

Oregon Health Authority - Agency Totals

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	2,107,755,471	2,719,376,308	2,638,919,478	3,580,224,176	3,153,348,633
Lottery Funds	12,464,286	17,093,071	17,999,344	17,338,086	17,080,260
Other Funds	6,957,456,229	7,645,454,433	8,013,520,232	8,170,746,846	8,837,829,761
Other Funds (NL)	28,363,870	40,000,000	274,869,903	40,000,000	40,000,000
Federal Funds	11,590,457,943	12,663,030,976	14,091,471,331	14,614,326,326	15,075,810,831
Federal Funds (NL)	74,629,149	106,196,261	106,196,261	102,729,051	102,729,051
Total Funds	\$20,771,126,948	\$23,191,151,049	\$25,142,976,549	\$26,525,364,485	\$27,226,798,536
Positions	4,195	4,290	4,381	4,277	4,415
FTE	4,124.91	4,243.01	4,316.87	4,263.81	4,368.63

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Oregon Health Authority (OHA) was created in 2009 to consolidate most health-related state programs into a single agency. OHA's strategy for reforming health care is framed around its goal of achieving the triple aim: improving the lifelong health of Oregonians; increasing the quality and availability of health care; and lowering the cost of care. The agency's budget consists of the following seven program areas:

- Health Systems Division - supports the delivery of health care through Medicaid and non-Medicaid programs. The Medicaid program consists primarily of the Oregon Health Plan, which provides physical, behavioral, and oral health care coverage to low-income individuals. Non-Medicaid programs support critical elements in Oregon's community behavioral health system and serve as the behavioral health safety net for all Oregonians regardless of their health care coverage.
- Health Policy and Analytics Division - provides policy support, technical assistance, and access to health information statistics and tools to all organizations participating in Oregon's health system transformation.
- Public Employees' Benefit Board - provides health insurance for state and university employees.
- Oregon Educators Benefit Board - provides health insurance for K-12 school districts, education service districts, and community colleges.

- Public Health Division - addresses the social and behavioral drivers of health through programs involving community health, environmental public health, family health, and disease prevention and epidemiology.
- Oregon State Hospital - provides psychiatric care for adults from across the state at campuses in Salem and Junction City.
- Central Services, Shared Services, and State Assessments and Enterprise-wide Costs - supports the administrative functions of the agency.

CSL Summary and Issues

OHA’s 2021-23 current service level (CSL) budget is \$26.5 billion total funds, which represents a \$1.4 billion increase over the 2019-21 legislatively approved budget (LAB). The General Fund CSL budget is \$3.6 billion, which represents a \$0.9 billion increase over the 2019-21 LAB. Most of the General Fund growth is in the Health Systems Division and largely results from forecasted caseload increases, inflationary costs, and declines in Oregon’s federal Medicaid match rates. The CSL budget does not include one-time funding increases approved in 2019-21 to support OHA’s response to the COVID-19 pandemic and does not incorporate most of the reductions adopted during the August 2020 special legislative session to help rebalance the budget. These reductions were largely one-time.

Overall, 73% of the CSL budget supports payments to coordinated care organizations and health care providers for Medicaid services. These services are funded by a state-federal partnership in which the federal government matches, on average, 72% of program costs. A significant portion of OHA’s General Fund budget is linked to this matching arrangement. Although most of OHA’s budget supports Medicaid services, 54% of the agency’s staff work at the Oregon State Hospital, which has unique operational needs given its function as a 24-hour psychiatric hospital.

Changes from 2019-21 LAB to 2021-23 CSL <i>amounts in millions</i>	General Fund CSL Changes
Caseload forecast	\$ 279.8
Federal match decrease (Medicaid)	\$ 230.6
Medicaid inflation	\$ 99.3
Other Funds unavailable for Medicaid cost growth	\$ 82.3
Other program inflation	\$ 67.2
Other fund shifts	\$ 33.2
Personal service inflation (non-salary) and vacancies	\$ 6.6
Program phase-ins/outs	\$ 2.7
Reverse one-time 2019-21 LAB reductions not included in CSL	\$ 139.6
2021-23 CSL Change for General Fund	\$ 941.3

Not included in the above CSL amounts are adjustments recognizing revenue shortfalls for ongoing agency programs. Oregon’s budget development process allows agencies to recognize these adjustments as part of a “modified CSL.” OHA’s modified CSL recognizes three revenue shortfalls: 1) \$17.5 million Federal Funds in the Health Policy and Analytics Division due to federal match rate declines for health information technology projects; 2) \$5.2 million Other Funds in the Public Health Division to recognize declines in tobacco tax collections (non-Measure 108 revenue) and fee revenue; and 3) \$1.2 million Lottery Funds in the Health Systems Division to balance to the forecasted transfer amount budgeted dedicated for veterans’ services and to remove expenditure limitation that was incorrectly adjusted during CSL development.

Policy Issues

COVID-19 Response: OHA is leading the state’s public health response to the COVID-19 pandemic, with the responsibility particularly falling to the Public Health Division. Among other activities, the division has worked on messaging and outreach, setting guidelines for the public, coordinating the response of local public health authorities and other community partners, testing and contact tracing, and modelling trends and projections. The pandemic has also affected most other OHA programs. For example, the Health Systems Division has added Oregon Health Plan coverage for COVID testing and treatment, increased access to telehealth services, expanded behavioral health crisis line capacity, and worked with providers to address financial challenges. The Oregon State Hospital has had to reconfigure its admissions process, dedicate space to quarantine new patients, and, at times, halt new admissions due to patient and staff safety risks. Also, the Equity and Inclusion Division has developed culturally and linguistically responsive communication and outreach initiatives to address the disproportionate impact the pandemic has had on tribal communities and communities of color.

OHA and the Department of Human Services (DHS) jointly established the temporary Coronavirus Response and Recovery Unit (CRRU) as a new shared service in May 2020. The CRRU provides resources, coordination, and support to state and local agency response efforts. The unit is staffed by new hires and internal OHA and DHS staff who have accepted job rotations. The importance of the public health response and the personnel resources dedicated to it have strained agency resources and necessarily resulted in the delay of other priority work. This includes work related to setting a statewide health care cost growth target (SB 889 (2019)); recommending the design of a universal health care program (SB 770 (2019)); and implementing a universal nurse home visiting program for families with newborns (SB 526 (2019)).

