Department of Job and Family Services

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- If all Medicaid cost containment strategies are implemented, the Executive estimates that spending in appropriation item 600-525 could be reduced by $813.2 million all funds in FY 2006, and by $1,458.3 million all funds in FY 2007
- The enacted budget includes provisions to reimburse the TANF Block Grant for misallocation of funds
- Enacted funding will allow the Department to increase eligibility for the child care program from 150% to 185% of the federal poverty guidelines
- State-funded Head Start and Head Start Plus is being replaced by the Early Learning Initiative

AGENCY OVERVIEW

Duties and Responsibilities

The Department of Job and Family Services (ODJFS) develops and oversees programs that provide health care, employment and economic assistance, child support, and services to families and children. The ODJFS mission is, through state and local partnerships, to help all Ohioans improve the quality of their lives. The ODJFS vision is to be the nation's leading family support and workforce development system.

Most of ODJFS' programs and services are federally mandated and funded. Title XIX and XXI of the Social Security Act funds the Medicaid health care program; Temporary Assistance for Needy Families funds financial assistance for families; the federal Workforce Investment Act funds job training and job placement services for workers and employers; and Title III of the Social Security Act sets forth federal standards for administration of the Unemployment Insurance Program and authorizes federal administrative funding for the program. The Department also receives federal reimbursement for a portion of expenditures made for child support and child welfare activities.

The administration and funding of job and family services programs represent a unique cooperative partnership between three levels of government: federal, state, and local. The Department of Job and Family Services directs and supervises the delivery of these services through a network of local government agencies and several district offices. The direct delivery of services is administered by a combination of county offices, which includes 88 county departments of job and family services, 26 separate child support enforcement agencies, and 26 separate public children services agencies. The Department provides funding to local agencies to develop programs that respond to local needs and provides technical assistance and support to ensure compliance with federal and state regulations.

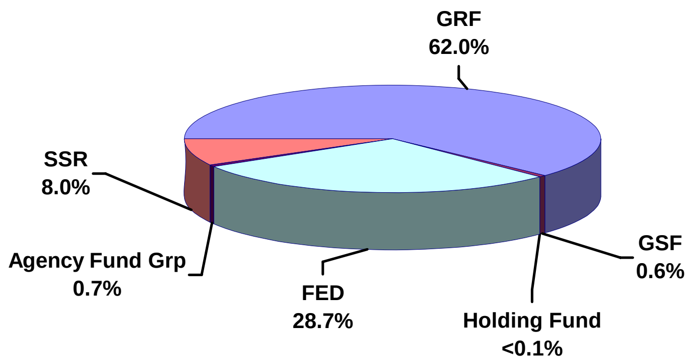
The Department is led by a director, appointed by the Governor, who manages over 4,000 employees and a budget of approximately $17.1 billion in FY 2006 and $17.4 billion in FY 2007.

Agency in Brief

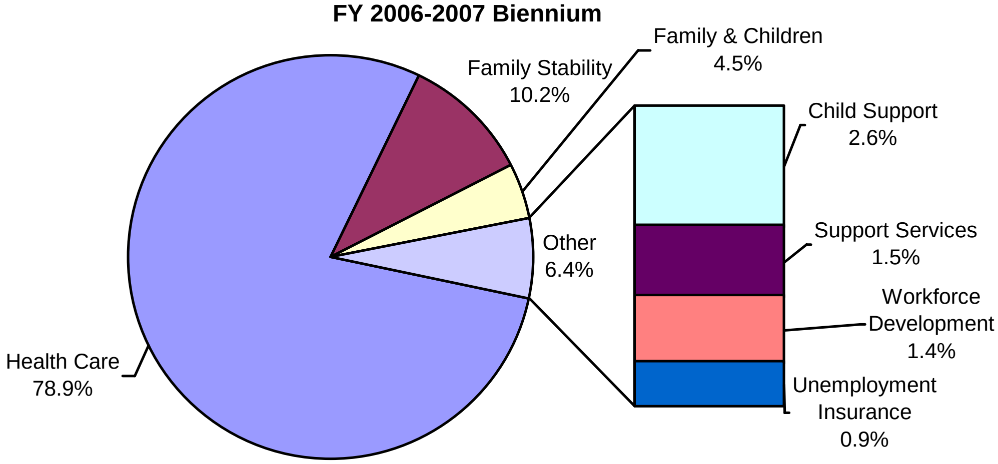
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3,871	$17. 1 billion	$17.43 billion	$10.52 billion	$10.89 billion	Am. Sub. H.B. 66

*Employee count obtained from ODJFS based on payroll data from pay period ending July 23, 2005.

Budget by Fund Group
FY 2006-2007 Biennium



Percentage of Funding by Program Series
FY 2006-2007 Biennium



Vetoed Provisions

Provisions of the budget bill that the Governor vetoed can be found in the section of this analysis affected by the veto. The sections affected by the vetoes are Family Stability and Medicaid.

WORKFORCE DEVELOPMENT

OVERVIEW

The Workforce Investment Act of 1998 (WIA) repealed the Job Training Partnership Act and replaced it with a locally based employment and training service delivery system for adults, dislocated workers, and youths with an emphasis on flexibility in the use of program dollars. These three categories (adults, dislocated workers, and youths) designate the three funding streams of WIA. Adults and dislocated workers may utilize Individual Training Accounts to "purchase" the training that best fits their needs. Depending on an eligibility assessment of their needs, the employment and training activities offered to adults and dislocated workers fall in three categories: core, intensive, and training services. Youth activities under WIA offer a broad range of coordinated services including opportunities for assistance in both academic and occupational learning, developing leadership skills, and preparing for further education, additional training, and eventual employment.

In Ohio, the Office of Workforce Development (OWD) administers WIA, providing programs and services designed to support and enhance state and local workforce development initiatives that address the needs of workers, families, and employers throughout Ohio. The OWD provides services that seek to assist Ohioans to remove barriers, enter employment, maintain employment, and gain self-sufficiency and independence. The OWD also provides programs to assist Ohio's businesses with recruitment of skilled workers, technical assistance with identification of funds, and resources for skills training for new and incumbent workers; provides federally and state-required training programs; and other support services tailored to meet specific business needs.

The WIA mandates that states and localities develop One-Stop delivery systems for service integration and elimination of duplicative efforts. In Ohio, funding is allocated to 20 Workforce Investment Boards for the establishment of One-Stops and the delivery of training services. These systems are mandated to serve communities by functioning as the primary public resource for job and career counseling, training, job searching, employment services, and a range of other ancillary services that include child care and transportation.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Workforce Development

Purpose: To increase the state's workforce by promoting employment services and workforce development activities at the state and local levels.

The following table shows the line items that are used to fund the Workforce Development program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-321*	Support Services	$40,564	$40,292
		General Revenue Fund Subtotal	**$40,564**	**$40,292**
State Special Revenue Fund				
4A9	600-607*	Unemployment Compensation Admin Fund	$1,947,602	$1,672,288
		State Special Revenue Fund Subtotal	**$1,947,602**	**$1,672,288**
General Services Fund				
613	600-645	Training Activities	$135,000	$135,000
		General Services Fund Subtotal	**$135,000**	**$135,000**
Federal Special Revenue Fund				
331	600-686*	Federal Operating	$34,555,662	$35,298,607
3V4	600-678*	Federal Unemployment Programs	$2,203,963	$1,620,158
3V0	600-688*	Workforce Investment Act	$200,258,644	$199,773,666
		Federal Special Revenue Fund Subtotal	**$237,018,269**	**$236,692,431**
Total Funding: Workforce Development			**$239,141,435**	**$238,540,011**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the Workforce Development program series:

- ***Workforce Investment Act Worker Training***
- ***Employment Services***
- ***Veteran's Services***
- ***Tax Credit***
- ***Women's Hall of Fame***
- ***Labor Market Information***
- ***Sharing Career Opportunities and Training Information (SCOTI)***

Program 1.01: Workforce Investment Act Worker Training

Program Description: This program includes services such as WIA and related programs, the One-Stop system support, Ohio State Apprenticeship Council, Rapid Response program, and Grants and Audit Resolution. The program is intended to support employment and training activities, including worker training and retraining, occupational and vocational testing and counseling services, and employment readiness activities. Support activities such as grant processing, auditing, and technical assistance to local programs and local workforce policy boards are also included in this program.

Funding Sources: State Special Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow services provided under the WIA Worker Training program to continue at current levels.

Program 1.02: Employment Services

Program Description: The Employment Services program encompasses activities related to the Wagner-Peyser Act of 1933, as amended by the Workforce Investment Act of 1998, which made Employment Services part of the One-Stop delivery network. The Office of Local Operations assists offices across the state to deliver services to individuals seeking jobs and assist employers in finding qualified applications for available jobs. Other services included in the Employment Services program are the Migrant Seasonal Farm Worker program and the Foreign Labor Certification program.

During the last biennium, the Department implemented a major reorganization of local offices. The consolidation of staff from 61 facilities into 22 locations was part of the changes required by the Workforce Investment Act, that certain services be made available in all certified, full-service One-Stop system sites.

According to the Department, accomplishments of Labor Exchange services delivered as part of the One-Stop system included: nearly 370,000 customers served, nearly 100,000 job referrals; and more than 90,000 individuals obtained employment after receiving Labor Exchange services.

Funding Sources: State Special Revenue Fund, General Services Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow services provided under the Employment Services program to continue at current levels.

Program 1.03: Veteran's Services

Program Description: As authorized by the Jobs for Veteran's Act of 2002, the Veteran's Services program includes the subprograms Local Veterans Employment Representative (LVER) and Disabled Veteran Outreach Program Specialist (DVOP). The LVER ensures that veterans are provided the range of labor exchange services needed to meet their employment and training needs. The DVOP facilitates labor exchange services for those with special employment and training needs. The primary focus is for those veterans who are unable to obtain employment through core services. In FY 2004, the Office provided 914,276 services to 61,170 veterans.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow services provided under the Employment Services program to continue, although a reduction in staffing from 133 to 100 full-time equivalents is expected due to a decline in funding support from the U.S. Department of Labor.

Program 1.04: Tax Credit

Program Description: The Tax Credit program provides tax incentives to Ohio employers who hire from targeted groups of job seekers with consistently high unemployment rates, giving the employer a tax credit against their federal tax liability and supplying employment to disadvantaged job seekers in one of ten targeted groups, including TANF or food stamp recipients, veterans, and ex-felons. In FY 2003 the Tax Credit program reduced the federal tax liability of Ohio employers by $107.5 million while helping 27,000 Ohioans with barriers to employment find work opportunities.

The Ohio Training Tax Credit (OTTC), created by Am. Sub. H.B. 283 in the 123rd General Assembly, offers tax incentives to employers who provide training to current employees at risk of being displaced because of skill deficiencies or the inability to use new technologies, or to provide job skills to eligible employees that enable them to perform other job duties for the employer. Prior legislation extended the program through calendar year (CY) 2005, with credit claimed for three additional tax years. There is no funding for the OTTC beyond CY 2005.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow activities provided under the Employment Services program to continue through December 2005. Legislation authorizing the OTTC does not extend beyond that time.

Program 1.05: Women's Hall of Fame

Program Description: The Women's Division, created in 1970, promotes programs that improve and enhance women's opportunities in the workplace. The main activity of this program is to administer the Ohio Women's Hall of Fame for the Governor. Recognition is given to outstanding Ohio women each year by inducting them into the Hall of Fame. A web site database is maintained with biographical information on each inductee.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow activities under the Women's Hall of Fame program to continue at current levels.

Program 1.06: Labor Market Information

Program Description: The Labor Market Information Office collects and analyzes information about Ohio's industry, labor force, and economy. The focus of the Office is on serving business initiatives and planning needs to support workforce and economic development activities and decisions. The Office prepares reports on employment levels, unemployment levels, wages and earnings, employment outlook by industry and occupation, and other economic and industry-specific data. Between April 2003 and June 2004, the Office produced 18 publications, provided 61 training sessions for 746 individuals, and logged almost 2 million Internet hits, and 4,000 phone, e-mail, and fax requests for labor market information.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow services provided under the Labor Market Information program to continue at current levels.

Program 1.07: Sharing Career Opportunities and Training Information (SCOTI)

Program Description: The Sharing Career Opportunities and Training Information (SCOTI) program is federally funded from WIA and the Wagner-Peyser grant. To meet requirements of both grant programs, the state must provide training programs for youth and displaced workers and provide job search and job matching services to laid-off workers who collect unemployment benefits. As a web-based job placement and referral service integral to the One-Stop system, SCOTI is intended to meet both needs. It replaced the Ohioworks.com system which was sanctioned by the federal government for inadequate performance.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow the Department to hire and train state programming staff to replace contract staff. The Department anticipates a savings of approximately $89,000 per contracted employee with replacement by a state employee. The Department intends to replace 11 contract employees with state employees for a total of 21 full-time equivalents by FY 2007. Current and expanded service levels will be possible with the enacted appropriation level.

FAMILY STABILITY

OVERVIEW

The Office of Family Stability (OFS) develops and administers programs and services designed to support low-income Ohioans and families as they are seeking to better their lives and become self-sufficient. Many of the programs administered by OFS are entitlement programs, which means that if an individual or family meets specific eligibility requirements, they are assured of receiving services. Expenditures in the programs are in some cases driven by the economy (e.g., the Food Stamps program), and in other cases driven by social policy changes that have occurred in the last several years (e.g., the Ohio Works First program). The principal programs administered by OFS include the Ohio Works First (OWF) program, the Prevention, Retention, and Contingency (PRC) program, the Food Stamps program, the Electronic Benefits Transfer (EBT) program, and the Disability Financial Assistance (DFA) program.

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) implemented the Temporary Assistance for Needy Families (TANF) program. Ohio's TANF program, Ohio Works First, provides time-limited cash assistance and support services to help needy families with (or expecting) children to care for those children in their own homes, and to eliminate the barriers to work that lead to reliance on government assistance. The OWF seeks to accomplish this by providing such things as job placement services, child care services, and transportation, and by promoting activities such as preparation for work, job search, and early entry into employment.

Maintenance of Effort

Ohio's annual TANF block grant award of approximately $728 million is based on the amount of federal funds expended in FFY 1994 for the three eliminated programs (AFDC, JOBS, and FEA). In order to receive the annual block grant, Ohio is required to meet a Maintenance of Effort (MOE) requirement of 80% of what it spent in FFY 1994 on the three eliminated programs (approximately $417 million), through FFY 2005. The MOE can be lowered to 75% if the state meets its work participation requirements. Since Ohio is meeting these participation requirements, the enacted budget provides for an MOE spending level of 75%, or about $390.8 million. See the table below for a breakdown of the components of the MOE.

Components of TANF State Maintenance of Effort (MOE)		
	FY 2006 (in millions)	FY 2007 (in millions)
600-410, TANF State	$272.6	$272.6
600-413, Day Care MOE	$45.4	$45.4
600-658, Child Support Collections	$23.7	$23.7
ODADAS MOE in ODADAS budget	$5.0	$5.0
County Share	$28.5	$28.5
State Operating	$15.6	$15.6
TANF MOE	$390.8	$390.8

ANALYSIS OF THE ENACTED BUDGET

Program Series 2 Family Stability

Purpose: To primarily support low-income Ohioans and families as they are seeking to better their lives and become self-sufficient.

The following table shows the line items that are used to fund the Family Stability program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-410	TANF State	$272,619,061	$272,619,061
GRF	600-413	Child Care Match/MOE	$84,120,596	$84,120,596
GRF	600-416*	Computer Projects	$36,603,889	$25,285,644
GRF	600-421	Office of Family Stability	$4,864,932	$4,864,932
GRF	600-423*	Office of Children and Families	$1,466,714	$1,510,317
GRF	600-511	Disability Financial Assistance	$22,839,371	$22,839,371
GRF	600-512	Non-TANF Emergency Assistance	$1,000,000	$1,000,000
GRF	600-521	Family Stability Subsidy	$151,206,401	$151,206,401
		General Revenue Fund Subtotal	**$574,720,964**	**$563,446,322**
State Special Revenue Fund				
5Z9	600-672	TANF QC Reinvestments	$647,409	$688,421
		State Special Revenue Fund Subtotal	**$647,409**	**$688,421**
General Services Fund				
4A8	600-658*	Child Support Collections	$23,680,794	$23,680,794
4R4	600-665	BCII Services Fees	$36,974	$36,974

Fund	ALI	Title	FY 2006	FY 2007
		General Services Fund Subtotal	**$23,717,768**	**$23,717,768**
Agency Fund				
5B6	600-601	Food Stamp Intercept	$2,000,000	$2,000,000
		Agency Fund Subtotal	**$2,000,000**	**$2,000,000**
Federal Special Revenue Fund				
384	600-610*	Food Stamps & State Administration	$177,189,699	$169,830,507
385	600-614	Refugee Services	$6,083,829	$6,542,439
396	600-620*	Social Services Block Grant	$15,139,237	$15,139,237
3A2	600-641	Emergency Food Distribution	$2,600,000	$2,800,000
3H7	600-617*	Child Care Federal	$199,849,359	$199,525,926
3V6	600-689*	TANF Block Grant	$755,951,486	$781,335,499
3W3	600-659*	TANF/Title XX Transfer	$500,000	$500,000
		Federal Special Revenue Fund Subtotal	**$1,157,313,610**	**$1,175,673,608**
Total Funding: Family Stability			**$1,758,399,751**	**$1,765,526,119**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the Family Stability program series:

- ***TANF/Ohio Works First Cash Assistance***
- ***TANF Non-Assistance***
- ***Disability Financial Assistance***
- ***Food Stamp and Food Stamp Employment and Training Program***
- ***Emergency Food Distribution***
- ***Child Care***
- ***Refugee Services***
- ***Client Registry Information System Enhanced (CRIS-E)***
- ***Electronic Benefit Transfer (EBT)***
- ***Integrated Client Management System (e-ICMS)***
- ***TANF Quality Control***

Program 2.01: TANF/Ohio Works First Cash Assistance

Program Description: Ohio Works First (OWF), established by Am. Sub. H.B. 408 of the 122nd General Assembly, is the financial assistance portion of the TANF program and provides time limited cash assistance to eligible families for up to 36 months. After 36 months, county departments of job and family services can approve hardship or good cause extensions for another 24 months.

