

ANALYSIS

Item 19: Department of Human Services Rebalance

Analyst: Gregory Jolivette

Request: Acknowledge receipt of a report on the 2023-25 financial status and budget rebalance request for the Department of Human Services.

Analysis: The Department of Human Services is presenting its second financial report of the 2023-25 biennium in anticipation of legislative actions during the 2025 session. The report identifies several issues impacting the DHS budget, including changes in forecasted caseload levels, costs per case, federal fund receipts, and other program changes since the 2024 legislative session. The agency estimates the budgetary impact of these changes is a net General Fund cost of \$161.4 million, an Other Funds expenditure limitation increase of \$35.2 million, and a Federal Funds expenditure limitation increase of \$371.4 million. No adjustments to position authority are identified in the report.

As shown in the table to the right, increased caseload and cost per case are the main drivers of the General Fund need identified in the rebalance report. Additionally, the report identifies unbudgeted expenses for telecommunications and the JOBS Services program. These costs have been partially offset by higher provider tax revenues and available federal funds. Each of the major General Fund and limitation adjustments are discussed below.

DHS 2023-25 Rebalance #2	
General Fund Request	
Item	Amount
Caseload	160,493,068
Cost Per Case	24,779,115
Telecommunications	11,625,863
JOBS Services	5,369,793
Provider Tax	(12,718,584)
Federal Funds True-up	(28,193,803)
Total	\$ 161,355,452

General Fund Adjustments

Caseload Increases

The fall 2024 forecast, released in November, projects higher average monthly caseloads for most DHS programs, with an overall estimated increase of \$160.5 million General Fund for the 2023-25 biennium. More specifically, this adjustment is driven by higher Aging and People with Disabilities (APD) and Intellectual/Developmental Disabilities (I/DD) caseloads, which have rebounded from COVID pandemic levels more rapidly than earlier forecasts had assumed and have now surpassed pre-COVID levels. The increased caseload costs include \$113.3 million for

the APD program and \$49.5 million for the I/DD program, which is partially offset by \$2.3 million of caseload savings in the Child Welfare (CW) program.

This is the third caseload-driven budget adjustment of the 2023-25 biennium. During the 2024 session, as part of the first DHS rebalance, the Legislature appropriated \$40 million General Fund to update the budget based on the fall 2023 forecast; and, in September, the Emergency Board allocated \$50 million General Fund to address a potential budget shortfall in the APD program.

The table to the right compares the fall 2023 and fall 2024 forecasts of biennial average monthly caseload for each program: Vocational Rehabilitation (VR), CW, Temporary Assistance to Needy Families (TANF), I/DD, APD, and the Supplemental Nutrition Assistance Program (SNAP). For SNAP, caseload is a count of enrolled households. For all other programs, it is a count of enrolled individuals.

DHS 2023-25 Biennial Average Monthly Caseload				
	Budgeted	Proposed		
	Fall 2023	Fall 2024	Change	
Program	Forecast	Forecast	Actual	Percent
VR	8,956	9,557	601	6.7%
CW	17,370	17,111	(259)	-1.5%
TANF	19,850	20,986	1,136	5.7%
I/DD	35,521	36,306	785	2.2%
APD	33,779	36,815	3,036	9.0%
SNAP	418,386	435,469	17,083	4.1%

DHS is not currently requesting additional resources for the projected 5.7% increase in TANF's average monthly caseload, although may reevaluate in spring 2025. The VR and SNAP caseload changes shown in the table are supported by federal funds.

Cost Per Case

Based on recent actual expenditures, the agency is reporting higher-than-budgeted costs per case in the APD, I/DD and CW programs. For APD and I/DD, the changes in costs per case are attributable to increased demand for more costly services, such as bariatric nursing and in-home agency services. In CW, higher net costs per case are attributed to contracted services for children with high needs. The cost per case increase totals \$24.8 million General Fund.

Telecommunications Services

Under state law, the Office of the State Chief Information Officer (SCIO) is responsible to coordinate and operate state telecommunication systems and services. Among other things, SCIO requires state agencies to use a statewide telecommunications contract for call center services. DHS has been operating under an exception that allowed the Department to contract with a different telecommunications services provider. At the direction of SCIO, DHS was required to begin to migrate to the statewide contract during the current biennium; however, some agency costs for the transition were not budgeted. DHS estimates \$11.6 million is needed

on a one-time basis to cover equipment and one-time set-up costs with the new contract provider for the Oregon Eligibility Partnership (OEP) and CW call centers.

Job Opportunities and Basic Skills (JOBS) Services

The JOBS Services program was established to help TANF participants achieve self-sufficiency through job training and employment services. The program serves all TANF participants, including those who do not qualify for block grant funding, such as two-parent families, and families who have not met TANF work participation requirements, or have exceeded the 5-year lifetime limit on TANF cash assistance benefits. The \$5.4 million General Fund is the result of a higher than anticipated number of participants whose costs cannot be covered by the TANF block grant.

