

Ohio Medicaid Budget Update – November 2017

- The Ohio Budget (HB 49) as enacted with vetoes and veto overrides provides \$13.5 billion in 2018 and \$14.4 billion in 2019 for Medicaid services in line item 561525 (Table 1). Currently, Medicaid spending is \$3.8 million (0.07 percent) under the original budget in 651525 (see [October Budget Variance Report](#)).
- The Ohio Department of Medicaid reforecast caseload and per member costs in November, including new calendar year 2018 managed care rates. The reforecast shows caseload this year will be 47,000 individuals (1.5 percent) less than anticipated and per person costs will be less than the original estimate.
- ***As a result of the reforecast, Ohio Medicaid is expected to spend \$160 million (\$46 million state share) less than anticipated in state fiscal year 2018. While this amount is significant, it is only 1.2 percent below the original estimate.***
- The amounts described above assume Medicaid will reduce hospital spending \$1.1 billion over two years (see [Ohio Medicaid Hospital Rate Reduction](#)). Ohio Medicaid made it clear during the budget process that any underspending would be taken into account when determining whether a 5 percent hospital rate reduction would be necessary to keep spending within the budget's appropriation levels. Because the reforecast indicates underspending is sufficient to offset the cut, Ohio Medicaid will delay the implementation of the hospital rate reduction from January 1 to July 1, 2018. This action consumes all but \$4 million (0.1 percent) of the projected state share of underspending in state fiscal year 2018. In May 2018, Ohio Medicaid will assess whether or not the July 1 rate reduction is necessary to eliminate any remaining shortfall and appropriate within the context of the overall state budget.

Table 1. Ohio Medicaid 2018-2019 Budget (November 2017 Update).

	SFY 2018		SFY 2019	
	525-Total	525-State	525-Total	525-State
Budget As Passed (651525)	\$ 13,492,852,269	\$ 3,757,798,912	\$14,372,535,691	\$ 4,061,056,034
<i>Changes to 525 identified in the November 2017 reforecast:</i>				
<u>Updated Forecast.</u> Caseload and per member costs are less than anticipated based on actuals through September 2017, and the forecast now incorporates actual managed care rates for CY 2018.	\$ (110,295,744)	\$ (53,506,609)	\$ (390,279,542)	\$ (137,789,204)
<u>Managed Care Tax Revenue.</u> The new managed care tax is projected to produce less revenue as a result of lower than anticipated caseload.	\$ 7,042,254	\$ 2,000,000	\$ 42,658,930	\$ 12,797,679
<u>Hospital Tax Revenue.</u> The hospital tax is projected to produce more revenue as a result of higher than anticipated hospital costs.	\$ (62,162,162)	\$ (23,000,000)	\$ (64,864,865)	\$ (24,000,000)
<u>Drug Rebate Revenue.</u> Savings from the single prescription drug list (PDL) proposal are less than anticipated.	\$ 120,902,740	\$ 45,000,000	\$ 40,628,386	\$ 15,000,000
<u>Controlling Board Action.</u> Controlling Board approval to transfer general revenue funds to the Health and Human Services Fund freed up appropriation authority in the general revenue fund.*	\$ (98,844,065)	\$ -	\$ (118,894,133)	\$ -
<u>Managed Care Pay-for-Performance.</u> The estimates were updated to reflect a higher payout rate due to new estimates of improved performance and to ensure funding is available to match the potential liability.	\$ (16,493,642)	\$ (6,138,934)	\$ 107,609,160	\$ 32,282,748
<u>Medicare Buy In.</u> The updated forecast reflects a lower state share based on actuals through the first quarter.	\$ 181,507	\$ (9,856,933)	\$ 525,199	\$ (9,558,061)
Total Change in 651525	\$ (159,669,112)	\$ (45,502,476)	\$ (382,616,865)	\$ (111,266,837)
<i>Variance from the budget as passed</i>	<i>1.2%</i>	<i>1.2%</i>	<i>2.7%</i>	<i>2.7%</i>
Delay 5 percent hospital cut from January 1 to July 1, 2018	\$ 133,956,059	\$ 41,526,378	\$ -	\$ -
Updated Estimate (651525)	\$ 13,467,139,216	\$ 3,753,822,814	\$13,989,918,826	\$ 3,949,789,197
Over (Under) projected program costs with 5 percent hospital cut delayed	\$ (25,713,053)	\$ (3,976,098)	\$ (382,616,865)	\$ (111,266,837)
<i>Variance from the budget as passed</i>	<i>0.2%</i>	<i>0.1%</i>	<i>2.7%</i>	<i>2.7%</i>

*The transfer of state funds from the general revenue fund (GRF) to the Health and Human Services Fund should have shifted \$98 million federal share from 651525 federal to line item 651623. In alignment with normal funding practices, Ohio Medicaid matches non GRF state share with non GRF federal funding. However, this practice was not reflected in the original budget or disbursement estimates for state fiscal year 2018. This budget update reflects the historical convention and the net result is an additional \$98 million of spending authority in the 651525 line item.