

Analysis

Item 15: Oregon Health Authority

Oregon State Hospital

Analyst: Tom MacDonald

Request: Increase General Fund by \$81,594,501, decrease the Other Funds expenditure limitation by \$31,029,554, decrease the Federal Funds expenditure limitation by \$7,586,868, and establish 33 positions (31.35 FTE) to support projected revenue shortfalls and funding requests at the Oregon State Hospital.

Analysis: The Oregon Health Authority (OHA) requests \$81.6 million General Fund, adjustments to expenditure limitations, and an increase of 33 positions (31.35 FTE) to support several revenue and expenditure issues at the Oregon State Hospital (OSH). Taken together, these issues primarily address structural budget challenges at OSH and do not expand the hospital's current capacity to admit additional patients, although part of the request intends to pay for increased capacity implemented by OHA in September 2019. In addition to this prior increase in hospital capacity, OHA is considering the submission of an additional budget request for the 2020 legislative session to address continued increases in the hospital's census levels and limited bed space for new patient admissions.

The following table summarizes the funding requests identified by OHA in its current letter:

Oregon State Hospital <i>\$\$ in millions</i>	General Fund	Total Funds	Positions / FTE
1. Revenue shortfall	\$38.6	\$0.0	
2. Increased staffing costs	\$23.6	\$23.6	
3. Aid and Assist capacity increase	\$8.5	\$8.5	33 / 31.35
4. Repay overclaimed federal Medicaid match	\$8.1	\$8.1	
5. Safety and equipment costs	\$3.3	\$3.3	
6. Person Directed Transition Team	\$0.9	\$0.9	
7. Position establishments	(\$1.5)	(\$1.5)	
Total	\$81.6	\$43.0	33 / 31.35

Overall, the requested \$81.6 million General Fund reflects a 16% increase over the hospital's 2019-21 legislatively adopted General Fund budget of \$496.8 million. Given the magnitude and number of requests, as well as the likelihood of an additional OSH request, the Legislative Fiscal Office (LFO) recommends further review and consideration of this request during the 2020 legislative session. The information below provides more detail for the distinct issues identified in OHA's request.

Revenue Shortfall

An estimated structural deficit of \$38.6 million exists in the OSH budget due to the following two Other Funds and Federal Funds revenue issues:

- 1) Billing system project (\$31 million): After a multi-year quality improvement process by OSH, the federal Centers for Medicare and Medicaid Services certified an additional 452 hospital-licensed beds in 2016. This certification means the hospital can now bill insurance plans for reimbursement for eligible patient costs. Based on the hospital's plan to develop the billing processes and infrastructure for this reimbursement, OHA's 2017-19 legislatively adopted budget included a policy package anticipating an increase of \$40 million in insurance reimbursements budgeted entirely as Other Funds (mostly from Medicare). As a savings measure, the estimated revenue increase was used to offset \$30 million in General Fund expenses, with the remaining \$10 million maintained in the OSH budget to develop the required billing infrastructure, including new positions, and support federal compliance, safety, and direct care staff. Due to project delays and setbacks, OHA no longer expects reimbursement levels to offset the General Fund savings assumed in the hospital's budget. OHA identified this issue on a one-time basis in 2017-19 as part of the agency's December 2018 and May 2019 rebalances, which resulted in a combined General Fund backfill of \$26.5 million. The outlook beyond 2017-19 was not clear at the time and no adjustments were made to the 2019-21 legislatively adopted budget.

The agency has since continued to identify and resolve billing system challenges and has hired most of the staff authorized in the 2017-19 budget. The hospital has seen some increases in insurance reimbursements, but not enough to fully offset the costs of the added staff and other activities funded as part of the original proposal. Based on the on-going work, the original revenue estimates are now understood to have been significantly overstated. A consultant hired by OHA largely confirmed this assessment in October 2019. Although this issue merits continued monitoring in terms of potential future revenue collections that could help fulfill some of the intended General Fund savings, restoration of an estimated \$31 million General Fund is likely necessary in 2019-21, which is net of anticipated revenue collections, costs to continue developing the billing and reimbursement processes, and inflationary expenses assumed in the 2019-21 budget. An offsetting Other Funds reduction is included in this request to reflect the revenue OHA no longer expects to collect.

