

**Legislative  
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**Joint Committee on  
Ways and Means**

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**To:** Human Services Subcommittee

**From:** Linda Ames, Legislative Fiscal Office

**Date:** June 8, 2017

**Subject:** HB 5026 – Oregon Health Authority - Health Systems Division  
Work Session Recommendations

**Oregon Health Authority – Health Systems Division**

	2013-15 Actual	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 LFO Recommended
General Fund	1,301,108,019	1,428,770,413	2,392,476,511	1,438,453,274
Lottery Funds	10,591,632	11,348,753	12,456,604	12,230,163
Other Funds	1,852,069,149	2,272,722,979	1,764,924,880	2,570,401,306
Other Funds NL	34,874,798	103,500,000	0	0
Federal Funds	8,853,496,358	10,939,627,504	11,106,290,230	10,473,030,258
<b>Total Funds</b>	<b>\$12,052,139,956</b>	<b>\$14,755,969,649</b>	<b>\$15,276,148,225</b>	<b>\$14,494,115,001</b>
Positions	677	623	798	765
FTE	622.99	610.47	790.10	756.10

Attached are the recommendations from the Legislative Fiscal Office for the Oregon Health Authority - Health Systems Division. The LFO recommended total funds budget is 1.8% lower than the 2015-17 legislatively approved budget. This is primarily the result of the ACA caseload stabilizing in 2017-19 at a somewhat lower level than in 2015-17. The General Fund budget has increased by \$9.7 million, or 0.7%. The recommended budget includes the following:

- The provider assessment revenue package is included in this budget, for a total of \$599 million in Other Funds revenue which is used to replace General Fund. The rate on DRG hospitals is increased to 6%, an assessment of 4% is added for Type A and Type B hospitals, OHSU is removed from the hospital assessment model and will now participate in an intergovernmental transfer mechanism to leverage federal funding, and a new insurer tax is added at a rate of 1.5%.

- The impact of the Spring 2017 caseload forecasts, for a General Fund savings of \$57.4 million in the Medicaid caseload, primarily due to an anticipated decline in the ACA expansion population and the Children’s Medicaid Program.
- A reduction of \$15 million General Fund in fee-for-service inflation, and a reduction of \$27.2 million in CCO inflation - both program and administration.
- Additional Other Funds revenues that replace General Fund, including hospital assessment that was not included in the current service level, additional drug rebate revenues, tobacco tax revenues, and marijuana tax revenues.
- Program changes that result in lower costs, including savings from program integrity investments and savings resulting from additional use of long acting reversible contraceptives.

**Adjustments to Current Service Level**

See attached “HB 5026 Work Session ” spreadsheet.

Note: Statewide adjustments and six-year capital construction expenditures are not included in these recommendations. Any needed adjustments will be made in end of session bills.

LFO recommends the Subcommittee approve a 2017-19 OHA Health Systems Division preliminary budget of:

\$ 1,438,453,274	General Fund
\$ 12,230,163	Lottery Funds
\$ 2,570,401,306	Other Funds
\$ 10,473,030,258	Federal Funds

765 Positions  
756.10 FTE

**Accept** LFO Recommendation:

**MOTION:** I move the LFO recommendation to HB 5026. (VOTE)

**OR**

**Change** LFO Recommendation:

**MOTION:** I move the LFO recommendation to HB 5026, with modifications. (VOTE)

**Performance Measures**

All agency performance measures will be presented for approval as part of the final action on the OHA budget.

## **Recommended Changes**

The Health Systems Division budget is part of HB 5026, which is the budget bill for the entire Oregon Health Authority. The recommended amendments to HB 5026 will be presented after work sessions are completed on all parts of the budget.

