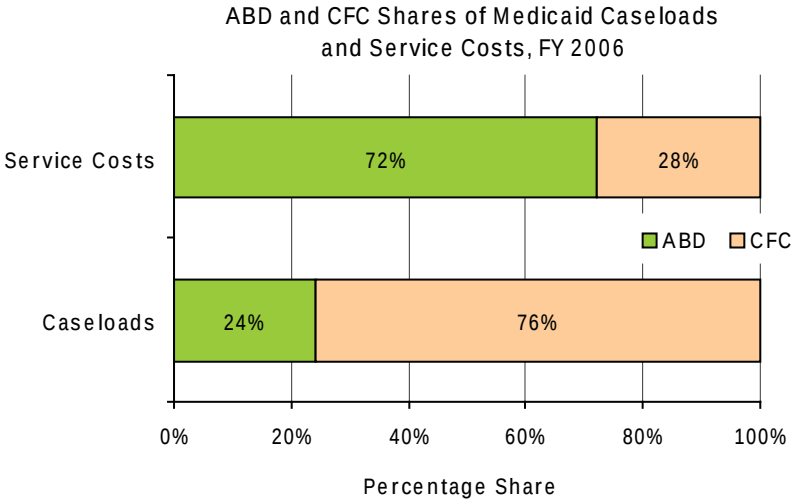
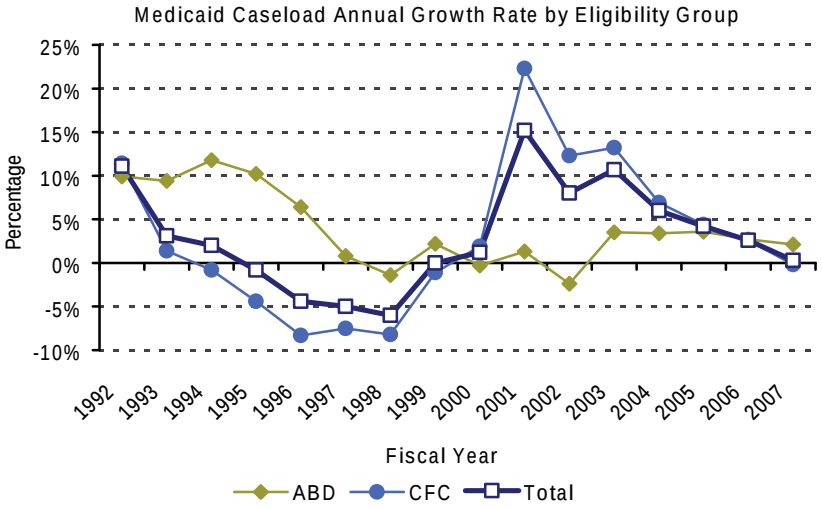
Aged, Blind, and Disabled Account for One-Fourth of Medicaid Caseloads but Three-Quarters of Service Costs



Sources: Ohio Department of Job and Family Services; Health Policy Institute of Ohio

- In FY 2006, the aged, blind, and disabled (ABD) population made up 24% of the Medicaid caseload but accounted for 72% of the service costs. In comparison, the covered families and children (CFC) population made up 76% of the Medicaid caseload but only accounted for 28% of the service costs.
- Medicaid caseloads totaled 1.7 million in FY 2006, of which 0.4 million was ABD and 1.3 million was CFC. Of $13.4 billion in Medicaid service costs in FY 2006, $9.6 billion was incurred for the benefits of the ABD population and $3.8 billion was incurred for the CFC population.
- In Ohio, Medicaid provides health insurance coverage to the ABD and CFC population. The ABD population includes low-income elderly who are age 65 or older and individuals with disabilities. The CFC population includes children and parents from low-income families and low-income pregnant women.
- In FY 2008, the average monthly Medicaid cost was $1,328 for an ABD member compared to $217 for a CFC member.
- The cost of long-term care is one of the reasons for the comparatively higher expense of the ABD population. To illustrate, expenditures on nursing facilities alone, which are almost entirely for the benefit of the ABD population, accounted for 25% of the total Medicaid service expenditure in FY 2007. Moreover, the ABD population heavily utilizes some of the services that have the fastest growing costs, such as prescription drugs.

