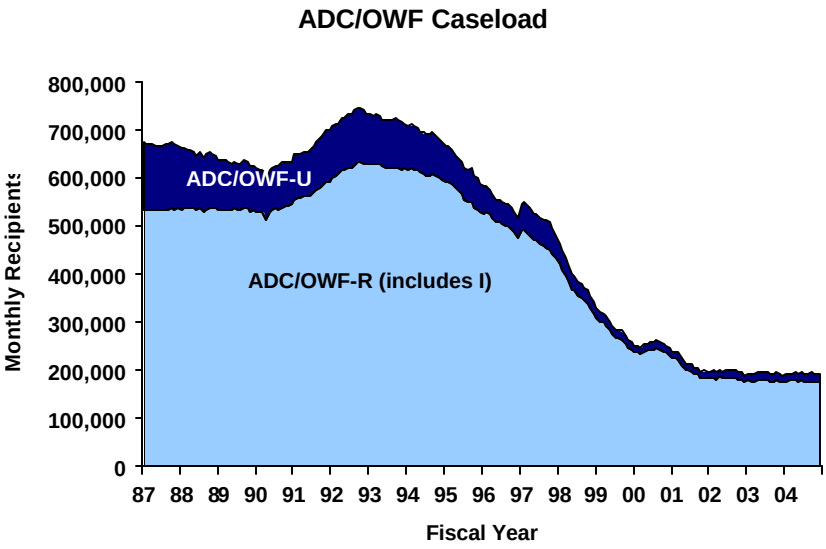
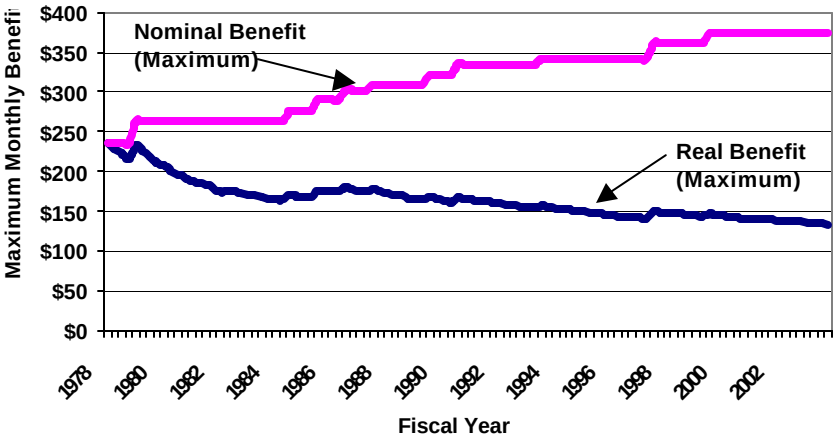
Ohio's ADC/OWF Caseload Decline Stabilizes



- 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 of the child caregiver to work. Child-only cases constitute about 46% 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. The number of recipients declined sharply until June 2002, when the caseload stabilized; the last two years have averaged approximately 194,000 recipients. The average monthly cash benefit expenditure for the total caseload of 193,000 in FY 2004 was $26.4 million.

