

HB 5047 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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Department of Human Services

2021-23

Oregon Health Authority

2021-23

PRELIMINARY

Budget Summary*

	2021-23 Legislatively Approved Budget ⁽¹⁾	2021-23 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
			\$ Change	% Change
Department of Human Services				
General Fund	\$ 4,540,250,621	\$ 4,449,195,797	\$ (91,054,824)	(2.0%)
Other Funds Limited	\$ 1,003,351,504	\$ 1,003,165,870	\$ (185,634)	(0.0%)
Federal Funds Limited	\$ 8,076,264,437	\$ 8,010,370,295	\$ (65,894,142)	(0.8%)
Oregon Health Authority				
General Fund	\$ 3,553,471,439	\$ 3,414,953,347	\$ (138,518,092)	
Other Funds Limited	\$ 11,122,825,589	\$ 11,116,155,955	\$ (6,669,634)	
Federal Funds Limited	\$ 19,362,418,424	\$ 19,011,721,291	\$ (350,697,133)	

Position Summary

Department of Human Services

Authorized Positions	10,457	10,457	0
Full-time Equivalent (FTE) positions	10,275.52	10,275.52	0.00

Oregon Health Authority

Authorized Positions	5,334	5,334	0
Full-time Equivalent (FTE) positions	5,095.99	5,095.99	0.00

⁽¹⁾ Includes adjustments through March 2023

* Excludes Capital Construction expenditures

Summary of Revenue Changes

House Bill 5047 rebalances the 2021-23 budgets for the Department of Human Services (DHS) and the Oregon Health Authority (OHA). OHA programs are funded with a mix of General Fund, Lottery Funds, Other Funds, and Federal Funds. DHS programs are funded with a combination of General Fund, Other Funds, and Federal Funds.

The approved rebalance includes adjustments to OHA's Tobacco Tax and Insurer Tax forecasts, an adjustment to OHA's Federal Funds revenues to reflect higher than anticipated revenues from the base federal match rate for the Medicaid program, and a shortfall in the insurance

reimbursements received by the Oregon State Hospital. For DHS, the rebalance includes two revenue adjustments within the Intellectual and Developmental Disabilities (I/DD) program: a correction to the Federal Medicaid Assistance Percentage (FMAP) revenue in the last quarter of the biennium resulting in a \$3.1 million General Fund savings and a corresponding increase to Federal Funds revenue, and an adjustment based on a claims review, which found more claims throughout the biennium were eligible for Medicaid match. This resulted in an additional \$12.2 million General Fund savings and a corresponding increase to Federal Funds revenue.

Summary of Human Services Subcommittee Action

The Human Services Subcommittee recommended a budget rebalance to support DHS and OHA programs and operations for the remainder of the 2021-23 biennium. The rebalance reflects program cost increases and savings, revenue changes, and technical adjustments needed to ensure DHS' and OHA's budgets remain in balance. Across both agencies, the recommended rebalance decreases General Fund by \$229,572,916, decreases Other Funds expenditure limitation by \$6,855,268 and decreases Federal Funds expenditure limitation by \$416,591,275.

Department of Human Services

The Human Services Subcommittee's recommended rebalance for DHS decreases General Fund by \$91,054,824, decreases Other Funds expenditure limitation by \$185,634 and decreases Federal Funds expenditure limitation by \$65,894,142. All caseload adjustments are due to changes between the Fall 2022 and Spring 2023 caseload forecasts for the 2021-23 biennium. The rebalance plan does not include any position (or FTE) adjustments.

Central Services

The Subcommittee's recommended rebalance includes a one-time, General Fund increase of \$8.0 million within Central Services for the Office of Resilience and Emergency Management's (OREM) humanitarian mission. Since October 2022, OREM has partnered with community-based organizations, local governments, and education partners to provide temporary shelter, culturally specific meals, immigration legal services, case management and wrap-around services to individuals and families arriving to the U.S. primarily at the southern border. Individuals served by the humanitarian mission are not designated refugees by the federal government. The cost of this work is anticipated to be \$10.0 million, with \$2.0 million being covered by identified savings within other areas of the Central Services budget. The remaining \$8.0 million General Fund is included in the rebalance recommendation.

