

## ANALYSIS

### Item 27: Oregon Department of Human Services Hospital Capacity

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**Analyst:** Gregory Jolivette

**Request:** Allocate \$25,780,000 General Fund from a special purpose appropriation and increase Federal Funds expenditure limitation by \$2,600,000 to address hospital and long-term care facility capacity issues associated with health care workforce shortages.

**Analysis:** Many Oregon hospitals and long-term care settings are at or near full capacity. A key factor driving the current capacity crisis is a shortage in the number of nurses available to keep beds open. This has resulted in patient boarding and a lack of available options for placing patients in appropriate levels of care, posing a serious threat to their well-being. To address this problem, ODHS and the Oregon Health Authority have submitted separate Emergency Board requests totaling \$35.4 million General Fund to temporarily pay for nurse and clinical staff contracts, incentivize providers to increase bed capacity, and improve coordination of patient transfers across facilities and levels of care.

The ODHS request for \$25.8 million General Fund and \$2.6 million Federal Funds limitation has the following components:

- **Contract Nurses (\$14.9 million):** Funds would be used for contracts with nurse staffing agencies to support long-term care facilities that require stabilization assistance during workforce shortages and to support capacity-building. The proposal assumes facilities will contribute a share of cost (25%) for portion of the funding that supports capacity building. The cost assumes this will be in operation for six months.
- **Incentive Payments (\$4.2 million):** Funds would be used to establish an incentive program for adult foster homes, residential care facilities and in-home care agencies to accept individuals who are ready to be discharged from hospitals or nursing facilities. Providers will receive \$5,000 for each patient they admit from a hospital; \$2,500 at admission and \$2,500 after 90 days. The cost assumes this will be in operation for six months. This piece is expected to leverage \$1.8 million in federal match.
- **Respite Shelter Contracts (\$4.4 million):** Funds would be used to contract for respite shelter beds for individuals who can transition out of skilled-care settings. These beds could be used for direct hospital discharges as well as any nursing facility patients that do not require nursing-facility level care. The cost assumes this will be in operation for six months.
- **Enhanced Care Facilities (\$0.8 million):** Funds would be used to recruit and contract with Enhanced Care Facilities that can serve individuals with complex behavioral health needs who require post-acute care. These contracts provide people with complex needs with an appropriate level of support after transitioning out of a hospital setting. This piece is expected to draw down \$800,000 in federal match.

- Distressed Provider Grants (\$1.5 million): Funds would be used to make grants to distressed long-term care providers in underserved areas who are at risk of closure. HB 5202 (2022) provided \$2.5 million to help distressed providers. After receiving applications for these funds, the agency determined an additional \$1.5 million would allow the agency to provide each qualified applicant sufficient grant funding to keep the facility from closing.

Due to the serious risk to patient wellbeing, the Legislative Fiscal Office recommends approval of \$25.8 million General Fund and \$2.6 million Federal Fund expenditure limitation, on a one-time basis, to temporarily pay for nurse and clinical staff contracts, incentivize providers to increase bed capacity, and improve coordination of patient transfers across facilities and levels of care. However, it should be noted the proposed strategies are not solutions to systemic issues facing the hospital and long-term care system, rather they are short-term, emergency measures to protect patients and provide temporary relief. While the proposal assumes several components will only be operational for six months, the proposal does not discuss a strategy for phasing out these supports. Ultimately, providers must be able to address workforce and other operational issues without state support. Finally, it is unclear how much hospital bed capacity will be gained.

**Recommendation:** The Legislative Fiscal Office recommends that the Emergency Board allocate \$25,780,000 General Fund, from the special purpose appropriation made to the Emergency Board for Oregon Health Authority and Oregon Department of Human Services caseload costs or other budget challenges, and increase Federal Funds expenditure limitation by \$2,600,000, for the Oregon Department of Human Services to provide one-time support to address hospital and long-term care facility capacity needs associated with workforce shortages.

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Oregon Department of Human Services  
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**Request:** Allocate \$25.8 million General Fund from a Special Purpose Appropriation and increase Federal Funds expenditure limitation by \$2.6 million to support a variety of actions to assist long-term care facilities, in-home care agencies, and respite shelters in responding to the current health care staffing crisis.

**Recommendation:** Approve the request with the following modifications: Increase Other Funds expenditure limitation by \$14.9 million to utilize 2019-21 Provider Tax carryover revenue to provide funding for the Nursing Crisis Team, allocate \$5.0 million General Fund from a Special Purpose Appropriation and increase Federal Funds expenditure limitation by \$2.6 million to support actions to assist long-term care facilities, in-home care agencies and behavioral health providers in responding to the current health care staffing crisis.