Purchasing Power of ADC/OWF Benefits Declines

Real and Nominal Value of ADC/OWF Benefits for a Family of Three, FYs 1978-2004



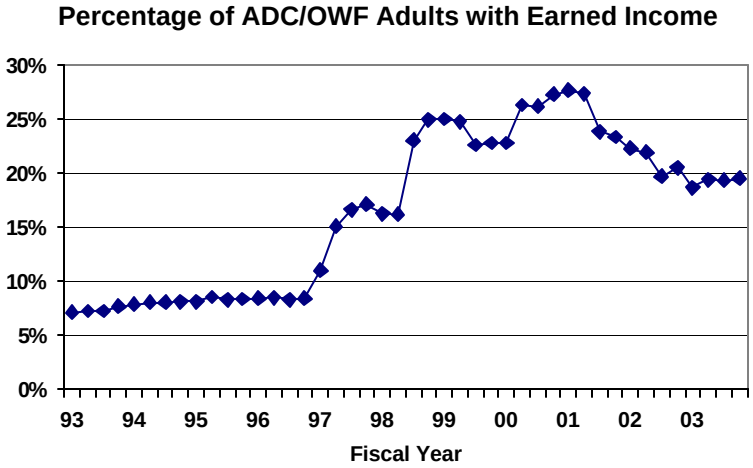
- The maximum benefit for ADC/OWF families is set by state law and periodically has been increased. In 1978, the maximum monthly benefit for a family of three was $235. Since 2000, the maximum monthly benefit for a family of three has been $373. These increases are reflected in the Nominal Benefit. In FY 2004, the average assistance group had 2.2 members.
- The purchasing power of the maximum monthly benefit (the Real Benefit) for a family of three has declined from $235 in 1978 to $134 in 2004 (in 1978 dollars), a decrease of 43%.

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	*	*

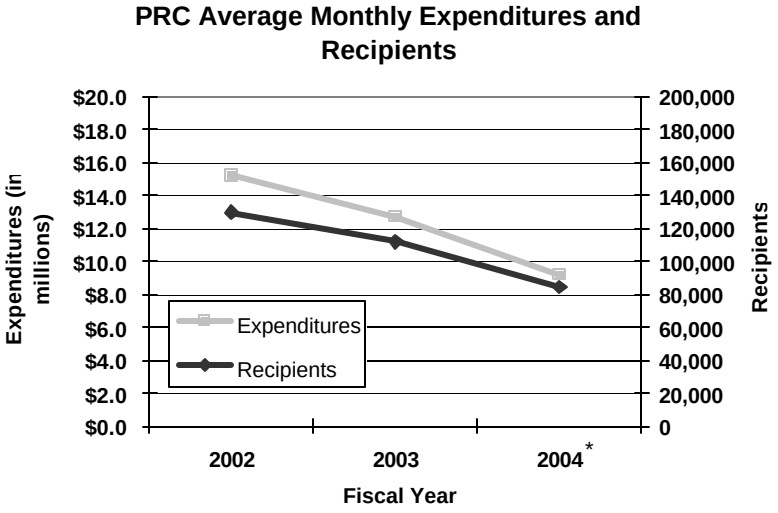
*Add $93 for each person above 15.

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 one-third of remaining income for four months.
- Ohio Am. Sub. H.B. 167, implemented July 1996, increased the disregard to the first $250 and one-half of the remaining income for 12 months.
- Ohio Am. Sub. H.B. 408, implemented October 1997, extended the $250 and one-half 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 increased the percentage of adult recipients employed from 8.4% in 1996 to 19.5% in the last quarter of 2003.

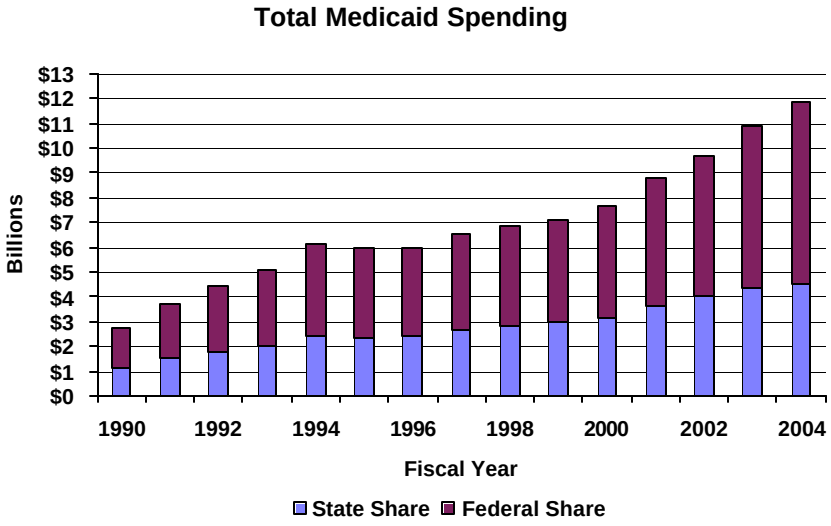
PRC Program Encourages Work and Provides Short-Term Assistance



*Through first three quarters.

