

**Ted Strickland**  
Governor



**Helen E. Jones-Kelley**  
Director

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## MEMORANDUM

**To:** Ohio House Speaker Jon Husted  
Ohio House Minority Leader, Representative Joyce Beatty  
Ohio Senate President Bill Harris  
Ohio Senate Minority Leader, Senator Ray Miller

**From:** Helen Jones-Kelley, J.D., Director, ODJFS *Helen E. Jones-Kelley*

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

**Date:** May 14, 2008

**CC:** Members of the 127th Ohio General Assembly

Section 5111.09.1 of the Revised Code requires the Ohio Department of Job and Family Services to report quarterly on the establishment and implementation of programs designed to control the increase of the cost of the Medicaid program. Through Am. Sub. H.B. 119 (127<sup>th</sup> General Assembly) the Department proposed the following cost containment initiatives in the State Fiscal Year (SFY) 2008 and SFY 2009 biennium:

- 1) Limit the intermediate care facility rate increases to two percent each year
- 2) Discipline growth in managed care rates to reflect increased effectiveness and efficiency.
- 3) Recalibrate inpatient hospital rates annually
- 4) Enhance current efforts to ensure the Medicaid program is the payer of last resort
- 5) Implement a medical claims editing system to ungroup claims and identify questionable claims prior to payment
- 6) Reduce the time required to enroll new Medicaid eligibles in a managed care plan
- 7) Increase medical support collections related to child support cases
- 8) Prior approve select anti-psychotic drugs for which there is a generic equivalent

Attached is the third quarterly report for SFY 2008. Note that the projected savings in this report are all funds (i.e., include both state and federal funds).

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*Cost management initiative updates*

- 1) **Limit the ICF/MR rate increases to two percent each year**  
**Projected Savings:** SFY 2008: \$43.1 million, SFY 2009: \$57.1 million  
**Status:** Completed  
**Estimated year-to-date savings:** \$32 million
  
- 2) **Discipline growth in managed care rates to reflect increased effectiveness and efficiency**  
**Projected Savings:** SFY 2008: \$104 million, SFY 2009: \$186.4 million  
**Status:** In progress  
**Estimated year-to-date savings:** \$36 million (through March 2008)

The baseline budget projected an Aged, Blind and Disabled (ABD) per member per month (PMPM) cost of \$1,128.54 and a Covered Families and Children (CFC) PMPM cost of \$215.47. Through March 2008, due to the application of disciplined growth practices, the actual ABD PMPM cost was \$1,094.49 (savings of \$34.05) and the CFC PMPM was \$208.00 (savings of \$7.47). Multiplying the savings due to the lower PMPM costs with the ABD (318,248) and CFC (3,363,536) total members' months yields a through March 2008 year-to-date savings of \$35,961,958.

- 3) **Annual inpatient hospital rate recalibration**  
**Projected Savings:** FY 2008: \$3.7 million, FY 2009: \$11.4 million  
**Status:** Delayed  
**Estimated year-to-date savings:** \$0

ODJFS will achieve no savings under this initiative until recalibration is implemented.

- 4) **For third-party liability, implement a system to ensure the Medicaid program is the payer of last resort**  
**Projected Savings:** SFY 2008: \$50 million, SFY 2009: \$94.4 million  
**Status:** In progress  
**Estimated year-to-date savings:** \$60 million in year-to-date cost avoidance higher than the same time period in SFY '07 and TPL recoveries. (ODJFS bases cost avoidance figures on billed charges from providers)

To date in SFY 2008, ODJFS estimates that it has recovered \$39 million from implementing a system that ensures the Medicaid program is the payer of last resort. Increasing the number of Medicaid recipients who are also enrolled in Medicare has proven challenging because of limited incentives among consumers and county departments of job and family services. In addition, ODJFS lacks statutory and Ohio Administrative Code rule authority to require Medicare enrollment of potentially eligible Medicaid consumers. Finally, ODJFS legal counsel has found legal precedent indicating requiring Medicare enrollment may violate federal law.

- 5) **For the Claims Editing System, implement a system to group and ungroup claims as needed and identify questionable claims prior to payment**  
**Projected Savings:** SFY 2008: \$9.3 million, SFY 2009: \$39.7 million  
**Status:** Delayed until ODJFS implements the Medicaid Information Technology System (MITS)

**Estimated year-to-date savings: \$0**

ODJFS is delaying the implementation of the Claims Editing System until SFY 2010 when MITS is implemented.

- 6) **Expedite managed care enrollment by reducing the time required to get new Medicaid enrollees into managed care**  
**Projected Savings:** SFY 2008: \$2.6 million, SFY 2009: \$2.0 million  
**Status:** In progress

**Dollar savings achieved to date:** \$1,059,763, which represents \$605,186 savings and \$454,577 additional franchise fee revenue.