Provider Tax Adjustment

Under state law, nearly all Oregon nursing facilities are subject to a long term care facility assessment which DHS sets at a rate that will generate an amount equal to 6% of the annual gross revenue of these facilities. As a result of the higher forecasted APD long term care caseload, DHS estimates revenue from the assessment will increase from \$152 million to \$164.7 million. An increase in Other Funds expenditure limitation in the APD program by \$12.7 million will allow the increased provider tax revenue to be used in lieu of General Fund.

Federal Funds Increases

Based on an increased level of claims eligible for Affordable Care Act match, DHS expects to be able to draw down additional federal funds of \$16.9 million in I/DD and \$11.3 million in APD, reducing the General Fund need in these programs by the same amounts.

General Fund Adjustments by Program

The table below displays General Fund adjustments in the proposed rebalance by program. The APD and I/DD programs have the largest net General Fund need and account for 90% of the total General Fund need identified in the rebalance report. Growth in these two programs also figured prominently in the first agency rebalance and again at the September 2024 Emergency Board.

	Self Sufficiency	Child Welfare	Vocational Rehabilitation	Aging and People with Disabilities	Intellectual and Developmental Disabilities	Oregon eligibility Partnership	Central Services	Shared Services	State assessments and Enterprisewide Costs	
General Fund \$ in millions										Totals
2023-25 Leg Approved Budget	376.1	1,023.2	41.1	1,820.2	1,952.7	371.5	114.4	-	408.1	6,107.3
Rebalance Issues										
Costs	5.40	1.80	-	133.60	52.20	-	-	-	11.60	204.6
Savings	-	(2.30)	-	(24.00)	(16.90)	-	-	-	-	(43.2)
Net Change from Leg Approved	5.4	(0.5)	-	109.6	35.3	-	-	-	11.6	161.4

If this rebalance request for \$161.4 million General Fund is approved, a total of \$329.7 million General Fund will have been added to DHS' legislatively *adopted* budget, which represents a 5.8% increase. This includes adjustments made as part of the first rebalance and by the Emergency Board in September 2024. APD and I/DD caseload and cost per case adjustments account for 89% of the combined total of all General Fund changes since the 2023 session.

Limitation Adjustments

The rebalance includes a total Other Funds expenditure limitation increase of \$35.2 million, and Federal Funds limitation increase of \$371.4 million. This includes the adjustments discussed above.

Major Other Funds limitation increases include:

- \$12.7 million for increased long term care provider tax revenues
- \$11.6 million for Waivered Case Management revenues
- \$10.2 million for Employment Related Day Care

Major Federal Funds limitation increases include:

- \$267.3 million for caseload
- \$35.1 million for cost per case
- \$39.2 million for American Rescue Plan Act spending plan adjustments
- \$28.2 million for ACA-related adjustments in APD and I/DD
- \$2.3 million for caseload changes in the Vocational Rehabilitation program
- \$1.1 million for a new Shelter and Support grant

Potential Risks and Outstanding Issues

The rebalance report identifies several potential risks, including further changes in caseload and cost per case, federal policies that could impact the population that DHS serves, and legislative actions that impact cost drivers. One outstanding issue mentioned in the report is the SNAP payment error penalty. In June 2024, Oregon received notice from the U.S. Department of Agriculture, Food and Nutrition Service (FNS) of a SNAP payment error penalty of \$15.7 million for benefit payments made during federal fiscal year 2023. DHS has submitted a proposal to FNS to use a portion of the penalty amount and invest in improvements to the SNAP program designed to reduce payment errors, but is still awaiting a response to this proposal. Until a decision is made, the timing or amount of any necessary payment penalties are unknown. The proposed rebalance does not include funds to cover the SNAP penalty under the assumption that the earliest payment timeline would be the first quarter of 2025-27 biennium.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board acknowledge receipt of the report, with the understanding that any recommendations for budgetary changes would be included in a budget reconciliation bill during the 2025 legislative session.

Request: Report on the second rebalance of the 2023-25 biennium for the Oregon Department of Human Services (ODHS).

Recommendation: Acknowledge receipt of the report.

Discussion: ODHS has submitted its second rebalance report for the 2023-25 biennium. The report updates caseload and cost projections through the fall of 2024. Budget adjustments are based on the fall 2024 caseload forecast compared to the fall 2023 forecast, except within Aging and People with Disabilities (APD), which had budget challenges partially addressed through allocation of a caseload Special Purpose Appropriation in September 2024, and the transfer of funding from the Oregon Eligibility Partnership (OEP). Requested changes to APD are net of the changes made during the second rebalance in September 2024. The report also revises available revenues, Other Funds expenditure limitation, and Federal Funds expenditure limitation. Finally, the report includes a list of other outstanding risks and issues.

