



Revenue & budget

## Budget Review: Ohio Department of Medicaid

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**Policy Matters Ohio priority:** *Maintain Medicaid expansion, eliminate burdensome work reporting requirements, extend post-partum coverage from 60 days to 12 months; boost funding to reduce Black infant and maternal mortality; fund treatment of lead poisoning.*

**Outcomes:** *Good progress on key items, and some new threats to health care.*

### A mixed bag for Medicaid in the 2022-23 state budget

Good	Threats	Bad
<ul style="list-style-type: none"><li>• Medicaid expansion maintained and further expanded for new mothers, extending post-partum coverage from 60 days to 12 months.</li><li>• Better funding for programs that protect and enhance the health of mothers and infants.</li><li>• Funding is maintained to assess and treat lead poisoning.</li></ul>	<p>The federal government denied work reporting requirements, although lawmakers kept funding for the program in the budget and Attorney General Yost appealed that denial.</p>	<p>Lawmakers gave counties a very short time frame to reassess eligibility of the caseload – a quarter of Ohioans – and many people who need health insurance could be dropped from the program due to mistakes, paperwork problems, lack internet access, changed addresses and/or phone numbers and other barriers – endangering health, stability and lives.</p>

The pandemic has taught us that the health of all people is inter-related. Everyone, no matter their race or how much money they have, needs care when they are ill or injured. Medicaid is the national program that makes sure people of very low incomes have health coverage. Across all sources of funds supporting Medicaid in Ohio, about

one in five dollars is from state taxpayer dollars. The balance is from the federal government, fees or charges, or other sources.

Medicaid is the largest single insurer in the state, covering 3.3 million Ohioans.<sup>1</sup> — about a quarter of the people in the state. It provides nursing home or home health care for seniors, allows people paid very low wages and people with disabilities who can't work to see a doctor or go to the hospital if they are ill or injured. The single largest group of people enrolled in Medicaid are families with children: almost 1.3 million Ohio children are cared for through Medicaid. More than half of Ohio births are paid for by Medicaid.<sup>2</sup>

Over 900,000 people got behavioral health treatment in 2020 through Medicaid — this includes substance use treatment, stemming the drug epidemic that is still ravaging the state.<sup>3</sup>

The Ohio Department of Medicaid is the biggest single payor of medical expenses in the state. The dollars it pays out are pumped out across Ohio's 88 counties through 165,000 health care providers — doctors, physical therapists, psychologists and psychiatrists, physical therapists, hospitals, and others.<sup>4</sup> These dollars flow into local economies as physicians, nurses, orderlies, cafeteria workers, data analysts and all the other staff related to the health sector take care of their fellow Ohioans and spend their salaries in grocery stores, movie theaters and shops where they live.

## Ohio Medicaid in the 2022-23 budget

The Ohio Department of Medicaid will provide \$71 billion for health care services over the coming two-year budget period: almost \$35 billion in 2022 and \$36 billion in 2023.

The federal government pays 70% of this cost,<sup>5</sup> providing \$50.3 billion for Ohio health care over the biennium, an increase of \$6.9 billion (15.9%) compared to the prior, 2-year budget. The increase reflects both the ongoing pandemic, when Congress stepped up federal support, and the fact that many households remain eligible for, and need, Medicaid health care coverage.

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<sup>1</sup> Lindgren, Nelson V., Greenbook: LBO Analysis of enacted budget, Ohio Department of Medicaid," Ohio Legislative Budget Office, August 2021 at <https://bit.ly/2Xh0kSt>

<sup>2</sup> Ibid..

<sup>3</sup> Testimony of Director Maureen Corcoran of the Ohio Department of Medicaid to the Senate Finance Committee, April 15, 2021 at <https://ohiosenate.gov/committees/finance/document-archive/>

<sup>4</sup> Lindgren, Op.Cit.