The federal government has so far funded most of OHA’s pandemic response activities. Through December 2020, \$573.2 million in federal funding has been allocated through Emergency Board actions or directly awarded from the federal government to OHA, including awards announced from recently approved federal supplemental appropriations (H.R. 133). Most of this funding is dedicated to core pandemic response activities, such as COVID-19 testing, laboratory capacity, case investigation, and contact tracing, and authorized under federal law for expenditure beyond 2019-21. The need to continue the state’s public health response beyond 2019-21 and the extent to which existing federal funds are available will impact OHA’s budget environment in 2021-23.

CRF and Other Direct Federal Awards through December 2020	
<i>amounts in millions</i>	
CRF Allocations	2019-21
Case investigation, contact tracing, outreach, education, quarantine and isolation, wraparound services	\$ 80.5
Testing and lab capacity	\$ 24.7
Enhanced behavioral health services	\$ 25.6
Health equity grants	\$ 45.0
CRF reimbursement from DAS for personnel expenses	TBD
Subtotal	\$ 175.8
Direct Federal Awards	
Epidemiology and Laboratory Capacity	\$ 87.0
Miscellaneous direct federal awards	\$ 29.6
Announced: Epidemiology and Laboratory Capacity supplemental (H.R. 133)	\$ 242.8
Announced: Immunization and vaccines (H.R. 133)	\$ 38.1
FEMA reimbursement	TBD
Subtotal	\$ 397.4
Total CRF and Direct Federal Awards	\$ 573.2

Health Equity: Due to the disproportionate impact the pandemic is having on racial minorities, as well as national movements protesting systemic racism, OHA's primary focus in its 2021-23 agency request budget is addressing inequities in Oregon's health care and public health systems. Guiding this work is a strategic plan OHA is developing to eliminate health inequities in Oregon in 10 years. The Governor's 2021-23 budget recommendation includes multiple investment proposals framed around this goal. To support immediate action in 2019-21, the Emergency Board allocated \$45 million CRF and, separately, \$11.3 million General Fund for health equity grants to community-based organizations (CBOs) across the state. By virtue of this funding and federal funds supporting contact tracing, outreach, and quarantine and isolation services, OHA's work with CBOs has increased far beyond previous levels.

Ballot Measures: Oregon voters approved the following three ballot measures during the November 2020 general election that impact OHA:

- **Tobacco Taxes (Measure 108):** Effective January 1, 2021, Measure 108 increased taxes on cigarettes and some tobacco products and imposed a tax on vaping products. The measure dedicates 90% of the net new revenue to medical assistance programs and 10% for tobacco prevention and cessation programs. The tobacco tax revenue available for medical assistance programs has traditionally been used to offset General Fund expenditures for Medicaid services.
- **Psilocybin Services (Measure 109):** Measure 109 directs OHA to develop a program regulating the administration of psilocybin in supervised settings. The measure establishes a two-year implementation timeline beginning January 1, 2021. To support program implementation costs, OHA estimates needing approximately \$200,000 General Fund in 2019-21 and \$3.9 million in 2021-23 until licensing revenue can support the program upon implementation.
- **Addiction Treatment and Recovery (Measure 110):** In addition to decriminalizing certain drug possession offenses, Measure 110 redistributes a significant portion of marijuana tax revenue dedicated to schools, Oregon State Police, behavioral health programs, and cities and counties to operate new addiction recovery centers. These redistributions will have a significant impact on the existing revenue distributions in 2021-23 unless an alternative revenue source - most likely General Fund - is used to backfill the redistributed amounts. Other considerations and questions remain about how the new program is to be structured.

COFA Medicaid Coverage: The passage of a federal omnibus appropriations bill (H.R. 133) in late December 2020 restored the ability of Compact of Free Association (COFA) citizens to qualify for Medicaid coverage. COFA citizens once qualified for Medicaid coverage but became ineligible due to federal statutory changes in 1996. Oregon's COFA Premium Assistance Program currently provides health insurance coverage to individuals who belong to the Compact by paying for their share of premium costs on the health insurance marketplace. The impact the recent expansion of Medicaid eligibility to COFA members on the premium assistance program is not yet known. The Governor's 2021-23 recommended budget transfers this program and the health insurance marketplace from the Department of Consumer and Business Services (DCBS) to OHA.

SUD and Section 1115 Medicaid Waivers: OHA has applied to the Centers for Medicare and Medicaid Services (CMS) to amend the state’s Medicaid waiver to improve access to substance use disorder (SUD) treatment and to leverage federal match dollars for services provided in residential treatment facilities with more than 16 beds. To support these enhancements, the Governor’s 2021-23 budget includes \$11.5 million General Fund (\$118 million total funds) to support SUD treatment and crisis intervention services. OHA is also working on its renewal application for its current five-year Medicaid research demonstration waiver, which expires June 30, 2022. Often referred to as the “section 1115” waiver based on its enabling provisions in the Social Security Act, this waiver provides the federal authorization for Oregon to deliver many of its Medicaid-funded services tailored to the state’s needs. The application is not expected to be ready for submission until fall 2021; a key focus of it will likely be advancing elements of the CCO 2.0 framework.

Affordable Care Act (ACA) Challenge: In November 2020, the Supreme Court heard oral arguments over the constitutionality of the ACA’s individual mandate and its severability from the entire law (*California v. Texas*). A lower federal court previously declared the ACA to be invalid due to the individual mandate no longer having the monetary penalties the Supreme Court used in previous challenges to uphold the law. If the Supreme Court declares the individual mandate to be unconstitutional *and* inseverable - thereby overturning the law - Oregon’s health care system would experience various repercussions. An important issue for OHA’s budget is the Oregon Health Plan’s coverage of 430,000 people who are eligible for Medicaid because of the ACA. The Supreme Court is expected to decide the case in spring of 2021.

Other Significant Issues and Background

The Governor’s 2021-23 budget recommendation for OHA includes \$193.4 million in new General Fund investments, of which \$131.7 million supports policy packages requested by the agency. To help pay for current service level budget growth and fund these investments, the Governor’s budget includes a series of reductions and savings adjustments of \$156.6 million General Fund (\$421.5 million total funds) impacting hospitals and coordinated care organizations. In addition, the budget recommendation relies on \$101 million in one-time tobacco tax revenue collected in the last six months of 2019-21 and \$83 million in one-time savings by assuming the federal government will extend a temporary increase in the Medicaid match rate through the September 30, 2021. The one-time savings are not tied to one-time expenditures in OHA’s budget.

