

October 4, 2017

BUDGET BITE: MEDICAID

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Medicaid is Ohio's largest health insurer, covering more than 3 million people or one quarter of Ohioans. It provides low-income children, the elderly, working adults, and people with disabilities access to the care that keeps them healthy. Lawmakers increased funding for Medicaid in the 2018-2019 state budget. But new eligibility requirements are expected to reduce access to care, and a possible freeze of the Medicaid expansion poses grave threats to Ohioans who rely on Medicaid.

Medicaid in the 2018-2019 Budget

Overall funding for the 2018-2019 Medicaid budget increased by 8.6 percent from the prior budget, an increase of about \$4.4 billion. Ohio's Medicaid budget is \$27.2 billion in fiscal year 2018 and \$28.3 billion in 2019, for a total of \$55.5 billion over the two-year budget.

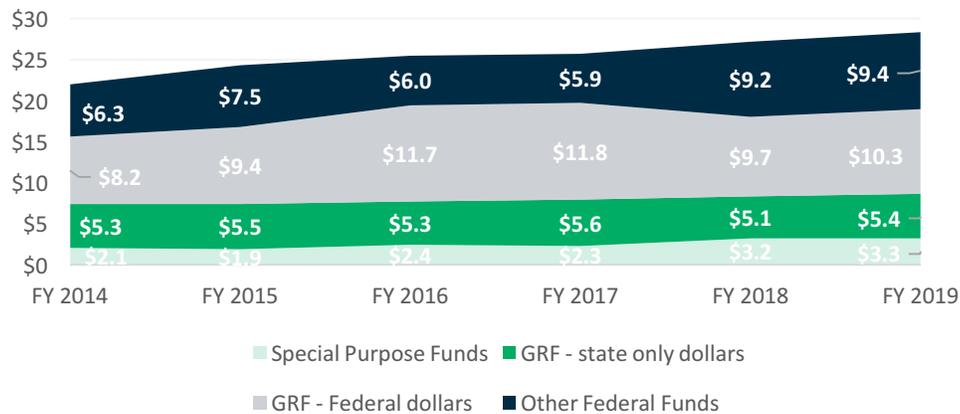
The Medicaid budget consists of a [combination of funds](#) including: state special purpose and dedicated purpose funds; state share of Medicaid funds in the General Revenue Fund (GRF); federal share of Medicaid funds in the GRF; and other federal Medicaid dollars. Figure 1 shows funding for these four major categories of Medicaid dollars between 2014 and 2019. Both within and outside the GRF, federal funds have grown the most and now account for \$.63 of every Medicaid dollar spent — and an even larger share of children's health care and Medicaid expansion. The 2019-2019 state share of the GRF, the part made up of state taxpayer dollars, decreased in the 2018-19 budget compared to the previous budget period. It amounts to \$5.1 billion in 2018 and \$5.4 billion in 2019. The growth in special purpose funds shown in Figure 1 is due to a move of a major health care provider tax from the state GRF to state special purpose funds.

The increase in funding for Medicaid is a good opportunity for Ohio to maintain record low uninsured rates, grow more health-related jobs, and address pressing health issues such as the opioid epidemic. However, battles between the legislature and the governor over program rules, funding levels, and use of funds remain unresolved.

¹ The Medicaid budget includes state and federal General Revenue Funds (GRF), other federal funds (FED), and state dedicated and special purpose funds (DPF), and two smaller funds, a Holding Account Fund (HLD) and an Internal Service Activity Funds (ISA).

Figure 1

Budget for Medicaid by Major Fund Group, 2014-2019 (Billions of dollars. Not adjusted for inflation.)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission's (LSC) Budget in Detail.

Challenges to Medicaid

- **Medicaid Freeze:** A possible [freeze on enrollment](#) in Medicaid expansion, which has allowed more than 700,000 Ohioans between 100 and 138 percent of the Federal Poverty Level (FPL) to receive health insurance, remains up in the air. While the freeze has been averted for now, discussion on the freeze continues, which puts Ohio's population at risk.
- **Work requirements and cost-sharing:** Governor Kasich did not veto the Medicaid work requirement enacted by state legislators in the 2018-2019 budget. Both the governor and legislature intend to charge Medicaid enrollees premiums. These changes will require a waiver of rules from the federal government. Although a similar proposal rejected under Obama, the Trump Administration is expected to be more lenient. Under these proposed provisions, the [8 in 10](#) Medicaid adults in working families will face more difficulty enrolling. Research suggests [work requirements](#) and [premium hikes](#) limit enrollment and add administrative costs.
- **The Medicaid funding gap:** The Kasich Administration [warned](#) of a budget gap in Medicaid during budget talks, and Director Sears of the Ohio Department of Medicaid identified a \$1 billion shortfall during the budget period. During the [budget planning process](#), the administration aimed to decrease payments to nursing facilities and hospitals, but legislators struck these policies, reducing expected savings. Sears' plan to reduce hospital spending may cause hardship to hospitals, especially with many Medicaid patients.

Recommendations

Implementing eligibility restrictions and reducing Medicaid payments are short-sighted approaches, particularly at this time. Medicaid has been Ohio's most powerful tools in helping Ohioans access life-saving addiction treatment, in response to the rising number of deaths. Eligibility requirements would decrease those who have access to coverage, and may ultimately lead to higher costs overall for the healthcare system.