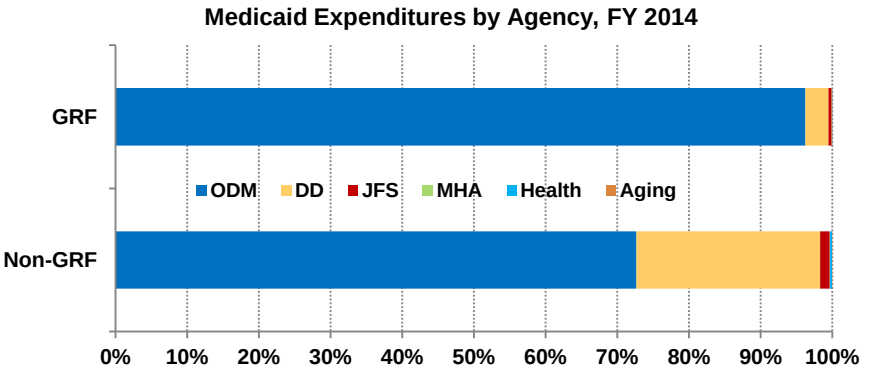
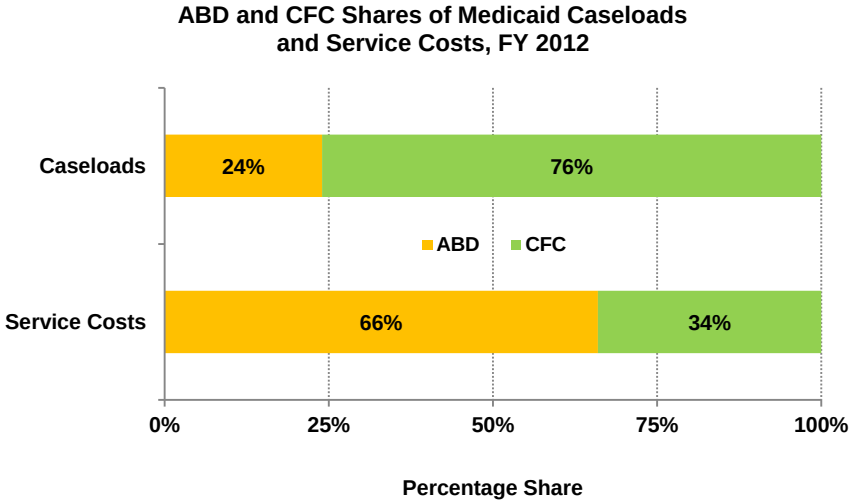
Department of Medicaid Disburses the Majority of Payments for Ohio Medicaid



Source: Ohio Administrative Knowledge System

- GRF Medicaid expenditures were $13.57 billion in FY 2014, of which 96.3% ($13.07 billion) was disbursed by the Ohio Department of Medicaid (ODM). Non-GRF Medicaid expenditures were $7.29 billion in FY 2014, of which 72.7% was disbursed by ODM. Across all funds, Medicaid expenditures totaled $20.86 billion. ODM accounted for 88.0% of this total.
- Ohio Medicaid is administered by ODM with the assistance of five other state agencies – Developmental Disabilities (DD), Job and Family Services (JFS), Mental Health and Addiction Services (MHA), Health, and Aging – and various local entities.
- The Department of Developmental Disabilities had the second largest share of Medicaid expenditures, accounting for 3.2% ($435.5 million) of the GRF total, 25.6% ($1.87 billion) of the non-GRF total, and 11.0% ($2.30 billion) of the all funds total. The other four agencies accounted for the remaining 1% of the all funds total.
- In FY 2014, 96.0% of total Medicaid expenditures went to various service providers. Managed care had the largest share at $7.76 billion (37.2%), followed by nursing facilities at $2.41 billion (11.6%) across all funds.
- GRF Medicaid expenditures are paid by the combination of state and federal resources. Of the $13.57 billion GRF Medicaid expenditures in FY 2014, $8.22 billion (60.6%) came from federal reimbursements and $5.35 billion (39.4%) was funded with state resources.
- Beginning on January 1, 2014, Ohio Medicaid extended coverage to certain low-income adults under the federal Patient Protection and Affordable Care Act. All funds expenditures for these individuals totaled $494.7 million in FY 2014, which was fully reimbursed by the federal government.

