



**Governor's Office of  
Health Transformation**

# **Better Health, Better Care, and Cost Savings Through Improvement**

**Greg Moody, Director  
Governor's Office of Health Transformation**

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# Ohio's Health System Performance

## ***Health Outcomes – 42<sup>nd</sup> overall<sup>1</sup>***

- 42<sup>nd</sup> in preventing infant mortality (only 8 states have higher mortality)
- 37<sup>th</sup> in preventing childhood obesity
- 44<sup>th</sup> in breast cancer deaths and 38<sup>th</sup> in colorectal cancer deaths

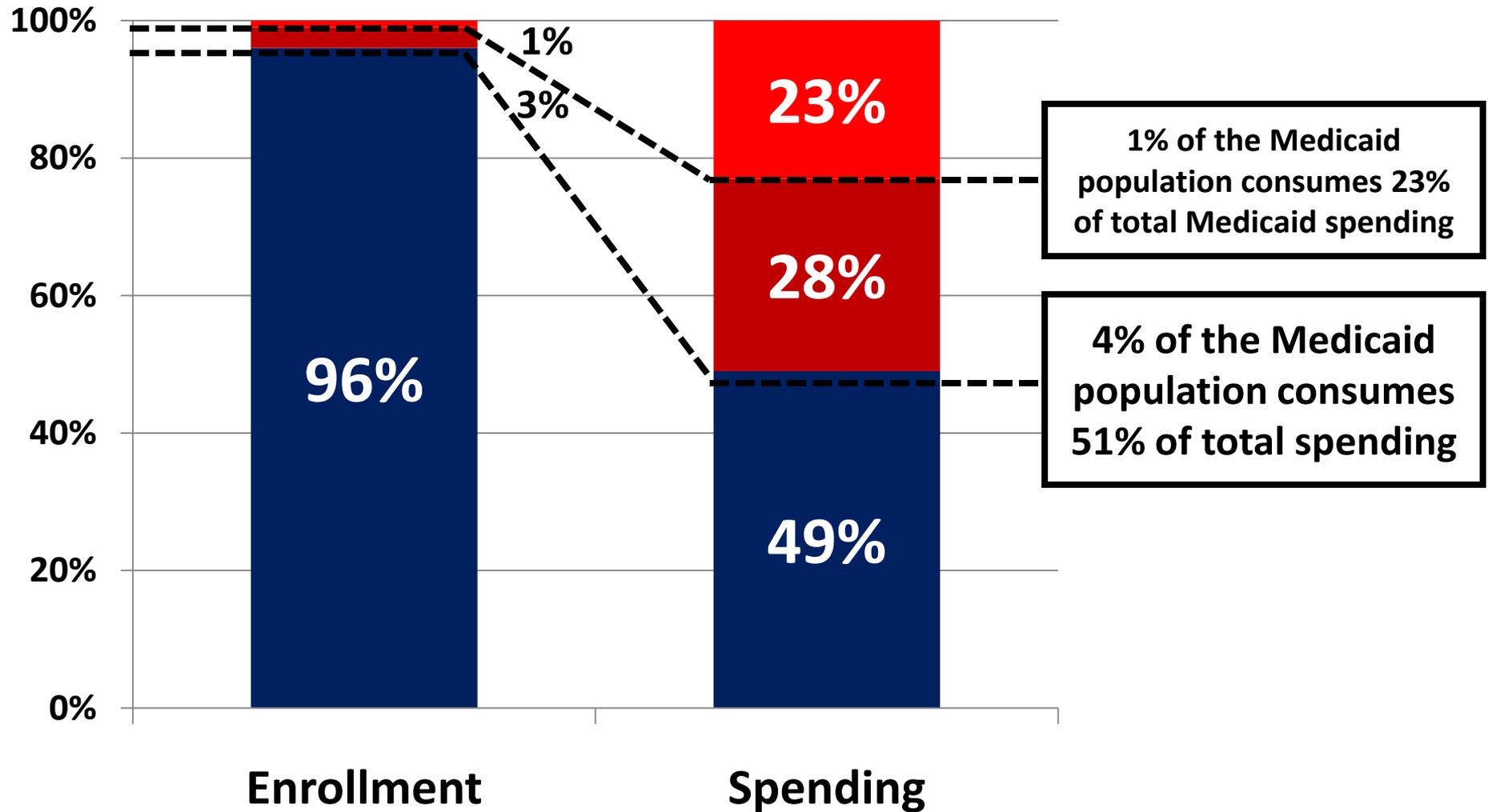
## ***Prevention, Primary Care, and Care Coordination<sup>1</sup>***

- 37<sup>th</sup> in preventing avoidable deaths before age 75
- 44<sup>th</sup> in avoiding Medicare hospital admissions for preventable conditions
- 40<sup>th</sup> in avoiding Medicare hospital readmissions

## ***Affordability of Health Services<sup>2</sup>***

- 37<sup>th</sup> most affordable (Ohio spends more per person than all but 13 states)
- 38<sup>th</sup> most affordable for hospital care and 45<sup>th</sup> for nursing homes
- 44<sup>th</sup> most affordable Medicaid for seniors

# A few high-cost cases account for most Medicaid spending



## Fragmentation

vs.

