



OFFICE OF THE DIRECTOR

Kate Brown, Governor

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**Health**  
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May 2, 2019

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

Dear Co-Chairpersons:

### **NATURE OF REQUEST**

The Oregon Health Authority (OHA) requests receipt of this letter as its Spring 2019 Rebalance Report for the 2017-2019 biennium.

### **AGENCY ACTION**

Based on actual expenditures through January 2019 and updated projections through the end of the biennium, OHA is projecting a \$10.6 million General Fund net challenge.

To balance the budget, OHA is requesting the rescheduling of General Fund dollars. At the December 2018 Rebalance, the Legislature unscheduled \$11,879,295 General Fund—\$4,875,052 from the Health Programs appropriation (Oregon Laws 2017, Chapter 545, Section 1, Subsection 1) and \$7,004,243 from the Health Care for All Children program (Oregon Laws 2017, Chapter 652, Section 4).

Additionally, the agency is projecting a need to increase Other Funds limitation by \$8.1 million and Federal Funds limitation by \$125.4 million.

The following table summarizes the OHA rebalance plan by General Fund and Total Funds:

<b>Rebalance Changes</b>	<b>General Fund</b>	<b>Total Funds</b>
Legislatively Approved Budget	\$2,166,521,370	\$21,699,192,353
Costs	\$35,106,807	\$70,244,487
Savings	(\$24,458,240)	\$73,968,088
Net Challenge (Costs – Savings)	\$10,648,567	\$144,212,575
General Fund Reschedule Request	(\$11,879,295)	(\$11,879,295)
Spring 2019 Rebalance	\$2,165,290,642	\$21,831,525,633
Percent Change	0.00%	0.01%

### **General Fund Challenges**

This rebalance is driven by General Fund budget challenges at the Oregon State Hospital and at the Health Systems Division.

### **Oregon State Hospital**

*Revenue Shortfall (\$11.5 million)* –The 2017-19 Legislatively Adopted Budget increased the hospital’s Other Fund limitation by \$40.5 million and decreased its General Fund by \$30.1 million based on the projection to expand collection of Medicare revenue at the hospital. While the hospital has increased these revenue recoveries, the hospital is unable to meet these initial revenue projections. Staffing setbacks and system delays have significantly affected revenue collection projections for the rest of the biennium, resulting in a \$26.5 million shortfall. The hospital received \$15 million General Fund backfill at the December 2018 Rebalance and is now requesting an additional \$11.5 million General Fund.

Midway through the biennium, the hospital lost staff and subject matter experts who were leading revenue collection efforts, including the coordination of processes, systems and staff activities to ensure successful billings and timely recoveries. Procurement challenges led to contracting delays, which have resulted in lost revenue and billing inefficiencies. The contracts that were delayed included important work with a medical claims’ clearinghouse, an expansion of the hospital’s medical coding contract, a new software component to bill Medicare Part D (i.e., pharmacy) services, and negotiating third-party payor contracts. The hospital is committed to overcoming these challenges to maximize revenue recovery opportunities. Hospital leadership is in the process of recruiting for an experienced leader for this critical work.

*Increased Staffing Costs (\$5.6 million)* – At the December 2018 Rebalance, the hospital received \$13.1 million for increased staffing costs. Through management actions, hospital leadership believed it could curtail the upward pressure on staffing expenditures. Unfortunately, these changes have not had the hoped-for effects. First, the hospital is challenged by the requirements of Senate Bill 469 (2015 Regular Session), which made hospital nurse staffing committees responsible for setting nurse staffing levels and limited mandated overtime. This has led to the fact that although the hospital is budgeted for 890 direct care full-time equivalent staff, the SB 469 mandated nurse staffing plan requires 922 staff. Second, nursing staff call outs and long-term absences magnify the hospital’s challenge to ensure minimum level staff coverage on any given day. Lastly, patient acuity and the occurrence of physician-ordered enhanced supervision continues to be high. Hospital leadership will remain vigilant in looking for ways to right size staffing costs within budget targets.