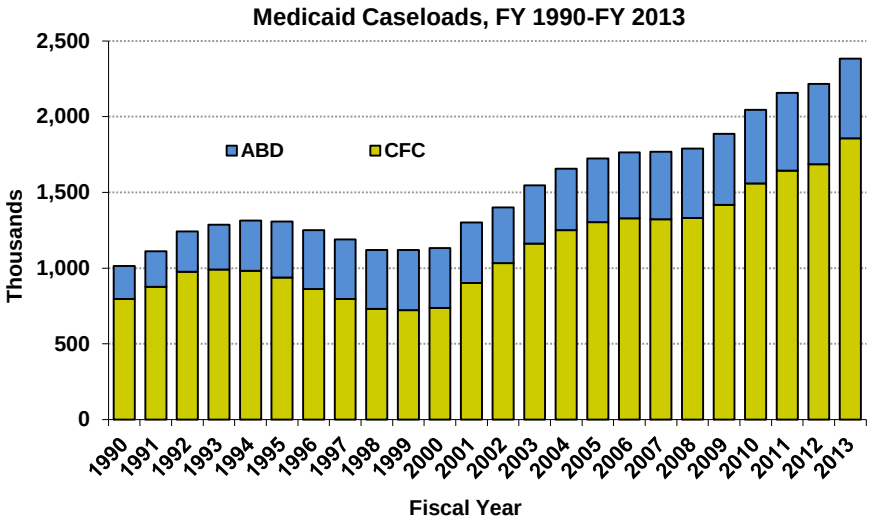
Aged, Blind, and Disabled Account for 24% of Medicaid Caseloads but 66% of Service Costs



Source: Ohio Department of Job and Family Services

- In FY 2012, the aged, blind, and disabled (ABD) population made up 24% of the Medicaid caseloads but accounted for 66% of the service costs. In contrast, the covered families and children (CFC) population made up 76% of the Medicaid caseloads but only accounted for 34% of the service costs.
- Medicaid caseloads totaled 2.2 million in FY 2012, of which 0.5 million were ABD and 1.7 million were CFC. Of $16.9 billion in Medicaid service costs in FY 2012, $11.1 billion was incurred for the benefits of the ABD population and $5.8 billion was incurred for the CFC population.
- In Ohio, Medicaid provides health insurance coverage to the ABD and CFC populations. The ABD population includes low-income elderly who are age 65 or older and individuals with disabilities. The CFC population includes children and parents from low-income families and low-income pregnant women.
- In FY 2012, the average monthly Medicaid cost was $1,752 for an ABD member compared to $286 for a CFC member.
- The cost of long-term care is one of the reasons for the higher expense of the ABD population. To illustrate, expenditures on nursing facilities alone, which are almost entirely for the benefit of the ABD population, accounted for 14% of the total Medicaid service expenditure in FY 2012.

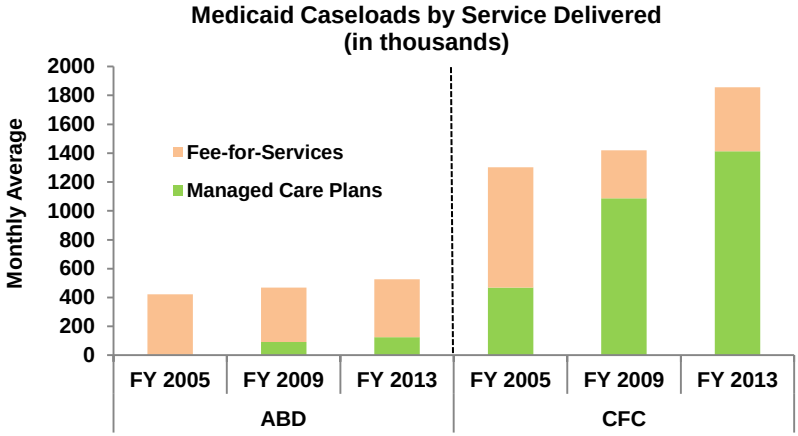
Medicaid Caseloads Continue to Increase



Source: Ohio Department of Medicaid

- Medicaid caseloads grew from 2.22 million in FY 2012 to 2.38 million in FY 2013, an increase of 7.5% (167,000). Of this increase, 67% (112,000) was due to a policy change that allows men and women of childbearing age who are under 200% of the federal poverty guidelines to receive family planning and related services under Medicaid starting January 2012.
- From FY 2011 to FY 2012, Medicaid caseloads grew at a moderate rate of 2.7% as the economy continued to improve.
- Due to the Great Recession, total caseloads increased by 6.4% per year on average from FY 2008 to FY 2011. Medicaid caseloads also increased rapidly in the early 2000s as a result of the economic slowdown and several eligibility expansions for family and child coverage. From FY 2000 to FY 2004, total caseloads increased by 10.0% per year on average.
- During this 24-year period, total caseloads increased by 135.2%, from 1.01 million in FY 1990 to 2.38 million in FY 2013.
- Due to the decline in the Ohio Works First cash assistance caseload as a result of welfare reform, CFC caseloads declined steadily in the late 1990s, reaching a low of 0.72 million in FY 1999.
- ABD caseloads grew 11.1% annually, on average, in the first half of the 1990s. Growth slowed to 1.5% per year on average from FY 1996 to FY 2000, followed by annual growth averaging 2.3% from FY 2001 to FY 2013.

