TRANSFORMING OHIO FOR GROWTH

RENEW. REFORM. REVIVE.

BUDGET OF THE STATE OF OHIO • FISCAL YEAR 2012-2013

Final Report on Medicaid Transformation in HB 153

Creating better health, better care and cost savings through improvement

Improve Care Coordination

Coordinate care to achieve better health and cost savings.

☑ **Create a single point of care coordination.** The budget lays the groundwork for a new Integrated Care Delivery System (ICDS) that will provide comprehensive, person-centered care that addresses the physical health, behavioral health, long-term care and social needs of seniors and people with disabilities. Ohio will submit a waiver proposal to the federal Centers for Medicare & Medicaid Services to implement the ICDS for people who are eligible for both Medicaid and Medicare ("dual eligibles") and people with severe and persistent mental illness by September 2012.

☑ **Promote health homes.** The budget invests $47.25 million over the biennium to enhance coordination of the medical and behavioral health care needs of individuals with severe and/or multiple chronic illnesses by expanding on the traditional medical home model of care.

☑ **Provide accountable care for children.** The budget invests $87 million in start-up funding to improve access and coordination of care for more than 37,000 children with disabilities who are currently served through Ohio's Medicaid fee-for-service program. The state will encourage the development of pediatric accountable-care organizations (ACOs) to provide the necessary attention and care to meet the unique needs of these children. The first step will be to enroll children who are disabled in Medicaid managed-care plans, then create special contracts through managed care with pediatric ACOs, and eventually support stand-alone ACOs, with the state and the ACOs sharing in the long-term cost savings.

☑ **Expand Medicaid presumptive eligibility for pregnant women and children.** HB 153 provides temporary coverage so that a child or pregnant woman can receive medical care while their Medicaid application is officially processed. It also recognizes new qualified entities that may establish Medicaid eligibility. By simplifying the eligibility and enrollment processes, and including additional points of access for children and pregnant women, medical attention will be provided in the early stages of life when intervention is the most successful. The result will be improved health outcomes for children and pregnant women and reduced Medicaid expenditures.

Integrate Behavioral and Physical Health Care

Treat the whole person, including physical and behavioral health care needs.

☑ **Integrate behavioral and physical health benefits.** The budget takes several important steps to treat physical health conditions and behavioral health conditions in a comprehensive, coordinated manner. During SFY 2012-2013, Ohio will integrate the Medicaid alcohol and drug treatment and mental health carve-out benefits (currently administered by ODMH and ODADAS) into the overall Medicaid program administered by ODJFS, improving coordination of these services. Ohio will also improve care coordination for people with a severe and persistent mental illness through the creation of the ICDS and the development of ACOs and health homes.

☑ **Elevate Medicaid behavioral health financing to the state.** Beginning in SFY 2012, the state will transition the financial responsibility for the non-federal share of Medicaid matching funds for alcohol and drug treatment and mental health carve-out benefits from community behavioral health boards to the state, with full integration occurring in SFY 2013. This move clarifies and aligns responsibility among state agencies and frees up community levy funding, allowing county behavioral health boards to focus on developing and managing non-Medicaid community services and supports.

☑ **Manage behavioral health service utilization.** The budget establishes much-needed utilization-management controls and cost-containment tools for community mental health Medicaid benefits. Without these strategies, which are already available for other services provided under Medicaid, funding for community mental health services will not be sustainable, and increased pressure will be placed on state and local funding structures. Controls will be put in place to ensure that individuals receive the mental health services they need.

☑ **Consolidate housing programs.** The budget consolidates oversight of the Residential State Supplement (RSS) housing program, and regulation of Adult Care Facilities and Adult Foster Homes in ODMH, resulting in a streamlined and efficient administrative structure.

Rebalance Long-Term Care

Enable seniors and people with disabilities to live with dignity in settings they prefer.

