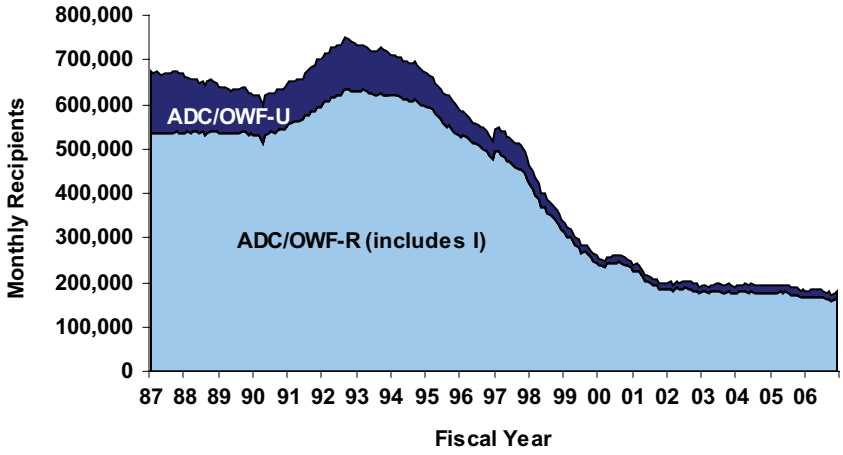
Ohio's ADC/OWF Caseload Decline Stabilizes

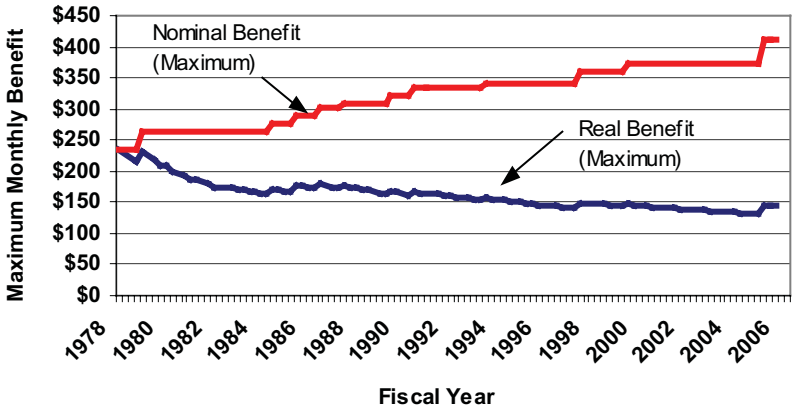


Source: Ohio Department of Job and Family Services

- 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), and (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 of the child caregiver to work. Child-only cases constitute about 49% of the total caseload, and OWF-I cases constitute about 4%.
- 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. The number of recipients declined sharply until June 2002, when the caseload stabilized; the last two years have exhibited a small decrease, with the average monthly caseload for FY 2006 just over 180,000 recipients. The decline can be attributed to both an improving economy and to reforms in the program. The average monthly cash benefit expenditure for the total caseload of 180,000 in FY 2006 was $26.4 million. There was a 10% increase in the cash benefit levels that took effect October 1, 2005.

Purchasing Power of ADC/OWF Benefits

Real and Nominal Value of ADC/OWF Benefits for a Family of Three, FYs 1978-2006



Sources: Ohio Department of Job and Family Services, United States Department of Labor

- The maximum benefit for ADC/OWF families is set by state law and periodically has been increased. In 1978, the maximum monthly benefit for a family of three was $235. In October 2005, the maximum monthly benefit for a family of three increased from $373 to $410. Benefit increases are reflected in the Nominal Benefit. In FY 2006, the average assistance group had 2.17 members.

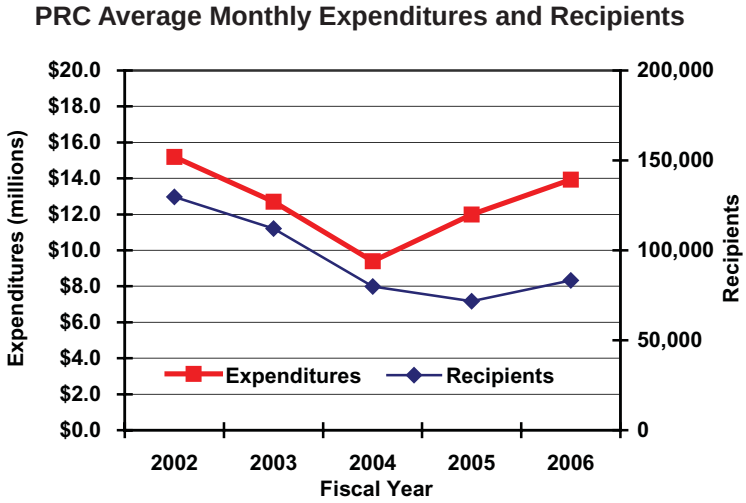
- The purchasing power of the maximum monthly benefit (the Real Benefit) for a family of three has declined from $235 in 1978 to $144 in 2006 (in 1978 dollars), a decrease of 38.7%.

