



BLUEPRINT FOR  
A NEW OHIO  
GOV. JOHN R. KASICH'S FISCAL YEARS 2016-2017 BUDGET

# Health Transformation Budget Priorities

Senate Finance Committee Testimony  
April 21, 2015

[www.HealthTransformation.Ohio.gov](http://www.HealthTransformation.Ohio.gov)

# Ohio's Health Transformation Team

- John McCarthy, Medicaid
- Bonnie Burman, Aging
- Kevin Miller, Opportunities for Ohioans with Disabilities
- John Martin, Developmental Disabilities
- Tracy Plouck, Mental Health and Addiction Services
- Rick Hodges, Health
- Cynthia Dungey, Job and Family Services
- Greg Moody, Office of Health Transformation

# Today's Topics

- Overall Budget Impact
- Prioritize Home and Community Based Services
- Rebuild Community Behavioral Health System Capacity
- Enhance Community Developmental Disabilities Services
- Reduce Infant Mortality and Tobacco Use
- Modernize Medicaid Provider Payments
- Move Ohioans Up and Out of Poverty

## 2011 Ohio Crisis

- \$8 billion state budget shortfall
- 89-cents in the rainy day fund
- Nearly dead last (48<sup>th</sup>) in job creation (2007-2009)
- Medicaid spending increased 9% annually (2009-2011)
- Medicaid over-spending required multiple budget corrections
- Ohio Medicaid stuck in the past and in need of reform
- More than 1.5 million uninsured Ohioans (75% of them working)

## 2011 Ohio Crisis

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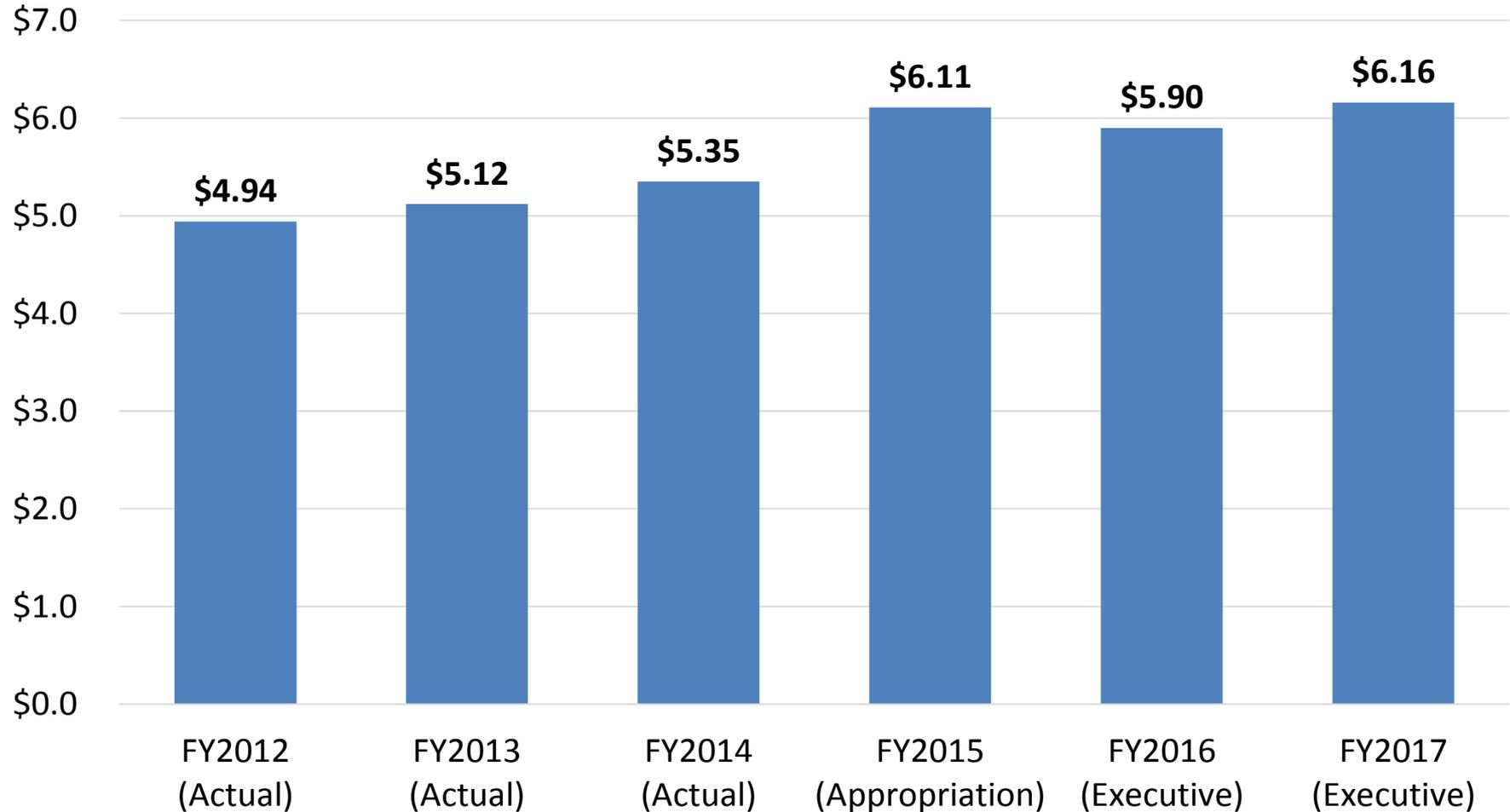
## Results Today

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• \$8 billion state budget shortfall</li><li>• 89-cents in the rainy day fund</li><li>• Nearly dead last (48<sup>th</sup>) in job creation (2007-2009)</li><li>• Medicaid spending increased 9% annually (2009-2011)</li><li>• Medicaid over-spending required multiple budget corrections</li><li>• Ohio Medicaid stuck in the past and in need of reform</li><li>• More than 1.5 million uninsured Ohioans (75% of them working)</li></ul> | <ul style="list-style-type: none"><li>• Balanced budget</li><li>• \$1.5 billion in the rainy day fund</li><li>• One of the top ten job creating states in the nation</li><li>• Medicaid increased 4.1% in 2012 and 2.5% in 2013 (pre-expansion)</li><li>• Medicaid budget under-spending was \$1.9 billion (2012-2013) and \$2.5 billion (2014-2015)</li><li>• Ohio Medicaid embraces reform</li><li>• Extended Medicaid coverage</li></ul> |
|--|---|

*As Introduced*

# Ohio Medicaid GRF State Share

(in billions)



Governor's Office of  
Health Transformation

Source: Ohio Department of Medicaid (February 2015).

