



OFFICE OF THE DIRECTOR

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April 27, 2015

The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative 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) 2013-2015 Budget Rebalance Report.

Dear Co-Chairpersons:

NATURE OF REQUEST

The Oregon Health Authority (OHA) requests receipt of this letter as its April 2015 Rebalance Report for the 2013-2015 biennium.

Major Rebalance Drivers

Based upon actual expenditures through February 2015, and updated projections for the Spring 2015 caseload forecasts, the agency is projecting a \$40.57 million General Fund (G/F) surplus. \$892,806 of the G/F surplus is identified as a one-time transfer to be returned to Department of Human Services (DHS) for Enhanced Care Outreach Services (ECOS).

As outlined in the December 2014 Rebalance Report regarding the continuation of limited duration positions into 2015-2017, OHA has initiated a process that includes a thorough functional review of all programs within the agency, including a major restructuring to align with Coordinated Care Organizations (CCOs) and ensure attainment of integrated healthcare and financial sustainability. Every newly configured Division of OHA (7) will be going through a lean process prior to December 2015. As a part of the hiring pause that was put in effect in February 2015, the intent of the lean process will be to identify functional areas for process improvements, efficiencies, and the opportunities for repurposing existing positions to new bodies of work, enabling OHA to right-size the agency's position authority. At this time, continuation of any previously identified positions needed for the 2015-2017 biennium, have already been included in the Governor's budget.

The 2013-2015 OHA Rebalance is comprised of:

Medical Assistance Program (MAP) Program and Caseload forecast changes

The Spring 2015 forecast for OHA clients in the Oregon Health Plan (OHP) continues to reflect increased client enrollment under the Affordable Care Act (ACA). Some of the increase in Medicaid clients was anticipated based upon deferred redeterminations and that the Agency has had to delay some closures of client enrollments. However, as redeterminations are being completed, more clients are being determined as eligible, therefore remaining in the caseload projections. (See Attachments B & C.)

Addictions and Mental Health (AMH)

During the February 2014 session, AMH had originally received \$892,806 G/F from DHS Adults and People with Disabilities (APD) to expand the availability of Enhanced Care Outreach Services (ECOS). ECOS supports individuals with a mental health diagnosis who are receiving long term care services in an APD licensed care setting. These services are intended to ensure the safety and well-being of the individual and stabilize their living situation. The OHA Medical Assistance Program started working with APD to expand these arrangements on a state-wide basis as a benefit in the Medicaid program with coordinated prior authorization criteria and processes. The criteria for this state-wide implementation will not be ready before July 2015. OHA is returning the G/F (and associated federal fund limitation of \$1.5 million) to DHS and this is reflected as a savings in the Rebalance.

An additional \$0.5 million G/F savings in the AMH budget is from the separate appropriation of House Bill 2836 (2013). House Bill 2836 provided \$0.9 million G/F appropriation funding for the Juvenile Fitness to Proceed Program. If a court found that a juvenile was unfit to proceed in a proceeding based upon conditions specified in the bill, the court or defense attorney could request that an evaluation be conducted by a psychiatrist, licensed psychologist, or a regulated social worker. Being a relatively new program in AMH, the justice system has not been able to fully utilize this option during the 2013-2015 biennium, and referrals have only started increasing since December 2014. Therefore there is an unspent balance within this separate appropriation that OHA is putting forth as a savings.

Public Employee Benefit Board (PEBB)

The PEBB is requesting an increase of \$84.75 million in Other Fund limitation for payments related to an increase in the number of employees requiring coverage by

PEBB that were not accounted for when the PEBB budget was established. The amount of budget limitation for Core Benefits and Optional Employee paid benefits was projected at \$1,532.0 million. This is now expected to reach \$1,616.7 million. Additionally, limitation necessary for the Health Engagement Model (HEM) had not been included. Attachment D shows the assumptions of the initial 2013 budget build, and the remaining 2015 projections through June.

