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Budget

Harming health care in Ohio and America

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Executive Summary

Lawmakers in Congress and in Ohio's General Assembly are moving to dismantle policies of the Affordable Care Act (ACA), which provided health coverage to low- and moderate-income people. We examine how state and federal proposals would affect health care for Ohioans, particularly for the 3 million Ohioans insured by Medicaid, the largest single insurer in the state.

Changes proposed by Ohio's legislators in the House and Senate, to be debated by Conference Committee, include:

- Both the Senate and House proposals would narrow eligibility by imposing work requirements with few exemptions on Medicaid expansion enrollees. The House bill would impose premiums, and lock out those who can't pay.
- The Senate budget bill would halt Medicaid expansion enrollment by July 2018.
- Both the House and Senate would give the legislature, rather than the Department of Medicaid, the ability to make decisions about Medicaid eligibility, rate-setting and even approval of state match for federal Medicaid funding in 2019.

In Washington, both the House bill, the American Health Care Act (AHCA) and the Senate counterpart, the Better Care Reconciliation Act, propose changes to insurance and to Medicaid.

- The AHCA eliminates the cost sharing subsidies to help those on the non-group insurance market pay for deductibles and out-of-pocket costs; so does the Senate version.
- The House changes tax credits provided to this relatively small market to an age basis. The Senate sticks with an income basis but many in Ohio could expect to receive less help paying for insurance.
- Both versions would let states apply to loosen requirements that insurers cover people with basic services ("essential health benefits") and provide affordable insurance to people with pre-existing conditions. This affects everyone, including Americans covered by employer or group plans.
- Both versions eliminate Medicaid expansion. The Senate version does so more slowly, but the expansion, which covers people earning up to 138 percent of poverty, would end.

Both bills in Washington go well beyond repealing the ACA: they dismantle Medicaid, the federal-state partnership that has provided health care to low-income people for more than 50 years. It would be replaced by a capped structure that will not keep pace with rising costs. Costs will be capped in the federal market and shifted to the states, where services and eligibility will likely be reduced.

Most at risk are families struggling with the opioid epidemic, senior citizens, children and people with disabilities. Governors of affected states, including Ohio Governor John Kasich, have joined in a bipartisan effort to reduce the damage they see from the proposals.

Ralph Waldo Emerson said: "Health is the first wealth." The federal bills would shift wealth from the poor - in terms of access to health care - to the wealthy, in the form of tax cuts.

Introduction

Lawmakers in Congress and in Ohio's General Assembly are moving to dismantle policies of the Affordable Care Act (ACA), which provided health coverage to low- and moderate-income people. Changes at the federal level would remove protections. The result could be a return to no affordable coverage for people with pre-existing conditions; to insurance policies that fail to cover basic health care costs, like prescription drugs; and to a system where Americans – including almost a million Ohioans – will again be without insurance.

In Ohio, changes proposed for the state budget bill for 2018-19 would restrict and then halt enrollment in the Medicaid expansion of the ACA. In Washington, changes go beyond repealing the ACA: Congressional Republicans propose to dismantle the fundamental structure of Medicaid, the federal-state partnership that has provided health care to low-income people for more than 50 years.

The timing couldn't be worse. Ohio has among the highest death rates of all the states in the drug epidemic. The maps in the appendix show the overdose data for Ohio counties and also illustrate how important Medicaid expansion is to the working age population of Ohio's counties.

In this issue brief, we look at how bills proposed by Congress and provisions in the state budget bill for 2018-19 would impact health care for Ohioans, particularly for the 3 million Ohioans insured by Medicaid, the largest single insurer in the state.