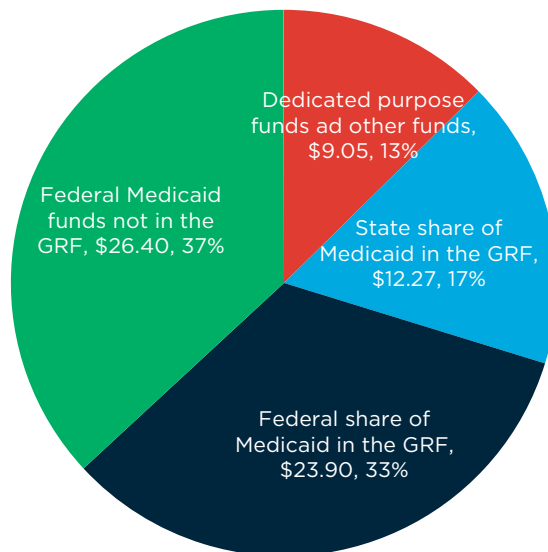
<sup>5</sup> Ibid.

Ohio puts both federal and state Medicaid funds into the General Revenue Fund (GRF), which is made up of pooled taxpayer dollars (plus a share of the billions of federal Medicaid funds). The *state* share of Medicaid in the GRF will be \$5.3 billion in 2022 and \$7 billion in 2023, rising by \$2 billion (19.8%) compared to the prior biennium. The large increase has to do with an anticipated drop in federal aid when the pandemic subsidies and emergency federal rules expire that kept all people enrolled in Medicaid during the pandemic on the rolls – whether they were using it or not. Medicaid is the second-largest use of state GRF funds after education.

In addition, certain Medicaid services are paid for outside of the GRF, through ‘Dedicated Purpose Funds.’ These are primarily charges and fees paid by private insurers, hospitals and nursing homes, and local funds raised through property tax levies that match the federal Medicaid dollars that serve people with developmental disabilities. This segment of the Medicaid budget totals \$9.1 billion over the biennium: the \$2.3 billion increase (34.9%) over the prior budget largely reflects a new \$1.2 billion Health and Human Services Fund, described below.

Finally, the 2022-23 Medicaid budget includes \$25 million over the biennium in internal service accounts (funds transferred among programs and agencies) and holding accounts (not for state use). The pie chart below illustrates the source of Medicaid funds in the 2022-23 Ohio budget.

**The federal government pays for most of the cost of Medicaid coverage in Ohio**  
 Biennial (2 year) funding shown for 2022-23 budget; billions of dollars



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission detailed appropriation spreadsheet.

## Increased and/or new budget initiatives include:

- Infant and maternal health care. Lawmakers boosted Medicaid funding from \$12.8 million in 2021 (\$3.8 million in state share) to \$46.3 million in 2022 (\$13.9 million state share) and \$64.3 million (\$19.3 million state share) in 2023.<sup>6</sup>
- Lead poisoning. The Ohio Department of Medicaid maintains its investment of \$5 million a year (\$2.3 million state funds) in lead abatement services through the State Children’s Health Insurance Program (SCHIP).<sup>7</sup>
- A promise for better wages for home health workers? H.B. 110 contained language to increase reimbursement rates for care provided in the home to disabled and/or elderly persons under the budgets of the Ohio Department of Developmental Disabilities and the Ohio Department of Aging. These increases are badly needed, but the statutory language of the bill was vetoed. The commitment to these increases remains, according to the governor.<sup>8</sup>
- Re-procurement of managed care services. The new budget supports procurement and reorganization of Ohio’s managed care system and changes the way prescription drugs are paid for. As a result, the program will realize savings of an estimated \$416.8 million over the biennium, helping to offset the cost of other new initiatives.<sup>9</sup>
- Behavioral health. Medicaid is the largest payer of behavioral health care services in the nation,<sup>10</sup> and the Ohio Department of Medicaid is the biggest tool Ohio has in stemming the substance use epidemic through health care. New behavioral health initiatives are prominent in the 2022-23 budget: Ohio lawmakers direct \$1.3 billion (\$367 state share) to behavioral health-related uses during 2022-23, including:<sup>11</sup>
  - Behavioral health coordination. The Ohio Department of Medicaid will direct \$500 million (\$86.5 million state share) to coordination of behavioral health services in 2022-23, maintaining the 2021 level.
  - Ohio RISE. Overall funding of \$484.9 million (\$186.5 million state share) will support case coordination for youth with complex health and other needs addressed through various state and local systems and agencies.
  - Custody relinquishment. Federal funding of \$32 million will help families with children with complex behavioral needs, who in the past had to relinquish custody to get proper care.
  - Autism. \$270.8 million (\$93.8 million state share) will provide services for people with autism, a complex behavioral condition.

