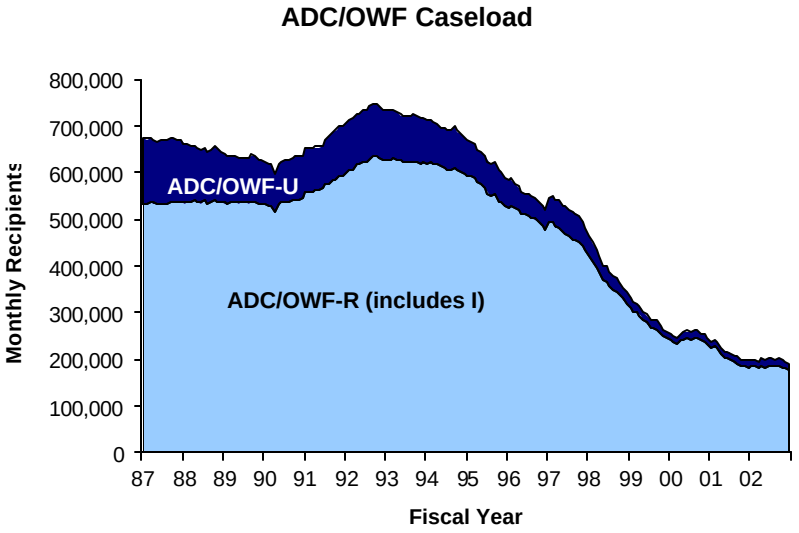
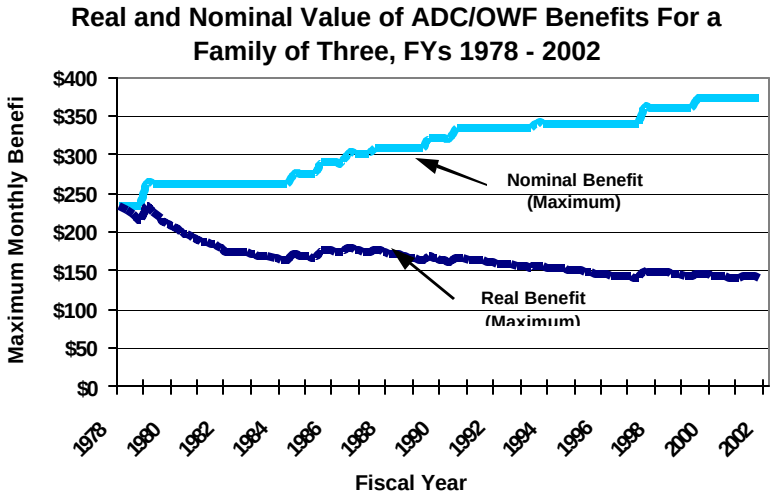
# Ohio's ADC/OWF Caseload Continues to Decline




- 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 to work for the child caregiver. Child only cases constitute about 45% of the total caseload and OWF-I cases constitute about 3%.
- 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. By June 2002, the number of recipients had declined to about 190,000. The average monthly cash benefit expenditure for the total caseload in FY 2002 declined to $26.4 million.
- OWF-U cases declined as a proportion of the overall caseload from 13.5% in July 1987 to 4.2% in June 2002.

# Purchasing Power of ADC/OWF Benefits Declines




- 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 2002, the maximum monthly benefit for a family of three was $373. These increases are reflected in the Nominal Benefit. In FY 2002, the average assistance group had 2.3 members.

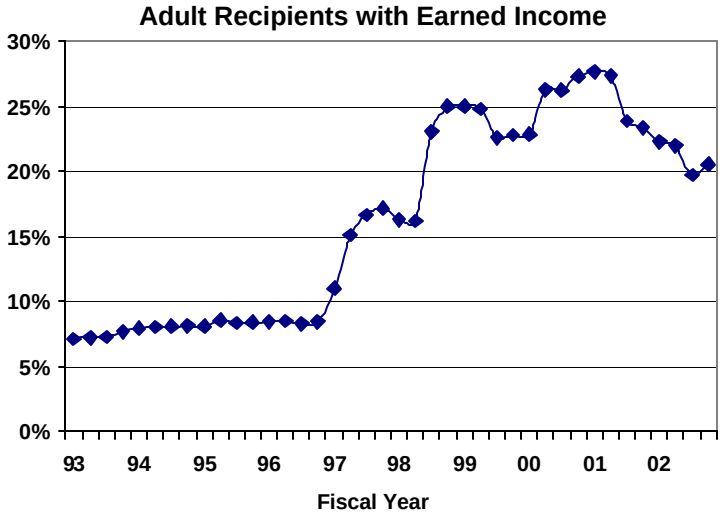
- The purchasing power of the maximum monthly benefit (the Real Benefit) for a family of three has declined from $235 in 1978 to $141 in 2002 (in 1978 dollars), a decrease of 40%.