**Discussion:** The Oregon Department of Human Services (ODHS) is proposing five strategies to address long-term care, sheltering and behavioral health capacity issues. These strategies are designed to help keep more hospital beds available for all levels of care. The state’s hospital system is currently facing bottlenecks, in which there are not enough beds opening in a timely manner to meet demand. Delays in moving patients along the continuum of care are partly due to capacity constraints in long-term care settings, behavioral health, and respite shelter availability. It should be noted the Department is unable to estimate how many hospital beds may be freed-up from the investments contained in this proposal and the extent to which this proposal will help alleviate hospital bed shortages remains uncertain. The strategies in the proposal are not necessarily targeting workforce wages but are designed to keep the health care system flowing by facilitating the placement of individuals to an appropriate level of care as soon as possible. The strategies proposed by ODHS and associated costs by fund type are shown in the table below:

Hospital Capacity and Discharge Strategy	General Fund	Federal Funds	Total Funds
Nurse Crisis Teams	\$14,880,000		\$14,880,000
Discharge Incentive Payment	\$4,200,000	\$1,800,000	\$6,000,000
Respite Shelters	\$4,400,000		\$4,400,000
Enhanced Care Services	\$800,000	\$800,000	\$1,600,000
Community-Based Care Distressed Provider Relief Fund	\$1,500,000		\$1,500,000
<b>Total</b>	<b>\$25,780,000</b>	<b>\$2,600,000</b>	<b>\$28,380,000</b>

ODHS, in conjunction with the Oregon Health Authority (OHA), has operated Nurse Crisis Teams since August 2021, with hospital decompression, COVID-19 response, patient safety, and workforce capacity remaining primary goals from the outset. The size and scale of the teams have varied through various COVID-19 variants. Since the end of May 2022, ODHS has maintained a contracted pool of clinicians who are ready to respond to COVID-19 outbreaks in long-term care facilities or to backfill staff undergoing medical technician training. This backfill allows facility staff to dedicate time to training hours, which helps increase the competency of the current Med Tech workforce and create resilience in the workforce when COVID-19 outbreaks put pressure on staff capacity. In this way, the Nurse Crisis Teams are both responding

to immediate, short-term crisis stabilization and longer-term workforce development and capacity.

Invoices for the Nurse Crisis Teams for ODHS from 5/29/2022-7/23/2022 total \$3.7 million, which the agency has covered within its existing budget. This request would allow funding for the Nurse Crisis Teams to continue for approximately six months, depending on utilization. The Teams consist of 60 clinicians and the funding estimate assumes 25 percent cost share by providers for four capacity building teams (deployed for 8-12 week blocks) and six teams for crisis weekly support. When a team is not being deployed for crisis support, the team is stationed at a facility to support Med Tech backfill for workforce training purposes.

Aging and People with Disabilities (APD) has a finalized carryover amount of Provider Tax revenue from the 2019-21 biennium of \$27.0 million. This represents additional Provider Tax revenue from the prior biennium that is available for use in the current biennium. To date, this revenue has not been budgeted by the Legislature in the current biennium. It is recommended that a portion of this revenue be utilized to cover the Nursing Crisis Team at a cost of \$14.9 million, leaving the agency with \$12.1 million to mitigate other budgetary pressures.

The second strategy proposed by ODHS is a discharge incentive payment to providers to take clients from hospitals. This strategy was implemented from January 2022 to March 2022, ODHS provided a \$10,000 incentive to Adult Foster Homes (AFH) that could accept discharged patients from hospitals. During the two-month operational period of this incentive, 264 placements were made. Many of the individuals were discharged on hospice and/or had very complex medical conditions. As a result, 41 percent of placements did not remain in the AFH beyond 90 days. ODHS is proposing to expand the placement options beyond AFH's to including foster homes under the ODHS Office of Developmental Disabilities Services and OHA's Health Services Division, as well as residential care facilities and in-home care agencies. With this proposal, the incentive payment is reduced from \$10,000 to \$5,000. The program is estimated to last six months with a cost of \$4.2 million General Fund, \$6.0 million total funds. According to ODHS, the prior AFH incentive payment allowed providers to serve individuals with higher acuity. Providers were able to use the incentive payments to hire staff to serve the higher acuity individuals for the period of time the individual had higher needs.

