# LSC Redbook

## Analysis of the Executive Budget Proposal

# Joint Medicaid Oversight Committee

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# READER'S GUIDE

The Legislative Service Commission prepares an analysis of the budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Joint Medicaid Oversight Committee (JMOC), which includes the following three sections.

1. Overview: Provides a brief description of JMOC and an overview of the provisions of the budget that affect JMOC, including major new initiatives proposed for JMOC.
2. Analysis of the Executive Proposal: Provides a detailed analysis of the budget for JMOC, including funding for its appropriation line item.
3. Attachments: Includes the catalog of budget line items (COBLI) for JMOC, which briefly describes its line item, and the LSC budget spreadsheet for JMOC.

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**ATTACHMENTS:**

Catalog of Budget Line Items
Budget Spreadsheet By Line Item

# Joint Medicaid Oversight Committee

- Funding is all GRF
- Chief responsibility is to oversee the Medicaid Program on a continuing basis

## OVERVIEW

### Agency Overview

The Joint Medicaid Oversight Committee was created by S.B. 206 of the 130th General Assembly in March of 2014. JMOC's chief responsibility is to oversee the Medicaid Program on a continuing basis, while specific duties include the following:

- Contracting with an actuary before the beginning of each fiscal biennium to determine the projected medical inflation rate for the upcoming biennium;
- Reviewing how the Medicaid Program relates to the public and private provision of health care coverage in Ohio and the United States;
- Reviewing Medicaid reforms required in section 5162.70 of the Revised Code;[1]
- Recommending policies and strategies to encourage Medicaid recipients to join and stay in the workforce and to encourage less use of the Medicaid Program;
- Recommending, to the extent JMOC determines appropriate, improvements in statutes and rules concerning the Medicaid Program; and
- Developing a plan of action for the future of the Medicaid Program.

In addition to these required duties, JMOC may organize and conduct forums, conferences, and public hearings to increase knowledge of the Medicaid Program and to develop improvements in the program itself. Additionally, JMOC is permitted to investigate state and local government Medicaid agencies. However, the JMOC

[1] Section 5162.70 requires the Medicaid Director to implement reforms that limit the growth in the per recipient per month cost of the program for a fiscal biennium. This section requires the limit to be achieved by, among other things, improving the physical and mental health of recipients and providing services in the most cost-effective and sustainable manner. Additionally, the Director is to reduce comorbid health conditions, mortality rates, and infant mortality rates of recipients.

chairperson cannot grant approval for an inspection unless JMOC, the President of the Senate, and the Speaker of the House of Representatives grants prior approval.

JMOC is a ten-member legislative committee. The House Speaker and Senate President each appoint three members from the majority party and two members from the minority party to serve on the committee. JMOC's daily operations are the responsibility of an executive director and one additional full-time employee.

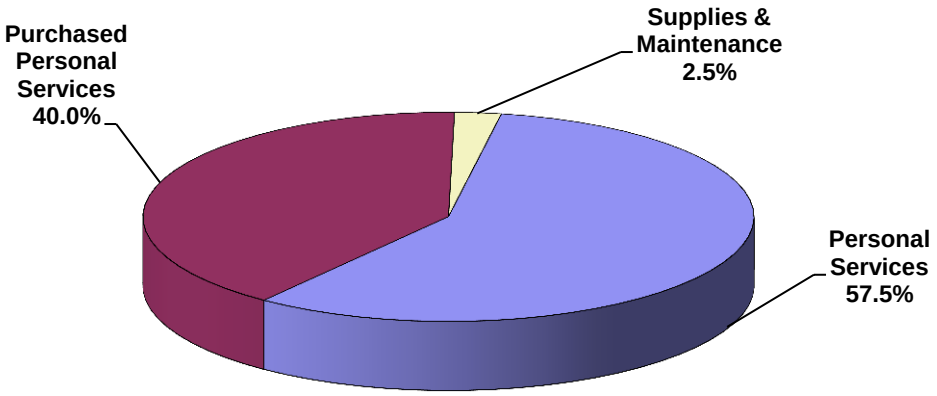
## Appropriation Overview

R.C. 107.03(B) states that "no alterations shall be made in the [budget] requests for the legislative and judicial branches of the state filed with the director of budget and management . . . ." Therefore, the Governor has made no alterations to the budget request submitted by JMOC.

The appropriations for JMOC total $321,995 in FY 2016, a decrease of 35.6% from FY 2015 estimated expenditures, and $490,320 in FY 2017, which represents an increase of 52.3% over FY 2016 appropriations. The appropriations for JMOC are higher in odd-numbered years since JMOC contracts with an actuary to determine the medical inflation rate for the upcoming biennium.

JMOC's largest expense category is personal services, which represents 57.5% of the budget. The second largest category is purchased personal services, which represents 40.0% of the budget. JMOC's actuarial expenses are captured in this category and are estimated to be $75,000 in FY 2016 and $250,000 in FY 2017. Lastly, the supplies and maintenance category represents the remaining 2.5% of the budget. Supplies and maintenance includes the purchase of office supplies ($2,000 per fiscal year), a subscription to Gongwer ($3,000 per fiscal year), and audit expenses ($10,000 in FY 2016).

