

SB 5544 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

Prepared By: Kate Nass, Department of Administrative Services

Reviewed By: Tom MacDonald, Legislative Fiscal Office

**Oregon Health Authority
2017-19**

PRELIMINARY

Budget Summary*

	2017-19 Legislatively Approved Budget ⁽¹⁾	2017-19 Committee Recommendation	Committee Change from 2017-19 Leg. Approved	
			\$ Change	% Change
General Fund	\$ 2,098,540,571	\$ 2,094,889,468	\$ (3,651,103)	-0.2%
General Fund Capital Improvements	\$ 725,501	\$ 725,501	\$ -	0.0%
General Fund Debt Service	\$ 67,255,298	\$ 67,255,298	\$ -	0.0%
Lottery Funds	\$ 12,498,909	\$ 12,498,909	\$ -	0.0%
Other Funds Limited	\$ 7,782,576,795	\$ 7,792,733,560	\$ 10,156,765	0.1%
Other Funds Capital Improvements	\$ 768,620	\$ 768,620	\$ -	0.0%
Other Funds Debt Service	\$ 1,371,293	\$ 1,371,293	\$ -	0.0%
Other Funds Nonlimited	\$ 40,000,000	\$ 40,000,000	\$ -	0.0%
Federal Funds Limited	\$ 11,588,998,140	\$ 11,714,407,633	\$ 125,409,493	1.1%
Federal Funds Nonlimited	\$ 106,457,226	\$ 106,457,226	\$ -	0.0%
Total	\$ 21,699,192,353	\$ 21,831,107,508	\$ 131,915,155	0.6%

Position Summary

Authorized Positions	4,200	4,200	0
Full-time Equivalent (FTE) positions	4,281.80	4,281.80	0.00

⁽¹⁾ Includes adjustments through April 2019

* Excludes Capital Construction expenditures

Summary of Revenue Changes

Senate Bill 5544 rebalances the Oregon Health Authority's (OHA) 2017-19 biennial budget. OHA programs are funded with a mix of General Fund, Lottery Funds, Other Funds, and Federal Funds. In December of 2018, the Emergency Board recommended \$11.9 million General Fund be unscheduled from the agency's budget. The approved rebalance results in a net increased need of General fund and re-schedules \$8.2 million General Fund, primarily to cover costs in the Oregon State Hospital as the hospital has not realized projected Other Funds revenues for the biennium. The rebalance also reduces General Fund by \$3.7 million.

In addition to the General Fund changes, the approved rebalance includes net increases to the agency's Other Funds and Federal Funds revenues by \$10.2 million and \$125.4 million, respectively. In particular, federal Medicaid revenues are increasing for the Oregon Health Plan

with increases in the Affordable Care Act (ACA) caseload and increased costs within the program. The rebalance adjusts Other Funds revenue; which includes decreased forecasted Tobacco Tax revenues, decreased projected Medicare revenue collections within the Oregon State Hospital, and increased CARE Assist program prescription drug insurance claims revenues.

Summary of Human Services Subcommittee Action

The Human Services Subcommittee approved a budget rebalance that supports Oregon Health Authority (OHA) programs and operations for the remainder of the 2017-19 biennium. The rebalance reflects program cost increases and savings, revenue changes, and technical adjustments needed to ensure OHA's budget remains in balance. Based on recommendations at the December 2018 meeting of the Emergency Board, \$11,879,295 General Fund remains unscheduled in OHA's 2017-19 budget. The approved rebalance reduces General Fund by \$3,651,103 and requests the Department of Administrative Services reschedule \$8,228,192 General Fund. Additionally, the rebalance increases expenditure limitation for Other Funds by \$10,156,765 and for Federal Funds by \$125,409,493.

Health Systems Division

The rebalance approved by the Subcommittee includes several cost and saving adjustments within the Health Systems Division (HSD), resulting a net a General Fund decrease of \$7.1 million, Other Funds increase of \$11.7 million, and Federal Funds increase of \$122.9 million.