The third strategy of the proposal is to spend \$4.4 million General Fund to continue operations of two respite shelters in Jackson and Marion Counties for six months to support hospital decompression. According to ODHS, the vast majority of the 165 individuals served by the shelters have come from hospital referrals. ODHS believes these sites can also be used to ensure availability of hospital beds by supporting step-down placement for individuals ready to exit nursing facilities through lower acuity placement with wrap-around supports. After further discussion with the Agency, the request for funding this strategy has been withdrawn. It remains unclear if the Agency will need to fund the respite shelters at this level or to a lesser degree. There may not be a need to provide wrap around services to as many individuals as originally projected. The Agency may need to request additional General Fund through a future rebalance action, if additional funding is needed to cover the cost of respite shelters.

The fourth strategy is additional funding for Enhanced Care Services (ECS) in the amount of \$0.8 million General Fund, \$1.6 million total funds. The funds will result in an add-on to the standard rate for APD Enhanced Care Services providers. Enhanced Care Services are a joint program between APD and OHA, serving individuals who are eligible for APD services who also have a co-occurring mental illness or behavioral health issue. The APD ECS providers receive an amount more than the normal rate provided to APD providers. The additional funds in this proposal would provide the enhanced rate add-on for new ECS capacity. APD and OHA

identified the lack of these services as a critical barrier to relieving hospitals during the Delta and Omicron surges.

The final strategy in the proposal is additional funding for the Community-Based Care (CBC) Distressed Provider Relief Fund in the amount of \$1.5 million General Fund. This fund was created earlier in the biennium with an initial investment of \$2.5 million. The initial round of applications from CBC providers was \$7.5 million. Following a request from APD to narrow their requests due to limited availability of funding, the 12 facilities submitted reduced requests totaling \$4.0 million. Still, with \$2.5 million to award, four of 12 facilities (all 12 of which met the criteria set forth in rule) may not receive support without additional funds. APD's strategy for dissemination of the Distressed Provider Relief Funds were developed and documented in rule and were designed to identify funds needed to ensure a facility would move from insolvency to solvency. Since the fall of 2021, there have been several facility closures and new facility openings, although there has been a net loss of the number of beds that accept Medicaid. APD has also identified other providers that are at risk of closure. This fund is intended to avoid any additional capacity loss for CBC providers. After further conversation with the Agency, the request to fund this strategy has been withdrawn. The Agency will either fund this strategy within existing resources, request additional General Fund in a future rebalance, or reassess the need for additional support from the state for these providers.

Almost all the strategies in this proposal are short-term solutions, designed to immediately help alleviate the hospital bed shortage within the state. However, it is important that ODHS also continue discussions with partners, such as OHA and Oregon Housing and Community Services, to facilitate coordinated, statewide solutions to address pandemic-induced problems over a longer time period.

**Legal Reference:** Allocation of \$5,000,000 from the Special Purpose Appropriation made to the Emergency Board by chapter 669, section 267 (1), Oregon Laws 2021, to supplement the appropriation made by chapter 606, section 1 (6), Oregon Laws 2021, for the Department of Human Services Aging and people with disabilities program for the 2021-23 biennium.

Increase Other Funds expenditure limitation established by chapter 606, section 2 (6), Oregon Laws 2021, for the Department of Human Services Aging and people with disabilities programs by \$14,880,000 for the 2021-23 biennium.

Increase Federal Funds expenditure limitation established by chapter 606, section 3 (6), Oregon Laws 2021, for the Department of Human Services Aging and people with disabilities programs by \$2,600,000 for the 2021-23 biennium.



# Oregon

Kate Brown, Governor

Department of Human Services

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August 22, 2022



Senator Peter Courtney, Co-Chair  
Representative Dan Rayfield, Co-Chair  
Joint Emergency Board  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301

RE: Hospital Capacity and Discharge Strategy

Dear Co-Chairs:

## **Nature of the Request**

ODHS requests a \$25,780,000 General Fund appropriation and a \$2,600,000 Federal Funds limitation increase to support a variety of actions to assist long-term care facilities, in-home care agencies and respite shelters in responding to the current health care staffing crisis. Both the Oregon Department of Human Services (ODHS) and the Oregon Health Authority (OHA) are submitting requests in a coordinated effort.

The funds for this request would come from the \$100 million General Fund special purpose appropriation the Legislature approved in House Bill 5006 (2021 regular session; \$55 million) and increased in House Bill 5202 (2022 regular session; \$45 million) for OHA and ODHS caseload costs and other budget challenges that the agencies are unable to mitigate.