*As Introduced*

# Ohio Medicaid Spending (GRF State Share)

GRF State Share	SFY 2015	%	SFY 2016	%	SFY 2017	%
<b>Baseline Total</b>	<b>\$ 5,715</b>	<b>6.8%</b>	<b>\$ 6,095</b>	<b>6.7%</b>	<b>\$ 6,527</b>	<b>7.1%</b>
<b>Executive Budget Reforms</b>						
Eligibility Changes			\$ (12)		\$ (35)	
Benefit Changes			12.9		42.3	
Health plan changes			\$ (27)		\$ (103)	
Physician changes			\$ -		\$ 9	
Hospital changes			\$ (132)		\$ (204)	
Nursing Facility changes			\$ -		\$ 23	
Home care changes			\$ -		\$ (6)	
Developmental Disabilities System Redesign			\$ 30		\$ 82	
Fight fraud and Abuse			\$ 2		\$ (1)	
<b>Subtotal</b>			<b>\$ (127)</b>		<b>\$ (193)</b>	
<b>Executive Budget</b>	<b>\$ 5,715</b>	<b>6.8%</b>	<b>\$ 5,968</b>	<b>4.4%</b>	<b>\$ 6,334</b>	<b>6.1%</b>
<i>Ohio Department of Medicaid</i>			<b>\$ (157)</b>		<b>\$ (275)</b>	
<i>Ohio Department of Developmental Disabilities</i>			<b>\$ 30</b>		<b>\$ 82</b>	

Source: Ohio Department of Medicaid, [Overall Budget Impact](#) (January 2015).

*As Introduced*

# Ohio Medicaid Spending (All Funds)

All Funds	SFY 2015	%	SFY 2016	%	SFY 2017	%
<b>Baseline Total</b>	\$ 24,764	18.7%	\$ 27,309	10.3%	\$ 28,252	3.5%
<b>Executive Budget Reforms</b>						
Eligibility Reforms			\$ (23)		\$ (77)	
Benefit Reforms			\$ 57		\$ 137	
Reform Health Plan Payments			\$ (73)		\$ (270)	
Reform Physician Payments			\$ -		\$ 25	
Reform Hospital Payments			\$ (66)		\$ (167)	
Reform Nursing Facility Payments			\$ -		\$ 61	
Reform Home Care Payments			\$ -		\$ (19)	
Enhance Community Developmental Disabilities Services			\$ 80		\$ 219	
Program Integrity			\$ 9		\$ -	
<b>Subtotal</b>			\$ (16)		\$ (91)	
<b>Subtotal with Budget Reforms</b>	\$ 24,764	18.7%	\$ 27,293	10.2%	\$ 28,161	3.2%
Include: Transfers	\$ 1,895		\$ 91		\$ 91	
<b>Executive Budget</b>	\$ 26,660	21.5%	\$ 27,384	2.7%	\$ 28,253	3.2%
<i>Ohio Department of Medicaid</i>			\$ (96)		\$ (310)	
<i>Ohio Department of Developmental Disabilities</i>			\$ 80		\$ 219	

Source: Ohio Department of Medicaid, [Overall Budget Impact](#) (January 2015).

*As Introduced*

# Ohio Medicaid Annual Growth Projections

(calculated on a Per Member Per Month basis)

State Fiscal Year	JMOC Upper Bound	Medical CPI	JMOC Target	Executive Budget	
				(All Agencies)	(Excluding DD)
2016	2.90%	3.30%	2.90%	1.38%	0.75%
2017	4.50%	3.30%	3.30%	4.50%	4.05%
Avg.	3.70%	3.30%	3.10%	2.94%	2.40%



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# Prioritize Home and Community Services

