

ANALYSIS

Item 14: Oregon Health Authority Rebalance

Analyst: Matt Stayner

Request: Acknowledge receipt of a report on the 2023-25 financial status and budget rebalance request for the Oregon Health Authority.

Analysis: The Oregon Health Authority (OHA) has submitted its first budget rebalance report for the 2023-25 biennium. A rebalance plan should generally reflect cost increases and savings from updated caseload levels, federal match rates, revenue forecasts, federal grant funding, and other adjustments necessary to carry out legislatively approved programs. As shown in the summary table below, the budget rebalance indicates a net General Fund savings of \$72.8 million.

Summary of OHA Rebalance Proposal	General Fund	Total Funds	Positions	FTE
Caseload and Revenue Forecasts				
FMAP Base Adjustment	\$ (6,246,296)	\$ -	0	0.00
Medicaid Caseload Update	\$ (40,636,633)	\$ (273,522,515)	0	0.00
Tobacco Master Settlement Agreement Forecast Adjustment	\$ (31,573,666)	\$ -	0	0.00
Tobacco Tax December 2023 Forecast Adjustment	\$ 5,300,000	\$ -	0	0.00
DTRSF MJ Tax 2023 Forecast Adjustment	\$ -	\$ 652,805	0	0.00
Medicaid Benefits for Incarcerated Individuals	\$ 1,353,382	\$ 178,485,997	0	0.00
Medicaid Waiver Implementation Adjustments	\$ -	\$ (79,906,062)	0	0.00
Basic Health Plan Budget Adjustments	\$ (1,453,869)	\$ 133,700,479	-11	-10.38
Technical Adjustments	\$ (41,285)	\$ -	0	0.00
Federal Grant Limitation Requests	\$ -	\$ 31,341,705	57	36.41
Position Requests	\$ 463,101	\$ 801,692	7	4.89
Other Requests	\$ -	\$ 12,262,304	2	0.76
Total	\$ (72,835,266)	\$ 3,816,405	55	31.68

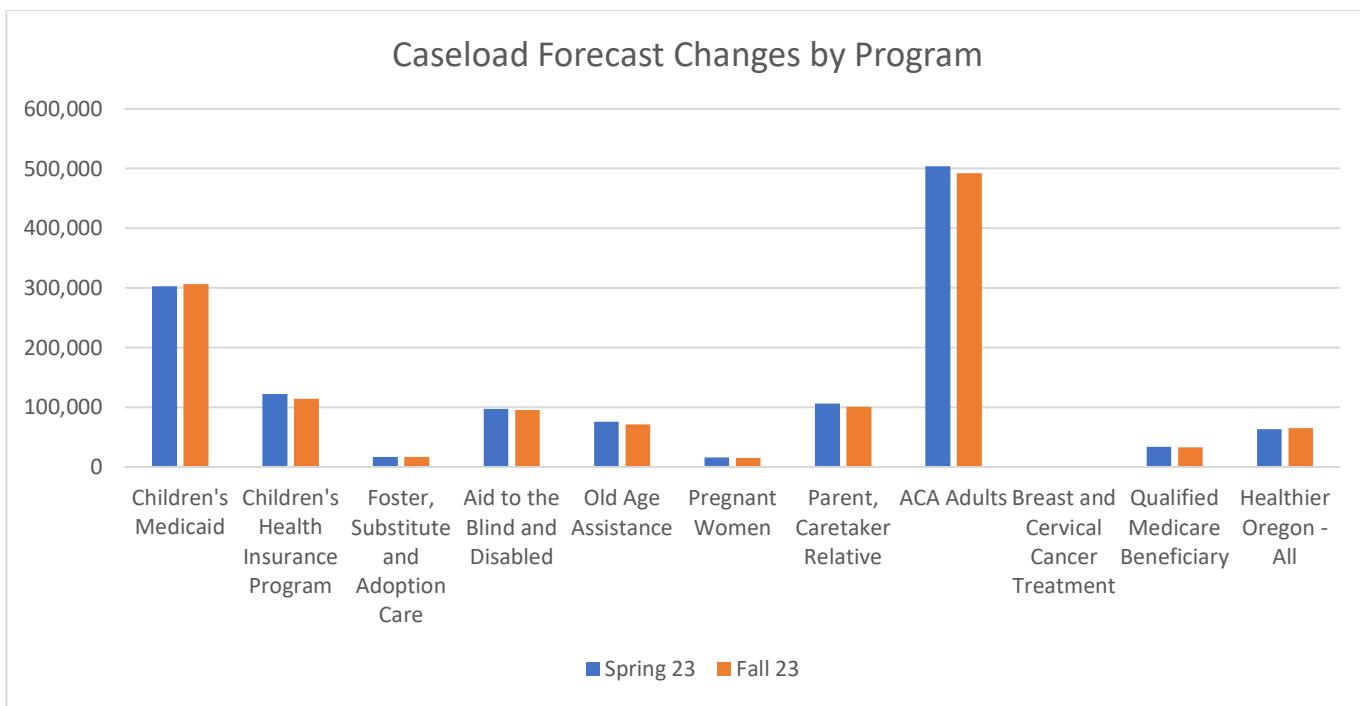
Caseload and Revenue Forecasts

Federal Medicaid Assistance Program (FMAP) Base Adjustments

Medicaid federal assistance rate adjustments are included that are generally higher than estimated during budget development. The only exception to this is a slight reduction in the rate for the standard Child Health Insurance Program (CHIP) which declined by 0.082 percent. The blended FMAP rate that includes the enhanced CHIP-M and Breast and Cervical Cancer Program (BCCP) rates increased by 0.071 percent produced the largest incremental savings of \$6.2 million General Fund.

Medicaid Caseload Forecasts

Substantial decreases in forecasted Medicaid caseloads result in anticipated savings of \$40.6 million General Fund and \$273.5 million Federal Funds. In terms of gross numbers, the change in the forecast is led by a reduction of 11,760 individuals in the Affordable Care Act (ACA) Adult category and 8,493 individuals from CHIP. These reductions are generally attributed to the public health emergency unwinding and the end of continuous enrollment. The CHIP reduction is partially offset by an increase of 3,376 enrollees in the Children's Medicaid program.



The forecast contains assumptions derived from prior mass redeterminations; however, the agency is engaging in increased outreach efforts to maintain contact with program participants and help them avoid loss of health insurance. The statewide forecast notes that this may change the patterns of retention and closure.

The Healthier Oregon program forecast has increased by 1,707 and is one of the few increases between the spring and fall forecasts. The program became available to all age groups as of July 1, 2023.

