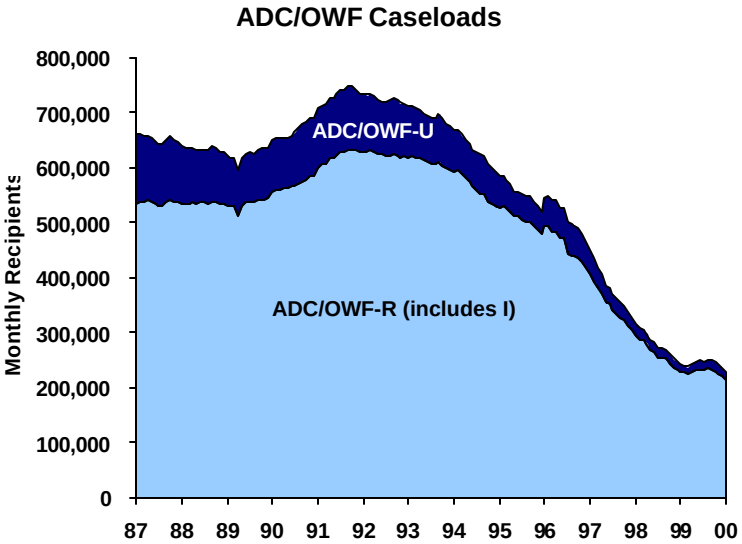
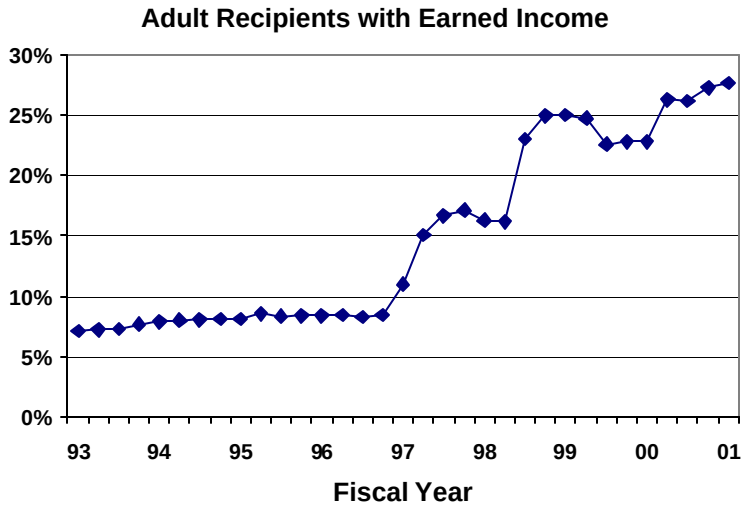
Ohio's ADC/OWF Caseload Reaches Historic Low



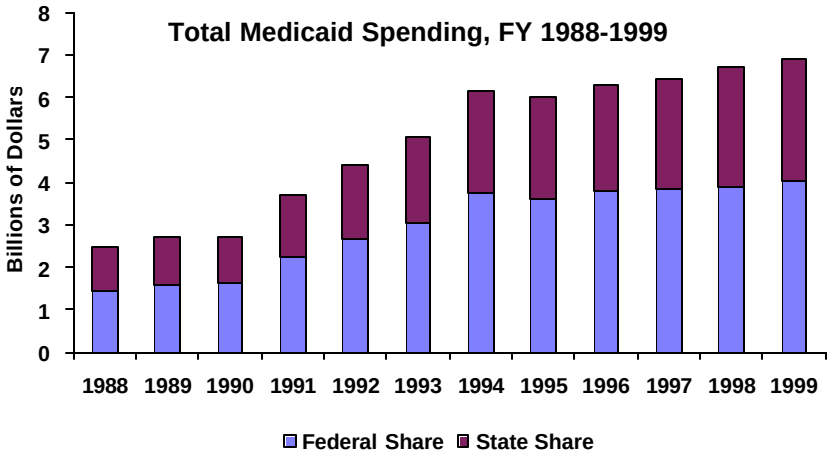
- There are three primary categories of recipients in the Ohio Works First (OWF) program (formerly known as Aid to Dependent Children, or ADC): 1) OWF-Regular (OWF-R); 2) OWF-Unemployed (OWF-U); 3) OWF-Incapacitated (OWF-I).
- Typically OWF-R cases are households with a single parent, or "child only" cases where no adult in the household is receiving OWF benefits. OWF-U cases are typically households with two parents where economic deprivation results from unemployment. OWF-I indicates some incapacity to work for the child caregiver.
- Ohio's ADC/OWF caseload peaked in March 1992 at nearly 749,000 recipients, with the average monthly cash benefit expenditure in FY 1992 at $81.1 million. In July 2000, the number of recipients declined to about 240,000. The average monthly cash benefit expenditure in FY 2000 declined to $31.4 million.
- OWF-U cases declined as a proportion of the overall caseload from 13.5 percent in July 1987 to 3.3 percent in July 2000.

