

Analysis

Item 9: Oregon Health Authority

Rebalance

Analyst: Linda Ames

Request: Increase the Other Funds expenditure limitation by \$1,055,542,338, increase the Federal Funds expenditure limitation by \$431,694,555, authorize the establishment of 14 positions (4.84 FTE), and approve transfers between appropriations and expenditure limitations to rebalance the Oregon Health Authority's 2017-19 budget.

Analysis: During the 2018 legislative session, the Legislature adjusted the Oregon Health Authority's budget based on its first rebalance plan for the 2017-19 biennium. That rebalance incorporated increased costs related to federal match rate changes, and loss of hospital assessment revenue resulting from the delay caused by the referendum to repeal parts of HB 2391. Costs were partially offset by caseload savings. Distributions were also made during the 2018 session to all agencies to help cover the increased costs resulting from contract negotiations.

The Oregon Health Authority (OHA) is presenting its second financial report for the 2017-19 biennium to the Emergency Board. A typical agency rebalance plan reflects program cost increases and savings, revenue changes, and proposed management actions, if any, needed to balance the OHA budget. Rebalancing allows OHA, with legislative approval, to move General Fund between appropriations and adjust Other Funds and Federal Funds expenditure limitation as needed. The overall agency rebalance plan results in a net surplus of \$9.2 million General Fund.

The agency plan includes budget problems of \$92 million General Fund, after reducing for management actions to be taken by the agency, related to the following major issues:

- Oregon Health Plan cost increases greater than budgeted.
- Program integrity efforts resulting in lower revenues than budgeted.
- Suspension of the Oregon Common Credentialing Program.
- Increased costs and a revenue shortfall in the Oregon State Hospital.
- Cost allocation increases resulting from transitioning eligibility staff to the Department of Human Services.
- Interest costs for Treasury cash flow loan.

Savings of \$101.15 million General Fund more than cover the budget problems. This includes savings from lower caseload in the current caseload forecast, as well as lower caseload in the new Cover All Kids program than originally anticipated. In addition, revenues have increased for both the insurers tax and the new OHSU intergovernmental transfer program.

The agency reports a need for additional Other Funds expenditure limitation of \$1.06 billion, primarily related to repayment of the Treasury loan for cash flow purposes at the end of the biennium, but also including increases in both the Public Employees' Benefit Board and the Oregon Educators Benefit Board expenditure limitations. Additional Federal Funds expenditure limitation of \$431.7 million is needed primarily as a result of the cost increases in the Oregon Health Plan and

changes in the ACA caseload. There are also a number of technical adjustments/transfers included in this plan. These adjustments net to zero for the agency as a whole.

The General Fund budget impact of the identified problems, savings, and technical adjustments in the agency rebalance plan are summarized in the table below:

<i>General Fund \$\$ in millions</i>	HSD	Health Policy	Public Health	OSH	Central /Shared	Cap Impr	Total
2017-19 Leg. Approved Budget	1,374.7	43.4	65.1	463.5	216.5	0.7	2,163.8
Rebalance Issues							
Costs	49.5	5.5	0.2	31.7	10.0	-	96.8
Savings	(101.1)	-	-	-	-	-	(101.1)
Management Actions	-	-	-	(4.8)	-	-	(4.8)
Net Change	(51.7)	5.5	0.2	26.9	10.0	-	(9.2)
Technical Adjustments	2.1	(2.6)	0.1	0.1	0.3	-	(0.0)
Total Change	(49.5)	2.9	0.3	26.9	10.3	-	(9.2)

This analysis will focus on the significant changes in each program area, with further explanation as warranted.

HEALTH SYSTEMS DIVISION (HSD)

Rebalance issues in this program result in an overall surplus of \$51.7 million General Fund. In addition, the budget is reduced by \$2.1 million as a result of transfers and technical adjustments. The agency's rebalance plan includes a net increase of \$887.6 million Other Funds, an increase of \$419.1 million Federal Funds, and an increase of 18 positions (15.64 FTE), mostly transferred from elsewhere in the agency.

A number of issues increase General Fund costs by a total of \$49.5 million. The largest is cost changes of \$28.9 million General Fund based on a true-up of the Medicaid budget including the most recent coordinated care organization (CCO) rates as well as rate changes that resulted from the final catch-up of redeterminations in August 2017. The total cost increase of \$57.3 million General Fund is mitigated by savings of \$18.1 million from the revised Medicare Part B projections as well as a reduction of \$10.5 million from Medicare Part D clawback expenses.

A total of \$11 million General Fund is needed to backfill a revenue shortfall associated with the program integrity investment for the 2017-19 biennium. The agency's budget included a package to enhance program integrity through a cost-effective program to detect, prevent, and investigate fraud, waste, and abuse. Funding included \$3 million General Fund (\$10.1 million total funds), and the package assumed \$2.1 million of revenue to help fund the package. A total of 9 positions were approved. The package also included funding for a data-analytics contractor to perform advanced analytics on Medicaid data. The legislatively adopted budget increased the revenue assumption by \$15 million state funds. The agency has hired the positions, although many not until last summer. But the contract for the data analytics is still not in place, as the agency works through the procurement and IT approval process. The program has an ambitious agenda going forward, including joint ventures with the Centers for Medicare and Medicaid Services (CMS), and the Oregon

Department of Justice. This should make it likely that the agency will meet the full \$17 million state revenue target for the 2019-21 biennium. However, the agency needs to expedite the analytics contract to ensure that the data leads from this source are fully functional by the end of this biennium.

Other costs include \$3 million General Fund for community mental health wraparound services. CMS now requires more stringent reviews for medical necessity of residence services, and this has resulted in individuals that need to be transitioned to a lower level of care. The funding is needed during the transition. The rebalance plan also includes three positions to address workload issues related to the Oregon Performance Plan with the U.S. Department of Justice, and with Oregon Health Plan prior authorizations and clinical review process. Finally, the tobacco tax forecast as of September 2018 declined from the current budgeted amounts, and results in a General Fund request for backfill.

Total General Fund savings of \$101.1 million include caseload savings and increases in expected revenues. The fall 2018 caseload forecast results in a savings of \$22.2 million General Fund for the Oregon Health Plan, offset by a cost of \$2.5 million for the non-Medicaid caseload. The overall Medicaid caseload is up slightly, driven by an increase in the ACA population. However, several populations with higher General Fund costs have declined, including Pregnant Women, and Aid to the Blind and Disabled, resulting in the General Fund savings.

Changes to the forecast are shown in more detail in the table below.

2017-19 Biennium	January	December	\$MM		
	2018	2018	Difference	% Change	Difference
Medicaid Caseload Eligibility Category					
Affordable Care Act (ACA) Adults	344,382	356,589	12,207	3.5%	169.7
Parent/Caretaker Relative	72,342	73,906	1,564	2.2%	23.2
Pregnant Women	11,811	10,428	(1,383)	-11.7%	(48.5)
Children's Medicaid Program	305,125	308,496	3,371	1.1%	9.3
Aid to Blind and Disabled	84,819	84,322	(497)	-0.6%	(17.4)
Old Age Assistance	45,514	45,500	(14)	0.0%	(2.8)
Foster/Adoption/BCCP	21,244	20,694	(550)	-2.6%	(7.5)
Children's Health Insurance Program	82,637	84,163	1,526	1.8%	7.6
Medicare Buy-in, CAWEM	64,423	63,378	(1,045)	-1.6%	(0.6)
TOTAL	1,032,297	1,047,476	15,179	1.5%	\$133.0
Total General Fund Impact					(\$22.2)

Enrollment has been much lower than originally anticipated in the new Cover All Kids program that was implemented January 1, 2018. This has resulted in budget savings of \$17.3 million General Fund. Because the program is so new, this is the first time that this caseload forecast has been updated this biennium.

