

ANALYSIS

Item 9: Department of Human Services/Oregon Health Authority

HR 1 Implementation Costs

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Request: Appropriate \$131,127,214 General Fund, increase Other Funds expenditure limitation by \$10,458,140, increase Federal Funds expenditure limitation by \$31,044,764, and establish 452 positions (326.34 FTE) for the Department of Human Services; and appropriate \$208,041,608 General Fund, decrease Other Funds expenditure limitation by \$154,480,967, decrease Federal Funds expenditure limitation by \$194,840,238, and establish 23 positions (12.92 FTE) for the Oregon Health Authority, to implement HR 1 and account for programmatic impacts from the federal budget reconciliation act.

Analysis: Enacted on July 4, 2025, federal House Resolution 1 (HR 1) made significant changes to human services programs, particularly the Supplemental Nutrition Assistance Program (SNAP) and Medicaid; most notably, by instituting work requirements for certain beneficiaries, more frequent eligibility checks, and higher cost sharing for states.

The joint request from the Department of Human Services (DHS) and Oregon Health Authority (OHA) highlights the major cost drivers, including required IT system changes, staff resources, and the higher state cost sharing; however, the programmatic and fiscal impacts of the agencies' implementation of HR 1 remain a work in progress and will continue to evolve as additional federal guidance is released and as the calculations and underlying assumptions continue to be refined.

HR 1 Implementation Request - 2025-27 (\$ millions)						
	General Fund	Other Funds	Federal Funds	Total	Pos	FTE
Department of Human Services	131.13	10.46	31.04	172.63	452	326.34
Oregon Health Authority	208.04	(154.48)	(194.84)	(141.28)	23	12.92
Totals	339.17	(144.02)	(163.80)	31.35	475	339.26

The following analysis summarizes key changes made by HR 1 and related parts of the request and highlights areas where additional information and review is required.

Department of Human Services

The Department of Human Services requested a total of \$131.1 million General Fund (\$172.6 million total funds) and 452 positions (326.34 FTE). Approximately 87.5% of the General Fund

request and 64% of the positions are related to SNAP program changes, with the balance related to Medicaid (Oregon Health Plan) program changes. Most of the positions included in the request would be engaged in work related to SNAP and Medicaid eligibility and benefit determinations.

Department of Human Services HR 1 Request						
2025-27 SNAP and Medicaid Costs (<i>\$ millions</i>)						
Program	General Fund	Other Funds	Federal Funds	Total	Pos	FTE
SNAP Costs	114.6	0.9	(17.4)	98.1	290	245.44
Admin Cost-Share	54.4	-	(54.4)	-	-	-
Benefits Cost-Share/PER	39.3	0.4	22.8	62.5	193	167.90
Other (Work Req, Outreach)	13.8	0.5	8.2	22.5	94	75.65
EBT Card Security	7.1	-	6.0	13.1	3	1.89
Medicaid Costs	16.5	9.6	48.4	74.5	162	80.90
Totals	131.1	10.5	31.0	172.6	452	326.34

State Share of Cost SNAP Admin: \$54.4 million General Fund. Effective October 1, 2026, HR 1 increased the state share of SNAP administrative costs from 50% to 75%. DHS requests \$54.4 million General Fund to cover this change in the current biennium. In 2027-29, DHS estimates the higher match will increase costs by \$142.1 million General Fund.

State Share of Cost SNAP Benefits: \$39.3 million General Fund and 193 positions. Monthly food assistance payments to SNAP households are currently 100% federally funded. Effective October 1, 2027, any state with a payment error rate above 6% will be required to pay between 5% and 15% of SNAP benefit costs depending on the state's payment error rate. While Oregon's payment error rate has improved, it remains relatively high at 14%. If no improvement is made, Oregon's 15% share of cost for benefits in 2027-29 could be about \$450 million General Fund.

To mitigate future state General Fund costs for SNAP benefits, DHS requests \$39.3 million General Fund (\$62.5 million total funds) and 193 positions (167.90 FTE) for IT upgrades and staff resources intended to improve the accuracy of SNAP benefit determinations. This includes \$13.5 million General Fund (\$16 million total funds) on a one-time basis for IT professional services. Of this amount, \$11 million General Fund is a required "reinvestment" stemming from federal penalties related to Oregon's SNAP payment error rates in FFY 2023 and FFY 2024.

SNAP Work Requirements, Eligibility, and Countable Income: \$13.8 million General Fund and 94 positions. HR 1 placed tighter restrictions on who can qualify for exemptions from SNAP work requirements. For example, it eliminates exemptions for former foster youth, unhoused individuals and veterans, as well as eliminates exemptions for adults aged 50 to 65. The

measure also narrows the list of eligible populations, eliminating eligibility for refugees and asylum seekers; and changes how income is calculated for the purpose of determining monthly benefit levels. These changes will require Oregon Eligibility (ONE) system modifications, as well as place new demands on staff who process applications and determine household benefit levels. The request includes \$13.8 million General Fund (\$22.5 million total funds) and 94 positions (75.65 FTE) for related IT system upgrades, outreach, and staff resources to manage the estimated increase in eligibility workload.

SNAP EBT Card Security Project: \$7.1 million General Fund and three positions (1.89 FTE).

According to DHS, since 2023 there have been 10,625 instances of validated theft of benefits, totaling \$4.1 million. This component of the HR 1 request would support Oregon's transition to a more secure Europay, Mastercard, and Visa (EMV) technology that uses smart chips embedded in cards. EMV cards generate a unique code for each transaction, making it nearly impossible to clone the card. This component of the agency request is not required to implement HR 1; however, if the project is approved and initiated by September 30, 2026, Oregon would be able to receive the higher 75% federal match.

Medicaid Changes: \$16.5 million General Fund and 162 positions. HR 1 requires redeterminations every six months for adults on Medicaid (specifically, the OHP expansion group) at which time enrollees will be required to prove they meet federal work/community engagement requirements. According to DHS, implementation of the Medicaid provisions will require ONE system changes, eligibility staff, and extensive outreach via mailings, phone calls, and community partners.

Specifically, DHS estimates a need for \$3.5 million General Fund (\$40.8 million total funds) for ONE System modifications, \$8.2 million General Fund (\$14.2 million total funds) and 142 positions (68.76 FTE) to process redeterminations, and \$4.8 million General Fund (\$19.5 million total funds) and 20 positions (12.14 FTE) for outreach, printing and mailing, and related administrative staff and costs.

Oregon Health Authority

Oregon Health Authority						
HR 1 Implementation Request						
	General Fund	Other Funds	Federal Funds	Total	Pos	FTE
Revenue	105,900,000	(156,000,000)	(104,900,000)	(155,000,000)	-	-
Caseload	82,787,793	-	(102,334,890)	(19,547,097)	-	-
Administration	14,662,094	-	11,604,589	26,266,683	18	9.17
Technology	5,434,780	4,817,891	33,092,744	43,345,415	3	2.25
Totals	\$208,784,667	(\$151,182,109)	(\$162,537,557)	(\$104,934,999)	21	11.42

Revenue and Caseload

Just over 90% of the General Fund impact for the Oregon Health Authority in the 2025-27 biennium is attributable to changes to revenues and caseload costs. The revenue impacts are limited to reductions in the Intergovernmental Transfer (IGT) agreement with Oregon Health and Sciences University (OHSU). HR 1 capped state directed payment programs, including the Quality and Access (Q&A) payments under the OHSU IGT, limiting these payments to 100% of Medicare reimbursement rates. The bill allows for a runway to achieve this new requirement that caps existing payments at their current (2025) value and requires annual reductions of 10% until the Medicare reimbursement rate target is met. Currently, total reimbursements to OHSU for Medicaid related programs are intended to reimburse OHSU for 87% of their actual costs of providing care to Medicaid patients. The change in HR 1 results in decreasing annual amounts of IGT revenue from OHSU, therefore reducing the available amount from those transfers to support the Oregon Health Plan. After assuming the agency's fall 2025 rebalance changes to the OHSU IGT, the projected revenue transfer from OHSU declines by \$156 million, reducing support for the Oregon Health Plan by \$105.9 million.

Segregating caseload impacts related to HR 1 from caseload changes generally is an imperfect process. The cost estimates included in this request are based on the fall 2025 forecast. To separate the HR 1 impacts, OHA used two types of forecasts; a baseline forecast that did not factor in assumptions related to HR 1, and a full forecast that included these assumptions. The baseline forecast was the basis of OHA's fall 2025 rebalance request. Following the issuance of these forecasts, the joint DHS/OHA forecasting group determined that not all of the HR 1 assumptions were either included or had been fully understood. This issue was substantive enough that they provided notice that they would be revising the forecasts. The updated forecasts are anticipated in the first weeks of January 2026.

OHA attributes caseload changes to multiple sections of HR 1, including:

- 71107 – Six-month eligibility redeterminations
- 71109 – Alien Medicaid eligibility
- 71110 – FMAP for emergency medical services
- 71112 – Retroactive enrollment
- 71113 – Payments to prohibited entities
- 44110 – Citizenship verification

The single largest General Fund caseload cost impact in the request is identified as being related to section 44110 – Citizenship verification. This \$42.9 million General Fund request is the cost to reverse a planned move of individuals from the Healthier Oregon program to the Basic Health Plan that was included in the agency's legislatively adopted budget. However, this appears to be an oversight, as section 44110 does not exist in the enrolled version of the bill.

Rather, this change appears to be aligned with section 71109, but there are outstanding questions as of the time of this analysis related to this item as the two programs have different income eligibility requirements, in addition to the citizenship question.

Based on the caseload number changes for both the Medicaid and Healthier Oregon program (HOP), OHA is predicting a decrease of 3,180 average enrolled individuals over the biennium for Medicaid, and an increase of 2,720 average enrolled individuals in HOP. This movement between caseloads is heavily weighted to the adult Affordable Care Act (ACA) expansion population. The larger decrease in the Medicaid program drives a \$58.2 million total funds decrease in caseload costs compared to an increase of \$29.8 million in HOP. Due to the difference in funding for the programs, with HOP being predominantly supported with General Fund, the net impact to the General Fund is a cost of \$9.3 million. This change is further exacerbated by the section 71110 change to the Federal Medical Assistance Percentage (FMAP) impacting the HOP caseload. The reduction in FMAP for this caseload shifts \$21.7 million from Federal Funds to the General Fund.

The final caseload related item deals with a request for \$8.9 million for service reimbursements to Planned Parenthood through the Fee for Service (FFS) program at OHA. Section 71113 prohibits the use of federal Medicaid funds for any “Prohibited Entity,” for a period of one-year beginning July 4, 2025. This period roughly aligns with state fiscal year 2026. The definition of Prohibited Entities applies only to the two Oregon based affiliates of Planned Parenthood. The Legislature, during the 2025 regular session, appropriated \$10 million General Fund to the Oregon Health Authority specifically for distribution to reproductive health care providers in response to reductions in federal funding for health care services, with direction to prioritize the highest volume providers operating across multiple counties. OHA entered into grant agreements with Planned Parenthood of the Columbia/Willamette (PPCW) and Planned Parenthood of Southwestern Oregon (PPSO) as the sole recipients of the \$10 million in appropriated funding.

The Legislative Fiscal Office, using claims information for fiscal year 2025, estimated that replacing Federal Funds in all programs and the state funds portion of CCO payments would be \$15.9 million, or \$17.5 million if inflated at a 10% rate assuming year-over-year growth in patient visits and associated expenses references. Based on the \$17.5 million estimate, the Emergency Board, at its November 2025 meeting, allocated \$7.5 million General Fund to OHA to facilitate reimbursement payments to Planned Parenthood during the prohibition period.

