

**BUDGET REPORT AND MEASURE SUMMARY**

**Joint Committee On Ways and Means**

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**Action:**

**Action Date:**

**Vote:**

**Prepared By:** Art Ayre and Tamara Brickman, Department of Administrative Services

**Reviewed By:** Laurie Byerly and Linda Ames, Legislative Fiscal Office

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Agencies: Department of Human Services, Oregon Health Authority

Biennium: 2013-15

## **DHS Budget Summary\***

	2013-15 Legislatively Approved Budget <sup>(1)</sup>	2013-15 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
			\$ Change	% Change
General Fund	\$ 2,317,254,470	\$ 2,319,025,873	\$ 1,771,403	0.1%
General Fund Debt Service	\$ 13,790,835	\$ 12,912,238	\$ (878,597)	-6.4%
Other Funds Limited	\$ 511,617,767	\$ 525,411,809	\$ 13,794,042	2.7%
Federal Funds Limited	\$ 3,995,258,220	\$ 4,042,575,062	\$ 47,316,842	1.2%
Federal Funds Nonlimited	\$ 2,514,345,331	\$ 2,514,345,331	\$ -	0.0%
Total	\$ 9,352,266,623	\$ 9,414,270,313	\$ 62,003,690	0.7%

## **Position Summary**

Authorized Positions	7,635	7,635	0
Full-time Equivalent (FTE) positions	7,479.14	7,479.14	0.00

## **OHA Budget Summary\***

	2013-15 Legislatively Approved Budget <sup>(1)</sup>	2013-15 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
			\$ Change	% Change
General Fund	\$ 1,905,624,535	\$ 1,865,053,751	\$ (40,570,784)	-2.1%
General Fund Debt Service	\$ 68,941,780	\$ 68,941,780	\$ -	0.0%
Lottery Funds	\$ 10,592,532	\$ 10,592,532	\$ -	0.0%
Other Funds Limited	\$ 4,264,670,000	\$ 4,253,153,731	\$ (11,516,269)	-0.3%
Other Funds Nonlimited	\$ 1,904,711,565	\$ 1,904,711,565	\$ -	0.0%
Federal Funds Limited	\$ 9,497,680,498	\$ 9,575,251,558	\$ 77,571,060	0.8%
Federal Funds Nonlimited	\$ 106,880,067	\$ 106,880,067	\$ -	0.0%
Total	\$ 17,759,100,977	\$ 17,784,584,984	\$ 25,484,007	0.1%

## **Position Summary**

Authorized Positions	4,532	4,532	0
Full-time Equivalent (FTE) positions	4,143.41	4,143.41	0.00

<sup>(1)</sup> Includes adjustments through December 2014

\* Includes Capital Construction expenditures

## **Summary of Revenue Changes**

House Bill 5043 rebalances budgets for the Department of Human Services (DHS) and Oregon Health Authority (OHA). The agencies' programs and operations are funded by a mix of General Fund, Lottery Funds, Other Funds, and Federal Funds. The rebalance plan results in a decrease in General Fund revenue of \$39.7 million overall. Changes in caseload also result in changes to hospital assessment revenues being used, as well as changes to matching Federal Funds. The rebalance includes an increase in the tobacco tax revenues of \$1.1 million in the Medical Assistance Programs budget. An additional \$4.2 million in federal contingency funds under the Temporary Assistance to Needy Families (TANF) program is built into the DHS budget, along with \$3.4 million in federal adoption assistance funding.

## **Summary of Human Services Subcommittee Action**

The Human Services Subcommittee approved a budget rebalance plan that carries out the DHS and OHA programs and operations for the remainder of the 2013-15 biennium. The plan reflects updated estimates of various caseload costs, other program costs and savings, and non-General Fund revenues. It also shifts General Fund appropriations and expenditure limitation between budget structures. The net impact of the rebalance approved by the Subcommittee is an increase of \$892,806 General Fund for DHS and a reduction of \$40,570,784 General Fund for OHA. The rebalance plan includes net increases for both agencies of \$2,277,773 Other Funds expenditure limitation and \$124,887,902 Federal Funds expenditure limitation.

### **DEPARTMENT OF HUMAN SERVICES**

The Subcommittee rebalance plan expects DHS 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 in DHS due to this transfer, 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 equivalents.

The rebalance plan for the collective appropriations for the Self Sufficiency, Child Welfare, and Vocational Rehabilitation programs reflects a net decrease of \$19,356,214 General Fund, a net decrease of \$6,043 Other Funds, and a net increase of \$7,277,619 Federal Funds.