The insurer tax revenue expected to be received from CCOs is up \$16.7 million. In addition, the OHSU Quality and Access Program is expected to generate an additional \$44.3 million for the Oregon

Health Plan above original forecasts. This is the new intergovernmental transfer program through OHSU that started on January 1, 2018. Both of these revenue increases result in less need for General Fund.

The HSD rebalance also includes an additional \$800 million Other Funds expenditure limitation to repay a line of credit to deal with cash flow issues through the 2017-19 biennium close-out period. For several biennia, the agency has borrowed funds from the Treasury to account for a lag in receipt of certain revenues, including tobacco tax and provider assessments. The \$3.1 million General Fund for interest costs is included in Central Services.

The Legislative Fiscal Office (LFO) recommends several adjustments to the rebalance plan presented by the agency. The three positions are not recommended at this time. Although the agency has documented workload needs, these needs should be considered at the same time as other agency priorities during the 2019 legislative session. In addition, LFO does not recommend backfilling the entire \$28.9 million related to cost changes. Rather the recommendation is to backfill \$23.9 million, or all but \$5 million of the total. These numbers will continue to change as the biennium winds down, and adjustments can be made in the final rebalance of the biennium, if needed. Finally, LFO adjusted the tobacco tax backfill to account for the December 2018 forecast.

HEALTH POLICY & ANALYTICS

In July 2018 the decision was made to suspend the Oregon Common Credentialing Program. The program had been running a cash deficit in anticipation of receiving fee revenue to offset the startup costs. Due to the suspension, there will be no revenue collected. The agency is requesting \$5.5 million General Fund to backfill the startup costs.

An agency restructure effective July 1, 2018 transferred 16 positions from Health Policy & Analytics to the Health Services Division. The purpose was to consolidate Medicaid policy and operations, and to consolidate behavioral health, in order to strengthen the services provided to consumers and stakeholders. This rebalance implements that restructure.

PUBLIC EMPLOYEES' BENEFIT BOARD (PEBB)

PEBB's legislatively adopted budget was limited to a 3.4% increase in costs per employer per year, resulting in a total budget of \$1.97 billion Other Funds expenditure limitation. Based on expenditures through August 2018, the agency estimates that they will end the biennium short of limitation by about \$13 million. Enrollments are up slightly over what was originally budgeted, but the primary driver is that costs have been trending at about 5.1% rather than 3.4%. Because most of PEBB's plans are self-insured, costs can fluctuate significantly from one month to the next. To be financially prudent, the agency is requesting additional limitation of \$80 million in order to have a cushion of roughly one-month of limitation to close out the biennium, if needed.

OREGON EDUCATOR BENEFIT BOARD (OEBB)

OEBB's legislatively adopted budget was limited to a 3.4% increase in costs per employee per year, resulting in a total budget of \$1.63 billion Other Funds expenditure limitation. The number of employees is up 832 over what was budgeted for the 2017-18 plan year and is expected to be up 900 over budget for the current year. In addition, the expenditure limitation needed to pay the insurer tax was mistakenly not included in the OEBB budget. The agency currently estimates that they will be about \$19 million short of expenditure limitation for the biennium, but to be financially prudent,

the agency is requesting additional limitation of \$81 million in order to have a cushion of roughly one-month of limitation to close out the biennium, if needed.

PUBLIC HEALTH

Public Health is requesting a total of \$164,683 General Fund for two issues. Wallowa County has reverted its local public health authority to OHA, and a small amount of funding is necessary for the agency to cover the costs of providing ongoing services in the county. In addition, funding is needed for mediation services costs incurred after Public Health was unable to approve a certification of need for Newco, who was requesting to build a 100-bed inpatient psychiatric facility in Wilsonville.

OREGON STATE HOSPITAL (OSH)

The Oregon State Hospital is requesting a total of \$31.7 million General Fund to cover cost increases and a revenue shortfall. They are proposing to take management actions to cover a part of that shortfall, resulting in a net request of \$26.9 million.

Increased staffing costs of \$13.1 million relate to increased patient acuity and more physician-ordered enhanced supervision of patients, along with continued high nursing staff call out and long-term absence coverage. One contributor to these costs is related to SB 469 (2015) which made hospital nurse staffing committees responsible for setting nurse staffing levels, and also limited mandated overtime. In addition, new federal requirements for suicide prevention required the hospital to make extensive facility changes at a cost of \$2 million. Increased utilization of long-acting injectable antipsychotics has increased pharmacy costs by about \$1.6 million. Management actions include more effective interventions to address patient acuity, as well as reductions in non-critical Services and Supplies.

With improvements made to OSH in 2016, the hospital received federal certification for an additional 454 hospital-licensed beds. This certification enables the hospital to bill for certain services covered by Medicare, Medicaid, and third-party insurance when applicable. The hospital has been in the process of standing up the infrastructure, contracts, and processes to maximize this billing. In the agency's requested 2017-19 budget, OSH proposed increased revenues of \$30 million. However, in the legislatively adopted budget this was increased to \$40 million. In reality, they now expect to realize an increase in revenues of \$25 million, with a \$15 million shortfall that requires General Fund backfill. OSH still believes they will meet the \$40 million target for the 2019-21 biennium, but implementing some of changes in the current biennium took longer than expected.

CENTRAL AND SHARED SERVICES/STATEWIDE ASSESSMENTS & ENTERPRISE-WIDE COSTS (SAEC)

Rebalance issues in these programs result in an overall shortfall of \$10 million General Fund. The rebalance plan includes \$6.9 million related largely to cost allocation issues. As a result of transitioning a large number of eligibility workers from OHA to the Department of Human Services (DHS), the proportion of General Fund needed in OHA for cost allocation has increased. There is a similar decrease in need for General Fund in DHS.

The plan also includes \$3.1 million General Fund in Central Services to cover interest costs related to a line of credit from Treasury to deal with cash flow issues through the 2017-19 biennium close-out period. The limitation to repay the loan is included in Health Systems Division.

The rebalance plan includes upgrading two part-time positions in human resources to full-time, which is not recommended by LFO. Although the agency has documented workload needs, these needs should be considered at the same time as other agency priorities during the 2019 legislative session.