Federal changes

While there are differences between the American Health Care Act (AHCA) passed by the House and the Senate version expected to come to a vote this week, there are core components consistent in both. Although the Senate bill will be modified this week to secure votes for passage, as of today, the main elements include: (See Appendix, Table 1):

- Restructuring and reducing funding to Medicaid, starting with elimination of the Medicaid expansion that widened access to health care for millions of adults;
- Reduction of both tax credits and subsidies for the smaller number of people that purchase insurance through the federal exchanges, and
- The AHCA trades off the health care coverage of millions of low-income Americans for tax cuts for the wealthiest. It cuts \$702 billion to Medicaid expansion between 2019-2028, while giving \$699 billion in tax breaks to rich Americans, and fee cuts to drug and insurance companies.¹

Policy Matters Ohio detailed the dangers of the AHCA and who it threatens in a recent [report](#). The Senate version is very similar. Both bills threaten those with the most pressing need for care: seniors and those with disabilities. It threatens the largest group of enrollees: children. Congress is turning its back on the most vulnerable, while diverting resources to the wealthy and corporations. Over the next 10 years, the majority of what will be cut from Medicaid under the AHCA will be given in tax cuts to America's highest-earning households.²

Governor John Kasich, a supporter of the ACA's Medicaid expansion, has been vocal in his view of Congress's approach to health care in the nation. He joined a bi-partisan group of governors urging a different approach.

¹ Brandon Debot, "Harsh Tradeoff at Core of GOP Health Bill: Keep Medicaid Expansion or Cut Taxes for Wealthy? Tax Cuts for 400 Highest-Income Households Exceed Cost of Maintaining Expansion in Most States, Center on Budget and Policy Priorities, June 21, 2016 at <http://www.cbpp.org/research/health/harsh-tradeoff-at-core-of-gop-health-bill-keep-medicaid-expansion-or-cut-taxes-for>

² Kate Sopko, "AHCA will strip away at Medicaid, put affordable health coverage out of reach for many," Policy Matters Ohio, June 2017 at <https://www.policymattersohio.org/files/research/ahcaohioreport-sopko-june2017.pdf>

June 16, 2017 letter from Governors John Kasich of Ohio, Tom Wolf of Pennsylvania, Charles D. Baker of Massachusetts, John W. Hickenlooper of Colorado, John Bel Edwards of Louisiana, Brian Sandoval of Nevada and Steve Bullock of Montana

We have watched with great interest the recent debate and House passage of H.R. 1628, the American Health Care Act. While we certainly agree that reforms need to be made to our nation's health care system, as Governors from both sides of the political aisle, we feel that true and lasting reforms are best approached by finding common ground in a bipartisan fashion.

To that end, we remain hopeful that there is an opportunity to craft solutions to these challenges that can find support across party lines, delivering improvements to result in a system that is available and affordable for every American.

We believe that, first and foremost, Congress should focus on improving our nation's private health insurance system. Improvements should be based on a set of guiding principles, included below, which include controlling costs and stabilizing the market, that will positively impact the coverage and care of millions of Americans, including many who are dealing with mental illness, chronic health problems, and drug addiction. Unfortunately, H.R. 1628, as passed by the House, does not meet these challenges. It calls into question coverage for the vulnerable and fails to provide the necessary resources to ensure that no one is left out, while shifting significant costs to the states. Medicaid provisions included in this bill are particularly problematic. Instead, we recommend Congress address factors we can all agree need fixing.

We stand ready to work with you and your colleagues to develop a proposal that is fiscally sound and provides quality, affordable coverage for our most vulnerable citizens.

A copy of the letter may be accessed at <http://bit.ly/2t8ldxc>

State changes to Medicaid

On the state level, lawmakers in both Ohio's House and Senate are proposing policy changes in the budget bill for 2018-19 that will restrict health care access.

Medicaid is Ohio's largest single insurer, covering 3 million people, more than a quarter of the population. Medicaid expansion extended health coverage to adults whose incomes are below 138 percent of the federal poverty level. Approximately 723,000 had enrolled in the Medicaid expansion by early 2017.

Changes proposed by Ohio's legislators in the House and Senate, some of which will be under consideration by the Conference Committee, include:

- Both proposals would narrow eligibility for coverage under Medicaid expansion by asking the federal government to allow the imposition of work requirements and premiums on enrollees. (The Kasich Administration has also wanted to impose premiums, though this was not written into the Governor's executive budget bill.³)
- The Senate version of the budget bill for 2018-19 would halt enrollment in Medicaid expansion as of July 1, 2018.
- Both the House and Senate would give oversight of Medicaid eligibility (the right to accept new types of enrollees into the program) to the General Assembly, instead of the Ohio Department of Medicaid,
- The House would also extend oversight of Medicaid payment rates to the legislature. Both the House and Senate would impose Controlling Board oversight of funding for Medicaid expansion. The House plan would bar Controlling Board approval if Congress reduces the enhanced funding it gives for the Medicaid expansion group, or if the Ohio Department of Medicaid fails to request a waiver of certain federal Medicaid rules (explained below). The Senate plan would bar approval if the federal government reduces its share of funding for the expansion group.

