

2025-27 Budget Review

Oregon Health Authority

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	3,229,382,026	5,631,218,070	8,098,770,085	6,225,920,768
Lottery Funds	18,685,848	29,624,256	42,528,319	42,788,778
Other Funds	10,001,913,037	10,355,539,826	8,988,052,916	11,631,812,721
Other Funds (NL)	25,661,390	40,000,000	40,000,000	40,000,000
Federal Funds	17,532,852,359	19,765,182,045	19,804,278,713	21,581,593,126
Federal Funds (NL)	75,407,236	102,729,051	118,138,409	118,138,409
Total Funds	30,883,901,896	35,924,293,248	37,091,768,442	39,640,253,802
Positions	5,331	5,750	5,689	6,020
FTE	5,090.86	5,604.33	5,671.54	5,982.23

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Oregon Health Authority (OHA) is the state's primary institution enabling the delivery of publicly funded physical and mental health care in Oregon. The agency manages the state's implementation of Medicaid and other state-sponsored health care coverage, coordinates and oversees federally-supported public health initiatives implemented through partnerships between the state and local public health authorities, partners with local mental health authorities and community-based organizations for the delivery of mental health and substance use disorder programs, provides administration for health benefit programs for public employees, operates the state institutions for mental health, oversees Oregon's health insurance marketplace, develops health care policy, and provides health care market oversight.

OHA's published mission is to ensure all people and communities can achieve optimum physical, mental, and social well-being through partnerships, prevention, and access to quality, affordable health care. The agency's strategy for reforming health care is framed around its goals of improving the lifelong health of Oregonians, increasing the quality and availability of health care, and lowering the cost of care.

The agency's budget is organized into the following seven program areas:

Health Systems Division - Supports the delivery of health care through the Medicaid and Behavioral Health programs. The Medicaid program contains the state's implementation of the federal Medicaid program: the Oregon Health Plan (OHP). OHP and state-sponsored programs that include the Healthier Oregon Program (HOP) and the Basic Health Plan, also known as OHP Bridge, enable physical, behavioral, and oral health care coverage for lower-income individuals. The Behavioral Health program

provides funding and policy support for Oregon's community behavioral health system. The Behavioral Health program includes the budgets for the Alcohol and Drug Policy Commission (ADPC), the Systems of Care Advisory Council (SOCAC), the Opioid Settlement Prevention, Treatment, and Recovery Board (OSPTR), the Measure 110 Oversight and Accountability Council (OAC), and the Behavioral Health Crisis System Advisory Committee. There are 687 positions (677.25 FTE) budgeted within the Medicaid and Behavioral Health programs at the current service level.

Health Policy and Analytics - Provides policy support, technical assistance, and access to health information statistics and tools to all organizations participating in Oregon's health system. Within this division, the agency budgets administrative support for the Public Employees' Benefit Board (PEBB), providing health insurance for state and university employees, and the Oregon Educators Benefit Board (OEBB), providing health insurance for K-12 school districts, education service districts, and community colleges. The benefit payment costs for PEBB and OEBB are budgeted within their own division. There are 283 positions (276.01 FTE) budgeted within the Health Policy and Analytics program at the current service level.

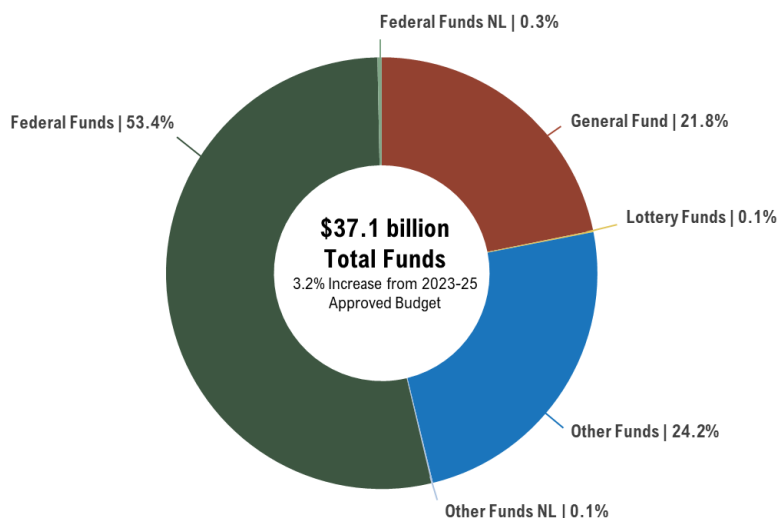
Public Health - Addresses the social and behavioral drivers of health through programs involving community health, environmental public health, family health, and disease prevention and epidemiology. The program manages the federal Women, Infant, and Children (WIC) supplemental nutrition program, and coordinates federal and state funding with local public health authorities. There are 997 positions (993.71 FTE) budgeted within the Public Health program at the current service level.

Oregon State Hospital - Provides psychiatric care, including secure residential care, for adults from across the state at campuses in Salem, Junction City, and Pendleton. There are 2,772 positions (2,772.00 FTE) budgeted within the Oregon State Hospital program at the current service level.

Central Services, Shared Services, and State Assessments and Enterprise-wide Costs - Supports the administrative functions of the agency. There are 950 positions (950.00 FTE) budgeted within these programs.

Funding supporting OHA programs

2025-27 Current Service Level Budget



General Fund - General Fund is used as state match for several Federal Funds supported programs, particularly the Oregon Health Plan (OHP). General Fund is also used to fund programs not eligible for Federal Funds match, such as the Healthier Oregon Program, and is the primary funding source for the Oregon State Hospital. The current service level budget includes \$63.1 million of General Fund revenues to support debt service payments.

Lottery Funds - Allocations of Lottery Funds are made from the Veterans’ Services Fund to support physical and behavioral health programs specifically for veteran beneficiaries, and from the Administrative Services Economic Development Fund to support gambling addiction prevention programs. The current service level budget includes \$16.5 million of Lottery Funds revenues to support debt service payments.

Federal Funds - In addition to Medicaid, Federal Funds revenue is received by the agency for the Community Mental Health Services (CMHS) block grant, Maternal and Child Health grant, and nutrition and health screening for the Women, Infants and Children (WIC) programs. The Public Health Division receives over 70 categorical federal grants targeting specific activities. Other large grants enhance substance abuse prevention programs and health reform and transformation activities. The Oregon State Hospital (OSH) receives Federal Funds through the Disproportionate Share Hospital entitlement, which grants Federal Funds to hospitals that serve a large percentage of patients that are unable to meet their expenses through any other source. OSH also receives Medicaid revenue for the 16-bed secure residential treatment facility in Pendleton, as it is not subject to the exclusion that limits revenue from Medicaid at the other OSH campuses. Federal Funds redirected from subsidies provided to offset the cost of health insurance premium costs for health insurance coverage purchased through the health insurance exchange, support Oregon’s Basic Health Plan (OHP Bridge) that provides Medicaid-like coverage for eligible individuals with household income between 138% and 200% of the federal poverty level.

Other Funds - The Oregon Health Authority receives revenues from a variety of taxes, fees, and other sources that support programs across the agency, including providing state match for the Oregon Health Plan.

There are two primary types of provider-based tax assessments that are used primarily in the OHA budget to provide state resources to match federal Medicaid funds: hospital provider taxes and insurance provider taxes.

Hospitals are assessed a tax of 6% on net patient revenues. The assessment applies to both the larger Diagnostic Related Group (DRG) hospitals and the smaller Type A and Type B rural hospitals. Assuming the renewal of these taxes that are currently set to expire at the end of September 2025, current service level revenues from the hospital provider tax are anticipated to be \$1.7 billion in the 2025-27 biennium. Of that total, \$1.1 billion is slated to support the Oregon Health Plan. Most of the remaining funding is matched with federal Medicaid funds that together are returned to hospitals in an amount that, in the aggregate, is equal to the amount of taxes paid.

The insurance provider tax is assessed on net premiums, or premium equivalents for both commercial health plans and publicly funded health plans including the Oregon Health Plan, Healthier Oregon Plan, the Basic Health Plan, and plans managed by the Oregon Employees and Public Employees Benefit Boards. Similar to the hospital assessment, the insurance assessment is set to expire at the end of calendar year 2026. Assuming the extension of the statutory sunset, insurance assessments are anticipated to produce \$638.5 million at the 2025-27 current service level. Tax revenues help fund a reinsurance program for eligible health benefit plans that is intended to keep rates for those plans 6% lower than would be realized without the program. Remaining estimated assessment revenues of \$530.9 million support the Oregon Health Plan.

The Oregon Health and Science University (OHSU) intergovernmental transfer (IGT) agreement was created as an alternative to the hospital assessment. The IGT agreement between the state and OHSU maximizes federal funding to support the Oregon Health Plan and other programs, while ensuring that OHSU receives net reimbursement from all sources of at least 87% for Medicaid-related services provided. The OHSU IGT is estimated to produce \$515.8 million to support the Oregon Health Plan in the 2023-25 biennium.

Taxes on tobacco products sold in Oregon support multiple programs across the agency. As of December 2024, forecasted tobacco tax revenues allocated to OHA programs total \$625.3 million in the 2023-25 biennium. \$50.5 million is budgeted in the Public Health Division for smoking deterrent and cessation programs, \$24.6 million supports behavioral health programs, and \$548.9 million is used in the Medicaid program to support the Oregon Health Plan.

Tobacco Master Settlement Agreement (TMSA) revenues are payments made to settling states in perpetuity beginning in 2000, and a portion of the settlement funds programs at OHA. Budgeted 2023-25 biennium expenditures are \$121.7 million for the Oregon Health Plan and \$14.2 million for Behavioral Health programs.

Ballot Measure 110 (modified by SB 755 (2021) and HB 4056 (2022)) redistributed a significant portion of marijuana tax revenue to fund Behavioral Health Resource Networks (BHRNs) and Access to Care grants through the Drug Treatment and Recovery Services Fund (DTRSF). Revenues for the DTRSF are estimated to be \$230.9 million in the 2023-25 biennium and \$200.7 million in the 2025-27 biennium. In

addition to revenues transferred to the DTRSF, retail recreational marijuana taxes fund community mental health and substance use disorder services, and early intervention and treatment services. Biennial funding for these programs is estimated to be \$25.5 million in 2023-25 and \$27.1 million in 2025-27.

Beer and wine taxes are collected by the Oregon Liquor and Cannabis Commission (OLCC) with a portion of the funding distributed to OHA. Fall 2024 estimates for the 2023-25 biennium indicate revenues of \$18.3 million for state and local government alcohol and drug programs. OHA retains 60% of this revenue with the remaining 40% transferred to counties.

The Public Employee's Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB) are budgeted entirely with Other Funds to support the cost of public employee health benefits, with revenue received from premium payments and cost-sharing from participating employers and covered employees. Combined current service level expenditures for PEBB and OEBB of \$4.9 billion represents 54.4% of total Other Funds expenditures for the agency.

Included in the overall Other Funds and Federal Funds amounts discussed above are certain expenditures designated as nonlimited, which can be increased administratively if the revenue is available. All nonlimited expenditures in OHA's budget support the Women, Infants and Children (WIC) program in the Public Health Division. For the 2023-25 biennium this includes \$40 million in Nonlimited Other Funds revenue from rebates from manufacturers of infant formula provided to WIC participants and \$102.7 million in Nonlimited Federal Funds from payments to support program services.

BUDGET ENVIRONMENT

OHA operates within a complex and dynamic budget environment. Caseload changes are expressed in the number of enrolled individuals in the various health plans administered by the agency, and the demand for publicly funded behavioral health and public health services are greatly impacted by demographics and economics. Health care cost inflation, utilization, state and federal policies, and stakeholder interests greatly influence this budget.

Oregon receives federal financial assistance for its implementation of Medicaid in the state. The Federal Medical Assistance Percentage (FMAP) that determines the amount of Federal Funds the state receives for most Medicaid caseloads is calculated using the relative strength of Oregon's economy to the rest of the country. When Oregon's per capita personal income increases relative to the national average, Oregon's FMAP decreases, meaning additional state funds are needed to support the same level of Medicaid services. Likewise, when Oregon's per capita personal income decreases relative to the national average, Oregon's FMAP increases and saves state dollars. The federal government calculates each state's FMAP by using income trends from the three most recent calendar years of available data, which is nearly three years removed from the effective date of a state's FMAP. For instance, the federal fiscal year 2024 FMAPs were calculated using calendar year 2019-2021 income data. Consequently, a state's FMAP could decrease when its economy and tax collections are declining. Because Oregon's per capita income has outpaced the national average for the past several years, the state's FMAP has mostly declined since 2017, which has significantly increased the share of General Fund and other state revenue needed to support Medicaid programs.

The federal revenue OHA receives is tied to a significant body of federal law and administrative rules. This is particularly true with Medicaid, which is governed by waivers of certain federal regulations that allow Oregon to tailor its Medicaid services to the unique needs of the state. Medicaid waivers and corresponding amendments must be approved by the federal Centers for Medicare and Medicaid Services (CMS). Most of OHA's General Fund budget is used to match federal revenue as part of these agreements. Consequently, General Fund reductions typically result in the loss of federal revenue and might not be possible to implement without reducing Medicaid eligibility and/or services.

In 2022, OHA received approval for a five-year Section 1115 Demonstration Waiver that included significant enhancements (Section 1115 refers to the authorizing section of the Social Security Act). The waiver established continuous eligibility for children under age six and increased the eligibility redetermination period for adults from annually to every two years, which reduces the number of OHP members who cycle in and out of eligibility due to income fluctuations. The waiver also includes authorization to apply FMAP to total costs of providing programs addressing social determinates of health (also called health-related social needs, or HRSN) as Medicaid benefits, including housing, food support, and items like air conditioners. HRSN benefits are mostly federally funded through 2027 but will then require a state match that could be considerable if the program continues beyond the waiver period.

The change in the federal administration following the 2024 elections may result in a shift of policy at the Centers for Medicare and Medicaid Services regarding the renewal of state waivers. Although the current 1115 waiver runs through the upcoming 2025-27 state fiscal biennium, the development of the next waiver period is anticipated to begin in fall 2025. Changes in federal legislation could also impact the funding and authorization for Medicaid programs, generally.

Health care inflation has typically outpaced general economic inflation, resulting in health care continuing to consume a larger share of the state's current service level budget. In 2012, the state began to cap Medicaid cost increases to contain spending and create more predictable budget environments. This approach led to a fixed Medicaid growth cap of 3.4% per member per year, which represented two percentage points below the national trend at the time. Although the national health care cost trend has fluctuated since then, the state has maintained the annual 3.4% cap and extended it to PEBB and OEBB.

The strengthening of the Oregon economy is often expressed in a tight labor market. OHA has experienced, and is likely to continue to experience, challenges in filling authorized positions with qualified candidates. This has been particularly problematic in public funded behavioral health programs including the Oregon State Hospital and Community Mental Health Programs (CMHPs).

CURRENT SERVICE LEVEL

OHA's current service level budget for the 2025-27 biennium is \$37.1 billion total funds and 5,689 positions (5,671.54 FTE), which represents a 3.2% increase from the 2023-25 legislatively approved budget. The most notable budgetary change from the 2023-25 biennium is the reduction of \$1.7 billion in Other Funds expenditures due to the statutory expiration of hospital and insurer provider taxes. These revenues leverage federal Medicaid dollars to support enhanced provider reimbursements and the Oregon Health Plan. This change shifts the portion of those revenues used to support the Oregon Health Plan, \$1.1 billion, to General Fund. After applying inflationary factors, adding roll-up costs of new

programs, and adjusting for caseload and revenue forecasts, the total change in General Fund is an increase of \$2.5 billion, or 43.8%, from the prior biennium.

