



**Governor's Office of
Health Transformation**

Better Health, Better Care, and Cost Savings Through Improvement

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Governor's Office of Health Transformation**

**Ohio Association of County Boards Spring Conference
May 19, 2011**

Ohio's Health System Performance

Health Outcomes – 42nd overall¹

- 42nd in preventing infant mortality (only 8 states have higher mortality)
- 37th in preventing childhood obesity
- 44th in breast cancer deaths and 38th in colorectal cancer deaths

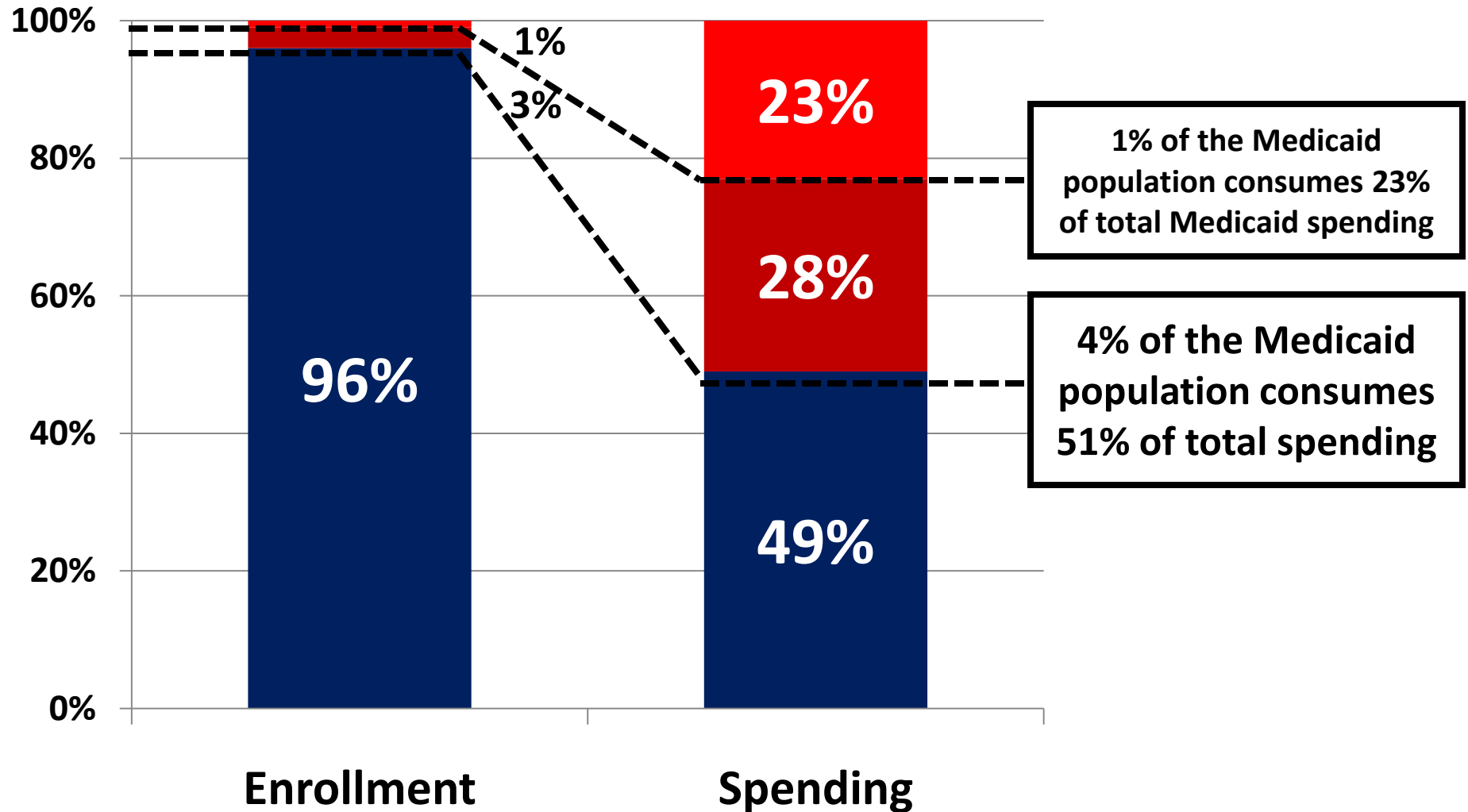
Prevention, Primary Care, and Care Coordination¹

- 37th in preventing avoidable deaths before age 75
- 44th in avoiding Medicare hospital admissions for preventable conditions
- 40th in avoiding Medicare hospital readmissions

Affordability of Health Services²

- 37th most affordable (Ohio spends more per person than all but 13 states)
- 38th most affordable for hospital care and 45th for nursing homes
- 44th most affordable Medicaid for seniors

A few high-cost cases account for most Medicaid spending



Fragmentation

vs.

