



Ohio Medicaid Reform

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House Finance and Appropriations Committee
Healthier Ohio Working Group
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www.HealthTransformation.Ohio.gov

Today's Topics

- Ohio Medicaid Overview
- Health System Challenges
- Kasich Administration Reforms
 - Modernize Medicaid
 - Streamline health and human services
 - Pay for Value
- More reform is needed ...



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- **Ohio Medicaid Overview**
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Medicaid Overview

Medicaid is Ohio's largest health payer – 83,000 doctors, hospitals, nursing homes and other providers cared for 2.2 million Medicaid patients in 2012

Medicaid spending increased 33% in the 3 years prior to Governor Kasich taking office – four times faster than Ohio's economy

Governor Kasich's first Medicaid reform budget held Medicaid spending to less than 3% growth in 2012 and saved Ohio taxpayers \$2 billion over two years

Medicaid Overview

Medicaid is a State/Federal Responsibility

- Created by Congress in 1965 to provide health security for low-income Americans (along with Medicare for older Americans)
- Federal Medical Assistance Percentage (FMAP):



36¢ Ohio | 64¢ Federal

- Under broad federal guidelines, states establish their own standards for eligibility, benefits, and provider payment rates
- Medicaid programs vary by state

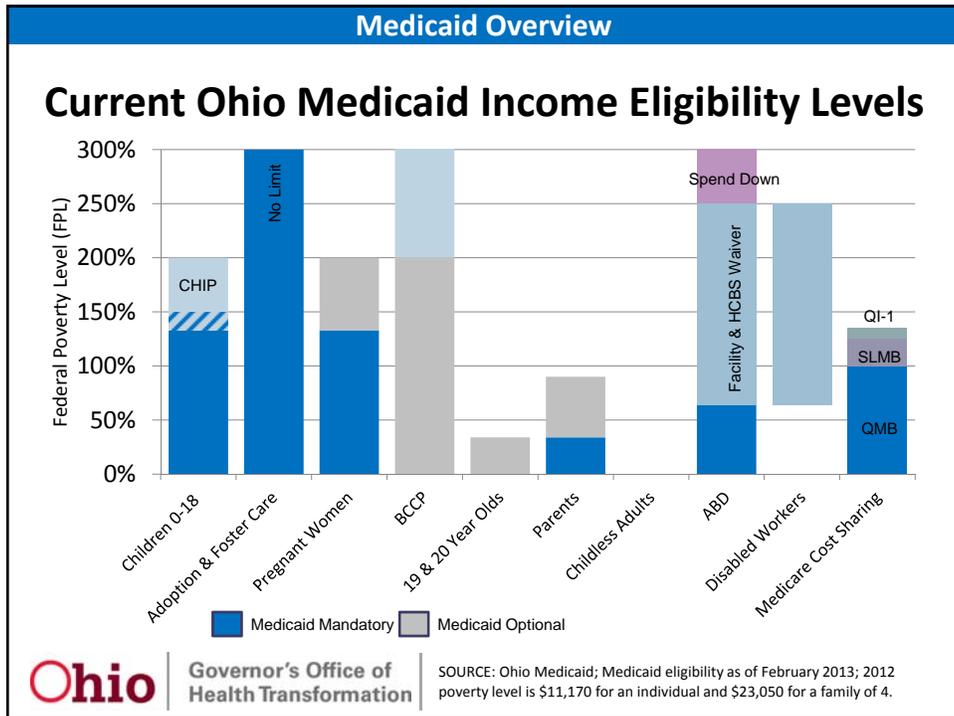
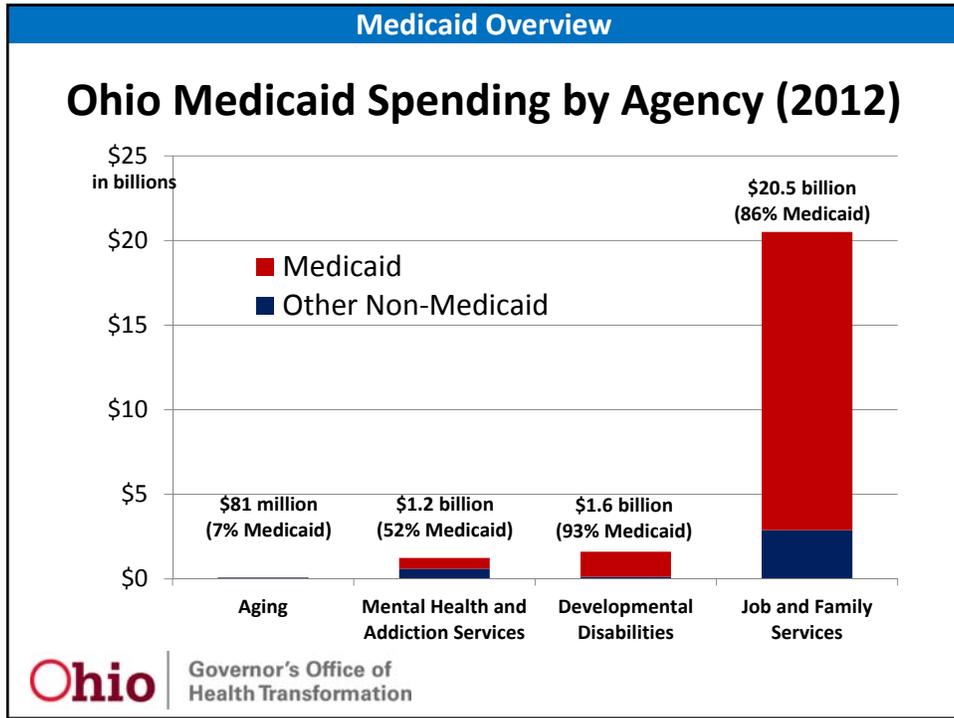
Ohio | Governor's Office of Health Transformation | SOURCE: Federal financial participation in Ohio assistance expenditures for 2012, Federal Register Volume 75, Number 217 (November 10, 2010).

