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2025–2027 Rebalance

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2025–2027 OHA Rebalance Update

	General Fund	Total Funds
Total Savings	(\$316.3)	(\$687.6)
Total Challenges	\$174.9	\$618.8
Management Actions	\$0.2	\$0.8
Limitation & Technical Adjustments	-	(\$504.1)
Fall 2025 Rebalance	(\$141.2)	(\$572.1)

Note: H.R 1 implementation impacts were requested separately and are not included in this rebalance update.

2025–2027 OHA Rebalance Update

	GF	TF
Savings		
Medicaid/CHIP Fall 2025 Caseload Forecast	(\$98.8)	(\$351.0)
Healthier Oregon Program Update	(\$94.9)	(\$126.5)
CCO Quality Incentive Program Changes	(\$63.1)	(\$210.2)
Medicaid Federal Match Update	(\$30.2)	-
Additional Insurers' Assessment Revenue	(\$24.0)	-
Tobacco Tax Forecast Update	(\$5.3)	-
Total Savings	(\$316.3)	(\$687.6)
Challenges		
CCO Rates Update	\$155.1	\$564.6
Benefits Update Project	\$10.3	\$34.1
Behavioral Rehabilitative Services Expansion	\$9.3	\$17.9
State Assessments and Enterprise-wide Costs	\$0.2	\$0.3
Cost-Neutral or Other/Federal Funded Positions	-	\$0.8
Total Challenges	\$174.9	\$618.8
Management Actions		
HB 2005 Implementation – Civil Commitment and Forensic Services Support	\$0.2	\$0.8
Technical and Limitation Adjustments		
Basic Health Plan Caseload Update	-	(\$391.1)
OHSU Intergovernmental Transfer (IGT) Adjustment	-	(\$173.0)
Other Adjustments	-	(\$60.2)
Total Technical and Limitation Adjustments	-	(\$504.1)
Fall 2025 Rebalance	(\$141.2)	(\$572.1)

Oregon Health Plan CCO rates: Cost Drivers and Mitigation

Cost Drivers

CCO rates for 2026 increased 10.6%, resulting in a **\$155.1 million General Fund need**.

- Cost growth is accelerating; particularly in behavioral health for 2024 and expanding to both behavioral and physical health in 2025.
- Due to 2025 financial pressures, CCOs are already reducing networks and adjusting reimbursement.

Mitigation

- OHA worked with CCOs to mitigate rate concerns by:
 - Refining Behavioral Health Directed Payments to emphasize team-based care.
 - Carving high-cost, low utilization drugs out of CCO rates
 - Lessening administrative burden by reducing CCO reporting requirements.
- To offset **\$63.1 million** of the remaining rates increase, OHA proposes reducing 2025 and 2026 quality incentive pool (QIP) payments.
 - 2025 QIP: Reduce from 3.48% to 3%, to recognize that providers already had agreements in place and minimize impact on providers and this is final payout in 2026
 - 2026 QIP: Proposal Reduce from 4.25% to 2% of CCO rates-there is time for final decision to late 2026

Oregon Health Plan: Caseload Changes



Caseloads declined slightly, **reducing General Fund need by \$170.5 million.**

- The 2025-27 biennial average OHP caseload is 1.41 million clients, which is 2.5% lower than the previous forecast. (This does not include impacts of H.R. 1.)
- Declines are largely due to resequenced redetermination dates and the end of the public health emergency unwinding:
 - Caseloads decreased in nearly all categories.
 - The Fall 2025 forecast incorporates data from the first months of redeterminations for clients who received the earliest two-year continuous eligibility.
- Healthier Oregon caseloads declined over 5%, resulting in a \$71.7 million General Fund savings.

2025–2027 OHA Non-State Employee Bargaining

OHA and the Oregon Dept. of Human Services (ODHS) are requesting funding to support recent agreements with care workers who are not state employees.

A \$75 million special purpose appropriation (SPA) was created during the 2025 legislative session to cover costs related to these agreements.

- **OHA requests \$289,000 General Fund and \$396,000 in Federal Funds limitation.**
- ODHS requests \$74.7 million General Fund and \$132.0 million in Federal Funds limitation.

Updates to wages and employment terms:

- Base wages for Home Care Workers, Personal Support Workers, and Personal Care Attendants will increase from \$20 to \$23 per hour by January 2027.
- Additional hourly contributions will be directed to a Trust that funds health insurance, paid time off, training, and other support services.
- The agreements also include changes to step increases, holiday pay, mileage reimbursement, parking allowances, professional development pay, and compensation for time reporting.

OHA Overall Budget Risks

- **Federal Medicaid Changes (H.R. 1)**

H.R. 1 significantly increases administrative requirements for Medicaid while reducing federal financial support. New eligibility, reporting, and oversight rules will strain existing systems and staff capacity. Many implementation details remain undefined, pending federal rulemaking and guidance from the Centers for Medicare & Medicaid Services (CMS), creating substantial uncertainty.

- **Uncertainty from Federal Policy Changes**

Ongoing federal actions, including H.R. 1 and the recent government shutdown, are expected to negatively affect cost allocations. The full impact is not yet known and will be shared as more information becomes available.

- **Administrative Budget Pressures**

Early projections indicate potential overruns in OHA's administrative budget. These are driven by agency-wide reductions in the 2025–27 Legislatively Adopted Budget and increased workload related to federal developments.

OHA Overall Budget Risks (cont'd)

- **Behavioral Health Cost Overruns**

Costs for Secure Residential Treatment Facilities (SRTF) are significantly higher than budgeted. While management actions have redirected savings to help offset these costs, a funding shortfall remains.

- **Oregon State Hospital Cost Overruns**

The psychiatric and medical acuity of patients is contributing to a high reliance on overtime and expensive traveling nurses, both of which are necessary to care for patients.

- **Rising Coordinated Care Organization (CCO) Rates**

A 10.6% increase in 2026 CCO capitation rates suggests higher costs may persist into 2027 rate development. Depending on cost-containment work, CY27 capitation rates may exceed current budget assumptions and may create General Fund pressure in the final six months of 2025-27.

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