

Analysis

Item 2: Oregon Health Authority

COVID-19 Response Activities

Analyst: Tom MacDonald

Request: Allocate \$19.4 million from the special purpose appropriation made to the Emergency Board for the COVID-19 public health emergency and increase Federal Funds expenditure limitation by \$9,000,000 for health equity grants, behavioral health services, and Medicaid vaccine administration costs.

Description: The purpose this request is for the Emergency Board to allocate \$19.4 million General Fund to the Oregon Health Authority (OHA) to continue supporting, and in one case begin supporting, COVID-19 response activities for which federal funding is unavailable. The General Fund request continues support for health equity grants (\$11.3 million) and enhanced behavioral health services (\$5.1 million) from January through March of 2021. The request also includes \$3 million General Fund and \$9 million in Federal Funds expenditure limitation for Medicaid vaccine administration costs through the end of the 2019-21 biennium.

Overall, OHA has identified \$160.9 million in total estimated expenditures for the first three months of 2021 for COVID-19 response activities. This includes the current General Fund and Federal Funds requests, plus costs for testing, contact tracing, outreach and education, wraparound services, and other related activities. OHA's costs for most of these activities were initially supported with the Coronavirus Relief Fund (CRF). The agency, however, is not currently requesting General Fund for these costs because \$43.8 million in existing budgeted federal funding, largely from OHA's Emergency and Laboratory Capacity (ELC) grant, are available, leaving \$97.7 million in unbudgeted costs. This remaining amount is expected to be covered by federal funding available from the recently approved Consolidated Appropriations Act, 2021 (H.R. 133).

OHA COVID-19 Response Activities <i>Amounts in millions</i>	Est. OHA Need 1/2021 - 3/2021	OHA GF Request 1/8/2021	Remaining Expenses	Federal Funding Expected?
Case investigation, contact tracing, outreach, education, quarantine and isolation, wraparound	\$54.3		\$54.3	Yes - amount TBD
Testing and laboratory capacity	\$29.1		\$29.1	Yes - amount TBD
Health equity grants addressing racial disparities	\$11.3	\$11.3	\$0.0	Unlikely
Enhanced behavioral health services	\$10.6	\$5.1	\$5.5	TBD
Vaccination plan	\$25.8		\$25.8	Yes - amount TBD
Medicaid vaccine administration (through 6/2021)	\$12.0	\$3.0	\$9.0	Medicaid match only
Staffing, response operations, communications	\$17.8		\$17.8	Yes - amount TBD
Total	\$160.9	\$19.4	\$141.5	
Existing budgeted federal funding			\$43.8	
Remaining unbudgeted need			\$97.7	

Emergency Board Request (January 8, 2021): Since March 2020, the Emergency Board has increased OHA's budget several times to support COVID-19 testing, contact tracing, surveillance, quarantine and isolation services, health equity grants addressing racial disparities, behavioral health services, and education and outreach, including for migrant and seasonal farmworkers. Most of this funding, or approximately \$175.8 million, has come from one-time federal CRF explicitly approved by the Emergency Board for these activities. In addition, OHA has received \$27.3 million in CRF reimbursements through October 2020 from the Department of Administrative Services (DAS) for staffing costs and other eligible pandemic-related expenses.

Consistent with the federal government's initial December 30, 2020 expenditure deadline, OHA is estimating its previously approved CRF allocations to have largely been expended, with potential remaining amounts insufficient to properly continue its response activities. Due to the continued prevalence of COVID-19 cases in the state, as well as the introduction of newly available vaccines, OHA is requesting the Emergency Board to allocate \$19.4 million for the following:

- ***Health equity grants (\$11.3 million GF)***: In August 2020, the Emergency Board approved \$45 million CRF to address the disproportionate impact the pandemic has had on communities of color and tribal communities. Through a grant application process, OHA awarded this funding to non-profit community-based organizations (CBOs) and tribal governments to address health and economic disruptions, food insecurity and housing, and safety and violence prevention.

