Conservative Solutions to Reform Ohio’s Medicaid Program

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Ohio Health Transformation Principles

**Market Based**
Reset the basic rules of health care competition so the incentive is to keep people as healthy as possible.

**Personal Responsibility**
Reward Ohioans who take responsibility to stay healthy – and expect people who make unhealthy choices to be responsible for their decisions.

**Evidence Based**
Rely on evidence and data to complement a lifetime of experience, so doctors can deliver the best quality care at the lowest possible cost.

**Transparent**
Make information about price and quality transparent, and get the right information to the right place at the right time to improve care and cut costs.

**Value**
Pay only for what works to improve and maintain health – and stop paying for what doesn’t work, including medical errors.
Ohio Health Transformation Principles (continued)

**Primary Care**  
Transform primary care from a system that reacts after someone gets sick to a system that keeps people as healthy as possible.

**Chronic Disease**  
Prevent chronic disease whenever possible and, when it occurs, coordinate care to improve quality of life and help reduce chronic care costs.

**Long-Term Care**  
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.

**Innovation**  
Innovate constantly to improve health and economic vitality – and demonstrate to the nation why Ohio is a great place to live and work.
Plan for the long-term efficient administration of the Ohio Medicaid Program and act to improve overall health system performance. In the next six months:

1. Advance the Administration’s Medicaid modernization and cost-containment priorities in the operating budget;

2. Initiate and guide insurance market exchange planning;

3. Engage private sector partners to set clear expectations for overall health system performance; and

4. Recommend a permanent Ohio health and human services organizational structure and oversee transition.

Source: Ohio Governor John R. Kasich, Executive Order 2011-02K (January 13, 2011)
Ohio’s Health System Performance

**Health Outcomes – 42\(^{nd}\) overall\(^1\)**
- 42\(^{nd}\) in preventing infant mortality (only 8 states have higher mortality)
- 37\(^{th}\) in preventing childhood obesity
- 44\(^{th}\) in breast cancer deaths and 38\(^{th}\) in colorectal cancer deaths

**Prevention, Primary Care, and Care Coordination\(^1\)**
- 37\(^{th}\) in preventing avoidable deaths before age 75
- 44\(^{th}\) in avoiding Medicare hospital admissions for preventable conditions
- 40\(^{th}\) in avoiding Medicare hospital readmissions

**Affordability of Health Services\(^2\)**
- 37\(^{th}\) most affordable (Ohio spends more per person than all but 13 states)
- 38\(^{th}\) most affordable for hospital care and 45\(^{th}\) for nursing homes
- 44\(^{th}\) most affordable Medicaid for seniors

Sources: (1) Commonwealth Fund 2009 State Scorecard on Health System Performance, (2) Kaiser Family Foundation State Health Facts (updated March 2011)
Medicaid is Ohio’s Largest Health Payer

- Provides health coverage for low-income children, parents, seniors, and people with disabilities
- Covers 2.2 million Ohioans (1 in 5) including 2 in 5 births
- Spends $18+ billion annually all agencies, all funds (SFY 2011) 
- Accounts for 4.0% of Ohio’s total economy and is growing
- Funds are federal (64%) and state (36%)

SOURCES: (1) Ohio Department of Job and Family Services, (2) SFY 2011 estimate based on $18.0 billion in Medicaid spending per ODJFS and $498 billion Ohio gross domestic product per the State of Ohio Office of Budget and Management, and (3) Federal Register Vol. 76 No. 22 page 5811.
A few high-cost cases account for most Medicaid spending

1% of the Medicaid population consumes 23% of total Medicaid spending

4% of the Medicaid population consumes 51% of total spending

Source: Ohio Department of Job and Family Services; SFY 2010 for all Medicaid populations and all medical (not administrative) costs
<table>
<thead>
<tr>
<th>Fragmentation</th>
<th>Coordination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple separate providers</td>
<td>Accountable medical home</td>
</tr>
<tr>
<td>Provider-centered care</td>
<td>Patient-centered care</td>
</tr>
<tr>
<td>Reimbursement rewards volume</td>
<td>Reimbursement rewards value</td>
</tr>
<tr>
<td>Lack of comparison data</td>
<td>Price and quality transparency</td>
</tr>
<tr>
<td>Outdated information technology</td>
<td>Electronic information exchange</td>
</tr>
<tr>
<td>No accountability</td>
<td>Performance measures</td>
</tr>
<tr>
<td>Institutional bias</td>
<td>Continuum of care</td>
</tr>
<tr>
<td>Separate government systems</td>
<td>Medicare/Medicaid/Exchanges</td>
</tr>
<tr>
<td>Complicated categorical eligibility</td>
<td>Streamlined income eligibility</td>
</tr>
<tr>
<td>Rapid cost growth</td>
<td>Sustainable growth over time</td>
</tr>
</tbody>
</table>