The rebalance includes forecasted increases in Medicaid caseloads, an increase in Other Funds revenues that offset the need for General Fund, administrative savings, and updates to program costs in the division. The updated Spring 2019 caseload forecast results in a net increase of 2,766 individuals compared to the Fall 2018 forecast. The increase in caseload is primarily driven by the Affordable Care Act (ACA) and Parent/Caretaker Relative caseloads. The cost of the increase in the ACA caseload is largely Federal Funds given the higher federal match for this population. However, the Parent/Caretaker Relative caseload receives the traditional Medicaid match thus requiring additional state funding. The financial impact of the caseload changes in the Spring 2019 forecast results in a cost increase of \$5.0 million General Fund and \$25.9 million Federal Funds. Additionally, the March 2019 revenue forecast for tobacco tax dedicated to the Oregon Health Plan and non-Medicaid mental health services is expected to decrease by \$2.9 million; and in order to maintain existing level of services, the rebalance increases General Fund by \$2.9 million. These increased General Fund costs are offset by a \$6.5 million General Fund savings from updated cash flow projections for Other Funds revenues, lower than expected increase of Medicare Part B premiums, and lower "clawback" payments owed to the federal government for prescription drugs paid under Medicare Part D.

Also included in the rebalance for HSD are a number of program costs and savings for the 2017-19 biennium.

- In 2017, the Medicaid State Plan for home and community-based services was updated to manage individuals with chronic mental illness separately from other individuals who qualify for these services. With this change, 44 clients were identified who do not meet the federal eligibility requirements, however, had been enrolled and receiving services. This approved rebalance includes an increase in General

Fund of \$4.0 million as the state must repay the federal government for Medicaid match provided and provides funding to continue to support these vulnerable clients.

- Based on a review of Medicaid payments made to coordinated care organizations (CCOs) from 2014 through 2018, clients who were dually eligible for both Medicaid and Medicare were incorrectly determined to be eligible for only Medicaid. This resulted in OHA over-claiming federal match and paying higher capitation rates than should have been paid. The rebalance includes \$5.0 million General Fund and \$9.9 million Other Funds from previously carried over tobacco tax revenue to reimburse the federal government for the over-claimed match.
- As part of the Medicaid waiver renewal in 2017, Oregon Health Plan clients eligible for both Medicaid and Medicare are transitioning from being enrolled in fee-for-service coverage and opting-in to CCO enrollment to enrolling in a CCO and opting-out for fee-for-service coverage. Due to one-time transitional overlap in CCO and fee-for-service payments, the legislature approved a one-time investment of \$4.3 million General Fund in the division's 2017-19 budget; however due to a delay in the implementation, most of the population was not enrolled resulting in a decreased need of \$3.1 million General Fund for 2017-19.
- The 2017-19 budget included \$2.5 million in tobacco tax revenue for veterans' behavioral health services, however OHA anticipates using only \$0.5 million. Since the agency's 2019-21 current service level budget continues the \$2.5 for these services, the rebalance uses the \$2.0 million unspent tobacco tax revenue for other non-Medicaid mental health services, resulting in a General Fund savings.
- The rebalance includes \$13.8 million General Fund savings from administrative actions within HSD. This includes \$4.8 million in Personal Services savings from vacant positions across the division, \$6.7 million from increased Other Funds revenue through global settlements paid primarily by large drug manufacturers, and \$2.3 million from procurement delays in the Program Integrity Unit.
- Hospital assessment revenue approved in the 2015-17 biennial budget, and carried over into the 2017-19 budget, supports the Rural Hospital Initiative Program. The funding will not be fully expended and the rebalance reduces Other Funds expenditure limitation by \$1.7 million with the agency's request to carryover the \$1.7 million balance to 2019-21 budget.
- The rebalance increases Federal Funds expenditure limitation by \$0.5 million based on OHA's receipt of the Promoting Integration of Primary and Behavioral Health Care federal grant.