**Progress reporter:** Mary Sartain (752-4600)

**Cost containment progress:**

ODJFS has reduced from ninety to sixty days the average time for a consumer to enroll in a managed care plan. Because of the reduction, ODJFS estimates it has saved more than one million dollars to date. ODJFS bases the SFY 2008 savings estimate on 52,712 consumers (6,304 consumers in Aged, Blind and Disabled (ABD) category of assistance and 46,408 consumers in the CFC category of assistance) that managed care plans enrolled one month earlier due to the implementation of this initiative in October.

Managed care enrollments taking place for the April 1, 2008, effective date that otherwise would have taken place for a May 1, 2008 effective date is 9,368 for CFC and 1,407 for the ABD.

- 7) **Increase medical support collections related to child support cases**  
**Projected Savings:** SFY 2008: \$12.5 million, FY 2009: \$37.5 million  
**Status:** Delayed  
**Estimated year-to-date savings: \$0**

ODJFS still expects the Federal government to adopt final medical child support regulations this summer. These regulations are necessary to implement this initiative fully.

- 8) **Prior approve select anti-psychotic drugs for which there is a generic equivalent**  
**Projected Savings:** SFY 2009 \$20 million  
**Status:** In progress  
**Estimated year-to-date savings: \$0**

As previously reported, the release of Risperdone (the generic version of Risperdal) has been delayed until June 2008. The delay has lowered ODJFS savings expectations via this initiative. Once Risperdone is released, ODJFS expects to begin realizing the savings (an estimated \$10 million in SFY 2009; \$20 million in subsequent years). ODJFS currently requires prior authorization for Invega.

**Attachment 1**

***SFY 2008 July 1, 2007, to March 31, 2008, Spending Analysis Chart***

Although OJDfS has experienced higher than projected caseloads for the past fifteen months, expenditures have not increased commensurately (e.g., managed care spending, which is under projections for both the CFC and ABD categories). Larger caseloads have impacted inpatient and outpatient hospital services, which continue to exceed projections for the year by \$204 million. Other than to caseload, OJDfS also attributes this variance:

- To hospital claims that were rejected in June 2007 due to changes to the National Provider Identifier (NPI). OJDfS corrected these claims and paid them in July 2007 causing a one time un-projected increase of \$35 million in SFY 2008 spending.
- To enrollment of the ABD population in the North East Central region which was slowed due to litigation. Thus, this population has remained in the fee-for-service delivery system longer than expected. This has increased fee-for-service spending, which have been offset by reduced ABD managed-care spending. OJDfS has settled the litigation and consumers in this region are currently enrolling in managed care.

Category	Projection	Disbursements	Variance %
Nursing Facilities	\$ 2,008,855,239	\$ 1,933,941,297	-3.73%
ICF/MR	\$ 396,977,456	\$ 396,256,570	-0.18%
Inpatient Hospital	\$ 586,208,393	\$ 742,522,457	26.67%
Outpatient Hospital	\$ 224,746,478	\$ 272,386,995	21.20%
Physician	\$ 226,132,722	\$ 238,982,245	5.68%
Drug	\$ 339,580,765	\$ 359,123,127	5.75%
OJDfS Waivers	\$ 246,839,529	\$ 235,291,836	-4.68%
Managed Care (ABD)	\$ 1,172,399,614	\$ 1,024,039,840	-12.65%
Managed Care (CFC)	\$ 2,089,614,544	\$ 2,075,479,734	-0.68%
Buy-In	\$ 237,338,368	\$ 223,478,939	-5.84%
Other	\$ 644,719,817	\$ 689,025,454	6.87%
Medicare Part D	\$ 187,888,696	\$ 181,426,042	-3.44%
Disability Assist.-Medical	\$ 12,675,323	\$ 12,417,277	-2.04%
SFY 2008 Vs. Projection	\$ 8,373,976,944	\$ 8,384,371,814	0.12%