Ohio is required to meet a minimum maintenance of effort (MOE) requirement of 80% of what it spent in FFY 1994 on the three eliminated programs (80% of that amount is approximately $417.0 million), through FFY 2005. The MOE can be lowered to 75% ($390.8 million) if the state meets its participation requirement. Ohio currently meets the participation rate requirements and the enacted budget directs that Ohio will maintain the 75% MOE level of $390.8 million for the next biennium.

Funding Sources: General Revenue Fund, General Services Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level for the cash assistance program will support a recipient caseload of approximately 88,000 in each fiscal year and will permit a proposed increase in cash benefits levels per recipients as described below. According to the Department's TANF spending plan, after the expenditure of enacted appropriations for the FY 2006-2007 biennium, the total unspent TANF funds remaining at the end of FY 2007 will be approximately $250.0 million. At the end of FY 2005, Ohio's TANF balance was $1.143 billion, with $362.6 million reported as unliquidated obligations and $780.8 million as the unobligated balance.

As enacted, the budget bill allows ODJFS to increase TANF cash assistance payments up to 10% over FY 2005 levels, effective October 1, 2005. The average cash assistance benefit per OWF combined assistance group in FY 2005 has been just over $302 per month. LSC estimates that the increase will cost approximately $23.6 million in FY 2006 and $31.3 million in FY 2007 to implement over previous estimates. Total FY 2006 cash assistance will be approximately $338.6 million; FY 2007 cash assistance will be approximately $342.6 million. An increase in the funds dedicated to cash assistance thereby reduces funds available for noncash assistance, such as those provided by the PRC program.

The enacted budget also adjusts the maximum gross income an assistance group can earn to meet the income requirement for initial OWF eligibility. Currently, the income maximum is delineated in the Revised Code. The provision provides an alternative that the assistance group's gross income must not exceed the current gross income maximum *or* 50% of the federal poverty guidelines, whichever is higher. For all assistance groups larger than two persons, this change will increase the gross income threshold for initial OWF eligibility determination and will allow for automatic periodic adjustments in the eligibility threshold levels. In October 2004, the average size of an assistance group in Ohio was approximately 2.2 persons.

The enacted budget bill requires that $23,680,794, appropriated for Child Support Collections, appropriation item 600-658, be used by the Department to meet the TANF MOE requirement. Once the state reaches the MOE requirement, the funds can be used to support other public assistance activities. This is an ongoing MOE provision and no change in the fiscal effect is expected.

Other temporary and permanent law provisions affecting TANF and related programs are described below in Program 2.02, TANF Non-Assistance.

Program 2.02: TANF Non-Assistance

Program Description: The goal of the TANF Non-Assistance program is to help low-income families to overcome short term, nonrecurrent urgent programs that might otherwise cause them to need cash assistance, and help families on OWF overcome barriers to self-sufficiency. Among other activities, the TANF Non-Assistance program includes the PRC program, Help Me Grow, Disaster Relief Assistance, and funds the Early Learning Initiative, a replacement of state-funded Head Start and the Head Start Plus program.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: An increase in the funds dedicated to cash assistance, discussed above, will reduce funds available for noncash assistance, such as those provided by PRC. Additional program initiatives and legislative earmarks, outlined below, will utilize TANF funds.

As enacted, the budget bill provides that a county's share of expenditures for public assistance programs in calendar year (CY) 2007 will be the same as the county's share for those expenditures in

CY 2006. A formula outlined in the Revised Code governs the counties' share of the costs of certain public assistance programs, a portion of which is the expenditures related to the operation of the Disability Financial and Disability Medical Assistance programs. If that formula operated for CY 2007, a county's share of public assistance expenditures for 2007 would be calculated based on nine months of expenditures for the DMA program since the budget terminates DMA effective October 1, 2005. As enacted, the budget bill directs that a county's share of public assistance expenditures for CY 2007 must be an amount equal to the county's share of public expenditures for CY 2006 that will include 12 months of expenditures for the DMA program, thereby increasing the amount for which counties are responsible in CY 2007.

The enacted budget bill permits the transfer of up to $156 million from the GRF to reconcile the TANF Block Grant for the misallocation of funds described in the Department of Job and Family Services' Redbook under the heading, "TANF Block Grant Reimbursement and Consolidated Funding Allocation Elimination." These provisions will reduce the availability of GRF funds for other purposes, but are necessary to restore funds to the TANF Block Grant:

- Section 312.01 of the enacted budget permits the transfer of up to $60 million of any surplus remaining at the end of FY 2005 from the GRF to the Public Assistance Reconciliation Fund (Fund 5AX), created by the capital bill, H.B. 16 of the 126th General Assembly. This transfer occurred soon after the budget bill was enacted.

- Section 206.66.61 of the enacted budget permits the transfer of up to $96 million from the GRF to Fund 5AX by the Director of Budget and Management, if the Director determines that the balance in the GRF is greater than the amounts assumed in H.B. 66.

The Employment Retention Incentive (ERI) program, authorized in the enacted budget bill, will provide additional cash payments to assistance groups leaving the OWF program for work beginning in FY 2007. Details of the program's administration, such as the amounts and duration of the cash payments, the eligibility criteria, and the county departments' administrative responsibilities are to be determined by the Department. It is unknown at this time to what extent the costs of the ERI program will impact other programs and services in the Department. The Department's goal is to provide a periodic incentive payment of approximately $200 to assistance groups leaving OWF for work. The TANF spending plan indicates that ODJFS plans to spend approximately $8.6 million in FY 2007 on this new program.

As enacted, the budget bill earmarks up to $104,380,000 in FY 2006 and $125,256,000 in FY 2007 from the TANF Block Grant, appropriation item 600-689, for the Early Learning Initiative (ELI). Funds would reimburse Early Learning agencies for up to 10,000 children in FY 2006 and 12,000 children in FY 2007. Any excess funds are to be used for publicly funded child care. Up to $3 million per fiscal year may be used by ODJFS ($800,000) and the Department of Education (ODE) ($2.2 million) for administration of the program. Related permanent law eliminates state-funded Head Start and Head Start Plus programs and establishes ELI, paid for with TANF funds and jointly administered by ODE and ODJFS, to provide early learning programs and day care to TANF-eligible children.

The enacted budget bill also contains a number of legislative earmarks providing funds on a reimbursement basis to the following organizations and/or Department initiatives:

Program or Organization Title	FY 2006	FY 2007
Accountability and Credibility Together	$1,000,000	$1,000,000
Kinship Permanency Incentive Program	$10,000,000	$10,000,000
Ohio Alliance of Boys and Girls Clubs	$600,000	$600,000
Talbert House	$75,000	$75,000
Children's Hunger Alliance	$500,000	$500,000
Project GRAD	$185,000	$185,000

The enacted budget bill also eliminates the Department's option to create a consolidated funding allocation to the counties. The Department discontinued the consolidated allocation after the announcement last year that a thorough reconciliation of the separate funding streams had not been done. ODJFS had been performing only a reconciliation of the consolidated payment system as a whole to balance expenditures by counties that exceeded their allocation with those that had not. The failure to develop a system that would reconcile the different funding streams resulted in TANF funds being spent from FY 2000 through the first months of FY 2005 for administrative costs in the Medicaid and Food Stamps programs, when state funds should have been used instead.

The consolidated funding allocation was discontinued during FY 2005; this provision would eliminate the possibility that a consolidated allocation could be adopted in the future. TANF funds formerly used inappropriately for food stamp administration and Medicaid eligibility determinations must be replaced by other means. The "TANF Block Grant Reimbursement and Consolidated Funding Allocation Elimination" section of the ODJFS Redbook contains a fuller discussion of the concerns raised by the elimination of the consolidated allocation.

The enacted budget bill permits ODJFS to increase a county's share of public assistance expenditures by an amount equaling the amount of a reduction the county is responsible for in federal financial participation or in a federal grant or payment. This would allow the Department to shift the burden of penalties for federal spending errors to the counties in proportion to their responsibility for the error. Future reductions or sanctions will indicate the impact on counties this provision may have.

The enacted budget bill allows the funds received through the TANF Block Grant to be used for Title XX social services, as previously allowed, but excludes the TANF funds from Revised Code provisions applicable to Title XX social services. The Department requested this provision to clarify that TANF funds transferred to the Title XX Social Services Block Grant are to be used on social services eligible under Title XX and are exempt from Revised Code statutes apportioning Title XX funds among three agencies. The Department indicates that this language is necessary to manage up-front, rather than retrospective, transfer of TANF funds to the Title XX Social Services Block Grant, now being done by the state.

The Title IV-A demonstration project, authorized in the enacted budget bill, allows the Department to provide funding to government agencies and not-for-profit entities administering a project designed to meet one of the four purposes of the TANF Block Grant. The Department's TANF spending plan indicates that the intention is to use $10 million in each fiscal year for Title IV-A demonstration projects at the county level.

The enacted budget bill expands the authority of ODJFS to provide incentives under the Learning, Earning, and Parenting (LEAP) program. This program is a component of OWF under which participating teens must attend an educational program that is designed to lead to the attainment of a high school diploma or its equivalent. The Department is required to provide an incentive payment to teens who satisfy the LEAP program's education requirements and reduce a teen's OWF cash assistance payment for failure or refusal, without good cause, to meet the requirements.

The enacted budget bill authorizes ODJFS to provide, in addition to current incentive payments, a new incentive for teens who successfully complete the LEAP program's requirements and enroll in postsecondary education. The Director is also given flexibility to increase current incentive payments. The Department indicates that current incentives for LEAP for attendance and enrollment will increase from $62 to $200. Incentives for graduation will increase from $200 to $500. The new incentive for college enrollment will be $500. The Department's TANF spending plan indicates that approximately $200,000 will be spent on these increases.

Vetoed Provision

The Governor vetoed a provision that prohibited the Director of ODJFS, in adopting rules establishing the application process for the ERI program, from requiring that applications for the program be submitted to the county departments of job and family services.

Program 2.03: Disability Financial Assistance (DFA)

Program Description: The DFA program provides financial assistance to persons who are unemployable due to physical or mental impairment, and who are not eligible for public assistance programs that are supported in whole or in part by federal funds (for example OWF or Supplemental Security Income). A county contributes a mandated share of DFA costs based on DFA expenditures in each county.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted funding level will be sufficient to provide a subsidy of $115 per month to approximately 14,600 individuals per month in the upcoming biennium, regardless of the number of eligible individuals applying for the program.

Program 2.04: Food Stamp and Food Stamp Employment and Training Program

Program Description: The goal of the Food Stamp and Food Stamp Employment and Training Program is to increase the nutritional intake of low-income persons by supplementing their income with food stamp benefits thereby eliminating hunger and malnutrition. Federal funds in this program are used to pay the state and county job and family services departments' costs of administering the food stamp program. The value of the food stamps is provided in full by the federal government through the process of redemption. The state and federal government split administrative costs 50/50; for certain other activities, such as fraud control, the federal government pays 75% and the state pays the remainder.

Funding Sources: General Revenue Fund, Federal Special Revenue Fund, and Agency Fund

Implication of the Enacted Budget: The enacted funding level will enable the Department to maintain current administrative levels for the Food Stamp and Food Stamp Employment and Training Program.

The enacted budget bill permits the Director of ODJFS to "redetermine" eligibility criteria for a number of programs, including the food stamp program, to realize administrative cost savings and efficiency. This provision could result in program savings depending on the programs for which the director determines a change in eligibility criteria is necessary.

Program 2.05: Emergency Food Distribution

Program Description: The Emergency Food Distribution program provides food products to low-income families to alleviate hunger. The program provides food assistance through the Temporary Emergency Food Assistance Program (TEFAP), the Commodity Supplemental Food Program (CSFP), and the Ohio Agricultural Surplus Production Alliance (OASPA) program. Products are purchased and distributed through the Ohio Association of Second Harvest Food Banks to eligible low-income households.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted funding level will allow emergency food programs to continue. Related temporary law in the enacted budget requires ODJFS to provide $5,500,000 in each fiscal year from the Social Services Block Grant, appropriation item 600-620, for use in funding a grant agreement with the Ohio Association of Second Harvest Food Banks to reimburse it for the costs incurred in the purchase of food products and the distribution of those products to agencies participating in the emergency food distribution program. The Ohio Association of Second Harvest Food Banks may use 5% of those funds for administrative costs.

Program 2.06: Child Care

Program Description: The Child Care program provides child care subsidies to low-income families, licenses and regulates the operation of child care settings, and administers the child care subsidy program.

State law creates the framework within which the publicly funded Child Care program operates. The county departments of job and family services perform eligibility determinations, provider development and recruitment, home provider inspections and certifications, and vendor payment functions. ODJFS contracts with nonprofit community organizations to perform customer outreach and provide information and referral services. State staff develop child care eligibility and benefit policy, maintain the information system that contains the program's eligibility and claims history, inspect child care centers, and enforce Ohio's child care licensing law.

In general, the state provides child care dollars to those families whose income levels fall below a certain threshold. Traditional beneficiaries of publicly funded child care services include children and families who are: OWF participants; transitioning from OWF, low income, employed, or in a training program; or have special protective needs. Transitional benefits are guaranteed for the lesser of a 12-month period following the last month the client was eligible for an OWF cash benefit or until income exceeds 150% of the federal poverty guidelines (FPG) ($29,025/year for a family of four). Non-OWF families and those for whom transitional child care benefits have lapsed may continue to qualify for child care (nonguaranteed child care) until income exceeds 150% of FPG.

The number of children receiving subsidized child care was increasing steadily through July 2003. Ohio's Child Care subsidy program registered a 69% increase from January 1999 (62,654 children enrolled) to July 2003 (105,993 children enrolled). Due to changes in eligibility and other cost containment measures implemented by ODJFS (i.e., freezing provider reimbursement rates and increasing copayments), the number of children receiving subsidized child care began to decrease in July 2003. In January 2004, 89,634 children were enrolled and in FY 2005, the average monthly caseload is 88,828.

Publicly funded child care is funded with GRF, TANF, and other federal dollars. In FY 1999, the total cost of the Child Care program was approximately $234.3 million. By FY 2003, the total cost of the program had grown to over $470.6 million. The cost containment methods described above were successful in reducing the child care caseload and total cost. The Department estimates that the total cost of the child care program in FY 2005 will be approximately $393.6 million.

Funding Sources: General Revenue Fund, General Services Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow the Department to implement a number of policy changes that will increase both the caseload and total cost of providing publicly funded child care. The Department filed an administrative rule that became effective February 1, 2005 reducing family copayments. The Department is also planning to increase child care provider reimbursement rates. In addition, the Department is planning to increase eligibility for nonguaranteed child care to 185% of FPG. In FY 2006, the Department estimates that the average monthly caseload will be 95,947 at a total cost of approximately $497.7 million. In FY 2007, the Department estimates that the average monthly caseload will be 99,533 at a total cost of approximately $522.5 million. (Total cost includes direct services, administration of the Child Care program, dollars spent on quality, and other non-direct services.)

The enacted budget also includes provisions for the Early Learning Initiative. This initiative will replace state-funded Head Start and Head Start Plus. This initiative is a full day, full year early learning/child care program. The Ohio Department of Education is creating school readiness program guidelines, which this program will follow. The Early Learning Initiative will allow for the enrollment of up to 10,000 eligible children in FY 2006 and up to 12,000 eligible children in FY 2007. Family copayments for the Early Learning Initiative will be the same as for the publicly funded Child Care program.

Vetoed Provisions

The Governor vetoed a provision that would have statutorily prescribed mandatory rates to early learning agencies for a child's weekly attendance of 25 or more hours.

Program 2.07: Refugee Services

Program Description: The state of Ohio receives a grant from the U.S. Department of Health and Human Services to provide assistance to Refugees, Asylees, Cuban and Haitian entrants, victims of a severe form of trafficking and certain Amerasians from Vietnam for resettlement in the United States, as provided by the Refugee Act of 1980. Cash assistance, medical benefits, and social services are available through the Office of Refugee Resettlement and private nonprofit agencies.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level reflects the federal award for this program. In FY 2006 the award will be 16.1% higher than the FY 2005 grant; the FY 2007 award increases another 7.5% over FY 2006.

Program 2.08: Client Registry Information System Enhanced (CRIS-E)

Program Description: The CRIS-E program, active since 1992, is a statewide system to coordinate caseworker activities such as application processing, benefits calculation, and client appointment scheduling. The system also distributes benefits to clients. The system supports over 18,000 users, issues hundreds of thousands of cash warrants, EBT transactions, and prints and mails Medicaid cards.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level will allow the Department to begin building a CRIS-E replacement. The agency hopes to initiate an RFP process at the beginning of FY 2007 and testing of a new system by the end of FY 2007.

Program 2.09: Electronic Benefit Transfer (EBT)

Program Description: The EBT program meets federal mandates that require food stamp programs to allow for the electronic delivery of food stamp benefits. In Ohio, EBT is accomplished with the Ohio Direction Card, a "smart card" and Point of Sale (POS) technology system in grocery locations. The state is transitioning to an on-line system that would involve a magnetic strip card that automatically updates case data and card balances.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level will allow the Department to implement the on-line food stamp benefit system in FY 2006 and phase out the "smart card" system in FY 2007.

