

## Ohio Medicaid Hospital Rate Reduction

- The fiscal year 2018-2019 operating budget (HB 49) reduced the Medicaid appropriation for hospitals by \$1.1 billion over two years (Table 1 and 3). As described below, ***Ohio Medicaid was able to make adjustments that spared hospitals from more than 80% of these reductions as enacted.***
- In August 2017, Ohio Medicaid implemented a plan to keep spending within reduced appropriation levels with the least amount of negative impact on hospitals and patients as possible. The original plan:
  - Shifted 12% of the hospital reduction to other providers, including an increase in managed care plan withhold payments and synchronization of fee-for-service and managed care plan payment schedules;
  - Eliminated 27% of the reduction by adjusting the state’s estimate of upper payment limit costs, which reduced the estimate of Medicaid spending without impacting actual hospital reimbursement; and
  - Initially required hospitals to absorb 61% of the total reduction, but also committed to look for other adjustments to further reduce the impact.
- Ohio Medicaid recently reforecast its budget and determined that its caseload trend was lower than originally projected. As a result, spending was also lower than projected, resulting in Medicaid budget savings of \$354 million in 2018 and \$466 million in 2019 (see *Ohio Medicaid Budget Update – May 2018*).
- Based on the reforecast, Ohio Medicaid adjusted its hospital spending plan to further reduce the direct impact of the original budget on hospitals (Table 2). In addition to the actions described above, the final plan also:
  - Used Medicaid budget savings to offset an additional 45% of the original hospital reduction by eliminating a proposed 5% rate cut, reducing inpatient recalibration and eliminating outpatient recalibration; and
  - ***Required hospitals to directly absorb only 16% of the total reduction.***
- ***Bottom Line: instead of \$1.1 billion the final hospital reduction is \$185 million. That’s \$956 million less than the Ohio General Assembly enacted and \$402 million less than the Kasich Administration originally proposed.***

**TABLE 1.****Ohio Medicaid hospital reductions included in the 2018-2019 budget as passed.**

<b>Appropriations Removed</b>	<b>SFY 2018 All Funds (\$ in millions)</b>	<b>SFY 2019 All Funds (\$ in millions)</b>	<b>2018-2019 All Funds (\$ in millions)</b>	<b>Percent of Total</b>
Executive rate cut	--	(175)	(175)	
Executive ICD-10 adjustment	(75)	(75)	(150)	
Executive non-contracting	(88)	(175)	(262)	
<b><i>Executive Subtotal</i></b>	<b><i>(163)</i></b>	<b><i>(425)</i></b>	<b><i>(587)</i></b>	<b><i>51%</i></b>
House additional rate cut	(197)	(100)	(297)	26%
Senate additional rate cut	(128)	(128)	(256)	23%
<b>TOTAL</b>	<b>(488)</b>	<b>(653)</b>	<b>(1,141)</b>	<b>100%</b>

**TABLE 2.****Ohio Medicaid actions to keep hospital spending within budget (May 2018).**

<b>Appropriations Removed</b>	<b>SFY 2018 All Funds (\$ in millions)</b>	<b>SFY 2019 All Funds (\$ in millions)</b>	<b>2018-2019 All Funds (\$ in millions)</b>	<b>Percent of Total</b>
Shift cuts to non-hospital providers	(116)	(23)	(139)	12%
Reduce UPL estimates FY18/FY19	(163)	(148)	(311)	27%
Savings eliminate proposed 5% rate cut	(134)	(284)	(418)	45%
Savings reduce inpatient recalibration	--	(52)	(52)	
Savings eliminate outpatient recalibration	--	(36)	(36)	
<b><i>Subtotal avoided by hospitals</i></b>	<b><i>(413)</i></b>	<b><i>(543)</i></b>	<b><i>(956)</i></b>	<b><i>84%</i></b>
Adjust ICD-10 calculations 7/17	(75)	(75)	(150)	13%
Recalibrate inpatient weights	--	(35)	(35)	3%
<b><i>Subtotal absorbed by hospitals</i></b>	<b><i>(75)</i></b>	<b><i>(110)</i></b>	<b><i>(185)</i></b>	<b><i>16%</i></b>
<b>TOTAL</b>	<b>(488)</b>	<b>(653)</b>	<b>(1,141)</b>	<b>100%</b>

