Ohio | Department of Medicaid
John R. Kasich, Governor
Barbara R. Sears, Director

October 16, 2017

The Honorable Ron Johnson, Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Johnson:

Thank you for requesting information about the Ohio Medicaid program. On behalf of Ohio Governor John R. Kasich, I appreciate this opportunity to describe our program.

In response to your concern that Ohio's Medicaid expansion enrollment has soared far beyond initial projections, I am pleased to report that it is in fact 13 percent below the original projections and has been stable for the past year at about 710,000 enrollees. Also, costs per enrollee are growing at a manageable rate – 2.3 percent in 2016 and 4.2 percent in 2017 – not surging 35 percent as calculated by your staff.

My goal in this letter is to provide an accurate description of the Ohio Medicaid program, share some of the many benefits we have seen in Ohio as a result of the expansion, and respond to your specific concerns about expansion enrollment and spending.

Ohio's Medicaid transformation

Six years ago, Ohio effectively repealed its fee-for-service Medicaid program and replaced it with private sector managed care plans (see Appendix A for more detail). Annual program growth slowed from 8.9 percent (2009-2011) to 3.3 percent (2012-2013). This low rate of growth made it possible for the state to responsibly extend Medicaid coverage to 710,000 more very low-income Ohioans. This was accomplished while decreasing the number of state employees needed to run the program from 911 in 2013 to 600 today and holding per member spending flat over the past six years.

Thirty-one states – half of them with Republican governors – extended Medicaid coverage to childless adults. Most that did are experiencing significant positive benefits. Ohio recently completed one of the nation's most comprehensive assessments of the expansion (Appendix B). Ohioans who became eligible for coverage through expansion

50 W. Town Street, Suite 400
Columbus, Ohio 43215
medicaid.ohio.gov

reported that it was easier for them to keep or find work, and most reported better health and financial security as a result of obtaining coverage. Other findings include:

- a large decline in the uninsured rate to the lowest level on record;
- most enrollees (89 percent) were uninsured prior to obtaining Medicaid coverage;
- better access to care was associated with a reduction in unmet medical needs;
- high-cost emergency department use decreased;
- many enrollees (27 percent) detected previously undiagnosed chronic conditions;
- health status improved for many (48 percent);
- many enrollees (32 percent) screened positive for depression or anxiety;
- it was easier for enrollees to buy food (59 percent) and pay rent (48 percent); and
- the percentage of enrollees with medical debt fell by half (from 56 to 31 percent).

1. Ohio Medicaid expansion enrollment and expenditures.

As you requested, Ohio Medicaid Group VIII enrollment and per-enrollee spending is summarized in Table 1. Costs per-enrollee increased 7.7 percent in 2015, 2.3 percent in 2016, and on track at 4.2 percent this year. These rates of growth are sustainable within Ohio's budget and in line with – or better than – private sector health plan performance.

Table 1. Ohio Medicaid analysis of Group VIII Enrollment and Expenditures, 2014-2019

Calendar Year	Group VIII Expenditures	Group VIII Average Enrollment[2]	Per-Member Annual Costs	Per-Member Per Month Costs	Percent Change in PMPM Costs
2014	$ 2,226,636,805	363,146	$ 6,132	$ 511	
2015	$ 4,171,843,234	631,991	$ 6,601	$ 550	7.7%
2016	$ 4,794,723,971	710,217	$ 6,751	$ 563	2.3%
2017[1]	$ 4,989,243,420	708,936	$ 7,038	$ 586	4.2%

1. 2017 includes actual and projected amounts

2. Ohio Medicaid caseload reports are available online.

Table 1 provides a sharp contrast to your claim that costs per enrollee are "surging in Ohio." That conclusion appears to have resulted from using only December enrollment instead of a more accurate count of total member months or average annual enrollment, and also because the calculation was made using CMS-64 data based on the date of payment instead of the date the service was provided. Using dates of payment instead of dates of service can lead to false conclusions, particularly in the first few years of a new program. For example, Ohio counts services provided in 2014 in 2014 but your analysis shifts those costs into 2015. As a result, your analysis understates spending in 2014 and overstates spending in 2015, which then generates the false conclusion that costs are "surging 35 percent" when in fact they only went up 7.7 percent.

2. Ohio Medicaid expansion projections vs. actual enrollment and expenditures.

Ohio Medicaid expansion enrollment is 13 percent under the state's original projections, not 60 percent over as you claim in your letter. Ohio Medicaid retained Mercer to estimate Medicaid expansion enrollment. In 2013, Mercer estimated that average annual enrollment related to the expansion would top out at 814,000 in state fiscal year 2018 (Appendix C). As of August 2017, there were 705,464 Ohioans enrolled through the expansion, and that number has been holding steady for the past year.