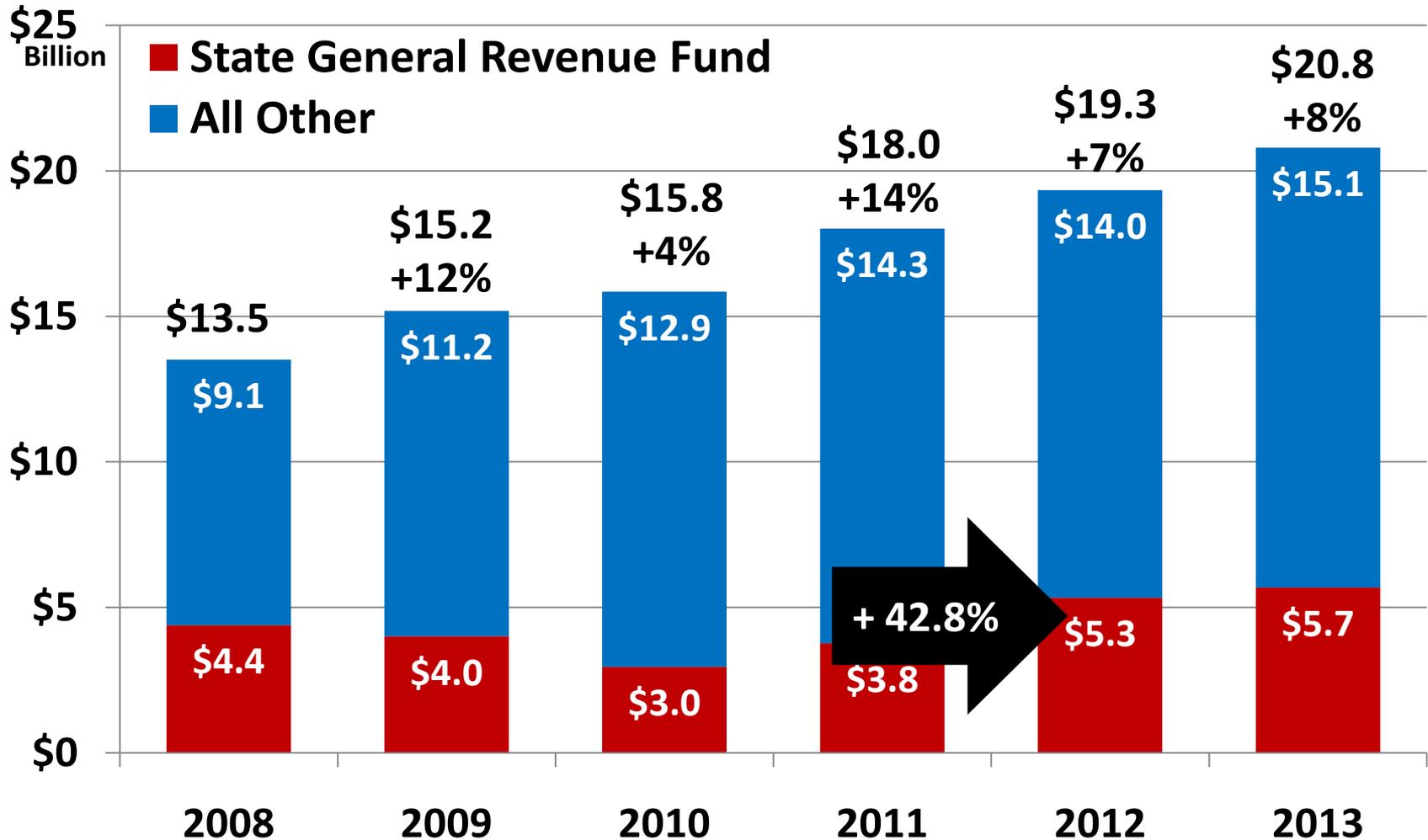
## Coordination

- 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- Outdated information technology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

- 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

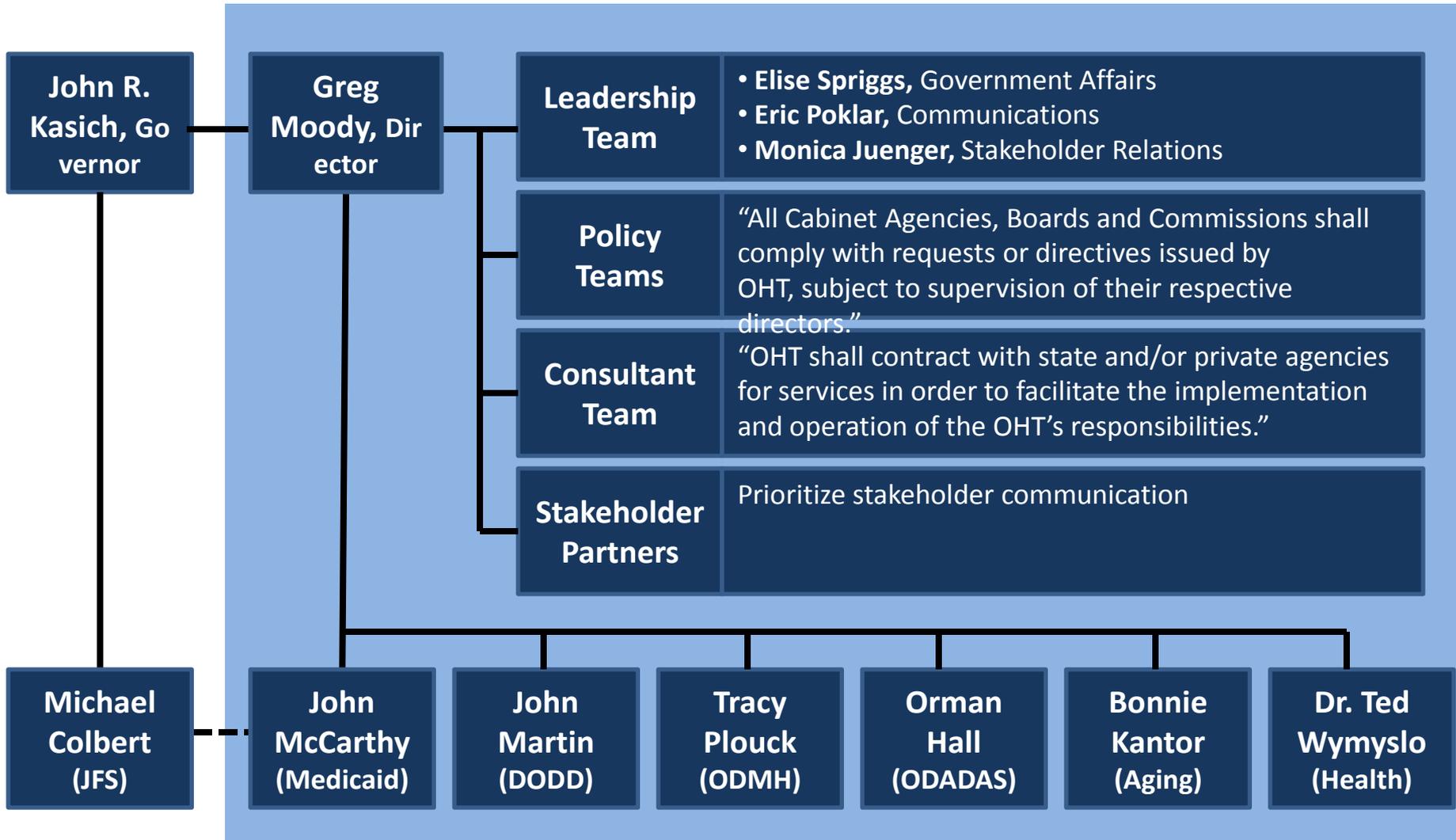
# Ohio Medicaid Spending Trend

*9 percent average annual growth, 2008-2011*



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Source: Office of Health Transformation Consolidated Medicaid Budget, All Funds, All Agencies; actual SFY 2008-2010 and estimated SFY 2011-2013; "All Other" includes Federal Funds and Non-General Revenue Funds (non-GRF)



# Health Transformation Priorities

- Improve Care Coordination
- Integrate Behavioral/Physical Health Care
- Rebalance Long-Term Care
- Modernize Reimbursement
- Balance the Budget

[www.healthtransformation.ohio.gov](http://www.healthtransformation.ohio.gov)

# Improve Care Coordination

*Coordinate care to achieve better health and cost savings through improvement*

## **RECOMMENDATIONS:**

- Promote Health Homes
- Provide accountable care for children
- Create a single point of care coordination

# The Vision for Better Care Coordination

- The vision is to create a person-centered care management approach – not a provider, program, or payer approach
- Services are integrated for all physical, behavioral, long-term care, and social needs
- Services are provided in the setting of choice
- Easy to navigate for consumers and providers
- Transition seamlessly among settings as needs change
- Link payment to person-centered performance outcomes