After accounting for all rebalance actions, the Department anticipates a need for an additional \$161.4 million General Fund, a \$35.2 million increase in Other Funds expenditure limitation and a \$371.4 million increase in Federal Funds expenditure limitation. No positions (or FTE) are included as part of the report. The Department is requesting the rebalance adjustments be recommended for approval during the 2025 Legislative Session.

The primary driver of the need for additional General Fund is due to increased caseload in APD and Intellectual and Developmental Disabilities (I/DD), resulting in an increase of \$113.3 million and \$49.6 million General Fund, respectively. APD and I/DD also have cost per case increases of \$20.4 million and \$2.6 million General Fund, respectively. Caseload and cost per case increases are partially offset by a revised Provider Tax estimate within APD, and an update to the Medicaid participation rate within I/DD. Additional General Fund is also estimated to be needed in Self-Sufficiency Programs for the JOBS program and telephone costs within Statewide Assessments and Enterprise-wide Costs (SAEC).

The following table lays out the General Fund costs and savings from the 2023-25 Legislatively Approved Budget for ODHS programs. No General Fund changes are reported for Central Services, Vocational Rehabilitation, or the Oregon Eligibility Partnership, though the programs are included in the table for informational purposes.

Oregon Department of Human Services

Second Rebalance of the 2023-25 Biennium (General Fund only)

Division	2023-25 General Fund Leg. Approved Budget	Costs	Savings	Net Rebalance Changes	2023-25 General Fund Change from Leg. Approved
I/DD	\$ 1,952.7	\$ 53.8	\$ (18.5)	\$ 35.2	\$ 1,987.9
APD	\$ 1,820.2	\$ 133.6	\$ (24.0)	\$ 109.6	\$ 1,929.9
Child Welfare	\$ 1,023.2	\$ 1.8	\$ (2.3)	\$ (0.5)	\$ 1,022.7
Oregon Eligibility Partnership	\$ 371.5				\$ 371.5
Self Sufficiency Program	\$ 376.1	\$ 5.4		\$ 5.4	\$ 381.4
Vocational Rehabilitation	\$ 41.1				\$ 41.1
SAEC*	\$ 397.2	\$ 11.6	\$ -	\$ 11.6	\$ 408.9
Central Services	\$ 114.4				\$ 114.4
Total	\$ 6,096.4	\$ 206.2	\$ (44.9)	\$ 161.4	\$ 6,257.8

* Statewide Assessments and Enterprisewide Costs.

All dollars are in millions; rounding may occur. SAEC Debt Service costs of \$10.9 million General Fund are not included above. Shared Services is not shown above as the division has no General Fund budget.

Following are the major program, revenue, and forecast issues specific to each division:

Intellectual and Developmental Disabilities (I/DD)

In this rebalance plan, I/DD has a net challenge of \$35.2 million General Fund, a net increase of \$155.6 million Federal Funds expenditure limitation, for a total of \$190.8 million. The need for General Fund is primarily due to an upward caseload forecast, cost per case increases for Adult In-Home Supports and nursing services, as well as carryforward for the ARPA spend plan. The Fall 2024 Caseload Forecast shows a rise in caseload, resulting in an increased General Fund need of \$49.6 million (\$145.1 million total funds). The largest caseloads, I/DD's Adult and Children In-Home programs increased 4.1 percent and 4.3 percent, respectively, compared to fall 2023. Adult 24 Hour Residential forecasted growth increased 6.0 percent. The growth has primarily driven an increased identification of eligible individuals, and expanded access due to enhanced program outreach. Additionally, there is increased access to information and referrals through traditional referral pathways including children being back in schools in-person; increased access to medical, diagnostic, and other services in the community that help individuals and families find out about I/DD services.

Cost per case increases continue as hours per individual increase, along with greater usage of agency providers for services, rather than individuals working directly with a Personal Support Worker. The growth increase is primarily driven by a 1.1 percent Adult In-Home cost per case increase. Higher-cost agency providers have increased steadily over the last couple years from providing about 30 percent of services to roughly half, due to individual preference. Cost per case increases result in a projected General Fund need of \$2.5 million.

The participation rate adjustment decreases General Fund by \$16.9 million and increases Federal Funds expenditure limitation by the same amount to reflect a higher Medicaid participation rate than previously assumed. This means more claims are expected to be eligible for federal match than anticipated.

The combined changes and budgetary impact to I/DD under the rebalance plan are shown in the following table:

I/DD

Issue	General Fund	Other Funds	Federal Funds	Total Funds
Caseload Changes	\$ 49.6	\$ -	\$ 95.5	\$ 145.1
Cost per Case Changes	\$ 2.5		\$ 4.0	\$ 6.5
Participation Savings	\$ (16.9)		\$ 16.9	\$ -
ARPA Updated Spend Plan			\$ 39.2	\$ 39.2
Total	\$ 35.2	\$ -	\$ 155.6	\$ 190.8

All dollars are in millions; rounding may occur.