☑ **Create a unified long-term care system.** HB 153 creates a unified budget for long-term care services for seniors and people with physical disabilities, allowing individuals' choices, instead of political decisions, to drive spending decisions. The bill also will consolidate the five home- and community-based waivers that serve individuals with a nursing-facility-level of care into a single, seamless waiver. These changes will improve access into and within the service delivery system, provide consistent opportunity for individual choice, and achieve greater transparency in price and quality for individuals who need long-term care services.

☑ **Prioritize funding for home- and community-based services.** The budget makes a significant investment in home- and community-based services for seniors and people with physical disabilities (PASSPORT/Choices, Assisted Living, Home Care and Aging Transitions waivers) and people with a developmental disability (Level One, Individual Options, DD Transitions and the new SELF waivers). All told, the budget spends $532 million more on home- and community-based services over the biennium (above SFY 2011 levels), including $55.6 million more for PASSPORT/Choices. This will make it possible for an additional 12,890 Ohioans to receive Medicaid home- and community-based services, instead of being admitted into an institution, and increases the share spent on home- and community-based services (vs. the share spent on institutions) from 36.5 percent today to 42.1 percent in SFY 2013. *[See Appendix A for details.]*

☑ **Align programs for people with developmental disabilities.** The budget consolidates Medicaid programs for people with disabilities in the Department of Developmental Disabilities and eliminates barriers that keep people with developmental disabilities from accessing the services they need.

☑ **Evaluate PACE.** The budget includes language requiring Miami University's Scripps Gerontology Center to complete a comprehensive evaluation of the cost effectiveness of current Program of All-Inclusive Care for the Elderly (PACE) sites.

Modernize Reimbursement

Reset Medicaid payment rules to reward value instead of volume.

☑ **Modernize hospital payments.** The Administration worked closely with hospitals throughout the budget process to adopt hospital payment reforms that modernize Medicaid inpatient and outpatient hospital reimbursement, reward providers for improved outcomes, ensure that the full value of hospital franchise fees is used to provide services for Medicaid enrollees, and save taxpayers $444.3 million over the biennium.

☑ **Reform nursing facility payments.** The budget completes the transition from a cost-based payment methodology for nursing homes to a price-based system, a change that was initiated by the legislature in 2005 (HB 66) to reward efficiency. Additional nursing home payment reforms in HB 153 link more of the Medicaid payment to quality measures and increase the amount of funding for services provided directly to residents. It also enacts common-sense regulatory-reform provisions that will provide nursing facilities with greater flexibility in how they provide care, while increasing the focus on quality. The nursing home reforms will save approximately $360 million over the biennium and ensure that seniors and people with disabilities will have access to quality nursing home care if they need it. *[See Appendix B for details.]*

☑ **Reform managed-care plans.** Currently, more than 1.6 million people who are enrolled in Medicaid receive care through a managed-care plan. The budget modifies the capitation rates paid to managed-care plans and provider panel requirements, saving the state $144 million over the biennium. The bill also develops a more standardized set of prior-authorization criteria than what was used previously, requires plans to meet national performance standards and carves the Medicaid pharmacy benefit back into the managed-care program, which will improve care coordination for Medicaid beneficiaries.

☑ **Implement other benefit and payment reform.** The budget includes several other reforms that will improve Medicaid efficiency and effectiveness, including (savings in parenthesis):

- Adjusting the nursing and home health services base rates ($35 million).
- Reducing the Medicaid price to 100 percent of the Medicare price for physician services that exceed the Medicare price ($3.1 million).
- Forming a regional brokerage for non-emergency transportation ($200,000).
- Establishing a maximum payment rate and prior-authorization review criteria for nutritional products ($5.1 million).
- Implementing a selective contracting program for durable medical equipment and diabetic supplies ($13.5 million).
- Authorizing select benefit expansions mandated by the Affordable Care Act, including preventive services and smoking-cessation programs for pregnant women.

Balance the Budget

Contain Medicaid program costs in the short term and ensure financial stability over time.