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

| AG Size | Maximum Monthly Benefit | AG Size | Maximum Monthly Benefit |
|---|---|---|---|
| 1 | $223 | 9 | $817 |
| 2 | $305 | 10 | $891 |
| 3 | $373 | 11 | $963 |
| 4 | $461 | 12 | $1,037 |
| 5 | $539 | 13 | $1,110 |
| 6 | $600 | 14 | $1,182 |
| 7 | $670 | 15 | $1,256 |
| 8 | $743 | * | * |

*Add $93 for each person above 15.

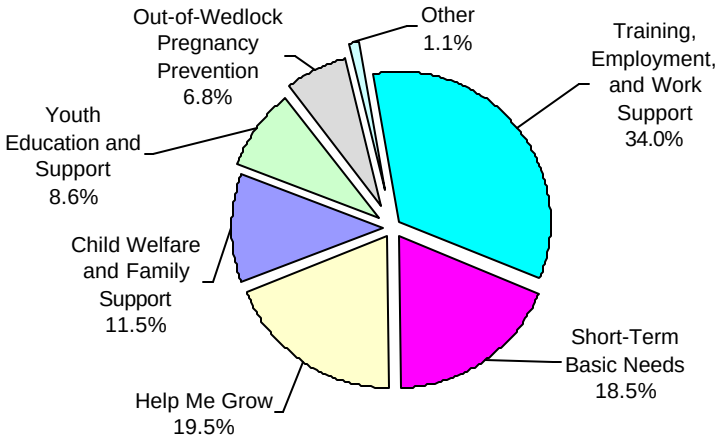
# Percentage of ADC/OWF Adults with Earned Income Reflects Policy Changes in Welfare Reform




- Earned income disregards, which allow recipients to keep part of their earned income without losing a corresponding amount of the welfare benefit, have been expanded as part of welfare reform.
- The federal Family Support Act of 1988 provided for a disregard of $90 a month for work expenses, the first $30 of income for 12 months, and 1/3 of remaining income for four months.
- Ohio H.B. 167, implemented July 1996, increased the disregard to the first $250 and 1/2 of the remaining income for 12 months.
- Ohio H.B. 408, implemented October 1997, extended the $250 and 1/2 disregard from 12 to 18 months.
- Ohio Am. Sub. H.B. 283, implemented October 1999, eliminated any time limit for the earned income disregard.
- These changes, along with OWF work requirements, have resulted in a much greater percentage of employed OWF recipients.

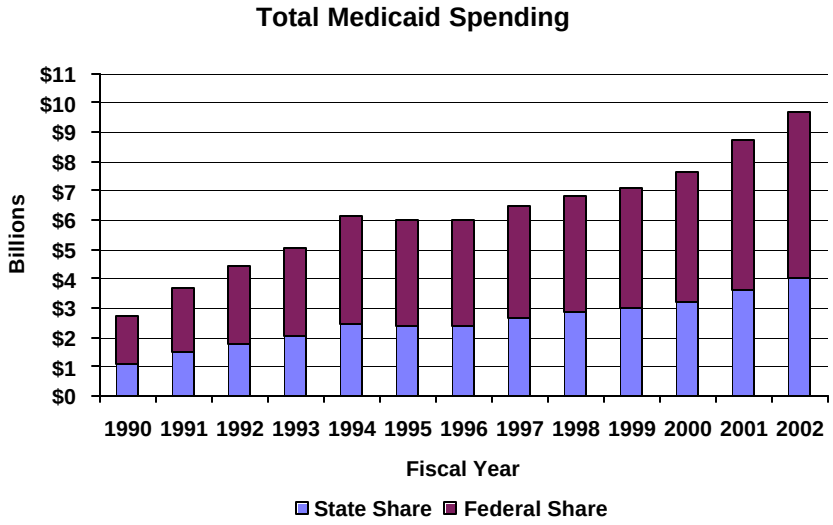
# PRC Program Encourages Work and Provides Short-Term Assistance

