



State Fiscal Year 2022-2023 Budget Summary

Governor Mike DeWine | Lt. Governor Jon Husted | Director Maureen Corcoran

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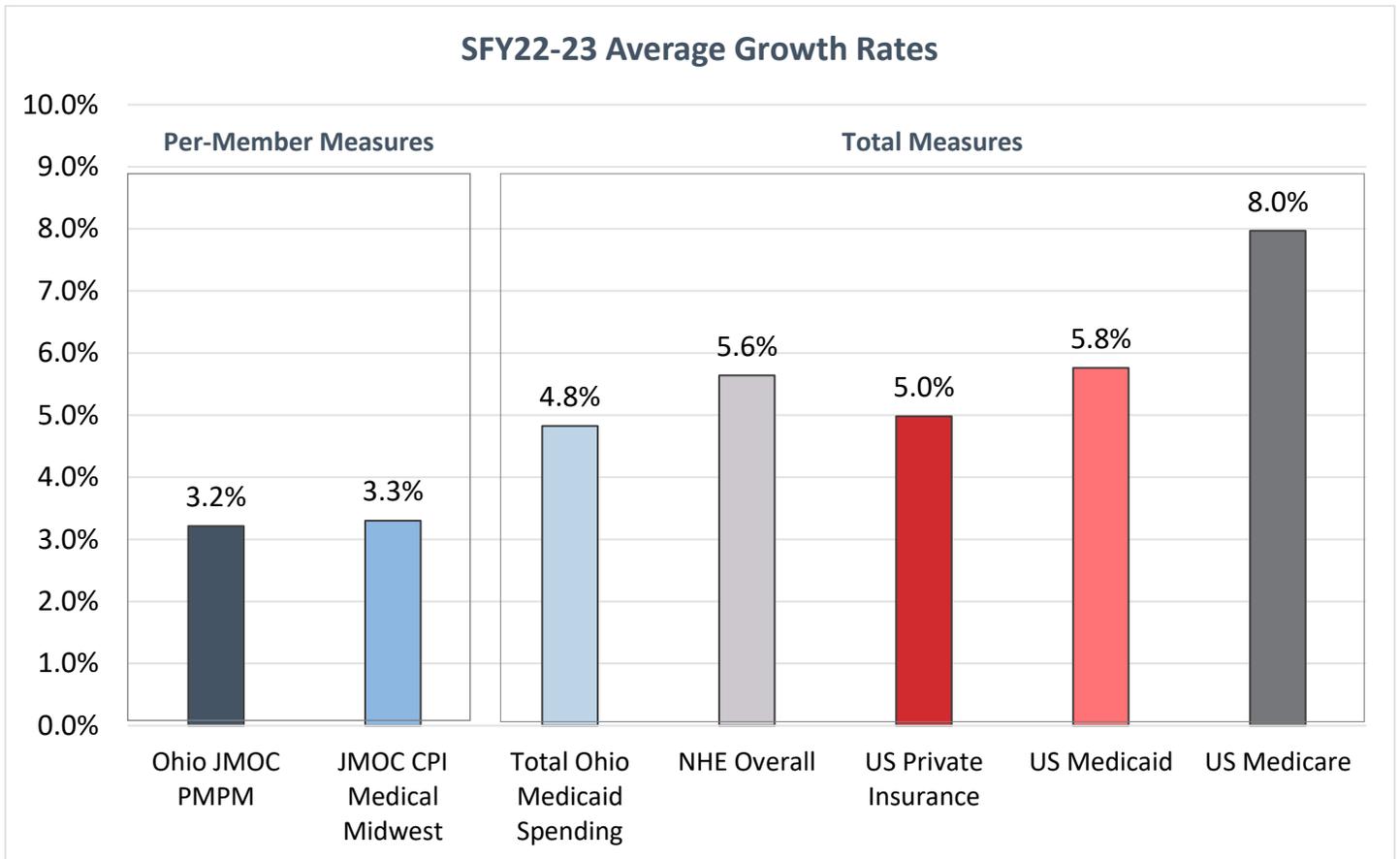


Figure 1: FY22-23 Average Growth Rates

JMOC: Joint Medicaid Oversight Committee | **PMPM:** per member, per month | **CPI:** Consumer Price Index | **NHE:** National Health Expenditure

Ohio Department of Medicaid (ODM) budget proposed for state fiscal year (SFY) 2022-2023 addresses four priorities for Ohio:

1. Ensuring eligible Ohioans have continuous access to quality health care as the nation continues to manage through the COVID-19 pandemic.
1. Completing the final phases of Ohio's *next generation* managed care overhaul to bring greater transparency, improved health outcomes and person-centered care.
2. Maintaining disciplined fiscal oversight of the program and restraining spending to levels below national measures.
3. Continuously improving the quality and effectiveness of health care services, while encouraging independence for millions of Ohioans.