Narrowing eligibility through work requirements

The Ohio House and Senate would require Medicaid expansion enrollees to work or be enrolled in training or school. The House bill exempts people who are over 55, in treatment for addiction or have "intensive health care needs." The Senate clarified that this meant "intensive physical health care needs" and added an exemption for people who have a serious mental illness.

A 2016 assessment of the Ohio Medicaid expansion found that the majority of the approximately 723,000 recipients were Caucasian, single, and male. The assessment found 43 percent were working, and three-quarters of the remainder (up to 300,000 people) were looking for work.⁴

Work requirements would swiftly eliminate those job seekers from Medicaid insurance coverage, since no exemption is provided for those looking for work. It could also eliminate many of the 14 percent who were neither working nor looking for work: perhaps people

³ Ohio Governor's Office of Health Care Transformation Factsheet for the 2018-19 budget proposal at <http://budget.ohio.gov/doc/factsheets/Health.pdf>

⁴ The Ohio Department of Medicaid, "Ohio Medicaid Group VIII Assessment: A Report to the General Assembly," December 2016 at <http://medicaid.ohio.gov/portals/0/resources/reports/annual/group-viii-assessment.pdf>

taking care of an ill spouse, people who have autism, or people who cannot read, but live in a place where all available jobs require literacy.

Work requirements have not been used in Medicaid, but research on work requirements in other safety net programs, such as food stamps and cash assistance, shows them to be ineffective in helping people gain long-term employment and earnings sufficient to escape poverty.⁵

Ohio's Medicaid Coalition, a group that includes stakeholders, care providers, consumers and advocates, put forth recommendations that would have broadened the exemptions from the proposed work requirements. The Coalition proposed that people looking for work be covered, but stipulated that they must register using the OhioMeansJobs website for job searches. It also recommended exemptions for people taking care of an ill family member. Their suggested exemptions from work requirements included those who are:

- Pregnant
- Unable to use OhioMeansJobs because of a legal prohibition on computer use, physical or visual impairment, or limited ability to read, write, speak, or understand the languages in which OhioMeansJobs is available;
- Participating in the Ohio Works First program (the state's cash assistance program under the federal welfare program Temporary Aid for Needy Families, or TANF) and satisfying the requirements of their self-sufficiency contract;
- Participating in Ohio's Comprehensive Case Management and Employment program (CCMEP), which is a relatively new program of the Ohio Department of Job and Family Services for young people without adequate employment;
- A victim of domestic violence;
- An individual who has been abandoned by a spouse;
- Living with at least one parent and assisting the parent with daily activities like bathing, dressing, cooking meals, administering medicine, and ensuring the parent's health and safety;
- Mentally or physically unfit for employment, as determined by the Medicaid director;
- A ward of the state;
- Responsible for the care of a child under seven years of age or an incapacitated person;
- Eligible for Medicaid on the basis of being included in certain eligibility groups defined in the "Social Security Act," of the United States, or
- Confined in a state or local correctional facility.

This is a comprehensive list of reasons why someone needing healthcare may not be working. These provisions were not accepted by either the House or the Senate.

Halting enrollment in Medicaid expansion

The Senate proposed ending all enrollment in Ohio's Medicaid expansion starting in fiscal year 2019 (which commences on July 1, 2018). This could quickly eliminate the remaining people on the Medicaid expansion (see Ohio Office of Health Transformation analysis in the box, below).