*Suicide Prevention/Ligature Removal Costs (\$0.8 million)* – Federal requirements for suicide prevention and ligature removal has increased costs to the hospital. At the December 2018 Rebalance, the hospital received \$2.0 million General Fund for these costs. Since then, the hospital has identified new one-time costs and additional reoccurring costs.

*AFSCME & SEIU Bargaining Differential (\$0.4 million)* – Because of a new nursing schedule that began January 27, 2019, AFSCME and SEIU approached the Department of Administrative Services and OHA because some hospital staff were negatively affected. Through bargaining, the state agreed to several differential increases for licensed nursing staff for hard to hire shifts, such as evenings, weekends and nights.

### **Health Systems Division**

*Spring 2019 Caseload Forecast (\$5.0 million)* – Updating the Health Systems Division medical assistance caseloads from the Fall 2018 Caseload Forecast to the Spring 2019 Caseload Forecast results in a \$5.0 million General Fund challenge for 2017-19. The caseloads for some eligibility groups (e.g., pregnant women, aid to the blind/disabled, old age assistance) are lower than the prior forecast while the caseload for other groups (e.g., parent/caretaker relatives, Children’s Health Insurance Program (CHIP) children, and ACA Medicaid expansion adults) are higher than the prior forecast. The General Fund challenge is driven primarily by the parent/caretaker relative caseload, which is 2.4 percent higher and generating a \$9.9 million General Fund impact by itself. See

Attachment B for details.

*Medicaid/Medicare Dually Eligible Correction (\$5.0 million)* – OHA determined that it was not correctly identifying Oregon Health Plan members as dually eligible for Medicaid and Medicare. This meant that OHA was paying CCOs higher capitation rates for those members enrolled in managed care. It also meant that OHA over claimed federal match on capitation rates and fee-for-service claims on dual-eligible members incorrectly coded as ACA adults, which received 100 percent match with Medicaid expansion starting January 2014. Because OHA anticipated it would need state funding to pay back the federal government for this correction, the Legislature carried over tobacco tax revenue from the 2015-17 biennium.

OHA recovered overpaid capitation amounts from CCOs for contract years 2014 through 2018. But even after these recoveries, there is a state fund impact for paying back over-claimed Federal Funds. At the December 2018 Rebalance, OHA estimated the state share impact for the CCO correction would be approximately \$5.5 million and requested Other Fund limitation in that amount in tobacco tax revenue. Since the last rebalance, the federal match corrections for both CCO capitation payments and fee-for-service claims have been processed through the system. The final CCO impact is greater than the original estimate at \$15.0 million. The final fee-for-service impact is \$5.3 million. At this rebalance, OHA is requesting \$9.9 million Other Fund limitation to use the remaining tobacco tax carryover revenue and \$5.0 million General Fund to cover the remaining amount needed to repay the federal government.

*Eligibility for Mental Health Residential Services (\$4.0 million)* – At the request of the Centers for Medicare & Medicaid Services (CMS), the state updated its Medicaid State Plan for populations receiving home and community-based services in January 2017. In 2018, OHA identified two issues regarding the updated authorities. First, they no longer allow Medicaid eligibility for a small population of adults receiving residential services because of excess income. After a complete review of everyone's eligibility, OHA determined 44 clients are ineligible for Medicaid and is in the process of returning the federal matching funds to CMS. Because this is a vulnerable population, OHA will continue to cover their services under the Non-Medicaid budget while they still need care in a residential setting. The second issue is that under the new authorities OHA is now responsible to cover the full costs of 430 clients who were paying for a portion of their care.

*Tobacco Tax Forecast Decrease (\$2.9 million)* – The most recent Economic Forecast for projected tobacco tax revenues indicates a \$2.5 million decrease in revenue for Medicaid and a \$0.4 million decrease for Non-Medicaid. OHA requests additional General Fund dollars to backfill the reduction in tobacco tax revenue.

### **General Fund Savings**

OHA is identifying General Fund savings—primarily one-time administrative savings in Health Systems Division and Health Policy & Analytics—to offset those challenges.

