



OFFICE OF THE DIRECTOR

Tina Kotek, Governor

Oregon  
**Health**  
Authority

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May 3, 2023

The Honorable Senator Elizabeth Steiner, Co-Chair  
The Honorable Representative Tawna Sanchez, Co-Chair  
Joint Committee on Ways and Means  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301-4048

Dear Co-Chairpersons:

### **Nature of the Request**

The Oregon Health Authority (OHA) requests receipt of this letter as its Spring 2023 Rebalance Report for the 2021-23 biennium.

### **Agency Action**

OHA is projecting a \$154.0 million General Fund net savings based on the following savings and challenges:

#### Savings

*Oregon Health Plan Cost Growth Savings in Fee for Service* — The Health Systems Division is identifying \$66.4 million in General Fund savings from achieving a lower than budgeted rate of inflation and utilization for Medicaid and Children's Health Insurance Program (CHIP) for during the 2021-23 biennium. The impact of the COVID19 pandemic on caseload and utilization played a large role in creating these savings.

*Federal Match Savings* — The Health Systems Division is identifying \$63.8 million in General Fund savings from receiving more Federal Funds from Medicaid. Budget projections for Federal Funds are based on an average federal match rate. The agency is achieving a higher average match rate than budgeted for the 2021-23 biennium.

*Health Care Marketplace Savings* — The Health Policy and Analytics Division is identifying \$12.7 million in General Fund savings in the budget established for Medicaid redeterminations (House Bill 4035, 2022 Regular Session). The savings are primarily from the public health emergency (PHE) extension and its impact on the timing for deliverables under the contract for the Oregon Health Insurance

Marketplace processing and call center. Additional savings are from delays in staff recruitments.

*Certified Community Behavioral Health Clinics (CCBHCs)* — The Health Systems Division is identifying \$9.9 million in General Fund savings in the CCBHC budget. Because of the impact of the COVID-19 pandemic on utilization, payments to CCBHCs are lower than budgeted.

*State Assessments and Enterprise-Wide Costs* — OHA is identifying \$8.7 million in one-time General Fund savings in the SAEC budget primarily from the enhanced federal match provided during the COVID-19 pandemic. The expenditures in this budget are cost allocated to programs and grants eligible for the enhanced federal match rate, which was not factored into the budget.

*Health Systems Division Administrative Savings* — The Health Systems Division is identifying \$3.4 million in one-time General Fund savings from lower than budgeted administrative costs for IT system work. Federal approval delays, contracting delays, and vendor staffing challenges in filling vacant positions created savings in the budget for the Medicaid Management Information System (MMIS). Staffing challenges for vacant positions in the Office of Information Systems created savings in the budget for the Compass Systems.

*Central Services Administrative Savings* — OHA Central Services is identifying \$2.8 million in one-time General Fund savings from delays in filling new positions received this biennium. There has been backlogs in classification reviews for new position descriptions at both OHA and the Department of Administrative Services.

*Oregon Health Plan Expansion Population Caseload Update* — The Health Systems Division is identifying \$2.2 million in General Fund savings based on the updated start date and caseload for the federal poverty level (FPL) expansion (from 138 to 200 percent) of the Oregon Health Plan, previously called the Bridge Plan.

*Insurers' Tax Revenue Update* — The Health Systems Division is projecting \$1.8 million in General Fund savings from an increase in the projection of insurers' tax revenue from coordinated care organizations based on updating the budget for medical assistance programs from the Fall 2022 Caseload Forecast to the 2023 Spring Caseload Forecast.

*Traditional Health Worker and REALD & SOGI Mini-Grant Funding* — OHA Central Services is requesting to carryover \$0.4 million into the 2023-25 biennium for the two programs. The Tribal Traditional Health Worker Training Program is requesting to move \$140,000 into the 2023-25 budget because of delays caused by the COVID-19 pandemic and recruitment issues. OHA is also requesting to move \$300,000 in REALD & SOGI mini-grant funding into the 2023-25 budget to allow time for the development of requirements that are needed for the release of a request for proposal.

*OSU Bridge Insulin Training Program* — The Health Policy and Analytics Division is identifying \$0.1 million General Fund savings from the Oregon State University Bridge Insulin Training Program.

