
MEMORANDUM

Legislative Fiscal Office
900 Court St. NE, Room H-178
Salem, Oregon 97301
Phone 503-986-1828
FAX 503-373-7807

To: Ways and Means Subcommittee on Human Services

From: Laurie Byerly, Legislative Fiscal Office (503) 986-1833
Linda Ames, Legislative Fiscal Office (503) 986-1816

Date: April 30, 2013

Subject: SB 5549 -- Department of Human Services and Oregon Health Authority
2011-13 Budget Rebalance
Material for May 1st Subcommittee Meeting

The Department of Human Services (DHS) and the Oregon Health Authority (OHA) have submitted their 2011-13 budget rebalance plans. The agencies will present their plans to the Human Services Subcommittee on Wednesday, May 1st, and we expect to complete the work session that day. SB 5549 (a blank appropriation bill) will be the vehicle for the budget adjustments needed to implement the plan. The Legislative Fiscal Office (LFO) analysis of the agencies' requests, and our recommendations related to those requests, are below.

DEPARTMENT OF HUMAN SERVICES

The agency's rebalance plan shows that DHS expects to complete the 2011-13 biennium within its current General Fund budget, which includes \$5 million General Fund added to DHS budget in HB 5052 (2013). Those dollars were unscheduled until the agency updated its 2011-13 caseload and budget estimates. Of the \$5 million, DHS requests \$1.5 million GF be rescheduled at this time; the rest would remain unscheduled pending final biennium close out adjustments. The plan also adds \$2.1 million Other Funds, \$49.2 million Federal Funds, and 6 limited duration positions (0.69 FTE).

The table below shows the plan's General Fund impact for each budget structure and for DHS as a whole:

<i>(General Fund \$\$ in millions)</i>	CAF	SPD	Central Services	Shared Services	Debt Service	Total
2011-13 Leg Approved Budget	833.9	1,322.0	-	-	16.9	2,172.8
Problems	1.7	3.6	-	-	-	5.3
Savings	(0.2)	(3.3)	-	-	-	(3.5)
Net of Problems and Savings	1.5	0.3	-	-	-	1.7
Management Actions	(1.5)	(0.3)	-	-	-	(1.7)
Technical Adjustments	(1.0)	(0.2)	1.2	-	-	-
Net Change from Leg Approved	(1.0)	(0.2)	1.2	-	-	(0.0)

See below for more detail on the changes and LFO's recommendations for each budget structure.

CHILDREN, ADULTS, AND FAMILIES

Changes in the Children, Adults, and Families (CAF) program area result in a net savings of \$976,500 General Fund. Other adjustments drive a net increase of \$417,556 Other Funds and \$54,082,860 Federal Funds. No changes in positions are requested.

For Self Sufficiency programs, the biennial average caseload for TANF has decreased by 83 families from the fall forecast, down to 34,851 families. This is in part due to federal action in January 2013 extending the Emergency Unemployment Compensation program, which helps mitigate an expected increase in TANF cases built into the fall forecast. However, costs per case for some program components have increased since that last forecast, driving a net increase of \$1.4 million General Fund.

While continuing to closely manage programs and spending, DHS proposes covering the unmet need by using unspent JOBS funds. While the program has been maintained per legislative intent expressed at the December 2012 meeting of the Emergency Board and reaffirmed by HB 5052, current estimates show some projected savings. Rescheduling a portion of the HB 5052 funding would allow the agency to cover caseload costs while continuing to serve JOBS clients.

DHS continues to refine cost projections and leverage federal dollars for the Self Sufficiency Modernization (SSM) project. The rebalance plan includes \$46 million Federal Funds expenditure limitation to complete the 2011-13 biennium portion of the project.

Based on federal grant authority and projected expenditures under the current five-year plan the agency is requesting \$7.2 million Federal Funds expenditure limitation for the Vocational Rehabilitation program.

In Child Welfare, the rebalance plan accommodates a net \$77,489 General Fund increase resulting from fluctuations in costs per case for substitute care and adoptions. Also associated with caseload changes is a net increase of \$417,556 Other Funds and \$1.4 million Federal Funds.

The plan includes a technical adjustment moving \$976,500 General Fund from Child Welfare to Central Services. These dollars were incorrectly moved into Child Welfare as part of agency's last rebalance in December 2012. In the CAF program support budget, \$45,117 total funds is added to cover recently announced telecomm rate increases.

The LFO recommendation for CAF is consistent with the agency's plan.

SENIORS AND PEOPLE WITH DISABILITIES

The proposed rebalance plan for Seniors and People with Disabilities (SPD) reflects a net decrease of \$192,976 General Fund and \$6.1 million Federal Funds. The plan would increase Other Funds expenditure limitation by \$1.7 million and add 6 limited duration

positions (0.69 FTE). Ongoing actions to reduce administrative expenditures are part of the plan.

In the Aged and Physical Disability (APD) programs, changes in caseload and cost per case are driving net increases of \$45,939 General Fund, \$1,381,007 Other Funds, and \$638,790 Federal Funds. The program is also requesting an increase of just under \$1 million General Fund to address an accounting error that applied an incorrect federal match rate on expenditures; a corresponding Federal Funds decrease is included. An uptick in projected estate recoveries results in an increase of \$1 million Other Funds.

The agency's plan for APD includes \$240,845 Federal Funds and 6 limited duration positions (0.69 FTE) to carry out the DHS efforts under the State Innovation Model (SIM) grant that OHA was formally awarded on February 21, 2013. APD is responsible for working with OHA, Coordinated Care Organizations (CCOs), and stakeholders to promote alignment between medical care and long-term care services. The agency is also involved with payment transformation/financial accountability initiatives falling under the model. Grant funding supports three program analysts, a policy analyst, an information specialist, and an administrative support position. Project activities include creating memorandums of understanding between CCOs and long term care organizations, supporting policy development/direction, and performing data collection and analysis. Activities are expected to continue through the fall of 2016.

Participation rate, caseload, and cost per case changes in the Developmental Disabilities (DD) program result in net decreases of \$1,422,745 General Fund, \$662,655 Other Funds, and \$5,170,020 Federal Funds. Drivers include higher costs for adult foster care and DD client shifts between state and group homes. The program's request includes expenditure limitation to support local match on transportation costs. is requesting about \$26.5 million in Federal Funds to support federal match and \$2.7 million Other Funds to help cover local match for transportation services.

The program is also requesting an increase of \$690,416 General Fund to address an accounting error that applied an incorrect federal match rate on expenditures; a corresponding Federal Funds expenditure limitation decrease is included.

The plan includes a technical adjustment moving \$385,952 total funds and one position (1.00 FTE) from SPD to Central Services. In the SPD program support budget, \$24,294 total funds is added to cover recently announced telecomm rate increases.