OHA - Health Systems Division

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	1,286,165,888	1,828,675,054	1,642,337,729	2,530,322,378	2,022,519,405
Lottery Funds	12,215,236	16,819,909	17,474,448	17,053,396	16,537,297
Other Funds	2,876,212,040	3,258,771,550	3,331,871,164	3,462,887,421	4,062,099,801
Federal Funds	11,202,987,619	12,176,978,066	13,406,589,453	14,160,760,982	14,586,776,528
Total Funds	\$15,377,580,783	\$17,281,244,579	\$18,398,272,794	\$20,171,024,177	\$20,687,933,031
Positions	314	337	368	336	379
FTE	305.62	325.79	339.04	328.95	365.63

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Health Systems Division (HSD) supports the state's health care system by delivering integrated physical, behavioral, and oral health care services. The division includes the following budget units: 1) Medicaid, which consists of funding for physical, behavioral, and dental health care services provided through the Oregon Health Plan and other Medicaid programs; 2) Non-Medicaid Behavioral Health, which supports Oregon's community behavioral health system and serves as a behavioral health safety net for Oregonians regardless of their health care coverage; and 3) Program Support and Administration, which provides the division's staffing and operational support.

CSL Summary and Issues

HSD's 2021-23 current service level budget totals \$20.2 billion, which represents a \$1.8 billion (10%) increase over the 2019-21 legislatively approved budget. The CSL budget for General Fund is \$2.5 billion, which represents an \$888 million (54%) increase over 2019-21.

The net General Fund growth is mostly due to Other and Federal Funds revenues unavailable to support growing Medicaid state-funded expenditures, which means the General Fund has to take on a larger share of expenses. One major shift to the General Fund results from decreases in Oregon's federal Medicaid match rates, or Federal Medical Assistance Percentage (FMAP). Medicaid inflationary expenses are another driving factor. Although the CSL budget limits Medicaid cost growth to 3.4% per member per year, the General Fund shoulders a larger portion of the state-funded costs consistent with forecasts for the other sources of revenue.

To support medical assistance and non-Medicaid mental health caseloads, the CSL budget incorporates forecasted caseload levels published by the DHS Office of Forecasting, Research and Analysis (OFRA), which conducts forecasts for DHS and OHA caseloads as part of the agencies' shared services agreement. Based on OFRA's fall 2020 forecast, the CSL budget recognizes an average biennial medical assistance caseload of

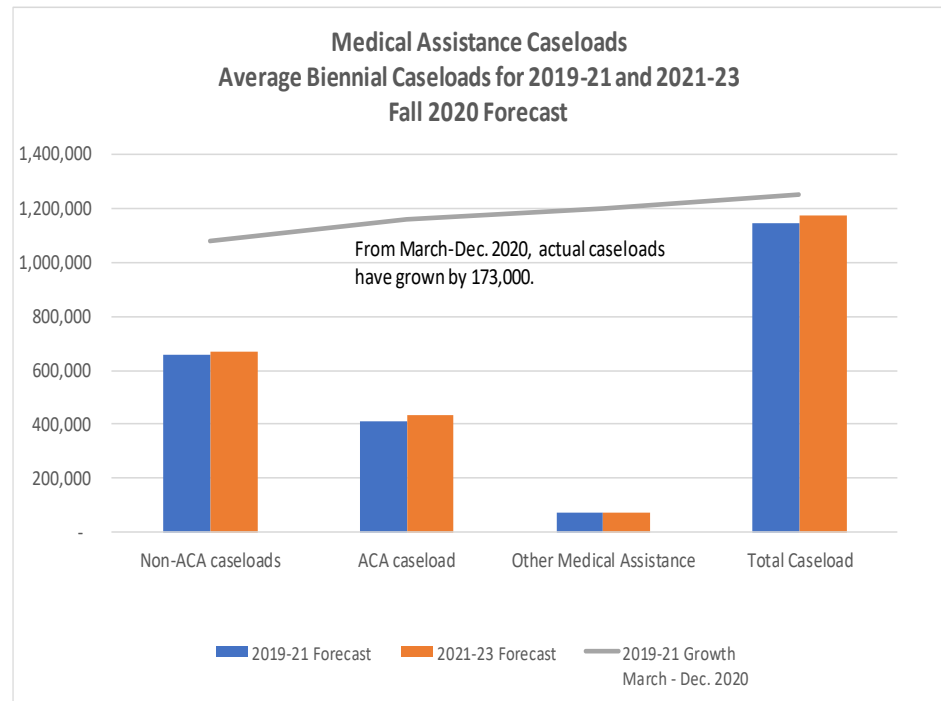
approximately 1,174,700, which represents an increase of 32,000 compared to the 2019-21 caseload forecast. Most of this increase occurs in the ACA and parent/caretaker relative Medicaid caseloads. A modest increase is included for forecasted changes for non-Medicaid civil commitment and guilty except for insanity caseload levels. Budget adjustments changes in these caseloads were paused in 2019-21 pending the completion of a review of the related forecast and budget processes, as well as recommendations from an OHA-led stakeholder workgroup. This work was required by a budget note due to concerns about the data available to inform the forecast and whether the long-standing way of budgeting for these caseloads properly incentivizes outcomes. This work was originally expected to be completed by the time OHA’s CSL budget was final; however, the work has been delayed and OHA is still evaluating next steps.

Policy Issues

Medicaid Caseloads: Medicaid caseload levels in 2021-23 could materially increase beyond the fall 2020 forecast if the 90-day federal public health emergency declaration continues to be renewed. Federal provisions temporarily increased the FMAP by 6.2 percentage points for most non-ACA caseload categories for each calendar year quarter in which the federal emergency declaration remains in effect. In exchange for receiving the enhanced match, states are not allowed to impose new Medicaid eligibility restrictions or, except in limited circumstances, take away existing members’ coverage even if they lose eligibility. This requirement has caused Oregon’s Medicaid caseload to significantly grow due to fewer people exiting the caseload on a monthly basis. Since the Governor’s state emergency declaration on March 8, 2020, OHA’s Medicaid caseload has grown by 173,000 members, or 16%.

Behavioral Health Quality and Performance: According to Mental Health America’s 2021 rankings, Oregon ranks 48th in the nation for mental health services based on 15 measures evaluating prevalence of mental illness and access to care. Oregon scored particularly bad in terms of prevalence of mental illness and adults with any mental illness reporting unmet needs. The federal Substance Abuse and Mental Health Services Agency also ranks Oregon as having significantly higher rates of alcohol and drug addiction and lower access to treatment compared to other states.

Oregon’s behavioral health challenges are a long-standing issue. In addition to various targeted funding increases approved in recent biennia, multiple advisory bodies have been established, with two current ones being the System of Care Advisory Council (SB 1 (2019)) and the



Governor's Behavioral Health Advisory Council. Both groups helped inform specific investment proposals in the Governor's 2021-23 budget recommendation.