LEGISLATIVE FISCAL OFFICE RECOMMENDATIONS

To implement OHA’s requested rebalance plan with the modifications recommended by the Legislative Fiscal Office elsewhere in this analysis, LFO recommends the Emergency Board approve the following adjustments to OHA’s 2017-19 legislatively approved budget:

- 1) Approve the transfers between appropriations and expenditure limitations, net increases to Other Funds and Federal Funds expenditure limitation, and authorize adjustments to positions and FTE authority, as shown in the table below:

	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Health Services Programs	(10,259,512)	895,921,748	430,552,061	1,316,214,297	11	3.34
Central/SAEC	10,259,512	(3,903,290)	1,096,027	7,452,249	-	-
PEBB	-	80,000,000		80,000,000	-	-
OEBB	-	81,000,000		81,000,000	-	-
TOTAL	-	1,053,018,458	431,648,088	1,484,666,546	11	3.34

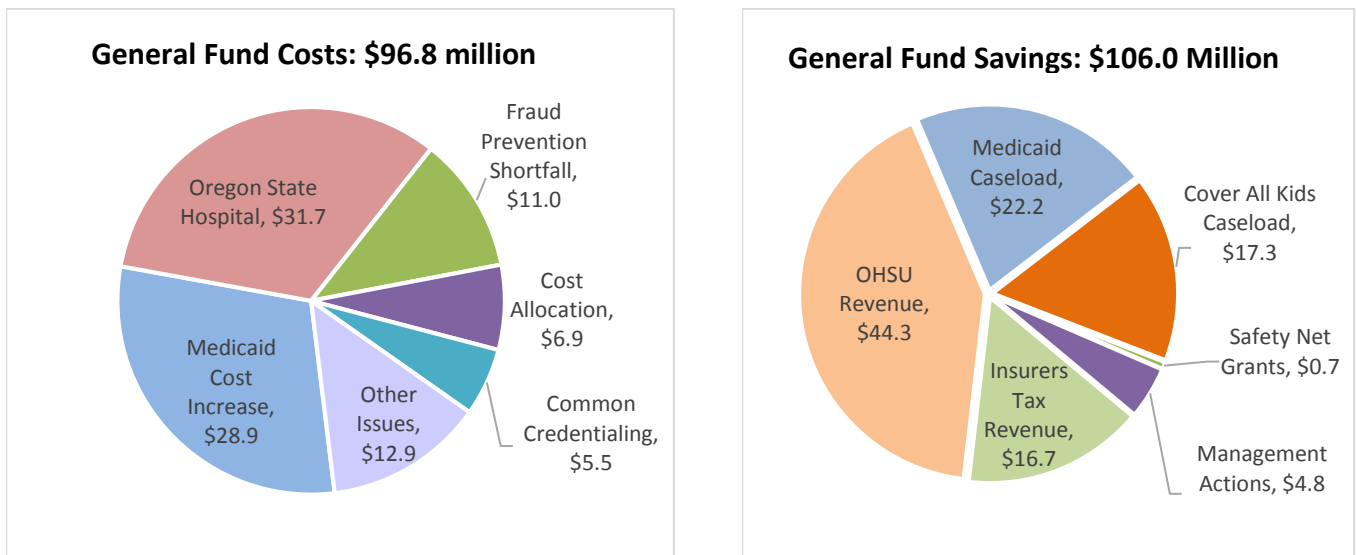
- 2) Request that the Department of Administrative Services unschedule \$11,879,295 General Fund in the Health Services appropriation.

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Oregon Health Authority
MacDonald

Request: Increase Other Funds expenditure limitation by \$1,055,542,338; increase Federal Funds expenditure limitation by \$431,694,555; establish 14 positions (4.84 FTE); and approve transfers between appropriations and expenditure limitations to rebalance the Oregon Health Authority’s 2017-19 budget.

Recommendation: Approve the request with the following modification: increase Other Funds expenditure limitation by \$1,053,018,458, increase Federal Funds expenditure limitation by \$431,692,095, and establish 14 positions (4.48 FTE).

Discussion: The Oregon Health Authority (OHA) has submitted its second rebalance plan for the 2017-19 biennium. Overall, OHA reports net General Fund savings of \$9.2 million, which results from cost increases totaling \$96.8 million and cost decreases totaling \$106.0 million from program savings and management actions. The biggest cost increases result from higher than expected rates and other costs in the Medicaid program and from staffing and revenue challenges in the Oregon State Hospital. OHA is able to cover these cost increases mostly through additional Medicaid revenue and caseload savings.



GENERAL FUND CHALLENGES

The rebalance identifies \$96.8 million in General Fund cost increases, of which \$49.5 million is within the Health Systems Division, \$31.7 million within the Oregon State Hospital, and the remaining \$15.6 million resulting from challenges in multiple programs.

Health Systems Division

Medicaid Rates/Cost Increases (\$28.9 million General Fund cost): The predominant factor driving increased costs in the Medicaid program is the higher-than-budgeted rates paid to coordinated care organizations (CCOs) for Oregon Health Plan (OHP) services. Consistent with prior years, the current budget holds annual cost growth to an average of 3.4 percent per year per OHP member. However, the rates in 2017-19 have surpassed this threshold and have increased by 5.3 percent in 2018 and 5.1 percent in 2019. Cost increases are also partially driven by higher fee-for-

service costs, such as mental health and inpatient services, as well as increased projected payments to Federally Qualified Health Centers and Rural Health Clinics. These increased costs, especially the CCO rate increases above the 3.4 percent threshold, should be considered a key risk for the 2019-21 biennium.

The Chief Financial Office recommends approving all but \$5 million of the requested \$28.9 million General Fund backfill. Since costs for these services can fluctuate, OHA can request the remaining \$5 million, if necessary, in a final rebalance at the end of the biennium.

Fraud Prevention (\$11 million General Fund cost): The rebalance identifies an \$11 million General Fund cost related to the Medicaid Program Integrity investment made in the 2017-19 biennium. The Legislatively Adopted Budget invested \$3 million General Fund and related federal matching funds to support nine additional positions and a data analytics contractor to perform advanced analytics of the Medicaid program and identify fraud, waste, and abuse. As part of this investment, General Fund savings of \$15 million was included based on the expected revenue savings that would be achieved by reducing fraud, waste, and abuse. This savings has not yet materialized. OHA hired the nine positions in summer 2018, but still does not have the data analytics contractor on-board. The agency still anticipates meeting its revenue savings target in 2019-21, but the data analytics contractor will be critical in achieving this goal.

Community Mental Health Wraparound (\$3.0 million General Fund cost): OHA requests \$3.0 million General Fund to support individuals who no longer meet medical necessity criteria and are denied ongoing Medicaid coverage for residence services. This reflects stricter reviews required by the Centers for Medicare and Medicaid (CMS) for medical necessity of residential services, which has resulted in individuals transitioning to a lower level of care. The General Fund would continue supporting residential services during this transition period. The Chief Financial Office recommends approval of this request as a one-time adjustment. The 2019-21 Governor's Recommended Budget does not include this funding given the purpose for it to support transitional services only.

Staffing Increase (\$229,019 General Fund cost / 3 positions): The rebalance requests to establish three positions. One of these positions is a Medical Review Coordinator and would help meet an increase in the demand for prior authorizations and clinical reviews for Oregon Health Plan members. The remaining two positions would support quality improvement functions for the Oregon Performance Plan approved by the U.S. Department of Justice. These positions are supported in the 2019-21 Governor's Recommended Budget.

Non-Medicaid Caseload (\$2.5 million General Fund cost): The OHA budget supports two mandated caseloads related to Non-Medicaid behavioral health clients: Guilty Except for Insanity (GEI) and Civil Commitments. OHA's rebalance recognizes \$2.5 million in General Fund costs related to increases in both of these caseloads.

Tobacco Tax (\$3.9 million General Fund cost): Due to a forecasted decrease in Tobacco Tax revenue available for the Oregon Health Plan and Non-Medicaid Behavioral Health services, the agency's rebalance recognizes \$3.9 million General Fund need to maintain the existing level of funding for these services.

Subsequent to the rebalance letter, it was determined the agency's request was not correctly calculated and that the actual General Fund need is \$6.4 million. The Chief Financial Office recommends applying the corrected adjustment in place of OHA's initial request.

Oregon State Hospital

Revenue Shortfall (\$15 million): The 2017-19 Legislatively Adopted Budget included \$25 million in General Fund savings based on a forecasted increase in Other Funds revenue resulting from the State Hospital's actions to increase reimbursements for patient care, such as through Medicare, Medicaid, and third-party insurance. However, the hospital has experienced delays in accelerating these billings, including delays in procuring billing systems and increasing related staff. The agency requests \$15 million to backfill the expected shortfall in revenue, but anticipates the revenue savings will be achieved in 2019-21.

