

LSC Greenbook

Analysis of the Enacted Budget

Department of Job and Family Services

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September 2011

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ATTACHMENT:

Budget Spreadsheet By Line Item

Department of Job and Family Services

- Office of Health Transformation to streamline Medicaid and improve overall quality of the health care system in Ohio
- ODJFS Medicaid funding for FY 2013 exceeds \$18 billion
- Unified Long-Term Care Budget

OVERVIEW

Agency Overview

The Ohio Department of Job and Family Services' (ODJFS) mission is, through state and local partnerships, to help all Ohioans improve the quality of their lives. ODJFS develops and oversees programs that provide health care, employment and economic assistance, child support, and services to families and children through Medicaid, Family Stability programs (cash assistance, noncash supports, and food assistance), children and families services, Child Support, Workforce Development programs, and Unemployment Compensation.

Appropriations Overview

Appropriations by Fund Group

The budget provides total appropriations of \$22.17 billion in FY 2012 and \$23.35 billion in FY 2013 for ODJFS. The table below shows actual expenditures for FY 2011 and the budget appropriations for FY 2012 and FY 2013 by fund group.

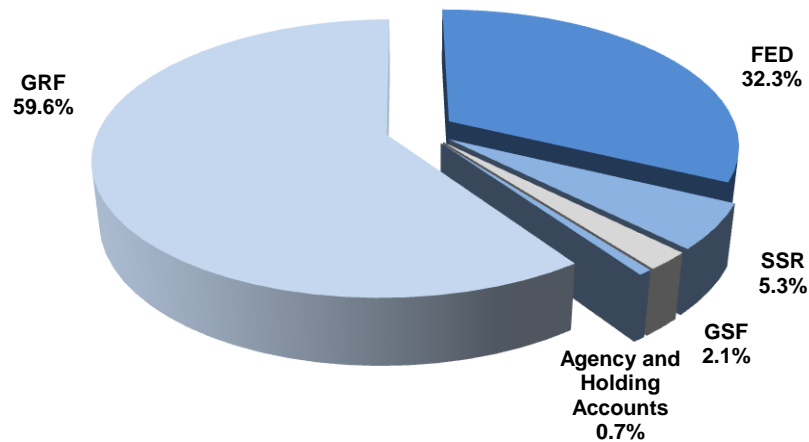
| Appropriations by Fund Group | | | | | |
|-------------------------------------|-------------------------|-------------------------|---------------|-------------------------|--------------|
| Fund Group | FY 2011* | FY 2012 | % Change | FY 2013 | % Change |
| General Revenue | \$11,425,794,479 | \$12,921,670,794 | 13.09% | \$14,216,914,746 | 10.02% |
| General Services | \$491,033,872 | \$458,570,025 | -6.61% | \$472,975,168 | 3.14% |
| State Special Revenue | \$922,094,609 | \$1,194,041,402 | 29.49% | \$1,207,722,286 | 1.15% |
| Federal Special Revenue | \$7,119,202,053 | \$7,446,018,911 | 4.59% | \$7,302,795,120 | -1.92% |
| Agency | \$124,461,841 | \$148,000,000 | 18.91% | \$148,000,000 | 0.00% |
| Holding Account Redistribution Fund | \$541,856 | \$2,210,000 | 307.86% | \$2,210,000 | 0.00% |
| TOTAL | \$20,083,128,709 | \$22,170,511,132 | 10.39% | \$23,350,617,320 | 5.32% |

*FY 2011 figures represent actual expenditures.

The table above shows that the budget provides an increase in GRF for FY 2012 and FY 2013, and an increase in the Federal Special Revenue category in FY 2012 and a decrease in FY 2013. This is mainly due to the loss of additional federal dollars received under the American Recovery and Reinvestment Act of 2009 (ARRA), which provided additional federal reimbursement for Medicaid. ARRA also provided additional federal dollars for grants, such as the Temporary Assistance for Needy Families (TANF) Block Grant and the grants received under the Workforce Investment Act.

The chart below presents budget appropriations by fund group.

Appropriations by Fund Group, FY 2012-FY 2013

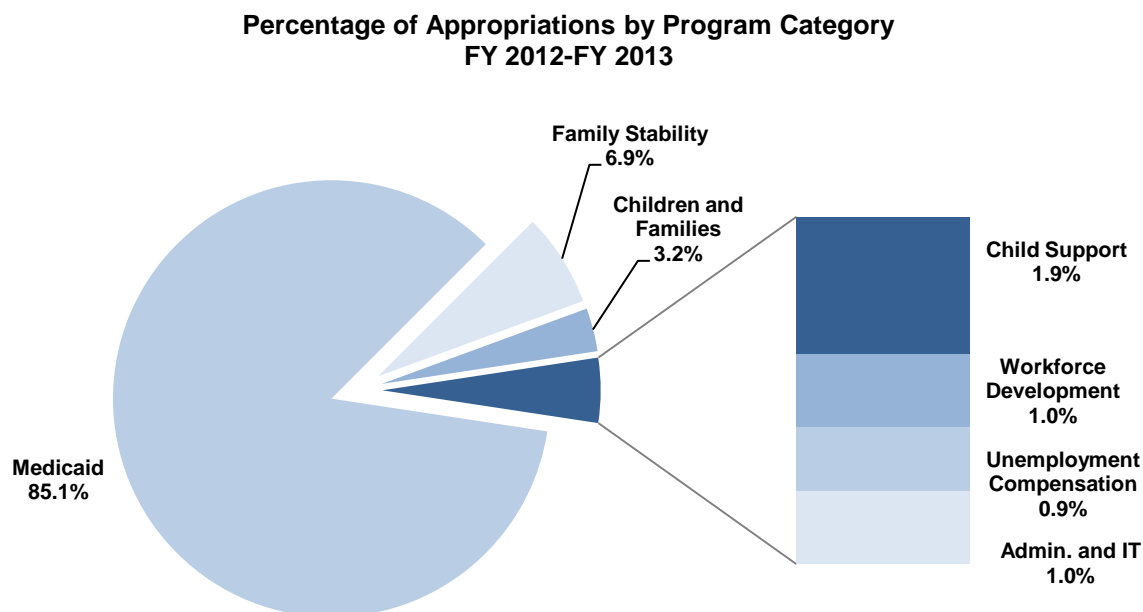


As shown in the chart above, appropriations from the GRF make up a majority of ODJFS's budget for the biennium at 59.6%. The GRF appropriations include the federal grant amounts for Medicaid and adoption expenditures made out of the GRF, as well as federal grant amounts for administrative activities and computer projects related to Medicaid and Adoption Assistance. GRF appropriations also include the state share for Medicaid expenditures and maintenance of effort dollars used to receive certain federal grants.

Federal funds account for the next largest portion of recommended funding for ODJFS at 32.3%, which include federal reimbursement from non-GRF Medicaid payments, the TANF Block Grant, the Child Care and Development grants, grants received under the Workforce Investment Act, federal funding for child welfare programs (adoption, foster care, and child support), and federal funding for unemployment compensation administration. The State Special Revenue Fund Group and the General Services Fund Group account for 7.4%, and Agency and Holding Account represent 0.7%.

Appropriations by Program Category

The chart below shows the budget appropriations by program category.



Medicaid accounts for 85.1% of ODJFS's budget for the biennium. The Family Stability category includes appropriations for TANF programs, publicly funded child care, administration for the Food Assistance Program, and other assistance programs. The Children and Families category includes appropriations for child welfare programs including adoption assistance and foster care, as well as the Social Services Block Grant.

Line Item Category Introduction

ODJFS's line items are grouped into seven major program categories. These seven categories are as follows:

1. Medicaid;
2. Family Stability;
3. Children and Families;
4. Child Support;
5. Workforce Development;
6. Unemployment Compensation; and
7. Administration.

To aid the reader in finding each item in the analysis, the following table shows the program category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget bill.

| Categorization of ODJFS's Appropriation Line Items | | |
|--|--|--------------------------|
| Fund | ALI and Name | Category |
| General Revenue Fund Group | | |
| GRF 600321 | Support Services | 7: Administration |
| GRF 600410 | TANF State | 2: Family Stability |
| GRF 600413 | Child Care Match/Maintenance of Effort | 2: Family Stability |
| GRF 600416 | Computer Projects | 7: Administration |
| GRF 600417 | Medicaid Provider Audits | 1: Medicaid |
| GRF 600420 | Child Support Administration | 4: Child Support |
| GRF 600421 | Office of Family Stability | 2: Family Stability |
| GRF 600423 | Office of Children and Families | 3: Children and Families |
| GRF 600425 | Office of Ohio Health Plans | 1: Medicaid |
| GRF 600502 | Administration – Local | 4: Child Support |
| GRF 600511 | Disability Financial Assistance | 2: Family Stability |
| GRF 600521 | Entitlement Administration – Local | 7: Administration |
| GRF 600523 | Children and Families Services | 3: Children and Families |
| GRF 600525 | Health Care/Medicaid | 1: Medicaid |
| GRF 600526 | Medicare Part D | 1: Medicaid |
| GRF 600528 | Adoption Services | 3: Children and Families |
| GRF 600529 | Capital Compensation Program | 1: Medicaid |
| GRF 600534 | Adult Protective Services | 3: Children and Families |
| GRF 600535 | Early Care and Education | 2: Family Stability |
| GRF 600537 | Children's Hospital | 1: Medicaid |
| GRF 600540 | Second Harvest Food Banks | 2: Family Stability |
| GRF 600541 | Kinship Permanency Incentive Program | 3: Children and Families |

| Categorization of ODJFS's Appropriation Line Items | | |
|--|--|------------------------------|
| Fund | ALI and Name | Category |
| General Services Fund Group | | |
| 4A80 | 600658 Public Assistance Activities | 2: Family Stability |
| 4R40 | 600665 BCII Services/Fees | 7: Administration |
| 5BG0 | 600653 Managed Care Assessment | 1: Medicaid |
| 5C90 | 600671 Medicaid Program Support | 1: Medicaid |
| 5DL0 | 600639 Medicaid Revenue and Collections | 1: Medicaid |
| 5DM0 | 600633 Administration and Operating | 7: Administration |
| 5FX0 | 600638 Medicaid Payment Withholding | 1: Medicaid |
| 5N10 | 600677 County Technologies | 7: Administration |
| 5P50 | 600692 Health Care Services | 1: Medicaid |
| 6130 | 600645 Training Activities | 1: Medicaid |
| Federal Special Revenue Fund Group | | |
| 3270 | 600606 Child Welfare | 3: Children and Families |
| 3310 | 600686 Federal Operating | 5: Workforce Development |
| 3840 | 600610 Food Assistance and State Administration | 2: Family Stability |
| 3850 | 600614 Refugee Services | 2: Family Stability |
| 3950 | 600616 Special Activities/Child and Family Services | 3: Children and Families |
| 3960 | 600620 Social Services Block Grant | 3: Children and Families |
| 3970 | 600626 Child Support | 4: Child Support |
| 3980 | 600627 Adoption Maintenance/Administration | 3: Children and Families |
| 3A20 | 600641 Emergency Food Distribution | 2: Family Stability |
| 3AW0 | 600675 Faith Based Initiatives | 2: Family Stability |
| 3D30 | 600648 Children's Trust Fund Federal | 3: Children and Families |
| 3ER0 | 600603 Health Information Technology | 1: Medicaid |
| 3FA0 | 600680 OHP Health Care Grants | 1: Medicaid |
| 3F00 | 600623 Health Care Federal | 1: Medicaid |
| 3F00 | 600650 Hospital Care Assurance Match | 1: Medicaid |
| 3G50 | 600655 Interagency Reimbursement | 1: Medicaid |
| 3H70 | 600617 Child Care Federal | 2: Family Stability |
| 3N00 | 600628 IV-E Foster Care Maintenance | 3: Children and Families |
| 3S50 | 600622 Child Support Projects | 4: Child Support |
| 3V00 | 600688 Workforce Investment Act | 5: Workforce Development |
| 3V40 | 600678 Federal Unemployment Programs | 6: Unemployment Compensation |
| 3V40 | 600679 Unemployment Compensation Review Commission – Federal | 6: Unemployment Compensation |
| 3V60 | 600689 TANF Block Grant | 2: Family Stability |

| Categorization of ODJFS's Appropriation Line Items | | |
|--|---|------------------------------|
| Fund | ALI and Name | Category |
| State Special Revenue Fund Group | | |
| 1980 600647 | Children's Trust Fund | 3: Children and Families |
| 4A90 600607 | Unemployment Compensation Admin. Fund | 6: Unemployment Compensation |
| 4A90 600694 | Unemployment Comp. Review Commission | 6: Unemployment Compensation |
| 4E30 600605 | Nursing Home Assessments | 1: Medicaid |
| 4E70 600604 | Child and Family Services Collections | 3: Children and Families |
| 4F10 600609 | Foundation Grants/Child & Family Services | 3: Children and Families |
| 4J50 600613 | Nursing Facility Bed Assessments | 1: Medicaid |
| 4J50 600618 | Residential State Supplement Payments | 1: Medicaid |
| 4K10 600621 | ICF/MR Bed Assessments | 1: Medicaid |
| 4R30 600687 | Banking Fees | 6: Unemployment Compensation |
| 4Z10 600625 | Healthcare Compliance | 1: Medicaid |
| 5AJ0 600631 | Money Follows the Person | 1: Medicaid |
| 5DB0 600637 | Military Injury Grants | 5: Workforce Development |
| 5DP0 600634 | Adoption Assistance Loan | 3: Children and Families |
| 5ES0 600630 | Food Assistance | 2: Family Stability |
| 5GF0 600656 | Medicaid – Hospital | 1: Medicaid |
| 5Q90 600619 | Supplemental Inpatient Hospital Payments | 1: Medicaid |
| 5R20 600608 | Medicaid – Nursing Facilities | 1: Medicaid |
| 5S30 600629 | MR/DD Medicaid Administration and Oversight | 1: Medicaid |
| 5U30 600654 | Health Care Services Administration | 1: Medicaid |
| 5U60 600663 | Children and Family Support | 3: Children and Families |
| 6510 600649 | Hospital Care Assurance Program Fund | 1: Medicaid |
| Agency Fund Group | | |
| 1920 600646 | Support Intercept – Federal | 4: Child Support |
| 5830 600642 | Support Intercept – State | 4: Child Support |
| 5B60 600601 | Food Assistance Intercept | 2: Family Stability |
| Holding Account Redistribution Fund Group | | |
| R012 600643 | Refunds and Audit Settlements | 7: Administration |
| R013 600644 | Forgery Collections | 7: Administration |

List of Acronyms Used in the Medicaid Section

ACA – Patient Protection and Affordable Care Act
ARRA – American Recovery and Reinvestment Act of 2009
BEACON – Best Evidence for Advancing Child Health in Ohio NOW!
CDJFS – County Department of Job and Family Services
CHIPRA – Children's Health Insurance Program Reauthorization Act of 2009
CMMI – Centers for Medicare and Medicaid Innovation
CMS – Centers for Medicare and Medicaid Services
DD – Developmental Disabilities
DMA – Disability Medical Assistance
DME – Durable Medical Equipment
DRG – Diagnosis-Related Group
DSH – Disproportionate Share Hospital
eFMAP – Enhanced Federal Medical Assistance Percentage
FFS – Fee for Service
FMAP – Federal Medical Assistance Percentage
FPG – Federal Poverty Guidelines
HCAP – Hospital Care Assurance Program
HCBS – Home and Community-Based Services
HIC – Health Insuring Corporation
ICF/MR – Intermediate Care Facility for the Mentally Retarded
IMD/DSH – Institutions for Mental Disease Disproportionate Share Hospital
MAC – Maximum Allowable Cost
MCP – Managed Care Plan
MITS – Medicaid Information Technology System
MMA – Medicare Prescription Drug, Improvement, and Modernization Act
MMIS – Medicaid Management Information System
NCCI – National Correct Coding Initiative
ODA – Ohio Department of Aging
ODADAS – Ohio Department of Alcohol and Drug Addiction Services
ODE – Ohio Department of Education
ODH – Ohio Department of Health
ODJFS – Ohio Department of Job and Family Services
ODMH – Ohio Department of Mental Health
ODODD – Ohio Department of Developmental Disabilities
OHP – Ohio Health Plans
OHT – Office of Health Transformation
PACE – Program of All-Inclusive Care for Elders
PAPD – Planning Advanced Planning Document
RSS – Residential State Supplement
SCHIP – State Children's Health Insurance Program

Medicaid

- Coverage of prescription drugs to be included in the managed care system
- \$494 million in hospital assessment revenue expected to be collected each year
- Consolidation of Medicaid funding in ODJFS

OVERVIEW

Program Overview

Medicaid is a publicly funded health insurance program for low-income individuals. It is a federal-state joint program: administered by the states and funded with federal, state, and, in some states like Ohio, local revenues. The federal government establishes and monitors certain requirements concerning funding, eligibility standards, and quality and scope of medical services. In Ohio, Medicaid covers as many as 2.2 million low-income parents, children, pregnant women, seniors, and individuals with disabilities each year. Ohio Medicaid is the largest health insurer in the state. It is also the largest single state program with annual spending of about \$18 billion in combined federal and state dollars. Medicaid accounts for 3% of Ohio's economy. Medicaid services are an entitlement for those who meet eligibility requirements. Entitlement means that if an individual is eligible for the program then they are guaranteed the benefits and the state is obligated to pay for them.

Another federal-state joint health care program, which has been implemented as a Medicaid expansion in Ohio, is the State Children's Health Insurance Program (SCHIP). This program provides health care coverage for children in low and moderate-income families who are ineligible for Medicaid but cannot afford private insurance.

In Ohio, Medicaid is administered by the Ohio Department of Job and Family Services (ODJFS) with the assistance of six other state agencies, 88 county departments of job and family services, 88 county boards of developmental disabilities, 50 community behavioral health boards, and 12 area agencies on aging. The federal government requires each state to designate a "single state agency" to administer its Medicaid Program. ODJFS is Ohio's single state agency. The Office of Ohio Health Plans (OHP) is the unit within ODJFS that is responsible for the day-to-day administration of the program. As Ohio's single state agency, ODJFS must retain oversight and administrative control of the Ohio Medicaid Program and assure the federal Centers for Medicare and Medicaid Services (CMS) that federally set standards are maintained. Federal law allows ODJFS to contract with other public and private entities to manage aspects of the program. ODJFS contracts with the following state

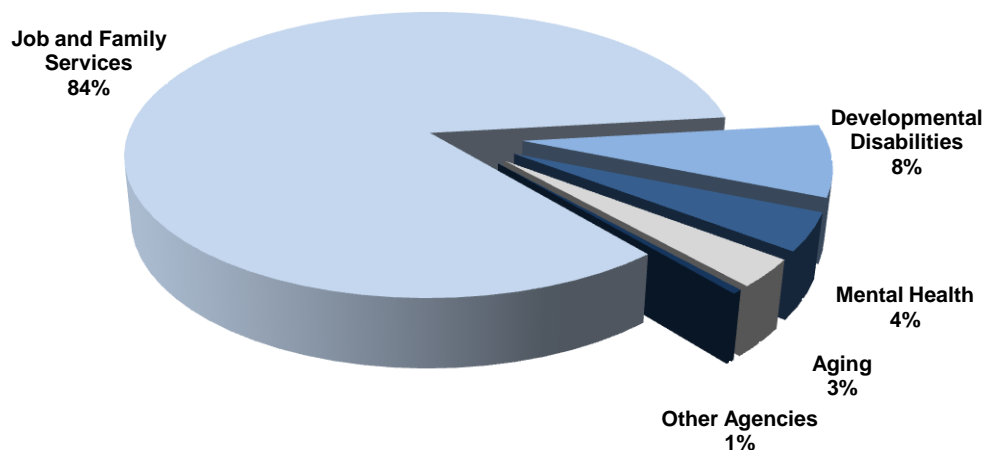
agencies to administer various Ohio Medicaid programs through interagency agreements:

- Ohio Department of Aging (ODA);
- Ohio Department of Alcohol and Drug Addiction Services (ODADAS);
- Ohio Department of Education (ODE);
- Ohio Department of Health (ODH);
- Ohio Department of Mental Health (ODMH); and
- Ohio Department of Developmental Disabilities (ODODD).

On January 13, 2011, the Governor created the Office of Health Transformation (OHT) to streamline the Medicaid Program and improve the overall quality of the health care system in Ohio.

The chart below shows Ohio's Medicaid spending by agency in FY 2010. About 84% of Medicaid spending is from ODJFS's budget. The majority of Medicaid spending in ODJFS's budget is out of GRF line item 600525, Health Care/Medicaid. The "Other Agencies" category in the chart includes the departments of Alcohol and Drug Addiction Services, Health, and Education.

Medicaid Spending by Agency (FY 2010)



Appropriation Overview

The table below shows funding for the Medicaid in ODJFS totals \$18.8 billion in FY 2012, an increase of 10.79%, and \$20.0 billion in FY 2013, an increase of 6.35%. GRF appropriations increase by 13.96% in FY 2012, and increase by 10.67% in FY 2013.

| Medicaid Funding in ODJFS by Fund Group* | | | | | |
|--|-------------------------|-------------------------|---------------|-------------------------|--------------|
| Fund Group | FY 2011 | FY 2012 | % Change | FY 2013 | % Change |
| General Revenue Fund | \$10,665,608,464 | \$12,154,785,381 | 13.96% | \$13,451,118,500 | 10.67% |
| General Services Fund | \$434,398,013 | \$401,157,852 | -7.65% | \$416,096,240 | 3.72% |
| Federal Special Revenue Fund | \$4,940,320,566 | \$5,052,217,624 | 2.26% | \$4,918,157,260 | -2.65% |
| State Special Revenue | \$896,652,020 | \$1,155,986,241 | 28.92% | \$1,170,222,860 | 1.23% |
| TOTAL | \$16,936,979,063 | \$18,764,147,098 | 10.79% | \$19,955,594,860 | 6.35% |

*Some of the appropriations in this section include funding for non-Medicaid as some line items provide funding across multiple programs. In addition, this section does not include funding for Medicaid-related administrative or information technology costs spent out of ALIs 600321 and 600416.

Major Initiatives

Medicaid Reserve Fund

H.B. 153 creates the Medicaid Reserve Fund. The Director of Budget and Management is allowed to transfer up to \$129,113,790 cash from the GRF to the Medicaid Reserve Fund during the FY 2012-FY 2013 biennium. Money in the fund may be used for the Medicaid Program upon request of the ODJFS Director with approval of the OBM Director. As necessary, the OBM Director is authorized to transfer cash from the Medicaid Reserve Fund to the GRF. Appropriations in line item 600525, Health Care/Medicaid, are to be increased by the amounts of such transfers and corresponding federal matching funds.

Funding Consolidation in Job and Family Services

Part of the funding for Medicaid programs appropriated in FY 2011 in the Ohio Department of Aging (ODA), the Ohio Department of Mental Health (ODMH), and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) is consolidated into the Ohio Department of Job and Family Services' (ODJFS) budget.

Creating a Unified Long-Term Care System

The budget allows a unified long-term care system so that individuals who need long-term services can understand their choices and how to access the services. To create a unified long-term care budget, the budget combines Medicaid funding for long-term services and supports in ODJFS GRF line item 600525, Health Care/Medicaid.

Currently there are five Home and Community-Based Services (HCBS) waivers (PASSPORT, Ohio Home Care, Ohio Home Care/Transitions Aging Carve-Out, Choices, and Assisted Living) that serve individuals with a nursing facility level of care. The budget includes a policy that these five waivers be replaced with a single waiver. Enrollment in the new waiver is intended to begin on or about July 1, 2012.

Hospital Assessments

The budget continues the assessment imposed on hospitals for two additional years, ending October 1, 2013, rather than October 1, 2011.

The budget increases the hospital assessment to about 2.5% of the total facility cost in each year and requires ODJFS to adopt rules specifying the percentage of hospitals' total facility costs that hospitals are to be assessed for the next two years. The percentage may vary for different hospitals.

It is estimated that the assessment will generate \$494.3 million in FY 2012 and \$494.1 million in FY 2013. Of these amounts, the state will retain \$217.2 million each year and the corresponding federal match of \$386.8 million in FY 2012 and \$388.7 million in FY 2013. These retained funds and the corresponding federal match will be used to pay Medicaid expenditures.

The \$277.1 million in FY 2012 and \$276.9 million in FY 2013 remaining from the fee revenue collected and the corresponding federal match of \$493.4 million in FY 2012 and \$495.4 million in FY 2013 will be used to pay the 5% hospital rate increase and make supplemental payments to hospitals.

Managed Care Prescription Drug Carve-In

H.B. 153 requires that the Medicaid Program's coverage of prescription drugs be included in the managed care system. To implement this coverage requirement, H.B. 153 requires ODJFS to enter into new contracts or amend existing contracts with health insuring corporations not later than October 1, 2011.

If the pharmacy benefit is carved back into the managed care program effective October 1, 2011, it is estimated to increase Medicaid costs by \$114 million over the biennium due to the overlap in the payment of fee for service (FFS) claims and an increase in the managed care capitation rates.

Nursing Facilities Payments

H.B. 153 revises the formula used in determining nursing facilities' Medicaid reimbursement rates. The formula is established in the Revised Code and is comprised of various price centers and a quality incentive payment.

Rebalancing Long-Term Care

H.B. 153 requires ODJFS, ODA, and ODODD to continue efforts to achieve a sustainable and balanced delivery system for long-term services and supports. In working to achieve such a delivery system, the departments are to strive to meet, by June 30, 2013, certain goals regarding the utilization of noninstitutionally based long-term services and supports.

Vetoed Provisions**Earmark for Hattie Larlham Community Living**

The budget earmarked \$62,500 in each fiscal year in line item 600625, Health Care/Medicaid, for Hattie Larlham Community Living. The Governor vetoed this provision.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the funding for each appropriation line item in Medicaid's budget. In this analysis, Medicaid's line items are grouped into two major categories. For each category, a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation. The categories used in this analysis are as follows:

1. Medicaid/SCHIP; and
2. Hospital Care Assurance Program.

Medicaid/SCHIP

This category of appropriations includes the major sources of state and federal funding for Medicaid/SCHIP service expenditures. The table below lists the line items associated with this category and the funding level.

| Appropriations for Medicaid/SCHIP | | | | |
|---|--------|---------------------------------------|------------------|------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| General Revenue Fund | | | | |
| GRF | 600417 | Medicaid Provider Audits | \$1,312,992 | \$1,312,992 |
| GRF | 600425 | Office of Ohio Health Plans | \$25,706,503 | \$28,027,221 |
| GRF | 600525 | Health Care/Medicaid | \$11,843,769,396 | \$13,118,813,544 |
| GRF | 600526 | Medicare Part D | \$277,996,490 | \$296,964,743 |
| GRF | 600537 | Children's Hospital | \$6,000,000 | \$6,000,000 |
| General Revenue Fund Subtotal | | | \$12,154,785,381 | \$13,451,118,500 |
| General Services Fund Group | | | | |
| 5C90 | 600671 | Medicaid Program Support | \$85,800,878 | \$82,839,266 |
| 5DL0 | 600639 | Medicaid Revenue and Collections | \$89,256,974 | \$84,156,974 |
| 5FX0 | 600638 | Medicaid Payment Withholding | \$5,000,000 | \$6,000,000 |
| 5HA0 | 600681 | Health Care Services – Other Fund | \$0 | \$0 |
| 5P50 | 600692 | Health Care Services | \$220,600,000 | \$242,600,000 |
| 6130 | 600645 | Training Activities | \$500,000 | \$500,000 |
| General Services Fund Group Subtotal | | | \$401,157,852 | \$416,096,240 |
| Federal Special Revenue Fund Group | | | | |
| 3ER0 | 600603 | Health Information Technology | \$411,661,286 | \$416,395,286 |
| 3F00 | 600623 | Health Care Federal | \$2,637,061,505 | \$2,720,724,869 |
| 3FA0 | 600680 | OHP Health Care Grants | \$9,405,000 | \$20,000,000 |
| 3G50 | 600655 | Interagency Reimbursement | \$1,621,305,787 | \$1,380,391,478 |
| Federal Special Revenue Fund Group Subtotal | | | \$4,679,433,578 | \$4,537,511,633 |
| State Special Revenue Fund Group | | | | |
| 4E30 | 600605 | Nursing Home Assessments | \$2,878,320 | \$2,878,319 |
| 4J50 | 600613 | Nursing Facility Bed Assessments | \$0 | \$0 |
| 4J50 | 600618 | Residential State Supplement Payments | \$0 | \$0 |
| 4K10 | 600621 | ICF/MR Bed Assessments | \$41,405,596 | \$44,372,874 |
| 4Z10 | 600625 | HealthCare Compliance | \$11,551,076 | \$14,582,000 |
| 5AJ0 | 600631 | Money Follows the Person | \$5,483,080 | \$4,733,080 |

| Appropriations for Medicaid/SCHIP | | | | |
|--|--------|---|-------------------------|-------------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| 5BG0 | 600653 | Managed Care Assessment | \$0 | \$0 |
| 5GF0 | 600656 | Medicaid – Hospital | \$436,000,000 | \$436,000,000 |
| 5KC0 | 600682 | Health Care Special Activities | \$10,000,000 | \$10,000,000 |
| 5Q90 | 600619 | Supplemental Inpatient Hospital Payments | \$0 | \$0 |
| 5R20 | 600608 | Medicaid-Nursing Facilities | \$402,489,308 | \$407,100,746 |
| 5S30 | 600629 | MR/DD Medicaid Administration and Oversight | \$9,252,738 | \$9,147,791 |
| 5U30 | 600654 | Health Care Services Administration | \$24,400,000 | \$24,400,000 |
| State Special Revenue Fund Group Subtotal | | | \$943,460,118 | \$953,214,810 |
| Total Funding: Medicaid/SCHIP | | | \$18,178,836,929 | \$19,357,941,183 |

Funding Consolidation in Job and Family Services

A large portion of the funding for the Medicaid programs appropriated in FY 2011 in the Ohio Department of Aging (ODA), the Ohio Department of Mental Health (ODMH), and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) is consolidated into the Ohio Department of Job and Family Services' (ODJFS) budget. Beginning in FY 2012 and continuing in FY 2013, funding previously appropriated in ODA's GRF line item 490423, Long-Term Care Budget – State, and federal line item 490623, Long-Term Care Budget, is appropriated in ODJFS GRF line item 600525, Health Care/Medicaid. Additionally, funding from ODJFS's line item 600613, Nursing Facility Bed Assessments, that was previously transferred to ODA will remain with ODJFS and be consolidated into line item 600608, Medicaid – Nursing Facilities. The associated federal match is moved from line item 600655, Interagency Reimbursement, to line item 600623, Health Care Federal.

