



Department of  
Job and Family Services

Ted Strickland, Governor  
Douglas E. Lumpkin, Director

**MEMORANDUM**

**To:** Ohio House Speaker, Armond Budish  
Ohio Senate President, Bill Harris  
Ohio House Minority Leader, Bill Batchelder  
Ohio Senate Minority Leader, Capri Cafaro  
Chair of House Finance, Vernon Sykes  
Ranking Minority Member, Ron Amstutz  
Chair of Senate Finance, John Carey  
Ranking Minority Member, Dale Miller

**From:** Douglas E. Lumpkin, Director, ODJFS

**Re:** Quarterly Cost Management Report on Ohio's Medicaid Program

**Date:** April 1, 2010

**CC:** Members of the 128th Ohio General Assembly

Section 5111.091 of the Revised Code requires the Ohio Department of Job and Family Services (the Department) to report quarterly on the establishment and implementation of programs designed to control the increase of the cost and increase efficiency of the Medicaid program, and promote better health outcomes. It also requires our Department to report on the following Medicaid-related efforts:

- 1) Provider network management.
- 2) Electronic claims submission and payment systems.
- 3) Limited provider contracts and payments based on performance.
- 4) Enforcement of third party liability.
- 5) Implementation of the Medicaid information technology system.
- 6) Expansion of the Medicaid data warehouse and decision support system.
- 7) Development of infrastructure policies for electronic health records and e-prescribing.

Through Am. Sub. H.B. 1 (128<sup>th</sup> General Assembly) the Department proposed the following cost containment or revenue generation initiatives for the State Fiscal Year (SFY) 2010 and SFY 2011 biennium:

30 East Broad Street  
Columbus, Ohio 43215  
jfs.ohio.gov

An Equal Opportunity Employer and Service Provider

**SFY2010 Cost Management Initiative Status As of March 31, 2010**

<b>Cost Management Initiative</b>	<b>Implementation Status</b>	<b>2010 Cost Savings Realized to Date</b>	<b>2010 Cost Savings Target</b>
<b>Managed Care Changes</b>			
1) Move Managed Care payments away from prospective payment.	Scheduled - May 2010		\$270,400,000
2) Return NE & NW managed care regions to mandatory for ABD populations.	Completed - October 1, 2009	\$4,467,000	\$6,700,000
3) Implement managed care pharmacy carve out.	Completed February 1, 2010		\$5,200,000
4) Implement managed care GIS provider panel system.	Delayed until 2011		\$12,000,000
<b>Program Changes</b>			
5) Take down Disability Medical Assistance program.	Completed October 31, 2009	\$2,277,684	\$2,739,228
8) Restrict access to over-the-counter pharmaceuticals.	Augmented		\$3,541,667
14) Strengthen TPL by preventing insurance companies from denying claims due to prior authorization.	Completed July 2009	\$384,000	\$250,000
<b>Rate and Fee Changes</b>			
6) Implement community provider rate reduction.	Completed January 1, 2010	\$10,302,374	\$29,803,180
7) Implement reduction in pharmacy dispensing fee.	Completed January 1, 2010	\$2,700,000	\$6,177,154
9) Move ancillary services into the Nursing Facility rate.	Completed August 1, 2009		\$0
10) Increase Nursing Facility franchise fee.	Began receiving payments December 2009	\$96,785,782	\$146,632,499
11) Increase ICF-MR franchise fee.	Began receiving payments November 2009	\$2,524,671	\$5,096,029
12) Change timing of ICF-MR payment.	To be completed in 2011		\$0
13) Implement hospital franchise fee.	Began receiving payments November 2009	\$199,800,000	\$338,505,283
<b>Total</b>		<b>\$319,241,511</b>	<b>\$827,045,040</b>

Key to Implementation Status: Blue = Complete, Green = On Track, Yellow = Delay or Other Issue, Red = Significant Delay or Issue

*Cost management initiative updates*

- 1) Move managed care payments away from prospective payment  
Projected SFY10 savings: \$270,400,000      Year-to-date SFY10 savings: \$0.00  
Projected SFY11 savings: \$0      Year-to-date SFY11 savings:

**UPDATE:** Payments for May, 2010 are scheduled to be delayed by two weeks. Instead of prospectively making the capitation payment for May's managed care members in April, ODJFS will make this payment mid-May. This will result in the reduction of one capitation payment in SFY 2010, i.e., only 11 capitation payments will be made in SFY 2010 instead of 12. Work continues to assure the savings from this initiative will be realized during April, 2010.

