



The Ohio Department of Medicaid is seeking to balance the hospital franchise fee to account for ongoing health care industry changes that impact the current reimbursement model.

Budget Impact

Proposed changes to the hospital franchise fee will allow Ohio Medicaid to bring hospitals closer to the 2016 funding levels. The changes produce a hospital net gain of \$201.5 million in SFY 2020 and \$255.9 million in SFY 2021, without adversely impacting GRF. The state share needed for the increase is all provided by the hospitals.

Background

The hospital franchise fee is an assessment paid by all Ohio hospitals. The funds generated by the assessment can be matched with federal funds, and the total funds are used to offset or reduce the amount of state GRF funds required to support the Medicaid program. Dollars are redistributed back to hospitals through a combination of several Medicaid reimbursement methodologies.

The SFY 2020-2021 budget proposes updating the hospital franchise fee methodology to account for ongoing health care industry changes that impact the reimbursement model. Absent any changes, a structural imbalance will result, with hospitals experiencing a loss of \$238.9 million over the next biennium.

Policy Proposal

The Ohio Department of Medicaid proposes updates to the hospital franchise fee methodology through the SFY 2020-2021 budget to realign and balance the program.

Aligning and balancing the hospital franchise fee is critical to ensure continued access to vital hospital services. Should changes not be made, the state would need to rely on additional funding from the GRF to support the Medicaid program in hospitals.

The proposed update will make moderate increases to the program using a balanced approach to restore hospitals to the 2016 funding levels. To accomplish this, a moderate increase in the assessment and distribution model will be made as the hospital franchise fee rate increases from 2.66 to 3.24 percent in SFY 2020, and 3.35 percent in SFY 2021. These changes will not require additional GRF expenditures.