



Governor's Office of
Health Transformation

Health Transformation Priorities

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Governor Kasich's First Jobs Budget:

“Repeal and Replace” Old Medicaid

Inherited a program that grew 33% over 3 prior years

- Created the Office of Health Transformation
- Linked nearly 10% of nursing home reimbursement to quality
- Increased access to home and community based services
- Freed local behavioral health from Medicaid match
- Created health homes for people with serious mental illness
- Consolidated health plan regions to be more efficient
- Linked 1% of health plan payments to performance
- 3rd state approved to integrate Medicare-Medicaid services
- Implemented a new Medicaid claims payment system

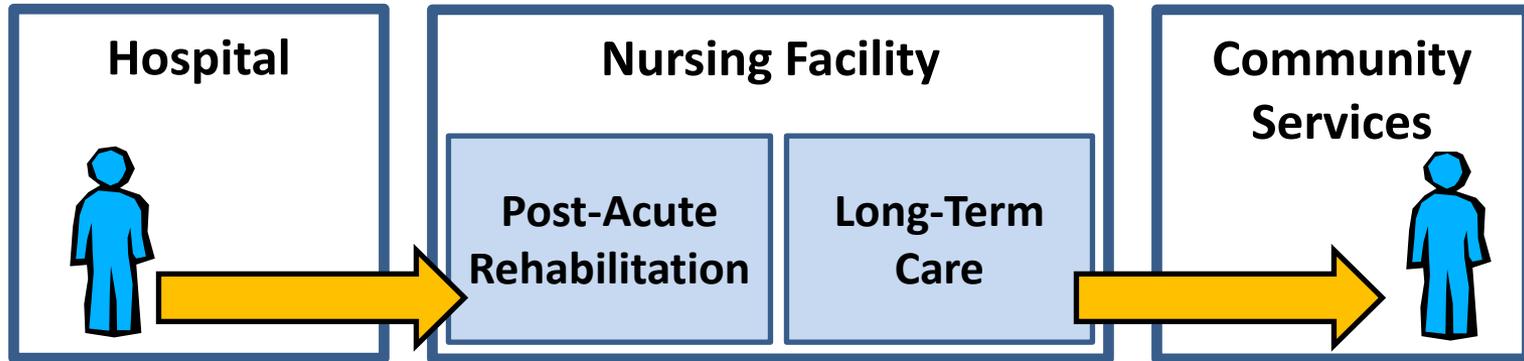
Saved Ohio taxpayers \$2 billion over two years

Jobs Budget 2.0

Health Transformation Priorities

- Rebalance Long-Term Care
- Streamline Health and Human Services
- Modernize Medicaid
- Minimize Woodwork Costs
- Extend Health Coverage