- 2) Return NE & NW managed care regions to mandatory for ABD population  
Projected SFY10 savings: \$6,700,000      Year-to-date SFY10 savings: \$4,467,000  
Projected SFY11 savings: \$20,300,000      Year-to-date SFY11 savings:

**UPDATE:** The restoration of Aged Blind and Disabled (ABD) mandatory managed care in the northeast and northwest regions was completed October 1, 2009. In the northeast region 24,000 ABD members were enrolled. More than 11,000 ABD members were enrolled in the northwest region.

- 3) Implement managed care pharmacy carve out  
Projected SFY10 savings: \$5,200,000      Year-to-date SFY10 savings: \$0.00  
Projected SFY11 savings: \$235,500,000      Year-to-date SFY11 savings:

**UPDATE:** The implementation of this initiative was delayed one month until February 1, 2010. As a result, the estimated SFY 2010 savings have been reduced to \$2.6M.

- 4) Implement managed care GIS provider panel system  
Projected SFY10 savings: \$12,000,000      Year-to-date SFY10 savings: \$0.00  
Projected SFY11 savings: \$38,000,000      Year-to-date SFY11 savings:

**UPDATE:** Requiring minimum provider panels is one way ODJFS assures access to care for Medicaid eligibles enrolled in managed care plans as required by federal regulations. This initiative will replace the current provider requirements with a requirement based on a geographic comparison of plan's contracted provider panel with Medicaid Managed Care enrollees. Because this is the primary requirement ODJFS uses to assure access to care for Medicaid Managed Care consumers and this is an innovative strategy, this initiative requires extensive development. Development of this new requirement has been initiated, but implementation is unlikely during SFY 2010.

- 5) Take down Disability Medical Assistance program  
Projected SFY10 savings: \$2,739,228      Year-to-date SFY10 savings: \$2,277,684  
Projected SFY11 savings: \$9,488,695      Year-to-date SFY11 savings:

**UPDATE:** The October, 2009 card was the last Disability Medical Assistance card issued. DMA was successfully sunset on October 31, 2009.

- 6) Implement community provider rate reduction  
 Projected SFY10 savings: \$29,803,180      Year-to-date SFY10 savings: \$10,302,374  
 Projected SFY11 savings: \$52,594,918      Year-to-date SFY11 savings:

**UPDATE:** The projected cost savings figures above include state plan, waiver and managed care services reimbursed by JFS. The Ohio Administrative Code rules implementing the community provider fee decrease were effective on January 1, 2010. A state plan amendment has been submitted to the Centers for Medicare and Medicaid Services (CMS) and we are awaiting response.

- 7) Implement reduction in pharmacy dispensing fee  
 Projected SFY10 savings: \$6,177,154      Year-to-date SFY10 savings: \$2.7 million  
 Projected SFY11 savings: \$14,825,169      Year-to-date SFY11 savings:

**UPDATE:** Dispensing fee reduction was implemented January 1, 2010. A State Plan amendment was submitted to CMS in September, 2009. CMS has issued a Request for Additional Information (RAI), and the responses have been sent to CMS.

- 8) Restrict access to OTC pharmaceuticals  
 Projected SFY10 savings: \$3,541,667      Year-to-date SFY10 savings: \$0.00  
 Projected SFY11 savings: \$8,500,000      Year-to-date SFY11 savings:

**UPDATE:** This initiative has been delayed due to the need to retain access for these over-the-counter pharmaceuticals to residents of Intermediate Care Facilities for the Mentally Retarded (ICF-MR), while removing this benefit for adult Medicaid fee for service recipients.

- 9) Move ancillary services into the Nursing Facility rate  
 Projected SFY10 savings: \$0      Year-to-date SFY10 savings: \$0.00  
 Projected SFY11 savings: \$0      Year-to-date SFY11 savings:

**UPDATE:** The five bundled ancillary services were moved to the nursing facilities' (NFs) rates effective August 1, 2009. These services include oxygen, custom wheelchairs, medical transportation (ambulance and ambulette), skilled therapies and some over-the-counter drugs. From that date forward fee-for-service providers could not bill and receive reimbursement for these services when provided to a NF resident. The NFs are reimbursed for providing these services to their residents through an increase in the per diem payment mechanism known as the Consolidated Services per diem.

