

## ANALYSIS

### Item 11: Oregon Health Authority Fall 2022 Rebalance

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**Analyst:** Steve Robbins

**Request:** Acknowledge receipt of the report on the Oregon Health Authority's 2021-23 financial status.

**Analysis:** The Oregon Health Authority (OHA) has submitted its second budget rebalance plan for the 2021-23 biennium. OHA's plan identifies net General Fund savings of \$126 million, a total funds increase of \$1.5 billion, and an increase of 37 positions (11.06 FTE).

The General Fund savings is driven by a number of different components. These include the extension of the federal COVID-19 public health emergency (PHE) and the associated increase in the Federal Medical Assistance Percentage (FMAP), lower average per member costs related to coordinated care organization (CCO) and fee-for-service expenses associated with extensions of the PHE, a change in tobacco tax revenue, an increase in drug rebates, the impact of Other Funds carryover from 2019-21, and vacancy savings.

The General Fund costs identified by the agency are tied to a significant increase in the Oregon Health Plan (OHP) caseload forecast related to the PHE, the required qualified direct payment (QDP) to the Oregon Health and Science University (OHSU), and a decrease in insurer taxes requiring General Fund backfill. The agency reports the need for 37 positions (11.06 FTE), a majority of which are funded with Other Funds or Federal Funds.

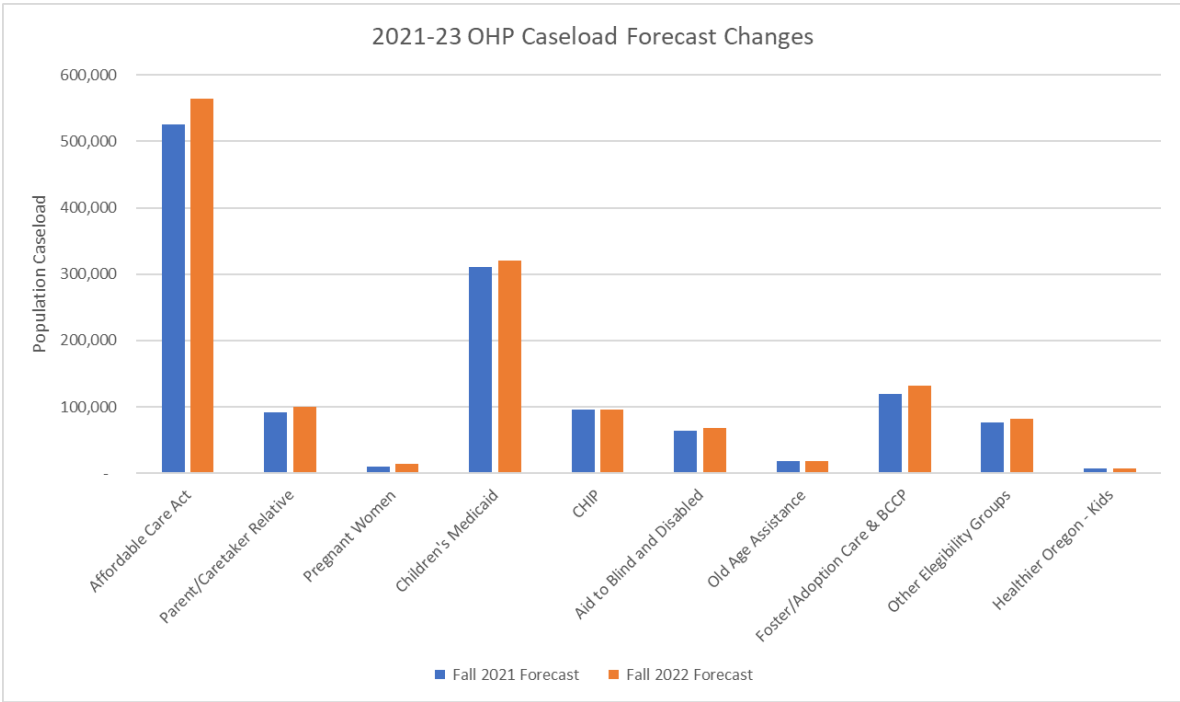
Many of OHA's rebalance adjustments, such as those related to caseload and revenue forecast updates, federal match changes, expenditure limitation needs, and some increases in position authority, are typical and will need to be included in a budget reconciliation bill during the 2023 legislative session after further review and refinement. However, assessing the need for the magnitude of new position requests remains ongoing. Of particular note, OHA has also submitted additional position requests to the Emergency Board related to the federal ruling on Oregon State Hospital (OSH) forensic admissions and licensing challenges associated with complex patient care. In addition, more information about the end of the PHE and the related process for completing redeterminations should be available prior to the 2023 regular session. Because of this, the Legislative Fiscal Office recommends that the Emergency Board acknowledge receipt of OHA's report and defer action on making related budget adjustments until the 2023 legislative session.

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.

