

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 second budget rebalance report for the 2023-25 biennium. A budget rebalance plan generally reflects cost changes from updated caseload levels, federal match rates, revenue forecasts, federal grant funding, and other adjustments necessary to carry out legislatively approved programs. In addition to reporting on those items, the agency has included requests for new or expanded programs and services. As shown in the summary table below, the budget rebalance requests a net General Fund increase of \$85.1 million.

Summary of OHA Rebalance Proposal	General Fund	Total Funds	Positions	FTE
Forecast Adjustments				
<i>Revenues</i>	\$ (48,390,778)	\$ 175,413,633	0	0.00
<i>Caseload</i>	\$ 126,706,177	\$ 660,926,618	0	0.00
Programmatic Savings	\$ (11,254,074)	\$ (156,092,856)	0	0.00
Unbudgeted Personal Services Costs	\$ 12,993,184	\$ 16,541,188	0	0.00
General Fund Requests	\$ 5,816,894	\$ 203,816,894	5	1.60
Other Requests	\$ -	\$ 366,757,836	4	1.17
Federal Grant Related	\$ -	\$ 1,227,344	3	1.01
Technical Adjustments	\$ (724,640)	\$ -	0	0.00
Total Rebalance Actions	\$ 85,146,764	\$ 1,268,590,658	12	3.78

Revenue Forecasts

Hospital Taxes

Taxes are assessed at a rate of 6% of the net patient revenues of hospitals in Oregon, with the revenue from the tax segregated by the hospital designations of small/rural A and B hospitals and larger Diagnostic Related Group (DRG) hospitals. Forecasted revenue adjustments between categories net out to an overall increase in revenues of \$81 million that, after accounting for other expenditures, offset \$24.1 million in General Fund budgeted expenditures for the Oregon Health Plan.

Hospital tax revenue from smaller A and B hospitals was estimated to be \$332 million in the current biennium. Actual revenues to-date and revised projections indicate a decrease of \$24 million to a new forecasted total of \$308 million. OHA indicates that this reduction is due to lower than anticipated revenue growth from these hospitals and the reclassification of a facility from A and B, to DRG.

Conversely, DRG hospital tax revenues are anticipated to be \$1.42 billion in the current biennium, an increase of \$105 million from the prior forecast. The rebalance report indicates an Other Funds expenditure limitation need of \$66.8 million of this \$105 million as \$38.2 million of the increased revenues were already anticipated for use in the Disproportionate Share Hospital program (DSH-3) for which OHA had been provided increased expenditure limitation in SB 5701 during the 2024 legislative session.

Insurer Taxes

Total forecasted revenues from the 2% assessment on net health insurance premium equivalent revenues is anticipated to increase by \$44.1 million to a projected total of \$682.6 million in the current biennium. These include increases of \$5.4 million from the Basic Health Plan, \$27.2 million from Non-Healthier Oregon Program CCOs, and \$11.5 million from Healthier Oregon Program (HOP) CCOs. The most recent forecast has no anticipated change to tax revenues for non-OHA insurers that are passed through from the Department of Consumer and Business Services (DCBS). Net of the reimbursements to insurers via enhanced rates, the additional revenue offsets \$27.7 million in General Fund budgeted expenditures for OHA health care programs.

Tobacco Tax

As of September 2024, the forecasted revenues from tobacco taxes indicate a \$7.9 million decline in funding for Medicaid and behavioral health programs. This decline continues the trend of reduced revenues from the budgeted amounts as of the 2024 legislative session. OHA indicates there will be a rebalance request to backfill the budgeted expenditures for these programs with General Fund.

OHSU Inter-Governmental Transfer

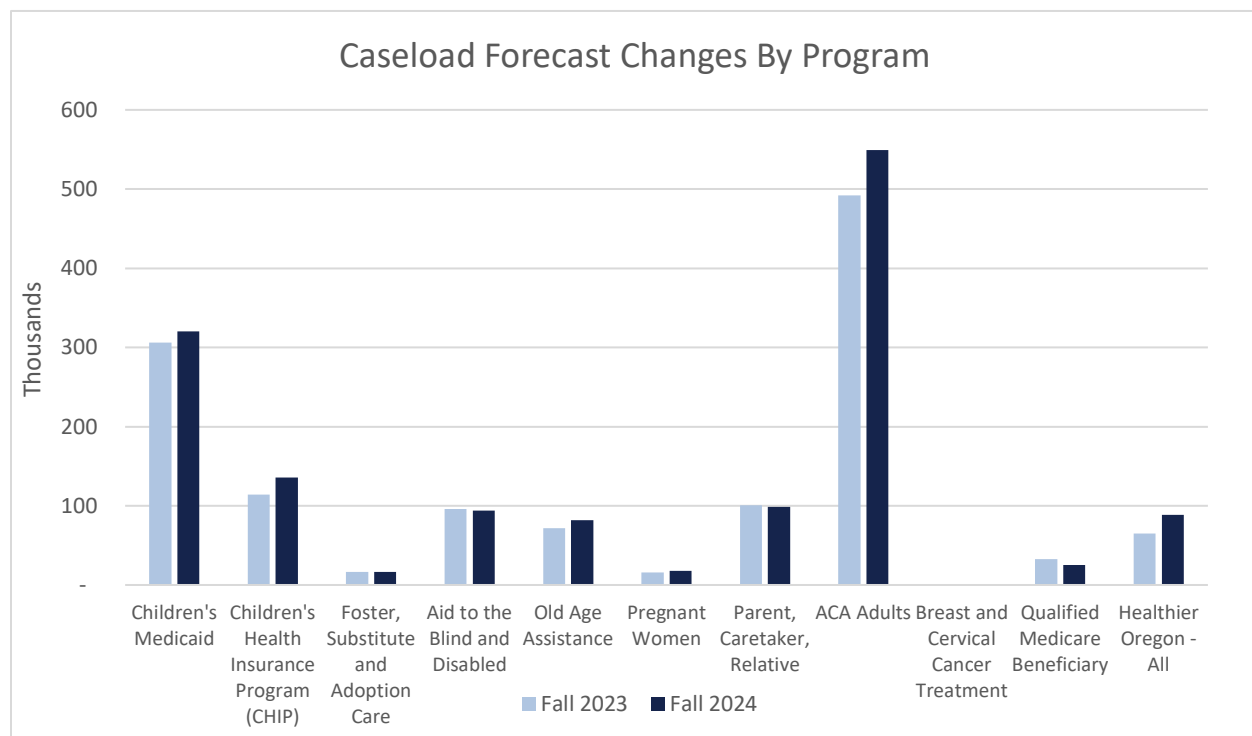
The Oregon Health and Science University (OHSU) Inter-Governmental Transfer (IGT) program revenues are dependent on several variables, including the volume of Oregon Health Plan and total Medicaid program services, the cost for OHSU to provide services to Medicaid covered patients, the potential revenues to provide those services to commercial insurance providers, and total Medicaid related reimbursements.