- 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 nonrecurrent short-term customized assistance.
- 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.
- To participate in the PRC program, an assistance group must include at least one minor child. County governments establish additional eligibility criteria.
- During the first three quarters of FY 2004, the average number of individuals served per month was about 85,000 at a cost of about $9.2 million. This is a sharp decline from FY 2002, when about 130,000 recipients utilized the program at a cost of about $15.2 million.

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 10.8% from FY 2000 to FY 2004. Total spending for FY 2004 was $11.88 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 economic recession.
- 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.

Nursing Facilities and Prescription Drugs Account for Nearly Half of Increase in Medicaid Spending from FY 1994 to FY 2004

Medicaid Spending and Growth by Service Category

	Spending in Millions, by Fiscal Year			Average Annual Rate of Change		
Service Category	**1994**	**1999**	**2004**	**1994-1999**	**1999-2004**	**1994-2004**
Nursing Facilities	$1,595	$1,985	$2,709	4.5%	6.4%	5.4%
ICFs/MR	$310	$362	$442	3.2%	4.1%	3.6%
Inpatient Hospitals	$1,049	$913	$1,344	-2.7%	8.0%	2.5%
Outpatient Hospitals	$320	$291	$605	-1.9%	15.8%	6.6%
Physicians	$304	$296	$597	-0.5%	15.1%	7.0%
Prescription Drugs	$411	$742	$1,795	12.5%	19.3%	15.9%
Managed Care	$281	$402	$1,021	7.4%	20.5%	13.8%
Medicare Buy-In	$87	$122	$162	7.0%	5.8%	6.4%
ODJFS Waiver	$13	$72	$198	40.8%	22.4%	31.3%
All Other*	$262	$358	$868	6.4%	19.4%	12.7%
Total	**$4,632**	**$5,543**	**$9,741**	**3.7%**	**11.9%**	**7.7%**

* "All Other" includes services such as dental care, home health care, private duty nurse, and other practitioner services, and includes various contracts.

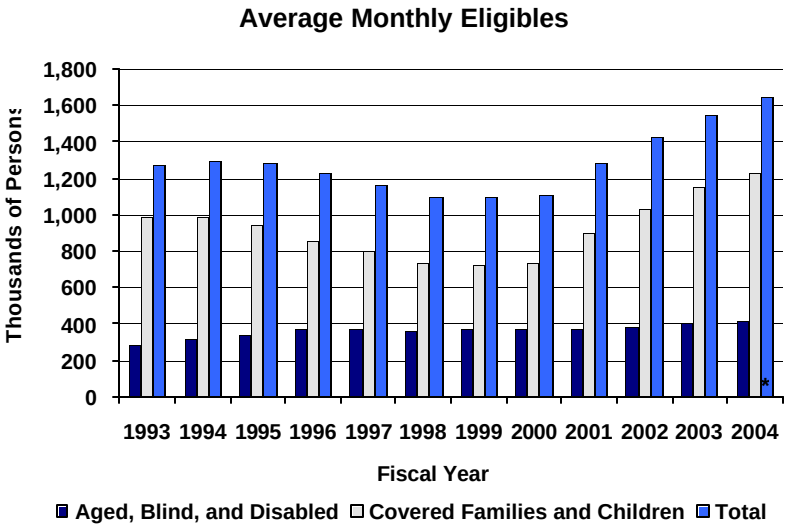
- Between FY 1994 and FY 1999, payments to inpatient hospitals and outpatient hospitals fell annually by 2.7% and 1.9%, respectively. Similarly, payments to physicians fell by 0.5% annually. These decreases were primarily due to falling caseloads under Covered Families and Children (CFC) and some shifting of caseloads to managed care.

- The "ODJFS Waiver" was developed and implemented during the FY 1997-1998 biennium and evolved from Medicaid waiver programs and nonwaiver home care services that existed before then. The waiver includes services such as home delivered meals, supplemental adaptive/assistive living devices, out-of-home respite care, and adult day health services. The Ohio Department of Job and Family Services (ODJFS) is in the process of redesigning the waiver.