Administration

The request includes \$14.7 million General Fund, \$26.3 million total funds for administrative functions, of which roughly half (\$7 million General Fund, \$12 million total funds) is attributed

to work related to section 71119, work requirements. This section also accounts for 13 of the 18 positions requested outside of the Office of Information Services.

Within these section 71119 costs, outreach, partnership and communication activities account for \$6.9 million total funds, split evenly between General Fund and Federal Funds. Additional detail and further analysis on the details of this planned spending is required as it's not readily apparent what the additional need for these functions are when taken in context with the ongoing communication, partnership, and outreach functions of the agency as part of its current course of business. OHA does note that these funds support all provisions of HR 1 while being nominally attributed to section 71119.

The requested positions related to the implementation of work requirements include six high-level operation and policy analyst positions, one of these is identified as limited duration. Position descriptions provided by the agency describe a large body of work, the necessity of which is not readily apparent based on the marginal operational requirements of the section when taken in context with the entire body of related work currently being undertaken by the program and agency. Additional analysis will be needed to determine the correct staffing levels required. OHA is also requesting six public service representatives in anticipation of increase phone calls and complex case work. This request may be somewhat redundant with increased eligibility positions requested by DHS.

The second major funding request, \$7.1 million General Fund, \$12.7 million total funds, relates to sections 71107 Redeterminations, and 71112 Retroactive coverage. The requested staffing of two Operation and Policy Analyst positions for these sections is far more limited than the requested positions dealing with work requirements; however, similar questions about the needed body of work versus the optional body of work remain.

The agency is also requesting \$9.2 million total funds for one-time contracted call center costs for these sections. OHA describes this funding as being needed to support questions about the redetermination process and specific eligibility. This request appears redundant to the DHS funding and staffing for eligibility workers. OHA indicates that this call center contract is needed while DHS works to hire adequate Oregon Eligibility Partnership (OEP) staffing.

Administrative costs related to the remaining sections total \$545,613 General Fund, \$1.1 million total funds. These include position related costs for:

- One Admin Support 2 position – section 71120 - Cost Sharing and Copayments (Medicaid Policy Change Administrative Support)
- One OPA 4 position- section 71120 - Cost Sharing and Copayments (Medicaid Policy Change Lead Analyst)

- One OPA 4 position – section 71115 - Provider Tax Program (HR1 State Directed Payment and Provider Payment coordinator)

Additionally, two administrative expenditure categories: contracted project management (\$2.7 million total funds) and Oregon Department of Justice legal fees (\$370,117 total funds) are projected to be used to address all of HR 1 sections impacting OHA.

Although some of the costs noted do cover multiple sections, the segregation of workflows and their associated costs as presented in the funding request may introduce redundant expenditures. An example of this is where the agency has budgeted \$1.5 million General Fund for mailing notices in both the work requirements and redeterminations/eligibility requirements sections that results in a total of \$3 million General Fund requested for mailing of notifications. It is not clear if the intent is to issue separate notices for each provision, and if these notices are intended to function outside of the automated notifications produced by the Medicaid Management Information System.

The request also does not detail the current capacity of the agency in terms of staffing and resources, so it is not clear how the requested resources interplay with existing resources and functions of the programs within the agency. At the time of this analysis, OHA had six Operation and Policy Analyst 3 positions and 18 Operation and Policy Analyst 4 positions vacant that were unrelated to reclassifications or pending position creation. Additional analysis will be needed to determine if OHA has existing staffing capacity to address the positions requested.

OHA/DHS Technology Needs

Implementation of HR 1 requirements in the OHA/DHS technology ecosystem is anticipated to be accomplished either through a complex multi-phase technology project or set of an indeterminate number of separate complex technology projects. While the agencies have identified the technologies that need to be updated to meet HR 1 requirements and – at a very high-level – described what those changes entail, the project or projects that will structure the delivery of those updates remain currently undefined. The agencies are working through their shared technology governance process to establish initiatives to deliver HR 1 requirements. However, at this time, no projects have been initiated that formally establish the scope, schedule, and budget for delivery of specific components of HR 1. As a result, the foundational project artifacts (business case, charter, scope statement, schedule, etc.) that would typically provide clarity on resources to be used, processes or methodologies for accomplishing work, interdependencies between efforts, and anticipated risks are not yet available. This documentation would also describe how the timing and implementation of technology changes aligns with and supports business implementation efforts and process changes necessary due to HR 1. Because OHA and DHS do not yet have a roadmap of the projects necessary to fully deliver HR 1 requirements, including the deployment dates and how those dates align with HR

1 implementation deadlines, the agencies also have not provided any documentation describing the impact of the suite of HR 1 initiatives on the rest of the OHA/DHS project portfolio (or vice versa), and if there are adverse impacts to other initiatives that can be expected by focusing on meeting HR 1 deadlines. Further understanding of the availability of resources to lead these projects and develop foundational artifacts is also needed, as is any expected contracting for additional expertise necessary to make the appropriate skillsets available to HR 1 initiatives.

Until the work is structured into initiated projects with artifacts approved by existing technology governance structures, any initial estimates provided are extremely preliminary with a high degree of uncertainty. This also prevents DAS Enterprise Information Services from determining Stage Gate oversight requirements for the project(s) and the applicability of Independent Quality Management Services (IQMS) requirements for major IT projects under ORS 276A.223. IQMS would add additional cost to any initiative required to contract for these services. Regardless of the required level of documentation and independent quality control reviews, OHA and DHS are expected to maintain a high level of project management rigor that is dependent on the availability of qualified project managers. If internal resources that meet project management qualifications are not available, contracted project management expertise may also be necessary to successfully implement HR 1 requirements.

The two primary systems that will require modifications and updates to allow for the implementation of the changes required by HR 1 are the Medicaid Management Information System (MMIS) and the Oregon Eligibility (ONE) system. Because these are joint systems of both DHS and OHA, costs associated with the changes are allocated to each agency as detailed in the agencies requests.

In addition to contracted IT services, both agencies have included costs associated with software and hardware. In OHA, an additional three IT Specialist positions (2.25 FTE) are requested for the Office of Information Services (OIS), a shared-services function of both agencies, to coordinate across DHS and OHA divisions, as well as with contracted IT staff performing updates to integrated systems. At the time of this analysis, these costs have not been individually disaggregated from other shared services functions and between personal services and other expenditures. Further analysis will be required.

As presently understood, existing vendor contracts will be amended to accommodate the additional work required and this work will be coordinated and possibly supplemented by existing staff and the new staff requested in the Office of Information Services.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means defer action on the request to the 2026 legislative session.

Request: Appropriate \$339,168,822 General Fund, decrease Other Funds expenditure limitation by \$144,022,827, decrease Federal Funds expenditure limitation by \$163,795,474 and establish 475 positions (339.26 FTE) for the Oregon Department of Human Services (ODHS) and the Oregon Health Authority (OHA) to implement provisions and account for programmatic impacts from House Resolution 1 (H.R. 1), the federal budget reconciliation act.

Recommendation: Consider the request during the 2026 Legislative Session.

Discussion: House Resolution 1 (H.R. 1), known as the One Big Beautiful Bill Act, (Public Law 119-21) was signed into law on July 4, 2025. H.R. 1 contains many significant changes to social service programs including the Supplemental Nutrition Assistance Program (SNAP) and Medicaid. The H.R. 1 changes are anticipated to have significant impacts on ODHS and OHA operations and programs. The funding requests included in this letter address operational needs to implement the new provisions including staffing, IT, printing and communications, changes to the SNAP administrative cost share for administration of benefits, additional Medicaid program-related costs that have been shifted to states, the impact on the Healthier Oregon Program (HOP) caseload and more.

For the 2025-27 biennium, the combined budgetary impact to ODHS and OHA is estimated to be \$339.2 million General Fund, \$31.4 million total funds. The relatively smaller impact on total funds indicates the bill disproportionately places the fiscal burden of the new law on Oregon (and other states), as the total funds budget does not change all that much. This means the state will be required to spend more General Fund just to keep offering current services. Additionally, significant staffing and administrative resources will be required to comply with all the provisions of the bill. In effect, the state will be spending more to serve fewer individuals, as individuals participating in SNAP and the Oregon Health Plan (OHP) are subject to new eligibility requirements.

H.R. 1 also includes significant compliance incentives in SNAP by tying a state's share of SNAP benefit costs to its Payment Error Rate (PER). This is an unprecedented potential cost-shift to states as SNAP benefits have always been 100 percent federally funded. The potential impact from H.R. 1 to Oregon's Medicaid health program in future years is also unprecedented. Provisions establishing lower provider tax assessment caps will require states to impose reductions over the next 10 years, which decreases revenue sources available to fund OHP – resource reductions that directly impact the long-term financial sustainability of Oregon's current Medicaid health program.

Oregon, like other states, has very little control over the H.R. 1 provisions. Like other states with integrated eligibility systems, ODHS and OHA staff are examining the impact of individual sections of the law in conjunction with the total stack of changes that must be incorporated into the ONE System and the state's eligibility workforce, which

determines social and health program eligibility for approximately 1 in 3 Oregonians. The ODHS request included in the letter is solely related to program administration costs. OHA's request accounts for both administrative costs and the General Fund needs tied to some anticipated programmatic impacts from the bill. The requests in the letter are structured by the section of H.R. 1 that are driving the need for investment to comply or fund the programmatic impacts to existing services from the changes. Each agency also submitted an addendum with additional detail.

The following table shows the breakdown of the ODHS request by category and program (SNAP and Medicaid).

Oregon Department of Human Services HR 1 Request - Breakdown by Categories and Program							
SNAP	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE	
SNAP admin match change (all ODHS)	\$ 54.4	\$ -	\$ (54.4)	\$ -	0	0.00	
Self-Sufficiency Programs staffing and related costs	\$ 1.4	\$ -	\$ 0.7	\$ 2.1	12	7.56	
Oregon Eligibility Partnership staffing and related costs	\$ 31.6	\$ -	\$ 22.9	\$ 54.6	256	224.50	
ONE System costs	\$ 2.9	\$ -	\$ 2.9	\$ 5.8	0	0.00	
EBT card security and related costs	\$ 6.8	\$ -	\$ 5.8	\$ 12.6	0	0.00	
SNAP payment error rate penalty reinvestments	\$ 11.0	\$ -	\$ -	\$ 11.0	0	0.00	
ODHS printing/mailing/phones/outreach	\$ 3.9	\$ -	\$ 2.8	\$ 6.8	0	0.00	
Central Services staffing and related costs	\$ 2.3	\$ 0.1	\$ 1.3	\$ 3.7	14	10.13	
Shared Services/SAEC costs	\$ 0.4	\$ 0.7	\$ 0.4	\$ 1.6	8	3.25	
SNAP subtotal	\$ 114.7	\$ 0.8	\$ (17.3)	\$ 98.2	290	245.44	
Medicaid	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE	
Oregon Eligibility Partnership staffing and related costs	\$ 8.2	\$ -	\$ 6.0	\$ 14.2	142	68.76	
ONE System costs	\$ 3.8	\$ 3.8	\$ 36.4	\$ 44.0	0	0.00	
ODHS printing/mailing/phones/outreach	\$ 2.9	\$ 3.6	\$ 4.7	\$ 11.3	0	0.00	
Central Services staffing and related costs	\$ 0.6	\$ 0.0	\$ 0.3	\$ 0.9	4	2.63	
Shared Services/SAEC costs	\$ 1.0	\$ 2.2	\$ 1.0	\$ 4.1	16	9.51	
Medicaid subtotal	\$ 16.5	\$ 9.6	\$ 48.4	\$ 74.5	162	80.90	
ODHS Total HR 1 Costs	\$ 131.1	\$ 10.5	\$ 31.0	\$ 172.6	452	326.34	

All dollars are in millions; rounding may occur.