Aging and People with Disabilities (APD)

The Aging and People with Disabilities program (APD) has a net General Fund need of \$109.6 million, a net increase of \$24.4 million Other Funds, and a net increase of \$219.0 million Federal Funds expenditure limitation. The primary reason for the increase is due to the Fall 2024 Forecast Caseload, which totals \$113.1 million General Fund, and Cost per Case increase, which totals to \$20.4 million General Fund. The request offsets the \$60.0 million General Fund approved during the September E-Board. According to the Fall 2024 Caseload Forecast, APD's active caseload is projected to increase from 36,829 in 2023-25 to 40,258 in 2025-27, an increase of 9.9 percent. The following caseload percentage changes serve as primary drivers and relative to the cost per case changes in Community Based Care:

- Nursing Facilities: 8.6 percent increase.
- Community Based Care: 2.4 percent increase.
- In-Home Services: 12 percent increase.

The increase in caseload compared to the fall 2023 forecast reflects rising service demands and accumulated demand during the pandemic, which led to a surge in caseloads as consumers have become more open to entering long-term care facilities that had previously accounted for a disproportionate number of COVID-related deaths and severe illnesses.

The Provider Tax update adjustment decreases General Fund by \$12.7 million and increases Other Funds by the same amount to reflect increased available revenue from Provider Taxes within Nursing Facilities. The Affordable Care Act (ACA) update adjustments decrease General Fund by \$11.2 million and increases Federal Funds expenditure limitation by the same amount to reflect ACA expenditure rates based on historical trends. Services for individuals eligible under the ACA receive a higher federal match rate than the standard Federal Medicaid Assistance Percentage.

The combined changes and budgetary impact to APD under the rebalance plan are shown in the following table:

APD

Issue	General Fund	Other Funds	Federal Funds	Total Funds
Caseload Changes	\$ 113.1	\$ -	\$ 174.5	\$ 287.6
Cost per Case Update	\$ 20.4	\$ -	\$ 33.3	\$ 53.7
Provider Tax Update	\$ (12.7)	\$ 12.7		\$ -
ACA Update	\$ (11.2)		\$ 11.2	\$ -
Waivered Case Management	\$ -	\$ 11.7		\$ 11.7
Total	\$ 109.6	\$ 24.4	\$ 219.0	\$ 353.0

All dollars are in millions; rounding may occur.

Child Welfare

The Child Welfare program reflects a net decrease of \$0.5 million General Fund (\$5.3 million total funds). The net adjustment include a savings related to caseload and a budget challenge due to increased costs per case. Caseload changes are based on the fall 2024 caseload forecast compared to the fall 2023 forecast. The areas of caseload savings were mostly within Residential Treatment (-5.1 percent), Adoption Assistance (-1.7 percent), and Guardianship Assistance (-1.9 percent). These decreases were partially offset by caseload increases in FOCUS children, Personal Care, Family Shelter Care, and Regular Foster Care.

In addition to caseload savings, Child Welfare also projects rising costs per case, which is calculated by taking 12 months of historical total expenditures and dividing by the caseload to get an average monthly costs per case. The increase is primarily within the FOCUS program, which is a General Fund only support. Cost increases within FOCUS are due to higher payments for contracted services for children with high needs. FOCUS currently maintains a high level of service contracting, including 10 extensive umbrella contracts, serving approximately 400 children with nearly 600 services on any given day. CPC for FOCUS is projected to increase 23.5 percent of \$462 per month.

The Child Welfare budget adjustments are included in the following table:

Child Welfare

Issue	General Fund	Other Funds	Federal Funds	Total Funds
Caseload Changes	\$ (2.3)	\$ -	\$ (2.6)	\$ (5.0)
Cost per Case Changes	\$ 1.8	\$ -	\$ (2.1)	\$ (0.3)
Total	\$ (0.5)	\$ -	\$ (4.8)	\$ (5.3)

All dollars are in millions; rounding may occur.

Self Sufficiency Programs

Self Sufficiency programs (SSP) have a net increase of \$5.4 million General Fund (\$11.3 million total funds). General Fund cost increases are due to increased General Fund expenditures in the JOBS program. The JOBS Program General Fund expenditures have been increasing through the biennium as the TANF caseload has steadily increased. One of the key drivers of this increase is the JOBS program and support services expenditures made on behalf of cases not eligible for TANF Federal Funds. ODHS analyzed the actuals and is requesting a General Fund increase of \$5.4 million and a corresponding decrease to Federal Funds expenditure limitation due to an increasing amount of JOBS program expenditures going towards General Fund only TANF recipients, which includes TANF two-parent households and TANF caseloads beyond 60 months.