In FY 2013, funds previously appropriated in ODMH GRF line item 335501, Mental Health Medicaid, and ODADAS GRF line item 038401, Treatment Services, will be consolidated into ODJFS GRF line item 600525, Health Care/Medicaid. Funding from ODADAS line item 038621, Statewide Treatment and Prevention, will be consolidated into ODJFS line item 600671, Medicaid Program Support.

To illustrate the changes in funding levels due to the restructuring of line items, the table below shows the shifting of the funding among and within agencies.

| Restructuring of Line Items | | | |
|-----------------------------------|--------------|-----------------|-----------------|
| Agency | Line Item(s) | FY 2012 | FY 2013 |
| Aging | 490423 | (\$189,399,305) | (\$204,238,553) |
| | 490602 | (\$2,000,000) | (\$2,000,000) |
| | 490610 | (\$33,263,984) | (\$33,263,984) |
| | 490623 | (\$376,193,854) | (\$383,946,299) |
| Job and Family Services | 600525 | \$520,708,135 | \$563,895,807 |
| | State | \$189,399,305 | \$204,238,553 |
| | Federal | \$331,308,830 | \$359,657,254 |
| | 600608 | \$35,263,984 | \$35,263,984 |
| | 600623 | \$62,800,488 | \$63,101,383 |
| | 600655 | (\$376,193,854) | (\$383,946,299) |
| Alcohol & Drug Addiction Services | 038401 | -- | (\$26,003,759) |
| | 038621 | -- | (\$7,033,199) |
| | 038610 | -- | (\$64,160,565) |
| Job and Family Services | 600525 | -- | \$77,549,116 |
| | State | -- | \$26,003,859 |
| | Federal | -- | \$51,545,357 |
| | 600671 | -- | \$7,033,199 |
| | 600623 | -- | \$12,585,208 |
| Mental Health | 335501 | -- | (\$526,575,077) |
| Job and Family Services | 600525 | -- | \$526,575,077 |
| | State | -- | \$184,301,276 |
| | Federal | -- | \$342,273,801 |
| | 600655 | -- | (\$342,273,801) |
| Job and Family Services | 600613 | (\$3,436,395) | (\$3,436,396) |
| | 600608 | \$3,436,395 | \$3,436,396 |

Health Care/Medicaid (600525)

This GRF line item is used to reimburse health care providers for covered services to Medicaid recipients. In addition, this line item funds the costs of health care-related contracts such as pharmacy point of sale, utilization review, external quality review, and contracted case management. The federal earnings on the payments that are made entirely from this line item are deposited as revenue into the GRF. Although other agencies also provide Medicaid services, the vast majority of Medicaid service spending occurs within this line item.

Spending within this line item generally can be placed into one of several major service categories: long-term care (nursing facilities and ICFs/MR), hospitals (inpatient and outpatient), physician services, prescription drugs, managed care plans, Medicare buy-in, Ohio Home Care waivers, and all other care. The budget adds two more categories: the Department of Aging's waivers and behavioral health. The majority of expenditures from this line item earn the regular Federal Medical Assistance Percentage (FMAP) reimbursement rate at approximately 64%, although family planning expenditures earn an enhanced 90% federal participation rate, and a portion of the buy-in premium payments are state funds only. Expenditures for the State Children's Health Insurance Program (SCHIP) from this line item earn an enhanced federal participation rate of approximately 74%.

The budget provides \$11,843,769,396 for FY 2012, a 13.3% increase over the FY 2011 expenditures of \$10,453,009,198 and \$13,118,813,544 for FY 2013, a 10.8% increase over FY 2012. The appropriation is based on the forecast of Medicaid spending, policy changes, and restructuring of line items. In addition to these specified amounts of appropriation, H.B. 153 provides the following policies related to the appropriation of GRF line item 600525, Health Care/Medicaid:

Medicaid Reserve Fund. H.B. 153 creates the Medicaid Reserve Fund. The OBM Director is allowed to transfer up to \$129,113,790 cash from the GRF to the Medicaid Reserve Fund during the FY 2012-FY 2013 biennium. Money in the fund may be used for the Medicaid Program upon the request of the ODJFS Director and the approval of the OBM Director. As necessary, the OBM Director is authorized to transfer cash from the Medicaid Reserve Fund to the GRF. Appropriations in line item 600525, Health Care/Medicaid, are to be increased by the amounts of such transfers and corresponding federal matching funds.

Hospital Inpatient and Outpatient Supplemental Upper Payment Limit Program; Medicaid Managed Care Hospital Incentive Payment Program; 5% Hospital Rate Increase. H.B. 153 allows the OBM Director to authorize additional expenditures from line item 600623, Health Care Federal, line item 600525, Health Care/Medicaid, and line item 600656, Medicaid-Hospital, in order to pay for the extension of the 5% rate increase or make the supplemental or incentive payments as specified in H.B. 153.

Managed Care Performance Payment Program. At the beginning of each quarter, or as soon as possible thereafter, the ODJFS Director is to certify to the OBM Director the amount withheld for purposes of the Managed Care Performance Payment Program. Upon receiving certification, the OBM Director is to transfer cash in the amount certified from the GRF to the Managed Care Performance Payment Fund. Line item 600525, Health Care/Medicaid, is then reduced by the amount of the transfer.

Coordination of Care for Covered Families and Children Pending Medicaid Managed Care Enrollment. H.B. 153 allows ODJFS to submit to the United States Secretary of Health and Human Services a request for a Medicaid state plan amendment to authorize payment for Medicaid-reimbursable targeted case management services that are provided in connection with the Help Me Grow Program and for services provided under the program.

Each quarter during FY 2012 and FY 2013 following approval of a Medicaid state plan amendment, ODJFS is to certify to the OBM Director the state and federal share of the amount ODJFS has expended that quarter for targeted case management services provided in connection with the Help Me Grow Program. On receipt of each quarterly certification, the OBM Director is to decrease the appropriation from GRF line item 440459, Help Me Grow, an amount equal to the state share of the certified expenditures and increase GRF line item 600525, Health Care/Medicaid, by an equal amount and adjust the federal share accordingly. This transfer is not intended to reduce GRF funds appropriated for the Help Me Grow Program, but is to be done solely for the purpose of drawing down the federal share of Medicaid reimbursement.

Medicare Part D. Upon the request of ODJFS, the OBM Director is allowed to transfer the state share of appropriations between GRF line item 600525, Health Care/Medicaid, and GRF line item 600526, Medicare Part D. If the state share of line item 600525, Health Care/Medicaid, is adjusted, the OBM Director is to adjust the federal share accordingly. ODJFS is required to provide notification to the Controlling Board of any transfers at the next scheduled Controlling Board meeting.

ICF/MR Conversion. For each quarter of the FY 2012-FY 2013 biennium, the ODODD Director is to certify to the OBM Director the estimated amount needed to fund the provision of home and community-based services made available by the slots specified in the law. On receipt of certification, the OBM Director is required to transfer the estimated amount in cash from the GRF to the Home and Community-Based Services Fund (Fund 4K80), used by ODODD. Upon completion of the transfer, line item 600525, Health Care/Medicaid, is reduced by the amount transferred plus the corresponding federal share. The amount transferred to Fund 4K80 is appropriated to line item 322604, Medicaid Waiver – State Match.

The tables below provide a summary of the changes to line item 600525 as well as the percentage growth for all funds (state and federal share) and state share only. The difference in the state share growth from FY 2011 to FY 2012 between the all funds number and the state share number is attributable to the discontinuation of the Enhanced Federal Medical Assistance Percentage (eFMAP).

| Line Item 600525 Baseline vs. Appropriation (Both State and Federal Share) | | | |
|---|-------------------------|-------------------------|-------------------------|
| | FY 2011 | FY 2012 Appropriation | FY 2013 Appropriation |
| Baseline | \$10,453,009,198 | \$12,537,380,395 | \$13,554,169,619 |
| Policy Changes | -- | (\$1,214,319,134) | (\$1,603,376,075) |
| Funding Consolidation | -- | \$520,708,135 | \$1,168,020,000 |
| Appropriation | \$10,453,009,198 | \$11,843,769,396 | \$13,118,813,544 |
| Baseline Growth | -- | 19.94% | 8.11% |
| Appropriation Growth | -- | 13.30% | 10.77% |

| Line Item 600525 Baseline vs. Appropriation (State Share Only) | | | |
|---|------------------------|------------------------|------------------------|
| | FY 2011 | FY 2012 Appropriation | FY 2013 Appropriation |
| Baseline | \$2,972,988,389 | \$4,562,823,236 | \$4,868,066,510 |
| Policy Changes | -- | (\$438,461,169) | (\$593,559,081) |
| Funding Consolidation | -- | \$189,399,305 | \$414,543,588 |
| Appropriation | \$2,972,988,389 | \$4,313,761,372 | \$4,689,051,017 |
| Baseline Growth | -- | 53.48% | 6.69% |
| Appropriation Growth | -- | 45.10% | 8.70% |

The Medicaid baseline contains the following policies:

1. The Patient Protection and Affordable Care Act (ACA) of 2010 mandates that Medicaid physician reimbursement rates for certain primary care services be at least 100% of the applicable Medicare rate in 2013 and 2014. The federal government will pay 100% of the incremental cost for those two years. In 2015, states will either have to pay their share of the higher reimbursement rates without the additional federal funding or reduce their rates. Ohio's Medicaid reimbursement rate for primary care is about 66% of Medicare rates.

2. Hospital expenditures include a continuation of the 5% rate increase to hospitals. The 5% rate increase will be funded through extension of the hospital assessment.
3. The FY 2010-FY 2011 budget required the last ICF/MR payment for FY 2011 to be paid in FY 2012. However, ODJFS shifted the payment back, paying it in FY 2011 in order to take advantage of the eFMAP, which ended June 30, 2011. This one-time payment is about \$46.7 million.

Policy Changes by Medicaid Service Category

The following section provides major policy changes assumed or included in the FY 2012- FY 2013 biennium budget by Medicaid service category.

Managed Care

Medicaid Managed Care for the Aged, Blind, or Disabled

H.B. 153 permits ODJFS, if any necessary waiver of federal Medicaid requirements is granted, to designate any of the following individuals who receive Medicaid on the basis of being aged, blind, or disabled as individuals who are permitted or required to participate in the care management system:

1. Individuals under age 21;
2. Individuals who reside in a nursing facility;
3. Individuals who, as an alternative to receiving nursing facility services, are participating in a home and community-based Medicaid waiver program; and
4. Individuals who are dually eligible for Medicaid and Medicare.

In FYs 2012 and 2013, H.B. 153 prohibits ODJFS from including in the Medicaid care management system an individual receiving services through the program for medically handicapped children, also known as the Bureau for Children with Medical Handicaps (BCMh), if the individual has certain specified conditions.

Pediatric Accountable Care Organizations

H.B. 153 requires ODJFS, not later than July 1, 2012, to establish a pediatric accountable care organization recognition system. The standards of recognition are to be the same as, or not conflict with, those adopted under ACA. Assuming a start date of July 1, 2012, this program is estimated to have a net cost of \$87 million over the biennium. In addition, better utilization controls are expected to result in \$288 million in savings. Lastly, moving from a retrospective to prospective payment system is expected to increase costs by \$375 million.

Medicaid Managed Care Coverage of Prescription Drugs

H.B. 153 requires that the Medicaid Program's coverage of prescription drugs be included in the managed care system. If the pharmacy benefit is carved back into the managed care program effective October 1, 2011, it is estimated it will increase Medicaid costs by \$114 million over the biennium due to the overlap in the payment of FFS claims and an increase in the managed care capitation rates.

Mental Health Drugs Excluded from Prior Authorization

For drugs that are antidepressants or antipsychotics, H.B. 153 establishes limitations on the use of prior authorization requirements by health insuring corporations (HICs). HICs may not impose such a requirement if all of the following apply to a mental health drug:

1. The drug is administered or dispensed in a standard tablet or capsule form or, if the drug is an antipsychotic, in a long-acting injectable form;
2. The drug is prescribed by a physician whom the HIC has credentialed to provide care as a psychiatrist or prescribed by a psychiatrist practicing at a community mental health agency certified by the Department of Mental Health;
3. The drug is prescribed for a use that is indicated on the drug's labeling, as approved by the U.S. Food and Drug Administration.

Continuity Period

H.B. 153 specifies limitations that apply during a drug continuity period after ODJFS first implements the requirement for coverage of prescription drugs through Medicaid-participating HICs. Specifically, H.B. 153 establishes the following continuity requirements:

1. If, immediately before the HIC's coverage becomes effective, a Medicaid recipient enrolled in the HIC was being treated with a drug prescribed by a physician, the HIC must provide coverage of the drug without using drug utilization or management techniques that are more stringent than the utilization or techniques, if any, the person was subject to before the transfer of drug coverage for a 30-day period after the coverage is effective if the drug was a controlled substance and a 90-day period after the coverage is effective for all other drugs.
2. For a 120-day period, with respect to mental health drugs, both of the following apply:
 - a. If, immediately before the HIC's coverage becomes effective, a Medicaid recipient enrolled in the HIC was being treated with an antidepressant or

antipsychotic in the form specified in the act, the HIC must provide coverage without a prior authorization requirement.

- b. The HIC must permit the health professional who was prescribing the drug to continue prescribing the drug for the Medicaid recipient, regardless of whether the prescriber is a psychiatrist credentialed by the HIC.

ODJFS estimates that excluding mental health drugs from prior authorization will cost the state \$62 million over the biennium.

Medicaid Managed Care Capital Payments

H.B. 153 requires ODJFS or its actuary to base the hospital inpatient capital payment portion of the payment made to Medicaid managed care organizations on data for services provided to all recipients enrolled in managed care organizations under contract with ODJFS. The hospital inpatient capital payment portion is one part of the calculation used by ODJFS to determine the payments to Medicaid managed care organizations. Data reported by hospitals on relevant cost reports is to be used in determining the payment.

Historically, Medicaid managed care plans have reimbursed hospitals using the same capital rate as calculated for FFS inpatient capital costs. With Medicaid managed care fully implemented, the remaining FFS population consumes more capital resources (\$772 per discharge on average) compared to the managed care population (\$427 per discharge on average). Instead of using FFS inpatient capital rates for managed care, the budget will set specific Medicaid managed care capital rates for hospitals beginning January 1, 2012, and to update those rates annually thereafter. This change is estimated to save \$126 million over the biennium. As a result, the managed care capitation will be adjusted downward.

Medicaid Managed Care Performance Payment Program

H.B. 153 requires ODJFS to establish the Managed Care Performance Payment Program. When an organization meets the performance standards, ODJFS is required to make payments to the organization. The schedule of making payments is to be established by ODJFS. The Department is to discontinue payments if the organization no longer meets the performance standards. ODJFS is to establish a percentage amount that is to be withheld from each premium payment made to a Medicaid managed care organization. The amount is to be the same for each organization and the organization must agree to the withholding as a condition of receiving or maintaining its Medicaid provider agreement with ODJFS. The amounts withheld, and deposited into the Managed Care Performance Payment Fund, are to be used for purposes of the program. The sum of all withholdings cannot exceed 1% of the total of all premium payments made by ODJFS to all Medicaid managed care organizations.

At the beginning of each quarter, the ODJFS Director is required to certify to the OBM Director the amount withheld for purposes of the program. Upon receiving the certification, the OBM Director is required to transfer cash in the amount certified from the GRF to the Managed Care Performance Payment Fund. The transferred cash is appropriated and line item 600525, Health Care/Medicaid, is to be reduced by the amount of the transfer.

MCP Capitation Rates

The budget includes a policy to reduce the Managed Care Plan (MCP) capitation rates due to the maturity of the Ohio Medicaid managed care program. According to OHT, a review of the administrative portion of the capitation rate and medical inflation trend used to determine the medical services component of the rate by the state-contracted actuary indicates that there are opportunities to achieve savings in these components due to the maturity of the Ohio Medicaid managed care program. For example, the actuary has recommended that ODJFS use the lower boundary of the medical cost inflation trend, reduce the administrative components of the capitation rate to reflect reductions in administrative requirements placed on the plans by the Ohio Medicaid Program, and reduce the administrative component based on actual managed care plan experience and national trends. Also, the expansion of managed care to include children with disabilities will allow the plans to more efficiently spread their administrative costs across more lives. These changes in the capitation rates are estimated to save \$144 million over the biennium.

Eliminate the Children's Buy-In Program

The budget eliminates the Children's Buy-In Program, but allows the children who are currently enrolled to keep their coverage. This change is estimated to save \$9 million over the biennium.

The Children's Buy-In Program was implemented in April 2008 to provide families with income between 300% and 500% of the federal poverty guideline with a subsidy to purchase a commercial-like health insurance benefit from a Medicaid managed care plan for children otherwise uninsurable. As of March 2011 there were five children enrolled in the program.

Sales and Use Tax on MCP

Managed care organizations are subjected to the state sales and use tax and the health insuring corporation tax on payments received from the state to provide Medicaid services. In general, when the managed care payment increases, sales tax revenue will increase, and vice versa.

Hospital

Fiscal Years 2012 and 2013 Hospital Medicaid Rates

H.B. 153 requires the ODJFS Director to amend rules as necessary to continue, for FYs 2012 and 2013, the Medicaid reimbursement rates in effect on June 30, 2011, for Medicaid-covered hospital inpatient and outpatient services that are paid under the prospective payment system established in the rules. And thus, the budget extends the temporary 5% hospital rate increase that would expire June 30, 2011. This policy is estimated to cost \$371 million over the biennium.

Am. Sub. H.B. 1 of the 128th General Assembly required ODJFS to amend Medicaid rules as necessary to increase, for the period beginning October 1, 2009, and ending June 30, 2011, the Medicaid reimbursement rates for Medicaid-covered hospital inpatient and outpatient services that are paid under a prospective payment system. Beginning October 1, 2009, hospital payment rates were increased by 5% based on the rates in effect on September 30, 2009.

Hospital Assessments

H.B. 153 continues the assessment imposed on hospitals for two additional years, ending October 1, 2013, rather than October 1, 2011. The budget also increases the hospital assessment to about 2.5% of the total facility cost in each year and requires ODJFS to adopt rules specifying the percentage of hospitals' total facility costs that hospitals are to be assessed for the next two years. The percentage may vary for different hospitals; however, ODJFS must obtain a federal waiver before establishing varied percentages if varied percentages would cause the assessment to not be imposed uniformly as required by federal law.

A hospital's total facility costs are derived from cost-reporting data submitted to ODJFS for purposes of the Hospital Care Assurance Program (HCAP). H.B. 153 provides that a hospital's total facility costs are to be derived from other financial statements that the hospital is to provide ODJFS if the hospital has not submitted the HCAP cost-reporting data. The financial statements are subject to the same type of adjustments made to the HCAP cost-reporting data. H.B. 153 requires ODJFS to impose a penalty of 10% of the amount due on any hospital that fails to pay its assessment by the due date.

H.B. 153 also provides that a portion of the hospital assessments is to be used for the following:

- 1. Continue the Hospital Inpatient and Outpatient Supplemental Upper Payment Limit Program.**

Am. Sub. H.B. 1 of the 128th General Assembly required the ODJFS Director to seek federal approval for a Hospital Inpatient and Outpatient Supplemental Upper

Payment Limit Program. The program was approved and provides supplemental payments to hospitals for Medicaid-covered inpatient and outpatient services.

2. Create the Medicaid Managed Care Hospital Incentive Payment Program.

H.B. 153 requires ODJFS to seek federal approval of a Medicaid Managed Care Hospital Incentive Payment Program for the purpose of increasing access to hospital services for Medicaid recipients who are enrolled in Medicaid managed care organizations. If approved, the program is to provide additional funds to Medicaid managed care organizations to be used by the organizations to increase payments to hospitals for providing services to Medicaid recipients who are enrolled in the Medicaid managed care organizations.

3. Pay the 5% hospital rate increase as discussed above.

H.B. 153 also requires ODJFS, not later than July 1, 2012, to select an actuary to conduct a study of contracted reimbursement rates between Medicaid managed care organizations and hospitals. The actuary is to determine if a reduction in the capitation rates paid to Medicaid managed care organizations in FY 2013 is appropriate as a result of the contracted reimbursement rates between the organizations and hospitals. If the actuary determines that any reduction in the capitation rates paid to Medicaid managed care organizations in FY 2013 will not achieve \$22 million in state savings in that year, the state is to receive from Medicaid managed care organizations and hospitals the difference between what is saved and \$22 million. In consultation with the Ohio Association of Health Plans and the Ohio Hospital Association, ODJFS is to establish a methodology under which the difference is to be paid equally by Medicaid managed care organizations and hospitals. ODJFS may waive the payment requirement if spending for the Medicaid Program in FY 2013 is less than the amount that is budgeted for that fiscal year. If ODJFS does receive payments, the amounts are to be deposited into the Health Care Compliance Fund.

Children's Hospitals Supplemental Funding

H.B. 153 requires the ODJFS Director to make additional Medicaid payments of \$6 million state share and the corresponding federal share each year to children's hospitals for inpatient services. The additional payments are for FYs 2012 and 2013 and are to compensate children's hospitals for the high percentage of Medicaid recipients they serve. The Director is to model the additional payments after the program that ODJFS was required to create for FYs 2006 and 2007 as part of the biennial budget act for those years. The program may be the same as the program the Director used for making payments to children's hospitals for FYs 2010 and 2011 under the biennial budget act for those years.

A New Hospital DRG Grouper

The budget includes a policy that allows a new diagnosis-related group (DRG) Grouper to be implemented by January 1, 2013 for classifying inpatient hospital cases. This policy change is expected to be budget neutral. Ohio uses a DRG system to classify inpatient hospital cases into one of approximately 500 groups, which are used to determine inpatient hospital reimbursement. Ohio is using DRG version 15, Medicare is using Grouper version 28, and more modern versions can assign up to two and one-half times as many DRGs, which allows for more accurate and efficient reimbursement.

Using each Hospital's Specific Outpatient Cost-to-Charge Ratio

The budget includes a policy to change, effective January 1, 2012, a percentage-based reimbursement to each hospital's specific outpatient cost-to-charge ratio. It is estimated that this change will save \$66.2 million over the biennium. ODJFS reimburses most hospitals for outpatient services using predetermined fee schedules. Although the majority of services have a set reimbursement rate, there are a few services reimbursed using a percentage of billed charges. Depending on the service, the percentage can vary from 50% to 70% of charges. Changing the percentage-based reimbursement to each hospital's specific outpatient cost-to-charge ratio will limit reimbursement to the cost for these services.

Hospital Outlier Payments

The budget includes a policy to require, effective October 1, 2012, that future cost outlier inflation factors be based on the most recent three-year average increase in charges per discharges. It is estimated that this change will save \$157.4 million over the biennium. ODJFS pays hospitals for outlier cases as part of the inpatient hospital reimbursement methodology. One form of outlier payment is based on a predetermined charge threshold for each DRG. These charge thresholds are inflated annually based on cost growth as opposed to growth in charges. Hospital charge inflation is nearly three times the cost of inflation. As a result, the percent of all fee-for-service claims which qualify as cost outliers increased by 35% since 2007. Using the most recent three-year average increase in charges per discharges for the future cost outlier inflation factors will align the inflationary factor with the methodology for determining which claims qualify for cost outliers and thus reduce the reimbursement to the cost for hospital services. As a result, the managed care capitation would be adjusted downward also.

Hospital Crossover Payments

The budget includes a policy, effective January 1, 2012, to pay crossover claims no more than the Medicaid maximum as the cost-sharing obligation under Medicare Part B. It is estimated that this change will save \$94.5 million over the biennium.

Nursing Facility

Medicaid Reimbursement Rates for Nursing Facilities

H.B. 153 revises the formula used in determining nursing facilities' Medicaid reimbursement rates. The formula is established in the Revised Code and is comprised of various price centers and a quality incentive payment.

Direct Care Costs

Direct care costs are one of the price centers used in determining nursing facilities' Medicaid reimbursement rates. H.B. 153 includes the costs of behavioral and mental health services among the costs included in the direct care costs.

A nursing facility's Medicaid reimbursement rate for direct care costs is based in part on the cost per case-mix unit determined for the nursing facility's peer group. One of the steps in determining a peer group's cost per case-mix unit is to calculate the amount that is a certain percentage above the cost per case-mix unit determined for the nursing facility in the peer group that is at the 25th percentile of the cost per case-mix units. H.B. 153 changes the percentage used in the calculation from 7% to 2%.

H.B. 153 adds a last step in calculating a peer group's cost per case-mix unit. After the other steps are completed, ODJFS is to add \$1.88 to the cost per case-mix unit. However, ODJFS is to cease to make the \$1.88 increase when it first rebases nursing facilities' rates for direct care costs. ODJFS is not required to rebase more than once every ten years. Rebasing is the process under which ODJFS redetermines nursing facilities' rates using information from Medicaid cost reports for a calendar year that is later than the calendar year used for the previous determination.

Ancillary and Support Costs

Ancillary and support costs are another price center. Nursing facilities' Medicaid reimbursement rates for ancillary and support costs is based on the ancillary and support costs of the nursing facility in a peer group that is at the 25th percentile of the rate for such costs. H.B. 153 eliminates a 3% adjustment that was applied to that nursing facility's ancillary and support costs when determining the peer group's rate.

Capital Costs

Another price center is capital costs. Under prior law, a nursing facility's Medicaid reimbursement rate for capital costs was the median rate for capital costs for the nursing facilities in the nursing facility's peer group. Under H.B. 153, a peer group's rate for capital costs is to be the rate for capital costs determined for the nursing facility in the peer group that is at the 25th percentile of the rate for capital costs. H.B. 153 prohibits ODJFS from redetermining a peer group's rate for capital costs based on additional information that it receives after the rate is determined and provides for

ODJFS to make a redetermination only if ODJFS made an error in determining the rate based on information available to ODJFS at the time of the original determination.

