



Governor's Office of  
Health Transformation

# Health Transformation Budget Priorities

Senate Finance Committee Testimony

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# Ohio's Health Transformation Team

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# Today's Topics

- Challenges we face in Ohio
- Rebalance Long-Term Care
- Streamline Health and Human Services
- Extend Medicaid Coverage
- Overall Budget Impact
- Questions



## **Governor Kasich's First Jobs Budget:**

# **“Repeal and Replace” Old Medicaid**

***Inherited a program that grew 33% over 3 prior years***

- Created the Office of Health Transformation
- Linked nearly 10% of nursing home reimbursement to quality
- Increased access to home and community based services
- Freed local behavioral health from Medicaid match
- Created health homes for people with serious mental illness
- Consolidated health plan regions to be more efficient
- Linked 1% of health plan payments to performance
- 3<sup>rd</sup> state approved to integrate Medicare-Medicaid services
- Implemented a new Medicaid claims payment system

***Saved Ohio taxpayers \$2 billion over two years***

## Modernize Medicaid:

# Fight Fraud and Abuse

### *Jobs Budget 2.0 Medicaid Fraud Prevention*

- Saves \$74.3 million (\$27.4 million state) over 2 years

### *National Rankings and Awards*

- Number of Referrals to Medicaid Fraud - 7<sup>th</sup>\*
- Number of Referrals Accepted by Medicaid Fraud - 5<sup>th</sup>\*
- Total Provider audits conducted - 3<sup>rd</sup>\*
- Overpayments Identified as a Result of Provider Audits - 2<sup>nd</sup>\*
- Total Recoveries from Provider Audits - 4<sup>th</sup>\*
- Total Recoveries from all Medicaid Integrity - 5<sup>th</sup>\*
- Selected by HHS-OIG as the #1 MFCU in the country in 2011
- Ranked #1 for indictments and #3 for convictions in 2012

\*From most recent data state program integrity assessment (SPIA) that CMS compiled in 2009

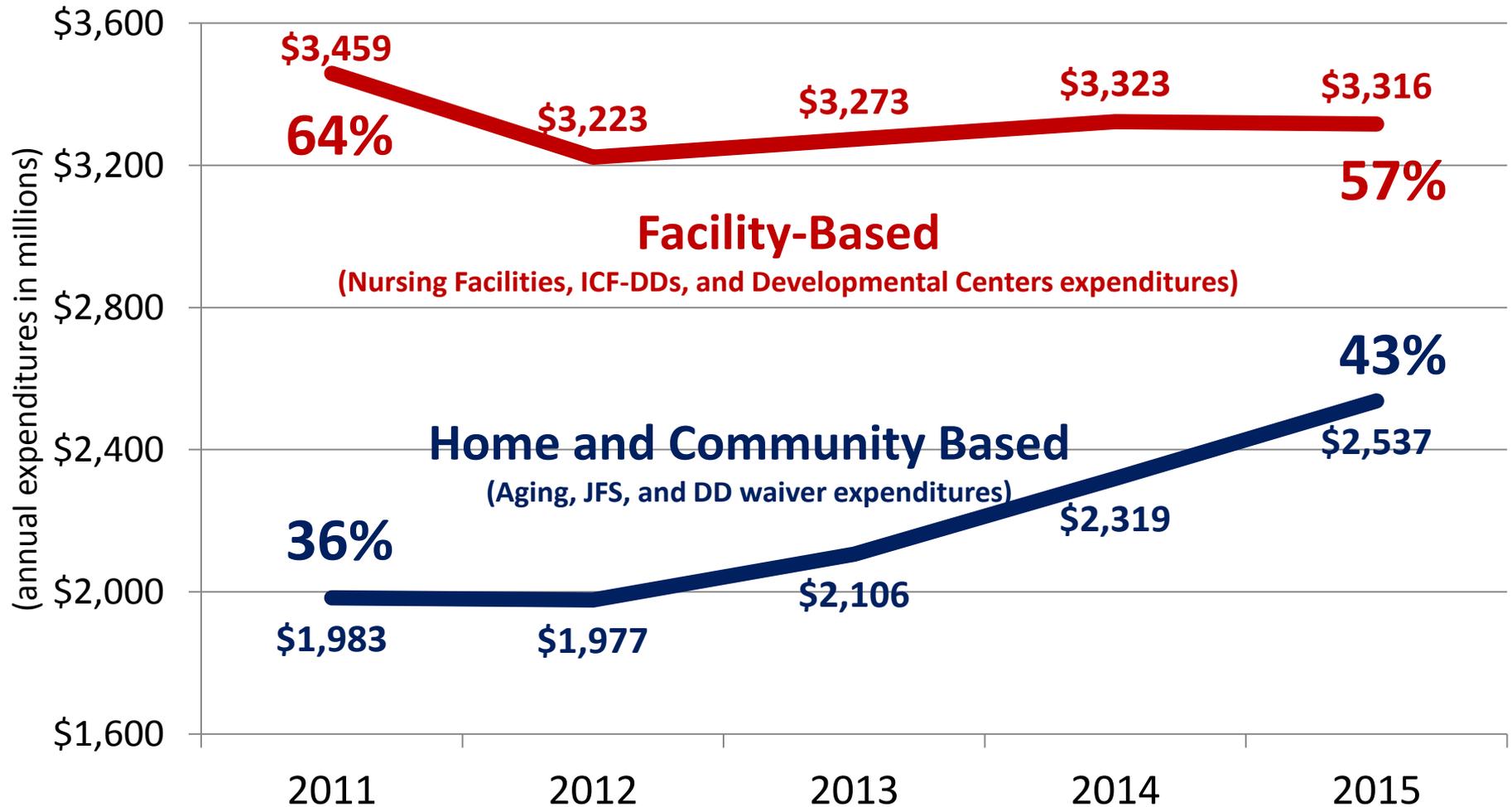
## Rebalance Long-Term Care:

# Prioritize Home and Community Services

### *Jobs Budget 2.0*

- Medicaid payment changes
  - Increase rates for aide & nursing services, adult day care, assisted living
  - Increase the nursing home resident personal needs allowance
  - Limit the daily rate for a caregiver living with a consumer
  - Implement a shared savings initiative for home health
  - Medicaid net cost is \$31 million (\$11 million state) over two years
- Join the Balancing Incentive Program
  - Commit to 50/50 institutional vs. community long-term care spending
  - No wrong door, standard assessments, conflict-free case management
  - Enhanced federal funds free up \$120 million state share over two years
- Ensure core competencies in the direct care workforce

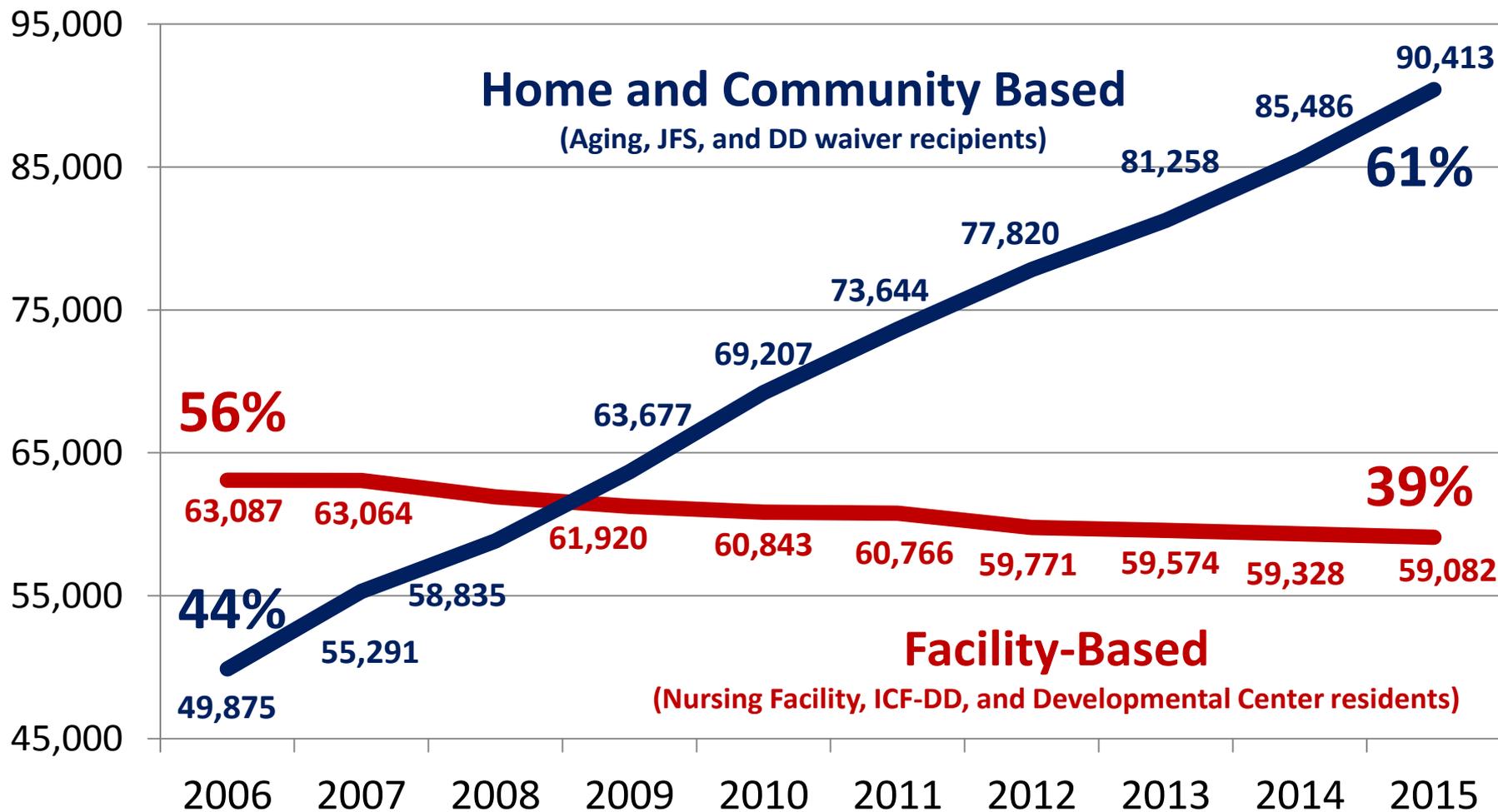
# Ohio Medicaid Spending on Institutions Compared to Home and Community Based Services



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Source: Ohio Medicaid based on agency surveys; 2011-2012 actual and 2013-2015 estimated.

# Ohio Medicaid Residents of Institutions Compared to Recipients of Home and Community Based Services



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Source: Ohio Medicaid based on agency surveys; 2006-2012 actual and 2013-2015 estimated.