Beginning with the legislatively approved budget (LAB) spending amounts authorized for the Oregon Health Authority following the end of the 2024 session, multiple adjustments are made to authorized expenditure levels to arrive at the upcoming biennium's current service level. These adjustments are categorized by the general function of each adjustment, including base budget adjustments, personal services adjustments not included in base budget adjustments, phase-ins, phase-outs, mandated and non-mandated caseload changes, fund shifts, and technical adjustments.

The LAB is adjusted for projected personal services growth and debt service payments to develop the base budget, and starting point for CSL development. Personal services cost changes, including adjusting for compensation plan changes, increasing permanent positions that were budgeted for a portion of the prior biennium to 24 months, and removing limited duration positions are the most significant base adjustment for OHA. Base budget adjustments for the 2025-27 biennium total \$121.3 million General Fund, \$212.3 million total funds, and eliminate 58 positions, but increase total FTE by 74.94.

Additional position-related adjustments are made to account for changes not captured in the position budgeting system. For OHA these include an increase of \$8 million General Fund, \$11.1 million total funds for changes to costs due to use of temporary employees, overtime pay, shift differential payments, and position-related equipment. Pension bond obligation adjustments reduce General Fund by \$1.4 million, \$2.3 million total funds. The application of standard vacancy savings factors to the adjusted personal services budget result in an increase of \$20.3 million General Fund, \$20.9 million total funds. Part of this increase is due to the elimination of non-standard vacancy savings that was applied in the 2023-25 biennium.

Budget Phase-Ins

Expenditure authority at the current service level is increased by \$43.2 million General Fund, \$1.6 billion total funds, to phase-in non-personal services program costs for authorized programs established in the prior biennium and continuing into the 2025-27 biennium. For those items in the following table that are denoted with an asterisk, the program has funding that is phased-out of the base budget in package 022 and the ongoing costs are expressed in this phase-in package. The single largest phase-in adjustment for General Fund is the addition of \$32 million to reverse one-time expenditure reductions that were taken in the 2023-25 biennium. Detailed review of individual phase-ins is included in the relevant program sections.

Package 021 - Phase-Ins	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
Reversal of One-time Reductions to 2023-25 budget	\$31,977,335	-	-	-	\$31,977,335
HB 4052 - Mobile Health Units*	\$1,935,809	-	-	\$310,691	\$2,246,500
HB 4129 - Agency with Choice	\$1,124,311	-	-	\$1,803,181	\$2,927,492
Mobile Crisis Response Rates	\$1,867,250	-	-	\$6,945,022	\$8,812,272
1115 Waiver Implementation	\$2,889,570	-	-	\$3,039,467	\$5,929,037
Position Related S&S Costs	\$1,010,302	-	\$289,892	\$538,203	\$1,838,397
PEBB/OEBB Increased Enrollment Medical Costs	-	-	\$118,930,045	-	\$118,930,045
Basic Health Plan - OHP Bridge	-	-	-	\$708,879,600	\$708,879,600
Basic Health Plan - OHP Bridge Medicaid	-	-	-	\$7,484,400	\$7,484,400
Behavioral Health Housing Incentive Funds Carry Forward*	-	-	\$19,218,109	-	\$19,218,109
Community Acute Psychiatric Facility Capacity Carry Forward*	-	-	\$25,000,000	-	\$25,000,000
DSHP - Health Related Social Needs	-	-	\$110,125,323	\$413,755,995	\$523,881,318
All Other Phase-Ins	\$2,393,141	\$1,501,074	\$96,589,104	\$32,665	\$100,515,984
Total	\$43,197,718	\$1,501,074	\$370,152,473	\$1,142,789,224	\$1,557,640,489

Budget Phase-Outs

Reductions of \$401.8 million General Fund, \$3.6 billion total funds, are included in the budget at the 2025-27 current service level to phase-out expenditures that were authorized in the 2023-25 biennium. These include the removal of one-time funded programs or program enhancements, General Fund monies used to capitalize statutory funds that will be expended as Other Funds in subsequent biennia, one-time capital expenditures, removal of excess expenditure authority for federal programs, changes to Other Funds revenue projections, and the removal of expenditure authority for personal services-related services and supplies expenditures for positions not continuing into the 2025-27 biennium. For those items in the following table that are denoted with an asterisk, the program has funding that is phased-out of the base budget in package 022 and the ongoing costs are expressed in the phase-in package 021. Detailed review of phase-outs is included in the relevant program sections.

Package 022 - Phase-Outs	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
Community Mental Health Deflection Programs	-\$9,800,000	-	-	-	-\$9,800,000
Adult Intensive Services & Diversion	-\$6,445,520	-	-\$21,333	-\$3,350,397	-\$9,817,250
Behavioral Health Investments from Prior Biennia	-\$51,188,348	-	-\$86,645,156	-	-\$137,833,504
HB 3396 - Clinical Education Grants and Professional Development Training Trust	-\$25,077,464	-	-	-\$7,232,117	-\$32,309,581
Healthy Homes Fund Capitalization	-\$15,250,000	-	-	-	-\$15,250,000
Long-Term Care Healthcare Employee Support	-\$20,000,000	-	-	-\$30,000,000	-\$50,000,000
Temporary Medicaid Expansion and Continuous Eligibility	-\$202,892,576	-	-\$118,754	-\$437,889,001	-\$640,900,331
HB 4035 (2021) BHP and Redeterminations	-\$27,423,798	-	-\$966,738	-	-\$28,390,536
SB 1530 Recovery Homes and Air Conditioners	-\$21,500,000	-	-	-	-\$21,500,000
REALD & SOGI One-Time Funds	-\$10,100,000	-	-\$883,750	-\$1,641,250	-\$12,625,000
Nurse Family Partnership Local Share	-\$3,155,147	-	-	-	-\$3,155,147
HB 4052 - Mobile Health Units*	-\$2,072,130	-	-	-	-\$2,072,130
Behavioral Health Housing Incentive Fund*	-	-	-\$20,000,000	-	-\$20,000,000
Community Acute Psychiatric Facility Capacity*	-	-	-\$50,000,000	-	-\$50,000,000
Provider Tax Expiration	-	-	-\$539,173,466	-\$1,375,647,458	-\$1,914,820,924
All Other Phase-Outs	-\$6,941,361	-	-\$157,913,957	-\$436,756,906	-\$601,612,224
Total	-\$401,846,344	-	-\$855,723,154	-\$2,292,517,129	-\$3,550,086,627

Inflation Adjustments

There are three essential budget packages that are used to adjust the budget at the current service level to account for assumed cost increases related to inflation in the 2025-27 biennium. These are: package 031 standard inflation, package 032 above standard inflation, and package 033 exceptional inflation.

A standard inflation factor of 4.2% is applied to base budget expenditures for most services and supplies, capital outlay, and certain special payment expenditure categories in package 031. This is in addition to changes to authorized expenditures for personal services costs that are adjusted in the base budget. Additionally, this package includes adjustments for published rental rates when state agencies occupy Department of Administrative Services (DAS) owned buildings, and adjustments for State Government Service Charges, including assessments and charges by DAS, the Secretary of State, Oregon Certification Office for Business Inclusion and Diversity, Public Records Advocate, and Government Ethics Commission, among others.

There are certain expenditure categories for which allowable inflation adjustments greater than the standard inflation factor of 4.2% are allowed. For medical cost increases, increased costs of non-state

employee personal services contracts, and certain usage-based goods and services where the allowable inflation factor is greater than 4.2%, the first 4.2% is recognized in the standard inflation package 031, with the remaining portion of the increase recognized in subsequent 030 series packages. For example, the medical inflation for Oregon Health Plan, Public Employees Benefit Board, and Oregon Educators Benefit Board are limited to 3.4% annually, or a compound biennial increase of 6.92%, of which up to 4.2% is in the standard inflation package, 1.4% is in the above standard inflation package, and the remaining 1.32% is in the exceptional inflation package.

For the Oregon Health Authority, the current service level budget includes the following adjustments for standard inflation, by program:

Package 031 -					
Standard Inflation	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
Central Services	\$1,821,224	\$10,078	\$77,038	\$887,289	\$2,795,629
Shared Services	-	-	\$2,321,588	-	\$2,321,588
SAEC	\$30,990,660	\$21,866	\$2,251,863	\$4,816,886	\$38,081,275
HSD	\$155,086,593	\$931,578	\$171,647,642	\$707,318,520	\$1,034,984,333
HP&A	\$2,129,046	\$1,137	\$4,182,969	\$1,748,652	\$8,061,804
Public Health	\$8,983,769	-	\$12,779,562	\$184,747	\$21,948,078
PEBB	-	-	\$103,680,830	-	\$103,680,830
OEBB	-	-	\$83,789,477	-	\$83,789,477
State Hospital	\$4,462,324	-	\$536,697	\$200,513	\$5,199,534
Total	\$203,473,616	\$964,659	\$381,267,666	\$715,156,607	\$1,300,862,548

As noted above, there are certain expenditure categories for which allowable inflation adjustments greater than the standard inflation factor of 4.2% is allowed. The 032 package includes adjustments for medical services inflation of 1.4% in addition to the standard inflation, for total of up to 5.6%. Special payment expenditures for non-state employee personal services inflation costs above the standard inflation rate to a maximum of 6.8% are also captured in the 032 package.

Package 032 - Above					
Standard Inflation	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
HSD	\$44,363,553	\$31,861	\$54,374,930	\$229,903,910	\$328,674,254
PEBB	-	-	\$34,432,915	-	\$34,432,915
OEBB	-	-	\$27,929,826	-	\$27,929,826
State Hospital	\$1,021,208	-	-	-	\$1,021,208
Total	\$45,384,761	\$31,861	\$116,737,671	\$229,903,910	\$392,058,203

Any remaining medical inflation costs that exceed the 5.6% accounted for in the 031 and 032 packages are budgeted in the exceptional inflation package 033. Also included in the exceptional inflation package are adjustments that fall outside of the standard inflationary factors when granted an exception by the

DAS Chief Financial Office. These exceptional inflationary adjustments are discussed in detail in the relevant program sections.

Pkg 033 - Exceptional Inflation	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
Central Services	\$2,108,285	-	-	\$586,862	\$2,695,147
SAEC	\$3,823,238	\$7,242	\$551,578	\$1,604,484	\$5,986,542
HSD	\$41,928,922	\$30,040	\$51,267,791	\$217,083,411	\$310,310,164
PEBB	-	-	\$32,465,319	-	\$32,465,319
OEBB	-	-	\$26,333,835	-	\$26,333,835
Total	\$47,860,445	\$37,282	\$110,618,523	\$219,274,757	\$377,791,007

Mandated Caseload Costs

Mandated caseloads costs are those costs associated with OHA's comprehensive medical assistance programs delivered in accordance with the state's Medicaid waiver under Title XIX of the Social Security Act, and the Children's Health Insurance Program (CHIP) under Title XXI of the Social Security Act. Caseload cost adjustments are calculated by Medicaid eligibility category as there are significant variations in per-member expenditures across categories.

The current service level includes an increase from the base budget of \$176.8 million General Fund, \$343.8 million total funds, for changes to mandated caseloads for Medicaid programs administered by OHA. These adjustments result in a mandated caseload budget of \$20.9 billion total funds at the current service level.

Statutory Caseload Costs

The Healthier Oregon Program (HOP) is an Oregon Health Plan (OHP), non-Medicaid program that covers members who meet eligibility requirements for OHP except for their citizenship status. Established in HB 3352 (2021), the Legislature initially appropriated \$100 million to provide coverage for the first year of HOP, effective July 1, 2022. The funds necessary to implement HOP pertained only to coverage for the adult HOP caseload because children were already covered as a part of the Cover All Kids program that became part of HOP. HB 3352 authorized OHA to limit HOP enrollment during its first year due to the \$100 million capped budget. During this implementation period, only those from age 19-25 and over 55 were enrolled in the program. Starting July 1, 2023, all age groups became eligible for enrollment. The 2023-25 budget for OHA included full implementation, at a cost of \$725.5 million General Fund and \$136 million Federal Funds, for a total funds budget of \$861.5 million as of spring 2024.

The current service level includes an increase from the base budget of \$486.7 million General Fund, \$518.7 million total funds, for changes to statutory caseloads for the Healthier Oregon program. These adjustments result in a program budget of \$1.1 billion General Fund, \$1.3 billion total funds, at CSL.

Funding Changes

The current service level budget for OHA shifts \$1.7 billion of budgeted expenditure to the General Fund from Other Funds and Federal Funds. The majority of this change is resultant from the sunset of hospital and provider taxes that support the Oregon Health Plan. The following table summarizes these funding changes:

Package 050 –

Fund Shifts	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
Provider Tax Sunset	\$1,129,276,292	-	-\$1,129,276,292	-	-
Marijuana Tax Forecast Changes	-\$1,769,394	-	\$1,769,394	-	-
Tobacco Tax Revenue Changes	\$64,432,138	-	-\$64,432,138	-	-
DSHP/HSRN Fund Shift	\$62,081,206	-	-\$62,081,206	-	-
Federal Medicaid Assistance Percentage (FMAP) Changes	\$219,439,630	-	\$13,672,914	-\$233,112,544	-
Inflation-related Unrealizable Revenue Adjustments	\$231,692,651	-	-\$227,519,580	-\$4,173,071	-
Oregon Psilocybin Services Budget Adjustment	-\$3,690,394	-	\$3,690,394	-	-
Tobacco Master Settlement Agreement Forecast Change	\$20,941,666	-	-\$20,941,666	-	-
Total	\$1,722,403,795	-	-\$1,485,118,180	-\$237,285,615	-

The \$62.1 million shift in funding for Designated State Health Programs that support the Section 1115 waiver expenditures for Health Related Social Needs (HSRN) is included to align total program expenditures with the federal agreement that calls for at least \$71 million of the total spending on HSRN services to come from state resources.

Changes to Federal Medical Assistance Percentage move a net of \$219.4 million in budgeted expenditures from Federal Funds to General Fund. \$67.8 million of this total is due to the reduction of enhanced FMAP that was provided due to the COVID-19 public health emergency.

Adjustments totaling \$231.7 million are included to move inflation-related costs for budgeted expenditures that would have otherwise been paid for using Other Funds or Federal Funds revenues, but are backfilled with General Fund due to limitations on the availability of revenues.

Technical Adjustments

A budget reorganization for OHA is effected through a series of technical adjustments. The 2023-25 biennium budget organized the Health Systems Division (HSD) into three primary components; Medicaid, Non-Medicaid, and HSD Administration. The budget structure for the 2025-27 biennium includes two major programs; Medicaid and Behavioral Health, with associated sub programs as follows:

Medicaid

- Medicaid Administration
- Medicaid Programs

Behavioral Health

- Behavioral Health Administration
- Behavioral Health Programs
- Behavioral Health – Systems of Care Advisory Council
- Behavioral Health – Alcohol and Drug Policy Council

The technical adjustments redistribute funding between the 2023-25 budget structure and the 2025-27 budget structure with a net-zero impact to the budget overall.

