



**THE CENTER FOR** EST. 1913  
**COMMUNITY SOLUTIONS**  
RESEARCH • ANALYSIS • ACTION



**2018-2019 State Budget, Senate Budget:  
Ohio Departments of Medicaid and Health**

Loren Anthes, Public Policy Fellow

*State Budgeting Matters*  
Volume 13, Number 7  
June, 2017

## **2018-2019 State Budget, Senate Budget Ohio Departments of Medicaid and Health**

Loren Anthes, Public Policy Fellow

June, 2017

### **Introduction**

The Senate has concluded its process for Ohio's biennial budget and, in regards to Medicaid, has varied its response to the House's proposals. Of note, the Senate made changes which build upon the House's desired oversight of the program, altered a few policies that affect hospitals and the administration's work in value-based reimbursement, and effectively terminated the Medicaid expansion. The House and the Senate will begin conference committee to prepare a final version of the budget to be agreed upon by the General Assembly and then sent to the Governor for line item vetoes and signature by June 30.

### **Ohio Department of Medicaid**

#### *Medicaid Expansion*

In the omnibus process, wherein all amendments are submitted for a final time before the vote in a single, consolidated package, the Senate included a provision which would prohibit the Ohio Department of Medicaid from enrolling individuals as a part of the expansion eligibility group beginning July 1, 2018. For those who are enrolled by June 30, 2018, they will be allowed to continue enrollment until they cease to "meet the requirements" of the Medicaid program or if the federal share of the funding (FMAP) is reduced by federal legislation. It is also likely that the new "work requirement" being sought for the expansion group means that many are likely to become ineligible as they seek to meet the new standards around work participation, even though the Senate added a provision to protect individuals with a Serious and Persistent Mental Illness (SPMI) from these requirements.

Notably, Medicaid is often known for having a lot of "churn," a term that means enrollees often lose coverage for administrative reasons other than eligibility. In fact, information from George Washington University has indicated that the average person enrolled in Medicaid for only 8 ½ months a year.<sup>1</sup> Beyond "churn," some have speculated that such a provision would be a potential violation of the Equal Protection Clause as it would create an administrative barrier to an entitlement program. Additionally, with the potential for waivers that seek to restrict eligibility as well as the federal legislation pending, the provision as constructed may result in the effective termination of the Medicaid expansion in Ohio.

#### *Demonstration Waivers*

The Senate maintained many of the provisions from the House in regards to waivers, though they augmented and altered some of the details in the language. First, the "Healthy Ohio Program," an 1115 demonstration waiver proposal constructed, submitted, and rejected by the federal government as an outgrowth of the last biennial budget, is reintroduced and will be

required to be submitted by the Medicaid director. Submission to the federal government is due January 31, 2018. As this references earlier established Ohio law, it is not clear if the department has the flexibility they need to accomplish outlined goals in their executive proposal, notably the limitation of the eligibility to individuals above 100 percent of the Federal Poverty Level.

The Senate also maintained a provision that would require the director to pursue a waiver relative to the Institutions for Mental Disease (IMD) Exclusion, which would allow Medicaid to reimburse IMD services. While the state continues to implement rules around IMD reimbursement through Managed Care, this waiver would have to meet a number of requirements established by the federal government, including budget neutrality and a review of existing capacity.<sup>2</sup> The Senate enhanced the language established by the House by requiring the department to conduct an “inventory of treatment capacity” and provide an assessment as to how persons with behavioral health issues connect to community supports.

The Ohio Department of Insurance (ODI) is required to submit an application to the federal government for a 1332 waiver. This waiver primarily deals with the Marketplace plans under the Affordable Care Act, though it potentially enables the state to terminate the individual mandate to require the purchase of insurance. In June, with little fanfare, ODI initiated its process to begin the application, issuing a Request for Proposals and submitting a letter to the administrator of the Centers for Medicare and Medicaid Services, Seema Verma, asking for additional flexibility with such a waiver<sup>3</sup>.

*Controlling Board*

The Health and Human Services fund is continued, giving the Controlling Board authority over spending dollars relative to the expansion. In the House version, the funding came from the following sources:

Source	Fiscal Year 18	Fiscal Year 19
<i>General Revenue</i>	\$57,885,768	\$68,661,704
<i>New Health Insurance Tax (5TN0)</i>	\$196,226,296	\$226,841,369
<i>Support and Recoveries Fund (5DLO)</i>	\$26,309,868	\$34,667,668
<b>TOTAL</b>	<b>\$280,421,932</b>	<b>\$330,170,741</b>

As opposed to the House, however, the Senate eliminated the restrictions that the Medicaid director not request funding more than once every six months, that the 1332 and the Healthy Ohio waivers are obtained, and that cost estimates be provided to patients before a service is rendered.

If this provision leaves the conference committee intact, questions remain as to how a line item veto would affect expansion funding. Additionally, while Ohio has been underspending in Medicaid, much of that may be attributable to complex individuals being covered at the higher federal matching rate through expansion – a trend which may not continue into the future.

### *Hospitals, Value-Based Reimbursement*

The original spending limitation on hospitals which passed the House (about \$6.9 billion) has been eliminated, and rates are frozen at levels established by January 1, 2017. With that said, the Senate amended language which allows the administration to move forward with the Enhanced Ambulatory Patient Grouping System code changes, which change the way payment works in outpatient settings.<sup>4</sup>

In addition, the Senate maintained the elimination of the “non-contracting” provision, which would have defaulted rates to that of the government if a contracted rate between hospitals and plans could not be achieved. With that said, the Ohio Department of Medicaid (ODM) still has the ability to pass rules regarding the establishment of a “High Medicaid Hospitals,” as well as rates for hospitals, generally.