SSP remains responsible for paying Employment Related Day Care (ERDC) providers via the Provider Pay system. The program was transferred to the Department of Early Learning and Care (DELIC), though provider payments and program eligibility are performed by ODHS. SSP is requesting additional Other Funds expenditure limitation, \$10.2 million, to pay ERDC providers with pass-through funding received from DELIC.

The increase aligns the SSP budget with the inter-agency agreement amount between DELC and ODHS.

SSP is responsible for administering the U.S. Department of Homeland Security, FEMA Shelter and Support Services Competitive Grant. ODHS submitted a 10-day notification letter on June 3, 2024, prior to submitting the grant application by the deadline of June 13, 2024. ODHS received official notification of the award on September 26, 2024. The Department is requesting Federal Funds expenditure limitation for the estimated amount to be spent from the grant in the 2023-25 biennium.

Additional information about the Self Sufficiency budget adjustments is included in the following table:

Self-Sufficiency Program

Issue	General Fund	Other Funds	Federal Funds	Total Funds
JOBS caseload changes	\$ 5.4	\$ -	\$ (5.4)	\$ -
ERDC - Additional pass through limitation from DELC		\$ 10.2		\$ 10.2
FEMA (SSP-C) New Grant Limitation		\$ -	\$ 1.1	\$ 1.1
Total	\$ 5.4	\$ 10.2	\$ (4.3)	\$ 11.3

All dollars are in millions; rounding may occur.

Vocational Rehabilitation Program

The Vocational Rehabilitation (VR) division requests a one-time increase of \$2,299,564 Federal Funds expenditure limitation due to U.S. Department of Education's fiscal 2024 reallocation, which resulted in additional federal funds for Oregon's VR program.

Statewide Assessments and Enterprise-wide Costs

The budget for SAEC contains statewide assessments including State Government Service Charges. It also includes the budgets for rent, debt service, computer replacements and telephone costs. Lastly, the budget includes the funding for ODHS Shared Services, which are made through a Special Payment to Shared Services to provide the revenue to pay the internal ODHS/Oregon Health Authority Shared Services costs.

ODHS is projecting a budget gap within SAEC related to telecommunications costs. The projected gap is \$11.6 million General Fund, \$15.8 million total funds. The projected gap is due to several factors and the Department is still analyzing costs and the telecommunications budget across ODHS. The primary driver of increased costs is due to the existing phone system contract being moved from Lumen (formerly CenturyLink) to Kyndri. The Kyndri contract is a statewide contract. This resulted in one-time switch-over costs estimated to be \$3.5 million General Fund.

Additionally, the Oregon Eligibility Partnership (OEP) phone costs were moved from OEP to SAEC, though no funding was moved from OEP to SAEC. The Department is analyzing OEP's telecommunications budget to determine if there is available funding within OEP to help cover the transition. OEP and SAEC division leadership agreed to centralize the phone service contracts and payments into SAEC for consistency and efficiency purposes. There are also specific federal requirements around phones for Medicaid, such as ability to capture verbal signatures, that were not part of the base

solution. ODHS has been working on interactive voice response, the current phone platform was not able to meet business needs, and so an additional Amazon platform has been added for Medicaid compliance.

Finally, the Oregon Child Abuse Hotline (ORCAH) has also been switched over to Kyndrl. The base costs for ORCAH had been budgeted in Child Welfare, though no funding was provided for the switch. This change over cost is within the estimated \$3.5 million in one-time General Fund costs.

It is recommended the Department continue to analyze the one-time versus ongoing telecommunications budget gap within SAEC for 2023-25 and provide additional information to the Legislature in the 2025 Legislative Session to help clarify cost drivers and operational changes leading to increased funding needs within SAEC.

Outstanding Issues: The Department raised several risk factors and outstanding issues as part of the fall 2024 rebalance. The majority of these did not have a defined budgetary risk, except for the Supplemental Nutrition Assistance Program (SNAP) penalty. The U.S. Department of Agriculture (USDA) released official SNAP payment error rates for Federal Fiscal Year (FFY) 2023 (Oct. 1, 2022 – Sept. 30, 2023) on June 28, 2024. The Oregon FFY 2023 SNAP payment error rate is higher than the national average for the second consecutive year. States with an error rate higher than the national average for two consecutive years must pay a financial penalty to the USDA. ODHS is in the process of negotiating the penalty with the United States Department of Agriculture. The SNAP penalty may be a liability towards the end of 2023-25 or more likely in 2025-27. Oregon is pursuing an appeal and a 50/50 settlement agreement.