Program 2.10: Integrated Client Management System (e-ICMS)

Program Description: The e-ICMS program is a web-based system designed to provide county departments of job and family services' caseworkers a means to track client visits and access caseload information from CRIS-E, described above. The system is currently deployed to 42 counties. Though no new expansion is planned, funding for this program is still needed to provide maintenance for current users.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation will allow the program to continue with limited modifications and maintenance. The Department does not expect this system to be implemented statewide, as originally planned, due to the expected functionality of the CRIS-E replacement system.

Program 2.11: TANF Quality Control

Program Description: The Temporary Assistance for Needy Families Quality Control program was created as a result of a settlement agreement between the state of Ohio and the U.S. Department of Health and Human Services. The Department has described the program as a "review process, which will focus on the dollar payment accuracy of the eligibility determination process for Ohio Works First

(OWF)." Hiring for eight positions began in 2004. The program will continue to function through SFY 2009 with a program need reassessment at that time.

Funding Source: State Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level allows the program to continue as arranged with the federal government. The balance remaining to meet the settlement amount of $2,853,088 after the FY 2006-2007 biennium will be almost $1 million for use in the FY 2008-2009 biennium.

CHILD SUPPORT

OVERVIEW

The objective of the Child Support Enforcement program is to enable children in Ohio to receive the child support to which they are entitled from a noncustodial parent. The program is a cooperative venture between the federal, county, and state governments with the federal government paying 66% of the administrative costs to operate the program (90% of the cost of genetic testing is reimbursed by the federal government). The program is administered locally by the 88 county child support enforcement agencies providing services to the residents of that county, as well as any other counties and states over which the county court may have jurisdiction.

The enacted funding level for the Child Support program series is approximately $443.8 million in FY 2006 and approximately $443.6 million in FY 2007.

The enacted budget for FY 2006 and FY 2007 will allow the state to pass through to the counties the funds needed to carry out county responsibilities for child support enforcement. In addition, the state will be able to provide basic support services to the counties by maintaining contracts for paternity testing, operation and maintenance of the Central Paternity Registry, centralized collection and disbursement of child support payments, collections for the most difficult cases, and new hire reporting.

ANALYSIS OF THE ENACTED BUDGET

Program Series 3 — Child Support

Purpose: To provide funding for activities that enhance the ability of the local child support enforcement agencies to establish paternity in order to establish child support orders and to collect payments on those orders.

The following table shows the line items that are used to fund the Child Support program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-416*	Computer Projects	$16,834,414	$17,287,048
GRF	600-420*	Child Support Administration	$5,091,446	$5,091,446
GRF	600-502	Child Support Match	$16,814,103	$16,814,103
		General Revenue Fund Subtotal	**$38,739,963**	**$39,192,597**
State Special Revenue Fund				
5BE	600-693	Child Support Operating	$5,000,000	$5,000,000
		State Special Revenue Fund Subtotal	**$5,000,000**	**$5,000,000**
General Services Fund				
4A8	600-658*	Child Support Collections	$3,000,000	$3,000,000
		General Services Fund Subtotal	**$3,000,000**	**$3,000,000**
Federal Special Revenue Fund				
3S5	600-622	Child Support Projects	$534,050	$534,050
397	600-626*	Child Support	$270,479,633	$269,827,841
		Federal Special Revenue Fund Subtotal	**$271,013,683**	**$270,361,891**
Agency Fund **				
192	600-646	Support Intercept - Federal	$110,000,000	$110,000,000
583	600-642	Support Intercept - State	$16,000,000	$16,000,000
		Agency Fund Subtotal	**$126,000,000**	**$126,000,000**
Total Funding: Child Support			**$443,753,646**	**$443,554,488**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

**Appropriations for the line items supported by the Agency Fund Group are not used for administration of the program. The Agency Fund Group is a holding account for child support collected from the interception of state and federal income taxes of obligors who are in default. Once collected, the funds are disbursed to the obligee.

This analysis focuses on the following specific programs within the Child Support program series:

- ***Child Support Activities***
- ***Support Enforcement Tracking System***

Program 3.01: Child Support Activities

Program Description: The Child Support program involves federal, state, and local government. The federal government sets program standards and policy, evaluates state performance in conducting the program, and offers training and technical assistance to the state. Title IV-D of the Social Security Act of 1975 designates ODJFS as Ohio's Child Support Enforcement Agency. The Department of Job and Family Services provides state supervision and the local child support enforcement agencies administer the program. Within the Department, the Office of Child Support has the responsibility for overseeing local activity. The local child support enforcement agency is responsible for direct administration and the provision of services to all individuals in need of child support services including location of an absent parent, paternity and support establishment, support collection, and enforcement of financial and medical obligations.

The federal government funds a major share of the cost of the program by reimbursing states 66% of their administrative expenses, with the exception of genetic testing expenses, which are reimbursed at 90%. State and local governments must provide the funding not reimbursed by the federal government. The state provides funds to the counties, which are then used to match federal funds.

There are over one million child support cases statewide. In federal fiscal year 2004, Ohio collected over $2.0 billion in child support and disbursed approximately $1.9 billion. Of the amount collected, 64.7% was current support obligations. Approximately $109.6 million was added to arrears.

Funding Sources: General Revenue Fund, State Special Revenue Fund, General Services Fund, Federal Special Revenue Fund, and Agency Fund

Implication of the Enacted Budget: Appropriations for the child support activities are used to pay the costs incurred by the state and county to administer the Child Support program. The Office of Child Support in the Department of Job and Family Services provides program support for the counties by maintaining statewide contracts for paternity testing, collection assistance, and collection and disbursement of child support payments. In addition, ODJFS maintains the Support Enforcement Tracking System (SETS). The enacted funding levels for the Child Support program will enable the Office of Child Support to maintain a staff of 185 full-time equivalents (FTEs), with 42 FTEs allocated to SETS. The county child support enforcement agencies are responsible for the direct administration and provision of establishment, enforcement, and case management services to all individuals in need of child support services.

The enacted budget for FYs 2006 and 2007 allows the state to pass through to the counties the funds needed to carry out county responsibilities for child support enforcement. In addition, the state will be able to provide basic support services to the counties by maintaining contracts for paternity testing, operation and maintenance of the Central Paternity Registry, centralized collection and disbursement of child support payments, collections for the most difficult cases, and new hire reporting. The Office of Child Support will continue to work with the federal government to enforce child support orders through multi-state financial institution data match, federal income tax offset, and passport denial. The Office of Child Support will also work with various state agencies to enforce child support orders through single state financial institution data match, state income tax offset, and suspension and denial of professional and driver's licenses.

The enacted budget also includes a provision in permanent law authorizing the Office of Child Support to distribute child support amounts by means of electronic disbursement. This electronic disbursement system, known as E-Quick Pay, will likely save the Office of Child Support at least $2.2 million a year.

Program 3.02: Support Enforcement Tracking System

Program Description: The Family Support Act of 1988 mandated that each state develop an automated system to manage child support enforcement by October 1, 1995. In Ohio, the automated system is called the Support Enforcement Tracking System (SETS). The system aids in the location of absent parents, and in the establishment and enforcement of child support cases. It is one of the largest statewide child support systems in the nation.

While SETS was being implemented, Ohio failed on several occasions to comply with federally imposed deadlines, and as a result, paid millions of dollars in federal fines. Full conversion of cases to SETS was complete by September 30, 2000, and Ohio received conditional certification from the federal government. The federal government returned in December 2003 to review a few outstanding issues with SETS. The Support Enforcement Tracking System is now fully certified. The Department is continuing to make changes to the system to enhance its usefulness in aiding in the administration of the Child Support program.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted funding level for SETS allows ODJFS to do all of the following:

- Improve and stabilize the flow of information between the child support system and the public assistance system;
- Enhance the delivery of information to the counties via a web-based reporting tool to add additional reporting functionality and financial data to the counties' reporting capabilities;
- Redesign the worker alert subsystem to enhance the information and features it delivers to the case worker;
- Change and enhance how SETS allows case workers to make modifications to financial data;
- Change and enhance how SETS processes court directed historical modifications to orders.

FAMILIES AND CHILDREN

OVERVIEW

The Department of Job and Family Services (ODJFS), Office for Children and Families develops and administers programs and services designed to protect children and vulnerable adults and to preserve and strengthen families. The Department provides funding and support for a number of services, including child abuse prevention, protection, foster care, and adoption. The services are provided directly by the county departments of job and family services and public children services agencies with ODJFS providing program planning, technical assistance, training, and monitoring.

The enacted funding level for the Families and Children program series is approximately $783.3 million in FY 2006 and approximately $783.9 million in FY 2007. This funding level will allow ODJFS to support and, in small part, fund child welfare services and activities provided by the counties. Due to increasing costs and flat funding, by the end of FY 2007, the child welfare dollars provided by the state to the counties will likely represent less than 7% of the statewide costs.

ANALYSIS OF THE ENACTED BUDGET

Program Series 4 **Families and Children**

Purpose: To support activities that assure prevention and protection services for children and adults, foster care services, adoption activities, social services, Family and Children First activities, and the technology that supports these programs.

The following table shows the line items that are used to fund the Families and Children program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-321*	Support Services	$101,822	$101,139
GRF	600-416*	Computer Projects	$2,859,905	$2,896,928
GRF	600-423*	Office of Children and Families	$3,941,306	$3,921,373
GRF	600-523	Children and Families Subsidy	$69,438,543	$69,438,543
GRF	600-528	Adoption Services	$74,030,105	$78,538,615
		General Revenue Fund Subtotal	**$150,371,681**	**$154,896,598**
State Special Revenue Fund				
198	600-647	Children's Trust Fund	$6,788,522	$6,788,522
4E7	600-604	Child and Family Services Collection	$1,237,500	$300,000
4F1	600-609	Foundation Grants/Child & Family Services	$61,420	$61,420
5U6	600-663	Children and Family Support	$4,929,717	$4,929,717
		State Special Revenue Fund Subtotal	**$13,017,159**	**$12,079,659**

Fund	ALI	Title	FY 2006	FY 2007
Federal Special Revenue Fund				
327	600-606	Child Welfare	$33,160,190	$33,090,786
393	600-620*	Social Services Block Grant	$105,853,775	$105,864,985
395	600-616	Special Activities – Child and Family Services	$4,567,112	$4,564,877
398	600-627*	Adoption Maintenance/Administration	$303,912,551	$303,479,020
3D3	600-648	Children's Trust Fund – Federal	$2,040,524	$2,040,524
3G5	600-655*	Interagency Reimbursement	$3,900,000	$4,000,000
3N0	600-628	IV-E Foster Care Maintenance	$153,963,142	$153,963,142
3V6	600-689*	TANF Block Grant	$5,069,389	$5,067,137
3W3	600-659*	TANF/Title XX Transfer	$7,500,000	$4,900,000
		Federal Special Revenue Fund Subtotal	**$619,966,683**	**$616,970,471**
Total Funding: Families and Children			**$783,355,523**	**$783,946,728**

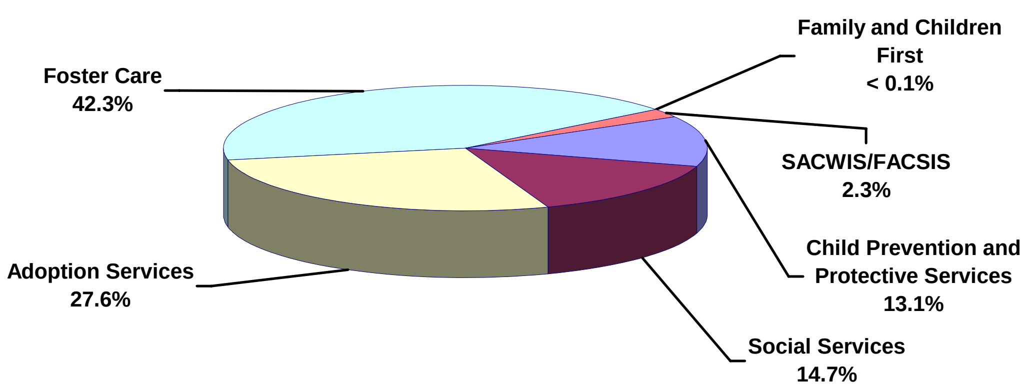
* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the program series:

- ***Child Prevention and Protective Services***
- ***Social Services***
- ***Adoption Services***
- ***Foster Care***
- ***Family and Children First***
- ***SACWIS/FACSIS***

The largest portion (42.3%) of the budget for the Families and Children program series is for the Foster Care program. The next largest portion is for the Adoption Services program, which primarily provides subsidies for families that adopt special needs children.

Total Budget by Program for the Families and Children Program Series
FY 2006 - 2007 Biennium



Program 4.01: Child Prevention and Protective Services

Program Description: The primary goal of this program is to decrease incidences of child abuse and neglect. The program supports child abuse prevention and investigation activities. Specifically, the program supports operating and grant costs of the Ohio Children's Trust Fund, the child welfare operating subsidy provided to the county child welfare agencies, and three federal child abuse grants that the state receives.

Funding Sources: General Revenue Fund, State Special Revenue Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget allows the Children's Trust Fund Board to support child abuse and neglect prevention services at the local level and provide for prevention programs that have statewide significance.

In FYs 2006 and 2007, the child welfare subsidy is funded at the FY 2004 level. This level will erode the subsidy's purchasing power over the course of the biennium as the total cost to provide these services increases. Due to increasing costs and flat funding, by the end of FY 2007, the child welfare subsidy will likely represent less than 7% of the statewide costs for child welfare services.

The enacted budget assumes that the annual award for the three federal child abuse grants will continue to be at the federal fiscal years' 2004-2005 levels. This level of funding will allow for maintenance of current activity levels for the grantees.

Program 4.02: Social Services

Program Description: The Social Services Block Grant (SSBG) is appropriated under Title XX of the Social Security Act. By federal statute, the delivery of SSBG services must be directed toward five goals:

- To prevent, reduce, or eliminate dependence on public assistance;
- To maintain self-sufficiency once it is achieved;
- To prevent or remedy the neglect, abuse, or exploitation of children and vulnerable adults;
- To reduce inappropriate institutionalization by providing community-based care;
- To provide quality institutional care when other forms of care are insufficient.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget assumes that Congress will maintain SSBG funding at the current levels. This should allow SSBG service levels to be generally maintained. The Department expects to receive approximately $48.0 million in SSBG funds in each fiscal year of the upcoming biennium. (The Department of Job and Family Services receives 72.5% of Ohio's SSBG award. The remaining amount is divided between the departments of Mental Health and Mental Retardation and Developmental Disabilities.) The Department may use up to 3% of the SSBG for administration and up to 2% for statewide training. The balance is allocated to the 88 county departments of job and family services.

Beginning in the FY 2004-2005 biennium, state funding specifically for adult protective services was eliminated. In FY 2004, counties spent approximately $15.6 million on adult protective services. During the FY 2006-2007 biennium, counties will have to continue to absorb the cost of adult protective services within their SSBG allocation or, where available, use local levy dollars to provide adult protective services.

Program 4.03: Adoption Services

Program Description: This program supports the state's adoption programs through subsidy payments to families that adopt special needs children, reimbursement for certain out-of-pocket costs incurred by families who adopt special needs children, services to families that have already adopted special needs children, and continued support for outreach and advertising campaigns to promote adoption and recruit adoptive families.

Funding Sources: General Revenue Fund, State Special Revenue Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: Most of ODJFS' function related to adoption is to provide subsidy payments to families that adopt special needs children and to set forth policies and best practices for counties to follow when conducting outreach and advertising campaigns to promote adoption and recruit adoptive families. The state does not provide any funding specifically for adoption activities to the counties. Counties may use state child welfare dollars, Title XX dollars, and various other federal funds to pay for their administrative costs associated with adoption.

The enacted budget will fully fund the anticipated costs for the Title IV-E adoption subsidy and the State Adoption Maintenance subsidy. The Department assumes that for the Title IV-E adoption subsidy there will be 21,738 recipients in FY 2006 and 23,274 recipients in FY 2007. For the State Adoption Maintenance subsidy, there will be approximately 1,400 recipients in each year of the biennium. The enacted budget provides flat funding at the FY 2005 level for the Post Finalization Adoption subsidy and nonrecurring payments. This funding will provide a Post Finalization Adoption subsidy to between 375 and 475 recipients in each year and nonrecurring payments to approximately 2,000 recipients in each year.

Program 4.04: Foster Care

Program Description: This program supports county child welfare costs including the investigation of complaints of child abuse and neglect, placement of children into foster care, training programs for county child welfare workers and foster parents, and the federal and nonfederal share of education and training vouchers available to persons who have "aged out" of the foster care system.

The Department of Job and Family Services is responsible for supervising, prescribing, and proscribing county child welfare practice through the formulation of policy, promulgation of regulations, and the promotion of best practices. The Department also provides support to the counties by providing training programs for county workers and foster parents, information systems, staff who license public and private providers of foster care services, and fiscal mechanisms for properly claiming federal reimbursement for allowable expenses.

Each county is responsible for creating, operating, and financing a child welfare program within the context of state and federal laws, regulations, and policies. State and federal laws require county child welfare agencies to investigate reports of child abuse and neglect, issue a finding concerning an investigation, and if necessary, intervene to protect children who are at risk of maltreatment.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget provides for the cost of foster parent and county staff training. It also provides the match needed for education and training vouchers for persons who have "aged out" of foster care. The enacted budget includes appropriations for the federal share of operating costs related to investigating complaints of child abuse and neglect and the placement of children into foster care.

The Department will continue to operate the ProtectOhio demonstration project (a managed care approach to foster care services). If allowed by the federal government to expand the demonstration, ODJFS will be able to do so within the enacted funding level.

The enacted budget does not include any increase in state aid to counties for their child welfare costs. This will have the affect of shifting a greater portion of the burden to finance child welfare to counties.