Updated May 2018

**Table 3.  
Medicaid Budget Changes as Enacted in State Fiscal Years 2018-2019 – Hospital Impact Highlighted**

Version	18-19 Policy Change Proposal	Comp Doc	651525 Budget Impact			
			FY 18- Total	FY 18- State	FY 19- Total	FY 19- State
Executive	<b>Executive Baseline As Introduced</b>		\$ 17,851,152,318	\$ 5,020,679,302	\$ 18,903,387,898	\$ 5,378,441,654
Executive	Repeal & Replace Health Plan Sales Tax	MCDCD39	\$ (3,048,927,535)	\$ (865,895,420)	\$ (3,407,591,045)	\$ (967,755,857)
Executive	Personal Responsibility Proposal	None	\$ (52,617,554)	\$ (1,167,157)	\$ (184,729,798)	\$ (8,464,936)
Executive	Improve Academic Performance (P4P 1/2% of CAP)	None	\$ -	\$ -	\$ 9,407,500	\$ 2,822,250
Executive	MLTSS Managed Care Expansion	None	\$ -	\$ -	\$ -	\$ -
Executive	Assisted Living Rates Restructured & Increased	None	\$ -	\$ -	\$ 34,933,635	\$ 13,045,170
Executive	Personal Care Aid Service (Aging Part 2 of the FY17)	None	\$ -	\$ -	\$ 23,070,236	\$ 8,615,054
Executive	Waiver - Rate Modernization	None	\$ -	\$ -	\$ 3,065,102	\$ 1,144,592
Executive	MFP Demonstration Grant Sustainability Planning	MCDCD30	\$ 4,510,888	\$ 2,294,466	\$ 5,416,469	\$ 2,837,202
Executive	SIM - PCMH, CPC	None	\$ 51,600,000	\$ 13,575,273	\$ 72,000,000	\$ 19,134,848
Executive	Hospital ICD - 10 Rate Cut	None	\$ (75,000,000)	\$ (21,953,956)	\$ (75,000,000)	\$ (21,953,956)
Executive	Hospital Rate Cut	None	\$ -	\$ -	\$ (175,000,000)	\$ (54,250,000)
Executive	Hospital Non Contracting	MCDCD37	\$ (87,500,000)	\$ (27,125,000)	\$ (175,000,000)	\$ (54,250,000)
Executive	NF Rate Cut	MCDCD26	\$ (88,125,000)	\$ (32,901,469)	\$ (117,500,000)	\$ (43,868,625)
Executive	PA1/PA2	MCDCD38	\$ (10,500,000)	\$ (3,919,650)	\$ (21,000,000)	\$ (7,841,400)
Executive	RX - Single PDL	None	\$ (50,000,000)	\$ (13,900,000)	\$ (100,000,000)	\$ (27,800,000)
Executive	Program Integrity	MCDCD25	\$ (5,000,000)	\$ (1,463,596)	\$ (10,000,000)	\$ (2,932,106)
Executive	Transportation Brokerage	None	\$ -	\$ -	\$ -	\$ (6,797,682)
Executive	Admin Fund Reform (5U3) Fiscal - SDL0 to 5U30	MCDCD5	\$ (129,789,356)	\$ (50,000,000)	\$ -	\$ -
Executive	Eliminate Fund 5KW0	MCDCD46	\$ (100,000,000)	\$ (37,000,000)	\$ (125,000,000)	\$ (46,000,000)
	<b>Subtotal</b>		\$ (3,591,348,557)	\$ (1,039,456,509)	\$ (4,242,927,901)	\$ (1,194,315,446)
	<b>Total Executive As Introduced</b>		\$ 14,259,803,761	\$ 3,981,222,793	\$ 14,660,459,997	\$ 4,184,126,208
House	Remove MLTSS	MCDCD52	\$ -	\$ -	\$ (493,648,956)	\$ (184,328,520)
House	BH Redesign	MCDCD56	\$ (122,590,000)	\$ (34,080,020)	\$ 129,577,630	\$ 36,152,159
House	Group VIII Waiver / Work Requirements	MCDCD59/64	\$ -	\$ -	\$ -	\$ -
House	Remove Exec Assisted Living Rate Increase	None	\$ -	\$ -	\$ (34,933,635)	\$ (13,045,170)
House	Remove CPC (Remove Exec)	MCDCD60	\$ (51,600,000)	\$ (13,575,273)	\$ (72,000,000)	\$ (19,134,848)