State Assessments and Enterprise-wide costs (SAEC)

OHA is experiencing higher levels of assessments that were not accounted for in the previous rebalance request. Some of these assessments include an increase in state government service charges (SGSC), treasury fees, higher than anticipated unemployment claims (primarily due to employee claims from the closure of Blue Mountain Recovery Center), and telecommunication assessments. Some of these increases can be managed by a technical transfer from the OHA program area generating the costs, while the SGSC is identified as a challenge in the SAEC budget for the remainder of the biennium.

Savings and Management Actions

The biggest savings for OHA is within the caseload cost-changes. This occurs when there is a change in utilization, a change in the original budget for each case mix, or both. These two elements create a projected \$38.4 million in G/F savings, while generating an additional \$78.6 million need in Federal Funds limitation, primarily attributed to the ACA population.

Updated Federal and Other Funds Revenue projections

The OHP budget challenges have included all federal match associated with traditional Medicaid, or 100% funding under the ACA.

The OHP budget has been adjusted for the most recent Economic Forecast for the projected Tobacco Tax revenues, which demonstrate an increase of \$1.1M above the adjustment made in December. (See also Attachment E.) These additional Tobacco revenues are used as offsets to G/F in the MAP-OHP budget.

Other budget corrections and technical adjustments that are neutral (net to zero) in the OHA budget, or that account for transfers within OHA are included in the rebalance that move limitation, positions or General Fund within OHA budget structures or to the Central Assessments Services and Shared Services Funding budget.

Summary of OHA Costs, Savings and Mgmt Actions by Fund Type

Cost changes relative to the 2013-2015 Need/(Savings)	General Fund Need/(Savings)	Other Fund Need/(Savings)	Federal Fund Need/(Savings)	Total Fund Need/(Savings)	Pos. Req.	FTE Req.
MAP Spring 2015 Caseload/Mix Increase	\$ 24,778,197	\$ 5,320,867	\$ 400,629,868	\$ 430,728,932		
MAP Spring 2015 Caseload/Cost Savings	(\$ 63,214,418)	(\$ 17,940,301)	(\$ 321,612,836)	(\$ 402,767,555)		
NET MAP Caseload/Cost Impact	(\$ 38,436,221)	(\$ 12,619,434)	\$ 79,017,032	\$ 27,961,377		
Assessments/ Enterprise wide costs	\$ 398,872	\$ 105,823	\$ 309,329	\$ 814,024		
Net Cost Change Request:	(\$ 38,037,349)	(\$ 12,513,611)	\$ 79,326,361	\$ 28,775,401		
Other Savings and management Actions						
Tobacco Tax Economic Forecast	(\$ 1,105,000)	\$ 1,105,000	0	0		
AMH Juvenile Fitness Determination	(\$ 535,629)	0	0	(\$ 535,629)		
AMH ECOS Transfer back to DHS	(\$ 892,806)	0	(\$ 1,546,554)	(\$ 2,439,360)		
AMH excess limitation		(\$ 107,658)	(\$ 208,747)	(\$ 316,405)		
Net Other Savings and Mgmt Actions	(\$ 2,533,435)	\$ 997,342	(\$ 1,755,301)	(\$ 3,291,394)		
NET OHA Rebalance at April 2015	(\$ 40,570,784)	(\$ 11,516,269)	\$ 77,571,060	\$25,484,007		

Risk factors, challenges and outstanding issues with this Rebalance Plan

With four months of expenditures remaining for the balance of the 13-15 biennium, the challenges that OHA must continue to closely monitor for the remainder of the biennium include:

- OHA is in the process of having an actuarial review of the current 2015 calendar year rates with the Coordinated Care Organizations. While this review may affect the rates for 2015, OHA will not have the results of this review before July 1, 2015 and therefore any potential financial impact will be realized in the 2015-2017 budget for OHA.
- OHA is continuing to refine process improvements for addressing the backlog of redetermination workload, but has had to delay some closures of client enrollments.
- 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.