Maximum OWF Benefit Based on Assistance Group (AG) Size (current standard)

AG Size	Maximum Monthly Benefit	AG Size	Maximum Monthly Benefit
1	$245	9	$899
2	$336	10	$980
3	$410	11	$1,059
4	$507	12	$1,141
5	$593	13	$1,221
6	$660	14	$1,300
7	$737	15	$1,382
8	$817	*	*

*Add $102 for each person above 15

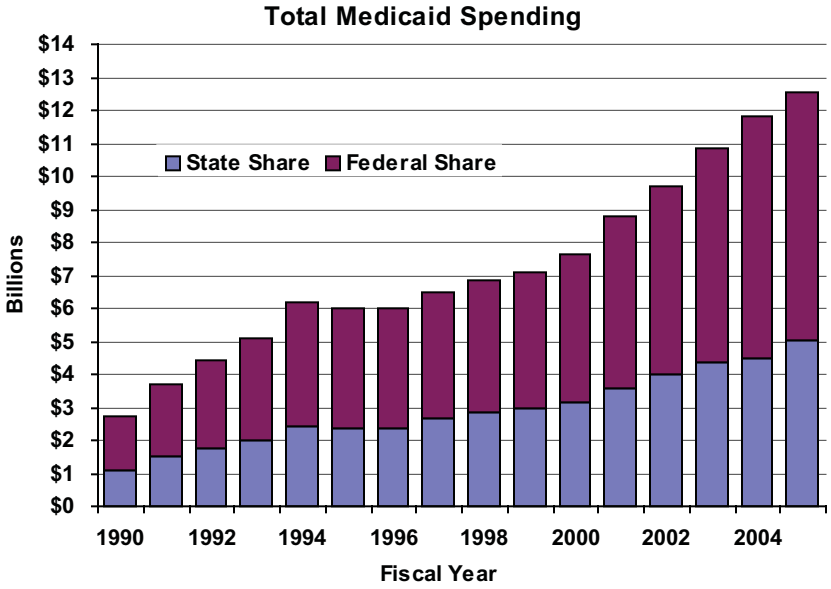
PRC Program Encourages Work and Provides Short-Term Assistance



Source: Ohio Department of Job and Family Services

- As part of the Temporary Assistance for Needy Families (TANF) program in Ohio, the Prevention, Retention, and Contingency (PRC) program is designed to "divert" families from long-term public assistance by providing nonrecurrent short-term customized assistance.
- The largest service category in terms of expenditures—Training, Employment, and Work Support—includes such things as employment and placement services, education and training services, wage subsidies, and work-related expenses.
- The remaining categories provide a variety of types of assistance and services designed to stabilize families, provide for child development, and help communities.
- To participate in the PRC program, an assistance group must include at least one minor child. County governments establish additional eligibility criteria.
- Expenditures began a turnaround in FY 2005. This is most likely the result of the termination of the consolidated allocation system, which produced some unintended consequences in the use of TANF funds. After several years of decline in the number of recipients, FY 2006 has shown an increase.

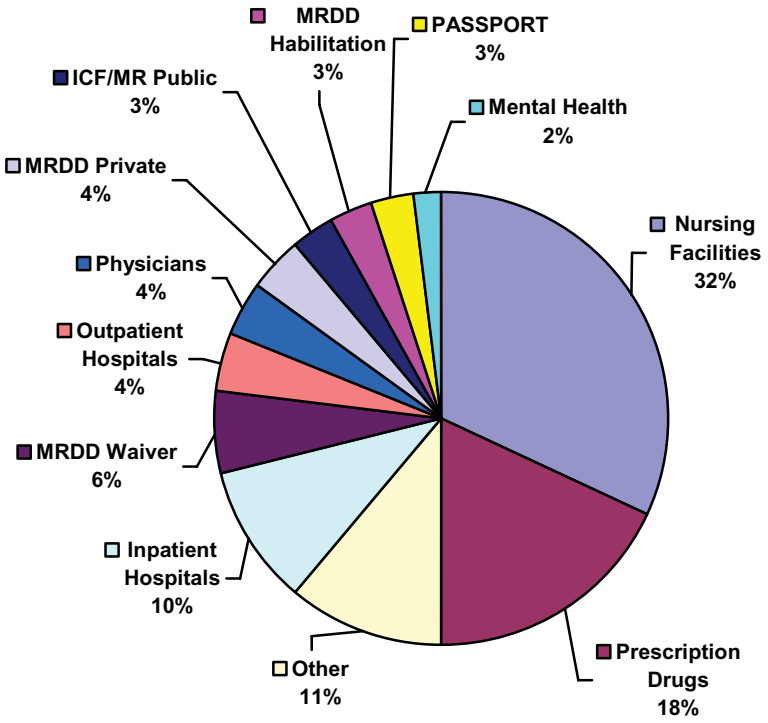
Medicaid Spending Shows Rapid Growth for Second Time since FY 1990



Source: CMS 64 Summary Report

- Since FY 1990, Medicaid spending has increased by an average of 10.4% each fiscal year. The rapid spending growth for the first half of the 1990s was driven by rapid health care cost increases generally, and specifically by increased caseloads associated with eligibility expansions.
- Spending decreased slightly in FY 1995 as a result of an improving economy.
- Medicaid spending growth started to rise dramatically again in the early 2000s. The growth in total Medicaid spending averaged 12.3% from FY 2000 to FY 2003. The spending growth slowed down for FY 2005 with 5.8% growth. Total spending for FY 2005 was $12.5 billion.
- Increases in spending on long-term care and inpatient hospital services have been the driving force behind the Medicaid spending increases in the early 2000s. Also contributing significantly to total Medicaid spending is the growth in prescription drug expenditures, expanded coverage for children up to 200% of the federal poverty guideline, and the increase in caseloads due to the economic recession. Slower growth in long-term care and physician services have contributed to the slower growth for FY 2005.
- On average, approximately 4% of total Medicaid spending in Ohio goes toward the administration of the program.
- The federal government pays for about 59% of Medicaid spending, on average.