The proposed freeze of Medicaid expansion comes as Ohio battles a growing opioid epidemic. Because substance abuse disorders are not considered a disabling condition, many

⁵ LaDonna Pavetti, "Work Requirements Don't Cut Poverty, Evidence Shows," Center on Budget and Policy Priorities, updated June 7, 2016, <http://www.cbpp.org/research/poverty-and-inequality/work-requirements-dont-cut-poverty-evidence-shows>.

of those in need of treatment prior to passage of the Affordable Care Act and Medicaid expansion were not eligible for Medicaid. Under the ACA, Medicaid eligibility was based on income rather than disability, and addiction treatment became much more available. Because of this, many Ohio providers point to expansion as one of the state's most powerful tools for getting people struggling with addiction into treatment.⁶

Impact of a July 1, 2018 freeze in Medicaid expansion enrollment

- The freeze will cause significant coverage losses. When Arizona implemented a similar freeze in 2011, 70 percent of people enrolled when the freeze took effect were not on the program 18 months later. With similar results here, more than 500,000 Ohioans could lose coverage. The political backlash against the freeze is what drove Arizona to become the first Republican state to expand Medicaid.
- The freeze could lock enrollees in poverty. The threat of losing coverage if the expansion is frozen will create a disincentive to find new employment for the currently enrolled population because, if their income increases above 138 percent of poverty, they will lose expansion coverage. "Grandfathered" enrollees may be scared to accept a better job or work additional hours if they could lose coverage, especially for the 27 percent in this group with a chronic medical condition.
- The freeze would forfeit significant resources to fight opioid abuse. Ohio spent nearly \$1 billion to combat opioid abuse and other drug addictions in 2016. Of that, an estimated \$650 million was paid for by Medicaid for addiction and behavioral health services, including \$279 million made available through the expansion. As of April 2017, more than 580,000 Ohioans with behavioral health needs have accessed services through expanded Medicaid coverage.
- The freeze likely would result in a legal challenge. Once a state covers an optional population, the state cannot otherwise limit or prevent eligible individuals from being enrolled in the program. If a state wants to cease covering an optional category, it must first submit a state plan amendment to the federal government for approval.

Ohio Governor's Office of Health Transformation, June 23, 2017 at <http://www.healthtransformation.ohio.gov/LinkClick.aspx?fileticket=D-ePEVPsRqQ%3d&tabid=136>

Imposing new legislative controls over health policy

Lawmakers in Ohio's General Assembly are proposing new provisions in the budget bill that put control of the Medicaid program in the hands of the legislature.

Control over eligibility

One of the new provisions in both the Ohio's House and the Senate budget bills would give legislative oversight to the state's ability to cover any new 'optional' groups under Medicaid

People eligible for Medicaid coverage have historically included low-income children and their parents, pregnant women, people with disabilities, and people age 65 and older. These groups are considered 'mandatory:' if a state has a Medicaid program, federal law requires it to cover people in these groups. However, a state has the option to choose whether or not to cover other groups. The House and Senate budget bills expressly authorize Ohio to cover optional groups it currently covers, but requires legislative approval of future groups not required to be covered by federal law.

⁶ Kate Sopko, Op.Cit. Andy Albrecht, CEO of Counseling Center (a substance abuse treatment program serving counties throughout southern Ohio) calls Medicaid expansion the single biggest thing to ever happen to his agency. Through it, Counseling Center has been able to offer addiction treatment to 1,100 men across southern Ohio who would not have been eligible for Medicaid prior to expansion.

Control over rate-setting

The House budget bill would extend legislative oversight to decisions made by the Ohio Department of Medicaid about rates paid to providers for Medicaid services. It would prohibit the implementation of a proposal to increase a Medicaid payment rate if any of the following occurs:

- The Ohio Department of Medicaid or other responsible state agency fails to submit the proposal to the Joint Medicaid Oversight Committee (JMOC).
- JMOC votes, not later than 30 days after receiving the proposal, to prohibit the proposal's implementation.
- The General Assembly, not later than 90 days after JMOC's deadline, adopts a concurrent resolution prohibiting the proposal's implementation.

This provision was not included in the Senate version of the budget bill.

Control of Medicaid expansion funding in fiscal year 2019

Both the Senate and House bills would give appropriation authority for a state match for Medicaid expansion to the Controlling Board in 2019. The House goes further: it would also give control of *federal* funding for Medicaid expansion to the Controlling Board. The senate version removes federal funds from the mix, but leaves the state match for the Medicaid program in the hands of the Controlling Board.