OHSU has projected an increase in IGT payments to OHA that, when combined with federal matching funds, provides an additional \$89.9 million in Qualified Directed Payments to OHSU from OHA to maintain a cost recovery rate of 87%, and an additional \$4.5 million to support Oregon Health Plan costs, which offsets budgeted General Fund expenditures.

Other Taxes and Revenues

The September 2024 revenue forecast also included a small increase in projected Marijuana Tax revenues of \$96,957 for the Drug Treatment and Recovery Services Fund (DTRSF), and a \$1.4 million decrease in beer, wine, and cider taxes, which support behavioral health and addiction services. The rebalance report includes increased expenditure limitation for Tobacco Master Settlement Agreement funds totaling \$724,640 that will offset budgeted General Fund expenditures in the Behavioral Health program.

Caseload Forecasts



Medicaid

Adjustments to caseload costs are calculated by Medicaid eligibility category, with significant variations in per-member expenditures across those categories. The annual caseload forecasts for the 2023-25 biennium contain large percentage movements between forecast dates in certain eligibility categories due to unknown or unanticipated circumstances. Total Medicaid caseload cost increases totaling \$201.7 million General Fund were offset by savings in the

Temporary Medicaid Expansion (TME) program, for a net change in the forecasted Medicaid caseload of \$133.8 million General Fund.

Although not shown in the table above, the Temporary Medicaid Expansion caseload, which was originally projected to move entirely to the Basic Health Plan is now projected to retain an average caseload of just under 11,000 individuals. This is due primarily to the extension of the redetermination process and the application of continuing eligibility rules, which is preventing the move of certain individuals over to the Basic Health Plan. Even with the cost of this remaining caseload, the budgetary savings attributable to the TME caseload forecast is \$67.9 million General Fund. The single largest forecast change to Medicaid caseload is in the Affordable Care Act (ACA) adult population, which also received many individuals from the TME program that became eligible for ACA due to income changes and then remained in the ACA adult population due to continuing eligibility rules.

Healthier Oregon

OHA's report summarizes the overall cost change for the Healthier Oregon Program (HOP) as a net decrease in anticipated General Fund expenditures of \$7.1 million. This net amount is made up of five distinct changes to cost estimates impacting the caseload.

First, the number of covered individuals has steadily grown over the course of the biennium, increasing the average covered caseload by over 23,000 between fall 2023 and 2024. This trend is anticipated to continue into the next biennium as the average covered caseload aligns with the total current enrollment numbers. When isolated to just the change in caseload, the program's expenditures increase by \$259.1 million General Fund.

Second, a portion of the services provided to individuals participating in HOP are eligible for Federal Medical Assistance (FMAP) funding. OHA has determined that federal funds will be utilized to offset an additional \$73.7 million in General Fund budgeted expenditures. Next, in reviewing the actual costs for providing coverage via CCOs for the Healthier Oregon program, OHA has estimated a savings of \$70.2 million General Fund for the biennium. Additionally, due to these lower costs, a claw-back of \$125 million General Fund from payments made to CCOs has been calculated in accordance with the risk corridor provisions of the CCO agreements.

Finally, within the net change in caseload costs, OHA has included a proposed increase in expenditures of \$2.8 million General Fund to provide benefits for Youth with Special Health Care Needs (YSHCN) and Health Related Social Needs (HRSN). These benefits are currently made available to Oregon Health Plan members under the state's 1115 waiver. For Oregon Health Plan members, the cost of these programs are substantially supported with federal funds at the FMAP rate; however, for HOP, these costs would be supported entirely with General Fund.

Basic Health Plan

Initial enrollment numbers for the Basic Health Plan have not materialized as anticipated, due in part to two-year continuous enrollment for OHP members in both the ACA caseload and expansion caseload. Current enrollment is expected to increase through open enrollment and, as of the fall 2024 forecast, the average enrollment for the 2025-27 biennium is projected to double the average enrollment in 2023-25. The rebalance report includes a reduction in Federal Funds expenditure limitation related to the Basic Health Plan totaling \$374 million.