November 8, 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 Fall 2024, 23-25 Biennium 2nd Rebalance Report

Dear Co-Chairpersons:

Nature of the Request

The Oregon Department of Human Services (ODHS) requests receipt of this letter as its Fall 2024 Rebalance Report for the 2023-25 biennium.

Background

Based on actual expenditures through August 2024 and updated projections through the end of the 2023-25 biennium, ODHS is projecting a \$161,355,452 General Fund net challenge for the rebalance issues, which constitutes about 2.6% of ODHS General Fund appropriation.

ODHS has identified net \$161,876,584 in General Fund budget challenges and management actions and \$521,132 in General Fund savings. Additionally, the agency is projecting an increase of Other Funds limitation by \$43,196,385 and an increase of Federal Funds limitation by \$371,404,583.

Overview of ODHS General Fund Standpoint	
Program	Rebalance Request
Aging and People with Disabilities	\$ 109,646,891
Intellectual and Developmental Disabilities	\$ 35,234,037
Child Welfare	\$ (521,132)
Self Sufficiency	\$ 5,369,793
State Agency Enterprise Charges	\$ 11,625,863
TOTAL General Fund	\$ 161,355,452

Aging and People with Disabilities (APD)

APD has a net challenge of \$109.6 million General Fund, a net increase of \$24.4 million Other Funds and a net increase of \$219 million Federal Funds limitation.

Major APD General Fund savings and challenges are as follows:

- *Savings*
 - \$12.7M in Provider Tax update increase, and a corresponding \$12.7M increase in Other Funds. The Provider tax revenue increased because of forecasted caseload increasing from Fall 2023 to Fall 2024. LAB funded estimated Provider Tax revenue at \$152M. Fall 2024 Rebalance projects an increase to revenue by \$12.7M resulting in an adjusted 23-25 estimated Provider Tax revenue of \$165M.
 - \$11.2M in ACA Update, and a corresponding \$11.2M increase in Federal Funds. Adjustments to Affordable Care Act (ACA) rate for 23-25 within Nursing, Community Based Care, and In Home services. Based off historical expenditures the ACA percentages increased in Nursing Facilities from 4.46% to 6.20% and in Community Based Care from 1.82% to 2.38%. However, decreased in In-Home from 1.63% to 1.56%. This comparison is for ACA expenditures from July 2010 to April 2024.
- *Challenges*
 - \$133.6M in Fall 2024 Forecast Caseload and Cost per Case increase. Of which, \$20.4M is the increase in cost per case only. \$207.7M in Federal Fund increase. This challenge offsets the \$60M General Fund approved during the September EBoard. For 23-25 the cost impact of Fall 24 forecast represents a 17% cost increase to the Nursing Facilities budget, a 4% cost increase to Community Based Care and an 11% cost increase to

In-Home Supports budget. The primary drivers in the cost per case change is in Community Based Care: Program of All-Inclusive Care for the Elderly (PACE - 9.9% increase), Adult Foster Homes (5.5% increase), and Contracted Residential services (2.5% increase).

- Nursing Facilities: 8.6% increase; forecast up by 344 cases per month. Significant increases to more costly services within Complex and Bariatric drive the cost of the forecast update.
- Community Based Care: 2.4% increase; forecast up by 318 cases per month. Significant increases in Contracted Residential, PACE, and Adult Foster Care while Assisted Living and Regular Residential services are seeing decreases in cases.
- In-Home Services: 12% increase; forecast up by 2,335 cases per month. Significant increases seen In-Home Hourly, increase of 1,088 cases per month and In-Home Agencies, increase of 1,156 cases per month.

- *Other Funds Increase*

- \$11.6M Waivered Case Management Other Fund Limitation. For the 2023-25, WCM activity has increased since last biennium. Our calculations indicate that State Fiscal year 2025 is projected to be 2.5% higher than in 2024, being \$94M total for the 23-25 biennium, while our current limitation is \$82.5M.

Intellectual and Developmental Disabilities (IDD)

IDD has a net challenge of \$35.2M General Fund, a net increase of \$155.6M Federal Funds limitation.

Major IDD General Fund savings and challenges are as follows:

- *Savings*

- \$16.9M decrease due to the higher participation rate, with the corresponding Federal Fund limitation increase. Across all services participation rates have been trending upwards to 100% of claims being federally matchable. This action adjusts participation to 100% for Adult 24 Hour Group Homes, Adult Supported Living Services, Adult In Home Services, Children In Home Services, and Children's Intensive In-Home Supports. Claims eligible for ACA federal match

have been trending up slightly driving this increase.