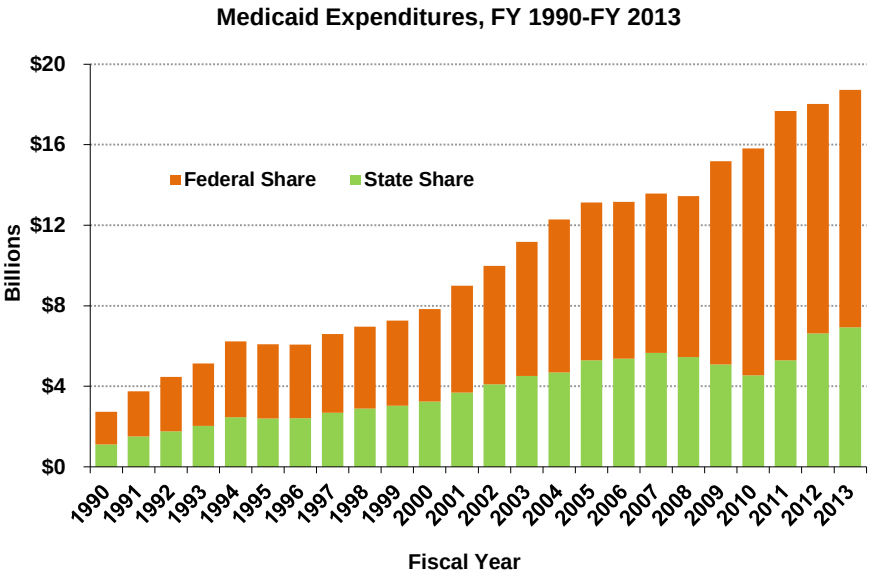
Medicaid Managed Care Caseloads Expand



Source: Ohio Department of Job and Family Services

- Due primarily to the statewide expansion implemented in FY 2006, Medicaid managed care caseloads increased by 226% from FY 2005 to FY 2013. The managed care share of total Medicaid caseloads increased from 27% in FY 2005 to 65% in FY 2013.
- For the covered families and children (CFC) category, managed care caseloads grew from 469,000 in FY 2005 to 1.4 million in FY 2013, increasing CFC's managed care share from 40% to 91%. For the aged, blind, and disabled (ABD) category, managed care caseloads grew from 2,000 to 125,000, increasing its share from 0.5% to 24%.
- H.B. 66 of the 126th General Assembly required that the CFC population and certain ABD populations be enrolled in managed care plans.
- Ohio Medicaid began to use managed care in 1978. Prior to the mandated expansion in H.B. 66, Medicaid managed care was limited to large metro areas and exclusively focused on the CFC population.
- Under the fee-for-service system, Medicaid reimburses health care professionals and institutions for providing approved medical services and products based on set fees for the specific types of services rendered.
- Under the managed care system, a Medicaid enrollee typically receives all care through a single point of entry. The state pays a fixed monthly premium per beneficiary for any health care included in the benefit package, regardless of the amount of services actually used.

Medicaid Expenditures Continued to Rise in FY 2013



Source: Centers for Medicare & Medicaid Services

- Ohio's Medicaid expenditures continued to rise in FY 2013, but the rate of growth slowed after FY 2011 as the economy gradually expanded. Total Medicaid expenditures increased by 1.9% from FY 2011 to FY 2012 and by 3.9% from FY 2012 to FY 2013. In contrast, Medicaid expenditures grew by 9.6% per year from FY 2008 to FY 2011 as a result of the Great Recession.
- Medicaid expenditures in FY 2013 totaled $18.7 billion, almost seven times greater than FY 1990 expenditures of $2.7 billion. The average annual growth rate over this 24-year period was 9.1%.
- Medicaid expenditures also rose rapidly in the early 1990s and early 2000s, averaging 23.2% per year from FY 1990 to FY 1994 and 10.9% per year from FY 2000 to FY 2005. Those high growth rates were a result of an economic downturn, poor labor market conditions, increasing health care costs, and eligibility expansions.
- Generally, the federal government pays for 64% of Ohio's Medicaid expenditures and the state pays the remaining 36%. The federal share is determined annually based upon the most recent per capita income for Ohio relative to that of the nation. For the period of October 1, 2008 through June 30, 2011, federal reimbursement for Medicaid was enhanced under the American Recovery and Reinvestment Act of 2009 and P.L.111-226.