Percentage of ADC/OWF Adults with Earned Income Reflects Policy Changes in Welfare Reform



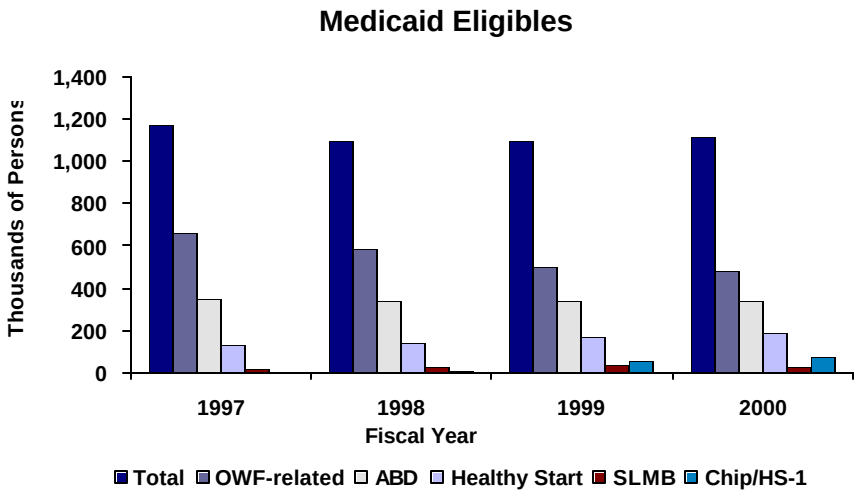
- Earned income disregards, which allow recipients to keep part of their earned income without losing a corresponding amount of the welfare benefit, have been expanded as part of welfare reform.
- The federal Family Support Act of 1988 provided for a disregard of $90 a month for work expenses, the first $30 of income for 12 months, and 1/3 of remaining income for 4 months.
- Ohio H.B. 167, implemented July 1996, increased the disregard to the first $250 and 1/2 of the remaining income for 12 months.
- Ohio H.B. 408, implemented October 1997, extended the $250 and 1/2 disregard from 12 to 18 months.
- Ohio Am. Sub. H.B. 283, implemented October 1999, eliminated any time limit for the earned income disregard.
- These changes, along with OWF work requirements, have resulted in a much greater percentage of employed OWF recipients.

Total Medicaid Spending Growth Slows in the Second Half of the 1990s



- Since FY 1988, Medicaid spending has increased by an average of 10.3 percent each fiscal year. However, since the high spending growth years of the early 1990s (driven by rapid health care cost increases generally, and specifically by increased caseloads associated with eligibility expansions), Medicaid spending growth averaged only 6.9 percent between FY 1994 and FY 1999.
- Increases in spending on long-term care and inpatient hospital services for the Aged, Blind, and Disabled (ABD) Medicaid population have been the driving force behind the GRF spending increases. Also contributing significantly to total Medicaid spending (although non-GRF) is the growth of the disproportionate share payment program for hospitals, and recent coverage expansions for children under 150 percent of FPL.
- Spending decreased slightly in FY 1995 as a result of an improving economy and savings from a prospective reimbursement system for long-term care, which was introduced in FY 1993.
- The reduced rate of medical inflation between 1991 and 1997 (which fell from an 8.7 percent rate of increase in 1991 to 2.8 percent in 1997) contributed to slow growth in Medicaid spending during that time. Between 1998 and 2000, the rate has risen an annual average rate of 3.6 percent, and is currently aiding increased Medicaid expenditures.
- On average, only 3 percent of all Medicaid spending in Ohio goes toward the administration of the program. Thus, Ohio has one of the lowest administration-to-total-spending ratios in the country.