Summary of OHA Rebalance Proposal	General Fund	Total Funds	Positions	FTE
OHP Caseload Forecast	242,072,372	1,365,799,779	-	-
OHSU Qualified Direct Payment Adjustment	56,893,000	156,340,000	-	-
Tobacco Tax Forecast	(19,000,000)	-	-	-
Insurer's Tax Forecast	21,650,422	37,025,385	-	-
Marijuana Tax DTRSF Adjustment	-	(14,667,840)	-	-
Public Health Emergency Extension	(255,000,000)	-	-	-
Drug Rebate Adjustment	(38,440,000)	-	-	-
Medicaid Cost Changes	(46,937,902)	(153,168,852)	-	-
Medicaid Other Funds Carryover	(14,324,445)	-	-	-
Medicaid CCO Rate Savings	(43,753,339)	(208,356,940)	-	-
Bridge Plan Savings	(17,260,211)	(13,756,050)	-	-
Non-Medicaid Other Funds Carryover	-	9,209,800	-	-
FamilyCare Settlement	1,000,000	1,000,000	-	-
OF Loan and GF Interest	1,500,000	351,500,000	-	-
Programmatic Savings	(14,846,853)	(49,611,969)	-	-
Other Position Requests	303,431	1,809,111	37	11.06
Other Adjustments	-	58,393,076	-	-
<b>Reported Net Cost / (Savings)</b>	<b>(126,143,525)</b>	<b>1,541,515,500</b>	<b>37</b>	<b>11.06</b>

**Caseload**

The rebalance identifies net costs of \$242 million General Fund and \$1.1 billion Federal Funds to properly fund OHP and other medical assistance caseloads. This adjustment is based on changes from the fall 2021 caseload forecast, which was used to submit the first 2021-23 rebalance report in January 2022) to the fall 2022 caseload forecast. Overall, the updated forecast is higher by 81,519 members, with some caseloads forecasted to increase and others decrease.



### Public Health Emergency Extension

The pivotal factor in both the current biennium caseload increase and the ongoing risk to the forecast continues to be the unknown duration of the federal PHE 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 lose eligibility until the PHE ends. The updated caseload forecast, which was developed in August 2022, assumes the PHE will expire at the end of its current 90-day cycle on January 11, 2023. The PHE is now anticipated to be extended to mid-April 2023 with notification due in February 2023, so updates will be made to caseload and FMAP values when they become known.

As a result of the PHE, the caseload continues to rise as members who would have disenrolled remain covered. If the PHE ends in mid-January 2023, OHA is required to perform redeterminations of eligibility for 100% of the OHP caseload. Due to the timing of member notification and redeterminations, the caseload is anticipated to peak in July 2023 and then fall as members are disenrolled.

An additional risk relates to plans established in HB 4035 (2022) to provide a “bridge” for members during the redetermination process. Coverage will be extended for some up to 14 months while the redeterminations are processed, and additional consideration for a new Basic Health Plan coverage category will clearly impact overall caseload, but those impacts will not be more fully vetted until the spring 2023 forecast is complete. Finally, \$100 million General Fund was provided in HB 4035 for the redetermination process. With the extension of the PHE, OHA is removing \$77.2 million from their caseload cost calculation because those funds have already been received.

### Healthier Oregon Program

HB 3352 (2021) covers children prenatal to 18 years of age under the Healthier Oregon Kids Program (HOP-Kids, previously Cover All Kids) who are residents of the State of Oregon and would qualify for Medicaid coverage except for federal citizenship requirements. The fall 2022 caseload forecast for this program includes 7,298 children, an increase of 65 members from the fall 2021 forecast.

The Healthier Oregon Adults Program (HOP-Adults) partial implementation date was July 1, 2022 (adults 19-25 and 55 and over) and on July 1, 2023 the program will incorporate all adults currently in the citizenship waived medical (CWM) category. The fall 2022 forecast estimates that population to be 45,553 members but this population is forecasted under CWM until that transfer takes place.

### **OHSU Qualified Directed Payment**

HB 2391 (2017) established a net reimbursement rate for the Oregon Health and Science University (OHSU) that is currently at 87% of the university’s costs of providing services that are paid for, in whole or in part, with Medicaid funds. Due to the increase cost of care and inflationary environment since the COVID-19 pandemic began, this qualified direct payment (QDP) necessitates an increase of \$56.9 million General Fund and \$105.1 million in Federal Funds expenditure limitation to comply with the reimbursement requirement. Also included is a \$5.6 million Other Funds reduction to reflect the smaller intergovernmental transfer (IGT) from OHSU.

### **OHP Revenue Adjustments**

The rebalance recognizes \$19 million in tobacco tax revenue increases dedicated to OHP (\$18.6 million) and mental health programs (\$0.4 million) based on changes reflected in the September 2022 Office of Economic Analysis revenue projection. The additional Other Funds revenue is available to offset General Fund in these programs and will be updated in a 2023 legislative session budget reconciliation bill based

on any changes in the next quarterly forecast. The forecasted increase in tobacco tax revenue is largely driven by revenue collections from the new vaping and \$2.00 per pack tax increase on cigarettes being realized 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 in-state tobacco purchases decline.

Insurer taxes reflect a \$48 million deficit based on the Oregon Department of Consumer and Business Services (DCBS) revenue projections but are offset by a \$37 increase in the CCO portion. The result is an increased need of \$21.6 million General Fund, a reduction of \$11.4 million Other Funds, and an increase in \$26.7 million Federal Funds to reflect the new estimates.

