

**2007 Regular Legislative Session**  
**FISCAL ANALYSIS OF PROPOSED LEGISLATION**  
**Prepared by the Oregon Legislative Fiscal Office**

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**MEASURE NUMBER:** HB 2660                      **STATUS:** Original  
**SUBJECT:** Repeal of 2005-07 Oregon Health Plan service reductions  
**GOVERNMENT UNIT AFFECTED:** Department of Human Services  
**PREPARED BY:** John F. Borden  
**REVIEWED BY:** John C. Britton  
**DATE:** March 5, 2007

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*\*PLEASE NOTE – CURRENT BIENNIUM IMPACT*      **2005-2007**                      **2007-2009**

**EXPENDITURES:**

Department of Human Services			
Special Payments – General Fund	\$	1,988,251	--
Special Payments – Federal Funds	\$	3,153,334	--
Total	\$	5,141,585	--

**EFFECTIVE DATE:** On passage

**GOVERNOR’S BUDGET:** This bill is anticipated by the Governor’s recommended budget. However, this measure is not anticipated in the Department’s current 2005-07 Legislatively approved budget (November 2006).

**LOCAL GOVERNMENT MANDATE:** This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**COMMENTS:** This measure repeals Section 9, chapter 806, Oregon Laws 2005 [HB 3108B]. Under this section of Oregon Law the Department of Human Service (DHS) is directed to adopt rules implementing the adjustment (i.e., savings) of Oregon Health Plan services funded under ORS 414.705(1). The adjustments were dependent upon Centers for Medicare and Medicaid Services (CMS) waiver approval. Implementation was to begin as soon as practicable after CMS approval and according DHS administrative rule.

The 2005-07 Governor’s recommended budget included anticipated savings in four areas of that budget: (a) inpatient hospital services; (b) prescription drugs; (c) dental; and (d) vision services. The 2005 Legislature approved these specific savings as it considered both HB 3108B and the Department’s 2005-07 Legislatively adopted budget. House Bill 3108 was enrolled on August 29, 2005, and the Department wrote a letter to CMS on October 18, 2005, requesting the necessary approval. The department received a letter from CMS on September 13, 2006, approving the reductions effective September 15, 2006. Implementation was delayed several times until February 1, 2007, and was ultimately indefinitely delayed. This was for a variety of reasons. Budgetarily, the 11 month delay in receiving CMS waiver approval was one issue. Additionally, several “rebalances” of the Department’s 2005-07 Legislatively adopted/approved budget also mitigated or delayed the need to accrue the savings originally anticipated in HB 3108’s fiscal impact and the Department’s budget. This measure [HB 2660] would now release DHS from implementing the *remaining* reductions, which are detailed below:

- Inpatient Hospitals: DHS was to have adopted administrative rules limiting the number of hospital days for which it would provide reimbursement. The General Fund cost is \$65,811 and the Federal Funds cost is \$104,375 for a total cost of \$170,186.
- Prescription Drugs: DHS was to have adopted administrative rules limiting the number of prescriptions/month for which it would provide reimbursement. The General Fund cost is \$58,063 and the Federal Funds cost is \$92,088 for a total cost of \$150,151.
- Dental Services: DHS was to have adopted administrative rules limiting dental coverage. The General Fund cost is \$747,933 and the Federal Funds cost is \$1,186,209 for a total cost of \$1,934,142.
- Vision Services: DHS was to have adopted administrative rules eliminating vision services. There would be a General Fund cost of \$1,116,444 and the Federal Funds cost of \$1,770,662 for a total cost of \$2,887,106.

The cumulative fiscal impact is \$1,988,251 General Fund and \$3,153,334 Federal Funds for a total of \$5,141,585. The Department's 2007-09 Governor's recommended budget provides for restored funding for the aforementioned health services.

A General Fund appropriation may be required if DHS cannot identify General Fund savings to offset the anticipated costs of this measure. Such a request is anticipated to be part of a rebalance request submitted by the Department's for its 2005-07 Legislatively approved budget (November 2006). This request is anticipated in the Spring of 2007 or when the Department has historically appeared before the legislature for a final rebalance of its approved budget. The DHS rebalance request may include a request for additional Federal Funds limitation, if such limitation is not available within its approved budget.

This measure's subsequent referral to the Joint Committee on Ways and Means (JCWM) will allow the budgetary impact to be addressed, most likely during the rebalance of the Department's 2005-07 Legislatively approved budget.