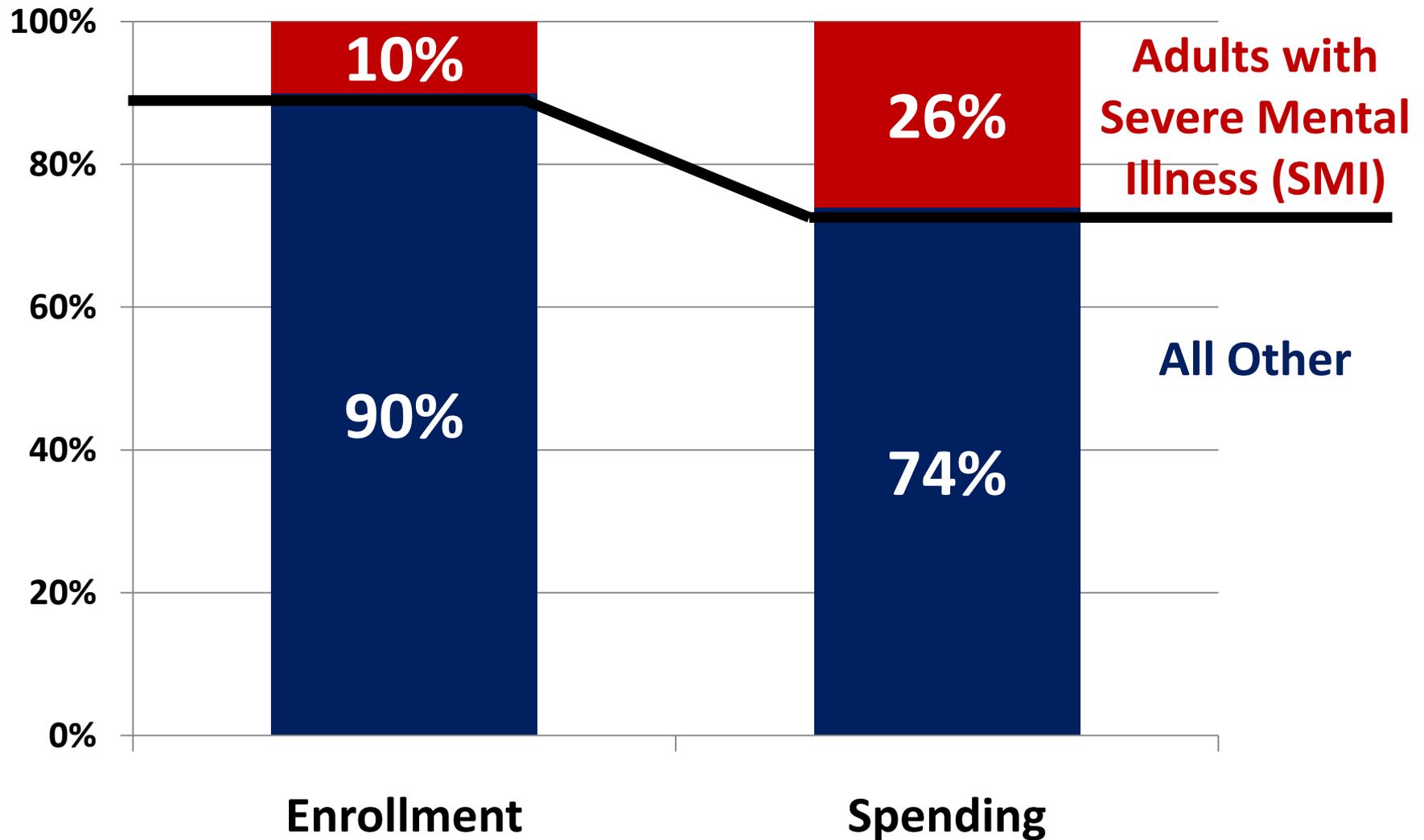
## RECOMMENDATION:

# Create a Single Point of Care Coordination

Implement an Integrated Care Delivery System:

- Focus first on 113,000 dual eligibles in nursing homes and on waivers, and individuals with severe mental illness
- Explore options for delivery models, including managed care, accountable care organizations, health homes, and other
- Require providers to have one point of care coordination
- Triple aim: improve the experience of care, enhance the health of populations, and reduce costs through improvement
- Seek the necessary federal waivers
- Budget neutral (with potential for significant future savings)

# Medicaid Hot Spot: Enrollment and Spending for Severe Mental Illness



# Integrate Behavioral/Physical Health

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

## **RECOMMENDATIONS:**

- Integrate behavioral and physical health benefits
- “Elevate” behavioral health financing to the state
- Manage behavioral health service utilization through a variety of strategies to avoid across-the-board rate cuts (saves \$243 million over the biennium)
- Consolidate housing programs