Self Sufficiency Programs

Within the Self Sufficiency Programs, the Subcommittee recommended an increase of \$7.1 million General Fund and a \$15,646 decrease of Other Funds expenditure limitation. The need for additional General Fund is primarily due to an increase in the basic Temporary Assistance for Needy Families (TANF) caseload. The TANF caseload is 2.8 percent higher than the previous forecast. The One-Parent and Two-Parent family caseloads are higher by 2.7 percent and 3.6 percent, respectively. The increase in the basic TANF caseload results in an additional need of \$5.4

million General Fund. The increase to the TANF UN (two-parent household) caseload results in an increase of \$1.3 million General Fund. The State Family Pre-Social Security Income Program had a slight decrease in caseload and the Temporary Assistance for Domestic Violence Survivors had a slight increase in the caseload. These two changes resulted in a net General Fund increase of \$0.4 million.

Aging and People with Disabilities

For Aging and People with Disabilities (APD), the Subcommittee recommended General Fund savings of \$41.0 million and a Federal Funds expenditure limitation decrease of \$91.0 million. These savings primarily result from unspent monies budgeted for one-time investments in home and community-based services (HCBS). For the period of April 1, 2021 through March 31, 2022, the American Rescue Plan Act provided states a 10.0 percent increase in their FMAP to enhance, expand or strengthen HCBS. APD will not be able to expend the funds by the close of the 2021-23 biennium, resulting in a decreased need of \$31.4 million General Fund and \$46.6 million Federal Funds expenditure limitation.

APD also has savings due to a delayed expansion of Oregon Project Independence and delayed implementation of the Family Caregiver Assistance Program. In order to receive Federal matching funds and utilize additional General Fund approved for these programs with the 2021-23 Legislatively Adopted Budget, APD needed to receive CMS Medicaid waiver approval. APD does not expect to have approval by the end of the 2021-23 biennium. The expansion delay results in General Fund savings of \$2.2 million and \$38.6 million Federal Funds expenditure limitation.

APD also has adjustments related to the Spring 2023 caseload forecast. Nursing facility and In-Home Services caseload are forecasted to decrease by 0.5 percent and 1.6 percent respectively, while Community-Based Care caseloads are projected to increase 0.5 percent and In-Home Services decreasing 1.6 percent, resulting in a net decrease of \$2.2 million General Fund and \$5.8 million Federal Funds expenditure limitation.

The Healthier Oregon Program (HOP), which took effect on July 1, 2022, provides services including APD services, to Oregonians irrespective of citizenship status. The initial HOP forecast was based on estimates of non-citizen populations in Oregon who would qualify. This rebalance adjustment is based on the current rate of enrollment uptake, which is much slower than initial estimates. The change results in a reduction of \$5.2 million General Fund.

Intellectual and Developmental Disabilities

The Subcommittee recommended a decrease of \$54.1 million General Fund and an increase of \$29.0 million Federal Funds expenditure limitation. Similar to APD, the reduction to I/DD was due to unspent funds for the ARPA HCBS 10 percent spend plan. This resulted in a General Fund decrease of \$63.2 million and \$41.3 million in Federal Funds expenditure limitation.

The caseload for I/DD programs increased by 2 to 3 percent in the areas of Adult 24-hour residential, Children In-home Services, and Adult In-home Services. These increases were partially offset through savings in Children's 24-hour residential and Adult Foster Care services, which

declined 10 percent and 1.2 percent, respectively. The net impact from caseload changes resulted in an increase of \$11.6 million General Fund and \$22.6 million Federal Funds expenditure limitation. Cost per case changes in I/DD also resulted in a \$14.3 million increase to General Fund and \$27.2 million Federal Funds expenditure limitation. Increases to cost per case are primarily attributed to consumer choice, as more individuals access services from in-home provider agencies, rather than choosing to employ Personal Support Workers directly. In-home provider agencies are typically more costly for the state but reduce administrative and scheduling burden for individuals. Authorized hours or utilization also increased, resulting in higher cost per case. The increase in authorized hours is partly due to the temporary public health emergency provision, which allowed parents to serve as paid caregivers for children enrolled in I/DD.