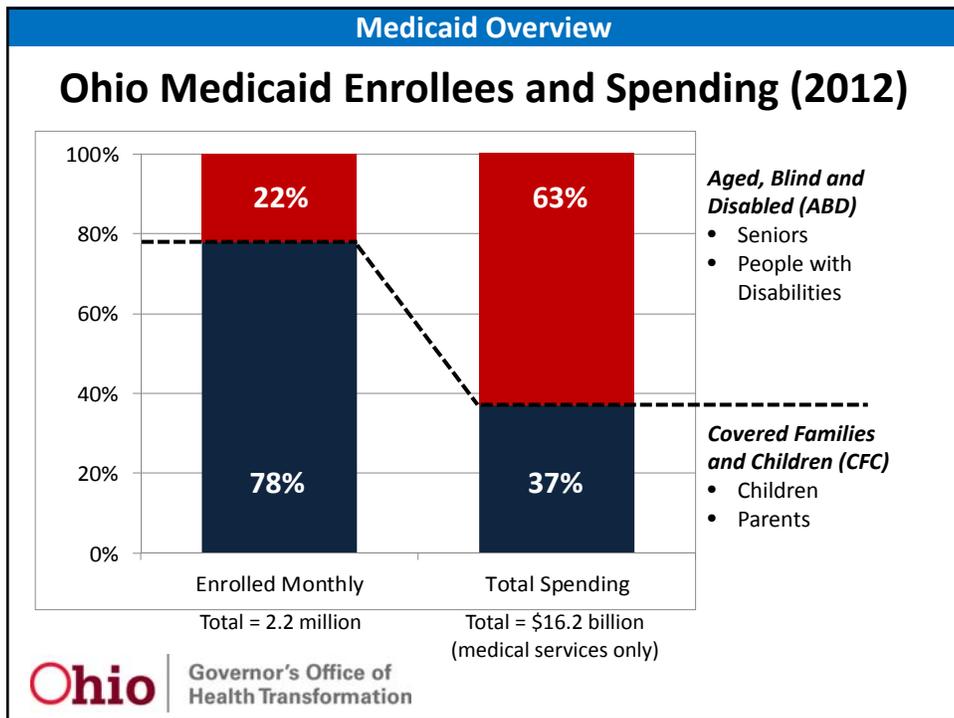
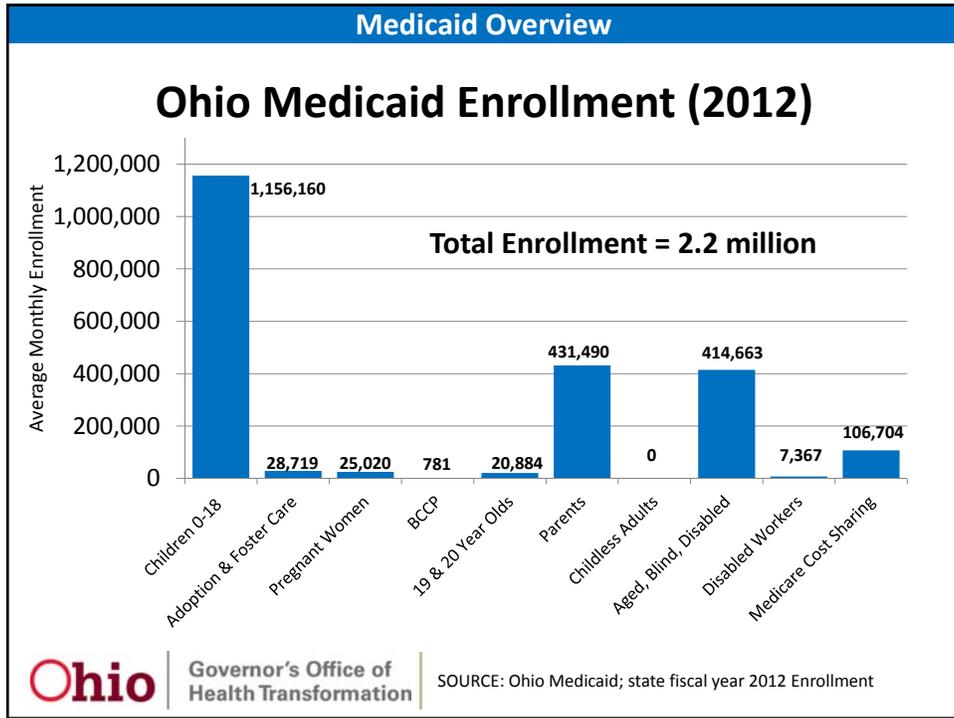
Medicaid Overview

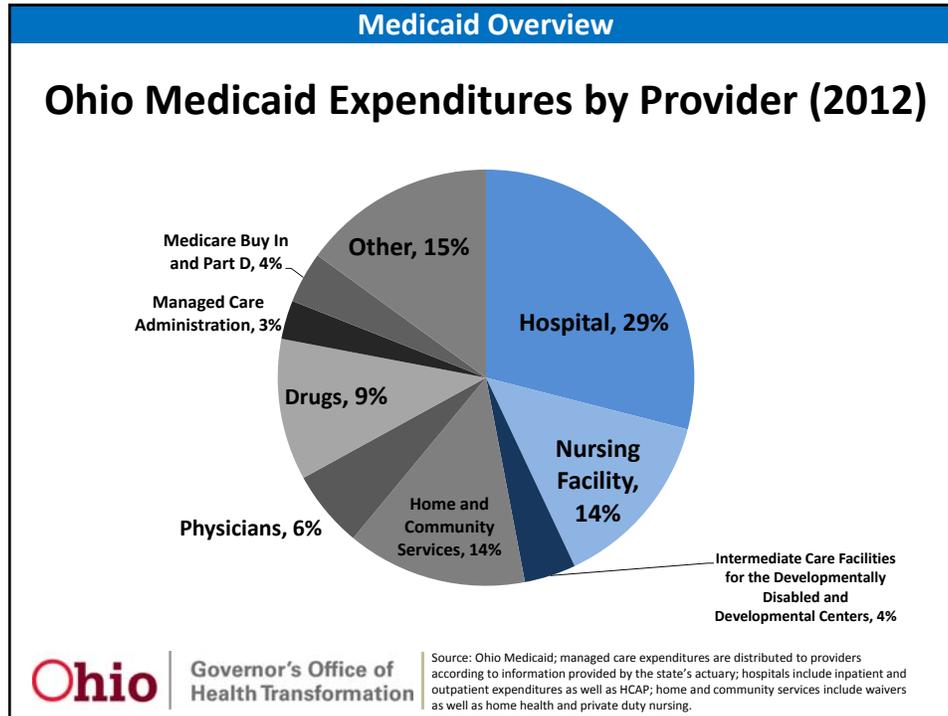
Medicaid programs vary by state

State	OH	AZ	AR	FL	IN	TX	VA	WI
Median Income (Family of 4)	\$72,817	\$69,119	\$56,219	\$67,705	\$69,434	\$65,508	\$85,546	\$77,946
Federal Medical Assistance	64%	67%	71%	56%	67%	58%	50%	61%
Children's coverage (% of poverty)	200%	200%	200%	200%	250%	200%	200%	300%
Parent's coverage (% of poverty)	90%	106%	16%	56%	24%	25%	30%	200%
Pregnant Women (% of poverty)	200%	150%	200%	185%	200%	185%	133%	300%

Ohio | Governor's Office of Health Transformation







Medicaid Overview

Medicaid can be used to achieve other reforms

- Improve the health of Ohio residents
- Reduce health care costs, including uncompensated care
- Boost enrollment in private health insurance plans
- Require greater personal responsibility through cost sharing
- Connect people with addictions to treatment and prevent their accessing narcotics through the health care system
- Promote employment and job training services that move able-bodied Ohioans into work and decrease Medicaid caseloads
- Leverage the purchasing power of the Ohio Medicaid program to accelerate private sector health care payment innovation