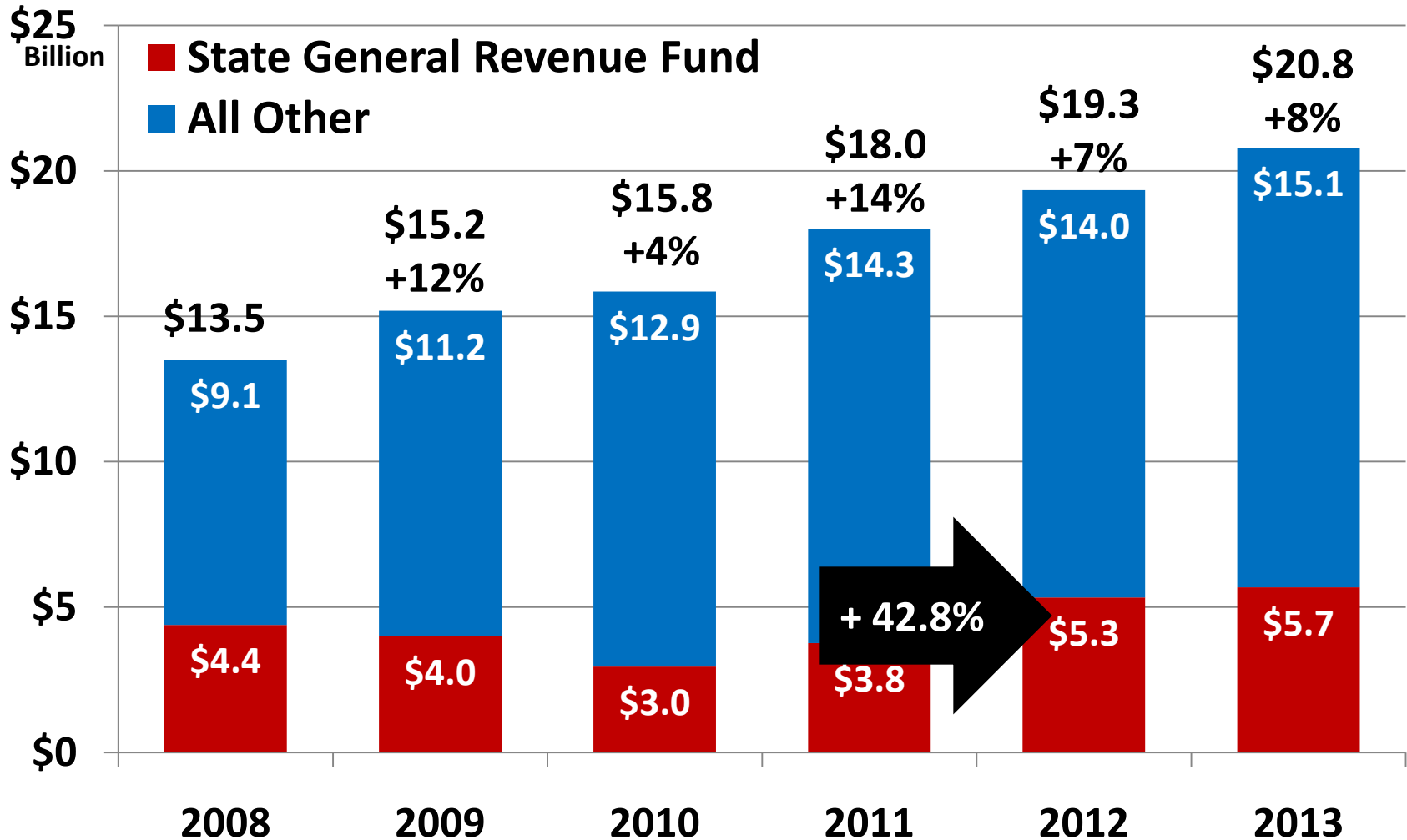
Coordination

- Multiple separate providers
- Provider-centered care
- Reimbursement rewards volume
- Lack of comparison data
- Outdated information technology
- No accountability
- Institutional bias
- Separate government systems
- Complicated categorical eligibility
- Rapid cost growth

- Accountable medical home
- Patient-centered care
- Reimbursement rewards value
- Price and quality transparency
- Electronic information exchange
- Performance measures
- Continuum of care
- Medicare/Medicaid/Exchanges
- Streamlined income eligibility
- Sustainable growth over time

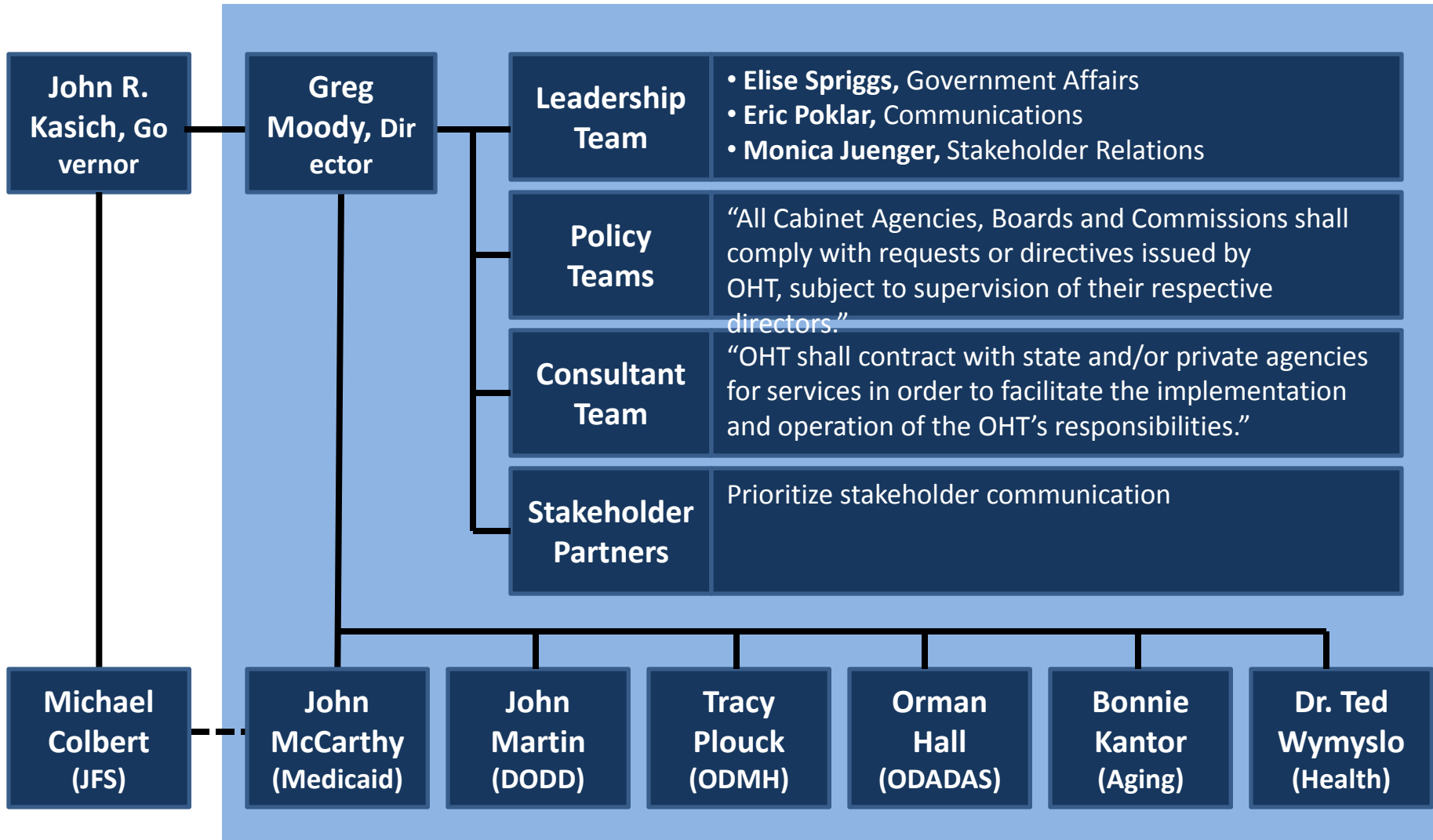
Ohio Medicaid Spending Trend

9 percent average annual growth, 2008-2011



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Source: Office of Health Transformation Consolidated Medicaid Budget, All Funds, All Agencies; actual SFY 2008-2010 and estimated SFY 2011-2013; "All Other" includes Federal Funds and Non-General Revenue Funds (non-GRF)



Health Transformation Priorities

- Improve Care Coordination
- Integrate Behavioral/Physical Health Care
- Rebalance Long-Term Care
- Modernize Reimbursement
- Balance the Budget

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Improve Care Coordination

Coordinate care to achieve better health and cost savings through improvement

RECOMMENDATIONS:

- Promote Health Homes
- Provide accountable care for children
- Create a single point of care coordination

The Vision for Better Care Coordination

- The vision is to create a person-centered care management approach – not a provider, program, or payer approach
- Services are integrated for all physical, behavioral, long-term care, and social needs
- Services are provided in the setting of choice
- Easy to navigate for consumers and providers
- Transition seamlessly among settings as needs change
- Link payment to person-centered performance outcomes