I/DD also experienced a slower start to HOP, resulting in a reduction in General Fund. I/DD's HOP budget was reduced by \$1.5 million General Fund, aligning the program's budget more closely with trending actuals. I/DD also had two revenue changes with a decreased need for General Fund and corresponding increases to Federal Funds expenditure limitation. A correction was made to the estimate for the final quarter of enhanced FMAP due to the public health emergency, decreasing General Fund by \$3.1 million and increasing Federal Funds expenditure limitation by the same amount. The Department also conducted a review of I/DD expenditures throughout the 2021-23 biennium and determined more costs were eligible for Medicaid match. This "Participation Update" decreased General Fund by \$12.2 million and increased Federal Funds expenditure limitation by an equivalent amount. Finally, the recommended plan includes a one-time General Fund increase for I/DD of \$78,706 and \$114,376 Federal Funds to cover an extreme emergency overtime differential pilot for three months in the Stabilization and Crisis Unit.

Child Welfare

The Subcommittee approved budget adjustments within Child Welfare to account for caseload changes and one-time program savings. The net impact resulted in a reduction of \$11.0 million General Fund, a decrease of \$169,988 Other Funds expenditure limitation, and a decrease of \$3.9 million Federal Funds expenditure limitation. Child Welfare's average monthly forecast for the 2021-23 biennium is 18,793 children, which is 0.9 percent lower than the previous forecast. The forecast for Foster Care and In-home supports are lower by 1.4 percent and 6.0 percent, respectively. Caseload changes resulted in a decrease of \$5.9 million General Fund, \$169,988 Other Funds expenditure limitation, and \$3.9 million Federal Funds expenditure limitation. Child Welfare also had program savings of \$5.1 million General Fund due to the application of one-time Federal Funds within the Strengthening, Preserving, and Reunifying Families program and savings related to the new Respite Program funded with the 2021-23 Legislatively Adopted Budget. The statewide Respite Program started in January 2023, although utilization is below initial projections.

Oregon Health Authority

The recommended rebalance plan for OHA includes a net General Fund savings of \$138.5 million, a reduction of \$6.7 million Other Funds expenditure limitation and a reduction of \$350.7 million Federal Funds expenditure limitation, for a total funds reduction of \$495.9 million for the Spring 2023 rebalance.

Health Systems Division

The rebalance includes a net General Fund decrease of \$118.4 million, an Other Funds expenditure limitation increase of \$8,617, and a Federal Funds expenditure limitation decrease of \$353.7 million to the Health Services Division (HSD).

- **Medicaid Cost Savings:** The Oregon Health Plan experienced \$130.2 million General Fund savings based on lower utilization of those added to Medicaid coverage during the public health emergency (PHE) combined with the federal requirement that no members be disenrolled until the end of the PHE. OHA has also received higher than anticipated federal match revenues from the Medicaid program for 2021-23 for its base federal match rate. These savings result in a net \$361 million reduction in Federal Funds expenditure limitation.
- **Certified Community Behavioral Health Centers (CCBHCs):** The CCBHC program saw a \$9.9 million General Fund and \$45 million Federal Funds savings as a result of under-utilization of wrap-around services in the 2021-23 biennium, largely as a result of one-time factors that took place during the COVID-19 public health emergency.
- **HB 4035 Bridge Plan:** House Bill 4035 (2022) established a \$120 million appropriation to cover 1) Medicaid redeterminations due to begin at the end of the PHE, 2) a newly established extension of coverage for those between 138-200 percent of the federal poverty level as means of bridging coverage gaps (known as the Bridge Plan) until a new solution could be initiated, and 3) a Basic Health Plan to cover a larger number of Oregonians with a greater array of services. Because of repeated extensions of the PHE, most of the need for the Bridge Plan is pushed into the 2023-25 biennium. As the 2021-23 biennium has progressed, un-utilized General Fund for the Bridge Plan has been returned by OHA, and in this rebalance the final \$2.2 million General Fund and \$3.3 million Federal Funds expenditure limitation is returned.
- **Revenue Updates:** The March 2023 state revenue forecast reflected an anticipated decrease in tobacco tax revenue, resulting in a \$2.2 million reduction in Other Funds limitation and a \$2.2 million General Fund increase to maintain services. The insurer's tax revenue forecast results in a \$2.2 million Other Funds increase and also contains a related General Fund decrease of \$1.8 million and a \$1.8 million Federal Funds expenditure limitation increase.
- **Medicaid Caseload:** The Spring 2023 Medicaid caseload forecast saw small increases in the categories of the Affordable Care Act and Children's Health Insurance Plan, resulting in a \$0.9 million General Fund increase and a \$24.8 million Federal Funds expenditure limitation increase. While the COVID-19 public health emergency was extended after the Fall 2022 caseload forecast and has now ended as of April 1, 2023, the effects on OHA's caseload are anticipated to be minimal as that forecast already accounted for almost all of the caseload growth expected to be experienced in 2021-23.
- **Healthier Oregon Program Transfer:** The OHA rebalance includes a net zero transfer of \$4.0 million General Fund for the Healthier Oregon Program (HOP) from the Central Services Division to HSD. Central Services is experiencing savings in the administrative and

