

ANALYSIS

Item 15: Oregon Health Authority Rebalance

Analyst: Tom MacDonald

Request: Acknowledge receipt of a report on the Oregon Health Authority's 2019-21 financial status.

Analysis: The Oregon Health Authority (OHA) has submitted its first budget rebalance report for the 2021-23 biennium. A rebalance plan should generally reflect cost increases and savings from updated caseload levels, federal match rates, revenue forecasts, and other adjustments necessary to carry out legislatively approved programs. OHA's rebalance identifies net General Fund savings of \$20.3 million after accounting for agency-wide costs of \$27.1 million, savings of \$44.3 million, and transfers of \$3.1 million to the Oregon Department of Human Services (ODHS).

Summary of OHA Rebalance Proposal	General Fund	Total Funds	Positions	FTE
OHP Caseload Forecast	16,300,626	125,373,316	-	-
Tobacco Tax Forecast	(10,300,000)	0	-	-
FMAP update	(32,209,443)	0	-	-
Behavioral Health Metrics	4,403,270	16,781,155	65	46.34
Drug Treatment and Recovery Services	(1,074,000)	(607,024)	12	7.93
Cover All People - Admin Costs and ODHS Transfer	(2,968,877)	(2,968,877)	15	11.33
Psilocybin Program	4,610,024	5,224,849	10	13.66
Other Position Requests	3,689,521	24,002,911	32	23.43
Other Adjustments	(2,747,603)	936,332,945	1	0.01
Reported Net Cost / (Savings)	(20,296,482)	1,104,139,275	135	102.70

The General Fund savings is almost entirely from an increase in the federal Medicaid match, referred to as the Federal Medical Assistance Percentage (FMAP), and a change in the forecast for tobacco tax revenue dedicated to the Oregon Health Plan (OHP). While the change in forecasted tobacco tax revenue represents point-in-time General Fund savings in the current budget rebalance, the savings is expected to erode over time because tobacco tax revenue is still a declining revenue source.

The costs identified by the agency are primarily tied to the updated OHP caseload forecast and a proposed increase of 135 positions (102.70 FTE) across the agency, which are described at a high-level in OHA's rebalance material. Most of these positions would add to existing positions funded in OHA's 2021-23 legislatively adopted budget (LAB) to help implement new program investments. Of the total proposed increase, 88 would support behavioral health programs, with 65 being requested for the metrics and incentive work outlined in HB 2086 (2021).

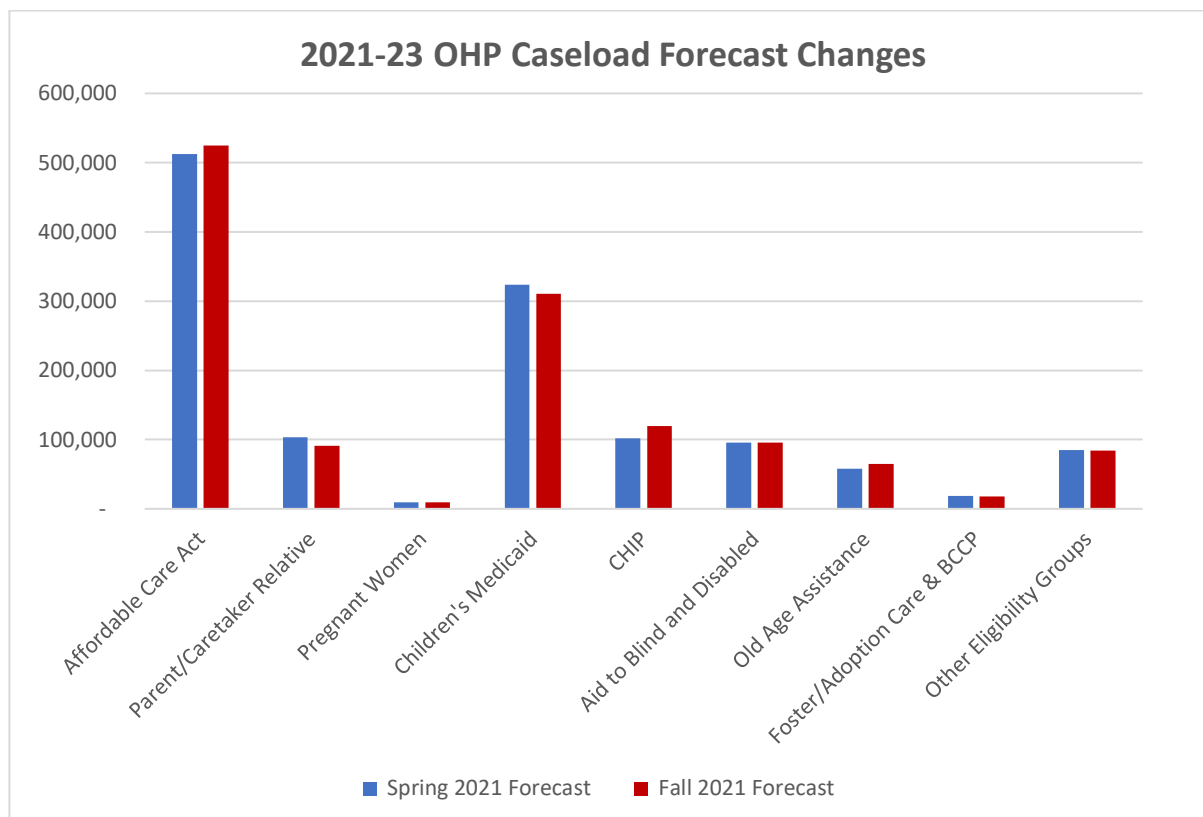
Many of OHA's rebalance adjustments, such as those related to caseload and revenue forecast updates, federal match changes, expenditure limitation needs, and some increases in position authority, are typical and will need to be included in a budget reconciliation bill during the 2022 legislative session after further review and refinement. However, assessing the need for the magnitude of new position requests remains ongoing. Of particular note, OHA is planning to submit additional position requests for behavioral health and other programs for consideration during the February session. Because of this, the Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means defer action on OHA's budget rebalance until all position requests can be reviewed together.

The information that follows discusses the agency's proposal in more detail and is organized by topical area because many of the proposed adjustments impact multiple agency divisions.

Caseload

The rebalance identifies net costs of \$16.3 million General Fund and \$109.1 million Federal Funds to properly fund OHP and other medical assistance caseloads. This adjustment is based on changes from the spring 2021 caseload forecast, which was used to develop the 2021-23 LAB, to the fall 2021 caseload forecast published by the Office of Forecasting, Research, and Analysis.

Overall, the updated forecast is higher by 10,650 members, with some caseloads forecasted to increase and others decrease. The relatively small General Fund cost relative to the federal share is driven by forecasted increases in the Affordable Care Act and Children's Health Insurance Program (CHIP) caseloads, which have high FMAPs, and decreases in the Children's Medicaid and Parent/Caretaker Relative caseloads, which have lower FMAPs.



An ongoing risk to the forecast continues to be the unknown duration of the federal public health emergency for COVID-19. In exchange for a 6.2 percentage point FMAP increase, states must meet certain maintenance of effort requirements, including pausing the disenrollment of members from Medicaid even when they lost eligibility until the public health emergency ends. This policy has caused Oregon's Medicaid caseload to grow by close to 300,000 members since March 2020. The updated caseload forecast, which was developed in October 2021, assumes the federal public health emergency will expire at the end of its current 90-day cycle on January 16, 2022. Although the federal government has not yet announced another 90-day extension, one is likely. If this happens, the caseload will grow above the current forecasted level and the enhanced FMAP will continue.

Apart from the OHP caseload, OHA continues to pause the submission of budget adjustments for forecasted changes to non-Medicaid mental health caseloads for civil commitment and guilty except for insanity populations out of concern about data available for the forecast and the impact on community programs when budget reductions occur based on declining caseloads. The agency is planning to report during the 2022 legislative session on its recommendations for budgeting for these caseloads, as well as incorporating the "aid and assist" caseload into this process.

