ANALYSIS

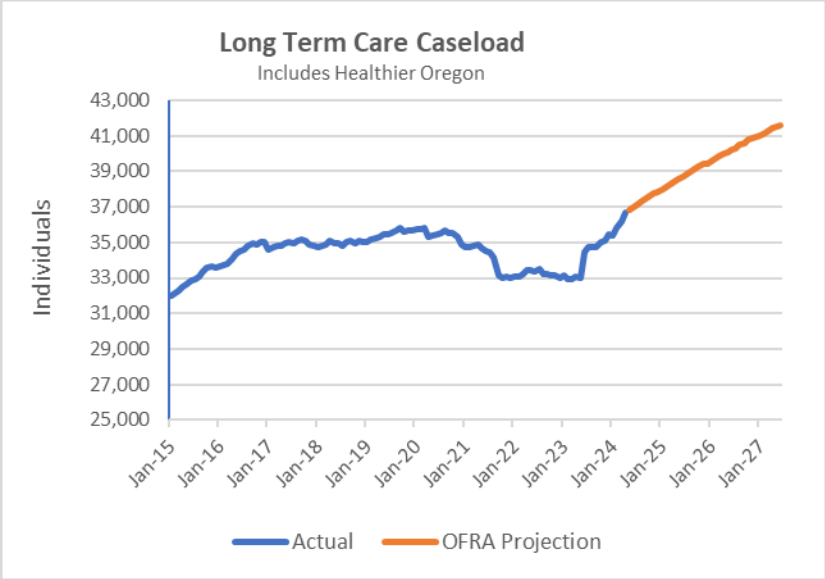
Item 29: Department of Human Services
Long Term Care Caseload

Analyst: Gregory Jolivette

Request: Allocate $50,000,000 General Fund from the special purpose appropriation made to the Emergency Board for changes in Department of Human Services and Oregon Health Authority caseload costs to the Department of Human Services; transfer $10,000,000 General Fund from the Oregon Eligibility Partnership program to the Aging and People with Disabilities program; and increase Federal Funds expenditure limitation for the Aging and People with Disabilities program by $106,000,000 for increases in long term care caseloads.

Analysis: Oregon's Medicaid program, the Oregon Health Plan (OHP), covers long term care services and supports for seniors and disabled individuals who need assistance with the activities of daily living. Since Medicaid is a federal entitlement, anyone who meets the eligibility rules has a right to enroll and receive a wide range of services in either nursing home, in-home, or community-based care settings. For state-budgeting purposes, Medicaid long term care services is considered a mandated caseload, which generally means nondiscretionary.

The number of Oregonians receiving state and federally funded long term care services has reached an all-time high (36,794 individuals as of July 30, 2024). The figure below shows actual and projected caseload for long term care services administered by the Department of Human Services' (DHS) Aging and People with Disabilities (APD) program. It illustrates (1) how this mandated caseload had been on a steady climb upward until the pandemic, (2) how program enrollment has fully recovered and now surpasses pre-COVID levels, and, more importantly (3) DHS projects demand for these services to continue to grow through the end of the next biennium.



In the current biennium, the long term care caseload has been trending considerably higher than initial agency projections. For example, the 2023-25 biennial average monthly caseload for in-home care increased 7.4%, from 17,156 in the Fall 2023 forecast to 18,432 in the Spring 2024 forecast. The biennial monthly average for community-based care increased 2% between forecasts from 12,892 to 13,156.

The 2023-25 legislatively approved budget for APD long term care is based on the Fall 2023 forecast. With actual and projected caseload trending significantly higher than the Fall 2023 forecast, DHS projects a General Fund budget shortfall of $110 million for the current biennium. Agency cash flow projections indicate the program could run out of General Fund in the March to April

2025 timeframe. If approved, this request would provide a total of $60 million General Fund and $106 million Federal Funds expenditure limitation, which the agency projects will be sufficient to cover its expenses until the balance of funds can be considered in the 2025 legislative session, along with other DHS rebalance adjustments, in an early session rebalance bill.