**Distribution of Expenditures among PRC Service Categories, FY 2002**



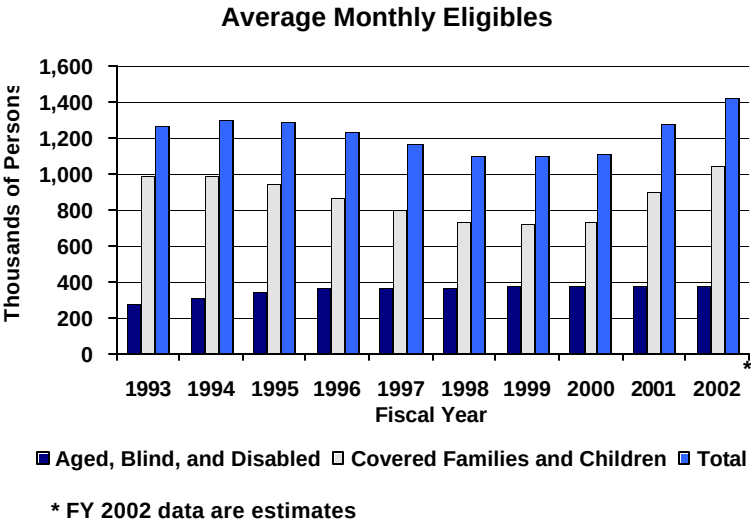

- As part of the Temporary Assistance for Needy Families (TANF) program in Ohio, the Prevention, Retention, and Contingency (PRC) program is designed to "divert" families from long-term public assistance by providing short-term customized assistance.
- To participate in the PRC program, an assistance group must include at least one minor child. Additional eligibility criteria are established by county government.
- During FY 2002, the average number of individuals served per month was about 130,000 at a cost of about $15.2 million.
- 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, transportation, 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.

## Medicaid Spending Shows Rapid Growth for Second Time since FY 1990




- Since FY 1990, Medicaid spending has increased by an average of 10.8% 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 and savings from a prospective reimbursement system for long-term care, which was introduced in FY 1993.
- Medicaid spending growth started to rise dramatically again in the early 2000s. The growth in total Medicaid spending averaged 11.0% from FY 2000 to FY 2002. Total spending for FY 2002 was $9.72 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 recession in the economy.
- On average, approximately 4% of total Medicaid spending in Ohio goes toward the administration of the program.
- The federal government pays for about 59 cents of every dollar of Medicaid spending, on average.

# Medicaid Caseloads Climb in Early 2000s




*** FY 2002 data are estimates**

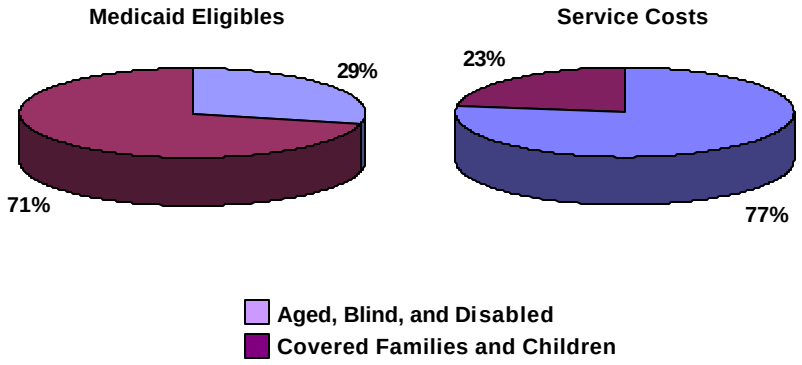
- In Ohio, Medicaid provides health insurance to Ohioans in the following two eligibility groups: (1) Covered Families and Children (CFC), which includes *Healthy Start* covering low-income pregnant women and children in families with incomes at or below 150% of the federal poverty guideline (FPG); *Healthy Families and Related* covering families at or below 100% 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 65 or older and persons with disabilities of all ages.