OHP Revenue Adjustments

Exclusive of the temporary rate enhancement, Oregon's average biennial FMAPs have increased according to the final rates published for federal fiscal year 2023. Compared to the average FMAPs used for the 2021-23 LAB, the average biennial base FMAP has increased from 60.06% to 60.34% and the CHIP FMAP from 72.04% to 72.23%. The additional federal revenue from these increases saves \$32.2 million General Fund and \$2.3 million Other Funds for OHP.

The rebalance also recognizes a \$10.3 million increase in tobacco tax revenue dedicated to OHP (\$10.1 million) and mental health programs (\$0.2 million) based on changes from the May 2021 to December 2021 state revenue forecasts. The additional Other Funds revenue is available to offset General Fund in these programs and will be updated in a 2022 legislative session budget reconciliation bill based on any changes in the next quarterly forecast published that month. The forecasted increase in tobacco tax revenue is largely driven by revenue collections from the new vaping tax and \$2.00 per pack tax increase on cigarettes coming in above initial projections. This upward adjustment is not expected to be part of a trend. The long-term tobacco tax forecast continues to show decreasing revenue as consumption and instate tobacco purchases decline.

Also included is an \$8.6 million Other Funds increase from OHP hospital tax revenue carried over from 2019-21 for Disproportionate Share Hospital payments. The Other Funds revenue matches \$13 million in federal revenue for these payments to hospitals for serving Medicaid and uninsured individuals.

Children's Health Insurance Program Change

When CHIP was authorized by Congress in 1998, the Centers for Medicare and Medicaid Services (CMS) allowed states to designate their CHIP services as a Medicaid expansion program (M-CHIP), a separate non-Medicaid program (S-CHIP), or a combination of both. Oregon chose the S-CHIP designation. States are allowed to switch between these designations, each of which carries certain advantages and disadvantages. OHA is planning to request CMS approval to switch to the M-CHIP designation effective July 1, 2022. The agency's plan would initially save \$1.6 million General Fund based on the ability to leverage increased federal match under M-CHIP for Indian Health Services (100%) and family planning services (90%), as well as additional drug rebate revenue. This cost shift results in the \$1.6 million General Fund savings, which is included in OHA's rebalance.

However, the savings would not be available in 2023-25 based on OHA's longer-term M-CHIP plan to make more children eligible for services by expanding coverage to families who have third-party liability (TPL) coverage, which is not allowable under S-CHIP. Because this component of OHA's plan is optional, approval of the \$1.6 million General Fund savings in 2021-23 does not translate to approval of the TPL eligibility change. OHA will request an estimated \$1.7 million General Fund for this change in a 2023-25 policy package.

Cover All People

The rebalance includes new positions and transfers of existing funds across OHA programs and ODHS to support the agencies' plan for operationalizing the new Cover All People benefit, which takes effect July 1, 2022. The 2021-23 LAB includes \$100 million General Fund for this program, and all rebalance adjustments are intended to remain within this amount. OHA and ODHS plan to use \$16.2 million for administration, outreach, navigation, and enrollment activities, which is above the LAB's initial assumption that \$10 million would be used for this purpose. The table below provides a high-level summary of this plan.

2021-23 OHA Plan for Cover All People	General Fund	Positions	FTE
ODHS Enrollment and Eligibility Positions	\$ 3,132,355	24	14.86
Contracts for Community Outreach	\$ 10,000,000		
Community Partnership Outreach Program Staff	\$ 1,739,493	9	6.75
Office of Equity and Inclusion	\$ 167,291	1	0.75
Health Systems Division Administration	\$ 537,155	4	3.00
Health Policy and Analytics Division	\$ 352,891	1	0.83
State Assessments and Enterprise-wide Costs	\$ 313,092		
Subtotal - Administration	\$ 16,242,277	39	26.19
Amount remaining for benefits	\$ 83,757,723		
Total Program Budget 2021-2023	\$ 100,000,000	39	26.19

People who are currently eligible for limited emergency Medicaid coverage in the Citizenship Waived Medical (CWM) caseload will become eligible for Cover All People. The average CWM caseload is forecasted to total 42,246 in 2021-23, which includes a "welcome mat" effect resulting from the roll-out of Cover All People. The cost of providing coverage to this number of people far outweighs the program's \$100 million budget in 2021-23. Consequently, the amount spent on program operations creates a tradeoff with the number of people who can gain health care coverage with the remaining funds.

Behavioral Health Staffing Increases

OHA is requesting an additional 88 position (61.32 FTE) across multiple programs for investments in Oregon's behavioral health system approved during the 2021 legislative session. Most of these investments already received positions and related funding in OHA's 2021-23 LAB and additional position requests for behavioral health programs are expected during the February 2022 legislative session. The following information summarizes the current rebalance positions.

Metrics and Accountability: 65 positions (46.34 FTE) are included to support the new Behavioral Health Committee established in HB 2086 (2021). This committee is overseen by the Oregon Health Policy

Board and is responsible for establishing quality metrics for behavioral health services provided by coordinated care organizations, health care providers, counties, and other government entities, as well as incentives to improve service quality. OHA's existing budget already includes \$8.5 million General Fund and 14 positions for program operations.

The additional 65 positions would be assigned as follows:

- Health Systems Division - 40 positions to help the new committee develop behavioral health metrics and a data integrity strategy, and support the bill's impact on the COMPASS Modernization project, which is an existing multi-biennia project to upgrade OHA's behavioral health information technology system.
- Health Policy and Analytics Division - 7 positions to help develop the new metrics and incentives.
- Shared Services - 11 positions in the Office of Information Services to support the bill's impact on OHA's existing behavioral health information technology replacement project, known as COMPASS Modernization.
- Central Services - 7 positions for fiscal analysis, research and equity-related work, and public affairs.

The estimated partial biennium cost of the new positions totals \$16.8 million, which includes \$4.4 million General Fund, \$3.9 million Other Funds available from cost allocation, and \$8.5 million Federal Funds available from cost allocation and Medicaid match.

Drug Treatment and Recovery Services: 12 new positions (7.93 FTE), a decrease of \$1.1 million General Fund, and an increase of \$466,976 Other Funds correspond to several changes to the budget for the new Drug Treatment and Recovery Services program established by Ballot Measure 110 (2020). Review and analysis of these adjustments merit additional information from OHA and will likely require corrections before inclusion in a budget reconciliation bill during the February session. The General Fund reduction appears tied to a forecasted increase in marijuana tax revenue (Other Funds) dedicated to the program based on the December 2021 state revenue forecast. However, it is unclear how General Fund savings could materialize without negatively impacting the budget of other behavioral health programs since the Drug Treatment and Recovery Services program is supported entirely with Other Funds and marijuana revenue available for other behavioral health services is capped.

Of the 12 positions, six would be responsible for managing provider contracts, three for business information system development and data collection, and three for assisting the new Oversight and Accountability Council and other administrative functions. These positions would increase the total number of program positions to 24, as 12 are already funded in OHA's budget based on the agency's staffing proposal during the 2021 legislative session. Any new positions funded will detract from the amount of revenue available for Behavioral Health Resource Networks (BHRNs) and service providers. A key reason given for the additional positions is that OHA had not initially anticipated the Council would contract directly with behavioral health providers rather than through new BHRNs.

The justification for the magnitude of this adjustment remains unclear, particularly in terms of the volume of contracts OHA assumes it will have to manage, which it currently estimates to be more than 400. Additionally, the Other Funds revenue available to support these additional administrative costs is uncertain given potential statutory constraints. The ballot measure and enabling amendments in SB 755 (2021) confine OHA's administrative costs to no more than 4% of revenue deposited into the new Drug

Treatment and Recovery Services Fund each biennium. At this time, it is not yet clear if OHA's administrative costs with the new positions would remain within the 4% cap on an on-going basis.

Regional Development for Residential Treatment: Seven positions (4.41 FTE) and \$918,460 General Fund are included to help OHA operationalize a \$130 million investment included in its 2021-23 budget for increasing the number of licensed behavioral health residential treatment facility beds across the state. The new positions would develop requests for proposals, award funds, and manage contracts. From the existing \$130 million, the Legislature authorized OHA to use \$5 million for planning grants and \$2 million for operations. OHA's spending plan for the \$2 million, which was not available at the time of this writing, is necessary to inform a recommendation on the request for seven additional positions.