House	Medicaid Managed Care Payment Fund	MCDCD58	\$ (103,500,000)	\$ (30,325,500)	\$ (103,900,000)	\$ (30,442,700)
House	Dispensing Fee	MCDCD32	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)
House	Payment Rates Personal Care Aide(Remove Exec)	MCDCD65	\$ -	\$ -	\$ (23,070,236)	\$ (8,615,053)
House	Limit Hospital Growth / Cut	MCDCD55	\$ (197,000,000)	\$ (57,721,000)	\$ (100,000,000)	\$ (29,300,000)
House	NF rate increase remove cut (amount above base)	MCDCD71	\$ 60,526,316	\$ 22,594,474	\$ 40,005,148	\$ 14,933,922
House	Recovery of Overpayments	MCDCD48	\$ -	\$ -	\$ -	\$ -
House	GRF Administrative Cut	None	\$ -	\$ -	\$ -	\$ -
House	Non GRF Line Item Reductions Services	None	\$ -	\$ -	\$ -	\$ -
House	Non GRF Line Item Reductions Admin/Other	None	\$ -	\$ -	\$ -	\$ -
	<b>Subtotal</b>		\$ (414,263,684)	\$ (113,207,319)	\$ (658,070,049)	\$ (233,880,210)
House	CB Authorization	MCDCD73	\$ (1,021,534,526)	\$ (57,885,768)	\$ (1,002,582,341)	\$ (68,661,704)
	<b>Total House As Passed</b>		\$ 12,824,005,551	\$ 3,810,129,706	\$ 12,999,807,607	\$ 3,881,584,294
Senate	Add back MLTSS savings assumed by House		\$ -	\$ -	\$ 493,648,956	\$ 184,328,520
Senate	BH Delay		\$ (27,389,078)	\$ (8,025,000)	\$ -	\$ -
Senate	Medicaid Managed Care Payment Fund	MCDCD58	\$ 88,300,000	\$ 20,000,000	\$ 88,300,000	\$ 20,000,000
Senate	MCO quality incentive bonus to withhold to 1%		\$ -	\$ -	\$ (139,976,000)	\$ (41,992,800)
Senate	Dispensing Fee	MCDCD33	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Senate	Hospital Cut		\$ (127,986,348)	\$ (37,500,000)	\$ (127,986,348)	\$ (37,500,000)
Senate	NF vents		\$ (17,321,189)	\$ (6,466,000)	\$ (17,321,907)	\$ (6,468,000)
Senate	NF LOC		\$ (495,580)	\$ (185,000)	\$ (1,486,342)	\$ (555,000)
Senate	MDS audits		\$ (10,983,126)	\$ (4,100,000)	\$ (13,926,085)	\$ (5,200,000)
Senate	BCMH (recapture house error)		\$ (598,802)	\$ (200,000)	\$ (1,666,667)	\$ (560,000)
Senate	Shared Living		\$ (13,684,211)	\$ (5,200,000)	\$ (20,526,316)	\$ (7,800,000)
Senate	EVV to MC		\$ -	\$ -	\$ (10,752,688)	\$ (3,000,000)
Senate	Eliminate Exec MFP		\$ (4,510,888)	\$ (2,294,466)	\$ (5,416,470)	\$ (2,837,202)
Senate	Eliminate new academic performance bonus		\$ -	\$ -	\$ (9,407,500)	\$ (2,822,250)
Senate	Lab fee reduction		\$ (7,637,580)	\$ (2,291,274)	\$ (15,275,160)	\$ (4,582,548)
Senate	FMAP		\$ -	\$ -	\$ -	\$ (55,000,000)
	<b>Subtotal</b>		\$ (122,206,802)	\$ (46,161,740)	\$ 218,307,473	\$ 36,110,720
Senate	CB Authorization	MCDCD73	\$ 963,648,758	\$ -	\$ 933,920,637	\$ -
	<b>Total Senate As Passed</b>		\$ 13,665,447,507	\$ 3,763,967,966	\$ 14,152,035,717	\$ 3,917,695,014
Conference	Baseline Update in Conference		\$ (172,595,238)	\$ (6,169,054)	\$ 220,499,974	\$ 143,361,020
	<b>Total Medicaid As Reported by Conference</b>		\$ 13,492,852,269	\$ 3,757,798,912	\$ 14,372,535,691	\$ 4,061,056,034