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Good morning, Chairwoman Jones, Co-Chair Niehaus and members of the Committee. Thank you for inviting me to provide you with a status report of the many initiatives enacted in Amended Substitute HB 119.

This morning I would like to provide you with a brief overview of the major changes to the Ohio Medicaid program contained in Amended Substitute HB 119, walk you through two resource documents attached to my testimony, and then respond to any questions.

Attached to my brief prepared testimony are two documents that summarize and provide a status report of the policy and financial changes in the Biennial Budget for Ohio's Medicaid program. The first document is the Medicaid Cost Containment report for the period July – September, 2007, first quarter of the 2008 state fiscal year. The second document is a comprehensive listing of the Medicaid related policy changes in Am. Sub. HB 119. I hope you find these resource documents helpful.

Major Medicaid Changes in HB 119

1. Health Care Expansion Initiatives

The Health Care Expansions in Am. Sub. HB 119 included several initiatives aimed at extending access to health care to many uninsured Ohioans. Medicaid expansions were enacted for:

- Children in families with incomes between 200-300% of the federal poverty level
- Pregnant women with incomes between 150 – 200% FPL
- Teenagers in foster care or receiving Title IV-E services when they turn 18 and until their 21st birthday
- A Medicaid “buy-in” program for workers with disabilities, and
- A long term care insurance partnership program, being implemented in conjunction with the Ohio Department of Insurance.

In addition, we are also working on implementing a buy-in program for children with special needs living in families with incomes greater than 300% of the federal poverty level. This program will help these families obtain acute and primary care as well as services and supports needed for chronic health conditions.

2. Restoring Medicaid Services for Adults

Am. Sub. HB 119 contained funding to restore full coverage of dental services for adults as well as reinstitute coverage for chiropractic and independent psychology services.

3. Rate Increases for Medicaid Providers

Am. Sub. HB 119 contained funding to increase provider rates as follows:

	2008	2009
Hospitals	3.2%	3.0%
Community Providers	3.0%	3.0%
Nursing Facilities	1.0%	2.75%
ICFs/MR	2.0%	2.0%

The rate increases for Nursing Facilities and ICFs/MR have been completed and were made effective retroactive to July 1.

Community Provider Rate Increases

Am. Sub. HB 119 included increased funding of about \$50.7 million over the biennium to extend an aggregate rate increase of about 3% per year for community and physician providers. Because ODJFS already has statutory authority to set Medicaid payment rates via Ohio Administrative Code, there was no need for statutory change to implement these rate increases. We have filed OAC rules to accomplish these changes.

We approached this rate increase with the goal of moving Medicaid fee for service reimbursements more in line with Medicare rates for services such as physician, home health, private duty nursing, transportation, dental care, clinical laboratory and ambulatory surgical services.

Medicaid fee for service reimburses physician providers on a procedure code basis. Therefore, our staff undertook an extensive review of over six thousand procedure codes in order to develop a very targeted strategy to increase the rates that were most disparate from the Medicare standard. They noted that in some instances Medicaid reimbursement was well below that of Medicare. In these instances, we proposed a rate increase. In other instances, Medicaid reimbursement was above that of Medicare. So, in order to provide overall equity with Medicare, we proposed reductions in the reimbursement for procedures currently paid at a rate

higher than Medicare and increases in procedure codes that were farthest below the Medicare rate.

Virtually all physicians will receive an increase in the reimbursement for professional/clinical services. The only physician group we know of that will not receive an increase are anesthesiologists because Medicaid reimbursement for their services was higher than Medicare's reimbursement rate. Some rates for surgical and radiology procedures will also be reduced because they were above 100% of the Medicare rate. However, other surgery and radiology codes have been proposed to be increased. Part of the impetus for making this change is that Medicaid is precluded from paying more than Medicare in Ohio Revised Code.

Other community providers such as dialysis clinics, transportation, and home health providers will receive an across-the-board 3% increase. Examples of other providers affected by these rate increases are advance practice nurses, physiological laboratories, fee-for-service clinics (including dialysis centers), podiatrists, chiropractors, optometrists, psychologists and physical therapists.

OHP staff have met extensively with Medicaid participating physicians and at least eight advocacy organizations. Overall, we have received very positive feedback from them about the methodology we used to spread the rate increase most equitably among providers.

Conclusion

So as you can see, Am. Sub. HB 119 contained numerous and significant changes for Ohio Medicaid. Since its passage on July 1, ODJFS staff have been working diligently to plan and begin the implementation work for all of these changes. This has been a challenging time as we have encountered a number of impediments in implementing all of the elements of the biennial budget bill. Some examples of this include a requirement to obtain CMS approval before we can go forward with some initiatives, most notably the coverage expansion for children in families with incomes between 200% to 300% of the Federal poverty level. In addition, all Medicaid eligibility changes must be programmed and implemented into our 20 year old legacy CRIS-E system. Any programming changes that cannot be accomplished within CRIS-E must be implemented manually by the staff of our 88 County Departments of Job and Family Services.

Finally, as you can see from reviewing the attached cost containment report, Medicaid expenditures are balanced on a very thin margin of our projections - eight hundredths of a percent. We are seeing an up tick in Medicaid caseload slightly above what was budgeted. We and the Office of Budget and Management are watching this very closely as Medicaid is frequently a forbearer of changes in the state and national economic situation.

Nevertheless, we are working diligently on all of the initiatives in Am. Sub. HB 119 taking into account the need to balance them with intervening challenges.

Thank you for the opportunity to talk with you today. I would be happy to respond to questions.