SNAP Administrative Rate

Currently, the SNAP administrative cost share is a 50/50 state-federal split. Beginning in October of 2026, that split is 75 percent state responsibility and 25 percent federal responsibility. The administrative match change at \$54.4 million reflects current actuals that are booked to the federal SNAP administrative grant and inflated for employee cost of living adjustments for the last nine months of the 2025-27 biennium. To cover the cost of the administrative rate change in 2027-29, that amount increases to an estimated \$160.0 million General Fund, as the cost will need to be funded for 24 months and reflect Personal Services cost growth.

SNAP Payment Error Rate

In federal fiscal years 2023 and 2024, Oregon incurred a SNAP Payment Error Rate (PER) penalty of \$15.7 million and \$12.9 million respectively, from Food and Nutrition Service (FNS). The penalties are due to the state's high PER relative to the national average. As part of the settlement, Oregon is required to pay the at-risk liability amount

(50 percent of each penalty). Oregon is also required to submit a reinvestment plan to FNS to direct the other 50 percent of these funds toward system and process improvements. This letter reflects a one-time \$11.0 million General Fund request for the SNAP reinvestment component of the settlement(s), which covers part of the 2023 reinvestment and the 2024 reinvestment. The Department requested the 2023 penalty amount as part of rebalance, and the 2024 penalty is pending ongoing negotiations with FNS but will likely be a future budget need. The 2024 reinvestment plan is also pending FNS approval. The reinvestment will fund initiatives to reduce future errors, including developing application programming interfaces between the ONE system, phone systems, and Eligibot to help staff avoid common mistakes; implementing AI tools in the phone system to support staff and customers with reporting and documentation; and expanding predictive analytics to identify cases at higher risk for errors.

Oregon's PER peaked in federal fiscal year 2022, the year after the pandemic, and has continued to drop since that time. However, in federal fiscal year 2024, the PER was 14.06 percent, which exceeds 105 percent of the national average. If the state does not improve its PER, Oregon will be responsible for 15 percent of SNAP benefit costs, potentially beginning in the 2027-29 biennium. This would result in an estimated \$450.0 million General Fund impact. This budget request includes a significant administrative and staffing proposal to bring the State's PER rate to below six percent, keeping SNAP benefits 100 percent federally funded. It should be noted the PER thresholds in H.R. 1 are sliding, so if Oregon can bring the PER rate to six to eight percent, then the cost share is only five percent of benefits, which is approximately one-third of the \$450.0 million projection. An eight to 10 percent PER equates to a 10 percent state share of benefits. ODHS has developed an extensive PER plan and the funds in this request will be used to implement the plan.

This letter includes a request for 193 positions for section 10105 – the PER section of H.R. 1. Of the 193 positions, 179 are within the Oregon Eligibility Partnership (OEP). Those positions comprise the bulk of the 256 positions for OEP staffing shown on the above table. The Department is in the process of revising this estimate after further review, and the number of positions related to this component of the request is likely to be reduced. The PER plan includes an additional position request to avoid significant federal cost shifts due to payment errors, which are defined as how accurately states determine eligibility and benefit allotments. Additional staff are needed to implement critical control processes, expand verification and peer-review activities, and support on-the-job training. The staffing request for section 10105 was developed using two calculation methods: (1) time-studied estimates for training and quality assurance staff based on current task durations, and (2) increasing Public Benefit Specialist 3 (lead worker) staffing to 75 percent of the OEP workload model, which represents the largest portion of the request.

SNAP Work Requirements

The position requests for both section 10102, which expands work requirements for SNAP eligibility, and section 10105, are in the process of being revised downward by the Department. Section 10102 included changes to the SNAP Able-Bodied Adults Without Dependents (ABAWD) population including raising the upper age limit to 64 and lowering the dependent child threshold to under age 14, took effect in Oregon as of December 1, 2025. Currently, ODHS estimates a need for 71 positions within OEP to implement the new SNAP work requirements. That request is in the process of being

revised downward as more review and conversations continue. The ABAWD changes mean that the SNAP cases of an estimated 310,000 adults will need to be reviewed to ensure they are meeting federal work rules or qualify for an exemption, which will require expanded outreach, employment and training capacity, coordination of support with Workforce Oregon, and enhanced case management to minimize loss of benefits.

Medicaid Work Requirements

The final large position-related request within ODHS (also mostly within OEP) is tied to section 71119, which refers to the new Medicaid work requirements. With Medicaid work requirements potentially applying to over 500,000 individuals, OEP will need staff to validate work activities and submitted information. The Department currently estimates that half of members will still require eligibility staff intervention despite system mitigations. The staffing need projection for section 71119 compliance was estimated by applying SNAP ABAWD timing standards to the larger Medicaid population, then reduced the staffing need by 50 percent to account for anticipated use of online tools and automated verification sources, which will need to almost double based on the current rate of 28 percent online application usage. The Department estimates a need for an additional 142 positions (68.76 FTE) within OEP to begin implementation of the Medicaid work requirement implementation based on this methodology. Implementation is set to begin January 1, 2027, though states could opt to implement earlier via a state plan amendment (SPA) or Medicaid section 1115 waiver. They also can delay for up to two years (through December 31, 2028) with Secretary approval.

Additional Components of Request

The table following this section shows the H.R. 1 request letter by division. As shown in the table, the bulk of the costs are within OEP and are related to an expanded eligibility workforce needed to support implementation of the new eligibility requirements for SNAP and Medicaid, and to bring down the state's SNAP payment error rate. The request also includes 14 positions within Central Services to help clear non-budgeted positions as more work within Central Services is tied to implementing H.R. 1.

The letter also includes a request for EBT card security to modernize SNAP and TANF benefit cards to chip and tap-enabled cards. Since 2023, there have been 10,625 instances of confirmed theft totaling \$4,066,497 in a 36-month period. The EBT card security investment is \$7.1 million General Fund - this cost is within Self-Sufficiency Programs (SSP) - and includes one-time funding for a mass replacement of new cards, ongoing funding for three positions to support retailers, a new contract to replace cards at more offices throughout the state, retailer enablement, and monthly operational costs for the EBT card vendor Fidelity Information Services (FIS). The federal administration does not allow states to replace stolen SNAP benefits; therefore, any theft is a direct harm to an individual. This technology solution will mitigate harm and ensure benefits remain with Oregonians.

H.R. 1 includes several other provisions that include smaller impacts to ODHS that comprise the letter. Section 10103 delinks Low-Income Home Energy Assistance Program (LIHEAP) and SNAP ("Heat & Eat"), making SNAP & LIHEAP only available for households with an elderly or disabled member. The effect will be a reduction of SNAP and LIHEAP benefits. That reduction is not reflected in the letter, but the implementation costs are included. ODHS anticipates a need of nine positions (5.88

FTE) for eligibility workload increase, system design implementation and analysis within Shared Services, and policy and administrative support in SSP.

Section 10108 limits SNAP eligibility to those who are residents of the U.S. and either 1) U.S. citizens or nationals, 2) Lawful Permanent Residents, 3) Certain Cuban and Haitian entrants, and 4) Compact of Free Association (COFA) migrants. This rule removes all other previously eligible populations such as refugees, individuals granted asylum, and other conditionally allowed individuals/families. The Department estimates that SNAP benefits will be reduced by approximately \$13.0 million. The cost of implementation is included in the letter and is estimated to result in a need for three positions within SSP and Shared Services to make rule updates, communicate with partners, and assist with modifications to the ONE system.

Section 10104 eliminates the inclusion of internet service costs as an allowable component of the excess shelter expense deduction under SNAP, effective October 1, 2025. The Department anticipates needing two positions, one within SSP and one within Shared Services, to manage policy updates, enhance system coordination and publication services. Due to interconnectedness of the new law, many of the Shared Services positions are tied to individual sections of the law, but the work will be spread out across various implementation needs including public affairs, electronic publishing, design, digital accessibility, translation and more. Due to the need for extensive communication and outreach, ODHS also anticipates funding for printing, publication, and phone support will be approximately \$6.8 million General Fund.

Additionally, ONE system change costs are estimated to be \$6.7 million General Fund, \$49.8 million total funds, for SNAP and Medicaid. The State receives a higher match rate for IT investments as opposed to regular SNAP or Medicaid administrative cost share. Additional review of this request is ongoing. ODHS has indicated a detailed breakdown exists in the form of the Change Request (CR) document that defines the scope of work Deloitte will complete under the ONE system contract. The CRs identify the functional areas, required modifications, and estimated effort for most H.R. 1-related system changes. The Department estimate is based on hours needed to make the necessary changes by the State's ONE system vendor.

Oregon Department of Human Services HR 1 Request by Division

Division	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Oregon Eligibility Partnership	\$ 104.4	\$ 7.4	\$ 32.0	\$ 143.8	398	293.26
Self-Sufficiency Programs	\$ 11.1		\$ 7.4	\$ 18.5	12	7.56
Statewide Assessments and Enterprise-wide Costs	\$ 10.7	\$ 0.1	\$ (7.9)	\$ 2.9		
Central Services	\$ 4.6	\$ 0.1	\$ (0.1)	\$ 4.6	18	12.76
Aging and People with Disabilities	\$ 0.3		\$ (0.3)	\$ -		
Shared Services	\$ -	\$ 2.8		\$ 2.8	24	12.76
Total	\$ 131.1	\$ 10.5	\$ 31.0	\$ 172.6	452	326.34

All dollars are in millions; rounding may occur.

Oregon Health Authority

H.R. 1 introduces significant changes to federal Medicaid laws, which significantly impact program administration and funding available to support Oregon's Medicaid recipients. The effective dates for the law changes vary by provision and span multiple biennia – beginning in 2025-27. The changes include provisions which affect Oregon's ability to generate revenue from Other Funds to achieve state fund match requirements.

In addition to the significant policy changes, federal guidance to direct states on implementation efforts is limited.

In partnership with ODHS, cross-agency workstreams were created to analyze and develop a plan for complying with the new federal requirements within the established timeframes. The agencies (OHA and ODHS) used the following guiding principles to inform policy decisions and plan direction:

- Centering member's coverage and care;
- Complying with federal requirements in the most simplified way possible; and
- Managing costs responsibly.

The below table encapsulates OHA's best estimate of costs needed to effectively implement the changes associated with federal Medicaid policy and administration and OHA's proportionate share of costs associated with federal SNAP policy changes.

Oregon Health Authority HR 1 Request - Breakdown by Categories and Program							
SNAP	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE	
Shared Services (OIS)	\$ -	\$ 0.6	\$ -	\$ 0.6	2	1.50	
State Assessments and Enterprise-wide Costs	\$ 0.2	\$ 0.0	\$ 0.2	\$ 0.4	-	-	
SNAP subtotal	\$ 0.2	\$ 0.6	\$ 0.2	\$ 1.0	2	1.50	
Medicaid	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE	
Reinvesting OHP Bridge savings (Pkg 417)	\$ 42.9	\$ -	\$ (42.9)	\$ -	-	-	
OHSU IGT adjustment	\$ 105.9	\$ (156.0)	\$ (104.9)	\$ (155.0)	-	-	
Redeterminations and other eligibility costs	\$ 16.8	\$ -	\$ (32.2)	\$ (15.5)	2	1.26	
Emergency Medicaid FMAP	\$ 21.7	\$ -	\$ (21.7)	\$ -	-	-	
Planned Parenthood	\$ 8.9	\$ -	\$ -	\$ 8.9	-	-	
Provider Tax Program	\$ 0.4	\$ -	\$ 0.4	\$ 0.8	1	0.63	
Work requirements	\$ 10.6	\$ -	\$ 5.7	\$ 16.3	13	6.78	
Medicaid cost sharing and copayments	\$ 0.2	\$ -	\$ 0.2	\$ 0.3	2	0.50	
State Assessments and Enterprise-wide Costs	\$ 0.6	\$ 0.1	\$ 0.4	\$ 1.0	-	-	
Shared Services (OIS)	\$ -	\$ 0.9	\$ -	\$ 0.9	3	2.25	
Medicaid Subtotal	\$ 207.8	\$ (155.1)	\$ (195.0)	\$ (142.3)	21	11.42	
OHA Total HR 1 Costs	\$ 208.0	\$ (154.5)	\$ (194.8)	\$ (141.3)	23	12.92	

All dollars are in millions; rounding may occur.