### Challenges

*Oregon State Hospital (OSH) Revenue Update* — OSH has experienced revenue collection challenges related to the shift in serving a higher proportion of patients under aid and assist orders. This shift reduces the opportunity for obtaining Medicare reimbursement for hospital services. Savings from lower than budgeted operational expenses offset the revenue shortfall, resulting in a net \$6.7 million General Fund need.

*FamilyCare Settlement* — Based on the fully executed settlement agreement between OHA and FamilyCare, OHA agreed to request from the Legislature a total of \$7.5 million as the total settlement. The Legislature allocated \$1.0 million at the last rebalance, which has been paid to FamilyCare. OHA is requesting the remaining \$6.5 million in General Fund.

*Tobacco Tax Forecast Update* — The Medicaid budget is adjusted for the most recent economic forecast for projected tobacco tax revenues. The March 2023 forecast by the Office of Economic Analysis indicates a \$2.2 million decrease in revenue for Medicaid. OHA is requesting \$2.2 million General Fund to offset the projected decrease.

*Treasury Loan Interest* — Because there is a time lag between expenditures and the receipt of Other Funds revenues 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 \$3.5 million in loan interest, based on an updated interest rate of 4.35 percent. The agency received \$1.5 million for treasury loan interest payments at the last rebalance. OHA is requesting an additional \$2.0 million General Fund.

*Medicaid/CHIP Spring 2023 Caseload Forecast Update* — Updating the Health Systems Division medical assistance caseloads from the Fall 2022 Caseload Forecast to the Spring 2023 Caseload Forecast results in a \$0.9 million General Fund need. In general, increases in the Affordable Care Act, Pregnant Women, Old Age Assistance, and Children’s Health Insurance (CHIP) caseloads were mostly offset by decreases in Parent/Caretaker Relative, Children’s Medicaid Program, Aid to Blind and Disabled caseloads. See Attachment B.

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

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

**OHA Rebalance Summary by Fund Type (in millions)\***

<b>Savings</b>	<b>General Fund</b> (Savings)/Need	<b>Other Funds</b> (Savings)/Need	<b>Federal Funds</b> (Savings)/Need	<b>Total Funds</b> (Savings)/Need
Oregon Health Plan/Medicaid Cost Growth in FFS	(\$66.4)	-	(\$424.8)	(\$491.2)
Federal Match	(\$63.8)	-	\$63.8	-
Health Care Marketplace	(\$12.7)	-	-	(\$12.7)
Certified Community Behavioral Health Clinics	(\$9.9)	-	(\$45.1)	(\$55.0)
State Assessments and Enterprise-Wide Costs	(\$8.7)	-	\$3.0	(\$5.7)
HSD Administrative Savings	(\$3.4)	-	-	(\$3.4)
Central Services Administrative Savings	(\$2.8)	-	-	(\$2.8)
OHP Expansion Population Caseload Update	(\$2.2)	-	(\$3.3)	(\$5.4)
Insurers' Tax Revenue Update	(\$1.8)	\$2.2	\$1.8	\$2.2
Traditional Health Worker and REALD & SOGI Mini-Grant Funding	(\$0.4)	-	-	(\$0.4)
OSU Bridge Insulin Training Program	(\$0.1)	-	-	(\$0.1)
<b>Total Savings</b>	<b>(\$172.2)</b>	<b>\$2.2</b>	<b>(\$404.6)</b>	<b>(\$574.6)</b>
<b>Challenges</b>				
Oregon State Hospital Revenue Update	\$6.7	(\$6.7)	-	-
FamilyCare Settlement	\$6.5	-	-	\$6.5
Tobacco Tax Forecast Update	\$2.2	(\$2.2)	-	-
Treasury Loan Interest	\$2.0	-	-	\$2.0
Medicaid/CHIP 2023 Spring Caseload Forecast	\$0.9	-	\$24.8	\$25.7
<b>Total Challenges</b>	<b>\$18.3</b>	<b>(\$8.9)</b>	<b>\$24.8</b>	<b>\$34.2</b>
<b>Net OHA Spring 2023 Rebalance</b>	<b>(\$154.0)</b>	<b>(\$6.7)</b>	<b>(\$379.8)</b>	<b>(\$540.4)</b>

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

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 reinstates redeterminations
- Several budget areas within the Oregon State Hospital, including:
  - Pay differentials
  - Contracted nurse staffing costs
  - Recruitment and unit staffing
  - Litigation costs
  - Workplace violence mitigation and safety costs

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- 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.

