
MEMORANDUM

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To: Ways and Means Subcommittee on Human Services

From: Laurie Byerly, Legislative Fiscal Office (503) 986-1833
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Date: May 4, 2015

Subject: HB 5043 -- Department of Human Services and Oregon Health Authority
2013-15 Budget Rebalance
Material for May 6th Subcommittee Meeting

The Department of Human Services (DHS) and the Oregon Health Authority (OHA) have submitted their 2013-15 budget rebalance plans. The agencies will present their plans to the Human Services Subcommittee on Wednesday, May 6th, and we expect to complete the work session that day.

These rebalance plans reflects program cost increases and savings, revenue changes, and technical adjustments needed to balance each agency's budget. Rebalancing allows the agencies to move General Fund between appropriations and adjust Other and Federal Funds expenditure limitation to carry out legislatively approved programs.

Caseload and cost per case adjustments are based on the Spring 2015 caseload forecast; associated budget changes reflect differences from the Fall 2014 forecast, which was incorporated into the budgets through rebalance actions approved by the Emergency Board in December 2014.

HB 5043 (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 recommendations related to those requests, are below.

DEPARTMENT OF HUMAN SERVICES

The agency's rebalance plan shows that DHS expects to complete the 2013-15 biennium within its current General Fund budget, contingent on a transfer of \$892,806 General Fund from OHA to DHS. In addition to the net General Fund increase of \$0.9 million, the plan also adds expenditure limitation of \$13,794,042 Other Funds and \$47,316,842 Federal Funds. No changes are made to position counts or full-time equivalencies. The Legislative Fiscal Office recommendation is consistent with the agency's request.

The following table shows the General Fund impact of the agency's rebalance plan by program and agency totals:

Department of Human Services General Fund \$\$ in millions	SS	CW	VR	APD	IDD	CS PDS SAEC Shared	Debt	Total
2013-15 Leg Approved Budget (April 2015)	348.9	439.0	20.9	725.1	574.1	209.2	13.8	2,331.0
Rebalance Adjustments:								
Caseload and cost per case	(11.1)	(4.9)	-	15.1	8.5	-	-	7.6
Problems	6.5	-	-	2.0	-	3.0	-	11.5
Savings and/or revenue	(4.8)	(5.0)	-	(8.4)	-	-	(0.9)	(19.1)
Technical adjustments	-	-	-	0.9	-	-	-	0.9
Net Adjustments	(9.4)	(9.9)	-	9.6	8.5	3.0	(0.9)	0.9
2013-15 Leg Approved after May-15 Rebalance	339.5	429.1	20.9	734.7	582.6	212.3	12.9	2,331.9

More detail on the changes and LFO's recommendations for each program are outlined in the subsequent narrative.

SELF SUFFICIENCY/CHILD WELFARE/VOCATIONAL REHABILITATION (SS/CW/VR)

The rebalance request for SS/CS/VR reflects net decreases of \$19.4 million General Fund and \$6,043 Other Funds, along with a net increase of \$7.3 million Federal Funds.

For Self Sufficiency programs, the biennial average caseload in the Temporary Assistance to Needy Families (TANF) program has decreased by 741 families from the fall forecast, down to 32,212 families, driving savings of \$11.1 million General Fund. A portion of these savings are used to offset costs of \$6.5 million General Fund in the Employment Related Day Care (ERDC) program.

Due to both provider rate increases and a shift to use of more higher quality child care, cost per case in the ERDC program over the 2013-15 biennium grew dramatically. While the agency was watching costs closely and instituted a program reservation list to keep spending within the budget, that action was not able to fully address the issue. In addition, a policy that allows clients moving off the TANF caseload to bypass the reservation list has contributed to higher than expected program enrollment, due to the continued transition of families off of the TANF caseload.

The rebalance plan also uses \$4.2 million in federal TANF contingency funds to cover program costs (one-time backfill of General Fund); this amount reflects an increase tied to the final estimate for funds to be awarded in federal fiscal year 2015.

In Child Welfare, there are net General Fund savings of \$6.5 million because of overall lower caseload counts and costs per case, as well as reduced personnel services costs due to position management. The rebalance also includes savings of \$4.4 million General Fund obtained by retroactively and correctly claiming additional federal IV-E Adoption Assistance dollars. The savings are offset by \$1 million General Fund needed to fix an error where federal funds were inappropriately tapped for services.

No rebalance adjustments are needed for the Vocational Rehabilitation program.

