



**Senate Finance & Financial Institutions Committee
Ohio Department of Job and Family Services
Executive Budget Recommendations SFY 2010-2011
Douglas E. Lumpkin, Director
9:30 a.m., Wednesday, April 15, 2009**

Good morning, Chairman Carey, Vice Chairman Wagoner, Ranking Member Miller, and other members of the Senate Finance and Financial Institutions Committee. My name is Douglas Lumpkin, and I am Director of the Ohio Department of Job and Family Services. Thank you for the opportunity to appear before you today, to provide an overview of our agency's services, goals and challenges, and to discuss our Executive Budget for fiscal years 2010 and 2011.

ODJFS is a \$19 billion enterprise that supports more than 120 county offices and partner agencies in every corner of the state. As you know, we develop and supervise the state's public assistance, child protection, child support, Medicaid, workforce development and unemployment compensation programs. Although most of these are federally funded, we are responsible for getting that money quickly and efficiently to those who administer these programs, so they can provide services to Ohioans who need them.

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This includes about \$1.5 billion that passes through us to our sister state agencies, including the departments of Mental Retardation and Developmental Disabilities, Mental Health, Education, Alcohol and Drug Addiction Services, and Aging.

We all know how dramatically different our state's situation is at the start of this biennium, compared with the last biennium – or even the last five or six months. I would like to explain how we have handled these economic challenges – and provide you with a general overview of the Executive Budget submission for our major program initiatives: health care, TANF, early child development, workforce development and unemployment relief strategies.

Health Care

ODJFS is Ohio's single state agency for Medicaid, which provides low-income Ohioans with access to health care. Over 2 million Ohioans will be receiving Medicaid in 2009, which represents an increase of more than 5 percent over the previous year. All indications are this number will continue to rise. Medicaid pays for 40 percent of newborn births in Ohio and 65 percent of all long-term care. It pays for children to get immunized. It pays for the treatment of breast and cervical cancer. It pays for life-saving medicines. Even those who thought they would never need Medicaid often turn to this program after the birth of a child with serious disabilities, or when a parent exhausts any savings they had paying for long-term care.

ODJFS administers approximately 85 percent of all Medicaid spending. We are pleased that the American Recovery and Reinvestment Act increases the federal Medicaid assistance percentage—which will be tremendously helpful during this difficult time. At the same time, we recognize the need to plan for the long-term sustainability of this program. This is especially important considering that state revenues are declining, and probably will stay low for some time. The following are some of the ways we are addressing this issue:

- Over the past two years, we have been aggressive in our efforts to ensure that Medicaid is paying only for services not covered by other insurers. Last May, we had 591,000 third-party liability files within our system. Today, we have more than 2 million. Since state fiscal year 2007, Ohio's Medicaid program has received \$180 million in revenue from third-party liability activities for services paid for by Medicaid. We also cost-avoided more than a billion dollars in commercial and Medicare-billed charges.
- Because of declining state revenues, it is crucial that Medicaid reduce its use of the General Revenue Fund. In this budget, we do that by increasing the nursing home and ICF/MR franchise fees, by replacing an expiring Medicaid managed care tax with an industry-backed replacement tax, and by implementing a new hospital franchise fee.

- We will save approximately \$56 million a year for the next two years, for all funds, by completing the implementation of a price-based payment system for nursing facilities that began with House Bill 66 for fiscal years 2006 and 2007. Nursing facilities were allowed a four-year phase-in period to have sufficient time to modify their business models. To put this in perspective, it represents roughly 2 percent of the annual budget for skilled nursing facilities. It is also important to note that 57 percent of the facilities will have reimbursement rates equal to or greater than they are receiving now.
- Another way we expect to save money is through our Medicaid Information Technology System. Toward the end of 2008, we brought up a Web portal allowing Medicaid providers to submit their claims electronically. Once the MITS system is fully operational, paper claims should be nearly eliminated.

In fiscal year 2009, we project that Medicaid managed care spending will represent 39 percent of all JFS Medicaid expenditures. To increase the efficiency of this program, we have undertaken a series of reforms:

- We partnered with our managed care plans to create a framework for care management that focuses on consumers who are high-risk or high-cost users of services and require intensive interventions. MCPs now design care management programs that direct resources to members based on demonstrated health care needs.

- We included a provision in the budget that requires hospitals participating in Medicaid, but not under contract with managed care plans, to provide medically necessary services to Medicaid participants in the managed care system. This protects the state from paying costs above the Medicaid rate and is projected to save more than \$35 million in FY 2010 and more than \$110 million in FY 2011, for all funds.

After more than a year of effort, we were notified that our request to expand children's health care coverage to families with incomes between 200 and 300 percent of the federal poverty level would be approved. We estimate that 36,000 uninsured children will enroll as a result. This is especially good news because, as you know, when children are enrolled in Medicaid or the State Children's Health Insurance Program, they are more likely to have well-child visits, get vaccinations, and have fewer hospitalizations and emergency room visits than uninsured children.