Program 4.05: Family and Children First

Program Description: The Family and Children First Cabinet Council coordinates the formulation of family and children services policies among various cabinet departments.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget will fund ODJFS' share of the cost of funding the Family and Children First Cabinet Council. Total funding for this program is passed on to the Ohio Department of Mental Health, which hosts the state level Family and Children First Initiative.

Program 4.06: SACWIS/FACSIS

Program Description: The Family and Children Services Information System (FACSIS) maintains the statewide registry of child abuse and neglect reports, and investigation outcomes. The system allows county child welfare agencies to identify prior abuse and neglect incidents involving the alleged child victim or alleged perpetrator. It is primarily a data repository of basic information. It tracks decisions at key points within casework activity such as assessment findings, court findings, custody and placement status, and eligibility for Title IV-E.

According to ODJFS, FACSIS is outdated and inflexible. State and county efforts continue to work toward replacing the system with the Statewide Automated Child Welfare Information System (SACWIS). The system is designed to meet all federal and state-mandated child welfare reporting requirements; improve access to case and client information for intake, investigations, child protective and foster care services; and provide accountability for fiscal and service delivery. The Department began work on SACWIS during FY 2004.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow ODJFS to maintain current service levels to counties through FACSIS. The enacted budget will also allow ODJFS to finish development of SACWIS and begin implementation in the counties.

HEALTH CARE (MEDICAID)

OVERVIEW

Medicaid, the largest health program in Ohio, was created by the Social Security Act as Title XIX, and became law in 1965. Medicaid is an entitlement program and is a state-federal partnership that jointly funds the provision of adequate medical care to eligible needy persons. In this partnership, the federal government establishes broad national guidelines. Each state determines its own eligibility requirements and scope of services, sets its own payment rates, and administers its own program.

The State Children's Health Insurance Program (SCHIP) provides health care coverage to children who were not previously eligible for Medicaid and whose family income is below 200% of the federal poverty guideline (FPG). Through the Hospital Care Assurance Program (HCAP), hospitals are reimbursed for some of their costs of providing medical care to persons below 100% of FPG. Disability Medical Assistance (DMA) is a state-funded program that provides limited medical coverage to persons who are not eligible for a federally funded program.

Medicaid and SCHIP provide health care coverage to the following four distinct insurance markets: children in families with incomes at or below 200% of FPG; pregnant women with incomes at or below 150% of FPG; parents at or below 100% of the FPG; and low-income elderly and persons with disabilities of all ages, commonly referred to as Aged, Blind, and Disabled (ABD). Even though Medicare provides coverage for most of Ohio's elderly population, many of these individuals are "dually eligible." Medicaid supplements their Medicare benefits by providing coverage for services such as prescription medications and long-term care through the Medicaid program. Medicaid also provides assistance with Medicare premiums, copayments, and deductibles to certain low-income seniors.

Although other state agencies provide Medicaid services, the vast majority of Medicaid spending occurs within the ODJFS budget. Recognized by the federal government as Ohio's single Medicaid agency, ODJFS provides long-term care and basic medical services with state and federal moneys through General Revenue Fund (GRF) appropriation item 600-525, Health Care/Medicaid. Beginning in FY 2003, the 600-525 appropriation item is not only used to fund Medicaid, but also SCHIP, and DMA.[14] In addition to the GRF, several provider tax programs and other special revenues are used to pay for Medicaid services.[15]

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[14] Prior to FY 2003, spending for part II of SCHIP was funded through appropriation item 600-426, Children's Health Insurance Program, and spending for Disability Medical Assistance was funded through appropriation item 600-511, Disability Assistance/Other Assistance.

[15] Provider tax programs refer to assessments on hospitals, as well as bed taxes on nursing facilities and intermediate care facilities for the mentally retarded. These programs serve as a mechanism by which to draw additional federal matching funds.

The federal financial share of Ohio's Medicaid program changes every federal fiscal year. In accordance with federal law, the federal government shares in the states' cost of Medicaid at a matching rate known as the Federal Medical Assistance Percentage (FMAP). The general description of how this cost-sharing mechanism works has traditionally been as follows: for every one dollar Ohio spends on Medicaid, the federal government gives Ohio 59 cents. However, while the majority of the spending in appropriation item 600-525, Health Care/Medicaid, is reimbursed at the FMAP, a few items, primarily contracts, are reimbursed at 50%, and all family planning services are reimbursed at 90%. In addition, about 15% of Medicare buy-in premiums receive no federal reimbursement. Lastly, the State Children's Health Insurance Plan (SCHIP) is reimbursed at an enhanced FMAP of about 71%.

Summary of FY 2006-2007 Biennium Budget

The enacted budget provides $9.36 billion for appropriation item 600-525, Health Care/Medicaid (a 0.9% decrease from FY 2005 estimated spending levels), and $9.53 billion in FY 2007 (1.7% above the FY 2006 appropriation). The enacted budget also establishes a new appropriation item 600-526 to make "clawback" payments to the federal government for Medicare Part D. The appropriations are $155.3 million for FY 2006 and $339.6 million for FY 2007.

The enacted budget provides $51.3 million in FY 2006 for appropriation item 600-425, Office of Health Plans (a 41.0% increase from FY 2005 estimated spending levels), and $49.9 million in FY 2007 (2.9% below the FY 2006 appropriation) to support a variety of system and administration changes related to Medicaid.

The enacted budget makes many changes to the Medicaid program. The following table, compiled by ODJFS, shows a summary of the changes and the Executive's estimated fiscal impact. For a detailed description of each of the policy changes, please refer to the relevant topic in the Health Care (Medicaid) section of the Final Analysis.

Other special revenues include funds for the Disproportionate Share Hospital (DSH) offset and drug rebates.

	SFY06		SFY07	
	All Funds	**State**	**All Funds**	**State**
Baseline Subsidy Estimate (All Funds)	**$11,861,998,756**	**$4,789,043,681**	**$12,968,760,582**	**$5,230,049,432**
Non GRF Funding	($1,234,845,720)	($496,180,046)	($1,256,919,421)	($504,967,672)
SFY05 Encumbrance	($121,196,145)	($48,963,243)	$0	$0
Inpatient Hospital Recalibration	($65,664,787)	($26,344,713)	($170,245,917)	($68,302,662)
Subtotal: Baseline 525 Prior to Part D	$10,440,292,104	$4,217,555,680	$11,541,595,244	$4,656,779,098
Part D Impact 525	($428,360,269)	($171,858,140)	($707,631,385)	($283,901,712)
GRF 525 Baseline	**$10,011,931,835**	**$4,045,697,540**	**$10,833,963,859**	**$4,372,877,386**
Assumption Changes				
Active Treatment	$69,543,240	$27,900,748	$71,787,630	$28,801,197
Change FFY07 FMAP assumption to FFIS Estimate	$0	$0	$0	$54,763,132
Subtotal Assumption Changes	$69,543,240	$27,900,748	$71,787,630	$83,564,329
As Introduced (Executive Budget)				
Residual DMA Revenues re-spent for Medicaid Services (Oct '05)	($33,036,767)	($13,254,351)	($9,970,090)	($4,000,000)
Levy Fee on Managed Care Plans [net of capitation inc for business expense] (4.5%)	($8,903,902)	($3,572,246)	($143,714,545)	($57,658,275)
Supplemental rebates for behavioral health prescription drugs (Jan 06) (8% of MH Rx spend)	$0	$0	($29,633,270)	($11,888,868)
Expand ECM (expand current program in July '07)	$6,446,398	$2,586,295	($6,359,288)	($2,551,346)
Eliminate Adult Dental (Jan '06)	($43,006,667)	($17,254,275)	($99,179,398)	($39,790,774)
Eliminate Adult Vision (Jan '06)	($6,222,525)	($2,496,477)	($15,372,162)	($6,167,311)
Add $1 & $2 Co-Pays for Preferred Drugs [adjusted for Drug Part D] (Jan06)	($10,562,554)	($4,237,697)	($26,366,814)	($10,578,366)
Pharmacy Tablet Splitting	($9,888,728)	($3,967,358)	($11,571,061)	($4,642,310)
Home Care Reform (July 05)	($8,000,000)	($3,209,600)	($8,000,000)	($3,209,600)
Success Project (underway)	($245,000)	($98,294)	($491,000)	($196,989)
PACE to AGE (July '05)	($21,967,096)	($8,813,199)	($25,677,675)	($10,301,883)
Assisted Living Waiver (cost shift to AGE for 1800 people) [KF's est.] (July '06)	$0	$0	$0	$0
Expanded managed care strategy(reflects cost of claims lag, savings) (Jul05) (4% disc)	$69,812,561	$28,008,800	$139,917,232	$56,134,793
Reduce NF Rates by -3% in FY06, flat in FY07 (August '05 & '06)	($528,058,993)	($211,857,268)	($725,607,476)	($291,113,719)
Hold ICF/MR Rates flat in FY06 and FY07 (August '05 & '06)	($37,377,156)	($14,995,715)	($58,078,310)	($23,301,018)
Hold Hosp Inpatient Rates flat in FY06 and FY07 (Jan '06 & '07)	($20,758,420)	($8,328,278)	($76,036,492)	($30,505,841)
Change Hosp Inpatient Crossover Payments (Oct '05)	($22,500,000)	($9,027,000)	($30,000,000)	($12,036,000)
Change NF Crossover Payments (Aug '05)	($28,300,557)	($11,354,183)	($44,844,445)	($17,991,591)
Rx Tradename paid at WAC + 7% [adjusted for Part D] (Oct '05)	($15,500,983)	($6,218,994)	($25,048,039)	($10,049,273)
Eliminate DA Medical [15,000 adults < 33% FPL] (Oct '05)	($58,589,470)	($58,589,470)	($81,464,893)	($81,464,893)
Change FPL standard to 90% for HF Parent Expansion [25,000 will lose coverage] (Jan '06)	($8,385,840)	($3,364,399)	($81,302,520)	($32,618,571)
Subtotal As Introduced (Executive Budget)	($785,045,699)	($350,043,709)	($1,358,800,246)	($593,931,837)
House Budget Changes to Executive Budget				
Partial Dental Restoration	$24,901,269	$9,990,389	$57,409,288	$23,032,606
Vision Restoration	$6,501,796	$2,608,521	$15,456,861	$6,201,293
Assisted Living Waiver	$0	$0	($7,477,567)	($3,000,000)
Copay On All Services	($8,803,422)	($3,531,933)	($22,854,809)	($9,169,349)
Pharmacy E.D.	$0	$0	$0	$0
Daily Update to Pharmacy Prices (Numbers reflect weekly update)	$2,500,000	$1,003,000	$2,500,000	$1,003,000
Hold NF Rates Flat	$89,442,859	$35,884,475	$98,739,801	$39,614,408
Quarterly FF Reimbursement	$7,700,000	$3,089,240	$0	$0
Increase NF FF by $1.95	($80,913,449)	($32,462,476)	($121,672,599)	($48,815,047)
Surety Bonds	$200,000	$80,240	$280,000	$112,336
Chronically Ill Child Pilot		$0	$3,000,000	$1,203,600
Removal of ECM	($6,446,398)	($2,586,295)	$6,359,288	$2,551,346
House Subtotal	$35,082,655	$14,075,161	$31,740,263	$12,734,194
Senate Budget Changes to House Bill				
Quarterly FF Reimbursement Eliminated	($7,700,000)	($3,089,240)	$0	$0
Copay On Optional Services Only (Modification of House Proposal)	$7,923,080	$3,178,740	$20,569,328	$8,252,414
MCP Synagis	$3,000,000	$1,203,600	$6,000,000	$2,407,200
Surety Bond Increase	$400,000	$160,480	$560,000	$224,672
Elimination of Copay on Generic Drugs (Modification of Executive Proposal)	$7,567,546	$4,237,697	$16,509,629	$10,578,366
Transfers to ODA For Passport	$14,955,135	$6,000,000	$22,432,702	$9,000,000
Restoration of ECM	$6,300,956	$2,527,944	($6,215,812)	($2,493,784)
Senate Subtotal	$32,446,716	$14,219,220	$59,855,847	$27,968,868
Total Cost Containment/Assumption Change Impact 525	($647,973,088)	($293,848,580)	($1,195,416,506)	($469,664,445)
GRF 525 Estimated Total	**$9,363,958,747**	**$3,751,848,959**	**$9,638,547,353**	**$3,903,212,941**
Enacted Budget	**$9,363,958,747**	**$3,751,848,959**	**$9,527,633,251**	**$3,795,940,675**

ANALYSIS OF THE ENACTED BUDGET

Program Series 5 **Health Care (Medicaid)**

Purpose: To support several state and federally funded health care programs including: Medicaid, the State Children's Health Insurance Program (SCHIP), the Hospital Care Assurance Program (HCAP), the state Disability Medical Assistance (DMA) program, and Ohio's Best Rx program, and support the administration and technology that support these health care programs.

Funding Source and Line Items: The following table shows the line items that are used to fund the Health Care (Medicaid) program series, as well as the funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-425	Office of Ohio Health Plans	$51,343,175	$49,865,282
GRF	600-513	Disability Medical Assistance	$19,500,000	$25,500,000
GRF	600-525	Health Care/Medicaid	$9,363,958,747	$9,527,633,251
GRF	600-526	Medicare Part D	$155,349,266	$339,578,325
GRF	600-416*	Computer Projects	$27,479,708	$34,212,631
		General Revenue Fund Subtotal	**$9,617,630,896**	**$9,976,789,489**
Federal Special Revenue Fund				
3F0	600-623*	Health Care Federal	$614,760,825	$770,583,827
3F0	600-650	Hospital Care Assurance Match	$343,239,047	$343,239,047
3BB	600-635	Children's Hospitals - Federal	$9,000,000	$9,000,000
3G5	600-655*	Interagency Reimbursement	$1,360,902,369	$1,422,954,440
		Federal Special Revenue Fund Subtotal	**$2,327,902,241**	**$2,545,777,314**
State Special Revenue Fund				
4E3	600-605	Nursing Home Assessments	$4,759,914	$4,759,914
5P5	600-613*	Nursing Facility Bed Assessment	$33,663,665	$33,630,479
4J5	600-618	Residential State Supplement Payment	$15,700,000	$15,700,000
4K1	600-621	ICF/MR Bed Assessments	$20,074,255	$20,064,131
4Z1	600-625	Healthcare Compliance	$10,000,000	$10,000,000
5BG	600-653	Managed Care Assessment	$18,795,483	$99,410,121
5P5	600-692	Health Care Services	$828,587,776	$538,301,761
5Q9	600-619	Supplemental Inpatient Hosp Payments	$56,125,998	$56,125,998
5R2	600-608	Medicaid-Nursing Facilities	$160,192,055	$176,632,090
5S3	600-629	MR/DD Medicaid Administration & Oversight	$1,620,960	$1,620,960
5CR	600-636	Children's Hospitals - State	$6,000,000	$6,000,000
5U3	600-654*	Health Care Services Administration	$9,759,194	$15,106,363
651	600-649	Hospital Care Assurance Program	$231,893,404	$231,893,404
5AA	600-673	Ohio's Best Rx Administration	$5,000,000	$5,000,000
		State Special Revenue Fund Subtotal	**$1,402,172,704**	**$1,214,245,221**

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
5C9	600-671	Medicaid Program Support	$73,015,021	$63,947,536
		General Services Fund Subtotal	**$73,015,021**	**$63,947,536**
Total Funding: Health Care			**$13,420,720,862**	**$13,800,759,560**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

The final analysis focuses on the following subjects of interest within the Health Care (Medicaid) program series:

- ***Medicare Part D***
- ***Eliminating the Parent Expansion***
- ***ABD Medicaid Eligibility***
- ***Medicaid Look-Back Period***
- ***Medicaid Eligibility Fraud***
- ***Community-Based Providers***
- ***Medicaid Copayment***
- ***Medicaid Optional Services***
- ***Inpatient Hospitals***
- ***Medicaid Prescription Drug Services***
- ***Medicaid Managed Care***
- ***Enhanced Care Management (ECM)***
- ***Nursing Facilities (NFs)***
- ***Intermediate Care Facilities for the Mentally Retarded (ICFs/MR)***
- ***Medicaid Estate Recovery Program***
- ***Assisted Living Medicaid Waiver***
- ***Medicaid Voucher Pilot Program***
- ***Transfer of Funds to the Department of Aging***
- ***Ohio Home Care Program***
- ***Waivers for Autism or Developmental Delays or Disabilities***
- ***Disability Medical Assistance (DMA) Program***
- ***Ohio Access Success Project***
- ***Program of All-Inclusive Care for the Elderly (PACE)***
- ***Hospital Care Assurance Program (HCAP)***
- ***Institutions for Mental Disease/Disproportionate Share Hospitals (IMD/DSH)***
- ***Program Integrity***
- ***Single Audit of Medicaid During FYs 2006 and 2007***
- ***Medicaid Administrative Study Council***
- ***Joint Legislative Committee on Medicaid Technology and Reform***
- ***Client Registry Information System Enhanced (CRIS-E)***
- ***Medicaid Management Information System (MMIS)/Health Information Portability and Accountability Act (HIPAA)***
- ***Medicaid Data Warehouse System***
- ***Ohio's Best Rx Program***

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA): The MMA establishes "Part D" in Medicare that gives people access to a private Medicare prescription drug plan. The MMA requires state Medicaid programs to determine eligibility for new groups of low-income Medicare beneficiaries, and to contribute to the cost of federal prescription drug coverage for dual eligibles.