Programmatic Savings

REALD/SOGI Implementation

HB 3159 (2021) required CCO's, health care providers, and health insurers, to collect data on race, ethnicity, preferred spoken and written languages, disability status (REALD), and sexual orientation, and gender identity (SOGI) from the organization's patients, clients, or members. These organizations are required to provide this data to OHA annually. The measure also provided OHA with \$9.8 million General Fund, \$18.2 million in total funds, and 43 positions for this work. OHA's 2023-25 budget bill, SB 5525, included an additional \$12.7 million General Fund, \$15.7 million total funds, and 7 new positions for the program. OHA received approval to apply an enhanced FMAP rate of 90% of total funding to certain program costs for the 2025 federal fiscal year that is anticipated to reduce General Fund expenditures for the program by \$8.7 million in the current biennium and \$1.2 million in the 2025-27 biennium.

Public Health Emergency Unwinding, Redeterminations, and Basic Health Plan Development

OHA reports a net \$2.6 million General Fund savings in the Health Policy and Analytics (HP&A) program. Total savings in the program are anticipated to be \$13.5 million due to lower than anticipated staffing and call center costs than were authorized in HB 4035 (2022). However, out of these savings, \$4.8 million is transferred to the Health Systems Division to cover expenditures for HB 4035 related activities within that division, leaving a net savings overall of \$8.7 million General Fund.

OHA proposes to use a portion (\$6.1 million) of these savings to fund unanticipated costs for other activities:

- \$2.1 million General Fund to support Basic Health Plan implementation.
- \$2 million General Fund for costs to implement HB 2665 (2023), relating to temporary staffing agencies, that were not anticipated in OHA's original fiscal impact statement, including project management services, development of a model for setting rates, and determination of the initial rates.

- \$2 million General Fund to backfill a shortfall in program fee revenues and increased costs in personal services and Attorney General fees related to implementation of HB 2362 (2021), relating to health care providers.

Unbudgeted Personal Services Costs

A total of \$13 million General Fund, and \$16.5 million total funds, is included in the rebalance for unbudgeted personal services costs in the Central Services program, which includes:

- \$3.5 million General Fund, and \$4.6 million total funds, for step increases or hiring of new positions above budgeted steps. This action impacts 104 positions in the Director's Office, Central Operations, Equity and Inclusion, External Relations, and the Office of Information Services.
- \$2.6 million General Fund, and \$3.4 million total funds, to support an additional 12 positions that have been filled, but were unbudgeted, in the Director's Office, Central Operations, Equity and Inclusion, and External relations. The initial request included funding for an additional nine unbudgeted vacant positions, which are also included in agency proposed policy option packages for the upcoming biennium, in the Equity and Inclusion, External Relations, and Director's Office programs.
- \$6.2 million General Fund, and \$7.5 million total funds, to support 35 positions that have been filled, but were unbudgeted, in the Human Resources program. Most of the positions are attributed to a "Center of Excellence" unit that was created by the program to provide project management, organizational management, and act as the agency's "workforce center."
- \$743,456 General Fund for costs associated with the Department of Administrative Services (DAS) Chief Human Resource Office (CHRO) classification review of 21 positions in Equity and Inclusion and 14 positions in External Relations, and adjustments related to DAS pay equity analysis.

General Fund Budget Requests

Four additional items in the rebalance request total \$5.8 million General Fund, including \$2.1 million for increased costs in the Central Services program. This increase is in addition to the unbudgeted personal services costs for that division noted above. The Public Health Division is requesting \$1.9 million for costs related to services provided in the Lower Umatilla Basin Groundwater Management Area (LUBGWMA). A portion of this request is related to the LUBGWMA Nitrate Reduction Plan issued by the Governor in September, while approximately \$1.2 million is for costs related to an interagency agreement with the Department of Human Services for which OHA reports that no funding was available to pay.

In addition to the funding requested in the rebalance for LUBGWMA, the agency has proposed a policy option package to support ongoing activities in the 2025-27 biennium. OHA reports that the Port of Morrow will contribute \$1.9 million through June 2026, which will support certain program activities, but that funding is in addition to what is requested in the rebalance or proposed in the agency's policy option package. The remaining funding is for anticipated interest expenses of \$1.8 million for cash-flow loans from Treasury, which are unbudgeted, and \$67,990 for two positions supporting the Systems of Care Advisory Council.

Other Budget Requests

Adjustments in Other Funds and Federal Funds expenditure limitation are proposed in the rebalance for 13 items across the agency. The most significant of these are:

- \$151.5 million total funds for leveraged support of OHSU Graduate Medical Education programs.
- \$132.7 million increase in Other Funds expenditure limitation for PEBB and OEBC from stabilization funds to support increased enrollment.
- \$40.4 million of Federal Funds expenditure limitation for federal support of HB 3396 (2023) clinical placement and labor-management training trust programs.
- \$26 million of Other Funds expenditure limitation for allocated funding from the Opioid Settlement Fund.

Federal Grant Related Budget Requests

An increase of \$1.2 million of Federal Funds expenditure limitation is included for federal grant awards across the agency. In conjunction with this funding are requests to establish two positions in the Health Systems Administration Division and one position in the Public Health Division.