- Between FY 1999 and FY 2004, payments for Managed Care increased by 20.5% annually, mainly due to the implementation of Preferred Option and the increase in the caseloads of CFC. Under Preferred Option, Medicaid recipients are automatically enrolled in managed care if they fail to select the fee-for-service option. Economic recession and several eligibility expansions, such as coverage for parents up to 100% of the federal poverty guideline (FPG) and coverage for uninsured children to 200% of the FPG (CHIP II), contributed to the increase in CFC caseloads.

- The combined effects of increased drug utilization and increased costs per drug resulted in an average 19.3% annual increase in prescription drug expenditures between FY 1999 and FY 2004.

Medicaid Caseloads Climb in Early 2000s



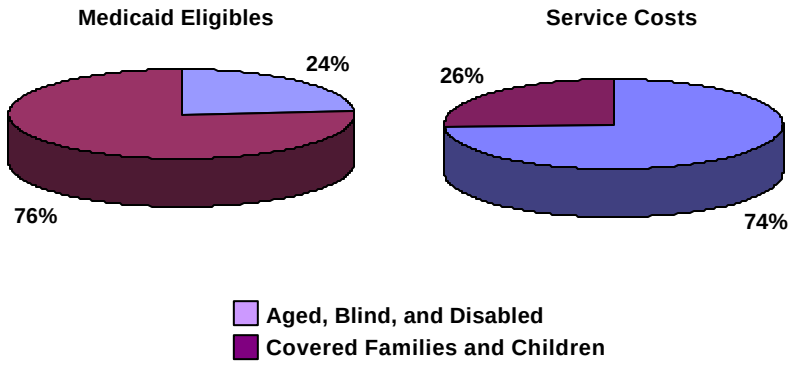
- In Ohio, Medicaid provides health insurance to Ohioans in the following two eligibility groups: (1) Covered Families and Children (CFC), which includes *Healthy Start* covering low-income pregnant women and children in families with incomes at or below 150% of the federal poverty guideline (FPG); *Healthy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

- The total number of persons eligible for Medicaid grew by 28.4% from FY 2001 to FY 2004, increasing from 1,278,082 to 1,641,326. 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 114.6% from FY 2001 to FY 2004, while the *Healthy Families and Related* population increased by 40.8% from FY 2001 to FY 2004. 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 growth of 2.6% from FY 2001 to FY 2004.

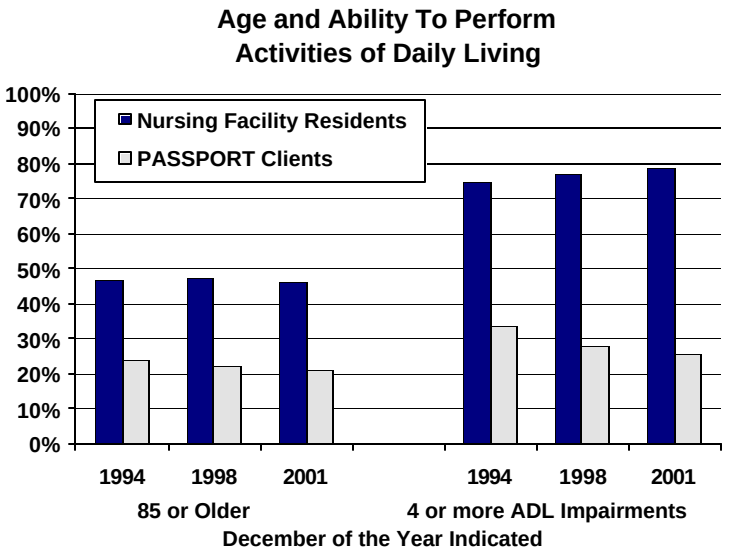
Aged, Blind, and Disabled Account for 74% of Medicaid Service Costs