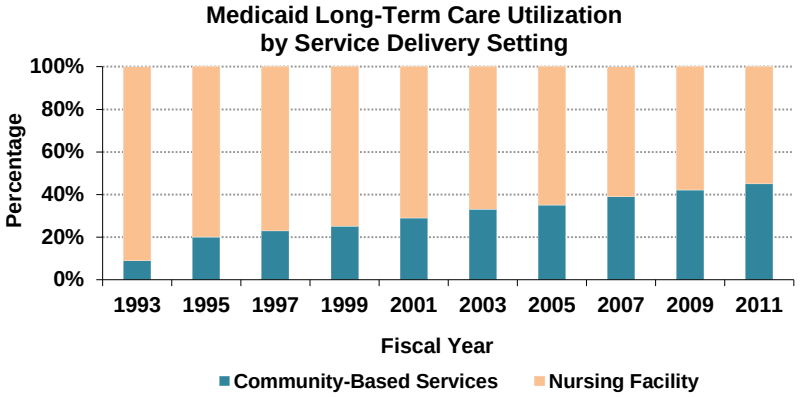
Managed Care Spending Outpaces All Other Medicaid Expenditure Categories

Medicaid Spending by Expenditure Category ($ in millions)					
Service Category	FY 2003		FY 2013		% Change
	Amount	% of Total	Amount	% of Total	
Managed Care	$695	6%	$7,011	40%	908%
NFs & ICFs/IID	$3,529	32%	$3,153	18%	-11%
HCBS Waivers	$753	7%	$1,952	11%	159%
Hospital	$2,419	22%	$1,700	10%	-30%
Drugs & Medicare Part D	$1,510	14%	$805	5%	-47%
Physician	$533	5%	$319	2%	-40%
All Others	$1,490	14%	$2,431	14%	63%
Total	**$10,928**	**100%**	**$17,370**	**100%**	**59%**

Source: Ohio Department of Job and Family Services

- Over the last decade, Medicaid spending growth has been concentrated in Managed Care. While overall Medicaid spending increased by 59% from $10.93 billion in FY 2003 to $17.37 billion in FY 2013, spending for Managed Care grew more than 15 times faster, by 908%. Consequently, Managed Care's share of total Medicaid spending increased from 6% in FY 2003 to 40% in FY 2013.
- The growth in Managed Care spending is largely due to H.B. 66 of the 126th General Assembly, which required that specific Medicaid populations be enrolled in managed care beginning in FY 2006.
- Although spending for nursing facilities (NFs) and Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICFs/IID) has declined by 11% from FY 2003 to FY 2013, spending for NFs and ICFs/IID continues to be one of the major Medicaid expenditure categories. It accounted for 18% ($3.15 billion) of total Medicaid spending in FY 2013.
- Home and Community-Based Services (HCBS) Waiver spending had the second highest growth rate at 159% during this period. HCBS Waivers allow the provision of long-term care services in home and community-based settings for certain Medicaid recipients. They offer a variety of services that can be a combination of standard medical services and nonmedical services.
- Direct payments to hospitals and physicians, and payments for prescription drugs experienced a decrease during this period due largely to the expansion of managed care.

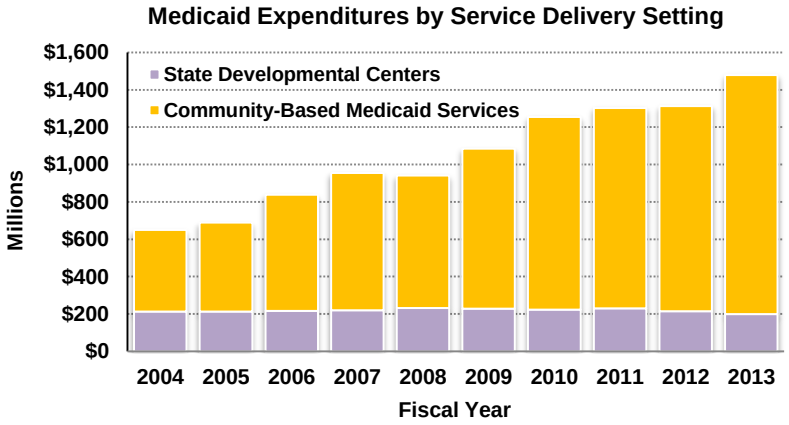
Percentage of Medicaid-Eligible Elderly Opting for Community-Based Long-Term Services Increases