Technical Adjustments

OHA's rebalance includes 26 technical adjustments with a net zero impact, and a fund shift of \$724,640 General Fund to Other Funds through funding available from the Tobacco Master Settlement agreement that was carried forward from the prior 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 financial status of the Oregon Health Authority (OHA) operations and programs through fall 2024.

Recommendation: Acknowledge receipt of the report.

Discussion: OHA is reporting on the status of its finances and programs as of fall 2024. OHA is projecting a net need for \$85.1 million General Fund, \$533.3 million Other Funds, \$650.1 million Federal Funds, and 12 positions (3.78 FTE). OHA's rebalance requests address changes due to changing caseload forecasts, revenue forecasts, federal grants, and emergent issues that arise from implementing legislatively approved programs.

For the fall 2024 rebalance, the General Fund need is driven by increases in OHA's Medicaid and Healthier Oregon Program (HOP) caseloads:

	General Fund	Other Funds	Federal Funds	Total Funds
Fall Rebalance Cost	\$85.1	\$533.3	\$650.1	\$1,268.5
Base Medicaid Caseload Growth	\$201.7	\$ -	\$894.4	\$1,096.1
HOP Caseload Growth	\$259.1	\$ -	\$45.0	\$304.1
HOP Program Savings, various	(\$266.2)	\$ -	\$68.8	(\$197.3)
Temporary Medicaid Expansion / Basic Health Plan Savings	(\$67.9)	\$ -	(\$468.1)	(\$536.0)
All Other Changes (net savings / cost)	(\$41.6)	\$533.3	\$110.0	\$1,935.4
All \$ in millions				

OHA's base Medicaid caseload has grown by 11.4 percent (approximately 150,000 members) since the fall 2023 forecast that OHA's 2023-25 Legislatively Approved Budget is based on. This has led to an additional cost of \$201.7 million General Fund. This is driven by a few factors:

- More of OHA's caseload has been found eligible through the redeterminations process than anticipated. Oregon has had one of the lowest rates of terminations due to administrative reasons of any state in the country and one of the highest rates of retention.
- A portion of OHA's caseload has had a delay in redetermining eligibility as the federal government asked OHA to pause due to issues with how their renewals were being processed. This issue was anticipated to affect approximately 150,000 cases and to delay final redeterminations until Spring 2025.
- The application of continuous eligibility policies approved by the federal government and the legislature to OHA's Medicaid program has had unintended effects when combined with other policies pursued, including the Temporary Medicaid Expansion / Basic Health Plan (discussed further below). This has led

to a significant increase in the Affordable Care Act portion of OHA's Medicaid caseload.

Partially offsetting the growth in OHA's Medicaid caseload has been savings in the combined Temporary Medicaid Expansion / Basic Health Plan (TME / BHP) programs from lower than anticipated enrollment. The TME biennial average forecast declined from approximately 35,000 to 11,000 members and the BHP declined from approximately 47,000 to 21,000 members for 2023-25.

Briefly, the TME / BHP programs were funded by the 2023 Legislature to ensure continuity of coverage for Oregonians who were between 138 percent and 200 percent of the federal poverty level. The TME program was intended for those redetermined off OHA's base Medicaid caseload before the establishment of the BHP and was funded with a mix of state and federal resources. Caseloads for both programs have come in significantly below expectations, largely the result of the unanticipated interaction between OHA's continuous eligibility policy and the redeterminations process. Due to how OHA negotiated the continuous eligibility policy with Center for Medicare and Medicaid Services (CMS) and implemented it into the Integrated Eligibility system, members who would otherwise be transferred to the BHP are being held on the base Medicaid caseload for longer, and many who were initially transferred to the TME / BHP have been transferred back to the base Medicaid caseload. These transfers are not anticipated to affect member access to care as they primarily reflect how services are paid for.

The HOP caseload increased 37 percent (approximately 19,000 members) more than expected since fall 2023, leading to a cost of \$259.1 million General Fund. This growth was driven by several factors, including the application of the same continuous eligibility policies that apply to the base Medicaid caseload to the HOP program, lower than expected reductions in the caseload through eligibility redeterminations, and significantly stronger enrollment growth than anticipated.

Offsetting the growth in the HOP caseload are savings experienced by the HOP program, some of which are one-time in nature and some of which are ongoing:

- The HOP program is administered mainly through Oregon's Coordinated Care Organizations (CCO). CCO contracts for the HOP program contain a provision called a risk corridor that requires CCOs to repay to OHA for revenues they receive for HOP clients that isn't spent on patient care. For the 2023 risk corridor, CCOs received significantly more in revenue than they spent on patient care, largely due to the better health status of HOP members and lower utilization than expected. OHA is finalizing the risk corridor repayments with CCOs now but estimates it will receive \$125 million General Fund back from CCOs to settle the 2023 corridor.
- OHA adjusted its 2025 CCO rates to reflect the better-than-expected health status and lower utilization of HOP members, resulting in a savings of \$70.2 million General Fund and \$4.9 million Federal Funds in 2023-25.
- The HOP program functions as a state-only wraparound for a limited Medicaid benefit (primarily covering prenatal and emergency care) for the HOP population

called Citizenship Waived Medical (CWM). OHA worked with the federal government to broaden the prenatal services covered by CWM, meaning they became matchable with federal Medicaid funds. HOP adult members have also shown higher utilization of matchable services than initially anticipated. These changes have resulted in a General Fund savings of \$73.7 million General Fund and a cost increase of \$73.7 million Federal Funds for 2023-25.