### **Health Systems Division**

*One-Time Administrative Savings (\$13.8 million)* – The Health Systems Division identified \$4.8 million in Personal Services savings and \$9.0 million in Service and Supply savings to help offset budget challenges. The Personal Services savings were primarily the result of vacancy savings from higher salary management positions the agency struggled to fill. Additionally, the division realized some vacancy savings early in the biennium from eligibility determination/application processing positions prior to their transfer to the Department of Human Services. The Service and Supply savings were the result of global settlement revenue and procurement delays. Global settlements—when large corporations settle legal claims from multiple plaintiffs—are sporadic and the amounts are unpredictable. The agency applied the accumulated global settlement revenue and relieved over \$6 million in General Fund dollars. Lastly, procurement delays caused unspent budget for Program Integrity contracting.

*Medical Assistance Programs Cost Changes (\$6.5 million)* – After updating its budget models with projections through the end of the biennium and isolating the impact of caseload changes, the Health Systems Division is estimating a net savings of \$6.5 million General Fund for medical assistance programs. The savings are driven by updated projections for Oregon Health Plan per-member-per month costs, Medicare Part B premium payments, and Medicare Part D (clawback) payments.

*Enrollment of Dually-Eligible Clients (\$3.1 million)* – OHA initiated the process to automatically enroll dually-eligible clients into managed care as indicated in the Oregon Health Plan Medicaid demonstration waiver. There are two cost impacts for enrolling dually-eligible clients into coordinated care organizations. First, there is the cost of the overlap of paying fee-for-service claims (i.e., retroactively) and capitations payments (i.e., prospectively) when someone is enrolled into managed

care. Second, the per-member-per-month cost for the dually-eligible population currently in fee-for-service (i.e., open card) is less than the capitation payments for this group. The Legislatively Adopted Budget included \$4.3 million General Fund to begin this automatic enrollment process. OHA enrolled about a quarter of the population this biennium costing about \$1.2 million General Fund, leaving \$3.1 million in savings. OHA will enroll the remaining dually-eligible clients on July 1, 2019.

### **Health Policy & Analytics**

*One-Time Administrative Savings (\$1.1 million)* – Health Policy & Analytics identified the following one-time administrative savings: savings from the long-term Medicaid Director position vacancy and other hiring delays; savings in the Health Information Exchange (HIE) Onboarding Program; and, leftover budget from the final closeout of the Common Credentialing project.

### **Limitation Requests**

*CARE Assist Program (\$11.6 million)* – At the December 2018 Rebalance, the CARE Assist program is requested and received \$5.6 million in Other Fund limitation. The program underestimated its increased spending need to finish the biennium. The increase is primarily driven by the implementation of the End HIV Oregon project, which increased the limitation need in contracts, medical supplies and other service and supply budget categories.

*Veteran's Behavioral Health Program (\$2.0 million)* – The 2017-19 Legislatively Adopted Budget includes \$2.5 million tobacco tax revenue to be used for veterans' behavioral health services. OHA hired a coordinator and is working with a contractor to complete a gap analysis study and provide recommendations. OHA is in the process of vetting that report and working with stakeholders to develop a project plan. OHA is projected to spend \$0.5 million by the end of the biennium and requests to carryover the tobacco tax revenue into the 2019-21 biennium.

*Rural Hospital Initiatives Program (\$1.7 million)* – In the 2015-17 biennium, the Legislature allocated \$10 million in hospital assessment revenue for the Rural Hospital Initiatives Program. Because of program delays, only \$3.3 million was spent during 2015-17 and the remaining amount was carried over to 2017-19. OHA is projected to spend \$4.9 million by the end of the biennium and requests to carryover \$1.7 million for contract obligation extending into 2019-21 to complete the program.

*Oregon Medical Marijuana Program (OMMP) Fee Limitation (\$0.9 million)* – Senate Bill 1057 (2017 Regular Session) required OMMP to charge a \$480 fee per grow site for any location with two or more growers and transfer those funds to Oregon Liquor Control Commission (OLCC). OLCC needs OMMP to transfer the funds quarterly, rather than as a one-time lump sum. OMMP requests Other Fund limitation to make these quarterly payments.

