



OFFICE OF THE DIRECTOR

Kate Brown, Governor

Oregon
Health
Authority

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May 12, 2021

The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

NATURE OF REQUEST

The Oregon Health Authority (OHA) requests receipt of this letter as its Spring 2021 Rebalance Report for the 2019-21 biennium.

AGENCY ACTION

Based on actual expenditures through March 2021 and updated projections through the end of the biennium, OHA is projecting a \$174,848,528 General Fund net savings for the rebalance issues.

OHA is identifying \$66,286,559 in General Fund budget challenges. General Fund savings total \$239,150,919. Additionally, the agency is projecting a decrease for Other Funds limitation by \$5,807,409 and an increase for Federal Funds limitation by \$167,321,358.

Health Systems Division

The Health Systems Division projects a \$53,057,663 General Fund need and \$234,573,245 in General Fund savings for a net of \$181,515,582 in General Fund savings.

Oregon Health Plan Caseload Forecast Update –Updating the Oregon Health Plan caseload budget from the Spring 2020 Caseload Forecast to the Spring 2021 Caseload Forecast results in \$53,057,663 General Fund need (\$214.5 million Total Funds) for this rebalance. Caseload increases in the Affordable Care Act (ACA) adults (ages 19 to 45) and Aid to the Blind/Disabled eligibility groups are driving increased cost estimates. The data show increased new entries and decreased exits related to COVID-19. The federal government extended the public health emergency into July 2021,

which also extends the enhanced Medicaid match rate and eligibility policies that keep people on the Oregon Health Plan longer. The Biden Administration has stated that the public health emergency will likely remain in place for the entirety of 2021. See Attachment B for details.

COVID-19 Enhanced Medicaid Match Savings – As part of the Families First Coronavirus Response Act (FFCRA) Congress added an additional 6.2 percent to the Medicaid match rate and 4.34 percent to the Children’s Health Insurance Program (CHIP) match rate. The COVID-19 additional match rate is currently included in the Health Systems Division budget through the end of December 2020. Extending it through the end of the biennium provides \$151,622,663 in General Fund savings.

Medicaid/Oregon Health Plan Cost Changes – The Oregon Health Plan is projecting to spend \$78,982,051 General Fund less than budgeted in 2019-21 for fee-for-service payments, CCO capitation payments, Medicare Part B premiums, and Medicare Part D prescription drug ‘clawback’ payments to the federal government. The savings are primarily due to lower average per person utilization during the COVID-19 pandemic.

Administrative Savings – The Health Systems Division is identifying \$2,468,531 one-time General Funds savings in administrative costs. These savings include COVID-19 relief reimbursement to cover payroll costs for staff supporting the pandemic response, a delay in the Compass project to obtain federal funding approval, unused travel budget and vacancy savings.

COVID-19 Vaccine Administration Savings – The January 2021 Emergency Board allocated \$3 million General Fund to the Health Systems Division to cover the cost of COVID-19 vaccine administration to Oregon Health Plan members for the last six months of the biennium. The American Rescue Plan Act of 2021 provides 100 percent federal match for vaccine administration effective April 1, 2021. Since federal match will cover three of the last six months of the biennium, \$1.5 million General Fund is identified as projected savings.

Oregon State Hospital

The Oregon State Hospital projects \$13,228,896 in General Fund challenges and \$3,071,728 in General Fund savings for a net of \$10,157,168 in General Fund need.

COVID-19 Expenses – The hospital is projecting a \$13,228,896 General Fund need from COVID-19 expenses. These expenses are primarily from regular and overtime

wages for COVID-19 activities, including the operation of screening stations and units to serve patients who either tested positive for having the virus or were determined to be potentially infected following a screening. The hospital incurred costs for personal protective equipment and other supplies. Total COVID-19 related expenses equal \$27.3 million but this amount is offset by funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and pending FEMA reimbursement totaling \$14.1 million. If additional CRF funding becomes available, it could be used in lieu of General Fund dollars.