The mechanism through which the states will help finance the new Medicare drug benefit is popularly known as the "clawback" (the statutory term is "phased-down State contribution"). In brief, the clawback is a monthly payment made by each state to the federal Medicare program beginning in January 2006. The amount of each state's payment roughly reflects the expenditures of its own funds that the state would make if it continued to pay for outpatient prescription drugs through Medicaid on behalf of dual eligibles.[16]

Currently, outpatient prescription drug coverage is provided to dual eligibles through Medicaid; in Ohio, the federal government pays its financial share of about 59% (the FMAP), and the state pays the remaining 41% of the cost of this coverage. Approximately 180,000 low-income Medicare beneficiaries were enrolled in Medicaid in 2002 in Ohio for full coverage, including nursing home care and outpatient prescription drugs. Ohio spent approximately $500 million all funds ($204 million state share) on prescription drug coverage for dual eligibles in 2002. The $500 million represented more than 5% of total Medicaid spending and more than 40% of total Medicaid spending for drugs.[17] The actual clawback will be calculated using CY 2003 expenditures, inflated to 2006. States are required to pay the federal government 90% of their estimated state shares in 2006; over the following nine years, this proportion is reduced to 75%. Thereafter, the proportion remains at 75%.

The budget act permits the Director of ODJFS to (1) adopt rules, (2) assign duties to county departments of job and family services, and (3) make payments to the United States Department of Health and Human Services, as necessary for the Department to fulfill its duties under the MMA.

Impact on Appropriation Items: The enacted budget allows accounting changes to reflect the impact of Medicare Part D as follows.

- Prescription drug expenditures for dual-eligible individuals will no longer be paid out of GRF appropriation item 600-525, Health Care/Medicaid.
- A new GRF appropriation item, 600-526, Medicare Part D, will be used to make the clawback payment to the federal government.
- Since the federal government will be paying the drug costs for dual-eligible individuals, the federal reimbursement will no longer flow through the state's budget lowering the federal share of appropriation item 600-525, Heath Care/Medicaid.
- The state will not receive the drug rebates for dual eligibles, lowering the revenue in State Special Revenue Fund appropriation item 600-692, Health Care Services. There is no impact in FY 2006 because rebates are received two quarters after payment and Medicare Part D does not take effect until the third quarter of FY 2006.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of $155.3 million in FY 2006 and $340.0 million in FY 2007 for the clawback payment (state share only). The enacted budget also assumes the Executive's estimate of spending reduction on appropriation item

[16] "The 'Clawback:' State Financing of Medicare Drug Coverage," Andy Schneider, June 2004, The Henry J. Kaiser Family Foundation.

[17] These figures and percentages are computed based on data from (1) "The 'Clawback:' State Financing of Medicare Drug Coverage," Andy Schneider, June 2004, The Henry J. Kaiser Family Foundation, (2) the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS-64), Centers for Medicare and Medicaid Services, and (3) the Ohio Department of Job and Family Services' forecast document.

600-525, totaling $428.4 million all funds ($171.9 million state share) in FY 2006 and $707.6 million all funds ($283.9 million state share) in FY 2007 as a result of the Medicaid Part D impact and the new appropriation item.

Eliminating the Parent Expansion

In July 2000, income eligibility for parents was increased from between 70% and 90% FPG to 100% FPG.

Implication of the Enacted Budget: The budget act requires ODJFS to seek federal approval to reduce to 90% of the FPG the family income the parent of a child under age 19 may have and remain eligible for Medicaid.

It is estimated that approximately 25,000 parents are expected to lose coverage; however, in accordance with federal requirements, many of these Medicaid recipients will be eligible for Transitional Medicaid for a six-month period, and some could be eligible for another six-month period beyond that.

The enacted budget assumes the Executive's estimate of savings of $8.4 million all funds ($3.4 million state share) in FY 2006 and $81.3 million all funds ($32.6 million state share) in FY 2007 as a result of the reduction.

ABD Medicaid Eligibility

The budget act places in the Revised Code the administrative rule that specifies when a home becomes a countable resource for purposes of determining an aged, blind, or disabled individual's eligibility for Medicaid when the individual is institutionalized, but modifies it by extending from 6 months to 13 months the period of time during which the home is not a countable resource.

Implication of the Enacted Budget: Under this policy, residents' real properties are to be exempted as resources for a longer period of time when determining eligibility. The state could incur an increase in Medicaid costs if some individuals are determined eligible for Medicaid for an additional seven months and the state is unable to eventually recover some of those costs from the sale of the property. The enacted budget assumes no fiscal impact in the current biennium as a result of this policy.

Medicaid Look-Back Period

The budget act requires that ODJFS apply for a federal Medicaid waiver to expand to five years the look-back period for determining whether any assets, not just assets in a trust, have been transferred for less than fair market value.

Implication of the Enacted Budget: By extending the look-back period and broadening the assets that are to be examined, fewer individuals may be determined to be eligible for Medicaid or their eligibility may be delayed. If this occurs, then Medicaid cost savings could be realized. However, the enacted budget assumes no fiscal impact as a result of this policy.

Medicaid Eligibility Fraud

The budget act creates the offense of Medicaid eligibility fraud, prohibits making false or misleading statements, concealing an interest in property, or failing to disclose certain transfers of property in an application for Medicaid benefits or in a document that requires a disclosure of assets for the purpose of determining eligibility to receive Medicaid benefits. The budget act also authorizes the Attorney General and the prosecuting attorney to bring a civil action for the recovery of Medicaid benefits improperly paid as a result of Medicaid eligibility fraud.

Implication of the Enacted Budget: The enacted budget assumes no fiscal impact as a result of this policy. However, ODJFS could recoup some money through these civil actions, the magnitude of which is unknown at this time.

Medicaid Copayment

The budget act requires that ODJFS establish copayments for dental, vision, nonemergency emergency department services, and prescription drugs other than generic drugs, to the extent permitted by federal law. The budget act also provides that under the Medicaid copayment program, a provider whose routine business practice is to refuse service to an individual who has an outstanding debt may consider an unpaid copayment an outstanding debt. The provider may refuse service if a Medicaid recipient owes the provider an outstanding debt.

Implication of the Enacted Budget: The Executive estimates that the state could generate revenue totaling approximately $0.9 million all funds ($0.3 million state share) in FY 2006 and $2.3 million all funds ($0.9 million state share) in FY 2007 from the copayment on optional services.

Community-Based Providers

Many community-based Medicaid providers experienced no rate increase in the FY 2004-2005 biennium. The enacted budget allows that reimbursement rates for Medicaid providers would be held to no increase for FYs 2006 and 2007, except for a select number of provider types who may receive annual increases in accordance with federal policy mandates or contracts negotiated through non-ODJFS administrative systems.

The reimbursement rates for community-based providers are adjusted through administrative rules; no statutory change is necessary.

Medicaid Optional Services

H.B. 95 of the 125th General Assembly (the FY 2004-2005 biennial budget act) eliminated two optional services for adults: chiropractic care and psychologist services, effective January 1, 2004.

The enacted budget requires that the Medicaid program continue to cover adult dental services. However, the enacted budget, by allowing ODJFS to adopt, amend, or rescind rules applicable to dental coverage, provides only half funding for adult dental care.

The enacted budget also requires that the Medicaid program continue to cover adult vision services. However, the enacted budget explicitly states that the act does not limit ODJFS' ability to adopt, amend, or rescind rules applicable to vision coverage, including rules that limit or reduce services, reduce reimbursement levels, or subject covered services to copayments. The enacted budget does provide full funding for vision services.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings of approximately $18.1 million all funds ($7.3 million state share) in FY 2006 and $41.8 million all funds ($16.8 million state share) in FY 2007 for half-funding dental care. The enacted budget also assumes the Executive's estimate of spending for the adult vision services of $6.5 million all funds ($2.6 million state share) in FY 2006 and $15.5 million all funds ($6.2 million state share) in FY 2007.

Inpatient Hospitals

Inpatient Hospital Recalibration

The budget act allows ODJFS to update and provide a more current weighting of the relative weights for Diagnostic Related Groups used in the prospective payment system for hospital services, and to require annual recalibration updates thereafter.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of a decrease in reimbursement for hospital services totaling approximately $65.7 million all funds ($26.3 million state share) in FY 2006 and $170.2 million all funds ($68.3 million state share) in FY 2007 as a result of a recalibration.

Freezing Inpatient Hospital Reimbursement Rates

H.B. 95 of the 125th General Assembly allowed no increase in rates for inpatient hospital services provided by general hospitals until January 2005. However, the bill required ODJFS to pay each children's hospital participating in the Medicaid program an inflation adjustment.

The budget act allows freezing inpatient hospital reimbursement rates in FYs 2006 and 2007 at the FY 2005 level.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $20.8 million all funds ($8.3 million state share) in FY 2006 and $76.0 million all funds ($30.5 million state share) in FY 2007 for holding hospital rates flat.

No Exceeding the Medicaid Maximum Reimbursement Level

The enacted budget allows ODJFS to ensure that inpatient hospital crossover payments for dual-eligible individuals, those who qualify for both Medicare and Medicaid, do not exceed the Medicaid maximum reimbursement level. The Medicaid maximum is a rate set by ODJFS. It is the amount that state Medicaid would pay a given facility for a given service.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $22.5 million all funds ($9.0 million state share) in FY 2006 and $30.0 million all funds ($12.0 million state share) in FY 2007 as a result of changes in inpatient hospital crossover payments.

Supplemental Medicaid Payment Program for Children's Hospitals

The budget act requires that ODJFS implement, if federally approved, a program for making supplemental Medicaid payments to children's hospitals for qualifying inpatient services occurring in FYs 2006 and 2007. The amount used for the program cannot exceed $6.0 million (state share) plus the corresponding federal match, if available.

Implication of the Enacted Budget: The enacted budget establishes two new appropriation items: 600-635, Children's Hospitals – Federal, and 600-636, Children's Hospitals – State, to be used by the Department to make supplemental Medicaid payments to children's hospitals for inpatient services. The enacted budget provides $6.0 million in both FY 2006 and FY 2007 for appropriation item 600-636, Children's Hospitals – State, and $9.0 million in both FY 2006 and FY 2007 for appropriation item 600-635, Children's Hospitals – Federal.

The enacted budget also requires the Director of OBM to transfer from the Tobacco Master Settlement Agreement Fund (Fund 087) $6,000,000 cash in both FY 2006 and FY 2007 to the Children's Hospitals Fund (Fund 5CR in ODJFS) to fund the state share of the supplemental payments.

Medicaid Prescription Drug Services

Prescription Drug Reimbursement Rates

Medicaid presently pays 9% above the wholesale acquisition cost (WAC) for brand name drugs. The enacted budget includes a 2% reduction in FYs 2006 and 2007 to 7% above the WAC.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimates of savings of approximately $15.5 million all funds ($6.2 million state share) in FY 2006 and $25.0 million all funds ($10.0 million state share) in FY 2007 as a result of a reduction to WAC plus 7%.

Pharmacy Tablet Splitting

Effective October 1, 2004, ODJFS implemented "Pharmacy Tablet Splitting" under its Medicaid prescription drug program. ODJFS requires that Lexapro 10 mg, Paxil 20 mg, and Zoloft 50 mg tablets be unavailable without prior authorization. For these drugs, the prescriber must direct the patient to take one-half tablet of the higher strength. Prescribers and pharmacies are encouraged to educate patients on the proper technique to split tablets. Prior authorization for the restricted strengths is available for patients unable to split tablets due to physical or other limitations, or for patients requiring complicated dosing regimens during dose titration.

The enacted budget continues mandating tablet splitting for prescriptions for Zoloft 100 mg, Lexapro 20 mg, Paxil 40 mg, and Paroxetine (generic Paxil) 40 mg. The state is charged the same amount for a 100 mg or 50 mg dose. Therefore, the prescription can be filled with half as many 100 mg doses and then split and taken in 50 mg doses, cutting the cost in half.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimates of savings of approximately $10.0 million all funds ($4.0 million state share) in FY 2006 and $11.6 million all funds ($4.6 million state share) in FY 2007 by tablet splitting.

Supplemental Drug Rebates and Preferred Drug List (PDL)

S.B. 261 of 124th General Assembly authorized ODJFS to establish a supplemental drug rebate program under which drug manufacturers may be required to provide a supplemental rebate to the state as a condition of having their products covered by Medicaid without prior approval. H.B. 95 of the 125th General Assembly continued this provision of the law and allowed the full implementation of the supplemental rebate program and a PDL.

The enacted budget eliminates a requirement that any drug product used to treat mental illness or HIV or AIDS be exempted from the supplemental drug rebate program. The enacted budget also authorizes ODJFS to receive a supplemental rebate in a provider's primary place of business.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of additional drug rebate revenue totaling approximately $29.6 million all funds ($11.9 million state share) in FY 2007 as a result of eliminating the exemption.

Copayments for Drugs on the PDL

H.B. 95 of the 125th General Assembly allowed ODJFS to establish copayments for prescription drugs that are not included on the PDL. Beginning January 1, 2004, certain Medicaid consumers are charged copayments for prescription drugs that are not found on the PDL. These copayments are sought only from those recipients who are eligible for cost sharing under federal requirements. Services for children and those related to pregnancy are federally exempt from copayments, as are services for adults who reside in institutional settings. ODJFS does not actually collect the copayments. Instead the pharmacist's reimbursement is reduced by the amount of the copayments. The enacted budget allows copayments only on brand name drugs.

Implication of the Enacted Budget: The Executive estimates that the state could generate revenue totaling approximately $3.0 million all funds ($1.2 million state share) in FY 2006 and $9.9 million all funds ($4.0 million state share) in FY 2007 from the copayment of generic drugs.

Multiple-State Drug Purchasing

The budget act authorizes ODJFS to enter into an agreement with other states for multiple-state prescription drug purchasing to receive discounts or rebates from manufacturers.

Implication of the Enacted Budget: This policy could save the state money. However, the impact cannot be estimated at this time because the savings would be affected by unknown factors (e.g., which states Ohio would pool with, the impact of Medicare Part D). The enacted budget assumes no fiscal impact as a result of this policy.

State Maximum Allowable Cost Program for Medicaid Drug Reimbursement

The budget act requires ODJFS to establish a State Maximum Allowable Cost program for purposes of managing reimbursement for certain prescription drugs available under Medicaid. ODJFS must do all of the following with respect to the program:

- Identify and create a list of prescription drugs to be included in the program;
- Update the list of prescription drugs described above on a weekly basis;

- Review the state maximum allowable cost for each drug included on the list on a weekly basis.

Implication of the Enacted Budget: ODJFS currently updates the price of prescription drugs monthly. The Executive estimates that the weekly update to pharmacy prices will cost the state $2.5 million all funds ($1.0 million state share) in both FY 2006 and FY 2007. The enacted budget has assumed these costs.

Medicaid E-Prescribing

The budget act authorizes ODJFS to establish an e-prescribing system for the Medicaid program. Under the e-prescribing system, certain Medicaid providers must use an electronic system when prescribing a drug for a Medicaid recipient.

Implication of the Enacted Budget: The Department would incur costs developing an e-prescribing system, a portion of which may be reimbursed by the federal government. The enacted budget assumes no fiscal impact as a result of this policy.

Prohibition on Reimbursement for Erectile Dysfunction Drugs

The budget act prohibits the Medicaid program from providing reimbursement for prescription drugs for treatment for erectile dysfunction.

Implication of the Enacted Budget: This policy could reduce Medicaid prescription drug costs. The enacted budget assumes no fiscal impact as a result of this policy.

Medicaid Managed Care

Ohio Medicaid has incorporated the use of managed care since 1978. Although Ohio has contracted with managed care plans since the late 1970s to provide care for certain Medicaid eligibles, the use of capitated rates was not given major emphasis in Ohio's program until the state received an 1115 demonstration waiver in January 1995. As one initiative of the federally approved OhioCare proposal, the state was given the freedom to require mandatory managed care enrollment by Covered Families and Children (CFC) Medicaid eligibles.

Managed care offers an opportunity to assure access to a primary care provider. Primary care services include prescription drugs, inpatient hospital services, outpatient hospital services, and physician services. Ohio Medicaid Managed Care Plans (MCPs) cover Medicaid recipients in the CFC category. The Department of Job and Family Services currently contracts with 6 MCPs that serve 15 Ohio counties. MCP membership is mandatory for the CFC population in 4 counties (Cuyahoga, Stark, Lucas, and Summit) and optional in the other 11 (Butler, Clark, Franklin, Greene, Hamilton, Lorain, Montgomery, Pickaway, Warren, and Wood). In FY 2004, Medicaid provided health care coverage to approximately 500,000 Ohioans per month through managed care.

The Medicaid managed care program has three different enrollment categories: mandatory, voluntary, and preferred option. In FY 2001, the state introduced Preferred Option. Under Preferred Option, recipients are automatically enrolled in managed care if they fail to select the traditional fee-for-service option.

Care Management Annual Report

The budget act requires ODJFS to prepare an annual report on the care management system. Each annual report must be submitted to the General Assembly, with the first report due by October 1, 2007.

Implication of the Enacted Budget: The Department will likely incur some minimal costs preparing and distributing the report, beginning in FY 2008 and annually thereafter.

Mandatory Managed Care for Covered Families and Children

The budget act requires the care management system to be implemented in all counties and requires ODJFS to designate the CFC population for participation. ODJFS must designate the participants not later than January 1, 2006. Not later than December 31, 2006, ODJFS must ensure that all designated participants are enrolled in Medicaid-contracting health insuring corporations.

Implication of the Enacted Budget: The Executive expects to enroll 190,000 CFC in managed care in FY 2006 and an additional 500,000 in FY 2007. The enacted budget assumes the Executive's estimate of spending for the statewide expansion totaling approximately $69.8 million all funds ($28.0 million state share) in FY 2006 and $139.9 million all funds ($56.1 million state share) in FY 2007.