Medicaid Service Costs vs. Caseloads, FY 2003



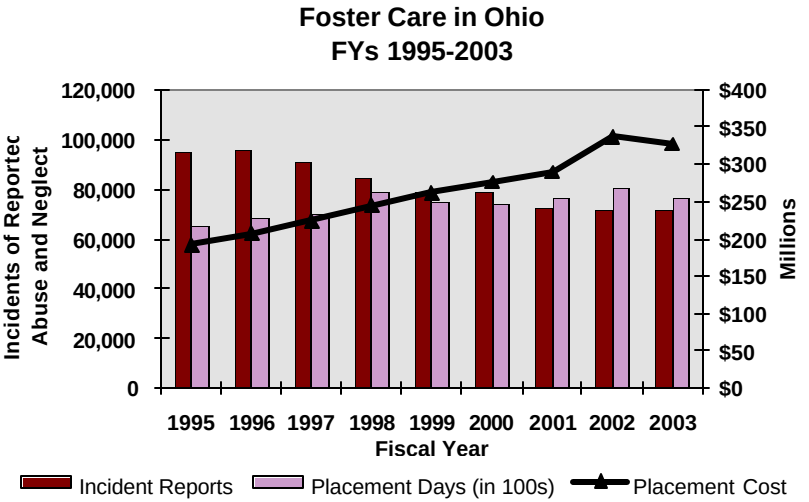
- The Covered Families and Children (CFC) population made up 76% of the Medicaid population but accounted for 26% of service costs in FY 2003. In comparison, the Aged, Blind, and Disabled (ABD) population made up 24% of the Medicaid population but accounted for 74% of service costs.
- Medicaid covers 42% of Ohio children under age four. It provides health care for one in every seven Ohioans. It also pays for one in every three births and 70% of all nursing home care.
- Ohio Medicaid provides comprehensive health care 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 services, 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, accounted for almost 30% of the total Medicaid service expenditure in FY 2003. Moreover, the ABD population heavily utilizes some services that have the fastest growing costs, such as prescription drugs.
- In FY 2003, Ohio Medicaid paid approximately 60 million medical claims. The program has approximately 36,000 participating medical providers.

Comparison of Nursing Facility Residents and PASSPORT Clients



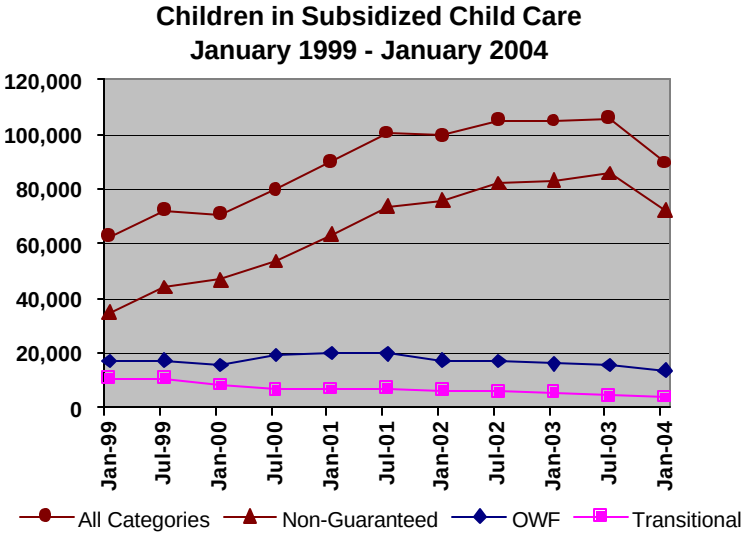
- The total number of people enrolled in the PASSPORT Medicaid waiver program has grown by about 56% since 1994. Nursing facilities (NFs) have seen a decline in population since 1994. In 2001, there were 24,488 PASSPORT clients and 77,939 NF residents.
- The NF population has a greater percentage of residents over the age of 85 than the population enrolled in the PASSPORT program. However, the average age differs slightly, with those persons in NFs being about three to three and a half years older than those persons enrolled in PASSPORT.
- Nursing facilities have seen an increase in the percentage of residents who require help with four or more activities of daily living (ADLs, e.g., bathing, dressing, transferring, toileting, eating, and grooming), suggesting that a larger share of their residents require more help with ADLs than in 1994. PASSPORT clients have shown the opposite trend, with a decrease in the percentage of residents who require help with four or more ADLs.
- The per member per month (PMPM) Medicaid costs for NFs increased from $2,538 in FY 1995 to $4,247 in FY 2002. PASSPORT PMPM Medicaid costs have increased by a lesser amount, from $1,139 in FY 1995 to $1,380 in FY 2002. It should be noted that PMPM costs vary depending on the type of client served, where they are served, and the services provided.

