



OHIO'S JOBS BUDGET 2.0

JOBS. MOMENTUM. TRANSFORMATION.

Transforming Health Care

OHIO'S HEALTH CARE SYSTEM IS UNDERPERFORMING: Ohio's health care system in both the private and public markets is uncoordinated, with few incentives for quality and wellness, leading to waste and poor health and threatening our economic competitiveness.

- Ohio spends more on private and public health care than all but 17 states, yet 36 states are healthier.
- Waste in health care—mostly through the delivery of unnecessary or ineffective services—accounts for almost 30 percent of all costs, leading to unsustainable growth in Medicaid and other health programs.
- Approximately 5 percent of all Ohioans account for 50 percent of Ohio health care and Medicaid spending.
- Obamacare will lead to health insurance premium spikes of up to 80 percent in some private plans.

OHIO IS MAKING PROGRESS IN TRANSFORMING HEALTH CARE: In 2011, Gov. John Kasich created the Office of Health Transformation to guide Ohio's efforts to modernize Medicaid, streamline health and human services programs and improve overall health system performance. Using an innovative approach and collaboration among multiple state agencies and public- and private-sector partners, Ohio is improving care for vulnerable Ohioans, reducing costs, increasing efficiency and supporting the governor's efforts to create jobs and reduce unemployment. Progress so far includes:

- Improving care for the most vulnerable: Ohio is integrating Medicaid/Medicare services, improving care for people with severe mental illness, and enabling seniors and people with disabilities to live at home.
- Streamlining health and human services programs: Ohio is modernizing eligibility determination systems and improving state agency operations, including developing a plan to combine the Department of Mental Health and Department of Alcohol and Drug Addiction Services.
- Improving overall health-system performance: Ohio has begun to pay for health care based on value, not volume, and is providing patient-centered medical homes statewide.
- Controlling costs: In the three years prior to Governor Kasich taking office, Medicaid spending increased 33 percent. The governor's first budget helped bend this cost curve, saving Ohio taxpayers almost \$2 billion.

THIS BUDGET CONTINUES OHIO'S PROGRESS IN TRANSFORMING MEDICAID: Medicaid payment strategies have too often incentivized more services, not better care. Ohio's Jobs Budget 2.0 continues the governor's efforts to reward value instead of volume and provide high-quality services in settings that individuals prefer.

1. **Improving Program Integrity and Fighting Fraud:** Nationally, fraud accounts for approximately 10 percent of all health care waste, so fighting fraud and maximizing integrity and accountability in Medicaid is a key to improving efficiency. Ohio will expand its efforts to improve program integrity through a series of reforms, saving \$74 million over the biennium.
 - Increase Medicaid's audit capacity: Medicaid will develop additional program integrity capacity, allowing more on-site monitoring of Medicaid providers and increasing the amount of Medicaid overpayments that Ohio recoups.
 - Require personal responsibility: The budget will make beneficiaries accountable to the taxpayers by requiring them to share some of the cost if they turn to emergency rooms for non-emergency care.
 - Create a consolidated Medicaid budget: For the first time, this budget includes a unified, consolidated Medicaid budgeting and accounting system for all state Medicaid spending. This innovative approach to budgeting will improve accountability and efficiency in Medicaid.

- 2. Improving Quality and Reducing Spending by Rewarding Value, Not Volume:** This budget continues to reduce Medicaid costs by implementing innovative strategies for paying Medicaid providers.
- **Reform health plan payments:** Ohio Medicaid will double the amount of payments to managed care plans that are tied to meeting quality measures, and it will implement a performance-based payment structure for plans serving individuals enrolled in Medicare and Medicaid. The budget also proposes to adjust the rate paid by the state to managed care plans, creating significant cost savings.
 - **Reform nursing facility payments:** The governor’s budget builds upon efforts over the past two years to link funding to quality, and it invests additional resources in nursing homes over the biennium.
 - **Reform hospital payments:** Ohio Medicaid currently uses prospective hospital payment methods that were developed in the late 1980s. These outdated, volume-based payment methodologies do not allow Medicaid to reward hospitals for improved outcomes. This budget revises the methods of both inpatient and outpatient hospital reimbursement to drive Medicaid modernization and improve outcomes, encouraging efficiencies that will save taxpayer dollars.
 - **Create a quality incentive program for children’s hospitals:** The bill requires funds in a special children’s hospital line item to be distributed to hospitals that meet certain quality benchmarks.
 - **Reduce avoidable hospital admissions:** Ohio will limit the payments for hospital readmissions within 30 days of discharge and adjust payments related to preventable readmissions and preventable conditions.
 - **Control costs of outpatient services:** The budget sets fixed prices for all outpatient services that are currently reimbursed at hospitals’ cost, requiring greater efficiency in service delivery.
- 3. Extend Medicaid Coverage to Working, Low-Income Ohioans:** Gov. John Kasich and Lt. Gov. Mary Taylor have opposed Obamacare and called for it to be repealed and replaced with reforms that reduce costs and improve health outcomes. Given the results of the presidential election, the Supreme Court’s decision and Washington’s inaction on real health care reform, Obamacare is the law of the land for now. Therefore, Ohio needs to reduce its impact as much as possible.
- Ohio has reduced the impact of Obamacare:** Ohio has already said “no” to a state-run exchange and “no” to federal takeovers of our state’s right to regulate our own insurance industry and determine Medicaid eligibility. Continuing to call our own shots on additional changes to Medicaid—to the greatest extent possible—can help Ohio minimize Obamacare’s further impacts.
- Ohio will offer coordinated coverage through its Medicaid program:** Low-income Ohioans, most of whom have jobs, earning up to 138 percent of the federal poverty level (\$15,415 per year) will have access to health care coverage through Medicaid. The federal government will pay 100 percent of this cost for three years, decreasing to 90 percent in 2020 and beyond. *If the federal government changes this agreement then Ohio will reverse this decision, as it would not be fiscally sustainable.* Other benefits and details include:
- **Supporting Ohio’s jobs-friendly climate:** Giving low-income Ohioans who work or who are looking for work access to health care coverage keeps Ohioans’ \$13 billion in federal tax dollars over seven years in Ohio where they can help keep Ohioans healthy, in the workforce and contributing to Ohio’s recovery. If Ohio doesn’t extend Medicaid, Ohioans’ federal tax dollars will be used to expand health coverage in other states, giving businesses there a competitive advantage and creating a healthier workforce that those states can use to attract and retain jobs.
 - **Holding the line on premium increases:** Medicaid coverage for low-income Ohioans helps prevent uncompensated care costs from driving up private health insurance premiums. Obamacare is already projected to increase insurance premiums significantly, and the American Academy of Actuaries warns that states that do not extend Medicaid benefits could see individual market premiums go even higher—by 2 percent or more.
 - **Protecting hospitals:** Extending Medicaid coverage will ensure that hospitals receive payment for all of the services they provide. Obamacare largely eliminates reimbursements to hospitals for uncompensated care, forcing them to absorb those losses or pass them on to the private sector in the form of higher costs. Some rural and safety-net hospitals could be pushed to the brink.
 - **Protecting businesses:** Providing Medicaid coverage to more low-income, working Ohioans can spare employers job-killing penalties. Obamacare imposes a financial penalty on any employer with 50 or more workers if any of their full-time employees receives a premium subsidy for coverage on the Health Insurance Exchange.
 - **Shoring up the mental health safety net:** Most Ohioans who receive services from county boards of mental health and addiction services will become eligible for Medicaid. This will free up an estimated \$105 million statewide in