For Self Sufficiency programs, the biennial average caseload in the 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, more clients moving into ERDC as they leave the TANF caseload has contributed to higher than expected program enrollment, due to the higher volume of exits from the TANF caseload. The rebalance plan also uses \$4,158,560 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. Projected General Fund savings of \$669,648 in personnel costs also help balance the budget.

In Child Welfare, there are net General Fund savings of \$6,496,140 because of overall lower caseload counts and costs per case, as well as reduced personal services costs due to position management. The rebalance also uses \$3.4 million Federal Funds to replace General Fund; this net adjustment reflects claiming additional federal IV-E Adoption Assistance dollars while also fixing an error in which federal funds were inappropriately tapped for services.

No rebalance adjustments are needed for the Vocational Rehabilitation program.

Rebalance actions for the joint appropriation for the Aging and People with Disabilities and Intellectual and Developmental Disabilities programs reflect net increases of \$18,101,129 General Fund, \$13,800,085 Other Funds, and \$40,454,372 Federal Funds.

The Subcommittee rebalance plan for Aging and People with Disabilities (APD) reflects a net increase of \$9,603,040 General Fund, \$3,286,234 Other Funds expenditure limitation, and \$22,189,877 Federal Funds expenditure limitation. Both cost per case and caseloads have generally increased since the Fall 2014 forecast; the net associated requested increases are \$15,086,113 General Fund and \$39,209,329 total funds. In-Home Care caseloads have risen almost 4.0 percent since Fall 2014, while Community-Based Care caseloads have stayed flat and Nursing Facility caseloads have increased by 1.3 percent. Costs per case have risen in all areas.

Another budget problem is \$2.0 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 costs are offset by savings. Managing position vacancies and other personnel-related actions result in projected savings of about \$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 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 Special Purpose Appropriation 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 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 result in net increases of \$8,498,089 General Fund, \$2,013,851 Other Funds, and \$6,264,495 Federal Funds. Drivers include significant caseload growth in adult comprehensive in-home services, 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 \$12,000,000 Federal Funds to match up with higher level activity in the local match non-medical transportation program.

The rebalance plan for the collective appropriations for Central Services, Program Design Services, and State Assessments and Enterprise-Wide Costs programs reflects a net increase of \$3,026,488 General Fund and a net decrease of \$415,149 Federal Funds. In Program Design Services, a net increase of \$2,611,339 General Fund is 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 Services were requested.

No rebalance adjustments are needed for the Shared Services program.

The rebalance plan in the Debt Service program reflects a net decrease of \$878,597 General Fund. Along with Article XI-Q bond proceeds, the 2013-15 budget also included 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.

Even though the DHS budget is balanced with this plan, potential areas of risk and uncertainty remain in the budget primarily because the agency cannot control demand for or enrollment in many of its programs. The APD and DD caseloads are particularly challenging to forecast as the agency continues to adjust to program modifications driven by implementation of the Community First Choice State Plan Option (K Plan) during the 2013-15 biennium. Initial agency estimates for the impact of the K Plan on caseload growth and cost were significantly understated and continue to be difficult to predict.

## **OREGON HEALTH AUTHORITY**

The Subcommittee approved a budget plan for the Oregon Health Authority (OHA) that completes the 2013-15 biennium with a surplus of \$40,570,784 General Fund. This is primarily related to lower costs for caseload. The plan decreases Other Funds expenditure limitation by \$11,516,269 and increases Federal Funds by \$77,571,060. Technical adjustments net to zero agency wide, except for one transfer to DHS. There are no changes to positions or FTE.

Rebalance issues in Medical Assistance Programs (MAP) result in overall net savings of \$39,541,221 General Fund. In addition, the budget is decreased by \$138,260 General Fund as a result of transfers and technical adjustments. The plan includes a net decrease in Other Funds of \$96,266,285, and an increase in Federal Funds of \$78,878,772.

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 Oregon 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.

The cost-per-case adjustments included in the rebalance total to a savings of \$63.2 million General Fund. The estimates include the expected increase 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 results in a savings of \$38.4 million General Fund, a reduction of \$12.6 million Other Funds expenditure limitation, and an increase in Federal Funds limitation of \$79.0 million.

The rebalance includes an increase of \$1.1 million in the tobacco tax forecast, which will be used to offset General Fund. The reduction in Other Funds includes a transfer of \$84.8 million of 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. This rebalance plan does not leave any resources within the agency in the event of increased costs. If that were to happen, the agency would need to return to an Emergency Board meeting in the Fall as they prepare to close out their 2013-15 biennium budget.