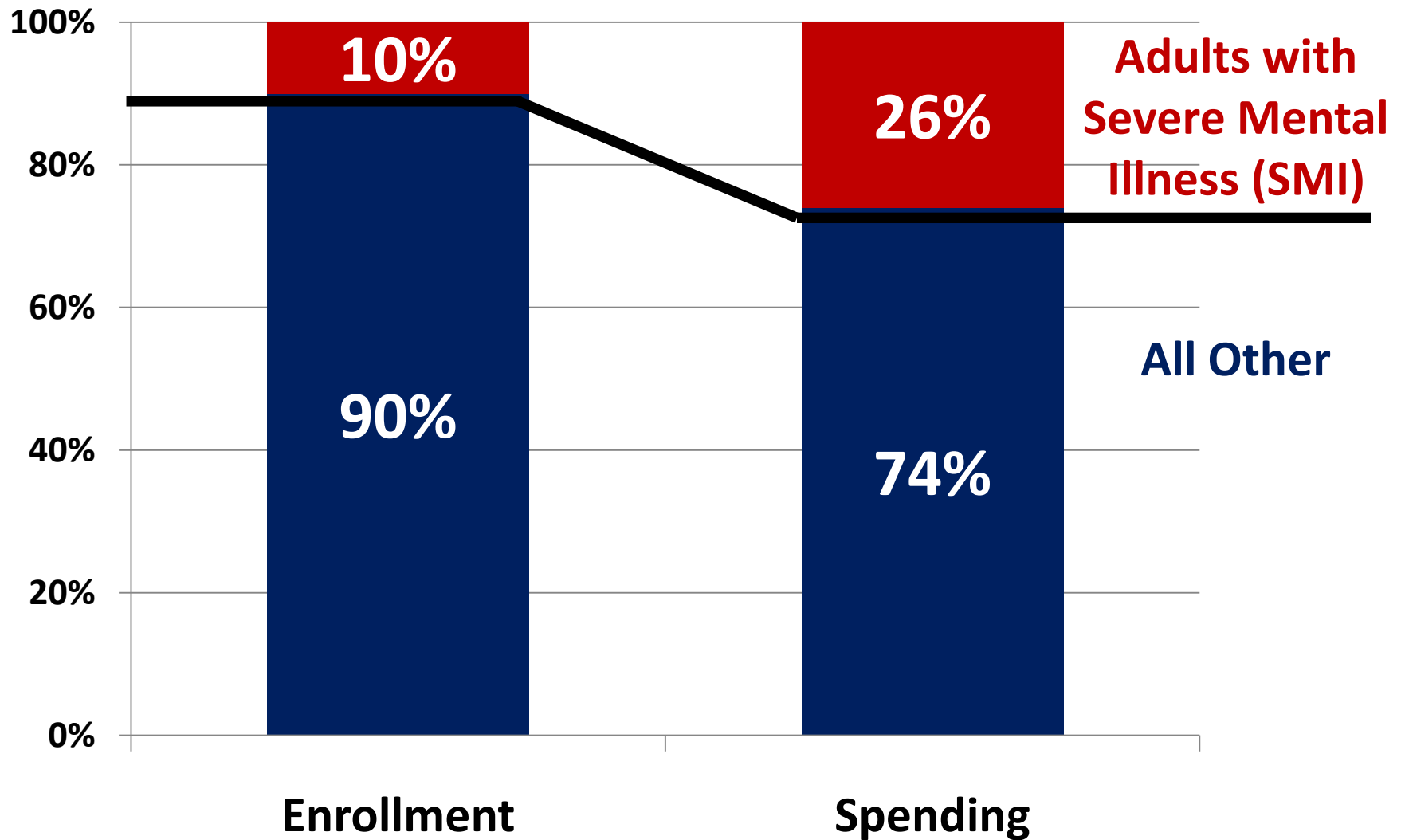
RECOMMENDATION:

Create a Single Point of Care Coordination

Implement an Integrated Care Delivery System:

- Focus first on 113,000 dual eligibles in nursing homes and on waivers, and individuals with severe mental illness
- Explore options for delivery models, including managed care, accountable care organizations, health homes, and other
- Require providers to have one point of care coordination
- Triple aim: improve the experience of care, enhance the health of populations, and reduce costs through improvement
- Seek the necessary federal waivers
- Budget neutral (with potential for significant future savings)

Medicaid Hot Spot: Enrollment and Spending for Severe Mental Illness



Integrate Behavioral/Physical Health

Treat the whole person, including physical and behavioral health care needs

RECOMMENDATIONS:

- Integrate behavioral and physical health benefits
- “Elevate” behavioral health financing to the state
- Manage behavioral health service utilization through a variety of strategies to avoid across-the-board rate cuts (saves \$243 million over the biennium)
- Consolidate housing programs

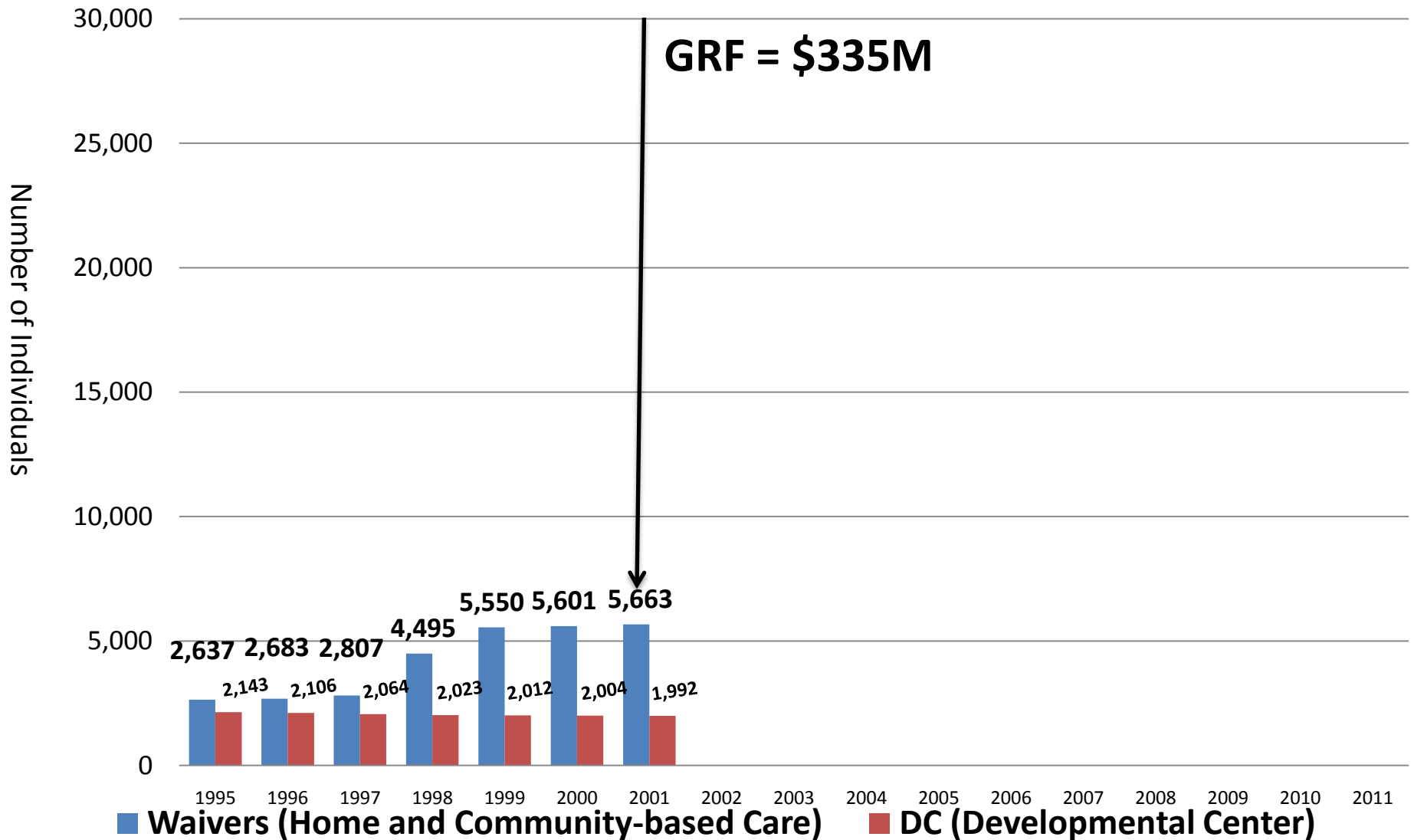
Rebalance Long Term Care

Enable seniors and people with disabilities to live with dignity in the settings they prefer