Increased Staffing Costs (\$13.1 million): The State Hospital continues to be challenged by a high volume of daily call-outs and other forms of direct care staff shortfalls. The hospital has also experienced increased costs related to increased patient acuity and corresponding physician-ordered enhanced supervision of patients. The rebalance indicates that Senate Bill 469 (2015), which requires avoiding mandatory overtime while still meeting nurse-to-patient staffing ratios, has contributed to the hospital's staffing challenges.

Suicide Prevention / Ligature Removal (\$2 million General Fund cost): In order to maintain compliance with certification requirements from The Joint Commission and CMS, OHA requests \$2 million for suicide prevention and ligature removal costs at the State Hospital. This funding will support extensive facility alterations, as well as changes in furniture, trash bags, and other environmental items posing risks to patients.

Pharmacy (\$1.6 million General Fund cost): Long-acting injectable antipsychotics are becoming an increasingly common use in patient treatment. When used to treat patients prior to being discharged from the State Hospital, patients are able to better adhere to their prescribed dosages while transitioning to the community. The agency's rebalance reflects increased costs associated with the use of these drugs.

Health Policy and Analytics

Common Credentialing Program (\$5.5 million General Fund cost): As of July 2018, the Common Credentialing Program has been suspended due to a budget shortfall in program funding. The program had been approved without a budget for start-up costs in anticipation that fee revenue would be collected to support program costs. Due to program challenges, the fee revenue will not be collected and the agency requests \$5.5 million General Fund as reimbursement for the costs already incurred.

Public Health

Wallowa County (\$129,511 General Fund cost): The Wallowa County Board of Commissioners voted to transfer its local public health authority to OHA and stop all of its public health activity as of May 1, 2018. This transfer results in a cost to OHA in relation to continuing the public health functions Wallowa County was supporting with its own funding.

Mediation Costs (\$35,172 General Fund cost): OHA requests funding to cover mediation costs after Public Health was unable to approve a certificate of need for Newco, which had requested to build an inpatient psychiatric facility in Wilsonville.

Central / State Assessments and Enterprise-Wide Costs

Cost Allocation / Shared Services (\$6.9 million General Fund cost): OHA requests a \$6.9 million increase in General Fund, \$4.2 million increase in Federal Funds, and \$3.9 million decrease in Other Funds related to changes in the agency's cost allocation statistics, and costs for facilities and unemployment. The cost allocation challenge represents \$3.8 million related to the transfer of

OHP Member Services to the Department of Human Services. In general, OHA's cost allocation model determines each program's share of expenses for statewide assessments, Shared Services, and Central Services. From 2015-17 through OHA's 2019-21 Current Service Level (CSL) budget, over \$40 million General Fund has been included in the OHA budget to address cost allocation issues, which includes bringing the Oregon State Hospital into the cost allocation pool, a \$6 million increase in the 2017-19 Legislatively Adopted Budget, and an \$8 million General Fund increase for cost allocation expenses.

The request also includes \$2 million to support facilities costs in relation to agency-wide budget reductions included in the agency's 2017-19 Legislatively Adopted Budget. According to the agency's request, these agency-wide reductions resulted in a reduction in OHA's rent budget, which is now forecasting a shortfall. However, it was the Chief Financial Office's understanding that the agency had the flexibility to determine how to appropriately achieve the savings assumed in the budget. The remaining \$1.1 million in the request would support unemployment costs trending higher than expected.

Given the sizeable amount of General Fund already invested in the agency's budget to support cost allocation, and in light of the challenges faced in other programs, the Chief Financial Office recommends approving all but \$3 million of the \$6.9 million General Fund request. Should OHA's cost allocation statistic and facilities and unemployment budgets continue to forecast an increased General Fund need, the agency can request an adjustment in the final rebalance of the biennium, if needed.

Treasury Loan (\$3.1 million General Fund cost): Similar to prior biennia, this rebalance includes funding to cover the estimated interest costs for a Treasury loan the agency will likely obtain at the end of the biennium to meet its cash flow needs. The rebalance includes \$800 million Other Funds to account for the estimated loan amount.

Human Resources Positions (\$11,257 General Fund cost / 0.36 FTE): OHA requests funding to increase two part-time positions to full-time for work on enterprise-wide initiatives, including the new pay equity law, employee engagement initiatives, and change management for the new human resource information system ("Workday"). Although these issues are important, the Chief Financial Office does not recommend approval of this adjustment. This recommendation is consistent with the 2019-21 Governor's Recommended Budget.

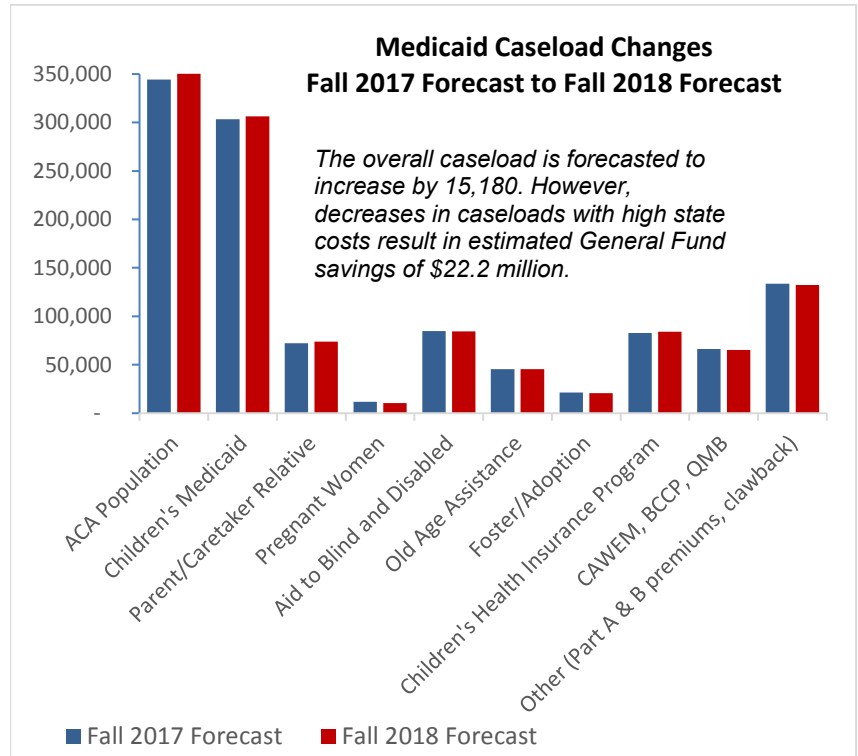
SAVINGS

The agency's rebalance report identifies General Fund savings totaling \$101.1 million. Most of this savings is attributed to changes in health care provider revenue and forecasted changes in Oregon Health Plan caseloads.

Oregon Health and Sciences University (OHSU) Transfer (\$44.3 million General Fund savings): Based on updated projections in the number of OHP members served under the OHSU Quality and Access Program, the program will generate an additional \$44.3 million in revenue received from OHSU. This revenue will offset General Fund costs for OHP.

Insurers Tax (\$16.7 million General Fund savings): An additional \$16.7 million in revenue is available from the 1.5 percent tax on insurance premiums. This additional revenue offsets OHP General Fund expenses.