Medicaid Recoupment Savings – The OHA Office of Program Integrity completed a series of hospital payment audits based on claims processed by the Medicaid Management Information System. Those audits determined that the Oregon State Hospital was overpaid for a variety of reasons stemming from systemic issues within both the payment system and the hospital’s billing and documentation processes. The Legislature provided \$8,148,865 General Fund relief for these overpayments at the August Special Session. After processing all the financial entries for the recoupments, the system recouped \$7,061,305 from the hospital, leaving \$1,087,560 General Fund.

Rivers Run Program Discontinuation – As part of the Aid and Assist capacity response, the Oregon State Hospital opened a Residential Treatment Facility (RTF), known as Rivers Run, at Junction City, consisting of two eight-bed cottages. The hospital was able to transition civilly committed patients into the RTF environment and use that bed space for Aid and Assist patients on the Salem campus. As Aid and Assist hospital capacity pressures have increased, the admittance of civil patients has all but halted and it no longer has the volume of civilly committed patients to effectively occupy the RTF cottages. In April 2021, the Oregon State Hospital discharged its last patients from Rivers Run and closed the facility. This action results in \$1,984,168 in General Fund savings.

Health Policy and Analytics

Administrative Savings – Health Policy and Analytics is projecting \$1,405,849 in administrative General Fund savings for a variety of reasons including, COVID-19 relief reimbursement, suspension of the Client Quality Metrics Registry and Provider Directory programs, vacancy savings, and other service and supply categories not projected to be fully spent.

Public Health Division

Wildfire Response and Domestic Well Testing – The Public Health Division is projecting \$150,000 in General Fund savings in the Domestic Well Testing program. The program received \$600,000 to address the wells in the wildfire area. That work has rolled out slower than anticipated. Before people can be allowed on the property and the tests can take place, the ash and debris have to be removed first and that clean-up is taking more time than anticipated.

Debt Service

Debt Service Savings – The \$1,934,265 General Fund savings for Debt Service are due to a change in the payment schedule from Department of Administrative Services (DAS). The last payment for the 2019-21 biennium was made in April 2021 and there are no further scheduled payments, thus causing a savings.

On the next page is a table that displays the OHA Rebalance costs and savings by fund type and requests for position authority.

Summary of OHA Challenge and Savings by Fund Type (in millions)*

Challenges	General Fund Need/(Savings)	Other Funds Need/(Savings)	Federal Funds Need/(Savings)	Total Funds Need/(Savings)	Pos.	FTE
OHP Caseload Forecast Update	\$53.1	-	\$161.5	\$214.6		
OSH COVID-19 Expenses	\$13.2	-	-	\$13.2		
Total Challenges	\$66.3	-	\$161.5	\$227.8	0	0.00
Savings						
COVID -19 Enhanced Medicaid Match	(\$151.6)	(\$5.8)	\$157.4	-		
Medicaid/OHP Cost Changes	(\$79.0)	-	(\$144.3)	(\$223.3)		
HSD Administrative Savings	(\$2.5)	-	-	(\$2.5)		
Debt Service Savings	(\$1.9)	-	-	(\$1.9)		
COVID-19 Vaccine Administration Savings	(\$1.5)	-	(\$4.5)	(\$6.0)		
OSH Medicaid Recoupment Savings	(\$1.1)	-	-	(\$1.1)		
OSH Rivers Run Program Discontinuation	(\$2.0)	-	-	(\$2.0)		
HPA Administrative Savings	(\$1.4)	-	(\$2.7)	(\$4.1)		
PH Wildfire Response/Domestic Well Testing	(\$0.2)	-	-	(\$0.2)		
Total Savings	(\$241.1)	(\$5.8)	\$5.8	(\$241.1)	0	0.00
Limitation Adjustments						
Public Health Grant	-	-	(\$0.07)	(\$0.07)	(1)	(0.25)
Total Limitation Adjustments	-	-	(\$0.07)	(0.07)	(1)	(0.25)
Net OHA Spring 2021 Rebalance	(\$174.8)	(\$5.8)	\$167.3	(\$13.3)	(1)	(0.25)

*Due to rounding, numbers may not add up precisely to totals.

Risk Factors, Challenges and Outstanding Issues

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

- COVID-19 pandemic impact on Oregon State Hospital costs and Oregon Health Plan caseloads.
- Federal policy changes that may impact programs and budgets.
- Revenue collections versus projections.