**Attachment 2**

***Rules originally filed during quarter***

<b>Rule Number</b>	<b>Rule Title</b>	<b>Original File Date</b>
5101:3-1-19.3	General claim submission [except for services provided to consumers who are members of a medicaid managed care program]	Amend, Original File, 01/14/2008
5101:3-1-60	Medicaid reimbursement	Amend, Original File, 01/14/2008
5101:3-2-07.4	Basic methodology for determining prospective payment rates	Amend, Original File, 01/14/2008
5101:3-2-21	Policies for outpatient hospital services	Amend, Original File, 01/14/2008
5101:3-4-06	Physician visits	Amend, Original File, 01/14/2008
5101:3-4-09	Office incentive program	Amend, Original File, 01/14/2008
5101:3-4-13	Therapeutic injections (including trigger point injections) and prescribed drugs	Amend, Original File, 01/14/2008
5101:3-4-17	Gastroenterology, otorhinolaryngology, endocrinology, neurology, photodynamic therapy and special dermatology services	Amend, Original File, 01/14/2008
5101:3-4-22	Surgical services	Amend, Original File, 01/14/2008
5101:3-9-06	Prescription billing and recordkeeping requirements	Amend, Original File, 01/15/2008
5101:3-9-12	Ohio department of job and family services list of drugs covered without prior authorization	Amend, Original File, 01/04/2008
5101:3-10-03	"Medicaid Supply List"	Amend, Original File, 01/14/2008
5101:3-10-20	Covered orthotic and prosthetic services and associated limitations	Amend, Original File, 01/14/2008
5101:3-11-03	Laboratory services: coverage and limitations	Amend, Original File, 01/14/2008
5101:3-40-01	Medicaid home and community-based services program - individual options waiver	Amend, Original File, 01/03/2008
5101:3-41-11	Home and community-based services - reimbursement for waiver programs administered by the Ohio department of mental retardation and developmental disabilities	Amend, Original File, 01/03/2008
5101:3-47-02.1	Transitions MR/DD waiver: eligibility criteria for time-limited enrollment of HOME choice ("Helping Ohioans Move, Expanding Choice") demonstration program consumers	New, Original File, 03/20/2008
5101:3-50-02.1	Transitions carve-out waiver: eligibility criteria for time-limited enrollment of HOME choice ("Helping Ohioans Move, Expanding Choice") demonstration program consumers	New, Original File, 03/20/2008

5101:3-51-01	HOME choice ("Helping Ohioans Move, Expanding Choice") demonstration program: definitions	New, Original File, 03/20/2008
5101:3-51-02	HOME choice ("Helping Ohioans Move, Expanding Choice") demonstration program: individual eligibility for services and consumer hearing rights	New, Original File, 03/20/2008
5101:3-51-03	HOME choice ("Helping Ohioans Move, Expanding Choice") demonstration program: conditions of participation for providers	New, Original File, 03/20/2008
5101:3-51-04	HOME choice ("Helping Ohioans Move, Expanding Choice") demonstration program: definitions of the covered services and program service limitations, provider qualifications and specifications	New, Original File, 03/20/2008
5101:3-51-05	HOME choice ("Helping Ohioans Move, Expanding Choice") demonstration program: process for enrolling service providers	New, Original File, 03/20/2008
5101:3-51-06	HOME choice ("Helping Ohioans Move, Expanding Choice") demonstration program: reimbursement rates and billing procedures	New, Original File, 03/20/2008

### **Attachment 3**

#### ***State Plan Amendment (SPA) Activity During the Quarter***

##### **Approvals from Centers for Medicare and Medicaid Services (CMS):**

07-006 UPDATES TO MORE ACCURATELY REFLECT ITS CURRENT MEDICAID PROGRAM (1/16)

07-009 SUPPLEMENTAL INPATIENT PAYMENTS TO CHILDREN'S HOSPITALS (3/26)

07-015 COVERAGE EXPANSION TO PREGNANT WOMEN (1/4)

07-017 CHIROPRACTIC PHYSICIAN SERVICES (1/28)

07-018 MEDICAID PSYCHOLOGICAL SERVICES (1/28)

07-020 MORE LIBERAL METHODS OF TREATING INCOME UNDER THE SSA AND SIMPLIFY BUDGETING FOR LOW INCOME FAMILIES (1/23)

07-021 COVERAGE EXPANSION TO INDIVIDUALS UNDER THE MEDICAID BUY-IN PROGRAM (3/11)

07-023 VARIANCE TO CMS PUBLICATION 15-1 TO ALLOW FOR THE INCLUSION OF DENTAL COSTS AS REIMBURSABLE FOR RESIDENTS OF DEVELOPMENTAL CENTERS (3/12)

##### **Submitted to CMS (pending approval):**

Unnumbered SCHIP TITLE XXI SPA (2/15)

08-001 FEE FOR SERVICE AMBULATORY HEALTH CARE CLINICS: CLARIFICATION OF GENERAL PROVISIONS, TYPES AND ELIGIBILITY CRITERIA (2/14)

08-002 BASIC METHODOLOGY FOR DETERMINING PROSPECTIVE PAYMENT RATES (5101:3-2-07.4) (2/1)

08-003 EXPANDS COVERAGE FOR TARGETED LOW INCOME CHILDREN TO 250% OF THE FEDERAL POVERTY LEVEL (2/4)

08-004 EXPANDS TITLE XIX COVERAGE FOR CHILDREN UP TO AGE 19 WHOSE FAMILY INCOME EXCEEDS 300% OF THE FEDERAL POVERTY LEVEL AND MEET CERTAIN CROWD-OUT PROVISIONS CHILDREN'S BUY-IN (CBI) (2/29)

08-007 OBSOLETE RULE 5101:3-3-23; INSERT RULES 5101:3-3-16.3 and 5101:3-3-16.7 (3/28)

08-012 PHYSICAL THERAPY AND RELATED SERVICES (3/31)