Fall 2018 Medicaid Caseload Forecast (\$22.2 million General Fund savings): The Fall 2018 Medicaid caseload forecast was finalized in September 2018 and reflects a net caseload increase of 15,180, or an increase of 1.5 percent, compared to the Fall 2017 Forecast. Most of this increase is in caseloads with high federal matching rates—specifically the Affordable Care Act (ACA) and Children’s Health Insurance Program (CHIP) caseloads. However, caseloads with higher state fund costs, such as the Pregnant Women, Old Age Assistance, and Foster/Adoption Care caseloads, are decreasing. The number of individuals eligible for Medicare Part A and B premium assistance is also decreasing. Taken together, the net budgetary impact is a General Fund savings of \$22.2 million and a total funds increase of \$124.6 million.



Cover All Kids Caseload (\$17.3 million General Fund savings): Enrollment in the Cover All Kids program continues to be lower than expected. According to the Fall 2018 Forecast, the average caseload for 2017-19 is expected to be 3,817, which is a decrease of approximately 4,900 from the Fall 2017 Forecast. The decreased caseload results in \$17.3 million in General Fund savings.

Safety Net Grant (\$0.7 million General Fund savings): OHA’s 2015-17 budget included a \$10 million investment for Safety Net Grants. The rebalance recognizes \$660,095 in unspent grant funding returned by 13 community providers.

OREGON STATE HOSPITAL MANAGEMENT ACTIONS

In order to help offset the increasing costs identified in the rebalance, the Oregon State Hospital has initiated management actions to save a total of \$4.8 million General Fund. Of this amount, \$3.3 million results from reducing nursing and clinical staffing costs related to precautions through increased clinical oversight and finding more effective interventions for patient acuity. This action also includes a 90-day hiring delay for all non-direct care positions, which will reduce personal services and contractual staffing costs.

Additionally, \$1.2 million is saved through reducing spending on discretionary services and supplies, such as non-essential travel and training, for the remainder of the biennium. The remaining \$0.3 million in savings results from strategies to lower pharmaceutical costs. Due to the increased cost of Long-Acting Injectable Antipsychotics (LAIAs), the State Hospital has started participating in a drug replacement program that allows the hospital to request a refill of two doses per patient after purchasing an initial dose, for savings of up to \$4,500 per patient. The hospital has also expanded the use of outpatient drug voucher programs, which enables patients who are discharged to fill some prescriptions at the pharmacy as opposed to the State Hospital paying for a full set of prescriptions upon discharging the patient.

OTHER LIMITATION ADJUSTMENTS

In addition the adjustments discussed above, the rebalance makes various changes to Other Funds and Federal Funds limitation across multiple programs.

Health Systems Division: An increase of \$7.3 million Other Funds and \$14.5 million Federal Funds is needed to reflect the amount of “leverage” from OHSU and corresponding federal revenue to support the level of available payments to OHSU in the Graduate Medical Education program. A separate increase of \$5.5 million Other Funds is also included to support the state funds impact of individuals dually eligible for Medicaid and Medicare who were misclassified as Medicaid-only members in the Affordable Care Act caseload, which receives a higher federal matching rate. The \$5.5 million represents the amount OHA must reimburse to the federal government due to the lower federal match for individuals eligible for both Medicaid and Medicare. The rebalance also includes \$18.6 million Federal Funds to support the available level of federal substance use disorder grant funding.

Public Employees’ Benefit Board (PEBB): OHA expects the PEBB budget to result in a shortfall of \$13 million in Other Funds expenditure limitation. Although enrollment in PEBB has trended higher than expected, the driving factor for the increased expenditures is from higher-than-expected per member per month (PMPM) costs. The 2017-19 PEBB budget assumes an annual PMPM cost increase of 3.4 percent; however, PMPM costs are currently trending around 5.1 percent compared to the prior year. Because PEBB is mostly fully-insured, there is often variation in month-to-month costs, and it remains to be determined what the average PMPM increase will ultimately be for the biennium. To account for the uncertainty, the agency requests a limitation increase of \$80 million as a cautionary measure to ensure cover all costs through the remainder of the biennium.

Oregon Educators Benefit Board (OEBB): Like PEBB, the OEBB budget assumes an annual PMPM increase of no more than 3.4 percent. As of October 2018, enrollment in OEBB was higher than originally anticipated by 832 members, which is expected to climb to 915 for the biennium. Additionally, expenditure limitation was mistakenly not included in the budget to account for OEBB’s share of the 1.5 percent insurer tax. Based on these issues, OHA estimates OEBB to be short by \$19 million in Other Funds expenditure limitation and requests an increase of \$81 million as a cautionary measure to mitigate the expenditure increases and be able to close out the biennium.

Health Policy and Analytics: The rebalance includes \$0.4 million Federal Funds to support an Oral Health Grant awarded by the federal government and \$9.4 million Other Funds from OHSU for the Healthy Oregon Workforce Training Opportunity grant program.

Public Health: A total increase of \$28.3 million reflects Other Funds and Federal Funds limitation adjustments for several issues, including support for nine positions primarily responsible for providing assistance to local public health authorities, overseeing contracts, and responding to communicable disease outbreaks. Expenditure limitation is also adjusted to properly support grant awards and program activity pursuant to available revenue.

Technical Adjustments: The rebalance makes various net-zero technical adjustments to appropriately reflect cost changes within programs and to realign costs across the agency, such as to recognize the transfer of employees from one division to another. Of particular note, the rebalance implements the transfer of 16 positions from Health Policy and Analytics to the Health Systems Division as part of organizational changes. The position transfers represent the agency’s consolidation of Medicaid policy and operations, as well as behavioral health functions.

CHIEF FINANCIAL OFFICE RECOMMENDATIONS

In summary, the Chief Financial Office (CFO) recommends supporting the rebalance request with the following modifications:

- **Medicaid Cost Increase:** CFO recommends supporting all but \$5 million of OHA’s requested \$28.9 million General Fund to address Medicaid cost increases.
- **Cost Allocation:** CFO recommends supporting all but \$3 million of the requested General Fund increase for cost allocation, which results in a net increase of \$3.9 million instead of the requested \$6.9 million.
- **Human Resources Positions:** CFO does not recommend approval of the \$11,257 General Fund increase and corresponding Other Funds and Federal Funds limitation adjustments for an additional 0.36 FTE to support Human Resources activities.
- **Tobacco Taxes:** CFO recommends revising OHA’s proposed adjustment related to declining tobacco taxes based on corrections identified after OHA submitted its rebalance letter. This recommendation results in a fund shift of \$6.4 million to the General Fund instead of the initial proposed adjustment of nearly \$3.9 million.

Dec. 2018 Rebalance	General Fund	Lottery Funds	Other Funds	Federal Funds	Total
2017-19 Leg. Approved Budget	\$2,163,848,809	\$12,498,909	\$6,771,665,968	\$11,263,618,054	\$20,211,631,740
OHA Net Rebalance Request	(\$9,161,706)	\$0	\$1,055,542,338	\$431,694,555	\$1,478,075,187
CFO Recommended Adjustments	(\$5,488,570)	\$0	(\$2,522,687)	(\$2,460)	(\$8,014,910)
Total Recommended Rebalance Changes	(\$14,650,276)	\$0	\$1,053,018,458	\$431,692,095	\$1,470,060,277

When taken together, OHA’s rebalance adjustments and CFO’s recommended changes result in a net General Fund decrease of approximately \$14.7 million. Should these adjustments be approved, CFO recommends unsheduling this amount across the appropriate budget structures.