OHA SNAP Impacts

ODHS and OHA have a shared services model whereby each agency's budget includes a proportionate share of administrative and operational support services costs. As part of this model, the ODHS/OHA Office of Information Services (OIS) budget is housed within the OHA Shared Services budget structure. Additionally, a proportionate share of the agencies shared State Assessments and Enterprise-wide Costs are also included in the OHA budget.

The OHA budget request for SNAP represents the proportionate share of ODHS positions needed to implement the new H.R. 1 provisions, two OIS positions to support the affiliated IT implementation components, and the applicable portion of increased State Assessments and Enterprise-wide Costs.

OHA Medicaid Impacts

OHA's budget request pertaining to the federal Medicaid policy changes includes a combination of funding needs to implement the provisions, as well as funding needs

resulting from Federal Funds and Other Funds revenue caps. The following information provides additional context about how the budget request was calculated and will be used to comply with the H.R. 1 provisions.

Reinvesting OHP Bridge Savings

The 2025-27 Legislatively Adopted Budget (LAB) included Policy Package 417, which proposed shifting eligible members from the Healthier Oregon Program (HOP) to the Oregon Health Plan (OHP) Bridge Program. By facilitating this shift, OHA would be able to secure additional Federal Funds and reinvest the proceeds into OHP, thus producing General Fund savings. Since the new requirements limit federal Medicaid funding to only U.S. citizens; nationals; lawful permanent residents; those granted the status of Cuban and Haitian entrants; and individuals under Compacts of Free Association, OHA cannot shift HOP members to the federally funded Basic Health (aka OHP Bridge) Program. The H.R. 1 request includes General Fund and reduces Federal Funds expenditure limitation to capture the projected impact of this federal policy change.

OHSU IGT Adjustment

H.R. 1 significantly impacts the Oregon Health and Science University (OHSU) and OHA Intergovernmental Transfer (IGT)/Qualified Directed Payment (QDP) program. H.R. 1 freezes QDP distributions at current levels preventing projected increases in the program from being captured.

The IGT/QDP program assumes OHSU pays OHA pursuant to the IGT, which is used to fund OHP and QDP distributions from OHA to OHSU. Statutorily, OHA must reimburse OHSU for 87 percent of their cost to deliver Medicaid services (QDP). Beginning January 1, 2028, qualified directed payments must be reduced by 10 percent annually until they meet the new federal cap of 100 percent of the average cost of Medicare. Due to the reduction in the maximum directed payment amounts, there is a corresponding decrease in Other Funds IGT payments from OHSU to OHA.

OHA estimates the H.R. 1 IGT/QDP changes will result in a \$105.9 million General Fund need to maintain current levels of provider support for OHP in the current biennium – Other Funds and Federal Funds expenditure limitation reductions are also included to reflect the changes in IGT funding received from OHSU and Federal Funds match necessary for the QDP changes.

Redeterminations and Other Eligibility Costs

H.R. 1 changes to Medicaid eligibility policy directly impact federal financial support for OHP and Oregon's technology systems, staffing, and member communications. The policy changes include the termination of federal Medicaid and Children's Health Insurance Program (CHIP) funding for certain non-citizens, new quarterly death verification requirements, the introduction of home equity limits, and a reduction in retroactive coverage from 90 days to either 60 or 30 days. Individuals who lose Medicaid eligibility due to their immigration status will likely transition to HOP - resulting in increased state funds need.

Pursuant to H.R. 1, states must conduct eligibility redeterminations once every six months for individuals enrolled through the Patient Protection and Affordable Care Act's (ACA) Medicaid expansion program beginning December 31, 2026. To facilitate this change, the redetermination timelines programmed in the ONE system will need to be

updated. This includes removing the 1115 Continuous Eligibility (CE) waiver system functionality and replacing it with functionality based on a six-month redetermination timeframe.

To effectively operationalize the Medicaid eligibility policy changes, OHA plans to hire a consultant and a Project Manager to coordinate and monitor the implementation of the eligibility policies to ensure program administration, IT systems and procedures are aligned across state agencies. These positions will support analysis, interpretation, implementation, and maintenance of the H.R. 1 six-month redetermination provision. Additionally, they will monitor federal and state legislation for agency/program impact; manage research and evaluative studies of federal regulation to interpret and coordinate policy implementation across impacted state agencies; monitor and track project plans, deliverables, and outcomes; and provide consultation on public engagement.

OHA estimates the H.R. 1 redetermination and other eligibility costs to result in a \$16.8 million General Fund need, a \$32.2 million reduction to Federal Funds expenditure limitation, and two positions (1.26 FTE). This cost estimate assumes the H.R. 1 six-month redetermination provisions will become effective at the end of the 1115 CE waiver (August 2027). If CMS disagrees with this interpretation, OHA may seek additional implementation costs in a subsequent rebalance report.

Emergency Medicaid FMAP

Effective October 1, 2026, the Federal Medical Assistance Percentage (FMAP) rate for emergency Medicaid will shift from the enhanced FMAP rate of 90 percent to Oregon's standard Title XIX FMAP rate, which is currently 57.75 percent. A reduction in FMAP rate of this magnitude will significantly increase the state's share of costs for emergency Medicaid services, especially for non-citizen populations who rely on this coverage for life-saving care; labor and delivery; and other emergency services.

OHA estimates the emergency Medicaid FMAP changes will result in a \$21.7 million General Fund need and a reduction in Federal Funds expenditure limitation of \$21.7 million.

Planned Parenthood

H.R. 1 prohibits the use of federal Medicaid funds for any entity meeting the definition of a "Prohibited Entity" for the period of one-year. In Oregon, Planned Parenthood of the Columbia Willamette (PPCW) and Planned Parenthood of Southwestern Oregon (PPSO) are subject to this provision. In November 2025, the Emergency Board allocated \$7.5 million to OHA to ensure uninterrupted access to essential preventive reproductive health services for OHP and Contraceptive Care members receiving care at these two entities.

OHA estimates the cost to maintain essential preventive reproductive health services for eligible members provided by these two entities for the remainder of the 2025-27 biennium will result in a \$8.9 million General Fund need.

Provider Tax Program

Beginning October 1, 2027, H.R. 1 requires states that expanded Medicaid and use provider assessments to meet state match requirements to gradually reduce their rates

by 0.5 percentage points annually until they reach a 3.5 percent cap—down from the current cap of 6.0 percent. This reduction in provider tax assessments will significantly impact Oregon’s long-term ability to generate revenue to support OHP.

To implement the provider tax assessment changes, OHA plans to hire one Operations & Policy Analyst (OPA) 4, effective April 1, 2026, to lead implementation, coordinate with CMS, support policy development, and ensure compliance with federal requirements. Additionally, OHA intends to contract for project management services and anticipates an increase in Department of Justice legal fees for federal compliance review.

OHA estimates the total costs to implement the provider tax provisions, will result in a \$0.4 million General Fund need, an increase in Federal Funds expenditure limitation of \$0.4 million, and one permanent, full-time position (0.63 FTE).

Work Requirements

Effective January 1, 2027, H.R. 1 will require adults ages 19 to 64 (certain exemptions apply) in the Medicaid expansion group to complete at least 80 hours of work or community engagement (e.g., employment, job training, volunteering) in the month prior to applying for or renewing benefits – documentation must be submitted to maintain coverage. OHA estimates nearly 462,000 Oregonians will be impacted by this federal policy change.

To comply with the new provisions by the effective date, implementation efforts must begin immediately to avoid coverage disruptions. These efforts include planning, outreach, and system development evaluation. Significant IT changes to the ONE system and Medicaid Management Information System (MMIS) will be required to support verification, exemptions, and compliance tracking.

In partnership with ODHS, OHA established a phase-in approach to implement the new provisions within the federally required timeframe.

Beginning January 1, 2026, OHA will need an Information Systems Specialist 8, a contracted project manager, actuarial and rate-setting support, and legal assistance from the Department of Justice.

Beginning April 1, 2026, OHA plans to hire a team of analysts to lead implementation efforts. This team will provide work requirements subject matter expertise; manage engagement and feedback; lead implementation, language access, financial policy, and data analytics; and support dashboard development and data monitoring. Additional support will include contracted analytics, communications staff, and direct costs such as translation, accessibility services, media campaigns, and technology enhancements to track, analyze, and respond to member and partner feedback.

Community engagement funding will provide person-centered engagement in over 60 languages in regions across the state, typically provided by community health workers, to support the increased demand for navigation, outreach, education, and application assistance, especially for underserved populations and those with barriers to care.

Starting July 1, 2026, OHA plans to hire six permanent Public Service Representative 3 positions to manage increased call volume and complex casework. Member notices will begin mailing at this time to comply with the 90-day notification requirements. CMS is expected to finalize rules in July 2026, with no extensions anticipated.

OHA estimates the implementation costs associated with the H.R. 1 work requirement provisions to result in a \$10.6 million General Fund need, an increase in Federal Funds expenditure limitation of \$5.7 million, and 13 positions (6.78 FTE) in the 2025-27 biennium. Additional implementation cost details are provided in the table below.

Oregon Health Authority HR 1 Work Requirement Implementation Costs

Description	General Fund	Other Funds	Federal Funds	Total Funds	Position	FTE
Operations & Policy Analyst 4	\$ 188,982	\$ -	\$ 174,441	\$ 363,423	2	1.26
Operations & Policy Analyst 3	\$ 374,645	\$ -	\$ 352,548	\$ 727,193	4	1.89
Public Service Representative 3	\$ 267,992	\$ -	\$ 247,378	\$ 515,370	6	3.00
Research Analyst 4	\$ 87,385	\$ -	\$ 87,385	\$ 174,770	1	0.63
Department of Justice - legal fees	\$ 58,160	\$ -	\$ 57,873	\$ 116,033	-	-
Data analytics and evaluation	\$ 182,000	\$ -	\$ 168,000	\$ 350,000	-	-
Project management	\$ 546,000	\$ -	\$ 546,000	\$ 1,092,000	-	-
Mailing notices	\$ 1,479,000	\$ -	\$ -	\$ 1,479,000	-	-
Rate/Actuarial cost	\$ 375,000	\$ -	\$ 375,000	\$ 750,000	-	-
ONE system change request	\$ 3,500,000	\$ -	\$ 31,500,000	\$ 35,000,000	-	-
MMIS system change request	\$ 62,500	\$ -	\$ 187,500	\$ 250,000	-	-
Community engagement	\$ 1,750,000	\$ -	\$ 1,750,000	\$ 3,500,000	-	-
Communications and partnerships	\$ 1,719,988	\$ -	\$ 1,719,988	\$ 3,439,976	-	-
Total 2025 -27 Implementation Costs	\$ 10,591,652	\$ -	\$ 37,166,113	\$ 47,757,765	13	6.78

Medicaid cost sharing

H.R. 1 mandates cost sharing for adults in the ACA expansion group with incomes at or above 100 percent of the federal poverty level beginning October 1, 2028 – exemptions exist for certain members and essential services. Similar to other implementation efforts, OHA partnered with ODHS to establish a phase-in approach to comply with the new requirements.