Rebalance Long-Term Care: Framework for Payment Innovation



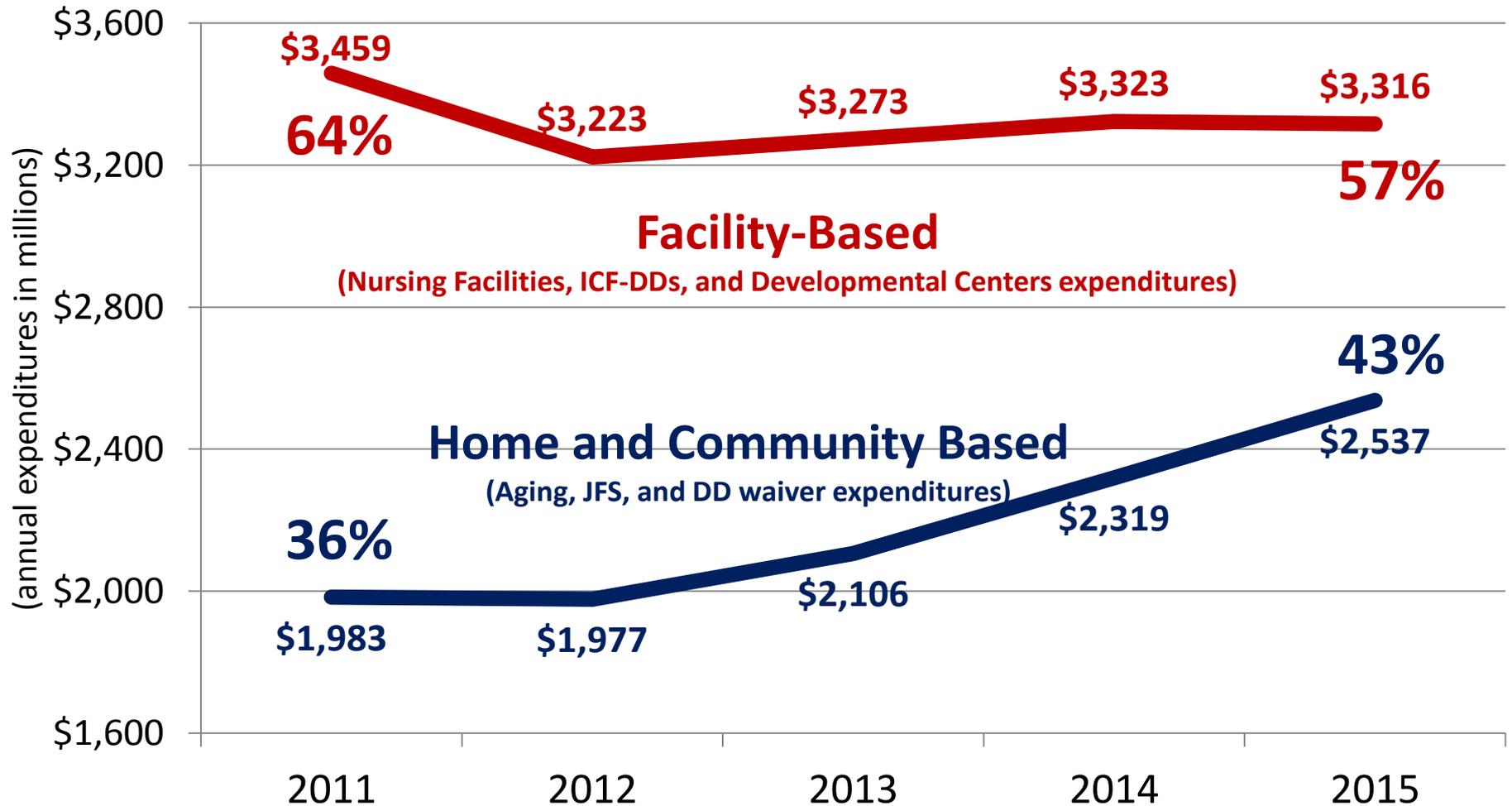
Provide post-acute rehabilitation in nursing facilities, not hospitals

- \$1,388 per patient day in a Long-Term Acute-Care Hospital (LTACH)
- \$740 per patient day at the highest Medicare rate for “ultra-high rehabilitation services”
- Opportunity to save \$648 per patient day

Assist nursing home residents who want to move back into the community

- Medicaid spends \$102,500 per year in a nursing home for residents under age 60 who are reasonably physically healthy but have mental illness
- Moving these individuals to a community setting saves \$35,250 per year*

Ohio Medicaid Spending on Institutions Compared to Home and Community Based Services



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Source: Ohio Medicaid based on agency surveys; 2011-2012 actual and 2013-2015 estimated.

Streamline Health and Human Services:

Organize Government to be More Efficient

Jobs Budget

- Created the Office of Health Transformation
- New Medicaid claims payment system (MITS)
- Reorganized Medicaid programs and budgets

Jobs Budget 2.0

- Consolidate Mental Health and Addiction Services (July 2013)
- Create a unified Medicaid budgeting/accounting system
- Create a Cabinet-Level Department of Medicaid (July 2013)
- Replace Ohio's 34-year-old eligibility system (CRIS-E)
- Coordinate health sector workforce programs

Modernize Medicaid:

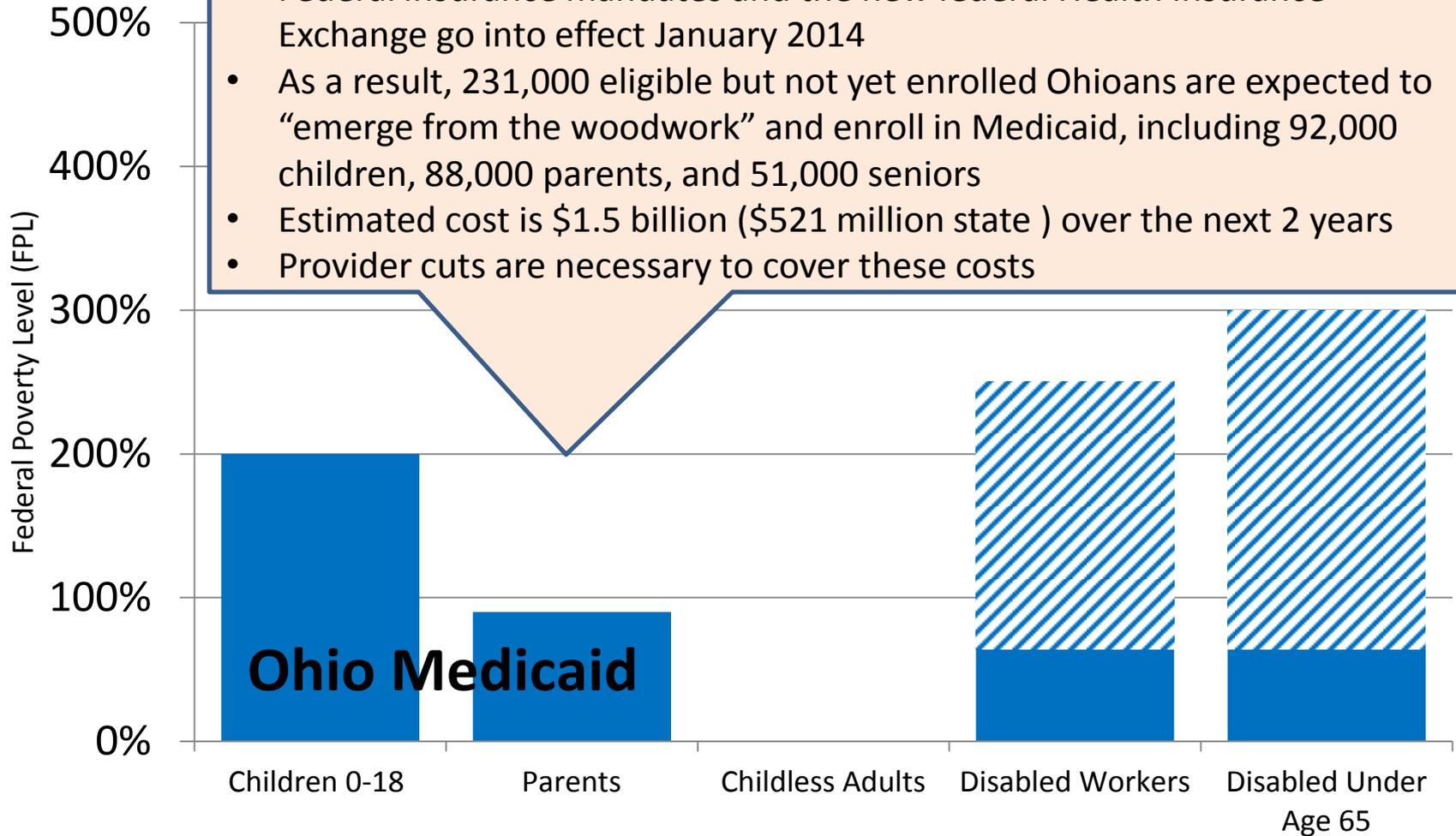
Fight Fraud and Abuse

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- Conduct more on-site reviews
- Increase audit recoveries
- Better manage hospital utilization
- Involve providers in third-party recoveries
- Revalidate providers every five years
- Track trusts as part of recovery
- Terminate special focus nursing facilities
- Access to Ohio Automated Rx Reporting System (OARRS)
- Saves \$74.3 million (\$27.4 million state) over 2 years