outreach portions of the program and HSD is experiencing a growing caseload. The transfer will ensure the program stays within the \$100 million General Fund budget appropriated for House Bill 3352 in the 2021 session.

- **FamilyCare Settlement:** The State of Oregon entered into an agreement to settle litigation with the coordinated care organization FamilyCare in 2022. The agreement requires OHA to pay a total of \$7.5 million in General Fund to FamilyCare, of which \$1 million was to be paid out of the OHA's operating budget. The \$6.5 million General Fund increase allows OHA to pay the remaining amount due under the terms of the settlement.
- **Disproportionate Share Hospital (DSH) Increase:** The federal government allows states to leverage Federal Funds for hospitals that provide a disproportionate share of services to those that are low-income. By investing an additional \$15.5 million General Fund before the end of the 2021-23 biennium, Oregon can leverage a greater federal match before the enhanced match for the PHE ends. The investment includes a \$29.1 million increase in Federal Funds expenditure limitation to reflect federal revenues drawn down through this program. While not included in the agency's rebalance request, LFO is recommending this increase to fully leverage Oregon's available federal DSH allotment to support hospitals' costs for patient care.
- **Administrative Savings:** OHA anticipates \$3.4 million General Fund savings from vacant positions and other operational efficiencies in HSD before the end of the 2021-23 biennium.

Health Policy & Analytics

The Health Policy and Analytics (HP&A) division includes a \$12.8 million General Fund decrease in the recommended OHA Spring 2023 rebalance plan.

- **OSU Bridge Insulin Training Program:** Additional funding was provided to OHA in 2021, for the purpose of establishing the Oregon State University Bridge Insulin Training Program and to develop training related to pharmacists prescribing insulin. Enrollment in the program was less than originally anticipated and the resultant one-time savings is \$105,714 General Fund.
- **HB 4035 Redeterminations Saving:** HP&A identified \$12.7 million in General Fund savings in the budget established for Medicaid redeterminations through House Bill 4035 from the 2022 Session. The savings are primarily from the PHE extension and its impact on the timing for deliverables under the contract for the Oregon Health Insurance Marketplace processing and call center, as well as savings due to delays in staff recruitments.

Oregon State Hospital

The Oregon State Hospital (OSH) rebalance plan includes a \$6.7 million General Fund increase and a \$6.7 million Other Funds decrease to close out the biennium. OHA is projecting a \$30.9 million shortfall in Other Funds revenues from commercial insurance and Medicare reimbursement

based on the current mix of patients being treated at the hospital. This shortfall is partially offset by a projected underspend of OSH's budget by \$24.2 million General Fund, resulting in the \$6.7 million General Fund request.

Central Services and Statewide Allocations and Enterprise-wide Costs

The recommended rebalance plan for Central Services and Statewide Allocations and Enterprise-wide Costs (SAEC) divisions include a \$14 million General Fund decrease and a \$3 million Federal Funds increase.

