

Analysis

Item 17: Oregon Health Authority

Public Health, Public Employees' Benefit Board, and Oregon Educators Benefit Board

Analyst: Tom MacDonald

Request: Increase General Fund by \$1,495,538 and increase the Other Funds expenditure limitation by \$2,086,192 to backfill a revenue shortfall in the Public Health Division and support information technology security and system changes in the Public Employees' Benefit Board and Oregon Educators Benefit Board.

Analysis: The Oregon Health Authority (OHA) requests \$1.5 million General Fund and a corresponding \$1.5 million reduction in Other Funds expenditure limitation to backfill the remaining amount of medical marijuana revenue budgeted for local community disease prevention programs. In the past, available medical marijuana revenue was used to replace General Fund in several non-medical marijuana programs funded in the Public Health Division. Subsequent to the passage of laws regulating recreational marijuana, medical marijuana revenue has fallen dramatically. In 2017-19, the Legislature approved \$12.1 million General Fund to backfill declining medical marijuana revenue in most of the programs where General Fund savings had been recognized. This action left the budget for local public health authority communicable disease programs as the last non-medical marijuana budget to still depend on this revenue source.

Based on revenue declines forecasted during the 2019 session, the Legislature approved \$5.5 million General Fund to backfill all but \$1.5 million of this program's medical marijuana revenue in 2019-21. Since then, medical marijuana revenue has declined more than anticipated. Public Health now estimates a negative cash balance before the end of the biennium if the revenue is required to support both local public authorities and the Oregon Medical Marijuana Program (OMMP). OMMP is unable to absorb the reduction without impacting its statutory responsibilities to regulate the medical marijuana industry. The \$1.5 million backfill is necessary if county communicable disease prevention programs are to be maintained at existing levels.

As a separate issue, OHA requests Other Funds expenditure limitation of \$3.6 million to support information technology security and system changes in the Public Employees' Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB). Part of this request supports higher costs for the onshore replacement of off-shore system testing and production services, which was prompted by a change in statewide security and privacy requirements. This change also led PEBB and OEBB to expand its use of contractual system maintenance services.

The expenditure limitation increase supports system changes pursuant to HB 2266 (2019), which reversed the elimination of double coverage and opt-out incentives for employees covered by PEBB or OEBB. Instead, the bill authorizes PEBB and OEBB to impose a new surcharge on employees for double coverage. At the time the bill passed, OHA assumed the fiscal impact of the changes would be minimal but has since identified required updates to the PEBB and OEBB benefits systems for members to declare double coverage and for the surcharge amount to process.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$1,495,538 in General Fund and an increase of \$2,086,192 in the Other Funds expenditure limitation for the Oregon Health Authority in a budget reconciliation bill during the 2020 legislative session for the agency to maintain local communicable disease prevention service levels funded by the Public Health Division and support information technology security and system changes in the Public Employees' Benefit Board and Oregon Educators Benefit Board.

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Oregon Health Authority
Heath

Request: Appropriate \$1,495,538 General Fund and increase Other Funds expenditure limitation by \$2,086,192 to make system changes to the Public Employees Benefits Board and the Oregon Educators Benefits Board and to backfill an Other Funds shortfall in the Public Health Division.

Recommendation: Consider the request during the 2020 Legislative Session.

Discussion: The Oregon Health Authority is requesting an increase of \$1,495,538 General Fund and \$2,086,192 Other Funds expenditure limitation to address three budget issues. First, the Public Health Division has a General Fund shortfall of \$1,495,538 in its Local Public Health Grant program. This shortfall is due to the use of excess Other Funds revenue from the Oregon Medical Marijuana Program (OMMP) to supplant General Fund in the grant program with \$7.1 million in OMMP revenues supporting the program in 2017-19. The Oregon Health Authority's 2019-21 budget provided \$5,480,601 General Fund to partially backfill the OMMP shortfall with the expectation that OMMP revenues would be sufficient to cover the remainder. Since that time, OHA has seen revenues from the OMMP continue to decline as patients and growers migrate into the retail marijuana market, leaving insufficient funds to make the Local Public Health Authority grants. Funding this \$1.5 million General Fund request would remove the last OMMP revenue supporting Public Health expenditures.