OHA's plan for the \$11.3 million is to continue making similar investments over the first three months of 2021 by engaging the same grantees and determining awards through a brief request-for-proposal process. OHA will also work closely with the current awardees and the broader community to determine where needs are still the greatest. Although the increased funding will be used to support similar activities as before, OHA's award process will take into consideration other funding that may be available, such as for rent relief, to ensure the health equity grants do not unnecessarily duplicate existing efforts. At this time, OHA also anticipates the need for an additional \$11.3 million for the last three months of the biennium.

- ***Behavioral health services (\$5.1 million GF)***: In June 2020, the Emergency Board approved \$25.6 million CRF for a new web portal now called the Oregon Behavioral Health Access System (OBHAS); crisis line capacity at Lines for Life; residential treatment facility bed capacity; services through community mental health programs (CMHPs) and CBOs; overdose and harm reduction supplies (e.g., Naloxone); and behavioral health response and youth suicide and assessment training. To continue most of these services over the next three months, OHA estimates total costs of \$10.6 million. Of this amount, \$5.5 million is available from previously awarded federal grants and from recent federal funding increases. The remaining \$5.1 million represents the requested General Fund. Upon the expenditure of this funding, OHA estimates the need for an additional \$5.2 million for the last three months of the biennium.
- ***Medicaid vaccine administration (\$3 million GF / \$9 million federal)***: Although the federal government is providing vaccines to states free of charge regardless of insurance coverage and has recently made funding available for other vaccine-related expenses (discussed below), states must still address their share of the cost for administering vaccines to Medicaid-covered individuals. To support Medicaid vaccine administration costs through the remainder of 2019-21, OHA requests \$3 million General Fund and increased expenditure limitation of \$9 million for

federal matching funds. This funding will support the cost of administering vaccines to Medicaid members anticipated to be prioritized for available dual-dose vaccines in 2019-21 based on their health and risk status. OHA's cost estimates assume all caseload categories identified as high need (e.g., pregnant women) and 50% identified as medium need (e.g., foster care) will receive both vaccine doses in 2019-21. OHA is handling vaccine costs outside of coordinated care organization (CCO) capitation rates, which aligns with feedback OHA received from CCOs. The reimbursement rate for both CCOs and fee-for-service providers is based on the federally approved dual dose vaccine administration rate (\$45.33) plus 10% for administrative expenses. The estimated cost for vaccinating the rest of the Medicaid population in 2021-23 is \$10.3 million General Fund (\$40.4 million total funds).

Other COVID-19 response activities: In addition to the three general components of this request, OHA will continue working on COVID-19 testing, contact tracing, surveillance, quarantine and isolation services, communication, and outreach and education, including for migrant and seasonal farmworkers, through the remainder of the biennium and into 2021-23, as needed and pursuant to available funding. An important new part of OHA's work is implementation of its vaccination plan. Apart from the Medicaid-related expenses discussed above, key activities involve building vaccination capacity and infrastructure, outreach and education, and vaccine distribution and administrative services. OHA is partnering with counties, tribal health agencies, community-based organizations, and emergency medical service agencies for many of these activities.

While the agency is using part of its enhanced federal ELC grant to fund some of the activities mentioned above in 2019-21, OHA did not request General Fund for the remaining costs because of the federal funding made available in the Consolidated Appropriations Act, 2021, which the President signed on December 27, 2020. The table below summarizes the federal appropriation increases from which OHA is expected to receive additional funding:

Consolidated Appropriations Act, 2021	Federal Appropriation	OHA Award	Notes
Vaccine distribution, administration	\$8.75 billion	TBD	\$1 billion of total \$8.75 billion required to be distributed to states and other recipients within 21 days of bill enactment
Testing, contact tracing, surveillance, and other related services	\$22.4 billion	TBD	Entire \$22.4 billion required to be distributed to states and other recipients within 21 days of bill enactment
Mental Health Block Grant	\$1.65 billion	TBD	Expected to partially support OHA's plan for enhanced behavioral health services
Substance Abuse Treatment and Prevention Block Grant	\$1.65 billion	TBD	Expected to partially support OHA's plan for enhanced behavioral health services