Tobacco Master Settlement Forecast Adjustments

The legislatively adopted budget included assumed revenues from the Tobacco Master Settlement Agreement (TMSA) to support Medicaid programs through the Oregon Health Plan and Community Mental Health programs. The current service level budget included \$104.3 million Other Funds revenue from the TMSA. Actual forecasted revenues allocated in HB 5029 (2023) provided an additional \$29.3 million for the Oregon Health Plan and \$2.3 million for Community Mental Health Programs, offsetting a total of \$31.6 million of General Fund expenditures.

Tobacco Tax Forecast Adjustments

The legislatively adopted budget assumed tobacco tax revenues of \$622.2 million for Medicaid services and \$29.6 million for non-Medicaid services. The December 2023 revenue forecast assumes tobacco tax revenues for Medicaid services of \$617.1 million, a reduction of \$5.1 million. For non-Medicaid services the December forecast assumes \$29.2 million, a reduction of \$400,000. The rebalance uses the December forecast for Medicaid services but uses the September forecast for non-Medicaid services which understates the needed backfill of General Fund by \$200,000. Assuming a harmonized use of the December forecast, total tobacco tax revenues for OHA are predicted to fall by \$5.5 million from the amount assumed in the legislatively adopted budget, which requires a matching General Fund investment to maintain budgeted services.

Drug Treatment and Recovery Services Fund Marijuana Revenues Adjustment

The rebalance accounts for a \$652,805 increase in available marijuana tax revenues for the Drug Treatment and Recovery Services Fund (DTRSF) above revenues assumed in the legislatively adopted budget based on the December 2023 revenue forecast.

Significant Program Changes or Expansions

Expansion of Medicaid Benefits to Incarcerated Individuals

Included in the current extension (2022-2027) of the 1115 demonstration waiver, OHA is allowed to claim up to \$535 million in federal funds to support Designated State Health Programs (DSHP). These are existing programs that would not otherwise qualify for Medicaid match. The savings realized allows the state to fund specified activities, including: youth with special health care needs and Health Related Social Needs (HRSN) services and infrastructure. OHA is currently negotiating with the Centers for Medicare and Medicaid Services (CMS) to use the DSHP savings to expand limited OHP benefits to youth in juvenile correctional facilities as well as all individuals in jail or other local/tribal correctional facilities for up to 90 days prior to their release from these settings. This expansion was initially rejected by CMS at the time of the current waiver approval.

The agency's rebalance letter requests expenditure authority for both infrastructure investments and services to this population, but significant unknowns remain, including approval by CMS, the possible cost/utilization of program expansion (rebalance includes only estimated services expenditures for the last six months of the current biennium), capacity needs of prisons and local correctional facilities, and availability of providers, among other issues. The request includes \$1.4 million General Fund and \$3.9 million Federal Funds for Medicaid supported services and \$57.75 million Other Funds (DSHP savings) and \$57.75 Federal Funds for system capacity investments. Significant additional information gathering and analysis will need to be completed before a recommendation can be made.

Adjustments to Medicaid Waiver Implementation

The rebalance request includes adjustments to the legislatively adopted budget for implementation of the current 1115 waiver associated with DSHP. As noted in the discussion of expanding limited Medicaid benefits to incarcerated individuals, the savings resultant from the ability to claim federal matching funding for DSHP necessitates the adjustment of expenditure amounts and fund types between budgetary units within the agency. These adjustments are based on both DSHP matching funding claims and new spending on approved initiatives under the current waiver including Health Related Social Needs. The requested changes result in a net reduction in Federal Funds expenditure limitation of \$209.9 million and an increase in Other Funds expenditure limitation of \$130 million. The Other Funds revenue is to be generated through reduced state costs of DSHP resultant from the federal matching funding.

Basic Health Plan Adjustments

The rebalance includes adjustments in multiple divisions to correct budget errors in the legislatively adopted budget and redistribute funding and position authority to the correct divisions. Twelve positions (9.00 FTE) are transferred from the Health Systems Administration program and one position (1.00 FTE) is transferred from the Health Policy and Analytics program to the Central Services program with a net zero budget impact. Due to the timing of the budget development, policy package 202 erroneously duplicated positions and funding that were also included in the current service level. To correct this issue, eight positions (8.00 FTE) are removed in the Health Systems Administration program, and three positions (2.38 FTE) are removed in the Central Services program for a total reduction of eleven positions (10.38 FTE), \$1.5 million General Fund, and \$2.8 million total funds. Additionally,

revised Basic Health Plan cost estimates result in a requested increase of \$136.5 million Federal Funds expenditure limitation.

Technical Adjustments

The rebalance makes 97 individual technical adjustments. These changes move authorized funding and position authority between and within budgetary units and make net zero position and programmatic adjustments. The only exception to this is within a package of adjustments that were made related to redeterminations work under HB 4035 (2022). The move of positions between the Health Systems Administration program and the Central Services division included a fund swap that resulted in a net savings to the General Fund of \$41,285 but netted to zero across all fund types.

Position Requests

Increased position authority for adopted legislation

HB 2468 (2023) information technology position: This proposed shared services position is funded via a pass-through from the Department of Human Services (DHS). The funding was provided to DHS as General Fund appropriated in HB 2468 to support information technology changes to the Provider Pay system that would be required by the measure. Although OHA has requested this position to be established as an ongoing, permanent position, it is not clear that the funding provided to DHS was intended to be ongoing as the changes to the Provider Pay system are one-time in nature. This action would increase expenditure limitation by \$215,515 and authorize the establishment of one position (0.75 FTE). Further analysis on this item will be required before a recommendation can be provided.

9-8-8 Positions: Initiated in the 2021 session through HB 2417, the behavioral health crisis system was expanded across multiple pieces of legislation in the 2023 session. The system includes the 9-8-8 suicide and crisis hotline, and mobile crisis response units that can provide in-person assistance. Policy package 404 that was adopted as part of the agency's 2023-25 budget included a \$19.5 million General Fund appropriation for system operations and an additional \$20.1 million General Fund appropriation to match federal Medicaid funds for services provided via mobile crisis response units. These appropriations were modified in SB 5506 (2023), reducing total General Fund by \$26.4 million due to the adoption of HB 2757 (2023) that established a \$0.40 per line tax on cell phone and voice over internet protocol services. The new tax is anticipated to produce approximately \$33 million in revenue in the 2023-25 biennium. Expenditure limitation for the tax revenue was increased in the legislatively adopted budget. The first quarterly tax revenues are anticipated to be available in April 2024. The residual General Fund was included on a one-time basis to fund the program's expansion until the new tax revenue is realized.