The Controlling Board is a small committee made up predominantly of legislators, and has the power to approve funding that has not been appropriated by the General Assembly. It is typically used to approve relatively small items like university property purchases, contracts for information technology or economic development incentives. The House and Senate would use it to control funding for the Medicaid expansion. Governor Kasich used the Controlling Board's power of the purse to expand Medicaid, accepting billions of federal dollars through Controlling Board, instead of legislative approval. In the House and Senate budget bills for 2018-19, the Controlling Board is again harnessed to control funds related to Medicaid expansion.

The House version would require the Ohio Department of Medicaid to request state match for the Medicaid Expansion group once every six months during FY 2019. The Senate removed this 6-month requirement.

The House attached requirements as precursors for Controlling Board approval:

- The state must apply and implement a waiver of federal rules governing health insurance coverage (this refers to what is called a "1332" waiver from federal Medicaid rules and applies to laws governing essential health benefits, individual and employer mandates, and other protections).
- The state must apply for and implement a waiver of federal rules that would allow the establishment of the "Healthy Ohio" Program, which was written into the Ohio Revised Code as part of the 2016-17 budget bill (this refers to what is called a 1115 waiver, which allows certain rules to be set aside for demonstration programs intended to further goals of Medicaid, like broadening access to health care for low income populations).
- The state must require health care providers to give cost estimates to patients before rendering services.
- The federal government must not have changed the enhanced matching rate under the Affordable Care Act to a lower matching rate for the Medicaid expansion group. (The Senate version of the budget retained this stipulation).

The “Healthy Ohio” provision mandates that Ohio re-apply for a waiver to basic Medicaid rules for coverage which would, among other things, impose premiums on Medicaid recipients, including people with earnings below the poverty level. Last year, close to a thousand Ohioans protested against “Healthy Ohio” as the state developed the application for this waiver.⁷ Research has demonstrated that for the poorest enrollees, making less than 150 percent of poverty, premiums of any level causes 12 to 15 percent to drop out of health care coverage.⁸ The Healthy Ohio waiver provision submitted by the Kasich Administration would have meant a reduction of between 125,000-140,000 enrollees in each year of the proposed demonstration project.⁹

In 2016, the “Healthy Ohio” proposal was rejected by the federal government because it reduced access to quality health care for low-income Ohioans.¹⁰ Both the House and the Senate versions of the budget bill directs the Ohio Department of Medicaid to re-submit the proposal.

While the Kasich Administration’s executive budget did not contain a provision to charge people for Medicaid benefits, but they made it clear that they would ask the federal government for a waiver of rules specifically around Ohio’s Medicaid expansion population.¹¹ The House went further, putting a requirement into statute that the “Healthy Ohio” plan, placed in the 2016-17 budget bill, be the venue through which such a request would be made. Though the Senate did not keep that provision in its budget bill, it is clear the Administration and the House want premiums and will apply for a waiver to allow such a policy. The only question remaining is whether lawmakers will keep the “Healthy Ohio” plan premiums, which apply to people who earn less than the federal poverty line, in Conference Committee.

⁷ Policy Matters Ohio, “Federal Government Rejects Ill-Conceived Healthy Ohio Plan,” September 9, 2016 at <https://www.policymattersohio.org/press-room/2016/09/09/federal-government-rejects-ill-conceived-healthy-ohio-plan>

⁸ Laura Dague, “The Effect of Medicaid Premiums on Enrollment,” *Journal of Health Economics*, May 17, 2014 at <https://ccf.georgetown.edu/wp-content/uploads/2012/03/Dague-Premiums.pdf>

⁹ Ohio Department of Medicaid, “Healthy Ohio Section 1115 Demonstration Waiver: Summary, at <http://www.medicaid.ohio.gov/Portals/0/Resources/PublicNotices/HealthyOhioHSA/HealthyOhio-Summary.pdf>

¹⁰ Joan Alkers, HHS Listens to Public, Sticks to Principles & Rejects Ohio Medicaid Waiver, Georgetown University Health Policy Institute, September 9, 2016 at <https://ccf.georgetown.edu/2016/09/09/hhs-listens-to-public-sticks-to-principles-rejects-ohio-medicaid-waiver/>

¹¹ Ohio Governors Office of Health Care Transformation Factsheet for the 2018-19 budget proposal at <http://budget.ohio.gov/doc/factsheets/Health.pdf>

Summary and conclusion

Changes proposed by the Ohio General Assembly would restrict the Medicaid expansion at a time of increasing fatalities deaths from the state's opioid crisis. Medicaid and Medicaid expansion particularly the expansion have been the state's most powerful tools in helping Ohioans access life-saving addictions treatment. Cutting Medicaid access would be a short-sighted approach at any time, but particularly at this time.