Legal Reference: Increase Other Funds expenditure limitation established by chapter 545, section 2(2), Oregon Laws 2017, for the Oregon Health Authority by \$1,053,018,458 for the 2017-19 biennium.

Increase Federal Funds expenditure limitation established by chapter 545, section 4(2), Oregon Laws 2017, for the Oregon Health Authority by \$431,692,095 for the 2017-19 biennium.



OFFICE OF THE DIRECTOR

Kate Brown, Governor

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October 29, 2018

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court St, NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

NATURE OF REQUEST

The Oregon Health Authority (OHA) requests receipt of this letter as its December 2018 Rebalance Report for the 2017-19 biennium.

AGENCY ACTION

Based on actual expenditures through July 2018 and updated projections based on the Fall 2018 Caseload Forecast, OHA is projecting a \$9.2 million General Fund savings after netting budget challenges with savings and management actions.

While this net savings is relatively small, it is the result of the agency offsetting significant challenges from across the agency—primarily in the Health Systems Division and Oregon State Hospital—with significant savings in the Health Systems Division. The General Fund challenges total \$96.8 million, General Fund savings total \$101.1 million, and General Fund reductions from management actions total \$4.8 million. (Note: Rounded amounts do not exactly add to \$9.2 the million savings.)

Additionally, OHA is projecting a need to increase Other Funds limitation by \$1,055.5 million and Federal Funds limitation by \$431.7 million.

The following table provides a summary of the OHA rebalance by General Fund and Total Funds.

Rebalance Changes	General Fund	Total Funds
2017-19 Legislatively Approved Budget (LAB)	\$2,163,848,809	\$20,211,631,740
Challenges	\$96,804,916	\$1,281,417,213
Savings	(\$101,126,622)	\$201,497,974
Management Actions	(\$4,840,000)	(4,840,000)
Subtotal: Net Savings (Challenges – Savings & MA)	(\$9,161,706)	\$1,478,075,187
December 2018 Rebalance	\$2,154,687,103	\$21,689,706,927
Percent Change from LAB	(0.4%)	7.3%

General Fund Challenges

OHA is identifying \$96.8 million in General Fund challenges. Approximately, 84 percent of those challenges are within the Health Systems Division at \$49.5 million and Oregon State Hospital at \$31.7 million.

Health Systems Division

Medical Assistance Programs Cost Changes (\$28.9 million) – After updating its budget models with projections through the end of the biennium and isolating the impact of caseload changes, the Health Systems Division is estimating a net increase in costs of \$28.9 million General Fund for medical assistance programs. These costs are driven by both an increase in budget need for coordinated care organization (CCO) rates and for services paid on a fee-for-service basis, including mental health, inpatient hospital, physician and other professional services. There is also increased need based on projected payments to Federally Qualified Health Centers and Rural Health Clinics. This challenge is mitigated with General Fund savings from revised Medicare Part B projections (\$18.1 million) and Medicare (Part D) clawback projections and (\$10.5 million).

Fraud Prevention Revenue Estimates (\$11.0 million) – The 2017-19 budget anticipated that OHA would recover an additional \$15 million in Other Funds from program integrity efforts. The Office of Program Integrity audits Medicaid claims, identifies overpayments tracks fraud prevention, and identifies cost avoidance, which are savings to the program by reducing or eliminating future costs. The \$15 million budget estimate was problematic because recoveries from provider audits are often not received until the following biennium and those recoveries must be split between the state share and federal share. Nevertheless, the office is engaging in new data strategies to identify more areas for review and recovery.

Tobacco Tax Forecast Decrease (\$3.9 million) – The Medicaid and non-Medicaid budgets are adjusted for the most recent Economic Forecast for projected tobacco tax revenues. The new forecast indicates a \$3.0 million decrease in revenue for Medicaid and a \$0.9 million decrease in revenue for non-Medicaid. OHA requests additional General Fund dollars to offset the reduction in tobacco tax revenue in both budgets.

Community Mental Health Wraparound Services (\$3.0 million) – Health Systems Division is requesting a \$3 million General Fund increase in Community Mental Health funding to support individuals who are found to no longer meet medical necessity criteria and denied ongoing Medicaid coverage for residence services. In conjunction with a Medicaid State Plan approval, the Centers for Medicare & Medicaid Services required the state to perform more stringent reviews for medical necessity. The Health Systems Division secured a contractor to perform face-to-face assessments. In some cases, individuals don't meet the criteria and need to transition to a lower level of care, but General Fund is needed to continue residential service payments while an individual is working on moving to a lower level of care, which can take some time in the current housing market.

Non-Medicaid Mandatory Caseload Forecast Increase (\$2.5 million) – Updating the Health Systems Division's non-Medicaid mandatory caseload from the Fall 2017 Caseload Forecast to the Fall 2018 Caseload Forecast results in a \$2.5 million General Fund need. The caseload for the guilty except for insanity population decreased by four clients. This would have decreased the budget by \$620,003; however, the caseload for civil commitment increased by 18 clients, which is an increased budget need of \$3,131,420. The result is a \$2,511,417 General Fund need.

Behavioral Health & Clinical Support Service Staffing (\$229,019 & 3 positions) – The Health Systems Division is requesting two Operations and Policy Analyst 3 positions in Behavioral Health to perform work necessary for compliance with the Oregon Performance Plan with the US Department of Justice. One position will be dedicated to implementing a behavioral health quality improvement plan and process. The second position will be focused on Assertive Care Treatment. The division is also requesting a Medical Review Coordinator in Clinical Support Services. Current staffing in this area is unable to meet the demand for prior authorizations and clinical review with direct impact on Oregon Health Plan clients receiving timely health care.

Oregon State Hospital

The Oregon State Hospital reports \$31.7 million in budget challenges, but also identifies \$4.8 million in management actions. See Management Actions discussed later.

Revenue Shortfall (\$15.0 million) – The 2017-19 Agency Request Budget included an increase for additional revenue from patient resources to cover the cost of care. During the budget development process, an additional \$10 million was added to the planned increase. Delays in procurement of needed infrastructure, such as systems and staff, has made this very aggressive increase unattainable, requiring a \$15 million General Fund backfill. Because of the progress made, however, the 2019-21 budget assumptions for revenue do not need to be adjusted.

Increased Staffing Costs (\$13.1 million) – The hospital is experiencing increased costs related to increased patient acuity and more physician-ordered enhanced supervision of patients, along with continued high nursing staff call out and long-term absence coverage. These additional staffing resource needs are typically funded through staff vacancy savings throughout the hospital, but these savings have not been sufficient to offset the increase nursing staff costs. A significant contributor of increased costs is related to Senate Bill 469 (2015 session) and the requirement to avoid mandating overtime, but still meet required nursing staffing levels. The hospital has been forced to use staffing agencies to fill nursing needs.

Suicide-Ligature Costs (\$2.0 million) – Federal awareness and new requirements for suicide prevention required the hospital to make extensive facility and other changes to mitigate risks for suicides. The changes were necessary for federal certification.

Increased Pharmacy Costs (\$1.6 million) – Increased utilization of long-acting injectable antipsychotics (LAIAs) has led to increased pharmacy costs in patient treatment. The hospital is often able to provide LAIAs just prior to patients discharge date, which increases the patients' ability to adhere to their prescribed dose of medication while transitioning to the community.

Health Policy and Analytics

Oregon Common Credentialing Program Suspension (\$5.5 million) – In July 2018, OHA made the decision to suspend the Oregon Common Credentialing Program. The program had been running a cash deficit in anticipation of receiving fee revenue to offset startup costs. Due to the suspension, there will be no revenue collected.