In addition to requesting the $50 million special purpose appropriation made to the Emergency Board for health and human services caseload changes, DHS has one-time savings in the Oregon Eligibility Partnership (OEP) program that can be used to support long term care caseload cost increases. The one-time savings in OEP result from a higher than assumed federal match resulting from activities related to implementation of the basic health program, 1115 waiver, and the public health unwinding. The requested Federal Funds expenditure limitation will allow the agency to spend the additional federal matching funds related to higher caseloads.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board allocate $50,000,000 General Fund from the special purpose appropriation made to the Emergency Board for changes in Department of Human Services and Oregon Health Authority caseload costs to the Department of Human Services; transfer $10,000,000 General Fund from the Oregon Eligibility Partnership program to the Aging and People with Disabilities program; and increase Federal Funds expenditure limitation for the Aging and People with Disabilities program by $106,000,000 for increases in long term care caseloads.

Request: Allocate $50.0 million from the Special Purpose Appropriation (SPA) made to the Emergency Board for Department of Human Services Aging and People with Disabilities caseloads costs, transfer $10.0 million General Fund from the Oregon Eligibility Partnership to Aging and People with Disabilities, and increase Federal Funds expenditure limitation by $106.0 million within Aging and People with Disabilities.

Recommendation: Approve the request**.**

Discussion: The Department of Human Services (ODHS) is requesting an allocation of $50.0 million General Fund from the SPA related to caseload costs, a transfer of $10.0 million from Oregon Eligibility Partnership (OEP) to Aging and People with Disabilities (APD), and an increase of $106.0 million Federal Funds expenditure limitation to address APD budgetary challenges caused by increased caseloads.

APD Long Term Care (LTC) has three major forecast categories: In-Home, Community-Based Care (CBC), and Nursing Facilities (NFC). Due to COVID-19, In-Home care caseloads dropped by 2.1 percent in April 2020, with exits exceeding intakes through 2020 and 2021. A further decline occurred after mandatory training for care workers was introduced in July 2022, lasting until June 2023. Since then, caseloads have been recovering as COVID risks diminished and healthcare worker numbers increased. By November 2023, caseloads had risen by nine percent from 16,814 in May to 18,334. Current data through April 2024, along with preliminary figures for May through July, show ongoing caseload growth primarily driven by new entries into In-Home care, though transfers have also increased. In-Home services account for over 50 percent of the total LTC count.

CBC is also expected to have upward growth trends due to high demand for PACE and Contract Residential Care, including Memory Care. As of November 2023, CBC made up 37 percent of total LTC services. The rising demand for Contract Residential Care is the primary driver of CBC caseloads. Following increases after July 2023, the Fall 2023 forecast for Spring 2024 was revised upward, and recent data suggest even higher growth prompting another upward revision for the Fall 2024 forecast.

In November 2023, 11 percent of the total LTC caseload was served by NFC, which are split between Basic Care and Complex Medical Add-On (CMAO) services. The number of cases with CMAO fees has risen due to rule changes allowing billing without proper authorization, increasing the costs per case. Forecasting the split between Basic NFC and CMAO has been challenging due to delays in reconciling CMAO billing data. Although NFC caseloads were stable at about 4,500 cases per month before 2020, recent figure show a decrease to around 4,000 cases per month. The forecasts indicate continued growth, but caseloads are not expected to return to pre-COVID levels.

Efforts related to the basic health program, the 1115 waiver, and the end of the Public Health Emergency improved the match rate and postponed other federal and state requirements, creating a one-time savings of $10 million in OEP. This is not a normal occurrence and is not expected to continue.

Caseload and CPC fluctuations are influenced by the economy, employment, and various global or local events. The Spring and Fall forecasts help ODHS anticipate and prepare for these fluctuations as effectively as possible. The request for funding will allow ODHS to manage cash flow in the near term and other outstanding issues related to this request are expected to be submitted separately during the December 2024 meeting of the Emergency Board and 2025 Regular Session.