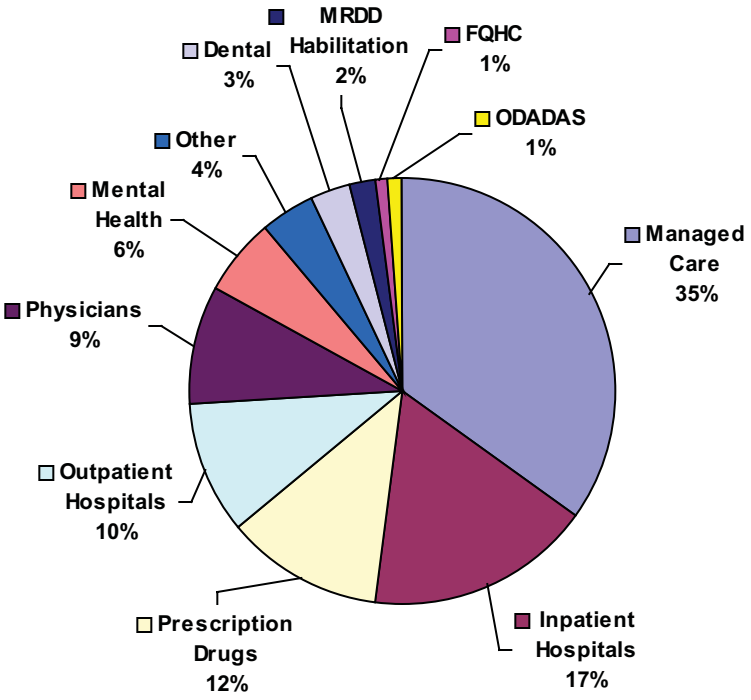
FY 2005 Medicaid Spending for Aged, Blind, and Disabled by Service Category



Sources: Pharmacy and Dental Services Update, March 17, 2004, Medical Care Advisory Committee
2005 Medicaid Spending, May 3, 2006, Ohio Medicaid Administrative Study Council

- Am. Sub. H.B. 66 of the 126th General Assembly (the FYs 2006-2007 operating budget act) requires ODJFS to implement in all counties the care management system for certain aged, blind, and disabled Medicaid recipients. The requirement does not apply to (1) persons under age 21, (2) institutionalized persons, (3) persons eligible for Medicaid by spend-down, (4) dual eligibles, and (5) Medicaid waiver recipients. Not later than December 31, 2006, ODJFS must ensure that designated participants are enrolled in Medicaid managed care.
- Between October 2002 and September 2003, Ohio Medicaid spent $1.65 billion on prescription drugs. Of that amount, 81% was for the aged, blind, and disabled, and about 43% (over $700 million) was for dual eligibles.

FY 2005 Medicaid Spending for Covered Families and Children by Service Category



Source: 2005 Medicaid Spending, May 3, 2006, Ohio Medicaid Administrative Study Council

- Ohio Medicaid has incorporated the use of managed care since 1978. The use of capitated rates was not given major emphasis in Ohio's program until the state received an 1115 demonstration waiver in January 1995.
- The Medicaid managed care program currently has three different enrollment categories: mandatory, voluntary, and preferred option. Am. Sub. H.B. 66 of the 126th General Assembly requires the care management system to be implemented in all counties and requires ODJFS to designate the Covered Families and Children for participation. Not later than December 31, 2006, ODJFS must ensure that all designated participants are enrolled in Medicaid managed care. ODJFS expects the completion to be on schedule.
- Effective July 1, 2006, the East Central Region became the first mandatory Medicaid managed care region. Ashland, Carroll, Holmes, Portage, Richland, Stark, Summit, Tuscarawas, and Wayne counties comprise the region. CareSource, Unison Health Plan of Ohio, and Buckeye Community Health Plan are the plans that serve the region.

Major Medicaid Spending by Service Category

Medicaid Spending and Growth by Service Category

	Spending in millions, By Fiscal Year			Average Annual Rate of Change		
Service Category	**1996**	**2001**	**2006**	**1996-2001**	**2001-2006**	**1996-2006**
Nursing Facilities	$1,712	$2,280	$2,650	5.9%	3.1%	4.5%
ICFs/MR	$332	$399	$517	3.7%	5.3%	4.5%
Inpatient Hospitals	$1,014	$1,079	$1,489	1.3%	6.7%	3.9%
Outpatient Hospitals	$309	$416	$679	6.1%	10.3%	8.2%
Physicians	$327	$423	$641	5.3%	8.7%	7.0%
Prescription Drugs	$515	$1,057	$1,636	15.5%	9.1%	12.3%
Managed Care	$412	$430	$1,434	0.9%	27.2%	13.3%
Medicare Buy-In	$119	$120	$236	0.2%	14.5%	7.1%
ODJFS Waiver	$33	$141	$224	33.7%	9.7%	21.1%
All Other*	$311	$539	$1,011	11.6%	13.4%	12.5%
Total	**$5,084**	**$6,884**	**$10,517**	**6.2%**	**8.8%**	**7.5%**

*"All Other" includes services such as dental care, home health care, private duty nurse, and other practitioner services, and includes various contracts.

