

ANALYSIS

Item 10: Department of Human Services COVID-19 Rate Extension

Analyst: Gregory Jolivet

Request: Use \$6,288,519 of General Fund savings from the enhanced Federal Medical Assistance Percentage and increase Federal Funds expenditure limitation for Intellectual/Developmental Disabilities programs by \$12,122,000 to continue a one-time COVID-19 rate increase until June 30, 2023.

Analysis: Beginning January 1, 2021, the Department of Human Services (DHS) implemented a 5% rate increase to support Intellectual/Developmental Disabilities (I/DD) provider agencies with costs related to the COVID-19 pandemic, including staffing costs related to its impact on the labor market. The increase was initially set to expire on June 30, 2022. However, due to the ongoing negative impact of COVID-19 on providers and the workforce, DHS extended the 5% rate increase through December 31, 2022.

This request to the Emergency Board would continue the rate increase for an additional six months through the end of the current biennium. The agency proposes to pay for the increase using \$6.3 million from one-time General Fund savings resulting from the 6.2% Federal Medicaid Assistance Percentage (FMAP) enhancement associated with the federally declared public health emergency. DHS estimates a total of \$76.9 million in General Fund savings is available in the I/DD program budget from the enhanced FMAP.

The specific services impacted by this rate increase include I/DD group homes, host homes, day support activities, employment services, foster care services, and behavioral support services. Most of these same services and providers also transitioned to new rate models or received ongoing rate increases in the 2021-23 legislatively adopted budget, which have significant 2023-25 roll-up costs of \$117 million General Fund.

The Legislative Fiscal Office (LFO) recommends approval of extending the rate increase on a one-time basis through June 30, 2023 by leveraging the temporary FMAP savings. Notably, DHS's 2023-25 agency request budget includes a proposal to further increase provider rates to reflect growth in the cost of services on an ongoing basis, which the Legislature can consider during the 2023 legislative session.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase the Federal Funds expenditure limitation for the Department of Human Services, Intellectual/Developmental Disabilities programs, by \$12,122,000 to continue a one-time 5% COVID-19 rate increase until June 30, 2023.

10

Oregon Department of Human Services
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Request: Utilize \$6,288,519 General Fund savings from the Public Health Emergency enhanced Federal Medicaid Assistance Percentage rate and increase Federal Funds expenditure limitation by \$12,122,000 to continue a one-time COVID-19 rate increase for Intellectual/Developmental Disabilities providers until June 30, 2023.

Recommendation: Approve the request.

Discussion: Since January of 2021, the Legislature has approved a temporary five percent rate increase to Intellectual/Developmental Disabilities (I/DD) providers. The temporary rate increase was intended to support additional costs incurred by providers, including ongoing staffing costs related to COVID-19's impact on the labor market.

- From January to June 2021, General Fund savings from the 6.2 percent Public Health Emergency (PHE) enhanced Federal Medicaid Assistance Percentage (FMAP) rate funded the rate increase.
- From July 2021-July 2022, the General Fund savings from the 10 percent enhanced FMAP rate for Home and Community Based Services (HCBS) funded the rate increase.
- From July 2022-December 2022, the Oregon Department of Human Services (ODHS) proposed using General Fund savings from the 6.2 percent PHE FMAP to cover the cost of the rate increase as part of the Fall 2022 rebalance plan.
- This proposal would continue the temporary five percent COVID-19 rate increase from January 2023-July 2023.
- The rate increase in this proposal applies to providers in the following areas: Behavioral Services, Children's Foster Care, Children's Residential, Adult 24-hour Residential, Host Homes, Day Support Activities, and Employment Services.

At the same time providers received one-time COVID-rate increases, I/DD has transitioned to a new rate model and payment levels for providers. For example, excluding the temporary COVID-19 rate increase, Adult-24 Hour Residential and Day Support Activity providers will receive payment increases of 25.1 percent and 36.3 percent, respectively, in 2021-23. Given that substantial, ongoing support has been made for I/DD providers by fully funding the new rate model, it is recommended that ODHS end temporary rate supports at the end of the current biennium. Discussions concerning permanent rate increases should be considered within the overall funding context for providers, including the ongoing General Fund support for new payment levels next biennium. The end of the PHE is unknown, though when it does end, the state will no longer receive the additional Medicaid dollars to support requests, such as this.