**Chart 1: Biennial Budget by Expense Category, FY 2016-FY 2017**



## Highlights of the FY 2014-FY 2015 Biennium

### Medical Inflation Rate Report

As part of its mission, JMOC is required to contract with an actuary before the beginning of each fiscal biennium to determine the projected medical inflation rate for the upcoming fiscal biennium. Under the contract, the actuary is to make the determination using the same types of classifications and sub-classifications of medical care that the United States Bureau of Labor Statistics uses in determining the inflation rate for medical care in the consumer price index (CPI). The contract must also require the actuary to provide JMOC a report with its determination at least 120 days before the Governor is required to submit a state budget to the General Assembly.

On receipt of the actuary's report, JMOC is required to determine whether it agrees with the actuary's projected medical inflation rate. If JMOC disagrees with the actuary's projected medical inflation rate, JMOC must determine a different projected medical inflation rate for the upcoming fiscal biennium. The actuary and, if JMOC determines a different projected medical inflation rate, JMOC must determine the projected medical inflation rate for the state unless that is not practicable in which case the determination must be made for the Midwest region.

JMOC is to complete a report regarding the projected inflation rate and must include a copy of the actuary's report. The report must also indicate, if JMOC disagrees with the actuary's rate, the reason for this disagreement. This report must be submitted to the General Assembly 90 days prior to the submission of the state budget.

On November 20, 2014, JMOC submitted the first iteration of its report and stated that it had accepted the actuary's preliminary recommended medical inflation rate for the FY 2016-FY 2017 biennium. On February 19, 2015, the second iteration of the actuary's projections was presented.

Please refer to JMOC's website to read the report and presentation in full.

### Regulatory Barriers to Efficiency Report

In addition to the required report detailed above, JMOC was also required to prepare a report with recommendations for legislation regarding Medicaid payment rates for Medicaid services. The goal of the recommendations are to provide the Medicaid Director statutory authority to implement innovative methodologies for setting Medicaid payment rates that limit the growth in Medicaid costs and protect, and establish guiding principles for, Medicaid providers and recipients. The Medicaid Director is required to assist JMOC with the report, which must be submitted in January 2015.

On January 22, 2015, JMOC submitted the report, which highlighted potential barriers to program efficiency and improved health outcomes. Some of the areas that need to be reviewed to ensure better efficiency are as follows: the payment system, infrastructure, provider quality, regulatory costs, and delivery system. In addition, better coordination across systems was also mentioned.

## Analysis of Executive Proposal

JMOC's operations are funded by a single line item appropriation from the General Revenue Fund. The table below shows the funding for this line item.

| Funding for the Joint Medicaid Oversight Committee | | | | |
|---|---|---|---|---|
| **Fund** | **ALI and Name** | | **FY 2016** | **FY 2017** |
| **General Revenue Fund** | | | | |
| GRF | 048321 | Operating Expenses | $321,995 | $490,320 |

Through this one line item, JMOC pays for all of its operating expenses. The appropriations for JMOC are $321,995 in FY 2016, a decrease of 35.6% from estimated FY 2015 expenditures, and $490,320 in FY 2017, an increase of 52.3% from FY 2016. According to JMOC, this will maintain current service levels. The appropriations for JMOC are higher in odd-numbered years since JMOC contracts with an actuary to determine the medical inflation rate for the upcoming biennium. In FY 2016, the contract with the actuary will be on an hourly basis. The actuarial expenses are estimated to be $75,000 in FY 2016 and $250,000 in FY 2017.

H.B. 64, As Introduced, allows the JMOC Director to certify to the Director of Budget and Management, the unspent and unencumbered balance of appropriation item 048321 at the end of FY 2016. Any amount certified is reappropriated for FY 2017.

*JMO.docx / dp*

# General Revenue Fund

### GRF 048321 Operating Expenses

| FY 2012 Actual | FY 2013 Actual | FY 2014 Actual | FY 2015 Estimate | FY 2016 Introduced | FY 2017 Introduced |
|---|---|---|---|---|---|
| $0 | $0 | $6,536 | $500,000 | **$321,995** | **$490,320** |
| | N/A | N/A | 7,550.3% | **-35.6%** | **52.3%** |

***Source:*** General Revenue Fund

***Legal Basis:*** ORC 103.41 (originally created in Section 9 of S.B. 206 of the 130th G.A.)

***Purpose:*** This line item supports expenses related to the Joint Medicaid Oversight Committee.

# FY 2016 - FY 2017 Introduced Appropriation Amounts

## All Fund Groups

### Line Item Detail by Agency

| | | | FY 2014 | Estimate FY 2015 | Introduced FY 2016 | FY 2015 to FY 2016 % Change | Introduced FY 2017 | FY 2016 to FY 2017 % Change |
|---|---|---|---|---|---|---|---|---|
| **Report For** | **Main Operating Appropriations Bill** | | | **Version: As Introduced** | | | | |
| **JMO** | **Joint Medicaid Oversight Committee** | | | | | | | |
| GRF | 048321 | Operating Expenses | $ 6,536 | $ 500,000 | $ 321,995 | -35.60% | $ 490,320 | 52.28% |
| **General Revenue Fund Total** | | | **$ 6,536** | **$ 500,000** | **$ 321,995** | **-35.60%** | **$ 490,320** | **52.28%** |
| **Joint Medicaid Oversight Committee Total** | | | **$ 6,536** | **$ 500,000** | **$ 321,995** | **-35.60%** | **$ 490,320** | **52.28%** |