

Ohio Medicaid Appropriation Shortfall and Plan to Close the Gap

- The General Assembly adopted policies in the 2018-2019 state budget that prevent Ohio Medicaid from managing the program within the appropriation set by the legislature.** The House and Senate assumed savings from hospital and nursing home rate reductions (described below and in Table 3), but then prevented Ohio Medicaid from making those cuts, resulting in a shortfall of \$588 million in 2018 and \$794 million in 2019.
- The House assumed nursing facility cuts but actually increased spending.** The House budget removed the Executive policy proposals that reduced nursing facility rates by \$237.5 million over the biennium and added an overpayment provision that increased spending by \$3.5 million (Table 1). The House added only \$100.5 million of appropriation over the biennium as part an amendment that also increased nursing facility rates in State Fiscal Year 2020.
- The Senate assumed hospital cuts but actually kept rates at current levels.** The Senate budget assumed savings of \$1.1 billion in hospital rate cuts over two years (Table 1) but then also retained a House provision that required Ohio Medicaid to pay hospitals the same rate that was in effect in January 2017, thus preventing the hospital cuts from taking effect.

Table 1. Ohio Medicaid reductions included in the 2018-2019 budget as passed by the Ohio General Assembly.

Proposal	Comp Doc	SFY 2018 (\$ in millions)		SFY 2019 (\$ in millions)	
		All Funds	State Share	All Funds	State Share
<i>Nursing Facility Appropriations Removed</i>					
Executive rate cut	MCDLCD26	(88.1)	(32.9)	(117.5)	(43.9)
Low acuity (PA1/PA2)	MCDLCD38	(10.5)	(3.9)	(21.0)	(7.8)
Recovery of overpayments*	MCDLCD48	(1.5)	(0.6)	(2.0)	(0.7)
<i>Nursing Facility Subtotal</i>		(100.1)	(37.4)	(140.5)	(52.5)
<i>Hospital Appropriations Removed</i>					
Executive rate cut	--	--	--	(175.0)	(54.2)
ICD-10 adjustment	--	(75.0)	(22.0)	(75.0)	(22.0)
Non-contracting	MCDLCD37	(87.5)	(27.1)	(175.0)	(54.2)
Spending cap at 1/2017 rate	MCDLCD55	(197.0)	(57.7)	(100.0)	(29.3)
Senate additional rate cut	--	(128.0)	(37.5)	(128.0)	(37.5)
<i>Hospital Subtotal</i>		(487.5)	(144.3)	(653.0)	(197.3)
TOTAL LEGISLATIVE SHORTFALL		(587.6)	(181.7)	(793.5)	(249.7)

*The House acknowledged that MCDLCD48 would result in fewer recoveries of overpayments, but did not estimate the cost, as shown in Table 3. Ohio Medicaid estimated the cost of recoveries forgone at \$1.5 million in 2018 and \$2.0 million in 2019.

- The Kasich Administration is implementing a plan to close the gap.*** Because the General Assembly assumed hospital and nursing facility savings when it set the Medicaid appropriation but then prevented Ohio Medicaid from making those cuts, every other provider was at risk of significant across-the-board cuts and beneficiaries were at risk of losing important services. To avoid this result:
 - Governor Kasich vetoed spending increases for nursing facilities (Veto Item 24) and rate protections for hospitals (Veto Item 35).
 - Ohio Medicaid will use the House appropriated funds associated with the nursing facility rate changes to reduce the funding gap.
 - Ohio Medicaid has proposed to reduce hospital spending \$1.0 billion over two years, including a rate cut that can be relaxed if Medicaid underspends and the overall budget is stable.
 - Ohio Medicaid has proposed to continue the Comprehensive Primary Care pilot, increase the managed care plan payment withhold to two percent (Veto Item 32), synchronize fee-for-service and managed care payments, and other reforms that save \$252 million over two years.
- These actions (Table 2) close the gap in the appropriations shortfall and make additional provider cuts unnecessary.*** Ohio Medicaid is working directly with impacted providers to refine each proposal and implement the plan.

Table 2. Ohio Medicaid actions close the gap in the appropriations shortfall.

Action	SFY 2018 (\$ in millions)		SFY 2019 (\$ in millions)	
	All 525	State 525	All 525	State 525
TOTAL LEGISLATIVE SHORTFALL	587.6	181.7	793.5	249.7
House NF rate increase ¹	(60.5)	(22.6)	(40.0)	(14.9)
Veto #24 Restore recovery of overpayments	(1.5)	(0.6)	(2.0)	(0.7)
<i>Nursing Facility Subtotal</i>	(62.0)	(23.2)	(42.0)	(15.6)
Adjust hospital ICD-10 calculations 7/17	(75.0)	(22.0)	(75.0)	(22.0)
Recalibrate hospital inpatient weights	--	--	(86.5)	(26.8)
Recalibrate hospital outpatient weights	--	--	(36.1)	(11.2)
Reduce hospital UPL estimates FY18/FY19	(50.0)	(15.5)	(100.0)	(31.0)
Recover hospital UPL underspending FY17	(112.9)	(35.0)	(48.4)	(15.0)
Reduce hospital rates IP/OP rates 5%	(134.0)	(41.5)	(283.8)	(88.0)
<i>Hospital Subtotal</i> ²	(371.9)	(114.0)	(629.8)	(193.9)
Veto #32 Increase MCP withhold to 2%	(70.0)	(21.7)	(150.0)	(46.5)
Implement additional program integrity	(15.8)	(5.5)	(30.6)	(10.7)
Synchronize FFS/MCP payment schedule	(92.0)	(28.5)	--	--
Restore Comprehensive Primary Care Pilot	46.5	12.2	60.0	15.9
<i>Other Subtotal</i>	(131.3)	(43.5)	(120.6)	(41.3)
TOTAL RESOLUTION	(565.2)	(180.7)	(792.4)	(250.8)
<i>Remaining Shortfall</i>	22.4	1.0	1.1	(1.1)

Notes: (1) Ohio Medicaid will use the House appropriated funds associated with the nursing facility rate changes to reduce the funding gap. (2) Hospital rate cuts made possible by [Veto #35](#).

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