Source: Scripps Gerontology Center, Miami University

- Since FY 1993, the number of Medicaid-eligible elderly choosing community-based long-term care services has increased steadily. Consequently, the share of community-based long-term care services increased from 9% in FY 1993 to 45% in FY 2011. In contrast, the nursing facility share decreased from 91% to 55% over the same period.
- In FY 2011, the average monthly census at nursing facilities for Medicaid consumers age 60 and over was 42,840. These individuals were served at an average cost of $4,340 per month. Many consumers who enter a nursing facility stay for less than six months to receive rehabilitative or recovery care.
- PASSPORT, the largest Medicaid waiver program, and Choices provide in-home long-term care services to elderly consumers. In FY 2011, an average of 30,573 consumers were served each month by these two programs at an average monthly cost of $1,460 and $2,165, respectively.
- Assisted Living provides long-term care services in certified residential care facilities for persons age 21 and older. In FY 2011, an average of 2,412 consumers age 60 or older were served by the program each month at an average monthly cost of $1,688.
- The Transitions Aging Carve-Out Program provides community-based services to elderly consumers with serious disabilities and unstable medical conditions. In FY 2011, an average of 1,816 consumers were served by the program each month at an average cost of $3,300.
- The Program for All-Inclusive Care (PACE) provides seniors with site-based managed care services in the Cincinnati and Cleveland areas. In FY 2011, an average of 659 consumers were served by the program each month at an average monthly cost of $2,851.

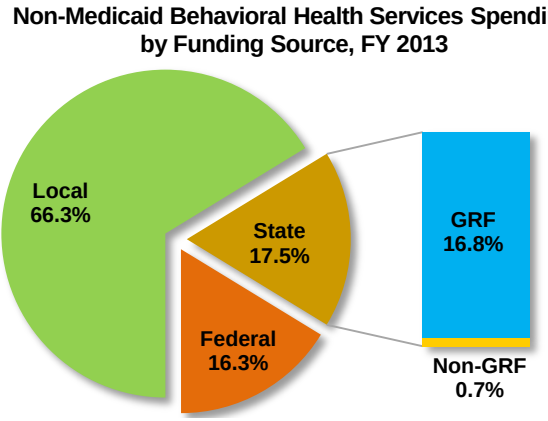
Spending on Community-Based Services Increases as Spending on State Developmental Centers Stagnates



Source: Ohio Department of Developmental Disabilities

- From FY 2004 to FY 2013, Medicaid expenditures for home and community-based services for individuals with developmental disabilities increased 193% from $436.4 million to $1.28 billion, while expenditures for individuals in state developmental centers (DCs) averaged $220 million per year.
- The Department of Developmental Disabilities (DODD) administers four community-based Medicaid waiver programs that enable individuals with developmental disabilities to remain in their homes or community settings. These programs provide services to increase skills, competencies, and self-reliance and to maximize quality of life while ensuring health and safety.
- Enrollment in DODD's waiver programs grew from about 8,200 in FY 2004 to 32,900 in FY 2013, an increase of 301%. In FY 2013, DODD began administering two additional waiver programs. Enrollment levels must be approved by the federal government each year.
- DODD operates regional DCs that provide habilitative environments for individuals with severe disabilities. In FY 2004, there were 12 centers with about 1,695 residents. By FY 2013, two centers had closed and the number of residents had decreased 37% to 1,065.
- In FY 2013, the average monthly cost of an individual in a DC was about $15,600, while the average monthly cost of an individual on a waiver program was about $1,000 for Level 1, $5,200 for Individual Options, $1,800 for Transitions DD, and $325 for the Self-Empowered Life Funding waivers.
- In addition to state developmental centers and home and community-based services, Medicaid also pays for individuals in private intermediate care facilities. In FY 2013, payments to these facilities totaled $558 million.

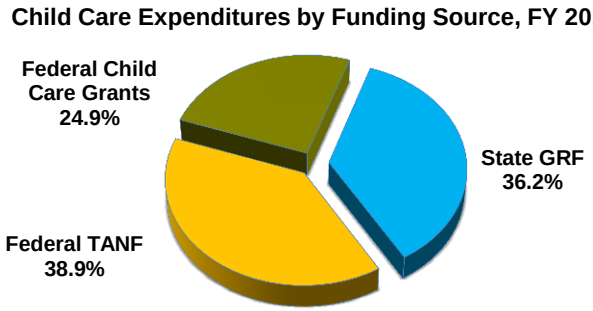
Locals Provided Two-Thirds of Funding for Non-Medicaid Behavioral Health Services in FY 2013



Sources: Ohio Department of Mental Health and Addiction Services; Ohio Department of Medicaid

- In FY 2013, non-Medicaid behavioral health services funding totaled $539.7 million in Ohio. Local levies and other county funds comprised $357.7 million (66.3%) of the total. State funds accounted for $94.2 million (17.4%) of the total, including $90.6 million (16.8%) from the GRF and $3.6 million (0.7%) from various non-GRF funds. The federal government provided the remaining $87.8 million (16.3%).
- The Ohio Department of Mental Health and Addiction Services (OMHAS) is responsible for ensuring that behavioral health services are available across the state through a system of local behavioral health boards and state psychiatric hospitals.
- In FY 2013, Ohio's 53 community-based behavioral health boards served over 443,000 individuals. Boards contract with various service providers to deliver behavioral health services to clients in the community.
- OMHAS operates six regional psychiatric hospitals to provide inpatient services. During FY 2013, state hospitals served 8,424 individuals at a cost of $214.3 million. Average daily cost per resident was $584.76.
- Behavioral health services are also provided under Medicaid. In FY 2013, about 346,000 of the individuals served by the behavioral health services system operated by OMHAS were eligible for Medicaid. The costs for serving those individuals totaled $912.9 million. Of this total, $597.2 million (64.8%) was the federal share of Medicaid payments and $315.7 million (35.2%) was the state share.

