



# THE BUCKEYE INSTITUTE

## **Interested Party Testimony on House Bill 166 Before the Ohio Senate Finance Committee**

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Chairman Dolan, Vice Chair Burke, Ranking Member Sykes, and members of the Senate Finance Committee, thank you for the opportunity to testify today on House Bill 166.

My name is Greg R. Lawson, I am a research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

As I testified before this Committee last week, House Bill 166 is not without its fiscal flaws, but there are several areas that the House of Representatives’ proposed budget largely got right, namely, its efforts to improve Medicaid and Ohio’s healthcare policy.

In the 1990s, Governor George Voinovich once called Medicaid the “Pac-Man” of the state budget because of the program’s appetite for consuming taxpayer dollars. Medicaid may have changed somewhat since then, but it remains as fiscally voracious ever.

Current Medicaid expansion is unsustainable. Ohio’s total Medicaid costs went from nearly **\$16 billion** in Fiscal Year (FY) 2010 to an estimated **\$24 billion** in FY 2019—a 50 percent increase in a little more than a decade. Under the current version of the budget bill, Ohio will see Medicaid appropriations eclipse \$26 billion by the end of FY 2021. Much of that future spending will come from Washington, exacerbating Ohio’s reliance on federal money, and ensuring that the state’s Medicaid budget will become entirely unbalanced with even the slightest change in the federal reimbursement rate—a looming problem foreshadowed by the recent crisis created when Washington **reduced** the federal matching rate for the Children’s Health Insurance Program and Ohio had to find another **\$200 million** to cover the shortfall.

Medicaid’s cost-curve must begin to slope downward. Ohio has enjoyed relative prosperity during the Medicaid expansion era, but as I **testified last week**, the odds of another recession are growing, which is disturbing news for counter-cyclical programs like Medicaid that tend to expand as workers lose their jobs or are underemployed. Fortunately, House Bill 166 takes positive steps to contain and lower costs while improving healthcare service for Ohio.

The bill contains, for example, provisions for robust healthcare pricing transparency, for reforming the pharmacy benefit management system, for serious emergency room diversions, and for reducing surprise billing. The Senate should retain these policies, or pursue similar policies that substantially accomplish these outcomes.

The House budget takes other meaningful strides to improve healthcare and restrain costs. Although The Buckeye Institute takes no position on some of the increased provider reimbursements for those working in the disability and home and community setting, we recognize that insofar as reimbursement increases allow these programs to operate and keep Ohioans out of more expensive institutional settings such reimbursements are likely a wise use of taxpayer dollars.

Given the immense cost of long-term care, increasing the nursing facility reimbursement will always be a serious budget challenge. As the son of a mother who spent the end of her life in a nursing facility, I am personally sensitive to ensuring that nursing facilities have adequate

resources to meet their obligations. The House's effort to ensure that reimbursement rate increases are tied to quality metrics is another step in the right direction.

Regrettably, even as House Bill 166 takes two steps forward, it also takes one step back by removing the maligned but misunderstood Healthy Ohio program. The Ohio Senate should correct the House's mistake.

Modeled on the **successful** Healthy Indiana 2.0 program, Healthy Ohio would focus on the healthcare needs of healthy, able-bodied adults, and exempts children, elderly, and disabled Ohioans from participating. The program would give Medicaid recipients the tools to set up health savings accounts to pay for prescription drugs, medical devices, and some out-of-pocket expenses like copays. Not only would Medicaid recipients pay into the accounts, but the state and non-profit groups could contribute to them as well. The newest iteration of Healthy Ohio assuaged concerns that Medicaid recipients will be dis-enrolled and unable to receive the care they need, as even recipients that choose not to contribute to the account would not lose essential medical care through Medicaid.

The proposed version of Healthy Ohio struck by the House would have allowed program participants to rollover the money in their health savings account to pay private health insurance premiums and out-of-pocket healthcare costs when the participant's income rises above the Medicaid limits. This significant improvement would smooth the transition from Medicaid to private insurance and help people work their way out of poverty.

Policymakers must understand the importance of Medicaid recipients transitioning off of Medicaid. More important than even the obvious fiscal benefits for the state, are the long-term benefits gained by recipients themselves as they move out of the program. As our **research** at The Buckeye Institute has shown, an individual that transitions from Medicaid can increase their lifetime earnings by as much as \$1 million. Healthy Ohio can improve the Medicaid program and the lives of thousands of Ohioans by handing them innovative tools that will help them leave the system.

## **Conclusion**

As The Buckeye Institute had the privilege to explain here last week, Ohio's government spending trend showcased in House Bill 166 must be curbed. The House budget offers some solid Medicaid and healthcare policy proposals to address rising costs, but the Senate now has the opportunity to improve upon the House version by cutting additional spending and reinstating the Healthy Ohio program that the House should not have removed.

Thank you again for the opportunity to testify today. I am happy to answer any questions that the Committee may have at this time.

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*Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.*

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