A top priority OHA has struggled to address over the past several years is providing timely hospital admissions for individuals declared by a judge to need restorative services in order to be able to "aid and assist" in their criminal defense. Pursuant to a court order, OHA must place these individuals in appropriate treatment settings - usually the Oregon State Hospital - within seven days or be found in contempt of court. OHA has increased and prioritized bed space in the State Hospital for these patients and also worked with residential treatment providers to increase secure space in their facilities. However, the issue remains tenuous and the Governor's 2021-21 budget recommendation includes \$22 million for additional support.

Another major problem has been providing adults with a serious and persistent mental illness (SPMI) the community services necessary to enable them to live in the most integrated setting appropriate to their needs and avoid unnecessary institutionalization. From July 1, 2016 through June 30, 2019, the Oregon Performance Plan was an important part of OHA's strategy for addressing this issue. This plan resulted from a process initiated by the U.S. Department of Justice (USDOJ). Upon the completion of the OPP's three-year period, OHA's Behavioral Health Quality and Performance Improvement Plan continues to track the OPP's outcome measure and is being used to monitor, evaluate, and improve key performance activities related to behavioral health services.

Provider Assessments / OHSU Transfer Agreement: Oregon continues to face important policy decisions regarding how to finance the state-funded portion of Medicaid expenditures. Over the past three biennia, hospital and insurer assessments, as well as OHA's agreement with the Oregon Health and Science University (OHSU), have been increasingly leveraged in place of General Fund to mitigate Medicaid cost growth and declines in federal matching revenues. Few options currently exist to increase revenue through provider assessments due to federal limitations. Contrary to the previous two biennia, the Legislature is not faced with addressing the expiration of provider assessments during the 2021-23 biennium. The Governor's 2021-23 budget recommendation addresses Medicaid cost growth mostly by proposing reimbursement and other payment decreases for hospitals and coordinated care organizations, as well as leveraging additional tobacco tax revenue available due to the passage of Measure 108.

Medicaid Fiscal Accountability Rule: CMS has withdrawn its proposed Medicaid Fiscal Accountability Rule, which would have increased federal oversight and made changes to the way states fund their Medicaid programs. For Oregon, the rule could have jeopardized the more than \$2 billion OHA leverages from provider assessments and intergovernmental transfers to help fund Medicaid programs.

Other Significant Issues and Background

The Governor's budget recommends a series of adjustments reducing payments to CCOs and hospitals, which together result in a total reduction of \$139.3 million General Fund (\$478.5 million total funds). The recommendations include holding CCO inflation to 2.9% per year instead of 3.4%; reducing the CCO quality incentive pool; reducing reimbursement rates for diagnostic related group hospitals (mostly large

urban hospitals); transitioning to value-based payment models; eliminating General Fund support for the Graduate Medical Education program; and eliminating one of OHA's disproportionate share hospital payment programs. In addition, the budget recommendation uses \$50 million from the Health Systems Funds, which receives revenue from the 2% insurer assessment, to offset OHP General Fund expenses based on updated estimates on revenue collected to support OHP while also meeting the needs of the Oregon Reinsurance Program funded in the Department of Consumer and Business Services (DCBS) budget.

The Governor's Budget also reduces funding for non-Medicaid community mental health and SUD services by not funding inflationary expenses, which saves \$22 million General Fund, and reducing the Community Mental Health Choice Program by 50%, for savings of \$5.2 million General Fund. Conversely, the budget recommendation includes the following behavioral health program investments: \$5.7 million for new Interdisciplinary Assessment Teams; \$29.5 million for community behavioral health services (another \$22 million is included in the Health Policy and Analytics Division); and \$22.5 million for community based services and care coordination for individuals with "aid and assist" court orders.

Absent budget or policy changes, the reallocation of marijuana tax revenue required by Measure 110 to support new addiction recovery centers decreases the funding available for OHA's existing non-Medicaid mental health and SUD services. The amount of marijuana tax revenue budgeted in OHA's 2019-21 legislatively approved budget for these services is approximately \$65 million. The required changes will not impact the existing 2019-21 funding for these services given the timing of the measure's effective date and level of forecasted revenue. However, the marijuana tax revenue available for OHA's existing services will be capped at \$22.5 million in 2021-23. The Governor's budget recommendation addresses this impact in 2021-23 by delaying implementation of the measure's financial components until July 1, 2022, which would require a statutory change, and backfilling the redirected revenue with General Fund.

The 2021-23 biennium is the first full biennium in which additional revenue from increased tobacco and vaping taxes is available to support OHA's medical assistance programs, consistent with the passage of Measure 108. Based on the December 2020 state revenue forecast for the 2021-23 biennium, the Governor's budget recommendation uses \$322.6 million in newly available tax revenue to save a like amount of General Fund in the Medicaid budget; the recommendation also assumes the increased taxes collected over the last six months of 2019-21, which total an estimated \$101.1 million, will not be spent during 2019-21 and instead be used for the same purpose in 2021-23. The revenue carried over from 2019-21, however, is one-time and would not be available during the 2023-25 biennium.

OHA - Health Policy and Analytics

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	41,010,814	48,952,426	44,801,791	52,035,211	83,581,998
Lottery Funds	17,482	24,912	24,912	25,983	24,912
Other Funds	15,606,736	31,034,920	31,082,825	32,485,860	48,388,914
Federal Funds	79,757,137	114,229,882	88,909,139	62,365,521	44,659,821
Total Funds	\$136,392,169	\$194,242,140	\$164,818,667	\$146,912,575	\$176,655,645
Positions	137	163	161	159	158
FTE	129.57	149.96	149.26	156.81	154.84

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Health Policy and Analytics (HPA) Division provides policy support, technical assistance, and access to health information statistics and tools to all organizations and providers participating in Oregon's health system transformation. The division is comprised of the following offices: Health Policy, Health Analytics, Delivery Systems Innovation, Health Information Technology, and Business Operations. The Public Employee's Benefit Board and Oregon Educators Benefit Board are operationally situated in HPA but have different budget structures.

CSL Summary and Issues

HPA's 2021-23 current service level budget totals \$146.9 million, which represents a \$17.9 million (11%) decrease from the 2019-21 legislatively approved budget. The CSL budget for General Fund is \$52 million, which represents a \$7.2 million (16%) increase from 2019-21. Most of the total funds change is due to the phase-out of Federal Funds expenditure limitation; the General Fund change is due to the 2019-21 reductions approved during the August 2020 special legislative session, which were one-time.