The LFO recommendation for SPD includes one correction to the agency's plan: change the fund type on the SIM grant expenditure from Federal to Other Funds since the grant is passed through OHA and not received directly from the federal government.

CENTRAL SERVICES/SHARED SERVICES/DEBT SERVICE

The net changes for Central Services are increases of \$1,169,476 General Fund and Federal Funds (cost allocation) from the two technical adjustments noted previously: transfer in of dollars incorrectly applied in December 2012 and the transfer in of one position. No changes for Shared Services or Debt Service structures are requested.

The LFO recommendation for Central Services is consistent with the agency's plan.

OREGON HEALTH AUTHORITY

The plan submitted by the agency shows that OHA expects to complete the 2011-13 biennium within its current General Fund budget. The plan would add \$17 million Other Funds expenditure limitation and \$26.4 million Federal Funds expenditure limitation.

This table shows the plan's General Fund impact by budget structure and agency totals:

<i>General Fund \$\$ in millions</i>	Health Care Programs	AMH	Public Health	Central/ Shared/ Direct Svcs	Capital	Debt Service	Total
2011-13 Leg. Adopted Budget	871.5	660.1	34.4	71.8	-	54.2	1,692.1
Rebalance Issues							
Problems	2.7	-	-	2.4	-	-	5.0
Savings	(3.2)	-	-	-	-	(1.1)	(4.3)
Management Actions	(0.8)	-	-	-	-	-	(0.8)
Net Change from Leg Approved	(1.3)	-	-	2.4	-	(1.1)	-

HEALTH CARE PROGRAMS

The rebalance plan for Health Care Programs includes adjustments to Medical Assistance Programs (MAP) only. Rebalance issues in this program result in overall net savings of \$1.3 million General Fund, a net increase of \$18 million Other Funds, and a net increase of \$30.9 million Federal Funds. There are no changes to positions or FTE.

OHA reports General Fund savings of \$1.2 million from slightly lower caseloads, and a reduction in General Fund need due to an increase in tobacco tax revenue of \$2 million.

The updated Spring 2013 caseload forecast results in \$1.2 million General Fund and \$0.6 million total funds savings in MAP. Changes in the forecast are shown in more detail in the table below.

2011-13 Biennium	December 2012	April 2013	Difference	% Change	\$MM Difference
<i>OHP Caseload</i>					
TANF	184,604	184,534	(70)	0.0%	3.9
Poverty Level Medical Women	13,013	13,040	27	0.2%	0.3
Poverty Level Medical Children	149,064	149,232	168	0.1%	1.3
Aid to Blind/Disabled	80,425	80,403	(22)	0.0%	(0.5)
Old Age Assistance	35,080	34,712	(368)	-1.0%	(1.9)
Child Protective Services	18,901	18,786	(115)	-0.6%	(1.2)
Total OHP excluding Standard & CAWEM	481,087	480,707	(380)	-0.1%	2.0
<i>Children's Health Insurance</i>	72,751	73,618	867	1.2%	2.6
<i>Medicare Buy-in & CAWEM Regular & Breast/Cervical Cancer</i>	45,654	45,268	(386)	-0.8%	(5.2)
<i>DMAP Caseloads - no Standard</i>	599,492	599,593	101	0.0%	(0.6)
Total General Fund Impact					(1.2)

While the forecast shows almost no change in total caseload, shifts between categories result in a small net reduction of costs. On the other hand, General Fund need is increased by \$2.7 million (\$8.4 million total funds) due to the shift of fee-for-service clients into Coordinated Care Organizations. This is a one-time shift caused by the difference in timing of payments in the two systems.

The agency's overall rebalance results in a shortfall of \$751,851 General Fund. An unspecified management action of this amount is included in MAP. The agency will continue to monitor expenditures and revenues over the next few months. LFO notes that \$237,309 General Fund is currently unscheduled, as a result of the December 2012 rebalance, and can be rescheduled to reduce this shortfall.

The Standard caseload continues to run higher than originally planned. Additional expenditure limitation of \$15.6 million Other Funds and \$26.2 million Federal Funds is needed to accommodate this caseload level. A brief temporary increase in the hospital assessment provides the Other Funds revenue for this increase. Other Funds limitation is also increased by \$2 million to reflect the higher tobacco tax forecast.

The timing and amount of revenues received by MAP through the Designated State Health Program (DSHP) continues to be a budget risk. The agency is monitoring the federal funds leveraged on a weekly basis. If cash flow continues slower than anticipated, it could increase interest payments on the agency's cash flow loan from Treasury.

The LFO recommendation for Health Care Programs is consistent with the agency's plan. LFO also recommends requesting that the \$237,309 General Funds be rescheduled.

PUBLIC HEALTH DIVISION

The rebalance change for Public health results in an increase of \$142,000 Other Funds expenditure limitation to reflect a higher forecast for tobacco tax revenues for the Tobacco Use Reduction Account. The LFO recommendation is consistent with the agency request.

CENTRAL SERVICES/SHARED SERVICES/DEBT SERVICE

The rebalance plan for Central and Shared Services includes a net increase in General Fund of \$2.4 million to fund state assessments and risk charges after accounting for cost allocation actuals to date. Adjustments between fund sources for cost allocation also include a decrease in Other Funds of \$1.1 million and an increase in Federal Funds of \$1 million. Interest earnings on bond proceeds generated \$1.1 million more than anticipated, which will be applied to General Fund debt service. This results in a corresponding General Fund savings to the budget. Finally, Federal Funds limitation is reduced by \$4.8 million to reflect updated expenditure projections related to the State Innovation Model grant.

The LFO recommendation is consistent with the agency plan.

Legislative Fiscal Office Recommendations

LFO recommends the following actions to implement the DHS and OHA 2011-13 rebalance plans with the adjustments as described above:

1. Approve amendments to SB 5549 to transfer General Fund appropriations, and adjust Other Funds and Federal Funds expenditure limitations, per the attached conceptual amendments.

Motion #1: I move the conceptual amendments to SB 5549

2. Request the Department of Administrative Services to reschedule \$1,469,444 General Fund for Children, Adults, and Families (DHS).
3. Request the Department of Administrative Services to reschedule \$237,309 General Fund for Health Services (OHA).
4. Move the bill as amended to the Full Committee on Ways and Means with a "do pass" recommendation, as amended.

Motion #2: I move SB 5549 to the Joint Committee on Ways and Means with a "do pass" recommendation, as amended, and request the Department of Administrative Services to reschedule General Fund as described in the LFO recommendation.