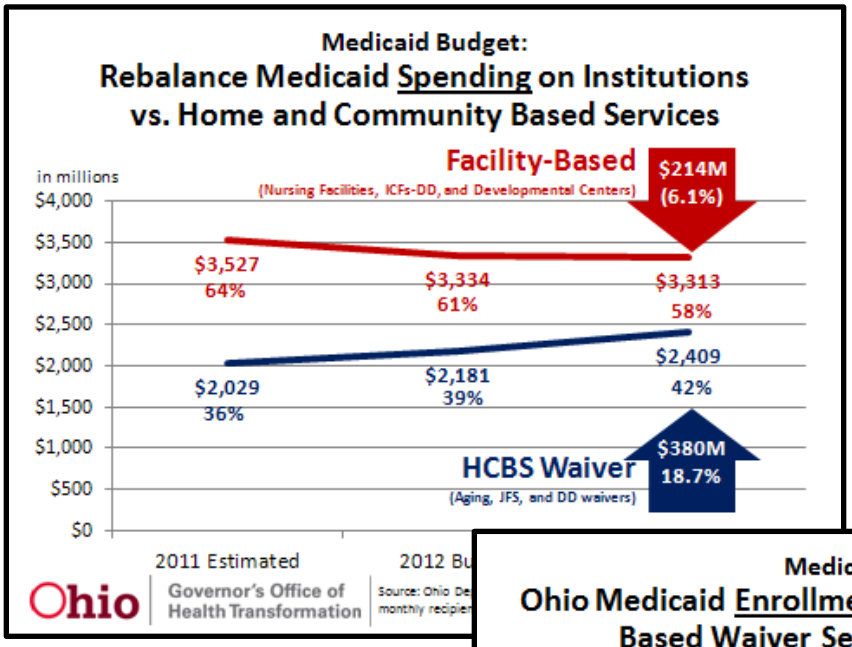
☑ **Contain costs and create a financially sustainable program.** The Medicaid budget achieves an unprecedented level of Medicaid savings ($1.4 billion over the biennium) and maximizes these savings in the state general revenue fund (GRF). This outcome was critically important to avoid a one-time 42.8 percent ($1.6 billion) increase in state GRF that otherwise would have occurred as a result of Ohio needing to backfill enhanced federal match that expires at the end of SFY 2011. These savings are the result of system improvements that will lead to better health and better care for individuals served in the program and financial stability for taxpayers.

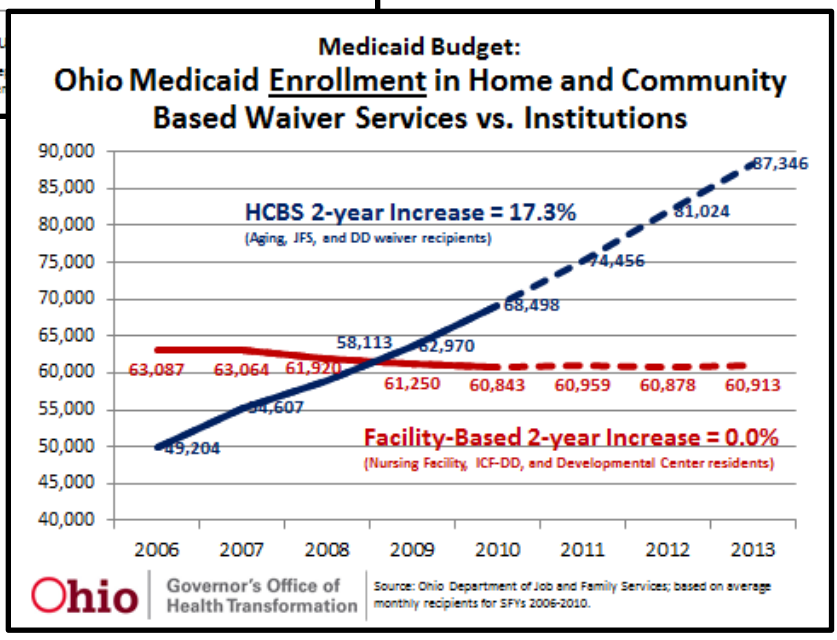
Rebalance Long-Term Care

- The final budget makes it a priority to enable seniors and people with disabilities to live with dignity in the setting they prefer, especially their own home, instead of a higher-cost setting like a nursing home.