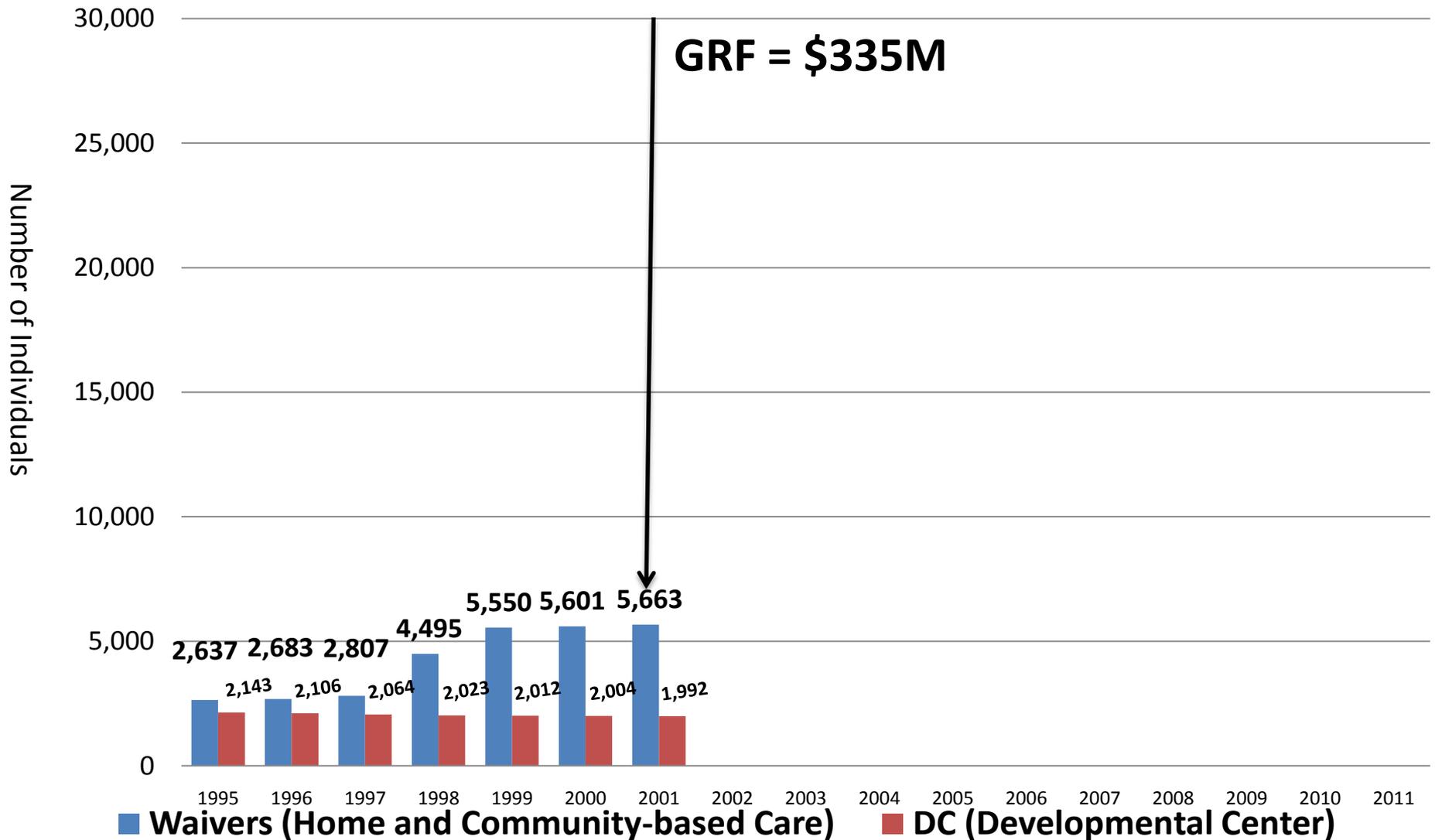
# Rebalance Long Term Care

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

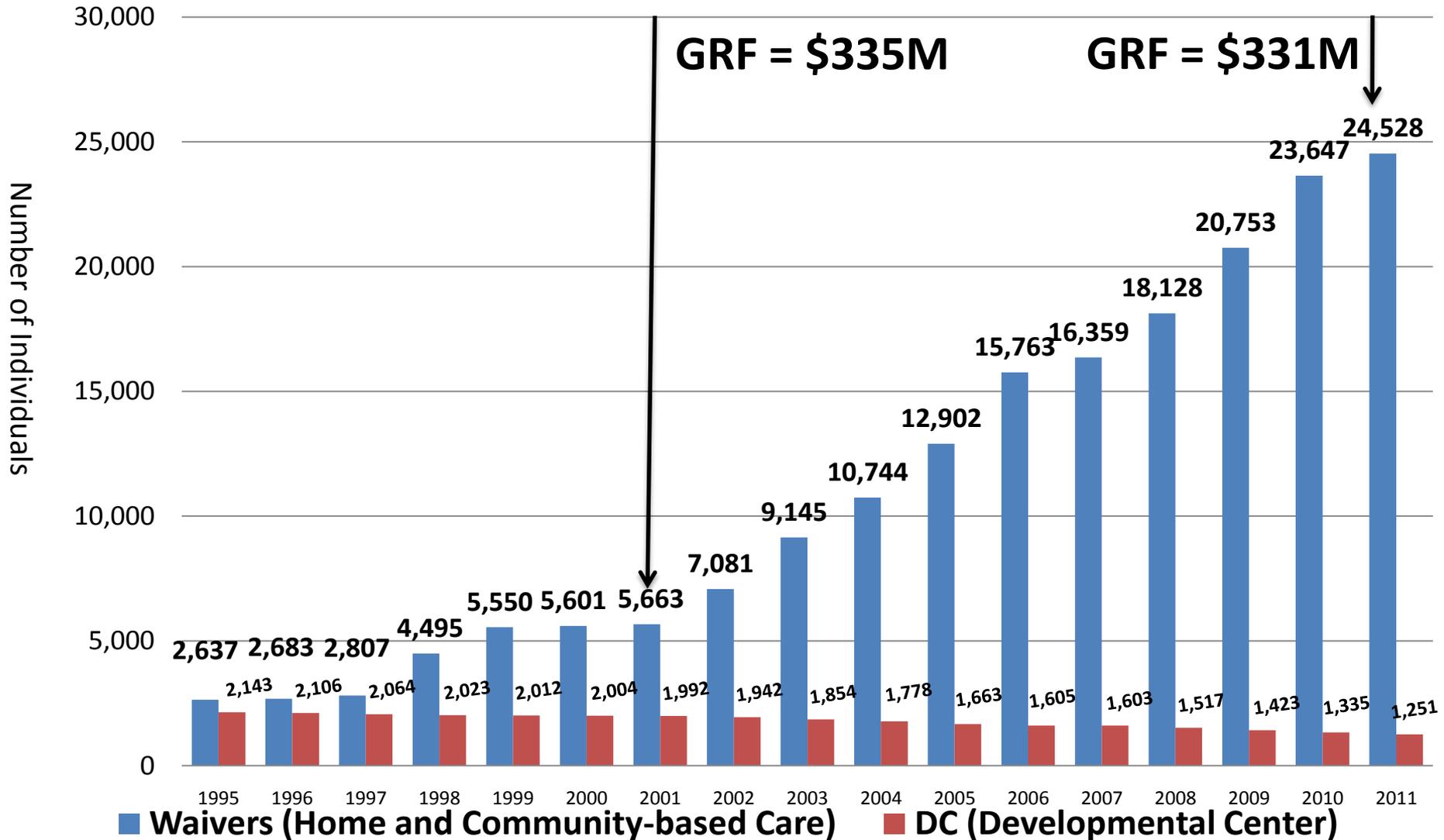
## **RECOMMENDATIONS:**

- Align programs for people with developmental disabilities
- Create a Unified Long Term Care System
- Reform nursing facility payment

# A Case Study in Transformation: Ohio Department of Developmental Disabilities



# A Case Study in Transformation: Ohio Department of Developmental Disabilities



## RECOMMENDATION:

# Align Programs for People with DD

- Continue the transformation already underway
- Transfer Intermediate Care Facilities (ICFs) from ODJFS to DODD
- Transfer Transitions waiver from ODJFS to DODD
- Consolidate DODD Medicaid funding into one line item
- Utilization management
- Continued institution/community realignment
- Saves \$62.0 million over the biennium

## RECOMMENDATION:

# Create a Unified Long-Term Care System

- Make services seamless for consumers and families
- Create a single point of access by consolidating PASSPORT, Ohio Home Care, Transitions/Aging, Choices, Assisted Living
- Transfer Medicaid waiver funding to ODJFS 600-525
- Create a clear “front door” into the delivery system
- Budget neutral

# Reform Nursing Facility Payments

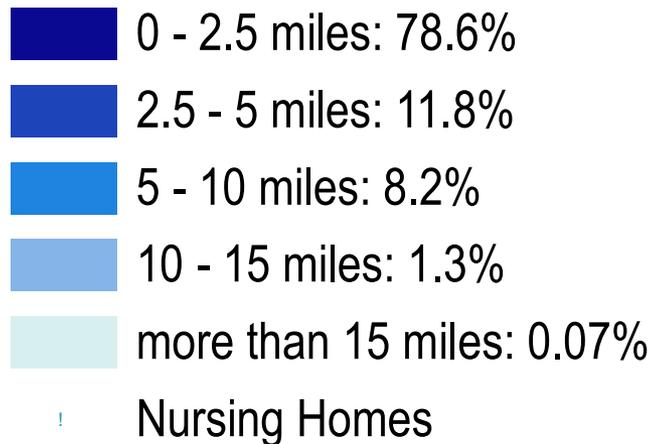
- Payment reform is needed to rebalance long-term care
- Ohio's Medicaid reimbursement per bed per day for nursing homes is \$4.75 higher than the national average<sup>1</sup>
- Ohio has more nursing homes than all but 2 states.<sup>2</sup>
- Ohioans are more likely to live near a nursing home than a public high school<sup>3</sup>
- 15% of Ohio nursing home beds are empty on average
- Medicaid reforms in FY 2007 began the process of addressing these issues by transitioning to a price-based payment system

