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April 15, 2008

To Behavioral Health Constituents:

We wanted to take a moment to communicate forthcoming proposed changes regarding system reform for behavioral health in Ohio. As you are well aware, escalating financial constraints during the past decade have placed the system in a tenuous balance of service delivery that is now at a breaking point. Together, the Departments of Alcohol and Drug Addiction Services (ODADAS), Mental Health (ODMH) and Job and Family Services (ODJFS) are committed to proposing consumer centric solutions that stabilize and sustain our system for both boards and providers. Though any system-wide transition may add initial stress, state departments along with consumers, advocates, local boards and providers must be compelled to work together through the short-term challenges to reach a healthy consumer-focused system that will be sustainable for the future.

The current financing structure for behavioral health creates an inherent system of inequity that results in inconsistent levels of consumer access and service delivery that vary across the state. With that stated, the reform our agencies are constructing is intended to improve three significant areas: consumer access, transparency, and accountability.

Many professionals in the behavioral healthcare system have expressed an interest in receiving the latest information or guidance on answering questions about these issues from the state agencies that are involved in this process. In an effort to accurately and consistently inform the behavioral health field about proposed system reform changes, we have included below our current plan to move forward. We respectfully ask you to keep in mind that discussions are ongoing and changes may occur as new variables are considered and additional stakeholder input is offered.

The Strickland Administration plans on moving forward in the following areas:

**This Biennium (SFY 08-09)**

- **Certified Public Expenditure (CPE):** ODADAS & ODMH will implement a CPE process to verify amounts and sources of Medicaid match within the system and enhance the State's ability to do financial modeling and to prepare for future financial restructuring.
- **Fee-Based Reimbursement Methodology:** ODADAS, ODMH & ODJFS will file administrative rules to pay providers on a fee schedule basis rather than the current cost-based/reconciliation methodology with actuarially-sound re-evaluation occurring on a meaningful basis. This will encourage providers to increase efficiencies and improve quality for consumers.

- Federally-compliant Medicaid utilization review program: ODADAS & ODMH will implement a utilization review process for Medicaid covered behavioral health services under ODJFS authority.
- Stakeholder-informed financial restructuring plan for SFY 10-11: A plan for financial sustainability will focus on increased consumer access and choice, include stakeholder input and be completed July 1, 2008.

Next Biennium (SFY 10-11)

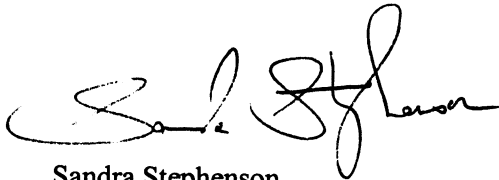
- Shift Medicaid Match risk and responsibility to state level: ODADAS & ODMH will monitor and address Medicaid growth in specified budget line items. This will restore the boards' discretion to utilize levy funds to meet local needs rather than using them to fund Medicaid match.
- Restructure funding allocation formulas to better meet consumer need: ODADAS & ODMH will update the methodologies with which money flows to local boards. Significant progress in the behavioral health field such as moving toward community-based care over institutionalization and adding behavioral health services to Ohio's Medicaid program have not been reflected in allocation formulas that haven't been adjusted since 1988.

We view this as an opportunity for all of us to move forward with improvements to our system that will benefit all of our consumers.

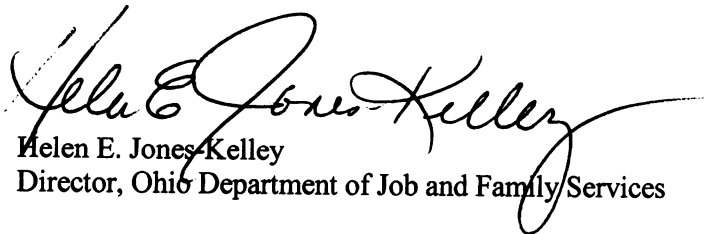
Sincerely,



Angela L. Cornelius  
Director, Ohio Department of Alcohol and Drug Addiction Services



Sandra Stephenson  
Director, Ohio Department of Mental Health



Helen E. Jones-Kelley  
Director, Ohio Department of Job and Family Services