The narrative contained in the Governor's budget for the policy package detailed the use of funding to hire and train crisis interventions specialists, clinical supervisors, and other relevant staff required for operating the crisis call center. However, no OHA positions were requested in the package, and none were provided by the Legislature as part of the adopted budget. Likewise, no additional positions were identified in the fiscal impact statement for HB 2757. OHA is requesting to establish six positions (4.50 FTE) with a net zero budget impact in the current biennium by offsetting the cost of the positions against existing budgetary authority for temporary staffing. Roll up costs for the 2025-27 biennium were not available at the time of the request.

SB 968 Systems of Care Advisory Council Positions: The fiscal impact of SB 968 (2023) was deemed to be minimal for OHA. OHA had identified two positions that it requested to be established related to program support and administration for the council and the Children's Behavioral Health Unit. After

reviewing existing agency capacity, the Legislative Fiscal Office reiterated to OHA prior to the end of the 2023 session that it was believed the agency had sufficient existing resources to support the work required by the bill. The circumstances for the estimated minimal fiscal impact of SB 968 have not changed and it is not recommended that the additional positions be established.

Positions funded at or transferred to Department of Human Services

Funding and position authority for two positions established in the Public Health Division are transferred to the State Assessments and Enterprise-wide Costs (SAEC) program. An Information Specialist and Accounting Technician were provided as a part of policy option package 406 supporting public health system modernization. There is no net budgetary impact of this move, however, the position authority that is reduced (two positions, 1.50 FTE) in the Public Health Division is not reestablished in the SAEC program as the positions will be established in the DHS Office of Information Services and Office of Financial Services programs.

Funding and position authority were provided for a Procurement and Contract Specialist position (1.00 FTE) in OHA's Shared Services program as part of policy package 416 in the agency's adopted budget. The rebalance proposes to transfer the expenditure limitation and position authority to the Department of Human Services, Office of Contracts and Procurement. This action results in a decrease of expenditure limitation of \$237,751 Other Funds.

Increased General Fund of \$90,341 and total funds of \$127,644 are requested to provide funding from OHA through the Shared Services funding model to support the conversion of a variety of permanent part-time positions to permanent full-time positions at DHS. It is not clear from the divisions and positions that are identified if there is any direct connection between these positions, their duties and responsibilities, and the direct shared support for OHA activities. At least a portion of these positions reduced FTE count is due to permanent finance plan changes that the agency made to support other position actions. This request would "backfill" those reductions. Additional analysis on why and how these positions are supported by Shared Services and how the increase in position authority fits within the budget rebalance needs to be completed before a recommendation can be made.

Federal Grant Funds

The rebalance includes increases of \$31.2 million Federal Funds and \$110,000 Other Funds in the Public Health Division for federal grant awards in the current biennium. A total of 57 positions (36.41 FTE) are requested for the administration and implementation of the federally funded activities. Fifteen of the requested positions are associated with existing budgeted federal funds, but are currently filled with non-budgeted, temporary, or limited duration staff. Given that there are overlapping requests, particularly for management and administrative staff in the individual requests, an analysis of the overall divisional staffing needs for the Public Health Division needs to be made before individual recommendations are provided. Consideration of the agency's existing staffing, vacancies, and timelines for filling positions, including positions provided through expanded public health modernization funding, should be included.

Other Requests

State Hospital Capital Improvement Limitation Increase

The budget for the Oregon State Hospital includes a current service level, or base budget General Fund appropriation for Capital Improvements. For the current biennium, this appropriation totals \$818,441. At the end of any given biennium, the agency "expends" any previously unexpended General Fund for Capital Improvements by transferring those residual balances to an Other Funds account to carry-

forward those funds as a cash balance to be drawn upon in future biennia rather than allowing the unexpended appropriation to expire, reverting the General Fund, and making it available for legislative appropriation. OHA is carrying a cash balance of just under \$1.4 million for which the agency is seeking expenditure limitation in the rebalance to be used for capital improvement projects within the current biennium. It is recommended that the practice of banking these monies be further reviewed and adjusted as needed as a part of the development of the 2025-27 budget for the agency.

Health Services Division Federal Matching Funds for training programs

HB 3396 (2023) provided a \$5 million General Fund appropriation to OHA to provide grants to employers participating in a labor-management training trust to provide on the job training, apprenticeships and other programs to develop health care professionals. The agency now believes that these expenditures are eligible for federal matching funds and is seeking an increase of \$7.2 million Federal Funds for this purpose.

Traffic Safety Information System Grant funding

The Public Health Division is seeking an increase in Other Funds expenditure limitation of \$198,818 to support two limited duration positions (0.76 FTE) to develop datasets, link existing datasets, and develop associated information and methodologies to improve the timeliness, accuracy, completeness, uniformity, accessibility, and integration of the data in traffic records information systems. The positions and associated work would be funded via grant contract with the Oregon Department of Transportation. These positions will be to expand the capacity of the Emergency Medical System and Trauma Systems Program Data Team to support strategic objectives around reporting, data quality, quality assurance and process improvement, equity, and data linkage. This work is also leveraged by expanded public health modernization funding received by the agency in the current biennium.

HB 4098 (2022) Implementation

The Public Health Division is requesting to increase Other Funds expenditure limitation by \$283,000 for unexpended funding that was authorized in HB 4098 (2022) related to support and facilitation of the Opioid Settlement Prevention, Treatment, and Recovery (OSPTR) Board. These funds are intended to be used for contracted services supporting the Board and technical implementation of the measure that were originally thought to be completed using authorized position authority in the prior biennium. OHA notes that due to internal staffing delays, contracted services were used to move the project forward.

REALD and SOGI implementation

Federal Funds expenditure limitation of \$3.15 million is requested under the rebalance for Medicaid matching funds related to standardization of race, ethnicity language, and disability (REALD) data collection and standardization of sexual orientation and gender identity (SOGI) data collection. The requested expenditure limitation assumes a Medicaid match rate of 90% for this phase of program implementation. The remaining \$350,000 of existing budgetary resources was not identified by the agency.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means acknowledge receipt of the Oregon Health Authority's budget rebalance report, with the understanding the Legislative Fiscal Office will develop recommendations for budgetary changes to be included in a budget reconciliation bill during the 2024 legislative session.

Request: Report on the Oregon Health Authority's (OHA) Fall 2023 budget rebalance.