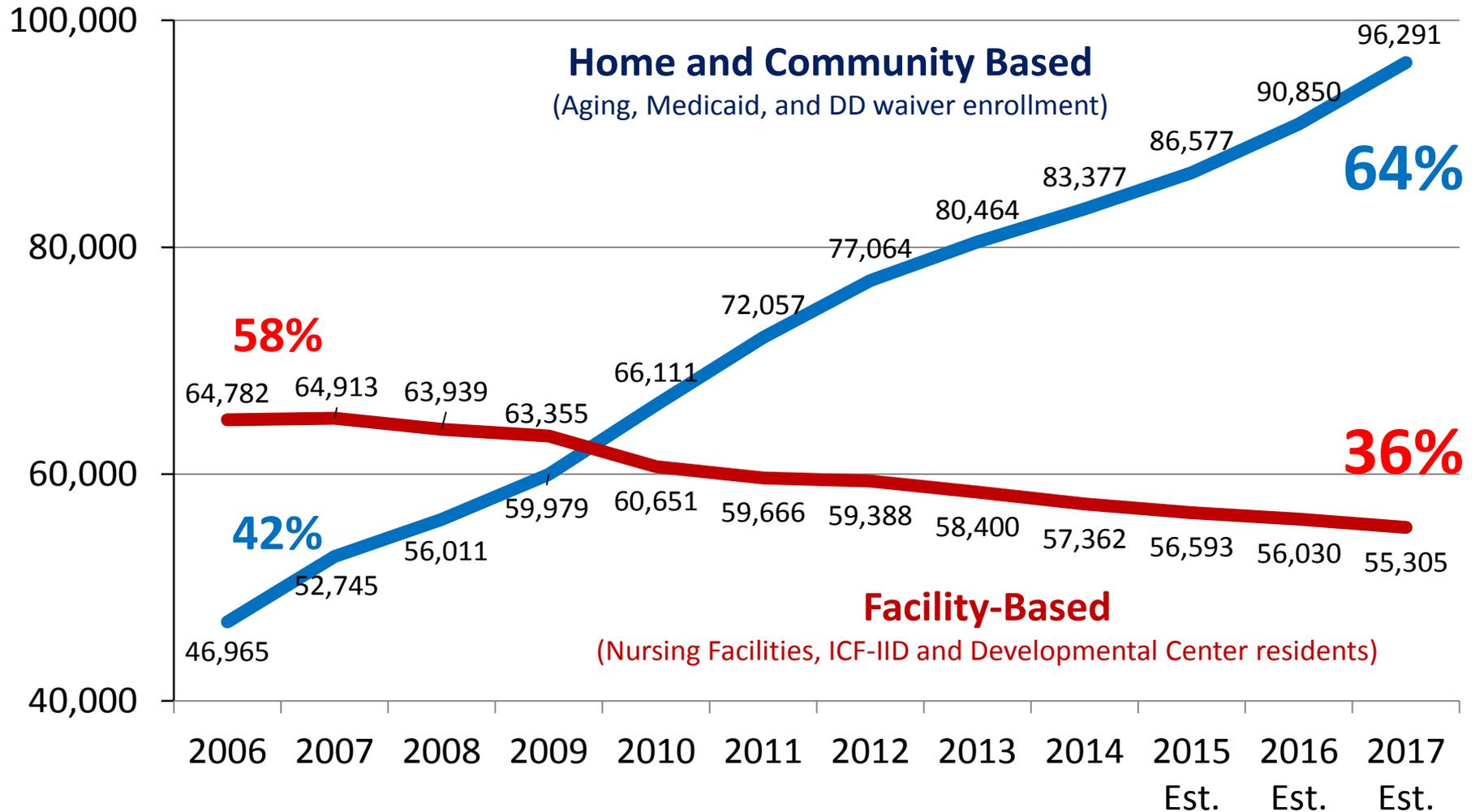
## *First Four Years*

- Increased home and community based services (HCBS) waiver alternatives to nursing homes and other institutions
- Now spend more on HCBS than institutions
- Goal is to enable seniors and people with disabilities to live with dignity in the setting they prefer, especially their own home

## *Blueprint for a New Ohio*

- Increases the investment in HCBS waiver programs
- Creates new opportunities for individuals to self-direct care
- Implements “no wrong door” entry into long term care
- Creates a process to comply with new federal HCBS regulations
- Improves quality in facility-based and community-based care

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



Source: Office of Health Transformation, [Prioritize Home and Community Based Services](#) (February 2015).

# Simplify Disability Determination

## *Background*

- 50,000 Ohioans with a disability qualify for Medicaid each year
- They have to prove they are disabled twice – via county JFS offices for Medicaid, and separately via Opportunities for Ohioans with Disabilities (OOD) to qualify for Supplemental Security Income (SSI)
- Most states (33) have already eliminated this duplication and automatically enroll SSI individuals in Medicaid

## *Blueprint for a New Ohio*

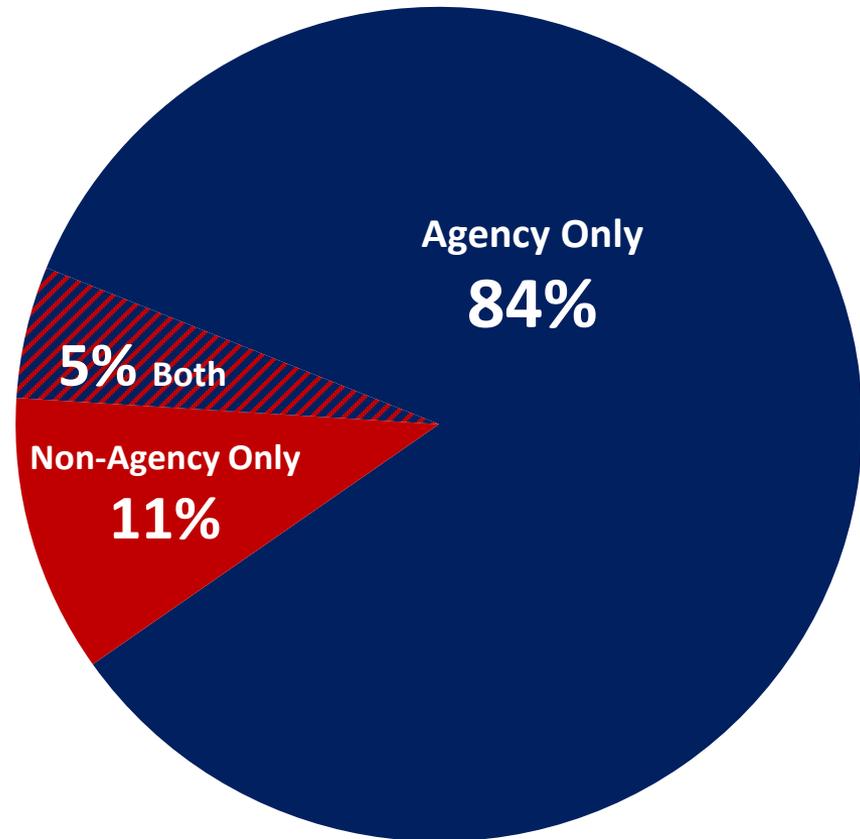
- Replaces Ohio's two disability determination systems with one
- Eliminates "Spend Down" and establishes "Miller Trusts"
- No change in enrollment for most (403,000) current beneficiaries, some "woodwork" (9,500-14,500) will now enroll in Medicaid, and some (up to 22,000) will receive federal exchange subsidies

For more detail: [Simplify Eligibility Determination](#) (updated April 2015).