Woodwork Effect

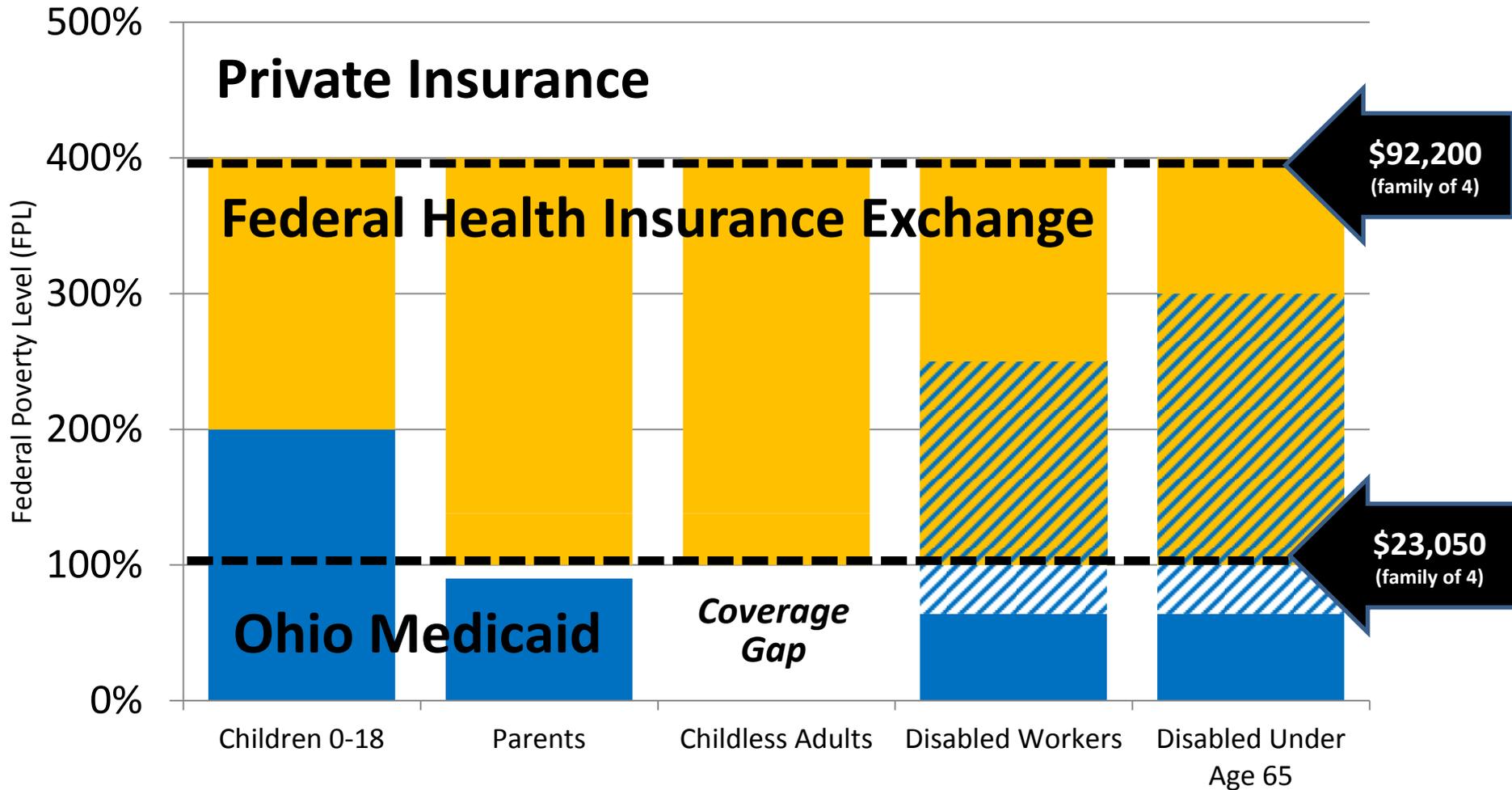
- Federal insurance mandates and the new federal Health Insurance Exchange go into effect January 2014
- As a result, 231,000 eligible but not yet enrolled Ohioans are expected to “emerge from the woodwork” and enroll in Medicaid, including 92,000 children, 88,000 parents, and 51,000 seniors
- Estimated cost is \$1.5 billion (\$521 million state) over the next 2 years
- Provider cuts are necessary to cover these costs



Jobs Budget 2.0 Medicaid Plan

- Obamacare is not the path Governor Kasich would have chosen for Ohio, but it is – for now – the law of the land
 - In March 2010, Congress mandated that every state expand Medicaid to adults with annual income below \$15,415 (138% of poverty)
 - In June 2012, the United States Supreme Court ruled the federal government cannot penalize a state that chooses not to expand
- After weighing the options, Governor Kasich decided that extending coverage to more low-income Ohioans makes sense
 - Ohio has the legal authority and will automatically roll back the extension if the federal government changes the rules