In determining a nursing facility's capital costs, adjustments are sometimes made to certain of the nursing facility's capital costs. Under prior law, an adjustment was based on the lesser of (1) one-half of the change in construction costs as calculated by ODJFS using the Dodge Building Cost Indexes, Northeastern and North Central states, published by Marshall and Swift and (2) one-half of the change in the Consumer Price Index for all items for all urban consumers, as published by the U.S. Bureau of Labor Statistics. H.B. 153 provides for the adjustment to be based only on one-half of the change in the Consumer Price Index rather than the lesser of that amount and the amount determined using the Dodge Building Cost Indexes.

Franchise Permit Fee Costs

H.B. 153 eliminates the franchise permit fee rate as one of the price centers that make up a nursing facility's total Medicaid reimbursement rate, effective July 1, 2012.

Quality Incentive Payments

A quality incentive payment is added to a nursing facility's Medicaid reimbursement rate. The amount of a nursing facility's quality incentive payment depends on how many points the nursing facility earns for meeting accountability measures.

H.B. 153 provides for the current accountability measures to be used only for FY 2012. Beginning in FY 2013, ODJFS is to award each nursing facility points for meeting accountability measures in accordance with amendments to be made to state law governing quality incentive payments not later than December 31, 2011.

FY 2012 and FY 2013 Medicaid Reimbursement Rates for Nursing Facilities

As was done for several prior fiscal years, H.B. 153 requires ODJFS to adjust certain price centers and the quality incentive payment when determining nursing facilities' Medicaid reimbursement rates for FYs 2012 and 2013.

FY 2012. ODJFS is to make the following adjustments in calculating a nursing facility's Medicaid rate for FY 2012:

1. For the purpose of determining the nursing facility's rate for direct care costs, the nursing facility's semiannual case-mix score for the period beginning July 1, 2011, and ending January 1, 2012, is to be the same as the semiannual case-mix score used in calculating the nursing facility's June 30, 2011, rate for direct care costs;
2. Each of the following are to be increased by 5.08%: the cost per case-mix unit, rate for ancillary and support costs, rate for tax costs, and rate for capital costs;

3. The per resident per day rate paid for the franchise permit fee is to be \$11.47; and
4. The mean payment used in the calculation of the quality incentive payment is to be, weighted by Medicaid days, \$3.03 per Medicaid day.

If the rate determined for a nursing facility after these adjustments are made is less than 90% of its June 30, 2011 rate, ODJFS is required to implement a stop loss mechanism under which the amount of the nursing facility's rate reduction becomes less than what it otherwise would be. Under the stop loss mechanism, the nursing facility's FY 2012 rate is to be the percentage determined as follows less than its June 30, 2011 rate:

1. Determine the percentage difference between the nursing facility's June 30, 2011 rate and the rate determined under H.B. 153 after the adjustments are made;
2. Reduce the percentage determined under (1) by ten percentage points;
3. Divide the percentage determined under (2) by two; and
4. Increase the percentage determined under (3) by ten percentage points.

FY 2013. ODJFS is to make the following adjustments in calculating a nursing facility's Medicaid rate for FY 2013:

1. Each of the following are to be increased by 5.08%: the cost per case-mix unit, rate for ancillary and support costs, rate for tax costs, and rate for capital costs; and
2. The maximum quality incentive payments to be \$16.44 per Medicaid day.

The rate determined with the above adjustments is not to be paid for nursing facility services provided to low resource utilization residents. A low resource utilization resident is a Medicaid recipient residing in a nursing facility who, for purposes of calculating the nursing facility's Medicaid reimbursement rate for direct care costs, is placed in either of the two lowest resource utilization groups, excluding any resource utilization group that is a default group used for residents with incomplete assessment data. Instead, the FY 2013 Medicaid reimbursement rate for nursing facility services provided to low resource utilization residents is to be \$130 per Medicaid day.

Franchise Permit Fee Affect on Rate. The total Medicaid reimbursement rate determined for nursing facilities for FY 2012 and FY 2013 is to be reduced if the nursing home franchise permit fee is required to be receded or eliminated that fiscal year to comply with federal law. The amount of the reduction is to reflect the loss to the state of the revenue and federal financial participation generated from the franchise permit fee.

Maximum Payment for Nursing Facility Services to Dual Eligible Individuals

A dual eligible individual is an individual who is eligible for Medicaid and is entitled to, or enrolled in, Medicare Part A (which covers inpatient hospital services and some post-hospital extended care services such as skilled nursing care) or enrolled in Medicare Part B (which covers services such as physician services, outpatient care, and certain other medical services). When a service covered by both Medicaid and Medicare is provided to a dual eligible individual, Medicare is the primary payer but Medicaid may pay the difference between the charge for the service and the Medicare payment limit, up to the Medicaid payment limit.

H.B. 153 requires ODJFS to pay a nursing facility the lesser of the following for services provided on or after January 1, 2012, to a dual eligible individual:

1. The coinsurance amount for the services as provided under federal law governing Medicare Part A; or
2. 100% of the nursing facility's per diem rate for the day of service, less the amount that Medicare Part A pays for the services.

This causes the maximum reimbursement rate to be reduced, effective January 1, 2012, from 109% to 100% of a nursing facility's Medicaid per diem rate because an ODJFS rule sets the maximum reimbursement rate at 109%.

As a result, the budget requires ODJFS to compare the payment Medicare made for the nursing facility service to the payment Medicaid would have made for the service as the primary payer (defined as 100% of the Medicaid per diem for the facility). If the Medicare payment is equal to or exceeds the payment Medicaid would have made, then the nursing facility is considered paid in full and no further payment is made. If the Medicare payment is less than Medicaid would have paid, then Medicaid pays the lesser of the consumer's cost-sharing amount or the difference between the Medicare and Medicaid rates. This policy is estimated to save \$8,473,478 over the biennium.

Centers of Excellence

H.B. 153 permits the ODJFS Director to seek federal approval to create a Medicaid program to be known as Centers of Excellence. The purpose of the Centers of Excellence Program is to increase the efficiency and quality of nursing facility services provided to Medicaid recipients with complex nursing facility service needs. If federal approval is obtained, the ODJFS Director may adopt rules governing the program, including rules that establish a method of determining the Medicaid reimbursement rates for nursing facility services provided to Medicaid recipients participating in the program. The rules may specify the extent to which, if any, continuing law governing the rates paid for nursing facility services provided to individuals with diagnoses or special care needs that are considered outliers is to apply to the program.

Medicaid Payments to Reserve Beds in Nursing Facilities

H.B. 153 permits ODJFS to make payments to a nursing facility to reserve a bed for a Medicaid recipient during a temporary absence under conditions prescribed by ODJFS. Under prior law, Medicaid reimbursement to a nursing facility had to include a payment to reserve a bed for a recipient during such a temporary absence. H.B. 153 does not change the maximum period for which a payment may be made to reserve a bed in a nursing facility: 30 days. H.B. 153 sets the maximum amounts that ODJFS may pay to reserve a bed in a nursing facility. Under prior law, the amounts were established in an ODJFS rule. Under H.B. 153, the per diem rate for calendar year 2011 is not to exceed 50% of the per diem rate the nursing facility would be paid if the recipient were not absent from the nursing facility that day. ODJFS's rule set the payment rate to reserve a bed at 50% of the nursing facility's per diem rate.

Under H.B. 153, the per diem rate for calendar year 2012 and thereafter is not to exceed the following:

1. In the case of a nursing facility that had an occupancy rate in the preceding calendar year exceeding 90%, 50% of the per diem rate the nursing facility would be paid if the recipient were not absent from the nursing facility that day; and
2. In the case of a nursing facility that had an occupancy rate in the preceding calendar year not exceeding 90%, 18% of the per diem rate the nursing facility would be paid if the recipient were not absent from the nursing facility that day.

This policy of reducing Medicaid payments to reserve beds in nursing facilities is estimated to save \$16,243,342 over the biennium.

ICFs/MR**Medicaid Reimbursement Rates for ICFs/MR**

H.B. 153 makes revisions to the law governing Medicaid reimbursement rates for ICFs/MR.

The formulas used to determine the direct care, indirect care, and other protected costs of ICFs/MR include provisions regarding inflation adjustments. H.B. 153 specifies what is to be done if an index used in calculating an inflation adjustment ceases to be published. In determining the inflation adjustment for direct care costs, ODJFS has been required to use the Employment Cost Index for Total Compensation, Health Services Component, as published by the U.S. Bureau of Labor Statistics. H.B. 153 specifies that if that index ceases to be published, ODJFS is to use the index that is subsequently published by the U.S. Bureau and covers nursing facilities' staff costs.

In calculating the inflation adjustments for indirect care costs, ODJFS has been required to use the Consumer Price Index for all items for all urban consumers of the North Central region, as published by the U.S. Bureau of Labor Statistics. Under H.B. 153, if that index ceases to be published, a comparable index that the U.S. Bureau publishes and that ODJFS determines is appropriate is to be used instead.

In the case of other protected costs, ODJFS has been required to make the inflation adjustment using the Consumer Price Index for all urban consumers for nonprescription drugs and medical supplies, as published by the U.S. Bureau of Labor Statistics. H.B. 153 specifies that, if that index ceases to be published, the index that the U.S. Bureau subsequently publishes and covers nonprescription drugs and medical supplies is to be used.

H.B. 153 also eliminates a requirement that an ICF/MR, after the date on which a transaction of sale is closed, refund to ODJFS the amount of excess depreciation that ODJFS paid to the facility for each year it operated under a Medicaid provider agreement. Prior law specified that the amount of the refund had to be prorated according to the number of Medicaid patient days for which the ICF/MR received payment. "Excess depreciation" was defined as an ICF/MR's depreciated basis, which was the ICF/MR's cost less accumulated depreciation, subtracted from the purchase price but not exceeding the amount paid to the ICF/MR for cost of ownership less any amount paid for interest costs.

FY 2012 Medicaid Reimbursement Rates for ICFs/MR

H.B. 153 provides for an existing ICF/MR's Medicaid reimbursement rate for FY 2012 to be the average of its modified and capped rates unless the mean of such rates for all existing ICFs/MR is other than \$282.59, in which case the ICF/MR's rate is to be adjusted by a percentage that equals the percentage by which the mean rate is greater or less than \$282.59. An ICF/MR is considered to be an existing ICF/MR if (1) the provider of the ICF/MR has a valid Medicaid provider agreement for the ICF/MR on June 30, 2011, and a valid Medicaid provider agreement for the ICF/MR during FY 2012 or (2) the ICF/MR undergoes a change of operator that takes effect during FY 2012, the exiting operator has a valid Medicaid provider agreement for the ICF/MR on the day immediately preceding the effective date of the change of operator, and the entering operator has a valid Medicaid provider agreement for the ICF/MR during FY 2012.

An ICF/MR's modified rate is its rate as determined in accordance with Revised Code provisions governing the Medicaid reimbursement rates for ICFs/MR with the following modifications:

1. In place of the inflation adjustment otherwise made in determining the ICF/MR's rate for other protected costs, its other protected costs, excluding

the franchise permit fee component of those costs, from calendar year 2010 is to be multiplied by 1.0123;

2. In place of the maximum cost per case-mix unit otherwise established for the ICF/MR's peer group, its maximum costs per case-mix unit is to be \$108.21 if it has more than eight beds or \$102.21 if it has eight or fewer beds;
3. In place of the inflation adjustment otherwise calculated in determining the ICF/MR's rate for direct care costs, an inflation adjustment of 1.0164 is to be used;
4. In place of the maximum rate for the indirect care costs of the ICF/MR's peer group, the maximum rate for the indirect care costs for its peer group is to be \$68.98 if it has more than eight beds or \$59.60 if it has eight or fewer beds;
5. In place of the inflation adjustment otherwise calculated in determining the ICF/MR's rate for indirect care costs, an inflation adjustment of 1.0123 is to be used;
6. In place of the efficiency incentive otherwise calculated in determining its rate for indirect care costs, its efficiency incentive for indirect care costs is to be \$3.69 if it has more than eight beds or \$3.19 if it has eight or fewer beds; and
7. The ICF/MR's efficiency incentive for capital costs is to be reduced by 50%.

An ICF/MR's capped rate is to be its rate as determined in accordance with Revised Code provisions governing the Medicaid reimbursement rates for ICFs/MR reduced by the percentage by which the mean of such rates for all ICFs/MR, weighted by May 2011 Medicaid days and calculated as of July 1, 2011, exceeds \$282.59.

ODJFS is required by H.B. 153 to reduce the amount it pays ICFs/MR for FY 2012 if the U.S. Centers for Medicare and Medicaid Services requires that the ICF/MR franchise permit fee be reduced or eliminated. The amount of the reduction is to reflect the loss to the state of the revenue and federal financial participation generated from the franchise permit fee.

FY 2013 Medicaid Reimbursement Rates for ICFs/MR

H.B. 153 provides for an existing ICF/MR's Medicaid reimbursement rate for FY 2013 to be the average of its modified and capped rate unless the mean of such rates for all existing ICFs/MR is other than \$282.92, in which case the ICF/MR's rate is to be adjusted by a percentage that equals the percentage by which the mean rate is greater or less than \$282.92. An ICF/MR is considered to be an existing ICF/MR if (1) the provider of the ICF/MR has a valid Medicaid provider agreement for the ICF/MR on June 30, 2012, and a valid Medicaid provider agreement for the ICF/MR during FY 2013 or (2) the ICF/MR undergoes a change of operator that takes effect during FY 2013, the exiting operator has a valid Medicaid provider agreement for the ICF/MR on the day

immediately preceding the effective date of the change of operator, and the entering operator has a valid Medicaid provider agreement for the ICF/MR during FY 2013.

An ICF/MR's modified rate is its rate as determined in accordance with Revised Code provisions governing the Medicaid reimbursement rates for ICFs/MR with the following modifications:

1. In place of the inflation adjustment otherwise made in determining the ICF/MR's rate for other protected costs, its other protected costs, excluding the franchise permit fee component of those costs, from calendar year 2011 is to be multiplied 1.0123;
2. In place of the maximum cost per case-mix unit otherwise established for the ICF/MR's peer group, its maximum costs per case-mix unit is to be \$108.21 if it has more than eight beds or \$102.21 if it has eight or fewer beds;
3. In place of the inflation adjustment otherwise calculated in determining the ICF/MR's rate for direct care costs, an inflation adjustment of 1.0123 is to be used;
4. In place of the maximum rate for the indirect care costs of the ICF/MR's peer group, the maximum rate for the indirect care costs for its peer group is to be \$68.98 if it has more than eight beds or \$59.60 if it has eight or fewer beds;
5. In place of the inflation adjustment otherwise calculated in determining the ICF/MR's rate for indirect care costs, an inflation adjustment of 1.0123 is to be used;
6. In place of the efficiency incentive otherwise calculated in determining its rate for indirect care costs, its efficiency incentive for indirect care costs is to be \$3.69 if it has more than eight beds or \$3.19 if it has eight or fewer beds; and
7. The ICF/MR's efficiency incentive for capital costs is to be reduced by 50%.

An ICF/MR's capped rate is to be its rate as determined in accordance with Revised Code provisions governing the Medicaid reimbursement rates for ICFs/MR reduced by the percentage by which the mean of such rates for all ICFs/MR, weighted by May 2012 Medicaid days and calculated as of July 1, 2012, exceeds \$282.92.

ODJFS is required by H.B. 153 to reduce the amount it pays ICFs/MR for FY 2013 if the U.S. Centers for Medicare and Medicaid Services requires that the ICF/MR franchise permit fee be reduced or eliminated. The amount of the reduction is to reflect the loss to the state of the revenue and federal financial participation generated from the franchise permit fee.

Transfer of ICF/MR Services to ODODD

H.B. 153 requires that ODJFS enter into an interagency agreement with ODODD that provides for ODODD to assume the powers and duties of ODJFS with regard to the

Medicaid Program's coverage of ICF/MR services. The interagency agreement is subject to the approval of the U.S. Secretary of Health and Human Services if such approval is needed. The interagency agreement must include a schedule for ODODD's assumption of the powers and duties. No provision of the interagency agreement may violate a federal law or regulation governing the Medicaid Program, unless otherwise authorized by the U.S. Secretary. Once the interagency agreement goes into effect and to the extent necessary to implement the terms of the interagency agreement, ODODD is to be considered ODJFS, and the ODODD Director is to be considered the ODJFS Director, for purposes of state law that gives ODJFS and the ODJFS Director powers and duties regarding ICFs/MR.

Other Medicaid Policy Changes

The following section provides other Medicaid policy changes not contained in the "Policy Changes by Medicaid Service Category" section.

Presumptive Eligibility for Children and Pregnant Women

H.B. 153 requires the ODJFS Director to implement options regarding presumptive Medicaid eligibility for children and pregnant women. Federal law allows states to make certain Medicaid services available to a child or pregnant woman during a presumptive eligibility period. ODJFS has adopted a rule to implement the presumptive eligibility for children option but not the presumptive eligibility for pregnant women option. The rule currently provides that only county departments of job and family services (CDJFS) may serve as qualified entities. H.B. 153:

1. requires the ODJFS Director to seek federal approval to authorize children's hospitals, federally qualified health centers, and federally qualified health center look-alikes to make presumptive eligibility determinations;
2. permits the ODJFS Director to seek federal approval to permit other qualified providers and entities to make presumptive eligibility determinations; and
3. requires the ODJFS Director to begin implementing the presumptive eligibility for pregnant women option and the changes to the presumptive eligibility for children option on April 1, 2012, or a date that is not more than 90 days after the effective date of the federal approval regarding the options, whichever is later.

Prior Authorization for Community Mental Health Services

H.B. 153 provides, for FY 2012 and FY 2013, that a Medicaid recipient under age 21 automatically satisfies all requirements for any prior authorization process for community mental health services administered by ODMH if the child meets certain requirements related to being an abused, neglected, dependent, unruly, or delinquent child.

Medicaid Health Homes

H.B. 153 authorizes the ODJFS Director to implement within the Medicaid Program a system under which Medicaid recipients with chronic conditions are provided with coordinated care through health homes. Federal approval of a Medicaid state plan amendment must be obtained. The ODJFS Director may adopt rules to implement the system.

"Health homes" are authorized under the ACA. An eligible Medicaid recipient may select a designated health care provider, a team of health care professionals, or a health team as the recipient's health home for the purpose of providing to the recipient health home services for chronic conditions. Chronic conditions under the ACA include (1) a mental health condition, (2) a substance abuse problem, (3) asthma, (4) diabetes, (5) heart disease, and (6) being overweight (as evidenced by having a body mass index over 25). Health home services include care management, care coordination, health promotion, transitional care, patient and family support, and, if appropriate, referral to support services and the use of health information technology.

Health Homes are an intense form of care management that includes a comprehensive set of services and meaningful use of health information technology. A Health Home can operate within fee-for-service, managed care, or other service delivery systems. ACA allows states to claim a 90% federal match for eight quarters for a defined set of care coordination services for individuals who are severely chronically ill or have multiple chronic conditions.

ODJFS plans to build the Health Homes on the medical home initiatives already underway throughout Ohio. It is estimated to increase Medicaid costs by \$0.9 million in FY 2012 and \$46.4 million in FY 2013. The estimates are based on the assumptions of \$75 per member per month cost for 4,000 enrollees, and a six month ramp-up with a program starting date of April 2011.

Development of Proposal for Coordinating Medical Assistance

As part of their work, ODJFS and ODH must develop a proposal for coordinating medical assistance provided to families and children under Medicaid while they wait to be enrolled in Medicaid managed care. For purposes of developing the proposal, the departments may do the following:

1. Conduct research on the status of families and children waiting to be enrolled, including research on the reasons for the wait and the utilization of medical assistance during the waiting period;
2. Conduct a review of ways to help families and children receive medical assistance in the most appropriate setting while they wait to be enrolled;

3. Develop recommendations for a coordinated, cost-effective system of helping the families and children find the medical assistance they need during the waiting period; and
4. Develop recommendations for improving the enrollment processes.

Beacon Quality Improvement Initiatives

H.B. 153 permits ODH, ODMH, and ODJFS, in conjunction with the Governor's Office of Health Transformation, to seek assistance from, and work with, the Best Evidence for Advancing Child Health in Ohio NOW! (BEACON) Council and hospital and other provider groups to identify specific targets and initiatives to reduce the cost, and improve the quality, of medical assistance provided under Medicaid to children. The targets and initiatives must focus on reducing (1) avoidable hospitalizations, (2) inappropriate emergency room utilization, (3) use of multiple medications when not medically indicated, (4) the state's rate of premature births, and (5) the state's rate of elective, preterm births. If ODH, ODMH, and ODJFS identify initiatives as described above, ODJFS must make the initiatives available on their web sites, along with a list of hospitals and other provider groups involved in the initiatives.

No Medicaid Payments for Provider-Preventable Conditions

H.B. 153 prohibits ODJFS from knowingly making a Medicaid payment for a provider-preventable condition for which federal financial participation is prohibited under the ACA. The ODJFS Director is required to adopt rules as necessary to implement this provision. Ohio's Medicaid payment systems do not allow enforcement of payment prohibitions for services related to provider-preventable conditions. ODJFS will update its payment systems to improve enforcement and, consistent with Section 2702 of the ACA, implement policies to prohibit Medicaid payment for provider-preventable conditions. This change is estimated to save \$308,000 over the biennium.

Physician Assistants and Medicaid Claims Submissions

H.B. 153 requires ODJFS to establish a process by which a physician assistant may enter into a Medicaid provider agreement. The process must be implemented when the ODJFS Director determines that the computer system improvements necessary to implement the process are in place. The Director must ensure that the improvements are in place not later than July 1, 2012.

As a result of having a Medicaid provider agreement, a physician assistant may submit a claim for, and receive, reimbursement directly from ODJFS (i.e., engage in "direct billing"). Prior to H.B. 153, Medicaid services provided by a physician assistant could be paid only to (1) the physician, physician group practice, or clinic employing the physician assistant, or (2) a hospital (as part of the facility payment) if the physician assistant worked for a hospital. H.B. 153 requires that the Medicaid reimbursement

rates for services provided by physician assistants during FY 2013 cannot be greater than the Medicaid reimbursement rates for such services provided on June 30, 2012.

Maximum Medicaid Reimbursement Rate

H.B. 153 eliminates the discretion of ODJFS to pay Medicaid providers an amount that exceeds that authorized under the Medicare Program and specifies that payments to certain providers is not to exceed the amount allowed under federal Medicaid regulations. Prior law provided that, in reimbursing any Medicaid provider, ODJFS, except as permitted by federal law and at the discretion of ODJFS, was to reimburse the provider no more than the amount authorized for the same service under the Medicare Program. H.B. 153 instead prohibits Medicaid reimbursement rates for hospital, nursing facility, and ICF/MR services from exceeding the limits established in federal regulations and for all other services from exceeding the authorized Medicare reimbursement limit for the same service. However, the prohibition is not to apply when federal law requires otherwise.

According to OHT, the 2011 Medicaid price exceeds the Medicare price for a number of physician services. Effective July 1, 2011, ODJFS will reduce the Medicaid price to 100% of the Medicare price for all codes. This change is estimated to save \$3.1 million over the biennium.

Fiscal Years 2012 and 2013 Medicaid Reimbursement Rate for Dialysis Services

The removal of ODJFS's discretion to pay Medicaid providers an amount that exceeds that authorized under the Medicare Program has the result of limiting the amounts ODJFS may pay providers for "crossover claims" to Medicaid providers for those dually eligible for Medicaid and Medicare. A crossover claim refers to a cost-sharing payment that ODJFS makes for a Medicaid service provided to a dually eligible individual. This may include a payment for any copayment or other cost-sharing amount that a Medicare recipient would be required to pay for the service.

H.B. 153 requires, in FY 2012, the Medicaid Program to pay for dialysis services provided to a dual-eligible an amount equal to any Medicare copayment that applies to the service, and permits, in FY 2013, the Medicaid Program to adjust payment rates for dialysis services to achieve not more than \$9 million in state savings. The aggregate savings are to include any savings that may be achieved through measures taken with regard to dialysis services under the provision that requires ODJFS to implement purchasing strategies and rate reductions for Medicaid-covered services in FY 2012 and FY 2013.

Medicaid Rates for Aide and Nursing Services

H.B. 153 requires ODJFS to reduce the Medicaid Program's first-hour-unit price for aide and nursing services provided as home care. The Medicaid Program's first-hour-unit price for aide services is to be reduced to 97% of the price paid on

June 30, 2011. The Medicaid Program's first-hour-unit price for nursing services is to be reduced to 95% of the price paid on June 30, 2011. Additionally, ODJFS is to pay for a service that is an aide service or nursing service provided by an independent provider 80% of the price ODJFS pays for the same service provided by a provider that is not an independent provider. These reductions are to be effective October 1, 2011. It is estimated that this policy will save \$35 million over the biennium.

H.B. 153 requires that ODJFS, not sooner than July 1, 2012, adjust the Medicaid reimbursement rates for aide services and nursing services in a manner that reflects, at a minimum, labor market data, education and licensure status, home health agency and independent provider status, and length of services visit. Ohio Medicaid currently pays nurses a base rate of \$54.95 whether the nurse delivers 15 minutes of service or 60 minutes of service. After the first hour, Medicaid pays a unit rate of \$5.69 for each additional 15 minutes of service. Similarly, Ohio Medicaid pays home health aides a \$23.98 base rate and \$3.00 unit rate. The base rate is paid each time the nurse or home health aide sees a different patient. For example, if a nurse sees four patients in the same building within one hour, the nurse can charge Medicaid \$54.95 four times or \$219.80 for a single hour of services.

Federal Upper Limit for Drugs

H.B. 153 prohibits ODJFS from making a Medicaid payment for a drug subject to a federal upper reimbursement limit that exceeds, in the aggregate, the federal upper reimbursement limit for the drug. H.B. 153 does not prohibit ODJFS to pay an amount lower than the federal upper limit; it only places a ceiling on the amount of the payment.

Drugs subject to a federal upper limit are those generally referred to as "generic drugs" (i.e., multiple source drugs for which there are three or more therapeutically equivalent drug products). States generally base their Medicaid reimbursements to a retail pharmacy for a covered outpatient drug on the lowest of the following:

1. The state's best estimate of the retail pharmacy's acquisition cost for the drug;
2. The pharmacy's usual and customary charge for the drug;
3. The federal upper limit for the drug, if one applies;
4. The state's maximum allowable cost (MAC) for the drug, if one applies. (States that administer a MAC program publish lists of selected multiple source drugs with the maximum price at which the state will reimburse for those drugs. Generally, state MAC lists include more drugs, and establish lower reimbursement prices, than the federal upper limit list.)

Medicaid Dispensing Fee for Noncompounded Drugs

H.B. 153 continues to set the Medicaid dispensing fee for each noncompounded drug covered by the Medicaid Program at \$1.80 for the period beginning July 1, 2011, and ending on the effective date of an ODJFS rule changing the amount of the fee. H.B. 1 required that the Medicaid dispensing fee for each noncompounded drug covered by the Medicaid Program be \$1.80 (reducing from \$3.70) for the period beginning January 1, 2010, and ending June 30, 2011.

Rebalancing Long-Term Care

H.B. 153 requires ODJFS, ODA, and ODODD to continue efforts to achieve a sustainable and balanced delivery system for long-term services and supports. In working to achieve such a delivery system, the departments are to strive to meet, by June 30, 2013, certain goals regarding the utilization of noninstitutionally based long-term services and supports. The goals are to have at least 50% of Medicaid recipients who are at least age 60 and need long-term services and supports utilize noninstitutionally based long-term services and supports and to have at least 60% of Medicaid recipients who are less than age 60 and have cognitive or physical disabilities for which long-term services and supports are needed to utilize noninstitutionally based long-term services and supports. "Non-institutionally-based long-term services and supports" is a federal term that means services not provided in an institution, including (1) home and community-based services, (2) home health care services, (3) personal care services, (4) PACE program services, and (5) self-directed personal assistance services.