- 2) Federal revenue shortfall (\$7.6 million): Around 6%, or \$38.9 million, of the OSH budget is predicated on receiving Federal Funds from Disproportionate Share Hospital (DSH) payments and Medicaid. The anticipated revenue collections in 2019-21, however, fall short by \$7.6 million. Although OHA identified this shortfall as part of its work to assess the Other Funds reimbursement issue discussed above, the nature of it is different and deals with multi-year changes in Oregon's DSH awards, decreases in federal Medicaid match rates, and the inability for these revenue streams to keep pace with biennial inflationary budget adjustments.

This issue highlights a part of the OSH budget development process that needs to be enhanced. Specifically, these year-over-year federal revenue shortfalls have not routinely been identified in the development of OHA's biennial current service level budget. OHA has indicated it will begin doing this in order to address such issues on an incremental basis. With that said, state agencies are often expected to manage federal revenue fluctuations within their existing budgets. To an extent, OSH should be positioned to do this given the breadth of its activities and comparatively small size of its budget that depends on federal revenue. However, the compounding effects of these multi-year federal revenue adjustments and unfunded inflationary pressures would be difficult for OSH to completely resolve in 2019-21 without General Fund backfill, especially given the hospital's other funding issues.

Increased Staffing Costs

OHA requests \$23.6 million General Fund to pay for the staffing costs of existing employees. Of this amount, \$17.4 million is for unbudgeted overtime, limited-duration, and contractual staffing costs to support an increase in physician-ordered enhanced patient supervisions and planned or unplanned absences of direct care staff (e.g., medical leave, vacations, call-outs, injuries, etc.). The increase in enhanced supervisions correlates to an increase in OSH patient acuity levels due to the higher proportion of Aid and Assist patients committed to receive restorative services in order to “aid and assist” in their criminal defense. Cost pressures due to staff absences have long been a challenge faced by OSH, particularly related to unplanned absences, such as direct care staff who call out each day with unanticipated vacation or sick leave. Unanticipated absences leave a spot that must be filled by other OSH or contractual staff who were otherwise not scheduled to work.

The remaining \$6.2 million of this request supports bargained salary increases OHA estimates will not be covered by the \$200 million General Fund appropriated in 2019-21 for state employee compensation changes, known informally as the “salary pot.” The agency’s request for this funding is unusual at this point because the calculations for how this funding will be distributed across state agencies has not yet occurred. Additionally, when the salary pot is insufficient to fully support an agency’s compensation changes, the agency is typically held responsible for managing the shortfall within its existing budget. Finally, the assumptions used by OHA to calculate its estimated salary pot shortfall includes positions the agency has already hired but for which it has not yet received funding or position authority, as requested in other letters.

Aid and Assist Capacity Increase

Shortly after the close of the 2019 legislative session, OHA opened two residential treatment facility cottages at the OSH Junction City campus to address the increasing number of Aid and Assist patients. The agency did not submit a budget request for this action prior to the close of the 2019 session and is now requesting \$8.5 million General Fund and 33 positions (31.35) to operate the cottages. All 33 positions have been hired.

Based on a 2003 federal court order (*Oregon Advocacy Center v. Mink*), OSH must admit Aid and Assist patients within seven days of a trial court’s finding of their inability to proceed to trial. If bed spaces are not available at OSH, these individuals remain in jail without receiving mental health services until OSH can admit them. OHA was held in contempt of court in June 2019 for being unable to satisfy the seven-day deadline given the capacity level funded at OSH. Opening the two Junction City cottages allowed for the transfer of civilly committed patients from the Salem Campus to Junction City, which, in turn, enabled the Salem campus to open a 26-bed unit for Aid and Assist patients. The cost of opening the Junction City cottages in 2019-21 is \$8.5 million General Fund and 33 positions (31.35), which have all been hired.