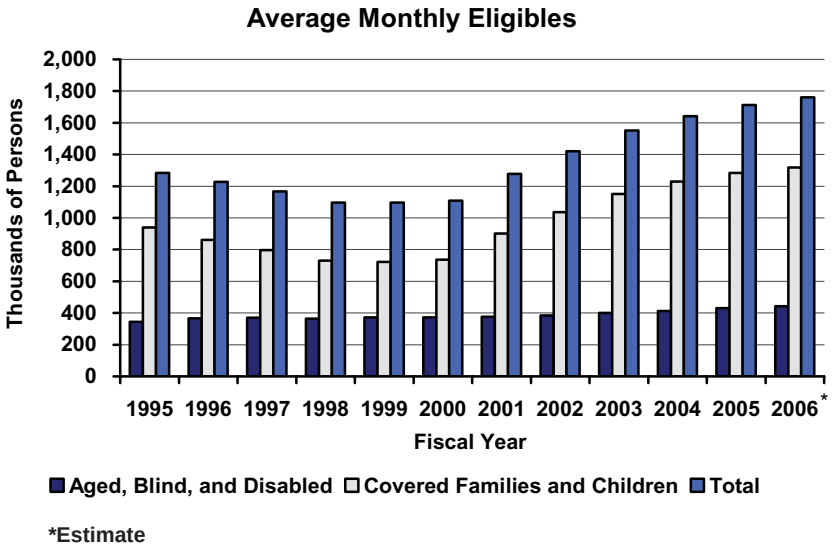
Sources: Projected Medicaid Expenditures SFY 2004-2005, SFY 2006-2007, ODJFS; Quarterly Cost Management Report on Ohio's Medicaid Program, ODJFS

- Between FY 2001 and FY 2006, payments for Managed Care increased by 27.2% annually, mainly due to the implementation of Preferred Option and the increase in the caseloads of Covered Families and Children (CFC). Under Preferred Option, Medicaid recipients are automatically enrolled in managed care if they fail to select the fee-for-service option.

- Prior to January 2006, prescription drug coverage was provided to dual eligibles, those who are eligible for both Medicare and Medicaid, through Medicaid; in Ohio, the federal government paid its financial share of about 59% (the FMAP), and the state paid the remaining 41% of the cost of this coverage. Beginning January 1996, prescription drug coverage is provided to dual eligibles through Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 gave people access to a private Medicare prescription drug plan and required state Medicaid programs to contribute to the cost of federal prescription drug coverage for dual eligibles. The mechanism through which the states help finance the new Medicare drug benefit is popularly known as the "clawback." The actual clawback is calculated using CY 2003 expenditures, inflated to 2006. States were required to pay the federal government 90% of their estimated state shares in 2006; over the following nine years, this proportion is reduced to 75%. Thereafter, the proportion remains at 75%.

- The "ODJFS Waiver" was developed and implemented during the FY 1997-1998 biennium and evolved from Medicaid waiver programs and nonwaiver home care services that existed before then. The waiver includes services such as home delivered meals, supplemental adaptive/assistive living devices, out-of-home respite care, and adult day health services.

Medicaid Caseloads Climb in 2000s

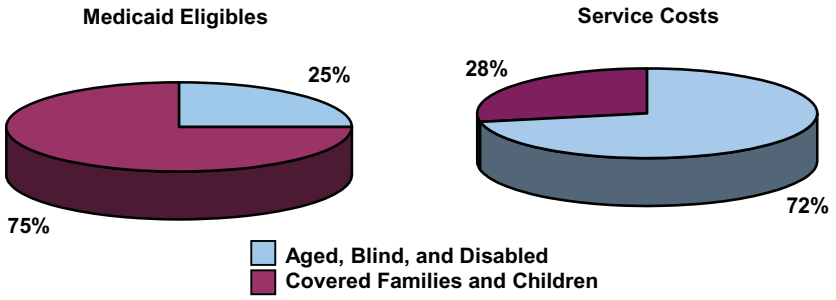


Source: Monthly caseload report, ODJFS

- In Ohio, Medicaid provides health insurance to Ohioans in the following two eligibility groups: (1) Covered Families and Children (CFC), which includes *Healthy Start* covering low-income pregnant women and children in families with incomes at or below 150% of the federal poverty guideline (FPG), *Healthy Families and Related* covering families at or below 90% of the FPG, and *CHIP II* covering children in families with incomes between 150% and 200% of the FPG, and (2) Aged, Blind, and Disabled (ABD) covering low-income elderly who are age 65 or older and persons with disabilities of all ages.
- The total number of persons eligible for Medicaid grew rapidly by 28.4% from FY 2001 to FY 2004 and moderately by 2.7% from FY 2005 to FY 2006, increasing from 1,278,082 in FY 2001 to 1,759,693 in FY 2006. The rapid growth for the first half of the 2000s can be explained by the recession and by several eligibility expansions under CFC. The improving economy has resulted in a slowing down in the caseload growth.
- CFC caseloads declined approximately 27% from the FY 1993 decade high to its lowest level in FY 1999 due primarily to the decline in the Ohio Works First cash assistance caseload.
- The ABD population experienced an average annual growth of 9.3% in the first half of the 1990s, with slow annual growth of 0.4% from FY 1996 to FY 2000, followed by annual growth of 2.9% from FY 2001 to FY 2006.

