

## AMCNO Urges Support for Medicaid Expansion in Ohio

Throughout the past few months, the Academy of Medicine of Cleveland & Northern Ohio (AMCNO) has monitored the considerable discussion about whether Ohio should expand Medicaid to 138% of the federal poverty level, as provided for in the Affordable Care Act (ACA). In a recent study just released by the Health Policy Institute of Ohio (HPIO), the Ohio State University, the Urban Institute, and the Regional Economics Models, Inc., (REMI), preliminary estimates were provided outlining the effects the Medicaid expansion will have on Ohio. Along with showing a pronounced benefit for nearly 500,000 uninsured Ohioans in the form of increased coverage, the study also shows that Ohio can anticipate substantial benefits from the proposed Medicaid expansion in the form of over \$1 billion in budget savings in the first eight years of the expansion, and the addition of over 30,000 new jobs in the same time frame.

The study found that in 2014 alone, the increase in federal funding purchasing Ohio health care will result in over 9,000 new jobs with \$487 million in increased earnings. The study also showed that by 2022 the job number rises to over 31,000 jobs with more than \$17 billion in increased earnings.

The study also found that the State of Ohio would net \$1.4 billion over the next decade if Ohio were to expand Medicaid as allowed under the ACA. The savings to the State of Ohio would come from various sources such as taking some groups out of the current Medicaid eligibility categories and putting them into the new 100%



federally funded financed Medicaid expansion, covering inpatient prison health care through Medicaid rather than through state expenditures, as well as shifting mental health costs into the Medicaid program. There would also be additional tax revenue generated by Ohio's

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## Ohio Governor Decides to Expand Medicaid The Impact of the ACA is Taking Shape in Ohio

By: David Valent, Esq.

On February 4, 2013, Ohio Governor John Kasich announced his support for Ohio's expansion of its Medicaid program under the Affordable Care Act ("ACA"). This article will discuss the details of Governor Kasich's plan for expanding Medicaid, as well as the implications and impact of same.

By way of background, in June 2012, the United States Supreme Court made it optional for each state to decide whether it would expand its Medicaid program, pursuant to the terms outlined in the ACA. During the months since the Supreme Court determined that the expansion was optional, Governor Kasich had

expressed his concern over expanding Ohio's Medicaid program. For this reason, many forecasters suspected Ohio would opt-out of the expansion.

However, Governor Kasich recently presented the Ohio General Assembly with his Executive Budget

for Fiscal years 2014-2015, which outlined his plan to expand Medicaid. In a letter to Ohioans and Members of the General Assembly, Governor Kasich stated:

While a complex decision, this reform not only helps improve the health of vulnerable Ohioans and frees up local funds for better mental health and addiction services, but also helps prevent increases to health care

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## Ohio Governor Decides to Expand Medicaid *(Continued from page 1)*

premiums and potentially devastating impacts to local hospitals. Additionally, it avoids leaving Ohioans' federal tax dollars on the table and keeps the federal government from simply giving them away to other states.

Of note, Governor Kasich goes on to state that "Ohio will roll back this extension if the federal government changes the rules." In other words, if the federal government fails to help fund the expansion, as promised, then Ohio will choose to later opt-out and/or reverse its decision to expand Medicaid. Further, although Governor Kasich is on board with the expansion, the Ohio General Assembly still has to approve Governor Kasich's budget for it to go into effect.

What does this mean for Ohio? If the Medicaid expansion is approved, as Governor Kasich suggests it should be, it will mean health insurance coverage for an estimated 275,000 additional Ohioans, who do not currently enjoy any coverage. The expansion will provide coverage to adults living at up to 138% of the federal poverty level — about \$32,000 per year for a family of four and \$15,415 per year for an individual. Currently, Ohio covers adults with dependents at up to 90% of the federal poverty level, and doesn't cover childless adults. A family of four earning \$20,745 or less qualifies for current coverage.

The Ohio Health Policy Institute recently reported that expanding Medicaid in Ohio could result in more than \$5 billion in federal spending in Ohio by 2022, while only costing the state of Ohio \$609 million. The program is designed so that the federal government will cover 100 percent of the expansion costs for the first three years, decreasing to 95 percent, and then 90 percent, after 2020.

In deciding to support the expansion of Medicaid, Governor Kasich has further set forth a plan to implement some additional measures to aid with the expansion. One of his goals is to implement a plan to improve program integrity and to fight fraud. Governor Kasich notes that nationally, fraud accounts for approximately ten percent of all health care waste, so fighting fraud and maximizing integrity and accountability in Medicaid is a key to improving efficiency. According to Governor Kasich, Ohio will plan to expand its efforts to improve program integrity through a series of reforms, including: increasing Medicaid audit capacity; speeding nursing homes claims processing and terminations; requiring personal responsibility; creating a consolidated Medicaid budget; and capturing reimbursements from consumers.