As mentioned earlier, Aid and Assist admissions continue to grow. Coupled with an increase in the census level for patients adjudicated by courts as guilty excepted for insanity, the OSH capacity level is currently strained. In an effort to meet the seven-day Aid and Assist admission deadline, the agency suspended the admission of civilly committed patients for two weeks in December 2019. This suspension has now been lifted but the hospital’s capacity limitations remain. Consequently, OHA is considering opening additional hospital units, which would necessitate another General Fund investment.

Repay Overclaimed Federal Medicaid

OHA has identified \$8.1 million in overclaimed federal Medicaid match for OSH services provided from 2008 through 2019. This issue is, to an extent, similar to an issue identified in a separate OHA letter regarding \$50 million in overclaimed federal Medicaid match for non-state substance use disorder facilities. The \$8.1 million in overclaimed match reflects the combined outcome of several audits performed by OHA's Office of Program Integrity, which identified the following payment processing errors:

- Payments ineligible for Medicaid reimbursement due to the federal Institutions for Mental Diseases exclusion (\$2.4 million).
- Claims billed to Medicare that incorrectly crossed over to Medicaid in the state's Medicaid claims system (\$2.3 million).
- Procedural errors related to claiming Medicaid reimbursement as the primary source of insurance instead of as the payer of last resort (\$2.3 million).
- Insufficient documentation showing Medicare claims were exhausted prior to billing Medicaid (\$1 million).

As of this writing, the Office of Program Integrity continues to audit OSH's Medicaid claims, meaning the \$8.1 million cost could change. In particular, the \$1 million related to insufficient documentation on the exhaustion of Medicare claims is based on a sampling of claims. OHA has indicated that as the sample size has grown, so too has the likelihood of identifying overclaimed Medicaid match, which could potentially increase the overall amount OHA must repay to the federal government from \$8.1 million to \$14 million, although further review is necessary. In terms of correcting these issues, OHA has adjusted its billing systems, corrected processes, and retrained billing staff, at least part of which appears related to OSH's ongoing review and improvements made to its overall billing system challenges discussed above.

Safety and Equipment Costs

OHA requests a combined \$3.3 million General Fund to replace equipment at the hospital. Of this amount, \$1.9 million is requested to replace OSH's personal monitoring transmitter (PMT) system, which is used to locate staff in duress at the Salem campus. The funding would support replacing the PMT devices worn by the staff. The manufacturer no longer supports this system and replacement parts are no longer produced. The safety system used at the Junction City campus is different, more modern, and continues to be supported by its manufacturer.

The agency also requests \$1.4 million for equipment life cycle replacements at both campuses. This funding would replace a variety of equipment, such as washers and dryers, ice makers, televisions, dental chairs, and musical equipment, among other things. Based on information provided by the agency, \$1.5 million in similar end of life cycle replacements has been identified for the 2021-23 biennium. The request for an appropriation for these types of purchases merits more input by the agency in terms of the hospital's original budgetary resources dedicated for equipment replacement.

Person Directed Transition Team

OHA requests \$0.9 million to continue the Person Directed Transition Team (PDTT). The hospital established the PDTT as a pilot project in 2015-17 to help civilly committed patients, particularly those with longer lengths of stay, to adapt to the hospital and prepare them to transition back into the community. The PDTT is currently administered by contractual staff, which OHA also proposes to convert to five full-time state employees. The hospital currently funds this program within its services and supplies budget, but given its other budgetary challenges, has repurposed its funding.

The position authority corresponding to the funding request is included in a separate agency letter addressing agency-wide position requests. These separate adjustments need to be considered together.

The program is one of the hospital's strategies to address the U.S. Supreme Court's decision that individuals with mental disabilities have a right to live in the least restrictive settings possible, as well as an agreement the U.S. Department of Justice entered into with Oregon in 2016 to improve the transition of patients to the community. In light of the program's apparent importance, additional discussion with the agency would help determine if funding for lower-priority activities could be repurposed instead of funding for the PDTT.