Aged, Blind, and Disabled Account for 72% of Medicaid Service Costs

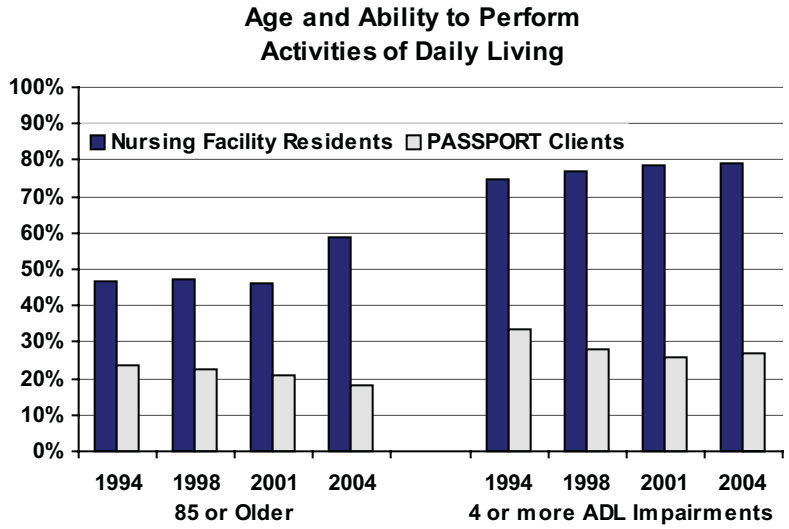
Medicaid Service Costs vs. Caseloads, FY 2005



Sources: JFS Testimony, House Finance and Appropriations Committee, March 1, 2005; Introduction, Ohio Medicaid Administrative Study Council; Ohio Medicaid: Progress Report & Future Plans, July 19, 2006 Medical Care Advisory Committee

- The Covered Families and Children (CFC) population made up 75% of the Medicaid population but accounted for 28% of service costs in FY 2003. In comparison, the Aged, Blind, and Disabled (ABD) population made up 25% of the Medicaid population but accounted for 72% of service costs.
- Medicaid covers 45% of Ohio children under age five. It provides health care for one in every seven Ohioans. It also pays for one in every three births and 70% of all nursing home care.
- Ohio Medicaid provides comprehensive health care benefits to eligibles in two broad benefit packages: (1) primary and acute care services are available to everyone on the Medicaid plan, and (2) long-term care services are available to individuals with an institutional or nursing home level of care. Included in primary and acute care services are inpatient and outpatient hospital services, physician services, prescription drugs, dental services, and a variety of other health-related services. Long-term care services are delivered in community and institutional settings.
- The cost of long-term care is one of the reasons for the relative expense of the ABD population. To illustrate, expenditures on nursing facilities alone, which are almost entirely for the benefit of this population, accounted for 24% of the total Medicaid service expenditure in FY 2005. Moreover, the ABD population heavily utilizes some services that have the fastest growing costs, such as prescription drugs.
- In FY 2005, Ohio Medicaid paid approximately 65 million medical claims. The program has approximately 36,000 participating medical providers.

Comparison of Nursing Facility Residents and PASSPORT Clients

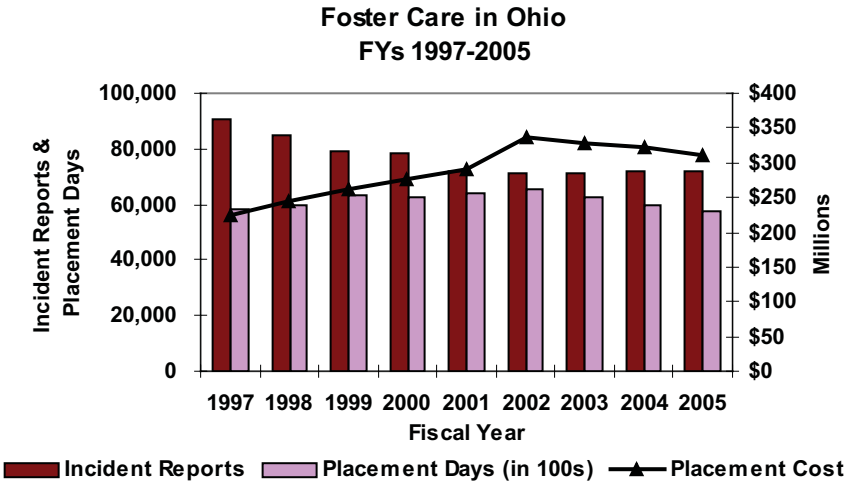


Note: December for 1994, 1998, 2001; June for 2004

Sources: An Overview of Ohio's In-Home Service Program for Older People (PASSPORT); *A Review of Nursing Home Resident Characteristics In Ohio*, Scripps Gerontology Center

- The total number of people enrolled in the PASSPORT Medicaid waiver program has grown, while nursing facilities (NFs) have seen a decline in population since 1994. In 1994, there were 7,161 PASSPORT clients and 81,400 NF residents. In 2004, there were 22,650 PASSPORT clients and 73,900 NF residents.
- The NF population has a greater percentage of residents over the age of 85 than the population enrolled in the PASSPORT program, with those persons in NFs being three years older than those persons enrolled in PASSPORT (79.4 for NF residents vs. 76.4 for PASSPORT clients).
- From 1994 through 2001, nursing facilities realized an increase in the percentage of residents who require help with four or more activities of daily living (ADLs, e.g., bathing, dressing, transferring, toileting, eating, and grooming). In 2004, the percentage remained stable. PASSPORT clients saw a decrease in the percentage of residents who required help with four or more ADLs from 1994 through 2001. In 2004, the percentage has slightly increased.
- The per member per month (PMPM) Medicaid costs for NFs increased from $2,538 in FY 1995 to $4,600 in FY 2003. PASSPORT PMPM Medicaid costs have increased by a lesser amount, from $1,139 in FY 1995 to $1,479 in FY 2003. It should be noted that PMPM costs vary depending on the type of client served, where they are served, and the services provided.

