Ohio Legislative Service Commission

Wendy Risner

Fiscal Note & Local Impact Statement

Bill: Am. Sub. S.B. 206 of the 130th G.A. **Date**: December 4, 2013

Status: As Enacted **Sponsor**: Sens. Burke and Cafaro

Local Impact Statement Procedure Required: No

Contents: To require implementation of certain Medicaid revisions, reforms, and program oversight, to permit a board of county commissioners to establish a county healthier buckeye council, and to make an appropriation

State Fiscal Highlights

- **Medicaid reforms**. There could be Medicaid savings depending on the extent that the Ohio Department of Medicaid (ODM) is able to achieve the reform objectives detailed in the bill, including limiting the growth in per member per month Medicaid Program costs for a fiscal biennium to not more than the lesser of: (1) the average annual increase in the inflation rate for medical care for the Midwest region as reported in the Consumer Price Index for the most recent three-year period, weighted by the most recent year of the three years or (2) the projected medical inflation rate determined by the Joint Medicaid Oversight Committee (JMOC) contracted actuary, or JMOC's determined rate. Any decrease in Medicaid expenditures would result in a decrease in federal Medicaid reimbursement.
- **Government programs to prioritize employment goal**. There could be administrative costs to the Office of Health Transformation for adopting strategies that prioritize employment as a goal for individuals participating in government programs providing public benefits. However, if the adoption of these strategies resulted in individuals on public programs achieving employment instead of utilizing services under these programs, then there could be savings.
- **Population health measures and health disparity**. There could be administrative costs to ODM for implementing systems that improve the health of Medicaid recipients through the use of population health measures and also reduce health disparities. However, if the creation of such systems contributed to better health outcomes for Medicaid recipients, there could be a reduction in Medicaid service costs.
- **Joint Medicaid Oversight Committee**. $350,000 in FY 2014 and $500,000 in FY 2015 is appropriated in the bill to fund JMOC.

Local Fiscal Highlights

- **County healthier buckeye councils**. There could be costs associated with the establishment of county healthier buckeye councils. However, the creation of these county councils is permissive.

Detailed Fiscal Analysis

Medicaid reforms

The bill requires the Medicaid Director to implement certain reforms to the Medicaid Program. The reforms must reduce the relative number of individuals enrolled in the Medicaid Program who have the greatest potential to obtain the income and resources that would enable them to cease enrollment in Medicaid and instead obtain health care coverage through employer-sponsored health insurance or an exchange established under the Patient Protection and Affordable Care Act. However, the bill specifies that this is to be achieved without making the Medicaid Program's eligibility requirements more restrictive.

Limit the growth in Medicaid's per member per month costs

One reform requires the Director to limit the growth in the per member per month (PMPM) cost of the Medicaid Program for a fiscal biennium to not more than the lesser of: (1) the average annual increase in the inflation rate for medical care for the Midwest region as reported in the Consumer Price Index for the most recent three-year period, weighted by the most recent year of the three years or (2) the projected medical inflation rate determined by the actuary under contract with the Joint Medicaid Oversight Committee (JMOC), or if JMOC disagrees with the actuary's rate, the projected medical inflation rate that JMOC determines. The PMPM cost is to be determined on an aggregate basis for all eligibility groups. The bill specifies that this reform is to be achieved in a manner that: (1) improves the physical and mental health of Medicaid recipients, (2) provides for Medicaid recipients to receive Medicaid services in the most cost-effective and sustainable manner, (3) removes barriers that impede Medicaid recipients' ability to transfer to lower cost, and more appropriate, Medicaid services, including home and community-based services, (4) establishes Medicaid payment rates that encourage value over volume and result in Medicaid services being provided in the most efficient and effective manner possible, (5) implements fraud and abuse prevention and cost avoidance mechanisms to the fullest extent possible, and (6) integrates in the care management system the delivery of physical health, behavioral health, nursing facility, and home and community-based services covered by Medicaid. The bill also provides that the General Assembly encourages the Ohio Department of Medicaid (ODM) to achieve greater cost savings for Medicaid than required by the bill and that it is the General Assembly's intent that any amounts saved not be expended for any other purpose.

Reduce comorbid health conditions

Other reforms require the Medicaid Director to reduce the prevalence of comorbid health conditions among, and the mortality rates of, Medicaid recipients and the infant mortality rates among Medicaid recipients.

Fiscal effect

There would be Medicaid savings depending on the extent that the Director is able to achieve the objectives specified in the bill. Any decrease in Medicaid expenditures would result in a decrease in federal Medicaid reimbursement. Generally, the federal government reimburses Ohio about 64% for Medicaid medical services expenditures and about 50% for administrative expenditures. In addition, the sales and use tax and health insuring corporation tax apply to payments made to Medicaid managed care organizations (MCOs). Therefore, if Medicaid expenditures to MCOs decrease under the bill, there would be a decrease in tax revenue.

Medicaid cost sharing

Currently, ODM is required to institute a cost-sharing program under the Medicaid Program. The bill eliminates requirements that the program include copayments for at least dental services, vision services, nonemergency emergency department services, and prescribed drugs, and premiums, enrollment fees, deductions, and similar charges. The bill prohibits the cost-sharing program from being instituted in a manner that disproportionately impacts the ability of Medicaid recipients with chronic illnesses to obtain medically necessary Medicaid services.

Fiscal effect

The impact on cost sharing will depend on how the program will be carried out.

Government programs to prioritize employment goal

The bill requires the Executive Director of the Office of Health Transformation to adopt strategies that prioritize employment as a goal for individuals participating in government programs providing public benefits.