AGING & PEOPLE WITH DISABILITIES/INTELLECTUAL & DEVELOPMENTAL DISABILITIES (APD/IDD)

The rebalance request for APD/IDD reflects net increases of \$18.1 million General Fund, \$13.8 million Other Funds, and \$40.5 million Federal Funds.

For the Aging and People with Disabilities' budget, both cost per case and caseloads have generally increased since the Fall 2014 forecast and contribute greatly to net increases of \$9.6 million General Fund and \$35.1 million total funds. In-Home Care caseloads have risen almost 4% since Fall 2014, while Community-Based Care caseloads have stayed flat and Nursing Facility caseloads have increased by 1.3%. Costs per case have risen in all areas. Another budget problem is \$2 million General Fund needed to fix a problem where costs were incorrectly charged to federal funds in the Disability Determination Services program.

About half of these cost are offset by savings. Managing position vacancies and other personnel-related actions result in projected savings of \$1.2 million General Fund. In the Oregon Project Independence (OPI) program, which doubled in size this biennia, projected spending is estimated to come in \$2.7 million General Fund lower than the budget. A similar dynamic exists for the some of the new programs funded by the Special Purpose Appropriation for Seniors, which are projected to underspend by a total of \$3.6 million General Fund. While the agency has counted on these spending projections as part of the rebalance, there is some risk in this assumption.

It is possible, that since contracts and obligations have been made for both the OPI and Senior SPA dollars, spending in the last few months of the biennium could accelerate and make these funds unavailable to help offset the projected budget deficit for senior programs. If this were to occur, the agency's 2013-15 budget would likely need to be revisited by the Emergency Board via a biennial close-out rebalance late in late 2015.

The rebalance plan also includes a transfer (technically, an appropriation increase for DHS and an appropriation decrease for OHA) of \$892,806 General Fund to retain program capacity in APD while the OHA Medical Assistance Program continues to work on expanding the availability of Enhanced Care Outreach Services (ECOS) to seniors and people with disabilities.

Caseload and cost per case changes in the Developmental Disabilities (DD) program help drive net increases of \$8.5 million General Fund, \$2.0 million Other Funds, and \$6.3 million Federal Funds. Drivers include significant caseload growth in adult comprehensive in-home, which increased from a projected caseload of 369 in Fall 2014 forecast to 545 by Spring 2015. There are also increases in cost per case for adult supportive living and children's intensive in-home services. Under the K Plan, access to in-home services has increased and client budgets are determined by an individual's assessed need level, rather than program criteria.

The program is also requesting an increase of \$8.5 million Other Funds and \$12.0 million Federal Funds to match up with higher level activity in the local match non-medical transportation program.

CENTRAL SERVICES/PROGRAM DESIGN SERVICES/STATEWIDE ASSESSEMENTS AND ENTERPRISE-WIDE COSTS/SHARED SERVICES (CS/PDS/SAEC/Shared)

The net change for Program Design Services is an increase of \$2.6 million General Fund tied to costs accrued early in the biennium for the curtailed Modernization project. The agency's 2013-15 budget assumed Article XI-Q bond proceeds would be available to cover these expenditures, but since the project was closed and bonds were not sold, revenues are not available. In Statewide Assessments and Enterprise-wide Costs, federal funds under the cost allocation model are not materializing as projected so are not available to cover administrative costs. This will also be a problem in future budgets as capped or flat federal grant streams are not able to keep up with inflation, caseload, and other cost drivers. No changes for Central or Shared Services are requested.

DEBT SERVICE (DS)

Along with XI-Q bond proceeds, the 2013-15 budget also included \$878,597 General Fund to cover debt service on those bonds. Since there was no sale, these funds are used to help offset the project costs noted previously.

OREGON HEALTH AUTHORITY

The plan submitted by the agency shows that OHA expects to complete the 2013-15 biennium with a surplus of \$40.6 million General Fund. This is primarily related to lower costs for caseload. The plan would decrease Other Funds expenditure limitation by \$11.5 million, and increase Federal Funds by \$77.6 million. Technical adjustments net to zero agencywide, except for one transfer to DHS. There are no changes to positions or FTE. The Legislative Fiscal Office recommendation is consistent with the agency request.