Foster Care Costs Continue to Decline in FY 2005

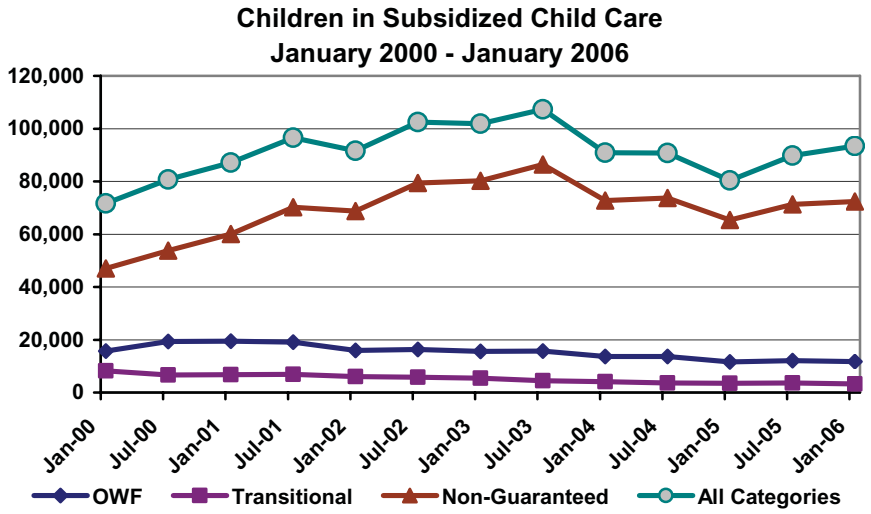


Source: Ohio Department of Job and Family Services

- The number of incidents of reported abuse and neglect has declined in recent years, from 95,188 in 1995 to 71,973 in 2005, a drop of 24.4%. County child welfare employees are required to investigate all incident reports. Some incident reports result in foster care placements.
- The number of foster care placement days (not including unlicensed/uncompensated relatives) was increasing over time and peaked in 2002 at 6,571,933. In 2005, the number of placement days decreased to 5,784,929.
- Between 1995 and 2002, total placement costs increased at an even faster pace than the rise in placement days. During that time period total placement costs grew by 75.3%, from $192,056,052 to $336,588,611. However, in 2005 placement costs had decreased to $309,462,600.[1]
- While residential and group foster home placement days represent only 17.0% of the total placement days, such placements account for 42.9% of total placement costs.
- 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 encompasses more than foster care placement costs, varies widely from county to county but has remained at around 10% of total expenditures since 1993.
- In addition to foster care, child welfare dollars are spent on adoption subsidies, child protection services, independent living services, training, and other administrative activities.

[1] Due to missing data reports, the FY 2005 cost includes only partial cost estimates for several counties.

Child Care Subsidy Serves Working Poor



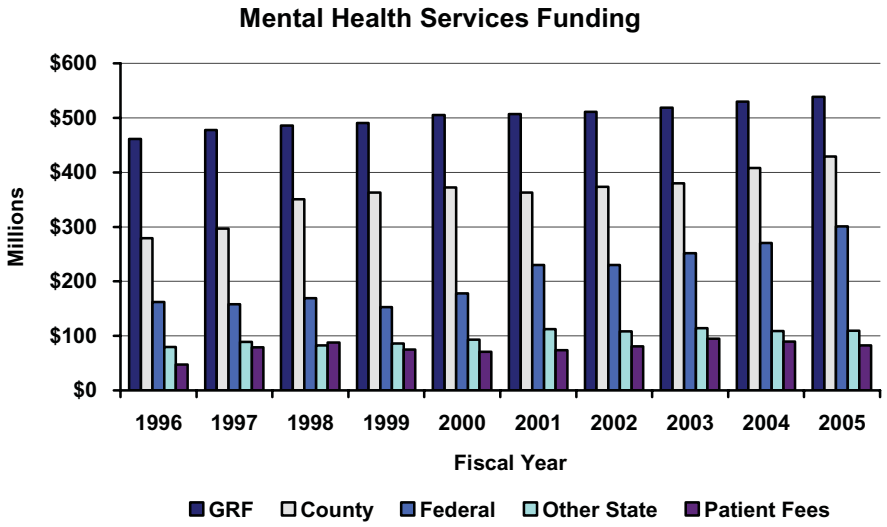
Source: Ohio Department of Job and Family Services

- The number of children receiving subsidized child care was increasing steadily through July 2003. Ohio's child care subsidy program registered a 50% increase from January 2000 (71,621 children enrolled) to July 2003 (107,281 children enrolled). Due to changes in eligibility and other cost containment measures implemented by the Department of Job and Family Services (ODJFS), the number of children receiving subsidized child care began to decrease in July 2003.