Not included in the amounts above is a modifying CSL adjustment to reflect a \$17.9 million shortfall in federal revenue available to support existing health information technology projects. The 90% federal match available for these projects sunsets in 2021 and will transition to a 75% match rate. OHA requested a policy package for an increase of \$3.5 million General Fund to meet the larger state match requirement and continue the projects. Without this match, OHA will have to discontinue the Oregon Provider Directory and Clinical Quality Metrics Registry projects and reduce the HIT (Health Information Technology) Commons and Medicaid PreManage projects, as well as eliminate nine program positions. The Governor's recommended budget does not support this request.

Policy Issues

HPA has led OHA's role in the implementation of two legislative priorities from the 2019 session. First, Senate Bill 770 (2019) established a task force to recommend the design of a universal health care program in Oregon and charged OHA with developing a plan for a Medicaid buy-in or public option. With HPA's support, the consulting firm Mannatt produced a report in December 2020 exploring three proposed delivery models for the Legislature to consider during the 2021 session. The report recognizes the on-going and evolving challenges caused by the COVID-19 pandemic that will need to be considered in any option, including health care system inequities, access to testing and treatment, and economic volatility, among others. The Governor's 2021-23 budget recommendation includes \$200,000 General Fund to support HPA's continuation of related policy development and to further address health disparities.

A second legislative priority requiring the strong involvement of HPA has been the design of an annual health care growth target and other recommendations to address the rising cost of health care, as required by Senate Bill 889 (2019). A preliminary draft of these recommendations was published in December 2020 and a full report is expected before the end of January 2021. HPA's work on both of these issues in the 2021-23 biennium is contingent on legislative decisions made during the 2021 session.

Other Significant Issues and Background

The Governor's 2021-23 budget proposal supports two recommendations from the Governor's Behavioral Health Advisory Council. These investments include \$22 million General Fund to increase the availability of community behavioral health services for adults and youth in-transition and \$5 million to increase the diversity of the behavioral health and medical workforce through an incentive fund. Other notable budget recommendations include \$1.6 million to establish a statewide value-based payment structure aligned across all payers and providers and \$0.8 million for new staff to coordinate pharmacy purchasing power across state agencies and with other states. The budget recommendation also transfers the Oregon Health Insurance Marketplace from DCBS to OHA and reestablishes funding - plus adds support for dental benefits - for the COFA Premium Assistance program, which was previously supported in DCBS with one-time funds.

OHA - Public Employees' Benefit Board

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
Other Funds	2,037,301,848	2,116,601,419	2,178,728,140	2,307,227,919	2,311,867,422
Total Funds	\$2,037,301,848	\$2,116,601,419	\$2,178,728,140	\$2,307,227,919	\$2,311,867,422
Positions	19	20	20	20	21
FTE	18.50	19.50	19.50	19.50	20.38

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Public Employees' Benefits Board (PEBB) designs, contracts for, and administers health plans, group insurance policies, and flexible spending accounts for state agencies, universities, Lottery and semi-independent agencies, and participating local governments and special districts. More than 140,000 members are enrolled in PEBB coverage. Members include active employees, retirees, spouse and domestic partner dependents, child dependents up to age 26, and adult children with disabilities over age 26. The Board itself is comprised of eight voting members - four representing labor and four representing management. The Board also has two non-voting advisory members from the Legislature.

CSL Summary and Issues

PEBB's 2021-23 current service level budget totals \$2.3 billion, which represents a 5.9% increase over the 2019-21 legislatively approved budget. This growth results from the phasing-in of expenditure limitation to support an increase in PEBB enrollments and annual inflation. The inflation rate applied for both PEBB and the Oregon Educators Benefit Board (OEBB) continues to be 3.4% per person per year, consistent with the Medicaid budget. Senate Bill 1067 (2017) codified the 3.4% annual inflationary target for PEBB and OEBB.

The resources to pay for state employee health insurance are included in each state agency's budget. These resources may be General Fund, Lottery Funds, Other Funds, or Federal Funds depending on how the personnel costs for each state agency are funded. Once these resources are transferred to PEBB, they are accounted for as Other Funds. State law allows PEBB to collect an amount that equals no more than 2% of total premiums to support administrative and operational needs. In addition to premium and administrative costs, the Other Funds expenditure limitation also covers optional benefits selected by employees, such as life, disability, and long-term care insurance.

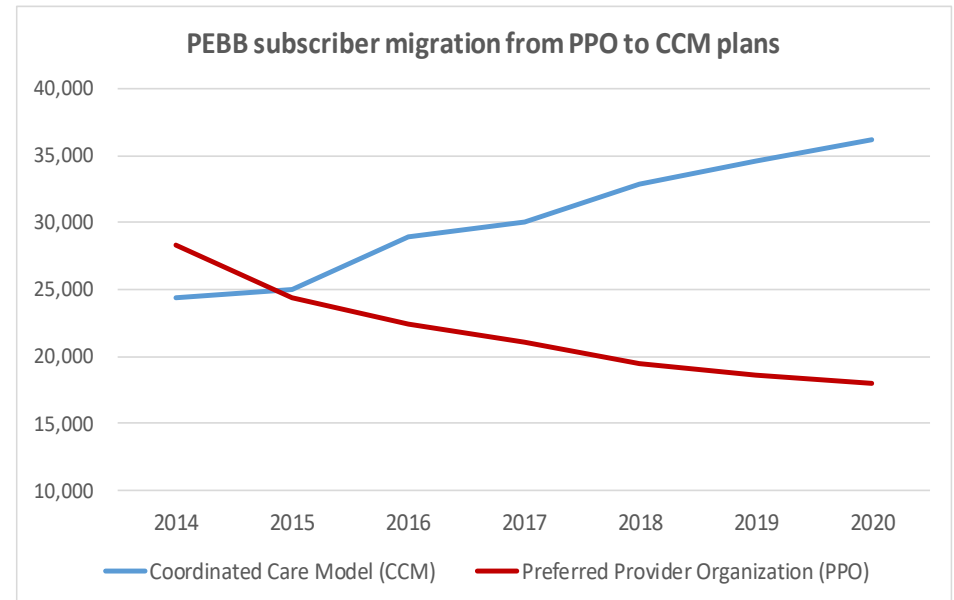
Policy Issues

The cost containment strategy for both PEBB and OEBB is largely focused on controlling premium costs as opposed to shifting costs to members through higher deductibles, copayments, or increased premium share, although member cost increases do occur. The Boards encourage the use of high-value services, such as through value prescription drug formularies, waived copayments for office visits related to

chronic conditions, and no-cost tobacco use cessation programs, among others. PEBB and OEGB have also incorporated value-based payment (VBP) models into plan design and are aligned with the goals of CCO 2.0 to have 70% of total medical expenditures supported through a VBP arrangement by 2024.