Medicaid Eligibility Decreases End

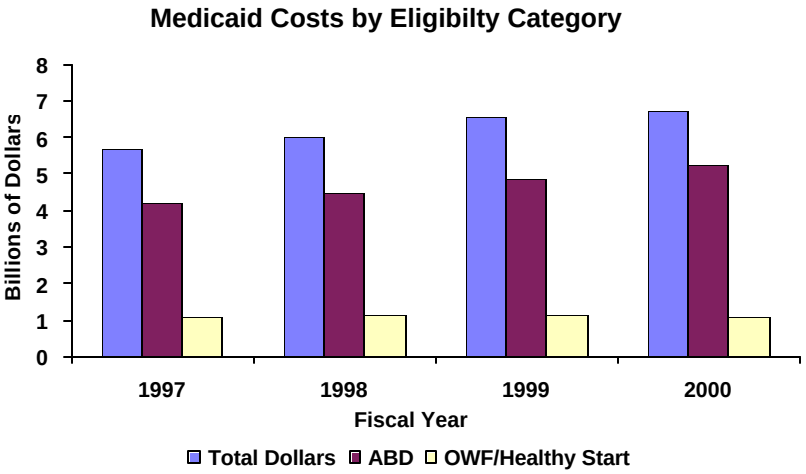


- Although OWF-related Medicaid eligibility has declined in recent years, due primarily to the decline in the OWF cash assistance caseload, it remains the largest Medicaid eligibility group and represents nearly 43.3 percent of all eligibles in FY 2000. OWF-related includes OWF Cash Assistance and Transition & Low-income Medicaid Eligibles. This group is also known as Covered Families & Children, or CFC.

- OWF-related caseloads declined 37.9 percent from the FY 1992 decade high to its lowest level in FY 2000. However, the Aged, Blind, and Disabled (ABD) population experienced an average growth of 5.9 percent in the 1990s, with a decrease of 2.4 percent between FY 1997 and FY 1999 followed by an increase of 1.2 percent between FY 1999 and FY 2000.

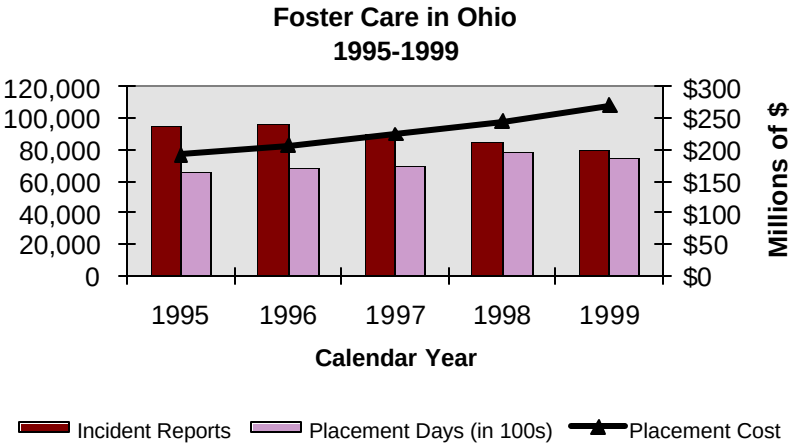
- The total number of persons eligible for Medicaid grew by 1.24 percent between FY 1999 and FY 2000, increasing from 1,095,717 to 1,109,384. The consistent increase in the number of children enrolled in Medicaid by way of Healthy Start and CHIP-1 (labeled CHIP/HS-1 in the chart above) has been the primary force behind this growth. The Healthy Start population grew by 9.4 percent from FY 1999 to FY 2000 (following a 22.7 percent increase from FY 1998 to FY 1999), while the CHIP-1 population increased by 34.6 percent from FY 1999 to FY 2000. Continued growth is expected in the CHIP/HS-1 population, as the FY 2001 move to the 200 percent FPL expansion attracts more eligible children into the program.