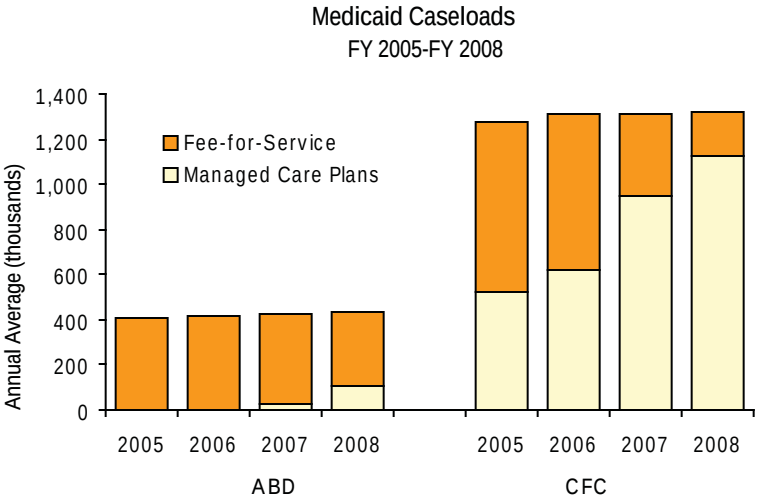
Medicaid Caseload Growth Rate Jumped in Early 2000s



Source: Ohio Department of Job and Family Services

- Due to the economic downturn and several eligibility expansions for family and child coverage, total Medicaid caseloads grew rapidly in the early 2000s. From FY 2000 to FY 2004, total Medicaid caseloads increased by 46%, from 1.1 million to 1.6 million. After FY 2004, caseloads grew modestly before leveling off at 1.7 million in FY 2007. Overall caseload growth between FY 2000 and FY 2007 was 57%.
- The strong economy during most of the 1990s contributed to slower growth in Medicaid caseloads. From FY 1992 to FY 1999, total caseloads decreased by 11%, from 1.2 million to 1.1 million.
- In Ohio, Medicaid provides health insurance coverage to the *covered families and children* (CFC) and *aged, blind, and disabled* (ABD) populations. CFC includes low-income children and parents and low-income pregnant women. ABD includes low-income individuals who are age 65 or older and persons of all ages with disabilities.
- Due to the decline in the Ohio Works First cash assistance caseload as a result of welfare reform, CFC caseloads declined steadily in the 1990s, reaching a low of 0.7 million in FY 1999. CFC caseloads grew rapidly in the early 2000s, increasing 66% from FY 2000 to FY 2004 when they reached 1.2 million.
- ABD caseloads grew 10% annually, on average, in the first half of the 1990s. Then annual growth slowed to 0.4% on average from FY 1996 to FY 2000, followed by annual growth averaging 2% from FY 2001 to FY 2007.
- On average, CFC caseloads account for three-quarters of the total Medicaid caseloads. Therefore, the overall Medicaid caseload growth rate is more heavily influenced by CFC caseload growth.

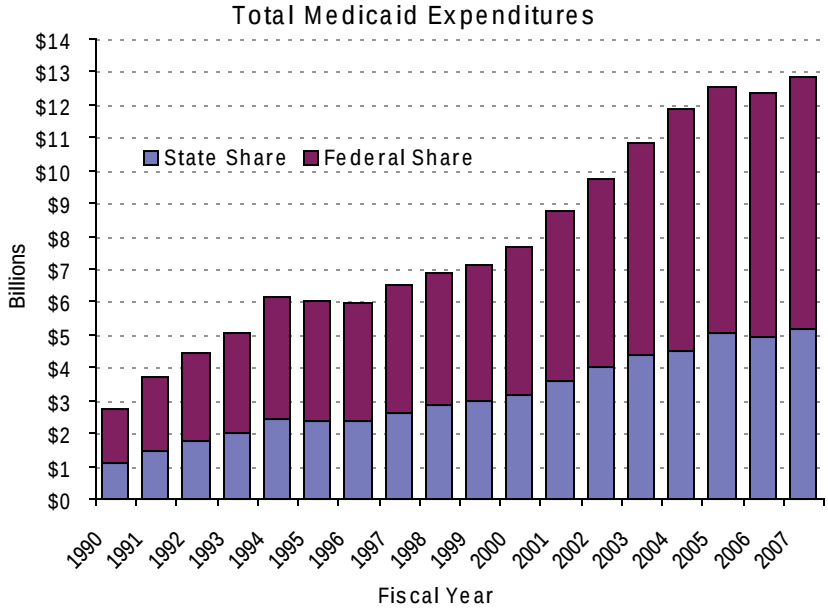
Medicaid Managed Care Caseload Expands



Source: Ohio Department of Job and Family Services

- Due primarily to the statewide expansion implemented in FY 2006, Medicaid managed care caseloads increased by 116% from FY 2005 to FY 2008. The managed care share of total Medicaid caseloads increased from 31% in FY 2005 to 70% in FY 2008.
- For the covered families and children (CFC) category, the managed care caseload increased from 522,000 in FY 2005 to 1.1 million in FY 2008, increasing CFC's managed care share from 41% to 85%. For the aged, blind, and disabled (ABD) category, the caseload increased from 1,000 to 105,000; its share increased from less than 0.3% to 24%.
- H.B. 66 of the 126th General Assembly required that the CFC population and certain ABD populations be enrolled in managed care plans.
- Ohio Medicaid began to use managed care in 1978. Prior to the mandated expansions in H.B. 66, Medicaid managed care was limited to large metro areas and exclusively focused on the CFC population.
- Under the traditional fee-for-service system, Medicaid reimburses health care professionals and institutions for providing approved medical services and products based on set fees for the specific types of services rendered.
- Under the alternative managed care system, a Medicaid enrollee typically receives all care through a single point of entry. The state pays a fixed monthly premium per beneficiary for any health care included in the benefit package, regardless of the amount of services actually used.