Legal Reference: Increase Federal Funds expenditure limitation established by chapter 606, section 3(7), Oregon Laws 2021, for the Oregon Department of Human Services Intellectual/developmental disabilities programs by \$12,122,000 for the 2021-23 biennium.



Oregon

Kate Brown, Governor

Department of Human Services

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October 27, 2022



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

RE: Temporary extension of the COVID-19 related 5% rate increase for provider agencies.

Dear Co-Chairs:

Nature of the Request

ODHS respectfully requests permission to use \$6,288,519 General Fund from savings and a \$12,122,000 Federal Funds limitation increase to fund a temporary extension of the COVID-19 related 5% rate increase for provider agencies from Jan. 1, 2023, through June 30, 2023.

Throughout the COVID-19 pandemic, provider agencies have received a 5% rate increase in response to specific challenges the pandemic presents such as risk of exposure to COVID-19 and extreme staffing shortages.

Provider agencies in the intellectual and developmental disabilities (I/DD) community were already struggling with workforce shortages prior to the pandemic. COVID-19 severely exacerbated this staffing crisis and brought additional costs and challenges to delivering services, including but not limited to preventing and managing outbreaks by adhering to additional requirements around sanitizing, masking, vaccination requirements and reporting. There are more than 12,000 direct support professionals (DSPs) in Oregon of which 87% are female. Approximately 60% of DSPs are people of color. Many articles and studies have demonstrated how the pandemic negatively affected women and people of color in the workforce more than others, which further contributed to the workforce crisis. Finally, COVID-19 and the workforce shortage have had the largest negative impact upon individuals with I/DD who have the most significant disabilities and intensive health needs that require a higher level of care.

The additional 5% rate increase has helped provider agencies recruit, incentivize, and retain the staff that is desperately needed right now and continue operations in a way that provides the most protection to both individuals receiving services and staff. Supporting this workforce also allows providers to continue to support all people with I/DD, including those with more significant needs. This continued funding will support providers through the workforce shortage and allow them to maintain a variety of COVID precautions while managing future outbreaks.

Background

Beginning Jan. 1, 2021, ODHS funded a 5% rate increase to support provider agencies with costs related to the workforce crisis that was exacerbated by COVID-19 and other pandemic expenditures. This 5% rate increase was slated to expire on June 30, 2022. Due to the ongoing impact of COVID-19 on providers and the staffing shortage, the 5% rate increase was extended for additional three months and then again through the end of 2022.

ODHS requests additional funding to continue the 5% rate increase through the end of the biennium – January 1, 2023, through June 30.

Below are services receiving the continued 5% rate increase:

- Professional behavior services
- Children's foster care
- Child and adult group homes
- Host Homes
- Day support activities
- Employment

Action requested

The Oregon Department of Human Services is requesting permission to use \$6,288,519 General Fund from savings and \$12,122,000 Federal Funds limitation to cover the cost of the temporary extension of the 5% rate increase for agency providers for the duration of six months from Jan. 1, 2023, through June 30, 2023. ODHS requests the December 2022 Emergency Board consider funding the General Fund portion of this request from existing Public Health Emergency (PHE) Federal Medical Assistance Percentage (FMAP) savings within I/DD. However, there is a 60-day notice that may be issued in which case the enhanced FMAP would not continue through 6/30/2023. If not addressed in December, ODHS would then request funding be provided early in the 2023 Legislative Session.

If the use of General Fund savings within I/DD is approved by the Emergency Board, General Fund savings anticipated in the ODHS December 2022 Rebalance would be reduced by the \$6,288,519.

Legislation affected

Oregon Laws 2021, Chapter 606 3(7), increase Federal Funds \$12,122,000

Please contact Anna Lansky at 503-507-3196 with any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Fariborz Pakseresht".

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