## **Background**

Everyone in Oregon should be able to access the health and long-term care they need. By ensuring adequate and accessible care options for all people in Oregon, we can support greater health equity, better health outcomes and more efficient use of our health-care resources. The COVID-19 pandemic illuminated gaps in the continuum of care in Oregon that stem largely from workforce shortages and inadequate provider reimbursement rates. These gaps, which culminated in a crisis-level hospital bed shortage in 2020, have widened as the pandemic has continued. To avoid life-threatening hospital bed shortages and make sure people can access the care they need, we must address the current health care staffing crisis.

Hospitals and long-term care providers have adapted to the considerable strain placed on them by the pandemic and the associated workforce crisis, but they still face significant capacity challenges even as hospitalizations for COVID-19 have declined. The Oregon Department of Human Services (ODHS), through its Office of Aging and People with Disabilities (APD), collaborated with the Oregon Health Authority (OHA) to recommend a package of requests for General Fund allocations that best leverage resources to ensure against shortages throughout our care systems going forward.

The funding sought specifically for ODHS programs includes:

- \$14.9 million for clinical staffing support for long-term care facilities that require assistance for stabilization during workforce shortage and to support capacity building with cost-share;
- \$4.2 million to operate an incentive program for adult foster homes, residential care facilities and nursing facilities accepting individuals who are ready to be discharged from the hospital;
- \$0.8 million to recruit and contract with Enhanced Care Facilities that can serve individuals with complex behavioral health needs who require post-acute care;
- \$4.4 million to provide respite shelter through the ODHS Office of Resiliency and Emergency Management (OREM) which supports care placements for individuals who are able to transition out of skilled-care settings; providing these placements ensures that nursing facility beds are devoted to individuals requiring that level of care, including people who are ready to be discharged from the hospital.
- \$1.5 million for the Community Based Care Distressed Provider Relief Fund to support facilities facing insolvency and meeting rural access and high Medicaid census criteria from closing.

The \$25.78 million package that ODHS is recommending is based on strategies that have already proven effective. Incentives for care providers to accept individuals who are being discharged from the hospital, higher rates for enhanced care services provided through adult foster homes, nurse crisis teams to support long-term care facilities facing staffing shortages and respite shelters have all been utilized during the pandemic to help ease the stress that COVID-19 placed on Oregon's health care system. Attachment A to this letter provides a description of the strategies deployed throughout the pandemic, the continuation or expansion of which is now proposed.

### **Action requested**

The Oregon Department of Human Services is requesting \$25,780,000 General Fund and \$2,600,000 Federal Funds limitation for short-term support for long-term care facilities, in-home care agencies, and respite shelters during this crisis.

### **Legislation affected**

Oregon Laws 2021, Chapter 606 1(1), increase General Fund \$4,400,000  
Oregon Laws 2021, Chapter 606 1(6), increase General Fund \$21,380,000  
Oregon Laws 2021, Chapter 606 3(6), increase Federal Funds \$2,600,000

Please contact Nakeshia Knight-Coyle, APD Interim Director with any questions at 503-507-9963.

Sincerely,



Fariborz Pakseresht, ODHS Director

cc: Amanda Bietel, Legislative Fiscal Office  
Gregory Jolivette, Legislative Fiscal Office  
George Naughton, Department of Administrative Services  
Ali Webb, Department of Administrative Services  
Mike Streepey, Department of Administrative Services  
Eric L. Moore, ODHS CFO  
Rob Kodiriy, Deputy ODHS CFO  
Angela Long, ODHS Budget Director  
Sara Singer, ODHS/OHA Shared Services Budget Administrator



## Attachment A

### Strategies Deployed to Respond to Health Care Capacity Crisis During Pandemic, Proposals for Continued Crisis Response

Following are key examples of effective strategies ODHS has deployed throughout the pandemic, and the ways we propose to update them to address current risks:

#### *Discharge Incentives - \$4.2 million GF*

- **Strategy deployed:** From January 2022 to March 2022, ODHS provided a \$10,000 incentive to adult foster homes that could accept discharged patients from hospitals. In many cases, the incentive allowed for individuals to be discharged who had been in the hospital for, on average, more than 41 days. During the two-month operational period of this incentive, 264 placements were made. Providence Health System reported in their analysis that the impact of placing 70 patients during this period created room for an additional 168 new patients due to significant reduction in length of stay of individuals served.
- **Proposal:** Given these results, ODHS proposes operating the incentive program for a six-month period providing a \$5,000 per discharge incentive and making this all-payer incentive available to a broader array of adult foster homes including those operated by the ODHS Office of Developmental Disabilities Services (ODDS) and OHA's Health Services Division (OHA), as well as residential care facilities and in-home care agencies. ODHS seeks legislative discretion to operate the model and adjust parameters that result from collective bargaining as needed and to adjust to effectively support our system needs.