Position Establishments

OHA proposes a reduction of \$1.5 million General Fund to help offset costs at the hospital. This savings relates to positions OHA has requested in a separate letter to establish 40 full-time positions (22.53 FTE) for functions that are currently performed by contractual staff. In doing so, the hospital would save \$1.5 million General Fund in 2019-21, which is net of saving \$12.1 million in contractual expenses and supporting \$10.6 million in new expenses for the requested positions. Despite this savings in the short-term, roll-up costs of the position establishments in 2021-23 are estimated to be \$5.4 million.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office (LFO) recommends that the Joint Interim Committee on Ways and Means defer action on the request to the 2020 legislative session, with the understanding that LFO will develop additional recommendations for consideration during the session.

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Oregon Health Authority Heath

Request: Appropriate \$81,594,501 General Fund, decrease Other Funds expenditure limitation by \$31,029,554, decrease Federal Funds expenditure limitation by \$7,586,868, and establish 33 positions (31.35 FTE) to address projected budget shortfalls at the Oregon State Hospital.

Recommendation: Consider the request during the 2020 Legislative Session.

Discussion: The Oregon Health Authority (OHA) is requesting \$81,594,501 General Fund and 33 positions (31.35 FTE), as well as a reduction of \$31,029,554 Other Funds expenditure limitation and \$7,586,868 Federal Funds expenditure limitation, to address projected shortfalls at the Oregon State Hospital (OSH). OSH provides psychiatric care at its campuses in Salem and Junction City, which have a combined capacity of 684 treatment beds. Patients at the hospital have been through some type of adjudicative process. They have either been found guilty of a crime except for insanity, unable to aid and assist in their own defense at trial, or have been civilly committed to the hospital. The below table outlines the current Legislatively Adopted Budget and the various funding requests included in this letter.

	General Fund	Other Funds	Federal Funds	Total Funds
2019-21 Leg. Approved Budget	\$497.5	\$70.3	\$38.9	\$606.7
Other Funds Revenue shortfall	\$38.6	(\$31.0)	(\$7.6)	\$0.0
Overtime Costs	\$17.4	-	-	\$17.4
Salary Increases	\$6.2	-	-	\$6.2
Aid & Assist Capacity	\$8.5	-	-	\$8.5
Federal Overpayments	\$8.1	-	-	\$8.1
Safety Equip. Replacement	\$1.9	-	-	\$1.9
Person Direct Transition Team	\$0.9	-	-	\$0.9
Total Request	\$81.6	(\$31.0)	(\$7.6)	\$43.0

\$\$\$ in millions

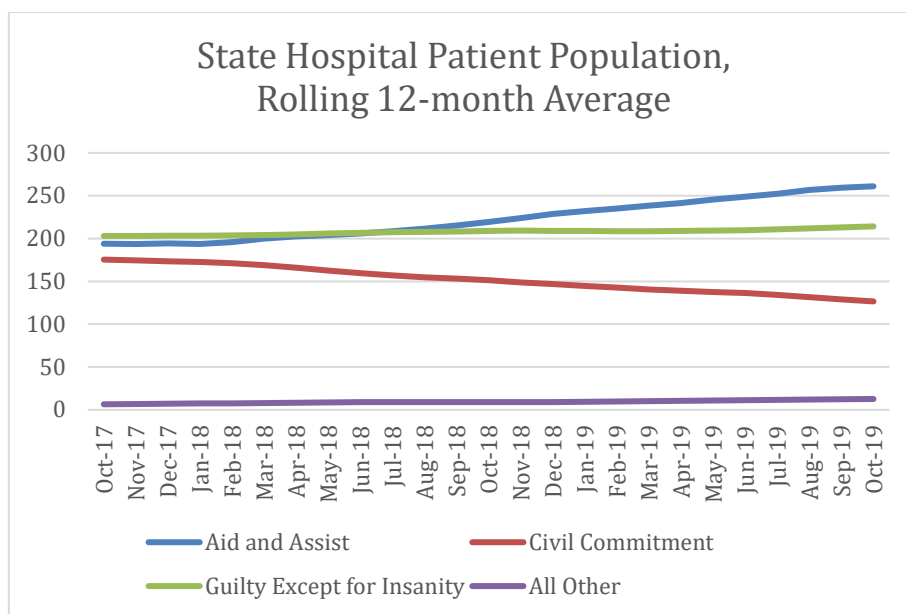
The state hospital continues to miss the enhanced revenue targets established in the 2017-19 Legislatively Adopted Budget and used as a baseline for building the 2019-21 Legislatively Adopted Budget. OHA's December 2018 and May 2019 rebalance requests both addressed this issue on a one-time basis, with the Emergency Board providing \$15 million General Fund and the 2019 Legislature providing \$11.5 million General Fund and \$2.6 million Federal Funds to offset the underperformance. The enhanced revenue goal was justified in part by the hiring of staff to improve the state hospital's insurance billings. While this staff has largely been hired, revenues have not reached the levels projected. The Department has redone its projections on the basis of the actual revenues it has received and it estimates the revenue shortfall is \$38.6 million in the 2019-21 biennium. OSH's non-General Fund revenues primarily come from billing Medicare, Medicaid, and private insurance, as well as Medicaid disproportionate share hospital (DSH) payments intended to offset the cost of uncompensated care.