- Finally, OHA is proposing to expand a Medicaid waiver benefit to the HOP program to maintain parity between the HOP benefit and the base Medicaid program. This higher benefit is for youth between the ages of 19 and 26 with specialized healthcare needs, allowing them to be eligible for HOP at a higher income threshold than normal to ease the transition into adulthood.

Revenue Adjustments

OHA is projecting a net General Fund savings of \$49.1 million and an increase of \$175.5 million total funds from revenue forecast updates:

- A savings of \$24.1 million from higher hospital provider tax revenues
- A savings of \$27.7 million from higher CCO tax revenues
- A savings of \$4.5 million from higher intergovernmental transfer revenues from the Oregon Health Sciences University
- A savings of \$0.7 million from the carryover of Tobacco Master Settlement Agreement revenue from 2023-25
- A decline of \$1.4 million Other Funds in the beer and wine tax supporting behavioral health
- A General Fund cost of \$7.9 million from declines in the cigarette and tobacco product tax revenues that support Medicaid and behavioral health to reflect the September 2024 revenue forecast

While not available in time for OHA's rebalance letter, it should be noted that the December 2024 revenue forecast for cigarette and tobacco product tax revenues that support Medicaid and behavioral health declined by a further \$25.7 million.

Federal Grants

OHA is projecting a need for \$1.0 million Federal Funds and five positions (1.68 FTE) to implement federal grants for school-based health services, opioid response, outpatient treatment for adults with serious mental illness, administration of the Women, Infant and Children nutrition program, and maternal and child health.

Other Requests

General Fund: The most significant General Fund request not discussed above is a net budget challenge of \$8.1 million in its Central Services division. This is due to positions being hired at a higher step than they were budgeted (\$3.5 million), human resource positions to manage the agency's recruitment, classification and compensation and compliance processes (\$6.1 million), management positions to support the Director's Office (\$2.6 million), and costs for position reclassifications and other issues (\$2.8 million). Also needed is \$1.8 million General Fund for debt service payments on the Treasury Loan, which OHA typically relies on to manage Medicaid cash flow at the end of biennia. These cost increases are partially offset by savings from enhanced federal match payments for the REALD and SOGI IT project (\$8.7 million).

Other General Fund issues identified include a request for \$1.9 million to manage the Lower Umatilla Basin groundwater crisis, \$0.1 million for two positions for the System of Care Advisory Council, and a one-time administrative savings of \$2.6 million within Health Policy and Analytics.

Other Funds: OHA has identified needs for Other Funds limitation for the Treasury loan OHA uses to manage Medicaid cash flow at the end of biennia (\$198 million), for PEBB and OEBB to pay claims due to growth in enrollees and for program administration (\$135.3 million), for Shared Service operations (\$8 million), to make grants from the Opioid Settlement Board (\$26.0 million), and for other Public Health programs.

Federal Funds: OHA has a few requests to adjust its Federal Funds expenditure limitation to align its budget with current operations and plans, including a reduction of \$26.3 million Other Funds and \$118.6 million Federal Funds to reflect its agreement with CMS on the uses of Designated State Health Program funds available from OHA's Medicaid waiver, an increase of \$40.4 million Federal Funds to recognize federal matching funds for hospital workforce training investments made through House Bill 3396 (2023), and \$62.3 million Other Funds and \$89.1 million Federal Funds for higher leverage claims by the OHSU graduate medical education program.

OHA's other requests also include a series of net zero transfers between programs and requests to reclassify positions.

Tina Kotek, Governor

November 4, 2024

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

Dear Co-Chairs:

Nature of Request

The Oregon Health Authority (OHA) requests receipt of this letter as its Fall 2024 Rebalance Report for the 2023-25 biennium.

Agency Action

OHA is projecting an \$85.1 million General Fund net challenge. Additionally, the agency is projecting a need to increase Other Funds limitation by \$533.3 million and Federal Funds limitation by \$650.1 million. OHA is also reporting a need for 12 new positions (3.78 FTE). These changes are based on the following savings, challenges, and technical adjustments:

Savings

Temporary Medicaid Expansion (TME) – In 2022, the Legislature passed House Bill 4035 to support the federally mandated redetermination process by funding a Temporary Medicaid Expansion (TME) for people who earn too much for Medicaid but not enough to afford other coverage as well as a sustainable long-term solution in the form of a Basic Health Program, also known as OHP Bridge. From July 1, 2023 to June 30, 2024, adults between 138 and 200 percent of the Federal Poverty Level (FPL) were able to keep their Oregon Health Plan (OHP) membership via the TME program. Then, starting on July 1, 2024, the TME population was transferred to the OHP Bridge program. The original estimate for TME assumed a higher caseload than was realized, which has resulted in a net General Fund savings of \$67.9 million.

DRG Hospitals Assessment Revenue Update – Diagnostic Related Group (DRG) hospitals, excluding Oregon Health & Science University, are assessed a percent of net patient revenues. DRG hospital net patient revenue growth was stronger than projected for the agency’s legislatively approved budget. As a result, OHA estimates an increase in hospital assessment revenue of \$66.8 million, which offsets \$38.7 million General Fund. The revenue increase also requires \$38.7 million more in Federal Funds limitation to make corresponding increased payments to DRG hospitals.