CONCEPTUAL AMENDMENTS TO SB 5549

Delete lines 5 through 13 of the bill, and insert the following:

SECTION 1. Notwithstanding any other law appropriating money, limiting expenditures or otherwise adjusting appropriations or expenditure limitations, and in addition to any action by the Emergency Board, the authorized appropriations or expenditure limitations for the following agencies and programs of the State of Oregon are changed by the amounts specified for the biennium ending June 30, 2013:

Agency/Program/Funds	2011 Oregon Laws Chapter/Section	Adjustment
Department of Human Services:		
Children, Adults and Families		
General Fund	ch. 621 1(2)	- 976,500
Other Funds	ch. 621 2(2)	+ 417,556
Federal Funds	ch. 621 3(2)	+ 54,082,870
Seniors and People with Disabilities		
General Fund	ch. 621 1(3)	- 192,976
Other Funds	ch. 621 2(3)	+ 1,959,157
Federal Funds	ch. 621 3(3)	- 6,334,050
Central Services		
General Fund	ch. 621 1(1)	+ 1,169,476
Oregon Health Authority:		
Health Services Programs		
General Fund	ch. 580 1(1)	+ 857,961
Other Funds	ch. 580 2(1)	+ 18,248,649
Federal Funds	ch. 580 4(1)	+ 29,908,179
Central Services		
General Fund	ch. 580 1(2)	+ 238,371
Other Funds	ch. 580 2(2)	- 1,243,931
Federal Funds	ch. 580 4(2)	- 3,556,069
Debt Service		
General Fund	ch. 580 1(4)	- 1,096,332

On line 14, after “Section”, delete 4 and insert 2.

On line 16, delete “July 1, 2013” and insert “on its passage”.



Oregon

John A. Kitzhaber, MD, Governor

Department of Human Services

Office of the Director

500 Summer St. NE, E-62

Salem, OR 97301

Voice: 503-945-5600

Fax: 503-581-6198

April 23, 2013



The Honorable Richard Devlin, Co-Chair
The Honorable Peter Buckley, Co-Chair
Ways and Means Committee
900 Court Street NE
Salem, OR 97301

RE: Department of Human Services May 2011-13 Rebalance Letter and Report

Dear Co-Chairs:

The purpose of this letter is to provide the fourth Rebalance report of the 2011-13 Biennium for the Department of Human Services (DHS) to the Human Services Subcommittee on Ways and Means.

No General Fund is being requested. However, Other and Federal Fund limitations are being requested as well as other net zero technical adjustments moving funds between appropriations.

If you need additional information at this time, please contact Eric L. Moore, 503-884-4701.

Sincerely,

Eric Luther Moore
Chief Financial Officer
eric.l.moore@state.or.us

Enclosure

cc: Laurie Byerly
Blake Johnson

Kate Nass
George Naughton

Ken Rocco

"Assisting People to Become Independent, Healthy and Safe"



Report To The State of Oregon 2013-15 Legislative Ways and Means Committee – Human Services Subcommittee

The Department of Human Services (DHS) 2011-13 May Rebalance Report
May 2013

Executive Summary and Nature of Request:

The Department of Human Services (DHS) budget for 2011-13 is structured as five separate appropriations: Children, Adults and Families; Seniors and People with Disabilities; Central Services; Shared Services; and Debt Service. An agency rebalance plan reflects program cost increases and savings, revenue changes, and proposed management actions, if any, needed to balance the budget. Rebalancing allows DHS, with legislative approval, to move General Fund between appropriations and adjust Other and Federal Funds expenditure limitation to carry out its legislatively approved programs.

DHS is presenting its fourth rebalance report for the 2011-13 biennium, before the Ways and Means Human Service Subcommittee. DHS will not be asking for additional GF. However, DHS will be requesting the scheduling of some funds.

At the rebalance in December 2012, the TANF JOBS program was underfunded by \$5.0 million General Fund. HB5052 (2013) provided \$5.0 million to restore the GF underfunding in December which was immediately unscheduled.

DHS continues to focusing on managing to achieve targeting savings by using outcome based decision making in all program and support areas. DHS is not asking for additional General Fund. However DHS will request DAS schedule \$1.47 million of the \$5.0 million GF in order to fully balance the Self Sufficiency TANF budget.

The main GF issues in this rebalance include:

- An increase in Cost per Case due to TANF UN caseload increases.
- Refinancing issues that were not discovered until recently due to ARRA FMAP changes and other FMAP change issues.

DHS NET ADJUSTMENTS	DHS 2011-13 LAB	Rebalance Adjustments - GF "need" is only to Schedule GF	May 2013 Rebalance
Schedule GF		1,469,444	1,469,444
General Fund	2,168,567,997		2,168,567,997
Debt Service (GF)	16,869,093		16,869,093
Other Funds	514,095,196	2,135,908	516,231,104
Federal Funds	5,893,213,453	49,159,141	5,942,372,594
Total Funds	8,592,745,739	51,295,049	8,644,040,788

(See attachment A for more details by appropriation.)

Program Rebalance Details

This section contains more details on the General Fund issues (see attachment B for caseload change details from spring 2012 to fall 2012 for 2011-13 and more details for TANF).

Adults and People with Disabilities (APD) and **People with Developmental Programs (DD)** have a combined net need of \$0.26 million. There are two main issues: first, there are slight changes in caseloads, costs per case and a true up of participation rates at SOCP that net to a savings of (1.4) million General Fund. Second, there were two FMAP items that needed correction. That offset the FMAP savings.

Two other minor issues are also addressed; first, a position is moved to Central Services where the person has been working the entire biennium. Second, on March 1st, agencies were notified that phone rates charged by the State Data Center would go up by just over 11 percent.

APD & DD (SPD) Major Challenges and Savings			
1 - SPD Caseload and Cost per Case Net	DHS SPD 2011-13 LAB	Rebalance Adjustments	LAB plus Adjustment
General Fund	1,322,030,058	(1,376,806)	1,320,653,252
Total Funds	3,856,677,167	(7,821,083)	3,848,856,084
2 - SPD - FMAP Corrections Net	DHS SPD 2011-13 LAB	Rebalance Adjustments	LAB plus Adjustment
General Fund	1,322,030,058	1,621,505	1,323,651,563
Total Funds	3,856,677,167	0	3,856,677,167
3 - SPD - Total Issues Net	DHS SPD 2011-13 LAB	Rebalance Adjustments	May 2013 Rebalance Totals
General Fund	1,322,030,058	(192,976)	1,321,837,082
Total Funds	3,856,677,167	(4,567,829)	3,852,109,338

The net APD and DD issues are \$257,533 which the agency will take management actions in order to manage. DHS will continue to manage with the goal of closing the biennium with no additional funding needed in this appropriation before closing the biennium. This will in large part depend on funding and invoices that are not received until after July 1, 2013 as the biennium does not close until December 31, 2013.