Background

The Ohio Department of Medicaid is dedicated to providing health care coverage and services that improve the quality of life, support independence, strengthen families, and set Ohio’s children on the best path for healthy and successful lives. Medicaid’s proposed state fiscal year (SFY) 2022-2023 budget aims to limit the annual rate of Medicaid program growth with targeted investments to support the priorities of the DeWine Administration, and recognizing the realities of the COVID-19 recovery.

ODM, managed care plans, providers and other partners work together to support more than 3 million Ohioans in managing their health and wellbeing. Since March 2020 our work has included strengthening Ohio’s response to an unprecedented COVID-19 health crisis. We engaged stakeholders and community advocates to identify urgent and effective emergency flexibilities to protect against COVID will continuing to implement Governor DeWine’s priorities for children, recovery and economic development while meeting legislative requirements instituted during the previous biennial budget.

A Shared State/Federal Health Care Program

As a joint federal-state program, the majority of Medicaid funding comes from federal sources. As shown in Figure 1, \$1 of state share spending is expected to purchase \$6.50 worth of services for Ohioans in SFY 2022. This number changes over time with the rate of federal participation, as shown below.

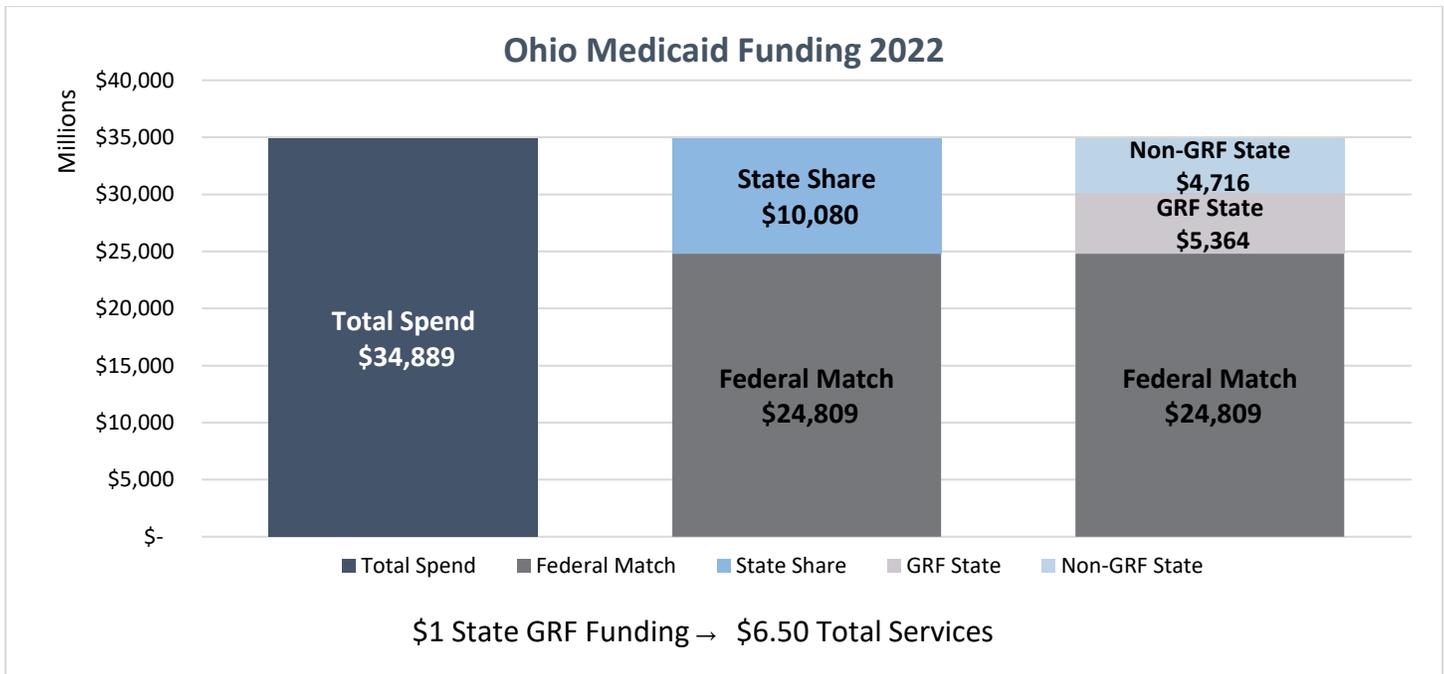
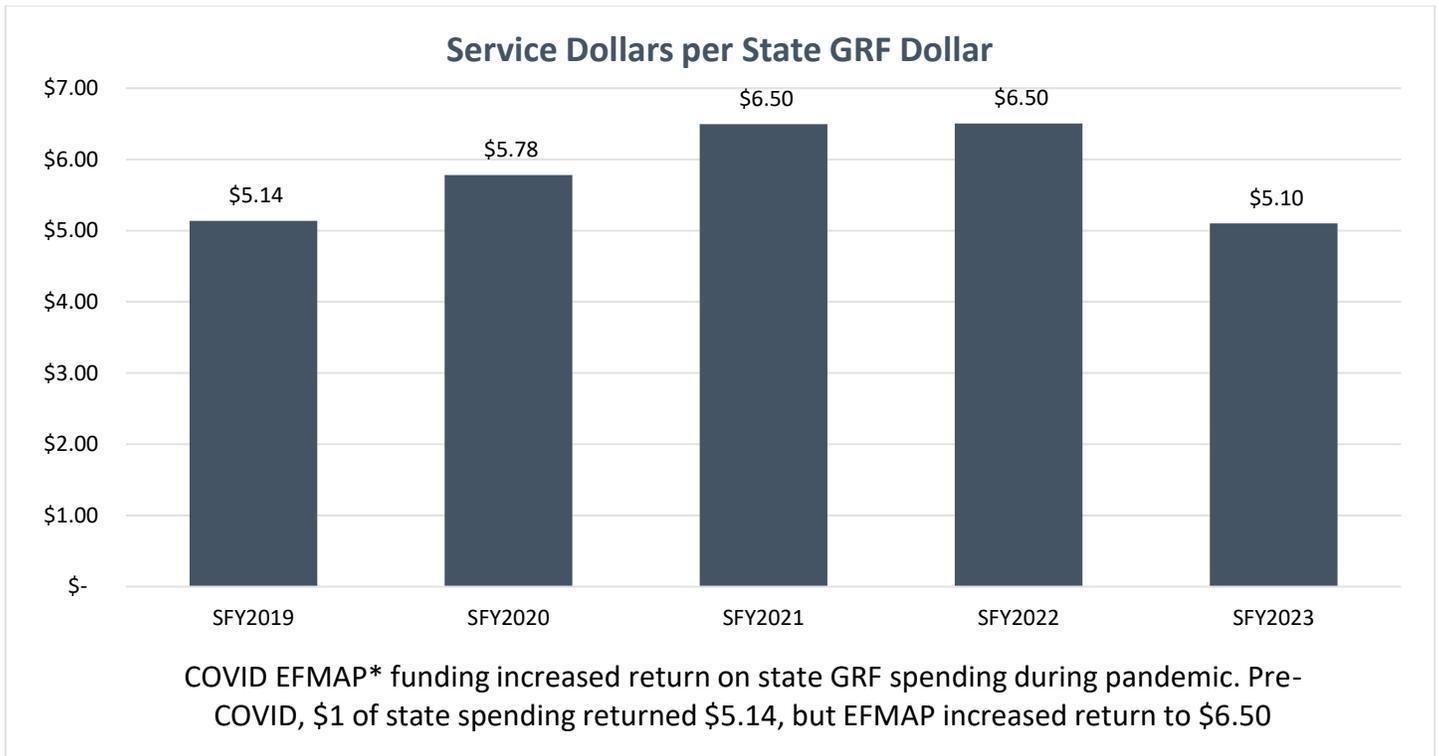


Figure 2: Due to federal match and non-GRF public funding, each dollar of GRF state share spending returns several dollars of services



**EFMAP: enhanced Federal Medical Assistance Percentages*

Figure 3: Changes in FMAP due to COVID-19 response drove up the return on state share spending

Budget Impact

Ohio’s Medicaid budget is projected to be \$34.9 billion in SFY 2022 and \$35.7 billion in SFY 2023 (total of all funds). Of these totals, ODM-administered components of the Medicaid program make up 89%, (\$31.1 billion in SFY2022 and \$31.7 billion in SFY2023) while the balance is administered by seven other state agencies – Developmental Disabilities, Job and Family Services, Mental Health and Addiction Services, Health, Aging, Education, and the Pharmacy Board – as well as various local public entities.