ODJFS is permitted, if it determines that participating in the Balancing Incentives Payments Program will assist in achieving the goals regarding long-term services, to apply to participate in the program. The Balancing Incentives Payments Program was created as part of the federal health care reform act to encourage states to increase the use of noninstitutional care provided under their Medicaid programs. A state participating in the program receives a larger federal match for noninstitutionally based long-term services and supports provided under its Medicaid Program. H.B. 153 requires that any funds Ohio receives as the result of the larger federal match be deposited into the Balancing Incentive Payments Program Fund, which the bill creates in the state treasury. ODJFS is required to use money in the fund in accordance with federal requirements governing the use of the money. This means that ODJFS must use the money only for purposes of providing new or expanded offerings of noninstitutionally based long-term services and supports under the Medicaid Program.

Create a Unified Long-Term Care System

The delivery system for long-term services in Ohio currently includes the following major programs:

- PASSPORT – home and community based services (HCBS) waiver for individuals age 65 and over or age 60 and over with a disability;
- Ohio Home Care – HCBS waiver for individuals with physical disabilities who are age 59 or younger;
- Ohio Home Care/Transitions Aging Carve-out – HCBS waiver for individuals 60 or older who were enrolled in Ohio Home Care and who have service needs that cannot be met with the PASSPORT service package;
- CHOICES – HCBS waiver for individuals age 65 and over or age 60 and over with a disability with a self-direction component available in selected regions of the state;
- Assisted Living – HCBS waiver for the aged and individuals with disabilities age 21 and over who live in assisted living facilities;
- Program of All-Inclusive Care for Elders (PACE) – a capitated program with an all-inclusive service package that serves individuals age 55 and over in Cleveland and Cincinnati;
- Nursing Facility – an institutional delivery model for long-term services;
- Hospice – a program that is focused on care at the end of life that can be used alone or in combination with other options for long-term services; and
- State Plan Home Health and Private Duty Nursing – services that can be used alone or in combination with other options for long-term services.

The budget allows a unified long-term care system so that individuals who need long-term services can understand their choices and how to access the services. To create a unified long-term care system, the budget combines Medicaid funding for long-term services and supports in ODJFS GRF line item 600525, Health Care/Medicaid.

Currently there are five HCBS waivers (PASSPORT, Ohio Home Care, Ohio Home Care/Transitions Aging Carve-out, Choices, and Assisted Living) that serve individuals with a nursing facility level of care. The budget includes a policy that these five waivers be replaced with a single waiver. Enrollment in the new waiver is intended to begin on or about July 1, 2012.

Nonemergency Transportation

Nonemergency transportation is a statewide program of transportation assistance designed to facilitate access to Medicaid providers. The program is administered by the 88 county departments of job and family services (CDJFS), which function as a local broker to consumers for whom transportation cannot be arranged through other resources. ODJFS plans to assist at least one group of CDJFS to form a regional brokerage on a voluntary basis. The goal is to reduce direct program costs by a

minimum of 5% while assuring continued access to services. This change is estimated to save approximately \$200,000 over the biennium.

Nutrition Products

Ohio Medicaid pays for enteral nutritional products based on the average wholesale price. The amount Medicaid pays varies widely as manufacturers offer different additives or flavoring at a higher cost. As a result, Medicaid pays more for these products than basic, lower cost, nutritionally equivalent products in the same therapeutic category. Beginning January 1, 2012, ODJFS plans to establish a maximum payment rate based on lower-cost, nutritionally equivalent products, and institute more rigorous prior authorization review criteria for medical necessity. These changes are estimated to save \$5.1 million over the biennium.

DME and Diabetic Supplies

ODJFS currently reimburses suppliers of durable medical equipment (DME) based on a fixed fee schedule and, as a result, pays at least 20% more for select items than if market forces were used to determine reimbursement amounts. CMS began selective contracting for DME in ten Ohio counties this past January. The payment amounts based on bids submitted averaged 32% less than Medicare's fee schedule payment amounts. ODJFS plans to implement a selective contracting program for diabetic test strips and incontinence garments in July 2012, and eventually expand the program to include some or all of the items for which CMS received bid prices in the ten Ohio counties. This program is estimated to save \$13.5 million over the biennium.

National Correct Coding Initiative

ACA Section 6507 requires each state Medicaid Program to implement compatible methodologies of the National Correct Coding Initiative (NCCI) to promote correct coding and control improper coding leading to inappropriate payment. Ohio will integrate the NCCI payment methodology into its claims payment systems. The required change is estimated to save \$1.3 million over the biennium.

Face-to-Face DME

ACA Section 6407(d) requires a face-to-face encounter with a patient during the six months prior to the prescribing physician certifying the medical necessity of a patient's need for DME. ODJFS will increase the frequency of the required encounter from the current 12 months to every six months. This required change is estimated to cost \$1.4 million over the biennium.

Freestanding Birthing Centers

ACA Section 2301 requires Medicaid to cover the services provided by freestanding birthing centers. ODJFS covers the services provided by a physician or a midwife in any setting, but does not currently reimburse birthing centers for the facility

costs incurred. There are four known freestanding birthing centers operating in Ohio, three of which serve an exclusively religious (Amish) clientele. None of these freestanding birthing centers have provider agreements with Medicaid. In the future, ODJFS may receive requests for freestanding birthing centers to enroll as Medicaid providers and will develop a reimbursement methodology for this provider type. This change is estimated to cost \$400,000 over the biennium.

Preventive Services

ACA Section 4106 requires Medicaid coverage for a limited set of preventive services currently not covered by Ohio Medicaid, including obesity screening, medical nutrition therapy, and the herpes zoster vaccine. Coverage of these services will become part of the Medicaid benefit package. This requirement is estimated to cost \$15.6 million over the biennium.

Smoking Cessation for Pregnant Women

ACA Section 4107 requires the provision of counseling and pharmaceuticals for tobacco cessation for pregnant women. Coverage of these services will become part of the Medicaid benefit package. This requirement is estimated to cost \$219,044 over the biennium.

Medicaid Provider Audits (600417)

This GRF line item provides the funding mechanism for payroll for the Office of Fiscal and Monitoring Services in ODJFS. This line item was originally established to fund the Medicaid provider audits that were conducted by the Auditor of State. The budget provides \$1,312,992 each year for FY 2012 and FY 2013, a 62.6% increase over the FY 2011 expenditures. The federal government matches these Medicaid administrative expenditures at 50%. This federal share is paid through line item 600623, Health Care Federal.

H.B. 153 repeals a provision that requires the State Auditor to determine whether overpayments were made on behalf of every medical assistance recipient and replaces it with one authorizing the Auditor, on the request of the ODJFS Director, to conduct an audit of an individual who receives medical assistance.

Office of Ohio Health Plans (600425)

This GRF line item is used to fund the operating expenses of the Office of Ohio Health Plans. The federal earnings on the payments from this line item are deposited as revenue into the GRF. The Office of Ohio Health Plans is responsible for administering Ohio Medicaid, the SCHIP, and the HCAP.

The budget provides \$25,706,503 for FY 2012, a 42.7% increase over the FY 2011 expenditures, and \$28,027,221 for FY 2013, a 9.0% increase over FY 2012. The increases in the appropriation levels are related to health care initiatives, projects, and activities

previously funded by non-GRF resources during the FY 2010-FY 2011 biennium. During the FY 2010-FY 2011 biennium, the executive shifted the Medicaid administrative spending away from GRF line item 600425, Office of Health Plans, to non-GRF line items such as 600629, MR/DD Medicaid Administration and Oversight.

Medicare Part D (600526)

This GRF line item is used to pay the phased down state contribution, otherwise known as the clawback payment, under the Medicare Part D requirements contained in the federal Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003. The clawback is a monthly payment made by each state to the federal Medicare Program that began in January 2006. The amount of each state's payment roughly reflects the expenditures of its own funds that the state would have made if it continued to pay for outpatient prescription drugs through Medicaid on behalf of dual eligibles, those eligible for both Medicare and Medicaid.

The budget provides \$277,996,490 for FY 2012, a 48.1% increase over the FY 2011 expenditures, and \$296,964,743 for FY 2013, a 6.8% increase over FY 2012. The funding levels are projected spending for the clawback payments. The total number of dual eligibles for Medicare Part D is estimated to increase from 191,258 in FY 2011 to 200,294 in FY 2012, a 5% increase, before increasing to 207,444 in FY 2013, a 4% increase. The average monthly per capita cost for dual eligibles for Medicare Part D is estimated to increase from \$92.40 in FY 2011 to \$117.46 in FY 2012, a 27% increase, before increasing to \$120.03 in FY 2013, a 2% increase. The increase in the per capita amount is due to the ending of the eFMAP in FY 2012.

The budget allows the OBM Director to increase the state share of appropriations in either GRF line item 600525, or this GRF line item 600526, with a corresponding decrease in the state share of the other line item to allow ODJFS to implement the Medicare Part D requirements for FY 2012 and FY 2013.

eFMAP impact on Part D clawback payments

The American Recovery and Reinvestment Act of 2009 (ARRA) provided states with an increase in their FMAPs from October 1, 2008, through December 31, 2010. The United States Department of Health and Human Services initially determined that the increased FMAPs would not apply to the Medicare Part D clawback provisions. As such, clawback payments were determined using a state's regular FMAP. However, on February 18, 2010, the Secretary of HHS announced that the enhanced federal Medicaid match rate under the ARRA would apply to Medicare Part D clawback payments. As a result, Ohio's clawback payments were reduced by about \$151.5 million. This adjustment in the clawback payments was applied to the period of October 1, 2008, through December 31, 2010. States had the flexibility of applying the savings immediately (to offset the March 8, 2010 bill or prior bills that have not yet been paid) or

waiting until a subsequent period or fiscal year. ODJFS chose to stop making payments immediately. As a result, ODJFS only made eight payments in FY 2010 and did not make a July payment in FY 2011. The table below shows Ohio's original payment, adjusted payment, and total savings.

| Medicare Part D Clawback Payments (October 1, 2008 through December 31, 2010) | | |
|--|-------------------------|----------------|
| Original Payment | Adjusted Payment | Savings |
| \$581,726,147 | \$430,246,974 | \$151,479,172 |

Children's Hospital (600537)

This line item is used to make supplemental payments to children's hospitals. The budget provides flat funding at the FY 2011 expenditure level of \$6 million for FY 2012 and FY 2013. The tables below provide the history of supplemental upper limit payments to children's hospital by state fiscal year. The FY 2010 state share payments include \$6 million from GRF and \$4.4 million from the hospital franchise fee revenue.

| Supplemental Upper Limit Payments to Children's Hospital – Total Payments State Fiscal Years 2006-2010 | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Hospital | 2006 | 2007 | 2008 | 2009 | 2010 |
| Childrens Medical Center – Dayton | \$1,214,614 | \$964,973 | \$925,042 | \$1,480,156 | \$3,337,480 |
| Rainbow Babies And Children's Hospital | \$2,084,979 | \$2,058,037 | \$2,077,762 | \$2,954,805 | \$6,215,862 |
| Tod Children's Hospital | \$561,276 | \$333,612 | \$0 | \$0 | \$0 |
| Toledo Childrens Hospital | \$859,684 | \$935,172 | \$887,739 | \$712,107 | \$1,825,127 |
| Children's Hospital Medical Center Of Akron | \$2,011,964 | \$1,966,228 | \$2,517,613 | \$2,801,447 | \$5,478,399 |
| Children's Hospital – Columbus | \$4,840,019 | \$4,867,853 | \$4,571,175 | \$5,424,605 | \$11,817,534 |
| Children's Hospital Medical Center – Cincinnati | \$3,364,053 | \$3,325,393 | \$4,247,638 | \$5,394,372 | \$10,137,288 |
| Total | \$14,936,589 | \$14,451,268 | \$15,226,969 | \$18,767,491 | \$38,811,690 |

| Supplemental Upper Limit Payments to Children's Hospital – State Share Payments State Fiscal Years 2006-2010 | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
| Hospital | 2006 | 2007 | 2008 | 2009 | 2010 |
| Rainbow Babies And Children's Hospital | \$837,461 | \$854,802 | \$818,061 | \$939,568 | \$1,665,391 |
| Childrens Medical Center – Dayton | \$488,105 | \$397,496 | \$364,690 | \$469,317 | \$894,279 |
| Tod Children's Hospital | \$225,551 | \$139,225 | \$0 | \$0 | \$0 |
| Toledo Childrens Hospital | \$345,276 | \$387,242 | \$351,642 | \$219,688 | \$489,587 |
| Children's Hospital Medical Center Of Akron | \$808,094 | \$819,622 | \$990,903 | \$894,632 | \$1,467,739 |
| Children's Hospital – Columbus | \$1,944,221 | \$2,020,607 | \$1,802,093 | \$1,750,991 | \$3,165,300 |
| Children's Hospital Medical Center – Cincinnati | \$1,351,292 | \$1,381,008 | \$1,672,610 | \$1,725,804 | \$2,717,704 |
| Total | \$6,000,000 | \$6,000,000 | \$6,000,000 | \$6,000,000 | \$10,400,000 |

| Supplemental Upper Limit Payments to Children's Hospital – Federal Share Payments State Fiscal Years 2006-2010 | | | | | |
|---|--------------------|--------------------|--------------------|---------------------|---------------------|
| Hospital | 2006 | 2007 | 2008 | 2009 | 2010 |
| Childrens Medical Center – Dayton | \$726,509 | \$567,477 | \$560,352 | \$1,010,839 | \$2,443,201 |
| Rainbow Babies And Children's Hospital | \$1,247,518 | \$1,203,236 | \$1,259,701 | \$2,015,237 | \$4,550,470 |
| Tod Children's Hospital | \$335,725 | \$194,387 | \$0 | \$0 | \$0 |
| Toledo Childrens Hospital | \$514,408 | \$547,931 | \$536,096 | \$492,418 | \$1,335,540 |
| Children's Hospital Medical Center Of Akron | \$1,203,870 | \$1,146,606 | \$1,526,710 | \$1,906,815 | \$4,010,660 |
| Children's Hospital – Columbus | \$2,895,798 | \$2,847,246 | \$2,769,082 | \$3,673,614 | \$8,652,234 |
| Children's Hospital Medical Center – Cincinnati | \$2,012,761 | \$1,944,385 | \$2,575,028 | \$3,668,568 | \$7,419,584 |
| Total | \$8,936,589 | \$8,451,268 | \$9,226,969 | \$12,767,491 | \$28,411,690 |

H.B. 66 of the 126th General Assembly (the FY 2006-FY 2007 biennium budget) established two line items: 600635, Children's Hospitals – Federal, and 600636, Children's Hospitals – State, to be used by ODJFS to make supplemental Medicaid payments to children's hospitals for inpatient services. Line item 600635, Children's Hospitals – Federal was used for the Medicaid federal share of making supplemental Medicaid payments to children's hospitals for inpatient services.

H.B. 119 of the 127th General Assembly (the FY 2008-FY 2009 biennium budget) Earmarked up to \$6 million (state share) in GRF line item 600-525, HealthCare/Medicaid, in each fiscal year plus the corresponding federal match to be used by the Department to pay for the Supplemental Payment Program for Children's Hospitals.

H.B. 1 of the 128th General Assembly (the FY 2010-FY 2011 biennium budget) created 600637, Children's Hospitals – State to be used to make \$6 million supplemental Medicaid payments to children's hospitals. The federal match for the \$6 million was paid from federal line item 600623, Health Care Federal. In addition to the \$6 million and the corresponding federal match, H.B. 1 required ODJFS to pay children's hospitals an additional \$4.4 million in each fiscal year plus the corresponding federal match. The \$4.4 million was appropriated in line item 600656, Medicaid – Hospital. The corresponding federal match was paid from federal line item 600623, Health Care Federal.

Medicaid Program Support (600671)

This line item is primarily used to support the state share of offsets to GRF line item 600525, Health Care/Medicaid, and transfers to ODMH. This line item is funded by the Medicaid Program Support Fund (Fund 5C90) and is supported by federal Institutions for Mental Disease Disproportionate Share (IMD/DSH) funds, which are generated from state-funded expenditures made by ODMH and ODJFS back billing for the Disability Medical Assistance (DMA) Program. Additionally, this line item is

funded with revenue from the Ohio Department of Developmental Disabilities' (ODODDs') targeted case management and the state share of pharmacy payments made by ODJFS for individuals in state developmental centers.

The budget provides \$85,800,878 for FY 2012, a 41.6% increase over the FY 2011 expenditures, and \$82,839,266 for FY 2013, a 3.5% decrease from FY 2012. To allow additional appropriation to offset GRF expenditures, the budget provides discontinuation of a cash transfer to ODMH from this line item and thus increasing the appropriation.

According to ODJFS, the overall revenue for Medicaid Program Support Fund (Fund 5C90) has been relatively constant. Earned reimbursement from the DMA Program will end since that program ended in FY 2010. Transfers from ODODD for Targeted Case Management services will continue as a revenue source along with the earned reimbursement from the IMD/DSH portion of the HCAP Program. IMD/DSH is capped federally at the federal fiscal year 2005 level by the Balanced Budget Act of 1997; therefore, the revenue should be relatively flat. Transfers from ODODD for Targeted Case Management services are estimated to increase slightly in the upcoming biennium.

Medicaid Revenue and Collections (600639)

This line item is used by ODJFS to pay for Medicaid services and contracts. The source of funds for this line item is Medicaid revenue such as third-party liability collections. The money collected is deposited into the Medicaid Revenue and Collections Fund (Fund 5DL0).

The budget provides \$89,256,974 for FY 2012, a 44.1% increase over the FY 2011 expenditures, and \$84,156,974 for FY 2013, a 5.7% decrease from FY 2012. The increase in appropriations for this line item is due to increased funding in the Disability Determination Unit and the executive's plan to use the accumulated fund balance to offset GRF spending.

To enhance states' ability to identify and obtain payments from liable third parties, the Deficit Reduction Act of 2005 made several changes to the third-party liability provisions of federal Medicaid law that strengthen the authority of states to obtain commercial insurance coverage files for cross-reference with Medicaid enrollment information. H.B. 119 of the 127th General Assembly made the state law changes accordingly. As a result, Ohio has improved the management and effectiveness of the Medicaid Third Party Liability Program in FY 2008 and FY 2009.

H.B. 562 of the 127th General Assembly (the FY 2008-FY 2009 biennium corrective budget bill) increased the appropriation to line item 600639, Medicaid Revenue and Collections, by \$20 million in FY 2009. The increase in appropriation allowed ODJFS to spend the \$8.9 million that was deposited into the fund from the state's share of a \$30 million settlement with the drug manufacturer, Merck & Co. In

addition, H.B. 562 provided for the monthly premiums charged under the Children's Buy-In Program and the Medicaid Buy-In for Workers with Disabilities Program to be credited to Fund 5DL0 and used for the Children's Buy-In Program as well as Medicaid services and contracts.

Medicaid Payment Withholding (600638)

This line item is used to release to providers payments that are withheld from providers that change ownership, and to transfer the withheld funds to the appropriate fund used by ODJFS at final resolution. The funds are withheld and temporarily deposited into the Exiting Operator Fund (Fund 5FX0) until all potential amounts due to ODJFS or the provider reach final resolution. The budget provides \$5,000,000 for FY 2012, a 55.1% decrease from the FY 2011 expenditures, and \$6,000,000 for FY 2013, a 20% increase over FY 2012.

Health Care Services – Other Fund (600681)

The budget provides no funding for this line item 600681, Health Care Services – Other Fund, as it was supported by one-time funding from the Tobacco Use Prevention and Control Fund. This line item was established in accordance with H.B. 1 of the 128th General Assembly. Under H.B. 1, if a court allowed the Treasurer of State to transfer \$258.6 million from the Tobacco Use Prevention and Control Foundation Endowment Fund to the General Health and Human Services Pass-Through Fund (Fund 5HC0), the OBM Director was required to transfer up to \$31.8 million in FY 2010 and up to \$129.8 million in FY 2011 from the General Health and Human Services Pass-Through Fund to the Health Care Services – Other Fund (Fund 5HA0), used by ODJFS, to support health care services under the state Medicaid plan such as Children's Buy-in, State Children Health Insurance Program 200% to 300% expansion, and certain optional Medicaid services. On December 22, 2010, the Supreme Court of Ohio ruled that these tobacco funds could be used to pay for nontobacco related expenditures.

Health Care Services (600692)

This line item is used to offset Medicaid expenditures that would otherwise be paid from GRF line item 600525, Health Care/Medicaid. It is funded with rebates from drug manufacturers. The rebates are deposited into the Prescription Drug Rebate Fund (Fund 5P50). The federal match for expenditures from this line item is made from line item 600623, Health Care Federal. The budget provides \$220,600,000 for FY 2012, a 29.1% increase over the FY 2011 expenditures, and \$242,600,000 for FY 2013, a 10.0% increase over FY 2012. The increase in the FY 2012 appropriation is primarily due to the previous carving out the pharmacy benefit from Medicaid managed care plans in the FY 2010-FY 2011 biennium.

ODJFS estimates that there will be an increase in revenue deposited in the Prescription Drug Rebate Fund (Fund 5P50) in the upcoming biennium. This estimate is based on the assumption that the state will receive manufacturer drug rebates equal to 43% of the total prescription drug expenditures for FY 2012 and FY 2013. This assumption is based on recent historical percentages. The base state share was adjusted downward to account the increased percentage of the rebates that will be received under the ACA.

H.B. 1 of the 128th General Assembly required the pharmacy benefit to be carved out from Medicaid managed care plans to allow ODJFS to collect rebates on pharmaceuticals, which at the time could only be collected by the state under fee for service. Beginning with the date of service of February 1, 2010, prescription drug coverage for members of Medicaid managed care plans was transferred from the plans to the Medicaid fee-for-service program. Through March 2011, Ohio Medicaid realized savings of \$371.7 million, \$116.8 million in FY 2010, and \$254.9 million in FY 2011. Much of this is the result of the delay of timing of payments. Under the budget, the pharmacy benefit will be carved back into the managed care program effective October 1, 2011. As under the ACA, the state now can continue to receive rebates when managed care provides the prescription drug benefit.

Training Activities (600645)

This line item and the associated fund, Fund 6130, have not been used during the FY 2010-FY 2011 biennium. The budget provides funding of \$500,000 in FY 2012 and FY 2013 to collect and spend miscellaneous revenues identified by ODJFS.

Health Information Technology (600603)

This line item was created by the Controlling Board in September 2010. The Controlling Board also established a new fund, Fund 3ER0, and appropriated \$402,291,950 in FY 2011. The American Reinvestment and Recovery Act of 2009 provides funding for payments to Medicaid providers and for state administrative expenses related to adoption of electronic health record (EHR) technology. ODJFS plans to issue the EHR incentive payments to Medicaid providers to encourage the adoption and use of certified EHR technology. The incentive payments to eligible providers will be 100% federally funded and are estimated to total \$400 million.

In addition, ODJFS's Planning Advanced Planning Document (PAPD) for the Economic and Clinical Health provisions of the American Reinvestment and Recovery Act of 2009 has been approved by CMS for \$2,546,611. Ohio will receive 90% federal reimbursement for planned administrative activities or \$2,291,950 of the federally approved administrative amount. These funds will be utilized by ODJFS to develop and submit Ohio's State Medicaid Health Information Plan (SMHP) and its associated Implementation Advanced Planning Document (IAPD) to CMS.

The budget provides \$411,661,286 for FY 2012 and \$416,395,286 for FY 2013. H.B. 153 authorizes ODJFS to establish an incentive payment program to encourage the use of electronic health record technology by Medicaid providers who are physicians, dentists, nurse practitioners, nurse-midwives, and physician assistants. ODJFS may adopt rules to implement the program. H.B. 153 requires ODJFS to notify the provider of its determination regarding the amount or denial of an incentive payment. Not later than 15 days after receiving the notification, the provider may make a written request that ODJFS reconsider its determination. After receiving the request, ODJFS is required to reconsider its determination and may uphold, reverse, or modify its original determination. ODJFS must then mail by certified mail a written notice of the reconsideration decision. Not later than 15 days after the decision is mailed, the provider may appeal the reconsideration decision to the Court of Common Pleas of Franklin County.

H.B. 153 also requires certain Medicaid providers to use only an electronic claims submission process to submit Medicaid reimbursement claims to ODJFS. The providers are also required to arrange to receive Medicaid reimbursement from ODJFS by means of electronic funds transfer. ODJFS is not to process a Medicaid claim submitted on or after January 1, 2013, unless the claim is submitted through an electronic claims submission process. The budget permits the ODJFS Director to adopt rules under the Administrative Procedure Act to implement the process.

The electronic claims submission process and the requirement to be reimbursed by means of electronic funds transfer do not apply to the following:

1. Nursing facilities;
2. ICFs/MR;
3. Medicaid managed care organizations; and
4. Any other provider or type of provider designated by the ODJFS Director.

Health Care Federal (600623)

This federally funded line item is used for the Medicaid federal share when the state share is provided from a source other than GRF line item 600525, Health Care/Medicaid, or line item 600649, Health Care Assurance Program. This line item was created to simplify accounting for the non-GRF federal share of Medicaid funding. Major activity in this line item includes the federal share of nursing facility and intermediate care facility for the mentally retarded franchise fees, eligibility outreach, county administration, and general Medicaid services. The primary source of the funds is Medicaid; however, it also includes Health Care Financing Research, Demonstrations, and Evaluations grants and the federal share of drug rebates. These moneys are deposited into the Hospital Care Assurance Match Fund (Fund 3F00).

The budget provides \$2,637,061,505 for FY 2012, a 1.8% increase over FY 2011 expenditures, and \$2,720,724,869 for FY 2013, a 3.2% increase over FY 2012. The funding levels account for the termination of eFMAP and the restructuring of line items discussed above.

OHP Health Care Grants (600680)

This line item was created by the Controlling Board in November 2010. The Controlling Board also established a new fund, Fund 3FA0 and appropriated \$325,000 in FY 2011. In February 2011, Controlling Board increased the appropriation to \$13,701,346 for FY 2011. The budget provides \$9,405,000 for FY 2012 and \$20,000,000 for FY 2013.

This line item is used for Medicaid/SCHIP and non-Medicaid/SCHIP Program initiatives stemming from the ACA. ODJFS plans to pursue many competitive opportunities under ACA, including grants and demonstration projects in the near future.

Ohio received \$1 million under the State Planning and Establishment Grants for the Affordable Care Act's Exchanges on September 30, 2010, with the Ohio Department of Insurance serving as the exchange's planning project lead agency. The purpose of the first installment is to begin development of underlying information and analyses necessary for Ohio to decide whether to, and how to, implement and operate an exchange that meets the state's goals and objectives. The ACA calls for the establishment and implementation of state health benefit exchanges by 2014. However, states have the choice of whether to participate.

Ohio has received a \$12.4 million Children's Health Insurance Program Reauthorization Act (CHIPRA) bonus payment for simplifying the Medicaid enrollment and renewal process in the Medicaid Program in 2010. Money from the payment will be held in reserve to help implement modernization strategies. Examples could include: streamlining the Medicaid eligibility process and increasing the state's analytical capacity.

Ohio submitted a proposal on February 1, 2011, for an award of \$1 million from the Centers for Medicare and Medicaid Innovation (CMMI) to create a demonstration model to integrate care for dual-eligible individuals. The proposal is based on the idea that care coordination should serve the individual, not the system in which the individual is served: one person, one point of care coordination, regardless of payer, service or setting.

Interagency Reimbursement (600655)

This federally funded line item is used to disburse federal reimbursement (primarily Medicaid) to other agencies for expenditures they have made. The grants deposited into the Interagency Reimbursement Fund (Fund 3G50) are:

- Medical Assistance (Medicaid, Title XIX);
- State Children's Health Insurance Program (SCHIP, Title XXI);
- Foster Care-Title IV-E;
- State Survey and Certification of Health Care Providers and Suppliers; and
- Money Follows the Person.

The budget provides \$1,621,305,787 for FY 2012, an 18.2% decrease from the FY 2011 expenditures, and \$1,380,391,478 for FY 2013, a 14.8% decrease from FY 2012. The decreases in appropriations are attributable to the termination of eFMAP and the restructuring of line items discussed above. H.B. 153 also allows ODJFS to request additional appropriation amounts in this line item when needed during the biennium from the Director of Budget and Management.