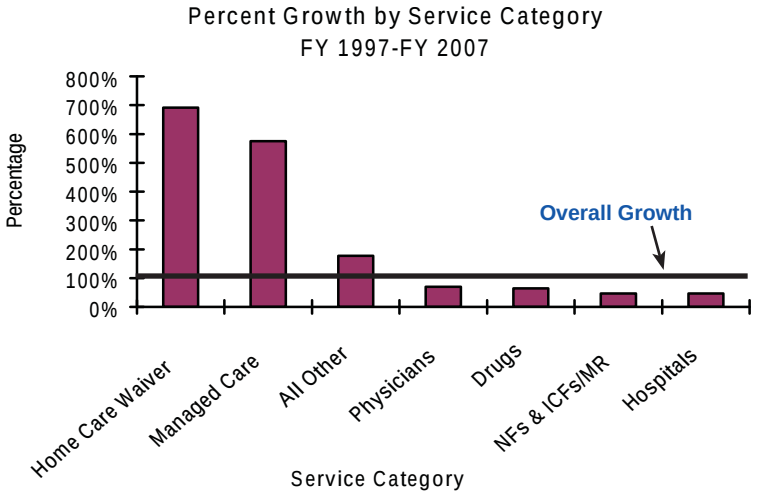
Medicaid Expenditures in FY 2007 Almost Five Times Greater than in FY 1990



Source: Centers for Medicare & Medicaid Services

- Ohio's Medicaid expenditures in FY 2007 totaled $12.9 billion, 4.8 times greater than FY 1990 expenditures of $2.7 billion. Eligibility expansions and higher health care costs contributed to the spending growth. The average annual growth rate over this period was 9.5%.
- Spending decreased slightly in FY 2006 due to the implementation of pharmacy benefits under Medicare Part D, beginning January 1, 2006. As a result of Medicare Part D, Medicaid no longer pays for prescription drugs for individuals qualified for both Medicaid and Medicare.
- Medicaid expenditure growth rose dramatically in the early 1990s and early 2000s, averaging 22.9% per year from FY 1990 to FY 1994 and 11.6% per year from FY 2000 to FY 2004. The rapid growth was a result of an economic downturn, poor labor market conditions, high health care costs, and eligibility expansions.
- On average the federal government pays for 60% of Medicaid expenditures in Ohio and the state pays the remaining 40%. The federal share changes every year and is based upon the most recent per capita income for Ohio relative to that of the entire nation.

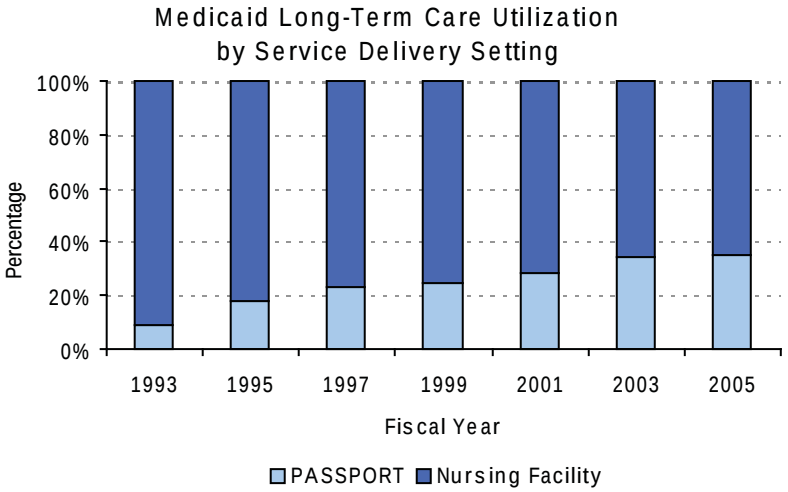
Medicaid Spending Growth Has Been Concentrated in Home Care Waiver and Managed Care



Source: Ohio Department of Job and Family Services

- Since FY 1997 Ohio's Medicaid spending growth has been concentrated in two categories: Home Care Waiver and Managed Care. While overall growth for Medicaid was 110% from FY 1997 to FY 2007, spending for Home Care Waiver and Managed Care grew by 691% and 575%, respectively.
- Implemented in the FY 1997-FY 1998 biennium, Home Care is a Medicaid waiver program providing home and community-based services to individuals with serious disabilities and unstable medical conditions who would otherwise be eligible for Medicaid coverage in a nursing home or hospital.
- H.B. 66 of the 126th General Assembly required that specific Medicaid populations be enrolled in managed care beginning in FY 2006, which is largely responsible for the growth of this category.
- Although spending for nursing facilities (NFs) and intermediate care facilities for the mentally retarded (ICFs/MR) grew slower than overall Medicaid spending, spending for NFs and ICFs/MR continues to be one of the major Medicaid spending categories. While mandated managed care expansions have limited the growth in hospital service spending, this also is still a major Medicaid spending category. (See below.)
- In FY 1997 Medicaid spending totaled $5.0 billion, broken down as follows: NFs and ICFs/MR (42%), Hospitals (24%), Drugs (11%), Managed Care (8%), Other (8%), Physicians (6%), and Home Care Waivers (1%).
- In FY 2007 Medicaid spending totaled $10.6 billion, broken down as follows: NFs and ICFs/MR (29%), Managed Care (26%), Hospitals (17%), Other (11%), Drugs (9%), Physicians (5%), and Home Care Waivers (3%).