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In conclusion, healthcare locally and nationally is still in a post start-up adjustment phase of the ACA. Data systems are evolving to ensure accuracy and enrollment ease. Assessing the impact of the new ACA enrollments is a national process. The emerging caseload mix and profile is the subject of ongoing analysis and efforts are underway to assess rate impacts and identify financial sustainability in a complex new system.

ACTION REQUESTED

Acknowledge receipt of the OHA April 2015 Rebalance Report.

LEGISLATION AFFECTED

See attachment A.

Sincerely,



Lynne Saxton
OHA Director



William J. Coulombe
Budget Director

CC:Linda Ames, Legislative Fiscal Office
Tamara Brickman, DAS/CFO
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ATTACHMENT A

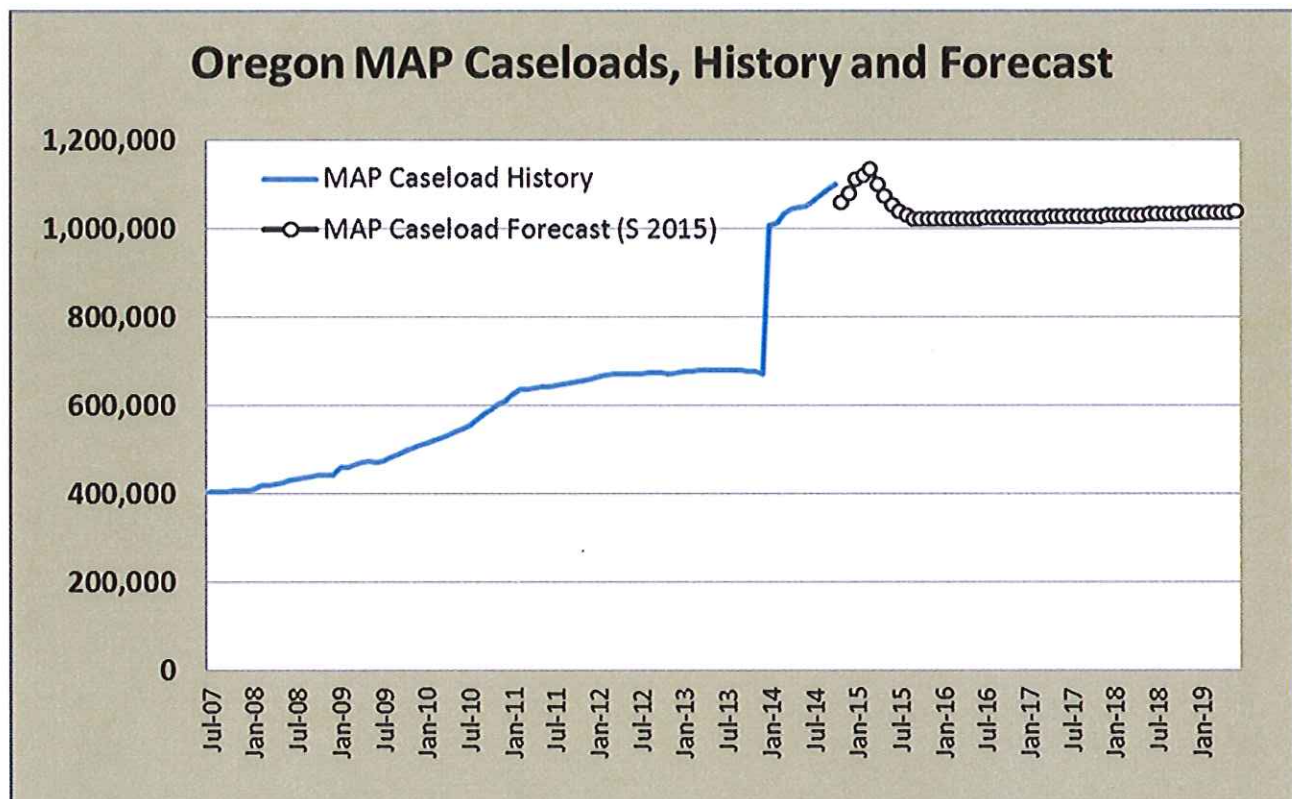
OREGON HEALTH AUTHORITY

**APRIL 2015 REBALANCE ACTIONS
 APPROPRIATION AND LIMITATION ADJUSTMENTS**

DIVISION	PROPOSED LEGISLATION SECTION	FUND	REBALANCE ADJUSTMENTS	NET ADJUSTMENTS	APPR #
Central Svs/SAEC	Ch 668 1 (2)	General	\$ 657,174	\$ 657,174	87401
	Ch 668 2 (2)	Other	\$ 105,823	\$ 105,823	34401
	Ch 668 4(2)	Federal	\$ 460,920	\$460,920	64401
		Total	\$ 1,223,917	\$ 1,223,917	
Addictions and Mental Health	Ch 709 14	General	(\$ 535,629)	(\$ 535,629)	87805
Public Employees Benefit Board	Ch 668 (6)	Other-PEBB	\$ 84,751,851	\$ 84,751,851	34804
OHA Health Services Programs	Ch 668 1 (1)	General	(\$ 40,692,329)	(\$ 40,692,329)	87801
	Ch 668 2 (1)	Other	(\$ 96,373,943)	(\$ 96,373,943)	34801
	Ch 668 4 (1)	Federal	\$ 77,110,140	\$ 77,110,140	64801
		Total	(\$ 59,956,132)	(\$ 59,956,132)	

ATTACHMENT B

MAP SPRING 2015 CASELOAD FORECAST



ATTACHMENT C

MAP SPRING CASELOAD/COST CHANGE

Eligibility Category	13-15 Fall14 Forecast	13-15 Spring15 Forecast	Monthly Average Eligibles Change problem/ (savings)	Biennial Total (\$)	Funding			
					GF	OF	FF	TF
OHP Plus								
