

ANALYSIS

Item 20: Oregon Health Authority Hospital Capacity

Analyst: Tom MacDonald

Request: Allocate \$9,650,000 General Fund from a special purpose appropriation and increase Federal Funds expenditure limitation by \$2,000,000 to address hospital nurse staffing shortages, increase hospital and long-term care bed capacity, improve the coordination of patient transfers, and provide payments to health care interpreters.

Analysis: Acute care hospitals and long-term health care settings have reported considerable strain with respect to the number of beds they are able to make available for patients who need care. Although the number of COVID-19 patients is down compared to previous stages of the pandemic, a key factor driving the current capacity crisis is a shortfall in the number of nurses available keep beds open. This shortfall has led to patient boarding and a lack of options for placing patients in appropriate levels of care, which poses a serious threat to their wellbeing.

Coupled with this situation are financial challenges many hospitals face due to a widening gap between expenses and revenue. Based on data published by OHA, the combined operating margin (profit) of Oregon's urban and rural acute care hospitals decreased by 85.5% in the fourth calendar year quarter of 2021. For the first quarter of 2022, the operating margin decreased another 302.7%, for a net loss of \$103.5 million. While net patient revenue has largely returned to its pre-pandemic trends, operating expenses have grown faster, in large part due to increasing hospital payroll costs. Until recently, OHA had been able to claim reimbursement from the Federal Emergency Management Agency (FEMA) for an important part of hospitals' payroll – nurse staffing contracts – because of the impact from COVID-19. However, FEMA reimbursement is no longer available for this cost because the current staffing challenges are not attributable to the pandemic.

Given the immediate risk to patients due to staffing shortfalls and hospitals' currently limited financial position, OHA and the Department of Human Services (DHS) have submitted separate Emergency Board requests amounting to \$35.4 million General Fund to temporarily pay for nurse and clinical staffing contracts, incentivize providers to increase bed capacity, and improve the coordination of patient transfers across facilities and levels of care. Of this amount, OHA's request includes \$9.65 million General Fund, which would match \$2 million in federal Medicaid revenue, for nurse staffing contracts, long-term care bed capacity for adults with mental health needs, and improved coordination of patient transfers.

Nurse Staffing (\$6.9 million General Fund)

OHA's request includes \$6.9 million General Fund to pay for contracts with nurse staffing agencies to support hospitals' staffing needs. OHA's proposal assumes the hospitals that receive nurse staffing support will contribute 25% toward the cost, resulting in \$8.7 million available for these contracts. OHA estimates this amount will fund around 50 contract nurses over six months. OHA will work with the Oregon Association of Hospitals and Health Systems to target this support to hospitals that have existing physical capacity or under-utilized space that could be opened for moving patients out of a fully staffed hospital bed.

Enhanced Care Facilities (\$1.5 million General Fund / \$2 million Federal)

OHA is requesting \$2 million General Fund, which leverages \$2 million in federal Medicaid match, to increase payments for services provided to adults with mental health needs who are eligible for services through DHS's Aging and People with Disabilities program and reside in an enhanced care facility. These facilities are ineligible for the 30% rate increase approved by the Emergency Board in June 2022. OHA pays for these Medicaid behavioral health services on a fee-for-service basis and the additional funds would enhance the per diem patient rate from \$130 to approximately \$405 over six months. This increase would align payment reimbursement consistent with other specialty mental health community-based residential programs and is intended to maintain and expand the number of beds and clients served. OHA must seek federal approval from the Centers for Medicare and Medicaid Services for this rate increase through a Medicaid state plan amendment.

Patient Transfer Coordination (\$750,000 General Fund)

The Oregon Medical Coordination Center (OMCC) is a collaboration among six regional hospitals that coordinate the statewide transfer of patients who have high critical care needs. According to OHA, the OMCC does not have dedicated funding and is able to operate only during daytime hours. OHA's request includes \$450,000 to fund three clinical staff for the OMCC to expand its capabilities to track beds and coordinate patient transfers, as well as \$300,000 to provide a \$50,000 grant to each of the six regional hospitals. These grants will support surge planning and response, regional transfer coordination, communications technology, and improved of emergency operations planning.