- As Ohio Works First (OWF) caseloads have continued to decline since welfare reform, the number of children from OWF families who receive subsidized care has continued to decline, decreasing by 25% from 15,707 to 11,707 between January 2000 and January 2006. Transitional child care, subsidized for up to 12 months for families leaving OWF, has continued to decline as well from 8,174 in January 2000 to 3,233 in January 2006, a 60% reduction.

- The majority of children receiving subsidized child care are from low-income working families. The category made up of families for whom the subsidy is "non-guaranteed" experienced an 84% increase, from 46,978 in January 2000 to 86,452 in July 2003. In an effort to control costs ODJFS reduced eligibility for this category of subsidized child care from 185% of the federal poverty guidelines (FPG) to 150% FPG. The number of children receiving this category of subsidized child care dropped to 65,429 in July 2005. The Department then increased eligibility back to 185% FPG. The downward trend reversed and has remained somewhat stable for the last year. Currently, the number of children from non-guaranteed working families receiving subsidized child care accounts for 77% of the total subsidized child care caseload.

Statewide Funding for Public Mental Health Services



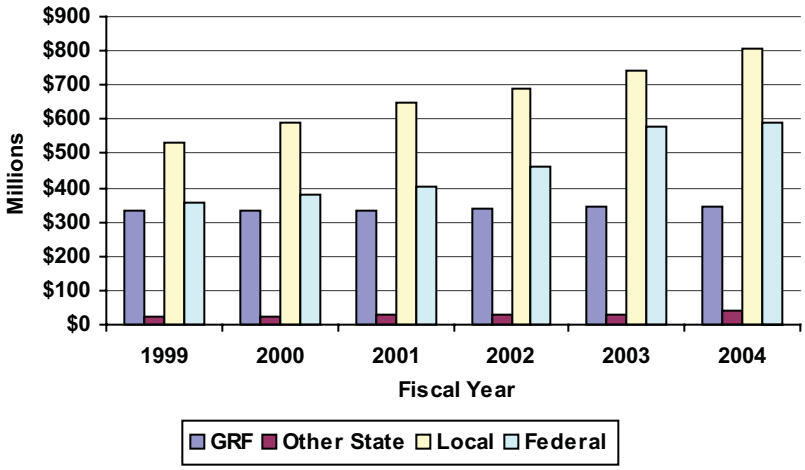
Note: County funding includes some nonmental health levy money (i.e., for alcohol and drug addiction services).

Source: Ohio Department of Mental Health

- Ohio has 43 community alcohol, drug addiction, and mental health services boards and seven community mental health services boards.
- Since the Mental Health Act was passed in 1988, the inpatient population of state hospitals has fallen from 4,000 to fewer than 1,200, and hospital staffing has been reduced from 6,200 employees to approximately 2,100. While the hospital population has dropped, community care has expanded. On average, the community care client population is around 290,000, of which approximately 140,000 are severely mentally disabled adults and 60,000 are severely emotionally disabled children. Savings in state hospitals, not new revenues, has financed the increased funding in community care, as the Ohio Department of Mental Health (ODMH) budget has not kept pace with inflation (as measured by the CPI).
- During the early 1990s, ODMH General Revenue Fund (GRF) funding increased at the same rate as inflation. Since 1997, increases in the Department's GRF budget have been below the rate of inflation.

County and Federal Expenditures on MR/DD Services Increase as GRF Remains Largely Unchanged

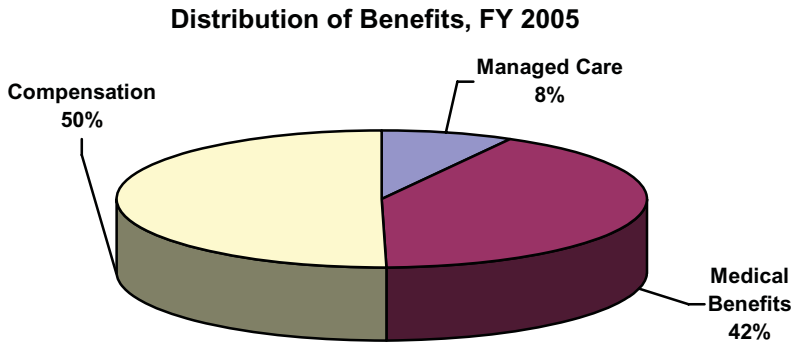
Statewide Expenditures for MR/DD Services by Funding Source FY 1999 to FY 2004



Source: Ohio Department of Mental Retardation and Developmental Disabilities

- Ohio has 88 county boards of mental retardation and developmental disabilities (MR/DD).
- The Department of MR/DD operates 10 developmental centers. Springview closed in FY 2005 and Apple Creek in FY 2006. The number of residents living at developmental centers dropped from 2,573 in FY 1990 to approximately 1,600 in FY 2006, about a 38% decrease. Individuals in developmental centers between the ages of 40 and 50 represent more than 50% of the developmental center population.
- Approximately 74,000 individuals with MR/DD receive county board services. The number of individuals served by county boards has increased by approximately 7,000 since FY 2002. Approximately 50% of individuals receiving county board services were under age 21 in FY 2005.
- In FY 2005, approximately 60,000 individuals with MR/DD lived in the community. These individuals represent approximately 80% of the MR/DD population in Ohio.
- In FY 2004, approximately $804.6 million in county funds, $588.8 million in federal funds, $344.0 million from the General Revenue Fund, and $38.8 million from other state funds were expended to provide services to individuals with MR/DD.