<sup>6</sup> Spreadsheet of Medicaid initiatives in the 2022-23 budget as enacted (Copy of adjustments and policy change final info as passed SFY 2022-23 8-12 revision shared), provided by Brooke O’Neill to Wendy Patton, 8/30/2021.

<sup>7</sup> Ibid

<sup>8</sup> Statement Of The Reasons For The Veto Of Items In Amended Substitute House Bill 110 June 30, 2021, office of Governor Mike DeWine, June 30, 2021AT <https://bit.ly/3tAK3E1>

<sup>9</sup> “Next Generation of Medicaid Managed Care,” Ohio Department of Medicaid at <https://bit.ly/3FcwlvU>

<sup>10</sup> Behavioral Health, Medicaid.gov at <https://bit.ly/3hwlm47>

<sup>11</sup> Spreadsheet of Medicaid initiatives in the 2022-23 budget as enacted (op.cit).

## Medicaid during and after the pandemic

The number of Ohioans served by Medicaid increased by 456,719 (16.4%) during the pandemic.<sup>12</sup> The federal government increased its share of the cost of Medicaid to make sure states could meet increased needs as people became ill. These enhanced Federal Matching Assistance Program funds freed up state dollars for other needs.

To control the pandemic and protect public health, federal officials required all states that accepted the enhanced federal match to keep all Medicaid patients enrolled in the program until the quarter after the national Public Health Emergency is ended (currently slated to end in January, 2022<sup>13</sup> although it may be renewed again, as COVID cases remain high). Standard operating procedures usually remove people from enrollment if they become ineligible – which can happen with incomplete paperwork as well as rising income. Those procedures were halted during the pandemic to comply with federal requirements.

A dedicated purpose fund called the Health and Human Services fund of \$1.2 billion dollars was created in the 2022-23 operating budget and may be drawn on to pay for Medicaid services after the enhanced federal share is ended but before enrollees are re-evaluated for eligibility. These surplus funds were available because the increased federal matching funds freed up state dollars for other uses; because of the deep cuts in state services in 2020 and a long-term freeze of state expenditures that lasted well into 2021, and lower enrollment in Medicaid than forecast.

Despite the Health and Human Services Fund, lawmakers created laws in the budget bill to quickly reduce Medicaid enrollment as soon as federal requirements allow. County Departments of Job and Family Services, which are responsible for eligibility determinations, will have 60 days to redetermine eligibility of all who enrolled during the prior 12 months (counties may request an additional 30 days). In addition, a third-party vendor may be hired, if the Controlling Board approves such use of funds, to review the eligibility of all Medicaid enrollees, with a focus on those who enrolled for a three-month period during the pandemic.

The danger is that with multiple reviews that entail paperwork and other verification requirements, under-resourced county human service departments still coping with the heightened needs of the pandemic and recession, and the very tight time frame, people who are eligible and in need of health care will lose their coverage.

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<sup>12</sup> In February of 2020 there were 2,783,919 Medicaid enrollees; in July of 2021 there were 3,240, 638. <https://bit.ly/3mX8ryk>

<sup>13</sup> Bryant, Blaire, "HHS renews public health emergency declaration through January, 2022," National Association of Counties, October 21, 2021 at <https://bit.ly/30h6cN3>

Lawmakers should eliminate these time frames and provide county human service agencies with resources to ensure all who need coverage are not dropped from the program because of mistakes, paperwork errors, lack of broadband, or other barriers.