- *Challenges*

- \$52.2M in Caseload and Cost Per Case increases, with the corresponding \$99.4M Federal Fund limitation increase. These include \$49.6M in IDD caseload growth from Fall 2023 to Fall 2024 Forecast. Adult 24 Hours Residential continues to outpace forecasted growth resulting in a 6.0% increase between Fall 2023 and Fall 2024 forecast. Similarly, Adult In Home Services and Childrens In Home Services have continued to outpace forecasted growth with a 4.1% increase for Adult In Home Services and a 4.3% Increase for Children In Home Services. The main driver for the Cost Per Case increase is Adult In-Home services, with the 1.1% increase, due to the increased usage of agency providers compared to the PSW providers (especially given the cost difference where agency providers are paid around \$42 per hour while it costs around \$26 per hour to use a PSW.) As for Nursing Services, In the last 12 months of the 21/23 BI the average CPC for nursing services was \$13,629 a month and in the first 12 months of 23/25 BI the average CPC was \$19,668 a month. This is a 44% CPC increase year over year.

Child Welfare (CW)

CW has a net savings of \$0.5M General Fund, a net decrease of \$4.8M Federal Funds limitation. This action does not include a Budget Note Report on Temporary Lodging Prevention.

Major CW General Fund savings and challenges are as follows:

- *Savings*

- \$0.5M in net Caseload and Cost Per Case decrease based on the Fall 2024 forecast. The Caseload decrease of \$2.3M and the Cost Per Case increase of \$1.8M. For 23-25 the forecast increased for the areas of Regular Foster Care, Personal Care, Family Shelter Care, and FOCUS. The largest increase in caseload occurred in the FOCUS program area. Areas with a decrease compared to the last update are Tribal Foster Care, Nurse Assessments, Residential Treatment, Adoption Assistance, and Guardianship Assistance. The largest

decrease in caseload is in the Adoption Assistance area. For 23-25 the cost per case had a net increase for the areas of Personal Care, Tribal Foster Care, Nurse Assessments, Residential Care, and FOCUS. The cost is net of funding already provided. The largest increase in cost per case costs occurred in the FOCUS program area. The cost per case increase is due to the increase in costs for contracted services that serve children with high needs. Areas with a decreased cost per case compared to the last update are Regular Foster Care, Shelter Care, Adoption Assistance, and Guardianship Assistance. The largest decrease in cost per case is in the Guardianship Assistance area.

Self-Sufficiency Programs (SSP)

SSP has a net challenge of \$5.4M General Fund, a net increase of \$10.2M Other Funds limitation, and net increase of \$4.3M Federal Funds limitation.

Major SSP General Fund challenges are:

- \$5.4M in JOBS Program increases, with the corresponding Federal Fund limitation decrease. The Jobs Program General Fund expenditures have been increasing through the biennium as the TANF Basic and TANF UN caseload has steadily increased. One of the key drivers of this increase is the Jobs program and support services expenditures made on behalf of cases not eligible for TANF Federal Funds.

Other Federal Fund and Other Fund limitation increases are:

- \$1.1M Federal Fund limitation for the FEMA Shelter Service Program Grant award. The SSP-C grant will provide additional funding to ODHS, Self Sufficiency Program (SSP) to continue the work of developing a statewide, centralized, coordinated infrastructure to serve newly arriving migrants in Oregon. The grant timeframe is a 36-month period from October 1, 2023, to September 30, 2026.
- \$10.2M Other Fund Limitation for ERDC spending transfer from DELC. The ERDC caseload has continued to increase over the biennium. This action is to increase the SSP Limitation, that matches the DELC current spend plan.

State Agency Enterprise Charges

SAEC has a net challenge of \$11.6M General Fund, a net increase of \$0.6M Other Funds limitation, and net increase of \$3.6M Federal Funds limitation.

A major General Fund challenge is:

- \$11.6M in Telecommunications. Oregon Department of Human Services (ODHS) Statewide Assessments and Enterprise-wide Costs (SAEC) has been responsible for the agency-wide telecommunications budget since the 2017-19 biennium, when the Department of Administrative Services (DAS) switched over most of the existing phone system to Voice Over Internet Protocol (VOIP) services. During the 2023-25 biennium, the Oregon Eligibility Partnership (OEP) program's existing specialized phone system moved from Lumen Contact Center to a Kyndryl Contact Center (Single State Solution Provider). In addition to the system change for OEP's phone system, the ODHS Child Welfare Hotline (ORCAH) is also changing their phone system to align with phone systems used in the rest of ODHS' phone systems. This budget request would cover the change order/switchover costs for both Call Centers. This is a one-time cost for 2023-25 only. In 2025-27, once the changeover is complete, billing should be consistent with the Telecommunications Current Service Level budget.

Potential Risk Factors and Outstanding Issues

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 population 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 operations needs.
- Retiring legacy IT systems and transitioning to the new systems.
- SNAP Penalty

Agency Request

Acknowledge receipt of the ODHS Fall 2024 Rebalance Report.

Legislation Affected

See Attachment A.