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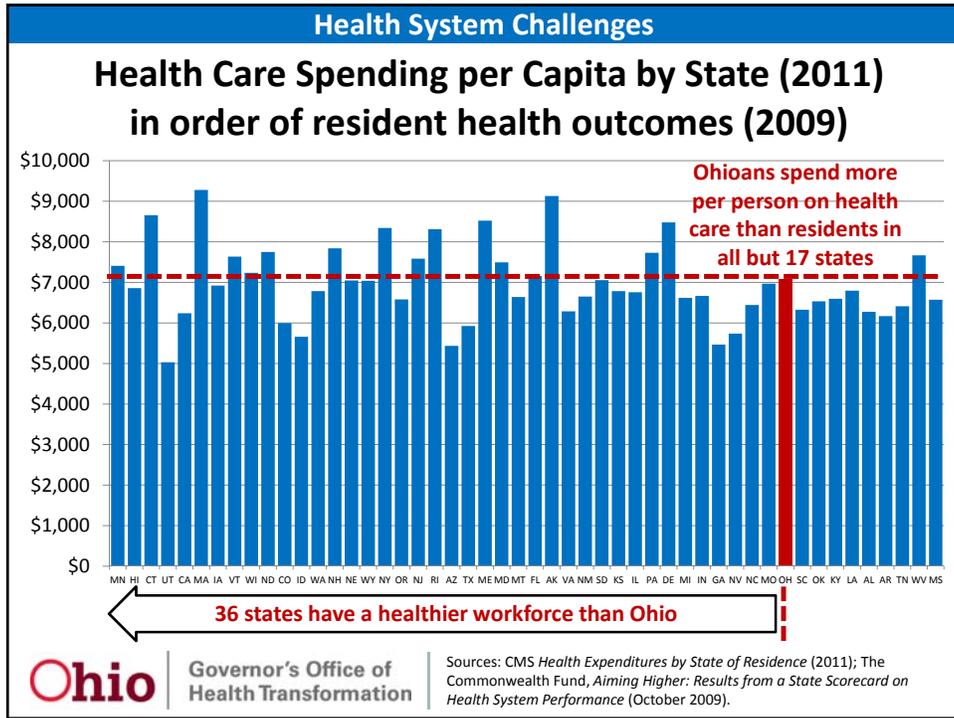
Health System Challenges

Medicaid is one program among many within the health care system

Many of the challenges exist in the health care system overall, not just Medicaid

The following slides describe some of those challenges

Medicaid can be used as a tool to improve overall health system performance



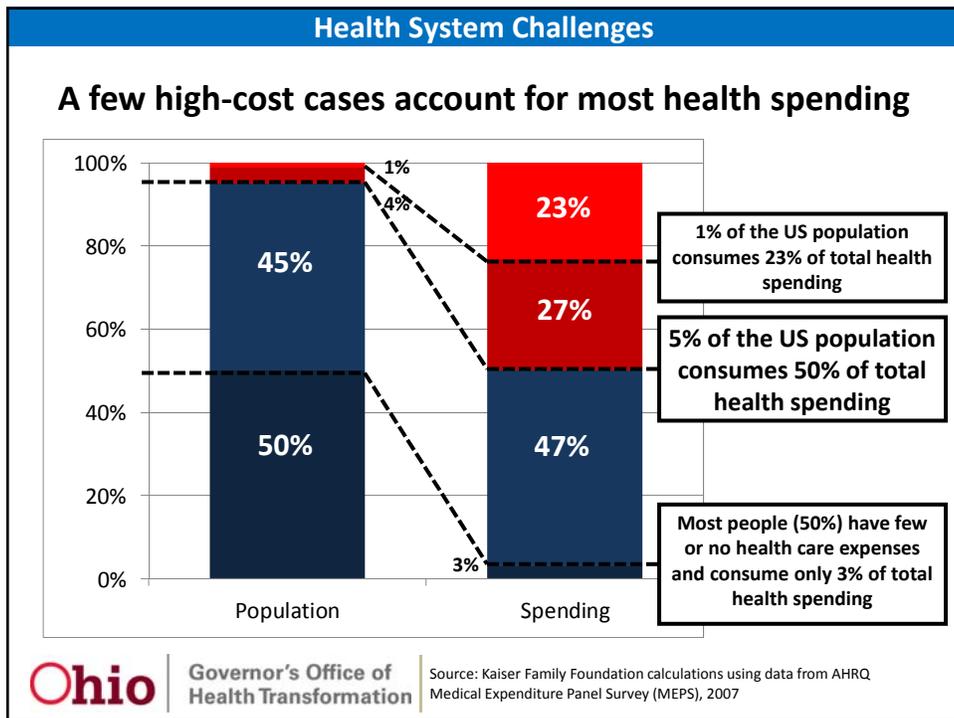
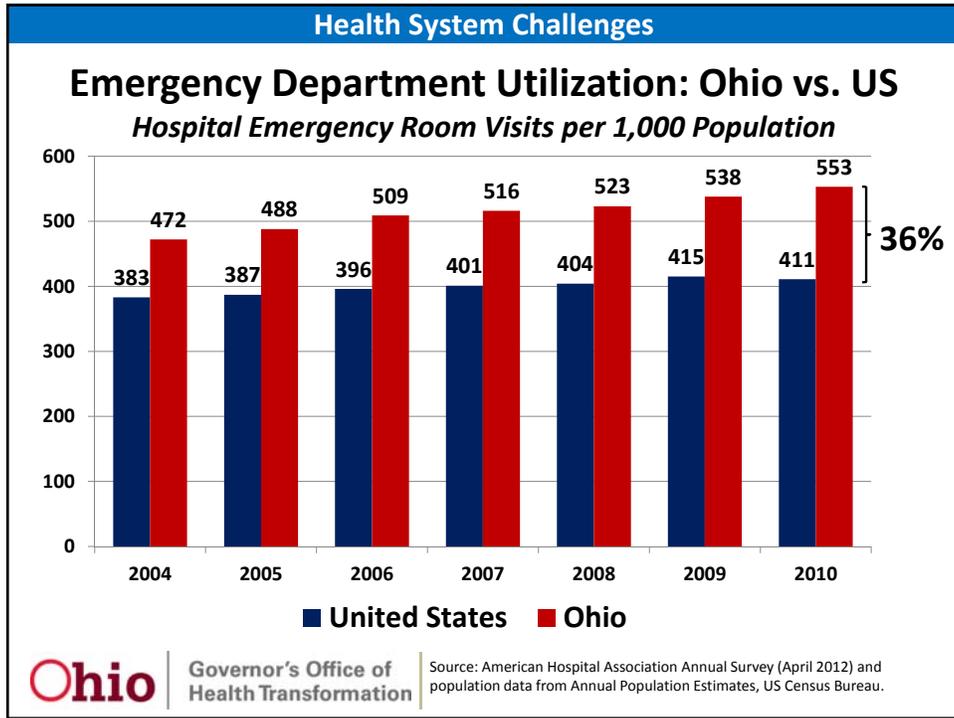
Health System Challenges

Per Capita Health Spending: Ohio vs. US

Measurement	US	Ohio	Percentage Difference	Affordability Rank (Out of 50 States)
Total Health Spending	\$6,815	\$7,076	+3.8%	33
Hospital Care	\$2,475	\$2,881	+16.4%	36
Physician/Clinical	\$1,650	\$1,456	-11.8%	12
Nursing Home Care	\$447	\$610	+36.5%	43
Home Health Care	\$223	\$223	--	38