Health Care Interpreters (\$500,000 General Fund)

In addition to the requests described above, OHA is also requesting \$500,000 for the Oregon Worker Relief Fund to provide financial relief to licensed and indigenous health care interpreters. The Oregon Worker Relief Fund was established in 2020 through a collaboration of community partners for the purpose of providing temporary financial support for people who have lost wages in Oregon due to COVID-19 and are ineligible for federal unemployment insurance or other temporary wage-replacement programs. The Emergency Board allocated \$10 million to start the fund in April 2020. Of the \$500,000 requested by OHA, \$420,000 is for providing two \$600 payments to 350 licensed and indigenous health care interpreters and the remaining \$80,000 for navigation and outreach, communications, helpdesk support, and administrative costs. OHA's proposal does not appear to establish income eligibility criteria or consider other forms of assistance, such as unemployment insurance or the one-time \$600 payment available under HB 4157 (2022) for low-income households, for health care interpreters to qualify for the two \$600 payments.

Legislative Fiscal Office (LFO) Recommendation

Due to the serious risk to patients' wellbeing, LFO recommends approval of \$9.15 General Fund and \$2 million in Federal Funds expenditure limitation, on a one-time basis, for nurse staffing contracts, enhanced care facility payments, and improved coordination of patient transfers. The following concerns accompany this recommendation:

- **Absence of phase-out strategy:** OHA's proposal for addressing hospital capacity constraints is largely centered around the state paying for contract nurses over six months. The agency's proposal does not articulate a strategy for phasing-out this funding despite the potential for nurse staffing shortfalls to persist. A key risk to the lack of a phase-out strategy is that the hospitals that receive

state-funded nurse staffing support could have a difficult time adapting from both a patient care and financial standpoint once this support ends.

- **Sustainability:** The financial sustainability of this proposal is questionable if eventually considered over a longer period. While OHA is not currently proposing to fund nurse staffing contracts beyond 2021-23, this element of the plan is the most expensive and would cost approximately \$28 million General Fund, not including inflation, if extended for a full 24 months in 2023-25. Also, OHA has indicated it will seek permanent support of \$3 million General Fund for patient transfer coordination through OMCC and regional resource hospitals in its 2023-25 Agency Request Budget.
- **Unclear impact:** OHA was unable to identify the number of patients currently treated in an inappropriate level of care. The agency was also unable to estimate the number of beds created or patient transfers anticipated under its proposal. While this type of data collection could be made possible with the proposed funding for OMCC, the lack of such data now makes the effectiveness of the agency's proposal difficult to gauge. Additionally, investing in nurse staffing contracts instead of incentivizing hospitals to directly hire new nurses and/or retain existing ones could have an unintended consequence of encouraging hospital staff nurses to migrate to contractual employment, which is more expensive.

LFO does not recommend approval of OHA's request for \$500,000 General Fund for the Oregon Worker Relief Fund to provide payments to health care interpreters. This component of the request has not been clearly justified as having a role in the emergent patient safety issues related to hospitals' bed capacity constraints. LFO also believes consideration of this request merits a comprehensive review of frontline worker income, staffing levels, and other forms of available assistance, which the agency did not put forth.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board allocate \$9,150,000 General Fund, from the special purpose appropriation made to the Emergency Board for Oregon Health Authority or Department of Human Services caseload costs or other budget challenges, and establish Federal Funds expenditure limitation of \$2,000,000, for the Oregon Health Authority to provide one-time support for addressing hospital nurse staffing shortages, increase hospital and enhanced care facility bed capacity, and improve the coordination of patient transfers.

20
Oregon Health Authority
Heath

Request: Allocate \$9,650,000 from a Special Purpose Appropriation and increase Federal Funds expenditure limitation by \$2.0 million to address staffing and bed capacity needs in Oregon's acute care hospitals and behavioral health facilities.

Recommendation: Allocate \$9,650,000 from a Special Purpose Appropriation established for caseload costs or other budget challenges. Increase Federal Funds expenditure limitation by \$2.0 million to match payments to OHA-contracted behavioral health providers. Increase Other Funds expenditure limitation by \$2,317,000 to account for cost-sharing payments from hospitals.