TANF

At the start of the current biennium, Ohio's Temporary Assistance to Needy Families balance stood at \$549 million. In the current biennium, we will spend an estimated \$2.9 billion. However, the annual TANF allocation, both federal and state dollars, amounts to only \$2.3 billion. As a result, we will have liquidated all surplus TANF funds by the end of SFY 2009.

This difficult economy has meant that hard choices had to be made and priorities made very clear. These hard choices and priorities extend to TANF where there is the combination of fewer TANF resources from the elimination of the surplus, and increased need from increasing caseloads. In these hard economic times, the Administration's priorities are to use TANF to provide:

- cash assistance to the needy;
- child care services to support OWF clients' work efforts and to support low-income, working families, and;
- support to counties, financially and through increased flexibility to administer public assistance programs, basic needs and other work supports.

Even then, we still had to make reductions to the counties and early childhood development programs. We no longer have the option to use TANF to fund discretionary programs. I would like to emphasize that this is not a value judgment on these programs; we simply have to live within our means.

Our 2010-2011 Executive Budget supports a growing Ohio Works First cash assistance caseload – a core safety net for very low-income families with minor children. The plan also provides for a county TANF allocation of funds to address locally identified needs and to assist families with education, training and work activities. The third major TANF investment

supports the child care assistance provided to OWF and low-income working families.

Early Childhood Development

This biennial budget proposes uniting all of the state's early childhood development programs and resources under a single administrative structure within the Department of Education, to provide a comprehensive continuum of care and education for our children. All early care and education programs will maintain eligibility at 200 percent of the federal poverty level.

In addition, the Governor's budget recommends maintaining rates paid by the state to child care providers at their current level. This budget automates eligibility for the state's child care program and streamlines payment procedures to reduce errors and increase efficiencies at the state, county and provider level.

The budget also adjusts the definition of hourly, part-time and full-time reimbursement for early care and education providers. For example, it changes the definition of full-time care from 25 hours a week to 35 hours a week. It provides Early Learning Initiative funding to support 8,000 preschool children in high-quality settings.

Workforce Development and Unemployment

ODJFS coordinates programs and delivers services to ensure that Ohio's workforce has the tools necessary to be matched with available, high-quality jobs. One of these tools is Ohio Means Jobs, the new Web-based job-matching system that gives job seekers access to more than 80,000 job openings from more than 8,000 job boards and employer sites.

ODJFS provides direction and oversight for Ohio's statewide network of One-Stop Centers, which provide free job training and other employment services to Ohioans looking for work. By conservative estimates, our One-Stops serve well over 500,000 individuals each year, and this number is rising.

The American Recovery and Reinvestment Act makes significant investments in our workforce and unemployment programs. For example:

- It gives us \$138 million to offer an additional 20,000 adults, youth and dislocated workers job training, job search assistance, youth employment programs and more.
- It gives us \$15 million for reemployment services, job-matching assistance and other services to provide at our One-Stop Centers.
- It expands our ability to offer benefits to workers who lose their jobs because of foreign trade or outsourcing.
- It gives unemployment claimants an additional \$25 a week in benefits.

- It provides 100 percent federal funding for state-extended benefits through December. The recently passed House Bill 2 enables the state to take advantage of this full federal funding, offering claimants up to an additional 20 weeks of benefits after their federal extended benefits expire.

In addition to what we will receive through the stimulus, we have applied for and received an additional \$12 million in National Emergency Grant funds for reemployment services for dislocated workers and \$2 million in short-term training dollars for mass dislocation events, such as the one in Wilmington.

In addition to our workforce development programs, ODJFS also manages the state's unemployment insurance program, which offers temporary income support to unemployed workers. As you may know, Ohio's Unemployment Compensation Trust Fund was completely depleted as of mid-January. As a result of the American Recovery and Reinvestment Act, we will not have to pay interest on any money we borrow from the federal government to continue paying qualified Ohioans their benefits before December 31, 2010.

I am sure you have heard about the strains since January on our unemployment system. In the past, our unemployment compensation call centers would field about 7,500 calls a day. We now receive an average of 48,000 calls a day as an additional 217,000 Ohioans have lost

employment in the last 12 months, bringing the total to 566,000 unemployed Ohioans.

We have overcome this challenge in a variety of ways, including by expanding our call center hours, bringing on a small number of temporary staff, and encouraging as many people as possible to file online, which they can do 24 hours a day, thanks to our Ohio Job Insurance, or OJI, system. I am pleased to say that, although call volume is still high, we have significantly reduced average wait times.

SFY 2010-2011 Budget

Last year we cut more than 10 percent of our budget and lost almost 600 employees. Even with that great loss, however, we have learned to do more with less, and to run a significantly leaner machine. Although we are many pounds lighter, we have managed to “lift” the same amount. Now, because of increased demand for our services, that amount just got significantly larger.