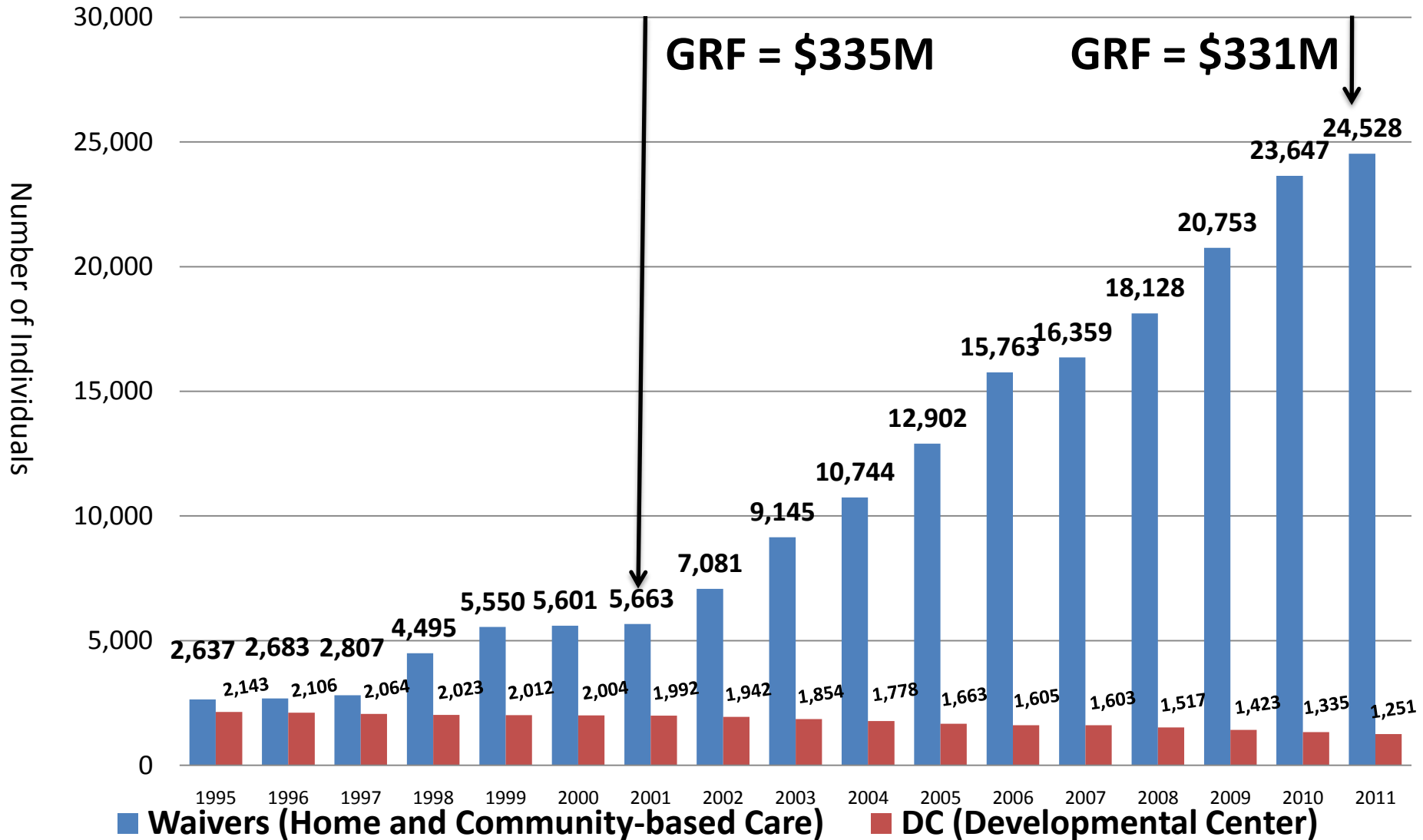
RECOMMENDATIONS:

- Align programs for people with developmental disabilities
- Create a Unified Long Term Care System
- Reform nursing facility payment

A Case Study in Transformation: Ohio Department of Developmental Disabilities



A Case Study in Transformation: Ohio Department of Developmental Disabilities



RECOMMENDATION:

Align Programs for People with DD

- Continue the transformation already underway
- Transfer Intermediate Care Facilities (ICFs) from ODJFS to DODD
- Transfer Transitions waiver from ODJFS to DODD
- Consolidate DODD Medicaid funding into one line item
- Utilization management
- Continued institution/community realignment
- Saves \$62.0 million over the biennium

RECOMMENDATION:

Create a Unified Long-Term Care System

- Make services seamless for consumers and families
- Create a single point of access by consolidating PASSPORT, Ohio Home Care, Transitions/Aging, Choices, Assisted Living
- Transfer Medicaid waiver funding to ODJFS 600-525
- Create a clear “front door” into the delivery system
- Budget neutral

Reform Nursing Facility Payments

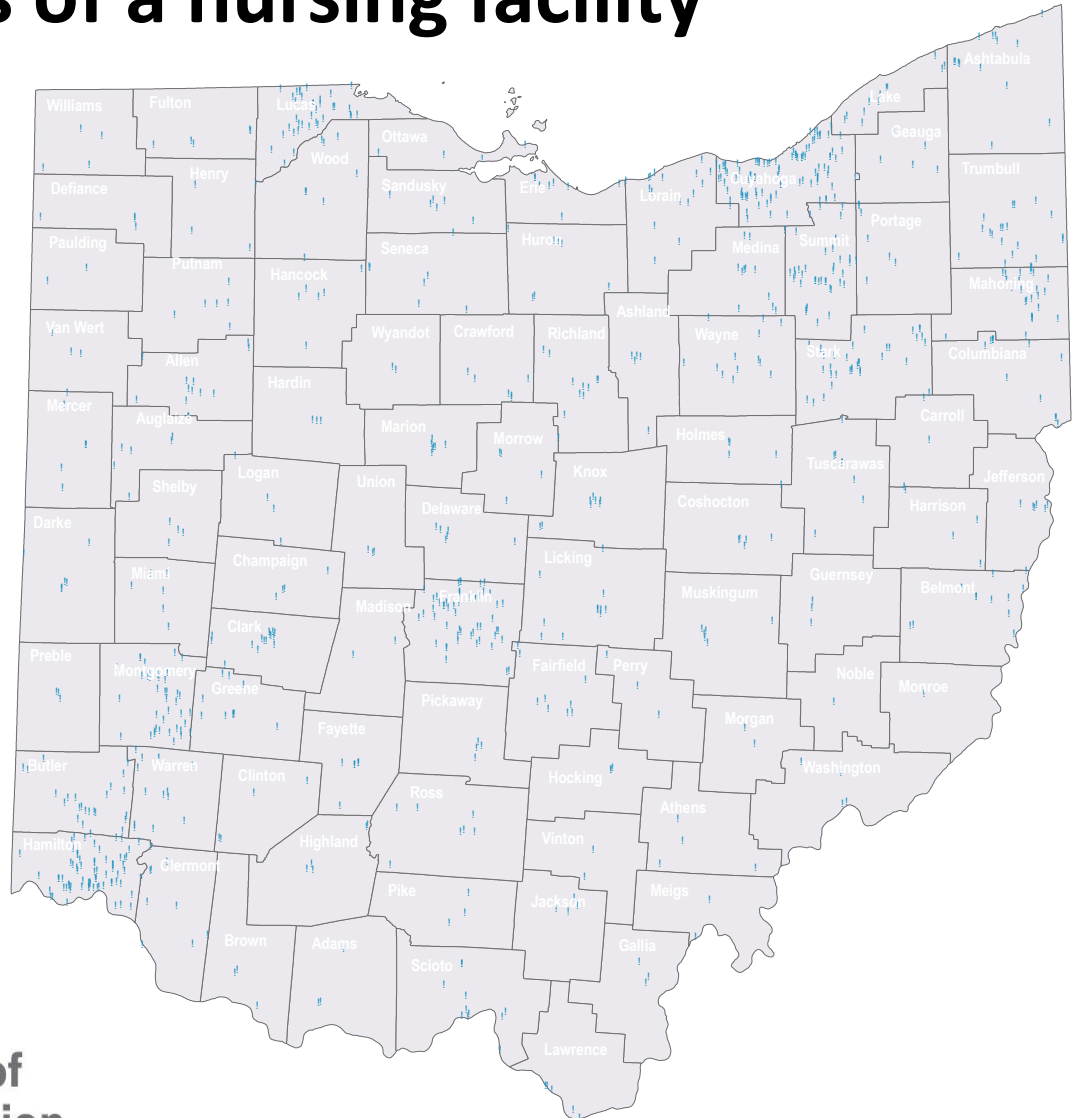
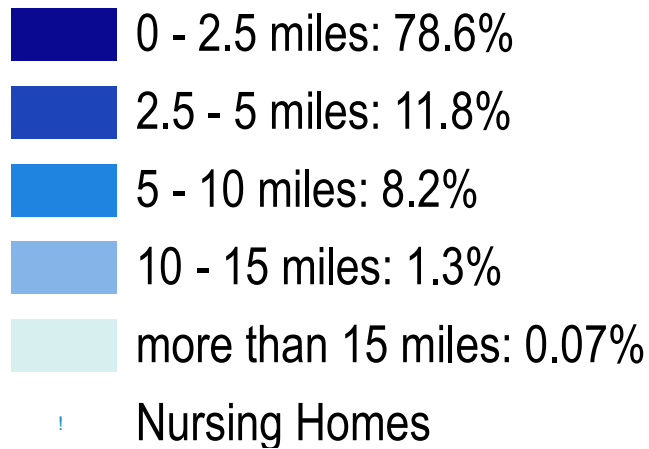
- Payment reform is needed to rebalance long-term care
- Ohio's Medicaid reimbursement per bed per day for nursing homes is \$4.75 higher than the national average¹
- Ohio has more nursing homes than all but 2 states.²
- Ohioans are more likely to live near a nursing home than a public high school³
- 15% of Ohio nursing home beds are empty on average
- Medicaid reforms in FY 2007 began the process of addressing these issues by transitioning to a price-based payment system