Self Sufficiency, Child Welfare and Vocational Rehabilitation Services have a total net General Fund need of \$1.5 million, mostly due to the continued, unprecedented increased costs to TANF. While caseloads are smaller than anticipated as the UI bubble did not materialize, the cost per case is up leading to a net \$1.4 million GF need. (See Attachment B for more details).

DHS is proposing to manage this increased cost-per-case in TANF by using unspent JOBS funds. Though committed contractually, current spend rates show that there will be savings. Local level officials report that the savings in this area is the result of the funding uncertainty in this program area which has led to conservative spending patterns, as well as the lack of case managers to ensure that clients are fully engaged in the program. DHS and local partners continue to work on strategies to serve clients and meet participation targets as required by the federal government. These challenges speak to the need for more funding certainty going into the 2013-15 biennium.

There are also two large FF requests. First, OVRS requests \$7.2 million in FF to continue the 5 year spending plan that has included ARRA, GF and Re-allotment funding all with separate end dates and match rules. Second, is a request of \$46 million FF limitation to ensure DHS can close the biennium based on projected Modernization expenditures. This request was specifically held off for most of the biennium to ensure it was needed and to have a better idea of how much would be needed.

There are three other issues,

- First, is a net need in child welfare of \$78,000 GF due to changes in caseloads and costs per case across the program area.
- Second, is the \$16,242 GF and \$45,000 TF need due to the increase in State Date Center phone charges discussed above.

CW, SS, VR (CAF) Major Challenges and Savings. Only Requested Funding is the Scheduling of \$1,469,444 General Fund			
CAF - Caseload and Cost per Case Net	DHS CAF 2011-13 LAB	Rebalance Adjustments	LAB plus Adjustment
General Fund	838,947,292	1,469,444	840,416,736
Total Funds	4,542,816,242	56,946,370	4,599,762,612
CAF - Total Issues Net	DHS CAF 2011-13 LAB	Rebalance Adjustments	May 2013 Rebalance Totals
General Fund	838,947,292	(976,500)	837,970,792
Total Funds	4,542,816,242	53,523,926	4,596,340,168

DHS is requesting the use of some of the funding set aside for the TANF JOBS Program to cover the TANF Basic and UN cost-per case issues of \$1.47 million. The Self Sufficiency programs will continue to look for ways to make up the shortfall in the JOBS program or achieve savings in other ways to ensure the JOBS program is able to spend as much as possible within their budget.

Central Office

By managing Certificate of Participation (Bond) sales timings DHS saved \$976,500 in General Fund. At the December Rebalance DHS inadvertently moved these funds to CAF instead of Central Office. There is a technical adjustment to make that shift. In addition there is one position that was inadvertently budgeted in SPD that was supposed to be in Central Office where the expenditures are being posted.

Outstanding Issues and Risks

DHS is working to manage remaining issues within existing resources. For example, the Federal 2013 budget sequestration will result in 3 months of decreased funding to various grants. For now, those reductions are manageable however if they continue into the next biennium, additional discussion may be needed.

Conclusion

We look forward to the conversation with the committee about the issues presented in this rebalance letter, and we thank the subcommittee for your on-going time and attention to the Department's budget.

