

ANALYSIS

Item 12: Oregon Health Authority Behavioral Health Residential Rates

Analyst: Tom MacDonald

Request: Appropriate \$3 million General Fund and increase Federal Funds expenditure limitation by \$9 million to extend an increase in behavioral health residential rates.

Analysis: In January 2021, the Emergency Board allocated \$6 million General Fund to the Oregon Health Authority (OHA) to temporarily increase reimbursement rates for behavioral health residential providers to mitigate the financial impact caused by the COVID-19 pandemic. OHA used the General Fund, plus federal Medicaid match, to retroactively increase rates by 10% from July 1, 2020 through June 30, 2021 for adult mental health, substance use disorder, and child and adolescent mental health providers. The Centers for Medicare and Medicaid Services (CMS) approved this rate increase through federal Medicaid Disaster Relief authority that enables states to apply for and quickly implement temporary amendments to their Medicaid programs in response to COVID-19.

OHA requests an additional \$3 million General Fund, which would leverage \$9 million in federal revenue, to extend the rate increase from July 1, 2021 through December 31, 2021. The six-month extended rate increase is part of a series of measures OHA is taking to support residential providers amid workforce shortages and recent facility closures. OHA is using an estimated \$8.8 million in unspent federal Coronavirus Relief Funds and \$8.2 million in federal Substance Abuse Prevention and Treatment block grant funding for hiring and retention bonuses of up to \$2,000, short-term childcare stipends, non-capital facility investments to improve working conditions, and increases in clinical supervisory staff. The agency is also using Federal Emergency Management Agency reimbursement to provide crisis staffing for residential providers through the state's existing contract with Jogan Health Solutions.

Subsequent to OHA's submission of this request, CMS approved the rate increase through the duration of the federal COVID-19 public health emergency declaration. The emergency declaration is currently scheduled to expire January 16, 2022 but will likely be renewed for another 90-day period. If this happens, OHA could extend the rate increase again if funds are available to cover the cost. At this time, the Legislative Fiscal Office recommends approval of OHA's current funding request to support the rate increase through December 31, 2021. If the federal public health emergency is extended in January, the Legislature can evaluate supporting an additional extension, retroactive to January 1, 2022, during the February 2022 legislative session.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$3,000,000 General Fund and an increase of \$9,000,000 in the Federal Funds expenditure limitation for the Oregon Health Authority in a budget reconciliation bill during the 2022 legislative session to temporarily increase behavioral health residential treatment provider rates.

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Oregon Health Authority
Heath

Request: Appropriate \$3 million General Fund and increase Federal Funds expenditure limitation by \$9 million to fund a temporary 10% Medicaid rate increase for residential behavioral health providers affected by the COVID-19 pandemic.

Recommendation: Approve the request during the February 2022 Legislative Session.

Discussion: The Oregon Health Authority (OHA) is requesting \$3 million General Fund and \$9 million Federal Funds expenditure limitation to fund a temporary 10% percent Medicaid rate increase through the end of December 2021. This request continues the temporary 10% rate increase first funded by the January 8, 2021 meeting of the Emergency Board which covered the period from July 2020 through June 2021.

OHA seeks this rate increase due to the challenges residential behavioral health providers face as a result of the COVID-19 pandemic. Residential providers have had to change operating practices, and in some cases reduce capacity to ensure client safety. More recently, these providers have been hit hard by difficulty in hiring staff, compounding the financial stress experienced as a result of the pandemic. The result is many providers have had to close or reduce capacity. Across the child and adult systems, OHA estimates a loss of 383 residential beds since the beginning of the pandemic.

In order to mitigate the impact of this lost capacity and prevent further losses, OHA has taken a number of actions to shore up providers. This includes the temporary 10% rate increase but also a series of other measures taken within existing resources, including:

- \$15 million in Coronavirus Relief Funds to make \$2,000 hiring and retention bonus payments to affected employers from unspent CRF allocations from 2019-21
- \$7 million in American Rescue Plan Act mental health block grant funding to support provider childcare and hire relief staff for providers
- \$30 million in CMS-approved Medicaid payments to providers for maintaining vacant beds as a result of COVID-related changes to operations
- \$2 million per month in Federal Emergency Management Agency funds for emergency staffing resources provided to certain agencies to supplement existing staff

OHA is not asking for budgetary adjustments at this time for any of the items detailed above.

OHA has limited visibility into the finances of these providers to determine whether the measures taken have been sufficient to stabilize the system; the Department receives some financial reporting on an annual basis for rate setting purposes, but the information is not detailed or frequent enough to determine when or whether these emergency measures have worked sufficiently to allow them to be scaled back.

Legal References:

Increase General Fund appropriation established by chapter 668, section 1(1), Oregon Laws 2021, for the Oregon Health Authority, Health Systems, Health Policy and Analytics, and Public Health, by \$3,000,000 for the 2021-23 biennium.

Increase Federal Funds expenditure limitation established by chapter 668, section 5(1), Oregon Laws 2021, for the Oregon Health Authority, Health Systems, Health Policy and Analytics, and Public Health, by \$9,000,000 for the 2021-23 biennium.



Office of the Director

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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 \$3.0 million General Fund and \$9.0 million Federal Funds limitation to extend a temporary ten percent behavioral health residential provider rate increase through calendar year 2021.

Agency Action

In response to the staffing and capacity crisis in the behavioral health residential system caused by the pandemic, the Health System Division temporarily increased behavioral health provider rates by 10 percent from July 1, 2020, through June 30, 2021. Because those challenges continue, the OHA is requesting \$3 million General Fund and \$9 million Federal Funds limitation to extend the temporary 10 percent rate increase through the end of 2021.

OHA included this rate increase in a set of cross agency recommendations sent to the Governor's Office to provide support the behavioral health system that is still experiencing staff recruitment and retention challenges directly and indirectly related to the public health emergency.

Action Requested

Acknowledge receipt of this report.

Senator Elizabeth Steiner Hayward, Co-Chair

Representative Dan Rayfield, Co-Chair

December 6, 2021

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Legislation Affected

Oregon Laws 2021, Chapter 668 1(1), increase General Fund \$3,000,000

Oregon Laws 2021, Chapter 668 5(1), increase Federal Funds \$9,000,000

Sincerely,

A handwritten signature in blue ink, appearing to read 'PAU', with a long horizontal stroke extending to the right.

Patrick M. Allen

Director

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