Sources:

1. Ohio Health Care Association.
2. <http://www.statehealthfacts.org/comparemaptable.jsp?ind=411&cat=8>
3. There are 962 nursing homes and 897 public high schools in Ohio

98.6% of Medicaid enrollees live within 10 miles of a nursing facility

Percent of Medicaid enrollees within distance of a nursing facility

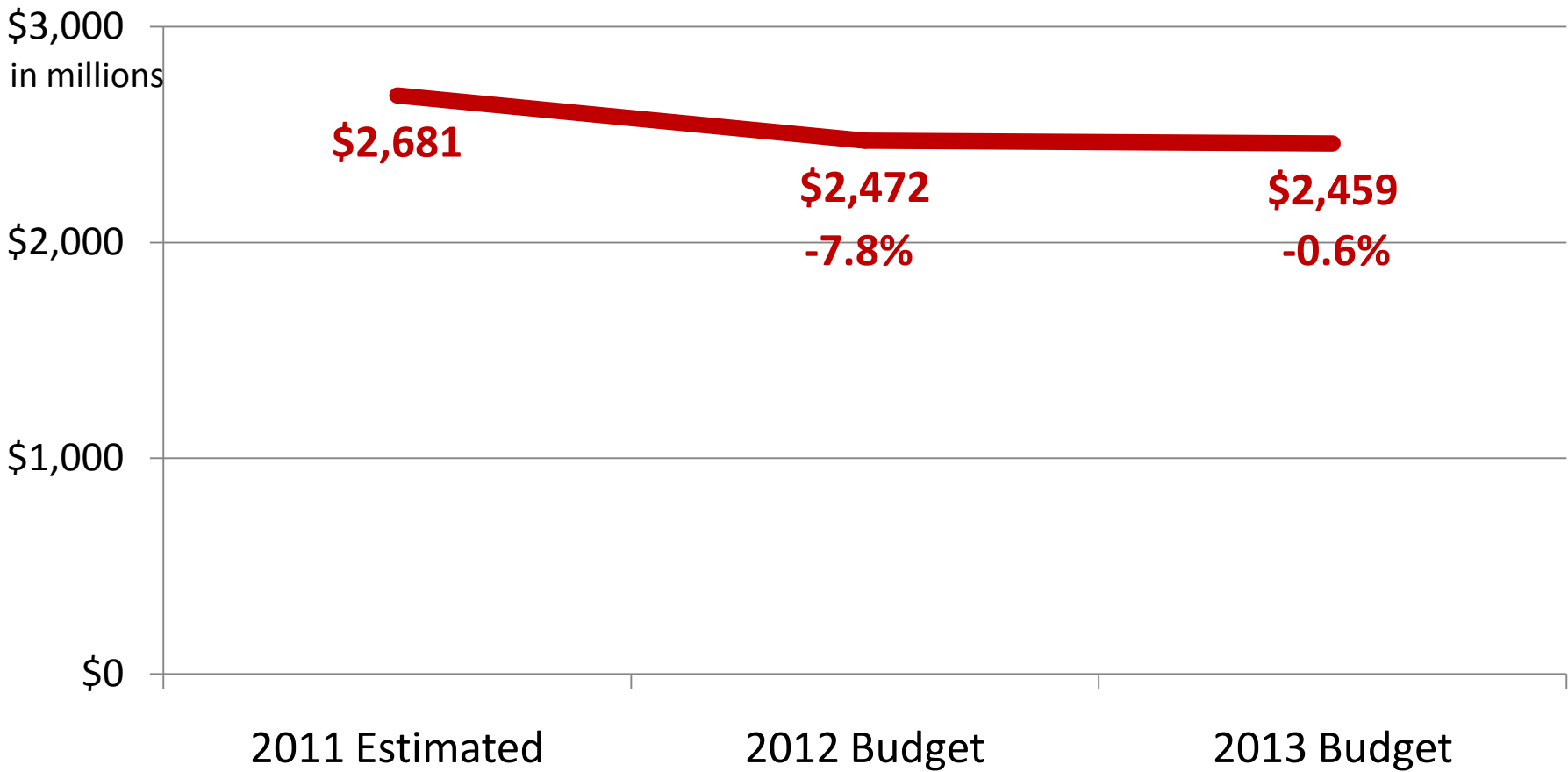


RECOMMENDATION:

Reform Nursing Facility Payments

- Complete the transition to a price-based system enacted in 2005 (keep price at the 25th percentile for direct care and ancillary/support services)
- Eliminate the statutory add-on and set capital at the 25th percentile
- Increase the quality incentive payment from 1.7 to 8.75 percent
- Increase the portion of the rate that is related to direct care and quality from 50% to 60%
- Limit Medicare cost sharing obligations to no more than Medicaid
- Decrease Medicaid payments to “hold” empty beds from 50% of the facilities rate for 30 days to 25% of the rate for 15 days
- Reduce the nursing home franchise fee from \$11.95 per bed to \$11.38 in FY 2012 and \$11.60 in FY 2013