Beginning January 2, 2027, OHA plans to hire an OPA 4 and an Administrative Specialist 2. These positions will lead Medicaid policy development and support logistics, communications, and partner coordination across OHA and ODHS. Additionally, OHA anticipates costs associated with increased legal fees as well as actuarial and project management consulting through an outside vendor.

OHA plans to hire two limited duration Training & Development Specialist 2 positions, starting July 1, 2027, to support provider training, policy interpretation, rulemaking, and system updates to minimize member disruption.

OHA estimates the 2025-27 costs to implement the Medicaid cost sharing provisions will result in a \$0.2 million General Fund need, an increase in Federal Funds expenditure limitation of \$0.2 million, and two positions (0.50 FTE).

Other Medicaid Impacts

To comply with the H.R. 1 Medicaid provisions, the OHA budget request includes three OIS positions (2.25 FTE) to support the affiliated IT implementation components, and the applicable portion of increased State Assessments and Enterprise-wide Costs.

OHA Summary

The following table summarizes the OHA H.R. 1 budget request by agency division.

Oregon Health Authority HR 1 Request by Division

Division	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Central Services	\$ 2.5	\$ -	\$ 2.5	\$ 5.1	-	-
Statewide Assessments and Enterprise-wide Costs	\$ 0.8	\$ 0.1	\$ 0.6	\$ 1.5	-	-
Shared Services	\$ -	\$ 1.4	\$ -	\$ 1.4	5	3.75
Health Policy and Analytics	\$ 0.4	\$ -	\$ 0.3	\$ 0.7	2	1.26
Public Health	\$ 0.9	\$ -	\$ -	\$ 0.9	-	-
Medicaid	\$ 203.5	\$ (156.0)	\$ (198.3)	\$ (150.9)	16	7.91
Total	\$ 208.0	\$ (154.5)	\$ (194.8)	\$ (141.3)	23	12.92

All dollars are in millions; rounding may occur.

It is important to note that the OHA impacts of H.R. 1 continue to evolve as more information becomes available to inform the agency's implementation efforts. As a result, the estimates included in this budget request are based on assumptions that are subject to change as federal guidance is released. Additionally, this budget request does not capture the ongoing costs to administer the H.R. 1 provisions, nor does it incorporate the affiliated caseload impacts – those estimates continue to be refined which may result in a future rebalance request.

ODHS and OHA H.R. 1 implementation efforts should be monitored due to the ongoing refinement of cost estimates, limited availability of federal guidance, significant IT system modification needs, and the risk these efforts pose to the state's overall budget. For the larger position requests within ODHS, it is recommended that the Department provides a timeline and plan describing how an increased number of staff would be recruited, brought onboard, and trained in the 2025-27 biennium.



Oregon

Tina Kotek, Governor



December 12, 2025

The Honorable Senator Kate Lieber, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Joint Interim Committee on Ways and Means
900 Court St. NE, H-178
Salem, OR 97301

Re: Joint ODHA|OHA request for investment in response to federal House Resolution 1

Dear Co-Chairpersons:

Nature of the request

The Oregon Department of Human Services (ODHS) and Oregon Health Authority (OHA) jointly request an investment of \$339.2 million General Fund and approval of \$144.0 million in Other Funds limitation decrease and \$163.8 million in Federal Funds limitation decrease for the 2025-27 biennium, along with 475 new positions (339.26 FTE) to implement the requirements of House Resolution 1 (HR1), the federal budget reconciliation act signed into law on July 4, 2025. This request includes both administrative and programmatic fiscal impacts of HR1 for the 2025-27 biennium. It does not include the \$7.5 million allocated to OHA by the Emergency Board for a portion of the impact of the exclusion of Planned Parenthood from Medicaid participation.

Background

HR1 dramatically reduces federal spending on both the Supplemental Nutrition Assistance Program (SNAP) and Medicaid and introduces major shifts in policy and operations for both programs, imposing stricter program eligibility requirements and shifting more of the costs of running these programs to states. These changes will introduce significant new administrative and workforce burdens as states must implement more complex eligibility rules, verify people's eligibility more frequently, and engage in more intensive outreach and case management to minimize loss of benefits. HR1 also necessitates substantial information technology (IT) updates as the state's ONE eligibility system and corresponding information systems must be reprogrammed to

accommodate new eligibility restrictions, shortened eligibility periods, and other changes.

The request outlined below is limited to current biennium costs and reflects our best understanding of immediate needs for 2025–27. Given the rapidly changing landscape following HR1 and other federal actions, it is difficult at this stage to reliably predict policy impacts, financial risks, and cost drivers for 2027–29 and beyond. The agencies will continue to track federal developments closely and provide the Legislature with transparent, timely updates as the picture becomes clearer.

Agency Action

To meet federal deadlines and minimize harm to Oregonians, OHA and ODHS have established a coordinated HR1 implementation strategy that:

- Prioritizes continued access to essential food and medical benefits;
- Ensures compliance with federal requirements in the most simplified way possible; and
- Manages costs responsibly, including by leveraging technology to improve accuracy while reducing burdens on our clients and staff.

The agencies' early planning work has helped clarify the magnitude of operational changes required and the corresponding need for targeted state investment.

HR1's major impacts on Oregon's SNAP and Medicaid programs include:

1. Increased administrative cost share and financial risk

SNAP administrative cost-share increase

The law permanently raises the state share of SNAP administrative costs from 50% to 75% beginning October 2026. SNAP administrative funding is used for:

- Paying eligibility and other ODHS staff who support SNAP processing, administration and outreach.
- Technology including eligibility systems, EBT systems and servers.
- Printing costs.
- Fraud prevention and program integrity activities within ODHS|OHA Shared Services, the Department of Justice, and other agencies.
- Items through cost allocation including local office buildings, Department of Administrative Services (DAS) services, training, and others.

The unprecedented SNAP administrative funding reduction means the current level of legislatively authorized funding to serve existing SNAP clients is insufficient, and without additional investment for 2026, Oregon may be forced to initiate program reductions which would slow SNAP processing times, increase the risk of federal timeliness penalties, and significantly impact Oregonians' abilities to put food on their tables.

SNAP benefit cost-sharing tied to payment error rate

While SNAP benefits have historically been entirely federally funded, HR1 establishes a new framework in which states must pay a share of the benefits if their SNAP payment error rate (PER) exceeds 6%. A state's PER measures how accurately it administers SNAP benefits and is driven primarily by client reporting errors—for example, delayed reporting of changes in earned income or mistakes in calculating unearned income. These inaccuracies are a predictable outcome of complex and confusing federal rules, not indications of fraud or intentional misuse. An error means a household either received more benefits than they should have (overpayment) or less than they should have (underpayment). For Oregon, whose PER was 14.06% for federal fiscal year (FFY) 2024, the new cost-sharing framework creates a cost liability of up to \$250 million in benefits in FFY 2028. The state must take immediate actions to reduce its PER and keep it under 6% to prevent this liability. As described in the attached addendum, ODHS has designed a comprehensive and data-informed plan to reduce Oregon's PER and the associated financial risk, but the agency's ability to implement the plan will depend on system and technology investments requested herein. These investments are needed now—particularly before Oregon's SNAP administrative cost share increases to 75% in October 2026—to implement actions to reduce Oregon's risk of paying substantial new costs in later years.

Medicaid financing changes

Beginning October 1, 2027, HR1 requires states that expanded Medicaid and use provider assessments to gradually reduce their rates by 0.5 percentage points annually until they reach a 3.5% cap—down from the current 6%. The law also imposes new limits on state directed payments (SDPs), freezing them at current levels initially and then capping them at 100% of the Average Cost of Medicare. These changes will significantly impact Oregon's long-term ability to generate revenue for the Oregon Health Plan (OHP).

2. Large-scale updates to the ONE eligibility system and corresponding IT systems to accommodate:

- An expanded population that must meet Able-Bodied Adults Without Dependents (ABAWD) work rules in order to continue receiving SNAP. This necessitates the review of an estimated 310,000 Oregonians' cases to ensure they are meeting federal work rules or qualify for an exemption.
- Narrowed SNAP and Medicaid eligibility for many lawfully present non-citizens.
- New Medicaid work and community engagement requirements which do not seamlessly align with SNAP ABAWD work rules.
- More frequent and complex Medicaid eligibility redeterminations for more than half a million Oregonians.
- Changes to retroactive eligibility and new death-record verification standards.

3. Workforce and training needs

Oregon's eligibility workforce already manages some of the highest caseloads in its history, serving more than 1.4 million Oregonians. Currently, staff are carrying a caseload of nearly 840 cases per funded worker. Additionally, Oregon has added multiple programs over the last several years—from Healthier Oregon and the Basic Health Program to Summer EBT and 1115 waiver changes—that have added to the amount and complexity of information a worker needs to be able to understand. HR1 adds substantial year-over-year work for caseworkers—more verifications, more complex cases, more frequent renewals, and intensive new tracking and documentation for SNAP and Medicaid work requirements. Additional eligibility staff, lead workers, quality-assurance capacity, policy analysts, project management support, and training resources will be essential to:

- Ensure federal compliance, thus potentially reducing penalties,
- Maintain quality customer service,
- Appropriately support customers navigating more complex rules, and
- Implement a comprehensive initiative to reduce the state's SNAP payment error rate and avoid significant benefit cost share.

4. EBT card security

Oregon continues to see significant increases in EBT benefit theft¹ and in response has launched the EBT Modernization Project, working with partners to transition to EBT cards embedded with chips to enhance security. ODHS has directed expert teams to shift from their regular work to focus on theft mitigation strategies, but this is a short-term solution and requires more dedicated personnel to maintain the momentum. HR1 adds a new layer of urgency to this work by increasing the required state-funded match for SNAP administration in federal fiscal year 2027. ODHS recommends pursuing the needed security improvements before this administrative match increase goes into effect.

Detailed descriptions of ODHS' and OHA's specific funding needs—including staffing, IT investments, operational supports, and implementation timelines—are provided in the addenda.

To support transparency and informed decision-making, the following tables summarize the estimated costs and programmatic impacts of H.R. 1 implementation across key workstreams. These figures reflect the coordinated efforts of OHA and ODHS to prioritize critical 2025-27 biennium investments, align with federal mandates, and steward limited resources responsibly in a challenging fiscal environment.

Table 1. 2025-27 HR1 Implementation Costs by Workstream (in millions)

Workstream (Provisions)	General Fund	Other Funds	Federal Funds	Total Funds	Pos.	FTE
Medicaid Registry (71104)	\$0.16	-	\$1.43	\$1.59	-	-
ODHS	\$0.16	-	\$1.43	\$1.59	-	-
Eligibility Changes Total (44110, 71107, 71109, 71112)	\$59.90	\$0.18	(\$73.59)	(\$13.51)	4	2.02
OHA	\$59.66	\$0.01	(\$75.06)	(\$15.39)	2	1.26
ODHS	\$0.24	\$0.18	\$1.47	\$1.89	2	0.76
Medicaid Financing (71115, 71116)	\$106.28	(\$156.00)	(\$104.52)	(\$154.24)	1	0.63
OHA	\$106.28	(\$156.00)	(\$104.52)	(\$154.24)	1	0.63
Work Requirements (71119)	\$27.19	\$10.36	\$51.52	\$89.07	176	89.17
OHA	\$11.12	\$0.92	\$6.05	\$18.10	16	9.03
ODHS	\$16.07	\$9.44	\$45.47	\$70.98	160	80.14

¹ Since 2023, there have been 10,625 instances of confirmed theft totaling \$4,066,497 in a 36-month period.

