

Ohio Medicaid Budget Update – May 2018

- The Ohio Budget (HB 49) as enacted with vetoes and veto overrides provides \$13.5 billion in 2018 and \$14.4 billion in 2019 for Medicaid services in line item 561525 (Table 1). Currently, the state share of Medicaid spending in 651525 is within 0.05 percent of the original budget ([May 2018 Budget Variance Report](#)).
- The Ohio Department of Medicaid reforecast its caseload in May 2018. The reforecast shows average monthly caseload will be less than anticipated by 101,362 individuals (3.3 percent) in 2018 and 150,802 (4.8 percent) in 2019.
- ***Based on the reforecast, Medicaid spending also will be less than anticipated by \$354 million (\$54 million state share) in 2018 and \$466 million (\$122 million state share) in 2019. While this amount is significant, it is only 2.6 percent below the 2018 estimate and 3.2 percent below the 2019 estimate.***
- The amounts described above assume Medicaid will reduce hospital spending \$1.1 billion over two years (see *Ohio Medicaid Hospital Rate Reduction*). However, during the budget process, the Administration made it clear that any underspending would be considered when determining whether a 5-percent hospital rate reduction would be needed to keep spending within the budget's appropriation. Because the reforecast indicates underspending is sufficient to offset the cut, Ohio Medicaid will forego the hospital rate cut, reduce the impact of hospital rate recalibration, avoid a one-week payment delay planned for June, and increase support for behavioral health care coordination – all of which reduces the impact of the original \$1.1 billion hospital reduction.
- ***These actions consume all but \$4 million (0.1 percent) of the projected state share of underspending in 2018 and all of the projected state share of underspending in 2019 (Table 1).***

Table 1. Ohio Medicaid 2018-2019 Budget (May 2018 Update).

	2018 525-Total	2018 525-State	2019 525-Total	2019 525-State
Budget As Passed (651525)	\$13,492,852,269	\$3,757,798,912	\$14,372,535,691	\$4,061,056,034
<u>Updated Forecast.</u> Caseload and per member costs are less than anticipated based on actuals through May 2018, and the forecast now incorporates updated managed care rates for the second half of CY 2018.	(\$336,154,155)	(\$64,593,791)	(\$618,032,747)	(\$187,751,546)
<u>Managed Care Tax Revenue.</u> The new managed care tax is projected to produce less revenue as a result of lower than anticipated caseload.	\$35,211,268	\$10,000,000	\$179,643,350	\$53,893,005
<u>Hospital Tax Revenue.</u> The hospital tax is projected to produce more revenue as a result of higher than anticipated hospital costs.	(\$62,162,162)	(\$23,000,000)	(\$64,864,865)	(\$24,000,000)
<u>Drug Rebate Revenue.</u> Savings from the single prescription drug list (PDL) proposal are less than anticipated.	\$120,902,740	\$45,000,000	\$40,628,386	\$15,000,000
<u>Controlling Board Action.</u> Controlling Board approval to transfer general revenue funds to the Health and Human Services Fund freed up appropriation authority in the general revenue fund.	(\$98,844,065)	\$0	(\$121,930,838)	\$0
<u>Managed Care Pay-for-Performance.</u> The estimates were updated to reflect a higher payout rate due to new estimates of improved performance and to ensure funding is available to match the potential liability.	\$12,703,265	\$4,700,208	\$91,092,837	\$27,327,851
<u>Health Insurer Providers Fee.</u> Updated estimate of Federal HIPF from Actuary.			\$37,301,886	\$11,190,566
<u>Medicare Buy In.</u> The updated forecast reflects than projected Part B premiums and lower state share based on actuals through the first quarter.	(\$26,004,228)	(\$25,674,261)	(\$9,637,538)	(\$17,762,023)
Total Change in 651525	(\$354,347,336)	(\$53,567,844)	(\$465,799,529)	(\$122,102,147)
<i>Variance from the budget as passed</i>	-2.6%	-1.4%	-3.2%	-3.0%
Eliminate the proposed 5 percent hospital cut - planned 1/1/2018	\$133,956,059	\$41,526,378	\$277,756,847	\$75,059,755
Postpone fee-for-service one-time payment hold - planned 6/2018	\$26,000,000	\$7,800,000		
Reduce hospital inpatient recalibration impact and delay to 9/1/2018			\$51,169,054	\$15,862,407
Eliminate hospital outpatient recalibration			\$36,141,986	\$11,204,016
Support behavioral health care coordination - 1/1/2019			\$85,065,269	\$22,038,115
Total Policy Adjustments in 651525	\$159,956,059	\$49,326,378	\$450,133,156	\$124,164,293
Updated Estimate (651525)	\$13,298,460,992	\$3,753,557,446	\$14,356,869,318	\$4,063,118,180
Over (Under) projected program costs with policy decisions	(\$194,391,277)	(\$4,241,466)	(\$15,666,373)	2,062,146
<i>Variance from the budget as passed</i>	-1.4%	-0.1%	-0.1%	0.1%