Two-Thirds of Subsidized Child Care Was Funded by Federal Grants in FY 2013



Sources: Ohio Department of Job and Family Services; Ohio Administrative Knowledge System

- Of the $560.9 million Ohio spent on subsidized child care in FY 2013, $358.1 million (63.8%) was from federal grants. In that year, a monthly average of 117,608 children received subsidized child care, at an average monthly cost of $397 per child.
- The federal TANF Block Grant totaled $218.4 million, accounting for 61.0% of federal child care funding and 38.9% of the combined state-federal total. Ohio's TANF Block Grant is $728 million per year and is also used for cash assistance and other programs for the indigent.
- Federal Child Care and Development Fund (CCDF) grants accounted for $139.7 million (24.9%) of the total. There are three separate CCDF grants: a discretionary grant, a mandatory grant, and a matching grant.
- State GRF dollars accounted for the remaining $202.8 million (36.2%). Ohio is required by the federal government to expend about $84.7 million each year to receive the CCDF mandatory grant and the CCDF matching grant.
- For families enrolled in or transitioning out of the Ohio Works First Program, child care is guaranteed, but for most families, eligibility is based on income level. Families with incomes up to 125% FPG ($24,732 annually for a family of three) are eligible for initial services if funding is available; families may remain eligible until their incomes rise above 200% FPG ($39,576 annually). Families pay copayments to providers on a sliding scale based on income.
- The federal CCDF grants are also used for administration, quality activities, and nondirect services. Quality activities include licensing, inspecting, and rating of child care centers and programs. Nondirect services include eligibility determination, rate setting, and staff training. Federal guidelines cap spending for administration at 5% of CCDF funds and require at least 4% to be used to improve child care quality. However, there currently is no specific spending target for nondirect services.

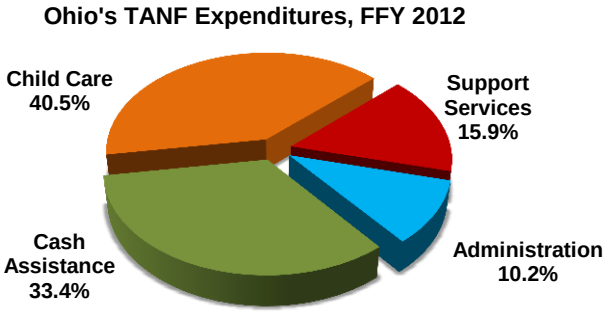
Ohio's Percentage of Preterm Births and Infant Mortality Rate Exceed National Statistics

Ohio Infant Health Statistics by Race/Ethnicity		
Category	Ohio	U.S.
% of Preterm Births, 2010	12.2%	12.0%
Non-Hispanic White	11.1%	10.8%
Non-Hispanic Black	17.7%	17.1%
Hispanic	12.6%	11.8%
Infant Mortality Rate (per 1,000 births), 2007-2009	7.7	6.6
Non-Hispanic White	6.3	5.5
Non-Hispanic Black	14.5	12.8
Hispanic	7.3	5.5

Sources: Kaiser Family Foundation State Health Facts; Ohio Department of Health

- In 2010, 12.2% of all births in Ohio were preterm births (less than 37 weeks of gestation) compared to the national average of 12.0%. Similar to the national pattern, the percentage of preterm births in Ohio for non-Hispanic black infants (17.7%) was higher than the percentage for both non-Hispanic white (11.1%) and Hispanic (12.6%) infants.
- In 2010, there were a total of 17,007 preterm births in Ohio. Preterm birth makes infants more vulnerable to developmental and medical problems. The average hospital cost for a premature infant is approximately $38,400 as compared to $4,000 for a full-term, healthy infant.
- During 2007-2009, Ohio's overall infant mortality rate of 7.7 (infant deaths per 1,000 live births) ranked 13th highest among the states and was higher than the national rate of 6.6. The rate for non-Hispanic blacks in Ohio and in the United States was more than twice the rate for non-Hispanic white infants.
- The leading medical causes of infant mortality during the first year of life are premature birth, birth defects, and sudden unexpected infant deaths, including sudden infant death syndrome and accidental rollover or suffocation. Factors such as poverty, lack of education and prenatal care, and poor nutrition may increase the risk of infant mortality.