#### Sources:

1. Ohio Health Care Association.
2. <http://www.statehealthfacts.org/comparemaptable.jsp?ind=411&cat=8>
3. There are 962 nursing homes and 897 public high schools in Ohio

# 98.6% of Medicaid enrollees live within 10 miles of a nursing facility

Percent of Medicaid enrollees within distance of a nursing facility

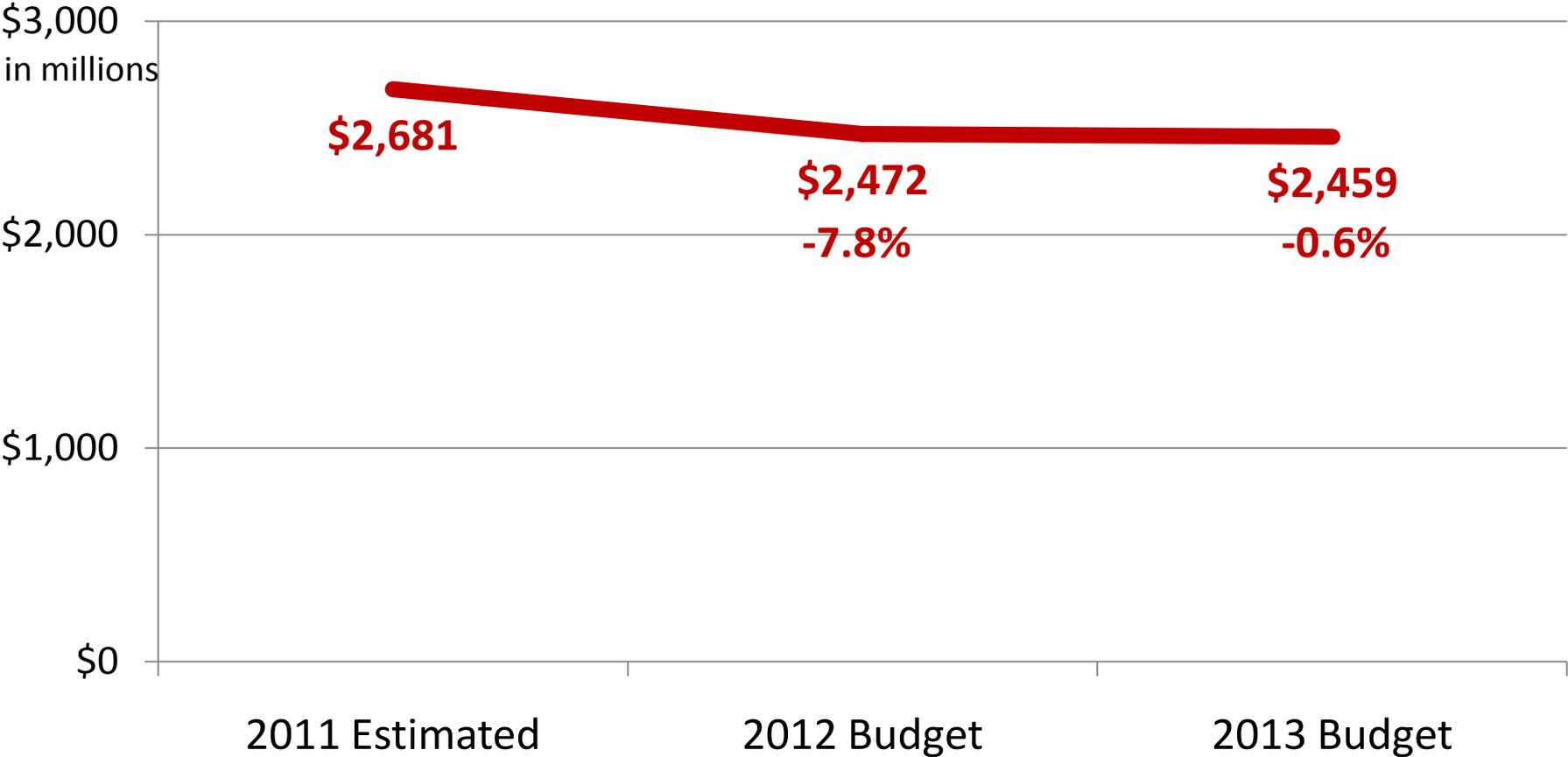


## RECOMMENDATION:

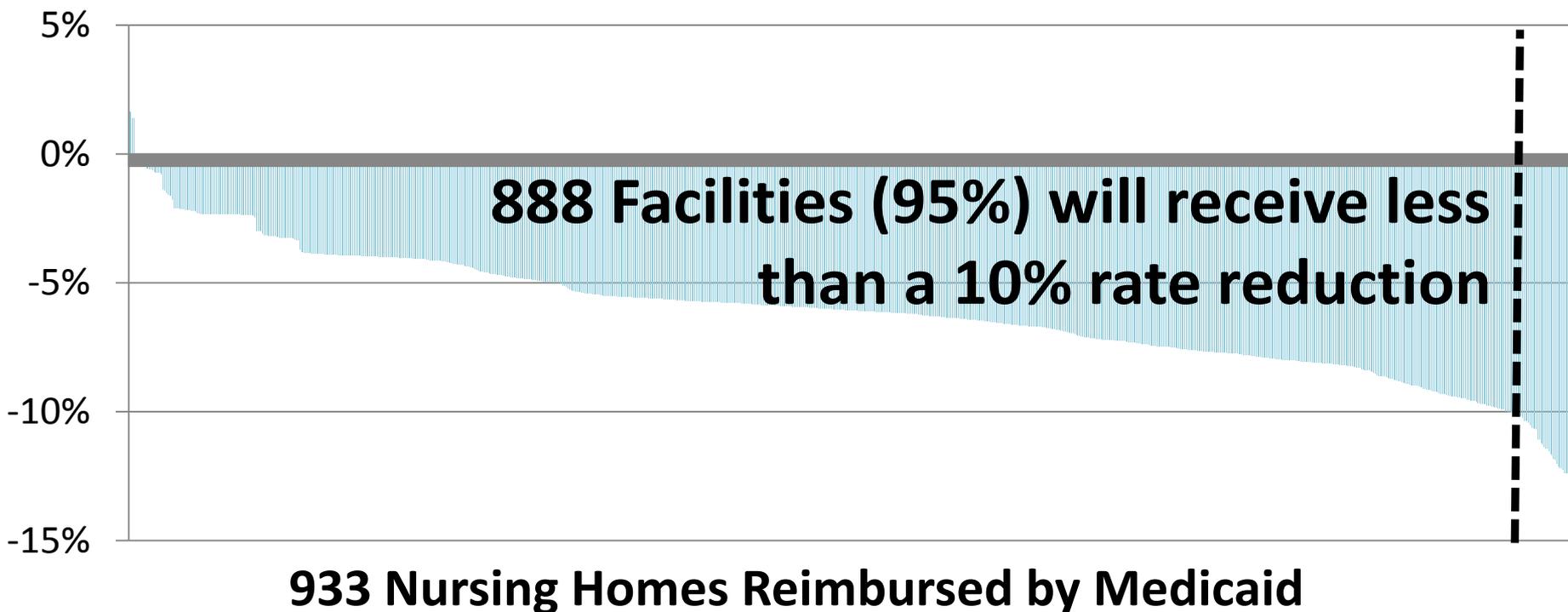
# Reform Nursing Facility Payments

- Complete the transition to a price-based system enacted in 2005 (keep price at the 25<sup>th</sup> percentile for direct care and ancillary/support services)