Aid and Assist: \$307,518 General Fund and \$135,936 Federal Funds are included to fund a Research Analyst 4 and Fiscal Analyst 3 to support the new Intensive Services Unit responsible for improving behavioral health outcomes for individuals who encounter the judicial system, particularly those under "aid and assist" orders. These positions are part of 10 positions (10.00 FTE) already established and funded in OHA's 2021-23 budget for the Intensive Services Unit, but OHA is now identifying higher costs than initially assumed over a 24-month period. However, not all positions in the Intensive Services Unit were filled as of July 1, 2021, which means vacancy savings can temporarily mitigate cost differences. Instead of increasing OHA's General Fund budget in 2021-23, a reduction in the FTE count is more appropriate to properly reflect the number of months the 10 positions are currently funded. This approach would have a roll-up cost in 2023-25 to reflect the full 24 months of position funding.

Substance Use Disorder (SUD) Waiver: One position (0.75 FTE), \$83,648 General Fund, and \$83,645 Federal Funds are included for a Research Analyst for evaluation and reporting work for the SUD Medicaid waiver amendment approved by CMS on April 1, 2021. OHA had requested and received funding for a position to work on waiver implementation but did not foresee a position need.

Other Behavioral Health Positions: One position (0.63 FTE) would support and be funded within the \$10.2 million appropriated in HB 2086 (2021) for co-occurring disorders and one position (0.63 FTE) would support and be funded from within the \$6 million appropriated in HB 2980 (2021) for grants to peer respite centers. These adjustments also include the transfer of \$44,212 General Fund from the Health Systems Division to the budget structure for State Assessments and Enterprise-wide Costs (SAEC). An additional position (0.63 FTE) would support and be funded within the \$7.5 million appropriated in HB 5024 (2021) for increasing psychiatric residential treatment service capacity for youth. The 2021-23 LAB had assumed these investments would be supported by existing staff.

Psilocybin Program

The Public Health Division's 2021-23 LAB includes \$2.2 million General Fund and 14 positions to support estimated costs for the first year of the new psilocybin services authorized by the passage of Ballot Measure 109 (2020). OHA is requesting an additional \$4.6 million General Fund and nine positions to fund the second year, bringing total program costs to \$6.8 million General Fund and 23 positions in 2021-23. Five of the requested positions are for compliance staff to regulate new licensees, which is in addition to four compliance staff already funded in OHA's budget. The number of compliance staff needed for this program is difficult to determine without first understanding the number of businesses expected to seek licensure. To help with this, OHA is conducting a survey in January 2022 to gauge community interest. Although General Fund is supporting upfront program costs, this program is required to be fully supported with licensing fee revenue; those resources will not be available until at least after January 2, 2023, which is when OHA is required to begin accepting licensing applications.

Oregon State Hospital

The rebalance includes seven positions (4.69 FTE), a General Fund decrease of \$958,954, Other Funds increase of \$9,833, and Federal Funds increase of \$1.6 million in the Oregon State Hospital. The General Fund savings is driven by the transition of the per diem billing model at the Pendleton cottage to a fee-for-service model, which will leverage more federal Medicaid match. The hospital plans on using part of this savings to establish three positions to support the billing and documentation process of this new model. An additional four positions are requested for various roles at the Salem campus, including an Office Specialist 2, two chaplains, and one Clinical Psychologist 2. These positions would be funded within existing resources by shifting costs from contractual services that currently support these functions. A cost shift of \$1.1 million from Federal Funds to General Fund is also included based on a reduction in the hospital's federal Disproportionate Share Hospital payment allotment, which is determined and funded separately for state psychiatric hospitals than it is for other hospitals.

Other Key Position Requests

Health Systems Division: Two positions (1.26 FTE) and \$279,038 General Fund are requested to implement the Oregon Essential Workforce Health Care Program established in SB 800 (2021). The purpose of this program is to establish federal Medicaid supplemental payments to provide health insurance to employees at long-term care facilities. The two positions, both Operations and Policy Analyst 3 positions, would support OHA's continued design and implementation of the new program, which has not yet received federal approval. HB 5006 (2021) includes a \$30 million special purpose appropriation to the Emergency Board for this new program, which could be reduced to fund the costs of the new positions.

Health Policy and Analytics (HPA) Division: One position (0.75 FTE), \$96,641 General Fund, and \$96,368 Federal Funds are requested for an Operations and Policy Analyst 4 to manage evaluation work related to the renewal of the state's five-year Medicaid waiver. This work is in addition to external Medicaid evaluation work contracted through the Oregon Health and Science University (OHSU). A permanent part-time position (0.67 FTE) would support the Health Evidence Review Commission by providing medical expertise and recommendations for the Prioritized List of Health Services. This work has been done through a contract, which OHA plans to bring in-house with this position at no additional cost.

Two positions (1.46 FTE) are requested to support community-based health care workforce initiatives previously carried out by OHSU with the support of the federal Healthy Oregon Workforce Training Opportunity grant. OHSU ended its contract to provide program administration effective August 31, 2021, which then transitioned to the state. The requested positions would help with this work, which HPA would fund from resources previously used to contract with OHSU.

Public Health Division: Six positions (5.44 FTE) and \$420,450 Federal Funds are requested for multiple programs in the Public Health Divisions. Four of these positions would be funded within existing resources, which includes three for tobacco cessation activities funded from increased tobacco taxes under Ballot Measure 108 (2020) and one from Universally Offered Home Visiting program funding. The remaining two would be supported by available federal revenue from Substance Abuse Prevention and Treatment block grant and CDC Alcohol Epidemiology funding.

Central Services: \$173,215 General Fund and 0.44 FTE (no position changes) are requested to fund the upward reclassification of 10 positions, mostly impacting management classifications, in the Office of Equity and Inclusion (OEI). This adjustment would update an OEI position reclassification that was

approved during the 2021 legislative session contingent on the reclassified positions resulting in no General Fund costs.

Expenditure Limitation and Technical Adjustments

The budget includes various increases to expenditure limitations, with the following representing the major increases:

- \$40.9 million Federal Funds for Mental Health and Substance Abuse Prevention and Treatment block grants based on supplemental awards from the American Rescue Plan Act.
- \$37 million Federal Funds to support the federal Medicaid match leveraged by the General Fund already appropriated in OHA's budget for increasing reimbursement rates for services treating people with behavioral health co-occurring disorders.
- \$412 million Other Funds in the Public Health Division for reimbursement from the Federal Emergency Management Agency (FEMA) transferred to OHA from the Oregon Office of Emergency Management. Of the total amount, \$220 million represents FEMA's calculation for Oregon's vaccine project, of which \$110 million was made available upfront in 2019-21 and is now nearly spent. The remaining \$192 million represents other pandemic-related costs for which OHA has requested reimbursement through six different claims. OHA has not previously requested or received expenditure limitation for FEMA reimbursement.
- \$408.5 million Federal Funds in the Public Health Division to support the state's response to the COVID-19 pandemic, including for laboratory costs, vaccine administration and distribution, testing, contact tracing, and isolation services, among other expenses. This funding represents supplemental awards to existing grant programs funded by the Centers for Disease Control and Prevention and was reported by the agency to the Joint Interim Committee on Ways and Means in November 2021.
- \$27.5 million Other Funds in the Public Employees' Benefit Board and Oregon Educators Benefit Board for various adjustments, including the work of a new actuarial consultant for both programs, which is a requirement of SB 1067 (2017) over an eight-month transitional period in parallel to the existing contracts; payment of claims under the new part-time higher education faculty health insurance program established in SB 551 (2021); costs associated with the benefit system replacement project; and information technology professional services.
- \$1.8 million Other Funds is requested for the Oregon Health Insurance Marketplace, which was transferred from the Department of Consumer and Business Services to OHA as part of legislative action during the 2021 session. The additional limitation represents revenue and cash balances not captured in the net-zero budget adjustment between the two agencies. Of the total amount, approximately \$800,000 represents the cash balance transfer from the COFA (Compact of Free Association) premium assistance program and \$1 million from the Health Insurance Exchange. While this adjustment aligns the limitation with revenue and cash balances, the need and timing for OHA to expend the cash balances is not currently understood.
- \$500,000 Federal Funds to support the State Marketplace Modernization grant awarded to OHA. The agency requested and received approval to apply for this grant by the Joint Interim Committee on Ways and Means in September 2021.