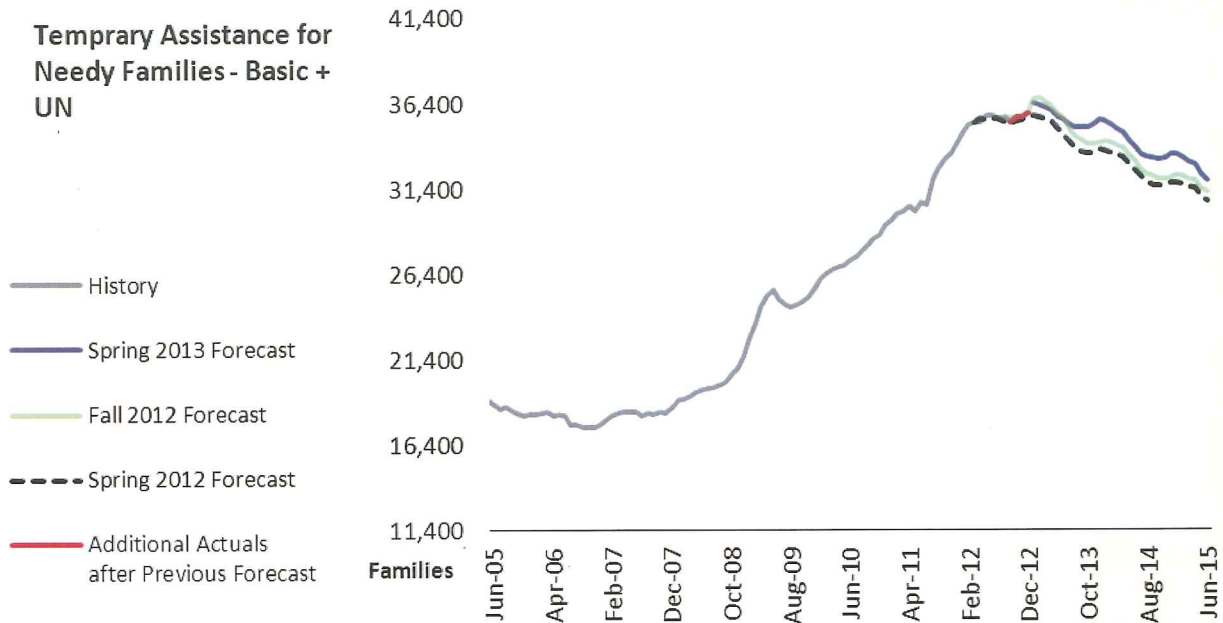
Attachment A

DHS 2011-13 January 2012 Rebalance Appropriation and Limitation Adjustments

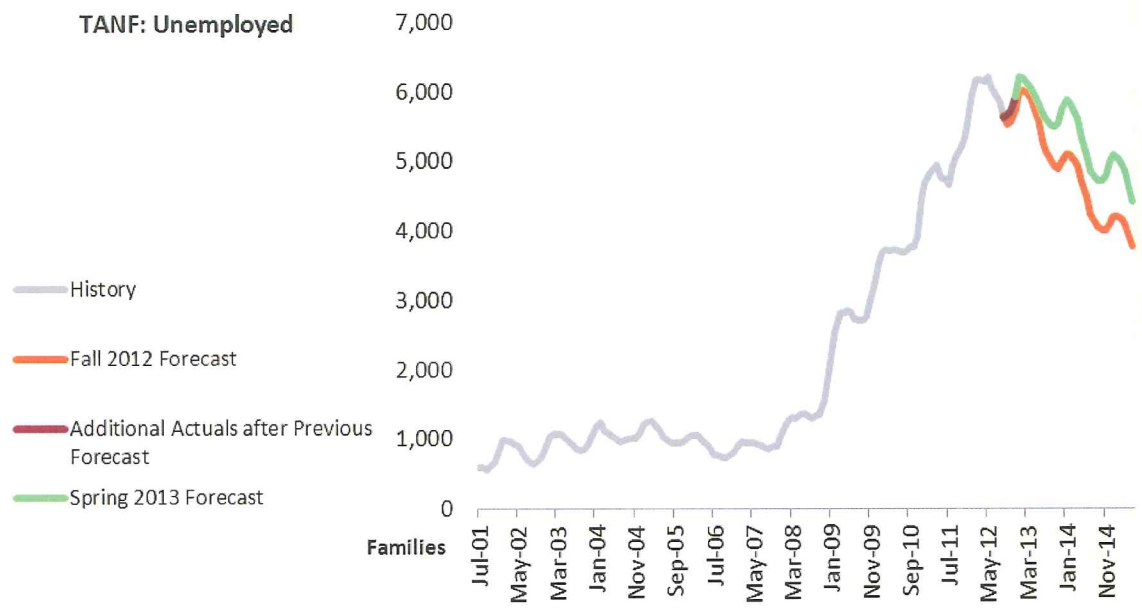
DEPARTMENT OF HUMAN SERVICES (DHS)			ATTACHMENT A		
2011-13 May 2013 Rebalance					
APPROPRIATION AND LIMITATION ADJUSTMENTS					
DIVISION	PROPOSED LEGISLATION/ SECTION	FUND	REBALANCE ADJUSTMENTS	REQUEST FROM E-FUND RESERVE	NET ADJUSTMENTS
Children, Adults, and Families Division	HB 5030, 1(2)	General	(976,500)		(976,500)
	HB 5030, 2(2)	Other	417,556		417,556
	HB 5030, 3(2)	Federal	54,082,870		54,082,870
	HB 5030, 4	Federal, Non Limited	-		-
		Total	53,523,926	-	53,523,926
Seniors & People with Disabilities Division		General			
	HB 5030, 1(3)		(192,976)		(192,976)
	HB 5030, 2(3)	Other	1,718,352		1,718,352
	HB 5030, 3(3)	Federal	(6,093,205)		(6,093,205)
	Total		(4,567,829)	-	(4,567,829)
Central Services	HB 5030, 1(1)	General	1,169,476		1,169,476
	HB 5030, 2(1)	Other	-		-
	HB 5030, 3(1)	Federal	1,169,476		1,169,476
		Total	2,338,952	-	2,338,952
Debt Service	HB 5030, 1(4)	General, Debt Service	-		-
Shared Services	HB 5030, 2(4)	Other	-		-
Total		<i>Schedule</i>	<i>1,469,444</i>		
		General	-		-
		General - Debt Service	-		-
		Other	2,135,908		2,135,908
		Federal	49,159,141		49,159,141
		Federal Non-Limited	-		-
		Total	51,295,049	-	51,295,049

Attachment B

Total Department of Human Services Biennial Average Forecast Comparison			
Biennial Averages by Forecast	Fall 12 Forecast 2011-13	Spring 13 Forecast 2011-13	%Diff. Fall 12 to Spring 12 2011-13
DEPARTMENT OF HUMAN SERVICES			
Self-Sufficiency			
Supplemental Nutrition Assistance Program (Households)	440,182	437,829	-0.5%
Temporary Assistance for Needy Families - Basic & UN (Families: Cash Assistance)	34,934	34,851	-0.2%
Employment Related Daycare (Families)	8,459	8,541	1.0%
Child Welfare (Children) ¹			
Adoption Assistance	11,025	10,978	-0.4%
Guardianship Assistance	1,153	1,168	1.2%
Out of Home Care	8,247	8,002	-3.0%
Child In-Home ²	2,926	1,466	-
Vocational Rehabilitation (Clients)			
	8,502	8,539	0.4%
Aging & Physical Disabilities			
Long-Term Care: In Home	10,834	12,360	-
Long-Term Care: Community Based	12,687	12,648	-0.3%
Long-Term Care: Nursing Facilities	4,490	4,497	0.2%
Developmental Disabilities ³			
Total DD Services	14,619	14,576	-0.3%
Total Case Management Enrollment	20,212	20,283	0.4%
<p>1. For Child Welfare, the prior forecast used for comparison is Fall 2011, not Fall 2012.</p> <p>2. The Spring 2013 forecast is based on data from a new child welfare data system (OR-KIDS). The Fall 2011 forecast was based on the legacy data system. The legacy system Child in Home data counted children that were on Child Protective Services (CPS) cases as well as those that were part of Family Support Services (FSS) cases. In contrast, the Spring 2013 forecast for Child in Home pertains only to children that are part of a CPS case as FSS data in OR-KIDS are currently under development. As a result, Child in Home data from Spring 2013 is not comparable to Fall 2011. Since the data is not comparable a percentage change has not been calculated, nor is the category included in the count of Total Child Welfare for this forecast cycle.</p> <p>3. The Spring 2013 In-Home Care forecast has been expanded to include three additional existing services: In-Home Agency, State Plan Personal Care Agency, and Independent Choices. As a result, LTC In-Home data from Spring 2013 and Fall 2012 are not comparable and a percentage change has not been calculated.</p>			



There were 35,800 families receiving TANF benefits in December 2012. The TANF caseload underwent nearly uninterrupted growth starting in January 2008 until leveling off in 2012. The caseload is expected to remain stable, with seasonal fluctuations, through 2013. Thereafter the caseload is expected to decline during the spring and summer months of the next several years as Oregon’s job market continues to gain strength. The TANF Biennial Average Forecast for 2011–13 is 34,851 families, 0.2 percent lower than the Fall 2012 Forecast. The Spring 2013 Forecast average for the 2013–15 biennium is 33,947 families, 2.9 percent higher than the Fall 2012 Forecast. The difference is mostly due to the effect of a more pessimistic employment forecast on the UN portion of the total TANF caseload. The major risks to the TANF forecast would cause the actual caseload to be lower than forecast. These include a proposal from the Governor’s recommended budget that would limit TANF eligibility to 36 months and management actions designed to refocus staff from eligibility work to case management.



As mentioned above, the two parent caseload continues to drive the cost per case and even though the overall TANF caseloads are down, the mix of TANF UN as a percentage of the overall caseload is leading to an increase in the costs per case.