- Eliminate the statutory add-on and set capital at the 25<sup>th</sup> percentile
- Increase the quality incentive payment from 1.7 to 8.75 percent
- Increase the portion of the rate that is related to direct care and quality from 50% to 60%
- Limit Medicare cost sharing obligations to no more than Medicaid
- Decrease Medicaid payments to “hold” empty beds from 50% of the facilities rate for 30 days to 25% of the rate for 15 days
- Reduce the nursing home franchise fee from \$11.95 per bed to \$11.38 in FY 2012 and \$11.60 in FY 2013

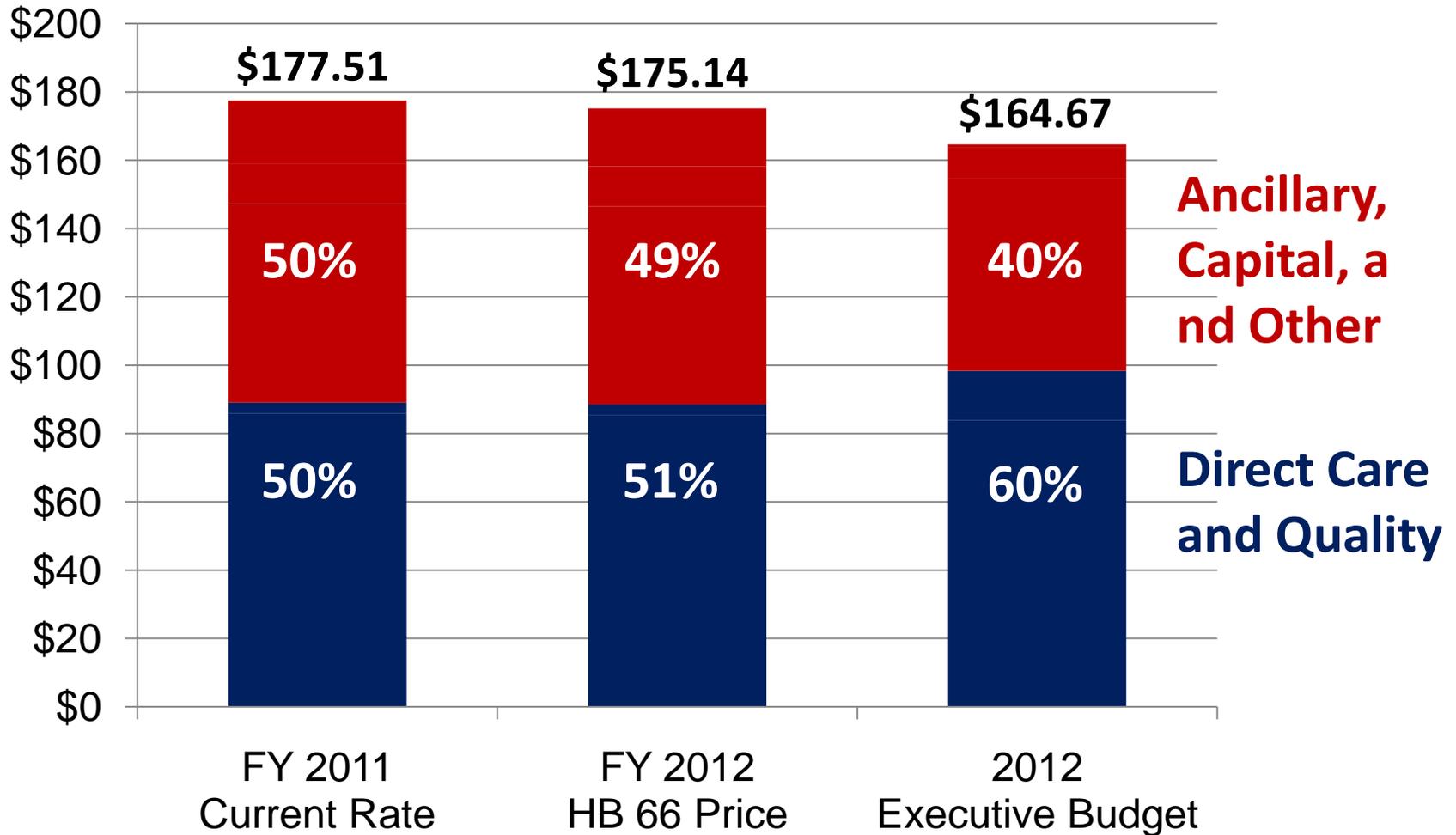
# Medicaid Budget: Ohio Medicaid Spending on Nursing Homes