GOVERNOR’S BUDGET SUMMARY

The Governor’s budget assumes revenues of \$2.3 billion that require legislative action, including statutory changes, to realize. Of this revenue, \$1.5 billion would supplant General Fund expenditures. These revenues include:

- Renewal of the Hospital Provider Tax on both Diagnostic Related Group (DRG) hospitals and A&B type hospitals. This is assumed to produce an additional \$1.7 billion Other Funds revenue supplanting \$1.1 billion General Fund.
- Change in calculation of DRG Hospital Provider Tax to an effective 6% of net patient revenues that is inclusive of OHSU revenues. This change is assumed to produce an additional \$401 million Other Funds revenue supplanting \$281 million General Fund.
- Renewal of the Insurer Tax that is assumed to produce an additional \$170.2 million Other Funds revenue supplanting \$133.9 million General Fund.
- A new tax on synthetic tobacco products, which would require a change to statute. The Governor’s budget assumes total new tax revenues of \$9.3 million, including \$8.4 million in the Medicaid program that supplants General Fund, and \$900,000 in the Public Health Division to enhance tobacco retail sales enforcement activities, tobacco use prevention, and tobacco cessation programs. The introduced version of HB 2528 contains amendments to the current statutory definition of tobacco products to include these synthetic tobacco products.
- Increased Health Insurance Marketplace assessed per-member, per-month fees for insurance carriers to support transition from federally facilitated marketplace to a state-based Marketplace, which would generate \$25 million Other Funds.
- Increased hospital licensing fees totaling \$1.7 million Other Funds. As introduced, SB 842 would make a five-fold increase in hospital licensing fees.

Additional programmatic General Fund savings totaling \$700 million in the Governor’s budget include:

- Projected applicability of Federal Medical Assistance Percentage (FMAP) funding for Healthier Oregon emergent caseload costs is estimated to shift program costs by \$120.1 million from General Fund to Federal Funds (POP 095).

- Decreased expenditures of \$289 million General Fund, \$335.6 million total funds, in the Healthier Oregon Program (HOP) due to projected lower medical utilization rates (PKG 095).
- An increase of \$291 million in IGT payments from OHSU that is anticipated to supplant \$100.5 million General Fund supporting the Oregon Health Plan (PKG 095).
- An additional “placeholder” \$60 million General Fund reduction in HOP expenditures for anticipated 2024 risk corridor payments (PKG 090).
- A shift in planned expenditures for Health Related Social Needs that moves \$25.3 million General Fund, \$212.2 million total funds, from the 2025-27 biennium to the 2027-29 biennium (PKG 095).
- The reversal of inflation factors applied to expenditures for the Oregon Health Plan, Fee For Service (FFS) or “open card” program that reduces budgeted expenditures by \$16 million General Fund, \$41 million total funds (PKG 090).
- A negotiated reduction in Quality Incentive Pool funding for Oregon Health Plan Coordinated Care Organizations that assumes a \$44 million General Fund, \$148 million total funds, savings (PKG 090).
- An assumed shift of eligible caseload from the Healthier Oregon Program to the Basic Health Plan that moves \$42.8 million of General Fund expenditures to Federal Funds.

Carryforward Expenditure Authority

The Governor’s budget adds back \$25 million Other Funds expenditure limitation that was phased out at the current service level, reestablishing expenditure limitation in the Community Acute Psychiatric Facility Capacity Program for the entire \$50 million of net bond proceeds from 2023-25 biennium issuances.

Expenditure limitation for the remaining, unexpended balance of \$19.3 million from the original \$20 million in net bond proceeds deposited in the Behavioral Health Housing Incentive Fund (HB 2316, 2021) during the prior biennium is carried forward in the 2025-27 CSL. The Governor’s budget includes a \$2.9 million upward adjustment of this expenditure limitation to account for accrued interest earnings in the fund.

Increased expenditure limitation of \$32.8 million Other Funds is included in the Governor’s budget for expenditure of existing, allocated funding in the Opioid Settlement Prevention Treatment and Recovery (OSPTR) Fund and a portion of the anticipated new settlement revenue in the 2025-27 biennium under the Opioid Settlement agreement.

Significant Investments

In addition to policy packages that were brought forward by the agency and supported in the Governor’s budget, several directed investments, totaling \$160.7 million General Fund, \$436.3 million total funds, are included in the Governor’s budget.

- \$2.5 million General Fund is included for a grant to Seeding Justice, a 501(c)(3) nonprofit charitable organization that operates multiple social-change grant programs, including the Reproductive Health Equity Fund. An additional \$2.5 million General Fund is included for

reproductive health provider response to changes or reductions to federal reproductive health funding.

- A one-time General Fund investment of \$6 for school-based health centers to expand mental health services, SUD screenings, and prevention services, and an additional \$1 million to expand culturally responsive youth suicide prevention work.
- \$7 million General Fund for distribution to community mental health programs to expand the existing intensive in-home behavioral health services program for youth with substance use disorders and to recruit providers to work under the new model.
- \$35 million General Fund, \$125 million total funds, for enhanced reimbursement rates to support maternity services in hospitals.
- \$25 million General Fund to be used as state matching funds leveraging an additional \$27 million in Federal Funds for the Disproportionate Share Hospital (DSH) program.
- A one-time investment of \$4 million General Fund leveraging an additional \$5 million Federal Funds to support graduate medical education (GME) programs.
- A one-time General Fund investment of \$5 million that is anticipated to be matched with \$7.5 million federal Medicaid funds that OHA will use to make supplemental payments to long-term care employers participating in the Oregon Essential Workforce Health Care Program.
- \$10.4 million General Fund, \$20.3 million total funds, to support Behavioral Rehabilitation Services (BRS) for youth with severe behavioral challenges. These services have been primarily used in foster care settings by Oregon Department of Human Services (DHS) and the juvenile justice system by Oregon Youth Authority. BRS outside of these settings are limited. The funding includes support for the establishment of 10 positions (7.50 FTE).
- \$21.8 million General Fund to address identified operational deficiencies at the State Hospital that require corrective actions for the hospital remain in compliance with CMS requirements.
- \$11.7 million General Fund to support the addition of 136 mental health technician positions (136.00 FTE) at the Oregon State Hospital.
- \$5.8 million General Fund for enhanced contracted security services at both the Salem campus and the Junction City facilities.
- \$3 million General Fund for the purchase of technology hardware and software systems for patient vital signs monitoring at the Oregon State Hospital.
- \$2.9 million to help people on Aid and Assist orders at the Oregon State Hospital navigate their transition back to the community.

Significant policy packages

POP 406 Equity and Inclusion Office Expansion - \$1.9 million General Fund, \$2.4 million total funds, for the conversion of five unbudgeted positions (5.00 FTE) to budgeted positions and addition of enhanced funding in the Civil Rights, Learning, and Inclusion section of the Equity and Inclusion.

POP 407 Health Care Market Oversight - This package addresses a shortfall in fee revenues; amending the program's budget to add \$2.6 million General Fund, \$466,688 Other Funds, restoring the reduced position authority from package 070, and adding another two positions (2.00 FTE). The net result of both packages is an increase of \$2.6 million General Fund, a reduction of \$538,041 Other Funds, and an increase of two positions (2.00 FTE).

POP 408 Medicaid Benefits for Incarcerated Persons - \$14.3 million General Fund, \$49.7 million Federal Funds, and the authorization to establish seven new positions (5.75 FTE) to provide Medicaid coverage to incarcerated individuals up to 90 days prior to release.

POP 409 AVATAR Upgrade – An increased General Fund appropriation of \$3.1 million, and the addition of four limited duration positions (1.89 FTE), is included in the Governor’s budget for the upgrade of the Oregon State Hospital’s electronic health record (EHR) system.

POP 410 Public Health Modernization - Following on 2023-25 biennium increased funding of \$50 million General Fund to support public health modernization efforts as outlined in HB 3100 (2015), the package includes an additional \$2 million General Fund to implement key priorities identified by the Public Health Advisory Board to specifically address health inequities.

POP 411 Regional Health Equity Coalition Expansion - \$3.6 million General Fund, \$3.8 million total funds, and the addition of two positions (1.38 FTE) within the Equity and Inclusion program to expand the Regional Health Equity Coalition (RHEC) program.

POP 415 Domestic Well Safety - \$3.2 million General Fund and the addition of eight positions (8.00 FTE) for the Domestic Well Safety program.

POP 417 Healthy Oregon Program Enhancements - \$22.7 million General Fund to extend Health Related Social Needs (HRSN) and Youth with Special Health Care Needs (YSHCN) benefits to Healthier Oregon Program participants.

POP 556 Certified Community Behavioral Health Clinic Expansion - Increased General Fund of \$14.1 million and \$33.7 million Federal Funds is included for a statewide expansion of the Certified Community Behavioral Health Clinic system.

POP 551 Harm Reduction Clearinghouse - \$10.4 million General Fund to continue support for the harm reduction clearinghouse.

POP 552 Behavioral Health Residential Programs - \$100 million General Fund to expand behavioral health residential treatment and support services that is in addition to the \$50 million in bond proceeds for behavioral health housing carried forward from the prior biennium. The funding is intended to increase the capacity of residential programs by adding new psychiatric residential treatment facilities and substance use disorder (SUD) treatment beds.

POP 424 State-Based Marketplace - Increased Other Funds expenditure limitation of \$23.6 million and the addition of nine positions (6.75 FTE) is requested to continue the development of a state-based eligibility and enrollment platform and call center for Oregon’s health insurance exchange.

Information Technology Projects

Two policy packages were included in the Governor’s budget dealing with ongoing or enhanced information technology projects. Revenue to support the work comes from indirect and direct charges to operating programs at both OHA and DHS.

POP 201 Mainframe Modernization - The Governor has recommended an increase of \$5.8 million Other Funds expenditure limitation to continue work that was begun in the 2023-25 biennium to migrate

certain benefit eligibility programs and provider payment processing from older mainframe computer systems to more modern platforms, including cloud-based platforms.

POP 202 IT Privacy and Security - Increased Other Funds expenditure limitation of \$3.8 million and authorization for the establishment of four new positions (2.00 FTE) within the Information Security and Privacy Office of the Office of Information Technology to provide enhanced cybersecurity threat identification and prevention, risk mitigation, and data security.

General Obligation Bond Requests

The Governor's budget includes requests for general obligation bond proceeds to support improvements to the air handler return equipment at the Oregon State Hospital Junction City campus and for the addition of a second floor within the Vocational Services area at the Oregon State Hospital Salem campus, creating 2,700 square feet of office space and approximately 32 additional work spaces.

OTHER SIGNIFICANT ISSUES

The primary budget bill for OHA in the 2023-25 biennium, SB 5525 (2023), included funding in two policy packages that also requested the agency to report on specific activities or outcomes related to the funding provided.

Behavioral Health Facility Investments - A budget note accompanying policy option package 801 requires OHA to submit a report on investments made to increase behavioral health facility capacity in Oregon during the 2021-23 and 2023-25 biennia. This report should include the number and types of beds provided or anticipated, how investments are balanced between supporting the new capacity on an on-going basis and building additional beds, and data demonstrating how the medical and mental health system outcomes are impacted by the investments. This report is to be presented no later than February 1, 2025, to the Human Services Subcommittee of the Joint Committee on Ways and Means.

Certified Community Behavioral Health Clinics - A budget note accompanying policy option package 803 requires OHA to continue to administer the certified community behavioral health clinic (CCBHC) demonstration program and submit a report to the Human Services Subcommittee of the Joint Committee on Ways and Means no later than February 1, 2025, that details specific investments and categorized spending in the 2021-23 biennium, the number of people served, barriers to having fully utilized available funds, specifics on health outcomes based on individual participant's results, reduced costs resulting from the program, recommendations on the whether to redirect funding from non-CCBHC programs to increase this program funding, and the impact of ending the pilot and discontinuing funding beyond the 2023-25 biennium. Although the text of the budget note requested specific investments and categorized spending in the 2021-23 biennium, it is anticipated that the agency will report on the program and these specified issues using the most up-to-date information available at the time of the report.

A statutorily required report to the Legislative Fiscal Office from the Public Health Division will also be submitted during the 2025 session:

Public Health Modernization Funding – As required by ORS 431.380(2), an update of the estimated costs to implement foundational capabilities and programs by local public health agencies is anticipated

to be finalized in January 2025. This report will be pivotal in assessing the use and effectiveness of current funding, including increased funding for public health modernization, and should provide a starting place for discussion of ongoing funding and fiscal policy for the division. The Public Health Advisory Board paused the use of previously adopted metrics and began the process of revising public health accountability metrics. Updated metrics were adopted in 2023 and the agency has indicated that the January 2025 report will include reporting on these metrics.

KEY PERFORMANCE MEASURES

A copy of the Oregon Health Authority Annual Performance Progress Report can be found on the LFO website: [KPM - View Report](#)

Health Systems Division

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	2,261,544,411	4,083,589,523	-	-
Lottery Funds	17,974,926	22,644,595	-	-
Other Funds	4,115,139,974	5,092,367,608	-	-
Federal Funds	16,940,392,743	18,785,526,464	-	-
Total Funds	23,335,052,054	27,984,128,190	-	-
Positions	560	707	-	-
FTE	494.46	656.83	-	-

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

Although technically still unified in the budget reporting structure for the Oregon Health Authority, the Health Systems Division (HSD) has been reorganized around its two major program budgets: Medicaid and Behavioral Health. The table above is included in this review to illustrate the historical budget information for HSD as a whole, but the following sections provide the budgetary detail at the budget at the current service level and beyond for the Medicaid and Behavioral Health programs as stand-alone budgets.

Medicaid

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	-	-	5,804,951,116	3,722,928,739
Lottery Funds	-	-	2,684,169	3,519,334
Other Funds	-	-	2,754,243,107	5,283,962,566
Federal Funds	-	-	18,836,769,035	20,618,566,327
Total Funds	-	-	27,398,647,427	29,628,976,966
Positions	-	-	462	488
FTE	-	-	455.46	475.46

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Medicaid program contains the state's implementation of the federal Medicaid program: the Oregon Health Plan (OHP). OHP and state-sponsored programs that include the Healthier Oregon Program (HOP) and the Basic Health Plan, also known as OHP Bridge, enable physical, behavioral, and oral health care coverage for lower-income individuals.

Funding Supporting Medicaid Programs

General Fund supports roughly 21.2% of total expenditures for the Medicaid program at the current service level.

Allocations of Lottery Funds are made from the Veterans' Services Fund to support physical and behavioral health programs specifically for veteran beneficiaries. The current service level Lottery Funds expenditures include \$2.7 million for veterans' dental services in the Medicaid program.

Federal Funds provide the primary financial support for the Medicaid system in Oregon; accounting for roughly 68.8% of total funding at the current service level. In addition to direct costs of Medicaid health services caseload, federal Medicaid funding supports program administration, policy development, and information technology needs, including data acquisition and reporting. Although the term Federal Medical Assistance Percentage (FMAP), or Medicaid funding, is used generically, there are discrete programs within this umbrella that are subject to their own specific eligibility criteria and funding mechanisms that often include tailored FMAP rates. The following budget environment section provides additional information on the calculation of the Federal Medical Assistance Percentage and its application, as well as the fiscal impacts of federal mandates.

Redirected Federal Funds that would have otherwise been used to subsidize the cost of health insurance premiums for health insurance coverage purchased through the health insurance exchange, support Oregon's Basic Health Plan (OHP Bridge) that provides Medicaid-like coverage for eligible individuals with household income between 138% and 200% of the federal poverty level. The current service level includes \$1.4 billion Federal Funds expenditure limitation for the program, but more current caseload forecasts estimate Federal Funds expenditure need of \$942.8 million, a reduction of \$475 million.

The Oregon Health Authority receives Other Funds revenues from a variety of taxes, fees, and other sources that support programs across the agency, including providing matching state funding for Federal Funds supporting the Oregon Health Plan.