When Mercer prepared its original report, it was not clear how the federal eligibility rules for the expansion would work, so Ohio conservatively separated individuals who might be eligible for another Medicaid category ("woodwork") from individuals who would only be eligible through Group VIII. However, when the federally-mandated hierarchy for Medicaid eligibility determination under the expansion became more clear (as described below), the state collapsed these estimates into a single category.

Unfortunately, the Foundation for Government Accountability took Ohio's original analysis out of context and, in a 2016 report, claimed Ohio's newly eligible enrollment was 60 percent over what the state had projected. That same report also said Ohio eliminated Medicaid eligibility for more than 34,000 individuals with disabilities to pay for the expansion, a claim that was then repeated by several high-ranking federal officials but proven false by the Columbus Dispatch, Washington Post, and Los Angeles Times.

3. Ohio's methodology for determining Medicaid eligibility thresholds.

The State of Ohio strictly adheres to federal minimum criteria for eligibility standards. There are multiple eligibility categories, each of which have unique income, resource, and other requirements. An individual may qualify under more than one eligibility category, although once eligibility has been established under any particular category it is not necessary for him or her to qualify under any other category to receive Medicaid.

Under 42 CFR 435.404, a state "must allow an individual who would be eligible under more than one category to have his eligibility determined for the category he selects." If an individual is eligible under more than one coverage category, then he or she will be approved automatically for the one that will provide the most benefits in the fastest amount of time.

For example, qualifying for Medicaid through the expansion based on modified adjusted gross income (MAGI) can result in quicker access to coverage for individuals with disabilities. States have 90 days to determine Medicaid eligibility under disability-related categories compared to real-time (or near real-time) determinations based solely on income as verified by the state through the federal HealthCare.gov eligibility system.

If someone who qualifies through the expansion category is later determined to be eligible for Medicaid under a disability-related category, the individual can choose whether to remain in the expansion group or switch to the applicable disability-related group so long as the individual is eligible for both categories. For example, an individual in receipt of Social Security Disability Income (SSDI) may be eligible for and enrolled under either the adult expansion group or Medicaid for the Disabled, until he or she receives Medicare. However, individuals in receipt of Supplemental Security Income (SSI) cannot be enrolled in the expansion group and would have to switch to the SSI Medicaid category even if the individual would otherwise qualify for the expansion category. *See* 42 U.S.C. 1396a(a)(10)(A)(i)(VIII). Because benefit packages may differ between coverage categories the choice of coverage may be important, depending on the individual's needs.

In 2013, the State of Ohio designed and built a state-of-the-art online eligibility system called *Ohio Benefits* that directly connects to HealthCare.gov for income verification and automatically applies the federally-mandated hierarchy for determining the coverage group for Ohio Medicaid applicants and enrollees. A detailed summary of how the *Ohio Benefits* system applies the federally-mandated hierarchy for Medicaid eligibility determination is attached (Appendix D).

4. Ohio Medicaid expansion audits and evaluations.

Ohio Medicaid constantly monitors enrollment activities and spending for all eligibility groups, including Group VIII. As part of the annual Statewide Single Audit and the Comprehensive Annual Financial Report (CAFR), there have been no significant findings that identified misclassified beneficiaries leading to increased expansion costs.

In addition, CMS conducts Payment Error Rate Measurement (PERM) eligibility reviews and implements a Medicaid Eligibility Quality Control (MEQC) program for each state. Ohio has just begun the PERM audit process for 2019.

5. Documents and communications related to eligibility determination.

On a daily basis, hundreds – often thousands – of communications related to Medicaid eligibility, including Group VIII, are generated by state employees and caseworkers in 88 separate county departments of job and family services. These communications are largely confidential under both state and federal law, including HIPAA and Medicaid confidentiality regulations included at 42 CFR 431, subpart F.

Your request for the State to produce "all documents and communications … relating to the determination of eligibility for the newly eligible population" would require thousands of employees across multiple jurisdictions of government to search every document and communication on record to determine if it is related to your request, redact protected

information, and then send that material to the state to produce a response to your letter. We are concerned this request is overly broad, risks the exposure of personally identifiable information, and contradicts the federal expectation that Ohio administer its Medicaid program with efficiency, economy, and effectiveness. That said, we want to be as transparent as possible as it relates to the eligibility process, and are producing the county training materials that are used to guide documentation and communications related to Group VIII eligibility determinations (Appendix E).