Ohio | Governor's Office of Health Transformation

Source: 2009 Health Expenditure Data, Health Expenditures by State of Residence, Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, released December 2011; available at <http://www.cms.gov/NationalHealthExpendData/downloads/resident-state-estimates.zip>



Health System Challenges	
Health Care System Choices	
Fragmentation	vs. Coordination
<ul style="list-style-type: none">• Multiple separate providers• Provider-centered care• Reimbursement rewards volume• Lack of comparison data• Outdated information technology• No accountability• Institutional bias• Separate government systems• Complicated categorical eligibility• Rapid cost growth	<ul style="list-style-type: none">• Accountable medical home• Patient-centered care• Reimbursement rewards value• Price and quality transparency• Electronic information exchange• Performance measures• Continuum of care• Medicare/Medicaid/Exchanges• Streamlined income eligibility• Sustainable growth over time

 Governor's Office of Health Transformation | SOURCE: Adapted from Melanie Bella, *State Innovative Programs for Dual Eligibles*, NASMD (November 2009)

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 Governor's Office of Health Transformation

Ohio's Economic Crisis in January 2011

- \$7.7 billion fiscal imbalance going into the state's 2012-2013 budget
- 89-cents in the rainy day fund
- Nearly dead last in job creation
- More than 1.5 million uninsured Ohioans – most of them (75%) working
- Medicaid spending increased 33% over the 3 prior years – resulted in multiple budget corrections
- Medicaid was stuck and in need of significant reform

Governor Kasich's Priorities

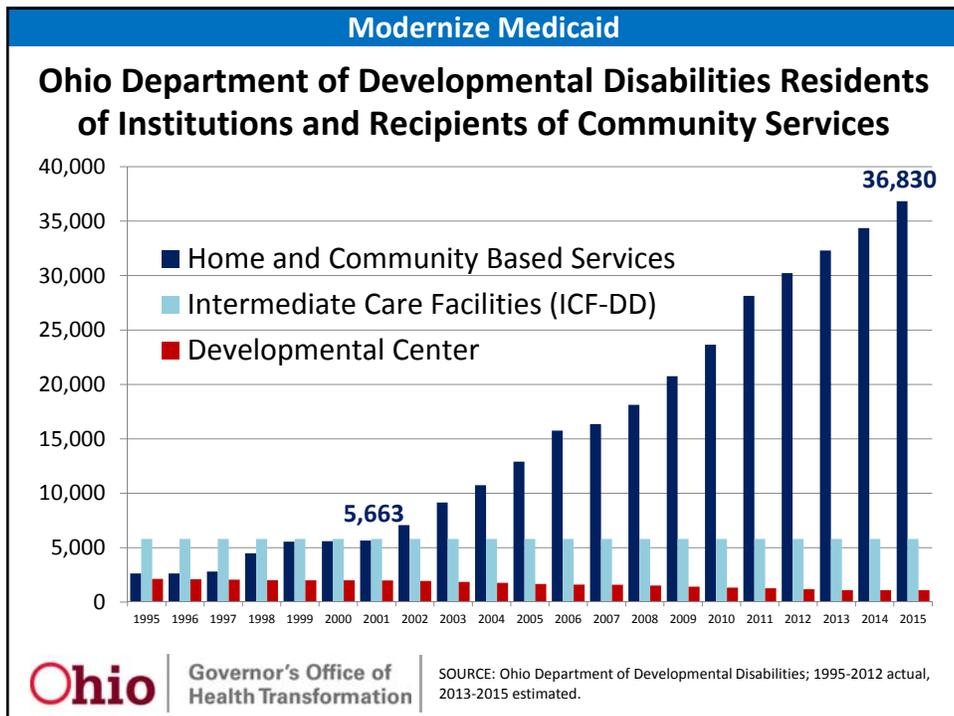
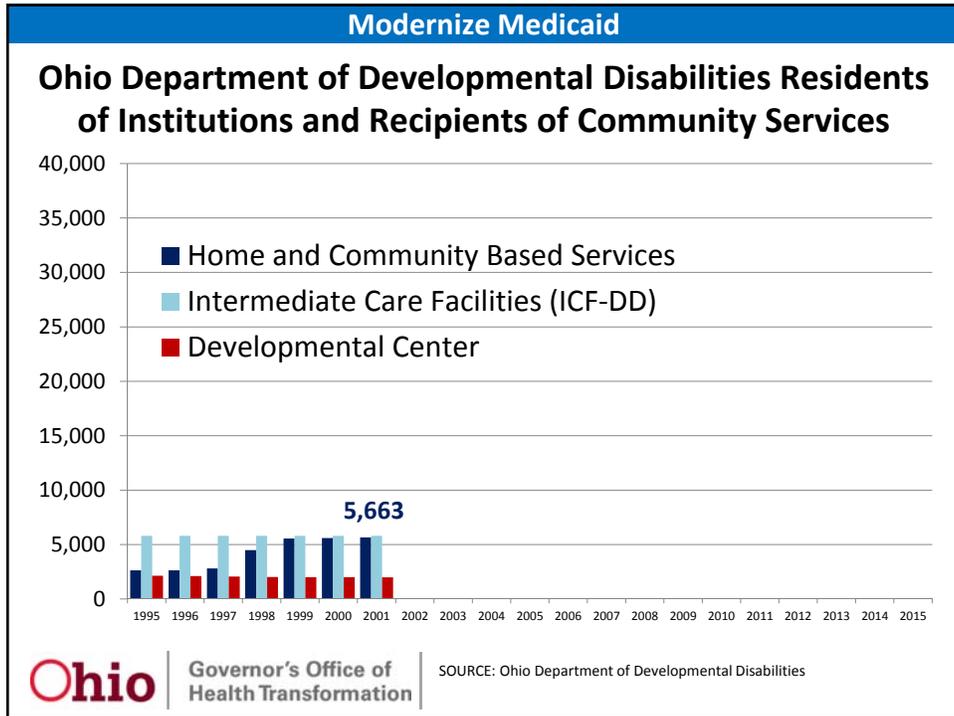
- Growing the economy is Job #1
- *"Don't let the fear of failure prevent you from taking the risk necessary to innovate"* (Governor Kasich)
- Innovate at the speed of business
 - Ohio Medicaid's \$19.7 billion budget in 2013 would rank #142 on the Fortune 500
 - The current #142 (Time Warner) has 51,000 employees compared to Ohio Medicaid's 720 employees (in July 2013)
- Created the Office of Health Transformation to:
 - Modernize Medicaid,
 - Streamline health and human services, and
 - Engage private sector partners to pay for value

Ohio Health Transformation Plan		
Modernize Medicaid	Streamline Health and Human Services	Pay for Value
<i>Initiate in 2011</i>	<i>Initiate in 2012</i>	<i>Initiate in 2013</i>
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Modernize Medicaid