The Department has identified a number of revenue enhancement options, which would allow the hospital to increase the revenue collection, although it is unclear how much revenue would be

generated. At the same time, even the lowered projections may be too optimistic, as the Department's recent billings have included revenues it will have to repay to the federal government due to billings that did not follow federal procedures (discussed later in this analysis). In terms of the hospital's financial management, the Department pays all expenses as General Fund and then seeks Other Funds or Federal Funds revenues when possible. This practice could result in financial pressure late in a biennium if revenues do not materialize and the Department has already spent its General Fund budget.

The state hospital is requesting \$23.6 million General Fund to pay for the increased staffing costs related to operating the hospital - \$17.4 million for staff overtime and \$6.2 million related to bargained salary increases the Department projects will not be covered by the \$200 million Salary Pot set aside for such increases. For context, the hospital's 2019-21 Legislatively Adopted Budget contains \$14.3 million total funds for overtime and the hospital spent \$25.8 million total funds on overtime during the 2017-19 biennium. The Department's request for \$6.2 million due to a projected salary pot shortfall is premature, as salary pot distribution calculations have not been made. That said, the salary pot calculations generally assume there are sufficient Other Funds and Federal Funds revenues to support the increased personnel costs for positions supported with Other Funds and Federal Funds, however the Department is experiencing an Other Funds and Federal Funds revenue shortfall. It is likely that these costs will need to be picked up by the General Fund during 2019-21, a need that does not appear to be factored into the Department's projections. It is worth noting that the Department has additional requests in other letters that, if approved, could impact with the amounts requested in this letter.

The state hospital is requesting \$8.5 million General Fund and 33 positions (31.35 FTE) to serve additional patients who cannot aid and assist in their own defense. The Department has seen an increased number of aid and assist patients over recent years, increasing from an average of 206 in FY 2018 to an average of 249 in FY 2019. At the same time, there has been a decrease in the number of civil commitment patients, from an average of 160 in FY 2018 to an average of 137 in FY 2019, while guilty except for insanity patients have grown but more slowly.



A 2003 court case (*Oregon Advocacy Center v. Mink*) requires the state hospital to accept an individual who is unable to aid and assist in their own defense within seven days of a trial court

ruling to that effect. In order to keep the state hospital in compliance with the seven-day standard, the Department transitioned 10 beds at the Salem hospital from the civil commitment population to serve the aid and assist population and then opened 16 additional beds at the Junction City campus to serve additional civil commitment clients. The requested expenditures are for all the Junction City campus. The 2019 Legislature invested \$7.6 million in grants to provide community-based services to the aid and assist population, but those investments have not yet reduced aid and assist admissions.

Since the Department submitted their request in December 2019, the number of patients coming to the state hospital has continued to increase. OHA is currently exploring opening additional units at the Junction City campus to accommodate these additional patients (beyond the 16 beds included in this request). The cost of these changes is unknown at this time.

