

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).
- Ohio Medicaid is implementing a plan to keep spending within the budget's reduced appropriation levels with the least amount of negative impact on hospitals as possible and ensuring that Ohioans continue to receive access to the hospital services they need (Table 2). These steps include:
 1. Shifting \$139 million (12 percent) in reductions from hospitals to managed care plans (MCP) and other providers (e.g., increase MCP withhold payments and synchronize fee-for-service and MCP payment schedules);
 2. Eliminating \$311 million (27 percent) of the hospital reduction by adjusting estimates of upper payment limit spending, a decision recommended by the hospital associations and agreed upon by Ohio Medicaid;
 3. Achieving \$273 million (24 percent) of the hospital reduction through already-planned budget adjustments that take effect in July 2017 (ICD-10 adjustment) and July 2018 (recalibrate inpatient and outpatient rates); and
 4. Closing the remaining \$418 million gap (37 percent) with a hospital rate cut of up to 5 percent that will be relaxed if Medicaid underspends and the overall state budget remains in balance.

Bottom Line: Ohio Medicaid is making adjustments (items 1 and 2) that spare hospitals from more than one-third of the \$1.1 billion in reductions enacted in the budget, and will continue to look for other possible adjustments to reduce impact. For example, any projected underspending will be taken into account when determining the final hospital rate reduction (item 4).

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

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

Table 2. Ohio Medicaid actions to keep hospital spending within budget.

Ohio Medicaid Action	SFY 2018 All Funds (\$ in millions)	SFY 2019 All Funds (\$ in millions)	2018-2019 All Funds (\$ in millions)	Percent of Total
<i>Shift cuts to non-hospital providers</i>	<i>(116)</i>	<i>(23)</i>	<i>(139)</i>	<i>12%</i>
Reduce UPL estimates FY18/FY19	(50)	(100)	(150)	
Recover UPL underspending FY17	(113)	(48)	(161)	
<i>Subtotal UPL adjustments</i>	<i>(163)</i>	<i>(148)</i>	<i>(311)</i>	<i>27%</i>
Adjust ICD-10 calculations 7/17	(75)	(75)	(150)	
Recalibrate inpatient (IP) weights	--	(87)	(87)	
Recalibrate outpatient (OP) weights	--	(36)	(36)	
<i>Subtotal planned budget adjustments</i>	<i>(75)</i>	<i>(198)</i>	<i>(273)</i>	<i>24%</i>
<i>Reduce IP/OP rates 5 percent</i>	<i>(134)</i>	<i>(284)</i>	<i>(418)</i>	<i>37%</i>
TOTAL	(488)	(653)	(1,141)	100%

Table 3. Medicaid Budget Changes in State Fiscal Years 2018-2019

Amounts Appropriated 651525

Version	18-19 Policy Change Proposal	Comp Doc	651525 Budget Impact			
			FY 18- Total	FY 18- State	FY 19- Total	FY 19- State
Executive	Executive Baseline As Introduced		\$ 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 - 5DL0 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)
	Subtotal		\$ (3,591,348,557)	\$ (1,039,456,509)	\$ (4,242,927,901)	\$ (1,194,315,446)
	Total Executive As Introduced		\$ 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	\$ -	\$ -	\$ -	\$ -
	Subtotal		\$ (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)
	Total House As Passed		\$ 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)
	Subtotal		\$ (122,206,802)	\$ (46,161,740)	\$ 218,307,473	\$ 36,110,720
Senate	CB Authorization	MCDCD73	\$ 963,648,758	\$ -	\$ 933,920,637	\$ -
	Total Senate As Passed		\$ 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
	Total Medicaid As Reported by Conference		\$ 13,492,852,269	\$ 3,757,798,912	\$ 14,372,535,691	\$ 4,061,056,034