The rebalance also includes various small adjustments to expenditure limitations and position counts, as well as net-zero transfers across agency programs.

Recommendation: The Legislative Fiscal Office (LFO) recommends that the Joint Interim Committee on Ways and Means acknowledge receipt of the report with the understanding LFO will develop recommendations on OHA's proposed budget rebalance adjustments for legislative action during the 2022 legislative session.

15
Oregon Health Authority
Heath

Request: Report on the Oregon Health Authority's Fall 2021 budget rebalance.

Recommendation: Acknowledge receipt of the report.

Discussion: OHA engages in a budget rebalancing exercise three times a biennium to ensure the multiple funding streams and programs supported in OHA's budget continue smoothly throughout the biennium. In this first rebalance of 2021-23, OHA reports a net savings of \$20.3 million General Fund, a need for \$468.0 million Other Funds expenditure limitation, and a need for \$656.4 million Federal Funds expenditure limitation. The Department's report looks at changes in caseload, federal Medicaid match rates, updated revenue forecasts, and budgetary requests the Department has identified as a result of implementing legislation, grant awards, federal reimbursements, or other factors.

Caseload Changes

Changes in OHA's medical assistance caseload result in a cost of \$16.3 million General Fund and \$109.1 million Federal Funds when comparing the Spring 2021 forecasts used to develop the 2021-23 Legislatively Adopted Budget to Fall 2021 forecasts. Relative to the Spring forecast there were increases in the forecast for Old Age Assistance, Children's Health Insurance, and Medicare Part D clawback payment forecasts, partially offset by declines in the Parent/Caretaker Relative and Aid to the Blind and Disabled caseloads. Major risks to the forecast include the end of the public health emergency (currently scheduled to end in January of 2022), the timing of when OHA begins redeterminations after the COVID-related public health emergency expires (assumed to start at the end of July 2022), the length of the economic recovery from the COVID-related pandemic, and changes to state and federal policy.

Although not requested as part of the rebalance, OHA estimates a \$13.1 million General Fund cost related to its Non-Medicaid mental health caseload. This reflects increased caseload forecasts for individuals being served in the community who have been adjudicated guilty except for insanity (GEI) or civilly committed. The state paused mandated caseload adjustments after the Spring 2019 caseload forecast to examine the process and data used to make these adjustments. After some work during the interim in 2019-21, the COVID pandemic and the associated strain on OHA and counties mental health programs has delayed important work related to the caseload process.

Federal Match Rate Changes

The federal government updated its Medicaid match rates in September 2021 to reflect the most recent estimates of the federal match rate. The base Federal Medicaid Assistance Percentage (FMAP) is determined by a formula comparing Oregon's per capita income to the national per capita income. The rate declined from the 2019-21 rates, but not by as much as anticipated in the 2023-23 Legislatively Adopted Budget:

Rate Type	2019-21 LAB	2021-23 LAB	2021-23 Current
Base FMAP	61.25%	60.06%	60.34%
CHIP FMAP	75.05%	72.04%	72.23%

These changes will increase Federal Funds revenues by \$34.5 million, reducing the need for state resources by \$32.2 million General Fund and \$2.3 million in Other Funds. This adjustment does not include any change to OHA's budget related to the 6.2% enhanced FMAP related to the COVID public health emergency, nor does it include temporarily enhanced FMAP rates for specific services recently enacted by the federal government.

Revenues and Beginning Balances:

Cigarette and Tobacco Tax Forecast: The December 2021 revenue forecast showed an increase of \$10.3 million in Cigarette Tax revenues compared to what was built into the 2021-23 Legislatively Adopted Budget, in large part due to higher than expected revenues for inhalant delivery revenues, a newly taxed product in 2021. These funds will be used in the Medicaid and Non-Medicaid programs to offset General Fund.

Marijuana Tax Forecast: The December 2021 revenue forecast showed an increase in Marijuana Taxes available of \$1.0 million compared to what was built into the 2021-23 Legislatively Adopted Budget. This additional revenue is dedicated to the Drug Treatment and Recovery Services Fund (DTRSF) established by Measure 110. OHA proposes to offset General Fund with the revenues but as there are no General Fund resources dedicated to the services provided through the DTRSF there is no savings associated with item.

DTRSF Beginning Balance: OHA is proposing to reduce the beginning balance rolled over from 2019-21 for the DTRSF by \$0.9 million to recognize the impact of two changes. First, revenues from the McKinsey opioid settlement deposited into the DTRSF were estimated at \$7.8 million in 2019-21, but in the end the state only received \$7.1 million after accounting for adjustments to the amount received. Second, OHA spent slightly more of the DTRSF in 2019-21 than was anticipated in the 2021-23 beginning balance, reducing the balance by \$0.2 million.

CHIP Policy Change: States have the ability to choose how to structure their Children's Health Insurance Program (CHIP) programs to determine how they interact with their Medicaid program. Oregon established its CHIP program as a separate CHIP program but is proposing to change the structure as of July 2022 to be a Medicaid expansion CHIP program. Changing the structure of the program from a separate CHIP program, as Oregon is now, to a Medicaid expansion CHIP program will result in savings of approximately \$1.6 million General Fund due to being able to claim match on services it couldn't previously claim. These items include claiming 100% match on American Indian / Alaska Native clients who receive services through Indian Health services, claiming 90% match on expenditures for CHIP enrollees using family planning services and supplies, and being able to collect previously unavailable drug rebate revenue.

Oregon State Hospital Billing: In addition to the two psychiatric hospital campuses in Salem and Junction City, the Oregon State Hospital operates a 16-bed secure residential treatment facility (SRTF) in Pendleton. The Medicaid reimbursement model for the SRTF has changed from a per-diem to a fee-for-service model, resulting in an increase in reimbursements. OHA projects the additional federal revenues will result in a savings of \$2.2 million General Fund for 2021-23.

Oregon State Hospital DSH Reduction: The Oregon State Hospital receives supplemental Medicaid payments for the unreimbursed care it provides from the federal Disproportionate Share Hospital (DSH) program. These programs are capped at a set amount, approximately \$4.9 million per quarter times the state's FMAP rate. These revenues have been used as a source of

budgetary savings by the federal government in healthcare-related legislation, including the Affordable Care Act and the American Rescue Plan Act but reductions are often changed or delayed through the federal budget process. OHA has received confirmation from the Center for Medicare and Medicaid Services that there is a reduced entitlement available to the Oregon State Hospital in 2021-23, resulting in a loss of \$1.1 million in Federal Funds and a need for a corresponding amount of General Fund.

Hospital Tax Carryover: OHA is projecting a beginning balance of \$8.6 million Other Funds from hospital provider taxes collected in 2019-21 but unspent. This revenue was dedicated in OHA's budget to drawing down funds from a federal supplemental Medicaid program called Disproportionate Share Hospital – 3 (DSH 3), which would be passed through to the hospitals. Due to upper payment limit calculations limiting how much hospitals may receive from the DSH 3 program there was an unspent balance available to be rolled over into 2021-23. OHA proposes to recognize this balance and use it to draw down additional funding for the hospitals in the current biennium.

Grants and Federal Reimbursements

COVID-related Grants: OHA is requesting \$408.5 million in Federal Funds expenditure limitation related to a series of federal grant awards from the CDC related to the COVID-19 pandemic. These grants fund OHA's pandemic response activities, including staffing for the COVID Response and Recovery Unit, testing and vaccine events, contact tracing, case investigation, wraparound support, and culturally and linguistically responsive engagement. OHA received \$642.2 million in revenues for these purposes through October 2021; the Department spent approximately \$134.8 million in 2019-21, leaving approximately \$98.9 million for future expenditures should OHA spend the entire \$408.5 million during 2021-23.