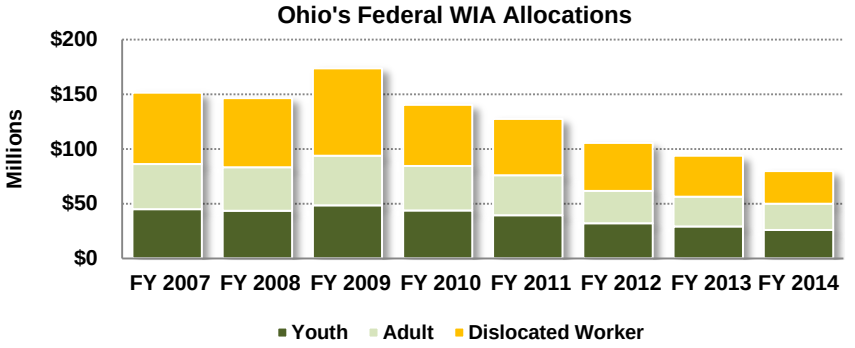
Child Care Accounted for Almost 41% of Ohio's TANF Expenditures in Federal Fiscal Year 2012



Source: U.S. Department of Health and Human Services

- In FFY 2012, subsidized child care accounted for $443.9 billion (40.5%) of Ohio's $1.10 billion in total Temporary Assistance for Needy Families (TANF) expenditures. Subsidized child care is available to children in families with incomes up to 125% of the federal poverty guidelines ($24,740 for a family of three). In FFY 2012, on average, 112,000 children received subsidized child care each month. In addition to TANF dollars, other state and federal funds are also used to pay child care providers.
- Cash assistance payments provided under the Ohio Works First (OWF) program, accounted for $366.0 million (33.4%) of total TANF expenditures in FFY 2012. During this same year, an average of 81,331 assistance groups received OWF benefits each month with an average monthly benefit of $370.
- Eligible OWF assistance groups must include a minor child or pregnant woman and have income of no more than 50% of the federal poverty guidelines ($9,895 annually for a family of three). Heads-of-households must sign a self-sufficiency contract that includes a work plan. Benefits are time-limited to 36 months, but time and income limits and work requirements do not apply to "child-only" cases, in which a relative caregiver receives the benefit on behalf of a child.
- Support services ($174.1 million) are short-term noncash benefits provided at the local level and may include shelter, job-required clothing, household necessities, home repair, transportation, and other services allowable under federal law. Administration ($112.3 million) includes both state and local activities such as eligibility determination and case management.
- Ohio's TANF resources total about $1.15 billion each year: $728 billion from the federal TANF Block Grant and $417 million in state funds to meet the TANF maintenance of effort requirement.

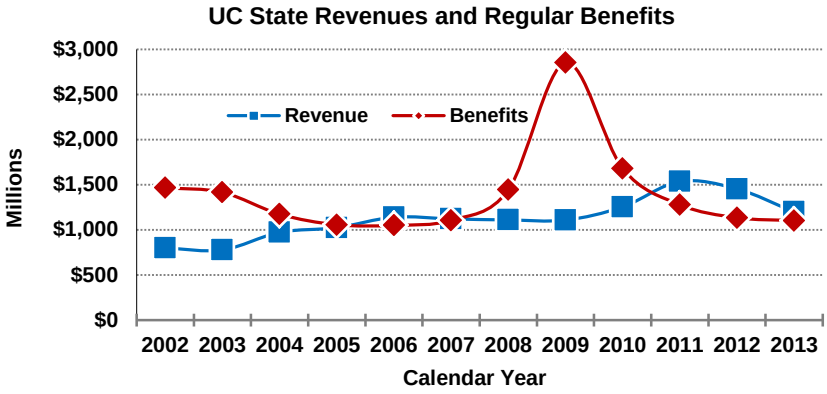
Ohio's Federal Workforce Investment Act Grants Decreased 54% Since FY 2009



Sources: U.S. Department of Labor; Federal Funds Information for States; ODJFS

- Ohio's federal Workforce Investment Act (WIA) grants have decreased steadily over the last five years. The grant total decreased 54.1% from $173.7 million in FY 2009 to $79.8 million in FY 2014. Over this time, Ohio's Dislocated Worker grant decreased by 62.7%, while grants for Youth and Adults decreased by 46.7% and 46.9%, respectively.
- The recent decreases are due to reductions in: (1) the national WIA allocations, which are set by Congress each year, and (2) Ohio's proportion of unemployed and economically disadvantaged youth and adults compared to other states. Prior to FY 2010, Ohio's proportion of these individuals was increasing relative to other states, while the national WIA allocations remained fairly level.
- From FY 2009 to FY 2011, the decreases in Ohio's WIA grants were mitigated by $138.1 million in additional WIA dollars received under the federal American Recovery and Reinvestment Act of 2009 (ARRA). Most ARRA WIA funds were expended in FY 2010; all were expended by the end of FY 2011.
- WIA is a federally funded workforce services program that is administered at the state level by the Ohio Department of Job and Family Services (ODJFS) and locally by 20 regional workforce investment boards. Service delivery is provided by 90 local OhioMeansJobs (One-Stop) centers, with at least one center in each county.
- ODJFS is required to distribute 85% of the state's total annual WIA grants to Ohio's workforce investment boards for service delivery. Boards have two years to expend WIA grants. The remaining WIA dollars are used by ODJFS to help areas in the state that experience mass layoffs (10%) and for administration and other statewide workforce programs (5%). ODJFS may expend WIA funds over three years for these purposes.