Insurers’ Assessment Revenue Update – The insurers’ assessment provides funding for the Oregon Health Plan (OHP) and a commercial reinsurance pool. Insurers and coordinated care organizations (CCO) pay an assessment rate of 2 percent on the gross total of premium equivalents. The Health Systems Division is projecting a \$27.7 million General Fund savings due to the addition of the Basic Health Plan (BHP) and higher CCO payment projections.

REALD & SOGI Savings – In September 2024, the Centers for Medicare and Medicaid Services (CMS) approved the use of 90 percent Federal Funds Medicaid match for the Race, Ethnic, Language and Disability (REALD) & Sexual Orientation and Gender Identity (SOGI) Integrated Registry/Repository Project for federal fiscal year 2025. This approval results in a one-time savings of \$8.7 million General Fund.

Healthier Oregon Program Update – Updating the Healthier Oregon caseloads from the Fall 2023 Caseload Forecast to the Fall 2024 Caseload Forecast, CCO capitation rates for 2024 and 2025, and factoring in the estimated risk corridor settlements from 2023 results in a net \$7.1 million General Fund savings and need for \$113.8 million in additional Federal Funds limitation.

OHSU Intergovernmental Transfer Program – Oregon Health & Science University (OHSU) participates in an Inter-Governmental Transfer (IGT) agreement with OHA that funds the state share of a Qualified Directed Payment (QDP). These payments ensure OHA meets the requirement in (ORS) 414.756 to ensure OHSU receives net reimbursement of 87 percent of costs for providing services that are paid for with Medicaid funds and provides some financial support for OHP. OHSU’s IGT is projected to increase by \$50.0 million Other Funds, leading to an increase of \$77.4 million in QDPs to OHSU and resulting in

a \$4.5 million General Fund savings in the 2023-25 biennium. The General Fund savings is offset by a decrease in federal match rates.

Health Policy & Analytics (HPA) Administrative Savings – HPA has identified a net \$2.6 million in General Fund savings in implementing relatively new legislatively-mandated programs. The Oregon Health Insurance Marketplace generated \$13.5 million in General Fund savings in staffing and call center costs for activities authorized in House Bill 4035 (2023) due to several extensions of the Public Health Emergency and fewer client transitions to the marketplace than anticipated.

Challenges

Medicaid/CHIP 2024 Fall Caseload Forecast – Updating the Health Systems Division medical assistance caseloads from the Fall 2023 Caseload Forecast to the Fall 2024 Caseload Forecast results in a \$201.7 million General Fund need. This need is primarily driven by increases in the Affordable Care Act, Children's Health Insurance (CHIP), Children's Medicaid Program, and Old Age Assistance caseloads. Growth in the ACA, CHIP, and Children's Medicaid Programs is in part due to a) Oregon's success at keeping people covered when redeterminations resumed following the pause instituted during the pandemic and b) the impact of continuous eligibility, which allows OHP members to keep their coverage for 2 years and for young children to keep their coverage up to their 6th birthday.

A&B Hospital Tax Revenue Update – Oregon's A&B rural hospitals are taxed at a percent of net patient revenues. Revenue growth has been lower than expected and one former A&B hospital has changed classifications and now participates in the DRG provider tax system. The combined estimated impact is a \$14.6 million General Fund need.

Central Services Budget Challenge – The Governor and Oregonians have set high expectations for agency operational excellence and customer service, which OHA intends to achieve. To meet these needs and address the needs that community itself – through listening sessions, the Director's statewide listening tour, and OHA's strategic planning process – advised OHA are most important to advancing their health and wellbeing, OHA requires foundational resources and positions for support functions in Central Services and requests \$8.9 million in General Fund appropriation, an increase of \$0.5 million Other

Funds limitation, and an increase of \$1.6 million Federal Funds limitation. Specifically, this request would fund:

- Position reclassifications approved by the Department of Administrative Services (DAS) for 21 positions in the Equity & Inclusion Division and 14 positions in the External Relations Division.
- The impacts of the Equal Pay Analysis that Oregon conducts at least once every 3 years to assess and correct wage disparities among employees who perform work of a comparable character. This request would fund salary step increases for 104 positions in Central Services.
- Additional capacity in the Director's Office, External Relations Division, Equity & Inclusion Division, and Central Operations to support OHA's core business functions which contribute to, and help enable, the programmatic work achieved by the agency. It includes funding for 21 positions that would support excellence in customer service, project management, policy development, agency-wide anti-racism/equity contractors, and create a financial investment team that is focused on aligning resources with strategic plan goals, strategies, and outcomes.
- This action is to seek one-time funding for the Director's Office (DO) budget challenge. DO is experiencing an over-projection in their budget for the 2023-25 biennium that is resulting in a deficit.

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 \$7.7 million decrease in revenue for Medicaid and a \$0.2 decrease in revenue for non-Medicaid, resulting in a total of \$7.9 million in General Fund need.

Human Resources (HR) Budget Challenge – OHA's HR department conducts critical strategic planning as an essential partner for the agency to ensure equity and protect against discrimination as well as provide operational and learning services – all while maintaining a workforce capacity that is less than the industry standard. As a result, HR has hired and has a need to hire for positions in the units across the HR department, including Retention and Recruitment, Learning and Development, Classification and Compensation, and Labor Relations. For these staffing costs, OHA requests \$6.2 million General Fund, \$0.5 million Other Funds limitation, and \$0.8 million Federal Funds limitation.