A key part of PEBB’s strategy to improve health outcomes while containing costs relates to promoting the use of coordinated care model (CCM) plans instead of more expensive preferred provider organization plans. CCM plans focus on primary care and prevention and have defined quality and access standards. This model aims to reduce the utilization of unnecessary services, improve coordination of disease management across providers, and use innovative reimbursement models.

PEBB and OEGB are still in relatively early stages in terms of experiencing the impact of the cost control changes required by Senate Bill 1067 (2017). The bill required PEBB and OEGB to combine administrative functions and operations and limit hospital reimbursement rates to 200% of Medicare rates for in-network providers and 185% for out-of-network providers. The bill also eliminated “double coverage” and “opt-out” incentive payments. House Bill 2266 (2019) repealed the double coverage and opt-out provisions before they took effect and instead imposed a surcharge for employees who enroll in a PEBB or OEGB plan when already enrolled as a dependent on another PEBB or OEGB plan. Both boards formed a joint innovation workgroup to analyze cost drivers, measure access and quality, and explore alternative payment models focused on the value of care and the potential for meaningful cost savings.



Other Significant Issues and Background

PEBB maintains a risk stabilization account funded by unexpended employer contributions to be able to self-insure according to actuarial standards. The account grows when premium contributions are higher than benefit payouts; when the reverse happens, account balances are used to cover excess costs. At certain times over the past several years, available reserves have been transferred to the General Fund to help rebalance the state’s budget. Based on available excess reserves, the Legislature increased an already planned transfer of \$15 million to \$63 million during the August 2020 special session to help address statewide revenue declines caused by the COVID-19 pandemic. This decision was implemented subsequent to the approval by the Board to use a portion of excess reserves to buy down, or artificially lower, the 2021 composite premium rate increase to 1.6%.

While the Board's lowering of the rate also had the effect of easing employers' budgets, the impact on the state's General Fund works differently than revenue transfers. When a revenue transfer to the General Fund occurs, the entire transfer amount benefits the General Fund budget. However, when state agency contributions are reduced, the savings are spread across all sources of funding agencies use to pay for employee health care. On average, General Fund appropriations support 45% of state agency PEBB contributions.

PEBB and OEGB began exploring options in 2019-21 to replace their outdated benefits management systems with a modern integrated system to improve customer experience, reduce duplication of effort, and make progress on aligning their benefits. In a practical sense, the current systems are unable to meet seemingly basic business needs that are standard features of modern subscriber-based systems. These needs include the ability of PEBB and OEGB members to securely access and change their personal account information; updating family member eligibility with legal documentation that contains personally identifiable information; exchanging secured communications between members and program support staff; and enhancing remote capabilities for benefits administrators to properly manage accounts for their organizations and employees. The Governor's 2021-23 budget recommendation includes \$8.1 million to advance this work, with each program supporting roughly half the costs from their administrative assessments. The revenue to pay for this cost would come from both programs' administrative fees.

OHA - Oregon Educators Benefit Board

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
Other Funds	1,651,752,350	1,740,140,020	1,803,951,140	1,870,909,113	1,875,282,273
Total Funds	\$1,651,752,350	\$1,740,140,020	\$1,803,951,140	\$1,870,909,113	\$1,875,282,273
Positions	19	20	20	20	21
FTE	19.00	20.00	20.00	20.00	20.88

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Oregon Educators Benefit Board (OEBB) administers medical, dental, vision, and other benefits for over 155,000 employees, retirees, and their family members in Oregon’s K-12 school districts, education service districts, and community colleges, as well as some charter schools and local governments.

The Board is comprised of 10 members appointed by the Governor and confirmed by the Senate. Members represent: district boards (two) and management (two); non-management district employees from the large labor organization representing district employees (two); non-management district employees from the second largest labor organization representing district employees (one); and non-management district employees who are not represented by labor organizations (one). Also appointed are two members with expertise in health policy or risk management. Like PEBB, OEBB has budget authority for 20 state employee positions to manage operations and support the work of the Board. The executive director of PEBB also serves as OEBB’s executive director; this dual role was formalized upon the passage of Senate Bill 1067 (2019).

CSL Summary and Issues

OEBB’s 2021-23 current service level budget totals \$1.9 billion, which represents a 3.7% increase over the 2019-21 legislatively approved budget. This growth is the result of the phase-in of expenditure limitation to support growing OEBB membership and inflationary expenses. As with PEBB, inflationary expenses in OEBB’s budget are capped at 3.4% per member per year. OEBB is budgeted entirely with Other Funds revenue received from members’ premium payments. The program’s administrative costs are supported through an assessment that cannot exceed 2% of total monthly premiums. As of OEBB’s 2020-1 plan year, the administrative assessment totals 1.3%.

Policy Issues

OEBB has controlled costs by offering its members a wide-range of plans, and—much like PEBB— encouraging the migration from PPO to lower premium CCM plans, as well as implementing VBP models. OEBB has held annual medical premium increases below 3.4 percent since the 2010-11 plan year. An on-going policy discussion with both OEBB and PEBB has involved ways to eliminate duplicate program functions

and enhance the purchasing power. Senate Bill 1067 (2017) required both boards to create a plan for merging functions and operations. This process resulted in the implementation of a hybrid board model in which joint OEGB-PEBB innovation and shared service subgroups were formed, with the boards otherwise maintaining their separate legal structure and governance

Other Significant Issues and Background

As discussed above with PEGB, OEGB is requesting a funding increase of \$4 million in 2021-23 to support its share of costs to advance a project to replace the PEGB and OEGB benefits management systems with a modernized integrated system. If approved, these costs will be supported by OEGB's administrative assessment.

OHA - Public Health Division

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	60,694,453	94,764,237	94,184,559	99,730,924	132,351,942
Lottery Funds	1	-	-	-	-
Other Funds	176,369,940	218,058,929	354,071,236	232,022,624	273,472,339
Other Funds (NL)	28,363,870	40,000,000	40,000,000	40,000,000	40,000,000
Federal Funds	218,183,282	276,352,311	502,262,919	294,929,948	342,306,404
Federal Funds (NL)	70,900,974	102,729,051	102,729,051	102,729,051	102,729,051
Total Funds	\$554,512,520	\$731,904,528	\$1,093,247,765	\$769,412,547	\$890,859,736
Positions	768	767	782	758	837
FTE	736.77	755.53	764.47	754.84	808.31

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Public Health Division (PHD) administers a variety of programs addressing the behavioral and social drivers of health to ensure the state's physical and social environments promote health and make it easier for people to make healthy choices. Public Health's programs complement investments in health care programs by focusing on prevention and have important impacts on reducing the need for costly health care services. Oregon's public health system includes federal, state, counties and local agencies, private organizations, and numerous other partners. Public Health operates some programs directly and funds and coordinates other programs through local public health authorities across Oregon.