FEMA Reimbursements: OHA is requesting \$412.0 million in Other Funds expenditure limitation in anticipation of Federal Emergency Management Agency reimbursements for two sources: \$192.0 million for vaccine administration activities, of which OHA has received \$110 million to date in advance of requests for reimbursement, and \$220 million for eligible COVID response activities. Revenues for these purposes will ultimately depend on FEMA decisions around OHA's reimbursement requests.

Mental Health / Substance Abuse Prevention and Treatment (SAPT) Block Grants: OHA received an additional \$23.4 million in federal Mental Health Block Grants as a result of ARPA. OHA also received an additional \$17.5 million in (SAPT) Block Grants as a result of ARPA. The Department is requesting an additional \$40.9 million in Federal Funds limitation to enhance behavioral health and substance abuse prevention and treatment services. In addition to these requests, OHA is requesting \$225,384 and one Operations and Policy Analyst 4 position (0.88 FTE) funded from the SAPT grant to manage enterprise-wide alignment for policy advice, equity partnership, legislative coordination, and project management related to efforts to prevent excessive alcohol use.

Alcohol Epidemiology Grant Position: OHA is requesting \$195,066 and one position (0.88 FTE) to hire an Epidemiologist 2 position in recognition of the receipt of a CDC grant related to monitoring the public health effects of alcohol use.

Marketplace Outreach grant: OHA is requesting \$500,000 in Federal Funds limitation to implement a grant received from CMS for the Health Insurance Marketplace. OHA will use the grant to provide funds to community-based organizations for outreach, fund in-person enrollment services, and targeted marketing to underserved and important populations.

2021 Session Adjustments:

In the process of implementing the significant new programs and funding increases provided in the 2021 Legislative Session, OHA identified the following issues and requests for changes to its budget authority. These changes include requests to revisit decisions made in the 2021 session, policy issues that have arisen in the process of implementation, items for which budget authority is needed but was inadvertently omitted from the 2021-23 Legislatively Approved Budget, and technical changes.

House Bill 3352 Budget Request: HB 3352 created the Cover All People program, which expands healthcare coverage to adults who would be eligible for Medicaid but for their immigration status, starting July 1, 2022. The bill appropriated \$100 million to OHA to accomplish the purposes of the bill, of which \$10 million may be spent on education and outreach to consumers, and the bill gives OHA the discretion to manage enrollment in the program to stay within the \$100 million. Despite direction to the contrary, OHA is requesting to transfer \$16.3 million of the \$100 million to support the administration of the program, which includes \$11.9 million and 10 positions (7.50 FTE) for the Central division for education and outreach, \$1.4 million and 4 positions (3.00 FTE) for the Health Systems Division to make changes to the Medicaid Management Information System, work on administrative rules, and oversee the program, \$0.4 million and 1 position (0.83 FTE) for Health Policy and Analytics for agency-wide coordination, and \$2.7 million to the Oregon Department of Human Services to support eligibility workers who will assist members in enrolling in the new program. In a separate letter, OHA proposes changes to the Citizenship Waived Medical program that would result in an additional \$4.4 million General Fund for the Cover All People program. Given the status of the development of the program it is unclear how many people would be covered by the new program during the 2021-23 biennium with the requested changes.

Ballot Measure 110 Budget Request: As enacted into law through SB 755, Ballot Measure 110 decriminalizes the possession of most drugs and funds a system of substance use disorder triage, outreach, treatment, and support services using Marijuana Tax revenues previously dedicated to other purposes. The Department's main budget bill, HB 5024, includes \$302.2 million Other Funds and 12 positions (12.00 FTE) for OHA to implement the measure. OHA is requesting an additional 12 positions (7.93 FTE) and a reduction of \$0.5 million Other Funds to assist with implementing the bill, including six Operations and Policy Analyst 3 positions to manage regional contracts, three additional Operations and Policy Analyst 3 positions to assist with information systems work, and two Administrative Specialist positions to coordinate meetings. These positions will be funded by a reduction in contracted services out of the 4.0% administrative budget established by the measure.

Ballot Measure 109 Second Year Request: Ballot Measure 109 legalized the medical use of psilocybin and directed the creation of a regulatory and tax program to support the safe and effective use of the drug. OHA is requesting a total of \$4.6 million General Fund, \$0.6 million Other Funds and 10 positions (13.66 FTE) to support continued implementation of the program. This includes continuing the 14 positions approved for the first year of the program and includes seven Compliance Specialist 2 positions, one Operations and Policy Analyst 2 position, and one Administrative Specialist 2 position to support the development of program regulations and oversight of licensees as well as IT project resources, costs for the use of the Public Health lab, and Attorney General charges. House Bill 5024 appropriated \$2.2 million General Fund and provided 14 positions (5.52 FTE) for implementation of the program for the first year. While the eventual goal is to transition the program to Other Funds revenues, OHA believes the economics of the psilocybin tax (when it becomes available) will not support a significant regulatory

program and the department will need to rely on licensing fees instead of the tax for revenues to support the program long-term.

Co-Occurring Disorders Funding: HB 2086 includes \$10.2 million in funding for OHA to increase reimbursement rates for providers treating co-occurring behavioral health and substance use disorders. OHA intends for these funds to increase Medicaid rates and requests \$37.1 million Federal Funds limitation to recognize the expenditures related to the federal match. OHA is also requesting one position (0.63 FTE) to administer the program using existing expenditure authority approved as part of the program.

Behavioral Health Positions: OHA is requesting a total of 65 positions (46.34 FTE), \$3.9 million General Fund, \$3.8 million Other Funds limitation, and \$8.5 million Federal Funds limitation for positions to improve oversight of the behavioral health system and to work on IT projects needed to improve oversight to align with OHA's plan to implement HB 2086. The legislature approved \$3.5 million General Fund and 12 positions (12.00 FTE) through HB 5024 and \$5 million General Fund for developing behavioral health quality incentive metrics through HB 5006 to provide resources for behavioral health system transformation. OHA's request includes transferring seven of the positions established within the Health Systems Division to the Central Division for their work on health equity, budgetary management, and external relations, seven positions (5.33 FTE) within the Health Policy and Analytics division to carry out work related to health metrics and support the Health Plan Quality Metrics Committee, 11 positions (10.12 FTE) to improve data systems integrity and further advance the COMPASS information system modernization project, and 40 positions (25.76 FTE) in the Health Systems Division for their work related to behavioral health accountability and metrics, data integrity, and COMPASS information system modernization.

Regional Development and Innovation Program Request: OHA received \$65 million in Other Funds expenditure limitation from the American Rescue Plan Act and \$65 million General Fund to increase statewide capacity of licensed residential behavioral health facilities and behavioral health housing. OHA is now requesting \$918,460 General Fund and 7 positions (4.41 FTE) to assist with the procurement and review process and oversight and compliance post-award decision.

House Bill 2980 Budget Request: HB 2980 appropriated \$6.0 million General Fund to OHA to make grants for peer-delivered services to providers throughout the state. The Budget Report notes that OHA will administer the program with existing staff. However, OHA is requesting one position (0.63 FTE) to administer the program out of the funds appropriated for the grants and is seeking to transfer \$22,106 in General Fund to the Statewide Assessments and Enterprise-wide Costs program.

Senate Bill 800 Budget Request: SB 800 creates a Medicaid supplemental payment program to support the long-term care workforce. The bill requires OHA to make supplemental payment to long-term care employers to ensure they can provide their workforce with affordable and usable employer-sponsored health insurance. House Bill 5006 created a Special Purpose Appropriation of \$30 million General Fund to support these payments; OHA is requesting \$279,038 General Fund and two Operations and Policy Analyst 3 positions (1.26 FTE) to help assist with the creation and management of this program. No resources were provided to administer the program in the 2021 legislative session.

Senate Bill 551 Budget Adjustment: SB 551 creates a program for part-time faculty at universities and community colleges to purchase insurance through PEBB (for university

employees) and OEBB (for community college employees) under certain conditions. The employer will pay 90% of the premium for these policies while the state will cover the remaining 10% of the premium. The subsidy payments will be made from the Higher Education Coordinating Commission to the universities and community colleges, who will manage eligibility for the program and make payments to PEBB and OEBB. The divisions request \$7.2 million Other Funds limitation and \$7.2 million Other Funds limitation, respectively to recognize the increased expenditures they will incur as a result of covering additional people under this program.