Oregon State Hospital

The approved rebalance for the Oregon State Hospital (OSH) reflects General Fund costs of \$17.9 million, a decrease in Other Funds expenditure limitation of \$14.1 million, and an increase in Federal Funds expenditure limitation of \$2.6 million.

During the 2017-19 biennium, the hospital initiated an effort to increase insurance reimbursements, primarily in Medicare, however has not realized the level of reimbursement revenues anticipated. The OSH 2017-19 legislatively approved budget included an additional \$40 million Other Funds with a reduction of General Fund of \$30 million. Due to significant delays in implementing the needed billing infrastructure and

staffing set-backs, reimbursements have fallen short. The December 2018 Emergency Board increased General Fund for the hospital by \$15 million based on projections in late 2018. The rebalance backfills the additional revenue shortfall with General Fund which is partially offset by increased federal revenues. The approved rebalance increases General Fund by \$11.5 million, decreases Other Funds by \$14.1 million, and increases Federal Funds by \$2.6 million.

In addition to the revenue shortfall at the hospital, staffing costs continue to increase due to increased patient acuity and corresponding enhanced staff-to-patient ratios, as well as a high volume of daily call-outs and long-term absences. The rebalance increases General Fund by \$5.6 million to cover the increased staffing costs. The rebalance also includes \$0.8 million General Fund for suicide prevention and ligature removal costs to ensure patient safety and maintain compliance with federal standards. Lastly, the rebalance includes a technical adjustment transferring \$1.5 million General Fund from the OSH to HSD. This funding was recommended by the Emergency Board at the December 2018 meeting to invest in community programs aimed at reducing the number of Aid and Assist patients sent to the hospital; however the funding is being managed by the HSD.

Health Policy and Analytics

The rebalance approved by the sub-committee for the Health Policy and Analytics division recognizes \$1.1 million in General Fund savings. This includes \$0.5 million in Personal Services savings due to staffing vacancies and hiring delays. Another \$0.4 million results from the underspending on Health Information Exchange activities. The remaining \$0.2 million savings is from the close-out of the Common Credentialing project. This project was intended to streamline the credentialing processes for health care practitioners; however the project was suspended in July 2018 due to significant challenges with implementing a cost-effective program beneficial to stakeholders.

Public Health

The approved rebalance increases Other Funds expenditure limitation for the Public Health division by \$12.5 million. Of this amount, \$11.6 million is due to increased spending in the CARE Assist Program, which helps people living with HIV or AIDS pay for medical care. The program implemented the End HIV Oregon project in 2017-19, which increased expenditures for contracts and medical supplies and services. The Other Funds revenue is available from prescription drug insurance claims. The remaining \$0.9 million is related to the Oregon Medical Marijuana Program to account for the cannabis tracking fee collected in the division and transferred to the Oregon Liquor Control Commission.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Health Authority
 Kate Nass - (503) 378-5442

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE ADJUSTMENTS (from LAB)</u>									
Central and Shared Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
State Assessments and Enterprise-wide Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Health Systems Division	\$ (19,016,465)	\$ -	\$ 11,736,735	\$ -	\$ 122,858,933	\$ -	\$ 115,579,203		
Health Policy and Analytics	\$ (1,060,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,060,000)		
Public Health Division	\$ -	\$ -	\$ 12,484,686	\$ -	\$ -	\$ -	\$ 12,484,686		
Oregon State Hospital	\$ 16,425,362	\$ -	\$ (14,064,656)	\$ -	\$ 2,550,560	\$ -	\$ 4,911,266		
TOTAL ADJUSTMENTS	\$ (3,651,103)	\$ -	\$ 10,156,765	\$ -	\$ 125,409,493	\$ -	\$ 131,915,155		
SUBCOMMITTEE RECOMMENDATION *	\$ (3,651,103)	\$ -	\$ 10,156,765	\$ -	\$ 125,409,493	\$ -	\$ 131,915,155		

PRELIMINARY