Fiscal effect

The Office of Health Transformation may experience a minimal increase in administrative costs for adopting strategies regarding prioritizing employment. If the strategies are successful and program participants achieve employment instead of utilizing services provided through these programs, there could be savings in government programs.

Services provided in culturally and linguistically appropriate manners

The bill requires the Medicaid Director to implement a system that encourages providers to provide services to Medicaid recipients in culturally and linguistically appropriate manners.

Fiscal effect

ODM could incur administrative costs to implement such a system.

Population health measures and reduction in health disparities

The bill requires the Medicaid Director to implement systems that improve the health of Medicaid recipients through the use of population health measures and reduce health disparities, including, but not limited to, those within racial and ethnic populations.

Fiscal effect

There could be Medicaid savings if the systems created contribute to better health outcomes for Medicaid recipients and also reduce health disparities.

Joint Medicaid Oversight Committee

The bill creates the Joint Medicaid Oversight Committee (JMOC). JMOC will consist of ten members. The bill specifies that the House Speaker and Senate President are to each appoint three members from the majority party and two members from the minority party. The President and Speaker are to consult with the minority leader of each respective house when appointing minority members. JMOC must meet at the call of the chairperson, but not less often than once each month unless the chairperson and ranking minority member agree that JMOC should not meet. Additionally, JMOC may request that the Medicaid Director appear to provide information and answer questions. JMOC may also issue subpoenas to require witnesses to testify when authorized by JMOC, the Senate President, and the House Speaker.

The bill permits JMOC to employ the professional, technical, and clerical employees necessary for JMOC to successfully and efficiently perform its duties. All such employees are to be in the unclassified service and serve at JMOC's pleasure. JMOC is permitted to contract for the services of persons who are qualified by education and experience to advise, consult with, or otherwise assist JMOC in the performance of its duties. The bill requires JMOC to contract with an actuary, before the beginning of each fiscal biennium, to determine the projected medical inflation rate for the upcoming fiscal biennium and determine whether JMOC agrees with the actuary's projected medical inflation rate. If JMOC disagrees with the rate, JMOC must determine a different projected medical inflation rate. JMOC is required to complete a report regarding the projected medical inflation rate.

The bill also requires JMOC to prepare a report with recommendations for legislation regarding Medicaid payment rates for Medicaid services. The Medicaid Director is required to assist with this report, which must be submitted no later than January 1, 2015. Additionally, JMOC is to receive reports that the Medicaid Director is currently required to prepare.

The bill requires JMOC to oversee the Medicaid Program on a continuing basis. As part of its oversight, JMOC must do all of the following: (1) review how the Medicaid Program relates to the public and private provision of health care coverage in

Ohio and the United States, (2) review the reforms that the bill requires the Medicaid Director to implement and evaluate the reforms' successes in achieving their objectives, (3) recommend policies and strategies to encourage Medicaid recipients being physically and mentally able to join and stay in the workforce and ultimately becoming more self-sufficient and to encourage less use of the Medicaid Program, (4) recommend, to the extent JMOC determines appropriate, improvements in statutes and rules concerning the Medicaid Program, (5) develop a plan of action for the future of the Medicaid Program, and (6) receive and consider reports submitted by county healthier buckeye councils. The bill also permits JMOC to do the following: (1) plan, advertise, organize, and conduct forums, conferences, and other meetings at which representatives of state agencies and other individuals having expertise in the Medicaid Program may participate to increase knowledge and understanding of, and to develop and propose improvements in, the Medicaid Program, (2) prepare and issue reports on the Medicaid Program, and (3) solicit written comments on, and conduct public hearings at which persons may offer verbal comments on, drafts of JMOC's reports. The bill also permits JMOC to investigate state and local government Medicaid agencies, as necessary for the conduct of an investigation. JMOC and its employees are not to conduct an inspection unless the JMOC chairperson grants prior approval. The chairperson is not to grant approval unless JMOC, the President of the Senate, and the Speaker of the House of Representatives authorize the chairperson to grant the approval.

The bill abolishes the Joint Legislative Committee for Unified Long-Term Services and Supports. Instead, the bill authorizes JMOC to examine issues that would have been studied by that committee such as the implementation of the Dual Eligible Integrated Care Demonstration Project, the implementation of a unified long-term services and support Medicaid waiver program, etc. The bill also abolishes the Joint Legislative Committee on Health Care Oversight, the Joint Legislative Committee on Medicaid Technology and Reform, and the Medicaid Buy-In Advisory Council.

Fiscal effect

The bill appropriates $350,000 in FY 2014 and $500,000 in FY 2015 to fund JMOC, which will be used by JMOC to perform its duties.

The bill abolishes four legislative committees and creates JMOC as a new committee with ten legislative members. As a result, there could be an overall reduction in travel reimbursements since there will be fewer members attending committee meetings.

County healthier buckeye councils

The bill permits each board of county commissioners to adopt a resolution to establish a county healthier buckeye council and permits the county council to do the following: promote means by which council members or the entities that members represent may reduce the reliance of individuals and families on publicly funded

assistance programs using certain programs and practices, promote care coordination among physical health, behavioral health, social, employment, education, and housing service providers within the county, and collect and analyze data regarding individuals or families who receive services from or participate in programs operated by council members or the entities the members represent. The bill also specifies that the county council may report certain information to JMOC.

Fiscal effect

There could be costs for counties that choose to establish a county healthier buckeye council. The establishment of these county councils is permissive, so any increase in costs will be up to the individual board of county commissioners. If councils are created and the result is a reduction in utilization of services provided by publicly funded assistance programs, there could be a decrease in state and/or local costs relating to these programs.

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