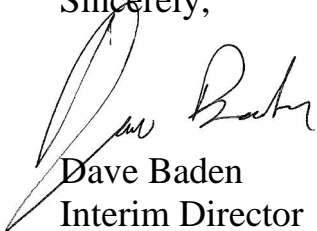
**Action Requested**

Acknowledge receipt of the OHA Spring 2023 Rebalance Report for the 2021-23 biennium.

**Legislation Affected**

See Attachment A.

Sincerely,



Dave Baden  
Interim Director

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

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

**ATTACHMENT A**

**OREGON HEALTH AUTHORITY  
SPRING 2023 REBALANCE ACTIONS  
APPROPRIATION AND LIMITATION ADJUSTMENTS**

<b>DIVISION</b>	<b>PROPOSED LEGISLATION/ SECTION</b>	<b>FUND</b>	<b>REBALANCE ADJUSTMENTS</b>	<b>APPR #</b>
<b>Central/SAEC</b>	Ch. 668 Sec. 1(3)	General	(\$14,013,925)	87401
	Ch. 668 Sec. 5(3)	Federal	\$3,000,000	64401
		Total	(\$11,013,925)	
<b>Oregon State Hospital</b>	Ch. 668 Sec. 1(2)	General	\$6,678,251	87802
	Ch. 668 Sec. 2(2)	Other	(\$6,678,251)	34802
		Total	-	
<b>Health Systems, Health Policy &amp; Analytics, and Public Health Programs</b>	Ch. 668 Sec. 1(1)	General	(\$150,728,179)	87801
	Ch. 668 Sec. 5(1)	Federal	(\$382,831,058)	64801
	Ch. 668 Sec. 2(1)	Other	8,617	34801
	Ch. 554 Sec. 11	HB 3352 Expanded Health Care Coverage	\$4,045,761	87837
		Total	(\$529,504,859)	

## ATTACHMENT B

### Spring 2023 Medicaid/CHIP Caseload Forecast

<b>Eligibility Category</b>	<b>2021-23 Fall 2022 Forecast</b>	<b>2021-23 Spring 2023 Forecast</b>	<b>Difference Problem/ (Savings)</b>	<b>Percent Change</b>	<b>General Fund Problem/ (Savings) in Millions</b>	<b>Total Funds Problem/ (Savings) in Millions</b>
Affordable Care Act (ACA)	564,854	566,574	1,720	0.3%	\$3.4	\$33.9
Parent/Caretaker Relative	99,396	98,844	(552)	-0.6%	(\$3.1)	(\$9.3)
Pregnant Women	14,248	14,718	470	3.3%	\$6.3	\$18.7
Children's Medicaid Program	320,331	319,361	(970)	-0.3%	(\$0.9)	(\$7.6)
Aid to Blind and Disabled	95,841	94,348	(1,493)	-1.6%	(\$17.0)	(\$50.5)
Old Age Assistance	67,430	68,914	1,484	2.2%	\$8.0	\$23.7
Foster/Adoption & BCCP	17,681	17,749	68	0.4%	\$0.4	\$1.3
Children's Health Insurance Program	131,576	133,119	1,543	1.2%	\$1.8	\$7.6
Non-OHP (CAWEM, QMB, OSIP)	75,301	77,303	2,002	2.7%	\$2.1	\$6.3
CAWEM Prenatal	5,953	5,965	12	0.2%	\$0.0	\$0.1
Expansion	0	0	0	100.0%	\$0.0	\$0.0
<b>2021-23 Subtotal</b>	<b>1,392,611</b>	<b>1,396,896</b>	<b>4,285</b>	<b>0.3%</b>	<b>\$0.98</b>	<b>\$24.18</b>
Other Non-OHP (Part A, B, & D)					(\$0.6)	(\$0.3)
<b>2021-23 Subtotal (w/o Healthier Oregon Kids)</b>	<b>1,392,611</b>	<b>1,396,896</b>	<b>4,285</b>	<b>0.3%</b>	<b>\$0.3</b>	<b>\$23.9</b>
Healthier Oregon Kids	7,365	7,365	0	0.0%	\$0.5	\$1.8
<b>2021-23 Total</b>	<b>1,399,976</b>	<b>1,404,261</b>	<b>4,285</b>	<b>0.3%</b>	<b>\$0.89</b>	<b>\$25.67</b>