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

<i>General Fund \$\$ in millions</i>	MAP	AMH	Public Health	Health Policy	Central/ Shared	Capital	Debt	Total
2013-15 Leg. Approved Budget	1,041.2	687.9	40.2	46.0	89.6	0.7	68.9	1,974.6
Rebalance Issues								
Costs	-	-	-	-	0.4	-		0.4
Savings	(39.5)	(0.5)	-		-	-		(40.1)
Technical Adjustments	(0.1)	(1.0)	-		0.3	-		(0.9)
Net Change from Leg Approved	(39.7)	(1.5)	-		0.7	-		(40.6)

MEDICAL ASSISTANCE PROGRAMS

The OHA rebalance plan includes several adjustments to the Medical Assistance Programs (MAP). Rebalance issues in this program result in overall net savings of \$39.5 million General Fund. In addition, the budget is decreased by \$0.1 million as a result of transfers and technical adjustments. The plan includes a net decrease in Other Funds of \$96.3 million, and an increase in Federal Funds of \$78.9 million.

OHA reports General Fund savings of \$38.4 million from the net effect of both caseload changes and cost-per-case changes, as can be seen in the table below. The updated Spring 2015 caseload forecast resulted in an increase of 35,586 individuals on the caseload, compared to the Fall 2014 forecast. Most of this is in the ACA expansion population, but the number of children on the Health Plan is also up significantly from the previous forecast. The financial impact of caseload changes alone result in an increase in General Fund costs of \$24.8 million.

2013-15 Biennium	December 2014	May 2015	Difference	% Change	\$MM Difference
<i>OHP Plus</i>					
Parent/Caretaker Relative	74,859	68,264	(6,595)	-8.8%	(102.5)
Pregnant Woman Program	16,611	17,921	1,310	7.9%	5.1
Children's Medicaid Program	308,052	326,747	18,695	6.1%	22.5
Aid to Blind/Disabled	83,798	83,490	(308)	-0.4%	(52.5)
Old Age Assistance	37,442	37,787	345	0.9%	1.0
Foster, Adoption/BCCP	19,557	19,581	24	0.1%	0.5
Total OHP Plus	540,318	553,790	13,472	2.5%	(125.9)
<i>Children's Health Insurance Program</i>	79,313	71,200	(8,113)	-10.2%	(36.4)
<i>Medicare Buy-in, CAWEM</i>	54,090	55,011	921	1.7%	0.5
<i>Subtotal</i>	673,721	680,001	6,280	0.9%	(161.8)
ACA Adults	262,120	291,426	29,306	11.2%	184.4
MMA (clawback)					5.4
TOTAL MAP	935,841	971,427	35,586	3.8%	28.0
Total General Fund Impact					(38.4)

The cost-per-case adjustments included in the rebalance total to a savings of \$63.2 million General Fund. The estimates include the expected changes to the "clawback" for the current biennium of \$5.4 million General Fund. This is the funding that the state is required to pay to our federal partners for the cost of prescription drug benefits under Medicare Part D for clients that are eligible for both Medicaid and Medicare. The overall impact of both the caseload and the cost-per-case is shown in the right hand column in the table. Total Funds increase \$28.0 million but General Fund need decreases \$38.4 million.

The rebalance includes an increase of \$1.1 million in the tobacco tax forecast, which will be used to offset General Fund. The rebalance also includes a \$79.0 million increase in Federal Funds expenditure limitation related to the caseload changes. The reduction in Other Funds is primarily related to a transfer of \$84.8 million unneeded limitation in MAP, over to the Public Employees' Benefit Board.

As with any forecast, there is some risk that caseloads will end the biennium higher than anticipated in the Spring 2015 forecast. Because of the backlog of redeterminations still being processed, that risk is somewhat higher than usual.

ADDICTIONS AND MENTAL HEALTH

Rebalance issues in Addictions and Mental Health (AMH) result in a savings of \$0.5 million General Fund. In addition, the budget is decreased by \$1.0 million General Fund as a result of transfers and technical adjustments. The transfers include \$892,806 that will be returned to DHS for the Enhanced Care Outreach Services (ECOS) program. It had been anticipated that these resources would be needed to expand this program statewide; however that implementation will not happen until after July 1, 2015.

The \$0.5 million General Fund savings is from an appropriation that was made during the 2013 session as part of HB 2836, to fund the Juvenile Fitness to Proceed Program. Not all the funding was needed this biennium as a result of the timing of the phase-in of the program.