The necessary State Plan Amendments have been filed.

- 10) Increase NF franchise fee (additional revenue to fund 5R20)  
 Projected SFY10 revenue: \$146,632,499      Year-to-date SFY10 revenue: \$96,785,782  
 Projected SFY11 revenue: \$195,510,000      Year-to-date SFY11 revenue:

**UPDATE:** Most of the payments from first and second quarters of SFY 2010 have been received.

- 11) Increase ICF-MR franchise fee (additional revenue to fund 4K10)  
 Projected SFY10 revenue: \$5,096,029      Year-to-date SFY10 revenue: \$2,524,671  
 Projected SFY11 revenue: \$4,376,837      Year-to-date SFY11 revenue:

**UPDATE:** Most of the payments from first and second quarters of SFY 2010 have been received.

- 12) Change timing of ICF-MR payment  
 Projected SFY10 savings: \$0                      Year-to-date SFY10 savings: \$0.00  
 Projected SFY11 savings: \$45,000,000              Year-to-date SFY11 savings:

**UPDATE:** This is a SFY 2011 year end initiative. Progress will be reported closer to the time of implementation.

- 13) Implement hospital franchise fee (additional revenue to 5GF0)  
 Projected SFY10 revenue: \$338,505,283              Year-to-date SFY10 revenue: \$199.8 M  
 Projected SFY11 revenue: \$370,861,816              Year-to-date SFY11 revenue:

**UPDATE:** Section 5112.40 - 5112.48 of the Revised Code creates the Hospital Franchise Fee Program (HFF) and imposes a fee 1.52% in SFY 2010 and 1.61% in SFY 2011 on hospitals. The fee basis is each hospital's adjusted total facility costs. The assessment is due in three installments; 28% due the last business day of October, 31% due the last business day of February and 41% due the last business day of May. The fee is expected to generate \$338.51 million in SFY 2010 and \$370.86 Million in SFY 2011.

- 14) Strengthen TPL by preventing insurance companies from denying claims due to prior authorization  
 Projected SFY10 savings: \$250,000                      Year-to-date SFY10 savings: \$384,000  
 Projected SFY11 savings: \$250,000                      Year-to-date SFY11 savings:

**UPDATE:** The Pay and chase vendor is realizing a measurable impact.

***Other required information***

**1) Provider network management**

A) HB 1 changed the required period for the re-enrollment of Ohio Medicaid provider agreements from no later than every three years to no later than every seven years. ODJFS required certain providers to complete the re-enrollment as of January, 2010. Effective January 2010 the department began phasing in conversion of the open ended agreements of 76,515 active providers. The conversion period will extend through December 31, 2015. In January, the department commenced the re-enrollment pilot of 2,400 providers. In October, 2009, 171 providers were notified of time-limited agreements expiring December 31, 2009. 117 have successfully re-enrolled their Medicaid provider agreement. 54 providers have been terminated for failure to re-enroll. In November 2009, 143 providers were notified that their agreements expired January 31, 2010 and are currently being processed for re-enrollment as of February 1, 2010. 1,150 provider agreements were converted to time-limited agreements in the month of January 2010. 1,370 open ended provider agreements were converted to time-limited agreements in February, 2010. Notices were sent to all providers. Conversions will continue through December 2015. Approximately 1,300 notices will be mailed monthly until all 76,515 open ended provider agreements have been converted to time-limited agreements.

B) HB 1 permitted an exemption from the required Medicaid re-enrollment provision in HB 119 for Ohio Medicaid hospital providers. Due to this exemption hospital providers are no longer included in the department's re-enrollment data file.

C) HB 1 permits the department to terminate the provider agreement of any health care provider who has not shared their National Provider Identifier with the department as of the effective date of the budget bill. Action was taken to implement this provision of HB 1 in November of 2009. As a result of a data run on October 2, 2009, 10,042 active providers were identified as not having shared their NPI with the

department. Of this total, approximately 8,600 providers were identified as not having billed the department in 24 months. Consequently, these 8,600 providers will be deactivated using the HB119 provision permitting the department to terminate providers who have not billed the department for 24 or more months. The 1,300 remaining providers were checked against the NPI registry and it was determined that in excess of 300 providers had received an NPI, but had failed to share it with the department. The NPIs of these providers were added to their provider record in the MMIS Provider Master File. This leaves approximately 1,000 providers who continue to do business with the department without a required NPI. Steps are being taken to notify these providers that the failure to share their NPI with the department will result in termination. As permitted by statute, as of March 2010, the department has mailed termination letters to 16,000 providers who were identified as not having submitted claims in a 24 month period. The 8,600 providers mentioned above who have failed to obtain or share their NPI with the department were also found on the 24 month no billing data file and they have been included in the termination notice mailing.