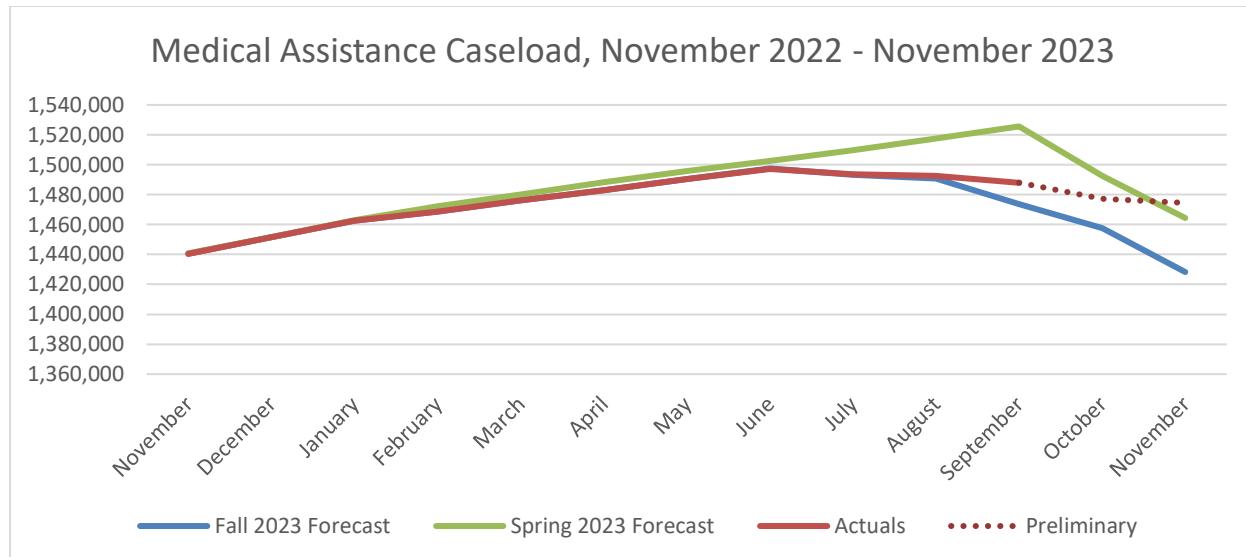
Recommendation: Acknowledge receipt of the report.

Discussion: OHA engages in a budget rebalancing exercise three times a biennium to ensure the multiple funding streams and programs supported in OHA's budget continue smoothly throughout the biennium. In this first rebalance of 2023-25, OHA reports a net savings of \$72.9 million General Fund, a need for \$216.1 million Other Funds expenditure limitation, and savings of \$139.6 million Federal Funds expenditure limitation, as well as requests to establish 55 positions (31.68 FTE). The Department's report discusses changes in their caseload forecast, updates to federal Medicaid match rates and dedicated state tax revenues, and budgetary adjustments OHA has identified as a result of implementing legislation, grant awards, or other factors.

Caseload

OHA's medical assistance caseload forecast for Fall 2023, shows a net savings of \$40.6 million General Fund and \$232.9 million Federal Funds. Behind these savings are two countervailing dynamics within and between eligibility categories reflecting the difficulty in predicting this caseload in the aftermath of the COVID-19 pandemic and the end of the federal government's continuous eligibility policies. Most significantly, the medical assistance caseload never reached the peak predicted in the Spring 2023 caseload forecast, the first forecast after the federal government provided policy direction to end the continuous eligibility policy and begin redetermining Medicaid caseloads. The caseload was predicted to reach 1,525,599 at the end of September 2023. Instead, the caseload peaked in June 2023 at 1,497,146, a difference of more than 28,000 lives. The reduction in the caseload forecast was spread across most of the medical assistance eligibility groups, leading to a savings approximately \$114.6 million General Fund.

While there are savings projected in the Fall 2023 medical assistance caseload, preliminary data released after the forecast was finalized suggest a note of caution. Data from September through November 2023 suggest the reverse dynamic is in effect and the caseload is not falling as quickly as forecast in the Fall 2023 forecast (nor the Spring 2023 forecast). The chart on the following page illustrates this dynamic:



The peak has been lower than anticipated in the Spring 2023, but the reduction in the caseload has so far not reached the pace anticipated in either the Fall or Spring forecasts. As a result, the preliminary data show more members are staying on the caseload than anticipated. Oregon has prioritized maintaining coverage for OHP members during the Public Health Emergency unwinding by improving outreach efforts, providing additional time for OHP members to respond to communications and allowing members a grace period after being redetermined off the caseload to get back on quickly. Given the preliminary nature of the data, it is difficult to say with certainty what is happening with the caseload, but it is possible that the effect of some of these policies has not been fully factored into the forecast.

Offsetting the savings of the base medical assistance caseload, OHA has been experiencing higher than anticipated case transfers into the temporary Medicaid expansion established for Oregonians with income between 138 percent and 200 percent of the federal poverty level, who will be eligible for the new Basic Health Plan (BHP) starting on July 1, 2024. Per agreement with the Centers for Medicare and Medicaid Services (CMS), these individuals will be covered by Medicaid at the standard federal match rates until they can be transferred to the BHP. OHA's main budget bill for 2023-25 included \$51.6 million General Fund and \$75.8 million Federal Funds to cover an average of 14,300 lives, with a peak of 59,300 individuals covered by this program when the transfer to the BHP is supposed to occur. To date, enrollment has been significantly higher than anticipated, leading to an increase in the forecast for this population to an estimated average 35,000 enrollees and an additional cost of \$74.0 million General Fund and \$110.2 million Federal Funds. The net of the cost for the temporary Medicaid expansion population and the savings for the base medical assistance caseload leads to the savings of \$40.6 million General Fund and \$232.9 million Federal Funds.

Waiver Adjustments

OHA is requesting a series of adjustments to its budget to reflect the current state of negotiations with CMS on its Medicaid waiver. OHA's most recently negotiated Medicaid waiver, covering the period from 2022 to 2027, was signed in September 2022 but negotiation and clarification continued in multiple policy areas. These requests fall into two categories: requests to establish a limited benefit for Oregonians in carceral

settings and requests to adjust the Other Funds and Federal Funds expenditure limitation related to Designated State Health Program expenditures established in Senate Bill 5525 (2023), Package 201. When fully implemented, the carceral benefit will provide a limited benefit and CCO enrollment to Oregonians in settings such as jails, prisons, and Oregon Youth Authority facilities 90 days prior to release in order to ensure smoother transitions of care between those settings and life outside of those institutions. The limited benefit includes CCO enrollment, health screenings, case management, family planning, behavioral health services, and a pharmacy benefit and medication management to ensure continuity of prescription drug coverage.