## Rebalance Long-Term Care:

# Reform Nursing Facility Payments

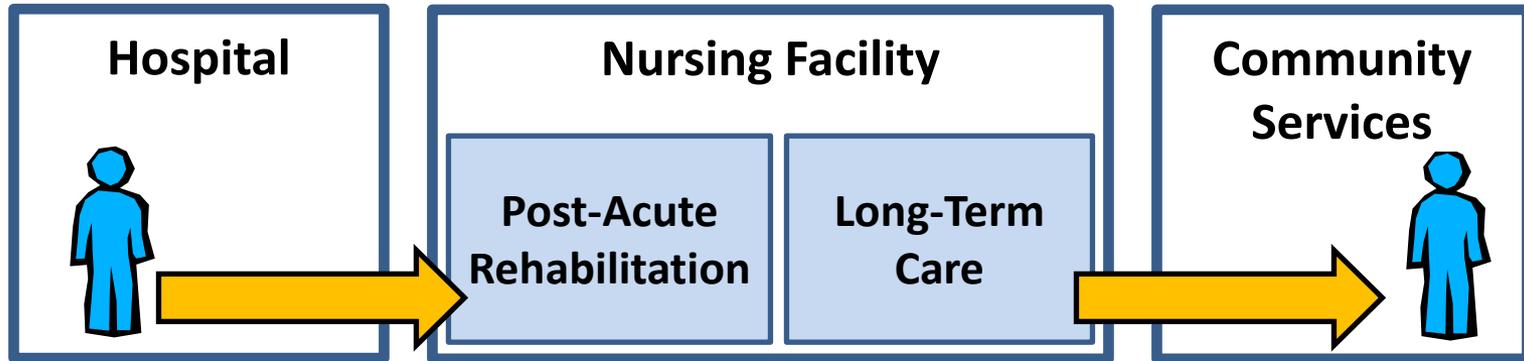
### *Jobs Budget*

- Convert from cost-based to price-based reimbursement
- Link nearly 10% of reimbursement to quality outcomes
- Integrate care delivery for Medicare-Medicaid enrollees

### *Jobs Budget 2.0*

- Flat funding with some exceptions
  - Update peer groups (reclassify Stark and Mahoning Counties)
  - Link 5% rate add-on for “critical access” facilities to quality
  - Remove custom wheelchairs from the nursing facility rate
  - Medicaid net cost is \$36 million (\$13 million state) over two years
- Strengthen quality measures for incentive payments
- Terminate special focus facilities and other regulatory changes
- Provide post-acute rehabilitation in nursing facilities

# Rebalance Long-Term Care: Framework for Payment Innovation



## Provide post-acute rehabilitation in nursing facilities, not hospitals

- \$1,388 per patient day in a Long-Term Acute-Care Hospital (LTACH)
- \$740 per patient day at the highest Medicare rate for “ultra-high rehabilitation services”
- Opportunity to save \$648 per patient day

## Assist nursing home residents who want to move back into the community

- Medicaid spends \$102,500 per year in a nursing home for residents under age 60 who are reasonably physically healthy but have mental illness
- Moving these individuals to a community setting saves \$35,250 per year\*

# Rebuild Community Behavioral Health

## *Jobs Budget*

- Free local systems from Medicaid match responsibilities
- Create health homes for people with serious mental illness
- Target investments to restore community capacity

## *Jobs Budget 2.0*

- Leverage Medicaid to rebuild community recovery services
- *Recovery Requires Community*
  - Allow money to follow 1,200 nursing home residents who want to move back to the community
  - Increase access to safe and affordable housing
  - Prevent inappropriate admissions into nursing homes
- Consolidate Mental Health and Addiction Services (July 2013)

