

SB 5543 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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Department of Human Services

2015-17

Oregon Health Authority

2015-17

PRELIMINARY

DHS Budget Summary*

	2015-17 Legislatively Approved Budget ⁽¹⁾	2015-17 Committee Recommendation	Committee Change from 2015-17 Leg. Approved	
			\$ Change	% Change
General Fund	\$ 2,774,786,752	\$ 2,723,349,217	\$ (51,437,535)	(1.9%)
General Fund Debt Service	\$ 3,863,400	\$ 3,863,400	\$ -	0.0%
Other Funds Limited	\$ 539,197,645	\$ 539,710,476	\$ 512,831	0.1%
Federal Funds Limited	\$ 4,803,755,296	\$ 4,805,209,969	\$ 1,454,673	0.0%
Federal Funds Nonlimited	\$ 2,514,345,331	\$ 2,514,345,331	\$ -	0.0%
Total	\$ 10,635,948,424	\$ 10,586,478,393	\$ (49,470,031)	(0.5%)

Position Summary

Authorized Positions	8,053	8,053
Full-time Equivalent (FTE) positions	7,902.39	7,902.39

OHA Budget Summary*

	2015-17 Legislatively Approved Budget ⁽¹⁾	2015-17 Committee Recommendation	Committee Change from 2015-17 Leg. Approved	
			\$ Change	% Change
General Fund	\$ 2,104,955,708	\$ 2,093,403,601	\$ (11,552,107)	(0.5%)
General Fund Cap. Improvement	\$ 699,615	\$ 699,615	\$ -	0.0%
General Fund Debt Service	\$ 64,266,611	\$ 64,266,611	\$ -	0.0%
Lottery Funds Limited	\$ 11,348,753	\$ 11,348,753	\$ -	0.0%
Other Funds Cap. Improvement	\$ 699,615	\$ 699,615	\$ -	0.0%
Other Funds Nonlimited	\$ 143,943,220	\$ 143,943,220	\$ -	0.0%
Other Funds Debt Service Nonlimited	\$ 129,057,682	\$ 129,057,682	\$ -	0.0%
Other Funds Limited	\$ 6,116,354,198	\$ 6,133,134,389	\$ 16,780,191	0.3%
Other Funds Debt Service Limited	\$ 4,197,413	\$ 4,197,413	\$ -	0.0%
Federal Funds Limited	\$ 12,389,615,949	\$ 11,448,264,704	\$ (941,351,245)	(7.6%)
Federal Funds Debt Service Nonlimited	\$ 4,123,972	\$ 4,123,972	\$ -	0.0%
Federal Funds Nonlimited	\$ 102,729,051	\$ 102,729,051	\$ -	0.0%
Total	\$ 21,071,991,787	\$ 20,135,868,626	\$ (936,123,161)	(4.4%)

Position Summary

Authorized Positions	4,454	4,454
Full-time Equivalent (FTE) positions	4,394.82	4,394.82

⁽¹⁾ Includes adjustments through April 2017

* Excludes Capital Construction expenditures

Summary of Revenue Changes

Senate Bill 5543 rebalances the 2015-17 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 decreased need for General Fund revenue of \$63.0 million, primarily due to updated caseload and cost per case estimates based on the spring 2017 caseload forecast.

The rebalance also includes important changes to Federal Funds and Other Funds revenues. In particular, changes in Oregon Health Plan caseloads result in a significant decrease in the amount of Federal Funds leveraged to support caseload costs. Additionally, the no-cost extension of the federal State Innovation Models grant results in \$2.4 million in General Fund savings in OHA's Office of Health Policy and Analytics. The rebalance also recognizes a series of Other Funds revenue adjustments that help offset General Fund costs in the Oregon Health Plan, including a forecasted increase in tobacco tax revenue of \$5.0 million, higher-than-budgeted drug rebate revenue of \$6.0 million, and Special Needs Rate Group settlement funds of \$5.3 million.

Within DHS, revenue changes include an additional \$5.5 million Other Funds revenue from estate recoveries and \$9.4 million Federal Funds revenue due to higher than expected match rates on some Medicaid services.

Summary of Human Services Subcommittee Action

The Human Services Subcommittee approved a budget rebalance plan that supports DHS and OHA programs and operations for the remainder of the 2015-17 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 a decrease of \$51,437,535 General Fund for DHS and a decrease of \$11,552,107 General Fund for OHA, for a cumulative General Fund savings amount of \$62,989,642 between the two agencies; each agency's General Fund appropriation is reduced accordingly. The rebalance plan also includes a net increase of \$17,293,022 Other Funds expenditure limitation and a net decrease of \$939,896,572 Federal Funds expenditure limitation between the two agencies.