Foster Care Placement Costs Decline in FY 2003



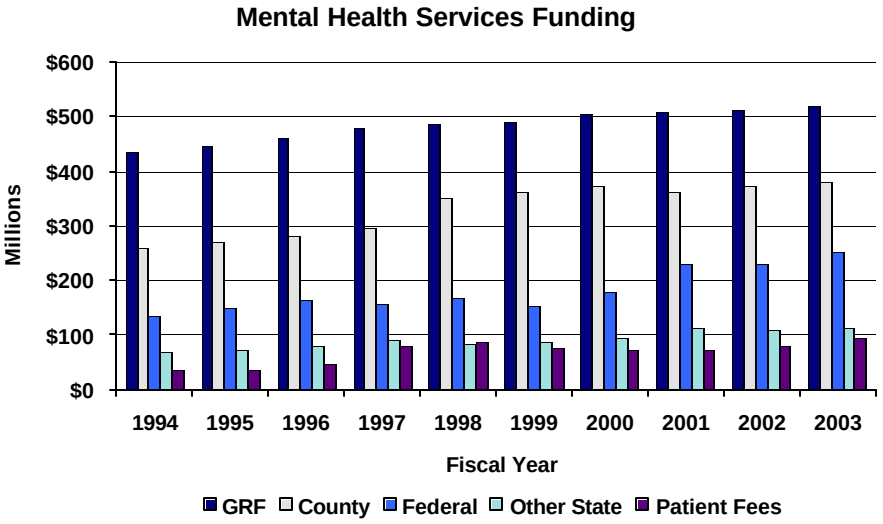
- The number of incidents of reported abuse and neglect has declined in recent years, from 95,188 in 1995 to 71,414 in 2003, a drop of 25%. County child welfare employees are required to investigate all incident reports. Some incident reports result in foster care placements.
- The number of placement days — a measure of the total number of child-days in foster care each year — was increasing over time and peaked in 2002 at 8,015,166. In 2003, the number of placement days decreased to 7,612,269.
- Between 1995 and 2002, total placement costs increased at an even faster pace than the rise in placement days. During that time period total placement costs grew by 75.3%, from $192,056,052 to $336,588,611. However, in 2003 placement costs decreased to $327,608,642.
- 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 encompasses more than foster care placement costs, varies widely from county to county but has remained at around 10% of total expenditures since 1993.
- 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 was increasing steadily through July 2003. Ohio's child care subsidy program registered a 69% increase from January 1999 (62,654 children enrolled) to July 2003 (105,993 children enrolled). Due to changes in eligibility and other cost containment measures implemented by the Department of Job and Family Services (ODJFS), the number of children receiving subsidized child care began to decrease in July 2003. In January 2004, 89,634 children were 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 declined over the last few years, decreasing by 20% from 17,065 to 13,641 between January 1999 and January 2004. Transitional child care, subsidized for up to 12 months for families leaving OWF, has continued to decline from 10,754 in January 1999 to 3,867 in January 2004, a 64% reduction.
- The majority of children receiving subsidized child care are from low-income working families. Those families for whom the subsidy is "non-guaranteed," experienced a 147% increase in the number of children whose care is subsidized (from 34,835 in January 1999 to 85,891 in July 2003). However, in an effort to control costs ODJFS reduced eligibility for this category of subsidized child care. As of January 2004, the number of children from non-guaranteed working families receiving subsidized child care was 72,126, which is 79% of the total subsidized child care caseload.