## Rebalance Long-Term Care:

# Enhance Developmental Disabilities Services

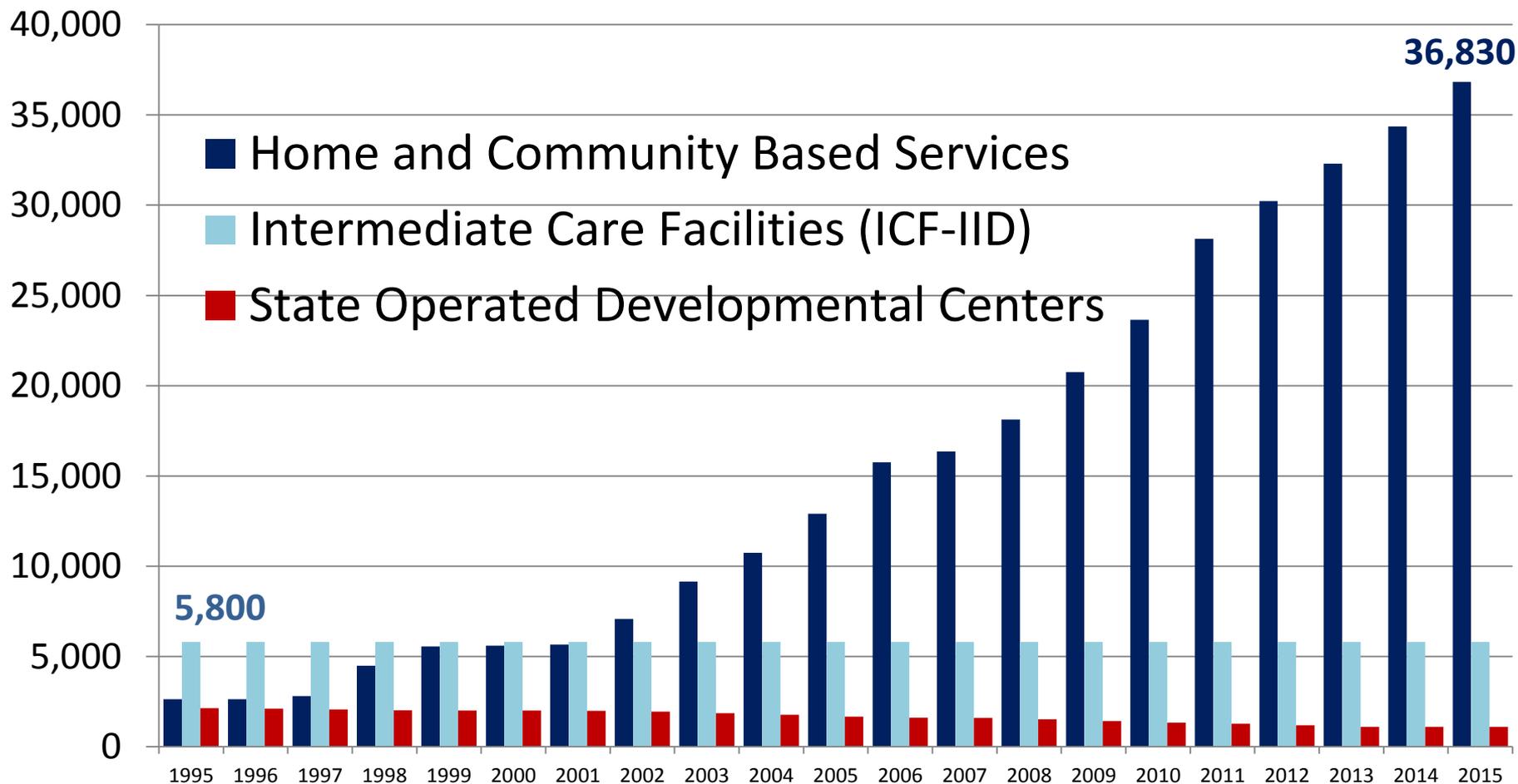
### *Jobs Budget*

- Expanded home and community based services options
- Continued downsizing state-run developmental centers

### *Jobs Budget 2.0*

- Convert institutional placements into community settings
  - Flat rate for residents who are less profoundly disabled
  - Financial incentive to convert institutional beds to community services
  - Increase rates for providers serving former residents of institutions
- Support Employment First
- Increase access to autism services

# Ohio Department of Developmental Disabilities Residents of Institutions and Recipients of Community Services



## Streamline Health and Human Services:

# Organize Government to be More Efficient

### *Jobs Budget*

- Created the Office of Health Transformation
- New Medicaid claims payment system (MITS)
- Reorganized Medicaid programs and budgets

### *Jobs Budget 2.0*

- Consolidate Mental Health and Addiction Services (July 2013)
- Create a unified Medicaid budgeting/accounting system
- Create a Cabinet-Level Department of Medicaid (July 2013)
- Replace Ohio's 34-year-old eligibility system (CRIS-E)
- Coordinate health sector workforce programs

# Streamline Health and Human Services: Implement *Public Health Futures*

## *Background*

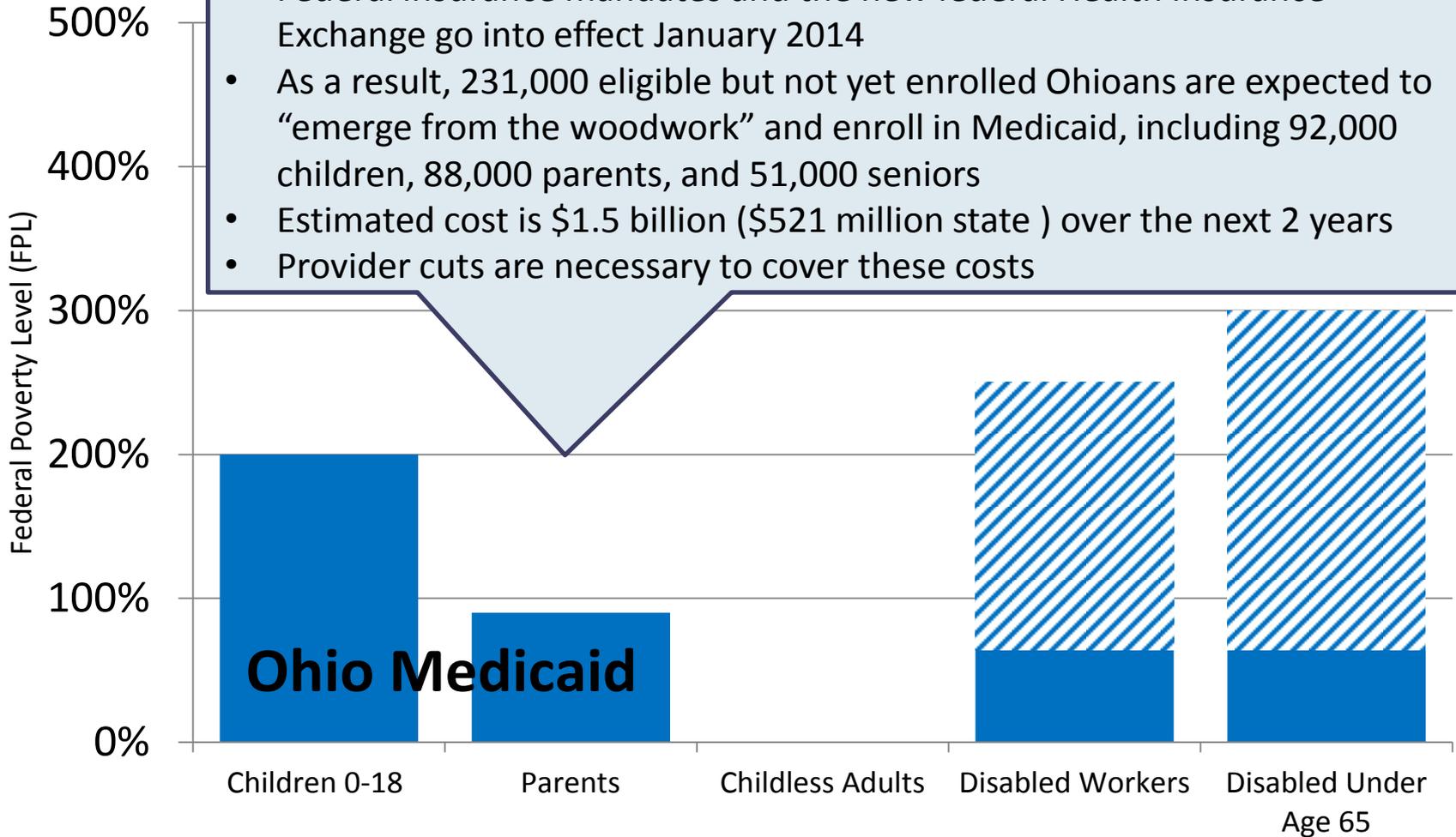
- Currently 125 county and city health departments
- 1960, 1993, 2011 reports recommended greater efficiency

