



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** [S.B. 206 of the 130th G.A.](#)

**Date:** October 22, 2013

**Status:** As Introduced

**Sponsor:** Sen. Burke

**Local Impact Statement Procedure Required:** No

**Contents:** To require implementation of certain Medicaid revisions, reforms, and program oversight, 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 costs to the lesser of: (1) the average annual increase in the inflation rate for medical care as reported in the Consumer Price Index for the most recent five-year period for which the necessary data is available or (2) 3%. Any decrease in Medicaid expenditures would result in a decrease in federal Medicaid reimbursement.
- **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 (JMOC).** \$350,000 in FY 2014 and \$500,000 in FY 2015 is appropriated in the bill to fund JMOC. The bill requires JMOC to hire the necessary professional, technical, and clerical staff to successfully and efficiently perform its duties.

### Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

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## Detailed Fiscal Analysis

### Medicaid expansion

The bill specifies that the Medicaid Program may not cover the expansion group authorized by the Patient Protection and Affordable Care Act unless the enhanced federal match for expenditures for Medicaid services provided to the expansion group is at least the amount specified in federal law as of March 30, 2010. The federal match is as follows: 100% for calendar years (CY) 2014, 2015, and 2016; 95% for CY 2017; 94% for CY 2018; 93% for CY 2019; and 90% for subsequent years. The bill states that an individual's disenrollment from Medicaid is not subject to appeal when the disenrollment is the result of Medicaid ceasing to cover the expansion group due to a reduction in the enhanced federal match.

#### Fiscal effect

If the federal reimbursement is adjusted below the amounts specified above, the state would cease covering the expansion group. Mercer, the state's current contracted actuarial firm, estimates the fiscal impact of providing Medicaid services to the expansion population to be approximately \$2.6 billion over the FY 2014-FY 2015 biennium, all of which will be paid by the federal government.

### 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

The first reform must provide for the annual growth in the per member per month (PMPM) cost of the Medicaid Program to be not more than the lesser of: (1) the average annual increase in the inflation rate for medical care as reported in the Consumer Price Index for the most recent five-year period for which the necessary data is available<sup>1</sup> or (2) 3%. 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

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<sup>1</sup> According to the Bureau of Labor Statistics, the average annual increase in the inflation rate for medical care as reported in the Consumer Price Index for the most recent five-year period (2008-2012) was approximately 3.4%.

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 prevention and cost avoidance mechanisms to the fullest extent possible, and (6) integrates the delivery of physical and behavioral health services covered by Medicaid to the fullest extent possible.

### **Reduce comorbid health conditions**

The second reform is to reduce the prevalence of comorbid health conditions among, and the mortality rates of, 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.

### **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.

#### **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. JMOC must meet at the call of the chairperson, but not less often than

once each month. 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 requires JMOC to employ the professional, technical, and clerical employees that are necessary for JMOC to successfully and efficiently perform its duties. The 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 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, 2014. 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 to become more self-sufficient and to encourage less use of the Medicaid program, and (4) recommend, to the extent JMOC determines appropriate, improvements in statutes and rules concerning the Medicaid Program. 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 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. The bill requires JMOC to hire the necessary professional, technical, and clerical staff to successfully and efficiently 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.

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