President Reagan's Reform Blueprint

- The modern Medicaid program has its roots in Reagan-era reforms
 - Expanded coverage four times for children and pregnant women
 - Championed home and community based alternatives to institutions
 - Allowed states to enroll more people in managed care
- Ohio first resisted these reforms because of concerns about the reliability of federal funds
- Reagan's reforms are lauded today for improving the lives of Ohioans



Modernize Medicaid

Prioritize Home and Community Services

Jobs Budget and ongoing reforms

- Expand self directed waiver programs statewide (CHOICES and SELF waivers)
- Harmonize 5 different home and community based services waiver programs
- Transition 3,427 people to homes in the community (as of May 2013) using the Money Follows the Person (MFP) HOME Choice waiver
- Extend the MFP HOME Choice waiver through 2016
- Refer residents of nursing homes to the MFP HOME Choice program
- Create one “front door” to all programs (MFP workgroup)
- Create affordable housing options across all disability groups (MFP workgroup)
- Develop and expand MFP Local Housing and Services Cooperatives
- Increase accessible housing (MFP modular ramp project)
- Assist moving out of institutions (MFP housing voucher project in Cincinnati and Toledo)
- Assist people leaving institutions who want to work (MFP Employment Project)

Jobs Budget 2.0

- Join the Balancing Incentive Program – commit to 50/50 institutional vs. community spending and free up \$120 million in state funds over 2 years
- Increase rates for aides, nursing services, adult day care, and assisted living
- Implement a shared savings initiative for home health care providers
- Ensure core competencies in the direct care workforce

Modernize Medicaid

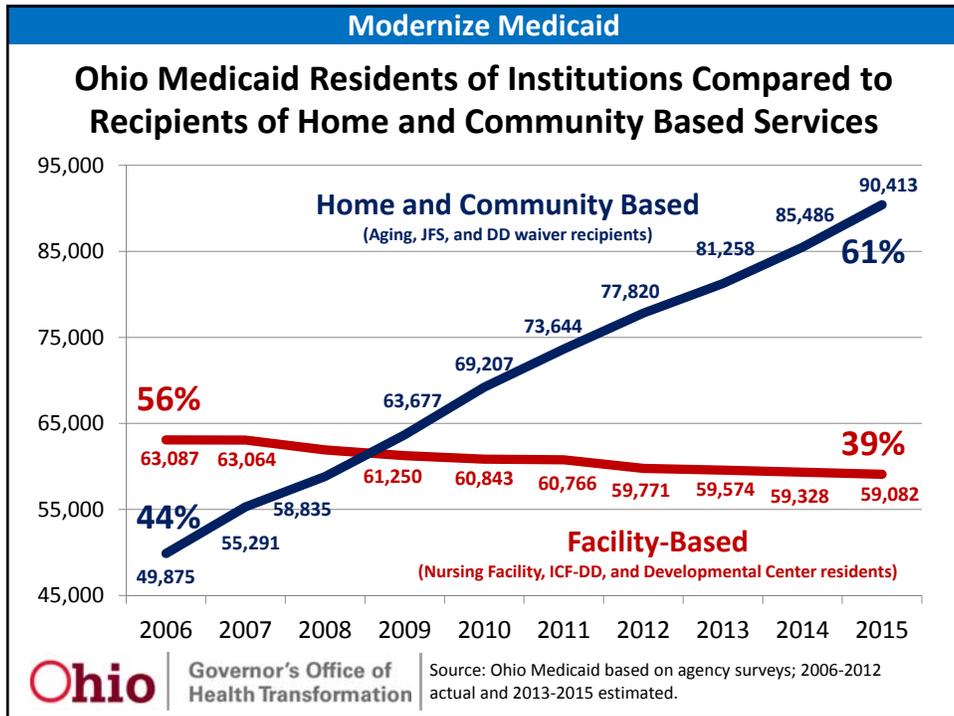
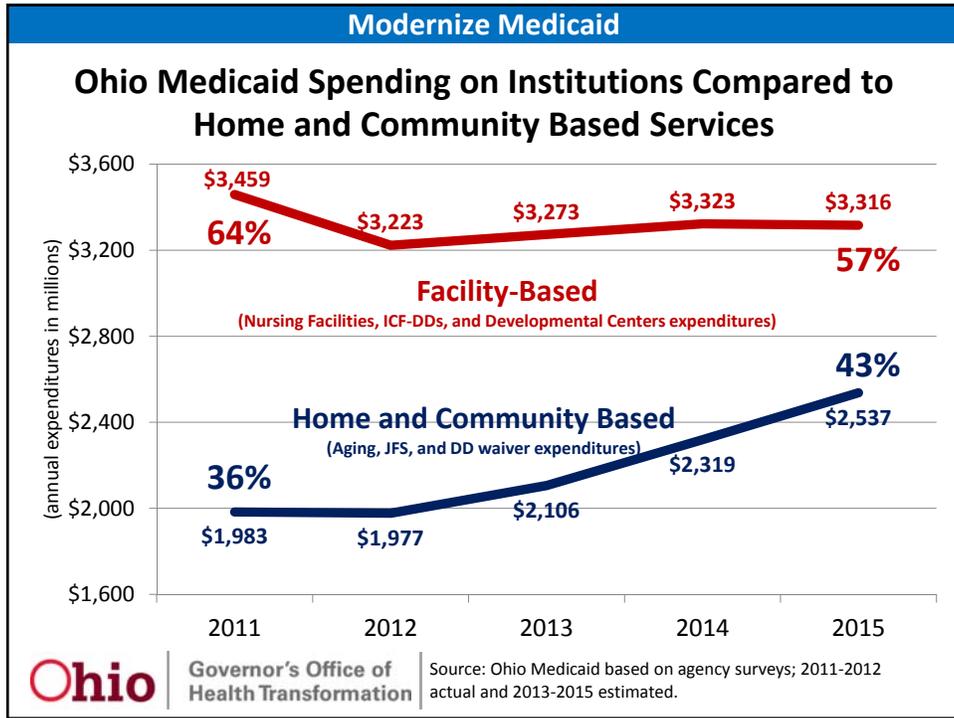
Improve Long-Term Services and Supports

Jobs Budget and ongoing reforms

- Increased rates for Targeted Case Management Services to individuals with DD
- Implemented federal face-to-face encounter requirements for home health visits
- Authorized certified addiction treatment agencies to administer Vivitrol in the office
- Broadened the use of Medicaid reimbursed long-acting antipsychotic medications
- Improved inpatient psychiatric admission prescreening to ensure all admissions meet medical criteria and that Medicaid is not paying inappropriately for inpatient care
- Implemented a new restraint, seclusion and restrictive intervention protocol
- Tightened criteria under which prior authorization is required for waiver services and to allow for cost caps to be raised when an individual experiences a significant change
- Implemented uniform rules across HHS agencies to assure vulnerable individuals receive care from providers who have not been convicted of disqualifying offenses