Medicaid Caseload Composition Shifts Toward the Aged, Blind & Disabled



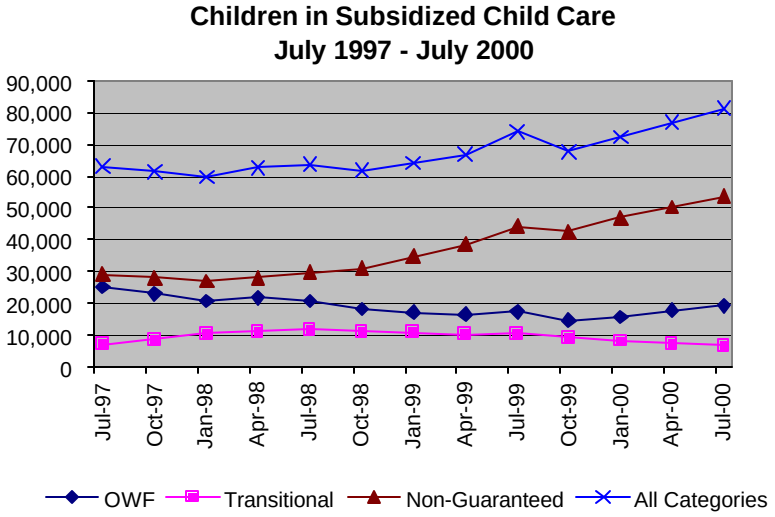
- The decline in cash assistance eligible consumers in Ohio Works First (OWF)-related has caused a change in the Medicaid caseload composition. Healthy Start (HS) and OWF eligibles have similar cost attributes.
- Aged, Blind, and Disabled (ABD) eligibles comprised less than 28 percent of the more than 1.2 million Medicaid eligibles in FY 1996, yet generated over 70 percent of all care-related Medicaid costs. By FY 2000 however, the ABD population comprised 31 percent of the 1.1 million Medicaid eligibles and generated about 78 percent of Medicaid spending. The cost of long-term care is the primary reason for the relative expense of the ABD population. This composition increase by the ABD population is a result of a natural shift and not the result of any policy changes.
- In addition, the ABD population heavily utilizes some services that have the fastest growing costs, such as prescription drugs. Thus, while we have experienced a slow in expenditure growth in recent years, the change in caseload composition and increased average costs for the remaining OWF population appear to be triggering bigger spending increases.

A Puzzling Picture in Foster Care



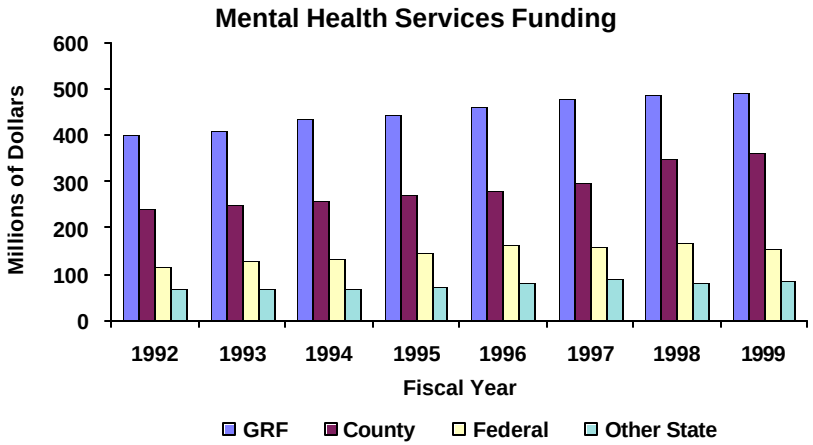
- According to the Ohio Department of Job and Family Services, the number of incidents of reported abuse and neglect have declined in recent years, from 95,188 in 1995 to 79,870 in 1999, a drop of 16.1 percent.
- At the same time the number of placement days – a measure of the total number of child-days in foster care each month – has increased from an annual total of 6,528,089 to 7,471,731, a gain of 14.5 percent. Using the more traditional, if static, measure of the number of children in foster care – measured as a monthly average and without regard to number of days in care – the rise in foster care is muted and the picture more puzzling. The average monthly number of children in foster care in Ohio fell 10.9 percent from 8,948 in 1995 to 7,977 in 1999.
- Despite the drop, both in incidents of reported abuse and in average monthly headcounts of children in foster care, total placement costs have increased at an even faster pace than the rise in placement days. Between 1995 and 1999, total placement costs grew by 41.1 percent, from $192,056,052 to $271,030,468.
- One constant in Ohio's foster care picture is the relative mix of local, state, and federal funding. The state share of child welfare expenditures, which encompass more than foster care placement costs, varies widely from county to county, but has remained constant at around 10 percent of total expenditures since 1993. For example, in 1999 $72 million (11 percent) of Ohio's $680 million in child welfare expenditures came from state funds, $307 million (45 percent) from the counties, and the federal government picked up the $301 million balance (44 percent).