An additional budget issue facing the state hospital is the need to repay at least \$8.1 million in General Fund due to incorrectly claimed Medicaid reimbursements. OHA's Office of Program Integrity audits all Medicaid providers in the state, including the Oregon State Hospital. The audit found four issues related to the hospitals billing practices:

- \$2.4 million in Medicaid claims paid incorrectly resulting from the Institute for Mental Disease (IMD) exclusion
- \$2.3 million in Medicaid claims paid incorrectly without pursuing other insurance reimbursements first
- \$2.3 million in Medicaid claims paid that were also paid by Medicare
- \$1.0 million in Medicaid claims paid where there was a lack of documentation showing that Medicare benefits were exhausted prior to billing Medicaid

Since submitting this letter, the estimated cost related to the lack of documentation showing Medicare benefits were exhausted prior to billing Medicaid has increased from \$1.0 million and could be as high as \$7.0 million as the scope of the audit increased. The hospital has made changes to its billing system and retrained billing staff to avoid these issues in the future. The IMD exclusion and the double-billing of Medicare and Medicaid issues appear directly related to the revenue issues experienced by the state hospital, as correcting these practices should lead to a reduction in the revenue raised by the hospital in the future. It is not clear how (or if) these corrections have filtered into the revised revenue projections produced by the Department.

The Department is requesting \$1.9 million General Fund to replace obsolete safety equipment and \$1.4 million to replace a variety of other equipment. The personal monitoring transmitters (PMTs) are used to locate staff during distress calls at the Salem campus. The vendor of the equipment will no longer support or manufacture replacement parts. The state hospital can continue to use most of its existing electronic infrastructure in support of the PMTs but needs to replace the devices worn by hospital staff. The \$1.4 million requested for equipment covers a wide variety of equipment at both campuses of the state hospital that the Department says it is unable to fund out of its base budget.

Finally, the Department is also requesting \$0.9 million to fund the Person Directed Transition Team, which was started in 2015-17 as a pilot project funded by grant funds. The Person Directed Transition team consists of occupational therapists who help prepare long-term patients to transition out of the state hospital into community settings. The Department did not request funding for the program in the 2017-19 or 2019-21 budget development but has continued to

fund the services out of the Department's base budget. Due to the funding challenges facing the program now, OHA is bringing this request forward. The grant funds used to pilot the program have been repurposed and are no longer available. The staff associated with this team are currently contracted and not state employees, but in a letter dealing with staffing requests the department proposes to bring the positions in-house.



Office of the Director

Kate Brown, Governor



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December 9, 2019

The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Oregon Health Authority (OHA) requests a 2019-21 budget increase of \$81,594,501 General Fund and the establishment of 33 new positions (31.35 FTE) for the Oregon State Hospital. OHA also requests a reduction of \$31,029,554 in Other Funds limitation and \$7,586,868 in Federal Funds limitation for the hospital.

Agency Action

The Oregon State Hospital began the 2019-21 with a very challenging budget but is also experiencing increased pressures outside of its control.

Revenue Shortfall (\$38.6 million) – The hospital has experienced continued challenges achieving the revenue enhancement goals established in the development of the 2017-19 Legislatively Adopted Budget. The hospital recently sought the analysis of a consultant to verify the 2019-21 revenue projections. Other Fund projections are estimated to total \$38.5 million compared to the budgeted target of \$69.5 million, resulting in an anticipated shortfall of \$31.0 million. Other Fund revenues are primarily from service revenues that come from Medicare, third-party insurance and private payments. Federal Fund projections are estimated to total \$31.3 million compared to the budgeted target of \$38.9 million, resulting in an anticipated shortfall of \$7.6 million. Federal Fund revenues are received from Disproportionate Share Hospital (DSH) payments, Medicaid payments and cost report settlements. All Federal Fund revenues are paid utilizing the current federal Medicaid match rate, which has been decreasing over the past few years. OHA is requesting \$38.6 million General Fund backfill for the lower revenue projections.

Increased Staffing Costs (\$23.6 million) – The Oregon State Hospital continues to experience increased staffing costs primarily associated with patient acuity from a higher proportion of patients being admitted to the hospital under Aid and Assist orders.