Nursing Home Assessments (600605)

This line item is used to pay the costs of relocating residents to other facilities, maintaining or operating a facility pending correction of deficiencies or closure, and reimbursing residents for the loss of money managed by the facility. Currently, funds in the line item are transferred to the Department of Aging and the Department of Health. The source of funding for this line item is all fines collected from facilities in which the Department of Health finds deficiencies. The fines collected are deposited into Nursing Home Assessments Fund (Fund 4E30). The budget provides \$2,878,320 for FY 2012 and \$2,878,319 for FY 2013. The FY 2012 and FY 2013 appropriation levels are set at the same level as the FY 2011 appropriation (instead of the FY 2011 expenditure level).

Nursing Facility Franchise Permit Fee (600608 and 600613)

Line item 600608, Medicaid-Nursing Facilities, is used to make Medicaid payments for nursing facilities, home and community-based services, and the Residential State Supplement Program. The Nursing Facility Stabilization Fund (Fund 5R20) was used to support funding for this line item. The source of funds for this line item was 84% of the franchise fee payments from nursing facilities.¹

Line item 600613, Nursing Facility Bed Assessments, was used to (1) fund Medicaid² and (2) transfer funds to the PASSPORT Program in the Ohio Department of Aging (ODA). The Home and Community-Based Services for the Aged Fund (Fund 4J50) was used to support funding for this line item. The source of funds for this line

¹ The franchise fee payments are due to the state in February, May, August, and November of each year.

² The only medical payments charged to 600613 historically have been the state share of nursing facilities franchise fees and nursing facility costs.

item was 16% of the franchise fee payments from nursing facilities. The budget provides no funding in FY 2012 and FY 2013 for line item 600613, Nursing Facility Bed Assessments, as the funding is being consolidated into line item 600608, Medicaid-Nursing Facilities. The corresponding Fund 4J50 is to be eliminated and Fund 5R20 is renamed from the Nursing Facility Stabilization Fund to the Nursing Home Franchise Permit Fee Fund.

Whereas prior law required ODJFS to use money in that Nursing Facility Stabilization Fund to make Medicaid payments only to nursing facilities, H.B. 153 requires that ODJFS use the money in the Nursing Home Franchise Permit Fee Fund to make Medicaid payments to providers of home and community-based services as well as providers of nursing facility services. Additionally, H.B. 153 permits money in the Nursing Home Franchise Permit Fee Fund to be used for the Residential State Supplement Program. Prior law, governing the fund that is abolished, the Home and Community-Based Services for the Aged Fund, required ODJFS and ODA to use money in that fund for the Medicaid Program including the PASSPORT Program and the Residential State Supplement Program. Because H.B. 153 requires all of the money raised by the franchise permit fee to be deposited into the Nursing Home Franchise Permit Fee Fund and provides for the money in that fund to be used for home and community-based services and the Residential State Supplement Program rather than just nursing facilities, it is possible that more of the money raised by the franchise permit fee will be used for home and community-based services and the Residential State Supplement Program than under prior law.

H.B. 153 also abolishes the PASSPORT Fund. Money raised by horse racing-related taxes that was deposited into the PASSPORT Fund under prior law is required to be instead deposited into the Nursing Home Franchise Permit Fee Fund. H.B. 153 continues to require that the money be used for the PASSPORT Program.

The budget provides \$402,489,308 in FY 2012, a 12.4% increase over the FY 2011 expenditures, and \$407,100,746 in FY 2013, a 1.2% increase over FY 2012 for line item 600608, Medicaid – Nursing Facilities. The increase in the appropriation is attributable to the restructuring of line items discussed above.

H.B. 153 sets the nursing facility franchise fee at \$11.47 in FY 2012 and \$11.67 in FY 2013 in order to maximize federal reimbursement for nursing facility services. Under federal law, the percentage for the provider tax will increase from 5.5% to 6% of the total net patient revenue starting October 1, 2011. The \$11.47 in FY 2012 and \$11.67 in FY 2013 is at the maximum allowed under federal law. Medicaid rates for nursing facilities will be adjusted to recognize the change of the fee, which is expected to generate more than \$390 million each year in state revenue.

ICF/MR Bed Assessments (600621)

This line item provides the funding mechanism to pay the state share of reimbursements to ICFs/MR for their cost of the franchise fee. Funds are also transferred to the Ohio Department of Developmental Disabilities (ODODD) to use as state matching funds for their Medicaid waiver programs. The source of funds for this line item is the ICF/MR franchise fee payments. Money generated by this franchise permit fee and related penalties is required to be deposited into the Home and Community-Based Services for the Mentally Retarded and Developmentally Disabled Fund (Fund 4K10) and the ODODD Operating and Services Fund.

The budget provides \$41,405,596 for FY 2012, a 43.6% increase over FY 2011 expenditures, and \$44,372,874 for FY 2013, a 7.2% increase over FY 2012. The increase in the appropriation is attributable to the increase of the ICF/MR franchise fee to the maximum allowed by federal law. The budget increases the franchise permit fee on ICF/MR beds to \$17.99 in FY 2012 and \$18.32 in FY 2013. This will provide additional federal reimbursement to support Medicaid costs.

Residential State Supplement Payments (600618)

This line item was used to provide payments to Residential State Supplement (RSS) recipients. The budget provides no funding in this line item. ODA administers the program; however, payments are made by ODJFS using money transferred from ODA. The budget transfers administration of the program from ODA to ODMH. The GRF line item 335506, Residential State Supplement, in ODMH will be used to administer the program and transfer funds to ODJFS to issue payments. H.B. 153, allows ODJFS to use dollars from the Nursing Home Franchise Permit Fee Fund (Fund 5R20) for the RSS Program.

The RSS Program provides a cash supplement to low-income aged, blind, or disabled adults who have need for assistance with daily activities due to a medical condition, but do not require institutional care if other protective care can be arranged. About 73% of the individuals who receive RSS are under the age of 60, and of those individuals 75% have a mental health diagnosis.

HealthCare Compliance (600625)

This line item is used to collect and redistribute sanctions levied against Medicaid providers. Medicaid managed care providers who fail to comply with health care data collection requirements are fined. The money is deposited into the Health Care Compliance Fund (Fund 4Z10). When providers come into compliance, they are reimbursed for the fines paid.

The budget allows the uses of the Health Care Compliance Fund, appropriated in line item 600625, HealthCare Compliance, to be used for expenses incurred in implementation or operation of Health Home programs and for the creation,

modification, or replacement of any federally funded Medicaid health care systems in FY 2012 and FY 2013. The Health Care Compliance Fund also provides financial incentive awards to Medicaid managed care organizations that meet or exceed performance standards. The budget also allows the use of this line item to fund planning and implementation grants related to compliance with the ACA. And thus, the budget increases the appropriation level of this line item to \$11,551,076 for FY 2012 and \$14,582,000 for FY 2013.

Money Follows the Person (600631)

This line item is used to support the federal Money Follows the Person Grant initiative. The budget provides appropriations of \$5,483,080 in FY 2012 and \$4,733,080 in FY 2013 for this line item. The funding levels are the executive's projected spending.

Ohio is one of 34 states that were awarded federal funding for the Money Follows the Person demonstration projects, which were enacted by Congress as part of the Federal Deficit Reduction Act of 2005. The total grant amount is \$100 million over a five-year period. The funding has allowed Ohio to relocate about 2,200 seniors and persons with disabilities from institutions to home and community-based settings. The federal government allocates a portion of the grant each year based upon the projected enrollment numbers as estimated by ODJFS. ODJFS cannot enroll more than their estimated projected enrollment. The grant is realized by the state as federal reimbursement on expenditures for transitioning eligible Medicaid members out of institutional settings and into home or community-based care. More specifically, for qualified and demonstrative services the federal government reimburses Ohio at an enhanced federal match rate of nearly 80% for Medicaid members for their first 12 months in home or community-based care, while other supplemental services are reimbursed at the regular federal Medicaid reimbursement. After the 12-month period, ODJFS draws down the regular federal reimbursement for each transitioned Medicaid member.

Managed Care Assessments (600653)

This line item has been discontinued due to changes in federal law that no longer allow collection of the Medicaid managed care assessment. This line item was used to pay for Medicaid services, administrative costs, and contracts with Medicaid health insuring corporations. The source of funds for this line item was the Medicaid managed care franchise fee payments. The money collected from the franchise permit fee was credited to the Managed Care Assessment Fund (Fund 5BG0). To replace this lost revenue, H.B. 1 of the 128th General Assembly removed the Medicaid managed care exemption to the existing health insuring corporation tax, thereby including the Medicaid managed care plans in this tax structure. Additionally, Ohio's Medicaid managed care plans were added to another part of the existing state tax structure via

the state sales and use tax. The sales and use tax is levied at the same percentage as the prior Medicaid managed care franchise fee. Furthermore, the plans' participation in this tax is recognized in their Medicaid reimbursement rate.

Medicaid – Hospital (600656)

This line item 600656, Medicaid – Hospital, is used to pay the hospital incentive payments, support hospital upper payment limit programs and provides offsets to Medicaid GRF spending. The source of funds for this line item is the revenue generated from a hospital assessment. The hospital assessment is effective in October 2009. Assessment revenue is deposited into the Hospital Assessment Fund (Fund 5GF0). The assessment was 1.52% and 1.38% of total facility costs in the first and second year of the assessment, respectively, and was collected over the course of three payments during each year. The federal match for expenditures from this line item will be made from line item 600623, Health Care Federal. This fee is separate from the established assessment fee currently used to support the state's Disproportionate Share Hospital (DSH) Program.

H.B. 153 continues the assessment imposed on hospitals for two additional years, ending October 1, 2013, rather than October 1, 2011. The budget increases the hospital assessment to about 2.5% of the total facility cost in each year and requires ODJFS to adopt rules specifying the percentage of hospitals' total facility costs that hospitals are to be assessed for the next two years. The percentage may vary for different hospitals.

The following table summarizes the impact of the hospital assessment on the state and hospitals.

| Impact of Hospital Assessment (dollars in millions) | | | |
|--|----------------|----------------|-----------------|
| | FY 2012 | FY 2013 | Biennium |
| Assessment revenue | \$494.3 | \$494.1 | \$988.4 |
| State portion | \$217.2 | \$217.2 | \$434.4 |
| Hospital portion | \$277.1 | \$276.9 | \$554.0 |
| <i>5% rate increase</i> | \$63.3 | \$70.0 | \$133.3 |
| <i>Supplemental payments</i> | \$155.5 | \$148.8 | \$304.3 |
| <i>Incentive payments</i> | \$58.3 | \$58.1 | \$116.4 |

Under the budget, ODJFS expects to collect \$494.3 million in FY 2012 and \$494.1 million in FY 2013 in hospital assessment revenue. Of these amounts, the state will retain \$217.2 million each year and the corresponding federal match of \$386.8 million in FY 2012 and \$388.7 million in FY 2013. These retained funds and the

corresponding federal match will be used to offset Medicaid expenditures in GRF line item 600525.

The \$277.1 million in FY 2012 and \$276.9 million in FY 2013 remaining from the fee revenue collected and the corresponding federal match of \$493.4 million in FY 2012 and \$495.4 million in FY 2013 will be used to do the following:

1. pay for the extension of the 5% rate increase for hospitals (\$63.3 million state share and \$112.7 million federal share in FY 2012 and \$70 million state share and \$125.2 million federal share in FY 2013);
2. make supplemental payments to hospitals (\$155.5 million state share and \$276.9 million federal share in FY 2012 and \$148.8 million state share and \$266.3 million in federal share in FY 2013); and
3. make incentive payments to hospitals via passing through from the MCP capitation (\$58.3 million state share and \$103.7 million federal share in FY 2012 and \$58.1 million state share and \$103.9 million in federal share in FY 2013).

Total payments to hospitals related to the assessment are expected to be \$770.5 million in FY 2012 (\$277.1 million + \$493.4 million) and \$772.3 million in FY 2013 (\$276.9 million + \$495.4 million). However, since the hospitals must pay the assessment of \$494.3 million in FY 2012 and \$494.1 million in FY 2013, the net gain to hospitals is \$276.2 million in FY 2012 (\$770.5 million – \$494.3 million) and \$278.23 million in FY 2013 (\$772.3 million – \$494.1 million).

Although it is estimated that the hospital assessment will generate \$494.3 million in FY 2012 and \$494.1 million in FY 2013, H.B. 153 increases the appropriation for line item 600656, Medicaid – Hospital, only to \$436 million each year. H.B. 153 does, however, allow the OBM Director to authorize additional expenditures from line item 600623, Health Care Federal, GRF line item 600525, Health Care/Medicaid, and line item 600656, Medicaid – Hospital, in order to pay for the extension of the 5% rate increase or make the supplemental or incentive payments as mentioned above.

OHP Health Care Special Activities (600682)

The budget creates the Health Care Special Activities Fund (Fund 5KC0), and appropriates \$10,000,000 each year in FY 2012 and FY 2013 in the new line item 600682, Health Care Special Activities. This line item is to fund planning and implementation grants related to the ACA. H.B. 153 creates the Health Care Special Activities Fund. ODJFS is required to deposit all funds it receives pursuant to the administration of the Medicaid Program into this new fund, other than the funds that are required by law to be deposited into another fund. ODJFS is required to use the money in the fund to pay for expenses related to the services provided under, and the administration of, the Medicaid Program.

Supplemental Inpatient Hospital Payments (600619)

This line item was used to disburse the state share of Supplemental Inpatient Hospital Upper Limit Payments to public hospitals. The Supplemental Inpatient Hospital Upper Limit Payment Program gives public hospitals an option for reducing the gap between what Medicare would have paid and what Medicaid actually pays for inpatient services provided to Medicaid recipients. Under the program, ODJFS estimates what Medicare would have paid for a set of inpatient services provided to Medicaid recipients by each public hospital. ODJFS then calculates the "payment gap" or the difference between the two. The public hospitals then send the state share of the payment gap to ODJFS. These dollars were deposited into the Supplemental Inpatient Hospital Fund (Fund 5Q90) and then disbursed back to the public hospitals through line item 600619, Supplemental Inpatient Hospital Payments, along with federal match from federal line item 600623, Health Care Federal.

The budget discontinues this line item. H.B. 1 of the 128th General Assembly created a new hospital assessment that changed the hospital tax structure. As a result, the Supplemental Inpatient Hospital Fund (Fund 5Q90) is no longer used. All hospital tax activity now occurs in the Hospital Assessment Fund (Fund 5GF0).

MR/DD Medicaid Administration and Oversight (600629)

This line item is used to disburse funds received from the Ohio Department of Developmental Disabilities (ODODD). ODODD used to charge the county DD boards an annual fee of 1.5% of the value of all Medicaid claims paid for home and community-based services. H.B. 153 reduces the fee from 1.5% to 1.25%. According to terms of an interagency agreement between ODODD and ODJFS, ODODD transfers 30% of the funds collected to the MR/DD Medicaid Administration and Oversight Fund (Fund 5S30). That is the source of funding for this line item. The budget provides \$9,252,738 for FY 2012, a 171.6% increase over the FY 2011 expenditures of \$3,406,454, and \$9,147,791 for FY 2013, a 1.1% decrease from FY 2012.

Health Care Services Administration (600654)

This line item is used to pay costs associated with the administration of Medicaid, including the Medicaid Information Technology Systems (MITS). Funding for this line item comes from a variety of Medicaid financing activities. The money is deposited in the Health Care Services Administration Fund (Fund 5U30). The budget provides \$24,400,000 each year for FY 2012 and FY 2013.

Medicaid Information Technology System

On August 2, 2011, ODJFS began to process Medicaid claims using the new Medicaid Information Technology System (MITS). MITS is a system providing reimbursement to medical providers for services rendered to Medicaid recipients. MITS replaces the old Medicaid Management Information System (MMIS) and has been

developed to reduce or eliminate manual and other paper intensive processes. In June 2004, CMS approved Ohio's Advanced Planning Document for MITS and selected Ohio as an early adopter state for the Medicaid Information Technology Architecture (MITA) initiative. Ohio received federal approval for enhanced federal reimbursement (between 75% and 90%) for the design, development, and implementation of MITS. In 2007, Hewlett Packard (HP) was selected as the vendor to design MITS, provide project management, systems analysis and design, data conversion, and implementation support to ODJFS.

ODJFS estimates that the cost of MITS is approximately \$260 million. The table below provides MITS expenses from July 2004 to September 2010.

| Medicaid Information Technology System (MITS) Expenses July 2004-September 2010 | | | |
|--|------------------------|------------------------|------------------------|
| Fiscal Year | State Share | Federal Share | Total |
| 2005 | \$185,128.92 | \$1,666,160.25 | \$1,851,289.17 |
| 2006 | \$75,546.07 | \$653,106.85 | \$728,652.92 |
| 2007 | \$180,356.47 | \$1,390,033.83 | \$1,570,390.30 |
| 2008 | \$3,184,360.38 | \$16,483,446.45 | \$19,667,806.83 |
| 2009 | \$2,861,765.61 | \$16,075,981.32 | \$18,937,746.93 |
| 2010 | \$7,820,141.23 | \$30,840,109.58 | \$38,660,250.81 |
| 2011 | \$880,470.61 | \$4,081,292.00 | \$4,961,762.61 |
| MITS Grand Total | \$15,187,769.29 | \$71,190,130.28 | \$86,377,899.57 |

Source: Bureau of Budget and Cost Management, ODJFS

Hospital Care Assurance Program

This category of appropriations includes the major sources of state and federal funding for the Hospital Care Assurance Program. The table below lists the line items associated with this category and the appropriations.

| Appropriations for Hospital Care Assurance Program | | | | |
|--|--------------|--------------------------------------|---------------|---------------|
| Fund | ALI and Name | | FY 2012 | FY 2013 |
| Federal Special Revenue Fund Group | | | | |
| 3F00 | 600650 | Hospital Care Assurance Match | \$372,784,046 | \$380,645,627 |
| Federal Special Revenue Fund Group Subtotal | | | \$372,784,046 | \$380,645,627 |
| State Special Revenue Fund Group | | | | |
| 6510 | 600649 | Hospital Care Assurance Program Fund | \$212,526,123 | \$217,008,050 |
| State Special Revenue Fund Group Subtotal | | | \$212,526,123 | \$217,008,050 |
| Total Funding: Hospital Care Assurance Program | | | \$585,310,169 | \$597,653,677 |

Hospital Care Assurance Program (600649 and 600650)

These two line items are used to fund the Hospital Care Assurance Program (HCAP). The federal government requires state Medicaid programs to make subsidy payments to hospitals that provide uncompensated, or charity, care to low-income and uninsured individuals at or below 100% of the federal poverty guidelines (FPG) under the Disproportionate Share Hospital Program. HCAP is the system Ohio uses to comply with the DSH Program requirement. Under HCAP, hospitals are assessed an amount based on their total facility costs, and government hospitals make intergovernmental transfers to ODJFS. ODJFS then redistributes back to hospitals money generated by the assessments, intergovernmental transfers, and federal matching funds based on uncompensated care costs. The state funds (assessment revenues) are appropriated in line item 600649, and the federal funds are appropriated in line item 600650.

The budget provides \$212,526,123 for FY 2012, a 0.4% decrease from the FY 2011 expenditures, and \$217,008,050 for FY 2013, a 2.1% increase over FY 2012 for line item 600649, Hospital Care Assurance Program Fund. The budget also provides \$327,784,046 for FY 2012, a 1.8% increase over the FY 2011 expenditures, \$380,645,627 for FY 2013, a 2.1% increase over FY 2012, for line item 600650, Hospital Care Assurance Match. The funding levels for HCAP are based on the executive's projected HCAP assessment revenue and spending. Under current law, HCAP is scheduled to sunset on October 16, 2011. Just as in previous budgets, the budget delays the sunset of HCAP for two years, until October 16, 2013.

Family Stability

- Federal funds account for 72% of appropriations

OVERVIEW

Office Overview

Family Stability is a group of programs and services that deliver cash assistance, noncash supports, and food assistance to low-income families with the goal of equipping those families to achieve self-sufficiency. Family Stability programs are funded with a combination of federal and state funds. Ohio Works First (OWF) cash assistance and Prevention, Retention and Contingency (PRC) are primarily funded through the federal Temporary Assistance for Needy Families (TANF) Block Grant, and the state GRF match referred to as Maintenance of Effort (MOE). Publicly funded child care is partially funded by the TANF Block Grant and state TANF MOE. Other assistance programs include food assistance programs, Refugee Services, and Disability Financial Assistance (DFA), which are funded with other state and federal funds.

Appropriations Overview

The budget provides appropriations of \$1.56 billion for FY 2012 and FY 2013 for Family Stability, a 1.9% decrease from FY 2011. The table below shows Family Stability expenditures by fund group for FY 2011, and appropriations for FY 2012 and FY 2013.

| Family Stability Budget by Fund Group (Am. Sub. H.B. 153) | | | | | |
|--|------------------------|------------------------|--------------|------------------------|--------------|
| Fund Group | FY 2011* | FY 2012 | % Change | FY 2013 | % Change |
| General Revenue | \$401,057,850 | \$394,084,733 | -1.7% | \$394,582,365 | 0.1% |
| General Services | \$23,274,388 | \$34,000,000 | 46.1% | \$34,000,000 | 0.0% |
| Federal Special Revenue | \$1,169,872,710 | \$1,133,766,270 | -3.1% | \$1,131,272,477 | -0.2% |
| State Special Revenue | \$500,000 | \$500,000 | 0.0% | \$500,000 | 0.0% |
| Agency | \$201,102 | \$2,000,000 | 894.5% | \$2,000,000 | 0.0% |
| TOTAL | \$1,594,906,050 | \$1,564,351,003 | -1.9% | \$1,562,354,842 | -0.1% |

*FY 2011 figures represent actual expenditures.

OWF Forecast

LSC staff forecasts OWF caseloads and expenditures in order to estimate the amount of TANF dollars that will be spent on cash assistance. The availability of TANF dollars for other noncash supports, such as the PRC Program and publicly funded child care, depends on the amount of funds that remain once the dollars needed to pay for OWF cash assistance benefits are first taken into account. The table below shows actual

assistance group caseloads and expenditures for FY 2009, FY 2010, and FY 2011, and the forecasted caseloads and expenditures for the FY 2012-FY 2013 biennium.

| OWF Forecast | | | | |
|---------------------------|-----------------------------------|----------|------------------------|----------|
| Year | Average Monthly Assistance Groups | % Change | Annual Expenditures | % Change |
| FY 2009 – Actual | 85,290 | 7.4% | \$360.8 million | 13.7% |
| FY 2010 – Actual | 99,400 | 16.5% | \$450.9 million | 25.0% |
| FY 2011 – Actual | 98,700 | -0.7% | \$443.4 million | -1.7% |
| FY 2012 – Forecast | 92,911 | -5.9% | \$419.5 million | -5.4% |
| FY 2013 – Forecast | 90,372 | -2.7% | \$412.9 million | -1.6% |

Actual caseload and expenditure data from the Public Assistance Monthly Statistics reports published by ODJFS

As shown in the table, in FY 2011, the monthly average caseload of OWF assistance groups was 98,700. OWF caseloads are projected to decrease to an average of 92,911 in FY 2012 (a 5.9% decrease from FY 2011) and decrease to an average of 90,372 in FY 2013 (a 2.7% decrease from FY 2012). In FY 2011, the state expended \$443.4 million for OWF cash assistance benefits. OWF expenditures are projected to decrease in FY 2012 to \$419.5 million, (a 5.4% decrease from FY 2011), and decrease to \$412.9 million in FY 2013, (a 1.6% decrease from FY 2012).

The forecast of OWF assistance group caseloads was based on a regression of the monthly OWF caseloads against the number of employed Ohioans. Historical OWF caseload data was pulled from ODJFS's Public Assistance Monthly Statistics (PAMS) reports. The employment variable used in the forecast was Residential Employment, which is the most inclusive employment measure. The forecasts for the number of employed in the state were provided by Global Insight. In May 2011, Global Insight reported that residential employment totaled 5,356,808 in the first quarter of 2011. Global Insight forecasts that the number of employed in Ohio will increase to 5,398,780 by the end of 2011, and will increase to 5,457,697 by the end of FY 2013, an overall increase of 1.9%. The regression analysis included observations starting in April of 2002 in order to exclude the most dramatic effects resulting from the policy change of imposing the 36-month time limit on benefits. Preliminary regressions indicated that changes in caseload lag changes in employment by two to three months.

Expenditures are forecasted to decrease in FY 2012 and FY 2013 by smaller percentages than the decrease in caseloads. This is mainly due to the requirement in R.C. 5107.04 to increase OWF payments each year based on a mandated cost-of-living adjustment (COLA). The Revised Code requires ODJFS to increase cash assistance payments in January of each year based on a COLA as determined by the federal Social Security Administration. The annual COLA rate is based on the Consumer Price Index

for Urban Wage Earners and Clerical Workers. The last year there was a COLA was 2009; the COLA was 5.8% that year. There was no COLA for 2010 and 2011, which held benefits level. The forecast assumes a 0.7% increase in January 2012 and a 1.7% increase in January 2013, based on estimates made by the Social Security Administration.³

³ The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the funding for each appropriation item in the Family Stability budget. In this analysis Family Stability line items are grouped into five categories. For each category a table is provided listing the appropriations in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation in the budget. The five categories used in this analysis are as follows:

1. Temporary Assistance for Needy Families (TANF);
2. Publicly Funded Child Care;
3. Food Assistance;
4. Other Assistance; and
5. Administration.

Temporary Assistance for Needy Families

This category of appropriations includes the sources of funding for state TANF programs. The table below shows the line items included in this category and the appropriated amounts.

| Appropriations for TANF | | | | |
|---|--------|------------------------------|----------------------|----------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| General Revenue Fund | | | | |
| GRF | 600410 | TANF State | \$151,386,934 | \$151,386,934 |
| General Services Fund Group | | | | |
| 4A80 | 600658 | Public Assistance Activities | \$34,000,000 | \$34,000,000 |
| Federal Special Revenue Fund Group | | | | |
| 3V60 | 600689 | TANF Block Grant | \$727,968,260 | \$727,968,260 |
| Total Funding: TANF | | | \$913,355,194 | \$913,355,194 |

TANF State (600410)

This GRF line item is used to fund the OWF cash assistance program in conjunction with the other two line items in this category. The budget provides funding of \$161.3 million for FY 2012 and FY 2013, a 6.1% decrease from FY 2011. Expenditures from this GRF line item count toward the state's MOE for TANF. Ohio's total MOE is \$416.9 million.

Ohio must expend MOE dollars in order to receive the federal TANF Block Grant. Ohio's annual federal TANF Block Grant award is about \$728 million, which is deposited in quarterly installments into the TANF Block Grant Fund (Fund 3V60). The block grant and the state MOE will total about \$1.15 billion in TANF resources for each fiscal year.

Public Assistance Activities (600658)

This line item is used in conjunction with GRF line item 600410, TANF State, and a portion of federal line item 600689, TANF Block Grant, to cover OWF cash benefits, and is funded from the nonfederal share of county OWF child support collections; the federal share is returned to the federal government. The budget changed the name of this line item from "Child Support Collections" to "Public Assistance Activities." Persons receiving child support and OWF cash assistance are required to assign their child support payments to ODJFS to cover part of their cash assistance benefits. OWF cash benefits paid from this line item are counted toward the state's TANF MOE. The budget provides \$34 million for FY 2012 and FY 2013, a 46.1% increase over FY 2011.

The budget requires that this line item be used by ODJFS to meet the state's TANF MOE requirements. Once the state is assured that it will meet the MOE requirements, ODJFS may use the remaining funds to support public assistance activities. ODJFS plans to count all expenditures from this line item in each fiscal year toward the state's TANF MOE.