Child Care Subsidy Serves Working Poor



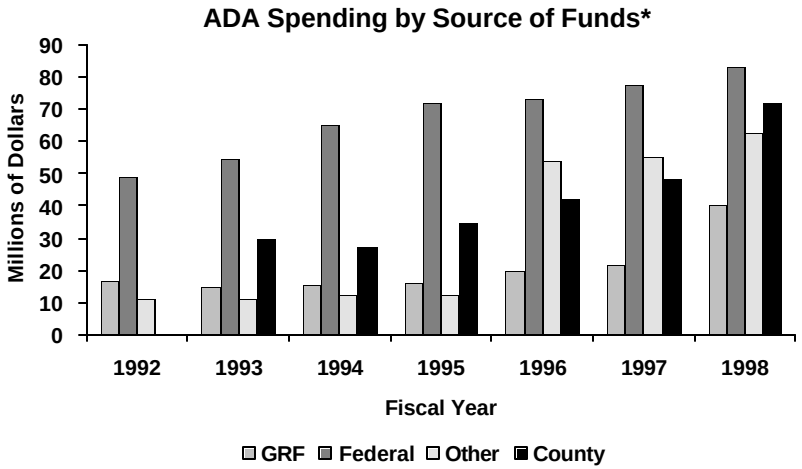
- The number of children receiving subsidized child care has steadily increased in the years following welfare reform. Ohio's child care subsidy program registered a 28.7 percent increase from July 1997 (63,168 children enrolled) to July 2000 (81,303 children enrolled).
- As Ohio Works First (OWF) caseloads have declined in recent years, the number of children from OWF families who received subsidized care also declined from 25,120 in July 1997 to 19,343 in July 2000, a 22 percent drop. Transitional child care, subsidized for up to twelve months for those families leaving OWF, dipped only slightly from 7,114 to 6,661, a 6.4 percent decline, during the same period.
- Increasingly children receiving subsidized child care are from low-income working families. This sub-population, for whom the subsidy is "non-guaranteed," experienced an 84 percent increase in the number of children whose care is subsidized (from 29,126 in July 1997 to 53,728 in July 2000). Because OWF is employment-driven, children from non-guaranteed working families in July 2000 accounted for 66.0 percent of the total, compared to 46.1 percent in July 1997.

Statewide Funding for Public Mental Health Services



- Mental health services are provided at six psychiatric hospitals (nine sites) operated by the Department of Mental Health (DMH), 43 community Alcohol, Drug Addiction, and Mental Health Services Boards, and seven community Mental Health Services Boards.
- The average daily resident population at state psychiatric hospitals decreased from 3,147 in FY 1990 to 1,707 in FY 1995, and to 1,187 in FY 1999.
- Forensic patients made up approximately one-third of the daily DMH hospital population in FY 1995 and more than one-half of the population in FY 1999.
- The Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS) provide mental health services to adult offenders and juvenile offenders, respectively. The Rehabilitation Services Commission (RSC) provides job training to individuals disabled by a mental illness.
- Spending for direct and indirect mental health related services in FY 1999 was $55.6 million for DRC, $13.4 million for DYS, and $24.8 million for RSC.

Substance Abuse Services: Federal Dollars Make Up Majority of Spending

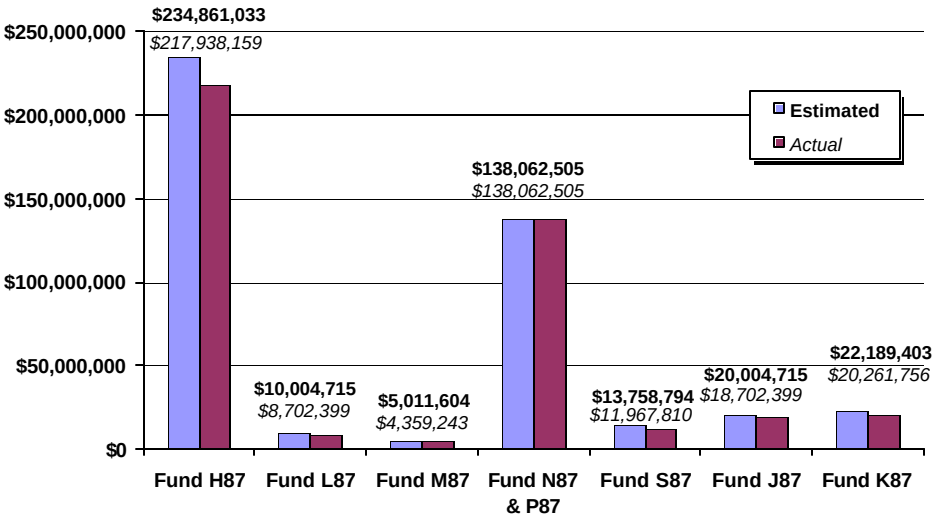


* County spending data not collected in FY 1992.