Beyond Hospitals, the Comprehensive Primary Care Initiative (CPC) also remains eliminated. This program, which is one of the hallmark efforts of the Kasich Administration in value-based design, means that the state may have to return monies back to the federal government (since it was based on a competitive grant) and could unwind much of the work implemented by physician practices and other provider organizations like Federally Qualified Health Centers.

### **Ohio Department of Health**

#### *Bureau for Children with Medical Handicaps (BCMh) Program*

The administration proposed significant changes to the Bureau for Children with Medical Handicaps (BCMh) program. The BCMh program provides diagnostic, treatment, and coordination services for children with complex, activity-limiting, specified conditions. BCMh is a payer of last resort, meaning it serves as a payer for uninsured children and a gap-filler for insured children for services that are not covered or are not fully covered by insurance.

BCMh is entirely housed at ODH, but the administration had proposed to move much of the program to Medicaid while making other significant eligibility and case management changes. The House and Senate rejected all proposed changes to BCMh, though the Senate added a provision that a Medicaid provider is eligible to provide the same goods and services for BCMh.

#### *Efforts to Combat Infant Mortality*

In addition to existing funding from ODM, the administration enhanced Ohio Department of Health’s budget in the amount of \$7.1 million each fiscal year to combat infant mortality, a \$3 million per year increase from last biennium. Many line items in the House-passed budget received a 1.5 percent cut in an effort to reduce overall spending, with the infant vitality line item (440474) receiving 1.5 percent in both chambers. This resulted in an overall reduction of \$427 thousand over the biennium, though it still represents a \$2.5 million increase in this budget when compared to last.

### *HIV Treatment and Prevention*

Our previous *State Budgeting Matters*<sup>5</sup> on ODH described how the reduction in GRF for HIV/AIDS treatment was due to a shift in prevention-based services in 2018 and 2019. The Senate maintains what the House has passed.

### *Tobacco Use Prevention and Cessation*

In further attempts to reduce overall spending, the House budget applied significant cuts to tobacco use prevention and cessation, cutting the GRF funding to \$1 million, down from the proposed \$4 million per year. The senate zeroed out this line item, 440473, though it added significant resources to the DPF line item, 440656, increasing funding compared to the executive proposal's \$7.1 million and the House's \$4.5 million to a new total of \$12.5 million overall. The Senate funding of \$12.5 million represents a \$1.4 million increase relative to the combined executive proposal of \$11.1 million per fiscal year.

---

<sup>1</sup> Murray, Margaret, and Katheryn Kuhmerker. "The Medicaid Expansion: A One-Step Plan to Improve Coverage and Care." Center For Children and Families. February 11, 2013. Accessed June 21, 2017. <https://ccf.georgetown.edu/2013/02/11/the-medicaid-expansion-a-one-step-plan-to-improve-coverage-and-care/>.

<sup>2</sup> DeLillo, Mat. "Institution for Mental Disease as an "in lieu of" service." October 2016. Accessed June 20, 2017. [http://www.milliman.com/uploadedFiles/insight/2016/2242HDP\\_20160526.pdf](http://www.milliman.com/uploadedFiles/insight/2016/2242HDP_20160526.pdf).

<sup>3</sup> Jillian Froment to Seema Verma, Administrator of the Centers for Medicare and Medicaid Services. June 1, 2017. Accessed June 17, 2017. <http://insurance.ohio.gov/Consumer/Documents/Letter%20to%20Seema%20Verma%20CMS.pdf>.

<sup>4</sup> Stack, Shawn. "Hospital Providers Prepare for the New Aug. 1 New Target Date for the Medicaid EAPG Implementation." Finance News, June 16, 2017. Accessed June 21, 2017. <https://www.ohiohospitals.org/News-Resources/Newsletters/Finance-News/Hospital-Providers-to-Prepare-for-the-New-Aug-1-Ne.aspx>.

<sup>4</sup> Britton, Tara, and Brie Lusheck. "2018-2019 House Budget: Ohio Departments of Health, Aging, Developmental Disabilities, Job and Family Services, & Mental Health and Addiction Services." May 2017. Accessed June 22, 2017. [http://www.communitysolutions.com/assets/docs/State\\_Budgeting\\_Matters/2017\\_2019/sbm%20v%2013n05\\_0d%20dodd%20mhas%20age%20jfs\\_05192017.pdf](http://www.communitysolutions.com/assets/docs/State_Budgeting_Matters/2017_2019/sbm%20v%2013n05_0d%20dodd%20mhas%20age%20jfs_05192017.pdf).

*State Budgeting Matters* is published by The Center for Community Solutions.  
Copyright 2017 by The Center for Community Solutions. All rights reserved.



Comments and questions about this edition may be sent to [lanthes@CommunitySolutions.com](mailto:lanthes@CommunitySolutions.com).  
1501 Euclid Ave., Ste. 310, Cleveland, OH 44115  
101 E. Town St., Ste. 520, Columbus, OH 43215  
P: 216-781-2944 // F: 216-781-2988 // [www.CommunitySolutions.com](http://www.CommunitySolutions.com)