**2) Electronic claims submission and payment systems**

The portal's functionality currently includes claim submission, eligibility verification and remittance advice viewing. The portal's claims application was designed to permit providers, primarily small providers submitting paper claims, to directly submit their claims to the Department electronically at no cost to them. Additionally, the portal is available to all providers to verify Medicaid eligibility, including third party liability, on a near real time basis. As of March 1, 2010, the portal is processing approximately 1,542 claims (a slight decrease from last quarter's 1,920) and 17,019 eligibility inquiries per day. During the reporting period, providers billed approximately \$73 million in claims through the Medicaid web portal. ODJFS is currently developing MITS to include a more robust web portal with expanded claim submission and eligibility verification capabilities, in addition new functionality will include prior authorization submission and other provider administrative tasks.

**3) Limited provider contracts and payments based on performance**

There are no provisions for these in HB 1.

**4) Efforts to enforce third party liability**

The Coordination of Benefits Section continues to actively solicit insurance carriers to turn over their eligibility files. The benefit section has recently executed a data-sharing agreement with Delta Dental of Ohio. Over eight-five percent of the covered lives in Ohio are represented with the insurance carrier files already in place. In addition, due to the pharmacy carve out, the benefit section is receiving and uploading data from the Medicaid contracted managed care plans.

**5) Implementation of the MITS**

ODJFS continues to mitigate resource challenges to achieve cost containment initiatives and implement MITS. Staff lead and participate in activities for implementation planning, operational readiness planning, parallel test planning, user acceptance test activities, procedure manuals review and user manuals review. The MITS team is focused on paying claims through the new system by the December, 2010 implementation date.

**6) Expansion of the Medicaid data warehouse and decision support system**

EDS has completed their evaluation of the scope and requirements and has requested ODJFS reevaluate the scope and requirements to determine if they are all still valid and appropriate. ODJFS is in the process of reviewing the requirements and scope and expects to complete this by spring 2010.

- 7) **Development of infrastructure policies for electronic health records and e-prescribing**  
 ODJFS has entered into a contract with Affiliated Computer Services (ACS) to provide online access, for Medicaid providers, to view the fee-for-service pharmacy claims history for their patients. This system also provides the ability for prescribers to generate an electronic prescription, after verifying Medicaid coverage. The Ohio Board of Pharmacy approved the system for electronic faxing of prescriptions on September 21, 2009. There are 73 medical practices registered to use the system, in addition to the Medicaid-contracting managed care plans. Additional practices continue to be added.

Attachment 1

**SFY10 Budget Status**

*SFY 2010 July 1, 2009, to February 28, 2010, Spending Analysis Chart*

<b>Category</b>	<b>Projection</b>	<b>Expenditure</b>	<b>Variance %</b>
<b>Nursing Facilities</b>	1,838,152,967	1,790,766,666	-2.58%
<b>ICF/MR</b>	364,222,635	362,967,616	-0.34%
<b>Inpatient Hospital</b>	737,529,016	687,906,647	-6.73%
<b>Outpatient Hospital</b>	277,451,671	273,018,237	-1.60%
<b>Physician</b>	237,605,240	218,204,310	-8.17%
<b>Drug</b>	384,793,281	323,778,343	-15.86%
<b>ODJFS Waivers</b>	236,449,025	217,518,984	-8.01%
<b>Managed Care (ABD)</b>	1,114,325,013	1,088,574,939	-2.31%
<b>Managed Care (CFC)</b>	2,475,121,551	2,449,405,824	-1.04%
<b>Buy-In</b>	221,471,968	223,865,329	1.08%
<b>Other</b>	728,454,535	703,388,639	-3.44%
<b>Medicare Part D</b>	177,130,791	173,855,239	-1.85%
<b>Disability Assist.-Medical</b>	5,085,208	3,434,365	-32.46%
<b>SFY 2010 Vs. Projection</b>	<b>8,797,792,901</b>	<b>8,516,685,138</b>	<b>-3.20%</b>

Source: Office of Fiscal and Management Services as of March, 1 2010.

### Caseload Trend Data