Discussion: The Oregon Health Authority (OHA) requests \$9.65 million General Fund and \$2.0 million Federal Funds expenditure limitation to make a series of short-term investments to address staffing and bed capacity needs in Oregon's acute care hospitals. As a result of the continuing presence of COVID-19 in Oregon, a lack of places to transfer patients needing a different level of care and challenges hiring and retaining staff, Oregon's acute care hospitals are experiencing a capacity crisis. OHA, working together with the Oregon Department of Human Services and the Oregon Association of Hospitals and Health Systems, proposes a series of investments to help address the crisis.

Hospital Staffing: OHA requests \$6,950,000 General Fund for OHA contracts with nurse staffing agencies to provide temporary staff to hospitals; these contracts were wholly funded with Federal Emergency Management Agency (FEMA) reimbursements until July 2, 2022, when FEMA began requiring a 10 percent state match. While most hospitals were able to transition away from relying heavily on nurse staffing agencies before that time, some hospitals in Oregon are still struggling with staffing. OHA will work with the Oregon Association of Hospitals and Health Systems to target investments toward hospitals where space is currently underused due to a lack of sufficient staff, allowing for an expansion of hospital bed capacity. Hospitals who have nurses provided for them by OHA will pay 25 percent of the cost, estimated at approximately \$2,317,000. OHA estimates this funding could provide an additional 50 nurses for six months.

Enhanced Care Facilities: OHA requests \$1.5 million General Fund and \$2.0 million Federal Funds to provide additional payments to OHA-contracted behavioral health providers who serve Enhanced Care Facilities licensed and paid by the Oregon Department of Human Services. These payments will depend on the approval of the Centers for Medicare and Medicaid Services, which is currently pending. These behavioral health providers were not eligible for the 30 percent Medicaid behavioral health rate increase approved by the June 2022 Emergency Board.

Oregon Medical Coordination Center: OHA requests \$750,000 General Fund to support the cost of three clinical staff for the Oregon Medical Coordination Center (OMCC) based at the Oregon Health and Science University (OHSU). OMCC was established in 2021 by OHSU with OHA and other health systems in the Portland metro area to ensure services for Oregonians who need a higher level of hospital care than is available in their communities. OHA's proposal would expand this coordination to cover people statewide, 24 hours a day. For context, OHA is requesting \$3.0 million General Fund for these same purposes as part of its 2023-25 Agency Request Budget for ongoing funding. This portion of the request is recommended on a one-time basis to allow the request to be reviewed with other requests for the 2023-25 budget.

Translators: OHA also requests \$500,000 General Fund to make one-time hardship payments of approximately \$1,200 to approximately 350 translators and to support administrative and program costs. Translators, unless they also work for certified behavioral health providers, have not been eligible for any of the workforce-related provider payments directed as a result of COVID-19.

There remains significant uncertainty about the scale and duration of the hospital capacity crisis and the extent to which these investments are able to address it. OHA does not know how many patients are currently at an inappropriate level of care due to this crisis. OHA does not know how many additional patients will be transferred out of hospital beds as a result of these investments, nor how many additional patients will be seen as a result of investments in additional nurse staffing, enhanced care facility payments, the Oregon Medical Coordination Center, or translators. The investments recommended in this analysis are one-time in nature and will need to be reconsidered for future funding.

Legal Reference: Allocate \$9,650,000 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 668, section 1 (1), Oregon Laws 2021, for the Oregon Health Authority, Health Systems, Health Policy and Analytics, and Public Health, for the 2021-23 biennium.

Increase Other Funds expenditure limitation established by Chapter 668, section 2 (1), Oregon Laws 2021, for the Oregon Health Authority, Health Systems, Health Policy and Analytics, and Public Health, by \$2,317,000 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 \$2,000,000 for the 2021-23 biennium.