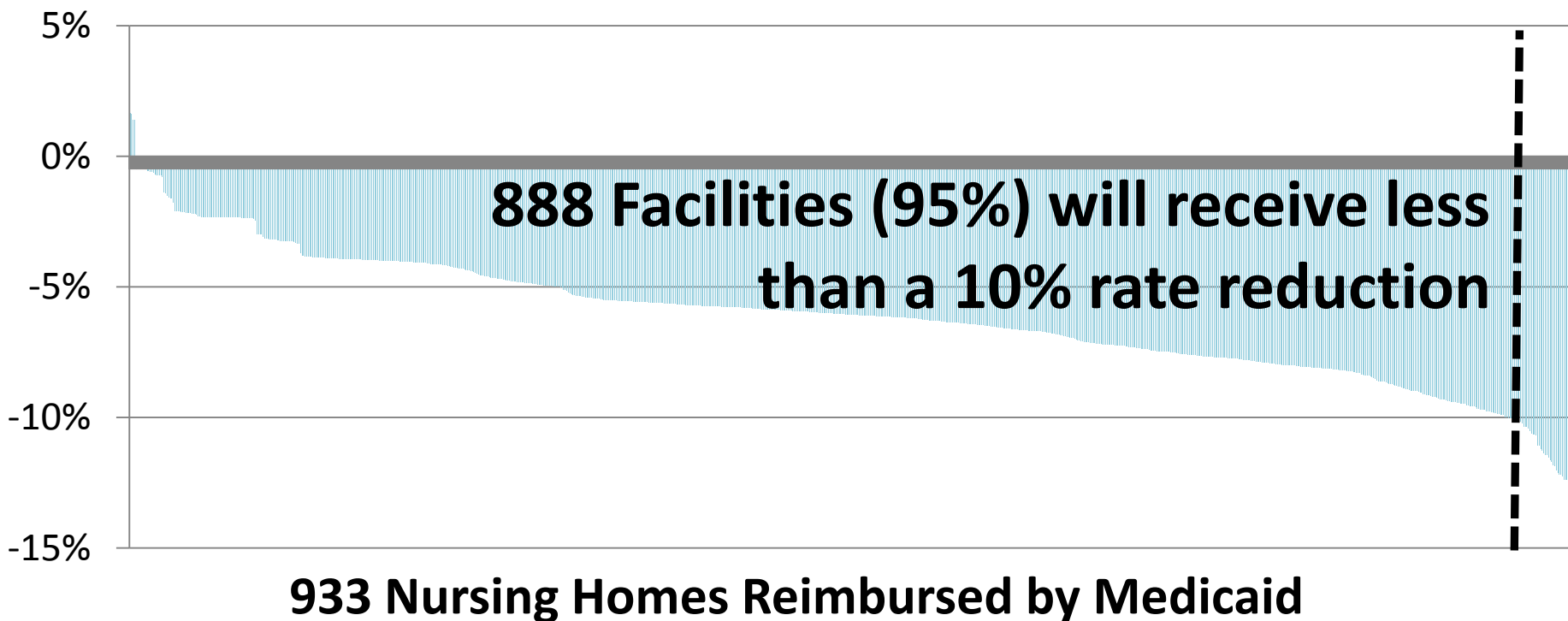
Medicaid Budget: Ohio Medicaid Spending on Nursing Homes



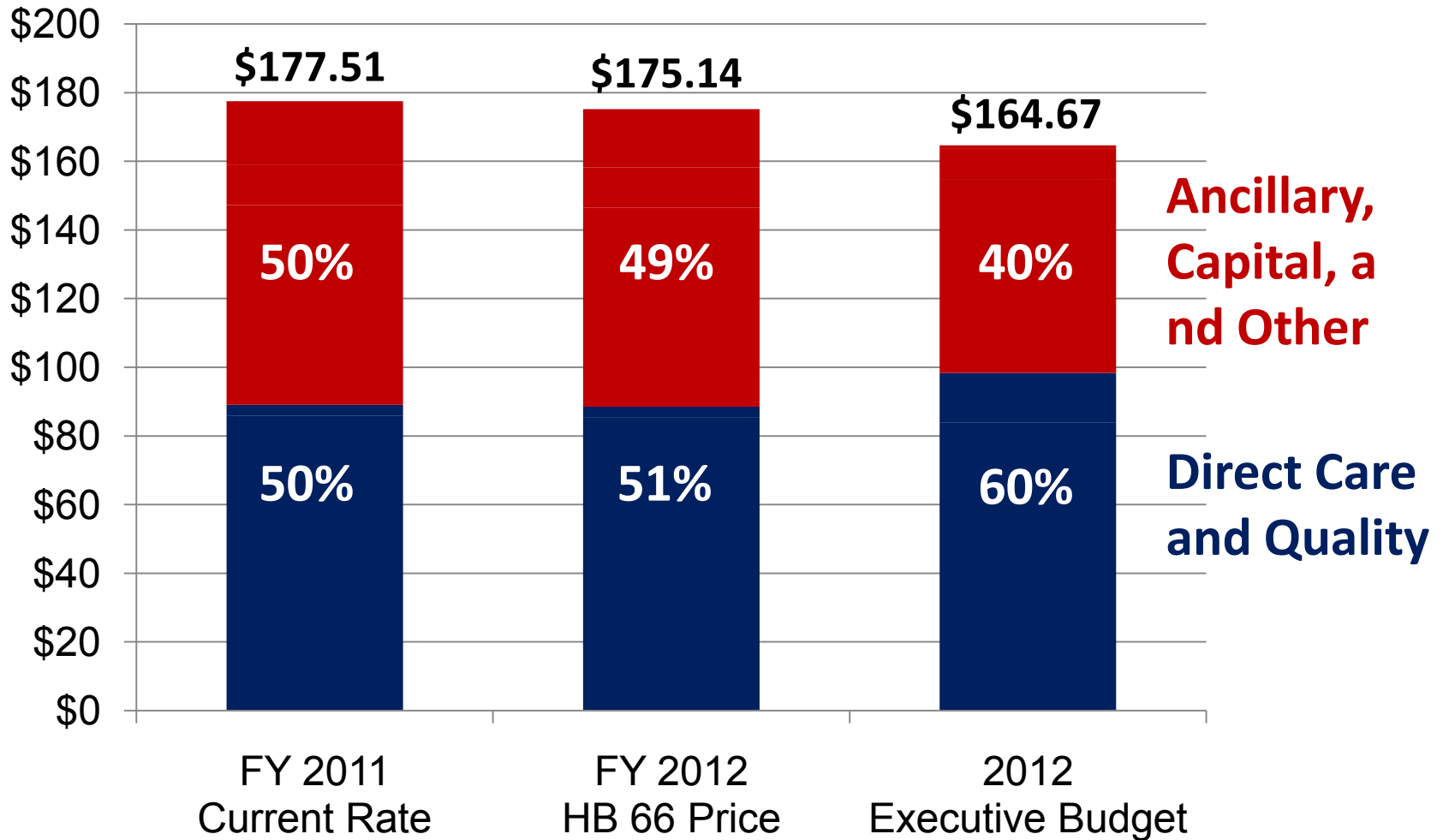
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Sources: Ohio Department of Job and Family Services Office of Health Plans (May 10, 2011)

Medicaid Budget: Percent Change in Medicaid Nursing Home Rate (FY 2012 HB 66 Rate vs. FY 2012 Executive Budget)