*Promoting Integration of Primary & Behavioral Health Care Grant (\$0.5 million)* – The Substance Abuse and Mental Health Services Administration (SAMHSA) Center for Mental Health Services awarded OHA the Promoting Integration of Primary and Behavioral Health Care federal grant. The award is \$2 million per calendar year for five years, starting January 1, 2019. The Legislature granted permission to apply for this grant at the May 2017 Emergency Board. OHA requests \$0.5 million in Federal Fund limitation based on anticipated expenditures for the first six months of the grant.

### **Rescheduling Request**

*Request to Reschedule General Fund (\$11.9 million)* – To balance the budget, OHA requests the following funds to be scheduled:

Agency: 44300  
General Fund – 87801: \$4,875,052  
General Fund – Cover All Kids: \$7,004,243

If approved, OHA will need all rescheduled funds directed to the 87801 appropriation.

On the next page is a table that displays the OHA Rebalance costs and savings by fund type. The agency is not requesting any change in position authority.

**Summary of OHA Savings and Costs by Fund Type (in millions)\***

<b>Challenges</b>	<b>General Fund</b> Need/(Savings)	<b>Other Fund</b> Need/(Savings)	<b>Federal Fund</b> Need/(Savings)	<b>Total Fund</b> Need/(Savings)	<b>Pos.</b>	<b>FTE</b>
OSH Revenue Shortfall	\$11.5	(\$14.1)	\$2.6	-		
OSH Increased Staffing Costs	\$5.6	-	-	\$5.6		
OSH Suicide Prevention/Ligature Removal	\$0.8	-	-	\$0.8		
OSH AFSCME & SEIU Bargaining	\$0.4	-	-	\$0.4		
OHP Spring 2017 Caseload Forecast	\$5.0	-	\$25.9	\$30.9		
HSD Dual-Eligible Correction	\$5.0	\$9.8		\$14.8		
HSD Mental Health Residential Correction	\$4.0		\$0.8	\$4.7		
HSD Tobacco Tax Forecast	\$2.9	(\$2.9)	-	-		
<b>Total Challenges</b>	<b>\$35.2</b>	<b>(\$7.2)</b>	<b>\$29.3</b>	<b>\$57.3</b>	<b>0</b>	<b>0</b>
<b>Savings</b>						
HSD One-Time Administrative Savings	(\$13.8)	-	-	(\$13.8)		
HSD Medical Assistance Prgms. Cost Changes	(\$6.5)	\$6.5	\$101.1	\$101.1		
HSD Enrollment of Dually-Eligible Clients	(\$3.1)	-	(\$5.5)	(\$8.6)		
HP&A One-Time Administrative Savings	(\$1.1)	-	-	(\$1.1)		
<b>Total Savings</b>	<b>(\$24.5)</b>	<b>\$6.5</b>	<b>\$95.7</b>	<b>\$77.6</b>	<b>0</b>	<b>0</b>
<b>Limitation Adjustments</b>						
PHD CARE Assist	-	\$11.6	-	\$11.6		
HSD Veterans' Behavioral Health Program	-	(\$2.0)	-	(\$2.0)		
HSD Rural Hospital Initiatives	-	(\$1.7)	-	(\$1.7)		
PHD OMMP Fee	-	\$0.9		\$0.9		
HSD SAMHSA Grant	-	-	\$0.5	\$0.5		
<b>Total Limitation Adjustments</b>	<b>-</b>	<b>\$8.8</b>	<b>\$0.5</b>	<b>\$9.3</b>	<b>0</b>	<b>0</b>
<b>Rescheduling General Fund Request</b>	<b>(\$11.9)</b>	<b>-</b>	<b>-</b>	<b>(\$11.9)</b>	<b>0</b>	<b>0</b>
<b>Net OHA Spring 2019 Rebalance</b>	<b>(\$1.2)</b>	<b>\$8.1</b>	<b>\$125.4</b>	<b>\$132.3</b>	<b>0</b>	<b>0</b>

\*Due to rounding, numbers may not add up precisely to totals.



### **Risk Factors, Challenges and Outstanding Issues**

Challenges that OHA must continue to closely monitor for the remainder of the biennium include:

- Increased demands for Oregon State Hospital services and increased acuity for admitted patients.
- While Oregon's economy continues to improve, caseloads are always the major driver of costs in the OHA budget. Small changes in the medical assistance programs caseload forecast can have large impacts on the General Fund need.