- The total number of persons eligible for Medicaid grew by 28.1% from FY 2000 to FY 2002, increasing from 1,109,217 to 1,420,858. The consistent increase in the number of families enrolled in Medicaid by way of *Healthy Families and Related*, and children enrolled in Medicaid by way of *CHIP II* has been the primary force behind this growth. The CHIP II population grew by 70.4% from FY 2001 to FY 2002, while the *Healthy Families and Related* population increased by 61.2% from FY 2000 to FY 2002. 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 OWF cash assistance caseload.

- The ABD population experienced an average growth of 9.3% in the first half of the 1990s, with slow growth of 0.4% from FY 1996 to FY 2000, followed by moderate growth of 1.5% from FY 2000 to FY 2002.

## Medicaid Service Costs vs. Caseloads

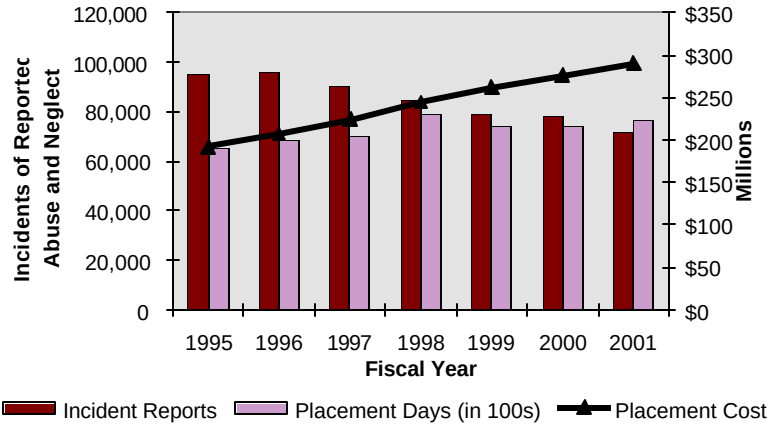
(Fiscal year 2001)




- The Covered Families and Children (CFC) population made up 71% of the Medicaid population but accounted for 23% of service costs in FY 2001. In comparison, the Aged, Blind, and Disabled (ABD) population made up 29% of the Medicaid population but accounted for 77% of service costs.
- Medicaid provides health care for one in every four children, one in every eight Ohioans, and one in every four seniors age 85 or older. Medicaid also pays for one in every three births, and 70% of all nursing home care.
- Ohio Medicaid provides comprehensive health 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, 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, account for almost 35% of the total Medicaid service expenditure in FY 2001. Moreover, the ABD population heavily utilizes some services that have the fastest growing costs, such as prescription drugs.
- In FY 2001, Ohio Medicaid paid approximately 57 million medical claims. The program has approximately 34,000 participating medical providers.

