

## Ohio Medicaid Modernization

Governor Kasich created the Office of Health Transformation (OHT) to modernize Ohio's Medicaid program. OHT focused first on Medicaid reforms to improve health outcomes for Ohioans enrolled in the program while also controlling costs. It was clear during this process that the current Ohio Medicaid organizational structure impedes innovation and needs to be changed. Based on prior study committee recommendations and the Kasich Administration's experience with the program, described below, the Administration plans to transform Ohio Medicaid into a cabinet-level agency effective July 1, 2014.

### Current Structure

Medicaid is the largest health payer in Ohio, spending \$18.8 billion in 2012 to provide health coverage for more than 2.2 million Ohioans through a network of 75,000 health care providers. Medicaid policy, spending and administration are split across multiple government jurisdictions. The program is jointly funded by the federal and state governments and, in Ohio, administered through five state departments, each with a local counterpart organized by county or region.

In 2010, Medicaid accounted for a significant share of spending in the Ohio Departments of Aging (83%), Alcohol and Drug Addiction Services (28%), Developmental Disabilities (91%), Mental Health (61%), and Job and Family Services (73%)—yet the unit responsible for interacting with these agencies is subordinate to them, organized as the division of Ohio Health Plans (OHP) within ODJFS. Despite having responsibility for a significant majority of the ODJFS budget, OHP's 388 staff account for only 10% of total employment within ODJFS. From this position, it is difficult for OHP to command the administrative resources necessary to manage the Medicaid program, and to align Medicaid policy and control costs across state agencies.

The current Medicaid organizational structure is inappropriate for the prominent role Medicaid plays in state government, and it lacks accountability in ways that negatively impact Ohio's taxpayers. For example, during the four years prior to Governor Kasich taking office, Medicaid spending grew four times faster than the Ohio economy, increasing to consume 30% of the state's budget. This rate of increase is unsustainable. Back-to-back Medicaid study committees in 2005 and 2006 recommended that Ohio create a new, cabinet-level Medicaid department to provide the leadership and focus required to improve Medicaid program performance and get spending under control.

## **External Reviews**

In 2003, the Ohio General Assembly created the Ohio Commission to Reform Medicaid to make recommendations for comprehensive reform and cost containment. The Commission completed its review in January 2005. In its final report, the Commission concluded “the Ohio Medicaid system is broken and must be transformed” and recommended creating a new cabinet-level Ohio Department of Medicaid “to improve the quality and efficiency of Medicaid services for consumers and providers, as well as reduce costs.” The Commission also recommended creating a “transformation council” to oversee the transition to a new stand-alone department. The legislature agreed and, in July 2005, created the Ohio Administrative Study Council to develop a transition plan.

The Ohio Administrative Study Council affirmed the Commission’s conclusion that the current organizational design of Ohio Medicaid is inefficient and stifles innovation. In January 2006, the Council reported “a critical need to address operational, resource, information technology, and policymaking limitations arising in part from Medicaid’s current subordinate position in the Executive Branch as a program within the ODJFS umbrella and with inferior cabinet status compared to other state agencies involved in the program.” The solution, concluded the Council, is to establish a cabinet-level agency “solely focused on managing Medicaid.” This is important, said the Council, to “put the program in a position to directly advocate for sufficient and dedicated administrative resources and in a position of greater visibility and priority within state government.”

In December 2006, the Ohio Auditor of State released a performance audit of the Ohio Medicaid program that also concluded reorganization was essential. Citing the need to first state a clear purpose for Medicaid, the Auditor recommended that “the State Medicaid agency would be best arranged within a stand-alone Medicaid agency” and “the relationship with local agencies could remain as it is” if the purpose of Medicaid is to be a payer of medical claims for economically disadvantaged Ohioans. If the purpose is broader, then the Auditor recommended that Medicaid be organized “within a super health agency” to focus on a health coverage strategy or “within an umbrella health and human services agency” to focus on the social safety net.