# Improve Quality in Home Health Care

77,561 Ohioans receive in-home services provided by direct care workers.

- 65,254 (84%) rely on home care agencies only
- 8,346 (11%) rely on independent non-agency providers only
- 3,961 (5%) rely on both



# Improve Quality in Home Health Care

## *Blueprint for a New Ohio*

- Provides 10,000 more Ohioans a choice to live at home or in another community setting instead of receiving facility-based care
- Clarifies that Ohio Medicaid has the authority to guarantee that individuals have the right to self-direct HCBS waiver services
- Clarifies that the employer for a direct support worker must be either an individual who self-directs their support or an agency, not the State of Ohio
- Allows the Administration to restart implementation of a direct care worker certification program
- ***In addition, the Administration welcomes clarifying language to address stakeholder concerns about process and timing***

# Improve Quality in Nursing Facilities

## *First Four Years*

- Completed the conversion to a price-based payment system
- Linked nursing facility reimbursement to quality outcomes
- Reduced rates 6 percent in 2012 then held flat

## *Blueprint for a New Ohio (invests \$61 million over two years)*

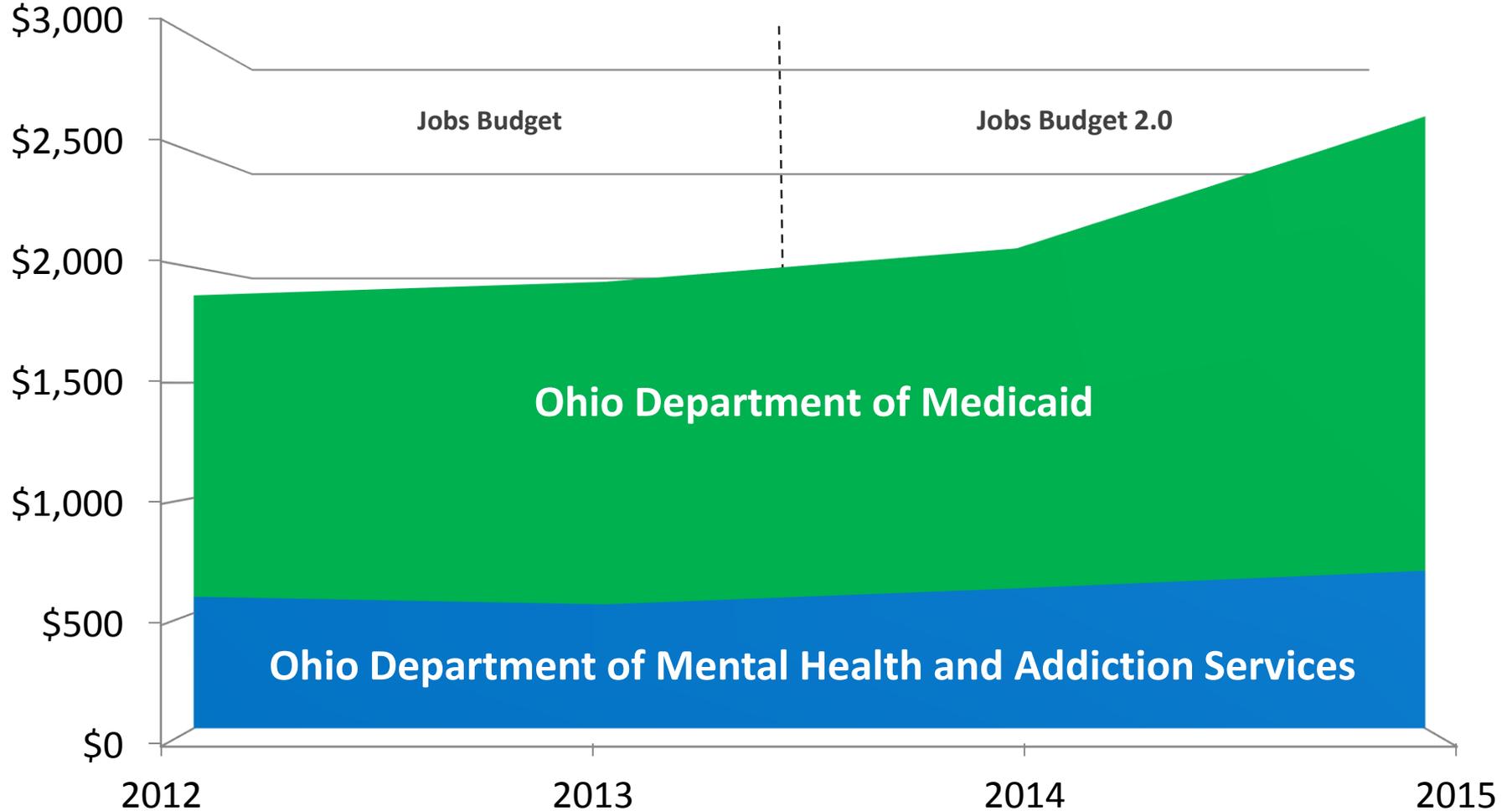
- Increases NF reimbursement \$84 million in 2017 by rebasing the formula (+\$154 million) and updating the “grouper” (-\$70 million)
- Links 100 percent of the increase to quality performance
- Reduces reimbursement for low acuity individuals (-\$24 million)
- Removes the NF rate formula from statute

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Total MHAS and Medicaid Behavioral Health Spending (Federal and State Funds in millions)

# Ohio Behavioral Health Spending



Governor's Office of Health Transformation

Source: Office of Health Transformation, [Rebuild Community Behavioral Health System Capacity](#) (February 2015).