This General Fund request is to offset the Other Funds cash deficit used to cover startup costs up until the suspension of the program.

Public Health

Wallowa County (\$129,511) – In April, Wallowa County Board of Commissioners voted to transfer its local public health authority to OHA and cease all public health activity on May 1, 2018. To cover the costs of providing ongoing public health services in Wallowa County, Public Health needs \$129,511 in General Fund dollars.

Mediation Costs (\$35,172) – Public Health was unable to approve a certification of need for Newco requesting to build a 100-bed inpatient psychiatric facility in Wilsonville. Public Health needs \$35,172 to cover the cost of mediation services.

Statewide Assessments & Enterprise-Wide Costs (SAEC)

Shared Services Funding, Facilities & Unemployment (\$6.9 million) – The 2017-19 budget split between the Department of Human Services (DHS) and OHA was based on past biennia cost allocation statistics. OHA has now seen the impact of transitioning OHP Member Services to DHS in April 2018. With the transfer of many Medicaid funded positions to DHS, the proportion of OHA cost allocation hitting the General Fund has increased. Based on recent cost allocation results, OHA is requesting \$3.8 million General Fund for Shared Services Funding. OHA is also requesting \$2.0 million General Fund for the facilities budget and \$1.1 million General Fund for the unemployment budget within SAEC.

OHA Central

Treasury Loan Interest (\$3.1 million) – Because there is a time lag between expenditures and the receipt of Other Fund revenues budgeted in OHA, the agency must obtain a treasury loan to meet its cashflow needs at the end of the biennium. OHA estimates it will need to pay \$3.1 million in loan interest.

Human Resources FTE Funding (\$11,257) – The Office of Human Resources is requesting \$11,257 General Fund to increase two part-time positions to full-time.

General Fund Savings

OHA is identifying \$101.1 million in General Fund savings—all within the Health System Division.

Oregon Health & Science University (OHSU) Quality and Access Program Increase (\$44.3 million) – House Bill 2391 (2017 Session) excluded OHSU from the hospital assessment program and required OHA to ensure that OHSU received at least 84 percent of the cost of providing services paid for, in whole or in part, with Medicaid funds. In support of HB 2391, the Health Systems Division implemented a Quality and Access Program in January 2018 to make qualified directed payments to OHSU through CCOs. OHA funds the state of these qualified directed payments from the intergovernmental transfer agreement with OHSU. The program is based on the difference between average commercial reimbursement and Medicaid reimbursement. OHSU’s recently updated program projections. Based on those updated projections, the program will generate an additional \$44.3 million in Other Funds revenue available to offset General Fund dollars.

Fall 2018 Caseload Forecast Savings (\$22.2 million) – Updating the Health Systems Division medical assistance caseloads from the Fall 2017 Caseload Forecast to the Fall 2018 Caseload Forecast resulted in a \$22.2 million General Fund savings. While the new caseload is slightly higher overall, some eligibility groups with higher per-member-month costs—such as pregnant women and aid to the blind/disabled—had caseload forecasts that decreased. See Attachment B.

Cover All Kids Caseload Savings (\$17.3 million) – The Health Systems Division estimates \$17.3 million in General Fund savings from the Cover All Kids program. Most of the savings are from updating the caseload projections. Enrollment has been much lower than anticipated.

Insurers Tax Revenue Increase from CCOs (\$16.7 million) – The Health Systems Division is projecting an additional \$16.7 million in Other Fund revenue to offset General Fund dollars from the 1.5 percent premium assessment required in House Bill 2391 (2017 session). Revenue projections were updated based on the quarterly assessment payments received since implementation.

Safety Net Grant Recoupments (\$0.7 million) – In the 2015-17 biennium, the Legislatively Adopted Budget included \$10 million General Fund for Safety Net Grants. Grants agreements required community providers to return any unspent dollars from their grant. The Health Systems Division has received \$660,095 from 13 providers.

Management Actions

The Oregon State Hospital is implementing three management actions to save \$4.8 million in General Fund costs.

Nursing/Clinical Staffing Cost Reduction (\$3.3 million) – The hospital is reducing staffing costs through more effective interventions to address patient acuity. Specifically, the hospital is evaluating the staffing associated with physician-ordered supervision of patients.

Non-Payroll Cost Reduction (\$1.2 million) – The hospital is reducing the spending in discretionary services and supplies, such as limiting or eliminating travel and training and delaying non-critical maintenance for the remaining months of the biennium.

Pharmacy Drug Cost Reduction (\$0.3 million) – The hospital has implemented strategies to lower pharmacy drug costs. Because of the increased utilization of LAIAs, the hospital started participation in a drug replacement program in June 2018. The program allows for the hospital to request LAIA manufacturers to refill two more doses per patient, which cost between \$1,500 and \$2,260 per dose. The hospital has also expanded the use of outpatient drug voucher programs, which allows discharged patients to redeem vouchers at a pharmacy for prescriptions rather than the hospital discharging the patient with a full set of prescriptions.

Limitation Request

Treasury Loan Limitation Request (\$800 million) – OHA requests \$800 million in Other Fund limitation to borrow cash from Oregon State Treasury. Because there is a time lag between expenditures and the receipt of Other Fund revenues budgeted in OHA, the agency must obtain a treasury loan to meet its cashflow needs at the end of the biennium.

OEBB Other Funds Limitation Request (\$81.0 million) – The Oregon Educators Benefit Board is requesting additional Other Funds limitation. OEBB open enrollment ended in September. Final enrollment numbers will not be available until December or January. Because of enrollment volatility, OEBB is requesting additional limitation to finish the biennium.

PEBB Other Funds Limitation Request (\$80.0 million) – The Public Employees Benefit Board is requesting additional Other Funds limitation. PEBB fully insured plans have increased enrollments, which caused the premiums to increase.

Substance Abuse Disorder Federal Funds Limitation Request (\$18.6 million) – The Health Systems Division is requesting additional limitation to spend increased Substance Abuse Disorder federal grant dollars.

Public Health Other Limitation Increase (\$16.5 million Other Funds and \$11.8 million Federal Funds) – Public Health requests additional limitation for programs and grants to spend available Other Funds and Federal Funds revenue. The request includes position authority for nine positions at 2.50 FTE.

Health Care Incentive Other Funds Limitation Increase (\$9.4 million) – Health Policy & Analytics is requesting additional Other Funds limitation to spend revenue for an agreement for OHSU to administer the Healthy Oregon Workforce Training Opportunity (HOWTO) grant program.

OHSU Graduate Medical Education Limitation Increase (\$7.3 Other Funds and \$14.5 Federal Funds) – The Health Systems Division is requesting additional Other Funds and Federal Funds limitation to support Graduate Medical Education payments to OHSU, which funds the state share of these Medicaid payments.

Insurers Tax Limitation Increase (\$6.0 million Other Funds and \$16.7 Federal Funds) – The Health Systems Division is requesting additional Other Funds and Federal Funds limitation to spend the increase in insurers tax revenue from CCOs.

Dual-Eligibles Correction Other Funds Limitation Increase (\$5.5 million) – The Health Systems Division is requesting additional Other Funds limitation for tobacco tax funds carried over from the 2015-17 biennium to fund anticipated eligibility corrections. The \$5.5 million is the net amount the needed to pay the state share of corrected payments after refunding the federal government its portion.

Oral Health HRSA Grant Limitation Request (\$0.4 million) – Health Policy & Analytics is requesting Federal Funds limitation and two positions based on federal approval of an Oral Health Workforce Activities grant from HRSA. The request includes position authority for two positions at 0.84 FTE.