**OREGON HEALTH AUTHORITY: HEALTH SYSTEMS DIVISION**

**2017-19 RECOMMENDED BUDGET**

	GEN FUND	LOTTERY	OTHER	FEDERAL	NL Other Funds	NL Fed Funds	Total Funds	POS	FTE	Comments
<b>2015-17 Legislatively Approved Budget (As of June 2017)</b>	1,428,770,413	11,348,753	2,272,722,979	10,939,627,504	103,500,000	-	14,755,969,649	623	610.47	
<b>2017-19 Current Service Level</b>	2,392,476,511	12,456,604	1,764,924,880	11,106,290,230	-	-	15,276,148,225	798	790.10	
<b>2017-19 Governor's Budget</b>	1,463,551,835	12,322,109	2,531,173,390	11,044,878,548	-	-	15,051,925,882	816	807.26	
<b>2017-19 LFO RECOMMENDED BUDGET</b>	1,438,453,274	12,230,163	2,570,401,306	10,473,030,258	-	-	14,494,115,001	765	756.10	

**2017-19 WORKING BUDGET ADJUSTMENTS DETAIL**

1	<b>2017-19 Current Service Level Estimate</b>	2,392,476,511	12,456,604	1,764,924,880	11,106,290,230	-	-	15,276,148,225	798	790.10	
2	<b>LFO Recommendations of Existing Packages</b>										
3	Pkg 070: Revenue shortfalls	-	-	(2,158,800)	-	-	(2,158,800)	-	-	-	TMSA shortfall at GB
4	Pkg 095: December 2016 EBoard actions										
5	CAWEM GF savings	(3,661,323)	-	-	3,661,323	-	-	-	-	-	
6	Increase in actuarial services	854,593	-	-	854,593	-	-	1,709,186	-	-	
7	Technical adjustments and transfers	726,064	-	(2,700,000)	2,702,592	-	-	728,656	11	11.00	
8	Pkg 402: Enhanced OHA Office of Program Integrity	2,998,515	-	2,050,000	5,045,865	-	-	10,094,380	9	8.00	Revenue generating
9	Pkg 404: Juvenile Fitness to Proceed	(438,984)	-	-	-	-	-	(438,984)	-	-	Savings associated with SB 49
10	Pkg 405: MMIS Modularization	344,538	-	-	3,032,701	-	-	3,377,239	-	-	Staff in Shared Services
11	Pkg 406: ONE System Enhancements	1,283,680	-	-	11,516,320	-	-	12,800,000	-	-	
12											
13	<b>Other Recommended Adjustments</b>										
14	Pkg 801: LFO Analyst Adjustments										
15	Revenue pkg: DRG hospital assessment revenues to OHP	(197,400,000)	-	126,000,000	(122,500,000)	-	-	(193,900,000)	-	-	6% rate; HTPP
16	Revenue pkg: A and B hospital assessment revenues	(90,000,000)	-	123,000,000	90,000,000	-	-	123,000,000	-	-	4% rate
17	Revenue pkg: OHSU Inter-governmental transfer plan	(105,000,000)	-	152,000,000	159,000,000	-	-	206,000,000	-	-	
18	Revenue pkg: 1.5% insurer tax	(207,000,000)	-	231,000,000	80,000,000	-	-	104,000,000	-	-	Also applies to PEBB
19	Staff to implement/monitor new revenue sources	232,565	-	1,819	219,540	-	-	453,924	2	2.00	
20	Medicaid caseload forecast - Spring 2017	(57,403,500)	-	-	(229,981,996)	-	-	(287,385,496)	-	-	
21	Non-Medicaid caseload forecast - Spring 2017	(14,512,828)	-	-	-	-	-	(14,512,828)	-	-	
22	FMAP match rate change	(18,869,600)	-	(2,559,900)	21,429,500	-	-	-	-	-	Current rate for 17-19 is 63.53%
23	Additional hospital assessment that was unallocated	(108,200,000)	-	108,200,000	-	-	-	-	-	-	
24	Eliminate a portion of fee-for-service inflation	(10,000,000)	-	-	(28,000,000)	-	-	(38,000,000)	-	-	
25	Savings from moving caseload from FFS to CCOs	(5,000,000)	-	-	(15,000,000)	-	-	(20,000,000)	-	-	
26	Reduce CCO inflation to about 2.58% per year for 18 months	(27,200,000)	-	-	(99,300,000)	-	-	(126,500,000)	-	-	Combination of program/admin
27	Additional drug rebate revenue	(15,000,000)	-	15,000,000	-	-	-	-	-	-	
28	Program Integrity savings (POP 402)	(15,000,000)	-	15,000,000	-	-	-	-	-	-	
29	Savings from using long acting reversible contraceptives	(10,500,000)	-	-	(16,000,000)	-	-	(26,500,000)	-	-	
30	Enforce mental health preferred drug list	(4,200,000)	-	(4,800,000)	(10,500,000)	-	-	(19,500,000)	-	-	
31	New marijuana tax revenue to replace GF for A&D	(50,242,000)	-	50,242,000	-	-	-	-	-	-	
32	Use TMSA from Public Health to fund OHP	(3,564,100)	-	3,564,100	-	-	-	-	-	-	
33	Reduce new positions in processing center	(3,091,301)	-	-	(2,660,165)	-	-	(5,751,466)	(56)	(56.00)	
34	Waiver renewal - duals and Kids Intensive to CCOs	5,480,388	-	-	9,468,099	-	-	14,948,487	-	-	
35	Tobacco tax forecast Medicaid- May 2017	(12,519,000)	-	12,519,000	-	-	-	-	-	-	Includes 15-17 increase as well
36	Tobacco tax forecast non-Medicaid- May 2017	-	-	20,065,754	-	-	-	20,065,754	-	-	Carryover plus forecast increase
37	Lottery forecast - May 2017	-	(226,441)	-	-	-	-	(226,441)	-	-	