# Modernize Medicaid Behavioral Health

## *Background*

- The mental health and addiction services system was in turmoil
- 20 percent cut in state funds over previous four years (2007-2010)

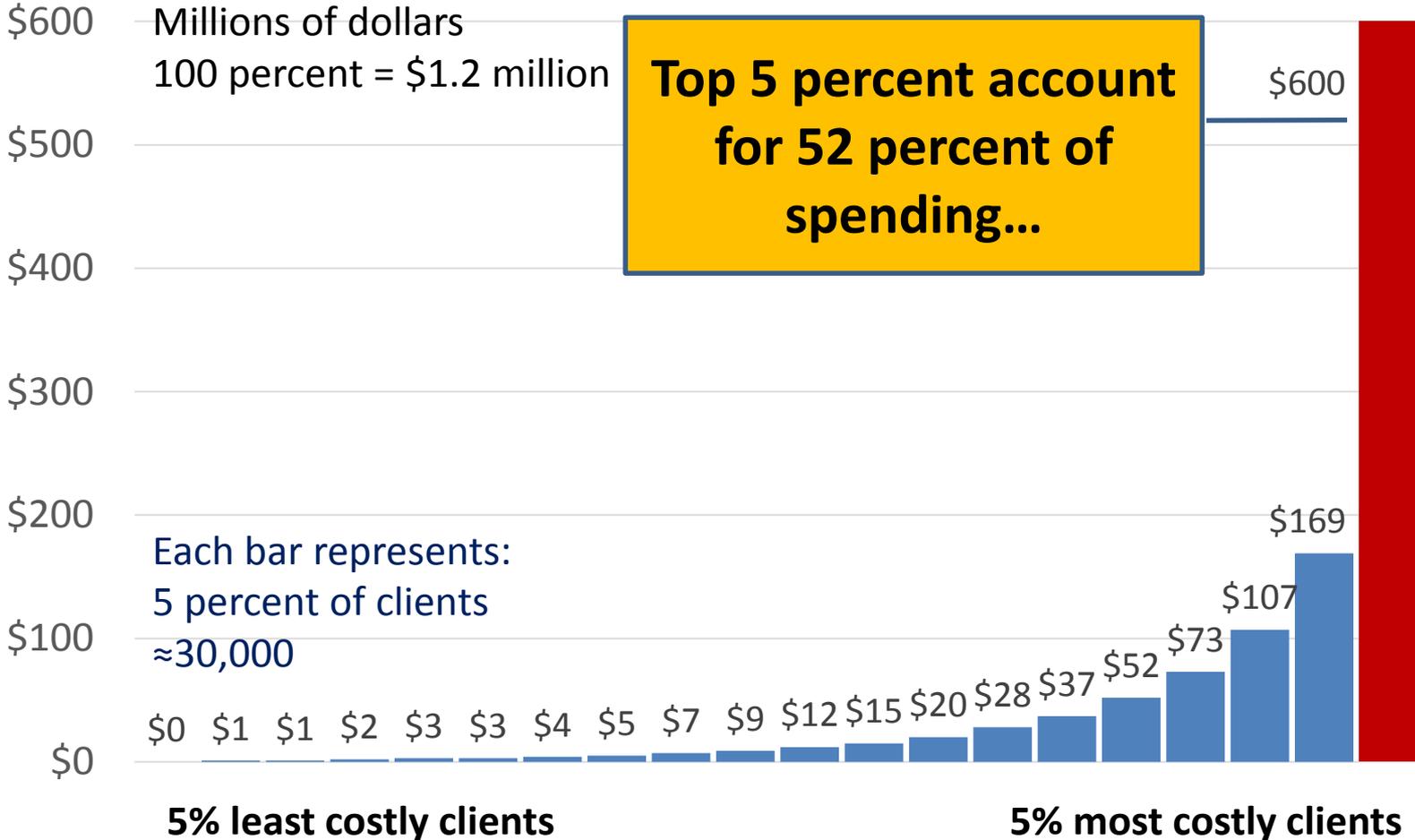
## *First Four Years*

1. Increased state support for mental health and addiction services
2. Freed local boards from Medicaid match responsibilities
3. Extended coverage to more Ohioans seeking recovery

## *Blueprint for a New Ohio*

4. Recodes the Medicaid behavioral health benefit to align with commercial health insurance
5. Moves Medicaid behavioral health benefits into managed care to better integrate physical and behavioral health care

# Distribution of Behavioral Health Clients by Spending



**Governor's Office of Health Transformation**

Source: Ohio Medicaid claims, including claims with diagnosis code of ICD9 290-314 excluding 299 and dementia codes in 294; does not include pharmacy claims (August 2012-July 2013).

# Rebuild Community Behavioral Health

## *Blueprint for a New Ohio*

- Preserves hospital capacity for individuals in crisis
- Partners with DRC to invest in more addiction treatment within Ohio's prisons and in communities upon release
- Funds early childhood mental health consultations
- Provides new resources for suicide prevention
- Supports *Strong Families and Safe Communities* for families in crisis with youth who are a danger to themselves or others related to mental illness or a developmental disability
- Increases access to housing, including recovery housing, subsidies for housing providers that support persons with disabilities, and support for chronically homeless individuals

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# Enhance Developmental Disabilities Services