Department of Human Services

The rebalance plan approved by the Subcommittee for DHS makes the following agency-wide net adjustments: decreases General Fund by \$51,437,535, adds \$512,831 Other Funds expenditure limitation and adds \$1,454,673 Federal Funds expenditure. The rebalance accounts for fluctuations in caseload and cost per case, but also includes some cost increases and program savings. These approved changes should provide the agency enough General Fund and limitation to complete budget and accounting transactions through the end of the 2015-17 biennium while freeing up surplus General Fund resources; some potentially excess limitation was specifically retained in the budget to help

with those final reconciliations. Even though only a few weeks remain in the biennium, risks around projections, actual caseloads, and costs still exist. For some DHS programs, billings for many client services will not be fully reconciled until well after June 30, 2017.

For the combined appropriation and expenditure limitations covering the Self Sufficiency, Child Welfare, and Vocational Rehabilitation programs, the Subcommittee approved net decreases of \$32,202,000 General Fund and \$9,254,132 Federal Funds limitation. A discussion of the most significant rebalance plan components for each program follows.

For Self Sufficiency programs, the biennial average caseload in the Temporary Assistance to Needy Families (TANF) program has dropped by 873 families from the fall forecast, down to 22,426, which drives savings of \$29.2 million General Fund. This net amount includes a small increase in cost per case for TANF two-parent caseloads and \$1.0 million General Fund for cost contingencies in the last quarter of the biennium.

DHS also expects to underspend its Employment Related Daycare (ERDC) budget by \$11.2 million General Fund, in addition there is anticipated savings of \$9.2 million Other Funds in Child Care Development Funds; these are federal dollars transferred from the Oregon Department of Education and the unspent balance will carryforward into next biennium. The ERDC program received a substantial funding increase in 2015-17; the higher funding level coupled with changes in eligibility timeframes and provider requirements made it more challenging to maximize ERDC participation, while staying within the program's budget cap. The Subcommittee recommended a technical adjustment shifting \$20 million Federal Funds to General Fund to count expenditures toward state TANF Maintenance of Effort (MOE) requirements. The exact opposite adjustment occurs in Child Welfare; federal spending for that program is allowable under the TANF grant.

In Child Welfare, the overall spring forecast shows a reduction in caseload generating about \$10.5 million General Fund in savings that helps cover other needs in the plan. Expenditure drivers include higher cost per case in adoption assistance and out of home placements; along with increased Attorney General expenditures these adjustments account for a need of \$8.7 million General Fund.

As noted previously, a \$20 million fund shift from General Funds to Federal Funds supports maintaining TANF MOE expenditures while continuing to use federal TANF dollars to support core programs. The approved rebalance plan also includes shifting \$9.0 million Federal Funds limitation to General Fund, to move expenditures from the federal Social Services Block Grant and certain TANF administrative costs; this preserves grant funding for 2017-19 and enables the department to stay under a federal cap on administrative spending. These actions result in a net increase of \$10.8 million Federal Funds limitation.

No rebalance adjustments are needed for the Vocational Rehabilitation program.

For the combined appropriation and limitation covering the Aging and People with Disabilities and Intellectual and Developmental Disabilities programs, the Subcommittee approved a net decrease of \$17,535,382 General Fund and a net increase of \$10,708,805 Federal Funds limitation. A discussion of the most significant rebalance plan components for each program follows.

For the Aging and People with Disabilities' budget, while overall caseloads have increased by 114 clients, the cost associated with that increase have been offset by cost per case savings, mostly in the live-in program. Due to high costs, consumers in this program have been transitioning to other plans, primarily into in-home hourly. The number of participants dropped from 500 to 297 between forecasts. A net \$17.5 million in APD General Fund savings accounts for the cost of both the caseload increases in the hourly program and higher caseloads in nursing facilities. A fundshift from Other Funds to General Fund of \$13.8 million is also included in that figure; this change allows for nursing facility provider tax revenues to be carried forward into the 2017-19. Other savings factored in are achieved through identifying better federal match rates for certain program participants, improving collection of Medicaid estates recovery revenues and reducing personnel costs by managing hiring activity. Associated with better match rates is an approved net increase of \$4.9 million Federal Funds limitation. The Subcommittee also recommended a fund shift from Other Funds to General Fund of \$13.8 million, which allows for nursing facility provider tax revenues to be carried forward into the 2017-19 biennium.