On the next page is a table that a summary of the OHA Rebalance by fund type.

Summary of OHA Rebalance by Fund Type (in millions)

(Due to rounding, numbers may not add up precisely to totals.)

Challenges	General Fund Need/(Savings)	Other Funds Need/(Savings)	Federal Funds Need/(Savings)	Total Funds Need/(Savings)	Pos.	FTE
Medical Assistance Cost Changes	\$28.9		\$149.4	\$178.3		
OSH Revenue Shortfall	\$15.0	(\$15.0)		-		
OSH Increased Staffing Costs	\$13.1			\$13.1		
Fraud Prevention Revenue Estimates	\$11.1	(\$11.1)		-		
Shared Srvcs. Funding, Facilities & Un.	\$6.9	(\$3.9)	\$1.2	\$4.2		
Oregon Common Credentialing Program	\$5.5			\$5.5		
OSH Ligature and Pharmacy Costs	\$3.6			\$3.6		
Tobacco Tax Forecast Decrease	\$3.9	(\$3.9)		-		
Treasury Loan Interest	\$3.1			\$3.1		
Community Mental Health Wraparound	\$3.0			\$3.0		
Non-Medicaid Caseload Increase	\$2.5			\$2.5		
Behavioral Health/Clinical Services Staff	\$0.2		\$0.0	\$0.3	3	1.14
Public Health Funding Needs	\$0.2			\$0.2		
OHA Central – HR Position Funding	\$0.0	\$0.0	\$0.0	\$0.0	0	0.36
Total Costs	\$96.8	(\$33.9)	\$150.6	\$213.5	3	1.14
Savings						
OHSU Quality and Access Program	(\$44.3)	\$67.3	\$72.2	\$95.2		
Medicaid Fall 2018 Caseload Forecast	(\$22.2)		\$146.8	\$124.6		
Cover All Kids Caseload Savings	(\$17.3)			(\$17.3)		
Insurers Tax Revenue Increase for CCOs	(\$16.7)	\$16.7		-		
Safety Net Grant Recoupments	(\$0.7)	\$0.7		-		
Total Savings	(\$101.1)	\$84.7	\$219.0	\$202.6	0	0
Management Actions						
Reduce OSH Costs	(\$4.8)			(\$4.8)	0	0
Limitation Adjustments						
Oregon State Treasury Loan		\$800.0		\$800.0		
OEBB		\$81.0		\$81.0		
PEBB		\$80.0		\$80.0		
Health Systems Division		\$17.7	\$49.8	\$67.5		
Public Health		\$16.5	\$11.8	\$28.3	9	2.50
Health Policy & Analytics		\$9.4	\$0.4	\$9.8	2	0.84
Total Limitation Increase		\$1,004.6	\$62.0	\$1,066.6		
Net OHA December 2018 Rebalance	(\$9.2)	\$1055.5	\$431.7	\$1,478.0	14	4.84

Risk Factors, Challenges and Outstanding Issues

OHA must continue to closely monitor the following for the remainder of the biennium:

- While Oregon's economy continues to improve, caseloads are always the major driver of costs in the OHA budget. Small changes in the caseload forecasts can have large impacts on the General Fund need.
- Tobacco tax revenue forecasts have historically fluctuated—increasing and decreasing widely—affecting the tobacco tax revenue anticipated to fund the Oregon Health Plan and community mental health investments.
- OHA is continuing its research and analysis into ongoing and emerging issues reported to the Governor's Office. As OHA resolves these issues, corrections may have a General Fund impact.

ACTION REQUESTED

Acknowledge receipt of the OHA December 2018 Rebalance Report for the 2017-19 biennium.

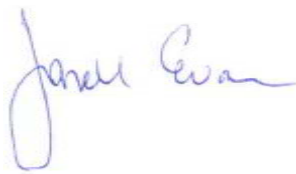
LEGISLATION AFFECTED

See Attachment A.

Sincerely,



Patrick M. Allen
Director



Janell Evans
Budget Director

ENC: Attachment A – Legislation Affected
Attachment B – Caseload Forecast Changes

CC: Linda Ames, Legislative Fiscal Office
Thomas MacDonald, Policy Budget Analyst, DAS/CFO

ATTACHMENT A

OREGON HEALTH AUTHORITY DECEMBER REBALANCE ACTIONS APPROPRIATION AND LIMITATION ADJUSTMENTS

DIVISION	PROPOSED LEGISLATION/ SECTION	FUND	REBALANCE ADJUSTMENTS	APPR #
Central Services/SAEC	Ch. 545 1(2)	General	\$10,270,769	87401
Central Services/SAEC	Ch. 545 2(2)	Other	(\$3,902,097)	34401
	Ch. 545 4(2)	Federal	\$1,098,487	64401
		Total	\$7,467,159	
Debt Service	Ch. 545 1(4)	GF – Debt	-	85801
	Ch. 545 2(5)	OF – Debt	-	35802
	Ch. 545 5(2)	FF Debt NL	-	63801
		Total	-	
Shared Services	Ch. 545 2(3)	Other	-	34402
OHA Health Services Programs	Ch. 545 1(1)	General	(\$2,168,720)	87801
	Ch. 652, section 4	GF – SB 558	(\$17,263,755)	87819
	Ch. 545 3(1)	Lottery	-	44801
	Ch. 545 2(1)	Other	\$898,444,435	34801
	Ch. 545 2(4)	OF Cap Imp	-	34811
	Ch. 545 4(1)	Federal	\$430,596,068	64801
	Ch. 545, section 6	Other PEBB Revolving Fund	\$80,000,000	34804
	Ch. 545, section 7	Other OEBB Revolving Fund	\$81,000,000	34805
	Ch. 545 5(1)	Other, PH NL	-	32801
	Ch. 545 5(1)	Federal, PH NL	-	62801
		Total	\$1,470,608,028	

ATTACHMENT B

Fall 2018 Medicaid Caseload Forecast

2017-19 Fall 2017 Forecast Compared to Fall 2018 Forecast					
Eligibility Category	17-19 Caseload at Fall 2017 Rebalance	17-19 Caseload at Fall 2018 Forecast	Difference	Percent Change	Problem/ (Savings) Total Funds in Millions
Affordable Care Act (ACA)	344,382	356,589	12,207	3%	\$169.7
Parent/Caretaker Relative	72,342	73,906	1,565	2%	\$23.2
Pregnant Women	11,811	10,428	(1,382)	-13%	(\$48.5)
Children's Medicaid Program	303,347	306,435	3,088	1%	\$0.1
Aid to Blind and Disabled	84,819	84,321	(498)	-1%	(\$17.4)
Old Age Assistance	45,514	45,499	(14)	0%	(\$2.8)
Foster/Adoption/BCCP	21,243	20,694	(549)	-3%	(\$7.5)
Children's Health Insurance Program	82,637	84,163	1,526	2%	\$7.6
Non-OHP (CAWEM, QMB)	64,423	63,378	(1,045)	-2%	(\$0.6)
CAWEM Prenatal	1,779	2,062	284	14%	\$9.2
Other Non-OHP (Part A & B Premiums, Clawback)	133,772	132,394	(1,377)	-1%	(\$8.4)
2017-19 Total	1,032,296	1,047,476	15,180	1%	\$124.6
		GF	OF	FF	TF
Impact of Fall 2018 Caseload		(\$22,219,845)	-	\$146,826,662	\$124,606,817