Rebalance issues in Addictions and Mental Health (AMH) result in a savings of \$535,629 General Fund. In addition, the budget is decreased by \$1,012,848 General Fund as a result of transfers and technical adjustments. The transfers include \$892,806 General Fund that will be returned to DHS for the 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 \$535,629 General Fund is from an appropriation that was made during the 2013 session as part of House Bill 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.

The Subcommittee plan for Public Employees' Benefit Board includes an increase in Other Funds expenditure limitation of \$84,751,851, an increase of 5.5 percent, 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 percent increase per employee per month for the first year, and 3.4 percent 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 was inadvertently omitted from the original calculation. The additional limitation is being transferred from MAP, where it is not needed.

The rebalance plan for Statewide Assessments and Enterprise-Wide Costs includes a net increase in General Fund of \$398,872 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.

**DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION**

**HB 5043-A**

**Department of Human Services / Oregon Health Authority**  
**Art Ayre and Tamara Brickman -- 503-378-3108**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE ADJUSTMENTS (from LAB)</u>									
<b>Department of Human Services</b>									
State Assessments and Enterprise-wide Costs	\$ 415,149	\$ -	\$ -	\$ -	\$ (415,149)	\$ -	\$ -	0	0.00
Debt Service	\$ (878,597)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (878,597)	0	0.00
Program Design Services	\$ 2,611,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,611,339	0	0.00
Self Sufficiency Program	\$ (9,440,086)	\$ -	\$ -	\$ -	\$ 4,158,560	\$ -	\$ (5,281,526)	0	0.00
Child Welfare	\$ (9,916,128)	\$ -	\$ (6,043)	\$ -	\$ 3,119,059	\$ -	\$ (6,803,112)	0	0.00
Aging and People with Disabilities	\$ 9,603,040	\$ -	\$ 3,286,234	\$ -	\$ 22,189,877	\$ -	\$ 35,079,151	0	0.00
Intellectual and Developmental Disabilities	\$ 8,498,089	\$ -	\$ 10,513,851	\$ -	\$ 18,264,495	\$ -	\$ 37,276,435	0	0.00
<b>TOTAL Department of Human Services</b>	<b>\$ 892,806</b>	<b>\$ -</b>	<b>\$ 13,794,042</b>	<b>\$ -</b>	<b>\$ 47,316,842</b>	<b>\$ -</b>	<b>\$ 62,003,690</b>	<b>0</b>	<b>0.00</b>
<b>Oregon Health Authority</b>									
Central Services	\$ (339,784)	\$ -	\$ (100,950)	\$ -	\$ (380,000)	\$ -	\$ (820,734)	0	0.00
State Assessments and Enterprise-wide Costs	\$ 996,958	\$ -	\$ 206,773	\$ -	\$ 840,920	\$ -	\$ 2,044,651	0	0.00
Medical Assistance Programs	\$(39,679,481)	\$ -	\$ (96,266,285)	\$ -	\$ 78,878,772	\$ -	\$(57,066,994)	0	0.00
Public Employees Benefit Board	\$ -	\$ -	\$ 84,751,851	\$ -	\$ -	\$ -	\$ 84,751,851	0	0.00
Addictions and Mental Health	\$ (1,548,477)	\$ -	\$ (107,658)	\$ -	\$ (1,768,632)	\$ -	\$ (3,424,767)	0	0.00
<b>TOTAL Oregon Health Authority</b>	<b>\$(40,570,784)</b>	<b>\$ -</b>	<b>\$ (11,516,269)</b>	<b>\$ -</b>	<b>\$ 77,571,060</b>	<b>\$ -</b>	<b>\$ 25,484,007</b>	<b>0</b>	<b>0.00</b>
<b>TOTAL ADJUSTMENTS</b>	<b>\$(39,677,978)</b>	<b>\$ -</b>	<b>\$ 2,277,773</b>	<b>\$ -</b>	<b>\$ 124,887,902</b>	<b>\$ -</b>	<b>\$ 87,487,697</b>	<b>0</b>	<b>0.00</b>
<b>SUBCOMMITTEE RECOMMENDATION</b>	<b>\$(39,677,978)</b>	<b>\$ -</b>	<b>\$ 2,277,773</b>	<b>\$ -</b>	<b>\$ 124,887,902</b>	<b>\$ -</b>	<b>\$ 87,487,697</b>	<b>0</b>	<b>0.00</b>