Based on the federal formulas announced for the vaccine and testing, contact tracing, and surveillance funding, the anticipated award for Oregon for both of these appropriations is expected to total as much as \$300 million. If this magnitude is accurate and the allowable use of funds remains consistent with current assumptions, this funding is expected to fully cover these costs through the remainder of 2019-21 and into 2021-23. However, award amounts and federal guidance have not yet been released and the agency could potentially still need an increase in state funding at a later date if

current assumptions change. Additionally, the increases in the Mental Health and Substance Abuse Prevention and Treatment block grants are currently assumed to support the costs of OHA's enhanced behavioral health services spending plan by \$2 million, which has been factored into the agency's current General Fund request. But again, assumptions may change when award amounts and federal guidance are released.

Another meaningful part of OHA's plan is the cost of positions assigned to the response work that have so far been reimbursed with CRF from the Department of Administrative Services (DAS). The Emergency Board had previously allocated CRF to DAS for these types of costs in other state agencies. Through October 2020, OHA has received \$27.3 million in reimbursement, which has primarily supported the cost of existing and new staff, and to a lesser extent, eligible costs such as personal protection equipment. Most of the positions reimbursed with CRF are in the COVID-19 Response and Recovery Unit (CRRU), which is a new temporary shared services unit established by OHA and the Department of Human Services to jointly support the two agencies' pandemic response activities. As of early December 2020, the CRRU consisted of 108 positions, which were filled through job rotations and new hires. By the end of 2021, the CRRU expects to consist of 289 positions. OHA is not currently requesting funding for the CRRU because the costs are expected to be supported with the additional federal funding discussed above, plus a portion of the existing ELC grant.

LFO recommendation: Because the current status of the pandemic has not alleviated the demand that existed at the time funding was previously approved for health equity grants and enhanced behavioral health services, and given the new costs for Medicaid vaccine administration, LFO recommends that the Emergency Board fully support OHA's request. In addition, LFO recommends increasing OHA's Federal Funds expenditure limitation by \$97.7 million instead of the requested \$9 million to recognize the other COVID-19 response expenditures that will be supported with forthcoming federal awards. Despite the exact award amounts not yet being known, this adjustment will acknowledge the true estimated additional costs of OHA's COVID-19 activities, as all are interrelated. In all likelihood, additional expenditure limitation adjustments will be needed after more is known about the new federal funding.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Emergency Board allocate \$19,400,000 General Fund from the special purpose appropriation made to the Emergency Board during the 3rd special session of 2020 for the state's response to the COVID-19 pandemic public health emergency to the Oregon Health Authority, and increase the Federal Funds expenditure limitation by \$97,700,000, for the Oregon Health Authority's continued response to the COVID-19 pandemic.

2 Oregon Health Authority Heath

Request: Allocate \$16.4 million General Fund from the State Emergency Fund for COVID-19 response; allocate \$3.0 million General Fund from the State Emergency Fund, and increase Federal Funds expenditure limitation by \$9.0 million to pay for the cost of administering COVID-19 vaccines.

Recommendation: Approve the request with the following modification: Allocate \$16.4 million General Fund from the special purpose appropriation made to the Emergency Board and increase Federal Funds limitation by \$88.7 million to continue the response to the COVID-19 public health emergency. Allocate \$3.0 million General Fund from a special purpose appropriation made to the Emergency Board and increase Federal Funds expenditure limitation by \$9.0 million to pay for the cost of administering COVID-19 vaccines to Oregon Health Plan members and other vulnerable populations.

Discussion: The Oregon Health Authority (OHA) is leading the state's public health response to the COVID-19 public health emergency, including work on messaging, setting guidelines for the public, coordinating local public health response, testing, contact tracing, planning, and modelling to support Oregon's pandemic response. OHA has received funding to address health equity, support increased behavioral health needs due to the pandemic, and to perform outreach to migrant farm workers. Much of this work was funded by the Coronavirus Relief Fund, but OHA has received additional federal grants used to support their pandemic response.