Treasury Loan Interest – Because there is a time lag between expenditures and the receipt of Other Funds revenues budgeted in OHA, the agency must obtain a treasury loan to meet its cashflow needs at the end of the biennium. OHA estimates it will need to pay \$1.8 million in loan interest. OHA is requesting \$198 million in Other Funds limitation in the Health System Division.

Lower Umatilla Basin Groundwater Management Area (LUBGWMA) – The Public Health Division is requesting position authority for three positions and \$1.9 million General Fund for the public health response to nitrate-contaminated domestic wells in the Lower Umatilla Basin Groundwater Management Area (LUBGWMA) spanning northern Morrow and northwestern Umatilla counties. The resources are needed to meet directives from Governor Kotek to provide ongoing domestic well water testing and retesting, treatment system installation and maintenance, and outreach and education to residents about health risks and accessing safe water services.

Systems of Care Advisory Council Positions – Over the past two legislative sessions, the Systems of Care Advisory Council (SOCAC) has been assigned several key bills that expanded SOCAC's responsibilities. SOCAC is requesting \$67,990 General Fund and two positions to ensure successful outcomes in updating the timeline for revising SOCAC's strategic plan (Senate Bill 968, 2023), establishing a subcommittee focused on workforce development for youth behavioral health providers (House Bill 4151, 2024), and partnering with and financially supporting a national organization specializing in education and training for drug-endangered children (House Bill 5204, 2024).

Expenditure Limitation and Technical Adjustments

Basic Health Program – Updates to projected costs for the federally-funded Basic Health Program (BHP) using new caseload estimates and actual capitation rates result in a savings of \$374.0 million Federal Funds for the 2023-25 biennium. In January 2025, people with income below 200 percent of the Federal Poverty Level (FPL) with Marketplace coverage will also be eligible to apply for, and enroll in the BHP, along with eligible individuals who lack health coverage. While the caseload forecast has accounted for this increase, the actual impact is currently unknown and there may be a need to adjust the Federal Funds limitation for this program at the Spring 2025 rebalance.

Oregon Health and Science University (OHSU) Graduate Medical Education – The graduate medical education (GME) program is a reimbursement made to in-state public teaching hospitals for the costs of an approved medical training program. This allows OHSU to provide the state funds that OHA uses to draw Medicaid matching funds for GME expenditures. For the 2023-25 biennium, the program requires an additional \$62.3 million in Other Funds limitation and \$89.1 million in Federal Funds limitation to account for services provided in the 2021-23 biennium and an unanticipated increase in calendar year 2024 GME amounts.

Waiver Designated State Health Program (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 a reduction of \$26.3 million in Other Funds limitation and a reduction of \$118.6 million Federal Funds limitation.

PEBB Stabilization Fund – The Public Employees' Benefits Board (PEBB) is requesting an increase of \$114.0 million in Other Funds limitation for the PEBB stabilization fund due to increases in PEBB enrollments.

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.

	General Fund (Savings)/Need	Other Funds (Savings)/Need	Federal Funds (Savings)/Need	Total Funds (Savings)/Need	Pos.	FTE
Savings						
Temporary Medicaid Expansion	(\$67.9)	-	(\$100.0)	(\$167.9)		
DRG Assessment Revenue Update	(\$38.7)	\$66.8	\$38.7	\$66.8		
Insurers' Assessment Revenue Update	(\$27.7)	\$44.1	\$27.7	\$44.1		
REALD & SOGI Savings	(\$8.7)	-	-	(\$8.7)		
Healthier Oregon Caseload Update	(\$7.1)	-	\$113.8	\$106.7		
OHSU Intergovernmental Transfer	(\$4.5)	\$50.0	\$44.4	\$89.9		
HPA Administrative Savings	(\$2.6)	-	-	(\$2.6)		
Tobacco Master Settlement Agreement (TMSA) Revenue Changes	(\$0.7)	\$0.7	-	-		
Total Savings	(\$157.9)	\$161.6	\$124.6	\$128.3		
Challenges						
Medicaid/CHIP 2024 Fall Caseload Forecast	\$201.7	-	\$894.4	\$1,096.1		
A&B Hospital Tax Revenue Update	\$14.6	(\$24.0)	(\$14.6)	(\$24.0)		
Central Services Budget Challenge	\$8.9	\$0.5	\$1.6	\$11.1		
Tobacco Tax Forecast Update	\$7.9	(\$7.9)	\$1.6	-		
Human Resources Budget Challenge	\$6.1	\$0.5	-	\$7.5		
Treasury Loan Interest	\$1.8	\$198.0	\$0.8	\$199.8		
Lower Umatilla Basin Groundwater Management Area	\$1.9	-	-	\$1.9	3	1.34
Systems of Care Advisory Council Positions	\$0.1	-	-	\$0.1	2	0.26
Total Challenges	\$243.0	\$167.2	\$882.3	\$1,292.5	5	1.60
Technical and Limitation Adjustments						
Basic Health Program (BHP)	-	-	\$374.0	\$374.0		
OHSU Graduate Medical Education	-	\$62.3	\$89.1	\$151.5		
Designated State Health Program (DSHP) Limitation	-	(\$26.3)	(\$118.6)	(\$144.8)		
PEBB Stabilization Fund	-	\$114.1	-	\$114.1		
Other Adjustments	-	\$54.5	\$46.6	\$101.1	7	2.18
Total Technical and Limitation Adjustments	-	\$204.6	(\$356.8)	\$152.2	7	2.18
Net OHA Fall 2024 Rebalance	\$85.1	\$533.3	\$650.1	\$1,268.6	12	3.78
Due to rounding, numbers may not add up precisely to totals.						