## **Kasich Administration Action**

From the outset of his Administration, Governor Kasich recognized the need for a comprehensive state health care strategy. On January 13, 2011, only three days into his Administration, Governor Kasich created OHT to “plan for the long-term efficient administration of the Ohio Medicaid program” and “recommend a permanent health and human services organizational structure and oversee transition to that permanent

structure.” (Executive Order 2011-02K) To date, the Governor and OHT have taken the following actions that are consistent with creating a cabinet-level Medicaid department:

- Governor Kasich hired Medicaid Director John McCarthy with the understanding that Director McCarthy would serve as a full member of the Governor’s cabinet. This decision was formalized in the Governor’s Mid-Biennium Review (H.B. 487). Effective September 10, 2012, H.B. 487 creates the Office of Medical Assistance (OMA) as a work unit within ODJFS and transfers the legal authority for the Medicaid program from the ODJFS director to the OMA Director. The OMA Director, John McCarthy, will report directly to the Governor. H.B. 487 also clarifies that, subject to appropriations, ODJFS will provide staff and support services as necessary for the operation of the OMA. This structure will be in effect until a cabinet-level Medicaid agency is in place.
- Governor Kasich’s first budget, enacted in June 2011 as H.B. 153, previewed what the budget for a Medicaid department would look like by presenting all Medicaid spending across all state agencies in a single, unified budget. H.B. 153 also reorganized the funding and control of several Medicaid programs. For example, financial responsibility for the non-federal share of Medicaid matching funds for behavioral health benefits was transferred from community behavioral health boards to Medicaid; funding for Medicaid behavioral health services was transferred from the Ohio Departments of Mental Health and Alcohol and Drug Addiction Services to Medicaid; and funding for the Ohio Department of Aging’s home and community based services was transferred to Medicaid. Each of these changes supports the creation of a state Medicaid agency.
- OHT is working with Ohio Medicaid and other state agencies to restructure and consolidate health and human services (HHS) operations to be more efficient. For example, OHT has launched initiatives to share information across state and local data systems, modernize eligibility determination systems to serve multiple HHS programs at the same time, and integrate claims payment systems through Ohio’s new Medicaid Information Technology System. Medicaid is critical to the success of each project, and will be in a better position to provide leadership on each project as a cabinet-level department.
- Because information technology (IT) is critical to support Medicaid shared services across state agencies, OHT is implementing an IT governance structure that will be in effect until a cabinet-level Medicaid agency is in place. Under the Medicaid IT governance model, the Medicaid Director has authority over all Medicaid-related IT expenses within the ODJFS Office of Information Services,

and the authority to approve, reject or redirect any Medicaid-related IT funds in ODJFS. The governance model and approval process involves multiple tiers of employees from ODJFS, Medicaid and OHT, with ultimate oversight residing with the Department of Administrative Services Office of Information Technology.

## **Recommendation and Next Steps**

On July 27, 2012, the Kasich Administration announced plans to transform Ohio Medicaid into a state agency effective July 1, 2014. This decision is consistent with previous Medicaid reviews and recent actions taken by the Kasich Administration, described above. It is also critical to removing barriers that impede innovation and to making Ohio's Medicaid program more efficient, effective and more responsive to the needs of beneficiaries, stakeholders and Ohio taxpayers.

A multi-agency team will begin working immediately, in collaboration with affected stakeholders, to lay the groundwork for creating a cabinet-level Medicaid department. A package of legislative changes to transition to the new structure will be proposed in the Governor's fiscal year 2014-2015 operating budget, which will be presented to the legislature early next year. Throughout the budget process there will be opportunities for stakeholder input and collaboration among interested parties.

The creation of a cabinet-level Medicaid agency will bring about many changes, but it is not intended to reduce the workforce, reduce Medicaid-related financial resources that are available to counties, or change county financial and IT operating procedures. The elevation of Medicaid to cabinet-level status is intended to release the creative potential of the state's Medicaid team to push forward with Medicaid reforms already underway, and to position the program within state government commensurate with Medicaid's responsibility to improve overall health system performance, improve care for vulnerable Ohioans, and control costs for Ohio's taxpayers.