Statewide Funding for Public Mental Health Services

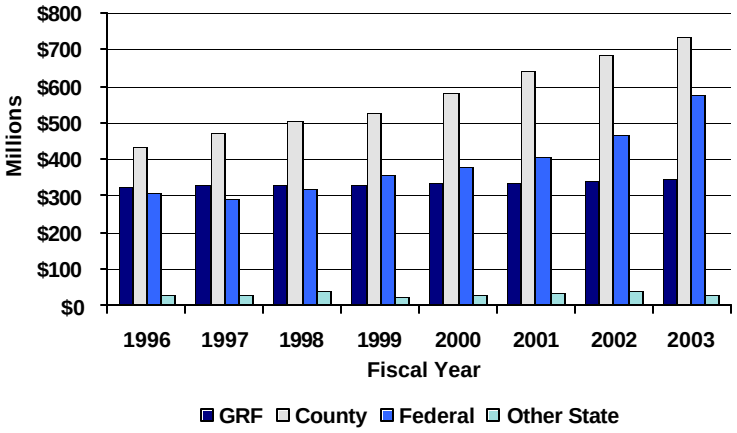


Note: County funding includes some non-mental health levy money (i.e., for alcohol and drug addiction services).

- Ohio has 43 community alcohol, drug addiction, and mental health services boards and seven community mental health services boards.
- Since the Mental Health Act was passed in 1988, the inpatient population of state hospitals has fallen from 4,000 to fewer than 1,200, and hospital staffing has been reduced from 6,200 employees to 2,300. While the hospital population has dropped, community care has expanded. On average, the community care client population is around 266,000, of which approximately 75,000 are severely mentally disabled adults and 52,000 are severely emotionally disabled children. Savings in state hospitals, not new revenues, has financed the increased funding in community care, as the Ohio Department of Mental Health (ODMH) budget has not kept pace with inflation.
- During the early 1990s, ODMH General Revenue Fund (GRF) funding increased at the same rate as inflation. Since 1997, increases in the Department's GRF budget have been below the rate of inflation.

County and Federal Expenditures on MR/DD Services Increase as GRF Remains Largely Unchanged

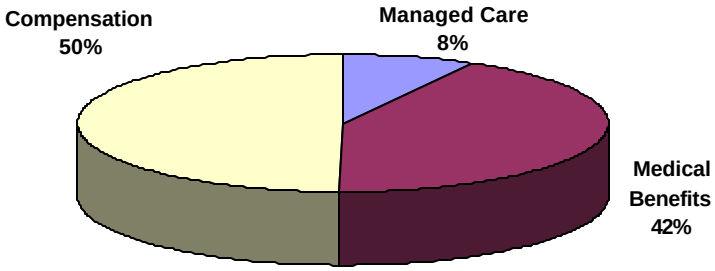
Statewide Expenditures for MR/DD Services by Funding Source FY 1996 to FY 2003



- Ohio has 88 county boards of mental retardation and developmental disabilities (MR/DD).
- The Department of MR/DD operates 12 developmental centers, two of which are to be closed by FY 2006. The number of residents living at developmental centers has dropped from 2,573 in FY 1990 to approximately 1,800 in FY 2005. Over 50% of the population in Ohio's developmental centers is between the ages of 40 and 50.
- Approximately 68,000 individuals with MR/DD receive county board services. The number of individuals served by county boards has increased by approximately 18,000 since FY 1997. Over 40% of individuals receiving county board services are under the age of 21.
- In FY 2003, approximately $732.9 million in county funds, $576.5 million in federal funds, $346.3 million from the General Revenue Fund, and $27.0 million from other state funds were expended to provide services to individuals with MR/DD.