	GEN FUND	LOTTERY	OTHER	FEDERAL	NL Other Funds	NL Fed Funds	Total Funds	POS	FTE	Comments
38	Certified Community Behavioral Health Centers Grant	(2,500,000)	-	-	67,765,971	-	-	65,265,971	-	-
39	Opioid Crisis Grant	-	-	-	13,123,104	-	-	13,123,104	1	1.00
40	True up limitation	-	-	(40,000,000)	(575,000,000)	-	-	(615,000,000)	-	-
41	Administrative reductions	(3,755,176)	-	-	-	-	-	(3,755,176)	-	-
42	Technical adjustments and transfers	(716,856)	-	(941,332)	(1,974,067)	-	-	(3,632,255)	3	3.00
43	Pkg 812: Vacant Position Elimination	(168,912)	-	(6,215)	(163,352)	-	-	(338,479)	(3)	(3.00)
44										
45	<b>Total Adjustments from CSL</b>	<b>(954,023,237)</b>	<b>(226,441)</b>	<b>805,476,426</b>	<b>(633,259,972)</b>	<b>-</b>	<b>-</b>	<b>(782,033,224)</b>	<b>(33)</b>	<b>(34.00)</b>
46										
47	<b>TOTAL 2017-19 Recommended Budget</b>	<b>1,438,453,274</b>	<b>12,230,163</b>	<b>2,570,401,306</b>	<b>10,473,030,258</b>	<b>-</b>	<b>-</b>	<b>14,494,115,001</b>	<b>765</b>	<b>756.10</b>
48										
49	<b>Change from 2015-17 Approved</b>	<b>9,682,861</b>	<b>881,410</b>	<b>297,678,327</b>	<b>(466,597,246)</b>	<b>(103,500,000)</b>	<b>-</b>	<b>(261,854,648)</b>	<b>142</b>	<b>145.63</b>
50	<b>Change from 2017-19 CSL Estimate</b>	<b>(954,023,237)</b>	<b>(226,441)</b>	<b>805,476,426</b>	<b>(633,259,972)</b>	<b>-</b>	<b>-</b>	<b>(782,033,224)</b>	<b>(33)</b>	<b>(34.00)</b>
51	<b>Change from 2017-19 Governor's Budget</b>	<b>(25,098,561)</b>	<b>(91,946)</b>	<b>39,227,916</b>	<b>(571,848,290)</b>	<b>-</b>	<b>-</b>	<b>(557,810,881)</b>	<b>(51)</b>	<b>(51.16)</b>
52										
53	<b>% Change from 2015-17 Approved</b>	<b>0.7%</b>	<b>7.8%</b>	<b>13.1%</b>	<b>-4.3%</b>			<b>-1.8%</b>	<b>22.8%</b>	<b>23.9%</b>
54	<b>% Change from 2017-19 CSL Estimate</b>	<b>-39.9%</b>	<b>-1.8%</b>	<b>45.6%</b>	<b>-5.7%</b>			<b>-5.1%</b>	<b>-4.1%</b>	<b>-4.3%</b>
55	<b>% Change from 2017-19 Governor's Budget</b>	<b>-1.7%</b>	<b>-0.7%</b>	<b>1.5%</b>	<b>-5.2%</b>			<b>-3.7%</b>	<b>-6.3%</b>	<b>-6.3%</b>