

ANALYSIS

Oregon Health Authority Medicaid and Non-Medicaid Appropriations

Analyst: Matt Stayner

Request: Acknowledge the receipt of a report on the progress of separating the Health Systems Program appropriation into Medicaid and Non-Medicaid appropriations for the formation of the 2025-27 budget.

Analysis: The Oregon Health Authority was directed via budget note in the agency's primary budget bill for the 2021-23 biennium, HB 5024, to disaggregate its appropriation structure to delineate individual appropriations for Medicaid, Non-Medicaid Behavioral Health, Public Health, Health Policy and Analytics, Oregon State Hospital, Central Administration, and Public Employees and Oregon Educators Benefit Boards. This was accomplished for all but the Medicaid and Non-Medicaid programs which remained under a single appropriation for the Health Systems Program. As a result, the Legislature directed the agency via budget note in the agency's primary budget bill for the 2023-25 biennium to take steps to separate the Health Systems appropriation into Medicaid and Non-Medicaid Appropriations in the building of the 2025-27 budget.

For this progress report, the agency has indicated that it will begin the process of delineating programs into the two divisions. Although not overtly stated in the written report, it is implied that the budget proposal will reflect the updated structure. The attachment to the report that details a timeline of implementation of the new structure in the financial and personnel management systems that will only begin after the adoption of a budget bill for the agency in the 2025 legislative session. This is concerning as it is more typical for this work to be completed as part of the budget development process.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends acknowledging receipt of the report.

Request: Report by the Oregon Health Authority (OHA) on actions taken during the 2023-25 biennium to separate the Medicaid and Non-Medicaid program appropriations as directed by a budget note from the budget report for Senate Bill 5525 (2023).

Recommendation: Acknowledge receipt of the report.

Discussion: The budget report for Senate Bill 5525 (2023), OHA's main budget bill for the 2023-25 biennium, includes a budget note with the following direction:

Budget Note: Medicaid and Non-Medicaid Behavioral Health Appropriation

The Oregon Health Authority shall take steps to separate the Health Systems – Programs appropriation into Medicaid and non-Medicaid appropriations in the building of the 2025-27 budget prior to the Governor's 2025-27 budget recommendation. OHA shall report to the subcommittee of the Joint Committee on Ways and Means with authority over human services agencies' budgets on their progress at the 2024 meeting of the Legislative Assembly.

For context, OHA's main budget bill for 2021-23, House Bill 5024 (2021), included direction that the agency separate their budget into a more detailed appropriation structure, with the following appropriations as a minimum level of detail: Medicaid, Non-Medicaid Behavioral Health, Public Health Division, Health Policy and Analytics Division, Oregon State Hospital, Public Employees' Benefit Board, Oregon Educators Benefit Board, and central administrative functions.

OHA raised several concerns during the 2023 Legislative Session with the appropriation structure, focusing on the potential separation of the Medicaid and Non-Medicaid programs. OHA was concerned with the increased workload in accounting and budget associated with the new structure, the need to change the accounting treatment of certain provider payments, which include reimbursements for both Medicaid and Non-Medicaid programs, and concerns regarding difficulties in managing Medicaid's cashflow needs close to the end of the biennium. As a result of these concerns, the appropriations for Medicaid and Non-Medicaid were not separate in the final version of Senate Bill 5525, which was passed by the 2023 Legislature and the Legislature provided instructions in the bill to report back on preparations for separating the appropriations for the 2025-27 Legislatively Adopted Budget.

OHA's report details the steps needed to separate out the Medicaid and Non-Medicaid appropriations. Broadly, the work includes updates to the accounting system, Workday, internal cost allocation systems, and contracting and procurement systems. OHA's internal processes must be updated, including processes for managing cash flow. Work on this effort will start in January 2025 with the goal of accommodating separate appropriations for the 2025-2027 biennium. Separate from the appropriation change, OHA has announced the reorganization of the Health Systems Division into the Medicaid and Behavioral Health divisions, respectively. This organizational change will also result in the split of the Health Systems Division staff between the two programs.

OHA's report focuses on the immediate impact of the appropriation change on the Office of Financial Services, which provides accounting services to OHA through a shared services arrangement. OHA will closely monitor the impact of the appropriation change on their workforce and Medicaid cashflow in the coming biennium to ensure adequate resources are available to continue agency operations.



OFFICE OF THE DIRECTOR

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January 12, 2024

Senator Winsvey Campos, Co-Chair
Representative Andrea Valderrama, Co-Chair
Joint Ways and Means Human Services Sub-Committee
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

Nature of Request

The Oregon Health Authority (OHA) is submitting this report to comply with a budget note in the Senate Bill 5525 (2023 Regular Session) Budget Report on the progress of separating the Health Systems Program appropriation.