Medicaid Budget: Average Nursing Facility Per Diem



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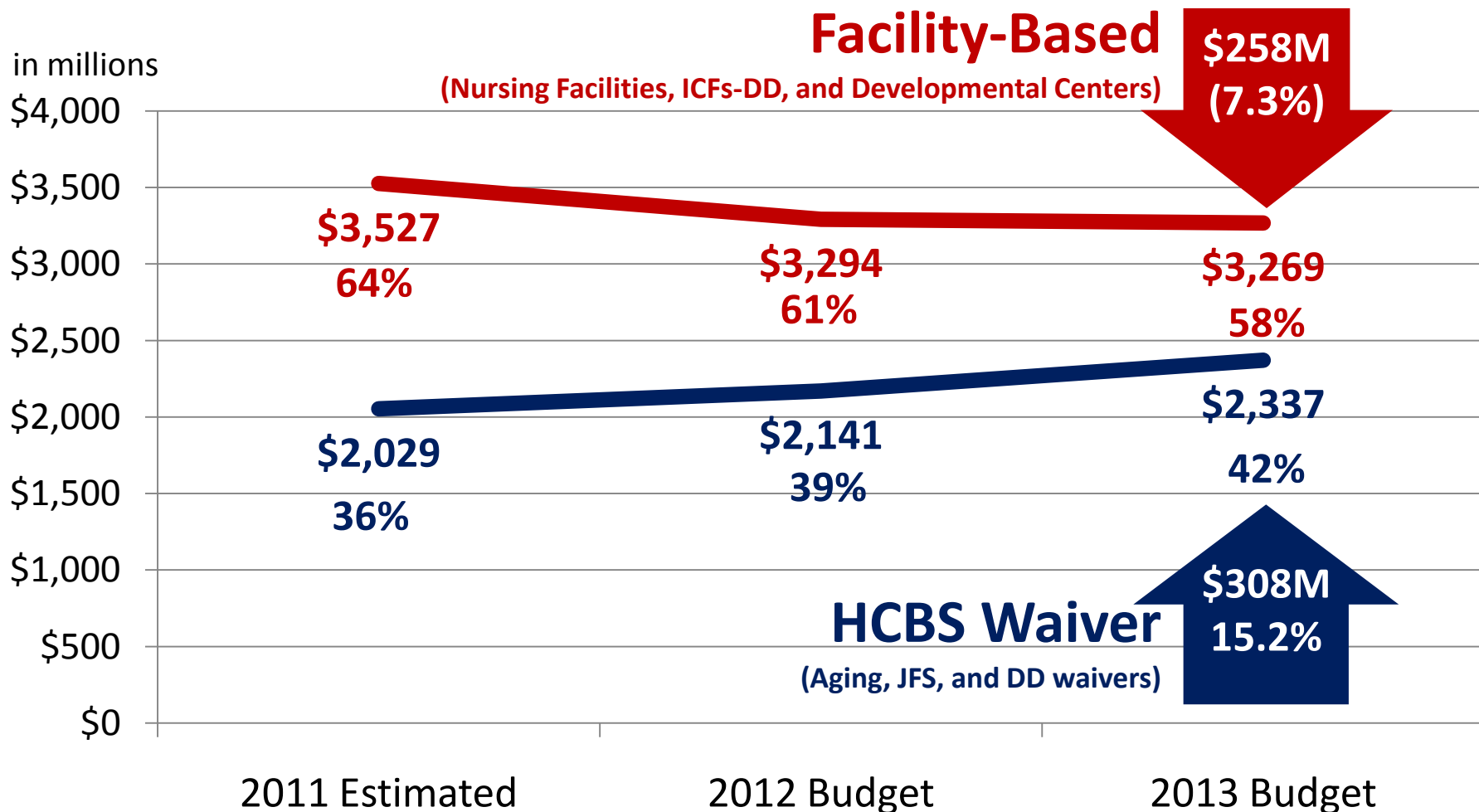
Source: Ohio Department of Job and Family Services Office of Health Plans (May 10, 2011); the Executive Budget moves "Other" payments related to the franchise fee, workforce development, and consolidated (bundled) services into direct care and quality in FY 2012

RECOMMENDATION:

Reward Person-Centered Outcomes

- Nursing facility payments currently include a small (1.7 percent) quality incentive payment that averages \$3.03 per day
- The current incentive is linked to business process measures and results in winners and losers and will be phased out
- Focus instead on person-centered performance measures that emphasize resident control and choice
- Increase the quality incentive to 8.75 percent and make it available for every facility to earn based on performance
- Timing issues need to be resolved
- Budget neutral

Medicaid Budget: Rebalance Medicaid Spending on Institutions vs. Home and Community Based Services



Modernize Reimbursement

Reset Medicaid payment rules to reward value instead of volume

RECOMMENDATIONS:

- Nursing facility payments
- Managed care plan payments
- Hospital payments

RECOMMENDATION:

Reform Managed Care Plan Payments

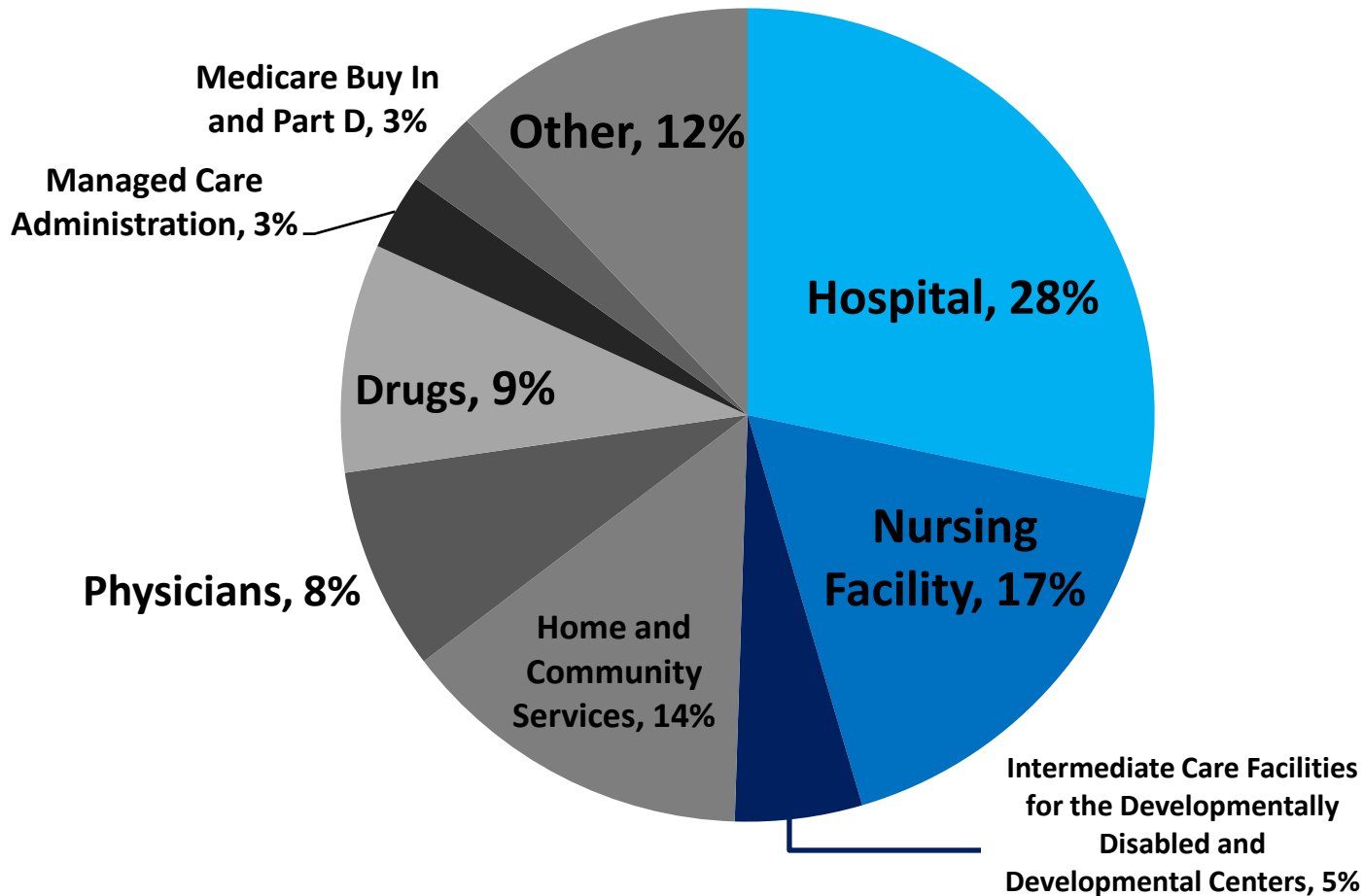
- Create a pay-for-performance program, linked to nationally recognized performance measures, and withhold 1 percent of payment for plans to earn back as an incentive for performance
- Reduce the administrative burden on plans and reduce the administrative component of the capitation rate
- Include pharmacy in the managed care benefit
- Require Medicaid reimbursement to default to FFS rates for hospitals that will not contract with Medicaid managed care
- Eliminate the Children's Buy-In Program (but allow the five children currently enrolled to continue to receive care)
- Saves \$159 million over the biennium