Changes in Washington are ominous for the short and long term. Elimination of Medicaid expansion and reduction of tax credits and subsidies that have helped people purchase insurance on the federal exchange will make life harder for many people. State waivers of essential health benefit protections means the insurance many buy will offer far less comprehensive coverage, and may lead to people skipping the care they need to remain healthy.

The most far-reaching and dangerous element in both federal bills is the restructuring of entire Medicaid into a per capita cap (the capped form of a block grant). Because annual growth rates of federal funding for the cap proposal in the House and Senate versions of the AHCA are not projected to keep pace with the cost of health care, the cost of epidemics and rising costs of care for aging baby boomers will fall to states. States with budget shortfalls, like Ohio, will be forced to make hard choices about who is served, and what services can be provided.

Seniors are threatened. Medicaid is the largest payer for the very elderly and disabled who live in nursing homes. Nearly two-thirds of this care is paid for by Medicaid.¹² Capping payments and restricting growth to less-than-projected costs mean states will shoulder these costs, or will exercise their new flexibility to limit eligibility. The eagerness with which Ohio lawmakers have moved to limit Medicaid expansion eligibility in the state budget bill highlights the direction in which state legislatures will move over time as state shares of Medicaid costs increased under the proposed caps to federal funding to Medicaid.

Disabled people have high costs of care. The caps in the AHCA and its Senate counterpart could lead to reduced care for this vulnerable group, similar to reductions expected for the elderly. Many disabled people need Medicaid care to participate fully in society, as guaranteed under the Americans with Disability Act.

Children are the largest single group of Medicaid enrollees. As the proposed federal system squeezes funding out of the federal share of Medicaid, states may request waivers from the more expensive services to children, like the early screening, diagnosis, prevention and treatment that try to catch and treat serious illnesses so children have a better chance to grow up healthy.

American philosopher Ralph Waldo Emerson said: "Health is the first wealth." The AHCA and its Senate counterpart both would impose a shift of wealth from the poor – in terms of their access to health care – to the wealthy, in the form of tax cuts.

¹²The SCAN Foundation, "Who Pays for Long-Term Care in the U.S.?" Factsheet, 2013 at http://www.thescanfoundation.org/sites/default/files/who_pays_for_ltc_us_jan_2013_fs.pdf



The harm from both federal and state policy proposals that limit, cap and defund Medicaid will fall on the most vulnerable – who have only their voice and their vote to protect themselves.