Agency request

ODHS and OHA jointly request an investment of \$339.17 million General Fund and approval of \$144.03 million in Other Funds limitation decrease and \$163.81 million in Federal Funds limitation decrease for the 2025-27 biennium.

ODHS requests \$131.13 General Fund, \$10.46 Other Funds expenditure limitation increase, and \$31.04 Federal Funds expenditure limitation increase, and position authority for 452 positions (326.34 FTE) to implement HR1.

OHA requests \$208.04 General Fund, \$154.48 Other Funds expenditure limitation decrease, and \$194.84 Federal Funds expenditure limitation decrease, and position authority for 23 positions (12.92 FTE) for the implementation and programmatic fiscal impacts of HR1.

Legislation affected

Please see addenda.

For more information, please contact ODHS Chief Financial Officer Rob Kodiriy at Rob.Kodiriy@odhs.oregon.gov.

Sincerely,



Liesl Wendt, ODHS Director



Dr. Sejal Hathi, OHA Director

EC: Amanda Beitel, Legislative Fiscal Office
Gregory Jolivette, Legislative Fiscal Office
Matt Stayner, Legislative Fiscal Office
Kate Nass, Department of Administrative Services
Paul Johnson, Department of Administrative Services
Mike Streepey, Department of Administrative Services
Stacey Chase, Department of Administrative Services
Jason Trombley, Department of Administrative Services

Appendix A

Additional Oregon Health Authority Details

The purpose of this budget request is to support the Oregon Health Authority's (OHA) implementation of H.R. 1 – the One Big Beautiful Bill Act – during the 2025–27 biennium. This federal law introduces sweeping changes to Medicaid policy and administration, creating both significant disruption and an imperative to modernize and align Oregon's safety-net systems.

H.R. 1 dramatically increases the administrative burden required to operate the Medicaid program while simultaneously reducing federal financial support. It introduces complex new eligibility, reporting, and oversight requirements that will strain existing systems and staff capacity and make it more complicated for Oregon Health Plan (OHP) members to access and maintain coverage.

Compounding this challenge, many critical aspects of the law remain undefined. Key implementation details are still pending federal rulemaking and guidance from the Centers for Medicare & Medicaid Services (CMS), creating substantial uncertainty for the state.

OHA, in partnership with the Oregon Department of Human Services (ODHS), has established cross-agency workstreams to manage this complexity. Across every workstream and policy decision, we are balancing three imperatives:

1. Centering our members' coverage and care
2. Complying with federal requirements in the most simplified way possible
3. Managing costs responsibly

Our goal is to find the smartest, most sustainable intersection of these three priorities. This budget request reflects that balance.

Summary of 2025-27 Budget Impacts

The following tables summarize the estimated costs and programmatic impacts of H.R. 1 implementation across key workstreams. These figures reflect the coordinated efforts of OHA and ODHS to prioritize critical investments, align with

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federal mandates, and steward limited resources responsibly in a challenging fiscal environment.

2025-27 OHA H.R. 1 Medicaid Implementation Costs by Workstream
(in millions)

Workstream (Provisions)	General Fund	Other Funds	Federal Funds	Total Funds	Pos.	FTE
Eligibility Changes (44110, 71107, 71109, 71112)	\$7.45	\$0.01	\$5.60	\$13.06	2	1.26
Medicaid Financing (71115, 71116)	\$0.38	-	\$0.38	\$0.76	1	0.63
Work Requirements (71119)	\$11.12	\$0.92	\$6.05	\$18.10	16	9.03
Cost Sharing and Copayments (71120)	\$0.16	-	\$0.16	\$0.33	2	0.50
Medicaid Implementation Total	\$19.12	\$0.92	\$12.20	\$32.25	21	11.42

2025-27 OHA H.R. 1 Medicaid Programmatic Impacts (in millions)

Description (Provisions)	General Fund	Other Funds	Federal Funds	Total Funds
Immigrant Medicaid Eligibility (71109)	\$9.34	-	(\$37.79)	(\$28.45)
Reversing Planned Savings in POP #417: Healthier Oregon to Basic Health Program (44110)	\$42.86	-	(\$42.86)	-
Provider Assessment Changes (71115)	-	-	-	-
State Directed Payment Changes (OHSU IGT) (71116)	\$105.90	(\$156.00)	(\$104.90)	(\$155.00)
Healthier Oregon Program Emergency federal match rate from 90% to Title XIX (71110)	\$21.68	-	(\$21.68)	-
Planned Parenthood Medicaid Exclusion (71113)	\$8.90	-	-	\$8.90
Programmatic Total	\$188.69	(\$156.00)	(\$207.23)	(\$174.55)

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2025-27 OHA H.R. 1 Medicaid and SNAP Impacts (in millions)

Description	General Fund	Other Funds	Federal Funds	Total Funds	Pos.	FTE
Medicaid Implementation Costs	\$19.12	\$0.92	\$12.20	\$32.25	21	11.42
Medicaid Programmatic Impacts	\$188.69	(\$156.00)	(\$207.23)	(\$174.55)	-	-
SNAP Implementation Costs	\$0.23	\$0.59	\$0.19	\$1.02	2	1.50
HR1 Medicaid and SNAP Total	\$208.04	(\$154.48)	(\$194.84)	(\$141.28)	23	12.92

This request includes both administrative and programmatic fiscal impacts of H.R. 1 for the 2025-27 biennium, except impacts of more frequent redeterminations and work requirements on the Oregon Health Plan (OHP) caseload, as those changes were not known and therefore not included in the Fall 2025 Caseload Forecast. This request includes the caseload impact of changes to which immigrants are eligible to receive full Medicaid. This letter also does not include the \$7.5 million allocated to OHA by the Emergency Board for a portion of the impact of the exclusion of Planned Parenthood from Medicaid participation.

The following sections outline the specific policy changes required under H.R. 1, their anticipated impact on Oregon's Medicaid program, and the corresponding investments needed to ensure timely, equitable, and compliant implementation. Each area reflects a targeted response to federal mandates and is designed to protect coverage, minimize disruption, and uphold Oregon's commitment to health equity.

Redeterminations & Other Eligibility Changes (44110, 71107, 71109, 71112)

New federal rules will increase administrative burden and reduce coverage for certain populations, requiring early investment in staffing and systems.

Total request: \$59.66 million General Fund and 2 positions

H.R. 1 introduces several significant changes to Medicaid eligibility policy that will directly impact federal financial support for the Oregon Health Plan (OHP) and Oregon's systems, staffing, and member communications. These changes include:

- Changes to which immigrants are eligible to receive full Medicaid, effective October 1, 2026. Affected individuals will likely transition to the Healthier Oregon program, resulting in increased costs to the state. The estimated impact is **\$9.34 million General Fund**.

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- Quarterly death verification requirements, home equity limits, and a reduction in retroactive coverage. Beginning January 1, 2027, retroactive coverage will be shortened from 3 to 1 month for the expansion population and 2 months for other Medicaid and CHIP populations. Minimal programmatic fiscal impact was identified for retroactive coverage changes.
- Six-month eligibility redeterminations for adults in the Medicaid expansion population, beginning in 2027 (delayed from January 1 due to Oregon's 1115 waiver). Oregon must reverify eligibility for adults in the Medicaid expansion population every six months—up from the current two-year cycle. This change is expected to affect approximately 580,000 Oregonians and will require significant administrative and technological preparation. The next caseload forecast will include this change.

In addition, H.R. 1 **prevents OHA from realizing \$42.86 million in General Fund savings** in Policy Option Package #417. New requirements limit federal Medicaid funding to only U.S. citizens, nationals, lawful permanent residents, those granted the status of Cuban and Haitian entrants, and individuals under Compacts of Free Association. As a result, OHA cannot move forward with the planned transition of qualifying Healthier Oregon members to the federally funded Basic Health Program.

To meet these H.R. 1 requirements, OHA will need to begin implementation activities well in advance and requests **\$7.45 million General Fund and two positions** to support this workstream in the 2025-27 biennium. Starting January 1, 2026, the agency will require policy and legal consulting, project management support, and updates to the ONE eligibility system. Beginning April 1, 2026, two permanent Operations and Policy Analyst 3 (OPA3) positions will be needed to lead the analysis, implementation, and ongoing management of the six-month redetermination provision. These analysts will coordinate policy development across agencies, evaluate federal regulations, track project deliverables, and support public engagement and legislative analysis.

Additional operational needs include member notice mailings beginning July 1, 2026, and the onboarding of a call center vendor by October 1, 2026, to manage increased member inquiries and support. These investments are essential to

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ensure a smooth transition, maintain coverage for eligible individuals, and uphold Oregon's commitment to equitable access to care.

Work Requirements (7119)

Oregon must implement complex new work and community engagement requirements for up to 462,000 adults, necessitating major IT upgrades, staffing, and community outreach to prevent coverage loss.

Total request: \$11.12 million General Fund and 16 positions

Beginning January 1, 2027, H.R. 1 will require adults ages 19 to 64 in the Medicaid expansion group to complete at least 80 hours of work or community engagement—such as employment, job training, or volunteering—in the month prior to application or renewal, with documentation required to maintain coverage. This policy could affect up to 462,000 Oregonians.

Exemptions include American Indian/Alaska Native individuals eligible for IHS, pregnant or postpartum individuals, caregivers of young children or people with disabilities, veterans with full disability status, medically frail individuals, those recently incarcerated, participants in substance use treatment, former foster youth, and individuals already meeting TANF or SNAP work requirements.

Although the policy takes effect in 2027, planning, staffing, and system development must begin this biennium to meet federal deadlines and avoid coverage disruptions. Significant IT changes to the ONE eligibility system and MMIS will be required to support verification, exemptions, and compliance tracking. OHA requests **\$11.12 million General Fund and 16 positions** to support this workstream in the 2025-27 biennium.

Beginning January 1, 2026, OHA and ODHS will require an Information Systems Specialist 8, a contracted project manager, actuarial and rate-setting support, and legal assistance from the Department of Justice. Beginning April 1, 2026, OHA proposes a team of analysts to lead implementation. This includes a limited duration Operations & Policy Analyst 4 (OPA4) to serve as a Work Requirements Subject Matter Expert, a permanent OPA4 to manage engagement and feedback, and several OPA3s to lead implementation, language access, financial policy, and data analytics. A Research Analyst 4 will support dashboard development and data monitoring.

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Additional support will include contracted analytics, communications staff, and direct costs such as translation, accessibility services, media campaigns, and technology enhancements to track, analyze and respond to member and partner feedback. Community engagement funding will support an established network of community partners to understand and meet the new Medicaid requirements. The funding will support the increased demand for navigation, outreach, education, and application assistance—especially for underserved populations and those with barriers to care. Drawing on lessons learned during the public health emergency, community-based organizations are uniquely positioned to build trust and provide culturally and linguistically appropriate support. Community engagement grant funding will support person-centered engagement in over sixty languages in regions across the state, typically provided by community health workers. Community partners will support members to navigate and overcome barriers to complete applications and understand new requirements to maintain eligibility, as well as overcome challenges related to accessing care.

Starting July 1, 2026, six permanent Public Service Representative 3 positions will manage increased call volume and complex casework. Member notices will begin mailing at this time. System updates must begin by September 1, 2026, to meet the December 31 federal deadline. CMS is expected to finalize rules in July 2026, with no extensions anticipated. Outreach to members must begin at least 90 days before implementation, supported by new system features to automate verification and data sharing.

