

ANALYSIS

Item 1: Department of Human Services 2021-23 Close Out Plan

Analyst: Gregory Jolivette

Request: Increase Federal Funds expenditure limitation for the Department of Human Services by \$32,378,148 to close out the 2021-23 biennium budget.

Analysis: The Department of Human Services is requesting increases in Federal Funds expenditure limitation necessary for the agency to close the 2021-23 biennium. The agency's request consists of the following:

1. For the Aging and People with Disabilities program, the agency is requesting an increase of \$25,952,734 Federal Funds expenditure limitation. The increase is based on Oregon receiving a higher federal match – 90% rather than the assumed 79% – for certain home and community-based services claims submitted between April 1, 2021, and July 31, 2022. An issue with the ONE eligibility system, which has been resolved, prevented the recognition of certain consumers who were eligible for services supported at the 90% federal match rate available under the Affordable Care Act.
2. The Intellectual and Developmental Disabilities program seeks an increase of \$2,425,414 Federal Funds expenditure limitation. This increase is driven by two factors: a backlog of claims that were not projected in previous rebalances, and higher than budgeted caseloads for the last several months of the biennium, particularly in adult in-home supports and 24-hour residential care.
3. In Central Services, contractual costs for information technology system maintenance of the integrated eligibility system exceeded projections, resulting in the need for \$4,000,000 in Federal Funds expenditure limitation. Invoices for the period of March through June 2023 were higher than assumed in the adjustments included in the agency's May 2023 budget rebalance.

Since each of the programs discussed above are supported by a combination of General Fund and Federal Funds, these adjustments will result in estimated net savings of up to \$2,000,000 General Fund. The estimated General Fund savings, which are mostly associated with the corrected federal match for home and community-based services, can no longer be expended in 2021-23 and will revert to the General Fund.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase Federal Funds expenditure limitation by \$32,378,148 for the Department of Human Services' final 2021-23 budget adjustments, per the table below:

DEPARTMENT OF HUMAN SERVICES 2021-23

November 2023

Division/Apropriation Reference	Fund Type	Adjustment to Leg Approved Budget
<u>Expenditure Limitation Adjustments:</u>		
Central Services		
Ch 606 3(1), OL 2021	Federal Funds	4,000,000
Aging and People with Disabilities Programs		
Ch 606 3(6), OL 2021	Federal Funds	25,952,734
Intellectual/Developmental Disabilities Programs		
Ch 606 3(7) OL 2021	Federal Funds	2,425,414
Department Total		32,378,148

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Department of Human Services
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Request: Increase Federal Funds expenditure limitation by \$32,378,148 for the 2021-23 biennium to allow the agency to perform final biennial closeout accounting activities.

Recommendation: Approve the request.

Discussion: During the six-month period from July 1 through December 31 of odd numbered years, state agencies finalize expenditure reporting from the prior biennium. Based on actual expenditures through June 30, 2023, and final outstanding expenses for the 2021-2023 biennium, the Oregon Department of Human Services anticipates needing additional Federal Funds expenditure limitation to close out accounting entries, make final payments, and finalize biennial financial reports. Specifically, an additional \$32.4 million Federal Funds expenditure limitation is needed across Central Services, Aging and People with Disabilities (APD) and Intellectual and Developmental Disabilities (I/DD).

Within Central Services, end-of-biennium contractual services exceeded projections for the ONE System and resulted in additional billable hours. The Department anticipates a need for an additional \$4.0 million Federal Funds expenditure limitation to pay final bills and close the Central Services appropriation.

Within APD, a backlog of claims that carried an incorrect Federal Medicaid Assistance Percentage was received after the Spring 2023 rebalance for 2021-2023. The outstanding claims receive a 90.0 percent federal matching rate due to Medicaid expansion under the Affordable Care Act. In order to record the federal expenditures appropriately, APD needs an increase of \$25,952,734 Federal Funds expenditure limitation. The payment sub-systems have been fixed and the issue is not anticipated to result in future claims errors.

I/DD also experienced a backlog of claims and an increase in caseload driven costs, resulting in the need for an additional \$2,425,414 Federal Funds expenditure limitation for 2021-2023. The I/DD caseload exceeded the forecast, specifically within Adult In-Home, Children's In-Home, and Adult 24-hour residential. The Department was able to cover the General Fund need for these cost increases but requires additional Federal Funds expenditure limitation.

Legal Reference: Increase Federal Funds expenditure limitation established by chapter 606, section 3(1), Oregon Laws 2021, for the Department of Human Services, Central Services, by \$4,000,000 for the 2021-23 biennium.

Increase Federal Funds expenditure limitation established by chapter 606, section 3(6), Oregon Laws 2021, for the Department of Human Services, Aging and People with Disabilities Programs, by \$25,952,734 for the 2021-23 biennium.

Increase Federal Funds expenditure limitation established by chapter 606, section 3(7), Oregon Laws 2021, for the Department of Human Services, Intellectual/Developmental Disabilities Programs, by \$2,425,414 for the 2021-23 biennium.