## *Jobs Budget 2.0*

- Require local health departments to be accredited by 2018
- Require continuing education for board of health members
- Share services to improve efficiency

# Woodwork Effect

- Federal insurance mandates and the new federal Health Insurance Exchange go into effect January 2014
- As a result, 231,000 eligible but not yet enrolled Ohioans are expected to “emerge from the woodwork” and enroll in Medicaid, including 92,000 children, 88,000 parents, and 51,000 seniors
- Estimated cost is \$1.5 billion (\$521 million state ) over the next 2 years
- Provider cuts are necessary to cover these costs



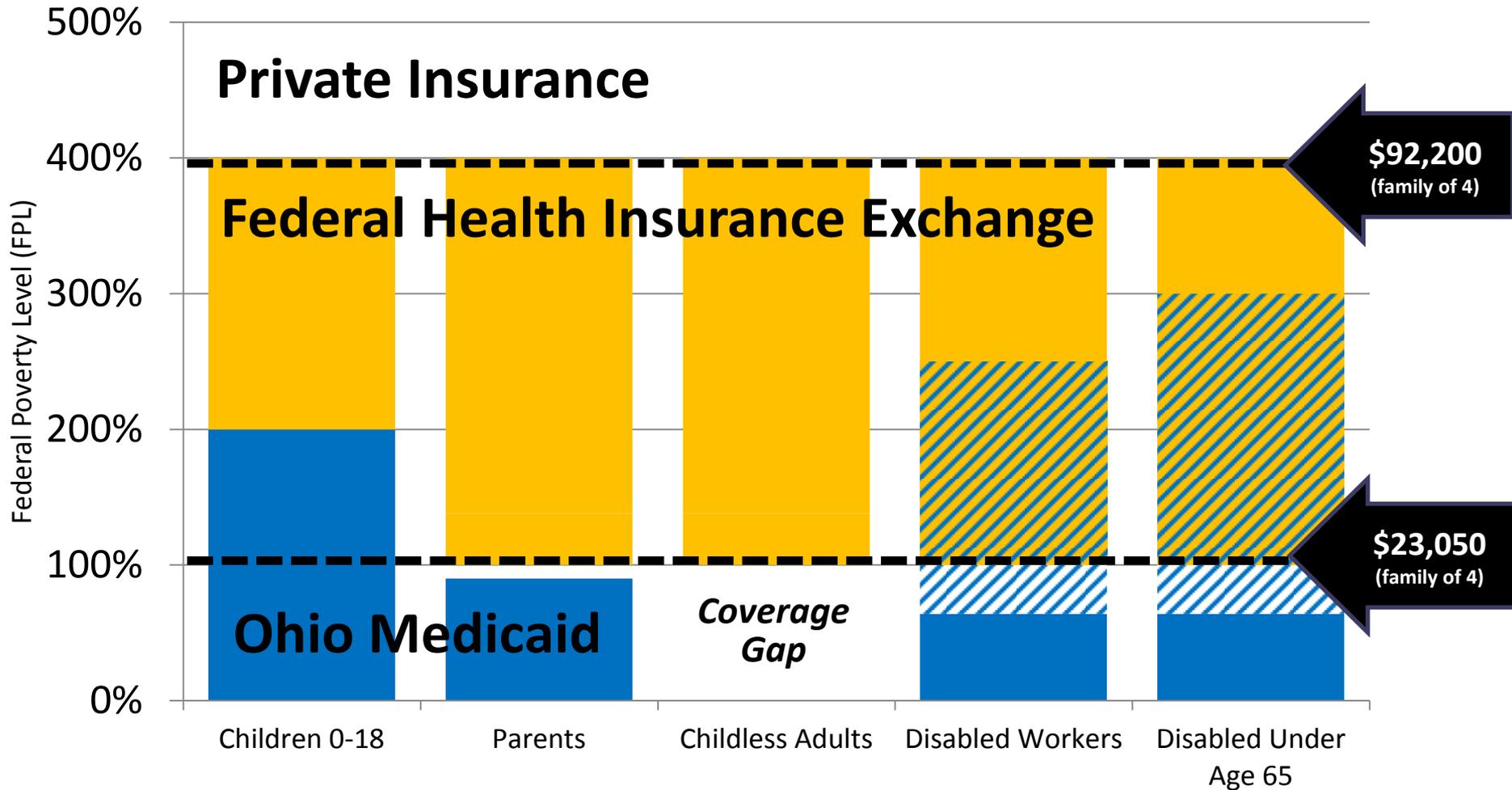
## Modernize Medicaid:

# Reform Provider Payments

### *Jobs Budget 2.0*

- Health Plans: reduce administrative overhead 1%, reduce Rx costs 5%, cap medical utilization growth at 3% (saves \$646 million (\$239 million state) over two years)
- Hospitals: eliminate 5% rate add-on, reduce readmissions 25%, cap capital at 85%, non-DRG at 90% of cost, adjust outpatient fees (saves \$500 million (\$185 million state) over two years)
- Primary Care: federal requirement that Medicaid pay Medicare rates for two years (82% increase worth \$623 million over two years federally funded)
- Other Medicaid providers (saves \$165 million (\$61 million state) over two years)

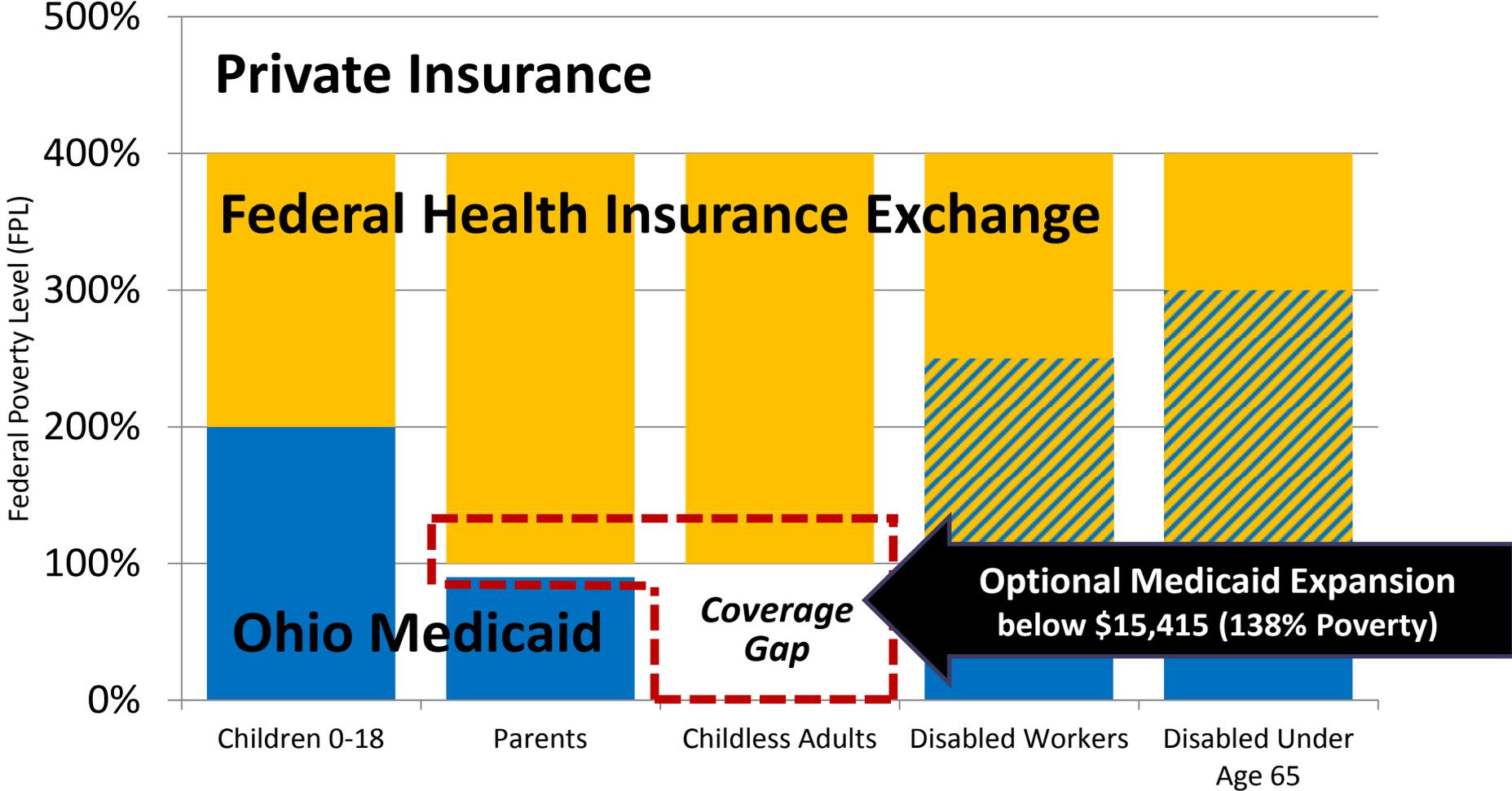
# Ohio Medicaid and Insurance Exchange Eligibility in 2014



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SOURCE: Ohio Medicaid; Medicaid eligibility as of February 2013; Federal Health Insurance Exchange eligibility as of January 2014; 2012 poverty level is \$11,170 for an individual and \$23,050 for a family of 4; over age 65 coverage is through Medicare, not the exchange.

# Lowest-Income Ohioans Face a Coverage Gap in 2014



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SOURCE: Ohio Medicaid; Medicaid eligibility as of February 2013; Federal Health Insurance Exchange eligibility as of January 2014; 2012 poverty level is \$11,170 for an individual and \$23,050 for a family of 4; over age 65 coverage is through Medicare, not the exchange.