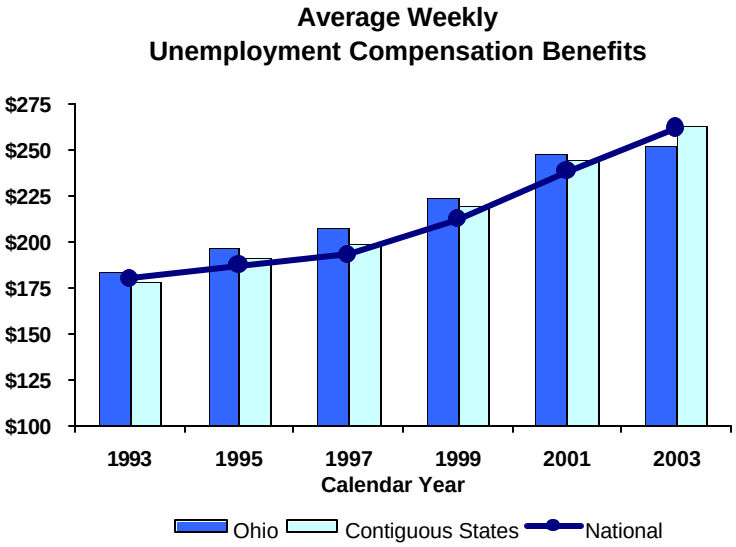
Benefits Paid by the Bureau of Workers' Compensation

Distribution of Benefits, FY 2003



- The Bureau of Workers' Compensation (BWC) paid $2.08 billion in total benefits in FY 2003.
- During FY 2003, BWC paid out $1.04 billion 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 $876 million, about 42% 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 $168 million in fees — about 8% of total claims costs — to participating managed care organizations.
- From July 1996 to June 2003 (with the exception of one period in 2000), BWC returned some $9.3 billion in surplus funds to private and public employers in the form of one-time dividends. These dividends were often as high as 75% of normal premium rates. In July 2003, however, citing a lackluster economy and soaring medical costs, BWC approved a 9% premium rate increase for policy year 2003 and did not grant employers a one-time dividend (requiring instead that employers pay 100% of their premiums). By January 2004, better-than-expected investment growth prompted BWC to grant employers another one-time dividend, this rime reducing premium rates by 20%. The 20% dividend was granted again for the six-month period beginning July 2004.

Ohio Unemployment Benefits Fall below National Average



	1993	1995	1997	1999	2001	2003
Ohio	$183	$197	$208	$224	$248	$252
Indiana	142	179	186	210	244	263
Kentucky	156	167	176	201	234	250
Michigan	215	221	222	238	261	291
Pennsylvania	210	219	228	251	282	292
West Virginia	167	172	180	198	202	220
Contiguous States	178	192	198	220	245	263
National	180	187	193	212	238	262

- For the first time in more than ten years, Ohio's average unemployment benefits have fallen below the national average and were lower than the average benefits paid by its contiguous states in 2003. Between 2001 and 2003, Ohio's average weekly unemployment compensation benefit rose less than 2%, while the national average increased 10% and the average in contiguous states rose almost 8%.

Ohio's Workforce Development System

New Local Area Designations

- The Workforce Investment Act of 1998 (WIA) is the federal employment and training law that replaced the Job Training Partnership Act (JTPA). Implemented on July 1, 2000, WIA is designed to streamline employment and training programs, help job seekers find work, and help employers find workers. In Ohio, WIA is administered by the Ohio Department of Job and Family Services.

- In September 1999, the Governor created the Governor's Workforce Policy Board, as required by WIA. Members of the Board represent business, organized labor, legislators, education, social service agencies, and others. Among other responsibilities, the Board develops local area allocation formulas for distribution of WIA funds and develops comprehensive performance measures to evaluate the state's workforce development activities.

- In July 2004, Ohio's local workforce areas were realigned. Twenty local areas, made up of counties functioning as single counties or contiguous counties opting to function as a consortium, are subgrantees for WIA funds. Area 7, the Ohio Option, is the largest local area, encompassing 47 counties. Each local area selects an administrative entity and a fiscal agent to administer a local one-stop system.

- Since the initiation of WIA, Ohio has received $683.8 million in federal WIA funds to support WIA Youth, WIA Adult, and WIA Dislocated Workers program activities.