Legal Reference: Allocation of $50,000,000 from the special purpose appropriation made to the Emergency Board by chapter 605, section 5(1), Oregon Laws 2023, to supplement the appropriation made by chapter 610, section 1(6), Oregon Laws 2023, for the Department of Human Services, Aging and People with Disabilities Programs for the 2023-25 biennium.

Transfer of $10,000,000 General Fund appropriation made by chapter 610, section 1, Oregon Laws 2023, for the 2023-25 biennium as follows:

Subsection	Amount
(6) Aging and People with Disabilities	+10,000,000
(8) Oregon Eligibility Partnership	-10,000,000

Increase the Federal Funds expenditure limitation established by chapter 610, section 3(6), Oregon Laws 2023, for the Department of Human Services, Aging and People with Disabilities, by $106,000,000 for the 2023-25 biennium.

Oregon
Tina Kotek, Governor

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August 30, 2024

Senator Rob Wagner, Co-Chair
Representative Julie Fahey, Co-Chair
State Emergency Board
900 Court St. NE
H-178 State Capitol
Salem OR 97301

RE: ODHS, 23-25 Biennium APD Caseload Funding Request

Dear Co-Chairpersons:

Nature of the Request

The Oregon Department of Human Services (ODHS) is experiencing budgetary challenges in Aging and People with Disabilities (APD) Programs due to the increasing caseloads. ODHS requests approval to transfer $50M General Fund from the Special Purpose Appropriation (SPA) set aside for ODHS and the Oregon Health Authority (OHA) Caseload needs into the APD appropriation. ODHS also requests approval to transfer $10M General Fund from the Oregon Eligibility Partnership (OEP) into the APD appropriation. In addition, ODHS requests the increase of the APD's Federal Fund limitation accordingly by $106M. This action will allow ODHS to manage cash flow as we see increasing caseloads above and beyond what was forecast last year.

Background

Aging and People with Disabilities (APD)

Based on actual expenditures through June 2024 and updated projections through the end of the 2023-25 biennium, ODHS is projecting over $110M General Fund

net challenge in APD due to caseload increases above and beyond the Fall 2023 Forecast. During the Spring 2024 Rebalance, ODHS leaders shared our observations about the risks associated with the low Fall 2023 forecast. Since then, the agency has been able to consolidate more data and verify increases in caseload.

The APD Long Term Care (LTC) forecast is divided into three major categories: In-Home, Community-Based Care (CBC), and Nursing Facilities (NFC). Nursing Facility Care services have remained relatively stable, while Community Based Care and In-Home Care services have risen. The total Long Term Care caseload is expected to rise by 2.1 percent from 2023-25 to the 2025-27 biennium. In-Home Care continues to be a popular placement choice, particularly since 2013 when APD implemented several changes designed to make In-Home services comparatively more attractive to clients. As a result, In-Home services accounts for over 50 percent of the total LTC count.

In-Home Care:

- Mainly due to COVID-19 the In-Home caseload dropped suddenly in April 2020 by 2.1 percent. Exits exceeded intakes multiple times in in 2020 and 2021 due to COVID. There was also a sudden drop following the implementation of new mandatory training for In-Home care workers in July 2022, which continued until June 2023.
- In-Home Care caseloads started to show recovery in intake patterns after June 2023, as the risks of COVID began to fade, and the number of healthcare workers began recovering. There has been an increase in the rate of returning clients – that is, those who exit long term care coverage and reestablish it in following months. This led to a 9 percent increase in the caseload comparing the Fall 2023 forecast to Spring 2024 – from 16,814 cases in May 2023 to 18,334 in November.
- Current final actuals for 2024 (through April) plus preliminary actuals (May, June, July) show caseload increases continuing. The current growth is almost entirely based on new enters to In-Home Care, although transfers have also increased.