House Bill 2359 Budget Request: HB 2359 requires health care providers to work with health care interpreters from a registry administered by OHA; the bill included \$670,664 General Fund, \$66,812 Other Funds, and \$118,194 Federal Funds and two positions (1.50 FTE) to administer the program. OHA is requesting one position (0.75 FTE) and \$185,447 in Other Funds expenditure limitation for the Office of Information Services to work on the registry; this transfer was anticipated in the Budget Report for the bill.

Universally Offered Home Visiting: OHA received \$4.6 million General Fund, \$3.2 million Federal Funds limitation, 4 positions and 3.50 FTE in HB 5024 to continue the rollout of the Universally Offered Home Visiting program to an additional 2-4 communities. OHA is requesting an additional Operations and Policy Analyst 4 position (0.88 FTE) to manage project development, implementation, and sustainability for this work. OHA requests position authority only and will fund the position out of amounts established by the legislature for this purpose.

SUD Waiver Position Request: OHA received \$19.3 million General Fund, \$110.2 million Federal Funds and one position (1.00 FTE) in HB 5024 to administer a substance use disorder (SUD) 1115 waiver that will increase provider rates to SUD providers and expand recovery support services. OHA is now requesting one additional Research Analyst 4 position (0.75 FTE) to help administer the waiver's monitoring and reporting requirements.

Psychiatric Residential Treatment Services Position Request: OHA received \$7.5 million General Fund in HB 5024 to expand Psychiatric Residential Treatment Services (PRTS) for youth, adding a total of 47 beds. OHA is now requesting one permanent full-time Operations and Policy Analyst 3 (0.63 FTE), funded out of this funding, to provide statewide leadership, coordination, and management of the state's intensive treatment delivery system. The request is net zero from a budget perspective but would reduce General Fund available to expand PRTS by \$139,519.

Indian Managed Care Entity Position Request: OHA received \$1.4 million General Fund and \$13.5 million in Federal Funds limitation in HB 5024 to support the creation of an Indian Managed Care Entity, which will provide care coordination services to Indian and Alaska Natives enrolled in OHP. OHA is now requesting an Administrative Specialist 1 position (0.63 FTE) to perform manual work related to member enrollment, notification, and distribution of payments to the managed care entity. OHA proposes to hire the position using budget authority established in HB 5024.

Aid and Assist Budget Request: OHA received \$21.0 million General Fund, \$2.6 million Federal Funds and 10 positions (10.00 FTE) in HB 5024 to provide funding for counties for community-based restoration services for individuals under Aid and Assist orders, to conduct a root-cause analysis of the Aid and Assist crisis, and to establish an intensive services unit in OHA to improve oversight and coordination of services to individuals under Aid and Assist orders in the community. OHA is now requesting \$307,518 General Fund, \$8 Other Funds

limitation and \$135,986 Federal Funds limitation for a Research Analyst 4 and a Fiscal Analyst 3 the Department says it did not receive funding for in the 2021-23 LAB however did receive position authority.

Tobacco Tax Position Request: OHA received \$45.6 million in Other Funds expenditure limitation in HB 5024 to recognize the increased tobacco tax revenue available for prevention and cessation activities as a result of the passage of Ballot Measure 108 (2020). OHA is now requesting two Operations and Policy Analyst 4 positions (1.66 FTE) to support cross-agency alignment around tobacco prevention, as well as one Epidemiologist 3 (0.83 FTE) to support cross-agency epidemiology, evaluation of prevention efforts and coordination with surveillance and evaluation partners. The positions will be funded by transferring existing Other Funds expenditure authority to this purpose.

Health Insurance Marketplace Limitation: HB 5006 recognized the budgetary transfer of the Oregon Health Insurance Marketplace and the COFA Premium Assistance Program from the Department of Consumer and Business Services to OHA. OHA is requesting \$1.8 million in Other Funds limitation to account for limitation that was not transferred from DCBS' 2021-23 current service level budget and to pay out of pocket expenses for COFA residents who were covered by Marketplace plans and received reimbursement from the state to provide coverage at no cost. Given the low level of out of pocket reimbursements requested in prior years and the federal decision to allow COFA residents to join Medicaid as of December 2020, allowing the COFA Premium Assistance Program to close out and the clients to be transferred, it is unclear that the Other Funds limitation requested by OHA will be needed in 2021-23.

Office of Equity and Inclusion Reclasses: OHA's Office of Equity and Inclusion requests the upward reclassification of 10 positions at a cost of \$209,865 total funds and an increase of 0.44 FTE, including reclassifying two Principal Executive / Manager (PEM) F positions to PEM – G positions, an Operations and Policy Analyst 4 to a PEM E, a Program Analyst 4 to a PEM E, and a Training and Development Specialist 2 to an Operations and Policy Analyst 3, a Program Analyst 3 to an Operations and Policy Analyst 3, an Operations and Policy Analyst 4 to a Research Analyst 4, and changing a Research Analyst 3 and an Executive Support Specialist 2 from represented to management service. These changes are sought to meet the increased workload associated with various initiatives passed during the 2021 legislative session, including new requirements around data collection, traditional health workers, regional health equity coalitions, and other workloads.

IT Position: OHA requests \$192,533 in Other Funds expenditure limitation and one position (1.00 FTE) to re-establish a position created by the December 2020 Emergency Board to address workload in the Oregon Department of Human Services' Self-Sufficiency Program. This position was not approved to continue in the 2021-23 budget, but the workload associated with the position continues.

Health Homes Position: House Bill 2842 created the Health Homes Grant program, which appropriated \$10 million General Fund to make grants and funded four positions (3.08 FTE) to operate the program. OHA requests to increase the FTE on a Principal / Executive Manager D position, from 0.44 FTE to 0.75 FTE by shifting funding within the amounts budgeted for this purpose. OHA hopes to use the position to manage the new Healthy Homes and Schools unit within the Environmental Public Health Section.

Other Budgetary Requests

Separate from the other issues identified above, OHA has identified budget needs in a number of areas related to its ongoing operations.

OHCS Transfer: OHA is requesting \$4 million in Other Funds expenditure limitation to recognize a transfer from the Oregon Housing and Community Services department to provide funding for COVID-related rental assistance to community-based organizations. OHA has contractual relationships with many CBOs that will facilitate dispersal of these funds.

State Hospital Facility Needs: OHA is requesting \$122,816 General Fund, \$488,441 in Federal Funds expenditure limitation and 3 positions (2.01 FTE) for the Secure Residential Treatment Facility it operates in Pendleton to improve training, ensure adequate staffing is available to maintain facility safety and security, and to perform facility maintenance at the and address preventative maintenance and repairs.

State Hospital Position Establishments: OSH is requesting the establishment of 4 positions and 2.68 FTE to hire one Office Specialist 2, two Chaplains, and one Clinical Psychologist 2 within the Forensic Evaluation unit, to be funded through a reduction in contracted services, which were previously used to support these needs.

PEBB and OEGB IT Maintenance: PEBB and OEGB are requesting \$2.4 million and \$0.6 million in Other Funds expenditure limitation, respectively, to pay for the maintenance of their legacy benefit management systems while the work to modernize and consolidate into one system.

PEBB and OEGB Actuarial Contracts: PEBB and OEGB are requesting \$4.8 million and \$4.0 million in Other Fund expenditure limitation, respectively, to create a joint actuarial contract between the two divisions. It is anticipated this will require transitioning between actuaries, there will be a period of about 8 months of overlap to make this transition. Also included in the \$8.8 million in limitation are requests for additional funds to address Secretary of State audit findings around enhanced communication with members and employers and to support the divisions in their work to limit cost growth to 3.4% per year.

PEBB and OEGB Benefit Management System: PEBB and OEGB are each requesting \$0.6 million in Other Funds expenditure limitation, for a total in \$1.2 million Other Funds, to support higher projected vendor costs for the new benefit management system project they are requesting, as well as to ensure funding for contingencies and internal overhead charges.