No change to the General Fund budget is being requested for the Intellectual and Developmental Disabilities program. Spring caseloads are trending with the prior forecast in the short-term, but costs have increased as more adults are projected to receive comprehensive in-home services. This activity, together with a funding gap left after the last rebalance and some additional costs tied primarily to children's programs, drive General Fund costs of about \$5.1 million. Another \$2.9 million in potential costs are associated with caseload volatility and the impacts of unwinding previously implemented reductions in service hours. The latter program change was a cost containment effort halted due to legal action.

These costs are offset by a reduced need for General Fund in other areas, primarily in the Stabilization and Crisis Unit (SACU). The unit received a staffing increase for this biennium, but labor contract negotiations took longer than anticipated, which delayed the filling of some positions. The agency also began receiving a higher federal match rate on SACU work beginning January 1, 2017; this change reduced General Fund need but does require another \$2.9 million Federal Funds limitation to book expenditures appropriately. For the overall program, an increase of \$5.8 million Federal Funds limitation is recommended.

The rebalance plan for the collective appropriations for Central Services, Shared Services, Statewide Assessments and Enterprise-Wide Costs (SAEC) and Program Design Services programs reflect a net savings of \$1,700,153 General Fund and a net increase of \$512,831 Other Funds limitation.

No changes are requested for the Central, Program Design, or Shared Services programs; the agency projects up to \$1.5 million General Fund savings, but those are retained in the plan as a hedge against unforeseen issues. In Statewide Assessments and Enterprise-wide Costs, there is \$1.7 million General Fund in net savings for disappropriation. Within this amount are costs of \$0.5 million related to the new Department of Administrative Services (DAS) telephone system plus another \$0.2 million to cover higher than budgeted mass transit, unemployment, and technology charges. In Other Funds, there is a net overall increase of \$0.5 million in limitation. Costs are more than offset by \$2.4 million in General Fund savings, primarily for unspent facility project dollars (\$1.1 million) and changes in cost allocation for Shared Services functions

that shift some costs over to the Oregon Health Authority (\$1.0 million). Federal Funds limitation is retained for end of biennium transactions.

No rebalance adjustments are needed for Debt Service.

Oregon Health Authority

The Subcommittee approved a budget plan for OHA that completes the 2015-17 biennium with a surplus of \$11,552,107 General Fund. This surplus is the result of several issues, including a forecasted decrease in Medicaid caseload, savings in the rural provider insurance subsidy program, Other Funds revenues above forecast and a combination of various increases and decreases in program costs. The plan increases Other Funds limitation by \$16,780,191 and decreases Federal Funds limitation by \$941,351,245, which is primarily related to excess limitation in the Medicaid program. The total funds impact is a decrease of \$936,123,161. The rebalance also makes a series of technical adjustments that net to zero agency-wide.

A combination of savings and increased costs in the Health Systems Division (HSD) results in net General Fund savings of \$21,702,280, an increase in Other Funds limitation of \$14,004,929 and a decrease in Federal Funds limitation of \$923,718,757.

The General Fund savings in HSD is primarily a factor of a forecasted decrease in Medicaid caseloads, an increase in Other Funds revenues that offsets General Fund expenses, savings related to the Special Needs Rate Group settlement and savings in other program and administrative costs. First, the updated Spring 2017 caseload forecast resulted in a caseload decrease of 3,637 individuals compared to the Fall 2016 forecast. A significant portion of this decrease is driven by declines in the Affordable Care Act expansion population and Children's Medicaid program; however, the number of individuals in the Parent/Caretaker Relative and Children's Health Insurance Program caseloads are up by a combined 5,296 compared to the previous forecast. The financial impact of all caseload changes in the Spring 2017 forecast results in General Fund savings of \$9.5 million. This amount is offset by \$6.0 million in caseload costs not funded by the Emergency Board in the December 2016 rebalance. The cumulative effect of these caseload adjustments is net General Fund savings of nearly \$3.6 million. The rebalance removes \$923.7 million in excess Federal Funds limitation in the Medicaid program. Most of this was a result of caseload changes in the December 2016 rebalance. The Federal Funds were unscheduled at that time and the empty limitation is now being removed from the budget.

A forecasted increase in Other Funds revenue saves a total of \$16.3 million General Fund in HSD. The revenue increases come from an increase of \$5.0 million in the tobacco tax forecast, \$6.0 million in anticipated drug rebate revenue and \$5.3 million from the Special Needs Rate Group settlement. This settlement results from a risk-sharing agreement with Coordinated Care Organizations (CCOs) for coverage provided for certain high risk populations when they moved from Fee-for-Service to CCOs. Budget adjustments also include administrative savings of \$3.7 million General Fund. The remaining \$4.0 million in savings is the result of unspent funds for the rural health insurance subsidy program.