TANF Block Grant (600689)

This federally funded line item is used by ODJFS to expend the federal TANF Block Grant for OWF, PRC, publicly funded child care, ODJFS operating and management information system development, and a transfer to the Governor's Office of Faith-Based and Community Initiatives. The budget provides \$728 million in FY 2012 and FY 2013, a 6.9% decrease from FY 2011. The decrease from FY 2011 to FY 2012 is due to the loss of additional TANF funds received under ARRA, which were expended from this line item. The budget also earmarks TANF Block Grant funds for Independent Living Initiatives (\$2 million in each fiscal year), the Kinship Permanency Incentive Program (\$1.2 million in each fiscal year) and the Ohio Commission on Fatherhood (\$1 million in each fiscal year).

Publicly Funded Child Care

This category of appropriations includes the sources of funding for publicly funded child care. The table below shows the line items included in this category and the appropriated amounts.

| Appropriations for Publicly Funded Child Care | | | | |
|--|--------|--------------------------|----------------------|----------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| General Revenue Fund | | | | |
| GRF | 600413 | Child Care Match/MOE | \$84,732,730 | \$84,732,730 |
| GRF | 600535 | Early Care and Education | \$123,596,474 | \$123,596,474 |
| General Revenue Fund Subtotal | | | \$208,329,204 | \$208,329,204 |
| Federal Special Revenue Fund Group | | | | |
| 3H70 | 600617 | Child Care Federal | \$208,290,036 | \$204,813,731 |
| Federal Special Revenue Fund Group Subtotal | | | \$208,290,036 | \$204,813,731 |
| Total Funding: Child Care | | | \$416,619,240 | \$413,142,935 |

In addition to the appropriations above, ODJFS also plans to use a portion of the TANF Block Grant for publicly funded child care.

Child Care Match/MOE (600413)

This GRF line item is used to provide payments for publicly funded child care services. Expenditures from this line item are used to draw down two federal Child Care and Development Fund (CCDF) grants. For one CCDF grant, the state must meet a MOE of \$45.4 million; this amount may be double-counted as MOE for the TANF Block Grant as long as dollars are used to meet the purposes of both programs. For the other CCDF grant, the state must provide a match to draw down federal reimbursement based on the Federal Medical Assistance Percentage. The budget provides flat funding at the FY 2011 level of \$84.7 million for FY 2012 and FY 2013.

Early Care and Education (600535)

This GRF line item is used to provide payments for publicly funded child care services. The budget provides \$123.6 million for FY 2012 and FY 2013, an 8% decrease from FY 2011. ODJFS plans to count all expenditures from this GRF line item toward the state's TANF MOE.

Child Care Federal (600617)

This federally funded line item is used to fund publicly funded child care for low-income families and to fund child care regulation activities. This line item is also used for state and local administration of publicly funded child care, licensing of child care centers, monitoring quality ratings of child care centers, and information

technology that supports the child care information system. The budget provides \$208.3 million for FY 2012, a 10.2% decrease from FY 2011 and \$204.8 million for FY 2013, a 1.7% decrease from FY 2012.

Child Care Subsidies

For FY 2012, the executive plans to reduce the income ceiling for enrollment from 150% FPG (\$27,800 for a family of three) to 125% FPG (\$23,160 for a family of three); the executive plans to maintain the current income ceiling for disenrollment, which is 200% FPG (\$37,060 for a family of three). The executive also plans to reduce provider payments overall by about 7% and maintain enhanced payments for centers with high quality ratings. The executive estimates that appropriation levels from line items used for child care (as well as TANF dollars planned to be used for child care) are sufficient to provide child care subsidies for over 100,000 children on average each month in each fiscal year.

Bill Provisions

The budget eliminates provisions under which county departments of job and family services have responsibilities for contracting with and reimbursing providers of publicly funded child care, thereby giving ODJFS sole responsibility for contracting and reimbursing the providers. The budget also prohibits an eligible caretaker parent from receiving full-time publicly funded child care from more than one provider per child, which is consistent with current practice.

With respect to payments to providers, the budget requires that ODJFS establish enhanced reimbursement ceilings for providers of publicly funded child care who participate in the Step Up To Quality Program and maintain quality ratings (which is currently done under rules), and to weigh any reduction in reimbursement ceilings more heavily against child day-care centers that do not participate in the program or do not maintain quality ratings. The budget permits ODJFS to adopt rules that specify the standards and procedures for determining a higher payment to child care providers based on special needs of the child being served, if ODJFS establishes a different reimbursement ceiling based on that criteria. The budget also permits ODJFS to change the schedule of fees to be paid by eligible caretaker parents and the rate of payment to providers of publicly funded child care when it determines that expenditures for publicly funded child care will exceed available federal and state funds.

Administration and Licensing

Other planned child care expenditures include licensing and quality activities as well as county and state administration. ODJFS's Office of Families and Children staff is responsible for regulating child care centers in the state. Ohio child care centers have the capacity to serve 323,392 children at over 4,239 centers, from infants to school age. Regulation activities involve licensing and monitoring child care centers and Type A

family child care homes and registering day camps. In FY 2010, ODJFS received 446 new applications for licensure, a 16.8% increase over FY 2009. Of the new applications, ODJFS granted 386 new licenses. ODJFS also offers technical assistance and training to the child care community as a means to promote quality child care.

The Office of Families and Children also investigates complaints and allegations made against licensed programs as well as reports of unauthorized child care. Complaints and alleged licensing violations are required to be investigated. In FY 2010, ODJFS received and investigated 1,687 complaints and received 3,329 allegations of rule violations. The three most frequent allegations included staff/child ratios (24%), safe and sanitary equipment (12%), and care/nurturing of children (11%). ODJFS also collects incident and injury reports from licensed facilities. Of the 1,418 serious incident and injury reports received in FY 2010, the three most frequently specified types of injury reported in FY 2010 were falls (40%), cuts (23%), and bumps and bruises (18%).

ODJFS also sets standards through administrative rules and inspects all licensed child care programs. Licensed programs are required to submit a corrective action plan for all rule violations. ODJFS provides technical support, and varying degrees of monitoring occur to assure that the center has achieved compliance. If a center is unable to achieve compliance, the program's license could potentially be suspended or revoked. There were a total of 19 active enforcement cases at the end of FY 2010, including eight new recommendations for revocation of a license submitted during this reporting period.

Food Assistance Programs

This category of appropriations includes the sources of funding for food assistance programs. The table below shows the line items included in this category and the appropriated amounts.

| Appropriations for Food Assistance Programs | | | | |
|--|--------|--|----------------------|----------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| General Revenue Fund | | | | |
| GRF | 600540 | Second Harvest Food Banks | \$4,000,000 | \$4,000,000 |
| General Revenue Fund Subtotal | | | \$4,000,000 | \$4,000,000 |
| Federal Special Revenue Fund Group | | | | |
| 3840 | 600610 | Food Assistance and State Administration | \$180,381,394 | \$180,381,394 |
| 3A20 | 600641 | Emergency Food Distribution | \$5,000,000 | \$5,000,000 |
| Federal Special Revenue Fund Group Subtotal | | | \$185,381,394 | \$185,381,394 |
| State Special Revenue Fund Group | | | | |
| 5ES0 | 600630 | Food Assistance | \$500,000 | \$500,000 |
| State Special Revenue Fund Group Subtotal | | | \$500,000 | \$500,000 |
| Agency Fund Group | | | | |
| 5B60 | 600601 | Food Assistance Intercept | \$2,000,000 | \$2,000,000 |
| Agency Fund Group Subtotal | | | \$2,000,000 | \$2,000,000 |
| Total Funding: Food Assistance Programs | | | \$191,881,394 | \$191,881,394 |

Second Harvest Food Banks (600540 and 600630)

The budget provides the Ohio Association of Second Harvest Food Banks \$12.5 million in each fiscal year from both GRF and non-GRF funds. The table below shows the line items and amounts ODJFS plans to use towards the food banks in the FY 2012-FY 2013 biennium, compared with FY 2011.

| Second Harvest Food Banks | | | | | |
|---------------------------|-------------------------------------|-----------|--------------|--------------|--------------|
| Fund | | Line Item | FY 2011 | FY 2012 | FY 2013 |
| 3V60 | 600689, TANF Block Grant | | \$6,000,000 | \$6,000,000 | \$6,000,000 |
| GRF | 600540, Second Harvest Food Banks | | \$3,500,000 | \$4,000,000 | \$4,000,000 |
| 3960 | 600620, Social Services Block Grant | | \$2,000,000 | \$2,000,000 | \$2,000,000 |
| 5ES0 | 600630, Food Assistance | | \$500,000 | \$500,000 | \$500,000 |
| Total | | | \$12,000,000 | \$12,500,000 | \$12,500,000 |

The budget requires that ODJFS provide to the Association, in each fiscal year, an amount up to the amount provided from non-GRF funds in FY 2011 (Section 309.40.30). ODJFS estimates the Association will receive \$8.5 million from non-GRF funds in FY 2011 from non-GRF funds, as shown in the table.

For GRF line item 600540, Second Harvest Food Banks, the budget provides \$4 million in FY 2012 and FY 2013, a 14.3% increase from FY 2011. For line item 600630, Food Assistance, the budget provides flat funding at the FY 2011 level of \$500,000 for FY 2012 and FY 2013. This line item is funded by a transfer of \$1 million in cash from the Food Stamps State Administration Fund (Fund 3840) to the Food Assistance Fund (Fund 5ES0), which supports this line item. This transfer is permitted in the budget (Section 309.40.10).

Food Assistance and State Administration (600610)

This federally funded line item is used to reimburse state and county departments of job and family services' costs of administering the Food Assistance Program. The goal of the Food Assistance Program is to increase nutritional intake of low-income persons by supplementing their income with food benefits. For most activities, the federal government reimburses states 50% for managing the program. The amount of the appropriations is the federal reimbursement for state and county allowable administrative expenditures.

The budget provides \$180.4 million for FY 2012 and FY 2013, a 26.5% increase over FY 2011. The executive estimates that this funding level will support administrative activities involved with providing 1.8 million individuals with Food Assistance benefits. Benefits are fully funded by the federal government.

Emergency Food Distribution (600641)

This federally funded line item appropriates funds received from the Emergency Food Assistance Program (TEFAP) Grant and the Commodity Supplemental Food Program (CSFP) Grant. TEFAP funds are used by ODJFS and local organizations for administrative expenses related to processing, storage, and distribution of food commodities in local storage centers. ODJFS passes most of these funds to emergency feeding organizations and retains a small amount for state administrative costs. All CSFP funds are distributed by the state to local food banks for administrative costs associated with distributing food items. Food items distributed under CSFP are provided separately by the federal government.

The budget provides \$5 million for FY 2012 and FY 2013, a 9.8% increase over FY 2011. State allotments are established by the federal government based on funds available, the number of individuals with incomes under the poverty level, and the number of unemployed in each state.

Food Stamp Intercept (600601)

This line item receives the collections the Internal Revenue Service makes through the Food Stamp Intercept Program. The moneys from this line item are sent back to the United States Department of Agriculture for reimbursement for fraudulent food stamp payments. A small portion of the collection is sent back to the county where the fraudulent benefits were issued as an incentive payment for participation in this program. The budget provides funding of \$2 million for FY 2012 and FY 2013.

Other Assistance Programs

This category of appropriations includes the sources of funding for other public assistance programs in the state. The table below shows the line items included in this category and the appropriated amounts.

| Appropriations for Other Assistance Programs | | | | |
|--|--------|---------------------------------|---------------------|---------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| General Revenue Fund | | | | |
| GRF | 600511 | Disability Financial Assistance | \$26,599,666 | \$27,108,734 |
| General Revenue Fund Subtotal | | | \$26,599,666 | \$27,108,734 |
| Federal Special Revenue Fund Group | | | | |
| 3850 | 600614 | Refugee Services | \$11,582,440 | \$12,564,952 |
| 3AW0 | 600675 | Faith-Based Initiatives | \$544,140 | \$544,140 |
| Federal Special Revenue Fund Group Subtotal | | | \$12,126,580 | \$13,109,092 |
| Total Funding: Other Assistance Programs | | | \$38,726,246 | \$40,217,826 |

Disability Financial Assistance (600511)

This GRF line item is used for the Disability Financial Assistance (DFA) Program. The DFA Program provides cash payments to individuals with income up to 14% FPG (about \$2,600 annually for a family of three) who are unemployable due to physical or mental impairment and ineligible for other public assistance programs that are supported in whole or in part by federal funds (for example, Ohio Works First cash assistance). The DFA Program provides a maximum cash grant of \$115 per month for a one-person assistance group and \$159 for a two-person assistance group. The budget provides \$26.6 million for FY 2012 and \$27.1 million for FY 2013.

Individuals applying for DFA must also apply for federal Supplemental Security Income (SSI) and may receive DFA payments while awaiting an SSI eligibility determination. Once enrolled in SSI, individuals no longer receive DFA payments. DFA payments made during the determination period are later refunded to the state by the Social Security Administration.

In FY 2010, 14,060 recipients on average per month were enrolled in DFA at a cost of \$23.9 million. In that year, Ohio received \$17.5 million in refunds for DFA payments from the Social Security Administration. Of that amount, \$13.1 million (75%) was sent to ODJFS and deposited into the GRF, while the remaining \$4.4 million (25%) was retained by CDJFSs for administering collection of the refunds. With \$13.1 million in refunds received by ODJFS, the net cost for DFA in FY 2010, was \$10.8 million.

Refugee Services (600614)

This federally funded line item funds the operation and administration of Ohio's Refugee Services programs. These programs are designed to temporarily provide refugees with cash assistance, medical assistance, and social services in order to help their transition to living in the United States. These programs are fully funded by the federal government. The budget provides \$11.6 million for FY 2012, a 34.1% increase over FY 2011, and \$12.6 million for FY 2013, an 8.5% increase over FY 2012. ODJFS estimates that these appropriations will provide social services to 3,500 refugees and cash assistance to 500 refugees in each fiscal year. In FY 2010, 1,887 primary refugees settled in Ohio.

Faith-Based Initiatives (600675)

This federally funded line item is used to expend the Healthy Marriage Initiative Grant. The grant amount is \$544,410 annually for five years and may be expended on activities that promote and support marriages. Funds from this grant are used specifically for marriage education courses in five Ohio metropolitan areas: Akron, Cincinnati, Cleveland, Columbus, and Toledo. The grant period began in 2006 and ends in September 2011. Though the grant will expire this year, the fund that supports this line item may be used to receive other grants in the future. The budget provides \$544,140 for FY 2012 and FY 2013.

The grant is administered by the Governor's Office of Faith-based and Community Initiatives. This Office disburses grants to nonprofit organizations and administers the Ohio Benefit Bank. Grants are funded by the TANF Block Grant and are used for several initiatives pertaining to youth reentry, fatherhood support, and youth mentoring. Administrative functions for the Office are funded from GRF line item 600321, Support Services.

Administration

This category of appropriations includes the sources of funding for administrative activities for Family Stability programs. The table below shows the line items included in this category and the appropriated amounts.

| Appropriations for Administration | | | | |
|--------------------------------------|--------|----------------------------|--------------------|--------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| General Revenue Fund | | | | |
| GRF | 600421 | Office of Family Stability | \$3,768,929 | \$3,757,493 |
| Total Funding: Administration | | | \$3,768,929 | \$3,757,493 |

Office of Family Stability (600421)

This GRF line item is the primary source of administrative and operating expenses for Family Stability programs. These programs include TANF programs, publicly funded child care, food assistance programs, and DFA. The budget provides \$3.8 million for FY 2012 and for FY 2013, a 16.8% increase over FY 2011. In addition to this GRF line item, administrative expenditures are also funded from those programs' respective line items.

Children and Families

- Funding of \$742.1 million for FY 2012 and \$742.5 million for FY 2013
- 79% of funding provided by federal grants

OVERVIEW

Program Overview

ODJFS is responsible for supervising child welfare programs administered by the 88 county public children services agencies (PCSAs). ODJFS provides support to PCSAs by providing training programs for county workers and foster parents, information systems, and fiscal mechanisms for claiming federal reimbursement for allowable expenses. Children and families receive child welfare services directly from PCSAs; these services include protective services, foster care, and adoption placement. PCSAs were created by state law and the structure of each is determined at the local level. There are 62 PCSAs located within county departments of job and family services. The remaining 26 are separate children services boards.

The Office of Families and Children (OFC) provides support to PCSAs to deliver services to abused and neglected children and their families (birth, kinship, foster, and adoptive). In addition, OFC licenses foster homes, residential facilities, and child care homes and centers. Ohio operates in a state supervised, county administered system. ODJFS sets policies and procedures and guides PCSAs in service delivery. 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 and respond to 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.

Appropriation Overview

For the Children and Families category, the budget appropriates \$742.1 million for FY 2012, a 26.5% increase over FY 2011 expenditures, and \$742.5 million for FY 2013, a 0.05% increase over FY 2012. The table shows expenditures by fund group for the Children and Families category for FY 2011 and the appropriations for FY 2012 and FY 2013. In FY 2011, this program category includes about \$20.1 million in one-time tobacco settlement funds that were expended on child welfare programs.

| Children and Families Appropriations by Fund Group | | | | | |
|--|----------------------|----------------------|--------------|----------------------|--------------|
| Fund Group | FY 2011* | FY 2012 | % Change | FY 2013 | % Change |
| General Revenue | \$146,235,669 | \$145,437,833 | -0.6% | \$145,793,183 | 0.24% |
| Federal Special Revenue | \$413,065,844 | \$585,216,656 | 41.7% | \$585,217,047 | < 0.01% |
| State Special Revenue | \$7,158,626 | \$11,456,996 | 60.0% | \$11,457,397 | < 0.01% |
| General Services | \$20,100,784 | \$0 | -100% | \$0 | N/A |
| TOTAL | \$586,560,924 | \$742,111,485 | 26.5% | \$742,467,627 | 0.05% |

* FY 2011 figures represent actual expenditures.

Major Initiatives

Differential (Alternative) Response

In May 2010, the Supreme Court of Ohio's Subcommittee on Responding to Child Abuse, Neglect, and Dependency recommended statewide implementation of Differential Response, also referred to as Alternative Response. The recommendation followed an evaluation of the original 18-month pilot project that found slightly higher initial costs but savings over time. As of July 2011, 25 counties were using Differential Response when handling reports of suspected child abuse and neglect and eight additional counties were scheduled to begin using differential response in August.

The budget requires ODJFS to implement Differential Response statewide at a schedule determined by ODJFS. Under Differential Response, if a child's safety is not in question, case workers can use early intervention and prevention strategies with families to address issues pertaining to child welfare and safety and improve access to other supportive services.

ANALYSIS OF ENACTED BUDGET

This section provides an analysis of the appropriations for each line item in the Children and Families category. The table below shows the line items included in this category and the appropriated amounts. Following the table, a narrative describes how the appropriation for each line item is used.

| Appropriations for Children and Families | | | | |
|--|--------|--|----------------------|----------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| General Revenue Fund | | | | |
| GRF | 600423 | Office of Children and Families | \$5,123,406 | \$4,978,756 |
| GRF | 600523 | Children and Families Services | \$53,605,323 | \$53,105,323 |
| GRF | 600528 | Adoption Services | \$70,343,101 | \$70,343,101 |
| GRF | 600533 | Child, Family, and Adult Community & Protective Services | \$13,500,000 | \$13,500,000 |
| GRF | 600534 | Adult Protective Services | \$366,003 | \$366,003 |
| GRF | 600541 | Kinship Permanency Incentive Program | \$2,500,000 | \$3,500,000 |
| General Revenue Fund Subtotal | | | \$145,437,833 | \$145,793,183 |
| Federal Special Revenue Fund Group | | | | |
| 3270 | 600606 | Child Welfare | \$29,769,865 | \$29,769,866 |
| 3950 | 600616 | Special Activities/Child and Family Services | \$2,259,264 | \$2,259,264 |
| 3960 | 600620 | Social Services Block Grant | \$64,999,999 | \$64,999,998 |
| 3980 | 600627 | Adoption Maintenance/Administration | \$352,183,862 | \$352,184,253 |
| 3D30 | 600648 | Children's Trust Fund Federal | \$2,040,524 | \$2,040,524 |
| 3N00 | 600628 | IV-E Foster Care Maintenance | \$133,963,142 | \$133,963,142 |
| Federal Special Revenue Fund Group Subtotal | | | \$585,216,656 | \$585,217,047 |
| State Special Revenue Fund Group | | | | |
| 1980 | 600647 | Children's Trust Fund | \$5,873,637 | \$5,873,848 |
| 4E70 | 600604 | Child and Family Services Collections | \$400,000 | \$400,000 |
| 4F10 | 600609 | Children and Family Services Activities | \$683,359 | \$683,549 |
| 5DP0 | 600634 | Adoption Assistance Loan | \$500,000 | \$500,000 |
| 5U60 | 600663 | Children and Family Support | \$4,000,000 | \$4,000,000 |
| State Special Revenue Fund Group Subtotal | | | \$11,456,996 | \$11,457,397 |
| Total Funding: Children and Families | | | \$742,111,485 | \$742,467,627 |

Office of Children and Families (600423)

This GRF line item is used to provide the primary source of funding for payroll, purchased personal services, conference fees, maintenance, and equipment for child welfare services provided by the Office of Families and Children. Also included in this line item is funding for the Bureau of Automated Services, which is responsible for the implementation of the Statewide Automated Child Welfare Information System. The budget appropriates \$5.1 million in FY 2012, a 7% increase over FY 2011 expenditures, and \$5.0 million in FY 2013, a 2.8% decrease from FY 2012.

Children and Families Services (600523)

This GRF line item provides the State Child Protection Allocation, which is distributed to each PCSA to partially reimburse costs incurred by the PCSA in performing its duties; the State Operating Allocation, which directs state funds to supplement the Title XX funds a county receives; and funding to implement the Feisal Case Review recommendations. The budget appropriates \$53.6 million for FY 2012, a 5.8% decrease from FY 2011 expenditures, and \$53.1 million for FY 2013, a decrease of 0.9% from FY 2012. In addition, this line item provides the state share for the Foster Parent Stipends Program, which allows ODJFS to reimburse foster caregivers for attending and completing ODJFS-approved training courses. This line item also provides the state share of funding for the federal Chaffee Educational and Training Vouchers Program, which provides vouchers up to \$5,000 per year to youth previously or currently involved in the child welfare system.

The budget includes a provision that allows county family and children first councils to establish and operate a flexible funding pool. Allocations from this line item would be eligible to be deposited into a flexible funding pool.

Adoption Services (600528)

This GRF line item is used to provide state and federal funds for four different adoption subsidies that provide maintenance payments to families who adopt children with special needs. Many of the children available for adoption are considered to have special needs because they are of an older age, part of a siblings group, or have special physical, mental, or emotional health needs, or have developmental delays. Some special needs children have behavioral and attachment disorders that can present financial challenges for adopting families. ODJFS provides maintenance payments and subsidies to help offset some of these costs. In FY 2010, about 84% of the children adopted through the child welfare system had special needs. The budget appropriates \$70.3 million (\$29.3 million state share) for FY 2012 and FY 2013, a 4.4% increase over FY 2011 expenditures. There are four types of state-funded adoption subsidies that are paid for through this line item: the IV-E Subsidy, the State Adoption Maintenance Subsidy, the Non-Recurring Adoption Payment, and the Post Adoption Special Services Subsidy.

Child, Family, and Adult Community & Protective Services (600533)

This GRF line item is used to distribute funds to counties for community and protective services programs. The budget appropriates \$13.5 million for FY 2012 and FY 2013, an 8.6% increase over FY 2011 expenditures. Services offered with funding from this line item include: helping individuals maintain self-sufficiency; responding to reports of abuse, neglect, and exploitation of children and adults; providing outreach and referral services regarding home and community-based services to individuals at risk of placement in a group home or institution; and providing outreach, referral, application assistance, and other services to assist individuals in receiving assistance, benefits, or services from public assistance programs.

Adult Protective Services (600534)

This GRF line item is used to provide supplemental funding to county departments of job and family services for adult protective services, which are provided to the elderly who are in danger of harm or are unable to protect themselves. The budget appropriates \$366,003 for FY 2012 and FY 2013, a 7.4% decrease from FY 2011 expenditures. County departments of job and family services are required to investigate and evaluate all reports of suspected abuse, neglect, and exploitation of adults age 60 and over. Investigations of reports are mandated to be initiated within 24 hours if any emergency exists, or within three working days after a nonemergency report is received.

Kinship Permanency Incentive Program (600541)

This GRF line item is used to fund the Kinship Permanency Incentive (KPI) Program. The KPI Program provides time-limited incentive payments to kinship caregivers who meet eligibility criteria. The budget appropriates \$2.5 million for FY 2012 and \$3.5 million for FY 2013. In addition, the KPI Program is funded with a \$1.2 million TANF earmark in each fiscal year. Total funding for KPI is \$3.7 million in FY 2012, a decrease of 13.8% from FY 2011 expenditures, and \$4.7 million in FY 2013, an increase of 27% over FY 2012.

In FY 2012, families in the program receive an initial payment of \$450 per child with additional \$250 payments every six months over three years. The maximum incentive may not exceed six payments (including the initial payment) and may not be provided for longer than three years. During the previous biennium, initial payments were \$525 and subsequent payments were \$300. KPI eligibility is determined by PCSA or private child placing agency approval, a court-issued custody or guardianship order issued on or after July 1, 2005, and an income that does not exceed 300% of Federal Poverty Guidelines (\$55,590 for a family of three).

Kinship care refers to a temporary or permanent arrangement in which a relative or any nonrelative adult, who has a long-standing relationship or bond with the child and/or family, has taken over substitute care of a child. Kinship care includes those relationships established through an informal arrangement, legal custody or guardianship order, a relative foster care placement, or kinship adoption.

Child Welfare (600606)

This federally funded line item provides funding for Federal Child Welfare Services Title IV-B, Parts 1 and 2, under Title IV of the Social Security Act. The Title IV-B, Part 1 grant allows states to claim child welfare administrative costs and child welfare program costs. The administrative costs claimed to the grant are capped at 10% of IV-B, Part 1 expenses. The balance of the grant award is shared by ODJFS and PCSAs for child welfare program related expenses. The Title IV-B, Part 2 grant permits states to claim expenditures for family preservation, support services, case worker visitation, and adoption promotion services at a 75% federal reimbursement rate. Funds from the Title IV-B, Part 2 grant are predominantly allocated to the PCSAs. The budget appropriates \$29.8 million for FY 2012 and FY 2013.

PCSAs are required to receive reports of child abuse and neglect, and to investigate those reports in a timely manner. When necessary, PCSAs work with families to identify services and develop case plans that reduce the risk of future abuse or neglect. In most cases, the PCSA provides services to the child and family while the child remains in the home. However, there are instances when the child cannot safely remain in the home and it becomes necessary for the PCSA to work with the local court system to remove the child from the home. When the child is placed outside of the home, the PCSA must develop a plan detailing the activities that must occur to ensure that the child is able to return home safely. If that is not possible, the plan will identify an alternative safe, stable, and permanent living situation that promotes the child's health, growth, and development. Alternative living arrangements include: kinship care, foster care, and adoption.

Special Activities/Child and Family Services (600616)

This federally funded line item provides funding from three federal grants used for children and adult welfare activities. The Children's Justice Act Grant funds the handling of child abuse and neglect cases, particularly the investigation of cases of child sexual abuse and exploitation. The Child Abuse and Neglect Grant is used for creating and improving the use of multidisciplinary teams and interagency protocols to enhance investigations and improve legal preparation and representation. This includes procedures for appealing and responding to appeals of substantiated reports of abuse and neglect, and provisions for appointment of an individual to represent a child in judicial proceedings. The Adoption Incentive Grant is awarded to states that exceed the

national foster child adoption, older child adoption, or special needs adoption baselines. All activities allowable under Title IV-B and Title IV-E, including post adoption services, may be funded from this grant. The budget appropriates \$2.3 million for FY 2012 and FY 2013.

Social Services Block Grant (600620)

This federally funded line item is used to expend ODJFS's share of the federal Social Services Block Grant (SSBG). The budget appropriates \$65 million for FY 2012 and FY 2013, a 12.8% increase from FY 2011 expenditures. Under the budget, this line item will no longer be used to expend the allowable transfer of Temporary Assistance for Needy Families funds to the SSBG, as it had been during the FY 2010-FY 2011 biennium. For the FY 2012-FY 2013 biennium, expenditures for that purpose will be made through line item 600689, TANF Block Grant.