Citizen-Waived Medical Emergency FMAP Change (71110)

The federal match rate for Emergency Medicaid will drop significantly, increasing state costs for life-saving care for non-citizens, with no implementation funding requested this biennium.
Total request: \$21.68 million General Fund

Effective October 1, 2026, the federal match rate for Emergency Medicaid will shift from the enhanced 90% FMAP to Oregon's standard Title XIX FMAP (currently 57.75%). This change will significantly increase the state's share of costs for Emergency Medicaid services, particularly for non-citizen populations who rely on this coverage for life-saving care, labor and delivery, and other emergency services. As a result, OHA has a **General Fund need of \$21.68 million** in the Healthier Oregon program. No implementation funding is requested.

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Medicaid Cost Sharing and Copayments (71120)

Mandatory cost sharing for certain Medicaid members will require early planning, policy development, and provider training to ensure compliance and minimize disruption.

Total request: \$0.16 million General Fund and 2 positions

Beginning October 1, 2028, H.R. 1 mandates cost sharing for adults in the ACA expansion group with incomes at or above 100% of the federal poverty level (FPL), with exemptions for American Indian/Alaska Native members and essential services such as primary care, prenatal/pediatric care, emergency services, and behavioral health.

To prepare, OHA will begin implementation in January 2027 and requests **\$0.16 million General Fund and two positions** for this workstream. This includes establishing a permanent Operations & Policy Analyst 4 to lead Medicaid policy development and coordination across OHA and ODHS. A permanent Administrative Specialist 2 will support logistics, communications, and partner coordination.

Starting July 1, 2027, two limited duration Training & Development Specialist 2 positions will support provider training, policy interpretation, rulemaking, and system updates to ensure a smooth rollout and minimize member disruption.

Medicaid Financing (71115, 71116)

Federal changes will scale back Medicaid financing mechanisms, requiring Oregon to adapt its OHP financing model to preserve access and continuity of care.

Total request: \$106.28 million General Fund and 1 position

Beginning October 1, 2027, H.R. 1 requires states that expanded Medicaid and use provider assessments to gradually reduce their rates by 0.5 percentage points annually until they reach a 3.5% cap—down from the current 6%. While this change will significantly impact Oregon's long-term ability to generate revenue for OHP, there is no budget impact in the 2025–27 biennium.

H.R. 1 also imposes new limits on state directed payments (SDPs), capping them at 100% of the Average Cost of Medicare. Although Oregon may maintain its 2025 SDP totals temporarily, beginning January 1, 2028, those payments must be reduced by 10% annually until they meet the federal cap. These changes are projected to result in a **\$105.90 million General Fund need** to maintain current levels of provider support for OHP in the 2025–27 biennium.

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To manage these transitions, OHA requests **\$0.38 million General Fund and a permanent OPA 4 position** starting April 1, 2026, to lead implementation, coordinate with CMS, support policy development, and help Oregon adapt its payment strategies while remaining compliant with federal requirements.

Planned Parenthood Medicaid Exclusion (71113)

Federal restrictions on Medicaid payments to Planned Parenthood affiliates require state funding to maintain access to reproductive health services for OHP and CCare members.
Total request: \$8.90 million General Fund

Effective immediately upon enactment, H.R. 1 prohibits the use of federal Medicaid funds for any entity meeting the definition of a “Prohibited Entity” for the period of one-year. In Oregon, only Planned Parenthood of the Columbia Willamette (PPCW) and Planned Parenthood of Southwestern Oregon (PPSO) fall under this definition. In November 2025, the Emergency Board allocated \$7.50 million to ensure uninterrupted access to essential preventive reproductive health services for OHP and ContraceptiveCare (CCare) members receiving care at these affiliates through a Fee-For-Service carve-out and state-funded reimbursement. OHA requests an additional **\$8.90 million General Fund** in the 2025-27 biennium to address the remaining impact of the exclusion.

SNAP Shared Services (10102, 10103, 10104, 10105, 10108)

ODHS and OHA share several administrative and operational support services. Due to this collaboration, OHA’s budget request includes funding for positions that will be housed in ODHS to implement the SNAP-related provisions of H.R. 1, even though the position authority resides with ODHS. Additionally, OHA’s request includes funding and positions within the Office of Information Services (OIS)—a Shared Service whose budget resides in OHA—to support the necessary IT work for SNAP implementation.

H.R. 1 represents the most significant overhaul of Medicaid in over a decade, requiring Oregon to make urgent and strategic investments to protect coverage for more than 1.4 million residents. These federal mandates will require sweeping updates to the state’s technology systems, significant budget adjustments, and a substantial increase in administrative workload. Most importantly, they will bring real and immediate changes to people’s health care—especially for OHP members who will be forced to navigate new, complex eligibility rules.

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OHA recognizes the state's challenging fiscal environment and has crafted this request as a focused and impactful stewardship approach. By leveraging technology to automate processes wherever possible, OHA seeks to reduce workload for members and staff which minimizes position requests and prioritizes the most critical investments needed to meet federal requirements, protect coverage, and uphold Oregon's commitment to equity, access, and continuity of care.

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Appendix B

H.R. 1 Medicaid Implementation Timeline (Oregon)

2025–27 Planning & Early Implementation

January 1, 2026

- Begin policy and legal consulting, project management, and IT system updates for:
 - Six-month redeterminations
 - Work requirements
- Hire:
 - Information Systems Specialist 8
 - Contracted project manager
 - Actuarial and legal support

April 1, 2026

- Hire permanent and limited duration staff for:
 - Redeterminations (2 Operations & Policy Analyst 3s)
 - Work Requirements (OPA4 SME, OPA4 Engagement Lead, 4 OPA3s, Research Analyst 4)
 - Provider payment policy (OPA4)

July 1, 2026

- Begin member notice mailings for redeterminations and work requirements
- Hire 6 permanent Public Service Representative 3s for call center support

September 1, 2026

- Begin system updates to ONE and MMIS to meet federal work requirement deadlines

October 1, 2026

- Launch call center vendor support for redeterminations
- FMAP change takes effect for Emergency Medicaid (increased state cost burden)

2027–29 Implementation

January 1, 2027

- H.R. 1 work requirements take effect federally
- Begin implementation activities for Medicaid cost sharing and copayments

October 1, 2027

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- Oregon's six-month redetermination requirement takes effect (due to 1115 waiver)
- Provider assessment rate reductions begin (no budget impact this biennium)

January 1, 2028

- State Directed Payments begin 10% annual reduction toward Medicare cost cap

July 1, 2027

- Hire 2 limited duration Training & Development Specialist 2s for provider education on cost sharing

2028–29 Full Implementation Phase

October 1, 2028

- Medicaid cost sharing and copayment requirements go into effect

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Appendix C
Legal Citations for HR1 request

Division	Oregon Laws 2025/ Section/ Subsection	Fund	Amount
Central Services			
	ch 587 1(6)	General	2,529,750
	ch 587 5(6)	Federal	2,529,750
		TOTAL	5,059,500
SAEC			
	ch 587 1(7)	General	799,907
	ch 587 2(9)	Other	90,417
	ch 587 5(7)	Federal	602,563
		TOTAL	1,492,887
Shared Services			
	ch 587 2(10)	Other	1,428,616
		TOTAL	1,428,616
Health Policy Analytics			
	ch 587 1(3)	General	367,473
	ch 587 5(3)	Federal	339,205
Public Health			
	ch 587 1(4)	General	890,000
		TOTAL	890,000
Medicaid			
	ch 587 1(1)	General	203,454,478
	ch 587 2(1)	Other	(156,000,000)
	ch 587 5(1)	Federal	(198,311,756)
		TOTAL	(150,857,278)

Addendum

House Resolution 1: ODHS Impacts

HR1 substantially reduces funding for the Supplemental Nutrition Assistance Program (SNAP) and Medicaid while introducing sweeping policy, operational and fiscal changes to both programs, which serve more than 1.4 million people in Oregon. This addendum summarizes HR1 mitigation actions already taken by Oregon Department of Human Services (ODHS) and describes the major areas—program administration, systems and technology, and workforce—where investment is needed to maintain federal compliance, avoid costly penalties, and preserve Oregonians' access to SNAP and Medicaid to the greatest extent possible under the new federal law.

HR1 mitigation: Actions to date

ODHS has taken several steps to stabilize operations and reduce eligibility errors in anticipation of HR1's changes, including contracting with an external vendor to identify process improvements, updating staff training, and adjusting review cycles to strengthen accuracy.

ODHS has also developed a comprehensive plan to reduce its SNAP payment error rate and the associated risk of paying a share of SNAP benefits under HR1. In developing the plan, the agency:

- Analyzed its data to understand where and why errors occur,
- Consulted with states who have low error rates,
- Obtained expert consultation, and
- Held focus groups with eligibility staff.

Informed by these inputs, the resulting plan focuses on the operational basics—call center performance, management of teams, improving training for staff and communications to clients—as well as integration of artificial intelligence and other technology solutions to streamline and improve processes. As described below, targeted investments in quality control, staffing, and eligibility systems modernization will be necessary in order to carry out this body of work and prevent annual cost-sharing liabilities.

As a bolster to these investments, Oregon has the opportunity to **reinvest \$10.98 million of its SNAP error rate penalty**¹ back into the program as a one-time investment. The reinvestment will enable deployment of artificial intelligence tools to assist workers and consumers in accurate reporting and documentation related to income, household composition, deductions and expenses—all among the most common areas for error.

The scale of the federal mandates—combined with the internal work needed to reduce error rates—represents the largest operational lift the state has undertaken within a compressed timeline. To manage the extensive system and policy changes required, ODHS, the Oregon Health Authority (OHA) and the Department of Early Learning and Care (DELC) are relying on the existing ONE governance structure to coordinate decisions and prioritize work. Pandemic-era demands and expanded state programs have already pushed development needs far beyond that threshold, reaching record levels and outpacing available testing and staffing capacity. Due to HR1, projected demand for 2026 will be the highest to date. In response, the Joint Governance Board is reviewing all planned work for 2026 and will determine any necessary pauses or mitigation actions based on impacts to consumers, budgets, and mandates, providing direction to the Governor's Office as appropriate. Through the coordinated planning, the agencies have also identified areas where emergency procurement authorities may be required to secure vendors and meet federal timelines.

Administrative needs: SNAP

SNAP is the state's primary tool for fighting hunger. More than 750,000—or one in six—Oregonians count on SNAP to stay fed,² including more than 200,000 children and 130,000 adults ages 65 and up.³ When families have SNAP, babies get the nutrition their developing brains need, children arrive at school nourished and ready to learn, and adults of all ages avoid the health problems and higher health care costs that come with food insecurity. Alongside these benefits, SNAP strengthens states' economies: Every \$1 in SNAP benefits generates up to \$1.80 in

¹ In FFY 2024, 15 states were above the national average 10.93% SNAP error rate. Oregon was among these and received notice of penalty in June 2025. Oregon's Corrective Action Plan was accepted by our federal partners and is currently underway.

² ODHS caseload data: July 2025.

³ ODHS caseload data: March 2025.

local economic activity,⁴ quickly circulating federal dollars through local food businesses and helping to sustain rural grocery markets.

HR1 creates a larger SNAP administrative cost-share for Oregon and new financial risks tied to SNAP payment error rates; expands the population that must meet work requirements to continue receiving SNAP benefits; and adds a new layer of urgency to the state's existing need to modernize its electronic benefit transfer (EBT) system.

Increased state share of SNAP administrative costs

HR1 permanently increases the state share of SNAP administrative costs from 50% to 75% beginning October 2026. This will result in a substantial increase in state General Fund obligations to maintain essential SNAP operations including eligibility processing, call centers, outreach, employment and training services, and contracted vendor costs. At the same time, Oregon must increase staffing and modernize systems to keep up with HR1's new verification and documentation requirements, adding further administrative costs.