Local Public Health Authority grants are given to Oregon's 33 local public health authorities to operate basic communicable disease control programs, including the reporting, monitoring, diagnosis, and early detection of disease, as well as immunization and data collection.

The Oregon Health Authority is also requesting \$3,581,730 Other Funds expenditure limitation to address a number of one-time budget needs. First, both the Oregon Educators Benefits Board (OEBB) and the Public Employees Benefits Board (PEBB) need to make system changes required by the passage of House Bill 2266 (2019) to the information systems. House Bill 2266 reverses the requirement of Senate Bill 1067 (2017) that PEBB and OEBB eliminate double coverage of employees whose spouse or dependents are also eligible to be insured through either PEBB or OEBB. While the Department put a minimal fiscal impact on the bill, upon further analysis OHA has determined the need for additional Other Funds expenditure limitation for both PEBB and OEBB to implement the changes required by the law.

In addition to implementing new legislation, OHA projects higher costs for system development due to new Enterprise Information Services requirements related to security and privacy, limiting the Department's ability to use its existing offshore contractor. The new requirements have led OHA to engage additional contractors to perform ongoing system maintenance.

Administrative expenditures for PEBB and OEBB are not subject to the 3.4 percent per member per year limit on expenditure growth.



Office of the Director

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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

OHA requests a 2019-21 budget increase of \$1,495,538 General Fund and a decrease of \$1,495,538 Other Funds limitation for Public Health, an increase of \$1,928,362 Other Funds limitation for the Public Employees' Benefit Board (PEBB) and \$1,653,368 Other Funds limitation for the Oregon Educators Benefit Board (OEBB).

Agency Action

The Oregon Health Authority (OHA) is submitting this letter for other OHA budget needs not already addressed in its Fall 2019 Rebalance Report and four additional letters regarding the Oregon State Hospital, behavioral health, CCO 2.0 quality pool and agency position needs. OHA is requesting the following 2019-21 budget adjustments.

Oregon Medical Marijuana Program Revenue Shortfall (\$1.5 million) –

The 2019-21 Legislatively Adopted Budget (LAB) uses revenue from the Oregon Medical Marijuana Program to fund other areas in Public Health, specifically communicable disease programs implemented through local public health authorities. With the legalization of recreational marijuana, Oregon Medical Marijuana Program revenues have trended downward. Updated projections of program revenues since 2019-21 LAB indicate an Other Funds shortfall. OHA is requesting \$1,495,538 General Fund as backfill to support foundational Public Health programs.

PDB Benefit System Maintenance & Security (\$1.9 million) – The Public Employees' Benefit Board is requesting \$1,928,362 additional Other Funds limitation for system costs associated with security changes implemented by the Department of Administrative Services Cyber Security Services (CSS) (formerly the Office of the State Chief Information Officer) and coverage changes required by 2019 legislation. CSS has new privacy and security requirements for off shore resources and has updated Contractor Background check requirements. The Legislature passed House Bill 2266, which requires system changes to accommodate double-coverage and the dependent verification process.

My OEBB Benefit System Maintenance & Security (\$1.7 million) – The Oregon Educators' Benefit Board is requesting \$1,653,368 additional Other Funds for system costs associated with security changes implemented by the Department of Administrative Services CSS and coverage changes required by 2019 legislation. CSS has new privacy and security requirements for off shore resources and has updated Contractor Background check requirements. The Legislature passed House Bill 2266, which requires system changes to accommodate double-coverage and the dependent verification process.

Action Requested

Acknowledge receipt of the report.

Legislation Affected

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

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

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