Jobs Budget 2.0

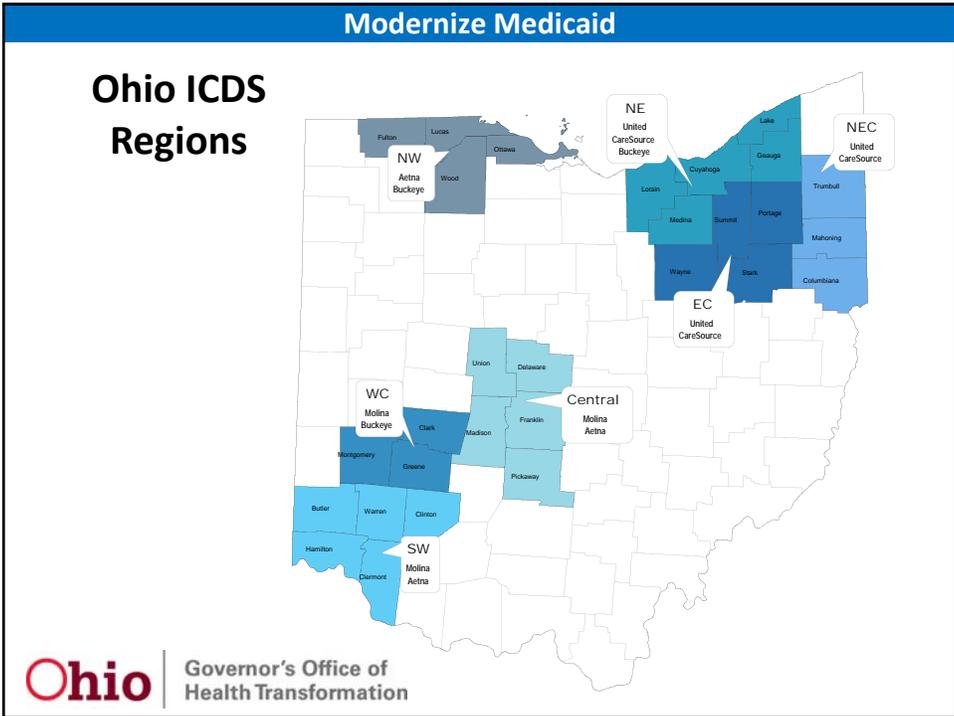
- Implemented a unified long term services and supports budget, combining funds for all individuals who are aged or physically disabled to provide flexibility in meeting individual needs as the demand for services and settings changes
- Provided franchise permit fee relief for exiting nursing home providers
- Allow nursing home providers to redetermine franchise permit fees if the provider surrenders one or more licensed beds

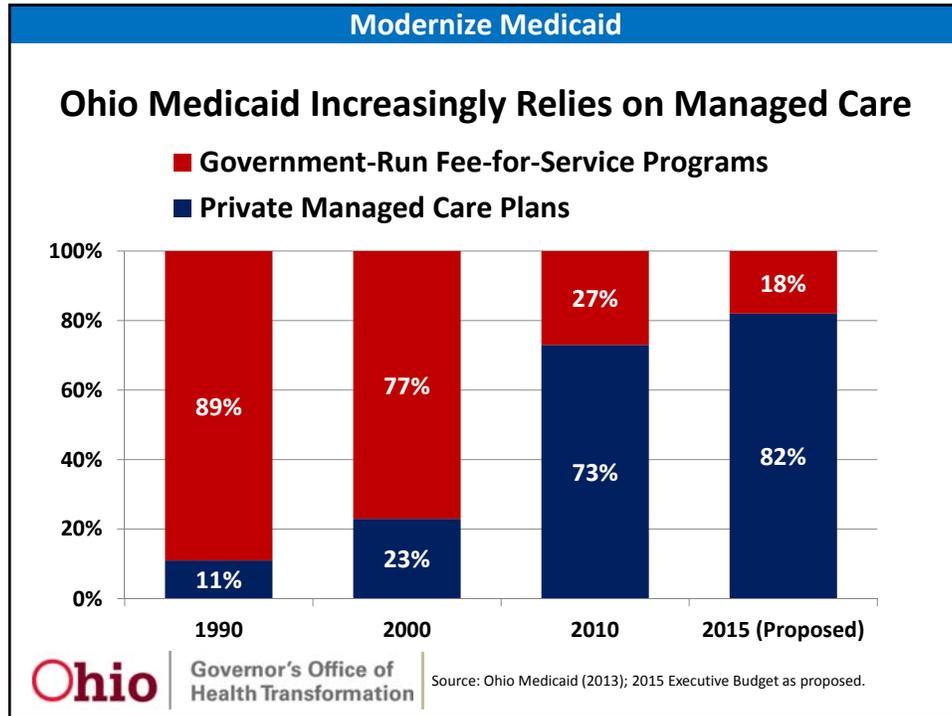


Modernize Medicaid

Integrate Medicare-Medicaid Benefits

- 182,000 Ohioans are eligible for Medicare and Medicaid
- They represent 14% of Medicaid enrollment and 34% of costs
- Ohio was the 3rd state in the nation approved to implement a Medicare-Medicaid “integrated care delivery system”:
 - 115,000 people (63% of Ohio’s Medicare-Medicaid population)
 - 7 regions (29 counties)
 - 5 health plans (Aetna, Buckeye, CareSource, Molina and United)
- Ohio’s vision for better care coordination:
 - Person centered (vs. provider, program or payer centered)
 - Integrated across physical, behavioral, long-term care, and social needs
 - Services are provided in the setting of choice
- Ohio Medicaid will share in savings that accrue to the federal Medicare program as a result of improved care coordination





Modernize Medicaid

Improve Managed Care Plan Performance

Competitively rebid managed care contracts

- Went from 7 plans in 8 regions to 5 plans statewide (3 regions)
- Increased choice for enrollees from 2 or 3 plans to 5
- Increased administrative efficiency (cut administrative rates 1% in the last budget and another 1% is proposed)
- Combined Covered Families and Children (CFC) and Aged, Blind and Disabled (ABD) programs to prevent beneficiary “dumping”
- Required managed care plans to locate key personnel and member services call centers in Ohio
- Changed the auto-assignment process to build new membership for incoming plans for a limited time
- Created the authority to terminate a plan for low membership

Modernize Medicaid

Improve Managed Care Plan Performance

Jobs Budget and ongoing reforms

- Required plans to be certified by the National Committee for Quality Assurance (NCQA is the gold standard for health plan accreditation)
- Redesigned the overall care management model to place greater emphasis on helping the most high needs individuals with more hands-on coordinated care
- Required plans to extend intensive care management to at least 1% of their overall population (address clinical and non-clinical needs in an integrated care plan, increase the staff to member ratio, and provide frequent in-person contact)
- Implemented new quality metric monitoring system based on data driven analyses of prevalent and costly conditions in the managed care population
- Implemented point-in-time quality of care checks to ensure real time monitoring of health plan activities related to specific quality initiatives
- Created a Health Equity Workgroup to reduce health disparities
- Reduced administrative burdens on health plans (industry standards adopted for data exchange; converted to self-reported national quality standards; more quickly share utilization data about new members)
- Streamlined the discharge planning process to ensure coordination between health plans and neonatal intensive care units (NICUs) to benefit infants and their families

Modernize Medicaid

Improve Managed Care Plan Performance

Jobs Budget and ongoing reforms (continued)