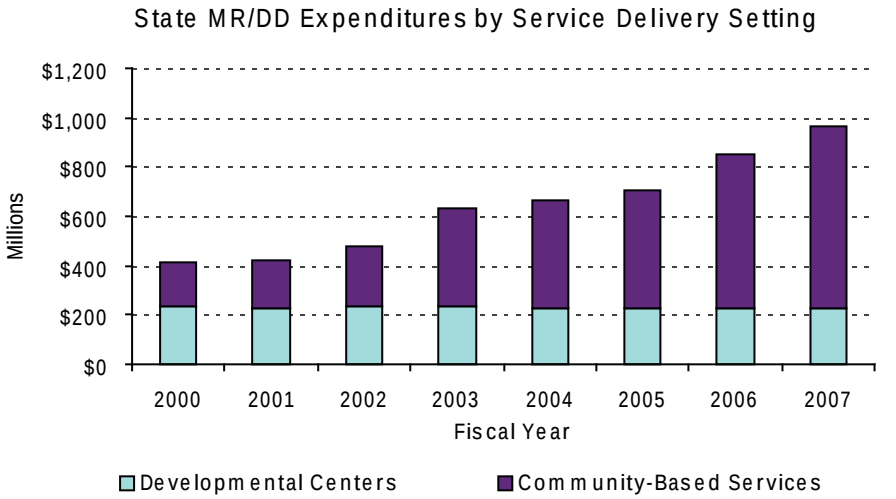
Over One-Third of Elderly Medicaid Long-Term Care Consumers Utilized PASSPORT Services in FY 2005



Source: Scripps Gerontology Center, Miami University

- In FY 2005, 35% of Medicaid long-term care consumers age 60 or older was served by PASSPORT compared to 9% in FY 1993, an increase of 26 percentage points. In contrast, the nursing facility share decreased from 90% in FY 1993 to 65%, a decrease of 25 percentage points.
- PASSPORT is a Medicaid waiver program that provides home and community-based instead of institutional-based services to elderly Ohioans. Examples of services provided include: personal care, home delivered meals, adult day care, and homemaker services. In FY 2005, approximately 31,000 elderly Ohioans received PASSPORT services.
- In FY 2005, the average per diem for PASSPORT services was $48 while the average for nursing facilities was $164. The cost variance is primarily due to the differences in the levels of consumers' disabilities and the types of services required. Additionally, PASSPORT services are home and community-based and do not include room and board.
- In FY 2005, nursing facility admissions and discharges (including Medicaid and non-Medicaid funded nursing facility residents) totaled 190,150 and 190,534, respectively. Many individuals who enter a nursing facility stay for less than six months to receive rehabilitative or recovery care.
- Spending on Medicaid long-term care for the elderly totaled $3.0 billion in FY 2005, of which the state share was $1.2 billion and the federal share was $1.8 billion.

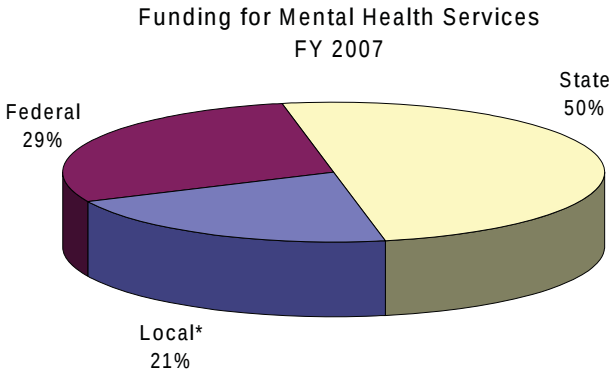
Three-Quarters of State MR/DD Spending in FY 2007 Was for Community-Based Medicaid Services