The new carceral benefit will be phased-in January 1, 2025, for those exiting prisons, Oregon Youth Authority facilities, and county jails in Washington, Clackamas, Multnomah, Deschutes, and Lane counties, with all other county jail facilities starting July 1, 2025. The limited rollout in 2023-25 is expected to cost \$1.4 million General Fund and \$3.9 million Federal Funds, with the cost of services expected to roll up to \$8.4 million General Fund and \$24.0 million Federal Funds in 2025-27. OHA's 2023-25 Legislatively Adopted Budget did not include funding for the carceral benefit as negotiations were still ongoing at the time of budget decisions for the Legislatively Adopted Budget. OHA is also requesting \$57.8 million in Federal Funds expenditure limitation in Non-Medicaid and \$57.8 million Other Funds and \$57.8 million in Federal Funds in Medicaid to recognize Designated State Health Program (DSHP) expenditures to build capacity for carceral institutions to be ready for the rollout of this benefit starting January 1, 2025. These institutions must be prepared to meet federal requirements for service provision including the use of electronic health records, assistance with Medicaid applications, the use of health information exchange technology, as well as the ability to provide or contract for the full range of services these members will be eligible for and to be able to bill Medicaid. OHA is working closely with the Department of Corrections and local correctional facilities to be able to meet this standard and is preparing a readiness assessment that will guide the use of the capacity building funds.

Final negotiations with CMS had not been completed as of the time of this analysis. OHA is hoping to have finalized an agreement by Spring 2024. The agreement has been delayed in part due to CMS wanting to coordinate OHA's carceral benefit waiver request with similar requests from the states of Washington, California, Arizona, and Montana. A further complicating factor was the passage of the Federal Consolidated Appropriations Act in early 2023, which among other things, created a similar (but more limited) carceral benefit for adults and youth in custody up to 30 days prior to their release.

	General Fund	Other Fund	Federal Fund	Total Funds
Carceral Benefit and Capacity Building				
Medicaid	\$1.4	\$57.8	\$61.6	\$120.7
Non-Medicaid	-	-	\$57.8	\$57.8
DSHP Limitation Requests				
Medicaid	-	\$128.9	(\$322.1)	(\$193.2)
Non-Medicaid	-	-	\$88.1	\$88.1
Public Health	-	-	\$23.0	\$23.0
Health Policy and Analytics	-	\$1.1	\$1.1	\$2.2
All \$ in millions				

OHA is also reporting a need to adjust the amounts received in Senate Bill 5525 (2023) to use DSHP funding for its new health-related social needs benefit. DSHP is a funding mechanism through which the federal government temporarily ‘buys out’ state investments in Medicaid-like services to Medicaid-like populations (e.g. state-funded behavioral health services). The federal investment in those other services allows Oregon to invest the state funds in new programs, which draw Medicaid match, thus providing the state with significant Federal Funds for designated purposes. OHA’s new Medicaid waiver uses the DSHP funding mechanism to pilot the states’ health-related social needs benefits for Medicaid members, including up to six months of housing assistance, food assistance, and assistance with devices such as air conditioners during climate emergencies for those who are eligible. OHA received \$547.0 million in Federal Funds expenditure limitation through Senate Bill 5525 (2023) to expend these investments. After negotiations with CMS and further refinement of the programs to be ‘bought out’ and the investments to be made, OHA is reporting a need to reduce the amount of Federal Funds in the Medicaid program by \$322 million and increase the amount of Other Funds by \$128.9 million and increase the amount of Federal Funds in Non-Medicaid, Public Health and Health Policy and Analytics by \$112.2 million and Other Funds by \$1.1 million.

FMAP

OHA received the final adjustments to its base federal Medicaid match percentages (FMAP) in September 2023. Below is a table showing how the rates changed from the rates used to set OHA’s 2023-25 Legislatively Adopted Budget. This leads to an additional \$7.1 million Federal Funds revenues and reduces General Fund by \$6.2 million and Other Funds by \$0.8 million. The base FMAP rate is calculated based on the three-year average ratio of per-capita personal income in Oregon compared with the nation as a whole.

Rate	2023-25 LAB Rate	Updated Rate	Difference
OHP Plus (Blended)	60.08%	60.15%	0.071%
Title XIX	59.24%	59.32%	0.083%
CHIP	71.61%	71.53%	-0.082%
ACA	90.00%	90.00%	0.00%

The base FMAP rate is calculated based on the three-year average ratio of per-capita personal income in Oregon compared with the nation as a whole. As shown above, the blended FMAP and Title XIX FMAPs came in slightly higher than projected due to the most recent per-capita income data for Oregon from the Bureau of Economic Analysis coming in slightly lower than projected. The adjustment to the base FMAP rate doesn’t include changes related to the ending of the Public Health Emergency FMAP, temporarily higher FMAP rates for specific services or populations due to policy changes and the federal level, or the Medicaid waiver-related penalty to the Affordable Care Act FMAP rate adopted as part of the two year continuous eligibility policy for adults agreed to with CMS, all of which were addressed separately in OHA’s 2023-25 Legislatively Adopted Budget.

Grants

OHA’s Public Health Division is reporting a need for \$31.2 million Federal Funds expenditure limitation, \$0.3 million Other Funds expenditure limitation and the

establishment of 59 positions (37.17 FTE) to implement a series of grants from the federal government. OHA is also reporting a need to establish positions at a net zero cost for a series of existing grants.

Funder	Description	OF	FF	TF	Positions	FTE
National Highway Safety Administration via ODOT	Emergency Medical Services Data Quality Improvement	\$0.2	-	\$0.2	2	0.76
CDC	Overdose to Action in States	-	\$7.7	\$7.7	1	1.13
CDC	Advancing Violence Epidemiology in Real-Time	-	\$0.5	\$0.5	-	-
SAMHSA	Garret Lee Smith Youth Suicide Prevention	-	\$0.7	\$0.7	-	-
CDC	Harold Rogers Prescription Drug Monitoring Program	-	\$0.1	\$0.1	-	-
CDC	Public Health Programs to Address Alzheimer's and Related Dementias	-	\$0.5	\$0.5	2	1.26
CDC	Menthol and Other Flavored Tobacco Products Prevention	-	\$0.8	\$0.8	1	0.63
SAMHSA	Strategic Prevention Framework - Partnerships for Success for States	-	\$2.5	\$2.5	2	1.26
National Association of Chronic Disease Directors	State Partnerships Improving Nutrition and Equity	\$0.1	-	\$0.1	-	-
CDC	Emerging Infections Program	-	\$8.0	\$8.0	18	11.34
CDC	Epidemiology and Laboratory Capacity	-	\$7.3	\$7.3	17	10.71
HRSA	Newborn Screening Propel	-	\$0.7	\$0.7	1	0.63
ASPR	Medical Reserve Corps, State, Territory and Tribal Nations	-	\$2.5	\$2.5	-	-
CDC	Integrated HIV Surveillance and Prevention	-	-	-	4	2.52
CDC	Public Health Infrastructure, Workforce Data	-	-	-	7	4.41
CDC	Medical Monitoring Project Grant Program	-	-	-	4	2.52
Total		\$0.3	\$31.2	\$31.5	59	37.17
All \$ in millions						

The most significant of these grants in dollar terms are the Emerging Infections Program grant (\$8.0 million), the Epidemiology and Laboratory Capacity grant (\$7.3 million) and the Overdose to Action in States grant (\$7.7 million). The Emerging Infections Program is focused on improving disease surveillance and data reporting for emerging infections such as streptococcal infections, Legionnaire's disease, pertussis, foodborne disease, viral respiratory diseases including influenza, respiratory syncytial virus, and COVID-19, cancers and pre-cancers associated with human papillomavirus infection, and healthcare-associated infections. The Epidemiology and Laboratory Capacity Grant will support four projects including advanced molecular detection at the Oregon State Public Health Laboratory, data modernization, wastewater surveillance

and healthcare-associated infection monitoring and response. The ongoing Overdose to Action grant supports overdose prevention activities and data collection on nonfatal and fatal overdoses and in using those data to enhance programmatic and surveillance efforts.