SSBG is federally appropriated under Title XX of the Social Security Act. Three state departments share in the total grant received: ODJFS (72.50%), the Department of Mental Health (12.93%), and the Department of Developmental Disabilities (14.57%). The SSBG provides funds for administration, training, and direct services. The services are for adults and children and include: adoption, day care, adult day care, physical protection, homemaker services, job training, counseling, and legal services.

Adoption Maintenance/Administration (600627)

This federally funded line item is used to pass federal funds through to the counties for the administrative costs of placing children in public or private institutions and family foster homes. Counties are reimbursed for 50% of allowable administrative costs incurred on behalf of eligible children. Reimbursement is made quarterly to counties for their administrative and training expenses. The budget appropriates \$352.2 million for FY 2012 and FY 2013, a 62.4% increase over FY 2011 expenditures. According to ODJFS, the basis of the appropriations for FY 2012 and FY 2013 is the appropriation for FY 2011 (\$352.2 million) and not the expenditure for that year (\$216.8 million), which explains the 62.4% increase.

This line item is also used to pass the federal share of the Title IV-E Adoption Assistance Subsidy over the state maximum to the counties. In addition, this line item provides Independent Living Grants to assist in establishing and carrying out programs designed to assist foster care children in making the transition from foster care to independent living.

Adoption

ODJFS provides support to local agencies in their efforts to decrease the number of children waiting for permanent homes, to prevent discrimination in the placement of children, to identify and recruit permanent families who can meet each child's needs,

and to provide support to families to ensure the stability and well-being of children in their care. To assure permanency is maintained, ODJFS provides a variety of services to birth parents, adoptive parents, and children (particularly children who have been in foster care). These services are largely provided by PCSAs, private child placing agencies, and private noncustodial agencies in collaboration with ODJFS. ODJFS provides maintenance payments and subsidies to help offset associated costs. In FY 2010, of the 1,315 children who were adopted, 737 (56%) were adopted by foster parents and 162 sibling groups were adopted. According to ODJFS, the median length of time a child spends in foster care prior to being adopted is 29.7 months, which is below the national median of 32.4 months.

Independent Living Program

The county PCSAs are required to provide independent living services to youth between 16 to 18 years old who are in substitute care. The goal of this program is to help these youth successfully transition into adulthood and become self-sufficient. Program services include life skills development training, education and vocational training, preventative health activities, financial assistance, housing, employment services, self-esteem counseling, and assistance with developing positive relationships and support systems. Individuals 18 to 21 years old, who have been emancipated from substitute care, are also eligible to receive independent living services upon request. PCSAs are also permitted to use a portion of their allocation to assist these individuals with rent and other costs. In FY 2010, nearly \$6 million was spent on the Independent Living Program, which served about 3,600 individuals, including 734 who were age 18 or older.

IV-E Foster Care Maintenance (600628)

This federally funded line item is used to issue monthly foster care payments to foster parents or institutions to support an out-of-home placement for a child. The budget appropriates \$134 million for FY 2012 and FY 2013. In FY 2010, total foster care placement costs were about \$338 million (all funds). PCSAs pay the nonfederal share of foster care placement costs using state child protection allocations. Costs in excess of amounts provided from state and federal sources are paid by PCSAs.

ODJFS develops rules and guidelines to aid counties in implementing programs for children who cannot safely remain in their own homes. Foster or substitute care for children is one of the major program components of Ohio's child welfare system and is provided through public and private agencies. The program's main purpose is to reunify children with their families or find other permanent living arrangements when children cannot safely return home. Foster or substitute care includes foster care, kinship care, residential substitute care in group homes and treatment facilities,

independent living, and placement through the Interstate Compact for the Placement of Children.

When it is determined that a child must be removed from the home, and a court grants temporary custody of the child to the public children services agency, the caseworker attempts to find a placement with a suitable relative to help maintain familial bonds. When a suitable relative is not available, the worker attempts to find a placement with a suitable nonrelative with whom the child or family has a relationship. Suitable relatives and nonrelatives are either licensed by ODJFS or approved by the local PCSA. If the agency is unable to place the child with a relative or a nonrelative who has a relationship with the family, the child is placed into a licensed foster care setting. Once a child enters foster care, the state must ensure that the child is safe and treated well through the duration of the placement. This is accomplished by the enforcement of provider licensing standards. In FY 2011, there were 74,200 reports of abuse and neglect. As of June 30, 2011, there were 12,629 children in foster care and 5,345 licensed foster homes in Ohio.

Children's Trust Fund (600647 and 600648)

Line item 600647, Children's Trust Fund, provides state funding for the expenditures related to the Ohio Children's Trust Fund (OCTF). OCTF was created in 1984 and is the state's primary funding agent for programs designed to prevent child abuse and neglect. OCTF is governed by a 15-member board which consists of state agency administrators, gubernatorial appointees, and legislators. Board members are responsible for overall child abuse and neglect prevention policy, program direction, and monitoring expenditures from the Ohio Children's Trust Fund. ODJFS staff provide administrative support to the board, which includes budgeting, procurement, accounting, and other management functions. The budget appropriates \$5.9 million for FY 2012 and FY 2013.

Federally funded line item 600648, Children Trust Fund Federal, provides Community Based Child Abuse Prevention (CBCAP) grant dollars to support statewide investment in child abuse and neglect prevention programming. Statewide programs funded with CBCAP dollars include Stewards of Children Sexual Abuse Prevention, Incredible Years, and Strengthening Families, among others. The budget appropriates \$2 million for FY 2012 and FY 2013.

The budget contains a provision that permits the Children's Trust Fund Board to request that ODJFS adopt rules the Board considers necessary to carry out its responsibilities and permits ODJFS to adopt the requested rules or any other rules to assist the Board in carrying out its duties. The budget also contains a provision that permits the Board to develop public-private partnerships to support the mission of

OCTF and specifies the Board is authorized to solicit and accept gifts, money, and other donations from any public or private source.

Child and Family Services Collections (600604)

This line item funds the Putative Father Registry. This registry is designed to allow a man who believes he has fathered a child to register his interests in the child. By registering, the father will be notified if his child is placed for adoption. This may decrease the possibility for adoption disruption. The Putative Father Registry typically receives in excess of 1,500 search requests each year. The budget appropriates \$400,000 for FY 2012 and FY 2013. According to ODJFS, funds appropriated through this line item that are not required to be used for the registry may be used to support adoption programs, including increasing efforts to find adoptive placements for older children.

Children and Family Services Activities (600609)

This line item is used to expend grants for families and children awarded to ODJFS by nonprofit or private philanthropic foundations. The major expenditures funded by this line item include state-issued subgrants to counties and nonprofit private organizations to pay for state and county training opportunities. This line item is used to support implementation of the Differential (Alternative) Response method of responding to reports of abuse and neglect. The budget appropriates \$683,359 for FY 2012 and \$683,549 for FY 2013.

Adoption Assistance Loan (600634)

This line item is used to provide loans for the financial needs of prospective adoptive parents. A prospective parent can receive no more than \$3,000 if the child being adopted resides in Ohio and no more than \$2,000 if the child resides in another state. To be eligible, a family must have an approved adoption home study completed and the adoptive parents must meet the lending institution's financial eligibility requirements. Loan repayment terms will be negotiated on an individual basis but are not expected to be longer than two years. The budget appropriates \$500,000 for FY 2012 and FY 2013. There were no expenditures from this line item in FY 2011.

Children and Family Support (600663)

This line item funds the state share of the Ohio Child Welfare Training Program (OCWTP) for county personnel, child welfare related administrative expenses, and tuition assistance for students. The state share of OCWTP's training and operations budget is funded through a 2.5% hold-back imposed on Title IV-E administrative payments that are made to juvenile courts that have agreements with ODJFS. The federal share of OCWTP is paid with a combination of federal IV-E and IV-B, Part I dollars. The budget appropriates \$4.7 million for FY 2012 and FY 2013.

OCWTP provides a comprehensive annual calendar of in-service child welfare training. Most of this training is mandated by law and ODJFS administrative rule. OCWTP activities include eight regional training centers and eight university partnership programs, and totals about \$11 million (all funds) each year. OCWTP also provides tuition assistance to students involved in the child welfare system.

Child Support

- Funding of \$432.3 million for FY 2012 and \$432.2 million for FY 2013
- About \$2 billion in child support collected and disbursed annually

OVERVIEW

Program Overview

Title IV-D of the Social Security Act of 1975 designates the Ohio Department of Job and Family Services (ODJFS) as the state's Child Support Enforcement Agency. The Act requires ODJFS to be responsible for supervising local entities in the establishment and enforcement of support obligations owed by noncustodial parents. The Office of Child Support (OCS) has the responsibility for providing program direction, overseeing local activity, and administering statewide contracts for some services. Local support enforcement agencies have the responsibility of direct administration and 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. There are over one million child support cases statewide that represent about 1.36 million children. Ohio collects and disburses about \$1.9 billion in child support payments each year.

Appropriation Overview

For the Child Support category, the budget appropriates \$432.3 million for FY 2012, a 26.8% increase over FY 2011 expenditures, and \$432.2 million for FY 2013, less than a 0.1% decrease from FY 2012. The table below shows expenditures by fund group for FY 2011 and appropriations for the FY 2012-FY 2013 biennium.

| Child Support Appropriations by Fund Group | | | | | |
|--|----------------------|----------------------|--------------|----------------------|-------------------|
| Fund Group | FY 2011* | FY 2012 | % Change | FY 2013 | % Change |
| General Revenue | \$25,212,599 | \$29,977,637 | 18.9% | \$29,879,691 | - 0.3% |
| Federal Special Revenue | \$191,387,547 | \$256,346,887 | 33.9% | \$256,347,578 | <0.1% |
| Agency | \$124,260,739 | \$146,000,000 | 17.5% | \$146,000,000 | 0.0% |
| TOTAL | \$340,860,884 | \$432,324,524 | 26.8% | \$432,227,269 | <- 0.1% |

*FY 2011 figures represent actual expenditures.

Funding Sources

Federal reimbursement is available for Title IV-D allowable state and county administrative costs. The federal government reimburses IV-D expenses at 66%. In order for a case to be considered a IV-D case, a custodial parent must either receive

federal assistance or fill out a IV-D application; there are no other eligibility requirements. About 96% of cases are considered IV-D, and thus the costs to handle those cases are eligible for federal reimbursement. The remaining funding for the Child Support category comes from state appropriated general revenue and agency funds. State GRF and county funds spent on IV-D allowable administrative expenses are eligible to earn federal reimbursement.

ANALYSIS OF ENACTED BUDGET

This section provides an analysis of the appropriation for each line item in the Child Support category. The table below shows the line items included in this category and the appropriated amounts. Following the table, a narrative describes how the appropriation for each line item is used and any changes affecting the appropriation.

| Appropriations for Child Support | | | | |
|--|--------|------------------------------|----------------------|----------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| General Revenue Fund | | | | |
| GRF | 600420 | Child Support Administration | \$6,163,534 | \$6,065,588 |
| GRF | 600502 | Administration – Local | \$23,814,103 | \$23,814,103 |
| General Revenue Fund Subtotal | | | \$22,977,637 | \$22,879,691 |
| Federal Special Revenue Fund Group | | | | |
| 3970 | 600626 | Child Support | \$255,812,837 | \$255,813,528 |
| 3S50 | 600622 | Child Support Projects | \$534,050 | \$534,050 |
| Federal Special Revenue Fund Group Subtotal | | | \$256,346,887 | \$256,347,578 |
| Agency Fund Group | | | | |
| 1920 | 600646 | Support Intercept – Federal | \$130,000,000 | \$130,000,000 |
| 5830 | 600642 | Support Intercept – State | \$16,000,000 | \$16,000,000 |
| Agency Fund Group Subtotal | | | \$146,000,000 | \$146,000,000 |
| Total Funding: Child Support | | | \$432,324,524 | \$432,227,269 |

Child Support Enforcement (600420, 600502, and 600626)

This group of line items provides the main sources of funding for the Child Support Enforcement Program. GRF line item 600420, Child Support Administration, provides the state share of administrative expenditures incurred by the Office of Child Support (OCS); GRF line item 600502, Administration – Local, is used to provide funds to the counties for operating expenses; and federal line item 600626, Child Support, provides the federal share of all county and state administrative expenditures.

Child Support Administration (600420)

This GRF line item provides the state share of administrative expenditures incurred by OCS. The federal government reimburses Title IV-D expenditures from this line item at 66%.⁴ The budget appropriates \$6.2 million for FY 2012, a 10.8% increase over FY 2011 expenditures and \$6.1 million for FY 2013, a 1.6% decrease from FY 2012.

⁴ In order for a case to be considered a IV-D case, a custodial parent must either receive federal assistance or fill out a IV-D application; there are no other eligibility requirements.

Administration – Local (600502)

This GRF line item is used to provide state funds for operating expenses of the CSEAs. The federal government reimburses 66% of CSEA expenditures made for Title IV-D cases. The budget appropriates \$23.8 million for FY 2012 and FY 2013, an increase of 21.2% from FY 2011 expenditures. The increase is to partially offset reduced federal reimbursement resulting from a change in federal law that removed the ability of CSEAs to use federal incentive dollars to draw down 66% federal match.

Child Support (600626)

This federally funded line item provides the federal share of all county and state Title IV-D child support administrative expenditures. The budget appropriates \$255.8 million for FY 2012 and FY 2013. The major components of this line item are county administration, which provides monthly funding for the CSEAs based on current expenditures and county estimates; state administration, which includes personal services, purchased personal services, maintenance, equipment; the federal share of the Support Enforcement Tracking System; and federal child support incentive dollars. Incentive dollars are provided to CSEAs to support operations. ODJFS typically receives from \$25 million to \$30 million each year in federal incentives.

Child support enforcement activities include:

- Locating absent parents;
- Establishing paternity;
- Obtaining child, spousal, and medical support;
- Enforcing obligations owed by the absent parent; and
- Disbursement of support obligations.

To support these activities the state does the following:

- Operates the automated child support computer system;
- Processes payments at a single centralized site;
- Maintains a registry of all child support cases in the state; and
- Maintains a database of all newly hired employees in the state.

Budget Provisions

The budget contains several provisions that affect the child support program. One provision establishes the State Employee Child Support Fund for the purpose of collecting all money withheld or deducted from the wages and salaries of state officials and employees pursuant to child support orders. The budget also contains a provision that requires the OCS to administer a fund, rather than maintain an account, for the deposit of support payments it receives and designates the Treasurer of State as custodian of the fund, which is not to be part of the state treasury. Furthermore, the

budget makes numerous changes to license suspension and reinstatement procedures for defaulting child support obligors.

Child Support Projects (600622)

This federally funded line item is used to provide funding for the Access/Visitation Program. The program supports and facilitates the nonresidential parents' access to, and visitation of, their children to encourage the payment of child support obligations. These services include mediation centering on access and visitation, parenting education classes, and the development of visitation enforcement orders. CSEAs apply for these funds from OCS. Funding for this program is provided exclusively through federal grant dollars. The budget appropriates \$534,050 for FY 2012 and FY 2013.

Support Intercept (600646 and 600642)

The Support Intercept – Federal Fund (Fund 1920) and the Support Intercept – State Fund (Fund 5830), which support these two line items, are used to collect overdue child support payments from federal and state personal income tax returns. ODJFS partners with the Internal Revenue Service (IRS) and the Ohio Department of Taxation as part of a tax offset program for obligors who owe arrearages. Through this program, CSEAs are able to submit the names of noncustodial parents who owe arrearages, and their tax returns are offset and forwarded to ODJFS. Upon receipt, the collections are disbursed to CSPC for processing and distributed to the custodial parent. The IRS retains a processing fee from the collections forwarded to ODJFS.

For line item 600646, Support Intercept – Federal, the budget appropriates \$130 million for FY 2012 and FY 2013. In FY 2011, this line item provided \$116.2 million collected through the federal tax offset program.

The budget appropriates \$16 million for FY 2012 and FY 2013 for line item 600642, Support Intercept – State. In FY 2011, this line item provided \$8.1 million collected through the state tax offset program.

Workforce Development

- Funding of \$227.6 million in FY 2012 and \$223 million in FY 2013
- Federal funds account for about 99% of funding

OVERVIEW

Office Overview

The Office of Workforce Development (OWD) partners with the Ohio Department of Development (ODOD), Board of Regents (BOR), the Governor's Office, U.S. Department of Labor (DOL), local workforce investment boards, and a variety of stakeholders, including business partners, to advance Ohio's workforce. OWD develops and administers 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. OWD's main responsibility is to administer programs funded by the Workforce Investment Act (WIA) of 1998. OWD has three main goals in its implementation of WIA: (1) to create a vertically integrated workforce investment system with all elements coordinated and complementary, (2) to promote Ohio's economic competitiveness by improving employment opportunities, fostering job retention, and increasing earnings of all Ohio workers, and (3) to build a workforce development system that prompts all stakeholders to agree that "it works for me."

Appropriation Overview

For the Workforce Development category, the budget provides \$227.6 million for FY 2012, a 2.4% increase over FY 2011 and \$223 million for FY 2013, a 2.0% decrease from FY 2012. The table below shows the Workforce Development expenditures by fund group for FY 2011 and appropriations for FY 2012 and FY 2013.

| Workforce Development Budget by Fund Group (Am. Sub. H.B. 153) | | | | | |
|---|----------------------|----------------------|-------------|----------------------|--------------|
| Fund Group | FY 2011* | FY 2012 | % Change | FY 2013 | % Change |
| State Special Revenue | \$2,000,000 | \$2,000,000 | 0.0% | \$2,000,000 | 0.0% |
| Federal Special Revenue | \$220,810,415 | \$225,624,390 | 2.2% | \$221,008,585 | -2.0% |
| TOTAL | \$222,810,415 | \$227,624,390 | 2.2% | \$223,008,585 | -2.0% |

*FY 2011 figures represent actual expenditures.

ANALYSIS OF ENACTED BUDGET

Workforce Development

This category of appropriations includes the sources of funding for the Workforce Development category. The table below lists the line items associated with this category and the appropriated amounts.

| Appropriations for Workforce Development | | | | |
|---|--------------|--------------------------|---------------|---------------|
| Fund | ALI and Name | | FY 2012 | FY 2013 |
| Federal Special Revenue Fund Group | | | | |
| 3310 | 600686 | Federal Operating | \$49,128,140 | \$48,203,023 |
| 3V00 | 600688 | Workforce Investment Act | \$176,496,250 | \$172,805,562 |
| Federal Special Revenue Fund Group Subtotal | | | \$225,624,390 | \$221,008,585 |
| State Special Revenue Fund Group | | | | |
| 5DB0 | 600637 | Military Injury Grants | \$2,000,000 | \$2,000,000 |
| State Special Revenue Fund Group Subtotal | | | \$2,000,000 | \$2,000,000 |
| Total Funding: Workforce Development | | | \$227,624,390 | \$223,008,585 |

Federal Operating (600686)

This federally funded line item is used primarily to fund the operations of the Office of Workforce Development, as well as the Office of Unemployment Compensation and the Office of Local Operations. This line item funds the administrative functions of the following programs: Labor Exchange Services, Migrant Seasonal Farm Workers Program, Foreign Labor Certification Program, Work Opportunity Tax Credit Program, Labor Market Information, and Services to Veterans. Revenue to support this line item comes from Wagner-Peyser Act allocations to states through the U.S. Department of Labor as well as various other federal grants for workforce development programs. The budget provides \$49.1 million for FY 2012, a 0.4% decrease from FY 2011 and \$48.2 million for FY 2013, a 1.9% decrease from FY 2012.

Workforce Investment Act (600688)

This federally funded line item is used to distribute WIA dollars to local workforce investment boards to administer the Youth, Adult, and Dislocated Worker programs through local One-Stops. ODJFS retains a portion of these dollars for statewide use, Rapid Response, and administration. In FY 2010, WIA funds provided services through the One-Stop system to 24,000 adults, 23,000 dislocated workers, and 32,900 youth. In that year, about 432,120 individuals received self-services at local One-Stops, which is the highest on record.

The budget provides \$176.5 million for FY 2012, a 13.9% increase over FY 2011, and \$172.8 million for FY 2013, a 2.1% decrease from FY 2012. The amount of WIA dollars a state receives varies each year, as allotments are based on several factors including the state's unemployment rate.

Military Injury Grants (600637)

This line item is used to provide military injury grants. The grant program was created by H.B. 66 of the 126th General Assembly and is administered by the Office of Workforce Development. Funding is supported by donations made through the state income tax refund contributions system to the Military Injury Relief Fund. The budget provides appropriations of \$2 million for FY 2012 and FY 2013.

In order to be eligible for a military injury grant, an individual must have been injured while serving on active duty during Operation Enduring Freedom (Afghanistan) or Operation Iraqi Freedom or have been diagnosed with post traumatic stress disorder after having served in those operations. The budget adds Operation New Dawn, which is the current operation in Iraq. The injury must have occurred while the individual was receiving pay for hazardous, combat, or hostile fire duty.

Grant amounts have varied since the first grants were issued in FY 2008. In that year, grants were \$500. The grant amount was increased to \$750 in FY 2009, then to \$1,000 in FY 2010. Grants held level in FY 2011. Applicants are eligible for one grant per fiscal year. In FY 2011, 1,990 grants were approved.

In FY 2011, funds in the Military Injury Relief Fund (Fund 5DB0), which supports this line item, were not sufficient to provide grants to all applicants. In that year, this line item expended \$884,000 for military injury grants. The remainder of grants issued in FY 2011 was paid out of line item 600633, State Administration and Operating.

Unemployment Compensation

- Ohio has borrowed \$2.61 billion from the federal government to issue unemployment benefits.
- The first interest payment on borrowings, which must be paid from state funds, is due on September 30, 2011.
- Federally funded extended benefits expire in June 2012.

OVERVIEW

Office Overview

The Office of Unemployment Compensation (OUC) and the Office of Local Operations administers programs and provides services related to unemployment insurance and employment services. OUC collects unemployment taxes and wage information from all Ohio employers, provides oversight and support services for the claims adjudication and benefit control processes as well as technical assistance to local offices, and is responsible for research, legislation, and policy in support of the Unemployment Compensation Advisory Council. The Office of Local Operations processes unemployment claims in seven call centers and 13 processing centers throughout the state. This office also provides training opportunities for trade-affected workers and job search and relocation services.

Appropriation Overview

For the Unemployment Compensation category, the budget provides \$216.9 million for FY 2012, a 2.1% decrease from FY 2011, and \$214.3 million in FY 2013, a 1.2% decrease from FY 2012. The table below shows actual expenditures for FY 2011 compared to appropriations for FY 2012 and FY 2013 by fund group for this category.

| Unemployment Compensation Budget by Fund Group (Am. Sub. H.B. 153) | | | | | |
|---|----------------------|----------------------|--------------|----------------------|--------------|
| Fund Group | FY 2011* | FY 2012 | % Change | FY 2013 | % Change |
| State Special Revenue | \$40,203,549 | \$24,098,165 | -40.1% | \$23,542,029 | -2.3% |
| Federal Special Revenue | \$181,408,671 | \$192,847,084 | 6.3% | \$190,792,173 | -1.1% |
| TOTAL | \$221,612,220 | \$216,945,249 | -2.1% | \$214,334,202 | -1.2% |

*FY 2011 figures represent actual expenditures.

Appropriations for this category are mainly used for administering unemployment benefits as well as for providing employment services. Dollars used for unemployment benefits are not appropriated in the state budget; such benefits are paid from Ohio's Unemployment Compensation Trust Fund, which is an account held by the federal government.

Bill Provisions

Interest on Trust Fund borrowing

The budget designates Fund 5HC0 as the fund that will be used to pay interest to the federal government for unemployment borrowings. The budget renames the fund the Unemployment Compensation Interest Contingency Fund from the previous name of the General Health and Human Services Pass-Through Fund. The budget does not appropriate any funds from this fund, but allows the Director of OBM to seek Controlling Board approval to establish appropriations. Fund 5HC0 had a balance of about \$80.3 million as of July 7, 2011. The budget requires the Director of OBM to transfer \$23 million cash from the Child and Adult Protective Services Fund (Fund 5GV0) to Fund 5HC0 on July 1, 2011 or as soon as possible thereafter.⁵

Under current federal law, Ohio must pay the federal government interest on the funds that were borrowed to pay unemployment benefits. The first payment is due September 30, 2011, and is estimated at \$77.5 million. The second payment, one year later, is estimated at \$103.9 million.

Seasonal Unemployment

The budget restricts the amount of unemployment benefits individuals in seasonal employment may receive. The budget prohibits an individual who performs services that significantly consist of seasonal employment from receiving unemployment benefits between two successive seasonal periods if there is reasonable assurance that the individual will perform the services in the later period. The budget defines "significantly" as 40% or more of an individual's base period in seasonal employment. The budget maintains current law that individuals whose base period consists of *only* seasonal employment for a single seasonal employer are not eligible for benefits for any week between two successive seasonal periods.

⁵ Section 309.60.20

ANALYSIS OF ENACTED BUDGET

Unemployment Compensation

This category of appropriations includes the major sources of funding for the Unemployment Compensation category. The table below lists the line items associated with this category and the appropriated amounts.

| Appropriations for Unemployment Compensation | | | | |
|--|--------|---|---------------|---------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| Federal Special Revenue Fund Group | | | | |
| 3V40 | 600678 | Federal Unemployment Programs | \$188,680,096 | \$186,723,415 |
| 3V40 | 600679 | Unemployment Compensation Review Commission – Federal | \$4,166,988 | \$4,068,758 |
| Federal Special Revenue Fund Group Subtotal | | | \$192,847,084 | \$190,792,173 |
| State Special Revenue Fund Group | | | | |
| 4A90 | 600607 | Unemployment Compensation Administration Fund | \$21,924,998 | \$21,424,998 |
| 4A90 | 600694 | Unemployment Compensation Review Commission | \$2,173,167 | \$2,117,031 |
| State Special Revenue Fund Group Subtotal | | | \$24,098,165 | \$23,542,029 |
| Total Funding: Unemployment Compensation | | | \$216,945,249 | \$214,334,202 |

Federal Unemployment Programs (600678)

This federally funded line item is used for administering unemployment benefits and for providing employment services. Administering unemployment benefits is funded by taxes collected from employers by the Internal Revenue Service under the Federal Unemployment Tax Act (FUTA). These funds are distributed by the U.S. Department of Labor to all state agencies that administer unemployment benefits. Employment services are funded by Trade Adjustment Assistance grants. The budget provides \$188.7 million for FY 2012, a 4.3% decrease from FY 2011, and \$186.7 million for FY 2013, a 1.0% decrease from FY 2012.

The budget includes a provision that allows any unspent funds in this line item from FY 2011 to be reappropriated in FY 2012 and any unspent funds in FY 2012 may be reappropriated in FY 2013. The funds must be used for administrative activities for the Unemployment Compensation Program, employment services, or any other allowable expenditure under section 903(d) of the Social Security Act. The provision limits the reappropriation to the balance of federal funds remaining after benefits are paid and obligated administrative expenditures are deducted.

Unemployment Compensation Review Commission (600679 and 600694)

These line items fund the payroll costs for the Unemployment Compensation Review Commission (UCRC). The Commission conducts reviews for applicants who wish to appeal a benefit determination. In FY 2010, UCRC received 40,888 appeals. Of that number, UCRC issued 39,688 dispositions.

For federally funded line item 600679, Unemployment Compensation Review Commission – Federal, the budget provides \$4.2 million for FY 2012, a 17.6% increase over FY 2011 and \$4.1 million for FY 2013, a 2.4% decrease from FY 2012. Funding for this line item is from DOL from FUTA revenues collected from employers by the IRS.

For line item 600694, Unemployment Compensation Review Commission, the budget provides \$2.2 million for FY 2012, a 4.0% decrease from FY 2011 and \$2.1 million for FY 2013, a 2.6% decrease from FY 2012. Funding for this line item comes from the interest collected on delinquent employer contributions to the Unemployment Compensation Trust Fund plus all fines and forfeitures assessed on employers.