There are two primary types of provider-based tax assessments that are used in the OHA budget to primarily provide state resources to match federal Medicaid funds. These are hospital provider taxes and insurance provider taxes.

Hospitals are assessed a tax of 6% on net patient revenues. The assessment applies to both the larger Diagnostic Related Group (DRG) hospitals and the smaller Type A and Type B rural hospitals. Assuming the renewal of these taxes that are set to expire at the end of September 2025, current service level revenues from the hospital provider tax are anticipated to be \$1.7 billion in the 2025-27 biennium. Of that total, \$1.1 billion is slated to support the Oregon Health Plan. The remaining funding is used to provide enhanced reimbursements to DRG hospitals and qualified directed payments to Type A and Type B rural hospitals to maintain quality and access.

The insurance provider tax is assessed on net premiums, or premium equivalent for both commercial health plans and publicly funded health plans including the Oregon Health Plan, Healthier Oregon Plan, the Basic Health Plan, and plans managed by the Oregon Employees and Public Employees Benefit Boards. Similar to the hospital assessment, the insurance assessment is set to expire at the end of calendar year 2026. Assuming the extension of the statutory sunset, insurance assessments are anticipated to produce \$638.5 million at the 2025-27 current service level. Tax revenues help fund a

reinsurance program for eligible health benefit plans that is intended to keep rates for those plans 6% lower than would be realized without the program. Remaining estimated assessment revenues of \$530.9 million support the Oregon Health Plan.

The Oregon Health and Science University (OHSU) intergovernmental transfer (IGT) agreement was created as an alternative to the hospital assessment. The IGT agreement between the state and OHSU maximizes federal funding supporting the Oregon Health Plan and other programs, while ensuring that OHSU receives net reimbursement from all sources of at least 87% for Medicaid-related services provided. The OHSU IGT is estimated to produce \$515.8 million to support the Oregon Health Plan in the 2023-25 biennium.

Taxes on tobacco products sold in Oregon support multiple programs across the agency. As of December 2024, forecasted tobacco tax revenues allocated to OHA programs total \$625.3 million in the 2023-25 biennium. \$548.9 million is used in the Medicaid program to support the Oregon Health Plan.

The Tobacco Master Settlement Agreement (TMSA) revenues are payments made to settling states in perpetuity beginning in 2000. Estimated TMSA revenues available in the 2025-27 biennium are \$102.9 million for the Oregon Health Plan.

BUDGET ENVIRONMENT

The federal revenue OHA receives is tied to a significant body of federal law and administrative rules. This is particularly true with Medicaid, which is governed by waivers of certain federal regulations that allow Oregon to tailor its Medicaid services to the unique needs of the state. Medicaid waivers and corresponding amendments must be approved by the federal Centers for Medicare and Medicaid Services (CMS). Most of OHA's General Fund budget is used to match federal revenue as part of these agreements. Consequently, General Fund reductions typically result in the loss of federal revenue and might not be possible to implement without reducing Medicaid eligibility and/or services.

Federal mandates also have a significant influence on the priorities and programs that are undertaken by the agency. Some of the top federal mandates identified by OHA that have a direct impact on Medicaid program budget requests and operations include: Medical Enterprise Service Modernization, Medicaid Enterprise Services Interoperability, and Race, Ethnicity, and Language, Disability (REALD) and Sexual Orientation, Gender Identity (SOGI) data practices.

Oregon receives federal financial assistance for its implementation of Medicaid in the state. The Federal Medical Assistance Percentage (FMAP) that determines the amount of Federal Funds the state receives for most Medicaid caseloads is calculated using the relative strength of Oregon's economy to the rest of the country. When Oregon's per capita personal income increases relative to the national average, Oregon's FMAP decreases, meaning additional state funds are needed to support the same level of Medicaid services. Likewise, when Oregon's per capita personal income decreases relative to the national average, Oregon's FMAP increases and saves state dollars. The federal government calculates each state's FMAP by using income trends from the three most recent calendar years of available data, which is nearly three years removed from the effective date of a state's FMAP. For instance, the federal fiscal year 2024 FMAPs were calculated using calendar year 2019-2021 income data. Consequently, a state's FMAP could decrease when its economy and tax collections are declining. Because Oregon's per capita income has outpaced the national average for the past several years, the state's FMAP has mostly

declined since 2017, which has significantly increased the share of General Fund and other state revenue needed to support Medicaid programs.

In 2022, OHA received approval for a five-year Section 1115 Demonstration Waiver that included significant enhancements (Section 1115 refers to the authorizing section of the Social Security Act). The waiver established continuous eligibility for children under age six and increased the eligibility redetermination period for adults from annually to every two years, which reduces the number of OHP members who cycle in and out of eligibility due to income fluctuations. The waiver also includes authorization to apply FMAP to total costs of providing programs addressing social determinates of health (also called health-related social needs, or HRSN) as Medicaid benefits, including housing, food support, and items like air conditioners. HRSN benefits are mostly federally funded through 2027 but will then require a state match that could be considerable if the program continues beyond the waiver period.

The change in the federal administration following the 2024 elections may result in a shift of policy at the Centers for Medicare and Medicaid Services regarding the renewal of state waivers. Although the current 1115 waiver runs through the upcoming 2025-27 state fiscal biennium, the development of the next waiver period is anticipated to begin in fall 2025. Changes in federal legislation could also impact the funding and authorization for Medicaid programs, generally.

CURRENT SERVICE LEVEL

Direct comparison of expenditures between the 2023-25 legislatively approved budget and the 2025-27 current service level budget are imprecise due to the structural changes in the budget. The budgetary adjustments to the base budget that ultimately result in the current service level for the Medicaid program that are described in this section are intended to illustrate that change as accurately as possible, but may contain non-substantive differences.

The current service level budget for the Medicaid program is \$5.8 billion General Fund, \$27.4 billion total funds, and includes 462 positions (455.46 FTE).

The current service level General Fund budget for the Medicaid program is significantly impacted by the sunset of both the Hospital and Insurer provider taxes that support the Oregon Health Plan and increases in forecasted caseloads for both Affordable Care Act (ACA) adult Medicaid expansion population and the Healthier Oregon program. At the current service level, the sunset of provider taxes requires increased General Fund support of \$1.1 billion to backfill lost revenue from these sources. Caseload adjustments alone account for an increase in General Fund expenditures of \$663.5 million. Some of these costs are moderated in the Governor's proposed budget as the agency has indicated potential reductions in caseload costs, particularly in the Healthier Oregon population due to pending changes to the FMAP and lower than anticipated medical services utilization. Although the phase out of provider tax revenues supporting the Oregon Health Plan is included in the current service level, the renewal of these taxes is assumed in the Governor's budget.

Program Phase-Ins

Basic Health Plan - Policy Option Package 202 that was adopted as part of the agency's 2023-25 budget included \$533.5 million Federal Funds limitation for expenditures in the HSD Medicaid program for the

Medicaid bridge basic health plan. An additional \$136.5 million Federal Funds expenditure limitation was added in SB 5701 (2024) as part of the agency's first budget rebalance. Package 021 phases-in another \$716.5 million Federal Funds expenditure limitation in two separate actions to bring the total Federal Funds expenditure limitation to \$1.4 billion, including inflation for the 2025-27 biennium at the current service level, for OHP Bridge health benefit coverage.

Designated State Health Program Funding for Health-Related Social Needs (1115 Waiver) - To support planned expenditures from available federal revenues for Health-Related Social Needs, expenditure limitation for both Federal Funds and Other Funds is increased from the base budget in multiple programs. In the Behavioral Health program, Federal Funds expenditure limitation of \$42.9 million is phased in to account for allowable FMAP. These claimed funds are then expended in the Medicaid program as Other Funds and matched again with FMAP. Therefore, additional expenditure limitation of \$110.5 million Other Funds and \$371.3 million Federal Funds is phased in to accommodate this spending in the HSD Medicaid Program. The difference between the expenditure limitation for claimed funding and spent funding is due to the application of inflationary factors applied in the 030 series packages and a fund-shift of \$62.1 million from Other Funds to General Fund in package 050.

In addition to these costs, the 2023-25 adopted budget included POP 201 that authorized the establishment of 29 positions of varying start dates throughout the biennium to support the 1115 waiver implantation in the Health Policy and Analytics program. The 2025-27 current service level includes an increase of \$2.9 million General Fund and \$3 million Federal Funds the full 24-month cost of the position-related services and supplies.

Agency with Choice (HB 4129) - The current service level budget phases in \$1.1 million General Fund and \$1.8 million Federal Funds to recognize the full biennial cost of non-personal services expenditures for the agency with choice (AWC) in-home services for individuals with behavioral health needs as required under HB 4129 (2024). Total program funding at CSL is estimated to be \$2.5 million General Fund and \$3.3 million Federal Funds.

Mobile Crisis Response Rates - The 2023-25 adopted budget for OHA included policy option package 404 that included increased mobile crisis reimbursement rates beginning in calendar year 2024. The current service level increases General Fund by \$1.9 million and Federal Funds expenditure limitation by \$7 million for the full 24-month cost of these increased rates.

Program Phase-Outs

Hospital Tax Sunset - Qualified Directed Payment Program for A&B Hospitals - Hospital provider tax on A&B hospitals statutorily expires on September 30, 2025, one quarter into the 2025-27 biennium. A portion of the revenue that would have been collected, but for the expiration of the tax, matched with federal Medicaid funds would have been used to fund qualified directed payments (QDP) to hospitals to support services provided to Medicaid patients in an amount equal to the aggregate hospital taxes collected. The remaining tax collected, after the portion used for QDP, would have been used to support the Oregon Health Plan. Package 022 phases out \$210.9 million Federal Funds and \$83.5 million Other Funds expenditure limitation for the qualified directed payments. These amounts are inclusive of inflation amounts that are in the 030 series packages. The portion of the tax that would have been used to fund the Oregon Health Plan, \$209.1 million Other Funds, is replaced by General Fund in the current service level in the 050 series packages.

Hospital Tax Sunset - Diagnostic Related Group Hospital Programs - Hospital provider tax on Diagnostic Related Group (DRG) hospitals statutorily expires on September 30, 2025, one quarter into the 2025-27 biennium. A portion of the revenue that would have been collected, but for the expiration of the tax, matched with federal Medicaid funds would have been used to fund programs that include:

- Qualified directed payments (QDP) to hospitals to support services provided to Medicaid patients in an amount equal to the aggregate hospital taxes collected.
- State share of the Disproportionate Share Hospital (DSH3) program.
- Enhanced hospital provider rate reimbursements.

The remaining tax collected, after the portion used for the programs above, would have been used to support the Oregon Health Plan. Package 022 phases out the expenditure limitation for the programs above; \$1.1 billion Federal Funds and \$433.2 million Other Funds. These amounts are inclusive of inflation amounts that are in the 030 series packages. The portion of the tax that would have been used to fund the Oregon Health Plan, \$737.7 million Other Funds, is replaced by General Fund at the current service level in the 050 series packages.

Insurer Tax Sunset - The tax assessed on the premiums of managed care organizations is set to statutorily expire on December 31, 2026, 18 months into the 2025-27 biennium. A portion of the revenue that would have been collected, but for the expiration of the tax, matched with federal Medicaid funds would have been returned to the managed care organizations to offset premium costs. The remaining tax collected, matched with federal Medicaid funds, would have been used to support the Oregon Health Plan. Package 022 phases out the expenditure limitation for the portion of the foregone tax revenue and federal matching funds used to offset premium costs; \$51.6 million Federal Funds and \$22.5 million Other Funds. The portion of the tax that would have been used to fund the Oregon Health Plan, \$186.5 million Other Funds, is replaced by General Fund at the current service level in the 050 series packages.

Continuous Eligibility Funding - As part of Oregon's section 1115 Medicaid Waiver, funding to support the implementation of two-year continuous eligibility was included in the budget for OHA separate from the standard caseload cost. For the 2025-27 biennium, these costs are included in the budget for Medicaid caseload cost estimates and the duplicative funding carried through to the base budget is removed. The current service level phases out \$66.8 million General Fund and \$241.2 million Federal Funds expenditure limitation for these costs.

Temporary Medicaid Expansion Funding - General Fund and Federal Funds expenditure limitation was provided in the 2023-25 biennium to allow for the temporary expansion of Oregon Health Plan coverage to adults with income between 138% and 200% of the federal poverty level. For the 2025-27 biennium, eligible caseloads are moved to the Basic Health Plan, with the exception of a small number of individuals that will continue on the Medicaid caseload due to continuous eligibility. \$125.7 million General Fund and \$186 million Federal Funds expenditure limitation is phased out of the budget in the Medicaid program at current service level.

Oregon Essential Worker Healthcare Trust - The Oregon Essential Workforce Health Care Program was established by SB 800 (2021) as a mechanism to leverage federal Medicaid assistance funding to support the Essential Worker Healthcare Trust in providing long-term care workers access to health insurance. The program received a \$20 million General Fund appropriation matched with \$30 million Federal Funds

expenditure limitation in SB 5525 (2023) allowing OHA to make supplemental payments to long-term care employers participating in the program. This one-time support in the 2023-25 biennium is phased out at the current service level for the 2025-27 biennium.

Nurse-Family Partnership - One-time funding of \$3.2 million General Fund that was appropriated to OHA in the 2023-25 biennium to supplant local matching funds for services provided under the Nurse-Family Partnership program are phased out of the budget at the current service level.

Health Care Professionals Development (HB 3396) - Two one-time appropriations made in HB 3396 (2023) are phased out of the current service level budget for the Medicaid program. \$15 million General Fund was appropriated for OHA to provide grants to support clinical education at hospitals and health care facilities. Another \$5 million General Fund was appropriated to OHA to provide grants to employers participating in a labor-management training trust to provide on the job training, apprenticeships, and other programs to develop health care professionals. The General Fund for support of the labor-management training trust was matched with federal Medicaid assistance funding of \$7.2 million, which is also phased out.

Agency with Choice (HB 4129) - HB 4129 (2024) established agency with choice (AWC) in-home services for individuals with behavioral health needs. Funding for administrative costs were erroneously included in the HSD Medicaid program rather than the HSD Administration program in the 2023-25 biennium. Package 022 phases out \$337,705 General Fund and \$408,353 Federal Funds from the Medicaid program for these personal services costs which are included in the Administration program at the current service level.

Home and Community Based Services Enhanced FMAP - Excess Federal Funds expenditure limitation of \$28.9 million is phased out of the Medicaid program budget at the current service level to account for the retraction of enhanced FMAP rates associated with one-time funding for qualifying expenditures for Home and Community Based Services (HCBS) under section 9817 of the American Rescue Plan Act.

Health Care Interpreters Transfer - Prior to the SB 5701 (2024) repeal of a \$2 million General Fund appropriation made to OHA, Central Services division, in SB 5506 (2023), to supplement health care interpreter rates, OHA had transferred the \$2 million General Fund appropriation from its Central Services division to the Medicaid division for expenditure in that program as part of the agency's biennial rebalance. The repeal of the original funding resulted in an error in the agency's budget due to the transfer of expenditure authority between the divisions, leaving the base budget for the Central Services program short by \$2 million and the Medicaid program over-appropriated by \$2 million. Package 021 phases in the missing \$2 million in the Central Services program and Package 022 phases out the excess \$2 million from the Medicaid program.

OHSU Intergovernmental Transfer Inflation - A technical adjustment is made to phase out \$26.7 million Other Funds and \$63.9 million Federal Funds calculated inflation for the OHSU IGT in the 030 series inflation packages. Changes to the available program funding is tracked and budgeted separately from the current service level inflation process.