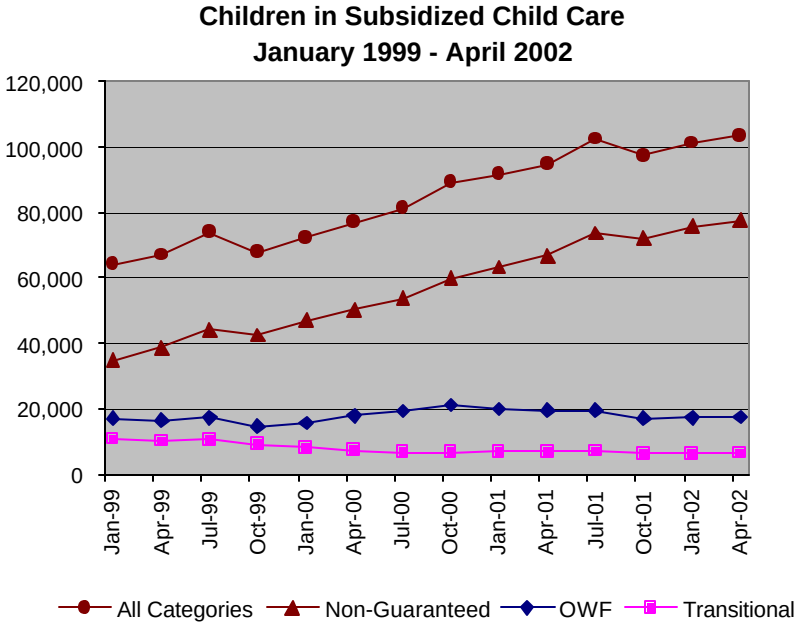
## Rising Costs of Foster Care

**Foster Care in Ohio**
**FYs 1995-2001**



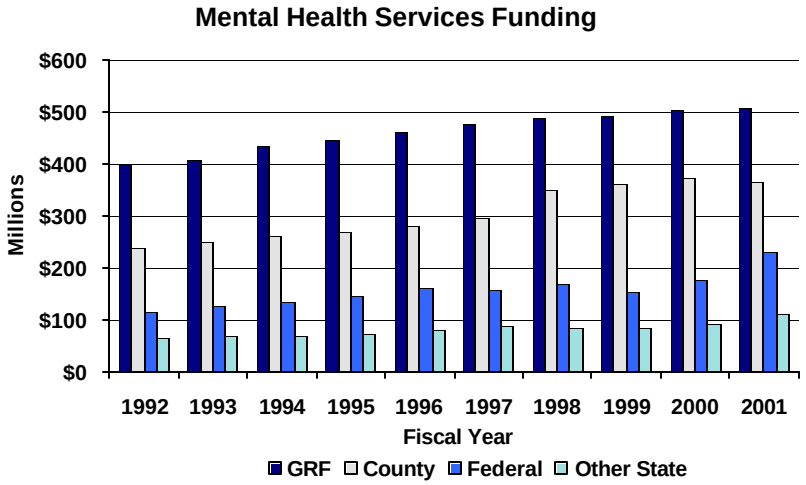

- The number of incidents of reported abuse and neglect have declined in recent years, from 95,188 in 1995 to 72,126 in 2001, a drop of 24.2%. County child welfare employees are required to investigate all incident reports. Some incident reports result in foster care placements.
- At the same time the number of placement days — a measure of the total number of child-days in foster care each year — has increased from an annual total of 6,528,089 in 1995 to 7,658,338 in 2001, a gain of 17.3%.
- Total placement costs have increased at an even faster pace than the rise in placement days. Between 1995 and 2001, total placement costs grew by 51.2%, from $192,056,052 to $290,327,594.
- 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 encompass more than foster care placement costs, varies widely from county to county but has remained at around 10% of total expenditures since 1993. For example, of Ohio's $788.3 million in child welfare expenditures in 2001, $431.6 million (54.7%) was paid by the counties, $68.2 million (8.7%) was paid from state funds, and $288.5 million (36.6%) came from the federal government.
- In addition to foster care, child welfare dollars are spent on adoption subsidies, child protection services, independent living services, training, and other administrative activities.

# Child Care Subsidy Serves Working Poor



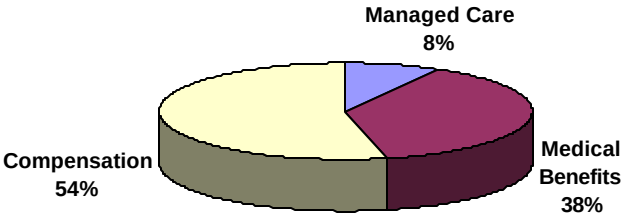

- The number of children receiving subsidized child care continues to increase steadily. Ohio's child care subsidy program registered a 61% increase from January 1999 (64,199 children enrolled) to April 2002 (103,382 children enrolled).
- As Ohio Works First (OWF) caseloads have continued to decline since welfare reform, the number of children from OWF families who receive subsidized care has leveled out over the last few years, increasing by just 3% from 17,065 to 17,570 between January 1999 and April 2002. Transitional child care, subsidized for up to 12 months for those families leaving OWF, has continued to decline from 10,754 in January 1999 to 6,518 in April of 2002, a 39% reduction.
- Increasingly children receiving subsidized child care are from low-income working families. This subpopulation, for whom the subsidy is "non-guaranteed," experienced a 123% increase in the number of children whose care is subsidized (from 34,835 in January 1999 to 77,511 in April 2002). As of April 2002, children from nonguaranteed working families receiving subsidized child care accounted for 75% of the total number of children receiving subsidized care (compared to 54% in January 1999).