Throughout 2020, Ohio faced increased economic, medical, and mental health risks associated with the COVID-19 pandemic. The state’s Medicaid caseload and associated spending grew notably, reflecting the effects of the global health crisis. The impact to children who lack normal school patterns, or seniors in nursing homes or hospital capacity are common daily news stories. Receipt of enhanced federal matching funds has distorted the federal/state split of funding and year over year spending patterns. Despite these dynamics, the Medicaid Executive Budget supports the Governor’s priorities while keeping spending at or below national trends.

Federal legislation to address the crisis resulted in a 6.2% increase to the Federal Medical Assistance Percentage (FMAP), or roughly \$300 million per quarter in additional federal financial relief; calendar year (CY)2020 four quarters and CY2021 projecting four quarters, for total eight quarters or \$2.4 billion. The 6.2% increase is referred to as enhanced FMAP or E-FMAP. However, this additional federal funding is conditioned on continuing Medicaid eligibility throughout the time of the federally declared Public Health Emergency (PHE); terminations and other program or eligibility changes that result in decreased benefits are not allowed. To aid with planning, the Secretary of Health and Human Services (HHS) notified Governors that “the PHE will likely remain in place for the entirety of 2021”, and states will receive a 60-day notice prior to termination.

Budget Highlights

Notable progress has been made to implement the Governor's priorities and meet statutory provisions outlined by the Ohio General Assembly. Medicaid's commitment to sound fiscal stewardship resulted in these initiatives being largely budget neutral. Not surprisingly, however, efforts to contain the COVID-19 crisis had the greatest impact on ODM's financial performance.

Highlights of our work include managing the caseload increase due to the COVID pandemic, and the following new and continuing initiatives:

New Initiatives

- **Nursing Facilities: Investing in Ohio's Most Vulnerable**
 - Increasing the ability for the Department of Health to intervene to protect a nursing home resident from dangerous situations.
 - Launching new worker training opportunities through the Department of Aging.
 - Investing \$440 million into quality outcomes for Medicaid nursing home services, along with additional support for provider capacity challenges due to the continuing pandemic.
 - Authorizing use of private rooms and environmental improvement investments to remove costly excess unused bed capacity through a Nursing Home Bed Reduction Program.
- Combatting the COVID pandemic by covering vaccinations for individuals served on Medicaid.
- Introducing modest increases in ODM's administrative spend to implement Medicaid's voluntary community engagement program as a bridge to meaningful employment under the mandatory waiver program once the PHE ends.

Continuation Priorities - Governor DeWine's and 133rd General Assembly Budget (H.B.166)

- Continue ODM initiatives that support Governor DeWine's Children's Initiative.
- Continue ODM initiatives that support with Recovery Ohio.
- Continue community long-term services and support services.
- Implementation of the single pharmacy benefit manager required by H.B. 166 plus implementation of the other Medicaid procurement changes.

Medicaid Growth

Medicaid growth is defined using various measures and influencing factors. Calculations are based on:

- Total program dollar expenditures
- Line item 651525 state general revenue fund (GRF) needed to fund the state portion of Medicaid
- Per member costs associated program enrollment (e.g. per member per month costs for individuals served by managed care)
- Medicaid's total caseload and individual size and make-up of those served within defined eligibility categories

While these factors are related, each measure is calculated differently and serves a different purpose.

Total Medicaid Budget

The proposed all-funds Medicaid budget for SFY 2022 is \$34.9 billion, and SFY 2023 \$35.7 billion. These amounts represent an all funds increase of 7.4% in 2022 and 2.3% in 2023. In the first year of the biennium (SFY22), growth is largely driven by the continuation of increased caseload due to the COVID-19 pandemic, with gradual recovery in SFY23.