- **Line of Credit Interest:** Due to biennial recurring cash flow concerns as a result of Other Funds reimbursement timing for Medicaid expenditures, OHA establishes a line of credit with Oregon State Treasury to cover operational costs through the end of each biennium. An initial \$1.5 million General Fund was approved in the early 2023 session omnibus budget rebalance bill (House Bill 5045), but with the increase in interest rates in the intervening months, OHA is requesting an additional \$2 million General Fund.
- **General Fund Program Carryover:** The Tribal Traditional Health Worker Training Program was established in the 2021-23 biennium with \$140,000 General Fund to facilitate the delivery of culturally responsive care to tribal community members. Due to the pandemic and delays with Human Resources classification reviews, OHA is realizing a savings in 2021-23 and separately requesting for these funds to be re-appropriated in the 2023-25 biennium. OHA was also to provide mini-grant allocations totaling \$300,000 General Fund specified in ORS 413.166 for the Race, Ethnicity, Language, and Disability (REALD) and Sexual Orientation or Gender Identity (SOGI) system implementation. With delays in implementation, OHA does not yet know the full specifications that will be in the Request for Proposal. As a result, OHA is proposing this as a reduction in 2021-23 and also seeks for these funds to be re-appropriated in the 2023-25 biennium.
- **Other Program Savings and Limitation Needs:** Finally, both the Central Services and SAEC divisions realized one-time savings in the 2021-23 biennium totaling \$11.5 million and an additional \$4 million savings as a result of the net-zero shift for the Healthier Oregon program to HSD. The SAEC changes also result in additional Federal Funds expenditure limitation of \$3 million to cover available federal match.

The recommended rebalance plan for OHA also includes a number of net-zero technical adjustments between divisions to rebalance operating cost.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Department of Human Services and Oregon Health Authority
 Mike Streepey - 971-283-1198 and Patrick Heath - 503-983-8670

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
SUBCOMMITTEE ADJUSTMENTS (from 2021-23 LAB)									
Oregon Health Authority									
SCR 010-40 Central Services									
Personal Services	\$ (2,821,517)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,821,517)	0	0.00
Services and Supplies	\$ (2,485,761)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,485,761)		
SCR 010-50 SAEC									
Personal Services	\$ (1,547,349)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,547,349)	0	0.00
Services and Supplies	\$ (3,141,642)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,141,642)		
Special Payments	\$ (4,017,656)	\$ -	\$ -	\$ -	\$ 3,000,000	\$ -	\$ (1,017,656)		
SCR 030-01 Health Systems Division									
Services and Supplies	\$ 3,055,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,055,719		
Special Payments	\$ (121,406,811)	\$ -	\$ 8,617	\$ -	\$ (353,697,133)	\$ -	\$ (475,095,327)		
SCR 030-02 Health Policy and Analytics									
Personal Services	\$ (1,024,179)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,024,179)	0	0.00
Services and Supplies	\$ (11,807,147)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,807,147)		
SCR 030-060 Oregon State Hospital									
Services and Supplies	\$ 6,678,251	\$ -	\$ (6,678,251)	\$ -	\$ -	\$ -	\$ -		
Department of Human Services									
SCR 010-40 - Central Services									
Services and Supplies	\$ 8,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,000,000		
SCR 060-01 - Self Sufficiency Programs									
Special Payments	\$ 7,053,076	\$ -	\$ (15,646)	\$ -	\$ -	\$ -	\$ 7,037,430		
SCR 060-08 - Aging and People with Disabilities									
Special Payments	\$ (41,021,547)	\$ -	\$ -	\$ -	\$ (91,001,900)	\$ -	\$ (132,023,447)		
SCR 060-09 - Intellectual and Developmental Disabilities									
Personal Services	\$ 78,706	\$ -	\$ -	\$ -	\$ 114,379	\$ -	\$ 193,085	0	0.00
Services and Supplies	\$ (33,777,737)	\$ -	\$ -	\$ -	\$ (34,334,723)	\$ -	\$ (68,112,460)		
Special Payments	\$ (20,364,360)	\$ -	\$ -	\$ -	\$ 63,182,108	\$ -	\$ 42,817,748		
SCR 060-10 - Child Welfare Programs									
Special Payments	\$ (11,022,962)	\$ -	\$ (169,988)	\$ -	\$ (3,854,006)	\$ -	\$ (15,046,956)		
TOTAL ADJUSTMENTS	\$ (229,572,916)	\$ -	\$ (6,855,268)	\$ -	\$ (416,591,275)	\$ -	\$ (653,019,459)	\$ -	\$ -
SUBCOMMITTEE RECOMMENDATION	\$ (229,572,916)	\$ -	\$ (6,855,268)	\$ -	\$ (416,591,275)	\$ -	\$ (653,019,459)	\$ -	\$ -