The division is funded primarily through federal funds, including over 70 grants categorically dedicated to specific programs, such as emergency and hospital preparedness, cancer prevention and control, and safe drinking water. PHD also collects Other Funds through various fee-based programs, including newborn screening tests, licensing of hospital and inpatient care facilities, registration and inspection of x-ray equipment, testing and certification of emergency medical technicians, registration of medical marijuana cardholders, growers and dispensaries, and fees for issuing certified vital records. Non-limited Federal Funds support the Women, Infants and Children nutrition program. General Fund supports approximately 13 percent of the Public Health budget as of the 2019-21 LAB. The main programs funded with General Fund support local public health authorities, School Based Health Centers, Contraceptive Care, and the Breast and Cervical Cancer Screening Program.

CSL Summary and Issues

PHD's 2021-23 current service level budget totals \$769.4 million, which represents a \$323.8 million (30%) decrease from the 2019-21 legislatively approved budget. The CSL budget for General Fund is \$99.7 million, which represents a \$5.5 million (6%) decrease from 2019-21. The large total funds decrease is driven by the one-time federal dollars available in 2019-21 for COVID-19 response activities. The CSL budget also phases-out \$1.2 million in one-time General Fund appropriated in 2019-21 biennium to enhance support for the Senior Farm Direct Nutrition and the Women, Infants, and Children Farm Direct Nutrition programs.

Policy Issues

The State Health Improvement Plan, which is a five-year plan developed by OHA and its partners, helps guide PHD's priorities and policy work. The plan developed for 2020 through 2024 is titled "Healthier Together Oregon," or HTO, and focuses on the social determinants of health and inequities driving disproportionate health outcomes due to structural racism, discrimination, bias, and oppression. HTO is based on five upstream determinants of health: institutional bias; adversity, trauma, and toxic stress; behavioral health; economic drivers of health; and access to equitable preventive care. The implementation framework developed for HTO, which will be updated annually, helped inform, at least in part, some of OHA's 2021-23 budget requests.

PHD continues implementing the universally offered nurse home visiting program pursuant to legislation adopted in the 2019 session (SB 526). The implementation plan calls for a three biennia phased-in approach, with eight communities having volunteered to be the initial cohort to adopt Oregon's home visiting model prior to expanding rollout to other communities. However, the COVID-19 pandemic derailed the program's momentum. OHA's 2021-23 budget proposal included an \$8.1 million request to continue program implementation; however, this proposal was not supported in the Governor's budget recommendation. Without additional funding, OHA's implementation of the statutorily required program could experience further delays, although the degree to which additional funding is necessary will depend on the status of the pandemic and OHA's ability to sufficiently shift its focus back to non-pandemic priorities.

The Governor's 2021-23 budget recommendation includes the transfer of Oregon's Health-Related Licensing Boards to the Health Licensing Office within PHD. Health-Related Licensing Boards are currently treated as one agency for the ease of budgetary reporting; however, the boards represent six statutorily independent entities. The boards include: the Oregon Mortuary and Cemetery Board, Board of Naturopathic Medicine, Occupational Therapy Licensing Board, Board of Medical Imaging, State Board of Examiners for Speech-Language Pathology and Audiology; and Oregon Veterinary Medical Examining Board. The proposal is to transfer the budget and position authority halfway through the 2021-23 biennium, which gives lead time for the Legislature to review the proposal during the 2021 session, adopt necessary legislation (no legislative concept was proposed), and implement the organizational changes.

In addition to the issues identified above, the Governor has proposed several legislative concepts for the 2021 legislative session involving PHD. These include banning the sale of flavored tobacco and vaping products; creating a tobacco retail licensure; establishing an emergency health care systems program and advisory board; and expanding OHA's authority to remediate lead-based paint.

Other Significant Issues and Background

Oregon's public health modernization effort is a top agency priority, with core objectives being to ensure the right public health protections are in place for everyone, the public health system is prepared and sufficiently resourced to address emerging health threats, and the system is structured to eliminate health disparities. In 2016, an assessment completed by state and local public health agencies identified significant gaps between Oregon's public health system and a fully modernized system that provides core public health services to all Oregonians. The assessment estimated an additional \$105 million per year is needed to fully implement a modernized public health system. The 2017-19 budget included a \$5 million General Fund appropriation to begin addressing these gaps and an additional \$10 million was appropriated in 2019-21. This funding has supported Oregon's COVID-19 response through additional state and local epidemiologists to track data and quickly manage and respond to outbreaks. The Governor's 2021-23 budget recommendation includes \$30 million General Fund to advance local public health authority, tribal government, and community-based organization modernization activities.

PHD's Other Funds revenue includes many different professional and licensing fees across various programs. For the 2021-23 biennium, the Governor's budget proposes increases in the following program fees: cosmetology licensing fees, radiation protection services, environmental and cannabis laboratory accreditation fees, ambulance licensing fees, respiratory therapist and polysomnographic technologist licensing fees, and prescription drug monitoring licensing fees.

OHA - Oregon State Hospital

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	505,058,883	497,517,026	599,193,421	603,741,583	625,758,215
Other Funds	37,128,602	70,328,792	41,058,715	39,289,680	39,106,668
Federal Funds	34,465,284	38,929,554	35,648,343	28,853,749	28,392,870
Total Funds	\$576,652,769	\$606,775,372	\$675,900,479	\$671,885,012	\$693,257,753
Positions	2,286	2,284	2,321	2,309	2,272
FTE	2,279.45	2,283.82	2,331.67	2,308.82	2,273.74

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Oregon State Hospital's (OSH) primary goal is to help people recover from their mental illness and return to life in their communities. OSH operates two primary campuses and one secure residential treatment facility, which collectively are budgeted to serve up to 692 individuals from across the state. This includes 592 beds at the Salem campus, 100 beds at the Junction City campus, and 16 beds at the secure residential treatment facility operated by OSH in Pendleton.

Patients receiving treatment in OSH fall into three main commitment types:

- Civil Commitments - people who have been found by the court to be an imminent danger to themselves or others, or who are unable to provide for their own basic health and safety needs due to their illness.
- Guilty Except for Insanity - people who committed a crime and are found by a court to be Guilty Except for Insanity. Although these patients receive treatment at OSH, they are under the jurisdiction of the Psychiatric Security Review Board.
- Aid and Assist - people who have been charged with a crime but have been found unable to participate in their legal proceedings due to a mental illness and are in need of mental health treatment to enable them to understand the criminal charges against them and "aid and assist" in their own defense.