Medicaid Managed Care Franchise Permit Fee

The budget act requires each Medicaid health insuring corporation to pay a franchise permit fee for each calendar quarter occurring between January 1, 2006, and June 30, 2007 to help offset the statewide CFC managed care expansion. The fee is 4.5% of the managed care premiums the health insuring corporation receives in the applicable calendar quarter, unless (1) ODJFS adopts rules decreasing the percentage or increasing it to not more than 6%, or (2) the fee is reduced or terminated to comply with federal law or because the fee does not qualify for matching federal funds.

The money collected from the franchise permit fee is to be credited to the Managed Care Assessment Fund, and is to be used to pay for Medicaid services, administrative costs, and contracts with Medicaid health insuring corporations.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of the revenue through the managed care franchise permit fees totaling approximately $8.9 million all funds ($3.6 million state share) in FY 2006 and $143.7 million all funds ($57.7 million state share) in FY 2007.

Performance Bonds for Medicaid Health Insuring Corporations

The budget act requires each Medicaid health insuring corporation to post a performance bond in the amount of $3.0 million with the Superintendent of Insurance. The company may deposit securities worth an equivalent value with the Superintendent in lieu of posting a bond, with any interest on the securities paid to the company. The bond or securities must be payable to the Department of Insurance in the event that the health insuring corporation is placed in rehabilitation or liquidation. The Department is required to use the proceeds of any such payment to reimburse the company's creditors.

Implication of the Enacted Budget: The enacted budget assumes $0.6 million all funds ($0.2 million state share) in FY 2006 and $0.8 million all funds ($0.3 million state share) in FY 2007 for the performance bonds.

Care Management Reimbursement Rates for Noncontracting Hospitals

The budget act requires a hospital participating in the Medicaid program but not under contract with a Medicaid managed care organization to provide services to a care management system participant and requires the noncontracting hospital to accept from the organization, as payment in full, the amount derived from using Medicaid's fee-for-services reimbursement rate. An exception to the required acceptance of this "fee-for-service" reimbursement rate applies to a hospital, if all of the following are the case the hospital: (1) is located in a county in which Medicaid recipients are required to be enrolled in a health insuring corporation before January 1, 2006, (2) has entered into a contract before January 1, 2006, with at least one Medicaid health insuring corporation, and (3) remains under contract with at least one Medicaid health insuring corporation.

Implication of the Enacted Budget: This policy does not have direct fiscal impact on the state.

Behavioral Health Services

The budget act specifies that alcohol, drug addiction, and mental health services covered by Medicaid cannot be included in any component of the care management system when the nonfederal share of the cost is provided by a board of alcohol, drug addiction, and mental health services or a state agency other than ODJFS. The recipients of the services, however, may be designated as participants in the system for purposes of obtaining other Medicaid covered services.

Implication of the Enacted Budget: This policy would likely have no fiscal effect because it would not change how these services are currently provided.

Medicaid Payments for Graduate Medical Education (GME) Costs

The budget act, with certain exceptions, allows ODJFS not to make a Medicaid payment to a hospital for GME costs if the hospital refuses without good cause to contract with a managed care organization that provides health care services to Medicaid recipients. ODJFS must specify, in rule, what constitutes good cause.

Implication of the Enacted Budget: This policy could result in savings to the state if there are hospitals refusing without good cause to contract with a managed care organization. The enacted budget assumes no fiscal impact as a result of this policy.

Prompt Payment Requirements for Health Insuring Corporations Covering Medicaid Recipients

The budget act allows ODJFS to eliminate the exemption of the health insuring corporations providing coverage to Medicaid recipients from complying with prompt payments laws.

Implication of the Enacted Budget: Requiring health insuring corporations to make prompt payments may increase their costs. In turn, state Medicaid costs for managed care may increase. The enacted budget does not assume any fiscal impact as a result of this policy.

Mandatory Managed Care for the Aged, Blind, and Disabled (ABD)

The budget act requires ODJFS to implement in all counties the care management system for certain aged, blind, and disabled Medicaid recipients. The requirement does not apply to: (1) persons under age 21, (2) institutionalized persons, (3) persons eligible for Medicaid by spend-down, (4) dual eligibles, and (5) Medicaid waiver recipients. Not later than December 31, 2006, ODJFS must ensure that designated participants are enrolled in Medicaid-contracting health insuring corporations.

Implication of the Enacted Budget: The budget act requires the Director of Budget and Management to determine the amount necessary to implement the Aged, Blind, and Disabled Managed Care Program and transfer cash equal to the state share of the amount from the Tobacco Master Settlement Agreement Fund (Fund 087) to the newly created ABD Managed Care Program – State Fund (Fund 5BZ in ODJFS). The amount transferred is appropriated to appropriation item 600-698, ABD Managed Care Program – State. ODJFS must deposit federal reimbursement received for the Aged, Blind, and Disabled Managed Care Program into the newly created ABD Managed Care Program – Federal Fund (Fund 3AZ). Amounts deposited into Fund 3AZ are appropriated to appropriation item 600-699, ABD Managed Care Program – Federal.

Care Management Pilot Program for Chronically Ill Children

The budget bill required ODJFS to create a Medicaid care management pilot program for chronically ill children in at least three counties under which the children are to receive coordinated health care services through a "medical home" approach. OJDFS was to implement the program not later than October 1,2006, or later upon federal approval. The pilot program was to run until October 1, 2008, unless ODJFS determine that the care management system is not a cost-effective means of providing Medicaid services to chronically ill children or the combined state and federal cost of the program reached $3.0 million.

Implication of the Enacted Budget: The enacted budget assumes expenditure of $3.0 million all funds ($1.2 million state share) in FY 2007 for a care management pilot program for chronically ill children.

Vetoed Provisions

The Governor vetoed the provision that would have required ODJFS to create a Medicaid care management pilot program for chronically ill children. The Governor did not remove the funding for the pilot program from the Medicaid budget.

Mandated Coverage of Respiratory Virus Drugs

The budget bill required for FYs 2006 and 2007, Medicaid health insuring corporations to cover prescription drugs that protect against respiratory syncytial virus for Medicaid recipients who, as an infant born premature or other pediatric patient, are at risk for the respiratory syncytial virus.

Implication of the Enacted Budget: The enacted budget assumes expenditure of $3.0 million all funds ($1.2 million state share) in FY 2006 and $6.0 million all funds ($2.4 million state share) in FY 2007 for the coverage of respiratory virus drugs.

Vetoed Provisions

The Governor vetoed a provision that would have required ODJFS, when entering into a Medicaid contract with a health insuring corporation, to require the health insuring corporation to provide coverage of prescription drugs that protect against respiratory syncytial virus. The Governor did not remove the funding for the coverage of respiratory virus drugs from the Medicaid budget.

Enhanced Care Management (ECM)

Beginning October 1, 2004, the Medicaid Enhanced Care Management program was implemented to provide care coordination and case management services to Aged, Blind or Disabled (ABD) Medicaid recipients with specified chronic and high-cost health conditions. The Department has established contracts with various health care organizations to work with local providers to assist these recipients in managing their condition.

As planned for implementation in FY 2005, the first phase of the ECM program did not include people living in institutions, enrolled in a Medicaid waiver, or dual eligibles. The conditions covered under the Enhanced Care Management program were selected based on the existence of standard clinical best practice guidelines and the potential for improvements in quality of care over a relatively short period of time. Covered conditions for adults were: asthma, diabetes, congestive heart failure, coronary artery disease, nonmild hypertension, and chronic obstructive pulmonary disease. Children with persistent asthma were also included.

Implication of the Enacted Budget: For FYs 2006 and 2007, ODJFS will be discontinuing the ECM model and will begin to pursue a full risk model in its place.

Nursing Facilities (NFs)

The budget act substantially revises the statutory formula used to determine the Medicaid reimbursement rate for nursing facilities. However, because the uncodified sections of the act override the new statutory formula for FYs 2006 and 2007, the revisions will not fully take effect until FY 2008.

FY 2006 Reimbursement for NFs

A NF is to be paid the sum of (1) the rate the provider is paid on June 30, 2005, and (2) unless the facility is exempt from paying the nursing home franchise permit fee, $1.95. The rate may be adjusted for only certain reasons. A NF's 2006 rate may be adjusted pursuant to a process established in ODJFS rules to reflect a change in the facility's capital costs.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $438.7 million all funds ($176.0 million state share) in FY 2006 by holding the reimbursement rate flat.

Vetoed Provisions

The Governor vetoed a provision that would have restricted the adjustment of a NF's 2006 rate to reflect a change in the facility's capital costs. The vetoed provision would have provided that such adjustment could be made only if, after all other Medicaid obligations have been met, there are appropriations in the appropriation item 600-525, Health Care/Medicaid. ODJFS would have been permitted to make such adjustments to the extent possible using the remaining appropriations that would otherwise lapse. The Executive estimates that the state would need to reimburse NFs at least $10.0 million (all funds) more in FY 2006 as a result of the adjustment for capital cost changes.

FY 2007 Reimbursement for NFs

The FY 2007 reimbursement rate for NFs is to be determined in accordance with the new statutory formula. However, the act provides that if a NF's rate as determined under the new formula is more than 102% of the rate the facility is paid on June 30, 2006 ODJFS must reduce the facility's 2007 rate so that the rate is no more than 102% of its June 30, 2006, rate. If a nursing facility's 2007 rate as determined under the new formula is less than 98% of its June 30, 2006 rate, ODJFS is required to increase the facility's rate so that the rate is no less than 98% of its June 30, 2006 rate.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $626.9 million all funds ($251.5 million state share) in FY 2007 by holding the reimbursement rate flat, with potential adjustments.

NFs' Rates Subject to Franchise Permit Fee Changes

The budget act requires ODJFS to reduce NFs' FYs 2006 and 2007 rates if Center for Medicare and Medicaid Services (CMS) requires that the nursing home franchise permit fee be reduced or eliminated. The rates are to be reduced as necessary to reflect the loss to the state of the revenue and federal financial participation generated from the franchise permit fee.

No Exceeding the Medicaid Maximum Reimbursement Level for NFs

The executive budget allows ODJFS to ensure that NF crossover payments for dual-eligible individuals do not exceed the Medicaid maximum reimbursement level. The Medicaid maximum is a rate set by ODJFS. It is the amount that state Medicaid would pay a given facility for a given service.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $28.3 million all funds ($11.4 million state share) in FY 2006 and $44.8 million all funds ($18.0 million state share) in FY 2007 as a result of this policy.

Franchise Permit Fees

ODJFS is required to assess an annual franchise permit fee on each long-term care bed in a nursing home or hospital. Until July 1, 2001, the amount of the fee was $1.00 for each bed multiplied by the number of days in the fiscal year for which the fee is assessed.

H.B. 94 of the 124th General Assembly (the FY 2002-2003 biennial budget act) raised the franchise permit fee to $3.30 for FYs 2002 and 2003. S.B. 261 of 124th General Assembly raised the franchise permit fee to $4.30 for FYs 2003 through 2005; a $1.00 per bed per day increase for FY 2003, and a $3.30 per bed per day increase for FYs 2004 and 2005.

In addition to the increase in the franchise permit fee raised by H.B. 94 for FY 2003, S.B. 261 specified that the additional money generated from the increase for FYs 2003, 2004, and 2005 be deposited into the Nursing Facility Stabilization Fund, which was newly created in H.B. 94. ODJFS is to use the money in the fund to do all of the following: (1) make payments to NFs under the law governing Medicaid payments to NFs, (2) beginning with payments made to NFs in August 2002, make payments to each NF for each Medicaid day in FYs 2003, 2004, and 2005 in an amount equal to 76.74% of the franchise permit fee the NF pays for the fiscal year the Department makes the payment divided by the nursing facility's inpatient days for the calendar year preceding the calendar year in which that fiscal year begins (in other words, reimburses NFs for the increase in the franchise permit fee on the basis of "Medicaid days"), and (3) make payments of $2.25 per Medicaid day to all NFs for FYs 2003, 2004, and 2005 to enhance quality of care.

The budget act increases the fee to $6.25 for FYs 2006 and 2007. It is reduced to $1.00 starting in FY 2008. The act also codifies the law governing the use of the money in the Nursing Facility Stabilization Fund and provides for that money to be used to make Medicaid payments to NFs.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of revenues totaling approximately $80.9 million all funds ($32.5 million state share) in FY 2006 and $121.7 million all funds ($48.9 million state share) in FY 2007 as a result of increasing the franchise permit fee by $1.95.

Intermediate Care Facilities for the Mentally Retarded (ICFs/MR)

Fiscal Years 2006 and 2007 Reimbursement for ICFs/MR

H.B. 95 of the 125th General Assembly established a maximum mean total per diem rate applicable to ICFs/MR in FY 2004 and FY 2005. For FY 2004, the mean total per diem rate for all ICFs/MR in the state, weighted by May 2003 Medicaid days and calculated as of July 1, 2003, was not to exceed $221.43. For FY 2005, the mean total per diem rate for all ICFs/MR in the state, weighted by May 2004 Medicaid days and calculated as of July 1, 2004, was not to exceed $225.86.

The budget act provides that ICF/MR be paid at the rate the ICF/MR is paid on June 30, 2005.

The budget act also authorizes ODJFS to increase the rate paid to an ICF/MR for FYs 2006 and 2007 by an amount specified in rules to reimburse the ICF/MR for active treatment day programming because of the termination of the Community Alternative Funding System.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $37.4 million all funds ($15.0 million state share) in FY 2006 and approximately $58.1 million all funds ($23.3 million state share) in FY 2007 by holding the reimbursement rate flat.

The enacted budget also assumes the Executive's estimate of spending totaling approximately $69.5 million all funds ($27.9 million state share) in FY 2006 and approximately $71.8 million all funds ($28.8 million state share) in FY 2007 for active treatment.

Franchise Permit Fees

The budget act provides that the franchise permit fee for ICFs/MR not change for FYs 2006 and 2007. The amount of the ICFs/MR franchise permit fee for FYs 2006 and 2007 remain the same as in FY 2005, which is $9.63 per bed per day.

ICF/MR Conversion Pilot Program

The budget act requires the Director of ODJFS to seek federal approval for a Medicaid waiver authorizing the ICF/MR Conversion Pilot Program under which no more than 200 individuals receive home and community-based services in lieu of the ICF/MR service. The pilot program is to be implemented not less than three years and cannot be implemented statewide unless the General Assembly enacts law authorizing the statewide implementation.

The act permits ODJFS to assign, by contract, the administration of the Medicaid waiver program to the Department of Mental Retardation and Developmental Disabilities (ODMRDD). ODJFS may also transfer funds to pay for the nonfederal share of the pilot program's costs to ODMRDD. If ODMRDD takes both of these actions, ODMRDD is to be responsible for paying the nonfederal share of the pilot program's costs.

The act provides that an ICF/MR that converts from providing ICF/MR services to providing home and community-based services under the pilot program is permitted to reconvert to providing ICF/MR services after the pilot program terminates. ODMRDD is to become responsible for a portion of the nonfederal share of Medicaid expenditures for ICF/MR services provided by an ICF/MR that reconverts to providing ICF/MR services. ODMRDD's responsibility is to begin not later than two and one-half years after the date the pilot program terminates.

Implication of the Enacted Budget: Any fiscal impact will depend on the design of the pilot program. The enacted budget assumes no fiscal impact as a result of this pilot program.

ICF/MR Conversion Advisory Council

The budget act creates the ICF/MR Conversion Advisory Council to provide consultation services regarding the ICF/MR Conversion Pilot Program. The Council is to cease to exist on the issuance of the final report of the evaluation of the pilot program.

Implication of the Enacted Budget: There may be some costs, although likely minimal, associated with the Council, and the issuance of a report. The budget act is silent on what entity will provide administrative support for the Council. The enacted budget assumes no fiscal impact as a result of this Council.

Medicaid Estate Recovery Program

The Medicaid Estate Recovery program recovers money paid for Medicaid services from a Medicaid recipient's estate after the recipient dies. Since Medicaid is a state-federal partnership program, ODJFS is required to return more than half of the money collected to the federal government for its financial share of the Medicaid services provided.

The budget act expands the Medicaid Estate Recovery program to include any real and personal property and other assets in which an individual subject to recovery has any legal title or interest at the time of death, including assets conveyed to a survivor, heir, or assign of the individual through joint tenancy, tenancy in common, survivorship, life estate, living trust, or other arrangement.

The enacted budget also revises Ohio Revised Code governing Medicaid estate recovery and liens to make it consistent with federal law.

Implication of the Enacted Budget: By broadening the base for Medicaid estate recovery the state may experience a gain in revenue. The enacted budget assumes no fiscal impact as a result of these changes.

Assisted Living Medicaid Waiver

The budget act gives authority to ODJFS for seeking federal approval for an Assisted Living Medicaid waiver. This waiver will expand community-based options for Medicaid recipients who require an intermediate level of care. This waiver will be targeted to three types of individuals:

(1) A participant in PASSPORT, Choices, or any other ODJFS waiver who would otherwise have to move to a nursing facility;

(2) A nursing facility resident seeking to move to a residential care facility;

(3) At the time of receiving services under the Assisted Living program, reside in a residential care facility or a county or district home.

Upon federal approval, ODJFS is required to contract with the Department of Aging (ODA) for the administration of the program and transfer funds to ODA. The enacted budget limits participation to 1,800 individuals with enrollment beginning in FY 2007.

The budget act requires ODJFS to provide results of the evaluation of the program's cost effectiveness not later than June 30, 2007.

Implication of the Enacted Budget: The enacted budget provides that once ODJFS enters into a contract with ODA to administer the Assisted Living program, ODJFS must submit quarterly reports to the Director of Budget and Management outlining the estimated costs of the program for the upcoming quarter, including the state and federal share of the costs. On receipt of the estimated costs, the Director of Budget and Management must make the necessary transfers out of GRF appropriation item 600-525 and increases to ODA's budget. The funds transferred and increased are appropriated under the enacted budget.