Governor Kasich also intends to create a Cabinet-level Medicaid Department, effective July 1, 2013. The aim is to make Ohio's Medicaid

program more efficient, effective and responsive to the needs of beneficiaries, stakeholders and Ohio taxpayers. The Governor's proposed budget also promises to implement innovative strategies for paying Medicaid providers — with an emphasis on delivering quality care, not just volume.

In light of the anticipated changes, there are mixed opinions as to whether the expansion will be a positive step for Ohioans and/or the Ohio health care industry. Indeed, even Governor Kasich, who now supports the expansion, did initially have significant reservations about the expansion. The remainder of this article will highlight the potential positives and negatives of the Medicaid expansion program.

On the positive side, many anticipate that with an increase in the number of insured Ohioans, the expansion program will help result in a cut-down on expensive, uninsured emergency room care. The program is intended to lessen the burden on hospital emergency rooms, where the uninsured typically seek last resort care, which is also the most expensive kind of care. Under the expansion, more preventive care will be provided and/or will be accessible to lower income individuals, which will hopefully reduce the need for certain preventable emergency room visits.

Further, for those health care issues that will still need to be addressed in the emergency room, hospitals can anticipate that such services will now more likely be covered by insurance — as more patients coming into emergency rooms will have Medicaid insurance.

It is also projected that the expansion will save the state money because Medicaid will cover some of the cost currently paid by the state, such as health care for prisoners and mental health services for uninsured and/or underinsured people.

Also, with approximately 275,000 more Ohioans obtaining health insurance coverage, there is a quality of life improvement that is expected for many. The demand for primary care physicians / clinics will also likely increase, as there will be more insureds seeking routine medical treatment.

Critics of the Medicaid reform however, look at these same above mentioned issues in a very different light. Some say that Medicaid in Ohio is already big enough and already costs the state too much. In Ohio, Medicaid currently covers 2.2 million — or one in five Ohioans — and is already the single largest program in the state's current two-year budget. It accounts for roughly \$18.7 billion, or 32%, of the \$55 billion budget.

Many also fear that expanding Medicaid will increase negative health outcomes, because Medicaid pays Ohio doctors roughly half of what private insurers pay. Since the cost paid for care is less, the risk is that there is an emphasis on the quantity of patients seen, and not the quality of

care rendered. Moreover, some fear that there will be a shortage of physicians available to meet the needs of the growing patient population.

Others project that the Medicaid expansion will drive up private pay insurance premiums for other Ohioans not participating in Medicaid. The theory behind this belief is that providers will have to make up for the cost of Medicaid's underpayments for services, by charging more to people with private insurance, a phenomenon known as "cost shifting." It has been estimated that for every dollar that Ohio hospitals spend on caring for Medicaid patients today, Medicaid pays \$.83. In other words, hospitals lose \$.17 for every dollar they spend on Medicaid patients — and some fear these losses will be shifted to private pay insureds in higher volumes.

Further, as it relates to the issue of emergency room care, critics highlight that there was already a mechanism in place to provide money to hospitals that treated uninsured patients. For many years, the Medicaid program has made payments to hospitals called Disproportionate Share Hospital payments (DSH), in order to compensate hospitals for taking care of the uninsured pursuant to EMTALA requirements. The federal government made up \$11.3 billion in such payments to hospitals in 2011 alone. However, with the expansion of Medicaid and with the passing of the ACA, beginning in the 2014 fiscal year — the ACA calls for a decrease in DSH payments made to hospitals.

Another anticipated impact of the expansion, which was discussed briefly above, is the potential for increased scrutiny upon health care providers who offer services to Medicaid patients. Indeed, over the past several years, federal and state governments have drastically increased measures to scrutinize the government dollars paid to health care providers. Governor Kasich has already indicated that he plans to increase scrutiny on payments made to providers under the Medicaid expansion. While the increased scrutiny can be a positive for taxpayers, it can also be a headache for providers who are already doing their best to comply with the ever changing state and federal laws.

In closing, it is now more apparent than ever that the Ohio's health care system as we know it will be changing. Most significantly, we can expect to see an increase in approximately 275,000 Medicaid insured individuals. The ACA and Governor Kasich have laid the ground work for the expansion, and it is just a matter of having the issue approved by the General Assembly.

For further information regarding the ACA and/or Medicaid expansion in Ohio, and for specific information on how your practice can best prepare for same, please do not hesitate to contact David Valent, at Reminger Co., L.P.A., [dvalent@reminger.com](mailto:dvalent@reminger.com). ■