Office of the Director

Kate Brown, Governor

Oregon
Health
Authority

500 Summer Street NE E20

Salem, OR 97301

Voice: 503-947-2340

Fax: 503-947-2341

TTY: 503-947-5080

August 19, 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

Dear Co-Chairs:

Nature of the Request

The Oregon Health Authority (OHA) requests a \$9,650,000 General Fund appropriation and a \$2,000,000 Federal Funds limitation increase to support a variety of actions to assist hospitals and behavioral health facilities respond to a current health care staffing crisis. OHA is making this request in partnership with the Oregon Department of Human Services (ODHS) who is also putting in a request for response resources.

OHA is requesting these resources 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.

Agency Action

Currently, hospitals and broader health care settings are facing a crisis of keeping appropriate levels of staffing to keep their beds open and available for treatment at all levels of care. This current crisis has led to delays in moving patients from lower to higher levels of care, finding a bed when someone needs to be admitted from an emergency department, and finding a placement for a patient that is ready to be discharged from a hospital to a skilled nursing facility or other patient setting, such as an Adult Foster Home (AFH).

This staffing crisis is leading to hospitals and hospital systems not being able to adequately treat all patients and, in some cases, move to crisis care settings due to inability to staff their beds adequately.

To respond to this crisis, OHA partnered with ODHS to work closely with hospitals, long term care clinics, and AFH for a set of short-term, immediate response asks to assist all these health care settings to increase the numbers of discharges and staffed beds available across the state. These short-term asks are not long-term solutions to overall bed capacity or staffing and clinical workforce development challenges for the healthcare industry.

The purpose of the funding request is to provide the General Fund budget and associated Federal Funds limitation for OHA's immediate response to this crisis. This includes additional payments for behavioral health Enhanced Care Facilities, restarting targeted OHA nurse staffing contracts to increase discharges at hospitals, and funding the Oregon Medical Coordination Center clinical staff and Regional Resource Hospitals to assure good hospital coordination across the state. Here is a breakdown of how OHA would use the \$9,150,000 General Fund budget:

- \$1,500,000 – Provide Medicaid-matched additional payments to OHA contracted Enhanced Care Facilities (ECFs). These facilities take complex patients with extensive behavioral health and long-term needs coming out of hospitals. Currently, these types of patients are difficult to place and these payments should lead to enhanced capacity at these facilities. These payments will be matched for a total impact of \$3.5 million for six months. In addition, ODHS is requesting resources for similar purposes for ECFs where they hold the contract.
- \$6,900,000 – Provide hospitals with short-term nurse staffing support to staff additional beds that would be used to move patients that no longer need hospital level of care. These state-provided staff will be hyper-focused on opening additional patient lower level of care space at hospitals to allow more patients to be moved from hospital level care into these spaces. These contracts will be set up to ask hospitals for a 25 percent cost-sharing, which brings the total fiscal impact of this request to \$8.7 million. That could mean staffing around 50 additional nurses for six months. ODHS is also submitting a request for resources to fund short-term nurse staffing support in long-term care settings.

- \$750,000 – Support three clinical staff for the Oregon Medical Coordination Center to provide statewide operational patient transfer coordination during emergencies, events of high consequence and resource constrained situations. In addition, provide grants to the six Regional Resource Hospitals of \$50,000 to provide financial support for their work.
- \$500,000 – Provide a grant to the Oregon Worker Relief fund for two payments to the approximately 350 licensed and indigenous health care interpreters in Oregon. Totally payments would be \$1,200 per interpreter. This is needed to help assure health care interpreters remain in Oregon and provide immediate relief to this important part of the health care system.

Action Requested

The Oregon Health Authority is requesting \$9,650,000 General Fund and \$2,000,000 Federal Funds limitation for short-term support for hospitals and the health care system during this crisis.

Legislation Affected

Oregon Laws 2021, Chapter 668 1(1), increase General Fund \$9,650,000
Oregon Laws 2021, Chapter 668 5(1), increase Federal Funds \$2,000,000

Sincerely,



Patrick M. Allen
Director

EC: Patrick Heath, Department of Administrative Services
George Naughton, Department of Administrative Services
Tom MacDonald, Legislative Fiscal Office
Amanda Beitel, Legislative Fiscal Office