# Medicaid Budget: Percent Change in Medicaid Nursing Home Rate (FY 2012 HB 66 Rate vs. FY 2012 Executive Budget)



# Medicaid Budget: Average Nursing Facility Per Diem



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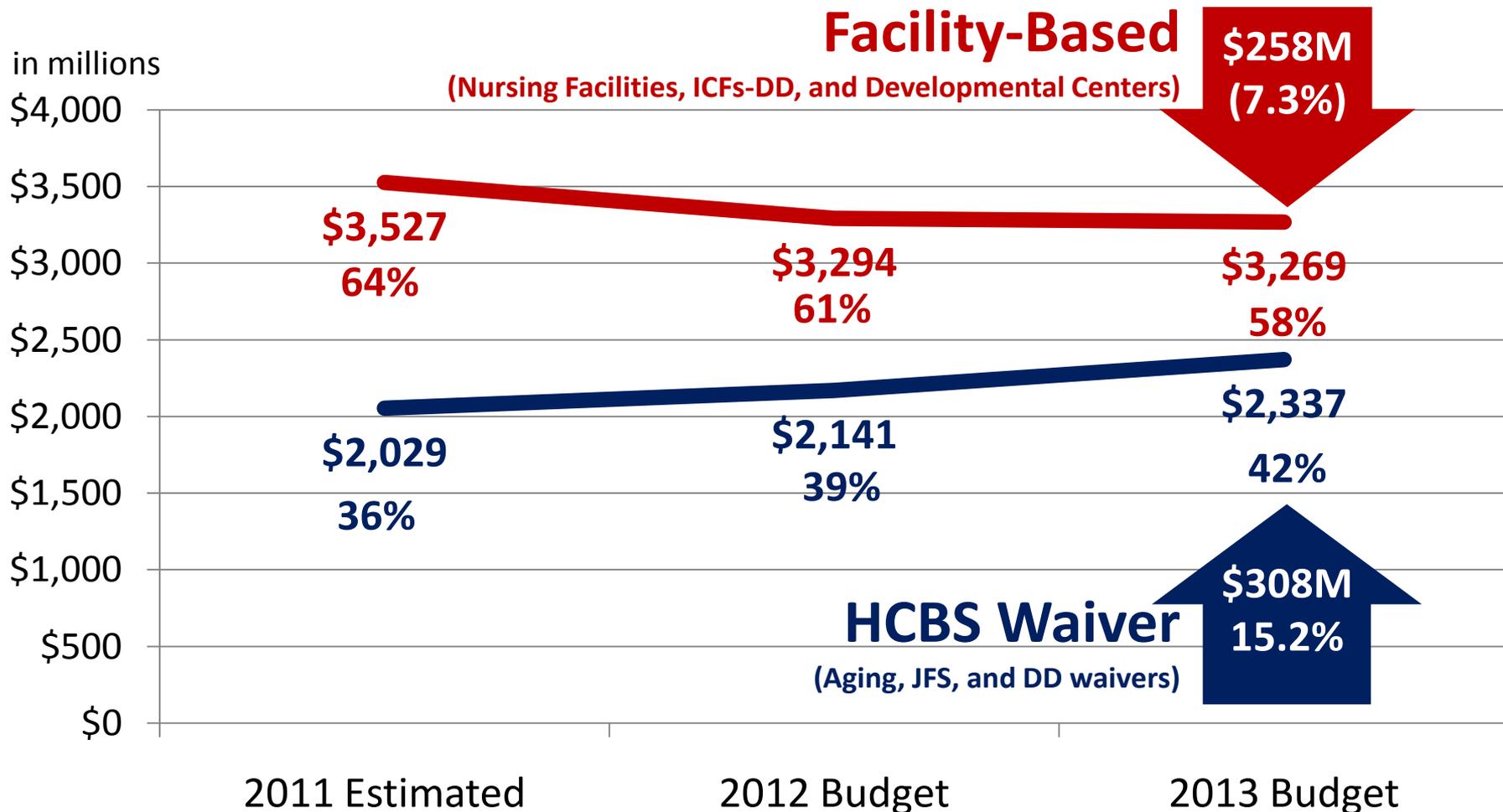
Source: Ohio Department of Job and Family Services Office of Health Plans (May 10, 2011); the Executive Budget moves "Other" payments related to the franchise fee, workforce development, and consolidated (bundled) services into direct care and quality in FY 2012

## RECOMMENDATION:

# Reward Person-Centered Outcomes

- Nursing facility payments currently include a small (1.7 percent) quality incentive payment that averages \$3.03 per day
- The current incentive is linked to business process measures and results in winners and losers and will be phased out
- Focus instead on person-centered performance measures that emphasize resident control and choice
- Increase the quality incentive to 8.75 percent and make it available for every facility to earn based on performance
- Timing issues need to be resolved
- Budget neutral

# Medicaid Budget: Rebalance Medicaid Spending on Institutions vs. Home and Community Based Services



# Modernize Reimbursement

*Reset Medicaid payment rules to reward value instead of volume*

## **RECOMMENDATIONS:**

- Nursing facility payments
- Managed care plan payments
- Hospital payments

## RECOMMENDATION:

# Reform Managed Care Plan Payments

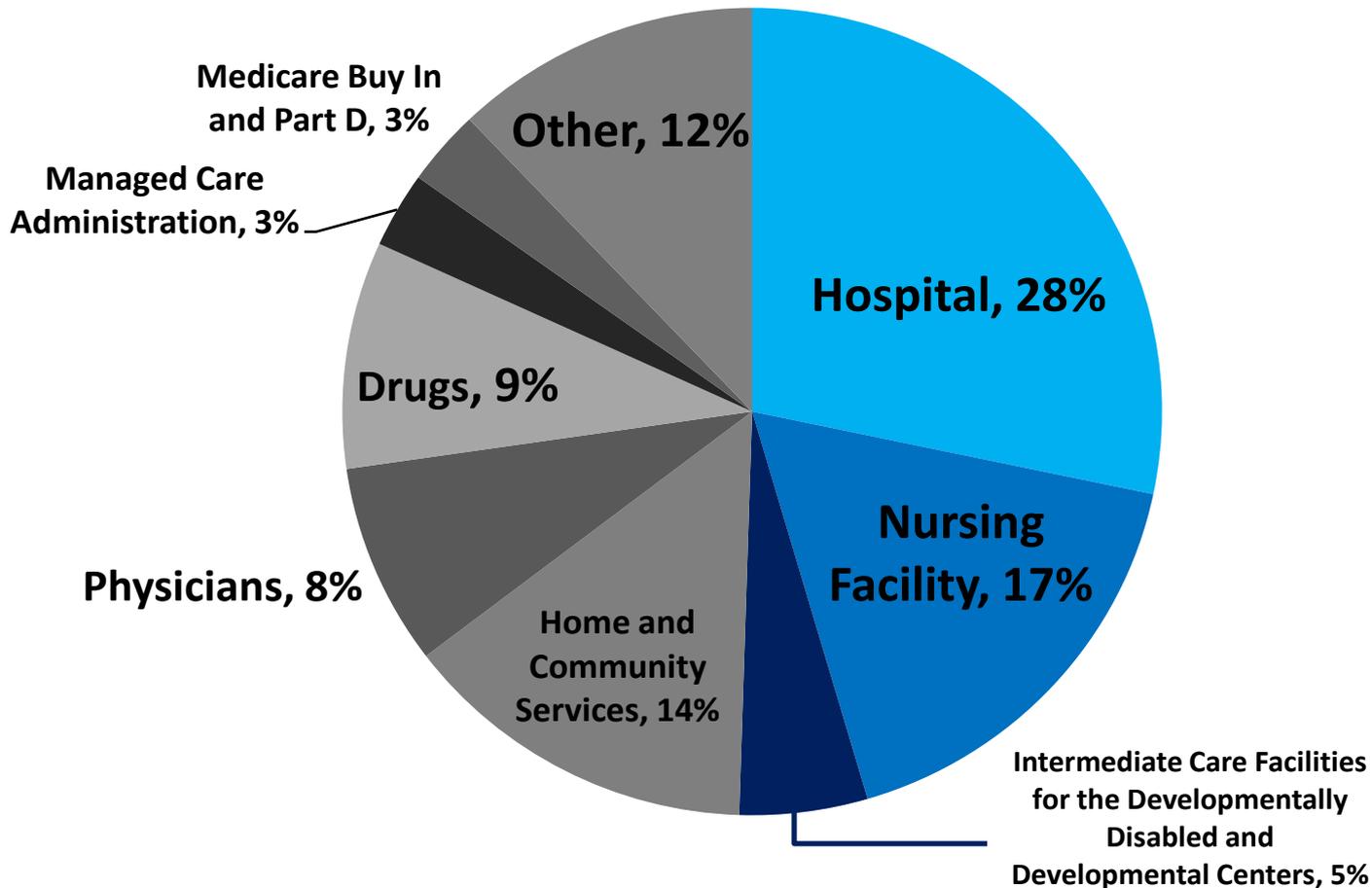
- Create a pay-for-performance program, linked to nationally recognized performance measures, and withhold 1 percent of payment for plans to earn back as an incentive for performance
- Reduce the administrative burden on plans and reduce the administrative component of the capitation rate
- Include pharmacy in the managed care benefit
- Require Medicaid reimbursement to default to FFS rates for hospitals that will not contract with Medicaid managed care
- Eliminate the Children's Buy-In Program (but allow the five children currently enrolled to continue to receive care)
- Saves \$159 million over the biennium