October 13, 2023

The Honorable Senator Rob Wagner, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
State Emergency Board
900 Court St. NE
H-178 State Capitol
Salem OR 97301

RE: ODHS 21-23 Biennium Close Out Request Report

Dear Co-Chairs:

Nature of the Request

To close out the 2021-23 biennium, the Oregon Department of Human Services (ODHS) requests an increase of \$25,952,734 Federal Funds expenditure limitation within Aging and People with Disabilities (APD), \$2,425,414 Federal Funds expenditure limitation within Intellectual and Developmental Disabilities (I/DD), and \$4,000,000 Federal Funds expenditure limitation within Central Services.

Background

During the six-month period from July 1 through December 31 of odd numbered years, ODHS finalizes expenditure reporting from the prior biennium. Provided an expenditure was incurred by June 30, the accounting entry should be recorded in prior biennium. Based on actual expenditures through June 30, 2023, and anticipated outstanding expenses for the 2021-23 biennium, ODHS expects an overall net impact for Federal Funds expenditures only that exceed the Legislatively Approved Budget in APD, I/DD and Central Services.

Aging and People with Disabilities (APD)

APD has a net challenge of \$25,952,734 Federal Funds, due to corrections to APD Medicaid billing after the Spring 2023 rebalance. The “Affordable Care Act” (ACA) is the name for the comprehensive health care reform law (passed in 2010) and its amendments. The law addresses health insurance coverage, health care costs, and preventive care. Eligible claims (related to Medicaid expansion under the ACA) receive a Federal Medical Assistance Percentage (FMAP) of 90 percent. In the prior biennium, APD billing sub-systems were not populating some claim records correctly to receive a 90/10 FMAP rate. The sub-systems were corrected in August 2022. However, there were two rounds of corrections going back to July 2020. The first round was completed in September 2022. The second round was completed after the Spring 2023 rebalance request, and the impact on Federal Funds expenditure limitation was not known until the end of the biennium. ODHS requests an increase in Federal Funds expenditure limitation as a result of this correction.

Intellectual and Developmental Disabilities (I/DD)

I/DD has a net challenge of \$2,425,414 Federal Funds, due to a backlog of claims and an increase in caseloads above what was forecasted. After the end of the biennium, a backlog of claims was processed, resulting in unanticipated expenditures for the 2021-23 biennium. Providers have up to 12 months to submit claims for reimbursement, and the number of claims that came in after the biennium close, due in part to a backlog, resulted in expenditures above forecast. Secondly, the I/DD caseload exceeded projections in the last months of the biennium. Specifically, the caseloads for Adult In-Home, Children’s In-Home, Behavioral Services. and Adult 24 hour residential caseloads.

Central Services (Central)

Central Services has an estimated net challenge of \$4 million Federal Funds. This is mainly attributed to end-of-biennium contracted services exceeding projections for Information Technology (IT) system maintenance of the integrated eligibility system, which is necessary for medical, food, cash, and childcare assistance. Contractual services spending of IT system maintenance exceeded projections and resulted in additional billable hours. This included building out the mobile application, performing system changes to implement legislatively mandated changes, and federally required

updates to perform eligibility for programs related to the ending of the public health emergency and implementation of new waivers.

Agency Request

ODHS requests the November 2023 Emergency Board increase Federal Funds expenditure limitation of \$32,378,148 for 2021-23, to allow the agency to perform final biennial closeout accounting activities.

Legislation Affected

See Attachment A.

Sincerely,



Fariborz Pakseresht
Director

ENC: Attachment A – Legislation Affected

EC: Amanda Beitel, Legislative Fiscal Office
Gregory Jolivet, Legislative Fiscal Office
Kate Nass, Department of Administrative Services
Mike Streepey, Department of Administrative Services

**OREGON DEPARTMENT OF
HUMAN SERVICES**

ATTACHMENT A

2021-23 Closeout rebalance

APPROPRIATION AND LIMITATION ADJUSTMENTS

DIVISION	PROPOSED LEGISLATION / SECTION	FUND	REBALANCE ADJUSTMENT	Appropriation
Central Services	ch 606 1(1)	General	-	87401
	ch 606 2(1)	Other	-	34401
	ch 606 3(1)	Federal	4,000,000	64401
	Item #18 June e-bd	GF Drought Response	-	87405
	Total		4,000,000	
APD	ch 606 1(6)	General	-	87301
	ch 606 2(6)	Other	-	34301
	ch 606 6	ARPA COVID State Fiscal Recovery Fund (OF)	-	34305
	Item #17 June eboard	Other CRF APD	-	34307
	NEW CRF APPN	Other CRF APD	-	N/A
	ch 606 3(6)	Federal	25,952,734	64301
	Total		25,952,734	
IDD	ch 606 1(7)	General	-	87303
	ch 606 2(7)	Other	-	34303
	Item #17 June eboard	Other CRF IDD	-	34306
	NEW CRF APPN	Other CRF IDD	-	N/A
	ch 606 3(7)	Federal	2,425,414	64303
	Total		2,425,414	