The enacted budget assumes savings of $7.5 million all funds ($3.0 million state share) in FY 2007 as a result of this waiver.

Medicaid Voucher Pilot Program

The budget act requires that ODJFS request a federal Medicaid waiver authorizing ODJFS to create a pilot program under which not more than 200 individuals receive a spending authorization to pay for the cost of medically necessary health care services the pilot program cover. The spending authorization is to be in an amount not exceeding 70% of the average cost under the Medicaid program for providing nursing facility services to an individual.

To be eligible for the pilot program, an individual must (1) need an intermediate level of care, (2) at the time the individual applies for the pilot program, be a nursing facility resident who is seeking to move to a residential care facility or county or district home and who otherwise remain in a nursing facility or a participant of certain home and community-based services Medicaid waiver programs who would otherwise move to a nursing facility, and (3) meet all other eligibility requirements established in rules.

Upon federal approval, ODJFS is required to contract with the ODA for the administration of the program. The budget act also requires ODA to certify to the Director of Budget and Management the pilot program's estimated costs. On a quarterly basis, on receipt of the certified costs, the Director of

Budget and Management must transfer the amount of estimated costs from appropriation item 600-525, Health Care/Medicaid to ODA.

Implication of the Enacted Budget: Assuming: (1) although not required, participants using the spending authorization would do so to avoid placement in a NF, (2) participants will be given spending authorization with a value of 70% of the NF costs, and (3) the per resident per month cost in NFs is approximately $3,700, approximately $2.7 million all funds ($1.1 million state share) in Medicaid costs could be avoided per year. In addition, unknown support service costs, for example, for fiscal intermediary and other case management services, could also be incurred. The enacted budget assumes no fiscal impact as a result of this pilot program.

Transfer of Funds to the Department of Aging

The budget act requires ODJFS to transfer, through intrastate transfer vouchers, cash from Fund 4J5, Home and Community-Based Services for the Aged, to Fund 4J4, PASSPORT, in the Department of Aging. The sum of the transfers is $33,268,052 in FY 2006 and $33,263,984 in FY 2007.

Ohio Home Care Program

The current Ohio Home Care program was developed and implemented in 1997 and evolved from Medicaid waiver programs and nonwaiver home care services that existed before. Ohio Home Care is Medicaid's integrated program of home care services, consisting of four benefit packages: Core, Core Plus, Ohio Home Care Waiver, and Transitions Waiver. All four packages include "core" services of nursing, daily living, and skilled therapies. Skilled therapies include physical and occupational therapy and the services of a speech/language pathologist.

H.B. 95 of the 125th General Assembly authorized the Director of Job and Family Services to request a new waiver from the United States Secretary of Health and Human Services under which ***two*** Medicaid programs for home and community-based services may be created and implemented to replace the Ohio Home Care program. ODJFS proposed changes to the Ohio Home Care program but the changes have not been taken. The Executive recommended implementation of the proposed changes.

Implication of the Enacted Budget: The budget act authorizes the Director of ODJFS to seek *two or more* Medicaid waivers under which home and community-based services are provided to individuals who need the level of care provided by a nursing facility or hospital. The act also permits ODJFS, after the first of any of the new Medicaid waivers begin to enroll eligible individuals, to seek federal approval to cease new enrollment in the Ohio Home Care program.

The enacted budget assumes the savings of $8.0 million all funds ($3.2 million state share) both in FY 2006 and in FY 2007 for the changes to the Ohio Home Care program.

Waivers for Autism or Developmental Delays or Disabilities

Prior law authorized the Director of ODJFS to apply to the federal government for one or more Medicaid waivers under which home and community-based services are provided in the form of either or both of: (1) early intervention services for children under age three that are provided or arranged by county boards of mental retardation and developmental disabilities and (2) therapeutic services for children who have autism and are under age six. The act provides instead that the Director of ODJFS may apply for one or more Medicaid waivers under which home and community-based services are provided in the form of: (1) early intervention and supportive services for children under age three who have developmental delays or disabilities the Director determines are significant, (2) therapeutic services for children of any age who have autism, and (3) specialized habilitative services for individuals who are age 18 or older and have autism.

Implication of the Enacted Budget: The budget act broadens the types of services for individuals with autism or developmental delays or disabilities that may be covered under a Medicaid waiver for which the Department may apply. Applying for the waiver is permissive under law and remains permissive under this budget act. Therefore, it has no apparent direct fiscal impact. The enacted budget assumes no fiscal impact as a result of this change.

Disability Medical Assistance (DMA) Program

The Disability Medical Assistance program provides a limited health care benefit package to non-Medicaid eligible individuals based on income, resources, and severity of disability. The program supports individuals while they are applying for long-term federal disability benefits. The benefit package is a limited version of the primary- and acute-care services offered to consumers through Medicaid, and all services are received through the fee-for-service delivery system. Services are limited to prescription drugs, physician, clinic, restricted dental service, and restricted durable medical equipment services. Hospital services for this population are provided through the Hospital Care Assurance Program (HCAP).

Expenditures for the DMA program are not eligible for federal reimbursement because the recipients are not Medicaid eligible.

Elimination of the DMA Program

H.B. 95 of the 125th General Assembly allowed the Director of ODJFS to enact reforms necessary to contain DMA costs. ODJFS froze enrollment beginning in July 2003. Under the freeze, ODJFS allowed no new enrollment and denied coverage to those who missed their eligibility re-determinations. Enrollment declined to less than half of what it was at the start of the biennium. Enrollment was open for a limited time early in FY 2005 and then closed again in order to keep costs within the $64.0 million GRF allocated to operate the program. ODJFS expected the DMA program to serve 15,000 in FY 2005 on an average monthly basis.

Implication of the Enacted Budget: The enacted budget provides funding of $19.5 million in FY 2006 and $25.5 million in FY 2007 in appropriation item 600-513, Disability Medical Assistance, to be used by ODJFS to operate a Disability Medical Assistance program before or after October 1, 2005. The Governor did not remove this funding.

Vetoed Provisions

The Governor vetoed provisions that would have terminated the DMA program. As a result, the budget act retains the DMA program. However, ODJFS has authority under continuing law to modify the program. The budget act continues to provide funding for the DMA program through appropriation item 600-513, Disability Medical Assistance, it also assumes the savings from the elimination of the DMA program, the vetoed provisions do not change the assumption.

Back Billing of the DMA Program

In FY 2005, ODJFS started back billing for DMA program claims that ODJFS can bill retroactively as Medicaid services. Approximately 25% of persons enrolled on the DMA program ultimately obtain Medicaid coverage and about 33% of DMA program spending is paid for services provided to those persons. Medicaid eligibility determinations for DMA recipients often take six months or more. Federal rules permit states to back bill for claims paid for up to two years for services rendered no more than three months before the recipient's initial date of application to Medicaid.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of revenue totaling approximately $33.0 million all funds ($13.3 million state share) in FY 2006, and $10.0 million all funds ($4.0 million state share) in FY 2007 if the state re-spends the residual DMA revenues for Medicaid services.

Ohio Access Success Project

H.B. 94 of the 124th General Assembly authorized the Director of Job and Family Services to establish the Ohio Access Success Project to help Medicaid recipients make the transition from residing in a nursing facility to residing in a community setting. The bill provided $150,000 in FY 2002 and $250,000 in FY 2003 to fund one-time benefits to not more than 75 Medicaid recipients in FY 2002 and not more than 125 Medicaid recipients in FY 2003. No person was to receive more than $2,000 worth of benefits under the project. H.B. 95 of the 125th General Assembly continued the Ohio Access Success Project. As of January 2005, five people have utilized the project.

The enacted budget allows the continuation of the Ohio Access Success Project. ODJFS is permitted to limit the number of persons who may participate in the project. The enacted budget also provides $350,000 in both FYs 2006 and FY 2007 to fund one-time transitional benefits. Fifty individuals are scheduled to move out of nursing homes in FY 2006 and 100 in FY 2007. The budget act eliminates an eligibility requirement that required a Medicaid recipient to have resided continuously in a nursing facility for not less than 18 months before applying to participate in the project. The act requires that ODJFS, if an application is received before six months, ensure that an assessment is conducted as soon as practicable to determine whether the applicant is eligible to participate in the project. To the maximum extent possible, the assessment and eligibility determination must be completed not later than the date that occurs six months after the applicant becomes a recipient of Medicaid-funded nursing facility services.

Implication of the Enacted Budget: Many individuals' homes are sold six months after entering a NF. The budget act allows ODJFS to provide help to Medicaid recipients making the transition from a NF to a community setting sooner than under current law by providing assistance with such things as moving expenses and rental deposits. If an individual can become eligible before their home is sold, moving back home may be possible. Medicaid expenditures would be reduced if more individuals are able to be moved to a less expensive setting under the Ohio Access Success Project.

The enacted budget assumes the Executive's estimate of savings totaling approximately $0.2 million all funds ($0.1 million state share) in FY 2006 and $0.5 million all funds ($0.2 million state share) in FY 2007 as a result of the project.

Program of All-Inclusive Care for the Elderly (PACE)

The Program of All-Inclusive Care for the Elderly (PACE) enables seniors who reside in nursing facilities to receive managed care services. The PACE sites provide participants with all of their needed health care. All PACE participants must be 55 years of age or older and qualify for a nursing home level of care. The PACE sites assume full financial risk for the care of the participants.

H.B. 95 of the 125th General Assembly permitted ODJFS to transfer the day-to-day administration of PACE to the Department of Aging, subject to federal approval. The transfer has not occurred.

The budget act allows the transfer of the day-to-day administration of PACE to the Department of Aging to occur in FY 2006.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of transferring approximately $22.0 million all funds ($8.8 million state share) in FY 2006 and $25.7 million all funds ($10.3 million state share) in FY 2007 to the Department of Aging.

Hospital Care Assurance Program (HCAP)

Ohio's program for making disproportionate share hospitals (DSH) payments, the HCAP, incorporates both intergovernmental transfer and provider tax funding mechanisms. The program provides hospital services support for persons whose income falls at or below 100% of the FPG and who are not Medicaid eligible. Under HCAP, hospitals are annually assessed an amount based on their total facility costs and government hospitals make annual intergovernmental transfers to ODJFS. Assessments and intergovernmental transfers are made in periodic installments. ODJFS distributes to hospitals money generated by assessments, intergovernmental transfers, and allotted federal matching funds generated by the assessments and transfers. The federal funds are appropriated in line item 600-650, and the state funds (assessment revenues) are appropriated in line item 600-649. A portion of the money generated from the first installment of assessments and intergovernmental transfers during each program year beginning in an odd-numbered calendar year is deposited into the Legislative Budget Services Fund.

Under current law, HCAP is scheduled to sunset October 16, 2005. The budget act delays the sunset of HCAP for two years until October 16, 2007. The total appropriation for HCAP through both appropriation items 600-650 and 600-649 is $575.1 million in both FY 2006 and FY 2007.

Institutions for Mental Disease/Disproportionate Share Hospitals (IMD/DSH)

In cooperation with the Ohio Department of Mental Health (ODMH), during FY 1996, ODJFS began to process IMD/DSH payments for psychiatric hospitals. Institutions for Mental Disease/Disproportionate Share Hospitals qualifies psychiatric hospitals as disproportionate share hospitals based upon financial and patient care data. Although ODMH provides the state match for IMD/DSH, ODJFS draws down the federal funds that support IMD/DSH and distributes them among state Medicaid agencies. These IMD/DSH funds can earn federal match again upon expenditure for Medicaid eligible purposes.

Implication of the Enacted Budget: The enacted budget requires ODJFS to transfer cash to ODMH for the administration of the IMD/DSH program.

Program Integrity

The budget act makes several changes to address the detection and recovery of Medicaid fraud or over-billing. The budget act:

- permits ODJFS to terminate or not renew a Medicaid provider agreement without an administrative hearing if the provider has not submitted claims for two or more years and cannot be located;

- permits ODJFS to recover overpayments made to Medicaid providers;
- allows the overpayments to be recovered at any time, including before or after a final fiscal audit or other finding has been adjudicated;
- specifies that subsequent audits or findings must be reduced by the amount of any overpayments collected;
- permits a state agency that administers a component of the Medicaid program to commence actions to recover overpayments;
- requires the agency to seek voluntary repayment by negotiating a settlement and, if voluntary repayment cannot be achieved, requires the agency to conduct administrative hearings;
- requires ODJFS to approve any negotiated settlement and to issue any final order resulting from an administrative hearing conducted by the other state agency;
- permits ODJFS to issue final administrative orders under the Medicaid program without a hearing when notice of an opportunity for a hearing has been provided but the notified entity does not request a hearing or timely make the request;
- applies the same provision to state agencies seeking recovery of overpayments identified in administering components of the Medicaid program;
- requires the Director of ODJFS to adopt rules establishing procedures for enforcing rules governing services included in the state Medicaid plan, including procedures for corrective action plans for, and imposing sanctions on, violators of the rules; and
- permits the Director to conduct reviews of the Medicaid program.

Implication of the Enacted Budget: By permitting ODJFS to terminate or not renew a Medicaid provider agreement without an administrative hearing could result in a reduction of the number of administrative hearings, and thus could reduce the Department's administrative costs associated with such hearings. The fiscal effect is expected to be minimal. In addition, allowing ODJFS to recover overpayments made to Medicaid providers could result in a gain in revenue to the state. The enacted budget assumes no fiscal impact on ODJFS' budget as a result of these policies.

Single Audit of Medicaid During FYs 2006 and 2007

The budget act requires that the Auditor of State may, during fiscal years 2006 and 2007, conduct a single performance audit of the Medicaid program, to determine ways of reducing or eliminating fraud, waste, and abuse in the program.

Implication of the Enacted Budget: Expenses incurred by the Auditor of State to conduct the performance audit must be reimbursed by ODJFS. However, the enacted budget assumes no fiscal impact on ODJFS' budget as a result of this policy.

Medicaid Administrative Study Council

The budget act creates the Medicaid Administrative Study Council to study the administration of the Medicaid program under the assumption that the General Assembly will enact by July 1, 2007, a law establishing a new cabinet level department to administer the program.

The Governor is required to appoint a member of the Council to serve as chairperson of the Council. The Council is permitted to hire staff, enter into contracts, and take other actions the Council deems necessary to fulfill its duties.

The Council is required to prepare quarterly reports on its progress. The first report is due 90 days after the effective date. A final report is due not later than December 31, 2006. The final report must include recommendations regarding the scope and structure of the new department.

Implication of the Enacted Budget: The enacted budget provides funding of $1,000,000 in fiscal year 2006 and $500,000 in fiscal year 2007 in appropriation item 600-321, Support Services, for the Medicaid Administrative Study Council to carry out the duties of the Council as specified in the law.

Joint Legislative Committee on Medicaid Technology and Reform

The budget act creates the Joint Legislative Committee on Medicaid Technology and Reform, with five members of the Senate and five members of the House of Representatives, and permits the committee to employ an executive director.

Implication of the Enacted Budget: The enacted budget provides funding of $100,000 in both FYs 2006 and 2007 in GRF appropriation item 035-321, Support Expenses, in the Legislative Service Commission's budget, to be used to employ the executive director.

Client Registry Information System Enhanced (CRIS-E)

The CRIS-E system is an automated eligibility and benefits calculation system. In 1992, the CRIS-E system became a statewide, automated system that assists county caseworkers as they determine OWF/Cash, Food Stamp, and Medicaid eligibility and provide benefits disbursements. CRIS-E supports over 18,000 users with on-line availability each day; it issues Medicaid identification cards and OWF cash benefits each month.

The CRIS-E is a computer-based software eligibility system that requires routine maintenance and system modifications when public assistance eligibility policy changes occur. State staff payroll and training, contractor costs for maintenance, and certain monthly service costs are driving cost factors for CRIS-E. The CRIS-E is funded by a combination of state and federal funds. The federal reimbursement comes from the Food Stamp grant, the Medical Assistance grant, the TANF grant, and the Child Care grant.

Implication of the Enacted Budget: The enacted budget includes funding the business plan for the replacement of the CRIS-E system in FY 2006, a request for proposal process in the beginning of FY 2007, and testing of the new system at the end of FY 2007. The new system is expected to better utilize the automated eligibility and case tracking system.

Medicaid Management Information System (MMIS)/ Health Portability and Accountability Act (HIPAA)

The MMIS supports the benefits administration of the Ohio Medicaid and Disability Assistance programs. It processes reimbursements to medical providers for services rendered to eligible recipients based on ODJFS' and federal policy. MMIS is a federally certified system for the processing of all Medicaid payments. It includes several subsystems. The MMIS was installed in 1984; ODJFS is completing work with CMS to serve as an early adopter of the new national enterprise - Medicaid Information Technology Architecture (MITA). The Medicaid Information Technology Architecture is eligible for up to 90% federal reimbursement for Medicaid IT system development.

The Health Insurance Portability and Accountability Act of 1996 contains several provisions designed to make health coverage more accessible, affordable, and portable. Passed in 1996, HIPAA is designed to protect confidential healthcare information through improved security standards and federal privacy legislation. It defines requirements for storing patient information before, during and after electronic transmission. It also identifies compliance guidelines for critical business tasks such as risk analysis, awareness training, audit trail, disaster recovery plans, and information access control and encryption.

As part of HIPAA, Medicaid programs are required to: improve efficiency in healthcare delivery by standardizing electronic data interchange; protect confidentiality and security of health data; and use standardized codes and fields for consumer's electronic health, administrative, and financial data. ODJFS is upgrading the existing MMIS so that it will be HIPAA compliant.

Implication of the Enacted Budget: The enacted budget includes funding to develop the new Medicaid information technology system (MITS) to replace the MMIS system. If approved by CMS, the state funds used to develop MITS will receive up to 90% federal match.