### **ACTION REQUESTED**

Acknowledge receipt of the OHA Spring 2019 Rebalance Report for the 2017-19 biennium. Approve rescheduling of identified Unscheduled funds.

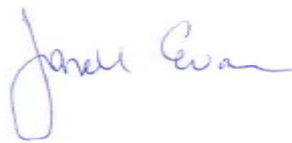
### **LEGISLATION AFFECTED**

See Attachment A.

Sincerely,



Patrick M. Allen  
Director



Janell Evans  
Budget Director

ENC: Attachment A – Legislation Affected  
Attachment B – Caseload Forecast Changes

EC: Thomas MacDonald, Legislative Fiscal Office  
Kate Nass, Department of Administrative Services

**ATTACHMENT A**

**OREGON HEALTH AUTHORITY  
SPRING 2019 REBALANCE ACTIONS  
APPROPRIATION AND LIMITATION ADJUSTMENTS**

<b>DIVISION</b>	<b>PROPOSED LEGISLATION/ SECTION</b>	<b>FUND</b>	<b>REBALANCE ADJUSTMENTS</b>	<b>APPR #</b>
<b>OHA Health Services Programs</b>	Ch 545 1(1)	General	\$5,773,515	87801
	Ch 652, section 4	General	(\$7,004,243)	87819
	Ch 545 2(1)	Other	\$8,154,515	34801
	Ch 545 4(1)	Federal	\$125,409,493	64801
	Ch 838 (6)	Other PEBB Revolving Fund	\$0	34804
	Ch 838 (7)	Other OEGB Revolving Fund	\$0	34805
		<b>Total</b>	<b>\$132,333,280</b>	

## ATTACHMENT B

### Spring 2019 Medicaid Caseload Forecast

<b>2017-19 Fall 2018 Compared to Spring 2019 Forecast</b>						
<b>Eligibility Category</b>	<b>17-19 Caseload Fall 2018</b>	<b>17-19 Caseload Spring 2019</b>	<b>Difference Problem/ (Savings)</b>	<b>Percent of Change</b>	<b>General Fund Problem/ (Savings) in millions</b>	<b>Total Fund Problem/ (Savings) in millions</b>
Affordable Care Act (ACA)	356,589	358,276	1,687	0.5%	\$1.1	\$18.4
Parent/Caretaker Relatives	73,906	75,687	1,781	2.4%	\$9.9	\$27.0
Pregnant Women	10,428	10,251	(178)	-1.7%	(\$2.5)	(\$6.7)
Children's Medicaid Program	306,435	305,869	(565)	-0.2%	\$1.1	\$2.2
Aid to Blind and Disabled	84,321	84,066	(255)	-0.3%	(\$3.0)	(\$8.3)
Old Age Assistance	45,499	45,362	(138)	-0.3%	(\$1.1)	(\$3.1)
Foster/Adoption/BCCP	20,694	20,539	(155)	-0.7%	(\$1.0)	(\$2.7)
Children's Health Insurance Program	84,163	84,719	556	0.7%	\$0.1	\$3.1
Non-OHP (CAWEM and QMB)	63,378	63,429	52	0.1%	(\$0.0)	(\$0.0)
CAWEM Prenatal	2,062	2,043	(19)	-0.9%	(\$0.0)	(\$0.6)
<b>2017-19 Subtotal</b>	<b>1,047,476</b>	<b>1,050,241</b>	<b>2,766</b>	<b>0.3%</b>	<b>\$4.5</b>	<b>\$29.4</b>
Other Non-OHP (Part A, B, & D)	211,407	211,711	304	0.1%	\$0.4	\$1.5
<b>2017-19 Total</b>					<b>\$5.0</b>	<b>\$30.9</b>

	General Fund	Federal Funds	Total Funds
<b>Impact of Spring 2019 Caseload Forecast</b>	<b>\$4,959,877</b>	<b>\$25,931,700</b>	<b>\$30,891,577</b>