	SFY 2021	SFY 2022	SFY 2023
Total Appropriated Medicaid	\$ 32,489.50	\$ 34,889.28	\$ 35,679.96
Growth Rate		7.4%	2.3%

Table 1: Total All Funds Medicaid Spending (\$ in millions)

GRF State Share

The proposed GRF 651525 state-share of the Medicaid budget for SFY 2022 is \$3,950.5 million, and for SFY 2023 is \$5,434.0 million. These dollars represent an increase of 4.4% in 2022 and 37.6% in 2023, due to the loss of the EFMAP.

	SFY 2021	SFY 2022	SFY 2023
GRF 651525 State	\$ 3,783.26	\$ 3,950.52	\$ 5,433.99
Growth Rate	7.3%	4.4%	37.6%
Adjustments Affecting 525 State			
Enhanced FMAP	\$ 1,131.75	\$ 607.63	\$ -
Reserve Fund		\$ 900.00	\$ 300.00
Total Effective 525 State	\$ 4,915.01	\$ 5,458.15	\$ 5,733.99
Growth Rate		11.1%	5.1%

Table 2: GRF 651525 State Share impact

Medicaid will experience greater percentage growth rate in GRF state-share funding compared to overall program growth with the end of the enhanced FMAP associated with the federal PHE. Assuming the enhanced FMAP expires in December 2021, costs associated with increased caseload will shift back to normal federal/state split, increasing the state GRF required. The end of the PHE and the loss of EFMAP will be accompanied by a return to normal program requirements and operations. However, restoring pre-pandemic operations cannot occur immediately; they will take time, unlike flipping a light switch.

To provide a preview of what will be required to “unwind” the PHE, using one example, once routine terminations are allowed to resume, ODM must follow federal rules requiring advance notice to each individual of any potential negative action and a personal review by a caseworker prior to any action to terminate individuals. In light of the requirement to review each case annually, consider that if several hundred thousand individuals are reviewed in “Month 1” following the PHE, one year later there would be the same bulge of several hundred thousand cases to be reviewed. The initial restart following the pandemic is expected to stretch out over months, and it could take years to smooth out the bulges. ODM has been working intensively with CMS for months to anticipate and be as prepared as possible to “unwind” when the time comes.

To return to the state GRF impact, a portion of 525 will be funded in SFYs 2022 and 2023 through the health and human services reserve fund to facilitate the transition back to normal FMAP. The state’s health and human services reserve fund will cause a reduction in the state share growth in SFY22 but inflate the rate of growth in SFY23. Table 2 shows the effective 525 spending, adjusting for the enhanced FMAP and the usage of the Health and Human Services fund. Note that the effective 525 growth rate is more reflective of overall caseload and spending growth.

Overall growth in non-GRF items is much lower than GRF items, leading to a distorted state share GRF growth rate in comparison to overall Medicaid growth. Additionally, non-GRF revenue sources such as the member month tax and other provider fees, which are held flat, are not growing at the same rate as the total program.