Medicaid Data Warehouse

The budget act requires that ODJFS enter into an agreement with the Ohio Department of Administrative Services (ODAS) for ODAS to contract with a vendor to perform an assessment of the Medicaid Data Warehouse System's data collection and warehouse functions, including the ability to link the data sets of all of the agencies serving Medicaid recipients.

ODJFS is required by the act to seek enhanced federal funding for 90% of the funds required to establish or enhance the data system. ODAS is prohibited from awarding a contract for establishing or enhancing the data system until ODJFS receives approval for the 90% federal match.

Implication of the Enacted Budget: The enacted budget requires ODJFS to fund the cost of the Medicaid Data Warehouse upon receipt of federal approval and assured 90% reimbursement.

Ohio's Best Rx Program

Ohio's "Best Rx" is a prescription drug discount card program designed to lower the cost of prescriptions for Ohio residents without prescription drug insurance coverage who are either aged 60 and over or any age with incomes less than 250% of the FPG. The Best Rx card is available at no charge to eligible participants and offers a mail order delivery option for ongoing medications. The program was established in FY 2004 by H.B. 311 (or the companion bill, S.B. 138) of the 125th General Assembly.

The intent of the Ohio's Best Rx program is to offer reduced prescription drug cost to participants. It is expected the program will become self-funding over time as the result of retaining a small portion (no more than 5%) of the voluntary rebates from drug manufacturers and the assessment of a nominal (no more than $1.00) administrative fee on each filled prescription. H.B. 311 appropriated $10,000,000 in FY 2004 in appropriation item 600-440, Ohio's Best Rx Start-Up Costs, to be used by ODJFS to pay for the administrative and operational expenses for the creation and operation of the Ohio's Best Rx program, including costs associated with the duties assigned by the Department to the Ohio's Best Rx program Administrator and making payments to pharmacies until sufficient cash exists to make payments from the Ohio's Best Rx program Fund and the Ohio's Best Rx Administration Fund. H.B. 311 also appropriated $5,000,000 in both FY 2004 and FY 2005 in appropriation item 600-673, Ohio's Best Rx Administration, to be used on an ongoing basis to cover expenses associated with the Ohio's Best Rx program.

Implication of the Enacted Budget: The enacted budget authorizes ODJFS to use the unencumbered funds in GRF appropriation item 600-440 for the administration of the Ohio's Best Rx program. The enacted budget also appropriates $5,000,000 in both FY 2006 and FY 2007 in state special revenue fund appropriation item 600-673, Ohio's Best Rx Administration, to be used on an ongoing basis to cover expenses associated with the Ohio's Best Rx program. In addition, the enacted budget requires ODJFS to calculate drug prices annually no later than March 1 of each year.

Unemployment Insurance

Overview

The Unemployment Insurance (UI) program was created as a federal/state partnership for income maintenance during periods of involuntary unemployment, by providing partial compensation for lost wages as a matter of right, to eligible individuals. Such compensation provides a counter-cyclical source of revenue to support the local economy in times of economic downturn. Funds for administration of UI are provided primarily by the U.S. Department of Labor (USDOL) from revenues collected from employers by the Internal Revenue Service pursuant to the Federal Unemployment Tax Act (FUTA). Benefits are paid through the Unemployment Compensation Trust Fund, which is funded through state insurance taxes that are paid by employers and collected by the Ohio Department of Job and Family Services (ODJFS).

The Office of Unemployment Compensation (OUC) within ODJFS administers the UI program. The primary goal of the OUC is to collect sufficient employer taxes to support the payment of unemployment compensation benefits to individuals who have become unemployed through no fault of their own.

ANALYSIS OF THE ENACTED BUDGET

Program Series 6 — Unemployment Insurance

Purpose: To provide funds for payment of benefits to unemployed workers and to provide a counter-cyclical source of revenue to support the local economy in times of economic downturn.

The program series supports unemployment insurance activities, including benefit issuance, employer tax functions, Trade Program and NAFTA-related activities, funding for the Unemployment Compensation Review Commission (UCRC), and the related information technology support.

The following table shows the line items that are used to fund the Unemployment Insurance program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
4A9	600-607*	Unemployment Compensation Admin Fund	$8,863,925	$7,509,440
4A9	600-694	Unemployment Compensation Review Commission	$3,188,473	$3,188,473
4R3	600-687	Banking Fees	$800,000	$800,000
		State Special Revenue Fund Subtotal	**$12,852,398**	**$11,497,913**
Federal Special Revenue Fund				
331	600-686*	Federal Operating	$2,510,526	$2,547,037
3V4	600-678*	Federal Unemployment Programs	$134,113,463	$137,197,609
3V4	600-679	Unemployment Compensation Review Commission Federal	$3,829,430	$3,800,573
3V0	600-688*	Workforce Investment Act	$844,324	$868,833
		Federal Special Revenue Fund Subtotal	**$141,297,743**	**$144,414,052**
Total Funding: Unemployment Insurance			**$154,150,141**	**$155,911,965**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the Unemployment Insurance program series:

- ***Unemployment Insurance***
- ***Trade/NAFTA Dislocated Workers***
- ***Unemployment Compensation Review Commission (UCRC)***
- ***Employment Services***
- ***Ohio Job Insurance (OJI)***
- ***Employer Resource Information Center (ERIC)***
- ***UCRC-MIS***

Program 6.01: Unemployment Insurance

Program Description: The UI program will support two administration offices, the Office of Unemployment Compensation (OUC) and the Office of Local Operations.

The OUC is organized into three bureaus: Tax, Benefits, and Program Services.

- The Tax Bureau has the responsibility for collecting unemployment taxes, as well as wage information from all Ohio employers on a quarterly basis.

- The Benefits Bureau provides oversight and support services for the claims adjudication and benefit control processes, including issuance of monetary determinations for special claims, issuance of decisions on reconsideration of appeals of monetary and nonmonetary determination, and provision of technical assistance to local offices relative to policy, procedure, and state and federal law. The Benefits Bureau is also responsible for the automated benefits delivery system.

- The Program Services Bureau is responsible for research, legislation, and policy in support of the Unemployment Compensation Advisory Council and represents the Director before the UCRC. In addition to these general program administration responsibilities, the bureau is responsible for a number of special unemployment tax and benefit determinations in cases involving employer unemployment tax appeals or benefit eligibility during labor disputes.

The Office of Local Operations is responsible for six call centers and 16 processing centers for the intake and initial processing of unemployment claims. Structurally, it works with both the OUC and the OWD in providing local services to clients primarily through the One-Stop system.

Funding Sources: State Special Revenue and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget provides continuation funding for FY 2006 and FY 2007 for performance of all duties associated with this program, including the goal of the Office of Local Operations to transform all claims from in-person processing to Call Center and Internet-based processing by the end of FY 2006. Economic factors will affect the total number of claims processed through the FY 2006-2007 biennium.

Program 6.02: Trade/NAFTA Dislocated Workers

Program Description: The Trade/NAFTA Dislocated Workers program supports activities related to the Trade Act of 2002. Its goal is to administer and make benefit payments of individuals who have been dislocated due to the relocation of their employer or laid off due to foreign competition. Depending on their situation, workers can receive Trade Readjustment Allowances (TRA), Training, Reemployment Services, Job Search Allowances, Relocation Allowances, Health Coverage Tax Credit (HCTC), and/or Alternative Trade Adjustment Assistance (ATAA) services. Each program has its own eligibility criteria and compensation arrangement.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget provides continuation funding for FY 2006 and FY 2007 for performance of all duties associated with this program. The Department expects continued growth in the number of requests for training received for dislocated workers as requests for ATAA and HCTC claims begin to arrive.

Program 6.03: Unemployment Compensation Review Commission (UCRC)

Program Description: The UCRC handles appeals of unemployment insurance claims determinations. The UCRC and its hearing officers have the responsibility to conduct fair due process hearings and to issue well-reasoned decisions. The UCRC also has a responsibility to issue quality decisions in a prompt and efficient manner. The UCRC has two levels of appeal – a lower authority level (also known as Hearing Officer level) and higher authority level (also known as Request for Review level).

Funding Sources: State Special Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow the Department to maintain adequate staffing levels for the anticipated workload.

Program 6.04: Employment Systems

Program Description: The Employment Systems are statewide information technology systems that administer the Unemployment Compensation Tax system, Unemployment Compensation Benefits system, and the Wage Record system. The systems include automated employer charging, automated overpayment processing, child support interception, IRS tax withholding, statistical reporting, and other functions.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: With the enacted appropriations, the Department intends to continue replacement of the legacy UC Tax and UC Benefits systems with Ohio Job Insurance and Employer Resource Information Center, respectively. Those programs are described below. The enacted budget will also allow the Department to hire and train state programming staff to replace contract staff; the Department intends to replace 17 contract employees with state employees for a total of 36 FTEs by FY 2007 for an estimated savings of $89,000 per contracted employee.

Program 6.05: Ohio Job Insurance (OJI)

Program Description: The OJI system is a replacement of the UC Benefits system, which pays benefits to unemployment recipients. The OJI is expected to offer better automation, integration, and extended self-service functions not currently offered. Electronic Funds Transfer (EFT) will eliminate costs associated with printed checks.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget allows for additional staff to continue system developments. Staff levels are expected to increase from 18 to 33 with this funding level. ODJFS indicates that the OJI system is operational and has replaced the functionality of the UC Benefits system. The enacted budget includes maintenance of the new system, development and enhancement of functionality, and any upgrades or changes needed for federal or state requirements.

Program 6.06: Employer Resource Information Center (ERIC)

Program Description: The Employer Resource Information Center (ERIC) is a replacement of the UC Tax and Wage Records systems. ERIC will provide a better technological platform to deliver on-line services to tax system users. The desired functionality will allow customers access to their accounts on-line or via telephone to customer representatives and will provide monthly statements to employers on all activity. Another objective is a paperless tax submission and management within ten years. The system will manage accounts, ledgers, and funds. Links with the Ohio Business Gateway and other statewide systems are also intended.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget allows the program to continue current development operations. Two FTEs are currently assigned to this program.

Program 6.07: UCRC-MIS

Program Description: The Unemployment Compensation Review Commission Management Information Systems supports the UCRC case management system. The system tracks unemployment appeal claims throughout the appeals process until it is assigned, heard, and a disposition issued.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow UCRC-MIS staff to continue maintenance and technical support for the program, including routine programming on the system. The portion of the UCRC federal grant designated for the MIS system has not been sufficient to entirely run the program in the past. The appropriation to this program represents the share of the federal UCRC award allotted for this program. Additional expenses, estimated at $3.0 million per fiscal year will be paid for through the State Special Revenue Fund 4A9.

SUPPORT SERVICES

OVERVIEW

Support Services

Program Management of the Department of Job and Family Services (ODJFS) consists of the Director's Office and the offices of Legislation; Legal Services; Communications; Employee and Business Services; Research, Assessment and Accountability; Contracts and Acquisition; Chief Inspector; and Fiscal Services. Besides the leadership and direction-setting roles of the Director's Office, the component offices provide support services to the program offices. The enacted budget will enable ODJFS' component offices to maintain their current level of support services to the rest of the agency.

Through its Office of Management Information Services (MIS), ODJFS provides information systems to meet the Department's operational and managerial decision-making needs. The Office reviews and approves state and county data processing needs and processes Medicaid, public assistance, and social services claims. It designs, develops, implements, and provides technical support for the Department's computer systems for Medicaid, public assistance, social services, child support enforcement programs, employment services, and workforce development. The enacted budget will ensure maintenance of existing enterprise business applications of the Office of MIS and management of network support to all ODJFS staff and county users.

ANALYSIS OF THE ENACTED BUDGET

Program Series 7 Support Services

Purpose: To provide administrative and operational support to agency programs to help accomplish the agency's mission.

The following table shows the line items that are used to fund the Support Services program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-321*	Support Services	$71,770,014	$68,878,507
GRF	600-416*	Computer Projects	$68,317,992	$71,799,235
		General Revenue Fund Subtotal	**$140,088,006**	**$140,677,742**
State Special Revenue Fund				
4A9	600-607*	Unemployment Compensation Admin Fund	$0	$1,629,799
4J5	600-613*	Nursing Facility Bed Assessment	$950,319	$983,505
5AX	600-697	Public Assistance Reconciliation	$60,000,000	$0
5F2	600-667	Building Consolidation	$250,000	$250,000
5F3	600-668	Building Consolidation	$1,000,000	$1,000,000
5U3	600-654*	Health Care Services Administration	$356,676	$368,346
		State Special Revenue Fund Subtotal	**$62,556,995**	**$4,231,650**
General Services Fund				
5N1	600-677	County Technologies	$1,000,000	$1,000,000
		General Services Fund Subtotal	**$1,000,000**	**$1,000,000**
Federal Special Revenue Fund				
3AW	600-675	Faith-Based Initiatives	$750,000	$750,000
3F0	600-623*	Health Care Federal	$1,250,959	$1,305,366
3H7	600-617*	Child Care Federal	$8,150,641	$8,474,074
3V0	600-688*	Workforce Investment Act	$7,219,069	$7,455,449
3V4	600-678*	Federal Unemployment Programs	$17,118,119	$18,384,983
3V6	600-689*	TANF Block Grant	$6,083,267	$6,080,564
331	600-686*	Federal Operating	$6,899,946	$7,083,902
384	600-610*	Food Stamps and State Administration	$11,049,007	$11,420,292
397	600-626*	Child Support	$16,988,943	$17,640,735
398	600-627*	Adoption Maintenance/Administration	$10,726,968	$11,160,499
		Federal Special Revenue Fund Subtotal	**$86,236,919**	**$89,755,864**

Fund	ALI	Title	FY 2006	FY 2007
Holding Account Redistribution Fund				
R12	600-643	Refunds and Audit Settlements	$3,600,000	$3,600,000
R13	600-644	Forgery Collection	$10,000	$10,000
		Holding Account Redistribution Fund Subtotal	**$3,610,000**	**$3,610,000**
Total Funding: Support Services			**$293,491,920**	**$239,275,256**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the Support Services program series:

- ***Program Management***
- ***Computer Projects (MIS Support)***

Program 7.01 – Program Management

Program Description: Program Management provides administrative support services across the entire agency. Services include budget development, management and monitoring; payroll projections; human resources processing; facilities management; responses to legislative, constituent, and media requests; performance management; contracting and acquisition procedures; accounting services, funding and auditing of counties and service providers; financial reporting; legal services; mail processing; quality control; and Internal Audit Compliance program implementation.

Funding Sources: General Revenue Fund, State Special Revenue Fund, Federal Special Revenue Fund, and Holding Account Redistribution Fund

Implication of the Enacted Budget: The enacted funding level will enable ODJFS to maintain its staffing levels in its support offices as well as acquire new technology, such as imaging, which will improve the ability of the support offices to provide services to the rest of the agency.

Over the FY 2006-2007 biennium, ODJFS will begin the process of consolidating and relocating its central campus. Currently, ODJFS offices operate from nine different locations in Columbus. The overall consolidation plan is that by some time in FY 2008 ODJFS will operate out of three locations: the Air Center, 145 Front Street, and the Lazarus building. To accomplish this consolidation, the 145 Front Street building and the Lazarus building must be renovated.

Renovation of the 145 Front Street building will cost $18 million. In H.B. 675 of the 124th General Assembly ODJFS received a capital appropriation of $16 million for renovation purposes. (This amount was reappropriated in S.B. 189 of the 125th General Assembly.) Funding for the renovation will come from the Special Administrative Fund, in which interest on delinquent contributions, fines, and forfeitures collected pursuant to the law governing unemployment compensation, and all court costs and interest paid or collected in connection with the repayment of fraudulently obtained unemployment compensation benefits are deposited. The Unemployment Compensation Advisory Council (UCAC) controls all spending from this fund. The UCAC is a 12-member body that was formed to recommend legislative changes to the law governing the Unemployment Compensation program to the Director of Job and Family Services, the Unemployment Compensation Review Commission, the Governor, and the General Assembly. The Department will have to go to the Controlling Board to seek a $2 million increase in the appropriation to fully fund the renovation.

The Lazarus building is owned by the Columbus Downtown Development Corporation, which will pay for the renovation. The Department of Administrative Services will work with ODJFS and the property owner to ensure that the design of the renovation meets the needs of ODJFS. Once renovations are complete, ODJFS will move in and lease the space.

Program 7.02 – Computer Projects (MIS Support)

Program Description: Through its Office of Management Information Services, ODJFS provides various computer systems to meet the Department's operational and managerial decision-making needs. It reviews and approves state and county data processing needs and processes Medicaid, public assistance, and social services claims. It designs, develops, implements, and provides technical support for the Department's computer systems for Medicaid, public assistance, social services, child support enforcement programs, employment services, and workforce development. The Computer Projects program includes the network, mainframe support, security, database maintenance, systems programming for all mainframe applications, client server support, standards, and configuration management for all of the MIS applications and business functions. Also included in this program is the Data Warehouse project, which is designed to provide easily accessible, comprehensive, and high-quality information in a timely manner using both standard and ad hoc reporting in an integrated environment.

Funding Sources: General Revenue Fund, General Services Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted funding level will ensure maintenance of existing enterprise business applications of the Office of Management Information Services and management of the ODJFS network support to all ODJFS staff and county users. The Department continues to replace Information Technology (IT) contractors with state staff. In March of 2003, ODJFS had 452 IT state employees and 273 time and materials contractors. As of December 31, 2004, ODJFS had 596 IT state employees and 162 time and materials contractors. Over the FY 2006-2007 biennium, ODJFS plans to continue this trend and hopes to increase IT staff who are state employees by 102, bringing the number of contractors down to 60. The Department may need to retain a certain number of contractors because as the IT industry changes there will always be needed skill sets that are in large demand and command greater compensation than the state can offer to pay a state employee.