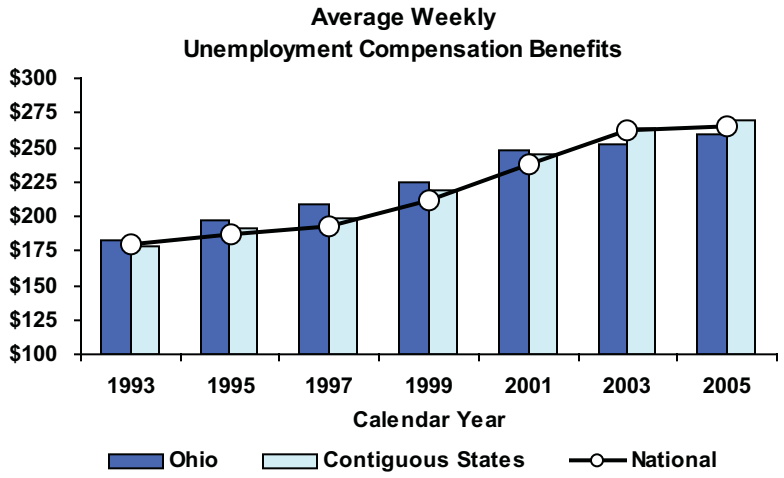
Benefits Paid by the Bureau of Workers' Compensation



Source: Ohio Bureau of Workers' Compensation

- The Bureau of Workers' Compensation (BWC) paid $2.15 billion in total benefits in FY 2005.
- During FY 2005, BWC paid out $1.08 billion in compensation benefits alone. Compensation benefits are wage replacement payments granted to claimants who miss more than seven days of work as a result of their injuries, as well as payments for various levels of disability.
- Total medical costs for the period were $898 million, about 42% 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 or fewer days from work are eligible for medical benefits only.
- BWC continued its managed care initiative. BWC paid some $171 million in fees—about 8% of total claims costs—to participating managed care organizations.

Ohio Unemployment Benefits Remain below National Average



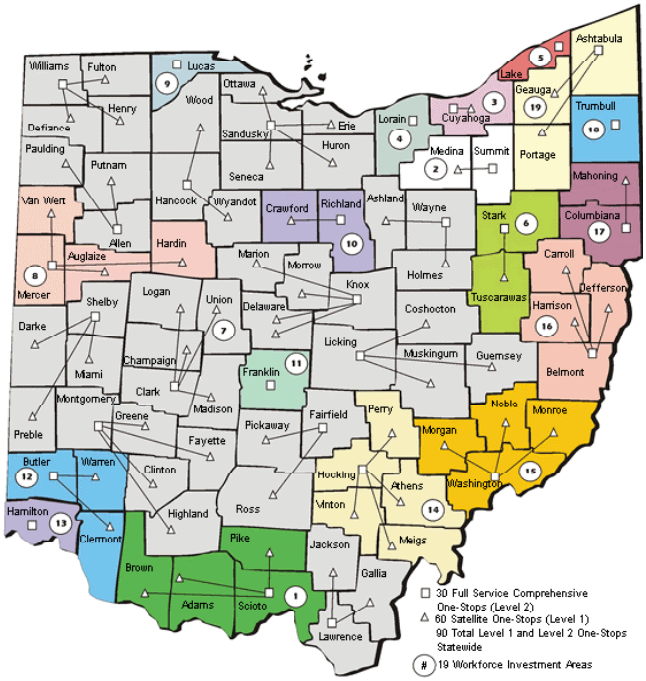
Source: United States Department of Labor

	1993	1995	1997	1999	2001	2003	2005
Ohio	$183	$197	$208	$224	$248	$252	$260
Contiguous States	178	192	198	220	245	263	269
National	180	187	193	212	238	262	265
Indiana	142	179	186	210	244	263	278
Kentucky	156	167	176	201	234	250	260
Michigan	215	221	222	238	261	291	290
Pennsylvania	210	219	228	251	282	292	292
West Virginia	167	172	180	198	202	220	226

- Ohio's average unemployment benefits continued in 2005 to be below the national average and the average benefits paid by the contiguous states. Between 2003 and 2005, Ohio caught up somewhat; Ohio's average weekly unemployment compensation benefit rose 3.2%, while the national average increased 1.1% and the average in contiguous states rose 2.3%.

Ohio's Workforce Development System

WIA Local Areas and One-Stops



Source: Office of Workforce Development, Department of Job and Family Services

- The Workforce Investment Act of 1998 (WIA) is the federal employment and training law that replaced the Job Training Partnership Act. Implemented in July 2000, WIA streamlines employment and training programs, helps job seekers find work, and helps employers find workers. In Ohio, WIA is administered by the Department of Job and Family Services.
- In September 1999, the Governor created the Governor's Workforce Policy Board. Members of the Board represent business, organized labor, legislators, education, social service agencies, and others. Among other responsibilities, the Board develops local area allocation formulas for distribution of WIA funds and develops comprehensive performance measures to evaluate the state's workforce development activities.
- Ohio now has l9 designated workforce investment areas. These areas, made up of counties functioning as single counties or contiguous counties functioning as a consortium, are subgrantees of WIA funds. Area 7 is the largest local area, encompassing 46 counties. Each local area selects an administrative entity and a fiscal agent for the local One-Stop System. There are 30 full-service One-Stops and 60 satellite One-Stops.