

## **Public Assistance Expenditure Forecasts**

### **Health Care/Medicaid**

The revised forecast is \$9.4 billion in FY 2008, and \$10.0 billion in FY 2009 (including offsets).

The revised forecast is \$13.5 million (state share) lower in FY 2008 and \$4.4 million (state share) lower in FY 2009.

The changes to the updated forecast generally reflect the additional experience for FY 2007 that has taken place since March. The most significant change attributable to that experience is in the updated caseloads for ABDs. LSC staff now estimate that the average monthly ABD caseload this fiscal year will be approximately 1,941, or 0.5%, less than was estimated in March. This led to corresponding decreases in the average monthly ABD caseload forecast for FY 2008 by 3,183 (0.7%) and for FY 2009 by 2,252 (0.5%).

A similar (but secondary) reason for the changes is that the updated estimate of the average monthly CFC caseload in the current fiscal year is 7,347 (or 0.6%), less than was estimated in March. Despite this, a more complete analysis of the role played by a federal policy change<sup>1</sup> led to a revision upward in the forecast of the CFC caseload in FY 2008, by 3,192 (or 0.2%). The increase was due almost entirely to a reconsideration of the timing of an expected reversal of the effects of the policy change on caseload—the reversal is now forecast to begin in the first quarter of FY 2008 rather than the second quarter. That reversal of the effects is expected to be temporary (as it was in our March forecast), so that the FY 2007 experience with caseload again becomes the lead factor underlying changes in the forecast caseload. The CFC average monthly caseload is forecast to be 7,188 (or 0.6%) less in FY 2009 than was forecast in March.

A final change worth noting affects the allocation of Medicaid costs across categories of service as well as the bottom line. LSC's baseline forecast uses the managed care penetration rates anticipated by ODJFS. The "penetration rate" is the percentage of the total Medicaid population enrolled in managed care. ODJFS has revised these rates downward for the CFC caseload from its earlier 89.7% at peak to 85.6%, and for the ABD caseload from its earlier 28.4% to 28.1%. This is expected to

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<sup>1</sup> Starting in September 2006, the federal government imposed a policy requiring individuals applying or reapplying for Medicaid to prove citizenship. Officials at ODJFS and OBM indicated to LSC staff in March that this is the primary reason for the decline in caseload that has occurred since September. The time elapsed since this information was reported has enabled LSC staff to conduct a more complete analysis of the effects of the policy change on our caseload forecast.

increase costs slightly, but also explains why costs for managed care are revised downward each year while costs for several other categories of service are revised upward. This reflects that the shift toward managed care is now expected to proceed a little more slowly, so that savings in other categories of service will be less than was previously expected.

### **Temporary Assistance for Needy Families**

The initial forecast was \$314.8 million in FY 2007, \$308.5 million in FY 2008, and \$301.2 million in FY 2009. The initial cash assistance estimates were based on a forecast of average monthly caseload of 79,479 assistance groups in FY 2007, 77,884 in FY 2008, and 76,053 in FY 2009.

Under the revised forecast, LSC expects the total number of TANF cases (or assistance groups) to decrease in FY 2008 to an average of 77,350 monthly cases from a FY 2007 average of 78,802. If current benefit levels remain the same, the decline in the total number of TANF cases will result in approximately \$5.6 million less being spent on TANF cash benefits in FY 2008 (\$299.6 million) than in FY 2007 (\$305.2 million). The decline in the number of TANF cases is expected to continue into FY 2009. The monthly average of cases is expected to decline to 75,217. That estimate brings total spending for cash benefits, assuming current eligibility and benefit levels, to \$291.3 million for FY 2009.

The revised forecast is \$9.5 million lower in FY 2007, \$8.8 million lower in FY 2008, and \$9.9 million lower in FY 2009. LSC forecasts an average of 678 fewer cases per month in FY 2007, 534 fewer cases per month in FY 2008, and 836 fewer cases per month in FY 2009 compared with the initial forecast.

The forecast was revised in light of actual caseload data for the months of February through May, which showed a larger decline in the OWF cash assistance caseload than that initially forecast. The number of assistance groups receiving cash assistance during the months of February through May was 1,212 less per month, on average, than our original forecast, or about 1.5% less. Inclusion of this additional data in the statistical model, together with an updated forecast of the number of unemployed Ohioans from Global Insight,<sup>2</sup> account for the drop in the number of assistance groups forecast for the biennium.

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<sup>2</sup> The current forecast uses the number of unemployed Ohioans projected by Global Insight in its spring 2007 forecast, while the previous LSC forecast used numbers from Global Insight's winter forecast.

The TANF cash benefits are paid from line items 600-410, TANF State; 600-658, Child Support Collections; and 600-689, TANF Block Grant. The Executive has recommended FY 2008 total funding for the combination of these three line items at \$1,337.0 million. The total recommended funding level for these three line items in FY 2009 is \$1,385.2 million.

The budget bill provides for a cost of living adjustment (COLA) for cash benefits beginning January 1, 2009. The increase is to be the same as the COLA the federal government applies to Social Security benefits. Increasing the cash benefit is estimated to cost approximately \$4.3 million for the last six months of FY 2009. This estimate was based on the assumption that the COLA will be 3%. Since the bill requires an increase in the benefit every year thereafter, it will have the effect of increasing costs for OWF in years beyond FY 2009.

If spending for cash benefits in FY 2008 is \$299.6 million as forecast, and \$295.7 million in FY 2009 (this includes the COLA), based on the appropriation levels in the bill for line items that support cash payments, there will be approximately \$1,037.4 million in FY 2008 and \$1,089.5 million in FY 2009 that can be used for other TANF-eligible services and program expenditures.

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