Inflation Factors

Inflation factors applied to the base budget result in additional expenditures at the current service level in the Medicaid program of \$213.5 million General Fund, \$308.8 million total funds. The majority of this

increase is attributable to allowable inflation on medical expenditures. Medical inflation is calculated at a compounding rate of 3.4% per year, or 6.9% for the biennium.

Mandated Caseload Costs

Mandated caseloads costs are those costs associated with OHA's comprehensive medical assistance programs delivered in accordance with the state's Medicaid waiver under Title XIX of the Social Security Act, and the Children's Health Insurance Program (CHIP) under Title XXI of the Social Security Act. Caseload cost adjustments are calculated by Medicaid eligibility category as there are significant variations in per-member expenditures and Federal Medical Assistance Percentage rates across categories.

The current service level includes an increase from the base budget of \$176.8 million General Fund, \$343.8 million total funds, for changes to mandated caseloads for Medicaid programs administered by OHA. These adjustments result in a mandated caseload budget of \$20.9 billion total funds at the current service level. This is the compound result of forecasted cost changes for two forecast periods: Fall 2023 to Spring 2024 and Spring 2024 to Fall 2024.

The total caseload change as of the Spring 2024 forecast was a decrease of 20,319 individuals. The total change in cost was a net reduction of \$378.7 million total funds, inclusive of a funding shift that moved a portion of caseload cost from Other Funds to General Fund due to the phase out of provider tax revenues. The reduction in overall caseload, combined with the cost shift to General Fund, resulted in a net increase of \$6.9 million General Fund. In addition, General Fund was increased by \$35.2 million for Healthier Oregon member emergent care costs, which are eligible for Medicaid funding, for a total \$42.1 million General Fund increase.

In a bit of a reversal, the mandated caseload increased by 42,893 individuals between the Spring 2024 and Fall 2024 Forecasts. Part of the reason for this change is due to the Temporary Medicaid Expansion caseload, which was originally assumed to move entirely to the Basic Health Plan. However, there is a residual average caseload that continues on OHP due to the extension of the redetermination process and the application of continuing eligibility rules, preventing the move of certain individuals to the Basic Health Plan. The single largest forecast change to Medicaid caseload was in the Affordable Care Act (ACA) adult population. This category also received individuals from the Temporary Medicaid Expansion program that became eligible due to income changes and remained in the ACA adult population due to continuing eligibility rules. It is also notable that while the Spring 2024 adjustment included emergent Medicare eligible costs for the Healthier Oregon caseload, the Fall 2024 forecast adjustment does not. Those costs are captured in the statutory caseload adjustments instead. The fiscal impact of the Fall 2024 mandated caseload forecast is an increase of \$134.7 million General Fund, \$722.5 million total funds.

Statutory Caseload Costs

The Healthier Oregon Program (HOP) is a non-Medicaid program that covers members who meet eligibility requirements for the Oregon Health Plan (OHP) except for their citizenship status. Established in HB 3352 (2021), the Legislature initially appropriated \$100 million to provide coverage for the first year of HOP, effective July 1, 2022. The funds necessary to implement HOP pertained only to coverage for the adult HOP caseload because children were already covered as a part of the Cover All Kids

program that that later became part of HOP. HB 3352 authorized OHA to limit HOP enrollment during its first year due to the \$100 million capped budget. During this implementation period, only those from age 19-25 and over 55 were enrolled in the program. Starting July 1, 2023, all age groups became eligible for enrollment. The 2023-25 budget for OHA included full implementation, at a cost of \$725.5 million General Fund and \$136 million Federal Funds, for a total funds budget of \$861.5 million as of spring 2024.

In addition to the application of medical inflationary factors, the current service level for the 2025-27 biennium includes an increase from the base budget of \$486.7 million General Fund, \$518.7 million total funds, for changes to statutory caseloads for the Healthier Oregon program. These adjustments result in a program budget of \$1.3 billion General Fund, \$1.5 billion total funds, at CSL. Of the total General Fund budget for the Medicaid program at the current service level, the HOP General Fund budget accounts for roughly 22.4%. This is the compound result of forecasted caseload cost changes for two forecast periods: Fall 2023 to Spring 2024 and Spring 2024 to Fall 2024.

The total caseload change between the Fall 2023 and Spring 2024 forecast was an increase of 37,360 individuals, for a total of 99,543 individuals anticipated for the 2025-27 biennium on average. The total change in cost is an increase of \$439.8 million General Fund; however, a downward adjustment to both the base costs and to the caseload change amount were applied, reducing ongoing expenditures by 6.3% to adjust for lower than anticipated service utilization by the adult caseload (19- to 64-year-olds). This reduction of \$60.1 million produced a net caseload cost increase of \$379.7 million as of the Spring 2024 forecast. As noted in the mandated caseload section above, this caseload cost increase does not include \$35.2 million General Fund, \$53.5 million total funds, for HOP caseload costs that are Medicaid eligible. These costs are included in the mandated caseload cost package.

Between the Spring and Fall 2024 forecasts, the caseload increased by an additional 8,634 individuals to 108,177 at a cost of \$107 million General Fund, \$138.9 million total funds. These amounts are inclusive of \$25.4 million total funds, for the Medicaid eligible caseload. The prior forecast period had included these costs within the mandated Medicaid caseload.

Funding Changes

The current service level budget for the Medicaid program shifts \$1.7 billion of budgeted expenditure from Other and Federal Funds to the General Fund. The majority of this change is resultant from the sunset of hospital and provider taxes that support the Oregon Health Plan. The following table summarizes these funding changes:

Package 050 –						
Fund Shifts	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	
Provider Tax Sunset	\$1,129,276,292	-	-\$1,129,276,292	-	-	
Tobacco Tax Revenue Changes	\$62,282,755	-	-\$62,282,755	-	-	
DSHP/HSRN Fund Shift	\$62,081,206	-	-\$62,081,206	-	-	
Federal Medicaid Assistance Percentage (FMAP) Changes	\$219,439,630	-	\$13,672,914	-\$233,112,544	-	
Inflation-related Unrealizable Revenue Adjustments	\$221,793,111	-	-\$221,793,111	-	-	
Tobacco Master Settlement Agreement Forecast Change	\$18,759,558	-	-\$18,759,558	-	-	
Total	\$1,713,632,552	-	-\$1,480,520,008	-\$233,112,544	-	

The \$62.1 million shift in funding for Designated State Health Programs that support the Section 1115 waiver expenditures for Health Related Social Needs (HSRN) is included to align total program expenditures with the federal agreement that calls for at least \$71 million of the total spending on HSRN services to come from state resources. The difference between the fund shift in this package and the minimum \$71 million in state resources is made up from existing program budgeted expenditures from General Fund.

FMAP changes move a net of \$219.4 million in currently budgeted expenditures from Federal Funds to General Fund. \$67.8 million of this total is resultant from the reduction of enhanced FMAP that was provided due to the COVID-19 public health emergency.

Adjustments totaling \$231.7 million are included to move inflation-related costs for budgeted expenditures that would have otherwise been paid for using Other Funds or Federal Funds revenues, but are backfilled with General Fund due to limitations on the availability of those revenues.

GOVERNOR’S BUDGET SUMMARY

	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Current Service Level	5,804,951,116	2,684,169	2,754,243,107	18,836,769,035	27,398,647,427	462	455.46
Governor’s Budget	3,722,928,739	3,519,334	5,283,962,566	20,618,566,327	29,628,976,966	488	475.46
Change	(2,082,022,377)	835,165	2,529,719,459	1,781,797,292	2,230,329,539	26	20
	-35.9%	31.1%	91.8%	9.5%	8.1%	5.6%	4.4%

The Governor's budget for the Medicaid program of \$29.6 billion total funds is a \$2.2 billion, or 8.1%, increase from the current service level. General Fund decreases \$2.1 billion, or 35.9%, in the Governor's budget due primarily to the assumption that provider taxes on hospitals and insurers are renewed. The proposed budget adds 26 positions (20.00 FTE) for a total of 488 positions (475.46 FTE) in the Medicaid program.

Revenue Changes

The Governor's Budget includes the following revenue changes that result in reduced General Fund expenditures totaling \$1.5 billion the Medicaid program:

- Renewal of the Hospital Provider Tax on both Diagnostic Related Group (DRG) hospitals and A&B type hospitals. This is assumed to produce an additional \$1.7 billion Other Funds revenue supplanting \$1.1 billion General Fund (POP 421).
- Change in calculation of DRG Hospital Provider Tax to an effective 6% of net patient revenues that is inclusive of OHSU revenues. The budget proposes two scenarios. The first of these is to apply the change beginning January 1, 2026, which is assumed to produce an additional \$308 million Other Funds revenue supplanting \$216 million General Fund. The second scenario assumes the application of the effective 6% calculation for DRG hospitals as of July 1, 2025. This change is assumed to produce \$93 million Other Funds revenue supplanting \$65 million General Fund, which is in addition to the amount assumed by the application of the effective 6% calculation beginning in 2026, for total General Fund savings of \$281 million.
- Renewal of the Insurer Tax that is assumed to produce an additional \$170.2 million Other Funds revenue supplanting \$133.9 million General Fund (POP 422).
- Expansion of tobacco taxes to include assessments on synthetic tobacco products is assumed to provide \$8.4 million in new revenue offsetting General Fund expenditures for the Oregon Health Plan (POP 427 and HB 2528).

Programmatic Savings

Additional programmatic General Fund savings totaling \$700 million in the Governor's budget include:

- Projected applicable FMAP for Healthier Oregon emergent caseload costs is estimated to shift program costs by \$120.1 million from General Fund to Federal Funds revenues (PKG 095).
- Decreased expenditures of \$289 million General Fund, \$335.6 million total funds, in HOP due to projected lower medical utilization rates (PKG 095).
- An increase of \$291 million in IGT payments from OHSU that is anticipated to supplant \$100.5 million General Fund supporting the Oregon Health Plan (PKG 095).
- An additional "placeholder" \$60 million General Fund reduction in HOP expenditures for anticipated 2024 risk corridor payments (PKG 090).
- A shift in planned expenditures for Health Related Social Needs that moves \$25.3 million General Fund, \$212.2 million total funds, from the 2025-27 biennium to the 2027-29 biennium (PKG 095).

- The reversal of inflation factors applied to expenditures for the Oregon Health Plan, Fee For Service (FFS) or “open card” program reduces budgeted expenditures by \$16 million General Fund, \$41 million total funds (PKG 090).
- A negotiated reduction in Quality Incentive Pool funding for Oregon Health Plan Coordinated Care Organizations that assumes \$44 million General Fund, \$148 million total funds, savings (PKG 090).
- An assumed shift of eligible caseload from the Healthy Oregon Program to the Basic Health Plan that moves \$42.8 million of General Fund expenditures to Federal Funds.
- The Governor’s budget assumes that \$17.5 million Other Funds revenues from 9-8-8 Telecom Taxes will be available in excess of crisis call center operational costs to supplant current service level General Fund budgeted activities related to behavioral health crisis intervention and response.

The Governor reduced expenditures in most OHA programs for Attorney General costs, statewide service charges, and unspecified General Fund-supported services and supplies. These reductions total \$1.6 million General Fund, \$5,408 Other Funds, and \$198,241 Federal Funds in the Medicaid program.

Significant Investments

Maternity Services in Hospitals - One-time funding of \$35 million General Fund, \$125 million total funds is included in the Governor’s budget as a short-term enhancement to help stabilize maternity services statewide.

Essential Healthcare Worker Trust - A follow-on, one-time General Fund investment of \$5 million that is anticipated to be matched with \$7.5 million federal Medicaid funds for OHA to make supplemental payments to long-term care employers participating in the Oregon Essential Workforce Health Care Program established by SB 800 (2021) providing long-term care workers access to health insurance.

Disproportionate Share Hospital (DSH3) Program - An increase of \$25 million General Fund to be used as state matching funds leveraging an additional \$27 million in Federal Funds for the Disproportionate Share Hospital (DSH) program.

Graduate Medical Education - A one-time investment of \$4 million General Fund leveraging an additional \$5 million Federal Funds is included to support graduate medical education (GME) programs outside of the Oregon Health and Sciences University. Additionally, expenditure limitation of \$40.1 million Other Funds and \$55.5 million Federal Funds is included in the Governor’s budget to support leveraged payments for graduate medical education programs at OHSU.

Behavioral Rehabilitation Services - \$10.4 million General Fund, \$20.3 million total funds to support Behavioral Rehabilitation Services (BRS); a Medicaid service for youth with severe behavioral challenges. These services have been primarily used in foster care settings by Oregon Department of Human Services and the juvenile justice system by Oregon Youth Authority. BRS outside of these settings are limited. The funding includes support for the establishment of 10 positions (7.50 FTE) for the initial implementation and administration of the program. \$3 million General Fund is earmarked for start-up grants for providers. The services would be made available statewide to OHP eligible members through age 20. This is a “Medicaid direct” service that would be realized via the fee for service (FFS) program rather than being included in the capitation model for coordinated care organizations (CCOs).

Policy Option Packages

POP 408 Medicaid Benefits for Incarcerated Persons - In July 2024, the Centers for Medicare and Medicaid Services (CMS) approved a request by OHA to provide Medicaid coverage to incarcerated individuals up to 90 days prior to release as part of the state's 1115 Medicaid waiver. Requested funding of \$14.3 million General Fund, \$49.7 million Federal Funds, and the authority to establish seven positions (5.75 FTE) is included in the Governor's budget for the program that is slated to begin in January 2026. Current Oregon statute prohibits incarcerated individuals from coverage under Medicaid. As introduced, SB 844 includes a revision to statute that would require enrollment of a person eligible for pre-release medical assistance benefits under the federal waiver to be enrolled.

POP 417 Healthy Oregon Program Enhancements - The Governor proposes to add \$22.7 million General Fund to extend Health Related Social Needs (HRSN) and Youth with Special Health Care Needs (YSHCN) benefits to Healthier Oregon Program participants. The HRSN benefits that include assistance with climate-related challenges, housing assistance, and nutritional assistance are provided to Oregon Health Plan (Medicaid) participants under the state's 1115 Medicaid waiver. The YSHCN benefit provides early and periodic screening, diagnostic and treatment coverage, enhanced vision and dental benefits, and enhanced care coordination and monitoring for youth between 19 and 25 years old that live with or are at risk of having a chronic health condition or unmet health care needs including: physical, intellectual and developmental disabilities; long-standing physical health conditions like asthma, diabetes, or spina bifida; and behavioral or mental health conditions like depression or substance use disorder. This package also includes an additional \$2 million General Fund to make modifications to the state's Medicaid eligibility system to accommodate this extension of benefits.

POP 556 Certified Community Behavioral Health Clinic Expansion - Increased General Fund of \$14.1 million and Federal Funds expenditure limitation of \$33.7 million is included for a statewide expansion of the Certified Community Behavioral Health Clinic system. The current funding supports 12 clinics as a part of a federal demonstration waiver. The funding would allow for the integration of an additional 15 clinics and the addition of two supporting positions (1.50 FTE) at OHA. This statewide expansion is intended to be integral to securing federal approval for a state plan amendment to secure ongoing program funding.