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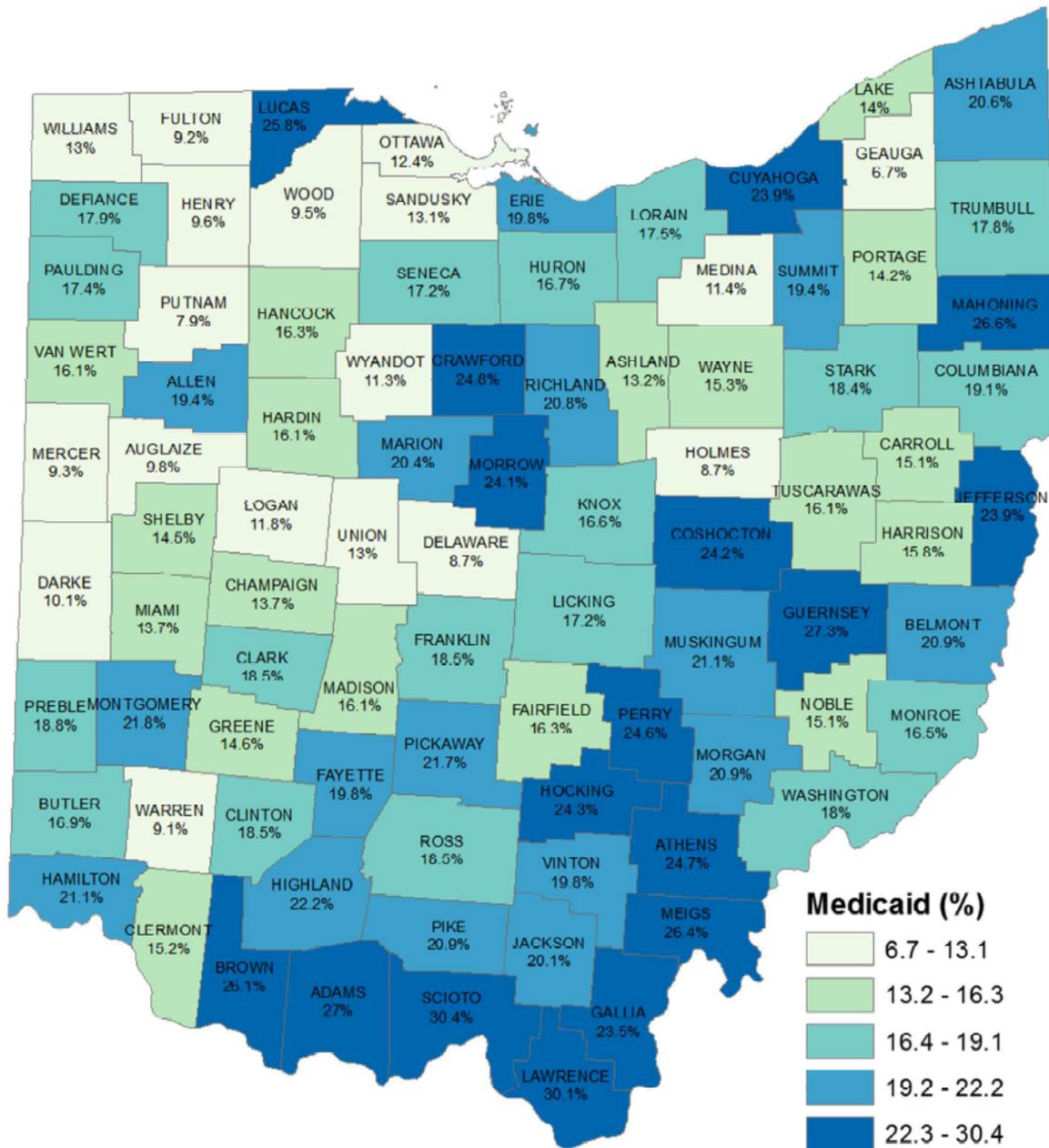
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Appendix

Table 1: Basic provisions of the AHCA		
	House	Senate
Changes to federal exchange (non-group insurance)		
Credits	Based on age, not income	Based on income, less generous than the ACA
Subsidies for lowest income	Repealed	Repealed
Changes that affect all insurance, including employer based		
Essential health benefits	May be waived	May be waived
Pre-existing conditions	States may waive requirement for affordable coverage	States may waive requirement for affordable coverage
Changes to Medicaid		
Medicaid expansion	Repealed	Repealed
Entitlement	Repealed, would become annual appropriation	Repealed, would become annual appropriation
Structure	Changed to a capped program instead of one geared to needs	Capped program instead of one geared to needs
Growth of caps	Growth rate for federal funds under cap is estimated by Congressional Budget Office to be lower than Medicaid costs over the next decade - shifting cost to the states	Growth rate for caps is lower than in the House
Tax cuts		
Individuals	Individuals earning over \$200,000 and couples over \$250,000	Individuals earning over \$200,000 and couples over \$250,000
Corporations	Pharma, insurance, medical devices	Pharma, insurance, medical devices

Share of working-age population enrolled in Medicaid expansion by county



Legend is set in quintiles from 0% to 100%; data source is Ohio Department of Medicaid Expenditure and Caseload Report (<http://medicaid.ohio.gov/Portals/0/Resources/Research/MedicaidEligExpReports/2016/Med-10.pdf>)

Taken from Ohio Poverty Law Center factsheets and based on the Assessment of the Group VIII population at <http://medicaid.ohio.gov/portals/0/resources/reports/annual/group-viii-assessment.pdf>