# Obamacare Creates a Coverage Gap

- As a result of Obamacare, beginning January 2014:
  - Every Ohioan must purchase health insurance or face a penalty in federal income taxes
  - Every Ohioan may purchase private health insurance on a Health Insurance Exchange
  - Ohioans with income 100-400% of poverty may claim a federal income tax credit to offset a portion of the cost of health insurance they purchase on the Exchange
  - Poor children, parents, seniors and people with disabilities will continue to be covered by Medicaid, most in private managed care plans
- ***Ohio's poorest citizens (annual income below \$11,170) will not be eligible for a federal income tax credit or Medicaid unless they have a dependent child or disability***

# Who Is Caught in the ObamaGap?

- Individuals with income less than 100% of poverty (\$11,170 for an individual or \$23,050 for a family of four)
- Many work but their employer does not offer or they cannot afford health insurance
- Many work as health care providers for others but don't themselves have coverage
- Many are over age 55 looking for work but finding it difficult
- At least 26,000 are veterans
- Some are unable to work because of mental illness or addiction but have no regular source of care to recover
- ***When these uninsured individuals seek care, often in the emergency room, other Ohioans pay the cost through higher premiums and other indigent care programs***

# Extend Medicaid Coverage: Cover More Low-Income Ohioans

Enrollment Group	Estimated Enrollment Gain/(Loss) as of June 2015
<i>Newly Eligible below 138%</i>	365,616
<i>Previously Eligible above 138%</i>	<u>(90,863)<sup>1</sup></u>
<b>Net New Enrollment at 138%</b>	<b>274,753</b>
<b>Currently Eligible not enrolled (Woodwork)</b>	<b><u>230,792<sup>2</sup></u></b>
<b>TOTAL NEW ENROLLMENT</b>	<b>505,545</b>

1. Individuals who would have been eligible for Medicaid under the current rules even though their income is above 138% of poverty will instead seek coverage on the Health Insurance Exchange, including some parents (10,356) and beneficiaries enrolled through family planning (26,378), transitional Medicaid (54,123), or the Ohio Department of Health Breast and Cervical Cancer Program.
2. As a result of federal insurance mandates and the new Federal Health Insurance Exchange going into effect in January 2014, and estimated 231,000 eligible but not yet enrolled Ohioans are expected to “emerge from the woodwork” and enroll in Medicaid, including 92,000 children, 88,000 parents, and 51,000 seniors.



# Extend Medicaid Coverage: Put Ohio's Federal Taxes to Work in Ohio

Federal Funds Impact (in millions)	FY 2014	FY 2015	FY 2014-15
Newly eligible populations (100% federal*)	\$562	\$2,000	\$2,561
Previously eligible population (64% federal)	<u>(\$39)</u>	<u>(\$116)</u>	<u>(\$155)</u>
<b>TOTAL FEDERAL FUNDS INTO OHIO</b>	<b>\$523</b>	<b>\$1,884</b>	<b>\$2,407</b>

\*

Calendar Year	Federal Match for Newly Eligible Populations
2014, 2015, 2016	100%
2017	95%
2018	94%
2019	93%
2020+	90%



# Extend Medicaid Coverage: Give Ohio Taxpayers Relief in This Budget

GRF State Share Impact (in millions)	FY 2014	FY 2015	FY 2014-15
Newly eligible enrollees state cost	--	--	--
Previously eligible enrollees state cost	(\$23)	(\$68)	(\$91)
Prison costs that shift to Medicaid	(\$9)	(\$18)	(\$27)
Eliminate hospital 5% rate add-on*	(\$31)	(\$65)	(\$96)
Reduce hospital capital payments*	(\$7)	(\$14)	(\$21)
Health plan administrative savings*	(\$25)	(\$27)	(\$52)
Sales and HIC tax revenue offsets	<u>(\$18)</u>	<u>(\$97)</u>	<u>(\$117)</u>
<b>TOTAL STATE BENEFIT</b>	<b>\$114</b>	<b>\$290</b>	<b>\$404</b>

\* These cuts are made possible by increased enrollment through woodwork/expansion and represent GRF state share only (all funds include \$220 million in SFY 2014 and \$470 million in SFY 2015, or \$690 million over two years).



# Extend Medicaid Coverage: *and Future* Give Ohio Taxpayers Relief in This Budgets <sup>^</sup>

GRF State Share Impact (in millions)			FY 2020
Newly eligible enrollees state cost			\$230
Previously eligible enrollees state cost			(\$84)
Prison costs that shift to Medicaid			(\$18)
Eliminate hospital 5% rate add-on			--
Reduce hospital capital payments			--
Health plan administrative savings			--
Sales and HIC tax revenue offsets			<u>(\$165)</u>
<b>TOTAL STATE BENEFIT</b>			<b>\$37</b>

# Extend Medicaid Coverage: Free Up Local Funds to Meet Local Needs

Local Funds Impact (in millions)	FY 2014	FY 2015	FY 2014-15
Sales tax revenue	\$4	\$21	\$25
Behavioral health services to Medicaid	<u>\$35</u>	<u>\$70</u>	<u>\$105</u>
<b>TOTAL LOCAL BENEFIT</b>	<b>\$39</b>	<b>\$91</b>	<b>\$130</b>

# Ohio Health Insurance Option

- Convert the Obamacare Medicaid expansion into a private sector health insurance option
- Attract insurance carriers and enhance competition in the Ohio insurance marketplace
- Strengthen personal responsibility through cost-sharing
- Create workforce linkages to find and keep a better job
- Increase access to providers, especially primary care
- Make the Ohio Option a three-year demonstration and evaluate performance before making a decision to continue
- Reject the “all or nothing” choices in Obamacare and create a new path for other states to follow