## *Background*

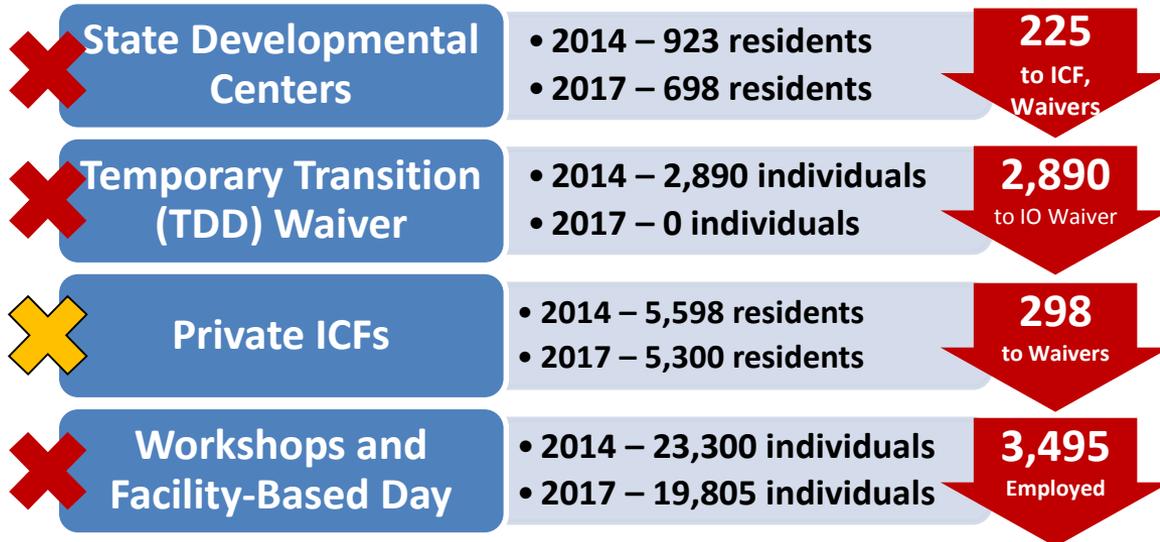
- System redesign in 2001 resulted in 29,000 more Ohioans with a developmental disability living and working in the community
- Despite progress, Ohio relies on institutions more than most states
- Pressure to downsize or eliminate institutional settings has created fear among individuals and families who rely on these services

## *Blueprint for a New Ohio (invests \$318 million over two years)*

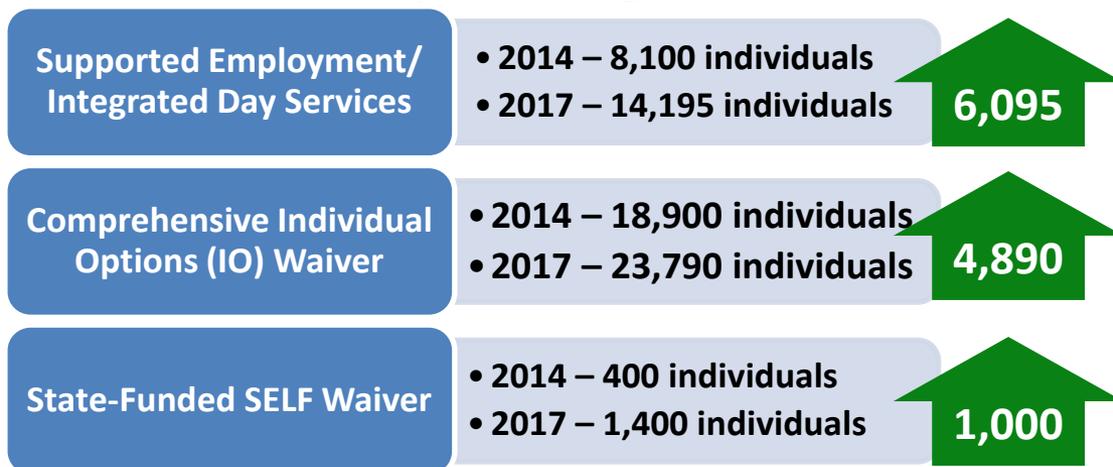
- Creates a 10-year vision for responsible system change to support people with disabilities to live and work in community
- Increases Medicaid (\$299 million) and non-Medicaid (\$19 million)
- Promotes choice for individuals who want to maintain current services or receive services in the community

# DODD Service Goals by June 2017

## Legacy Programs



## Community Based Programs



## Budget Priorities that Increase Community Capacity (2016-2017)

- 6 percent direct care worker rate increase
- Support training for community integration and behavior support
- Support employment and introduce outcome based reimbursement
- Add nursing services in the IO Waiver
- Emphasize cost efficient models, shared living, and remote monitoring

*These numbers do not account for increases in waiver enrollment supported by local funds.*

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# Reduce Infant Mortality

## *First Four Years*

- Ohio's infant mortality rate is among the worst in the nation
- Governor Kasich made reducing infant mortality a priority in his first State of the State, and launched [numerous significant reforms](#)

## *Blueprint for a New Ohio*

- Provides enhanced care management through Medicaid managed care plans for every woman in highest-risk neighborhoods
- Engages leaders in those neighborhoods to connect women to care
- Expands access to peer support programs for expecting moms
- Eliminates payment for medically unnecessary scheduled deliveries
- Focuses evidence-based strategies to reduce maternal smoking

# Reduce Tobacco Use

## *First Four Years*

- Tobacco settlement funds previously used for tobacco cessation efforts were raided in 2008 to balance the state's budget
- Ohio received another \$39 million in tobacco settlement funds in 2014 – all of which is committed to tobacco cessation efforts

## *Blueprint for a New Ohio*

- Increases the tobacco tax \$1.00 per pack to deter tobacco use
- Bans cigarettes and tobacco in K-12 settings
- Strengthens and enforces Ohio's Smoke Free Workplace law
- Complements tobacco settlement priorities, including projects to reduce maternal smoking, adopt more smoke-free environments, and educate merchants who sell tobacco products

# Improve Public Health Planning

## *Background*

- 123 local health districts operating at various levels of capacity
- 171 nonprofit hospitals claim \$3.1 billion in “community benefit”
- Many states align public health/community benefit priorities