In order to continue its pandemic response from January until the end of March 2021, OHA estimates it will need \$151.9 million in total funds to support its effort, as shown below:

OHA Pandemic Response Needs, January – March 2021

Contact tracing, case investigation and wraparound services	\$51.8
Testing and Laboratory	29.1
Vaccine Distribution	28.8
Behavioral Health	10.6
Health Equity	11.3
OHA Staffing (CRRU)	7.7
Communications	6.5
Quarantine and additional supports	2.5
<u>Other Pandemic response operations</u>	<u>3.6</u>
Estimated Total Need	\$151.9
All \$ in millions	

This includes maintaining the contract tracing, testing, local public health response, health equity, and behavioral health work, as well as new work to ensure equitable distribution of vaccines within the state and to establish and staff a joint unit dedicated to COVID-19 response.

The work to support vaccine distribution in Oregon is currently underway. OHA has requested \$28.8 million for these efforts, including \$18.7 million to support local public health authorities, tribes, and community-based organizations for distribution assistance and wrap-around support,

\$6.8 million for contracts for emergency medical service providers and other contractors to ensure cold-chain distribution to rural parts of the state and to assist with vaccine administration, \$3.0 million General Fund for OHP-related vaccine administration, and \$0.4 million for administrative costs.

Federal Resources

To support the pandemic response, OHA plans to front-load expenditures on its Centers for Disease Control Epidemiology and Laboratory Capacity grant (ELC) to the first quarter of 2021, using \$36.9 million Federal Funds revenues to support the ongoing testing and contact tracing work needed to respond to the pandemic. OHA has already been granted Federal Funds limitation to use this grant.

In addition to the ELC grant, Congress recently passed, and the President signed, HR 133, which provides at least \$4.5 billion nationally for vaccine distribution and administration costs, as well as \$22.4 billion for state, local, and tribal contact tracing and public health response and \$4.25 billion for Substance Abuse and Mental Health Services Administration (SAMHSA) grants. While OHA has not received federal guidance on the exact amount or allowable uses of the funding, significant additional federal resources will be available to continue the state's pandemic response. Based on the distribution formulas specified in the law OHA could expect to receive approximately \$250 - \$300 million. OHA can use an anticipated \$88.7 million from these grants to support its public health response and vaccine distribution efforts in the first quarter of calendar year 2021. This recommendation supports an increase of \$88.7 million in Federal Funds expenditure limitation for these costs.

There is less certainty about the amount of the SAMHSA grants available to continue Oregon's pandemic response, as the law directs at least 50 percent of the grant be directed to specific facilities in the state. After accounting for \$5.5 million in other grants which have already been received, OHA will need \$5.1 million General Fund to continue providing enhanced support for behavioral health services. Once final allocations and guidance from HR 133 is available, OHA can address the Federal Fund portion of this request in a future rebalance.

Given what is now known about the federal funding, OHA considers it unlikely the funding can be used to address the health equity components of its spending. As a result OHA will need \$11.3 million General Fund to continue those services in the first quarter of calendar year 2021.

Vaccine Administration Costs

In addition to the direct expenses related to COVID-19 response, OHA is requesting \$3.0 million General Fund and \$9.0 million Federal Funds to pay CCOs for the cost of administering the vaccine for COVID-19 to their members and to increase the budget for Fee For Service (FFS) payments for vaccine administration. The federal government will pay for the cost of the vaccine itself, but the cost of administering the vaccine is the responsibility of the state's Medicaid program. OHA proposes to amend 2021 CCO rates to increase the rates for the estimated cost of vaccine administration. OHA used a cost estimate of \$45.33 per member to administer both doses of the vaccine, which is the Medicare rate of reimbursement for COVID-19 vaccine administration and includes the costs to administer the vaccine, as well as public health reporting, outreach and patient education, and addressing additional patient questions. OHA used the Fall 2020 caseload forecast for fiscal year 2021 but updated the forecast for the most recent actual caseload through October 2020. Should actual costs differ from the OHA's estimate, OHA is planning to true up with CCOs after the services are provided. OHA plans to incentivize CCOs to administer both doses of the vaccine by making part of their reimbursement conditional on vaccine completion.

