

Office of Health Transformation **Reform Health Plan Payments**

Governor Kasich's Budget:

- *Shifts more populations from fee-for-service into managed care.*
- *Moves behavioral health services into managed care.*
- *Launches a significant new infant mortality initiative.*
- *Saves \$343 million (\$130 million state share) over two years.*

Background:

Most Medicaid beneficiaries – 79 percent in June 2014¹ – now receive Medicaid health care benefits through one of five private managed care plans. Ohio Medicaid paid those plans \$8.0 billion in 2014 to provide access and coordinate care to a comprehensive set of medically necessary services. Ohio Medicaid pays the health plans monthly, per person, using capitation rates. Health plan capitation rates are set annually using a combination of actual cost data and medical cost inflation data to establish reasonable costs for services and administration.

First Four Years:

Ohio Medicaid completely overhauled its managed care program during the first four years of the Kasich Administration. The Administration launched a series of reforms designed to improve care coordination for beneficiaries while reducing costs for taxpayers. As a result, Ohio now is viewed as a national leader in public-private partnerships to improve overall health system performance. Among the changes, Ohio Medicaid:

- ***Consolidated health plan regions and populations to be more efficient.*** In July 2013, Ohio Medicaid reduced the number of service regions from eight to three and combined coverage for families and children and aged, blind, and disabled populations. This new design increased individual choice and competition by offering five health plan choices statewide, compared to two or three per region previously.
- ***Linked health plan payments to performance.*** Ohio Medicaid implemented new health plan contract language, based on model language developed by the private-sector Catalyst for Payment Reform, to move Ohio's Medicaid health plans from paying for volume to paying for value. To accomplish this, health plans are required to develop incentives for providers tied to improving quality and health outcomes. Additionally, the

¹ Out of 2.561 million Ohioans receiving full Medicaid benefits in June 2014, 2.024 million were enrolled in a private sector managed care plan.

new contracts increased expectations around nationally recognized performance standards that health plans now must meet to receive financial incentive payments.

- **Improved care coordination for children with disabilities.** Approximately 40,500 Ohio children previously served through the traditional Medicaid fee-for-service system were transitioned to private health insurance plans as part of Ohio Medicaid's new managed care program. Many of these children have long-term, complex conditions, but received little assistance in accessing services or coordinating care. Today, these children have access to all medically necessary services, but also benefit from the availability of a 24/7 nurse advice line, support from member services, and access to care management.
- **Integrated care delivery for Medicare-Medicaid enrollees.** Ohio was the third state to earn federal approval for its plan to coordinate care for individuals receiving both Medicare and Medicaid benefits. *MyCare Ohio* is a three-year demonstration program launched in May 2014. As of January 1, 2015, approximately 100,000 individuals in 29 counties are being served through the demonstration and nearly \$1.2 billion in claims have been paid to *MyCare Ohio* providers.
- **Increased administrative efficiencies to hold down health plan rates.** Governor Kasich's Jobs Budget 2.0 (enacted in 2013) included multiple provisions to further improve managed care program efficiency and save taxpayer dollars. Primarily, reductions were made to the administrative and prescription drug components of the negotiated managed care rates. These changes resulted in savings of \$646 million over two years.

Executive Budget Proposal and Impact:

The Medicaid managed care program, after significant recent change, is stable and performs well. The Executive Budget proposes to move additional populations from fee-for-service into managed care, and use one-time unearned Medicaid health plan quality incentive funds to offset one-time conversion costs. The net impact of these changes is savings of \$73 million (\$27 million state share) in 2016 and \$270 million (\$103 million state share) in 2017. The Budget:

- **Gives individuals with developmental disabilities an option to enroll in managed care.** Approximately 40,000 Ohioans with developmental disabilities who reside in an institution or receive home and community based services are excluded from the benefits of better care coordination through managed care. Beginning January 1, 2017, these individuals will have the option (no requirement) to enroll in a health plan, which in some cases may improve their access to primary care physicians, specialists, and dental services. This provision costs \$3.6 million (\$1.3 million state share) in 2017.
- **Enrolls adopted and foster children in managed care.** Children in Ohio's child welfare system are enrolled in Medicaid's fee-for-service program and excluded from the benefits of better care coordination through Medicaid managed care. Beginning January

1, 2017, the Executive Budget proposes to shift 28,000 children in this situation from fee-for-service to managed care. These children have unique needs and their transition into managed care will be monitored to ensure consistent coverage, better care coordination, and improved access to services. This provision costs \$32.2 million (\$12.1 million state share) in 2017.

- ***Gives individuals access to better care coordination on day one.*** Currently, it takes an average of 45 days for an individual who qualifies for Medicaid to be enrolled into one of five managed care plans. The Executive Budget changes that process so an individual could enroll in a Medicaid managed care plan of their choosing upon enrollment. Immediate enrollment allows for faster access to care management and better access to services. This provision costs \$38.2 million (\$13.0 million state share) in 2017.
- ***Engages leaders in high-risk neighborhoods to connect women to health care.*** The Executive Budget requires Ohio Medicaid to direct its managed care plans to use community health workers who live in the most high-risk neighborhoods to assist with the outreach and identification of women, especially pregnant women, to make sure they are connected to ideal health care and other community supports. Rather than reach into a community and risk misunderstanding the issues that confront the women who live there, this proposal requires the plans to identify individuals from within the community who understand the issues and can remove barriers for the women living there. The community health worker will be expected to address more than just health care, and also connect women to community services outside the health plan that support healthy living and work. The health plans will be required to coordinate with local health districts in high-risk neighborhoods and, together, develop a communications plan to ensure all health care and community supports are aligned toward decreasing infant mortality and improving the health of families. This provision costs \$13.4 million (\$5.0 million state share) per year in 2016 and 2017.
- ***Sets managed care rates at the lower boundary.*** Ohio Medicaid is provided a range of actuarially sound rates from which to set managed care capitation rates. Beginning January 1, 2016, Ohio Medicaid will set rates at the lower boundary. This change will reinforce efficient operations from the Medicaid managed care plans and streamline internal processes at the state level. This provision will save \$35.8 million (\$13.4 million state share) in 2016 and \$115.5 million (\$43.4 million state share) in 2017.
- ***Uses one-time unearned managed care quality incentive funds.*** The Executive Budget proposes to offset the one-time cost associated with shifting current fee-for-services populations into managed care by using the unearned balance in the Medicaid managed care incentive fund. Beginning July 1, 2016, Ohio Medicaid will use the unclaimed balance to offset state general revenue fund expenditures. This provision saves \$51.4 million (\$19.3 million state share) in 2016 and \$236.9 million (\$89.1 million state share) in 2017.

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