Senator Rob Wagner
Representative Julie Fahey
November 4, 2024

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.
- 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.

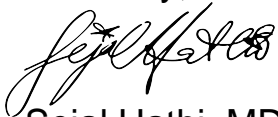
Action Requested

Acknowledge receipt of the OHA Fall 2024 Rebalance Report for the 2023-25 biennium.

Legislation Affected

See Attachment A.

Sincerely,



Sejal Hathi, MD MBA
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

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	\$9,901,912	87401
	Ch. 591 Sec. 3(4)	Lottery		44401
	Ch. 591 Sec. 2(8)	Other	\$1,066,251	34401
	Ch. 591 Sec. 5(6)	Federal	\$2,291,488	64401
		Total	\$13,259,651	
SAEC				
	Ch. 591 1(7)	General		87404
	Ch. 591 7	General – HB2683		87408
	Ch. 591 3(5)	Lottery		44404
	Ch. 591 2(9)	Other		34404
	Ch. 591 5(7)	Federal	\$5,000,000	64404
	Ch. 595 9	Federal – HB2683		64405
		Total	\$5,000,000	
Shared Services				
	Ch. 591 2(10)	Other	\$8,000,000	34402
	Ch. 595 8	Other - HB2683		34405
		Total	\$8,000,000	
Health Systems Division - Admin				
	Ch. 591 1(1)	General	\$8,872,108	87808
	Ch. 591 3(1)	Lottery	(\$504,545)	44807
	Ch. 591 2(1)	Other	\$7,793	34807
	Ch. 591 5(1)	Federal	\$1,460,365	64807
		Total	\$9,835,721	
Health Systems Division - Programs				
	Ch. 591 1(2)	General	\$70,788,931	87801
	Ch. 591 3(2)	Lottery	\$479,545	44801
	Ch. 591 2(2)	Other	\$373,368,322	34801
	Ch. 591 5(2)	Federal	\$640,798,293	64801
		Total	\$1,085,435,091	

Division	Proposed Legislation/ Section	Fund	Rebalance Adjustments	Appr #
Health Policy & Analytics				
	Ch. 591 1(3)	General	(\$7,285,309)	87701
	Ch. 605 305	General - HB3396 Clinical		87702
	Ch. 605 306	General - HB3396 Employer		87703
	Ch. 605 307	General - HB3396 Nursing Pgm		87704
	Ch. 584 22	General - SB966		87705
	Ch. 613 9	General - SB1089		87706
	Ch. 506 16	General - HB2665		87707
	Ch. 441 9	General - HB3396 Grants		87708
	Ch. 591 3(3)	Lottery	\$25,000	44701
	Ch. 591 2(3)	Other	\$2,552,934	34701
	Ch. 584 23	Other - SB966		34703
	Ch. 591 5(3)	Federal	\$64,619	64701
	Ch. 584 22	Federal - SB966		64702
		Total	(\$4,642,756)	
Oregon Educators Benefit Board				
	Ch. 591 8	Other	\$18,678,449	34805
	Ch. 424 8	Other – HB2994		34702
		Total	\$18,678,449	
Public Health				
	Ch. 591 1(4)	General	\$2,869,121	87501
	Ch. 505 5	General - HB265		87502
	Ch. 507 31	General - HB2697		87503
	Ch. 442 104	General - HB3409 -2023		87504
	Ch. 442 106	General - HB3409 -2022		87505
	Ch. 591 2(5)	Other	\$15,590,081	34501
	Ch. 414 30	Other HB2696		34502
	Ch. 591 5(4)	Federal	\$495,000	64501
		Total	\$18,954,202	
Oregon State Hospital				
	Ch. 591 1(5)	General		87802
		Total		
Capital Improvements				
	Ch. 591 2(11)	Other		34811
		Total		

Attachment B

Fall 2024 Medicaid/CHIP Caseload Forecast

Eligibility Category	2023-25 Fall 2023 Forecast	2023-25 Fall 2024 Forecast	Difference Problem/ (Savings)	Percent Change	General Fund Problem/ (Savings) in Millions	Total Funds Problem/ (Savings) in Millions
Affordable Care Act (ACA)	492,190	549,248	57,058	11.6%	\$107.7	\$1,012.7
Parent/Caretaker Relative	100,809	98,623	(2,186)	-2.2%	(\$14.0)	(\$34.9)
Pregnant Women	15,576	17,704	2,128	13.7%	\$24.4	\$60.8
Children's Medicaid Program	306,131	320,301	14,169	4.6%	\$43.3	\$118.5
Aid to Blind and Disabled	95,924	93,841	(2,082)	-2.2%	(\$29.1)	(\$72.4)
Old Age Assistance	71,857	81,588	9,731	13.5%	\$40.5	\$100.7
Foster/Adoption & BCCP	16,822	16,714	(108)	-0.6%	(\$1.1)	(\$3.3)
Children's Health Insurance Program	113,917	135,824	21,908	19.2%	\$48.0	\$170.6
Non-OHP (HOP Medicaid Adults, QMB, OSIP)	32,541	25,450	(7,092)	-21.8%	(\$2.8)	(\$6.8)
Other Non-OHP (Part A, B, & D)	285,199	300,092	14,894	5.2%	\$51.54	\$58.31
2023-25 Total	1,530,965	1,639,385	108,420	7.1%	\$268.5	\$1,404.13