Ohio's Unemployment Compensation Revenues Exceeded Benefit Payments by $96 Million in 2013



Source: Ohio Department of Job and Family Services

- In 2013, regular unemployment compensation (UC) revenues totaled $1.20 billion, $96.4 million higher than net benefit payments of $1.10 billion. Revenues have exceeded benefits for the past three calendar years.
- In 2013, benefits were 61.4% below their peak in 2009, while revenues were 8.2% greater. Generally, revenues decrease during periods of relative economic strength, as employers' state tax rates are adjusted downward to compensate for the decline in benefits paid out.
- State UC revenue is derived from taxes paid by Ohio employers on the first $9,000 of each employee's wages. Rates are set in state law and are based on an employer's "experience" of unemployment. In 2013, the tax rates ranged from 0.3% to 8.4% and averaged about 2.8%, or $252 per employee.
- UC benefits exceeded revenues in seven of the past twelve years. During the years of shortfall, the state used the balance in Ohio's Unemployment Compensation Trust Fund to pay benefits. The balance of the fund peaked in August 2000, at $2.42 billion, and steadily declined until January 2009, when the fund was depleted.
- Once the trust fund was depleted, Ohio began borrowing from the federal government to pay benefits. Ohio has borrowed $3.39 billion as of July 2014. States must pay back borrowed amounts out of their trust funds once balances have been restored. Through July 2014, Ohio has posted $2.01 billion in payments on principal with an outstanding balance of $1.38 billion.
- Interest on federal loans cannot be paid from the state's trust fund. The federal government waived interest in 2009 and 2010. Through July 2014, Ohio has made interest payments totaling $181.0 million.

Workers' Compensation Paid Benefits and Claims Decline in Recent Years

Workers' Compensation Claims and Benefits, FY 2009-FY 2013					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Benefits ($ in millions)					
Medical	$833.5	$800.8	$778.9	$748.9	$705.8
Lost Time	$1,130.8	$1,085.6	$1,053.7	$1,078.7	$1,076.0
Total	**$1,964.3**	**$1,886.4**	**$1,832.6**	**$1,827.6**	**$1,781.8**
Number of New Allowed Claims					
Total	**118,855**	**104,151**	**104,835**	**101,165**	**97,041**
Number of Open Claims					
Total	**1,321,214**	**1,221,302**	**1,129,873**	**1,070,056**	**958,625**

Source: Ohio Bureau of Workers' Compensation

- The benefits paid by the Bureau of Workers' Compensation (BWC) for lost time and medical claims have declined steadily since FY 2009. In FY 2013, lost time and medical benefits paid totaled $1.78 billion. This was 9.3% less than the $1.96 billion paid in FY 2009.
- Of the $1.78 billion paid in FY 2013, 60.4% ($1.08 billion) was for lost time benefits and 39.6% ($705.8 million) was for medical benefits.
- From FY 2009 to FY 2013, lost time benefits declined by 4.8% compared with a decrease of 15.3% for medical claim benefits.
- The numbers of allowed and open claims have also declined in recent years. Allowed claims totaled 97,041 in FY 2013, representing a decrease of 4.1% from FY 2012 (101,165) and a decrease of 18.4% from FY 2009 (118,855). Open claims totaled 958,625 in FY 2013, representing a decline of 10.4% from FY 2012 (1.1 million) and a decline of 27.4% from FY 2009 (1.3 million).
- In contrast, BWC's net assets increased from FY 2009 to FY 2013. As of June 30, 2013, BWC had total assets of $28.24 billion and total liabilities of $21.46 billion, for a total of $6.78 billion in net assets. Net assets at the end of FY 2009 were $2.50 billion. The increase was largely attributable to investment gains.
- BWC issued policies to 254,388 employers in FY 2013, including 3,923 state and local public employers. Slightly more than 1,200 employers qualified to self-insure in FY 2013.
- BWC is revising the payment structure of premiums from a retrospective to a prospective system beginning in policy year 2015 (July 1, 2015) for private employers, and policy year 2016 (January 1, 2016) for public employers.