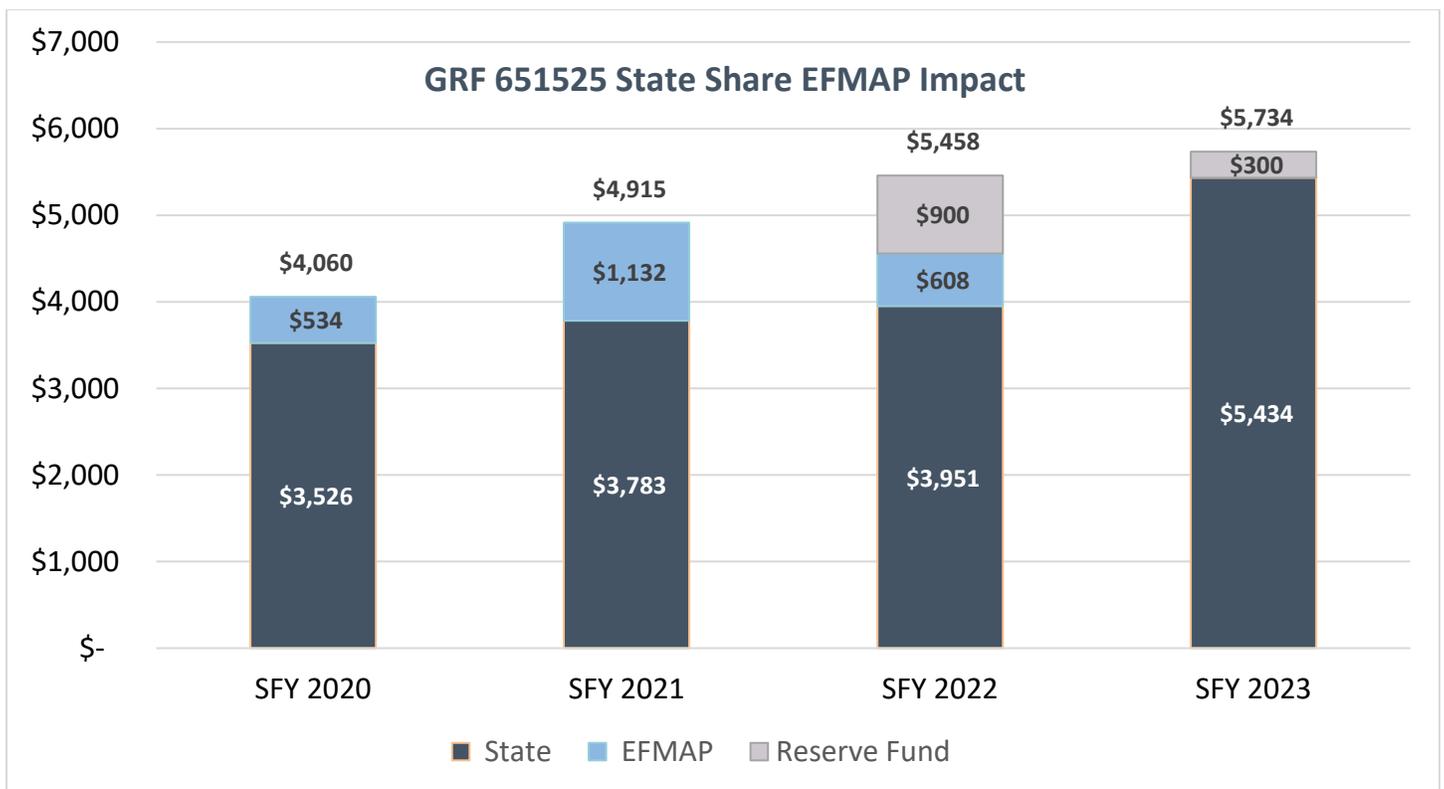


Figure 4: Impact of end of EFMAP on GRF State Share

ODM Program Administrative Cost

Ohio consistently ranks below the national average of 5% for Medicaid administrative expenses. More than 95% of the agency budget purchases health care services from hospitals, practitioners, federally qualified health centers (FQHC), behavioral health providers, pharmacies, with more than 80% of Medicaid expenditures administered by private sector, commercial managed care plans.

JMOC Growth Rate

The Ohio Legislature’s Joint Medicaid Oversight Committee (JMOC) sets a target growth rate for the Medicaid budget. Under Section 5162.70 of the Revised Code, the Medicaid director must limit per member per month

(PMPM) growth across all Medicaid recipients to the lower of the JMOC rate, or comparable to the three-year average Consumer Price Index (CPI) for medical services for the Midwest region.

Ninety days prior to the submission of the state Executive Budget, Ohio Revised Code 103.44 requires JMOC to select and communicate a growth rate for the coming biennium. However, for SFY 2022-2023, the committee has not provided the rate, and as a result, ODM assumed a rate based on the “Medical Midwest” consumer price index (CPI). **ODM’s executive budget proposal is at 3.2% for the biennium, lower than the CPI-based JMOC calculation of 3.3%.**

Medicaid Caseload

The average monthly caseload forecast for Ohio’s Medicaid program is 3.39 million in SFY 2022 and 3.22 million in SFY 2023. The forecast assumes continued monthly increases in caseload through December 2021, the projected end of the federal PHE, followed by declining enrollment during the latter months of SFY 2022 and SFY 2023, as routine enrollment terminations are reinstated. However, if the PHE and associated maintenance of effort (MOE) requirements are extended into calendar year 2022, caseload is expected to continue *increasing*. ODM does not anticipate caseload returning to pre-pandemic levels in the SFY 2022-2023 biennium due to projected unemployment rates remaining above pre-pandemic levels and continued growth in Ohio’s age 65 and older population. A more detailed analysis of caseload can be found here: [SFY-2022-2023-Ohio-Medicaid-Caseload.pdf](#)

Data Sources

1. Ohio Expenditures from Ohio Department of Medicaid Data
2. All other data from [Centers for Medicare & Medicaid Services \(CMS\), Office of the Actuary](#)