2023 Session Cleanup

OHA is reporting a need for several budget adjustments to implement the intent of policy and budget changes made during the 2023 Legislative Session. This includes the following changes:

- A savings of \$31.6 million General Fund to recognize Tobacco Master Settlement Agreement revenues allocated to OHA in House Bill 5029 (2023) for which OHA did not receive a budgetary adjustment.
- A net savings of \$1.5 million General Fund, a net cost of \$36,021 Other Funds, a net savings of \$1.3 million Federal Funds, and a net reduction of 11 positions (10.38 FTE) for the Basic Health Plan and redeterminations efforts due to calculation errors in the amounts included in Senate Bill 5525 (2023), Package 202.
- \$136.5 million Federal Funds for the projected federal expenditures for the Basic Health Plan funded in Senate Bill 5525 (2023), Package 202.
- \$215,515 Other Funds and an Information Systems Specialist position (0.75 FTE) for updates to OHA's provider payment system required by the passage of House Bill 2468 (2023).
- \$7,232,117 Federal Funds for the federal match component of the labor-management training trust established by House Bill 3396 (2023), the expenditures of which are Medicaid matchable.
- \$305,787 General Fund and two positions (1.26 FTE), one each for the Systems of Care Advisory Council and the Health Systems Division – Children's Behavioral Health unit to implement Senate Bill 968 (2023).I
- The net zero cost establishment of six permanent, full-time positions (4.50) to administer Senate Bill 5525 (2023), Package 404, which provides funding for the 9-8-8 behavioral health crisis line and for mobile crisis services

Revenues

OHA is reporting a net decline in the revenues it receives from the Cigarette, Other Tobacco Product, and Inhalant Delivery System taxes of \$5.1 million for the Medicaid program and \$0.2 million for Non-Medicaid. Projected revenues for these taxes actually declined \$5.4 million for the Medicaid program between OHA's 2023-25 LAB and the December 2023 revenue forecast. This includes a larger than expected decline in Cigarette Tax revenues and growth in Inhalant Delivery System revenues compared to the LAB forecast. OHA is also reporting a decline of \$5.1 million in the Marijuana Tax revenues that support the services provided by the Drug Treatment and Recovery Services Fund but with the update to the December 2023 forecast there is actually an increase of \$1.2 million in forecasted revenues over the 2023-25 LAB amount. As part of the revenue forecast update OHA is also requesting a transfer of funds from the program side to the administrative side of the Measure 110 program.

Other Issues

OHA's rebalance report identifies a few additional emergent issues in addition to the ones outlined above. This includes the following requests:

- \$3,150,000 Federal Funds to recognize the enhanced federal match rate of 90 percent for project expenditures on the REALD and SOGI data system.
- \$283,000 Other Funds for the Public Health Division to spend Opioid Settlement Funds which were carried over from 2021-23.
- \$1,398,369 Other Funds for the Oregon State Hospital-related Capital Improvement account to spend accumulated capital improvement funds on a series of projects in 2023-25, including renovations of a seclusion room at Junction City and the infection control room in Salem, new electric vehicle charging stations in Salem, and a new fence at the Pendleton Secure Residential Treatment Facility, among other projects.
- An increase of 0.13 FTE and converting a permanent part-time position to a permanent full-time position for the Oregon Immunization Program due to increased workload managing data consolidation work for the ALERT immunization information system.

Oregon Department of Human Service Shared Service-Related Adjustments

Due to the shared service arrangement between OHA and the Oregon Department of Human Services (ODHS), OHA is reporting a need for multiple budget adjustments to more accurately reflect where the work will take place organizationally. This includes the following adjustments:

- Transferring \$237,751 Other Funds for a Procurement and Contract Specialist 3 (1.00 FTE) from the Office of Information Services in OHA to the Office of Contracts and Procurement in ODHS. The position will work on procurements related to establishing a new technology platform for the Oregon Health Insurance Marketplace.
- Transferring a position and \$126,086 General Fund for an accounting position (0.75 FTE) in the Office of Financial Services to provide additional accounting support needed due to Public Health Modernization funding increases.
- \$90,341 General Fund, \$8,225 Other Funds, and \$29,078 Federal Funds for OHA's share of the cost of a series of FTE increases on Shared Service positions reported in ODHS' rebalance as needed due to part-time positions being hired as full-time.

Technical Adjustments

OHA is reporting a need to perform a series of net-zero transfers between divisions to align expenditure budgets and positions with the program that will ultimately perform the work, as well as a series of net-zero transfers to adjust OHA's appropriation structure to fold smaller appropriations established by policy bills into the main appropriation for the division implementing the program.



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December 4, 2023

Senator Elizabeth Steiner, Co-Chair
Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of the Request

The Oregon Health Authority (OHA) requests receipt of this letter as its Fall 2023 Rebalance Report for the 2023-25 biennium.

Agency Action

OHA is projecting a \$72.9 million General Fund net savings. Additionally, the agency is projecting a need to increase Other Funds limitation by \$216.1 million and decrease Federal Funds limitation by \$139.6 million. OHA is also reporting a need for 55 new positions (31.68 FTE). These changes are based on the following savings, challenges, and technical adjustments:

Savings

Medicaid/CHIP Fall 2023 Caseload Forecast Update — Updating the Health Systems Division medical assistance caseloads from the Spring 2023 Caseload Forecast to the Fall 2023 Caseload Forecast results in a \$40.6 million General Fund savings. In general, the estimated impact is driven by decreases in the Parent/Caretaker Relative, Aid to Blind and Disabled, Affordable Care Act (ACA) Adult, and Children's Health Insurance Program (CHIP) caseloads. See Attachment B.