SNAP benefit cost-sharing tied to payment error rate

Historically, SNAP benefits have been fully funded by the federal government. H.R.1 establishes a new framework in which states must pay a share of SNAP benefits if their federal payment error rate (PER) exceeds 6%.⁵ To meet the requirement, the Congressional Budget Office has noted that states will either have to invest to maintain current benefits and eligibility, restrict benefits and eligibility to reduce program costs, or leave the SNAP program altogether.⁶ Oregon's PER—14.06% as of Federal Fiscal Year (FFY) 2024—has improved in recent years, but challenges remain due to caseload fluctuations, staffing levels, and the complexity of federal rules and Oregon's integrated eligibility system.

Expansion of the population subject to ABAWD work requirements

⁴ Food Research & Action Center (2025): [SNAP's Critical Role in Rural Communities—and the Consequences of Cuts](#).

⁵ The most recent SNAP QC data indicates that only eight states currently are at or below the 6% threshold.

⁶ Congressional Budget Office: [Estimated Effects of Public Law 119-21 on Participation and Benefits Under the Supplemental Nutrition Assistance Program](#), August 2025.

HR1 significantly expands the group of SNAP recipients who must meet or be exempted from Able-Bodied Adults Without Dependents (ABAWD) work rules in order to continue receiving SNAP.

- The rules now apply to adults ages 18 to 64 without children under age 14 in their household—a change from the previous age limit of 54 and child age limit of 18.
- Veterans, people previously in foster care and people experiencing homelessness are no longer exempt from the rules.
- In November 2025, HR1 ended state waivers that allowed individuals with ABAWD status who live in areas with limited job opportunities to receive SNAP benefits without meeting work requirements.⁷

Together, the ABAWD changes mean that the SNAP cases of an estimated 310,000 adults will need to be reviewed to ensure they are meeting federal work rules or qualify for an exemption, which will require expanded outreach, employment and training capacity, coordination of support with Workforce Oregon, and enhanced case management to minimize loss of benefits.

EBT card security

Modernizing Oregon’s electronic benefit transfer (EBT) system is of pressing importance for two reasons:

1. **EBT theft**—particularly card cloning, skimming, and electronic scams—has increased dramatically across the nation since 2021, resulting in the loss of essential benefits for people participating in the SNAP and Temporary Assistance for Needy Families (TANF) programs. The trend prompted Congress to pass the Consolidated Appropriations Act of 2023, which temporarily allowed states to use federal funds to replace limited amounts of stolen SNAP benefits until the provision expired on December 20, 2024. Oregon continues to see significant increases in EBT card theft⁸ and in response has launched the **EBT Modernization Project**, working with partners to transition to EBT cards embedded with chips to enhance security. ODHS has directed expert teams to shift from their regular work to

⁷ Oregon had been waiving work requirements in 30 of its 36 counties and on all Tribal lands since Jan. 1, 2025.

⁸ Since 2023, there have been 10,625 instances of confirmed theft totaling \$4,066,497 in a 36-month period.

focus on theft mitigation strategies, but this is a short-term solution and requires more dedicated personnel to maintain the momentum.

2. **HR1 further heightens the need for action** by increasing the required state-funded match for SNAP administration in federal fiscal year 2027. ODHS recommends pursuing the needed security improvements before this cost share increase goes into effect.

Administrative needs: Medicaid

Medicaid work/community engagement requirements

HR1 mandates that states condition Medicaid eligibility on an individuals' compliance with community engagement or work requirements. OHA will be required to implement this new 80-hours-per-month requirement for Medicaid enrolled adults ages 19 to 64. Oregon's medical model, which emphasizes health equity and flexible supports, will face significant disruption as the state must create new systems to track hours, verify exemptions, and process penalties. These changes will increase churn, disproportionately impacting rural residents, people with unstable employment, and individuals with behavioral health or housing challenges. To implement them, ODHS will need to develop new IT modules, increase staffing and expand outreach to individuals receiving medical benefits. OHA will develop policy, coordinate with coordinated care organizations (CCOs), the Nine Federally Recognized Tribes of Oregon, providers and community partners.

Increased redetermination frequency

Under H.R. 1, OHA must conduct more frequent redeterminations for certain Medicaid populations, including semiannual reviews. This requirement will intensify administrative workload and risk higher disenrollment due to rule complexity rather than loss of eligibility. Oregon's eligibility workforce will require sustained staffing increases and systems enhancements to maintain compliance and prevent avoidable coverage loss. For Oregon, this change will not be required until the end of 2027, meaning that system changes and staffing cost work will need to begin in the 25-27 biennium, but the majority of costs and staffing will happen in the 27-29 biennium.

System costs

Technology updates driven by HR1 policy changes to both SNAP and Medicaid represent a large body of work to be implemented in the next several years. The updates are essential to maintain federal compliance, reduce financial risk, and ensure Oregonians can continue accessing critical benefits.

The major areas of system investment include:

- **Enhancements to reduce SNAP payment errors**

Oregon has made progress in lowering its SNAP payment error rate, but sustained investments are necessary to continue improving accuracy and mitigate the risk of federal benefit cost-sharing. Required system updates include:

- Eligibility system modifications to better clarify requirements and reduce clients' unintentional reporting errors.
- Integration of artificial intelligence tools to improve call center efficiency and support clients in real time.
- Implementation of predictive analytics to identify and target high-risk cases before errors occur.

- **ONE system updates to accommodate SNAP and Medicaid policy changes**

HR1's substantial modifications to SNAP and Medicaid eligibility rules necessitate comprehensive updates to the ONE system. Key drivers of new system costs include:

- **Expanded population subject to Able-Bodied Adult Without Dependents (ABAWD) work requirements for SNAP**, requiring new logic to track exemptions, time limits, and compliance.
- **New limits on who can exclude energy assistance from their countable income**, necessitating changes to eligibility calculations, verification steps, and notice generation.
- **Narrowed eligibility for many lawfully present non-citizens across both SNAP and Medicaid**. Under HR1, eligibility for SNAP is narrowed so that only U.S. citizens, lawful permanent residents (LPRs) that have been present for five years or meet another exemption, Cuban and Haitian entrants, and Compact of Free Association (COFA) citizens can receive benefits; many other lawfully present non-citizens—including

refugees, asylees, and survivors of trafficking or domestic violence—are now excluded. For Medicaid, starting October 1, 2026, federal coverage is limited to similar immigration categories (LPRs, Cuban/Haitian entrants, COFA migrants, and lawfully residing children or pregnant individuals), while many other non-citizens who are lawfully present in the U.S. will lose eligibility. Implementing these changes requires comprehensive updates to application, verification, and renewal processes.

- **Medicaid work requirements for expansion-group adults**, which must be fully built into ONE by September 2026 to meet the federal implementation deadline of December 2026.
- **Changes to Medicaid retroactive eligibility**, requiring updates to system logic, verification pathways, and notices to comply with new federal limits.
- **Quarterly deceased-individual verification**, requiring new interfaces and data-matching functionality to check eligibility against the Social Security Administration’s Death Master File, supplementing Oregon’s existing monthly checks through vital records.

Workforce impacts

Implementing HR1 will substantially increase the complexity and volume of work required across Oregon’s integrated eligibility system. The Oregon Eligibility Partnership (OEP)—which processes applications, renewals, verifications, hearings, and audits for Medicaid, SNAP, TANF, Employment Related Day Care, Summer EBT, and domestic violence-related supports—already manages historically high caseloads totaling more than 1.5 million Oregonians. Yet OEP is currently funded at 50% of the staffing levels identified in its current workload model.

As described above, HR1 introduces expanded verification, documentation, and work-requirement standards for both SNAP and Medicaid. In addition to the thousands of staff hours needed annually to ensure work rules compliance and perform more frequent eligibility redeterminations, the federal changes intensify caseload complexity and heighten quality assurance demands in a context of increased state financial risk related to SNAP payment accuracy.

While ODHS continues to leverage technology wherever possible to accommodate federal mandates, additional staffing will be necessary alongside automation and other technological improvements in order to appropriately support customers,

ensure compliance, and improve accuracy. Under current staffing levels, workers are already forced to choose between timely processing and the detailed verifications required to avoid errors—driving payment-error rates upward and placing Oregon at significant financial and compliance risk. To meet federal standards and maintain service reliability for Oregonians, ODHS requires targeted investments in eligibility staff, lead workers, SNAP analysts, quality-assurance and compliance teams, and training capacity for staff and community partners. Expanding the number of lead workers, quality-assurance reviewers, and leadership supports will be key to ensuring frontline staff receive timely, expert guidance during eligibility decisions and improve the agency's ability to issue benefits both accurately and on time.

Table 1. ODHS 2025-27 Investments (\$ in millions)

	GF	OF	FF	TF	Pos	FTE
SNAP administration	114.67	0.84	(17.34)	98.17	290	245.44
Medicaid	16.46	9.62	48.38	74.46	162	80.90
Grand total	131.13	10.46	31.04	172.63	452	326.34

Table 2. ODHS 2025-27 SNAP Investments Detail (\$ in millions)

	GF	OF	FF	TF	Pos	FTE
SNAP admin match change (All ODHS)	54,356,118	-	(54,356,118)	-	-	-
Total SSP staffing	1,352,992	-	728,534	2,081,526	12	7.56
Total OEP staffing	31,639,567	-	22,945,671	54,585,238	256	224.50
Total ONE system	2,904,930	-	2,904,930	5,809,860	-	-

	GF	OF	FF	TF	Pos	FTE
EBT card security related costs	6,800,518	-	5,849,244	12,649,762	-	-
SNAP error rate reinvestments	10,983,432	-	-	10,983,432	-	-
Total overall printing/mailing/ phones/outreach	3,915,000	-	2,835,000	6,750,000	-	-
Total Central staffing	2,312,698	111,908	1,305,559	3,730,165	14	10.13
Total Shared/SAEC	403,803	730,428	449,307	1,583,538	8	3.25
Total SNAP	114,669,058	842,336	(17,337,873)	98,173,521	290	254.44

Table 3. ODHS 2025-27 Medicaid Investments Detail (\$ in millions)

	GF	OF	FF	TF	Pos	FTE
Total OEP staffing	8,225,880	-	5,956,672	14,182,552	142	68.76
Total ONE system	3,798,780	3,800,000	36,387,072	43,985,852	-	-
Total Overall printing/mailing/ phones/outreach	2,900,000	3,625,000	4,725,000	11,250,000	-	-
Total Central staffing	559,222	27,060	315,689	901,971	4	2.63
Total Shared/SAEC	974,274	2,163,744	998,204	4,136,222	16	9.51
Total Medicaid	16,458,156	9,615,804	48,382,637	74,456,597	162	80.90

Table 4. ODHS Statutory Authority request

Division	Oregon Laws 2025/ Section/ Subsection	Fund	Amount
Central Services	ch 549 1(1)	General	4,633,590
	ch 549 2(1)	Other	138,968
	ch 549 3(1)	Federal	(140,422)
		TOTAL	4,632,136
SAEC	ch 549 1(2)	General	10,707,792
	ch 549 2(2)	Other	65,151
	ch 549 2(2)	Federal	(7,882,204)
		TOTAL	2,890,739
Shared Services			
	ch 549 2(8)	Other	2,829,021
		TOTAL	2,829,021
SSP	ch 549 1(3)	General	11,050,937
	ch 549 3(3)	Federal	7,430,351
		TOTAL	18,481,288
APD			
	ch 549 1(6)	General	322,614
	ch 549 3(6)	Federal	(322,614)
		TOTAL	-
OEP			
	ch 549 1(8)	General	104,412,281
	ch 549 2(9)	Other	7,425,000
	ch 549 3(8)	Federal	31,959,653
		TOTAL	143,796,934