### **Other Revenue Adjustments**

Based on the forecast provided by the Office of Economic Analysis in September 2022, the marijuana tax revenue that will be allocated to the Drug Treatment and Recovery Services Fund (DTRSF) for 2021-23 will decrease by \$14.7 million compared to the current authority based on the December 2021 forecast. The forecast decreases by \$24.3 million in 2023-25 current service level, but DTRSF changes do not affect General Fund.

### **Drug Rebate Adjustment**

The Medicaid Drug Rebate program requires drug manufacturers to enter into, and have in effect, a national rebate agreement to receive federal funding for outpatient drugs dispensed to Medicaid patients. Pharmaceutical companies participating in this program have signed agreements with the Centers for Medicare and Medicaid Services to provide rebates on all their drug products. The 2021-23 biennium projected drug rebate revenue for Oregon is \$192.4 million. Through the June 2022 Emergency Board, the Other Funds limitation available to OHA is \$154 million, resulting in a \$38.4 million Other Funds limitation need. This increased revenue projection offsets General Fund expenditures and creates a \$38.4 million savings to the program.

### **Other OHP Cost Changes and Carryover**

#### Medicaid Cost Changes

In the absence of the federal PHE, the fee for service (FFS) caseload experiences a natural turnover of member participation (also called “churn”) as personal medical or financial circumstances change and clients exit and reenter the caseload. Due to the maintenance of effort requirements discussed above, the PHE has resulted in OHP clients not being disenrolled. While this means the caseload numbers for OHP have increased, these clients that are not utilizing the coverage to the degree they would because they normally would have been part of the churn. This cost per member per month (PMPM) then decreases. In addition, the pandemic has given rise to telehealth and telemedicine, changing the way Oregonians get health care - decreasing costs for office visits and other services including transportation. Combined with a decrease in Medicare Part D rates due to FMAP increases and a lower utilization by CCOs for pregnant clients who are still on the Medicaid caseload and no longer pregnant, a \$46.9 million General Fund and \$106.2 million Federal Funds savings are part of the rebalance.

#### Medicaid Other Funds Carryover

The 2019-21 revenue closeout calculations for Medicaid indicated additional Other Funds were available to carry forward into the 2021-23 biennium that were not included in the 2021-23 legislatively adopted budget. Tobacco tax (\$13.6 million) and recovery and settlement carryover amounts (\$0.7 million) can be used to offset General Funds of \$14.3 million.

### Medicaid CCO Rate Savings

Similar to the situation with churn within FFS clients, the same dynamic is impacting CCO clients. Because of the PHE, a reduction in client turnover is reducing the PMPM costs. Inflationary estimates were included in the 2021-23 budget at 3.4%, but in reality are closer to 3%. In addition, the 2021-23 budget included \$154.5 million total funds (June 2022 E-Board) associated with qualified directed payments to behavioral health providers that are now built into the rates, resulting in a \$43.8 million General Fund savings and \$164.6 million Federal Funds savings.

### **Bridge Plan Savings**

HB 4035 (2022) provided guidance and funding related to the Medicaid redetermination process required upon the eventual end of the PHE. It provided General Fund to cover the target population in the 138% to 200% of the federal poverty level as redeterminations take place. OHA was asked to submit a request for any federal approval necessary to secure federal financial participation in the costs of administering the bridge program. For 2021-23, the agency will request \$3.5 million in Federal Funds expenditure limitation. Due to the extension of the PHE, OHA projects to have a \$17.3 million General Fund surplus from the HB 4035 funding, which is reflected in this rebalance.

### **Non-Medicaid Other Funds Carryover**

OHA reports that the 2019-21 revenue closeout calculations for Non-Medicaid Behavioral Health resulted in a surplus of \$9.2 million Other Funds available to carry forward into the 2021-23 biennium. The carryover amounts represent lottery (\$0.1 million), marijuana tax (\$3.6 million), Intoxicated Driver Program fees (\$1.9 million Other Funds), and tobacco tax (\$3.6 million) revenue not included in the 2021-23 budget build. If these funds are to be used in the 2021-23 biennium, additional limitation would be needed.

The agency is asking for this limitation so that the carryover funds could be used to support Measure 110 Access to Care grants prior to the Behavioral Health Resource Networks being established. Typically, community mental health programs (CMHPs) are the recipients of lottery revenue, non-Measure 110 marijuana taxes, Intoxicated Driver Program fees, and tobacco tax revenue dedicated for mental health. Due to CMHPs presumably receiving less revenue in 2021-23 than they otherwise would have because of OHA's decision to increase Measure 110 Access to Care grants, LFO believes this item deserves an independent policy discussion during the 2023 session.

### **Family Care Settlement**

Per the fully executed settlement between the Oregon Health Authority and Family Care, the agency is requesting \$7.5 million General Fund to cover the cost. The first \$1 million in the agreement is submitted in 2021-23, while the remaining \$6.5 million is requested in a policy option package in the 2023-25 agency request budget.

### **Treasury Loan**

During the last six months of each biennium, OHA typically borrows from the State Treasury to mitigate OHP cash imbalances that occur due to the timing of Other Funds revenue collections such as hospital assessments. The amounts borrowed are then repaid once the Other Funds revenues are collected. The agreement with Treasury will confine the use of the amounts borrowed to legislatively approved expenses, which in this case reflects the costs of providing existing OHP benefits.