Behavioral Health

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	-	-	586,595,192	732,434,368
Lottery Funds	-	-	22,497,136	21,922,430
Other Funds	-	-	519,228,691	581,774,720
Federal Funds	-	-	309,115,519	304,478,920
Total Funds	-	-	1,437,436,538	1,640,610,438
Positions	-	-	225	249
FTE	-	-	221.79	245.79

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Behavioral Health program includes the budgets for the Alcohol and Drug Policy Commission (ADPC), the Systems of Care Advisory Council (SOCAC), the Opioid Settlement Prevention, Treatment, and Recovery Board (OSPTR), the Measure 110 Oversight and Accountability Council (OAC), and the Behavioral Health Crisis System Advisory Committee. The division manages the 988 behavioral health crisis line, and programs addressing behavioral health housing, behavioral health workforce development, alcohol and drug addiction prevention, and aid and assist program funding for individuals found not mentally competent to aid in their own defense in a criminal proceeding.

The budget is comprised of two main components: community mental health services (including suicide prevention, intervention, and post-suicide response) and addiction services (including substance use disorder and problem gambling prevention and treatment).

The Behavioral Health program administers contracts and agreements with community mental health programs, non-profit providers, and tribes to develop and administer behavioral health services. Services are delivered in outpatient and residential facilities, schools, hospitals, and other community settings. The goal of these programs is to deliver evidence-based services in the least restrictive and most integrated setting and restore individuals to the highest level of functioning possible. They employ peer support specialists, qualified mental health professionals, psychologists, psychiatrists, psychiatric nurse practitioners, qualified health service providers, other independently licensed providers, certified alcohol, drug, and gambling addiction counselors, and personal care providers.

State law establishes the framework for publicly funded mental health services, which are largely administered by community mental health programs (CMHPs). Each of Oregon's 36 counties has either a county-run CMHP or contracts with a separate organization to serve as its CMHP. Subject to available funds, CMHPs offer an array of mental health and addiction services, such as outpatient and residential care, aftercare for persons released from hospitals, screening and evaluation, crisis stabilization, and medication monitoring. A key role of CMHPs is providing pre-commitment services that help prevent individuals from being admitted to the Oregon State Hospital. Like community mental health services, addiction treatment, recovery, and prevention services are offered throughout the state by CMHPs, tribes, CCOs, hospitals, and residential and non-residential treatment facilities. Some of these entities

also receive funding as members of Behavioral Health Resource Networks through grant allocations from Marijuana Tax revenue.

Funding Supporting Behavioral Health Programs

General Fund supports roughly 40.8% of total expenditures for the Behavioral Health program at the current service level. The largest share of this funding supports mental health services, primarily through the CMHP system. A smaller amount is budgeted for addiction services and is used as maintenance-of-effort for the state's Temporary Assistance for Needy Families block grant administered by the Oregon Department of Human Services.

Allocations of Lottery Funds are made from the Veterans' Services Fund to support physical and behavioral health programs specifically for veteran beneficiaries, and from the Administrative Services Economic Development Fund to support gambling addiction prevention programs. The current service level Lottery Funds expenditures include \$2.8 million for veterans' services and \$19.7 million for gambling addiction programs.

Federal Funds revenue supports \$138.5 million, or 21.5%, of the current service level budget for the 2025-27 biennium. These revenues include the Mental Health Block Grant (MHBG), Substance Abuse Prevention and Treatment (SAPT) Block Grant, and State Opioid Response Grant programs.

Other Funds

Taxes on tobacco products sold in Oregon support multiple programs across the agency. As of the December 2024 revenue forecast, \$24.6 million will be available to support behavioral health programs in the 2025-27 biennium.

The Tobacco Master Settlement Agreement (TMSA) revenues are payments made to settling states in perpetuity beginning in 2000. A portion of the settlement funds programs at OHA. TMSA revenues support Behavioral Health program expenditures of \$14.2 million in the 2023-25 approved budget and \$12 million in the 2025-27 current service level.

Retail recreational marijuana taxes continue to fund community mental health and substance use disorder services, and early intervention and treatment services. Biennial funding for these programs is estimated to be \$25.5 million in 2023-25 and \$27.1 million in 2025-27. Ballot Measure 110 (modified by SB 755 (2021) and HB 4056 (2022)) redistributed a significant portion of marijuana tax revenue to fund the Behavioral Health Resource Networks (BHRNs) and Access to Care grants for drug treatment and recovery services through the Drug Treatment and Recovery Services Fund (DTRSF). Revenues for the DTRSF are estimated to be \$230.9 million in the 2023-25 biennium and \$200.7 million in the 2025-27 biennium.

Opioid settlement revenues of roughly \$22 million are anticipated to be available in the 2025-27 biennium due to unexpended allocations to the Behavioral Health program in the 2023-25 biennium. Additional settlement revenues of \$36.2 million are anticipated in the 2025-27 biennium for prevention, recovery, and treatment programs.

Beer and wine taxes are collected by the Oregon Liquor and Cannabis Commission (OLCC). Based on the December 2024 forecast, revenue for the 2025-27 biennium is includes an estimated \$18.3 million for

state and local government alcohol and drug programs. OHA retains 60% of this revenue (\$11 million) with the remaining 40% (\$7.3 million) transferred to counties.

HB 2757 (2023) established the 9-8-8 Trust Fund to enhance the statewide coordinated crisis system, including maintaining and improving the 9-8-8 suicide prevention and behavioral health crisis hotline. The measure introduced a monthly tax of 40 cents per line for consumers and retail subscribers with telecommunications or interconnected Voice over Internet Protocol (VoIP) services, and 40 cents per transaction for prepaid telecommunications services. The tax is projected to generate approximately \$53.8 million for the 2025-27 biennium.

BUDGET ENVIRONMENT

Since 2021, the Legislature has invested an additional \$824.4 million General Fund, \$2.35 billion total funds, into the behavioral healthcare system. Some of these were one-time investments in infrastructure and capacity, but many persist as part of the agency's ongoing budget. These include the 988 Behavioral Health Crisis line, increased behavioral health provider reimbursement rates, the Behavioral Health Resource Network and associated funding from Marijuana Taxes, and support for mobile crisis teams.

Substance use disorder remains prevalent in Oregon. Need for additional capacity, licensed councilors and facilities continue to be part of the budget discussion for the program as well as co-occurring SUD and mental health issues.

Oregon began a more holistic approach to behavioral health services with the pilot and expansion of Certified Community Behavioral Health Clinics (CCBHCs) to move toward integrated physical and behavioral healthcare. The majority of these clinics are within the Community Mental Health Programs (CMHPs). Funding for these programs has increased since 2021 and additional program funding has been requested by the agency for the 2025-27 biennium.

Capacity issues at the Oregon State Hospital continue to shift service demands to community restoration services, including aid and assist services. This may be expressed as requests for expanded local government grants for operations or infrastructure.

The recently proposed OHA rule that would stop Medicaid reimbursements to behavioral health associate therapists and social workers who practice independently of an in-network clinic may have indeterminate impacts on the Behavioral Health division budget. Ostensibly, the rule change is intended to encourage associate therapists to practice in a clinical setting that sees a larger number of Medicaid patients, and patients with higher acuity needs.

The delivery and financing of publicly funded behavioral health services is dependent on the relationship between the Oregon Health Authority, Coordinated Care Organizations, and Community Mental Health Programs, and the behavioral health workforce. Each of these entities may share certain goals pertaining to outcomes, but may diverge on strategies and motivations in achieving those outcomes. This tension is likely to be expressed in competing budgetary proposals in the upcoming legislative session.

CURRENT SERVICE LEVEL

Direct comparison of expenditures between the legislatively approved budget for the 2023-25 biennium and the current service level budget are imprecise due to the structural changes in the budget. The budgetary adjustments to the base budget that ultimately result in the current service level for the Behavioral Health program that are described in this section are intended to illustrate that change as accurately as possible, but non-substantive errors may exist.

The current service level budget for the Behavioral Health Division of \$586.6 million General Fund, \$1.4 billion total funds, and 249 positions (245.79 FTE). CSL includes \$2.1 million General Fund for the Alcohol and Drug Policy Commission and \$7.8 million General Fund for the Systems of Care Advisory Council.

Program Phase-Ins

988 Program - A limited duration Operations and Policy Analyst 2 position is proposed to be phased in to the current service level in the HSD Administration program. The agency states that the position was funded via a federal grant award for 16 months in the 2023-25 biennium. The federal grant has been extended for an additional 24 months; the entire 2025-27 biennium. There is no net change to expenditure limitation resultant from the addition of the position as the agency will reduce services and supplies expenditures from the federal grant funds to accommodate the \$236,422 personal services cost for the position.

ADPC Limited Duration Positions - A study related to the barriers and best practices for youth accessing opioid use disorder treatments, and increasing access to opioid use disorder medications was required to be undertaken by the Alcohol and Drug Policy Commission in HB 4002 (2024). Three limited duration positions were authorized to be established to address this work in the 2023-25 biennium. The current service level phases in these positions for an additional six months in the 2025-27 biennium at a cost of \$200,970 total funds to complete the work.

Behavioral Health Housing Incentive Fund - The Behavioral Health Housing Incentive Fund was established by HB 2316 (2021) to provide funding for the development of community-based housing, including licensed residential treatment facilities, for individuals with mental illness and individuals with substance use disorders; and crisis intervention services, rental subsidies, and other housing related services to help keep individuals with mental illness and individuals with substance use disorders safe and healthy in their communities. The monies in the fund are from the proceeds of bond issuances and subsequent interest earnings, including amounts transferred to the fund from the repealed Housing for Mental Health Fund. \$20 million in net proceeds from lottery revenue bonds issued late in the 2021-23 biennium were deposited in the fund. Package 021 carries forward \$19.2 million Other Funds expenditure limitation from 2023-25 biennium to the 2025-27 biennium for the expenditure of these monies.

Community Acute Psychiatric Facility Capacity - The Community Acute Psychiatric Facility Capacity Program Fund was established in HB 5030 (2023) for the purpose of depositing \$50 million in net lottery revenue bond proceeds to increase community acute psychiatric facility capacity. \$25 million in bonds were issued in May 2024, but the remaining \$25 million in bonds are scheduled to be issued in spring 2025. The expenditure limitation for the spring 2025 issuance is phased in to the current service level to

allow for the expenditure of those bond proceeds in the 2025-27 biennium. There is a companion item in package 022 that phases out the original \$50 million limitation provided in 2023-25.

Clinical Supervision and Behavioral Workforce Development - HB 2949 (2021) provided an \$80 million Other Funds expenditure limitation for one-time American Rescue Plan Act (ARPA) State Fiscal Recovery Funds received by the Oregon Department of Administrative Services (DAS) and transferred to OHA for two behavioral health grant programs established by the measure. Expenditure limitation for the remaining ARPA funding of \$10.7 million is re-established at the current service level. Notably, HB 2949 authorized the establishment of 14 permanent, full-time positions to administer the program. With the remaining funding anticipated to be fully expended in the 2025-27 biennium, continuation of these positions beyond the upcoming biennium merits evaluation.

Regional Development and Innovation - HB 5024 (2021) included an appropriation of \$65 million General Fund and \$65 million Other Funds for ARPA State Fiscal Recovery Funds received by DAS and transferred to OHA to increase statewide capacity of licensed residential facilities serving people with behavioral health conditions. Of the \$65 million in ARPA funding allocated, OHA has expended \$204,090 to date, but has contracted commitments for the remaining funds that it anticipates distributing prior to January 1, 2027. Other Funds expenditure limitation of \$64.8 million is phased in to CSL budget for the 2025-27 biennium to facilitate these disbursements.

Culturally and Linguistically Specific Mobile Health Unit Pilot Program - HB 4052 (2022) established a pilot grant program at OHA for the operation of two culturally and linguistically specific mobile health units. The pilot program was assumed to continue through the 2023-25 biennium and wrap-up in the 2025-27 biennium. A feasibility study on expanding mobile health units statewide is required, as well as final reports on implementation of the pilot program by the end of June 2026. Limited duration positions in the Behavioral Health Administration program that were eliminated in the base budget are phased in for 24 months in the 2025-27 biennium at a cost of \$627,130 total funds. Behavioral Health Programs funding for operational grants of \$1.6 million is phased in to support 18 months of mobile health unit operations.

Drug Treatment and Recovery Services Fund - Other Funds expenditure limitation of \$20.6 million is added to the base budget to align expenditure authority with Marijuana Tax revenues anticipated to be available from the Drug Treatment and Recovery Services Fund during the 2025-27 biennium as of the May 2024 forecast.

Lottery Funds Revenue Forecast - Lottery Funds expenditure limitation is increased by \$1.5 million in accord with the June 2024 revenue forecast. Funding is used to support gambling addiction prevention programs.

Program Phase-Outs

Adult Intensive Services and Diversion - The 2023-25 legislatively adopted budget included a one-time increase of \$4.9 million General Fund, \$8,631 Other Funds, \$1.6 million Federal Funds, and seven positions (5.25 FTE), for a total of \$6.5 million in SB 5506 (2023), to improve mental health programs by strategically investing in jail diversion and civil commitment programs. Package 022 removes both the funding and the position authority from the current service level budget.

Behavioral Health Housing Incentive Fund - The Behavioral Health Housing Incentive Fund was established by HB 2316 (2021) to provide funding for the development of community-based housing, including licensed residential treatment facilities, for individuals with mental illness and individuals with substance use disorders; and crisis intervention services, rental subsidies, and other housing related services to help keep individuals with mental illness and individuals with substance use disorders safe and healthy in their communities. The monies in the fund are from the proceeds of bond issuances and subsequent interest earnings, including amounts transferred to the fund from the repealed Housing for Mental Health Fund. \$20 million in net lottery revenue bond proceeds issued late in the 2021-23 biennium were deposited in the fund. Expenditure limitation for the entire \$20 million was established in the 2023-25 biennium and carried forward into the base budget for the 2025-27 biennium. Package 022 phases out that \$20 million Other Funds expenditure limitation, but as noted in the discussion of budget phase-ins, Other Funds expenditure limitation for the remaining, unexpended balance of \$19.3 million is re-established in package 021.

Prior Biennia Behavioral Health Investments - Behavioral Health Investments that were carried-forward from the 2021-23 biennium to the 2023-25 biennium in the budget are being phased out of the current service level budget for the 2025-27 biennium. These include:

- \$51.2 million General Fund and \$29.9 million Other Funds expenditure limitation for an allocation of ARPA State Fiscal Recovery Funds for regional behavioral health facility investments that were made in the 2021-23 biennium, but were not able to be fully expended in that biennium.
- \$56.7 million Other Funds expenditure limitation for an allocation of ARPA State Fiscal Recovery Funds authorized in HB 2949 (2021) for the Health Care Provider Incentive Fund.

Opioid Harm Reduction Clearinghouse - The budget includes a reduction of \$40 million Other Funds expenditure limitation to phase out expenditure authority that was provided in the 2023-25 biennium for an allocation of opioid settlement proceeds that was used to fund the harm reduction clearinghouse, which provides naloxone and other harm reduction supplies to organizations in the community to reduce the risk of overdose.

Community Mental Health Deflection Programs - One-time funding of \$9.8 million General Fund for Community Mental Health Deflection Programs as outlined in HB 4002 (2024) and provided in HB 5204 (2024) is phased out in package 022. Restoration of this funding is included in the Governor's budget proposal.

Community Acute Psychiatric Facility Capacity - The Community Acute Psychiatric Facility Capacity Program Fund was established in HB 5030 (2023) for the purpose of depositing \$50 million in net lottery revenue bond proceeds to increase community acute psychiatric facility capacity. Package 022 phases out the original \$50 million in Other Funds expenditure limitation provided in the 2023-25 biennium. Package 021 re-establishes \$25 million Other Funds expenditure limitation to allow the program to expend the remaining bond proceeds in the upcoming biennium.