The last several years have illustrated the sensitivity of the TANF caseload to economic conditions. While proposed legislation and management actions are intended to reduce the TANF caseload, the risk of deteriorating economic conditions could lessen the effect of those actions. In their first quarter 2013 economic forecast, the Office of Economic Analysis noted specific risks to the economy. These include global economic and fiscal issues, continued housing market instability, commodity price inflation, loss of federal timber payments to Oregon, and undoing the various federal policies designed to stimulate economic growth.



OFFICE OF THE DIRECTOR

John A. Kitzhaber, MD, Governor

Oregon
Health
Authority

500 Summer St NE E20

Salem OR 97301

Voice: 503-947-2340

Fax: 503-9472341

www.Oregon.Gov/OHA

April 18, 2013

The Honorable Richard Devlin, Co-Chair
The Honorable Peter Buckley, Co-Chair
Joint Committee on Ways and Means
900 Court St, NE
H-178 State Capitol
Salem, OR 97301

Re: Oregon Health Authority (OHA) April 2013 Budget Rebalance Report

Dear Co-Chairpersons:

NATURE OF REQUEST

The Oregon Health Authority (OHA) requests receipt of this letter as its April 2013 Rebalance Report for the 2011-2013 biennium and referral of the Rebalance Report to the 2013 Legislative Assembly.

Major Rebalance Drivers

With less than three months remaining in the 2011–2013 biennium, the agency is projecting an estimated \$751,851 General Fund (GF) shortfall, primarily within increased costs for assessments and offsets of savings from caseload forecasts and debt service revenues. This represents less than 0.05 of a percent of the OHA GF budget. OHA remains optimistic that expenses will remain constant for the rest of the biennia, we will continue to pursue management actions that can potentially offset this amount, and are not requesting a GF adjustment at this time. The agency's GF budget was reduced by unscheduling of \$5.2M in the December Rebalance Report, and several risks remain.

Caseload variances are within the *Medical Assistance Program* (MAP). The net MAP GF savings of \$539,941, represent 0.06 of a percent of the MAP legislatively approved GF budget after the December 2012 session reduction noted above.

At a summary level, the OHA Rebalance is comprised of:

Cost changes relative to the 2011-2013 Need/(Savings)	General/Lottery Fund Need/(Savings)	Other Funds Need/(Savings)	Federal Funds Need/(Savings)	Total Funds Need/(Savings)	Pos. Req.	FTE Req.
MAP Standard Caseload (Spring Forecast)	0	15,578,139	26,219,927	41,798,066	-	-
MAP fee for service claims lag	2,655,000	370,000	5,390,000	8,415,000	-	-
Direct Charge/Assessments/Cost allocations	2,388,124	(1,139,456)	(1,010,297)	238,371	-	-
TPEP limitation increase (TURA)	0	142,000	0	142,000	-	-
Total Challenge/ Request	5,043,124	14,950,683	30,599,630	50,593,437		
Savings and Management Actions						
Tobacco Tax Revenues (Spring Forecast)	(2,005,000)	2,005,000	0	0	-	-
MAP Caseload Impact (Spring Forecast)	(1,189,941)	49,035	552,480	(588,426)	-	-
Debt Service	(1,096,332)	0	0	(1,096,332)	-	-
SIM Grant Limitation Adjustment	0	0	(4,800,000)	(4,800,000)		
Mgmt Actions to balance within existing GF	(751,851)	0	0	(751,851)		
Net Savings and Mgmt Actions	(5,043,124)	2,054,035	(4,247,520)	(7,236,609)		
NET OHA Rebalance change at April	\$ 0	\$ 17,004,718	\$ 26,352,110	\$ 43,356,828	-	-

Medical Assistance Program Caseload forecast changes

The change from the Fall 2012 MAP forecast to the Spring 2013 forecast is negligible in actual count. When the volatility of the Standard program is removed, the Spring 2013 forecast calls for a 2011-2013 biennial average of 559,593. This compares to the earlier Fall 2012 forecast of 559,197, or an increase of 0.1% (one-tenth of one percent).

The only significant changes within individual groups are an estimated 1.4% increase in the CHIP forecast and a 1.1% decrease in the Qualified Medical Beneficiary group. All changes to 2011-2013 forecast estimates are the result of slight up and down deviations observed since the Fall of 2012. Overall, the Fall 2012 forecast averaged 0.1% (one-tenth of one percent) over-forecast when compared to actual caseload counts observed prior to the current Spring 2013 forecast. See attachment B.

Updated Federal and Other Funds Revenue projections

For MAP, the 2013 spring forecast also indicates a slight increase in Tobacco Tax revenues (See attachment C) for which the MAP GF budget is adjusted by \$2,005,000. Actual drug rebate revenue projections remain unchanged from the

adjustment of \$10.45M made in the December Rebalance, while OHA continues to refine the payback to Medicaid for receipted revenues. More precise calculations will be included in the agency close out later this year.

With the delay in receipted funds for the Designated State Health Program (DSHP) leveraging, OHA needed to access its loan from the State Treasury about 35 days sooner than originally anticipated. Interest payments may run higher than estimated in December, but are dependent upon cash flow generated by DSHP.

The Central Service and Direct Charge budgets are adjusted between fund sources to more accurately reflect the current biennium-to-date cost allocated expenditures. A re-alignment between fund sources is made to primarily reflect incurred costs of risk assessments and state government service charges. OHA's risk assessments are historically driven by instances at the Oregon State Hospital. Other Fund revenue from capitalized interest generated a \$1M GF savings.

The Office of Health Policy and Research (OHPR) was awarded \$45M for the Center for Medicaid and Medicare Innovation Grant. This funding will enable OHA to test and accelerate the spread of its Coordinated Care Model (CCM.) The primary goal of the CCM is to more effectively and at less cost meet the health care needs of our state's population and achieve the Triple Aim. The December Rebalance anticipated an award of \$60M with a need of \$10M in Federal Funds limitation for this biennium. With the delayed notification of the award, OHPR expects to spend \$5.2M during the 2011-13 biennium. Federal Funds limitation is adjusted downward by \$4.8M to reflect this.

The Public Health (PH) budget is increased by \$142,000 Other Funds in the Tobacco Prevention and Education Program (TPEP) to reflect the increase in revenues for the Tobacco Use Reduction Account (TURA). The PH Medical Marijuana Program ending balance is still projected at \$2.8M in Other Funds revenues attributed to the legislatively approved increases in its program fees. This revenue has not been earmarked or allocated to any PH program and therefore not accounted for in this rebalance exhibit.

With the adjustment made in the December Rebalance and management actions taken, the Addictions and Mental Health (AMH) Oregon State Hospital (OSH) is projecting to stay within its legislatively approved budget.