Tobacco Master Settlement Agreement (TMSA) Revenue Update — Oregon and 45 other states receive annual payments from the four largest domestic tobacco manufacturers under the Tobacco Master Settlement Agreement. OHA receives a portion of the settlement to fund programs in the Health Systems Division. Updates to OHA's distribution, as calculated by the Department of Revenue, is expected to be greater than anticipated in the

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2023-25 Legislatively Adopted Budget (LAB), resulting in a \$31.6 million General Fund savings.

Medicaid Federal Match Update — The Centers for Medicare and Medicaid Services finalized the Federal Medical Assistance Percentages (FMAP) rates for Federal Fiscal Year 2024. Updating the rates assumed in the 2023-25 LAB to the finalized rates results in a \$6.2 million General Fund savings.

Redeterminations & Basic Health Plan Corrections — In 2022, the Legislature passed House Bill 4035 to fund the federally mandated redetermination process to help maintain health care coverage by funding short-term coverage for people who earn too much for Medicaid but not enough to afford other coverage and authorized development of a sustainable long-term solution in the form of a Basic Health Program. In 2023, the Legislature authorized additional resources to implement redeterminations in policy package #202. OHA is identifying \$1.5 million in General Fund savings, \$135.2 million in Federal Funds limitation need, and the need to eliminate 11 positions (10.38 FTE) for the implementation of House Bill 4035 and policy package #202. These adjustments reflect a correction to position authority for House Bill 4035 implementation, technical adjustments transferring funding and position authority within OHA, and updates to Federal Funds limitation estimates for Basic Health Program expenditures.

Challenges

Tobacco Tax Forecast Update — The Medicaid and non-Medicaid budgets are adjusted for the most recent Economic Forecast for projected tobacco tax revenues. The new forecast indicates a \$5.1 million decrease in revenue for Medicaid and a \$200,000 decrease in revenue for non-Medicaid, resulting in a total of \$5.3 million in General Fund need.

Medicaid Waiver Carceral Capacity Building and Limited Benefits — OHA is requesting the Centers for Medicare and Medicaid Services (CMS) waive the federal rule preventing Medicaid coverage for a person in custody, including justice-involved populations, so that OHA can provide a limited Oregon Health Plan benefit (OHP) and coordinated care organization (CCO) enrollment for OHP members in jail or a local correction facility, including those awaiting adjudication. In addition, OHA is seeking CMS approval for one-time capacity building in carceral settings to be paid for with Designated State Health Programs (DSHP) funds. If both requests are approved, the

agency will need an additional \$1.4 million General Fund, \$57.8 million Other Funds limitation, and \$119.4 million Federal Funds limitation.

Systems of Care Advisory Council Positions — Senate Bill 968 (2023) mandated the Systems of Care Advisory Council conduct joint studies on any matter within its jurisdiction in collaboration with various Oregon state agencies. Although it was determined during the 2023 Regular Session that the bill would have a minimal expenditure impact, the implementation of this bill necessitates the establishment of two positions to fulfill its requirements and ensure the work is guided by lived experiences, equity, and community engagement, aligning with the values and principles of systems of care.

Expenditure Limitation and Technical Adjustments

Waiver Designated State Health Programs (DSHP) Limitation Update — OHA has refined claiming and spending projections for the DSHP funding component of the Oregon Health Plan Medicaid demonstration project approval. DSHP approval allows Oregon to claim federal Medicaid match on certain state-funded services not otherwise eligible for federal match. Based on these updated projections, OHA is requesting \$130.0 million in Other Funds limitation and a reduction of \$209.9 million Federal Funds limitation.

Other Expenditure Limitation Requests — OHA is also requesting \$1.4 million Other Funds limitation for Oregon State Hospital capital improvement projects; \$0.6 million Other Funds limitation and \$31.2 million Federal Funds limitation to support approved grants in Public Health; and \$0.6 million in Other Funds limitation to reflect updates to revenue estimates for the Drug Treatment and Recovery Services Fund.

Other Budget and Position Updates (to the Legislatively Adopted Budget) — OHA is identifying a \$0.1 million General Fund need and the need for \$0.3 million Other Funds limitation and \$7.3 million Federal Funds limitation and 5 positions (3.63 FTE) associated with bills passed by the Legislature and other adjustments directly related to OHA's 2023-25 Legislatively Adopted Budget.

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

The table on the following page provides the OHA Rebalance savings and challenges by fund type:

OHA Rebalance Summary by Fund Type (in millions)*

Savings	General Fund (Savings)/Need	Other Funds (Savings)/Need	Federal Funds (Savings)/Need	Total Funds (Savings)/Need	Pos.	FTE
Medicaid/CHIP 2023 Fall Caseload Forecast	(\$40.6)	-	(\$232.9)	(\$273.5)		
Tobacco Master Settlement Agreement (TMSA) Revenue Changes	(\$31.6)	\$31.6	-	-		
Medicaid Federal Match Update	(\$6.2)	(\$0.8)	\$7.0	-		
POP 202 Redeterminations & Basic Health Plan Corrections	(\$1.5)	-	\$135.2	\$133.7	(11)	(10.38)
Total Savings	(\$79.9)	\$30.9	(\$90.7)	(\$139.8)	(11)	(10.38)
Challenges						
Tobacco Tax Forecast Update	\$5.3	(\$5.3)	-	-		
Carceral Capacity Building and Limited Benefit	\$1.4	\$57.8	\$119.4	\$178.5		
Systems of Care Advisory Council Positions (SB 968)	\$0.3	-	-	\$0.3	2	1.26
Total Challenges	\$7.0	\$52.5	\$119.4	\$178.8	2	1.26
Limitation Adjustments						
Waiver Designated State Health Programs Limitation Updates	-	\$130.0	(\$209.9)	(\$79.9)		
REALD & SOGI Federal Funds Limitation	-	-	\$3.2	\$3.2		
OSH Capital Improvement Other Funds	-	\$1.4	-	\$1.4		
Public Health Grants Limitation and Positions	-	\$0.6	\$31.2	\$31.8	59	37.17
Measure 110 Drug Treatment & Recovery Services Fund Update	-	\$0.6	-	\$0.6		
Total Limitation Adjustments	-	\$132.6	(\$175.5)	(\$42.9)	59	37.17
Total Technical Adjustments	\$0.1	\$0.3	\$7.3	\$7.6	5	3.63
Net OHA Fall 2023 Rebalance	(\$72.9)	\$216.1	(\$139.6)	(\$3.6)	55	31.68

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

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Representative Tawna Sanchez
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Risk Factors, Challenges and Outstanding Issues

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

- Oregon Health Plan caseload changes as OHA continues to reinstitute redeterminations
- Several budget areas within the Oregon State Hospital, including:
 - Pay differentials
 - Contracted nurse staffing costs
 - Recruitment and unit staffing
 - Litigation costs
 - Workplace violence mitigation and safety costs
- Federal Emergency Management Administration (FEMA) reimbursement of OHA's COVID-19 expenditures—the FEMA reimbursement process is slow and there is risk FEMA will deny some expenditures as not eligible.