Sincerely,



Fariborz Pakseresht, ODHS Director



Rob Kodiriy, ODHS CFO

ENC: Summary Table; Attachment A – Legislation Affected; Attachment B – Caseload Forecast Changes.

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

Summary of ODHS Challenges and Savings by Fund Type (in Millions)*

Challenges	General Fund Need/(Savings)	Other Fund Need/(Savings)	Federal Funds Need/(Savings)	Total Funds Need/(Savings)
ARPA Spend Plan update	\$ 0.0	\$ 0.0	\$ 39.2	\$ 29.3
IDD + CDDP Fall '24 Caseload	\$ 49.6	\$ -	\$ 95.5	\$ 145.1
APD + AAA Fall '24 Caseload	\$ 113.3	\$ 0.0	\$ 174.4	\$ 287.7
CW and IDD CPC updates	\$ 4.4	\$ 0.0	\$ 1.8	\$ 6.2
OF/FF Limitation requests	\$ -	\$ 21.8	\$ 3.4	\$ 25.2
Telecom Request	\$ 11.6	\$ 0.6	\$ 3.6	\$ 15.8
Total Challenges	\$ 199.2	\$ 22.4	\$ 351.2	\$ 572.9
Savings				
CW Fall '24 Caseload	\$ (2.3)	\$ -	\$ (2.6)	\$ (5.0)
Fund shifts	\$ (35.5)	\$ 12.7	\$ 22.8	\$ -
Total Savings	\$ (37.9)	\$ (12.7)	\$ 20.2	\$ (5.0)
Net ODHS Fall 2024 Rebalance	\$ 161.4	\$ 35.2	\$ 371.4	\$ 567.9

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

Oregon Department of Human Services
2023-25 Second Rebalance
Appropriation and Limitation Adjustments

Attachment A

DIVISION	OREGON LAWS 2023 / SECTION/SUBSECTION	FUND	REBALANCE ADJUSTMENT
SAEC			
	ch 610 1(2)	General	11,625,863
	ch 610 2(2)	Other	601,603
	ch 610 3(2)	Federal	3,621,420
		Total	15,848,886
SSP			
	ch 610 1(3)	General	5,369,793
	ch 610 2(3)	Other	10,189,756
	ch 610 3(3)	Federal	(4,280,647)
		Total	11,278,902
VR			
	ch 610 3(4)	Federal	2,299,564
		Total	2,299,564
CW			
	ch 610 1(5)	General	(521,132)
	ch 610 3(5)	Federal	(4,787,712)
		Total	(5,308,844)
APD			
	ch 610 1(6)	General	109,646,891
	ch 610 2(6)	Other	24,365,766
	ch 610 3(6)	Federal	218,953,855
		Total	352,966,512
IDD			
	ch 610 1(7)	General	35,234,037
	ch 610 3(7)	Federal	155,598,103
		Total	190,832,140

Attachment B
Total Oregon Department of Human Services Biennial Average Forecast Comparison

	2023-25 Biennium			% Change Between Forecasts	Fall 2024 Forecast			% Change Between Biennia
	Spring 24 Forecast	Fall 24 Forecast	Change		2023-25	2025-27	Change	
Self Sufficiency								
Supplemental Nutrition Assistance Program (Households)	427,729	435,469	7,740	1.8%	435,469	431,384	-4,085	-0.9%
Temporary Assistance for Needy Families (Families: Cash/Grants)	20,887	20,986	99	0.5%	20,986	20,991	5	0.0%
Child Welfare (children served)								
Adoption Assistance	8,978	8,944	-34	-0.4%	8,944	8,643	-301	-3.4%
Guardianship Assistance	2,542	2,548	6	0.2%	2,548	2,625	77	3.0%
Out of Home Care ¹	4,366	4,402	36	0.8%	4,402	4,332	-70	-1.6%
Child In-Home	1,223	1,217	-6	-0.5%	1,217	1,250	33	2.7%
Aging & People with Disabilities²								
Long-Term Care: In Home	18,432	19,561	1,129	6.1%	19,561	22,017	2,456	12.6%
Long-Term Care: Community Based	13,156	13,221	65	0.5%	13,221	13,987	766	5.8%
Long-Term Care: Nursing Facilities	3,853	4,033	180	4.7%	4,033	4,238	205	5.1%
Intellectual and Developmental Disabilities²								
Total Case Management Enrollment ³	35,927	36,307	380	1.1%	36,307	38,969	2,662	7.3%
Total I/DD Services	24,365	24,800	435	1.8%	24,800	26,742	1,942	7.8%
Vocational Rehabilitation	9,401	9,557	156	1.7%	9,557	10,684	1,127	11.8%

1. Includes treatment services placements and foster care.

2. APD Long-Term Care and Total IDD Services caseloads include Healthier Oregon clients.

3. Some clients enrolled in Case Management do not receive any additional I/DD services.