For 2021-23, OHA's rebalance recognizes a \$350 million Other Funds limitation increase (under Other Adjustments in the table above) in the Health Systems Division based on the anticipated loan amount

and a \$1.5 million General Fund request in Central Services for interest costs. Adjustments to the amount borrowed are dependent on variables in the coming months, so any such adjustments will be determined ahead of anticipated 2021-23 budget reconciliation during the 2023 legislative session.

### **Programmatic Savings**

Multiple divisions provided additional savings of \$14.9 million General Fund and \$42.9 million total funds, which are described below.

#### Health Policy and Analytics

*Administrative Savings:* One-time vacancy savings of \$3.4 million General Fund and \$1 million Federal Funds based on hiring delays while position descriptions were being reviewed. In addition, the Electronic Health Records Incentive and Integrated Care of Kids programs were completed and closed out, resulting in \$6 million in Federal Funds savings.

#### Health Services Division

*Compass Information Technology Project Savings:* Various programmatic impacts from either hiring delays or lower than anticipated contract costs resulting in a \$1.5 million General Fund savings and \$1.8 million Federal Funds savings.

*Healthier Oregon Children's Fund Shift:* New rates were established July 1, 2022 with a portion eligible for federal match. Federal Funds limitation increases by \$1 million, which results in an equal amount of General Fund savings.

*Native American Rehabilitation Association FMAP:* The Centers for Medicare and Medicaid approved Native American Rehabilitation Association to receive 100% federal match for eight quarters (July 2021 to June 2023) on all client claims. This results in a \$1.8 million increase to Federal Funds limitation and an offsetting General Fund savings of the same amount.

#### Central Services

*Human Resources Backlog - Vacancy Savings:* With the quantity of new positions received at OHA in the 2021-23 biennium, backlogs exist in Human Resources at OHA and the Department of Administrative Services in processing classification reviews for new position descriptions. This has caused a delay in hiring that has resulted in one-time vacancy savings of \$5.5 million General Fund.

#### State Assessments and Enterprise-Wide Costs

*Facilities Savings in Project Funding:* Projected expenditures on facilities projects results in a \$1.6 million surplus of General Fund.

### **Other Position Requests**

OHA is reporting a need for 37 positions (11.06 FTE) for a total of \$0.3 million General Fund and \$1.8 million Total Funds. Of the 37 positions, four result in General Fund costs while the remaining 33 have no funding impact or require Other Funds or Federal Funds expenditure limitation associated with grant funding where position needs were not known until funds were awarded. The following summarizes the new position requests that would require General Fund:

- *Systems of Care Advisory Council:* One permanent full-time Operations and Policy Analyst 1 position (0.25 FTE) to support the Council's coordination between child serving agencies at a cost

of \$61,296 General Fund in 2021-23. Phase-in costs in 2023-25 are being requested in a policy option package.

- *Environmental Public Health Curry County Inspector:* One permanent full-time Environmental Health Specialist 3 (0.25 FTE) for the Public Health Division's Food, Pool and Lodging (FPL) program to carry out inspection work in Curry County. In May 2021, Curry County returned its public health authority status to OHA, and while licensing can be accommodated with existing staffing, inspections cannot. The position would be funded through a mix of 45% General Fund (\$31,568) and 55% Other Funds from FPL facility license fees (\$38,350) in 2021-23 and increase to \$106,249 General Fund and \$129,860 Other Funds in 2023-25.
- *HB 2591 FTE Increase:* The Adolescent Genetics and Reproduction Health program requests funding and position authority to make a current part-time Research Analyst 3 (0.71 FTE) a full-time position to support data analysis, evaluation and reporting, and systems integration for increased General Fund costs of \$133,621 in 2021-23. Inflation increases this cost to \$140,678 in 2023-25.
- *COO Position Management and Invoicing Support:* A new permanent full-time Operations and Policy Analyst 2 position (0.38 FTE) in the Chief Operations Office within Central Services is being requested to provide coordination related to position planning, account coding, budget review, invoice payment and contract payments at a cost of \$77,046 General Fund, \$6,720 Other Funds, and \$12,484 Federal Funds in 2021-23. This increases to \$182,373 General Fund, \$15,957 Other Funds, and \$29,636 Federal Funds in 2023-25 as the position increases to 1.00 FTE.

### **Other Adjustments**

*Designated State Health Programs Federal Funds Limitation:* The Medicaid 1115 Waiver provides Oregon with the opportunity to claim federal match not previously available through the Designated State Health Program (DSHP) on certain state-funded services. The federal match is 50% for DSHP, so OHA's 2021-23 ability to claim \$28 million in services will free up \$14 million in General Fund. Reinvesting the \$14 million will then receive an FMAP match, requiring \$51 million in Federal Funds limitation.

*Healthy Homes Other Funds Limitation:* HB 5202 (2022) allocated \$5 million General Fund to support the Healthy Homes program established through HB 2842 (2021). This program provides grants to repair and rehabilitate residences for low-income households and landlords with low-income tenants. OHA is proposing that the funds be sent to State Treasury into the Healthy Homes Fund, which then provides the flexibility to spend the funds over multiple biennia as Other Funds, requiring Other Funds limitation to accommodate the use of the funds.