6. Documents and communications related to payment rates.

We attached the documentation you requested related to payment rates for Medicaid managed care plans (Appendix F).

Conclusion

We appreciate this opportunity to correct any misunderstanding about the Ohio Medicaid program and assure you that it continues to be among the most innovative, efficient, and well-run health care coverage programs in America. If you have any additional questions, please do not hesitate to let me know.

Sincerely,

Barbara Sears, Director
Ohio Department of Medicaid

cc: The Honorable John R. Kasich, Governor of Ohio
The Honorable Rob Portman, United States Senator
The Honorable Sherrod Brown, United States Senator
The Honorable Claire McCaskill, Ranking Member,
U.S. Senate Committee on Homeland Security and Governmental Affairs

United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510–6250

September 27, 2017

The Honorable John R. Kasich
Governor
State of Ohio
Riffe Center, 30th Floor
77 South High Street
Columbus, OH 43215-6117

Dear Governor Kasich:

The Senate Committee on Homeland Security and Governmental Affairs is examining the Patient Protection and Affordable Care Act's (ACA) Medicaid expansion. The State of Ohio's expansion enrollment has soared far beyond initial projections, and per-enrollee spending is rising. Accordingly, I write to respectfully request information about Ohio's Medicaid policies and procedures.

Federal Medicaid expenditures totaled $246 billion in fiscal year 2009, increased to $299 billion in fiscal year 2014 and are projected to rise 96 percent to $588 billion by 2025.[1] A primary cause of this increase is the ACA Medicaid expansion.[2] Current data from the Centers for Medicare & Medicaid Services (CMS) and other sources show original Medicaid expansion per-enrollee spending and overall enrollment projections were significantly understated. In 2014, CMS predicted per-enrollee spending on newly eligible adults in 2015 would be $4,281,[3] but the actual amount was $6,365 (49 percent higher).[4] Accordingly, CMS increased per-enrollee projections for fiscal year 2023 from $5,076 to $7,027 (38 percent higher).[5]

---

[1] OFF. OF THE ACTUARY, U.S. DEP'T. OF HEALTH & HUM. SERVS., 2016 ACTUARIAL REPORT ON THE FINANCIAL OUTLOOK FOR MEDICAID 15 tbl.3 (2016), https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2016.pdf.

[2] *See* Robin Rudowitz, *Understanding How States Access the ACA Enhanced Medicaid Match Rates*, KAISER FAM. FOUND. (Sept. 29, 2014), http://www.kff.org/medicaid/issue-brief/understanding-how-states-access-the-aca-enhanced-medicaid-match-rates/ (Medicaid is jointly funded by the federal government and states, and the traditional federal matching rate ranges from 50 percent to as high as 73 percent. For people made newly eligible for Medicaid under the ACA, the federal match rate rose to 100 percent through 2016, before phasing down to 90 percent in 2020 and beyond).

[3] OFF. OF THE ACTUARY, U.S. DEP'T. OF HEALTH & HUM. SERVS., 2014 ACTUARIAL REPORT ON THE FINANCIAL OUTLOOK FOR MEDICAID 62 tbl.16 (2014), https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2014.pdf.

[4] OFF. OF THE ACTUARY, U.S. DEP'T. OF HEALTH & HUM. SERVS., *supra* note 1, at 62 tbl.19.

[5] *Compare* OFF. OF THE ACTUARY, U.S. DEP'T. OF HEALTH & HUM. SERVS., *supra* note 3, at 62 tbl.16, *with* OFF. OF THE ACTUARY, U.S. DEP'T. OF HEALTH & HUM. SERVS., *supra* note 1, at 62 tbl.19.

In many expansion states, enrollment has also significantly exceeded original estimates. CMS data show that enrollment for newly eligible enrollees in Ohio rose from 448,378 in 2014 to 636,640 in 2015 – a 42 percent single-year increase.[6] By August 2016, Ohio's newly eligible enrollment was 60 percent over what had been projected.[7] Costs per-enrollee are also surging in Ohio, going from $4,136 in 2014 to $5,604 in 2015 – a 35 percent increase.[8]

I am seeking to better understand these rising costs and higher-than-expected enrollment, especially in states where costs or enrollment are increasing especially quickly. Accordingly, I respectfully request that you please provide the following information and material:

1. Please provide the following data relating to Medicaid expansion in Ohio:
    a. Enrollment of VIII Group Newly Eligible Enrollees under the ACA Medicaid expansion for calendar year 2016;
    b. Per-enrollee spending on newly eligible adults under the ACA Medicaid expansion for calendar year 2016;
    c. Enrollment of VIII Group Newly Eligible Enrollees under the ACA Medicaid expansion for calendar year 2017 to date; and
    d. Any quarterly reports for calendar year 2017 on enrollment figures and per-enrollee spending.