RECOMMENDATION:

Modernize Hospital Payments

- Outdated reimbursement system dates to the 1980s and rewards more care not better care
 - Update the diagnosis-related group (DRG) system to make more accurate and efficient payments
 - Limit payments for health acquired conditions (errors)
 - Limit outlier payments
 - Set specific Medicaid managed care capital rates
 - Bring outpatient payment policy in line with Ohio's Medicaid State Plan Amendment
 - Limit Medicare Part B cost sharing to no more than Medicaid
 - Eliminate supplemental payments for children's hospitals
- Saves \$478 million over the biennium

Total Ohio Medicaid Expenditures, SFY 2010



Source: Ohio Department of Job and Family Services and the Governors Office of Health Transformation. Managed care expenditures are distributed to providers according to information from Milliman. Hospitals include inpatient and outpatient expenditures as well as HCAP Home and community services include waivers as well as home health and private duty nursing.

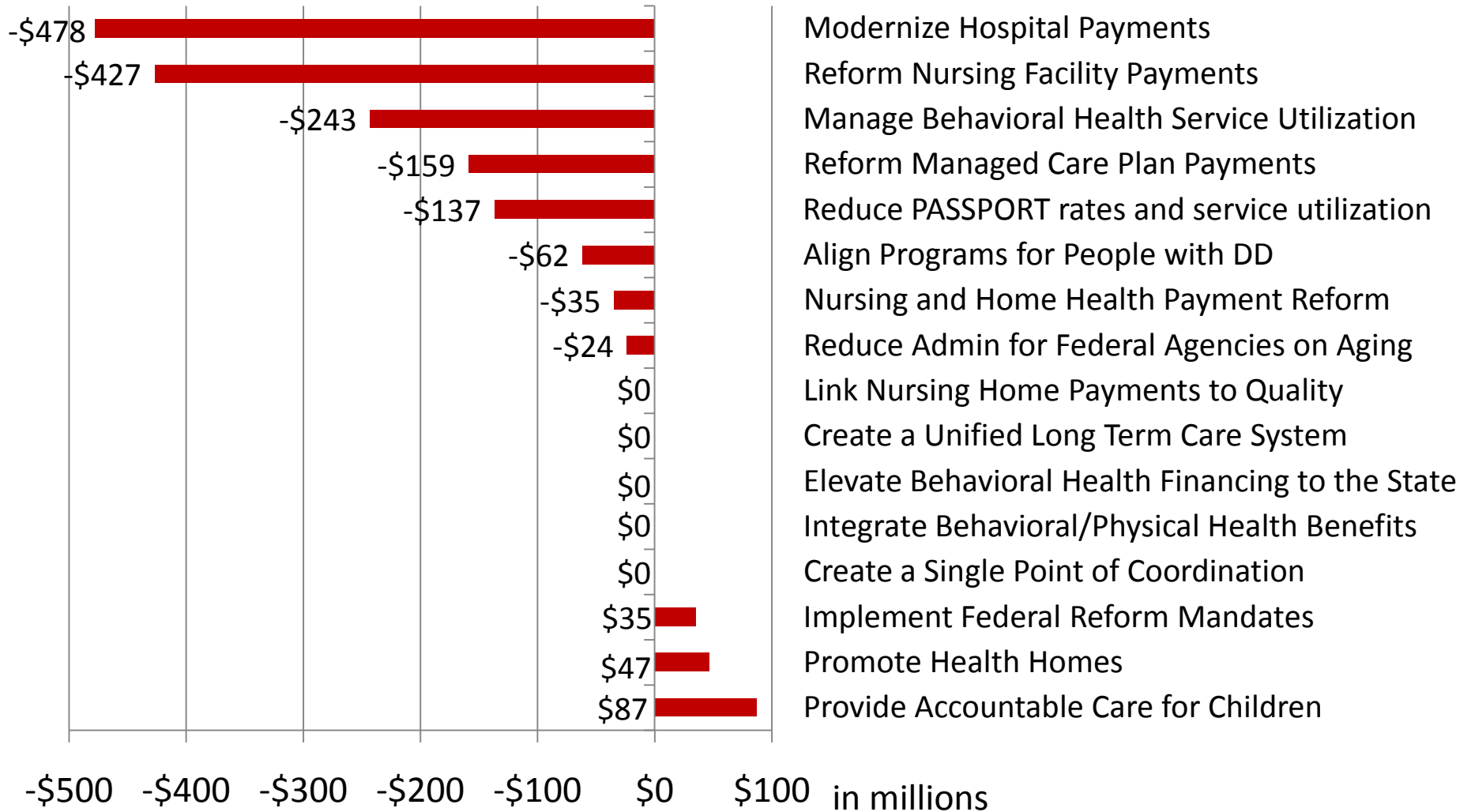
Balance the Budget

Contain Medicaid program costs in the short term and ensure financial stability over time

RESULTS:

- A sustainable system
- \$1.4 billion in net savings over the biennium
- Align priorities for consumers (better health outcomes) and taxpayers (better value)
- Challenge the system to improve performance (better care and cost savings through improvement)

Medicaid Budget: Savings and Investments



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Source: Office of Health Transformation (March 15, 2011); savings are measured from the Ohio Department of Job and Family Services February 28, 2011 estimate of baseline growth absent change

THE BLADE

Wednesday, February 9, 2011

Editorial - Medicaid realism

Dayton Daily News

Wednesday, March 9, 2011

Medicaid is 30% of state budget and growing

AKRON BEACON JOURNAL

Sunday, April 3, 2011

Editorial - Ambitious for Medicaid
John Kasich wants to save money. He also has a plan to improve quality and outcomes

The Columbus Dispatch

Sunday, May 1, 2011

Editorial: Serve the seniors
Lawmakers should reduce funding to nursing homes, boost in-home services

Dayton Daily News

Wednesday, March 9, 2011

Editorial - Kasich needs to be bold and effective

THE PLAIN DEALER

Sunday, April 10, 2011

Medicaid proposal by Gov. John Kasich would transform system in Ohio

THE REPOSITORY

Tuesday, March 22, 2011

Editorial - Medicaid needs more than tweaking.
Kasich tackles big problem areas without neglecting recipients' needs

The Columbus Dispatch

Thursday, April 7, 2011

Editorial: Rightsize it
Lawmakers should continue effort to give seniors care options





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Thank you.

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