# Statewide Funding for Public Mental Health Services



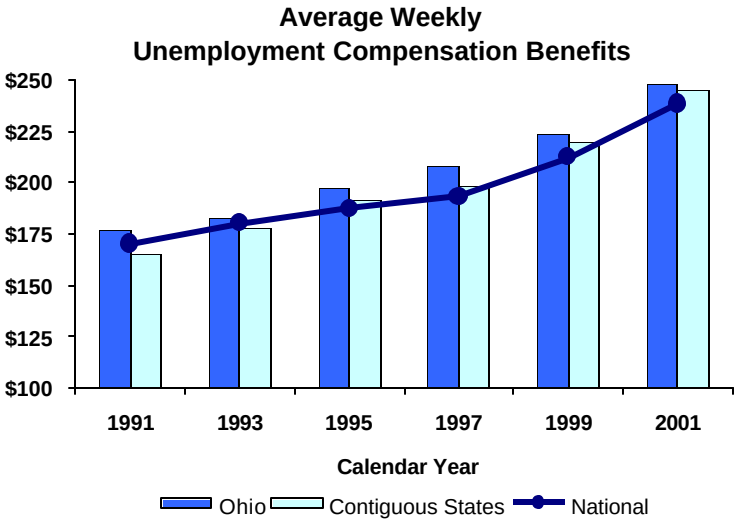

- Ohio has 43 community alcohol, drug addiction, and mental health services boards and seven community mental health services boards.
- The average daily resident population at state psychiatric hospitals decreased from 3,147 in FY 1990 to 1,707 in FY 1995 and to 1,109 in FY 2001. While the hospital population has dropped, community care has expanded. On average, the community care client population is around 250,000, of which 75,000 are severely mentally disabled adults and 70,000 are severely mentally disabled children. Savings in state hospitals, not new revenues, has financed the increased funding in community care, as the ODMH budget has not kept pace with inflation.
- With the consolidation of 17 hospitals beginning in 1988 to five behavioral health organizations at nine inpatient sites, the department has significantly reduced the number of hospitals and staff levels.
- During the early 1990s, ODMH GRF funding increased at the same rate as inflation. During that same period, local levies increased. However, since 1994, no new local levies have been passed. Since 1997, increases in the department's GRF budget have been below the rate of inflation.

## Benefits Paid by the Bureau of Workers' Compensation




- The Bureau of Workers' Compensation (BWC) paid $1.85 billion in total benefits in FY 2001.
- During FY 2001, BWC paid out $987 million 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 $709.5 million, about 38% 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 $149 million in fees—about 8% of total claims costs—to participating managed care organizations (MCOs).
- BWC granted a 75% premium reduction for *private employers* starting July 1, 1996. Except for the six-month period from January 1 through June 30, 2000, identical premium reductions have been in place and will be through at least December 31, 2002. *State agencies* are charged on a pay-as-you-go basis, and therefore premium reductions are not applicable. *Local public employers* have received premium reductions or rebates every year since January 1, 1996, except for the year 2000, and will continue to do so at least through December 31, 2002. As of June 30, 2002, the fund had a balance of $1.6 billion in excess of required reserves. BWC has indicated that future premium reductions will be dependent on economic and investment conditions.

# Ohio Unemployment Benefits Exceed National Average




| | 1991 | 1993 | 1995 | 1997 | 1999 | 2001 |
|---|---|---|---|---|---|---|
| Ohio | $177 | $183 | $197 | $208 | $224 | $248 |
| Indiana | 112 | 142 | 179 | 186 | 210 | 244 |
| Kentucky | 145 | 156 | 167 | 176 | 201 | 234 |
| Michigan | 212 | 215 | 221 | 222 | 238 | 261 |
| Pennsylvania | 197 | 210 | 219 | 228 | 251 | 282 |
| West Virginia | 160 | 167 | 172 | 180 | 198 | 202 |
| Contiguous States | 165 | 178 | 192 | 198 | 220 | 245 |
| National | 170 | 180 | 187 | 193 | 212 | 238 |

- Ohio's average unemployment benefits have exceeded the national average and were greater than the average benefits paid by its contiguous states for the period 1991-2001.