Source: Ohio Department of Mental Retardation and Developmental Disabilities

- In FY 2007, the Ohio Department of Mental Retardation and Developmental Disabilities (MR/DD) spent a total of $963.4 million for individuals with MR/DD. Of this amount, 76.3% ($735.1 million) was for community-based services provided under two Medicaid waivers, which allow an individual to receive community-based instead of institutional-based services, and the remaining 23.7% was for services provided through the ten regional developmental centers. In FY 2000, the comparable proportions were 42.9% and 57.1%.
- From FY 2000 to FY 2007, community-based waiver service expenditures increased 313.0% ($557.1 million) with an average annual growth rate of 23.7%. During the same period, developmental center expenditures decreased 3.8% ($9.1 million).
- The total number of individuals receiving community-based services grew from about 5,600 people in FY 2000 to more than 16,000 in FY 2007, attributable to Medicaid redesign, allowing individuals to receive community-based services through waivers. During the same period, the number of individuals served through developmental centers decreased by 388, to 1,602 in FY 2007.
- The March 2007 Martin Settlement, which ended a class action lawsuit that sought to allow individuals with MR/DD to receive community-based services, requires the Ohio Department of MR/DD to make community-based services available to 1,500 additional individuals during the FY 2008-FY 2009 biennium. This settlement is likely to further spur growth in community-based services.

State Provides Half of Total Funding for Mental Health Services

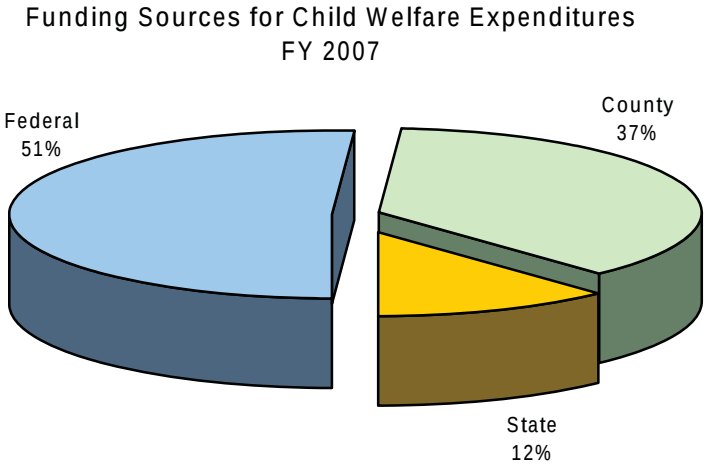


**Local funding includes levy money for other services (i.e., alcohol and drug addiction services).*

Source: Ohio Department of Mental Health

- In FY 2007, mental health services spending totaled $1.21 billion in Ohio. Of this amount, state funding comprised $612 million (50%). General revenue funds accounted for the largest portion of state dollars ($572 million).
- The federal government provided $346 million (29%) in FY 2007. Of this amount, Medicaid reimbursement accounted for $256 million.
- Local mental health board levies provided the remaining $252 million (21%).
- Ohio has a total of 50 mental health boards, 45 of which are alcohol and drug addiction, and mental health services boards (often referred to as ADAMH boards). The remaining five are community mental health services boards. In FY 2007, the 50 local boards served 310,000 individuals.
- The Department of Mental Health currently operates five Behavioral Healthcare Organizations (BHOs), which provide inpatient services at seven hospital sites. Two former hospital sites, the Cambridge campus of Appalachian Behavioral Healthcare and the Dayton campus of Twin Valley Behavioral Healthcare, closed on June 30, 2008. Approximately 50 beds from Cambridge were relocated to the Athens campus and 110 beds from Dayton were relocated to BHOs in Cincinnati, Columbus, and Toledo.

Federal Funds Account for More than Half of Child Welfare Expenditures



Source: Ohio Department of Job and Family Services

- Spending for child welfare totaled $742.4 million in FY 2007. Federal government support, which represents the largest source of child welfare funding, totaled $375.4 million (51%). Counties, which are responsible for administering child welfare programs, provided $275.7 million (37%). The state provided the remaining $87.3 million (12%).
- Child welfare services include child abuse prevention and protection, adoption, foster care, and other social services. These services are provided directly by the county departments of job and family services and by public children services agencies. The Ohio Department of Job and Family Services provides program planning, technical assistance, training, and monitoring.
- Foster care accounted for the largest portion of child welfare spending, comprising $336.6 million (45%) in FY 2007. In that year about 26,500 children were enrolled in the foster care system; there were about 11,000 licensed foster care homes.
- S.B. 163 of the 127th General Assembly became effective on April 29, 2008. Based on recommendations from the Fiesel Case Review report, this law adds safeguards to the foster parent approval process. H.B. 119, the budget bill for the FY 2008-FY 2009 biennium, includes $10.4 million in each fiscal year for foster care reform activities. Of that amount, $9.1 million each year is intended to support county child welfare agencies in improving child welfare and safety. The remaining $1.3 million each year is allocated for hiring state-level foster care audit workers.