TANF-Adult	74,859	68,264	(6,594)	\$(102,521,662)	\$(32,454,525)	\$ (5,068,403)	\$ (64,998,734)	\$ (102,521,662)
PLMW	16,611	17,921	1,310	\$ 5,143,131	\$ 2,575,926	\$ (693,541)	\$ 3,260,746	\$ 5,143,131
PLMC	308,052	326,747	18,695	\$ 22,501,224	\$ 8,368,506	\$ (1,246,276)	\$ 15,378,994	\$ 22,501,224
AB/AD w/o Medicare	53,287	52,985	(301)	\$ (54,620,036)	\$(16,111,400)	\$ (3,879,533)	\$ (34,629,103)	\$ (54,620,036)
AB/AD w/Medicare	30,511	30,505	(6)	\$ 2,073,463	\$ 1,006,618	\$ (247,730)	\$ 1,314,575	\$ 2,073,463
OAA w/o Medicare	1,580	1,594	14	\$ 3,085,869	\$ 1,120,651	\$ 8,777	\$ 1,956,441	\$ 3,085,869
OAA w/Medicare	35,862	36,193	331	\$ (2,057,362)	\$ (495,184)	\$ (257,811)	\$ (1,304,367)	\$ (2,057,362)
FC/SAC	18,753	18,812	58	\$ 1,935,139	\$ 872,528	\$ (164,267)	\$ 1,226,878	\$ 1,935,139
BCCP	804	769	(36)	\$ (1,460,764)	\$ (504,541)	\$ (135,237)	\$ (820,986)	\$ (1,460,764)
Total OHP Plus	540,318	553,790	13,472	\$(125,920,998)	\$(35,621,421)	\$(11,684,021)	\$(78,615,556)	\$(125,920,998)
Total CHIP	77,127	69,107	(9,183)	\$ (35,394,213)	\$ (8,536,597)	\$ (531,400)	\$ (26,326,216)	\$ (35,394,213)
Total CAWEM Prenatal	2,186	2,093	(172)	\$ (1,026,168)	\$ (207,988)	\$ (54,916)	\$ (763,264)	\$ (1,026,168)
Non OHP								
CAWEM	31,127	32,291	1,164	\$ 466,408	\$ 575,985	\$ (405,280)	\$ 295,702	\$ 466,408
QMB	22,942	22,700	(242)	\$ 87,716	\$ (24,079)	\$ 56,183	\$ 55,612	\$ 87,716
OSIP-Medically Needy	21	21	0	\$ (15,780)	\$ (5,775)	\$ -	\$ (10,005)	\$ (15,780)
Total Non OHP	54,090	55,011	922	\$ 538,344	\$ 546,131	\$(349,097)	\$ 341,309	\$ 538,344
ACA								
Total ACA	262,120	291,426	29,306	\$ 184,380,759	\$ -	\$ -	\$ 184,380,759	\$ 184,380,759
MAP SUBTOTAL	935,841	971,426	34,346	\$ 22,577,724	\$(43,819,874)	\$(12,619,434)	\$ 79,017,032	\$ 22,577,724
MMA			0	\$ 5,383,653	\$ 5,383,653	\$ -	\$ -	\$ 5,383,653
MAP TOTAL	935,841	971,426	34,346	\$ 27,961,377	\$(38,436,221)	\$(12,619,434)	\$ 79,017,032	\$ 27,961,377