county funds for other mental health services, such as affordable housing, and promote safer communities since more people will be receiving necessary mental health services and fewer people will be cycling in and out of the criminal justice system.

- **Improve care:** Today, uninsured, low-income Ohioans often turn to the emergency room for health care, sidestepping prevention and primary care for a high-cost option that should only be used as a last resort. By offering coordinated care to these individuals, mortality will be reduced by as much as 6 percent and Ohioans will live healthier and more productive lives.

4. **Simplifying and Automating Medicaid Eligibility Determination:** Current eligibility determination processes for health and human services programs in Ohio are fragmented, overly complex and rely on outdated, 30-year-old technology. Ohio will simplify the state's current 150+ Medicaid eligibility categories into three groups and implement simplified eligibility processes and information technology systems.
5. **Updating Provider Regulations to be More Person Centered:** Ohio will continue to drive quality improvements in services that are administered in the community and in institutional settings.
 - **Ensure safety in home care:** Ohio will ensure that direct-care workers meet core competency standards, providing extra safety for thousands of Ohioans who receive health care service in their homes.
 - **Improve nursing home monitoring:** The budget will enhance quality in nursing homes by improving the process for administering and responding to plans of correction in response to survey deficiencies, creating consistent standards for specialized units in the Long-Term Care Consumer Guide and making the licensure process and standards more focused on the needs of residents.

SHARING SERVICES ACROSS STATE AND LOCAL JURISDICTION IS THE KEY TO HEALTH AND HUMAN SERVICES PROGRAM IMPROVEMENT: Barriers to innovation are prevalent in health and human services, where policy, spending and administration are split across multiple state agencies and corresponding local systems. We will continue to break down these barriers, creating efficiencies that will improve overall health-system performance and save taxpayer dollars.

1. **Creating a Cabinet-level Medicaid Department:** The budget creates the new Department of Medicaid, effective July 1, 2013. This long-overdue improvement removes barriers that impede innovation and makes Ohio's Medicaid program more efficient, effective and responsive to the needs of beneficiaries, stakeholders and Ohio taxpayers.
2. **Consolidating Mental Health and Addiction Services:** The budget consolidates ODADAS and ODMH into the Department of Mental Health and Addiction Services, providing additional efficiencies and improving support for local government partners, providers and clients who are participating in two treatment systems.
3. **Coordinating Workforce Programs:** The budget provides tools to better identify health sector workforce needs, align existing workforce programs, reform higher education training programs, and change payments for health services to support workforce priorities. These strategies will create a unified system that helps businesses in the health care sector meet their workforce needs.
4. **Coordinating Programs for Children:** The budget includes targeted initiatives to improve health and human services for children served within and outside of Medicaid, with a focus on reducing infant mortality, improving early childhood education, and assisting high-risk youth successfully transition to adulthood.

BOTTOM LINE: The governor's proposals will continue the nationally recognized transformation of Ohio's Medicaid program by improving care for vulnerable Ohioans, reducing costs for taxpayers and businesses, and making Ohio more attractive to job creators.

- **BETTER CARE AND BETTER VALUE:** By paying for value, not volume, Medicaid will control costs and improve program performance and health outcomes for vulnerable Ohioans.
- **USE ALL THE TOOLS AT OUR DISPOSAL:** The budget ensures that Ohioans' federal tax dollars stay in Ohio, protecting jobs and improving health right here at home.
- **BALANCE THE BUDGET:** Strategic spending decisions and payment reform strategies help mitigate the \$521 million state budget impact of the Obamacare "woodwork effect" and ensure the long-term financial stability of the Medicaid program.

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