#### *Nurse crisis teams - \$14.9 million GF*

- **Strategy deployed:** ODHS and OHA have used out-of-state clinical staff support for facilities during previous COVID-19 surges (Delta, Omicron). To meet the safety needs of Oregonians in long-term care settings, APD determined a critical need to support facilities in maintaining proper staffing ratios to ensure safety and quality of care to residents. Clinical support was crucial as Oregon phased out stand-alone COVID-19 recovery units, which assisted facilities with COVID-19 outbreaks by providing a care option for residents who had acquired the virus. Nurse crisis teams were assigned to facilities that exhausted their options for contract staffing support and had a COVID-19 outbreak or another emergency. These teams are also able to address other issues that affect care capacity. During the Omicron surge, ODHS operated a clinical staffing deployment model in which teams were placed in long-term care facilities in regions where there were several hospital discharge delays. The purpose of these missions was to support facilities in staffing beds so that they could

accept additional admissions from the hospitals during crisis. ODHS' historical data from these capacity building missions confirms that facilities maintained and increased operational bed capacity when teams were deployed. When capacity building teams ended in May, many of these facilities reduced capacity as they were not able to fill additional positions to support the capacity increase. ODHS has operated an emergency staffing nurse crisis team model since June.

- **Proposal:** ODHS proposes to continue a nurse crisis team model for six months to stabilize long term care facilities and support workforce retention and capacity building for hospital decompression. ODHS will require that facilities contribute cost-share to support continued operation of this model.

#### *Respite shelters - \$4.4 million GF*

- **Strategy deployed:** Non-congregate respite shelters have been one of the most successful means of housing people in emergency situations throughout the pandemic and wildfires, and ODHS believes these sites can be used to ensure availability of hospital beds. They do this by supporting step-down placement for individuals ready to exit nursing facilities and who are in need of lower acuity placement with wrap-around supports. This will, in turn, open additional nursing facility beds to support individuals ready to be discharged from the hospital. OREM has sheltered and fed 73 individuals in the Jackson Shelter as well as 92 individuals in the Marion Shelter to date. Their respective lengths of stay have varied depending on their health conditions and providers' ability to find them appropriate post-care sheltering. Of these 165 individuals, the vast majority come to the shelters from hospital referrals.
- **Proposal:** ODHS proposes to continue operations of two respite shelters (Jackson and Marion) for six months to support hospital decompression.

#### *Enhanced care contracts for Enhanced Care Services - \$0.8 million*

- **Strategy deployed:** APD and OHA jointly operate a specialized Enhanced Care Services program that provides additional payments for facilities providing care for people requiring both medical rehabilitative and behavioral health care. These contracts provide people with complex needs with an appropriate level of support after transitioning out of a hospital setting. The people served through these contracts include those who have been discharged from, or are at risk of admission to, the Oregon State Hospital. This resource is essential as an increasingly high percentage of people waiting to be discharged from hospitals require Enhanced Care Services. To ensure an adequate supply of these settings, enhanced rates are required along with targeted recruitment efforts to increase the number of facilities participating in the program.

- **Proposal:** ODHS seeks authority and funding to recruit and issue contracts to facilities to participate in the Enhanced Care Services program.

*Funding for facilities at risk of closure - \$1.5 million GF*

- **Strategy deployed:** The Legislature has previously allocated \$2.5 million to APD's Community-Based Care Distressed Provider Relief Fund, to provide financial assistance to Community-Based Care (CBC) providers experiencing financial hardships and contemplating closure. With an increasing number of facilities at risk of closing in areas where care options are limited, this funding has been essential. With the first round of funding, 12 high Medicaid-census facilities submitted applications requesting a total of \$7.5 million. Following a request from APD to narrow their requests due to limited availability of funding, the 12 facilities submitted reduced requests totaling \$4 million. Still, with \$2.5 million to award, four of 12 facilities (all 12 of which met the criteria set forth in rule) will not receive support.
- **Proposal:** ODHS seeks additional funding to assist those remaining facilities meeting the criteria.