*CDC Strengthening U.S. Public Health Infrastructure Grant Limitation:* The Public Health Division applied for the Center for Disease Control and Prevention's (CDC) Strengthening U.S. Public Health Infrastructure, Workforce and Data Systems grant in August 2022 and requested retroactive approval to apply at the September 2022 meeting of the Emergency Board. In the event the grant is awarded, OHA will request \$2.4 million in Federal Funds limitation to utilize the funds. As of the submission of this report, the award is pending approval.

In addition to the adjustments described above, the rebalance includes various technical adjustments to expenditure limitations and position counts, as well as net-zero transfers across agency programs.

**Recommendation:** The Legislative Fiscal Office recommends that the Emergency Board acknowledge receipt of the Oregon Health Authority's financial status report, with the understanding the Legislative Fiscal Office will develop recommendations for budgetary changes to be included in a budget reconciliation bill during the 2023 legislative session.



11  
Oregon Health Authority  
Heath

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**Request:** Report on the Oregon Health Authority’s Fall 2022 budget rebalance.

**Recommendation:** Acknowledge receipt of the report.

**Discussion:** The Oregon Health Authority (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 to function smoothly throughout the biennium. In this second rebalance of 2021-23, OHA reports a net savings of \$126.1 million General Fund, a need for \$0.1 million Lottery Funds, a need for \$403.8 million Other Funds expenditure limitation, and a need for \$1,263.7 million Federal Funds expenditure limitation. The department’s report includes 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, or other factors:

Category	GF	LF	OF	FF	Positions	FTE
Medicaid Caseload	\$242.1	-	-	\$1,123.7	-	-
Revenue Updates	(\$248.2)	-	\$40.1	\$386.8	-	-
Program Savings	(\$110.7)	-	-	(\$264.5)	-	-
Admin Savings	(\$12.1)	-	(\$0.0)	(\$8.8)	-	-
Cash Flow Loan	\$1.5	-	\$350.0	-	-	-
DSHP	-	-	-	\$51.0	-	-
Grants	-	-	-	\$4.2	12	2.92
Other Budget Requests	\$1.3	\$0.1	\$13.7	(\$28.7)	25	8.14
<b>Total</b>	<b>(\$126.1)</b>	<b>\$0.1</b>	<b>\$403.8</b>	<b>\$1,263.7</b>	<b>37</b>	<b>11.06</b>

Caseload Changes: Changes in OHA’s medical assistance caseload result in a cost of \$242.1 million General Fund and \$1,123.7 million Federal Funds when comparing the Fall 2022 forecasts to the Spring 2022 forecasts used to develop the 2021-23 Legislatively Adopted Budget. Major risks to the forecast include the end of the public health emergency (currently scheduled to end in January of 2023), the timing of when OHA begins redeterminations after the COVID-related public health emergency expires (assumed to start in July 2023), the length of the economic recovery from the COVID-related pandemic and changes to state and federal policy.

Revenues and Beginning Balances: OHA projects a net savings of \$248.2 million General Fund, an increase of \$40.1 million Other Funds and an increase of \$386.8 million Federal Funds from enhanced federal match rates, updated revenue forecasts, and the carryover of unused balances from 2019-21. This includes the following changes:

- \$255 million General Fund savings and a like increase in Federal Funds to reflect the extension of the enhanced 6.2 percent FMAP as a result of the extension of the public health emergency declaration three additional times since the prior rebalance,
- \$38.4 million General Fund savings and a like increase in Other Funds for a projected increase in drug rebate revenues as a result of the increased Medicaid caseload,

- \$19 million General Fund savings and a like increase in Other Funds due to updated forecasts for the cigarette and tobacco products taxes,
- \$14.3 million General Fund savings and a like increase in Other Funds for the carryover of Other Funds revenues to support Medicaid from 2019-21,
- \$21.7 million General Fund cost, an \$11.4 million Other Funds savings, and a \$26.7 million Federal Funds increase due to two partially offsetting changes to the Health Systems Fund transfer from the Department of Consumer and Business Services – a decrease in the insurer tax portion of the transfer and an increase in the CCO tax portion of the transfer due to higher caseload,
- \$56.9 million General Fund cost due to a reduction in the revenues expected from the Oregon Health Sciences University Intergovernmental Transfer program, largely as a result of increased costs faced by OHSU,
- \$14.7 million Other Funds reduction due to the most recent revenue forecast for the Marijuana Tax, and
- \$9.1 million Other Funds increase to recognize non-Ballot Measure 110 Marijuana Tax and Tobacco Tax revenues carried over from 2019-21, which were allocated to Access to Care grants for Ballot Measure 110 providers while waiting for the Behavioral Health Resource Networks to be established.

Programmatic Cost Savings: OHA projects cost savings to its programs of \$110.7 million General Fund and \$264.5 million Federal Funds related to several areas of cost savings for the Medicaid program. This includes the following savings:

- \$46.9 million General Fund and \$106.2 million Federal Funds due to Medicaid costs coming in lower than budget, including lower fee for service utilization, savings from Medicare Part D clawback payments due to a higher federal match rate, and savings from lower CCO maternity payments,
- \$43.8 million General Fund and \$164.6 million Federal Funds due to CCO rates being lower than the budgeted 3.4 percent for the 2023 plan year,
- \$17.3 million General Fund and an increase of \$3.5 million Federal Funds for savings related to House Bill 4035 (2022), expenditures which are no longer needed due to multiple extensions of the Public Health Emergency,
- \$1.7 million General Fund and an increase of \$1.7 million Federal Funds due to a federal policy change allowing 100 percent match for the Native American Rehabilitation Association, and
- \$1.1 million General Fund and an increase of \$1.1 million Federal Funds for Federal Funds revenues OHA can recover to partially offset the cost of the Cover All Kids program.