As you can imagine, in this historic economic downturn, the number of people coming to us for help has skyrocketed. Since last summer, we have seen an almost 10 percent increase in Medicaid applications and an almost 8 percent increase in food assistance, formerly known as Food Stamps. In terms of real people, 2 million Ohioans will receive Medicaid in 2009, and the number of Ohioans depending on food assistance is at more than one million today and growing.

With this economic climate in mind, we drafted the ODJFS budget for state fiscal years 2010 and 2011. While ODJFS resources make up more than 30 percent of the overall state budget, I believe it is fair to say that this current ODJFS budget recommendation is a modest one, particularly given the rising caseloads, and since approximately 71 percent of our budget is federally supported.

To that end, I would like to say a few words about our administrative and IT line items. Although they are often overshadowed by the higher-profile programs they support, they are absolutely fundamental to our operations. Our Office of Information Services is responsible for maintaining all of our eligibility, determination and benefit issuance systems. This includes the Statewide Automated Child Welfare Information System (SACWIS), the Client Registry Information System-Enhanced (CRIS-E), our Medicaid Management Information System (MMIS), the Support Enforcement Tracking System (SETS) and the Ohio Job Insurance (OJI) system. These systems process nearly 6 billion transactions annually.

In this time of high unemployment, we have many ongoing system programming needs. As you know, Congress has extended emergency unemployment compensation benefits twice already, and the federal stimulus legislation further extends deadlines for the program. Every benefit extension requires significant reprogramming of the OJI system.

ODJFS Accomplishments

I am so incredibly proud of our staff—and our local and county partners—for the way they have responded to our many recent challenges. I would like to share with you now some of our many achievements since the last budget.

In our child protection area, we successfully completed the roll-out of our SACWIS system for managing child welfare cases. Ohio can now boast the first fully Web-based SACWIS system in the nation.

In July, we embarked on a collaboration with the Supreme Court of Ohio that allows caseworkers more flexibility in deciding how to respond to reports of suspected child abuse and neglect. If our pilot project goes well – as it has in 15 other states – we can move to make this “Alternative Response” method standard practice in Ohio. Studies show that it results in long-term reductions in foster care placements, case recidivism, and families’ involvement with the child welfare system.

Also in 2008, we were one of six states chosen to participate in a National Governors Association “Policy Academy” to safely reduce the number of children in foster care. Our team identified an action plan of 19 strategies to reduce the number of children in foster care by 50 percent by 2020.

Step Up To Quality, our voluntary quality rating system for early care and education programs, currently has 750 star-rated programs located throughout 75 counties. With this 66 percent increase over last year, more than 60,000 children are attending star-rated programs.

Ohio has consistently led the nation in the collection of child support dollars for non-public assistance cases, and our child support program is extremely cost-effective. For every dollar we spend to run the program, we collect \$6.78 in child support payments.

ODJFS provided significant leadership and direction in the development of Ohio Means Jobs, which is the new Web-based system for connecting Ohio's employers and job seekers.

In December, we became one of the first states to deliver federally approved extended unemployment benefits to qualified claimants – more than 70,000 people.

In addition, our unemployment program won a prestigious national honor last year: the “Performance Excellence in Benefit Payments” award from the U.S. Employment and Training Administration for the prompt and accurate delivery of UC benefits.

In FFY 2008, while not yet certified by the feds, Ohio will post its lowest error rate ever in the food stamp program: 4.18 percent! The hard work, dedication and leadership at the local county agencies, coupled with technical assistance provided by state staff, have put Ohio in the running for most improved state in the nation.

Our largest food assistance outreach project is our partnership with the Ohio Benefit Bank, which began last July. The Benefit Bank is a Web-based computer program that volunteers use to connect low- and moderate-income Ohioans with access to ODJFS services. Applications taken through the Benefit Bank can now be transmitted directly to our CRIS-E system.

We also have successfully implemented a new and greatly improved financial reporting system for county family services and workforce development agencies. The County Finance Information System allows county agencies and ODJFS to “talk” to each other in the same financial language, to ensure an even greater level of federal compliance.

Conclusion

Chairman Carey, Vice Chairman Wagoner, Ranking Member Miller, and other members of the committee, in conclusion, this current ODJFS budget recommendation is relatively modest given the soaring demand for our services because of the national economic crisis.

We are committed to our core mission of providing integrated solutions to the temporary challenges of Ohioans. We also are prepared to harness all the creativity, flexibility, innovation and collaboration that we can to fulfill this obligation to our customers, to empower them to become contributors to our economy again, for their good and for the good of the entire state.

Thank you all for your attention today. I appreciate the opportunity to provide you with our budget recommendations, and I will now be happy to answer any questions.