# Coverage: A Ladder Up and Out

Workforce Linkages to find and  
keep a better job

Greater Personal Responsibility

Right Care, Right Place, Right Time

Affordable Basic Health Coverage



## Extend Medicaid Coverage:

# Who Supports Extending Medicaid?

- Ohio Chamber of Commerce
- Ohio Right to Life
- Catholic Conference of Ohio
- Ohio Manufacturers' Association
- County Commissioner's Association of Ohio
- AARP Ohio
- Ohio Hospital Association
- Ohio Children's Hospital Association
- Ohio Association of Health Plans
- National Alliance on Mental Illness
- Ohio State Medical Association
- Columbus Dispatch, Cleveland Plain Dealer, Toledo Blade, Akron Beacon Journal, Cincinnati Enquirer, Youngstown Vindicator

Complete List: [www.healthtransformation.ohio.gov/Budget/ExtendMedicaidServices.aspx](http://www.healthtransformation.ohio.gov/Budget/ExtendMedicaidServices.aspx)

Sub. H.B. 59 (as reported by House Finance):

**Prohibits any action to extend coverage**

“Sec. 5163.04. The Medicaid program shall not cover the group described in the “Social Security Act,” section 1902(a)(10)(A)(i)(VIII).”

**Sub. H.B. 59 (as reported by House Finance):**

## **Consequences of Not Extending Coverage**

Over the next two years, not extending coverage will cost Ohio taxpayers \$404 million in state general revenue funds to:

- NOT extend coverage to 275,000 more low-income Ohioans
- NOT keep \$2.4 billion in Ohioans' federal tax dollars in Ohio (\$13 billion over seven years)
- NOT provide coverage for 26,000 uninsured veterans
- NOT protect local hospitals
- NOT provide relief for Ohio businesses from \$88 million in Obamacare penalties annually
- NOT provide \$811 million in mental health and addiction services (the House budget restores \$100 million)

**Sub. H.B. 59 (as reported by House Finance):**

## **House Medicaid Spending Increases**

In addition to \$404 million in state GRF impact of not expanding Medicaid, the House budget also requires Ohio taxpayers to further increase Medicaid spending over the next two years:

- Nursing homes (\$60 million, \$22 million state)
- Holzer Clinic (\$3 million, \$1.1 million state)
- DD waiver providers (\$10.9 million, \$4 million state)
- PASSPORT administration (\$11 million, \$4 million state)

## Jobs Budget 2.0:

# Ohio Medicaid Spending (All Funds)

All Funds in millions	FY 2013	%	FY 2014	%	FY 2015	%	FY 2014-2015
<b>INITIAL TREND</b>	<b>\$19,666<sup>2</sup></b>	<b>6.7%</b>	<b>\$20,723</b>	<b>5.4%</b>	<b>\$21,477</b>	<b>3.6%</b>	<b>\$42,200</b>
<i>HB 153 Initiatives<sup>1</sup></i>	\$25		\$822		\$667		\$1,490
<i>Woodwork</i>	--		\$531		\$996		\$1,527
<i>Physician Fee Increase</i>	\$77		\$321		\$262		\$583
<b>BASELINE TOTAL</b>	<b>\$19,768</b>	<b>7.2%</b>	<b>\$22,397</b>	<b>13.3%</b>	<b>\$23,402</b>	<b>4.5%</b>	<b>\$45,799</b>
<i>Savings and Cost Avoidance</i>	--		(\$517)		(\$801)		(\$1,318)
<i>Newly Eligible Enrollment</i>	--		\$500		\$1,927		\$2,426
<b>EXECUTIVE BUDGET</b>	<b>\$19,768</b>	<b>7.2%</b>	<b>\$22,380</b>	<b>13.2%</b>	<b>\$24,528</b>	<b>9.6%</b>	<b>\$46,907</b>

NOTE: May not sum to total due to rounding.



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- (1) Integrated Care Delivery for Medicare-Medicaid, health homes for mental illness, disabled children into health plans, Balancing Incentive Program
- (2) SFY 2013 amount adjusted from \$19.8 billion to include the budget for Medicare Part D and UPL Appropriations

## Jobs Budget 2.0:

# Overall Budget Impact (State Share GRF)

GRF State in millions	FY 2013	%	FY 2014	%	FY 2015	%	FY 2014-2015
<b>INITIAL TREND</b>	<b>\$5,081</b>	<b>2.9%</b>	<b>\$5,520</b>	<b>8.6%</b>	<b>\$5,733</b>	<b>3.9%</b>	<b>\$11,253</b>
<i>HB 153 Initiatives<sup>1</sup></i>	<i>(\$3)</i>		<i>\$136</i>		<i>\$76</i>		<i>\$212</i>
<i>Woodwork</i>	<i>--</i>		<i>\$186</i>		<i>\$335</i>		<i>\$521</i>
<i>Physician Fee Increase</i>	<i>--</i>		<i>--</i>		<i>--</i>		<i>--</i>
<b>BASELINE TOTAL</b>	<b>\$5,079</b>	<b>2.9%</b>	<b>\$5,842</b>	<b>15.0%</b>	<b>\$6,144</b>	<b>5.2%</b>	<b>\$11,986</b>
<i>Savings and Cost Avoidance</i>	<i>--</i>		<i>(\$191)</i>		<i>(\$296)</i>		<i>(\$487)</i>
<i>Newly Eligible Enrollment</i>	<i>--</i>		<i>(\$23)</i>		<i>(\$68)</i>		<i>(\$91)</i>
<b>EXECUTIVE BUDGET</b>	<b>\$5,079</b>	<b>2.9%</b>	<b>\$5,629</b>	<b>10.8%</b>	<b>\$5,779</b>	<b>2.7%</b>	<b>\$11,408</b>