- **12,890 more Ohioans will receive Medicaid home and community based services instead of being admitted into an institution.**

- Overall Medicaid spending for long-term care services in 2013 is $166 million more than in 2011, and the budget "rebalances" where the money is spent by increasing home and community based services from 36% today to 42% in 2013 and decreasing the share spent on institutions from 64% today to 58% in 2013.





PASSPORT

- PASSPORT/Choices is a Medicaid health coverage program that provides services in home and community settings to delay or prevent nursing facility placement for low-income Ohioans over age 60.

- **The final budget increases PASSPORT spending $55.6 million over the next two years and makes it possible for 4,800 more Ohio seniors to receive home and community based services.**

- The PASSPORT agreement includes a 3% provider rate reduction in 2012, flat funding per person for health care and case management services in 2012 and 2013, and a 5% reduction in operating expenses in 2012 and 2013.

- In addition, the Ohio Department of Aging and local Area Agencies on Aging will develop person-centered utilization management protocols, a program to assist individuals transition from hospital to waiver services, an outcome-based pay-for-performance system, and consistent provider certification standards.

- The Ohio Association of Area Agencies on Aging (O4A) and the Ohio Chapter of the American Association of Retired People (AARP) support the agreement.

	FY 2011 Estimated	FY 2012 Budget	Percent Change	FY 2013 Budget	Percent Change
All Funds	$518,685,418	$530,134,765	2.2%	$562,882,682	6.2%
State Share	$146,424,047	$190,636,461	30.2%	$201,793,441	5.9%

"All Funds" and "State Share" include spending on PASSPORT/Choices waiver services and PASSPORT Administrative Agency case management and administration.

Nursing Facilities

Fully implements the pricing system already enacted in 2005

- In 2005, the Ohio General Assembly enacted HB 66 to transition from a cost-based payment methodology for nursing facilities to a price-based system.
- The final budget completes the transition to a price-based system.