2. Please explain why newly eligible enrollment under the ACA Medicaid expansion is rising so much faster in Ohio than projected and why per-enrollee costs under that expansion are rapidly increasing. Has Ohio taken any steps to control these costs and, if so, what are those steps?

3. Please explain Ohio's methodology for determining the eligibility thresholds for newly eligible enrollees under the ACA Medicaid expansion. Please also explain how

---

[6] *Compare* Ctrs. for Medicare & Medicaid Servs., *Total Medicaid Enrollees – VIII Group Break Out Report: December 2014*, CTRS. FOR MEDICARE & MEDICAID SERVS. 1 (December 2016), https://www.medicaid.gov/medicaid/program-information/downloads/cms-64-enrollment-report-oct-dec-2014.pdf, *with* Ctrs. for Medicare & Medicaid Servs., *Total Medicaid Enrollees – VIII Group Break Out Report: December 2015*, CTRS. FOR MEDICARE & MEDICAID SERVS. 5 (July 2017), https://www.medicaid.gov/medicaid/program-information/downloads/cms-64-enrollment-report-oct-dec-2015.pdf (Ohio's enrollment numbers came from state quarterly Medicaid enrollment reports submitted to CMS).

[7] Jonathan Ingram & Nicholas Horton, *ObamaCare Expansion Enrollment is Shattering Projections: Taxpayers and the Truly Needy Will Pay the Price*, FOUND. FOR GOV'T ACCOUNTABILITY 3 (Nov. 16, 2016), https://thefga.org/wp-content/uploads/2016/12/ObamaCare-Enrollment-is-Shattering-Projections.pdf.

[8] Staff calculated the per-enrollee costs from quarterly state expenditure reports submitted to CMS. *See* Ctrs. for Medicare & Medicaid Servs., *Expenditure Reports from MBES/CBES*, https://www.medicaid.gov/medicaid/financing-and-reimbursement/state-expenditure-reporting/expenditure-reports/index.html (last visited Sept. 15, 2017). The sum of "Total Computable VIII Group Newly Eligible Expenditures" in each quarterly report yields the aggregate expenditure figures for calendar years 2014 and 2015. These figures, divided by the total enrollment numbers for each year, produce the per-enrollee cost for each respective year. This methodology mirrors the methodology that CMS used to calculate per-enrollee costs in a document provided to the Committee in July 2017. On September 18, 2017, Committee staff provided CMS with updated calculations and the supporting data. CMS did not dispute either

Ohio verifies that applications are accurate and that the enrollees qualify for the enhanced federal match rate for the expansion population.

4. Please explain whether Ohio has commissioned or contemplated any audits to examine why the state's ACA Medicaid expansion costs are rising and whether any individuals have been misclassified as newly eligible. Please produce any such audits and all related documents and communications.

5. Please produce all documents and communications between or among employees or contractors of Ohio referring or relating to the determination of eligibility for the "newly eligible" population under the ACA Medicaid expansion.

6. Please produce all documents and communications between or among employees or contractors of Ohio and employees or contractors of insurance companies referring or relating to payment rates for insurance companies under the ACA Medicaid expansion.

I respectfully ask that you please provide this information as soon as possible, but no later than 5:00 p.m. on October 11, 2017.

The Committee on Homeland Security and Governmental Affairs is authorized by Rule XXV of the Standing Rules of the Senate to investigate "the efficiency, economy, and effectiveness of all agencies and departments of the Government."[9] Additionally, Rule XXV authorizes the Committee to study "the intergovernmental relationships between the United States and the States and municipalities."[10] When delivering the information, please produce to the Majority staff in room 340 of the Dirksen Senate Office Building and to the Minority staff in room 442 of the Hart Senate Office Building. For purposes of this request, please refer to the due definitions and instructions in the enclosure.

If you have any questions about this request, please contact me or ask your staff to contact Jerry Markon of the Committee staff at (202) 224-4751. Thank you for your attention to this matter.

Sincerely,

Ron Johnson
Chairman

cc: The Honorable Claire McCaskill

[9] S. Rule XXV(k); *see also* S. Res. 445, 108th Cong. (2004).
[10] *Id.*

Ranking Member

cc: The Honorable Barbara Sears
State Medicaid Director
Department of Medicaid
State of Ohio

Enclosure