- Created a pharmacy lock-in with option for plans to lock a member into a physician
- Required greater provider access standards (e.g., PCPs accepting new patients)
- Returned the pharmacy benefit to plans to manage
- Revised the managed care coverage period for nursing homes to allow time for discharge to a home setting without disrupting managed care enrollment
- Aligned pharmacy prior authorization policy across managed care and fee-for-service programs in direct response to physician concerns
- Improved the automation of newborn coverage to reduce administrative burden
- Required plans to notify members of EPSDT benefits and services
- Reformed how capitation rates are set to reflect value-purchasing goals, and stopped setting rates based on fee-for-service data or encounter data
- Conduct an annual survey to bring rate setting closer to the marketplace
- Use low-acuity non-emergent (LANE) methodology to identify preventable emergency room use (Ohio is one of the few states to use the cutting-edge tool)
- Apply Agency for Healthcare Research and Quality guidelines to identify potentially preventable inpatient hospital admissions

Modernize Medicaid

Improve Managed Care Plan Performance

Getting Results

- Saving Ohio taxpayers' money:
 - Budget reforms saved \$144 million (\$52 million state) 2012-2013
 - Proposed reforms will save \$646 million (\$239 million state) 2014-2015
- Reforms allowed the following adjustments to 2013 rates:
 - 8% decrease to emergency room
 - 1.5% decrease to inpatient hospital
 - 12% decrease to pharmacy
- Better high-risk care management is cutting costs:
 - One plan achieved a 51% reduction in inpatient hospital costs and a 5% reduction in medical costs, including outpatient and ED visits, in 2012
 - Another plan reported a 20% reduction in inpatient hospital and ED visits for 1,300 members enrolled in high-risk care management

Modernize Medicaid

Fight Medicaid Fraud and Abuse

National Rankings and Awards

- Ranked #1 for indictments and #3 for convictions in 2012
- Selected by HHS-OIG as the #1 MFCU in the country in 2011
- Outrank most states in total provider audits conducted (#3), catching overpayments (#2), recoveries from audits (#4), and total recoveries (#5)

Jobs Budget 2.0

- Conduct more on-site reviews
- Increase audit recoveries
- Better manage hospital utilization
- Involve providers in third-party recoveries
- Revalidate providers every five years
- Access to Ohio Automated Rx Reporting System (OARRS)
- Save \$74.3 million (\$27.4 million state share) over 2 years

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Streamline Health and Human Services

Ohio HHS policy, spending and administration is split across multiple state and local jurisdictions

This inefficient structure impedes innovation and lacks a clear point of accountability

We need to share services to increase efficiency, right-size state and local service capacity, and streamline governance

Ohio Health Transformation Plan		
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Streamline Health and Human Services
<h2>Streamline Medicaid Administration</h2> <p>Jobs Budget and ongoing reforms</p> <ul style="list-style-type: none"> Created the Office of Health Transformation to coordinate across Medicaid-related agencies Turned on the new Medicaid Information Technology System (MITS), a more flexible claims payment system (claims adjustments under the old system were paper-based; MITS cut the volume of paper and administrative burden in half in one year) Awarded a contract to implement a new integrated eligibility system for Medicaid, TANF, SNAP and other HHS programs (online, real-time Medicaid eligibility determinations will reduce burden on counties; most of the cost of building the system is 90% federally funded) Cleared a backlog of federal state plan amendments (53 approved 2011-2013) Received federal approval for 1 new waiver, 2 five-year renewals, and 8 waiver amendments Launched a federally-funded Medicaid Provider Incentive Program to reward doctors and hospitals that implement or upgrade electronic health records (Ohio is 2nd in the nation in the number of providers receiving a payment) Since January 2011, made or received approval for \$410 million in IT improvements and investments (\$353 million of that is federally funded) Freed local behavioral health care systems from Medicaid match responsibilities <p>Jobs Budget 2.0</p> <ul style="list-style-type: none"> Simplify and reform the Medicaid line item structure across all Medicaid agencies Create a new Department of Medicaid on July 1, 2013 Consolidate mental health and addiction services on July 1, 2013

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Pay for Value

Ohioans spend more per person on health care than residents in all but 17 states

Ohio ranks 37 in health outcomes – higher spending is not resulting in better care

We need to get the right information in the right place at the right time to improve care, and reward better care not just more care

Pay for Value

How can the State of Ohio leverage its purchasing power to improve overall health system performance?



Ohio Health Transformation Plan

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Pay for Value

Ohio Catalyst for Payment Reform (CPR)

- Coordinate existing payment reform among public and private purchasers to align expectations for better care
- Ohio – Medicaid, PERS, Administrative Services, Workers Compensation, Rehabilitation and Corrections, Insurance
- Nationally – 3M, Boeing, CalPERS, Delta, Dow, eBay, Equity, FedEx, GE, Intel, Marriott, Safeway, Verizon, Wal-Mart, Xerox*
- Work on shared agenda to increase the proportion of payments designed to cut waste or reflect performance
- Ohio was the first state Medicaid program to join CPR
- Incorporating CPR's "model contract" for payment innovation into Medicaid managed care plan contracts (January 2013)



Governor's Office of
Health Transformation

* www.catalyzepaymentreform.org

Pay for Value

Ohio Medicaid Payment Innovation

Health Plans

- Simplified and strengthened pay for performance (P4P) based on six measures that connect to Medicaid's quality strategy
- Linked 1% of health plan payments (about \$60 million) to achieving positive health outcomes for members
- Created new performance improvement plans (PIPs), 15 projects across the plans to improve dental care, well child visits, and timeliness of care for members with special health care needs (all 5 plans implemented a diabetes screening PIP)
- Additional payment changes proposed in the budget (cap overhead at 1%, reduce pharmacy 5%, cap medical utilization growth at 3%) will save \$646 million (\$239 state) over 2 years



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Pay for Value

Ohio Medicaid Payment Innovation***Nursing Homes***

- Converted from cost-based to price-based reimbursement
- Linked nearly 10% of reimbursement to quality outcomes (the pending budget strengthens the quality measures)
- Implement an integrated care delivery system for Medicare-Medicaid enrollees, and share savings with Medicare
- Provide post-acute rehabilitation in nursing facilities instead of hospitals (proposed; saves \$648 per patient day)
- Assist nursing home residents under age 60 who are physically healthy but have a mental illness and want to move back into the community (proposed; saves \$35,250 per year per move*)



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*Savings estimate is based on an analysis of 400+ successful HOME Choice placements in 2011.