Background

A budget note in the Senate Bill 5525 Budget Report requires OHA to take steps to separate the Health Systems Program appropriation into Medicaid and non-Medicaid appropriations in the building of the 2025-2027 biennial budget, prior to the Governor's 2025-2027 budget recommendation, and to report on the progress at the 2024 meeting of the Legislative Assembly.

At one time, OHA's Health Systems appropriations for General Fund, Other Funds, and Federal Funds encompassed the budgets of multiple divisions. The Health System appropriations included Medicaid, non-Medicaid, Programs Support & Administration, Public Health, Health Policy and Analytics, and the Oregon State Hospital. A decision was reached for divisions to have their own appropriations and this work has been done incrementally. For the 2021-2023 biennium, the Oregon State Hospital was separated from the rest of the Health System appropriations. For the 2023-2025 biennium, the Health System appropriations were completely separated by division, except for Medicaid and non-Medicaid.

Agency Action

OHA's Office of Financial Services (OFS) has created a task list that identifies requirements in various areas of OFS to accommodate the appropriation split of Medicaid and non-Medicaid (see Attachment A). This includes OFS

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Systems, Management Reporting Unit, Accounts Payable, Contracts Payable, Accounts Receivable, and Revenue.

OFS is targeting spring of 2024 to begin discussions with Program and Budget staff that will direct the technical OFS work. For instance, identifying the programs that will be split between the two areas, the funding streams in each area, and needed coding to create separation in the Medicaid Management Information System (MMIS). The technical work will begin January 2025 with goalposts identified to successfully accommodate separate Medicaid and non-Medicaid appropriations for the 2025-2027 biennium.

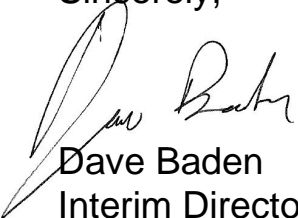
Action Requested

Acknowledge receipt of the report.

Legislation Affected

None.

Sincerely,



Dave Baden
Interim Director

ENC: Attachment A — OHA Appropriation Tasks and Timelines

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 — OHA Appropriation Tasks and Timelines

Task	Task Name	Start ¹	Finish	Predecessors
1	Legislature/Governor	5/1	6/30	
2	Pass OHA budget bill	5/1	6/20	
3	Governor sign bill	6/23	6/30	2
4	Department of Administrative Services (DAS)	5/2	7/3	
5	Add new program codes	5/2	5/15	9
6	Add new appropriations	5/19	5/23	10
7	Load appropriations and allotments	6/25	7/3	3
8	Budget	5/1	5/15	
9	Provide SABRS with program code structure	5/1	5/1	
10	Provide SABRS with appropriation list	5/15	5/15	
11	Office of Financial Services (OFS)	1/1	10/31	
12	Management Report Unit (MRU)	5/23	7/11	
13	Accounting Structure - RTI	5/23	6/13	5,6
14	Accounting Structure - PCA	5/23	6/13	5,6
15	Create/Load new LCC to Workday	6/13	6/13	14
16	Create/Load new worktags to Workday	6/13	6/13	14
17	Update position default LCCs	6/16	6/25	15
18	Update employee costing allocations	6/16	6/25	15
19	Update project matrixes	6/16	6/20	14
20	Determine which appropriation has largest GF to link to	6/2	6/2	
21	Create Cash Link to New Appropriation	6/2	6/6	20
22	Update accounting codes tools/resources	6/16	6/30	14
23	Update queries with new program codes, appropriations	6/23	7/11	
24	Update interagency transfer coding with external partners	6/16	6/30	14
25	Systems	1/1	6/30	
26	Add New Appropriations to CA Tables	5/23	5/23	6
27	Update cost allocation plan (new methodologies/changes)	1/1	6/30	
28	Update MMIS system financial tables	5/23	6/6	6
29	Update mainframe J system tables	5/23	6/6	6
30	Accounts Payable	6/16	6/30	
31	Update delegated authority	6/16	6/30	
32	Update Wireless Watchdog coding	6/16	6/25	14
33	Update facilities coding	6/16	6/25	14
34	DAS prepaid postage	6/16	6/25	14
35	Contracts Payable	6/16	10/31	
36	Update RBASE	6/16	6/21	14
37	Monitor contract coding OregonBuys	7/1	10/31	
38	Revenue	6/1	9/26	
39	Roll OF grant balances to new appropriations	7/7	9/26	14
40	Build new cash flow model	6/1	6/30	
41	Accounts Receivable (AR)	7/14	9/26	
42	Convert outstanding AR balances to new appropriation	7/14	9/26	14

¹ All dates are for calendar year 2025.