Administrative Cost Savings: OHA projects administrative savings of \$12.1 million General Fund and \$8.8 million Federal Funds due to slower than expected hiring for new positions in the Central Services Division, delays in implementing the COMPASS program of information technology projects, savings due to fewer facilities projects in 2021-23 than budgeted, and other administrative savings due to vacancies, Services and Supplies, and delays in implementing legislation.

Cash Flow Loan: The rebalance plan includes \$1.5 million General Fund and \$350.0 million Other Funds expenditure limitation to account for borrowing needed to address a timing lag in the receipt of Other Funds revenues budgeted in OHA. OHA's Other Funds revenues are budgeted on an accrual basis, meaning they are budgeted for the period they are earned, not in the period in which they are received, creating a cash flow gap as OHA reaches the end of each biennium.

Designated State Health Program Limitation: The rebalance plan includes an increase of \$51 million Federal Funds expenditure limitation to implement a portion of the recently approved Section 1115 Medicaid waiver. This includes new federal spending on health-related social needs for Medicaid clients, such as rent and utility assistance, home modifications, access to food resources and nutrition services, and payment for heaters, air conditioners and air filters for Medicaid clients who are experiencing critical life transitions.

Grants: The rebalance plan includes a total of \$4.2 million Federal Funds expenditure limitation and 12 positions (2.92 FTE) to implement a number of federal grants. These grants include programs in the Health Systems Division and the Public Health Division, including the behavioral health crisis line, immunization and vaccination for children, reproductive health services, monitoring emerging infections, implementing case management for those with HIV or AIDS, and for strengthening the public health workforce.

Other Budgetary Requests: OHA has identified smaller budget needs in a number of areas to address workload issues, implement legislation, and recognize revenue shortfalls. Included in these amounts is a request for \$1 million General Fund to settle litigation with the FamilyCare CCO. 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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October 24, 2022

Senator Peter Courtney, Co-Chair  
Representative Dan Rayfield, Co-Chair  
State 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 receipt of this letter as its Fall 2022 Rebalance Report for the 2021-23 biennium.

### **Agency Action**

OHA is projecting a \$126.1 million General Fund net savings. Additionally, the agency is projecting a need to increase Other Funds limitation by \$403.9 million and Federal Funds limitation by \$1,263.7 million. OHA is also reporting a need for 37 new positions (11.06 FTE).

This rebalance is primarily driven by two items—an update to the Medicaid caseload forecast and the projected extension of the public health emergency that provides an enhanced Medicaid match rate.

*Medicaid Fall 2022 Caseload Forecast Update* — Updating the Health Systems Division medical assistance caseloads from the Fall 2021 Caseload Forecast to the Fall 2022 Caseload Forecast results in a \$242.1 million General Fund need. This need is after subtracting funding the Legislature appropriated during the February 2022 session for policy impacts (such as redetermination processing and post-partum coverage changes) not accounted for in the Fall 2021 Caseload Forecast, but are now included in the Fall 2022 Caseload Forecast caseload projections. The increased caseload is primarily driven by the federal policy requirements states must follow to receive the enhanced Medicaid match during the COVID-19 public health emergency and anticipated redetermination time frames following the end of the public health emergency. See Attachment B.

*Temporary Enhanced Federal Match Extension* — OHA is identifying \$255.0 million in General Fund savings from the temporary enhanced Federal Medical Assistance Percentage (FMAP) provided during the COVID-19 public health emergency. The savings assume the enhance rate will extend through the first quarter of 2023.

#### Other Medicaid Program Budget Updates

*Medicaid Cost Changes* — OHA is identifying \$46.9 million General Fund savings in three areas experiencing reduce costs.

- Lower Medicaid fee-for-service costs create a \$20.5 million General Fund savings, which are primarily caused by factors associated with the pandemic, including keeping Oregon Health Plan clients on the program longer and correspondingly enrolled in CCOs longer.
- Lower Medicare Part D payments create \$21.8 million General Fund savings.
- Lower than budgeted maternity payments create \$4.6 million in General Fund savings.

*Final 2023 CCO Rates* — The final 2023 capitation rates for coordinated care organizations (CCOs) as compared to the amount budgeted for those rates for the last six months of the biennium provides a \$43.8 million General Fund savings.

*Bridge Plan Budget Adjustment* — The Legislature approved a \$19.6 million General Fund budget for the Bridge Plan during the February session. Based on updated caseload projections and a later implementation date because of the extension of the public health emergency, OHA currently estimates a \$2.3 million General Fund need from the program, resulting in a \$17.3 million General Fund savings. OHA is requesting \$3.5 million in Federal Funds limitation as the originally approved Bridge Plan budget did not include any Federal Funds limitation for anticipated Medicaid match.