CSL Summary and Issues

OSH's 2021-23 current service level budget totals \$671.9 million, of which \$603.7 million is General Fund. This represents a modest net change compared to the 2019-21 legislatively approved budget. As a 24-hour institution serving patients with complex psychiatric needs, OSH

has very different operational requirements compared to the rest of the agency. The hospital's primary cost driver is staff, most of whom are involved in direct patient care.

OSH is mostly funded with General Fund. Other Funds revenue comes from Medicare, Medicaid, third-party insurance, and the operation of a café and other enterprise-type activities. Reimbursements from insurance are limited; many patients are uninsured at the time of their admission to OSH. Federal law precludes institutions of mental disease with more than 16 beds from billing Medicaid for most services provided, and Medicare has a lifetime limit of 180 days per patient for inpatient psychiatric treatment. Federal Funds come from disproportionate share hospital payments, which are capped at approximately \$5.0 million times Oregon's traditional FMAP rate per quarter.

Policy Issues

The State Hospital is a critical part of Oregon's behavioral health continuum of care. When capacity is insufficient at the State Hospital or in the community, system bottlenecks occur and patients suffer because they do not receive the level of treatment appropriate for their mental illness. Not only can capacity issues result in patient treatment setbacks, it can also carry legal ramifications. Under a 2003 federal court order, Aid and Assist patients must be admitted to OSH within seven days of a court's ruling. If admissions do not achieve this timeliness standard, OHA can be held in contempt of court.

While \$7.6 million was invested in community-based services in 2019-21 and Senate Bill 24 (2019) changed how Aid and Assist clients could be assigned to the hospital, these changes have not stemmed the increase in this population. OSH has attributed recent budget challenges to this influx, because Aid and Assist patients are less likely to have insurance when they enter the hospital and they are more likely to require additional staff to manage their behavior. The Governor's 2021-23 budget includes \$22.6 million to further address this issue by adding community residential treatment beds and staffing a dedicated unit in OHA overseeing community-based services received by these clients.

Because the Salem campus has continued to make beds available to serve individuals under Aid and Assist orders, the Junction City campus activated an additional ten hospital beds in fall 2019 for civil commitment patients. The campus also opened two eight-bed residential treatment cottages to transition civil commitment patients to lower levels of care. OHA's 2021-23 budget proposal included a request to convert the cottages to a secure residential treatment facility to better meet the needs of individuals transitioning from hospital care. The agency has also proposed funding for opening the remaining two unopened units at Junction City, which would bring the Junction City Campus to full capacity in 2021. The Governor's budget recommendation did not support these requests.

OHA - Central, Shared Services, and State Assessments & Enterprise-wide Costs

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	214,825,433	249,467,565	258,401,978	294,394,080	289,137,073
Lottery Funds	231,567	248,250	499,984	258,707	518,051
Other Funds	163,084,713	210,518,803	272,757,012	225,293,711	227,612,344
Other Funds (NL)	-	-	234,869,903	-	-
Federal Funds	55,064,621	56,541,163	58,061,477	67,416,126	73,675,208
Federal Funds (NL)	3,728,175	3,467,210	3,467,210	-	-
Total Funds	\$436,934,509	\$520,242,991	\$828,057,564	\$587,362,624	\$590,942,676
Positions	652	699	709	675	727
FTE	636.00	688.41	692.93	674.89	724.85

* Includes Emergency Board and administrative actions through January 2021.

Program Description

OHA's central leadership and operational support functions are supported within three budget units:

- **Central Services:** includes functions supporting the leadership and central operational support of the agency, such as the director's office, budget and financial services, human resources, external relations, and equity and inclusion functions.
- **Shared Services:** supports certain business functions for both OHA and DHS under an inter-agency agreement. Although all shared service functions support both agencies, some are housed in OHA and others in DHS. OHA's shared services budget includes the Office of Information Services, which provides information technology support to both agencies. Shared Services is funded entirely by Other Funds transferred from different OHA and DHS programs through a federally approved cost allocation plan.
- **State Assessments and Enterprise-wide Costs (SAEC):** the SAEC budget supports various DAS assessments and charges, such as those supporting the Oregon State Library, Chief Financial Office, and Secretary of State audits, among others. It also supports direct charges, rent, debt service, computer purchases, mass transit, and unemployment insurance. The revenue to pay for OHA's portion of Shared Services is also included in this budget.

CSL Summary and Issues

The 2021-23 current service level totals \$587.4 million, which represents a \$240.7 million decrease from the 2019-21 legislatively approved budget. This significant change is driven by the removal of unneeded non-limited Other Funds expenditure limitation for debt service in the CSL process. The General Fund changes at CSL result from standard inflationary costs and cost allocation expenses.

Policy Issues

The Equity and Inclusion Division has prominent role in terms of working on OHA's goal to eliminate health inequities within the next 10 years. The division develops programs and initiatives related to health equity policy. In 2019, the division developed health equity requirements for coordinated care organization contracts, helped develop health equity metrics for CCOs to develop language access plans and collect and report language interpreter data, and led the development of a new health equity definition, which was adopted for use by the Oregon Health Policy Board. In 2020, the division developed and continues to manage a one-time health equity grant program to address racial disparities that have been heightened due to the COVID-19 pandemic. The Emergency Board approved \$45 million CRF for this purpose in June 2020 and subsequently allocated \$11.3 million General Fund to continue the program over the first three months of 2021. The division represents a meaningful part of the Governor's 2021-23 budget proposal for OHA in terms of investment requests.

Other Significant Issues and Background

These budgets are affected by or connected to 15 policy packages in the Governor's 2021-23 budget recommendation. In terms of funding, the major packages directly affecting these programs include the following:

- \$7.8 million General and four positions for expanding the Community Partners and Outreach Program's work with assisting Oregon Health Plan members to access care.
- \$5.8 million General Fund and 17 positions for implementing OHA's plan to eliminate health disparities and to increase community engagement with communities of color, people with disabilities, LGBTQ communities, immigrants, and tribal communities.
- \$3 million General Fund and 14 positions for collecting sexual orientation and gender identity data to allow and monitor health equity outcomes and support regional community-based training and technical assistance programs for providers.
- \$2 million General Fund to enhance Race, Ethnicity, Language, and Disability data (REAL D) collection.

Key Performance Measures

A copy of the OHA Annual Performance Progress Report can be found on the LFO website.

https://www.oregonlegislature.gov/lfo/APPR/APPR_OHA_2020-10-12_V2.pdf