Partly offsetting the savings in HSD is an increase to the “clawback” for the current biennium of \$5.9 million General Fund. The state is required to pay the clawback to the federal government to help cover the costs of Medicare Part D prescription drug benefits for clients eligible for both Medicaid and Medicare.

As with any forecast, there is a risk that caseloads will end the biennium higher than the Spring 2017 forecast anticipates. This rebalance 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 a meeting of the Emergency Board in the Fall, as they prepare to close out their 2015-17 biennium budget.

Rebalance savings and increased costs in Health Policy and Analytics (HPA) result in a net General Fund cost of \$2,346,802. Costs of \$4.8 million are related to legal costs incurred by the agency, as a result of the Cover Oregon litigation. Most of the savings are the result of a no-cost extension of the federal State Innovation Models grant, which offsets \$2.4 million in costs that would otherwise be supported by General Fund.

The rebalance includes \$3,227,000 in General Fund savings in the Public Health Division. This results from \$3.0 million in higher-than-expected drug rebate collections in the CAREAssist program, which helps people living with HIV or AIDS pay for medical care expenses. The remaining \$0.2 million in General Fund savings results from spending in the Breast and Cervical Cancer Screening Program coming in under budget. Demand for services through this program has been decreasing since the Affordable Care Act increased the number of Oregonians that have insurance.

The rebalance includes a net General Fund cost increase of \$11,030,371 in Statewide Assessments and Enterprise-wide Costs (SAEC). This includes \$6.6 million based on Shared Services changes in both DHS and OHA. The cost increase in OHA, in part, is a continuation of the impact from bringing the Oregon State Hospital into the agency’s cost allocation model. An additional \$3.9 million is also needed for DAS Enterprise Technology Services. This cost is driven both by changes in cost allocation and in the agency’s increased utilization of Enterprise Technology Services. The rebalance also includes \$0.4 million for telecommunication system costs for Project MUSIC due to costs higher than budgeted in the current biennium. The additional General Fund costs in SAEC are partially offset by \$0.3 million in General Fund savings resulting from changes in risk charges.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Department of Human Services
 Tamara Brickman -- (503) 378-4709

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
SUBCOMMITTEE ADJUSTMENTS (from LAB)									
Statewide Assessments and Enterprise-wide Costs	\$ (1,700,153)	\$ -	\$ 512,831	\$ -	\$ -	\$ -	\$ (1,187,322)		
Self-Sufficiency	\$ (20,403,078)	\$ -	\$ -	\$ -	\$ (20,000,000)	\$ -	\$ (40,403,078)		
Child Welfare	\$ (11,798,922)	\$ -	\$ -	\$ -	\$ 10,745,868	\$ -	\$ (1,053,054)		
Aging and People with Disabilities	\$ (17,535,382)	\$ -	\$ -	\$ -	\$ 4,918,272	\$ -	\$ (12,617,110)		
Intellectual/Developmental Disabilities	\$ -	\$ -	\$ -	\$ -	\$ 5,790,533	\$ -	\$ 5,790,533		
TOTAL Department of Human Services	\$ (51,437,535)	\$ -	\$ 512,831	\$ -	\$ 1,454,673	\$ -	\$ (49,470,031)		

Oregon Health Authority
 Tom MacDonald -- (503) 586-6689

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
SUBCOMMITTEE ADJUSTMENTS (from LAB)									
Central and Shared Services	\$ -	\$ -	\$ -	\$ -	\$ (3,829,216)	\$ -	\$ (3,829,216)		
State Assessments and Enterprise-wide Costs	\$ 11,030,371	\$ -	\$ 475,262	\$ -	\$ (13,476,890)	\$ -	\$ (1,971,257)		
Health Systems Division	\$ (21,702,280)	\$ -	\$ 14,004,929	\$ -	\$ (923,718,757)	\$ -	\$ (931,416,108)		
Health Policy and Analytics	\$ 2,346,802	\$ -	\$ 2,300,000	\$ -	\$ 76,500	\$ -	\$ 4,723,302		
Public Health Division	\$ (3,227,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,227,000)		
Oregon State Hospital	\$ -	\$ -	\$ -	\$ -	\$ (402,882)	\$ -	\$ (402,882)		
TOTAL Oregon Health Authority	\$ (11,552,107)	\$ -	\$ 16,780,191	\$ -	\$ (941,351,245)	\$ -	\$ (936,123,161)		
TOTAL ADJUSTMENTS	\$ (62,989,642)	\$ -	\$ 17,293,022	\$ -	\$ (939,896,572)	\$ -	\$ (985,593,192)		
SUBCOMMITTEE RECOMMENDATION	\$ (62,989,642)	\$ -	\$ 17,293,022	\$ -	\$ (939,896,572)	\$ -	\$ (985,593,192)		