## *Blueprint for a New Ohio*

- Convenes an Advisory Group to make recommendations to:
  - Facilitate local health district accreditation through regional planning and
  - Align hospital community benefit to support regional public health priorities
- Coordinates infectious disease regional planning and preparedness
- Monitors reductions in clinical services as a result of coverage and requires local health districts to bill for immunizations

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# Reform Health Plan Payments

## *First Four Years*

- Consolidated health plan regions to be more efficient
- Linked health plan payments to performance
- Integrated care delivery for Medicare-Medicaid enrollees

## *Blueprint for a New Ohio (saves \$343 million over two years)*

- Enrolls adopted and foster children in managed care
- Gives individuals access to better care coordination on day one
- Sets managed care rates at the lower actuarial boundary
- Uses one-time unearned managed care quality incentive funds to offset the cost of moving behavioral health services into managed care, and support health plan activities to reduce infant mortality

# Reform Primary Care Payments

## *Background*

- Ohio trains more physicians than it retains
- Ohio Medicaid spends \$100 million annually to subsidize physician training, most of which focuses on specialties not primary care

## *Blueprint for a New Ohio (invests \$25 million over two years)*

- Increases Medicaid primary care rates \$151 million over two years
- Increases Medicaid dental provider rates \$5 million over two years
- Applies Medicaid maximum payment to Medicare crossover claims (saves \$129 million over two years)
- Eliminates enhanced clinic payments (saves \$1.5 million)

# Reform Hospital Payments

## *Blueprint for a New Ohio (saves \$233 million over two years)*

- Reforms the payment methodology for detail coded drugs
- Consolidates outpatient charges within 72 hours of inpatient stay
- Eliminates the temporary 5-percent rate add-on for outpatient
- Reduces potentially preventable hospital readmissions
- Converts medical education subsidy into primary care rate increase
- Implements correct coding standards for hospital claims
- Increases the hospital franchise fee from 2.7 to 3.0 percent
- Returns a portion of fees paid via the upper payment limit program

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# Coverage Works

## *Background*

- Most uninsured Ohioans (75 percent) work, but they often delay seeking treatment until their health has significantly deteriorated, leading to much higher health care costs and putting work at risk
- Ohio Medicaid provides health care coverage for very low income individuals who otherwise would be uninsured
- Some require ongoing assistance related to a disability or other health condition that prevents work – but for many, Medicaid meets a temporary need as they move up and out of poverty
- Our goal is to support an individual's personal journey to self-sufficiency by encouraging personal responsibility

# Increase Personal Responsibility in Medicaid

## *Current Requirements*

- Require most Medicaid enrollees to get coverage through private health plans, not the old government-run fee-for-service program
- Require copayments for dental, vision, prescriptions, and non-emergency emergency department visits
- Require enrollees to keep information current, and redetermine eligibility annually

## *Blueprint for a New Ohio (saves \$99 million over two years)*

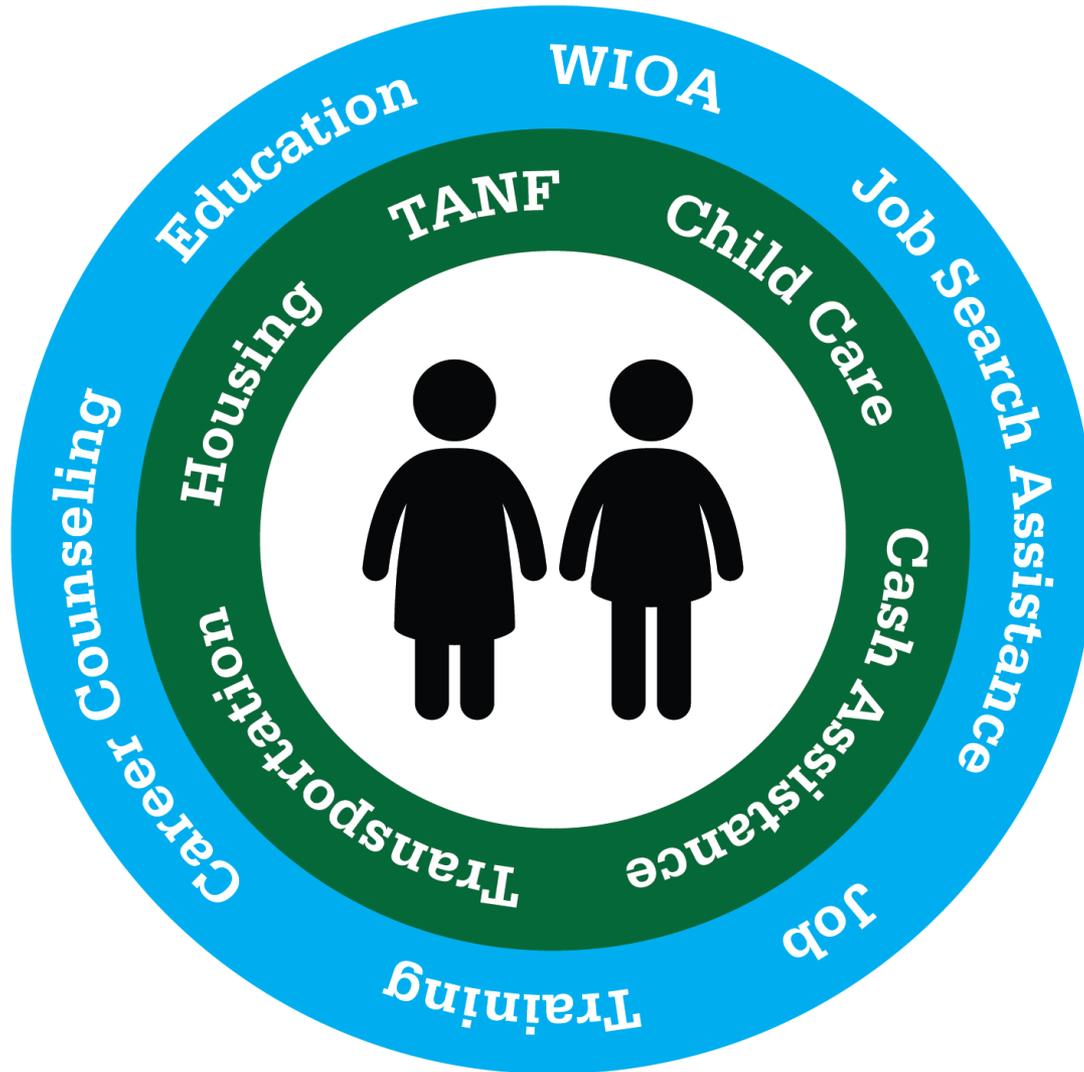
- Assess premiums for adults above 100% of poverty (\$5 million)
- Speed up the transition off Medicaid (\$44 million)
- Eliminate Medicaid for adults at higher income levels (47 million)