SOURCE: Adapted from Melanie Bella, *State Innovative Programs for Dual Eligibles*, NASMD (November 2009)
Medical Hot Spot:
Emergency Department Utilization: Ohio vs. US

*Hospital Emergency Room Visits per 1,000 Population*

- **United States**
- **Ohio**

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Ohio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>365</td>
<td>366</td>
</tr>
<tr>
<td>2000</td>
<td>436</td>
<td>366</td>
</tr>
<tr>
<td>2001</td>
<td>452</td>
<td>372</td>
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<tr>
<td>2002</td>
<td>450</td>
<td>382</td>
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<tr>
<td>2003</td>
<td>449</td>
<td>382</td>
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<tr>
<td>2004</td>
<td>468</td>
<td>383</td>
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<tr>
<td>2005</td>
<td>472</td>
<td>387</td>
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<tr>
<td>2006</td>
<td>488</td>
<td>396</td>
</tr>
<tr>
<td>2007</td>
<td>509</td>
<td>401</td>
</tr>
<tr>
<td>2008</td>
<td>523</td>
<td>404</td>
</tr>
</tbody>
</table>

29%

Medicaid Hot Spot:
Medicaid Enrollees Who Get Care Primarily from Hospitals*

* Indicating a lack of primary care and/or care coordination

<table>
<thead>
<tr>
<th>Non-Institutionalized Medicaid Population</th>
<th>Enrollment</th>
<th>Spending</th>
<th>Average Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Amount</td>
<td></td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Children</td>
<td>29,552</td>
<td>$510 million</td>
<td>$17,300</td>
</tr>
<tr>
<td></td>
<td>1.3%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Adults</td>
<td>12,530</td>
<td>$841 million</td>
<td>$67,100</td>
</tr>
<tr>
<td></td>
<td>0.5%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>42,082</td>
<td>$1.35 billion</td>
<td>$32,100</td>
</tr>
<tr>
<td></td>
<td>1.8%</td>
<td>13%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Ohio Department of Job and Family Services for SFY 2010. Note that medical costs include those incurred by MCPs and paid by FFS, excluding institutionalized consumers and their costs. Consumers may have been in both FFS and MC delivery systems within SFY 2010. This analysis includes consumers costs in both systems.
Medicaid Hot Spot: Hospital Admissions for People with Severe Mental Illness

Avoidable hospitalizations per 1000 persons for ambulatory care sensitive conditions (avoidable with proper treatment)

Source: Ohio Colleges of Medicine Government Resource Center and Health Management Associates, Ohio Medicaid Claims Analysis (February 2011)
Ohio Medicaid Spending Trend

9 percent average annual growth, 2008-2011

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)
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.
Transform Medicaid so that individuals and families have a broad choice of health plans and providers and that those providers are directly accountable to patients for their quality of care.

The Heritage Foundation
Objectives for Health Care
Ohio Health Transformation Priorities

• Improve Care Coordination
• Integrate Behavioral and Physical Health
• Rebalance Long-Term Care
• Modernize Reimbursement

www.healthtransformation.ohio.gov
The Vision for Better Care Coordination

- 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
“Katie Beckett is going home from the hospital because nothing angers the President like red tape.”
A Case Study in Transformation: Ohio Department of Developmental Disabilities

GRF = $335M

Number of Individuals

Waivers (Home and Community-based Care)  DC (Developmental Center)
A Case Study in Transformation: Ohio Department of Developmental Disabilities

Number of Individuals

- **Waivers (Home and Community-based Care)**
- **DC (Developmental Center)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Waivers</th>
<th>DC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>2,637</td>
<td>2,143</td>
</tr>
<tr>
<td>1996</td>
<td>2,683</td>
<td>2,106</td>
</tr>
<tr>
<td>1997</td>
<td>2,807</td>
<td>2,064</td>
</tr>
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<td>1998</td>
<td>4,495</td>
<td>2,023</td>
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<tr>
<td>1999</td>
<td>5,550</td>
<td>2,012</td>
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<td>2000</td>
<td>5,601</td>
<td>2,004</td>
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<tr>
<td>2001</td>
<td>5,663</td>
<td>1,992</td>
</tr>
<tr>
<td>2002</td>
<td>7,081</td>
<td>1,942</td>
</tr>
<tr>
<td>2003</td>
<td>9,145</td>
<td>1,854</td>
</tr>
<tr>
<td>2004</td>
<td>10,744</td>
<td>1,778</td>
</tr>
<tr>
<td>2005</td>
<td>12,902</td>
<td>1,663</td>
</tr>
<tr>
<td>2006</td>
<td>15,763</td>
<td>1,605</td>
</tr>
<tr>
<td>2007</td>
<td>16,359</td>
<td>1,517</td>
</tr>
<tr>
<td>2008</td>
<td>18,128</td>
<td>1,423</td>
</tr>
<tr>
<td>2009</td>
<td>20,753</td>
<td>1,335</td>
</tr>
<tr>
<td>2010</td>
<td>23,647</td>
<td>1,251</td>
</tr>
<tr>
<td>2011</td>
<td>24,528</td>
<td></td>
</tr>
</tbody>
</table>
Ohio Medicaid Spending per Member per Month by Setting