Patient acuity is highest during the first two weeks at the hospital as they adjust to the new environment. For example, patients always have the right to refuse medication, but are more likely to upon initial admittance. Higher patient acuity levels at the hospital increases the number of physician-ordered enhanced supervisions (a.k.a., “precautions”) to ensure patients are not a danger to themselves or others. In addition, the hospital also incurs costs for non-delivered staffing, or instances when staff are not available to provide direct care (for example, due to medical leave, unscheduled absences, injuries, or investigations).

OHA is requesting \$17.4 million General Fund to cover unbudgeted costs for both non-delivered staffing and enhanced supervisions at the hospital. OHA is also requesting \$6.2 million General Fund to cover the portion of bargained salary increases in labor union contracts not covered by the \$27 million the Oregon State Hospital anticipates receiving from salary pot to cover these costs.

Aid and Assist Response (\$8.5 million) – Because of an unprecedented number of people with Aid and Assist orders waiting to enter the Oregon State Hospital and requirement that those people be admitted within seven days, OHA took steps to increase its capacity to address the need. OHA restructured a unit at the Salem hospital campus to serve more Aid and Assist patients and opened the residential treatment facility “Rivers Run” at the Junction City campus accommodate civil commitment patients. This unit opened on September 3, 2019, and can serve up to 16 individuals. OHA is requesting \$8.5 million General Fund and the establishment of 33 additional staff to support these changes.

Medicaid Recoupments (\$8.1 million) – The Office of Program Integrity (OPI) recently completed an audit on Medicaid claims from 2008 through 2019, which revealed the Oregon State Hospital over claimed federal match during that period. Currently, OPI estimates at least \$8.1 million will need to be paid back to the federal government. The reasons for the overpayments include: incorrectly receiving payment from Medicaid due to its status as an Institution for Mental Diseases (IMD), incorrectly receiving payments from Medicaid without pursuing other third-party resources first, paying for the portion of some hospital claims that had already been paid for by Medicare, and a lack of documentation showing Medicare benefits were exhausted prior to billing Medicaid. OSH has implemented system changes and revised staff training and procedures to prevent these errors from occurring in the future.

Personal Monitoring Transmitter System Replacement (\$1.9 million) – The current personal monitoring transmitter (PMT) equipment that is used to locate staff in duress at the Salem campus is no longer supported by the manufacturer. Written notice was provided in May 2019 by the vendor indicating that the product line and manufacturing

of spare parts has been discontinued. The equipment used at the Junction City campus is newer and continues to be supported by the manufacturer. The hospital is requesting \$1.9 million General Funds for the replacement.

Equipment Replacement (\$1.4 million) – Current equipment at the Oregon State Hospital is reaching its useful life and requires replacement. The equipment that requires replacement consists of maintenance equipment, kitchen equipment, medical equipment, and equipment used by patients. To mitigate this budget request, the hospital has prioritized equipment for replacement, pushing off some purchases to next biennium. After the prioritization, the hospital is requesting \$1.4 million General Fund for 2019-21 equipment replacement purchases.

Person Directed Transition Team (\$0.9 million) – The Person Directed Transition Team (PDTT) originally started as a pilot project that was funded with Choice Model and AMHI funds. This funding is no longer available to support the \$0.9 million General Fund in contracted staff costs to operate this activity that assists the Oregon Health Authority to achieve the Oregon Performance Plan (OPP) established targets.

Expenditure reductions (\$1.5 million) – The hospital can reduce spending of contract expenditures through the addition of positions requested by OHA in its separate position request letter. By switching 40 Oregon State Hospital full-time equivalent contracted staff to state positions, the hospital estimates a General Fund savings of \$1.5 million.

Action Requested

Acknowledge receipt of the report.

Legislation Affected

Oregon Laws 2019, Chapter 695, Section 1, Subsection (2).

Oregon Laws 2019, Chapter 695, Section 2, Subsection (2).

Oregon Laws 2019, Chapter 695, Section 4, Subsection (2).

Sincerely,



Patrick M. Allen
Director

EC: Tom McDonald, Legislative Fiscal Office
Ken Rocco, Legislative Fiscal Office
Kate Nass, Department of Administrative Services
George Naughton, Department of Administrative Services