# 2009 Regular Legislative Session FISCAL ANALYSIS OF PROPOSED LEGISLATION

Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2126 STATUS: A-Engrossed

**SUBJECT:** Department of Human Services program changes caused by budget reductions

**GOVERNMENT UNIT AFFECTED:** Department of Human Services

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**DATE:** June 19, 2009

<u>2009-2011</u> <u>2011-2013</u>

#### **EXPENDITURES:**

See Analysis

**EFFECTIVE DATE:** July 1, 2009.

**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.

**ANALYSIS:** House Bill 2126 makes the following statutory changes to the Department of Human Services programs:

DIVISION OF MEDICAL ASSISTANCE PROGRAMS -

# **Adoption of Preferred Drug List for the Medical Assistance Program**

House Bill 2126 requires the Department of Human Services (DHS) to adopt the Practitioner-Managed Prescription Drug Plan Preferred Drug List (PDL) for the medical assistance program, and allows the Department to use prior authorization for non-mental health drugs paid for under fee-for-service reimbursement. The measure also modifies requirements for the dispensing and reimbursement of the cost of legend drugs (any drug requiring a prescription by a practitioner) prescribed for recipients of medical assistance. The bill directs DHS to report to the health related committees and the Joint Committee on Ways and Means of the Seventy-sixth Legislative Assembly on the implementation and effectiveness of this measure.

For the 2009-11 biennium, adoption of the PDL for the medical assistance program is estimated to have an expenditure reduction of (\$7.7) million Total Funds. This amount is comprised of (\$4.4) million General Fund, \$2.1 Other Funds and (\$5.4) million Federal Funds. This expenditure impact is reflected in the Department's primary budget bill (SB 5529).

DIVISION OF MEDICAL ASSISTANCE PROGRAMS -

#### Legislative Approval for Adjustment of Medical Assistance Reimbursement

This measure specifies that Oregon Revised Statutes 414.735 (which mandates that in the event that budget resources are less than budgeted, the Department of Human Services must obtain legislative approval in order to reduce the population of eligible persons, and/or to reduce obligations to community providers) does not apply to the reductions made by the Legislative Assembly in a legislatively adopted or approved budget.

A reduction of (\$9,085,364) General Fund and (\$20,890,825) Federal Funds to the medical assistance program was included in the Department's primary budget bill (SB 5529). This measure will allow the Department to make changes to meet this legislative reduction without seeking additional approval.

#### ADDICTIONS AND MENTAL HEALTH DIVISION -

#### **Gambling Treatment Fund**

This bill reduces the Lottery Funds allocated from the Administrative Services Economic Development Fund to the Problem Gambling Treatment Fund by \$2,120,912 in the fiscal year beginning July 1, 2009.

This action to reduce the statutory transfer of revenues to the Department of Human Services is reflected in the Department's primary budget bill (SB 5529).

#### SENIORS AND PEOPLE WITH DISABILITIES DIVISION -

### **Long Term Care Facility Quality Assurance Fund**

Section 24, Chapter 736, Oregon Laws 2003 established the Long Term Care Facility Quality Assurance Fund. Amounts in the Fund are continuously appropriated to the Department of Human Services (DHS) for the purposes of funding long term care facilities that are a part of the Oregon Medicaid reimbursement system. Section 24(4)(f), Chapter 736, Oregon Laws 2003 as amended specifies that the reimbursement methodology used to make additional payments to Medicaid-certified long term care facilities includes requiring DHS to reimburse costs at a rate not lower than the 63rd percentile of allowable costs. Notwithstanding Section 24, Chapter 736, Oregon Laws 2003, House Bill 2126 authorizes the Department of Human Services to limit the administrative cost and property expense components of the allowable costs that are reimbursed in accordance with the legislatively adopted budget. This authority is repealed on June 30, 2011.

This authority to limit the administrative cost and property expense components of the allowable costs is estimated to have an expenditure reduction of (\$29.5) million Total Funds. This amount is comprised of (\$7.3) million General Fund, (\$1.5) million Other Funds and (\$20.7) million Federal Funds. This impact is reflected in the Department's primary budget bill (SB 5529).

#### CHILDREN, ADULTS AND FAMILIES DIVISION –

## **Reductions in Temporary Assistance for Needy Families**

House Bill 2126 authorizes the Department of Human Services (DHS) to implement certain reductions in Temporary Assistance for Needy Families (TANF) for the biennium beginning July 1, 2009. The reductions anticipated affect eligibility for TANF cash assistance, post-TANF payment levels, Job Opportunities and Basic Skills (JOBS) employment and training services, and employment related day-care assistance.

The reductions to be implemented are estimated to have an expenditure impact of (33) positions, (41.77) FTEs, and (\$60.2) million Total Funds. This amount is comprised of (\$79.2) million General Fund, (\$1.1) million Other Funds and \$20.2 million Federal Funds. This impact is reflected in the Department's primary budget bill (SB 5529).