- A total of 97,007 individuals were admitted to a publicly funded treatment program in FY 1999. Alcohol was the primary drug of choice for 53 percent, 20.4 percent preferred marijuana, 19 percent preferred crack cocaine, and 4.4 percent preferred heroin.
- Most services are provided at the local level, either through 43 community Alcohol, Drug Addiction, and Mental Health Services Boards, or seven community Alcohol and Drug Addiction Services Boards.
- The Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS) provide substance abuse services for adult offenders and juvenile offenders, respectively. The Rehabilitation Services Commission (RSC) provides job training services for persons disabled by a substance abuse problem.
- Spending for direct substance abuse services in FY 1999 was $9.6 million for DRC, $4 million for DYS, and $3.5 million for RSC. Both state and federal dollars were used by each agency.

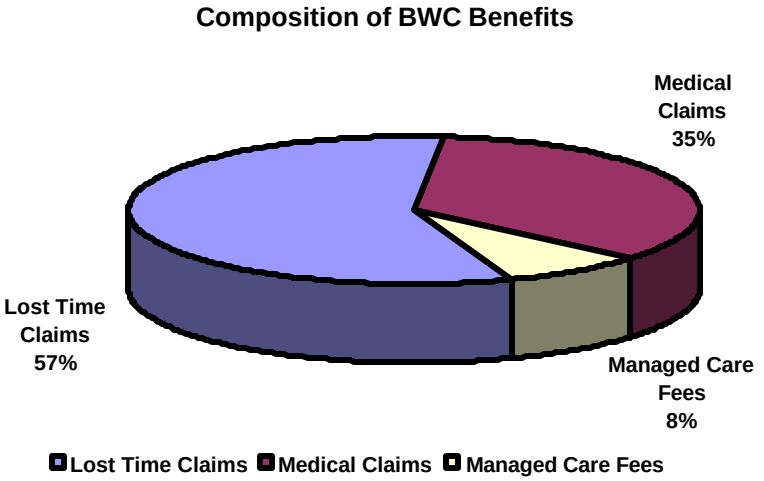
FY 2000 Tobacco Settlement Revenue

(Actual vs. Estimate)



- Total estimated FY 2000 tobacco settlement revenue exceeded the actual payments by approximately $23.9 million, a reduction of 5.4 percent. During FY 2000, Fund 087 collected over $7.7 million in investment earnings.
- Under Am. Sub. S.B. 192 of the 123rd General Assembly, the funding allocated to the Primary and Secondary Education School Facilities Trust Fund (Fund N87) was not affected by the reduction in tobacco revenue.
- Actual FY 2000 revenue to the Tobacco Use Prevention and Cessation Trust Fund (Fund H87) was $16.9 million below initial estimates, a reduction of 7.2 percent.
- Since the Law Enforcements Improvements Trust Fund (Fund J87) and the Southern Ohio Agricultural and Community Development Trust Fund (Fund K87) received a specific dollar amount transfer from the initial FY 2000 settlement revenue, these two trust funds have a reduction of 6.5 percent and 8.7 percent, respectively.
- Actual revenue allocated to the remaining three trust funds – Ohio's Public Health Priorities Trust Fund (Fund L87), Biomedical Research and Technology Transfer Trust Fund (Fund M87), and the Education Technologies Trust Fund (Fund S87) – is 13.0 percent below estimates in all three cases.

$1.7 Billion in Benefits Paid by the Bureau of Workers' Compensation



- BWC paid $1.76 billion in total benefits in Calendar Year 1998.
- During Calendar Year 1998, BWC paid out $1 billion in Lost Time benefits alone. Lost Time benefits are wage replacement payments granted to claimants who miss more than seven days of work as a result of their injuries.
- Total medical costs for the period were $608 million, about 35 percent of the total cost of claims on BWC's State Insurance Fund. Many workers' compensation awards include lost time and medical expenses; however, injured workers who miss seven days or fewer from work are eligible for medical benefits only.
- BWC continued its Health Partnership Program (HPP), the agency's managed care initiative, over the calendar year. BWC paid some $143 million in fees – about 8 percent of total claims costs – to participating Managed Care Organizations (MCOs).