*Treasury Loan Interest* — Because there is a time lag between expenditures and the receipt of Other Funds revenues budgeted in OHA, the agency must obtain a treasury loan to meet its cashflow needs at the end of the biennium. OHA estimates it will need to pay \$1.5 million in loan interest. OHA is requesting \$350 million in Other Funds limitation in Health System Division.

*FamilyCare Settlement* — Based on the fully executed settlement agreement between OHA and FamilyCare, OHA agreed to request from the Legislature a total of \$7.5 million as the total settlement. OHA is requesting \$1.0 million, which has been paid to FamilyCare this biennium.

### Revenue Adjustments

*OHSU Intergovernmental Transfer Program* — As required by Oregon Revised Statute (ORS) 414.756, OHA is required to ensure Oregon Health & Science University (OHSU) receives net reimbursement of at least 87 percent of costs for providing services that are paid for with Medicaid funds. Because OHSU experienced significant cost increases for providing care during the pandemic, OHA must increase its payments to OHSU. As a result of these challenges and slightly lower federal match than budgeted for this program, OHA estimates a \$56.9 million General Fund need.

*Insurer's Tax Revenue Update* — OHA is projecting a \$21.6 million General Fund need caused by a reduction in the amount of insurers' tax revenue budgeted to be transferred from Oregon Department of Consumer and Business Services. An increase in the tax revenue from CCOs helped offset the DCBS reduction.

*Drug Rebate Revenue* — Because of the increased medical assistance caseloads, there is an increase in drug rebates for prescriptions dispensed to Medicaid-eligible individuals. OHA is projecting \$38.4 million in General Fund savings from the increase in Other Funds rebate revenue.

*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 \$18.6 million increase in revenue for Medicaid and a \$400,000 increase in revenue for non-Medicaid, resulting in a total of \$19.0 million in General Fund savings.

*Marijuana Tax Forecast Update* — The non-Medicaid budget is adjusted for the most recent Economic Forecast for projected marijuana tax revenues. The new forecast indicates a \$14.7 million Other Funds decrease compared to current budget authority.

*Medicaid Other Funds Carryover* — After closing out the 2019-21 biennium, OHA identified \$14.3 million Other Funds revenue, primarily from tobacco tax, available to be carried forward to the 2021-23 budget and offset General Fund.

*Native American Rehabilitation Association (NARA) Federal Match Change* — The Centers for Medicare & Medicaid Services (CMS) approved 100 percent federal match for services provided by NARA to Medicaid recipients retroactive to July 1, 2021. OHA estimates \$1.7 million in General Fund savings.

*Healthier Oregon Children's Fund Shift* — With integration of the Cover All Kids program into the Healthier Oregon program, OHA is now obtaining federal match for Medicaid-eligible emergency medical services. OHA is projecting \$1.1 million in Federal Funds to provide \$1.1 million in General Fund savings.

#### One-Time Administrative Savings

OHA has identified one-time administrative savings in the following areas:

- OHA Central Services has \$5.5 million in General Fund savings from vacant positions primarily caused by a backlog in processes to review and approve position descriptions prior to recruitment.
- Health Policy and Analytics has \$3.4 million in General Fund savings from vacant positions and underspending on service and supply costs.
- Health Systems Division has \$1.5 million in General Fund savings from lower than projected costs for the Compass IT Project.
- OHA has \$1.6 million General Fund savings in the facilities budget from fewer facility projects driven by remote work during the pandemic.

#### Expenditure Limitation and Technical Adjustments

*Designated State Health Programs* — The Health Systems Division is requesting \$51.0 million in Federal Funds limitation to support the implementation of the Designated State Health Program (DSHP) funding component of the Oregon Health Plan Medicaid demonstration project approval. DSHP approval allows Oregon to claim federal Medicaid match on certain state-funded services not otherwise eligible for federal match. In the 2021-23 biennium, OHA anticipates claiming \$28 million in state-funded services under DSHP, drawing down \$14 million in Federal Funds that frees up \$14 million in state funds that will be reinvested in Medicaid and drawing down another \$37 million in Federal Funds.

*Co-Occurring Disorders Program Implementation* — The Health Systems Division is requesting a \$26.4 million Federal Funds limitation reduction for Co-Occurring Disorder program implementation.

*Aid and Assist* — The Health Systems Division is requesting a \$2.3 million Federal Funds limitation reduction in the Aid and Assist program.

*Healthy Homes* — The Public Health Division is requesting \$5.0 million Other Funds limitation for the Healthy Homes program.

*Federal Public Health Grant Approval* — Public Health is also requesting \$2.4 million Federal Funds limitation for the approval of a Centers for Disease Prevention and Control (CDC) *Strengthening U.S. Public Health Infrastructure, Workforce, and Data Systems* grant.

The rebalance includes various net-zero technical adjustments that transfer budget and positions across agency programs.

#### Position Needs

OHA has identified the need for 37 new positions (11.06 FTE) across the agency.

- Public Health needs 12 new positions (4.68 FTE) primarily to support the work of approved federal grants.
- The Health Systems Division needs seven new positions (1.75 FTE) to support federal block grant and behavioral health programs.
- The Office of Information Systems needs eight new positions (2.00 FTE) to provide support for existing approved IT projects for both OHA and the Oregon Department of Human Services.
- The Oregon State Hospital needs five new positions (1.25 FTE) to provide secure transports. These positions would be funded within existing resources by shifting costs from contractual services.
- The Chief Operations Office needs one position (0.38 FTE) to provide position management, invoice coding, and other fiscal and program support functions across OHA Central Services, which has experienced over a 125 percent increase in positions and budget in the last two biennia.