Action Requested

Acknowledge receipt of the OHA Fall 2023 Rebalance Report for the 2023-25 biennium.

Legislation Affected

See Attachment A.

Sincerely,



Dave Baden
Interim Director

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

EC: Matt Stayner, Legislative Fiscal Office
Patrick Heath, Department of Administrative Services
Kate Nass, Department of Administrative Services
Amanda Beitel, Legislative Fiscal Office

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ATTACHMENT A
Oregon Health Authority
Fall 2023 Rebalance Actions
Appropriation And Limitation Adjustments

Division	Proposed Legislation/Section	Fund	Rebalance Adjustments	Appr #
Central Services				
	Ch. 591 Sec. 1(6)	General	(\$127,619)	87401
	Ch. 591 Sec. 3(4)	Lottery	\$204,376	44401
	Ch. 591 Sec. 2(8)	Other	\$128,555	34401
	Ch. 591 Sec. 5(6)	Federal	\$5,197,007	64401
		Total	\$5,402,319	
SAEC				
	Ch. 591 1(7)	General	\$2,853,148	87404
	Ch. 591 7	General – HB2683	(\$7,843)	87408
	Ch. 591 3(5)	Lottery	(\$204,376)	44404
	Ch. 591 2(9)	Other	\$196,415	34404
	Ch. 591 5(7)	Federal	\$1,085,737	64404
	Ch. 595 9	Federal – HB2683	(\$7,843)	64405
		Total	\$3,915,238	
Shared Services				
	Ch. 591 2(10)	Other	\$1,389,650	34402
	Ch. 595 8	Other - HB2683	(\$626,811)	34405
		Total	\$762,839	
Health Systems Division - Admin				
	Ch. 591 1(1)	General	(\$19,157,674)	87801
	Ch. 591 2(1)	Other	\$22,912,093	34801
	Ch. 591 5(1)	Federal	(\$4,379,499)	64801
		Total	(\$625,080)	
Health Systems Division - Programs				
	Ch. 591 1(2)	General	(\$39,368,232)	87801
	Ch. 591 2(2)	Other	\$183,695,830	34801
	Ch. 591 5(2)	Federal	(\$197,602,819)	64801
		Total	(\$53,275,221)	

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Division	Proposed Legislation/Section	Fund	Rebalance Adjustments	Appr #
Health Policy & Analytics Division				
	Ch. 591 1(3)	General	\$12,731,953	87701
	Ch. 605 305	General - HB3396 Clinical	(\$15,000,000)	87702
	Ch. 605 306	General - HB3396 Employer	(\$5,000,000)	87703
	Ch. 605 307	General - HB3396 Nursing Pgm	(\$1,517,041)	87704
	Ch. 584 22	General - SB966	(\$522,854)	87705
	Ch. 613 9	General - SB1089	(\$412,870)	87706
	Ch. 506 16	General - HB2665	(\$2,000,717)	87707
	Ch. 441 9	General - HB3396 Grants	(\$5,000,000)	87708
	Ch. 591 2(3)	Other	(\$6,376,169)	34701
	Ch. 584 23	Other - SB966	(\$214,298)	34703
	Ch. 591 5(3)	Federal	\$1,285,132	64701
	Ch. 584 22	Federal - SB966	(\$552,854)	64702
		Total	(\$22,579,718)	
Oregon Educators Benefit Board				
	Ch. 591 8	Other	\$517,750	34805
	Ch. 424 8	Other – HB2994	(\$517,750)	34702
		Total	-	
Public Health Division				
	Ch. 591 1(4)	General	\$3,307,121	87501
	Ch. 505 5	General - HB265	(\$970,339)	87502
	Ch. 507 31	General - HB2697	(\$1,980,571)	87503
	Ch. 442 104	General - HB3409 -2023	(\$188,664)	87504
	Ch. 442 106	General - HB3409 -2022	(\$199,007)	87505
	Ch. 591 2(5)	Other	\$13,709,845	34501
	Ch. 414 30	Other HB2696	(\$100,100)	34502
	Ch. 591 5(4)	Federal	\$55,469,794	64501
		Total	\$69,048,079	
Oregon State Hospital				
	Ch. 591 1(5)	General	(\$341,030)	87802
		Total	(\$341,030)	
Capital Improvements				
	Ch. 591 2(11)	Other	\$1,398,369	34811
		Total	\$1,398,369	

ATTACHMENT B

Fall 2023 Medicaid/CHIP Caseload Forecast

Eligibility Category	2023-25 Spring 2023 Forecast	2023-25 Fall 2023 Forecast	Difference Problem/ (Savings)	Percent Change	General Fund Problem/ (Savings) in Millions	Total Funds Problem/ (Savings) in Millions
Affordable Care Act (ACA)	503,783	492,023	-11,760	-2.3%	(\$25.5)	(\$243.4)
Parent/Caretaker Relative	105,844	100,774	-5,070	-4.8%	(\$36.1)	(\$89.7)
Pregnant Women	15,710	15,576	-135	-0.9%	(\$2.3)	(\$5.8)
Children's Medicaid Program	302,625	306,001	3,376	1.1%	\$19.4	\$51.4
Aid to Blind and Disabled	96,892	95,879	-1,013	-1.0%	(\$33.7)	(\$84.0)
Old Age Assistance	75,659	71,757	-3,902	-5.2%	\$5.4	\$13.4
Foster/Adoption & BCCP	16,668	16,822	154	0.9%	\$1.4	\$3.6
Children's Health Insurance Program	122,389	113,917	-8,472	-6.9%	(\$19.0)	(\$67.6)
Non-OHP (HOP Medicaid Adults, QMB, OSIP)	83,298	85,056	1,758	2.1%	\$2.3	\$5.7
HOP Medicaid Prenatal Adults	4,744	3,457	-1,287	-27.1%	(\$8.8)	(\$31.3)
Expansion	14,300	35,048	20,748	145.1%	\$74.0	\$184.2
2023-25 Subtotal	1,341,912	1,336,786	-5,125	-0.4%	(\$22.84)	(\$263.50)
Other Non-OHP (Part A, B, & D)	288,315	285,199	-3,116	-1.1%	(\$19.69)	(\$12.44)
2023-25 Total HSD (excluding HOP Kids)	1,630,226	1,621,985	-8,241	-1.5%	(\$42.54)	(\$275.94)
HOP Kids	8,702	8,990	288	3.3%	\$1.9	\$2.4
2023-25 Total HSD (including HOP Kids)	1,638,929	1,630,975	-7,953	1.8%	(\$40.64)	(\$273.52)