## Reporting requirements for Medicaid patients

The Ohio General Assembly required the Ohio Department of Medicaid to impose strict work reporting requirements on Medicaid enrollees in the last budget bill. The DeWine administration worked with the federal government to get approval of such provisions, and the Trump Administration approved the changes, but the Biden Administration revoked the approval because it would take away health care from too many Ohioans. Gov. DeWine asked Attorney General Yost to challenge the Biden Administration decision. This is a danger to hundreds of thousands of Medicaid enrollees, the majority of whom work but for very low pay and with unpredictable hours. From month to month, many people covered by Medicaid may just not get required the work hours and lose coverage. Research has found intermittent coverage leads to illness and death.<sup>14</sup>

## Medicaid funds used in other state health and human service agencies

Medicaid funds are distributed across eight state agencies. The 18.6% overall increase in the 2022-23 Medicaid budget is primarily driven by the increase in the Ohio Department of Medicaid itself, which pays for the actual costs of most visits to the doctor, services of other health care providers like psychologists and physical therapists, hospitalizations, substance use treatment, home health care and nursing home services for elderly and disabled people, and more. The table below shows state share of Medicaid dollars across all agencies that receive support of Medicaid dollars.

## Uses of Medicaid funds across the “sister” agencies

- Aging: Medicaid funds \$20.6 million over the 2-year budget period through the Ohio Department of Aging to support services for seniors. Lawmakers directed an additional \$5.2 million Medicaid dollars to the Department of Aging in the new budget, largely to pay for administrative expenses associated with operating the PASSPORT, PACE and Assisted Living programs of care for seniors. The actual costs of these services are paid by the Ohio Department of Medicaid.

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<sup>14</sup> Care without coverage: Too little, too late, Institute of Medicine (US) Committee on the Consequences of Uninsurance. Washington (DC): National Academies Press (US); 2002 at <https://www.ncbi.nlm.nih.gov/books/NBK220636/>. See also Patton, Wendy, “Medicaid works: Work requirements don’t,” Policy Matters Ohio, February 6, 2018 at <https://bit.ly/3ii9Tlw>

- Developmental disabilities: This is the only agency other than the Ohio Department of Medicaid that pays for consumer services with Medicaid dollars. This agency will administer \$7.2 billion Medicaid dollars over the 2-year budget, an increase of \$780 million (12.2%) over the prior biennium.

Figure 2

Medicaid funds support services in eight state agencies				
Biennial (2 year) funding shown. Not adjusted for inflation.				
Department	2020-21	2022-23	Change	% change
Medicaid	\$53,316,253,107	\$63,673,442,329	\$10,357,189,222	19.4%
Developmental disabilities	\$6,410,910,756	\$7,191,637,697	\$780,726,941	12.2%
Job and family services	\$527,122,837	\$622,018,303	\$94,895,466	18.0%
Department of health	\$68,841,491	\$80,574,398	\$11,732,907	17.0%
Aging	\$15,405,707	\$20,619,391	\$5,213,684	33.8%
Mental Health and Addiction Services	\$6,819,341	\$10,885,820	\$4,066,479	59.6%
Pharmacy Services	\$4,556,917	\$5,530,000	\$973,083	21.4%

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission, *Appropriate Spreadsheet (Budget in Detail, with 2021 actual figures)*. Expenditures for 20-21 are actual; those for 2022-23 are appropriated in the new budget bill.

- Job and family services: The Department of Medicaid provides ODJFS funds to administer local eligibility determination, enrollment, and Medicaid-related transportation services. In the 2022-23 budget, \$622 million of Medicaid funds will be provided across Ohio’s 88 counties for these public services, an increase of \$94.9 million (18%) over the prior biennium.
- Department of Health: Medicaid provides \$80.6 million over the biennium in program support and for health service quality assurance. This funding increases by \$11.7 million compared to the prior budget.
- Department of Mental Health and Addiction Services: Medicaid provides \$5.6 million to support administration of Medicaid services for patients, including screening for admission to state psychiatric hospitals. Medicaid is the single largest payer for mental health services in the United States and increasingly plays a larger role in the reimbursement of substance use disorder services. The Ohio Department of Medicaid pays for direct consumer services.

- Department of Education. Lawmakers boosted funding for Medicaid services in some of Ohio’s schools, directing an additional \$339,667 in funds to provide a total of \$1.2 million in program administration support.
- State Board of Pharmacy. Medicaid pays for the Ohio Automated Rx Reporting System (OARRS), part of the State Medicaid Health Information Technology Plan. Funding increases by \$973,083 to \$5.53 million (21.4%) to integrate OARRS directly into electronic medical records and pharmacy dispensing systems across the state.