Recovery Housing Funding - One-time funding of \$18 million General Fund for 27 recovery housing projects that was provided in SB 1530 (2024) is phased out of the budget at the current service level.

Air Conditioner and Air Filter Deployment Program - One-time funding of \$3.5 million General Fund for the Air Conditioner and Air Filter Deployment program as outlined in ORS 431A.430 that was provided in SB 1530 (2024) is phased-out in package 022.

Drug Treatment and Recovery Services Fund - A reduction in expenditure limitation of \$17.5 million Other Funds is included in the current service level to adjust expenditure levels in accord with anticipated 2025-27 Marijuana Tax revenues and the balance of unexpended 2023-25 revenues in the Drug Treatment and Recovery Services Fund (DTRSF). Total current service level expenditures from the fund in the 2025-27 biennium are \$219.3 million.

Non-Measure 110 Marijuana Tax Expenditures - A \$3.6 million Other Funds expenditure limitation reduction is included in CSL to adjust expenditure levels in accord with anticipated 2025-27 revenues and the balance of unexpended 2023-25 revenues for non-Measure 110 drug abuse prevention, intervention, and treatment prevention services. Total current service level expenditures from Marijuana Tax revenues allocated for these purposes in the 2025-27 biennium are \$25.5 million.

Beer, Wine, and Cider Tax Revenue - An adjustment to phase out excess expenditure limitation of \$1.3 million Other Funds is made to align CSL expenditures with anticipated revenues transferred to OHA from taxes on beer, wine, and cider that support substance use disorder treatment and addiction preventions programs.

Criminal Fines Transfer to the Drug Treatment and Recovery Services Fund - Recriminalization of certain drug-related offences and the repeal of Class E violations in HB 4002 (2024) negated the need for potential criminal justice system savings and Criminal Fines Account revenues generated from Class E violations to be transferred to the DTRSF. \$39.3 million Other Funds expenditure limitation from the DTRSF that was included in the 2025-27 base budget, for expenditure of these transferred funds, is phased out of the OHA budget at the current service level.

Culturally and Linguistically Specific Mobile Health Unit Pilot Program - HB 4052 (2022) established a pilot grant program at OHA for the operation of two culturally and linguistically specific mobile health units. The pilot program was assumed to continue through the 2023-25 biennium and wrap-up in the 2025-27 biennium. A feasibility study on expanding mobile health units statewide is required, as well as final reports on implementation of the pilot program by the end of June 2026. Package 022 phases out \$2.1 million General Fund that was authorized in the 2023-25 biennium for operational grants. A portion of this funding is re-established in package 021 to support operational grants for 18 months in the 2025-27 Biennium.

Alcohol and Drug Policy Commission Study (HB 4002) - Funding and position authority for limited duration positions to support the Alcohol and Drug Policy Commission in conducting a study of barriers and best practices for youth accessing opioid use disorder treatment and increasing access to opioid use disorder medications as directed in HB 4002 (2024) was provided in HB 5204 (2024). The timeline to produce the required reports resulting from the study required carrying a portion of the authorized funding and the limited duration positions forward into the 2025-27 for a period of six months, with the excess \$468,237 General Fund and \$3,219 Federal Funds being phased out at the current service level.

Behavioral Health Services Cost Studies - HB 4092 (2024) directed OHA to conduct studies to determine the funding required for counties and community mental health programs to provide statutorily mandated behavioral health services related to populations adjudicated to receive service at the Oregon

State Hospital or in a community setting, and behavioral health treatment and prevention services, generally. Of the \$1.5 million General Fund, \$301,051 Other Funds, and \$106,143 Federal Funds provided to support this work in the 2023-25 biennium, \$879,339 General Fund and \$154,980 Other Funds are phased out of the budget at the current service level in the HSD Administration program with the remaining amounts carried forward to the 2025-27 budget for the completion of the studies.

Youth Behavioral Health Professions Study - A General Fund appropriation of \$196,253 was made to OHA in HB 4151 (2024). The measure directed the System of Care Advisory Council (SOCAC) to develop a report on options to create state-issued professional authorization for existing and emerging behavioral health professions and for determining the structures and supports needed to sustain the youth behavioral health workforce. A final report on the study is to be completed by December 15, 2025. Contracted facilitation services funding of \$120,997 General Fund is phased out of the base budget, with the remaining necessary funding to complete the study and report of \$75,256 continuing in the 2025-27 biennium.

Drug Endangered Children - The current service level phases out a one-time appropriation of \$750,000 General Fund that was made in HB 5204 (2024) for the Oregon Health Authority to permit the Systems of Care Advisory Council to partner with, and financially support via grants or other payments to, an established national organization that focuses on education and training regarding drug endangered children.

Inflation Factors

Inflation factors applied to the Behavioral Health program base budget result in additional expenditures at the current service level of \$27.9 million General Fund, \$55.2 million total funds. Most of this increase is attributable to standard inflationary factors. Roughly \$6 million is due to allowable inflation on medical expenditures. Medical inflation is calculated at a compounding rate of 3.4% per year, or 6.9% for the biennium.

Funding Changes

The current service level budget for the Behavioral Health program shifts \$6.9 million of budgeted expenditure from Other Funds to the General Fund, net of a reduction in General Fund resultant from a forecasted increase in Marijuana Tax revenues. The following table summarizes these funding changes:

Package 050 –

Fund Shifts	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
Marijuana Tax Forecast Changes	-\$1,769,394	-	\$1,769,394	-	-
Tobacco Tax Revenue Changes	\$2,149,383	-	-\$2,149,383	-	-
Inflation-related Unrealizable Revenue Adjustments	\$4,378,772	-	-\$4,378,772	-	-
Tobacco Master Settlement Agreement Forecast Change	\$2,182,108	-	-\$2,182,108	-	-
Total	\$6,940,869	-	-\$6,940,869	-	-

Reductions in forecasted revenues from Tobacco Product taxes and the Tobacco Master Settlement Agreement require the backfill of General Fund to continue supported programs at the current service level.

Adjustments totaling \$4.4 million are included to move inflation-related costs for budgeted expenditures that would have otherwise been paid for using Other or Federal Funds revenues, but are backfilled with General Fund in the budget at the current service level due to limitations on the availability of those revenues.

GOVERNOR’S BUDGET SUMMARY

	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Current Service Level	586,595,192	22,497,136	519,228,691	309,115,519	1,437,436,538	225	221.79
Governor’s Budget	732,434,368	21,922,430	581,774,720	304,478,920	1,640,610,438	249	245.79
Change	145,839,176	(574,706)	62,546,029	(4,636,599)	203,173,900	24	24.00
	24.9%	-2.6%	12.0%	-1.5%	14.1%	10.7%	10.8%

The Governor’s budget for the Behavioral Health program is an increase of \$145.8 million General Fund, \$203.2 million total funds, from the current service level (CSL). The total budget of \$1.6 billion is a 14.1% increase from CSL and includes the addition of 24 positions (24.00 FTE).

The Governor reduced expenditures in most OHA programs for Attorney General costs, statewide service charges, and unspecified General Fund-supported services and supplies. For the Behavioral Health program, these reductions total \$933,778 General Fund, \$996,738 total funds.

Revenue changes

The Governor’s budget assumes that \$17.5 million Other Funds revenues from 9-8-8 Telecom Taxes will be available in excess of crisis call center operational costs to supplant current service level General Fund budgeted activities related to behavioral health crisis intervention and response (PKG 090).

A reduction in projected available funding from the Department of Justice, Criminal Fines Account, necessitates an increase in General Fund expenditures of \$1.5 million to maintain the Intoxicated Driver Program (IDP) at the current service level. The IDP provides screening, education, and substance use disorder treatment services for individuals under diversion agreements, or who have been convicted of driving while under the influence of intoxicants (PKG 090).

A reduction in Marijuana Tax revenues supporting expenditures from the Drug Treatment and Recovery Services Fund (DTRSF) of \$11.9 million is assumed due to changes in forecasted revenue as of December 2024. This reduction is in addition to the \$17.5 million reduction that is included in the current service level due to prior revenue forecasts. This reduction impacts the available funding for statewide Behavioral Health Resource Networks (BHRNs) (PKG 090 and 095).

Carryforward Expenditure Authority

Community Acute Psychiatric Facility Capacity Program was funded with net lottery bond proceeds for grants to increase community acute psychiatric facility capacity. The CSL budget includes two expenditure limitation adjustments related to this funding. The 022 package phases-out the original \$50 million in Other Funds expenditure limitation provided in the 2023-25 biennium. Package 021 re-establishes \$25 million Other Funds expenditure limitation to allow the program to expend the remaining bond proceeds in the upcoming biennium, as those bonds are anticipated to be issued in spring 2025. The Governor's budget adds back in the \$25 million that was phased out at CSL, re-establishing expenditure limitation for the entire \$50 million of net bond proceeds in the 2025-27 biennium. OHA has reported that \$48.4 million of this total has been awarded, including a tribal set-aside of \$5 million. Nine non-tribal entities have been awarded funding of between \$1.1 million and \$15 million. \$1.6 million has yet to have been awarded and the agency notes that prior to awarding additional funding, it plans on tracking the progress of existing awardees to address possible project cost overruns.

Expenditure limitation for the remaining, unexpended balance of \$19.3 million from \$20 million in net lottery bond proceeds deposited in the Behavioral Health Housing Incentive Fund established by HB 2316 (2021) during the prior biennium was carried forward to the 2025-27 biennium as part of the current service level. This funding is for the development of community-based housing, including licensed residential treatment facilities, for individuals with mental illness and individuals with substance use disorders; and crisis intervention services, rental subsidies, and other housing related services to help keep individuals with mental illness and individuals with substance use disorders safe and healthy in their communities. The Governor's budget includes a \$2.9 million upward adjustment of this expenditure limitation to account for accrued interest earnings in the fund.

Significant Investments

Intensive In-home Behavioral Health Services – The Governor's budget includes \$7 million General Fund for distribution to community mental health programs to expand the existing intensive in-home behavioral health services program for youth to youth with substance use disorders and to recruit providers to work under the new model. This program helps children, youth, and young adults through age 20, and their families, who have complex and intensive behavioral health symptoms, and multisystem needs who require more frequent and intensive mental health treatment to help them back into the community from residential care or hospitalization.

Behavioral Health Community Navigators - The Governor's budget adds \$2.9 million General Fund to the \$6 million General Fund included in CSL from the investments in prior biennium to help people on Aid and Assist orders at the Oregon State Hospital (OSH) navigate their transition back to the community. Of the total increase, \$2.4 million is budgeted in the Behavioral Health Program and includes the addition of an Operations and Policy Analyst position (1.00 FTE) to provide statewide coordination, reporting, and program administration, and \$2 million for distribution to community mental health programs (CMHPs). The remaining \$531,308 is in the Oregon State Hospital program supporting the addition of two Resource Coordination positions (2.00 FTE) to assist in connecting OSH discharges with local and community services and resources appropriate for individualized transition plans. The original \$6 million was included in SB 5525 (2023), policy package 803, to pilot the program.

The added \$2 million General Fund for distribution to CMHPs is to expand the program to the Southern Oregon and the North Coast regions.

Statewide Civil Commitment Coordinators - A one-time investment of \$4.9 million General Fund, \$6.5 million total funds, to support expansion of jail diversion through CMHP adult intensive services programs was included in the agency's 2023-25 budget, but phased out at CSL. The Governor's budget seeks to reestablish a portion of this funding; \$1.5 million General Fund, \$3.3 million total funds, and the authorization for seven positions (7.00 FTE) to coordinate services statewide for people going through the civil commitment process.

Community Mental Health Program Deflection and Diversion Programs - The Governor's budget requests \$14.7 million General Fund, \$16.3 million total funds, for distribution to CMHPs to restore and expand funding that was phased out of the agency's CSL budget for two related purposes. The first of these includes the full \$4.9 million General Fund for adult intensive services and diversion programs that had been phased out of CSL even though the prior biennium funding provided in SB 5506 (2023) was inclusive of position costs, which are the subject of a separate funding request for statewide civil commitment coordinators in the current biennium. The second component is \$9.8 million General Fund that had been provided on a one-time basis to OHA for distribution to CMHPs to support coordination and provision of services for deflection programs that assist individuals who may have substance use or other behavioral health disorders to access treatment, recovery support, housing, case management, or other services to prevent interactions with law enforcement, lead to conviction and incarceration, or any other engagement with the criminal justice system.

Opioid Settlement Funds - Increased expenditure limitation of \$32.8 million Other Funds is included in the Governor's budget for expenditure of existing, allocated funding in the Opioid Settlement Prevention Treatment and Recovery (OSPTR) Fund and anticipated new payments of \$15.4 million in the 2025-27 biennium under the Opioid Settlement agreement. This brings total biennial expenditure authority from the fund to \$77.1 million.

Policy option packages

POP 550 Behavioral Health Workforce - The current service level includes expenditure limitation for \$10.7 million of unexpended ARPA State Fiscal Recovery Funds from an allocation that was originally made in HB 2949 (2021) for two behavioral health workforce grant programs established by the measure. Notably, HB 2949 authorized the establishment of 14 permanent, full-time positions to administer the program although the original funding was one-time only. POP 550 swaps funding for the program administration positions, decreasing Other Funds, and increasing General Fund by \$588,542 and Federal Funds by \$838,673. Additionally, the package invests an additional \$24.3 million General Fund into the program for ongoing grants.

POP 551 Harm Reduction Clearinghouse - The Governor has included \$10.4 million General Fund to continue support for the harm reduction clearinghouse. This program enables the low-cost acquisition of essential harm reduction supplies by community-based organizations and expands access to medications like naloxone, supporting safer substance use practices that prevent overdose, infections, and injuries. Funding in the package includes support for two new program administration positions (1.50 FTE).

POP 552 Behavioral Health Residential Programs - In addition to the \$50 million in lottery bond proceeds carried forward for behavioral health housing, the Governor is seeking \$100 million General Fund to expand behavioral health residential treatment and support services. The funding is intended to increase the capacity of residential programs by adding new psychiatric residential treatment facilities and substance use disorder (SUD) treatment beds, focusing on mandated populations as well as regional and cultural diversity. Use of the requested funding includes purchasing, constructing, or renovating facilities, stabilizing current providers, and supporting culturally and linguistically diverse services.

POP 557 Alcohol and Drug Policy Commission - This package requests \$750,181 General Fund and \$92,682 Federal Funds to continue three limited duration positions (2.25 FTE) for 18 months each in the 2025-27 biennium that were authorized in the prior biennium to conduct a study of barriers and best practices for youth accessing opioid use disorder treatment and increasing access to opioid use disorder medications as directed in HB 4002 (2024). The total funding requested also includes an ongoing increase of \$225,000 General Fund for strategic plan contracts.

POP 559 System of Care Advisory Council - This package requests an additional \$571,098 General Fund for the addition of three new administrative support positions (2.25 FTE) for the System of Care Advisory Council (SOCAC). Established by Senate Bill 1 in 2019, SOCAC is a 25-member council tasked with improving state and local youth service systems through centralized policy development and planning.

OTHER SIGNIFICANT ISSUES

The primary budget bill for OHA, SB 5525 (2023), included funding in two policy packages that also requested that the agency report on specific activities or outcomes related to the funding provided.

Behavioral Health Facility Investments - A budget note accompanying policy option package 801 requires OHA to submit a report on investments made to increase behavioral health facility capacity in Oregon during the 2021-23 and 2023-25 biennia. This report should include the number and types of beds provided or anticipated, how investments are balanced between supporting the new capacity on an on-going basis and building additional beds, and data demonstrating how the medical and mental health system outcomes are impacted by the investments. This report is to be presented no later than February 1, 2025, to the Human Services Subcommittee of the Joint Committee on Ways and Means.