ATTACHMENT D

PEBB Expenditure Breakdown by Plan Year

Total Aggregate Expenditures (Actuals vs. Budget) by Plan Year				
Full Biennium	13-15 LAB Budget	Actuals + Proj	Diff	Status
2013 (6 mos)	\$ 366,013,668	\$ 390,400,120	\$ (24,386,452)	Over
2014 (12 mos)	\$ 766,109,061	\$ 808,958,511	\$ (42,849,450)	Over
2015 (*6 mos)	\$ 399,874,454	\$ 417,390,403	\$ (17,515,949)	Over
Total	\$ 1,531,997,183	\$ 1,616,749,034	\$ (84,751,851)	Over Budget

*Actuals reported July 2013 – March 2015 (21 months). Projections used April 2015 - June 2015 (3 months)

2013 Initial PEBB LAB Budget build projecting “Active Employees” (June 2013)

Plan Year	PEPM	Allowable Inflation	“Active” Employees	Initial 2013-15 LAB Budget	
2013	\$1,201.75	4.4%	48,889	\$352,513,665	
2014	\$1,242.61	3.4%	49,500	\$738,109,060	
2015	\$1,284.86	3.4%	50,000	\$385,456,954	
				\$1,476,079,679	Core Benefits 2013-15 LAB Budget
				\$55,917,500	Optional Employee Paid Benefits
				\$0	HEM Incentive Payments
				\$1,531,997,179	Core+Optional 2013-15 LAB Budget
				\$1,616,749,034	Actual Cost Projection April 2015
				\$84,751,856	Additional Limitation Request

2015 Re-adjusted PEBB 2013-15 LAB Budget using total “Active Subscribers” (April 2015)

Plan Year	PEPM	Allowable Inflation	Adjust to “Subscribers”	Adjusted 2013-15 Expenditure Budget	
2013	\$1,201.75	4.4%	51,955	\$374,621,029	
2014	\$1,242.61	3.4%	52,304	\$779,920,329	
2015	\$1,284.86	3.4%	50,701	\$390,861,060	
				\$1,545,402,418	Enrollment Adjusted Core Benefits
				\$59,932,899	Optional Employee Paid Benefits
				\$23,874,238	HEM Incentive Payments
				\$1,629,209,555	Re-adjusted 2013-15 Budget
				\$1,616,749,034	Actual Cost Projection April 2015

ATTACHMENT E

2013-15 Tobacco Tax Forecast Changes