## RECOMMENDATION:

# Modernize Hospital Payments

- Outdated reimbursement system dates to the 1980s and rewards more care not better care
  - Update the diagnosis-related group (DRG) system to make more accurate and efficient payments
  - Limit payments for health acquired conditions (errors)
  - Limit outlier payments
  - Set specific Medicaid managed care capital rates
  - Bring outpatient payment policy in line with Ohio's Medicaid State Plan Amendment
  - Limit Medicare Part B cost sharing to no more than Medicaid
  - Eliminate supplemental payments for children's hospitals
- Saves \$478 million over the biennium

# Total Ohio Medicaid Expenditures, SFY 2010



Source: Ohio Department of Job and Family Services and the Governors Office of Health Transformation. Managed care expenditures are distributed to providers according to information from Milliman. Hospitals include inpatient and outpatient expenditures as well as HCAP Home and community services include waivers as well as home health and private duty nursing.

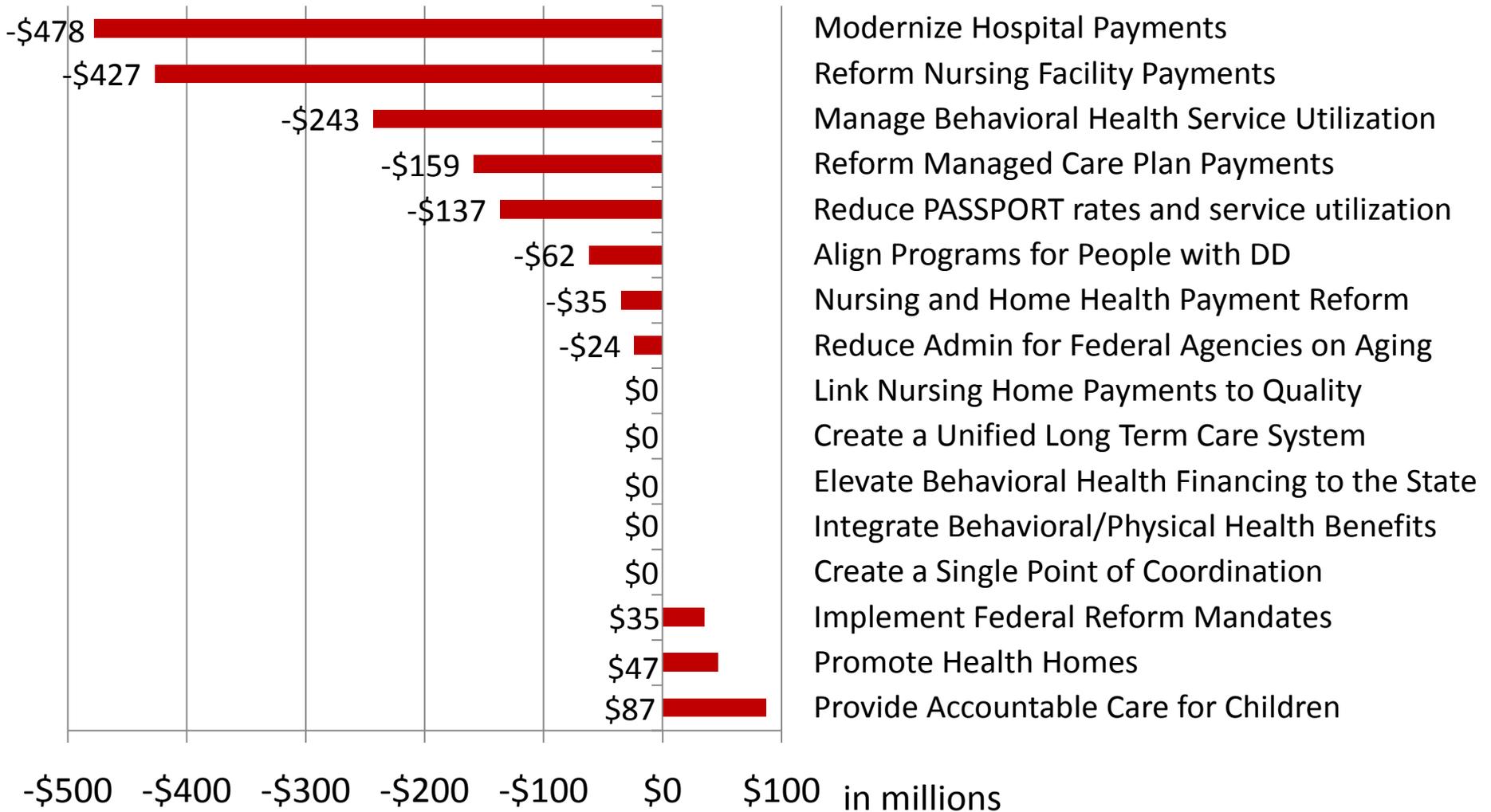
# Balance the Budget

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

## **RESULTS:**

- A sustainable system
- \$1.4 billion in net savings over the biennium
- Align priorities for consumers (better health outcomes) and taxpayers (better value)
- Challenge the system to improve performance (better care and cost savings through improvement)

# Medicaid Budget: Savings and Investments



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Source: Office of Health Transformation (March 15, 2011); savings are measured from the Ohio Department of Job and Family Services February 28, 2011 estimate of baseline growth absent change

THE BLADE

Wednesday, February 9, 2011

**Editorial - Medicaid realism**

Dayton Daily News

Wednesday, March 9, 2011

**Medicaid is 30% of state budget and growing**

The Columbus Dispatch

Sunday, May 1, 2011

**Editorial: Serve the seniors**  
*Lawmakers should reduce funding to nursing homes, boost in-home services*

Sunday, April 3, 2011

AKRON BEACON JOURNAL  
**Editorial - Ambitious for Medicaid**  
*John Kasich wants to save money. He also has a plan to improve quality and outcomes*

Dayton Daily News

Wednesday, March 9, 2011

**Editorial - Kasich needs to be bold and effective**

THE PLAIN DEALER

Sunday, April 10, 2011

**Medicaid proposal by Gov. John Kasich would transform system in Ohio**

THE REPOSITORY

Tuesday, March 22, 2011

**Editorial - Medicaid needs more than tweaking.**  
*Kasich tackles big problem areas without neglecting recipients' needs*

The Columbus Dispatch

Thursday, April 7, 2011

**Editorial: Rightsize it**  
*Lawmakers should continue effort to give seniors care options*





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Health Transformation

**Thank you.**

Greg Moody, Director  
Governor's Office of Health Transformation  
77 South High Street, 30th Floor  
Columbus, Ohio 43215

Phone: 614-752-2784

Email: [greg.moody@governor.ohio.gov](mailto:greg.moody@governor.ohio.gov)