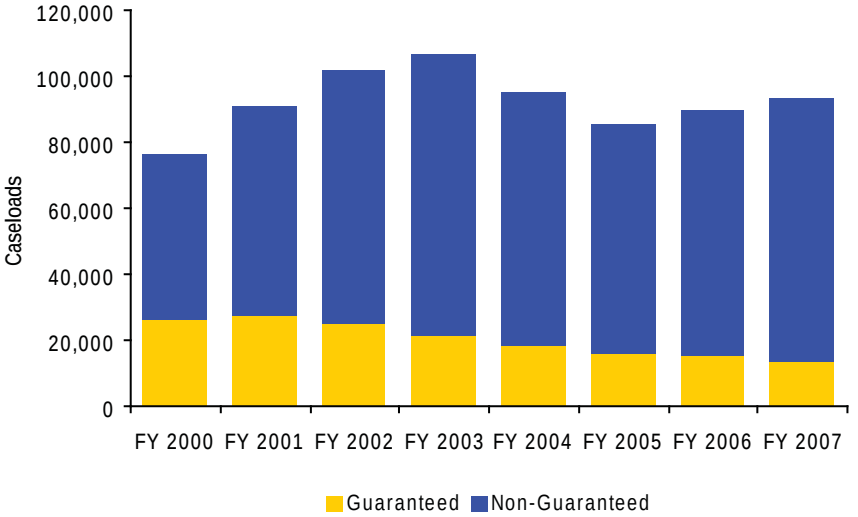
Ohio's Early Prenatal Care and Infant Mortality Rates Exceed the National Averages

Ohio Infant Health Statistics		
Category	**Ohio**	**U.S.**
Early prenatal care, 2002-2004 (% of live births receiving care in the first trimester)	87.8%	83.8%
Caucasian	89.8%	88.9%
African American/Black	78.8%	76.1%
Hispanic	78.7%	77.1%
Infant mortality rate (deaths per 1,000 live births), 2002-2004	7.7	6.9
Caucasian	6.3	5.7
African American/Black	15.6	13.7
Hispanic	7.9	5.6
Percentage of low birth weight births, 2005	8.7%	8.2%
Percentage of preterm births, 2005	13.3%	12.8%
Estimated childhood vaccination rate, 2006 (% of children 19-35 months receiving childhood vaccination)	75.0%	77.0%
Percentage of children born in 2004 ever breastfed	59.6%	73.8%

Source: U.S. Centers for Disease Control and Prevention

- For the 2002-2004 period, 87.8% of Ohio women received prenatal care in the first trimester compared to the national average of 83.8%. However, as with the national trend, the early prenatal care rate for Ohio's Caucasian women (89.8%) was higher than those of African American/Black (78.8%) and Hispanic (78.7%) women. Ohio's rates for all three ethnic groups were higher than their respective national averages.
- During the same period, Ohio's overall infant mortality rate of 7.7 (the number of infant deaths per 1,000 live births) was higher than the national rate of 6.9. Similar to the national trend, the rate for African American/Black infants (15.6) in Ohio was more than twice the rate for Caucasian infants (6.3).
- As measured by the percentage of 19 to 35-month old children receiving the standard series of childhood vaccinations, Ohio's rate of 75% in 2006 was two percentage points lower than the national average of 77%.
- Breast milk is considered to be beneficial for the health of infants while nursing and at later stages of their lives. Of the children born in Ohio in 2004, 59.6% have ever been breastfed, compared to the national average of 73.8%. The Centers for Disease Control and Prevention ranks Ohio 44th in breastfeeding rates.

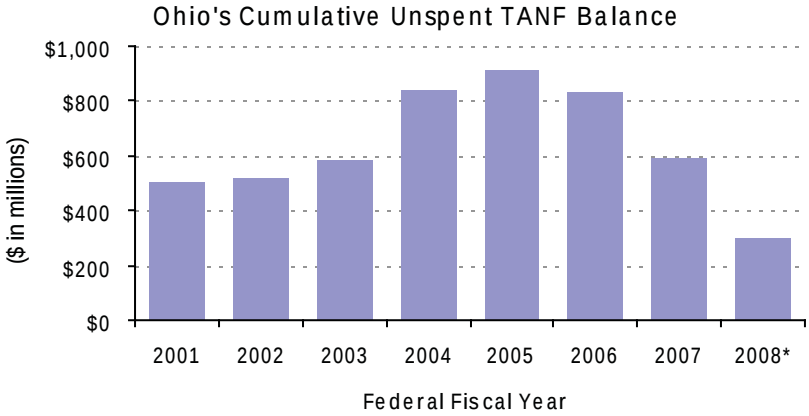
Growth in Child Care Caseloads Varies between Two Publicly Funded Eligibility Groups