- **Institutional Services**
- **Waiver Services**
- **All Other Medicaid**

### People with developmental disabilities
- State Developmental Center: $12,937
- Private Intermediate Care Facility: $1,356
- Individual Options: $2,058
- Transitions: $1,869
- Level One: $1,695
- Total: $25,073

### People with other disabilities or over age 65
- Nursing Facility: $4,463
- Home Care: $4,067
- Transitions Aging Choices: $2,058
- Assisted Living: $1,869
- PASSPORT: $1,695
- Other in Managed Care: $1,356
- Total: $12,051

### Other children and parents
- Fee-for-Service: $298
- Managed Care: $254
- Total: $552

Source: Ohio Department of Job and Family Services. Includes claims incurred from July 2009 through June 2010 and paid through October 2010; cost differences between institutional and waiver/community alternatives do not necessarily represent program savings because population groups being compared may differ in health care needs.
Rebalance Long Term Care

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

• Nursing facilities are an essential service in the continuum of long-term care

• Many are diversified and also offer community-based services, but some are stuck in the past and need to adapt to the 21st Century demand for more personalized services

• Ohioans pay more per capita for nursing facility services than residents in all but 5 states

• Approximately 15 percent of nursing home capacity is unused
Medical Hot Spot:
Per Capita Health Spending: Ohio vs. US

<table>
<thead>
<tr>
<th>Measurement</th>
<th>US</th>
<th>Ohio</th>
<th>Percentage Difference</th>
<th>Affordability Rank (Out of 50 States)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Health Spending</td>
<td>$5,283</td>
<td>$5,725</td>
<td>+ 8%</td>
<td>37</td>
</tr>
<tr>
<td>Hospital Care</td>
<td>$1,931</td>
<td>$2,166</td>
<td>+ 12%</td>
<td>38</td>
</tr>
<tr>
<td>Physician and Clinical Services</td>
<td>$1,341</td>
<td>$1,337</td>
<td>- 0.3%</td>
<td>27</td>
</tr>
<tr>
<td>Nursing Home Care</td>
<td>$392</td>
<td>$596</td>
<td>+ 52%</td>
<td>45</td>
</tr>
<tr>
<td>Home Health Care</td>
<td>$145</td>
<td>$133</td>
<td>- 8.3%</td>
<td>35</td>
</tr>
</tbody>
</table>

# Medicaid Hot Spot: Per Enrollee Medicaid Spending: Ohio vs. US

<table>
<thead>
<tr>
<th>Measurement</th>
<th>US</th>
<th>Ohio</th>
<th>Percentage Difference</th>
<th>Affordability Rank (Out of 50 States)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Enrollees</td>
<td>$5,163</td>
<td>$5,781</td>
<td>+ 12.0%</td>
<td>36</td>
</tr>
<tr>
<td>Children</td>
<td>$2,135</td>
<td>$1,672</td>
<td>- 21.7%</td>
<td>7</td>
</tr>
<tr>
<td>Adults</td>
<td>$2,541</td>
<td>$2,844</td>
<td>+ 13.5%</td>
<td>18</td>
</tr>
<tr>
<td>Elderly</td>
<td>$12,499</td>
<td>$18,087</td>
<td>+ 44.7%</td>
<td>44</td>
</tr>
<tr>
<td>Disabled</td>
<td>$14,481</td>
<td>$15,674</td>
<td>+ 8.2%</td>
<td>33</td>
</tr>
</tbody>
</table>
Unused Nursing Home Capacity

In 70 counties more than 10% of beds are empty
Rebalance Long Term Care

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

RECOMMENDATIONS:

• Create a Single Point of Care Coordination
• Consolidate and Streamline Waiver Programs
• Reward Person-Centered Outcomes in Nursing Homes
• Expect Greater Efficiency from NF and Waiver Providers
• Decrease payments to “hold” empty beds
• Reduce the nursing home franchise fee
• Saves $427 million all funds over the biennium
Research suggests that person-centered care is associated with improved organizational performance including higher resident and staff satisfaction, better workforce performance and higher occupancy rates.

Source: 2010 Annual Quality Report, Alliance for Quality Nursing Home Care and American Health Care Association
Ohio Health Transformation Priorities

• Improve Care Coordination
• Integrate Behavioral and Physical Health
• Rebalance Long-Term Care
• Modernize Reimbursement

www.healthtransformation.ohio.gov
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)
Thank you.

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