The cost estimates for vaccine administration exclude dual eligible members, who are also members of Medicare, but includes a request for approximately \$10,000 General Fund to pay vaccine administration costs for Non-Medicaid populations who are in community settings. While OHA is not required to provide a vaccine to these populations, OHA is seeking to ensure there is no wrong door for people seeking a vaccine.

The cost estimates for vaccine administration do not include the cost of administering the vaccine for patients and staff of the Oregon State Hospital. These costs will be absorbed internally, as the hospital has trained medical staff who will administer the vaccine.

OHA estimates continuing the vaccine rollout into the 2021-23 biennium will cost an additional \$10.3 million General Fund and \$30.2 million Federal Funds. OHA split its estimate for vaccine administration costs across the 2019-21 and 2021-23 biennia by grouping its members into low, medium, and high-risk groups, assuming all of the high-risk members and half of the medium risk members (approximately 240,000 individuals) will be vaccinated in 2019-21, with the remaining approximately one million individuals being vaccinated during the 2021-23 biennium.

Legal References:

Allocation of \$11,300,000 from the State Emergency Fund, set aside by the Special Purpose Appropriation under section 2, chapter _____, Oregon Laws 2020 (third special session) (Enrolled Senate Bill SB 5731) to supplement the appropriation made by chapter 695, section 1(3), Oregon Laws 2019, for the Oregon Health Authority, Central services, state assessments and enterprise-wide costs for the 2019-21 biennium.

Allocation of \$8,100,000 from the State Emergency Fund, set aside by the Special Purpose Appropriation under section 2, chapter _____, Oregon Laws 2020 (third special session) (Enrolled Senate Bill 5731) to supplement the appropriation made by Chapter 695, section 1(1), Oregon Laws 2019, for the Oregon Health Authority, Health Systems, Health Policy and Analytics, and Public Health for the 2019-21 biennium.

Increase Federal Funds expenditure limitation by \$97,700,000 established by Chapter 695, section 4(1), Oregon Laws 2019, for the Oregon Health Authority, Health Systems, Health Policy and Analytics, and Public Health for the 2019-21 biennium.



Office of the Director

Kate Brown, Governor



500 Summer Street NE E20
Salem, OR 97301

Voice: 503-947-2340

Fax: 503-947-2341

TTY: 503-947-5080

January 6, 2021

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

Dear Co-Chairs:

Nature of the Request

The Oregon Health Authority (OHA) requests \$19.4 million General Fund to support the agency's response to COVID-19 pandemic for the first three months of 2021. OHA also requests \$9.0 million in additional Federal Funds limitation for Medicaid vaccine administration.

Agency Action

OHA is Oregon's lead agency in responding the COVID-19 public health emergency. Starting in March 2020, OHA took action to plan, develop, and respond to the COVID-19 pandemic and its impact on Oregonians. Because of the federal resources provided by the passage of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020, OHA has primarily used Coronavirus Relief Fund (CRF) dollars for response activities, including staffing, communications, community-based outreach and education, testing and laboratory, contact tracing, isolation and quarantine. Vaccine distribution and administration is also now part of the response planning.

In total, the Legislature appropriated \$175.8 million in CRF dollars to OHA for its COVID-19 response efforts and to get needed funding to Oregon communities. The appropriations can be categorized, in general, as follows:

- \$102.2 million CRF dollars for testing, case investigation, contact tracing, community education and outreach, and wraparound services
- \$25.6 million to provide enhanced behavioral health services
- \$45 million to address health equity and social determinants of health
- \$3 million for migrant agriculture worker outreach and education

In addition, the OHA has received \$27.3 million in reimbursement from the Department of Administrative Services (DAS) CRF allocation through October for the following items:

- \$8.3 million reimbursement for employees on authorized federal Pandemic Leave
- \$1.5 million in teleworking supports for employees
- \$353,000 in COVID-related legal fees
- \$181,000 in PPE, cleaning and disinfecting supplies (Note: Allowable costs submitted for FEMA reimbursement – amount reflects 25% FEMA match portion)
- \$774,000 COVID-related communication and outreach (Note: Allowable costs submitted for FEMA reimbursement – amount reflects 25% FEMA match portion)
- \$15.9 million for employee salaries dedicated to COVID-related work (Note: Allowable costs submitted for FEMA reimbursement – amount reflects 25% FEMA match portion for OHA employees)
- \$170,000 in commercial lab and ambulance support (Note: Allowable costs submitted for FEMA reimbursement – amount reflects 25% FEMA match portion)
- \$165,000 on technical assistance for threat mitigation (Note: Allowable costs submitted for FEMA reimbursement – amount reflects 25% FEMA match portion)

These reimbursements are in the process being reviewed as part of the Statewide Financial audit by Secretary of State Audits Division. In addition, OHA is working with our budget analysts from the Legislative Fiscal Office and Chief Financial Office, DAS, to develop a report regularly update them on OHA's spending of legislatively appropriated CRF funding and DAS reimbursement from CRF funds.

To continue OHA's COVID-19 response for the first three months of 2021, OHA estimates a \$151.9 million Total Fund need. That estimate includes:

- \$51.8 million for counties, community-based organizations and tribes for case investigation, contact tracing, community education and outreach, and wraparound services
- \$29.1 million for testing and laboratory
- \$28.8 million for vaccines (which includes \$3 million General Fund for Oregon Health Plan vaccine administration)

- \$10.6 million for enhanced behavioral health supports
- \$11.3 million to enhance health equity/social determinants of health related to impacts of COVID-19
- \$7.7 million for OHA staffing
- \$6.5 million for communications
- \$2.5 million for quarantine and additional supports
- \$3.6 million for other pandemic response operations

To meet this \$151.9 million need, OHA will maximize federal resources. OHA was planning to offset this (\$151.9 million) cost estimate with \$36.9 million from the Centers for Disease Control (CDC) Epidemiology and Laboratory Capacity (ELC) federal grant and \$6.9 million from other federal grant dollars, leaving a \$108.1 million General Fund need.

But based on our preliminary interpretation of the recently approved federal stimulus package, OHA now believes new federal funding supports will cover most of this COVID-19 response effort, leaving a \$19.4 million General Fund need as follows:

- \$3 million for Medicaid match for Oregon Health Plan vaccine administration
- \$5.1 million for behavioral health supports
- \$11.3 million to enhance health equity/social determinants of health related to impacts of COVID-19

It is important to note that OHA has not yet received any federal guidance on the new funding from the stimulus package. The bill does indicate that some funding is to be allocated quickly so Oregon should learn more in the next couple of weeks about allocations, timing, eligible expenditures, and funding mechanisms. OHA will update the Chief Financial Office, Department of Administrative Services, and Legislative Fiscal Office as it receives details about these opportunities.

Action Requested

The Oregon Health Authority (OHA) requests \$19.4 million General Fund to support the agency's response to COVID-19 pandemic for the first three months of 2021. OHA also requests \$9.0 million in additional Federal Funds limitation for Medicaid vaccine administration.

The Honorable Senator Peter Courtney
The Honorable Representative Tina Kotek
January 6, 2021
Page 4 of 4

Legislation Affected

Oregon Laws 2019, Chapter 695, Section 1, Subsection (1), \$19,400,000 General Fund
Oregon Laws 2019, Chapter 695, Section 4, Subsection (1), \$9,000,000 Federal Funds

Sincerely,

A handwritten signature in blue ink, appearing to read 'P. Allen', with a stylized flourish extending to the right.

Patrick M. Allen
Director

EC: Patrick Heath, Department of Administrative Services
George Naughton, Department of Administrative Services
Tom MacDonald, Legislative Fiscal Office
Ken Rocco, Legislative Fiscal Office