Source: Ohio Department of Job and Family Services

- Except for FY 2004 and FY 2005, the caseloads for the "non-guaranteed" category of publicly funded child care have increased every year from FY 2000 to FY 2007, whereas guaranteed caseloads have decreased every year during the same period. The non-guaranteed category includes families that are not enrolled in the Ohio Works First (OWF) program but have incomes below the threshold established by the state. The guaranteed category includes families enrolled in or transitioning out of OWF.
- Non-guaranteed caseloads generally fluctuate with changes made to the income eligibility threshold. From FY 2000 to FY 2003 caseloads for this category increased 69% from about 50,200 to 85,000. In an effort to control costs the state reduced eligibility from 185% to 150% of the federal poverty guidelines (FPG); caseloads subsequently dropped 18% to about 70,000 in FY 2005. The state then increased eligibility back to 185% of FPG, and caseloads have since grown 15% to about 80,300 in FY 2007.
- As OWF caseloads for cash assistance have continued to decline as a result of welfare reform, the number of families receiving guaranteed child care subsidies has also continued to decline, decreasing by 50% from about 26,100 in FY 2000 to about 13,100 in FY 2007.
- Due to increases in the non-guaranteed category, total child care caseloads increased by 9.4%, from about 85,400 in FY 2005 to about 93,400 in FY 2007.
- In FY 2007, Ohio spent $467.7 million on child care subsidies. Funding sources include the state GRF, the federal Temporary Assistance for Needy Families (TANF) block grant, and other federal grants.

TANF Surplus Declines Rapidly from Its Peak in Federal Fiscal Year 2005



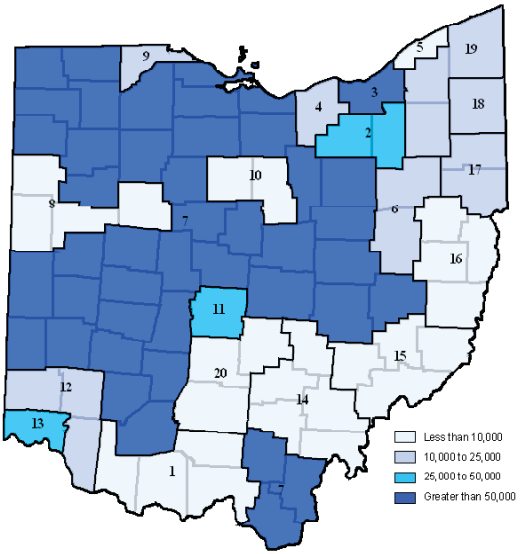
* Amount for federal fiscal year 2008 is an estimate

Source: Ohio Department of Job and Family Services

- Ohio's cumulative Temporary Assistance for Needy Families (TANF) surplus (unobligated and unliquidated dollars from previous grant years) reached a peak of $913 million at the end of federal fiscal year 2005 (September 30, 2005). Since then, Ohio's TANF surplus has declined steadily every year, to less than $300 million at the end of state fiscal year 2008 (June 30, 2008).
- The federal government allows states to reserve any unobligated and unliquidated TANF grant funds at the end of a grant year. The surplus is held by the federal government and is available for future spending on benefits that meet the federal definition of "assistance." In Ohio, the only benefit that meets that definition is cash assistance under the Ohio Works First (OWF) program.
- Ohio accrued a relatively large surplus between federal fiscal years 2000 and 2005 due to a number of factors including under-spending by counties. Since 2005 the state has made programmatic changes and eliminated county under-spending.
- In recent years, in addition to spending TANF surplus on cash assistance, the state has also increased TANF block grant spending on child care, short-term support services, and various other programs and projects.

Local Workforce Investment Boards Served 487,000 Ohioans in FY 2008

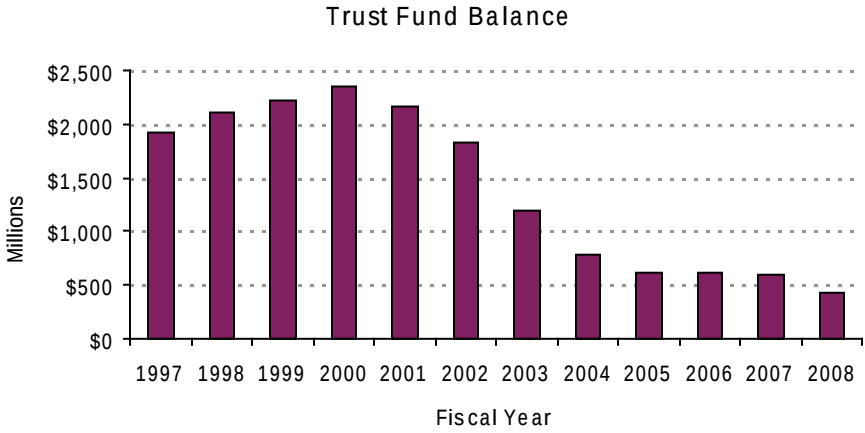
Number of Participants who Received Employment Services by Workforce Investment Area



Source: Ohio Department of Job and Family Services

- In FY 2008, about 487,000 individuals participated in Ohio's Workforce Development Program through the One-Stop system that is governed by 20 workforce investment boards. The system, which includes 31 full-service and 59 satellite workforce development One-Stop sites, provides services such as training referrals, job listings, employment search assistance and referral, and career counseling and brings employers and individual job seekers together in one place.
- Ohio's One-Stop system is funded with federal Workforce Investment Act and Wagner-Peyser dollars. In FY 2008, Ohio had a total of $267 million available from these two sources. Of the total, an estimated $179 million was spent in FY 2008. Remaining funds are available for use in FY 2009.
- A March 27, 2008 executive order realigned state oversight responsibilities for Ohio's workforce development programs. Beginning July 1, 2008, the Department of Development oversees programs related to business, the Board of Regents oversees programs related to skill development and training, and the Department of Job and Family Services oversees all programs related to helping individuals obtain employment.