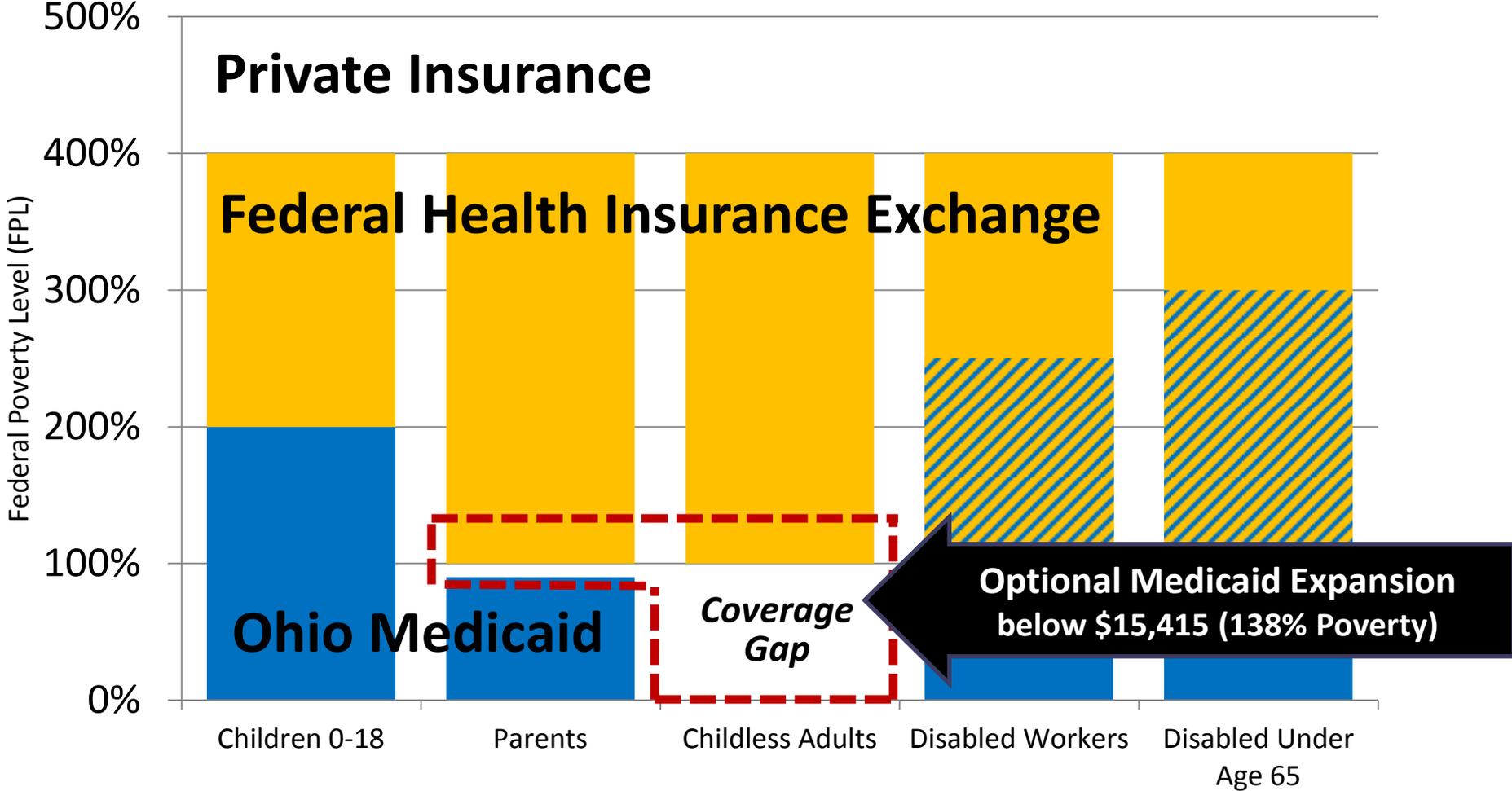
Ohio Medicaid and Insurance Exchange Eligibility in 2014



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SOURCE: Ohio Medicaid; Medicaid eligibility as of February 2013; Federal Health Insurance Exchange eligibility as of January 2014; 2012 poverty level is \$11,170 for an individual and \$23,050 for a family of 4; over age 65 coverage is through Medicare, not the exchange.

Lowest-Income Ohioans Face a Coverage Gap in 2014



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SOURCE: Ohio Medicaid; Medicaid eligibility as of February 2013; Federal Health Insurance Exchange eligibility as of January 2014; 2012 poverty level is \$11,170 for an individual and \$23,050 for a family of 4; over age 65 coverage is through Medicare, not the exchange.

Extend Medicaid Coverage:

Who Is Caught in Ohio's Coverage Gap?