PUBLIC EMPLOYEES' BENEFIT BOARD

The Public Employees' Benefit Board (PEBB) is requesting an increase in Other Funds expenditure limitation of \$84.8 million, an increase of 5.5%, in order to pay premiums and claims costs for the rest of the biennium. When the budget was originally built, the limitation related to core benefits (medical and dental) was capped at 4.4% increase per employee per month for the first year, and 3.4% increase for the second year, consistent with the Oregon Health Plan. Additional limitation was then added to account for optional benefits that are fully paid by individuals. Those calculations were based on an estimated number of employees. The program is very close to the original estimates in terms of costs per employee per month for core programs. However, there was a significant increase in numbers of employees compared to the initial estimates. This is the primary reason for the need for additional limitation. In addition, the limitation for the Health Engagement Model (HEM) was inadvertently omitted from the original calculation. The \$84.8 million limitation is being transferred from MAP, where it is not needed.

CENTRAL SERVICES/SHARED SERVICES/STATEWIDE ASSESSMENTS & ENTERPRISE-WIDE COSTS

The rebalance plan for Statewide Assessments & Enterprise-Wide Costs includes a net increase in General Fund of \$0.4 million as a result of Department of Administrative Services assessments and Treasury fees. The Treasury fees were inadvertently omitted when the budget was built, and the Department of Administrative Services increased certain of their assessments mid-biennium. This unit has also experienced higher than expected costs for unemployment claims, primarily due to the closure of Blue Mountain Recovery Center last year. These costs were covered by a transfer from AMH.

Legislative Fiscal Office Recommendations

LFO recommends the following actions to implement the DHS and OHA 2013-15 rebalance plans with the adjustments as described above:

1. Approve the -1 amendment to HB 5043 to adjust General Fund appropriations, and Other Funds and Federal Funds expenditure limitations.

Motion #1: I move to adopt the -1 amendment to HB 5043

2. Move the bill as amended to the Full Committee on Ways and Means with a "do pass" recommendation, as amended.

Motion #2: I move HB 5043 to the Joint Committee on Ways and Means with a "do pass" recommendation, as amended.

**PROPOSED AMENDMENTS TO
HOUSE BILL 5043**

1 Delete lines 4 through 15 of the printed bill and insert:

2 **“SECTION 1. Notwithstanding any other law appropriating money,**
3 **limiting expenditures or otherwise adjusting appropriations or ex-**
4 **penditure limitations, and in addition to any action by the Emergency**
5 **Board, the authorized appropriations and expenditure limitations for**
6 **the biennium ending June 30, 2015, for the following agencies and**
7 **programs are changed by the amounts specified:**

8 “ _____

	2013		
	Oregon Laws		
	Chapter/		
12 Agency/Program/Funds	Section	Adjustment	
13			
14 Department of Human Services:			
15 Child welfare, self-			
16 sufficiency and			
17 vocational rehabilitation			
18 services			
19 General Fund	Ch. 675 1(2)	-\$19,356,214	
20 Other funds	Ch. 675 2(2)	-6,043	
21 Federal funds	Ch. 675 3(2)	+7,277,619	
22 Aging and people with			

1 **disabilities and developmental**
2 **disabilities programs**

3	General Fund	Ch. 675 1(3)	+18,101,129
4	Other funds	Ch. 675 2(3)	+13,800,085
5	Federal funds	Ch. 675 3(3)	+40,454,372

6 **Central services, statewide**
7 **assessments and enterprise-**
8 **wide costs**

9	General Fund	Ch. 675 1(1)	+3,026,488
10	Federal funds	Ch. 675 3(1)	-415,149

11 **Debt Service**

12	General Fund	Ch. 675 1(4)	-878,597
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13 **Oregon Health Authority:**
14 **Health Services Programs**

15	General Fund	Ch. 668 1(1)	-40,692,329
16	Other funds	Ch. 668 2(1)	-96,373,943
17	Federal funds	Ch. 668 4(1)	+77,110,140

18 **Central services, statewide**
19 **assessments and enterprise-**
20 **wide costs**

21	General Fund	Ch. 668 1(2)	+657,174
22	Other funds	Ch. 668 2(2)	+105,823
23	Federal funds	Ch. 668 4(2)	+460,920

24 **Public Employees' Benefit**
25 **Board**

26	Other funds	Ch. 668 6	+84,751,851
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27 **Youth fitness to proceed**

28	General Fund	Ch. 709 14	-535,629
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29 “

30 **“SECTION 2. This 2015 Act being necessary for the immediate**

1 **preservation of the public peace, health and safety, an emergency is**
2 **declared to exist, and this 2015 Act takes effect on its passage.”.**

3