Health Policy and Analytics Positions: OHA is requesting \$96,641 in General Fund, \$96,638 in Federal Funds, 4 positions and 2.88 FTE to address a number of issues, including bringing in-house work that had been contracted to OHSU in order to fund a part-time Medical Director to support the Health Evidence Review Committee (HERC), the need to establish an Operations and Policy Analyst 4 to meet enhanced evaluation requirements around OHA's Section 1115 Medicaid waiver, and to bring in-house two positions previously contracted with OHSU to support the Healthy Oregon Workforce Training Opportunity (HOWTO) program. Contract savings will support the HERC and HOWTO position requests.

Reclassifications: OHA's Public Health Division is requesting the reclassification of seven staff by abolishing a position for a reduction of 0.12 FTE and a net zero fiscal impact. OHA's Central Division is requesting the reclassification of an Operations and Policy Analyst 4 to a Fiscal

Analyst 3, and the reclassification of an Operations and Policy Analyst 1 to a Fiscal Analyst 1, with a net zero fiscal impact.

OHA's budget rebalance report also identifies other actions needed to maintain budget balance, including transfers of positions to the Oregon Department of Human Services, internal transfers to align budget authority with programmatic responsibility, and other technical changes needed to administer its budget.



OFFICE OF THE DIRECTOR

Kate Brown, Governor



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December 6, 2021

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

Dear Co-Chairpersons:

Nature of the Request

The Oregon Health Authority requests receipt of this letter as its Fall 2021 Rebalance Report for the 2021-23 biennium.

Agency Action

Based on actual expenditures through September 2021 and updated projections through the end of the biennium, OHA is projecting a \$20.3 million General Fund net savings. Additionally, the agency is projecting a need to increase Other Funds limitation by \$468.0 million and Federal Funds limitation by \$656.4 million.

OHA is also indicating a need for 135 new positions (102.7 FTE).

General Rebalance Updates

Health Systems Division

Medicaid Fall 2021 Caseload Forecast Update – Updating the Health Systems Division medical assistance caseloads from the Spring 2021 Caseload Forecast to the Fall 2021 Caseload Forecast results in a \$16.3 million General Fund need. The estimated impact is primarily driven by increases in the caseloads for Affordable Care Act (ACA) adults, Children's Health Insurance Program (CHIP), Old Age Assistance (OAA) and Medicare Part D.

Medicaid Federal Match Update - The Centers for Medicare and Medicaid Services finalized the Federal Medical Assistance Percentages (FMAP) rates for Federal Fiscal Year 2022. Updating those rates to those assumed in the 2021-23 Legislatively Adopted Budget results in a \$32.2 million General Fund savings.

Tobacco Tax Forecast Update - The Medicaid and non-Medicaid budgets are adjusted for the most recent Economic Forecast for projected tobacco tax revenues. The new forecast indicates a \$10.1 increase in revenue for Medicaid and a \$200,000 increase in revenue for non-Medicaid, resulting in a total of \$10.3 million in General Fund savings.

Children's Health Insurance Program (CHIP) Policy Change – States may choose between administering their CHIP program as a Medicaid expansion, a separate CHIP program, or a combination of both. Oregon administers its CHIP program as a separate program. As an expansion program, CHIP states must follow all the Medicaid provisions for those enrollees but have the option to capture enhanced Medicaid match for those eligible under CHIP. The Health Systems Division projects a \$1.6 million General Fund Savings by moving to a Medicaid expansion program effective July 2022. OHA has the option to cover individuals with other insurance (i.e., third-party liability) under CHIP; however, this option is not being pursued in 2021-23. It will be evaluated as a policy package for the 2023-25 biennium.

Oregon State Hospital

Disproportionate Share Hospital (DSH) Allotment Reduction – OSH receives a Disproportionate Share Hospital (DSH) allotment if eligible expenses achieve program thresholds. Eligible expenses, in this case, represent the amount of "charity care" the hospital provides in General Fund expenses to patients that are without insurance coverage of other kinds. As a result of the Affordable Care Act, the total annual DSH allotment has decreased, resulting in less Federal Funds available at OSH. While this is an accurate assumption for acute care hospitals, the patient population experiencing behavioral health needs is the least likely to have obtained alternate insurance through Affordable Care or otherwise. The estimated impact is a \$1.1 million General Fund backfill need.

State-Delivered Secure Residential Treatment (SDSRTF) Facility – The SDSRTF located in the Pendleton has been required to transition from a per diem billing model to a fee-for-service model. This change is expected to increase Federal Funds collection and provide \$2.1 million in General Fund savings. But to achieve these savings, enhanced training has been required to ensure appropriate billing and documentation. OSH is identifying the need for a permanent Training and Development Specialist 2 position to not just provide training but also perform billing activities. OSH would also use savings to fund an additional Mental Health Therapist 2 position needed to ensure the minimum level of program coverage and a

Grounds Maintenance Specialist 2 position as OSH has been unsuccessful at contracting for groundskeeping and general maintenance needs.

Specific Program & Policy Updates (to the Legislatively Adopted Budget)

Behavioral Health Transformation & Accountability (HB 2086 and HB 5024)

Through HB 2086 and HB 5024 (OHA's primary budget bill), the Legislature made significant investments in Oregon's community-based behavioral health and substance abuse treatment systems. The Legislature also approved 14 positions (14 FTE) and \$8.5 million General Funds in the Health Systems Division to initiate and support much of this work with the understanding that OHA would need additional resources to successfully transform the systems. The following table shows the net budget adjustments (in millions) and staffing need by division:

Division	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Health Systems Division	\$0.0	\$0.3	\$7.4	\$7.7	35.0	21.08
Health Policy & Analytics	\$1.2	\$0.1	\$0.4	\$1.7	8.0	6.33
Central Office	\$1.5	\$0.1	\$0.4	\$2.0	11.0	8.81
Shared Services - OIS	\$0.0	\$2.9	\$0.0	\$2.9	11.0	10.12
Statewide Assessments Enterprise-Wide Costs (SAEC)	\$1.2	\$0.4	\$0.3	\$1.9		
Total	\$3.9	\$3.8	\$8.5	\$16.3	65	46.34

Ballot Measure 110 Implementation Update (HB 5024)

The Legislature approved funding and budget for Ballot Measure 110 implementation, specifically to continue a call center for people seeking substance use disorder treatment, to establish behavioral health resource networks (BHRNs) in order to provide a full array of substance use disorder treatment services and provide grants for community-based services. The Legislature approved 12 positions for implementation, primarily for program management, community outreach and engagement, research analytics, systems development, and fiscal/budget/contract support. OHA is now identifying an additional staffing need for policy development, contract administration, systems support and administrative support. The following table shows the budget adjustments and staffing need:

Division	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Revenue Adjustment	(\$1.1)	\$0.2	\$0.0	(\$0.9)		
Health Systems Division	\$0.0	(\$0.8)	\$0.0	(\$0.8)	11	6.93
Health Policy & Analytics	\$0.0	\$0.6	\$0.0	\$0.6	1	1.00
Central Office	\$0.0	\$0.2	\$0.0	\$0.2		
SAEC	\$0.0	\$0.1	\$0.1	\$0.2		
Total	(\$1.1)	\$0.3	\$0.1	(\$0.6)	12	7.93

Psilocybin Year Two Program Need (HB 5024)

Ballot Measure 109 (2020) legalized the medicinal use of psilocybin and requires OHA to establish a regulatory program—to license and regulate the manufacturing, transportation, delivery, sale, and purchase of psilocybin products and the provision of psilocybin services. The Legislature funded the first year of the program including 14 positions. As provided by the HB 5024 Budget Report and Measure Summary, OHA is requesting the following budget and positions to continue program implementation:

Division	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Public Health	\$4.6	\$0.0	\$0.0	\$4.6	8	12.67
Central Office	\$0.1	\$0.0	\$0.0	\$0.1	1	0.24
Shared Services	\$0.0	\$0.6	\$0.0	\$0.6	1	.75
Total	\$4.6	\$0.6	\$0.0	\$5.2	10	13.66

Cover All People Update (HB 3352)

The Legislature approved HB 3352 to begin implementation of the Cover All People program. The bill appropriated \$100 million General Fund to the Health Systems Division but no position authority to OHA or the Oregon Department of Human Services (ODHS), which will be responsible for application processing and eligibility as well as case management for those newly eligible for long-term care benefits. The following table identifies the OHA budget adjustments and staffing need to continue program implementation:

Division	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Health Systems Division	(\$15.7)	\$0.0	\$0.0	(\$15.7)	4	3.00
Health Policy & Analytics	\$0.4	\$0.0	\$0.0	\$0.4	1	0.83
Central Office	\$11.9	\$0.0	\$0.0	\$11.9	10	7.5
SAEC	\$0.3	\$0.0	\$0.0	\$0.3		
Total	(\$3.1)	\$0.0	\$0.0	(\$3.1)	15	11.33

Other Budget and Position Updates (to the Legislatively Adopted Budget)

OHA is identifying the need for \$3.8 million General Fund, \$1.1 million Other Funds limitation, \$19.3 million Federal Funds limitation, and 32 positions (23.43 FTE) associated with bills passed by the Legislature, approved federal grants, and other adjustments directly related to OHA's 2021-23 Legislatively Adopted Budget. These adjustments include requesting position authority missed or not yet identified for program implementation, requesting position authority for the budget the Legislature approved for 2021-23, requesting position authority and limitation for federal grants.