Other budget corrections and technical adjustments that are neutral to the OHA budget are included in the rebalance that move limitation, positions or General Fund within OHA budget structures or to the Central Services and Shared Services budget.

Risk factors, challenges and outstanding issues with this Rebalance Plan

The OHA rebalance report provides the known details associated with the OHA 2011-13 budget. Major challenges the OHA will continue to monitor and maximize options for include:

- While the economy is showing signs of recovery, caseloads are always a major driver of costs in the OHA budget. We remain at risk to changes to volatility in Oregon's overall employment, as well as jobs for people with access to affordable health care.
- Changes in federal policy create risks to the AMH and PH budgets. The specific impacts for the 2013 federal fiscal year sequestration have not been finalized.
- Tobacco Tax revenues have historically fluctuated, increasing and decreasing widely and affects the Tobacco Tax revenues anticipated to fund the Oregon Health Plan programs. Because these forecasts are volatile, there continues to be risk to the expected level of Tobacco Tax revenues assumed in this financial update.
- The revenues assumed by the arrangement of the DSHP waiver remain to be contingent upon the "anticipated spend plan" of other entities outside of the OHA budget.
- The ability to continue realizing sufficient efficiencies in the health care system expected from health system transformation.

Additionally, OHA will be providing the DAS Chief Financial Office (CFO) and the Legislative Fiscal Office (LFO) with budget updates reflecting changes to the 2013-15 projected caseloads and other known adjustments.

ACTION REQUESTED

Acknowledgement of OHA's April 2013 Rebalance report and referral of the report to the Legislative Assembly is requested.

The Honorable Richard Devlin, Co-Chair
The Honorable Peter Buckley, Co-Chair
April 18, 2013
Page 5 of 9

LEGISLATION AFFECTED

See Attachment A for statutory changes.

Sincerely,



Kelly Ballas
Chief Financial Officer



William J. Coulombe
Budget Director

Attachments A- Legislation Affected
B- MAP Caseload
C- Tobacco Tax Forecast variations

CC: Linda Ames, Legislative Fiscal Office
Kate Nass, Budget Analyst, DAS/CFO
Dustin Ball, Budget Analyst, DAS/CFO

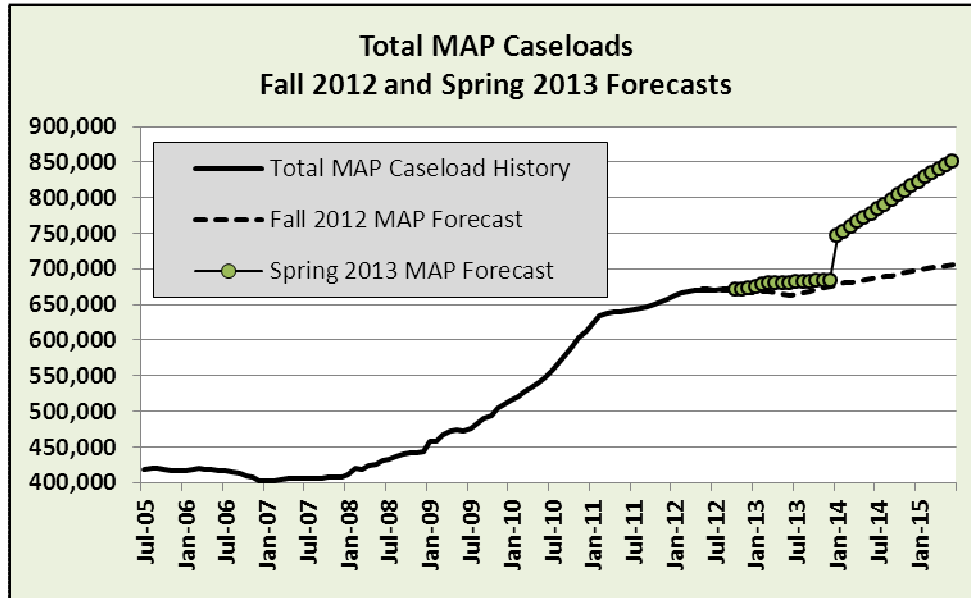
Attachment A

OREGON HEALTH AUTHORITY
2011-13 April 2013 Rebalance
APPROPRIATION AND LIMITATION ADJUSTMENTS

ATTACHMENT A

DIVISION	PROPOSED	FUND	REBALANCE	REQUEST FROM	NET
Central Services	ch 580 1(2)	General	238,371		238,371
	ch 580 2(2)	Other	(1,243,931)		(1,243,931)
	ch 580 4(2)	Federal	(3,556,069)		(3,556,069)
		Total	(4,561,629)	-	(4,561,629)
Debt Service	SB 5529-A	GF -Debt	(1,096,332)		(1,096,332)
	SB 5529-A	OF-Debt-NL	-		-
	SB 5529-A	FF NL - Debt	-		-
		Total	(1,096,332)	-	(1,096,332)
Shared Services	ch 580 2(3)	Other	-		-
		Total	-	-	-
Direct Charges & Services	ch 580 1(1)	General	2,149,753		2,149,753
	ch 580 2(1)	Other	145,400		145,400
	ch 580 4(1)	Federal	(2,254,228)		(2,254,228)
		Total	40,925		40,925
Additions and Mental Health	ch 580 1(1)	General	-		-
	ch 580, 3	Lottery Funds	-		-
	ch 580 2(1)	Other	-		-
	ch 580 4(1)	Federal	-		-
		Total	-		-
Public Health Program	ch 580 1(1)	General	-		-
	ch 580 2(1)	Tobacco Tax	142,000		142,000
	ch 580 2(1)	Other	-		-
	ch 580 5(5)	Other, Non-Limited	-		-
	ch 580 4(1)	Federal	-		-
	ch 580 5(5)	Federal, Non-Limited	-		-
		Total	142,000	-	142,000
Capital Improvement	ch 580 1(3)	GF	-		-
		Total	-	-	-
Capital Construction	ch 580 5(3) and (4)	OF	-		-
		Total	-	-	-
Medical Assistance Program	ch 580 1(1)	General	(1,291,792)		(1,291,792)
	ch 580 2(1)	Tobacco Tax	2,005,000		2,005,000
	ch 580 2(1)	Other	15,997,174		15,997,174
	ch 580 4(1)	Federal	30,862,407		30,862,407
		Total	47,572,789	-	47,572,789
Public Employees Benefit Board	ch 580 2(1)	Other	-		-
	ch 580 5(1) and 5(2)	Other, Non-Limited	-		-
		Total	-	-	-
Oregon Educators Benefit Board	ch 580 2(1)	Other	-		-
	ch 580 5(3) and 5(4)	Other, Non-Limited	-		-
		Total	-	-	-
Private Health Partnerships	ch 580 1(1)	General	-		-
	ch 580 2(1)	Other	-		-
	ch 580 4(1)	Federal	-		-
	ch 580 5(7)	Other, Non-Limited	-		-
		Total	-		-
Oregon Healthy Kids	ch 580 1(1)	General	-		-
	ch 580 2(1)	Other	(40,925)		(40,925)
	ch 580 4(1)	Federal	1,300,000		1,300,000
		Total	1,259,075		1,259,075
OHA Health Services Programs	ch 580 1(1)	General	857,961		857,961
	ch 580, 3	Lottery Funds	-		-
	ch 580 2(1)	Other	18,248,649		18,248,649
	ch 580 4(1)	Federal	29,908,179		29,908,179
	ch 580 5(1) and 5(2)	Other, Non-Limited PEBB	-		-
	ch 580 5(3) and 5(4)	Other, Non-Limited OEBS	-		-
	ch 580 5(5)	Other, Non-Limited PHD	-		-
	ch 580 5(7)	Other, Non-Limited OMIP	-		-
	ch 580 5(5)	Federal, Non-Limited PH	-		-
		Total	49,014,789		49,014,789
		TOTAL		43,356,828	