Community Based Care:

- CBC is forecasted to continue to grow due to the high demand for PACE and Contract Residential Care which includes Memory Care. In November 2023, CBC represented 37 percent of total LTC services.

- The increases in Contract Residential Care (including Memory Care) are driving the CBC caseload higher. As a result of increases experienced after July 2023, the Fall 2023 forecast was revised upward for Spring 2024. Recent actuals and preliminary values show even greater growth in Contract Residential Care, and the Fall 2024 forecast will be revised upward again.

Nursing Facilities:

- In November 2023, 11 percent of the total LTC caseload received Nursing Facility services. NFC is primarily divided between two services: Basic care and Complex Medical Add-On (CMAO). The number of cases claiming CMAO fees has been increasing, which has increased the cost-per-case for NFC. This is due to a change in rules that allows agencies to bill for CMAO without prior authorization. Forecasting the split between Basic NFC and CMAO has proved difficult because billing for CMAO takes longer to reconcile in the expenditure data than other services.
- Recent actuals for NFC have been increasing and are forecast to continue to do so. Before 2020, NFC was stable at about 4,500 cases per month. The most recent actuals (through April) and preliminary values (May, June, July) are hovering at around 4,000 cases per month and although the forecast is for continued growth, the caseload is not expected to reach pre-COVID levels.

<u>Oregon Eligibility Partnership (OEP) one-time savings</u>

- OEP has a $10M one-time savings. This savings is primarily available because the work being performed this year is heavily focused on Medicaid, which allows a higher federal match. This is not expected to be the norm going forward. Implementing the basic health program, 1115 waiver, and unwinding the Public Health Emergency (PHE) increased our ability to hit higher match and delayed other federally and state required changes that allowed this one time saving. This funding is needed and is already contracted to happen in 2025 and beyond.

<u>Potential Risk Factors and Outstanding Issues</u>

ODHS continuously monitors and informs the Governor's Office and LFO about ongoing potential risks and outstanding issues that are outside of our control. Examples include the following:

- Caseload and CPC fluctuations are an ongoing factor that is influenced by the economy, employment, and global or local events. Spring and Fall forecasting help ODHS to be prepared for such fluctuations to the best extent possible.
- Migration of population between states that impacts availability of workforce levels needed to maintain services for the population ODHS supports.
- Natural disasters or public health emergencies.
- Global economic and political environment that impacts the levels of immigration to the state of Oregon.
- Federal policies that directly impact the populations that ODHS serves, including immigration policies.
- Federal regulations and penalties due to maintenance of effort and requirements of minimum participation rates.
- Legislative actions that impact cost drivers.
- The hybrid work structure that is not yet accounted for in workload models or workforce classification structure creates challenges for ODHS to keep up with the demand and pace of the evolving operational needs.
- Retiring legacy IT systems and transitioning to the new systems.
- ODHS has several outstanding issues that are in addition to this request, which will be submitted and presented separately during the December Emergency Board and 2025 Regular Session.

The request for funding from the Special Purpose Appropriation will allow ODHS to manage cash flow in the near term and allow for a fuller discussion of issues throughout the Agency later.

Agency Request

Approve the request to transfer $50M General Fund from the Special Purpose Appropriation (SPA) set aside for ODHS and the Oregon Health Authority (OHA) Caseload needs into the APD appropriation. Approve the request to transfer $10M General Fund from the Oregon Eligibility Partnership (OEP) into the APD appropriation. Approve the increase of the APD's Federal Fund limitation by $106M.

Legislation Affected

Caseload SPA Oregon Law Ch 605 (5) transfer out $50,000,000
OEP Oregon Law Ch 610 1 (8) transfer out $10,000,000
APD Oregon Law Ch 610 1 (6) transfer in $60,000,000
APD Oregon Law Ch 610 3 (6) increase by $106,000,000

Sincerely,

Fariborz Pakseresht, ODHS Director

Rob Kodiriy, ODHS CFO

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