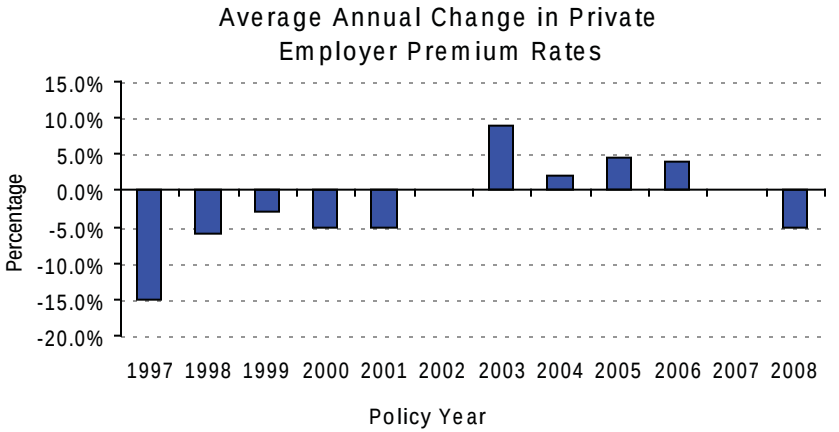
Unemployment Compensation Trust Fund Balance Decreases Almost 82% in Nine Years



Sources: Ohio Department of Job and Family Services; U.S. Department of Labor

- The Unemployment Compensation Trust Fund balance decreased 81.8%, from its peak of $2.35 billion at the end of FY 2000 to $427.6 million at the end of FY 2008.
- From FY 1997 through FY 2000, trust fund revenues exceeded expenditures every year; as a result, the fund balance increased $434.6 million. Since then trust fund expenditures have exceeded revenues consistently, leading to the significant decrease in the fund balance.
- Heavy job losses in the manufacturing sector have contributed to Ohio's growing unemployment rates. Between FY 2000 and FY 2008, manufacturing employment declined by approximately 250,000, accounting for 24% of the total employment loss during this period.
- The Unemployment Compensation Program is a federal and state partnership where the federal government establishes certain rules and the state determines benefit and funding levels. The Ohio Department of Job and Family Services is Ohio's program administrator.
- Unemployment benefits are funded by a tax on employers in Ohio. Ohio employers pay this tax on the first $9,000 of each employee's wages. In calendar year 2008, the tax rates range from 0.5% to 9.2%.
- Compared to its neighboring states, Ohio's taxable wage base is currently the same as in Michigan ($9,000), but higher than in Indiana ($7,000), Kentucky ($8,000), Pennsylvania ($8,000), and West Virginia ($8,000).
- Ohio's average tax rate on the taxable wage base, however, is lower than that of all neighboring states. In the third quarter of 2007, the average tax rate for Ohio was 2.52%, compared with 2.64% in Kentucky, 2.77% in Indiana, 2.78% in West Virginia, 4.72% in Michigan, and 5.04% in Pennsylvania.

BWC Reduces Workers' Compensation Premium Rates for Private Employers for the First Time since 2001



Source: Ohio Bureau of Workers' Compensation

- On July 1, 2008, the Bureau of Workers' Compensation (BWC) reduced Ohio private employers' premium rates by an average of 5%. This is the first rate reduction since policy year (PY) 2001.[1]
- BWC administers the largest exclusive workers' compensation system in the U.S. under which the state provides coverage for all public and private employers except those who qualify as self-insured. As of June 30, 2008, BWC had total assets of $22.5 billion and total liabilities of $20.3 billion.
- When premium income and investment returns exceed the needed reserves, BWC returns surplus funds to Ohio employers in the form of one-time dividends. From PY 1996 to PY 2001, BWC reduced premium rates every year, returning $9.3 billion to Ohio employers. On July 1, 2003, citing a slowing economy and rising medical costs, BWC increased premium rates by an average of 9% and continued increasing rates through PY 2006.
- From FY 2006 to FY 2008, premium collections exceeded benefits paid by a total of $1.27 billion, partly attributable to a decline in claims and medical costs associated with these claims.
- In FY 2008, BWC paid $2.06 billion in total benefits. Of this amount, $1.22 billion (59.3%) was for compensation benefits and $839 million (40.7%) was for medical benefits.

[1] As with the state fiscal year, the policy year (PY) runs from July 1 to June 30. However, the naming convention differs. For example, the period of July 1, 2008 through June 30, 2009 is FY 2009 but PY 2008.