Limitation Requests

OHA is requesting \$453.9 million Other Funds and \$482.5 million Federal Funds limitation.

Public Health

The Public Health Division is requesting \$412 million in Other Funds limitation for COVID-19-related expenditures and anticipated reimbursement from FEMA. Public Health is requesting \$4 million in Other Funds limitation to utilize funding from Oregon Housing and Community Services for COVID-19 rental assistance provided by contracted community-based organizations.

Public Health is requesting \$408.5 million in Federal Funds limitation to provide spending authority for the Centers for Disease Control and Prevention (CDC) supplemental federal grant awards for the pandemic response.

Health Systems Division

The Health Systems Division is requesting \$8.6 million in Other Funds limitation and \$73.5 million in Federal Funds limitation. The division is requesting \$8.6 million Other Funds limitation and \$13.0 million Federal Funds limitation to carryover and utilize unspent hospital tax revenue budgeted for 2019-21 DSH program payments. The division is requesting \$37.1 million in Federal Funds

limitation that was missed in the Legislatively Adopted budget for the \$9.9 million General Fund investment for co-occurring disorders in Medicaid. The Health Systems Division is also requesting \$23.4 million in Federal Funds limitation for supplemental federal block grant awards.

Health Policy & Analytics

Health Policy & Analytics is requesting \$1.8 million in Other Funds limitation for the Health Insurance Marketplace and \$500,000 in Federal Funds limitation for the State Marketplace Modernization Grant approved by the Centers for Medicare & Medicaid Services.

PEBB/OEBB

PEBB and OEBB is requesting \$27.5 million in Other Funds limitation. Of that amount, \$13.1 million (\$7.9 million PEBB and \$5.2 OEBB) is for limitation for contracted benefit management system support (i.e., IT professional services) and actuarial expertise (i.e., professional services). The remaining \$14.4 million is for limitation payments associated with paying insurance premiums for part-time faculty members.

OHA's rebalance includes other technical budget and limitation adjustments, some of which involve corresponding budget adjustments with the Oregon Department of Human Services.

Risk Factors, Challenges and Outstanding Issues

Challenges and outstanding issues that OHA will continue to closely monitor for the remainder of the biennium include:

- As the COVID-19 pandemic evolves, OHA will need to remain flexible to quickly adjust response efforts to ensure the health and safety for Oregonians.
- OHA continues to work with FEMA for the reimbursement of OHA's COVID-19 expenditures; however, the FEMA reimbursement process is slow and there is a risk FEMA will deny some expenditures as not eligible.
- Increased demands for Oregon State Hospital services and increased acuity for admitted patients. (OHA has submitted on November 1, 2021, a separate letter identifying the staffing need at the hospital as requested by a budget note to HB 5024, 2021 Regular Session.)
- 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.

Senator Elizabeth Steiner Hayward, Co-Chair

Representative Dan Rayfield, Co-Chair

December 6, 2021

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Action Requested

Acknowledge receipt of the OHA Fall 2021 Rebalance Report for the 2021-23 biennium.

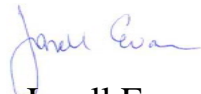
Legislation Affected

See Attachment A.

Sincerely,



Patrick M. Allen
Director



Janell Evans
Budget Director

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

EC: Patrick Health, Department of Administrative Services
George Naughton, Department of Administrative Services
Tom MacDonald, Legislative Fiscal Office
Laurie Byerly, Legislative Fiscal Office

ATTACHMENT A

OREGON HEALTH AUTHORITY FALL 2021 REBALANCE ACTIONS APPROPRIATION AND LIMITATION ADJUSTMENTS

DIVISION	PROPOSED LEGISLATION/ SECTION	FUND	REBALANCE ADJUSTMENTS	APPR #
Central/SAEC	Ch 668 1(3)	General	\$20,420,285	87401
	Ch 668 3(2)	Lottery	\$0	44401
	Ch 668 2(3)	Other	(\$1,941,199)	34401
	Ch 668 5(3)	Federal	\$8,007,746	64401
		Total	\$26,486,832	
Shared Services	Ch 668 2(4)	Other	\$9,412,986	34402
OSH	Ch 668 1(2)	General	(\$2,525,518)	87802
	Ch 668 2(2)	Other	\$0	34802
	Ch 668 5(2)	Federal	\$1,560,378	64802
		Total	(\$965,140)	
Health Systems, Health Policy & Analytics, and Public Health Programs				
	Ch 668 1(1)	General	(\$38,191,249)	87801
	Ch 668 3(1)	Lottery	\$0	44801
	Ch 668 2(1)	Other	\$494,619,903	34801
	Ch 668 5(1)	Federal	\$646,863,178	64801
		Health Insurance Marketplace		
	Ch 669 Sec. 257		(\$14,870,281)	34816
		Other PEBB Revolving Fund		
	Ch 668 Sec. 7		(\$8,991,661)	34804
		Other OEBC Revolving Fund		
	Ch 668 Sec. 8		(\$10,225,293)	34805
		Total	\$1,069,204,597	

ATTACHMENT B

Fall 2021 Medicaid Caseload Forecast

Eligibility Category	2021-23 Spring 2021 Forecast	2021-23 Fall 2021 Forecast	Difference Problem/ (Savings)	Percent Change	General Fund Problem/ (Savings) in Millions	Total Funds Problem/ (Savings) in Millions
Affordable Care Act (ACA)	512,537	525,096	12,559	2.5%	\$14.6	\$145.7
Parent/Caretaker Relative	103,383	91,167	(12,216)	-11.8%	(\$81.1)	(\$217.1)
Pregnant Women	9,071	9,551	479	5.3%	\$9.5	\$25.5
Children's Medicaid Program	323,917	310,403	(13,514)	-4.2%	(\$13.9)	(\$36.5)
Aid to Blind and Disabled	96,046	95,610	(435)	-0.5%	(\$32.9)	(\$88.1)
Old Age Assistance	57,786	64,555	6,769	11.7%	\$58.0	\$155.3
Foster/Adoption & BCCP	18,575	17,976	(599)	-3.2%	(\$4.7)	(\$13.0)
Children's Health Insurance Program	101,867	119,896	18,029	17.7%	\$31.7	\$120.3
Non-OHP (CAWEM, QMB, OSIP)	73,099	72,918	(181)	-2.5%	(\$0.0)	(\$0.0)
CAWEM Prenatal	4,572	3,985	(587)	-12.8%	(\$3.3)	(\$12.4)
Cover All Kids	6,889	7,233	345	5.0%	\$2.0	\$2.0
2021-23 Subtotal	1,307,741	1,318,391	10,650	0.8%	(\$20.2)	\$81.4
Other Non-OHP (Part A, B, & D)	253,512	265,792	12,280	4.8%	\$36.5	\$44.0

2021-23 Total	\$16.3	\$125.4
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Impact of Fall 2021 Caseload Forecast

General Fund	Federal Funds	Total Funds
\$16,300,626	\$109,072,690	\$125,373,316