Links more of the Medicaid payment to direct care for residents and quality

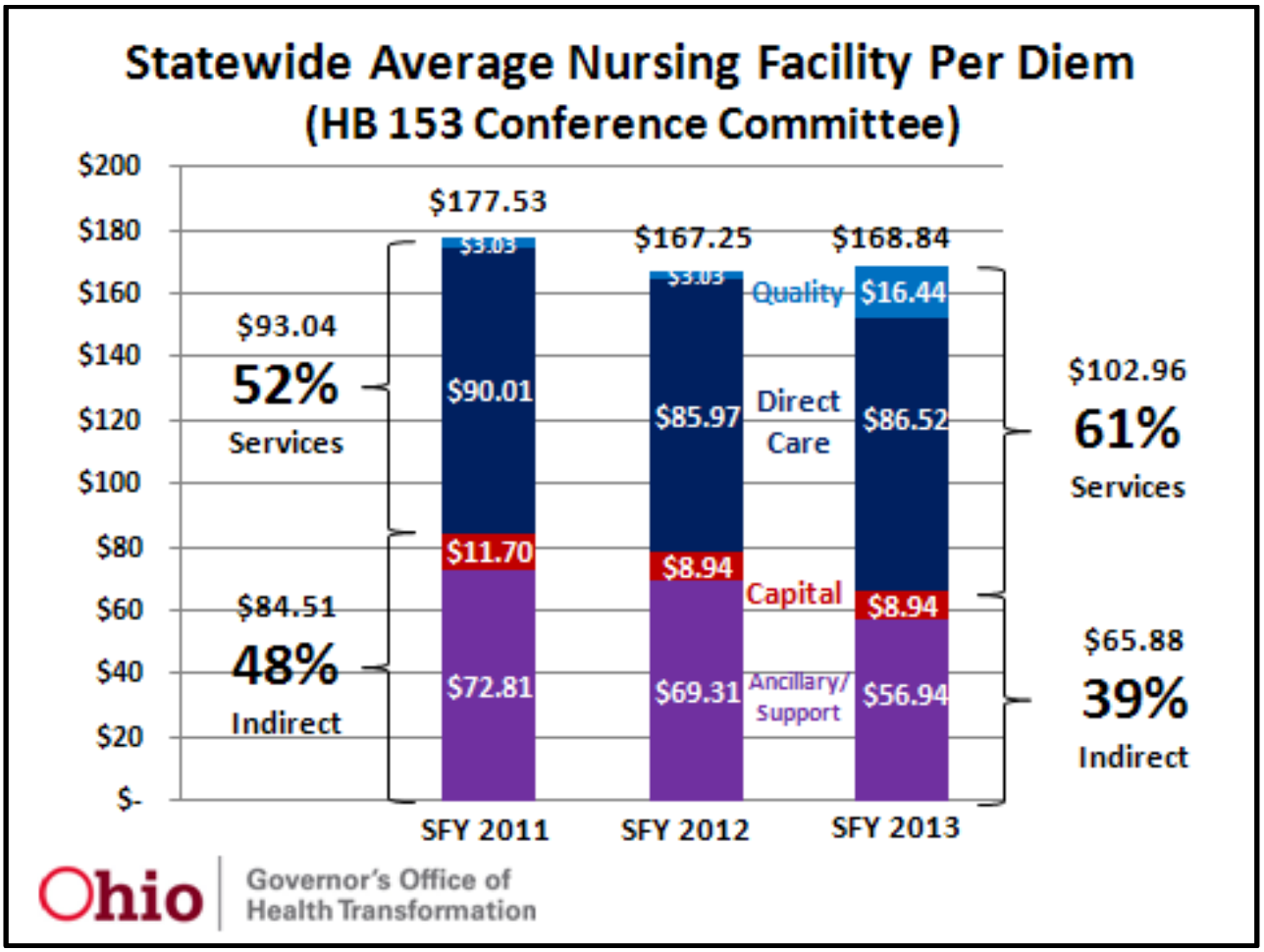
- Increases the portion of the rate that is related to direct care and quality from 52% in 2011 to 61% in 2013 and increases the actual amount spent on average statewide for resident services from $93.04 to $102.96 per person per day.
- Sets the direct care price at 102% of the 25th percentile in 2012 and 2013.
- Provides stop loss protection for facilities facing greater than 10% rate cuts in 2012.
- Increases quality incentive payments from 1.7% of the rate in 2011 to 9.7% in 2012 and replaces business-focused measures with person-centered quality measures.
- Sets the rate for low acuity residents at $130 per day in 2013.
- Guarantees nursing homes receive 100% of franchise fee gains from these changes.

Enacts common sense regulatory relief

- Represents unanimous association and Administration agreement.
- 16 significant items, including staffing and quality measures.
- Provides operators greater flexibility to hold down costs.
- Creates a joint legislative committee on unified long-term care services and supports and requires Medicaid to report to the committee at least quarterly.

Impact on nursing facilities, seniors and taxpayers

- The final budget results in a 5.8% average statewide rate reduction in 2012.
- Reduces overall Medicaid spending for nursing homes from $2.7 billion in 2011 to $2.5 billion in 2013 and saves taxpayers $360 million over the next two years.
- Enables seniors and people with disabilities to live with dignity in settings they prefer instead of higher-cost alternatives like nursing homes.


Statewide Average Nursing Facility Per Diem
(HB 153 Conference Committee)
$200
$180
$160
$140
$120
$100
$80
$60
$40
$20
$-
$177.53
$167.25
$168.84
$3.03
$3.03
Quality
$16.44
$93.04
52%
Services
$90.01
$85.97
Direct Care
$86.52
$102.96
61%
Services
$11.70
$8.94
Capital
$8.94
$84.51
48%
Indirect
$72.81
$69.31
Ancillary/ Support
$56.94
$65.88
39%
Indirect
SFY 2011
SFY 2012
SFY 2013
Ohio
Governor's Office of Health Transformation