Unemployment Compensation Administration Fund (600607)

This line item is used to fund operations related to unemployment services for which federal funds are not available. The budget provides \$21.9 million for FY 2012, a 50% increase over FY 2011 and \$21.4 million for FY 2013, a 2.3% decrease from FY 2012. Funding for this line item comes from the interest collected on delinquent employer contributions to the Unemployment Compensation Trust Fund plus all fines and forfeitures assessed on employers.

Administration

- Phase I of MITS is scheduled for implementation during the biennium
- Budget provides \$223 million in FY 2012 and \$220.6 million in FY 2013 for administrative services

OVERVIEW

Administrative services to ODJFS program offices are provided by the Director's Office and the offices of External Affairs, Legal and Acquisition Services, Employee and Business Services, and Fiscal and Monitoring Services. The services provided by these offices 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.

Through its Office of Information Services (OIS), ODJFS provides various computer systems to meet operational and managerial decision making needs. The Office reviews and approves state and county data processing needs. It also designs, develops, implements, and provides technical support for computer systems for Medicaid, public assistance, social services, child support enforcement programs, employment services, and workforce development. The Office provides support services for information technology such as network and mainframe support, security, database maintenance, systems programming for all mainframe applications, client server support, standards, and configuration MIS applications and business functions.

Some of these offices were recently formed from the merging of other offices during the FY 2010-FY 2011 biennium.

- The Office of External Affairs was formed from merging the offices of Legislation and Communications;
- The Office of Legal and Acquisition Services was formed from combining the offices of Legal Services and Contract Administration;
- The Office of Employee and Business Services was an existing office that absorbed the Office of Chief Inspector; and
- The Office of Fiscal and Monitoring Services was formed from merging the Office of Fiscal Services and the Office of Research, Assessment, and Accountability.

ANALYSIS OF ENACTED BUDGET

Administration

This category of appropriations includes the sources of funding for ODJFS's general administration activities that do not particularly align with any one of the program categories. Administrative line items which focus on one program category are included in this Greenbook in that respective category. The table below shows the line items included in this category and the appropriated amounts.

| Appropriations for Administration | | | | |
|---|--------|------------------------------------|----------------------|----------------------|
| Fund | | ALI and Name | FY 2012 | FY 2013 |
| General Revenue Fund | | | | |
| GRF | 600321 | Support Services | \$44,123,982 | \$41,139,558 |
| GRF | 600416 | Computer Projects | \$81,060,507 | \$82,200,728 |
| GRF | 600521 | Entitlement Administration – Local | \$72,200,721 | \$72,200,721 |
| General Revenue Fund Subtotal | | | \$197,385,210 | \$195,541,007 |
| General Services Fund Group | | | | |
| 5DM0 | 600633 | Administration and Operating | \$20,392,173 | \$19,858,928 |
| 5HL0 | 600602 | State and County Shared Services | \$3,020,000 | \$3,020,000 |
| General Services Fund Group Subtotal | | | \$23,412,173 | \$22,878,928 |
| Holding Account Redistribution Fund Group | | | | |
| R012 | 600643 | Refunds and Audit Settlements | \$2,200,000 | \$2,200,000 |
| R013 | 600644 | Forgery Collections | \$10,000 | \$10,000 |
| Holding Account Redistribution Fund Group Subtotal | | | \$2,210,000 | \$2,210,000 |
| Total Funding: Administration | | | \$223,007,383 | \$220,629,935 |

Support Services (600321)

This GRF line item is the primary source of funding for operating expenses for support services provided by ODJFS component offices to the rest of the agency. Expenditures from this GRF line item for federal programs earn federal reimbursement, which is deposited into the GRF. The budget provides \$44.1 million in FY 2012, a 5.8% decrease from FY 2011 expenditures, and \$41.1 million in FY 2013, a 6.8% decrease from the FY 2012 appropriation.

Computer Projects (600416)

This GRF line item provides funding for the development, implementation, and maintenance of computer systems used by ODJFS and the county departments of job and family services. Expenditures from this GRF line item for federal programs earn federal reimbursement, which is deposited into the GRF. The budget provides

\$81.1 million for FY 2012, a 16.8% increase over FY 2011 expenditures, and \$82.2 million for FY 2013, a 1.4% increase over the FY 2012 appropriation. The Medicaid Management Information System (MMIS) is funded from this line item. MMIS, implemented in 1984, currently supports benefits administration and payment services for Medicaid. MMIS is a federally certified system for the processing of all Medicaid payments and includes several subsystems. The Medicaid Information Technology System (MITS) is expected to replace MMIS during the FY 2012-FY 2013 biennium (MITS is funded out of line item 600654, Health Care Services Administration, which is discussed in the Medicaid section). According to ODJFS, MITS will increase efficiency by converting labor and paper intensive processes to electronic form.

Other major computer projects include:

- Client Registry Information System-Enhanced (CRIS-E) – provides eligibility determination services for public assistance programs such as Medicaid, Food Assistance, and Temporary Assistance for Needy Families;
- Statewide Automated Child Welfare Information System (SACWIS) – provides information to support the protection of children and families and aligns with state and federal child welfare reporting requirements;
- Child Support Enforcement Tracking System (SETS) – monitors child support payments;
- Child Support Payment Central (CSPC) – provides employers the option of forwarding child support collections to one location;
- Electronic Benefit Transfer (EBT) System – provides Food Assistance benefits (formerly Food Stamps) through the Ohio Direction Card, an online magnetic strip card; and
- The Medicaid Decision Support System (DSS) – provides a data warehouse and software tools to analyze aspects of the Medicaid Program.

In addition to these projects, other networking activities are paid from this GRF line item including personal computer maintenance, third-party software support, office automation, and network management.

Entitlement Administration – Local (600521)

This GRF line item is used by ODJFS to advance counties the state's share of county administration for public assistance programs including the Food Assistance Program, Medicaid, and Disability Assistance programs. The budget provides \$72.2 million for FY 2012 and FY 2013, a 1.1% increase over FY 2011 expenditures.

Administration and Operating (600633)

This line item is used to pay costs associated with state hearings, audit adjustments, and other related costs pertaining to grants. The budget provides \$20.4 million for FY 2012, a 57.3% increase over FY 2011 expenditures, and \$19.9 million for FY 2013, a 2.6% decrease from the FY 2012 appropriation.

State and County Shared Services (600602)

This line item is used to support the call center and mail transport services in the Shared Services Center (SSC). SSC is a division of the Office of Budget and Management that provides administrative services to multiple state agencies. Services include accounts payable, travel and expense reimbursement, and vendor fiscal services. OBM pays ODJFS to operate a call center and provide mail delivery services. This line item also supports computer-related purchases and services provided to county departments of job and family services. ODJFS purchases computer equipment (to ensure that technical specifications are met) and the counties reimburse ODJFS. The budget appropriates \$3 million for FY 2012 and FY 2013.

Refunds and Audit Settlements (600643)

This line item is used to disburse funds that are held for checks whose disposition cannot be determined at the time of receipt. Upon determination of the appropriate fund into which the check should have been deposited, a disbursement is made from this line item to the appropriate fund. The budget appropriates \$2.2 million for FY 2012 and FY 2013.

Forgery Collections (600644)

This line item is used to receive funds from banks and other entities that have cashed forged public assistance warrants. The budget appropriates \$10,000 for FY 2012 and FY 2013.

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| Line Item Detail by Agency | | | FY 2010 | FY 2011 | Appropriations FY 2012 | FY 2011 to FY 2012 % Change | Appropriations FY 2013 | FY 2012 to FY 2013 % Change |
|---|---------------------------------------|--|------------------|-------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
| Report For Main Operating Appropriations Bill | | | Version: Enacted | | | | | |
| JFS | Department of Job and Family Services | | | | | | | |
| | | Support Services-State | \$ 35,065,822 | \$ 37,511,961 | \$ 34,801,760 | -7.22% | \$ 31,932,117 | -8.25% |
| | | Support Services-Federal | \$ 8,729,062 | \$ 9,338,478 | \$ 9,322,222 | -0.17% | \$ 9,207,441 | -1.23% |
| GRF | 600321 | Support Services - TOTAL | \$ 43,794,884 | \$ 46,850,439 | \$ 44,123,982 | -5.82% | \$ 41,139,558 | -6.76% |
| GRF | 600410 | TANF State | \$ 156,753,696 | \$ 161,131,163 | \$ 151,386,934 | -6.05% | \$ 151,386,934 | 0.00% |
| GRF | 600413 | Child Care Match/Maintenance of Effort | \$ 79,003,224 | \$ 84,732,478 | \$ 84,732,730 | 0.00% | \$ 84,732,730 | 0.00% |
| | | Computer Projects-State | \$ 68,145,589 | \$ 61,803,683 | \$ 67,955,340 | 9.95% | \$ 69,263,506 | 1.93% |
| | | Computer Projects-Federal | \$ 9,985,076 | \$ 7,617,704 | \$ 13,105,167 | 72.04% | \$ 12,937,222 | -1.28% |
| GRF | 600416 | Computer Projects - TOTAL | \$ 78,130,665 | \$ 69,421,387 | \$ 81,060,507 | 16.77% | \$ 82,200,728 | 1.41% |
| GRF | 600417 | Medicaid Provider Audits | \$ 1,119,520 | \$ 807,348 | \$ 1,312,992 | 62.63% | \$ 1,312,992 | 0.00% |
| GRF | 600420 | Child Support Administration | \$ 4,868,089 | \$ 5,565,186 | \$ 6,163,534 | 10.75% | \$ 6,065,588 | -1.59% |
| GRF | 600421 | Office of Family Stability | \$ 3,484,600 | \$ 3,228,147 | \$ 3,768,929 | 16.75% | \$ 3,757,493 | -0.30% |
| GRF | 600423 | Office of Children and Families | \$ 4,698,532 | \$ 4,787,222 | \$ 5,123,406 | 7.02% | \$ 4,978,756 | -2.82% |
| | | Office of Ohio Health Plans-State | \$ 11,129,957 | \$ 6,303,659 | \$ 13,149,582 | 108.60% | \$ 15,740,987 | 19.71% |
| | | Office of Ohio Health Plans-Federal | \$ 11,913,432 | \$ 11,717,620 | \$ 12,556,921 | 7.16% | \$ 12,286,234 | -2.16% |
| GRF | 600425 | Office of Ohio Health Plans - TOTAL | \$ 23,043,389 | \$ 18,021,279 | \$ 25,706,503 | 42.65% | \$ 28,027,221 | 9.03% |
| GRF | 600502 | Administration-Local | \$ 21,758,760 | \$ 19,647,413 | \$ 23,814,103 | 21.21% | \$ 23,814,103 | 0.00% |
| GRF | 600511 | Disability Financial Assistance | \$ 10,915,533 | \$ 14,197,066 | \$ 26,599,666 | 87.36% | \$ 27,108,734 | 1.91% |
| GRF | 600521 | Entitlement Administration-Local | \$ 92,100,594 | \$ 71,408,070 | \$ 72,200,721 | 1.11% | \$ 72,200,721 | 0.00% |
| GRF | 600523 | Children and Families Services | \$ 59,660,365 | \$ 56,918,755 | \$ 53,605,323 | -5.82% | \$ 53,105,323 | -0.93% |
| | | Health Care/Medicaid-State | \$ 2,438,323,472 | \$ 2,972,988,389 | \$ 4,313,761,372 | 45.10% | \$ 4,689,051,017 | 8.70% |
| | | Health Care/Medicaid-Federal | \$ 5,999,094,336 | \$ 7,480,020,809 | \$ 7,530,008,024 | 0.67% | \$ 8,429,762,527 | 11.95% |
| GRF | 600525 | Health Care/Medicaid - TOTAL | \$ 8,437,417,808 | \$ 10,453,009,198 | \$ 11,843,769,396 | 13.30% | \$ 13,118,813,544 | 10.77% |
| GRF | 600526 | Medicare Part D | \$ 173,855,239 | \$ 187,770,639 | \$ 277,996,490 | 48.05% | \$ 296,964,743 | 6.82% |
| | | Adoption Services-State | \$ 22,783,595 | \$ 25,331,765 | \$ 29,257,932 | 15.50% | \$ 29,257,932 | 0.00% |
| | | Adoption Services-Federal | \$ 49,179,752 | \$ 42,073,696 | \$ 41,085,169 | -2.35% | \$ 41,085,169 | 0.00% |
| GRF | 600528 | Adoption Services - TOTAL | \$ 71,963,347 | \$ 67,405,461 | \$ 70,343,101 | 4.36% | \$ 70,343,101 | 0.00% |
| GRF | 600533 | Child, Family, and Adult Community & Protective Services | \$ 14,362,684 | \$ 12,435,658 | \$ 13,500,000 | 8.56% | \$ 13,500,000 | 0.00% |
| GRF | 600534 | Adult Protective Services | \$ 421,264 | \$ 395,203 | \$ 366,003 | -7.39% | \$ 366,003 | 0.00% |

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| Line Item Detail by Agency | | | FY 2010 | FY 2011 | Appropriations FY 2012 | FY 2011 to FY 2012 % Change | Appropriations FY 2013 | FY 2012 to FY 2013 % Change |
|--|--|--|-------------------------|--------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
| JFS | Department of Job and Family Services | | | | | | | |
| GRF | 600535 | Early Care and Education | \$ 137,366,929 | \$ 134,268,996 | \$ 123,596,474 | -7.95% | \$ 123,596,474 | 0.00% |
| GRF | 600537 | Children's Hospital | \$0 | \$ 6,000,000 | \$ 6,000,000 | 0.00% | \$ 6,000,000 | 0.00% |
| GRF | 600540 | Second Harvest Food Banks | \$ 3,500,000 | \$ 3,500,000 | \$ 4,000,000 | 14.29% | \$ 4,000,000 | 0.00% |
| GRF | 600541 | Kinship Permanency Incentive Program | \$ 3,684,114 | \$ 4,293,369 | \$ 2,500,000 | -41.77% | \$ 3,500,000 | 40.00% |
| GRF - State | | | \$ 3,343,001,580 | \$ 3,875,026,172 | \$ 5,315,593,291 | 37.18% | \$ 5,711,636,153 | 7.45% |
| GRF - Federal | | | \$ 6,078,901,658 | \$ 7,550,768,307 | \$ 7,606,077,503 | 0.73% | \$ 8,505,278,593 | 11.82% |
| General Revenue Fund Total | | | \$ 9,421,903,238 | \$ 11,425,794,479 | \$ 12,921,670,794 | 13.09% | \$ 14,216,914,746 | 10.02% |
| 4A80 | 600658 | Public Assistance Activities | \$ 25,396,752 | \$ 23,274,388 | \$ 34,000,000 | 46.08% | \$ 34,000,000 | 0.00% |
| 5C90 | 600671 | Medicaid Program Support | \$ 70,389,008 | \$ 60,577,267 | \$ 85,800,878 | 41.64% | \$ 82,839,266 | -3.45% |
| 5DL0 | 600639 | Medicaid Revenue and Collections | \$ 98,469,204 | \$ 61,959,787 | \$ 89,256,974 | 44.06% | \$ 84,156,974 | -5.71% |
| 5DM0 | 600633 | Administration and Operating | \$ 9,293,367 | \$ 12,962,158 | \$ 20,392,173 | 57.32% | \$ 19,858,928 | -2.61% |
| 5FX0 | 600638 | Medicaid Payment Withholding | \$ 2,544,623 | \$ 11,134,651 | \$ 5,000,000 | -55.10% | \$ 6,000,000 | 20.00% |
| 5GV0 | 600657 | Child and Adult Protective Services | \$0 | \$ 20,100,784 | \$ 0 | -100.00% | \$ 0 | N/A |
| 5HA0 | 600681 | Health Care Services - Other Fund | \$0 | \$ 129,814,027 | \$ 0 | -100.00% | \$ 0 | N/A |
| 5HL0 | 600602 | State and County Shared Services | \$0 | \$ 80,892 | \$ 3,020,000 | 3,633.37% | \$ 3,020,000 | 0.00% |
| 5N10 | 600677 | County Technologies | \$ 211,562 | \$ 217,639 | \$ 0 | -100.00% | \$ 0 | N/A |
| 5P50 | 600692 | Prescription Drug Rebate - State | \$ 62,192,944 | \$ 170,912,281 | \$ 220,600,000 | 29.07% | \$ 242,600,000 | 9.97% |
| 6130 | 600645 | Training Activities | \$0 | \$0 | \$ 500,000 | N/A | \$ 500,000 | 0.00% |
| General Services Fund Group Total | | | \$ 268,497,461 | \$ 491,033,872 | \$ 458,570,025 | -6.61% | \$ 472,975,168 | 3.14% |
| 3270 | 600606 | Child Welfare | \$ 20,998,393 | \$ 23,202,394 | \$ 29,769,865 | 28.31% | \$ 29,769,866 | 0.00% |
| 3310 | 600686 | Federal Operating | \$ 44,043,735 | \$ 48,916,912 | \$ 49,128,140 | 0.43% | \$ 48,203,023 | -1.88% |
| 3840 | 600610 | Food Assistance and State Administration | \$ 152,489,987 | \$ 142,610,718 | \$ 180,381,394 | 26.49% | \$ 180,381,394 | 0.00% |
| 3850 | 600614 | Refugee Services | \$ 7,301,459 | \$ 8,636,420 | \$ 11,582,440 | 34.11% | \$ 12,564,952 | 8.48% |
| 3950 | 600616 | Special Activities/Child and Family Services | \$ 825,305 | \$ 1,186,855 | \$ 2,259,264 | 90.36% | \$ 2,259,264 | 0.00% |
| 3960 | 600620 | Social Services Block Grant | \$ 86,276,876 | \$ 57,627,681 | \$ 64,999,999 | 12.79% | \$ 64,999,998 | 0.00% |
| 3970 | 600626 | Child Support | \$ 199,134,953 | \$ 191,010,882 | \$ 255,812,837 | 33.93% | \$ 255,813,528 | 0.00% |
| 3980 | 600627 | Adoption Maintenance/Administration | \$ 230,365,748 | \$ 216,817,514 | \$ 352,183,862 | 62.43% | \$ 352,184,253 | 0.00% |
| 3A20 | 600641 | Emergency Food Distribution | \$ 4,343,383 | \$ 4,555,437 | \$ 5,000,000 | 9.76% | \$ 5,000,000 | 0.00% |
| 3AW0 | 600675 | Faith Based Initiatives | \$ 501,598 | \$ 481,378 | \$ 544,140 | 13.04% | \$ 544,140 | 0.00% |

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| Line Item Detail by Agency | | | FY 2010 | FY 2011 | Appropriations FY 2012 | FY 2011 to FY 2012 % Change | Appropriations FY 2013 | FY 2012 to FY 2013 % Change |
|---|--|---|-------------------------|-------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
| JFS | Department of Job and Family Services | | | | | | | |
| 3D30 | 600648 | Children's Trust Fund Federal | \$ 274,779 | \$ 1,422,311 | \$ 2,040,524 | 43.47% | \$ 2,040,524 | 0.00% |
| 3ER0 | 600603 | Health Information Technology | \$0 | \$ 1,259,167 | \$ 411,661,286 | 32,593.14% | \$ 416,395,286 | 1.15% |
| 3F00 | 600623 | Health Care Federal | \$ 3,023,575,779 | \$ 2,590,344,925 | \$ 2,637,061,505 | 1.80% | \$ 2,720,724,869 | 3.17% |
| 3F00 | 600650 | Hospital Care Assurance Match | \$ 341,182,189 | \$ 366,306,670 | \$ 372,784,046 | 1.77% | \$ 380,645,627 | 2.11% |
| 3FA0 | 600680 | OHP Health Care Grants | \$0 | \$ 88,530 | \$ 9,405,000 | 10,523.52% | \$ 20,000,000 | 112.65% |
| 3G50 | 600655 | Interagency Reimbursement | \$ 1,813,335,341 | \$ 1,982,321,274 | \$ 1,621,305,787 | -18.21% | \$ 1,380,391,478 | -14.86% |
| 3H70 | 600617 | Child Care Federal | \$ 216,889,244 | \$ 231,843,063 | \$ 208,290,036 | -10.16% | \$ 204,813,731 | -1.67% |
| 3N00 | 600628 | IV-E Foster Care Maintenance | \$ 104,892,114 | \$ 112,809,089 | \$ 133,963,142 | 18.75% | \$ 133,963,142 | 0.00% |
| 3S50 | 600622 | Child Support Projects | \$ 300,654 | \$ 376,665 | \$ 534,050 | 41.78% | \$ 534,050 | 0.00% |
| 3V00 | 600688 | Workforce Investment Act | \$ 250,786,441 | \$ 154,973,937 | \$ 176,496,250 | 13.89% | \$ 172,805,562 | -2.09% |
| 3V40 | 600678 | Federal Unemployment Programs | \$ 159,975,935 | \$ 197,122,072 | \$ 188,680,096 | -4.28% | \$ 186,723,415 | -1.04% |
| 3V40 | 600679 | Unemployment Compensation Review Commission - Federal | \$ 3,284,685 | \$ 3,542,464 | \$ 4,166,988 | 17.63% | \$ 4,068,758 | -2.36% |
| 3V60 | 600689 | TANF Block Grant | \$ 790,417,554 | \$ 781,745,694 | \$ 727,968,260 | -6.88% | \$ 727,968,260 | 0.00% |
| 3W30 | 600659 | TANF/ Title XX Transfer | \$ 281,155 | \$0 | \$ 0 | N/A | \$ 0 | N/A |
| Federal Special Revenue Fund Group Total | | | \$ 7,451,477,308 | \$ 7,119,202,053 | \$ 7,446,018,911 | 4.59% | \$ 7,302,795,120 | -1.92% |
| 1980 | 600647 | Children's Trust Fund | \$ 5,039,030 | \$ 3,860,174 | \$ 5,873,637 | 52.16% | \$ 5,873,848 | 0.00% |
| 4A90 | 600607 | Unemployment Compensation Administration Fund | \$ 4,641,219 | \$ 14,617,766 | \$ 21,924,998 | 49.99% | \$ 21,424,998 | -2.28% |
| 4A90 | 600694 | Unemployment Compensation Review Commission | \$ 2,117,338 | \$ 2,263,165 | \$ 2,173,167 | -3.98% | \$ 2,117,031 | -2.58% |
| 4E30 | 600605 | Nursing Home Assessments | \$0 | \$0 | \$ 2,878,320 | N/A | \$ 2,878,319 | 0.00% |
| 4E70 | 600604 | Child and Family Services Collections | \$ 135,858 | \$ 68,953 | \$ 400,000 | 480.11% | \$ 400,000 | 0.00% |
| 4F10 | 600609 | Children and Family Services Activities | \$ 299,400 | \$ 161,543 | \$ 683,359 | 323.02% | \$ 683,549 | 0.03% |
| 4J50 | 600613 | Nursing Facility Bed Assessments | \$ 35,410,610 | \$ 35,996,897 | \$ 0 | -100.00% | \$ 0 | N/A |
| 4J50 | 600618 | Residential State Supplement Payments | \$ 9,136,402 | \$ 8,121,052 | \$ 0 | -100.00% | \$ 0 | N/A |
| 4K10 | 600621 | ICF/MR Bed Assessments | \$ 29,372,814 | \$ 28,840,741 | \$ 41,405,596 | 43.57% | \$ 44,372,874 | 7.17% |
| 4R30 | 600687 | Banking Fees | \$ 151,248 | \$0 | \$ 0 | N/A | \$ 0 | N/A |
| 4Z10 | 600625 | Healthcare Compliance | \$ 1,716,297 | \$ 250,000 | \$ 11,551,076 | 4,520.43% | \$ 14,582,000 | 26.24% |
| 5AJ0 | 600631 | Money Follows the Person | \$ 272,775 | \$ 295,881 | \$ 5,483,080 | 1,753.14% | \$ 4,733,080 | -13.68% |
| 5BG0 | 600653 | Managed Care Assessment | \$ 159,680,000 | \$0 | \$ 0 | N/A | \$ 0 | N/A |
| 5DB0 | 600637 | Military Injury Grants | \$ 1,287,670 | \$ 884,000 | \$ 2,000,000 | 126.24% | \$ 2,000,000 | 0.00% |

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| Line Item Detail by Agency | | | FY 2010 | FY 2011 | Appropriations FY 2012 | FY 2011 to FY 2012 % Change | Appropriations FY 2013 | FY 2012 to FY 2013 % Change |
|--|--|---|--------------------------|--------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
| JFS | Department of Job and Family Services | | | | | | | |
| 5DP0 | 600634 | Adoption Assistance Loan | \$0 | \$0 | \$ 500,000 | N/A | \$ 500,000 | 0.00% |
| 5ES0 | 600630 | Food Assistance | \$ 500,000 | \$ 500,000 | \$ 500,000 | 0.00% | \$ 500,000 | 0.00% |
| 5GC0 | 600640 | GOFBCI/Family Stability | \$ 23,307 | \$ 19,031 | \$ 0 | -100.00% | \$ 0 | N/A |
| 5GF0 | 600656 | Medicaid - Hospital | \$ 303,616,947 | \$ 239,709,585 | \$ 436,000,000 | 81.89% | \$ 436,000,000 | 0.00% |
| 5KC0 | 600682 | Health Care Special Activities | \$0 | \$0 | \$ 10,000,000 | N/A | \$ 10,000,000 | 0.00% |
| 5Q90 | 600619 | Supplemental Inpatient Hospital Payments | \$ 5,581,018 | \$0 | \$ 0 | N/A | \$ 0 | N/A |
| 5R20 | 600608 | Medicaid-Nursing Facilities | \$ 354,032,499 | \$ 358,117,500 | \$ 402,489,308 | 12.39% | \$ 407,100,746 | 1.15% |
| 5S30 | 600629 | MR/DD Medicaid Administration and Oversight | \$ 1,759,458 | \$ 3,406,454 | \$ 9,252,738 | 171.62% | \$ 9,147,791 | -1.13% |
| 5U30 | 600654 | Health Care Services Administration | \$ 6,485,065 | \$ 8,609,123 | \$ 24,400,000 | 183.42% | \$ 24,400,000 | 0.00% |
| 5U60 | 600663 | Children and Family Support | \$ 3,020,728 | \$ 3,067,956 | \$ 4,000,000 | 30.38% | \$ 4,000,000 | 0.00% |
| 5Z90 | 600672 | TANF Quality Control Reinvestments | \$ 62 | \$0 | \$ 0 | N/A | \$ 0 | N/A |
| 6510 | 600649 | Hospital Care Assurance Program Fund | \$ 207,871,865 | \$ 213,304,787 | \$ 212,526,123 | -0.37% | \$ 217,008,050 | 2.11% |
| State Special Revenue Fund Group Total | | | \$ 1,132,151,609 | \$ 922,094,609 | \$ 1,194,041,402 | 29.49% | \$ 1,207,722,286 | 1.15% |
| 1920 | 600646 | Support Intercept-Federal | \$ 123,087,646 | \$ 116,149,585 | \$ 130,000,000 | 11.92% | \$ 130,000,000 | 0.00% |
| 5830 | 600642 | Support Intercept-State | \$ 8,172,660 | \$ 8,111,154 | \$ 16,000,000 | 97.26% | \$ 16,000,000 | 0.00% |
| 5B60 | 600601 | Food Assistance Intercept | \$ 84,371 | \$ 201,102 | \$ 2,000,000 | 894.52% | \$ 2,000,000 | 0.00% |
| Agency Fund Group Total | | | \$ 131,344,677 | \$ 124,461,841 | \$ 148,000,000 | 18.91% | \$ 148,000,000 | 0.00% |
| R012 | 600643 | Refunds and Audit Settlements | \$ 973,411 | \$ 541,856 | \$ 2,200,000 | 306.01% | \$ 2,200,000 | 0.00% |
| R013 | 600644 | Forgery Collections | \$0 | \$0 | \$ 10,000 | N/A | \$ 10,000 | 0.00% |
| Holding Account Redistribution Fund Group Total | | | \$ 973,411 | \$ 541,856 | \$ 2,210,000 | 307.86% | \$ 2,210,000 | 0.00% |
| Department of Job and Family Services Total | | | \$ 18,406,347,704 | \$ 20,083,128,709 | \$ 22,170,511,132 | 10.39% | \$ 23,350,617,320 | 5.32% |