Attachment B – Medical Assistance Program Caseload



**Spring 2013 Forecast
 compared to
 Fall 2012 Forecast
 (2011-2013 biennial averages)**

Eligibility Group	% change
TANF RM	-0.22%
TANF EX	0.68%
PLM Women	0.21%
AB / AD	-0.03%
Old Age Asst	-1.05%
Foster/Substitute	0.20%
CHIP	1.41%
PLMC	0.14%
CAWEM CW	-0.42%
CAWEM Pre-natal	-2.69%
Qual Med Beneficiary	-1.11%
BCCP	-7.99%
Families	6.18%
Adults/Couples	4.67%

Attachment B – Medical Assistance Program Caseload Continued

Caseload Impact by Fund Type

Eligibility Category	11-13 Fall 12 Forecast	11-13 Spring 13 Forecast	Monthly Average Eligibles Change problem/ (savings)	GF	Hospital Tax	Insurer's Tax	OF	FF	TF
OHP Plus									
TANF-Adult	61,629	62,141	513	\$ 1,960,270	\$ 377,126	\$ 23,753		\$ 3,973,468	\$ 6,334,617
TANF-Children	122,975	122,393	(582)	\$ (758,020)	\$ (148,877)	\$ (9,455)		\$ (1,542,086)	\$ (2,458,438)
PLMA>FPL	5,075	5,242	167	\$ 1,325,145	\$ 295,339	\$ 22,278		\$ 2,764,528	\$ 4,407,290
PLMA<FPL	7,938	7,798	(140)	\$ (1,240,828)	\$ (272,640)	\$ (17,841)		\$ (2,576,969)	\$ (4,108,278)
PLMC>FPL, <1	5,963	5,969	7	\$ 28,530	\$ 13,437	\$ 349		\$ 71,212	\$ 113,528
PLMC>FPL, 1-5	14,478	14,326	(151)	\$ (135,486)	\$ (22,312)	\$ (1,763)		\$ (268,519)	\$ (428,080)
PLMC<FPL, <1	9,996	9,999	2	\$ 10,565	\$ 4,805	\$ 122		\$ 26,071	\$ 41,563
PLMC<FPL, 1-5	39,623	38,651	(972)	\$ (871,585)	\$ (143,976)	\$ (11,224)		\$ (1,727,928)	\$ (2,754,713)
PLMC<FPL, 6-12	46,210	46,710	500	\$ 534,167	\$ 62,208	\$ 6,669		\$ 1,014,834	\$ 1,617,878
PLMC<FPL, 13-18	32,794	33,577	783	\$ 907,101	\$ 108,767	\$ 10,657		\$ 1,727,492	\$ 2,754,017
AB/AD	80,425	80,403	(22)	\$ (150,215)	\$ (31,475)	\$ (1,792)		\$ (308,773)	\$ (492,255)
OAA	35,080	34,712	(368)	\$ (616,122)	\$ (78,508)	\$ (8,253)		\$ (1,182,850)	\$ (1,885,733)
FC	16,837	16,701	(136)	\$ (469,267)	\$ (34,790)	\$ (7,234)		\$ (860,429)	\$ (1,371,720)
SAC	2,064	2,085	22	\$ 66,065	\$ 5,394	\$ 873		\$ 121,723	\$ 194,055
Total OHP Plus	481,085	480,708	(377)	\$ 590,320	\$ 134,498	\$ 7,139	\$ -	\$ 1,231,774	\$ 1,963,731
CHIP									
CHIP 0-1	715	796	81	\$ 223,169	\$ 68,394	\$ 2,721		\$ 833,729	\$ 1,128,013
CHIP 1-5	14,703	14,834	131	\$ 84,696	\$ 14,075	\$ 1,040		\$ 282,771	\$ 382,582
CHIP 6-12	32,871	33,141	270	\$ 207,684	\$ 24,492	\$ 2,456		\$ 664,727	\$ 899,359
CHIP 13-18	23,170	23,589	420	\$ 345,846	\$ 40,658	\$ 3,838		\$ 1,105,865	\$ 1,496,207
Cawem Prenatal	1,293	1,258	(35)	\$ (245,130)	\$ (61,854)	\$ -	\$ (21,802)	\$ (931,474)	\$ (1,260,260)
Total CHIP+CAWEM P	72,751	73,618	867	\$ 616,265	\$ 85,765	\$ 10,055	\$ (21,802)	\$ 1,955,618	\$ 2,645,901
Non OHP									
CAWEM	25,211	25,106	(105)	\$ (61,163)	\$ (12,821)			\$ (124,505)	\$ (198,489)
QMBY Eligibles (Line 91)	19,651	19,433	(218)	\$ (65,929)				\$ (110,948)	\$ (176,877)
MMA (Part D enrollees)	61,967	61,624	(344)	\$ (1,576,286)					\$ (1,576,286)
BCCP	792	729	(63)	\$ (693,148)	\$ (153,799)			\$ (2,399,459)	\$ (3,246,406)
Total Non OHP	107,622	106,892	(730)	\$ (2,396,526)	\$ (166,620)	\$ -	\$ -	\$ (2,634,912)	\$ (5,198,058)
Total MAP				\$ (1,189,941)	\$ 53,643	\$ 17,194	\$ (21,802)	\$ 552,480	\$ (588,426)
Net Total MAP				\$ (1,189,941)	\$ 53,643	\$ 17,194	\$ (21,802)	\$ 552,480	\$ (588,426)

Attachment C - Spring 2013 Tobacco Tax Forecast Change

(in millions)