- Individuals with income less than 138% of poverty
 - \$15,415 for an individual or \$23,050 for a family of four
- About half work, but their employer doesn't offer or they can't afford health insurance
- Many work as health care providers for others but don't themselves have coverage
- Some are unable to work because of mental illness or addiction, but have no regular source of care to recover
- 594,000 Ohioans with annual income below 138% of poverty lack health insurance (6.9% of Ohio's total population)

Extending Coverage Makes Sense for Ohio

- Right care, right place, right time – not the emergency room
 - 275,000 more low-income Ohioans covered
- Keep Ohioans' federal tax dollars in Ohio
 - \$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 federal cuts
 - Medicaid uncompensated care payments will be cut in half by 2019
- Provide immediate taxpayer relief in Ohio's budget
 - Free up \$690 million – \$404 million in state spending – over 2 years

Extend Medicaid Coverage: Give Ohio Taxpayers Relief in This Budget

GRF State Share Impact (in millions)	FY 2014	FY 2015	FY 2014-15
Newly eligible enrollees state cost	--	--	--
Previously eligible enrollees state cost	(\$23)	(\$68)	(\$91)
Prison costs that shift to Medicaid	(\$9)	(\$18)	(\$27)
Eliminate hospital 5% rate add-on*	(\$31)	(\$65)	(\$96)
Reduce hospital capital payments*	(\$7)	(\$14)	(\$21)
Health plan administrative savings*	(\$25)	(\$27)	(\$52)
Sales and HIC tax revenue offsets	<u>(\$18)</u>	<u>(\$97)</u>	<u>(\$117)</u>
TOTAL STATE BENEFIT	\$114	\$290	\$404

* These cuts are made possible by increased enrollment through woodwork/expansion and represent GRF state share only (all funds include \$220 million in SFY 2014 and \$470 million in SFY 2015, or \$690 million over two years).



Extend Medicaid Coverage: *and Future* Give Ohio Taxpayers Relief in This Budgets [^]

GRF State Share Impact (in millions)			FY 2020
Newly eligible enrollees state cost			\$230
Previously eligible enrollees state cost			(\$84)
Prison costs that shift to Medicaid			(\$18)
Eliminate hospital 5% rate add-on			--
Reduce hospital capital payments			--
Health plan administrative savings			--
Sales and HIC tax revenue offsets			<u>(\$165)</u>
TOTAL STATE BENEFIT			\$37

Extend Medicaid Coverage:

Mitigate the Harmful Effects of Obamacare

- Keep the doors open to Ohio's hospitals – federal payments for uncompensated care shrink as a result of Obamacare
- Hold the line on health insurance premium increases – prevent an uncompensated care cost-shift to private-sector premiums
- Protect Ohio taxpayers from federal decisions – codify an automatic opt-out if the federal government changes the rules
- Protect Ohio employers from Obamacare penalties – avoid employees triggering employer penalties on the Exchange (new study estimates \$58-88 million per year impact on Ohio companies)

Extend Medicaid Coverage:

Protect Ohio Jobs

- Put Ohio's federal taxes to work in Ohio – \$13 billion over seven years, including \$6 billion into hospitals and \$2 billion into doctors' offices
- Bring new jobs into Ohio – health plans are required to locate staff in Ohio and already have created 1,000 new jobs
- Keep working Ohioans in jobs – most uninsured Ohioans work and connecting them to coverage means keeping them in jobs, including many who provide health care services to others
- Jobs trump politics – Obamacare is not the path Ohio would have chosen, but it is the path the country is on; don't make a bad situation worse by sending Ohio's money to other states



Extend Medicaid Coverage:

Improve Health Outcomes

- Extend life and reduce health disparities – expansion states reduced mortality and improved outcomes, particularly among older adults, non-whites, and residents of poorer counties
- Improve health outcomes for children – children are 3 times more likely to be uninsured if their parents are uninsured
- Help children make a healthy transition to adulthood – young adults are dropped from Medicaid on their 19th birthday
- Restore community mental health capacity – free up at least \$70 million annually in local behavioral health funding
- Improve care through better coordination – extend Ohio's nationally-recognized Medicaid reforms to more Ohioans

Extend Medicaid Coverage:

Consequences of Not Extending Coverage

Over the next two years, Ohio taxpayers would need to pay an additional \$404 million in state general revenue (\$690 million all funds) to:

- NOT extend coverage to 275,000 more low-income Ohioans
- NOT keep \$2.4 billion in Ohioans' federal tax dollars in Ohio (\$13 billion over seven years)
- NOT strengthen local mental health and addiction services
- NOT free up \$130 million in local funds to meet local needs
- NOT protect local hospitals from federal cuts