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OHA Cash Flow

Because OHA's budget relies on significant amounts of revenue that are not received until late in biennium or after the biennium ends, the agency must obtain a loan from the Oregon State Treasury every two years. This last rebalance report of the 2019-21 biennium reflects a \$174.8 million General Fund savings. To help mitigate OHA's cash flow challenge and the amount it will need to borrow from Treasury, OHA requests the disappropriation of these savings be delayed, if possible.

ACTION REQUESTED

Acknowledge receipt of the OHA Spring 2021 Rebalance Report.

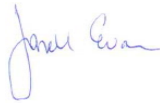
LEGISLATION AFFECTED

See Attachment A.

Sincerely,



Patrick M. Allen
Director



Janell Evans
Budget Director

Enc: Attachment A – Legislation Affected
Attachment B – Spring 2021 Oregon Health Plan Caseload Forecast

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

ATTACHMENT A

**OREGON HEALTH AUTHORITY
SPRING 2021 REBALANCE ACTIONS
APPROPRIATION AND LIMITATION ADJUSTMENTS**

DIVISION	PROPOSED LEGISLATION / SECTION	FUND	REBALANCE ADJUSTMENTS	APPR #
Debt Service	Ch 695 1(5)	General	(\$1,934,265)	85801
		Total	(\$1,934,265)	
OSH	Ch 695 1(2)	General	\$10,157,168	87802
	Ch 695 2(2)	Other		34802
	Ch 695 4(2)	Federal		64802
		Total	\$10,157,168	
OHA Health Services Programs	Ch 695 1(1)	General	(\$182,881,431)	87801
	Ch 629 11	General		87828
	Ch 560 7	General	(\$190,000)	87829
	Ch 695 3(1)	Lottery		44801
	Ch 695 2(1)	Other	(\$5,807,409)	34801
	Ch 695 4(1)	Federal	\$167,321,358	64801
	Ch 695 Sec. 6	Other PEBB Revolving Fund		34804
	Ch 695 Sec. 7	Other OEGB Revolving Fund		34805
		Total	(\$21,557,482)	

ATTACHMENT B

Spring 2021 Oregon Health Plan Caseload Forecast

Eligibility Category	2019-21 Fall 2020 Forecast	2019-21 Spring 2021 Forecast	Difference Problem/ (Savings)	Percent of Change	General Fund Problem/ (Savings) in Millions	Total Funds Problem/ (Savings) in Millions
Affordable Care Act (ACA)	412,711	418,929	6,218	1.5%	\$7.6	\$81.8
Parent/Caretaker Relative	89,610	90,003	394	0.4%	\$2.2	\$6.5
Pregnant Women	8,764	8,723	(41)	-0.5%	(\$0.7)	(\$1.9)
Children's Medicaid Program	310,609	311,688	1,079	0.3%	(\$4.0)	(\$10.5)
Aid to Blind and Disabled	84,700	86,823	2,123	2.5%	\$29.8	\$87.4
Old Age Assistance	48,762	49,818	1,056	2.2%	\$7.9	\$23.1
Foster/Adoption & BCCP	19,837	19,697	(140)	-0.7%	(\$1.0)	(\$2.8)
Children's Health Insurance Program	91,474	93,674	2,200	2.4%	\$1.9	\$12.4
Non-OHP (CAWEM, QMB, OSIP)	67,429	67,104	(325)	-0.5%	(\$0.2)	(\$0.5)
CAWEM Prenatal	2,556	3,049	493	19.3%	\$1.9	\$12.3
Cover All Kids	6,497	6,418	(79)	-1.2%	(\$0.3)	(\$0.3)
19-21 SubTotal	1,142,948	1,155,925	12,977	1.1%	\$45.1	\$207.3
Other Non-OHP (Part A, B, & D)	226,122	228,750	2,628	1.2%	\$7.9	\$7.2
2019-21 Total					\$53.1	\$214.6

Impact of Spring 2021 Caseload Forecast

General Fund	Federal Funds	Total Funds
\$53,057,663	\$161,497,392	\$214,555,055