Pay for Value

Ohio Medicaid Payment Innovation***Other examples of paying for performance***

- Created Medicaid health homes to pay for better coordination between physical and behavioral health care services
- Replaced Ohio's 15 year old hospital inpatient reimbursement system (increased cost coverage for rural hospitals from an average of about 50% to 70%; budget neutral to the state)
- Implemented a 2-year federally-funded Medicaid rate increase for primary care
- Implemented a Diabetes Supply and Rebate Program that is saving 76% on test strips and providing patient education at no cost to the state
- Developed an outlier payment program for pediatric ventilators to reduce hospital stays

Pay for Value

Governor's Council on Payment Innovation

- Convene health care purchasers, providers, plans and consumer advocates to prioritize and coordinate multi-payer health care payment innovation activities statewide
- Prioritize state activities that enable payment innovation and pull waste out of the system
- Received a federal State Innovation Model (SIM) grant to design and test payment models across multiple payers
- Expand the capacity and availability of patient-centered medical homes to most Ohioans within 5 years
- Define and administer episode based payments for most acute medical events within 5 years



Pay for Value

Patient-Centered Medical Homes

Reorganize primary care to be patient-centered, comprehensive, team-based, and easily accessible – all supported by health IT and systems that continuously improve quality and safety

- Currently 228 PCMH-recognized practice sites in Ohio (as of 1/6/2013)
- Columbus, Cleveland and Cincinnati have multi-payer PCMH projects
- PCMH quality bonuses (Anthem), statewide PCMH recognition program (Aetna), network building with PCMH focus (Medical Mutual)
- Center for Medicare and Medicaid Innovation (CMMI) Comprehensive Primary Care Initiative (Southwest Ohio)
- CMMI Independence at Home Demonstration (Cleveland Clinic)
- CMMI Community Oncology Medical Home (Oncology Business Solutions)
- Ohio Patient-Centered Primary Care Collaborative – 400+ stakeholders
- Ohio PCMH Education Pilot Project provides grants to convert 50 practices in underserved areas to PCMH status and use them as training sites

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2011 Crisis

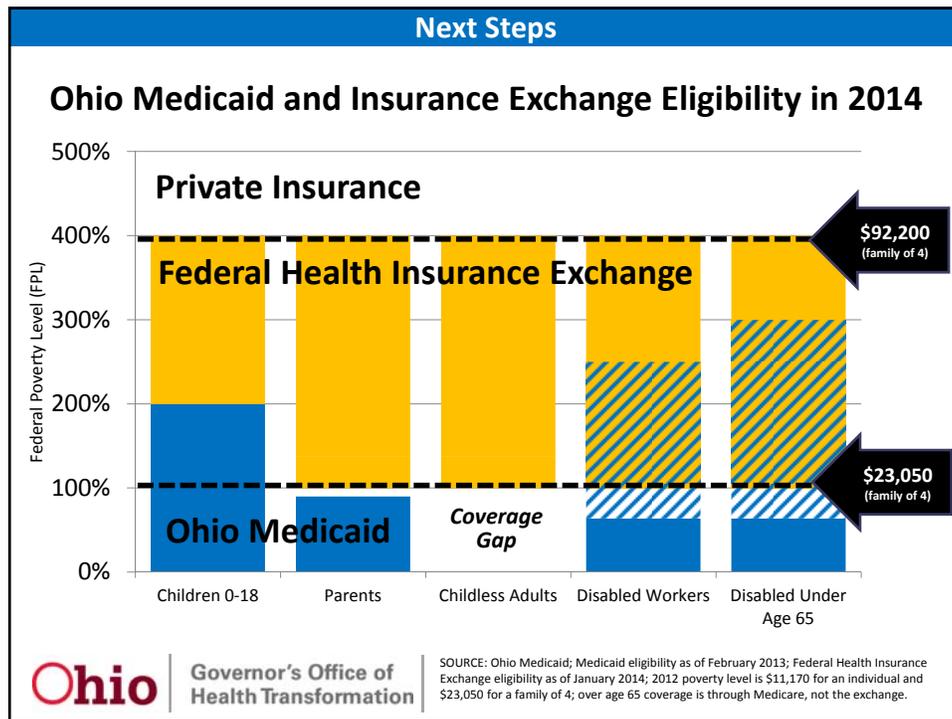
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- More than 1.5 million uninsured Ohioans (75% of them working)

2011 Crisis	vs.	Results Today
<ul style="list-style-type: none"> • \$7.7 billion fiscal imbalance • 89-cents in the rainy day fund • Nearly dead last in job creation • Medicaid spending increased 33% over the 3 prior years • Medicaid overspending required multiple budget corrections • Ohio Medicaid stuck in the past and in need of reform • More than 1.5 million uninsured Ohioans (75% of them working) 		<ul style="list-style-type: none"> • Balanced budget • \$1.4 billion in the rainy day fund • Ranked number 1 in the Midwest • Medicaid spending was held to below 3% in 2012 • Medicaid spending came in \$590 million under budget in 2012 • Ohio leads the nation in reforms to modernize Medicaid • There are still 1.5 million Ohioans who are uninsured

Next Steps

Obamacare creates a coverage gap

- ***As a result of the Affordable Care Act, beginning Jan. 1, 2014:***
 - Every Ohioan must purchase health insurance or face a penalty in federal income taxes, and
 - Every Ohioan may purchase private health insurance on a Health Insurance Exchange
 - Ohioans with income 100-400% of poverty may claim a federal income tax credit to offset a portion of the cost of health insurance they purchase on the Exchange
 - Poor children, parents, seniors and people with disabilities are covered by Medicaid, most in private managed care plans
- ***Ohio's poorest adults (annual income below \$11,170) will not be eligible for a federal income tax credit or Medicaid unless they have a dependent child or disability***



Next Steps

Who is Stranded in the Coverage Gap?

- Ohioans with income less than 100% of poverty (\$11,170 for an individual or \$23,050 for a family of four)
- Many work but their employer does not offer or they cannot afford health insurance
- Many work as health care providers for others but don't themselves have coverage
- Many are over age 55 looking for work but finding it difficult
- At least 26,000 are veterans
- Some are unable to work because of mental illness or addiction but have no regular source of care to recover
- ***When these uninsured individuals seek care, often in the emergency room, other Ohioans pay the cost through higher premiums and other indigent care programs***

Next Steps

Extending coverage makes sense for Ohio

- Right care, right place, right time – not the emergency room
 - Cover 275,000 uninsured, low-income Ohioans, including 26,000 veterans
- Keep Ohioans' federal tax dollars in Ohio
 - 100% federally funded for 3 years, decreasing to 90% in 2020 and beyond
 - \$2.4 billion over 2 years (\$13 billion over 7 years)
- Strengthen local mental health and addiction services
 - Free up \$100+ million in local levy dollars
- Protect local hospitals from Obamacare cuts
 - Medicaid uncompensated care payments will be cut in half by 2019
- Protect Ohio businesses from Obamacare penalties
 - Businesses will pay \$88 million more annually if Ohio does not expand
- Provide immediate taxpayer relief in Ohio's budget
 - Free up \$690 million – \$404 million in state spending – over 2 years
 - Automatically shuts down if federal funding is less than expected

Next Steps

Extend coverage but insist on reform

- Improve the health of Ohio residents
- Reduce health care costs, including uncompensated care
- Boost enrollment in private health insurance plans
- Require greater personal responsibility through cost sharing
- Connect people with addictions to treatment and prevent their accessing narcotics through the health care system
- Promote employment and job training services that move able-bodied Ohioans into work and decrease Medicaid caseloads
- Leverage the purchasing power of the Ohio Medicaid program to accelerate private sector health care payment innovation