the MHPA Annual Conference on October 16 titled *Fulfilling the Promise of Managed Care*. The three Medicaid Directors, Beth Kidder (Florida), Jennifer Langer Jacobs (New Jersey), and Allison Taylor (Indiana) will discuss their current challenges and opportunities they are facing in bringing Medicaid Managed Care into their states. Don't miss out on this conversation and [register here.](#)
- We're hiring! Sellers Dorsey provides a supportive, diverse, and rewarding atmosphere in addition to a comprehensive and generous set of benefits. We are seeking an experienced and self-motivated Business Development Support and Contracts Coordinator to join our growing team. Learn more and apply for this position [here.](#)



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