#### Risk Factors, Challenges and Outstanding Issues

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

- Several budget areas within the Oregon State Hospital, including:
  - Pay differentials
  - Contracted nurse staffing costs
  - Recruitment and unit staffing



- Litigation costs
- Workplace violence mitigation and safety costs
- Revenue collection
- 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.
- Updating the budget based on the new Medicaid caseload forecast and federal match rates assume the public health emergency ends during the first calendar quarter of 2023. This means the enhanced Medicaid match associated with COVID-19 pandemic would end March 31, 2023.
- 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.

### **Action Requested**

Acknowledge receipt of the OHA Fall 2022 Rebalance Report for the 2021-23 biennium.

### **Legislation Affected**

See Attachment A.

Sincerely,



Patrick M. Allen  
Director

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

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

**ATTACHMENT A**

**OREGON HEALTH AUTHORITY  
 FALL 2022 REBALANCE ACTIONS  
 APPROPRIATION AND LIMITATION ADJUSTMENTS**

<b>DIVISION</b>	<b>PROPOSED LEGISLATION/ SECTION</b>	<b>FUND</b>	<b>REBALANCE ADJUSTMENTS</b>	<b>APPR #</b>
<b>Central/SAEC</b>	Ch. 668 Sec. 1(3)	General	(\$5,518,361)	87401
	Ch. 668 Sec. 2(3)	Other	\$6,720	34401
	Ch. 668 Sec. 5(3)	Federal	\$12,484	64401
		Total	(\$5,499,157)	
<b>Health Systems, Health Policy &amp; Analytics, and Public Health Programs</b>	Ch. 668 Sec. 1(1)	General	(\$105,272,933)	87801
	Ch. 668 Sec. 5(1)	Federal	\$1,263,725,187	64801
	Ch. 668 Sec. 2(1)	Other	\$452,266,369	34801
	Ch. 668 Sec. 3(1)	Lottery	\$135,500	44801
	Ch. 554 Sec. 11	Expanded Health Care Coverage	(\$15,352,231)	87837
	Ch. 669 Sec. 257	Health Insurance Marketplace	(\$14,870,281)	34816
	Ch. 668 Sec. 7	Other PEBB Revolving Fund	(\$16,191,661)	34804
	Ch. 668 Sec. 8	Other OEBC Revolving Fund	(\$17,425,293)	34805
		Total	\$1,547,014,657	

## ATTACHMENT B

### Fall 2022 Medicaid Caseload Forecast

<b>Eligibility Category</b>	<b>2021-23 Fall 2021 Forecast</b>	<b>2021-23 Fall 2022 Forecast</b>	<b>Difference Problem/ (Savings)</b>	<b>Percent Change</b>	<b>General Fund Problem/ (Savings) in Millions</b>	<b>Total Funds Problem/ (Savings) in Millions</b>
Affordable Care Act (ACA)	525,096	564,854	39,758	7.6%	\$72.0	\$719.8
Parent/Caretaker Relative	91,167	99,396	8,230	9.0%	\$54.3	\$158.7
Pregnant Women	9,551	14,248	4,697	49.2%	\$89.6	\$261.6
Children's Medicaid Program	310,403	320,331	9,928	3.2%	\$36.8	\$109.7
Aid to Blind and Disabled	95,610	95,841	230	0.2%	(\$0.4)	(\$1.1)
Old Age Assistance	64,555	67,430	2,875	4.5%	\$18.9	\$55.3
Foster/Adoption & BCCP	17,976	17,681	(295)	-1.6%	(\$2.2)	(\$6.4)
Children's Health Insurance Program	119,896	131,576	11,680	9.7%	\$18.8	\$78.5
Non-OHP (CAWEM, QMB, OSIP)	72,918	75,301	2,383	3.3%	\$2.2	\$6.3
CAWEM Prenatal	3,985	5,953	1,967	49.4%	\$8.3	\$34.5
Healthier Oregon Kids	7,233	7,298	65	0.9%	\$0.2	\$0.2
2021-23 Subtotal	1,318,391	1,399,909	81,519	6.2%	\$298.5	\$1,417.2
Other Non-OHP (Part A, B, & D)					\$20.9	\$32.3

<b>2021-23 Total</b>					\$319.34	\$1,449.46
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#### Impact of Fall 2021 Caseload Forecast

	<b>General Fund</b>	<b>Federal Funds</b>	<b>Total Funds</b>
	\$319,342,224	\$1,130,118,265	\$1,449,460,489
Remove Post-Partum Eligibility Budget (HB 5202, February 2022 Session)	<b>(\$2,400,746)</b>	<b>(\$6,391,858)</b>	<b>(\$8,791,604)</b>
Remove Redeterminations General Fund Budget (HB 4035, February 2022 Session)	<b>(\$74,869,106)</b>		<b>(\$74,869,106)</b>
<b>Adjusted Total</b>	<b>\$242,072,372</b>	<b>\$1,123,727,407</b>	<b>\$1,364,799,779</b>