# Ending the Cycle of Poverty

## *Blueprint for a New Ohio*

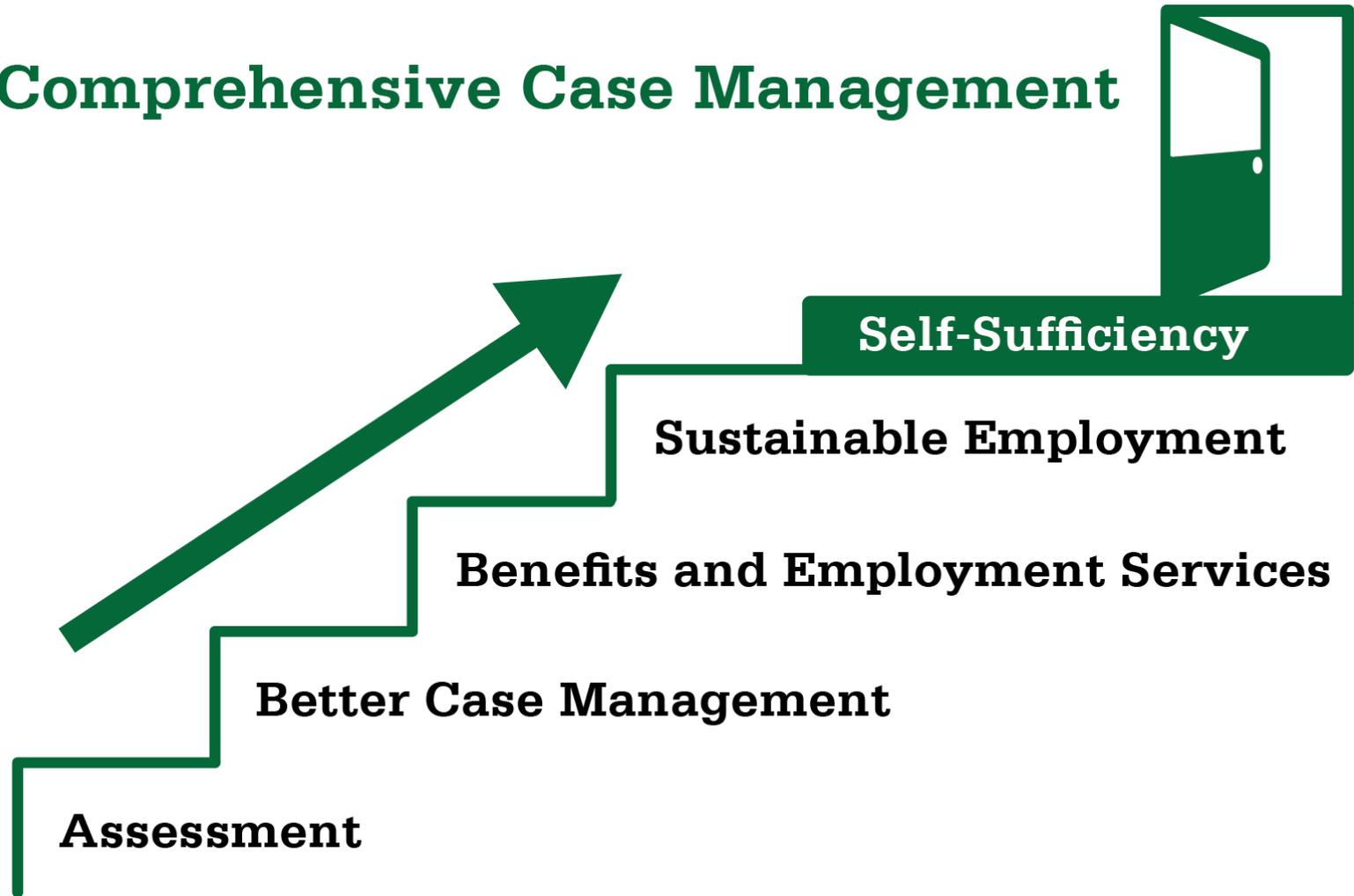
- Tears down silos by combining TANF and workforce budgets to begin addressing needs comprehensively
- Provides for better case management based on a comprehensive assessment of employment and training needs
- Surges resources to the youngest, most at-risk Ohioans (16 to 24 years old) and strengthens TANF/WIOA work supports
- Expands access to childcare from 200 to 300 percent of poverty
- Prioritizes Prevention, Retention and Contingency (PRC) funds for emergency transportation, housing, and other work supports
- Transitions additional income-tested programs to Ohio Benefits, and creates new opportunities for county shared services

# A Person-Centered Approach



# Helping Ohioans Move Up and Out

**Comprehensive Case Management**



# Removing Barriers: Child Care



***We must “nurture a climate in which the dignity of hard work – the dignity of hard work – is respected and pays off” and “make sure we are able to catch each other if we fall and help those who struggle live with the dignity and grace deserving a child of God.”***

— Governor John Kasich’s Inaugural Address  
January 12, 2015

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