Certified Community Behavioral Health Clinics - A budget note accompanying policy option package 803 requires OHA to continue to administer the certified community behavioral health clinic (CCBHC) demonstration program and submit a report to the Human Services Subcommittee of the Joint Committee on Ways and Means no later than February 1, 2025, that details specific investments and categorized spending in the 2021-23 biennium, the number of people served, barriers to having fully utilized available funds, specifics on health outcomes based on individual participant's results, reduced costs resulting from the program, recommendations on the whether to redirect funding from non-CCBHC programs to increase this program funding, and the impact of ending the pilot and discontinuing funding beyond the 2023-25 biennium.

Although the text of the budget note requested specific investments and categorized spending in the 2021-23 biennium, it is anticipated that the agency will report on the program and these specified issues using the most up-to-date information available at the time of the report.

Health Policy and Analytics

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	56,477,058	110,935,894	89,196,168	91,347,132
Lottery Funds	21,520	27,074	28,211	28,211
Other Funds	41,689,129	105,768,281	105,393,982	139,751,845
Federal Funds	31,144,514	49,651,820	57,523,862	57,636,319
Total Funds	129,332,221	266,383,069	252,142,223	288,763,507
Positions	218	311	283	298
FTE	202.40	286.79	278.58	289.95

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Health Policy and Analytics (HPA) Division provides policy support, technical assistance, and access to health information statistics and tools for OHA programs, outside organizations, and providers participating in Oregon's health system. HPA includes the following offices:

- Office of Health Policy – supports the Oregon Health Policy Board, Medicaid Advisory Council, OHA programs, and other health care stakeholders. The office conducts policy analysis and development and provides technical assistance on primary care workforce development, resource leveraging, health system transformation grant development, and other topics.
- Office of Health Analytics – collects and analyzes utilization, quality, and financial data to evaluate OHA program performance; provides data for health system planning; analyzes trends across all payers and claims data; and performs actuarial analysis to support rate development and benefit design.
- Office of Delivery Systems Innovation – integrates clinical resources and policies to support implementation of the coordinated care model throughout OHA and all provider and payer organizations in the state.
- Office of Health Information Technology – coordinates policy development to achieve state and federal health reforms through the integration of health information technologies; leverages federal and other health IT funding opportunities; and collaborates across programs for planning and shared decision making, IT purchases, and service delivery.
- Office of Business Operations – partners with Shared Services offices and acts as a liaison to internal and external stakeholders related to operational functions.
- Oregon Health Insurance Marketplace – oversees and provides enrollment assistance for the health insurance products sold in Oregon through HealthCare.gov.
- Public Employees' Benefits Board (PEBB) / Oregon Educators Benefit Board (OEBB) – administers health care insurance and other employment benefits, such as short-term and long-term disability, for employees in state government, universities, and the K-12 system.

Program Funding

HPA is mostly supported by Other Funds revenue (41.8%). Other Fund revenues are derived from, and support, the All Payer All Claims system, Oregon Prescription Drug Program, Oregon Health Insurance Exchange, Health Care Incentive Fund, health care workforce data, ambulatory surgical data, inpatient data, and the Physician (or “J-1”) Visa Waiver Program. Administrative expenses of the Public Employees Benefit Board and the Oregon Educators Benefit Board are also paid from Other Fund revenues from administrative assessments applied to monthly premiums paid by public entities.

General Fund, accounting for 35.4% of total program funding, is matched with federal Medicaid administrative dollars. The federal match rates vary depending on the type of work being performed.

HPA also receives federal grants through the Health Resources and Services Administration related to primary care and oral health workforce.

BUDGET ENVIRONMENT

The work of the Health Policy and Analytics is supportive and derivative of programs throughout the agency. Therefore, the budget environment for HPA shares many of the same issues and challenges of those programs.

The federal revenue OHA receives is tied to a significant body of federal law and administrative rules. This is particularly true with Medicaid, which is governed by waivers of certain federal regulations that allow Oregon to tailor its Medicaid services to the unique needs of the state. Medicaid waivers and corresponding amendments must be approved by the federal Centers for Medicare and Medicaid Services (CMS).

The change in the federal administration following the 2024 elections may result in a shift of policy at CMS regarding the renewal of state waivers. Although the current 1115 waiver runs through the upcoming 2025-27 state biennium, the development of the next waiver period is anticipated to begin in the fall of 2025. HPA will be significantly involved with the waiver development for the next waiver period.

The Basic Health Plan that went live in July 2024 is subject to a Section 1331 Waiver that was approved by CMS in March 2024. This program was initiated by HB 4035 (2022) with an implementation blueprint developed and submitted to CMS in 2023. Funding for the program planning and development were phased out of the 2025-27 CSL budget, but the funding and position authority for the associated administrative and policy development positions for the program were continued.

The implementation of the Basic Health Plan, including the move of individuals that were previously covered by the Oregon Health Plan due to temporary Medicaid expansion and the move of individuals from the Health Insurance Marketplace, changes the dynamics for insurers providing health care coverage through the marketplace, and is thought to result in increased policy premiums for plans sold through the marketplace. To address this issue, the state has embarked on a project to establish a state-based marketplace managed through the Oregon Health Insurance Marketplace program within the Health Policy and Analytics division. The Oregon state-based marketplace is intended to be fully implemented and ready to enroll participants for the 2026 calendar year by the end of September 2025.

The initial procurement for the state-based system was cancelled due to claims of an undisclosed conflict of interest. It's not clear if this will result in a delay in the implementation timeline.

CURRENT SERVICE LEVEL

The current service level budget for the Health Policy and Analytics division includes \$89.2 million General Fund, \$252.1 million total funds. The General Fund budget is a net decrease of \$21.7 million from the 2023-25 legislatively approved budget due to the phase out of several one-time funding packages as detailed in the phase-outs section below. Roll-up costs for ongoing positions and programs authorized in the 2023-25 biennium total \$2.9 million General Fund, \$3.5 million Total Funds. A reversal of one-time reductions to the program's budget in the 2023-25 biennium increase expenditures at the current service level by \$2.9 million General Fund.

Program Phase-Ins

Basic Health Plan Administration - Although not typically anticipated in a phase-in package, OHA included the establishment of a project manager position in the Health Policy and Analytics program as part of the administration of the Basic Health Plan in package 021. The program proposes to "self-fund" the position by decreasing budgeted services and supplies expenditures by the same amount as the personal services costs for the new position; \$236,337 General Fund.

Universal Health Plan - SB 1089 (2023) established a nine-member Universal Health Plan Governance Board within the Department of Consumer and Business Services (DCBS). The Board is charged with creating a comprehensive plan to finance and administer a Universal Health Plan by September 15, 2026. To aid in the Board's work, two limited duration positions were authorized in the Health Policy and Analytics program to provide subject matter expertise on federal Medicaid waivers, and to assist with interagency coordination and policy development. Package 021 phases in \$72,066 General Fund and reauthorizes the limited duration positions for three months of the 2025-27 biennium.

Program Phase-Outs

Designated State Health Program funding for Health-Related Social Needs (1115 Waiver) - \$276,076 Other Funds and \$276,076 Federal Funds supporting Health-Related Social Needs (1115 Waiver) activities is phased out of the current service level budget for the Health Policy and Analytics program to adjust the 2025-27 biennium budget to anticipated expenditures.

Oregon Center for Nursing (HB 3396) - A one-time, \$5 million General Fund appropriation was made to OHA for distribution to the Oregon Center for Nursing in HB 3396 (2023). This funding and position-related services and supplies of \$29,512 for two limited duration positions that were established by the bill are phased out in package 022 for the Health Policy and Analytics program.

Quality Incentive Program Study - A portion of the one-time funding that was provided in SB 966 (2023) to produce a study on the Quality Incentive Program for coordinated care organizations is phased out of the Health Policy and Analytics program budget at the current service level. Although the estimated total one-time costs of consulting services and production of the study were estimated to be \$175,000 General Fund and \$175,000 Federal Funds, the phase-out includes reductions of \$159,456 General Fund

and \$173,456 Federal Funds as funding for contracted consulting services are carried forward into the 2025-27 biennium.

PEBB / OEBC Benefits Management System Replacement - A portion of the \$6.6 million Other Funds expenditure limitation that was provided in SB 5525 (2023) to begin the implementation of for a benefit management system for both the Public Employees’ Benefit Board (PEBB) and the Oregon Educators’ Benefit Board (OEBC) is phased out at the current service level. This \$6.2 million reduction includes certain services and supplies expenditure authority but retains funding for personal services expenditures in the budget. Policy option package 425 was included in the Governor’s budget to renew the \$6.2 million Other Funds expenditure limitation for the continuation of the project in the 2025-27 biennium.

Basic Health Plan and Redeterminations - Funding of \$30.1 million General Fund and authorization for 16 positions (15.29 FTE) to continue policy development of the Basic Health Plan and Oregon Health Plan eligibility redeterminations following the end of the public health emergency was provided in SB 5525 (2023) for the Health Policy and Analytics program. The majority of this funding was for one-time activities, including contracted call center costs. Package 022 phases out \$27.4 million General Fund for these one-time expenses but the current service level carries forward position authority and associated funding.

GOVERNOR’S BUDGET SUMMARY

	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Current Service Level	89,196,168	28,211	105,393,982	57,523,862	252,142,223	283	278.58
Governor’s Budget	91,347,132	28,211	139,751,845	57,636,319	288,763,507	298	289.95
Change	2,150,964	-	34,357,863	112,457	36,621,284	15	11.37
	2.4%	-	32.6%	0.2%	14.5%	5.3%	4.1%

The Governor’s budget for the Health Policy and Analytics (HPA) program is an increase of \$2.2 million General Fund, \$34.4 million Other Funds, and \$112,457 Federal Funds from the current service level. The total budget of \$36.6 million is a 14.5% increase from CSL and includes the addition of 15 positions (11.37 FTE).

The Governor reduced expenditures in most OHA programs for Attorney General costs, statewide service charges, and unspecified General Fund-supported services and supplies. For the HPA program, these reductions total \$633,177 General Fund, \$158,254 Other Funds, and \$23,119 Federal Funds.

As requested by the agency as part of the 2025-27 budget reshoot, the Governor’s budget includes the transfer of a Research Analyst position working on policy development and implementation for the Certified Community Behavioral Health Center program from the Medicaid program to the Health Policy and Analytics program.

Policy Option Packages

POP 70 / POP 407 Health Care Market Oversight - An expenditure limitation reduction of \$1 million Other Funds and the reduction of position authority by 2.54 FTE is included in package 70 to address projected revenue shortfalls in the Health Care Market Oversight program. Package 407 amends the program's budget to add \$2.6 million General Fund, \$466,688 Other Funds, restores the reduced position authority from package 70, and adds another two positions (2.00 FTE). The net result of both packages is an increase of \$2.6 million General Fund, a reduction of \$538,041 Other Funds, and an increase of two positions (2.00 FTE).

The composition of package 407 is notable in that not only does it add \$1.3 million in new General Fund expenditures for the added positions, but it also shifts \$501,022 in existing Other Funds expenditures for personal services to General Fund. The package includes significant increases in professional services contract expenditures (\$1.5 million total funds) that are funded partially through reductions to other services and supplies expenditures. Professional services contracts are allowed to inflate at a rate that is higher than standard services and supplies expenditures. The 2025-27 biennial inflation rate for professional services is 6.8% whereas the inflation rate for most other services and supplies expenditure categories is 4.2%.

POP 424 State-Based Marketplace - Increased expenditure limitation of \$23.6 million Other Funds and the addition of nine positions (6.75 FTE) is requested to continue the development of a state-based eligibility and enrollment platform and call center for Oregon's health insurance exchange. Personal services expenditures of \$4.4 million Other Funds assume a phase in of the new positions for 18 months in the upcoming biennium. Full biennial position costs would be \$5.9 million. The package requests \$16 million in information technology professional services costs and another \$2.4 million for professional services contract costs, generally. Funding for the increased expenditures is ostensibly from per-member, per-month (PMPM) fees charged to insurers for health insurance policies sold through the exchange. The current (2025) PMPM fees are \$5.50 for health insurance plans and \$0.36 for dental plans. Additional package components are in the Shared Services program where an additional six positions (3.99 FTE) are requested.

POP 423 PEBB/OEBB Consultant Services - The Governor's budget includes a request to increase expenditure limitation by \$5.3 million Other Funds to allow the Boards to jointly contract for professional consulting services supporting joint workgroups, claims audits, clinical audits, and RFP development. Funding for the additional consulting services would be derived from premium assessments to member entities. The current administrative fee for both PEBB and OEBB is 1.3% of premiums.

POP 425 PEBB/OEBB Benefits Management Systems Replacement - Expenditure limitation of \$6.2 million Other Funds is requested to continue the Benefits Management Systems (BMS) replacement project for PEBB and OEBB. The new system is intended as a single unified platform to replace the antiquated individual BMS of both Boards, which were introduced in 2008 and 2003. Vendor support for the existing platforms expires in 2026. Expenditure limitation of \$6.6 million and three positions were authorized for the program in the 2023-25 biennium. The current service level phased out \$6.2 million of that funding, but continued \$400,000 in expenditure limitation supporting the three positions. The

current request adds three new positions (1.62 FTE) and \$5.9 million for software licenses and configuration.

Public Employees’ Benefit Board - Oregon Educators Benefit Board Benefits

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	8,076	-	-	-
Other Funds	4,184,526,051	4,483,148,740	4,911,532,927	4,911,532,927
Total Funds	4,184,534,127	4,483,148,740	4,911,532,927	4,911,532,927
Positions	40	-	-	-
FTE	39.50	-	-	-

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Public Employees’ Benefits Board (PEBB) designs, contracts for, and administers health plans, group insurance policies, and flexible spending accounts for state agencies, universities, the Oregon State Lottery, semi-independent state agencies, and participating local governments and special districts. More than 140,000 members are enrolled in PEBB coverage. Members include active employees, retirees, spouse and domestic partner dependents, child dependents up to age 26, and adult children with disabilities over age 26. The Board itself is comprised of eight voting members – four representing labor and four representing management. The Board also has two non-voting advisory members from the Legislature.

The Oregon Educators Benefit Board (OEBB) administers medical, dental, vision, and other benefits for over 155,000 employees, retirees, and their family members in Oregon’s K-12 school districts, education service districts, and community colleges, as well as some charter schools and local governments. The Board is comprised of 10 members appointed by the Governor and confirmed by the Senate. Members represent district boards (two) and management (two); non-management district employees from the large labor organization representing district employees (two); non-management district employees from the second largest labor organization representing district employees (one); and non-management district employees who are not represented by labor organizations (one). Also appointed are two members with expertise in health policy or risk management.

The budget for PEBB and OEBB operations was moved to the Health Policy and Analytics Division in the previous biennium, including support for 20 positions (19.50 FTE) associated with PEBB, and 20 positions (20.00 FTE) associated with OEBB. Total combined operational costs for both boards are roughly \$38 million Other Funds.

The expenditure limitation remaining in the PEBB and OEBB budget structures support member benefits. The executive director of PEBB also serves as OEBB’s executive director; this dual role was formalized upon the passage of Senate Bill 1067 (2019).

Program Funding

PEBB and OEBB are budgeted entirely with Other Funds. Revenue is derived from premium payments associated with insured individuals. The resources to pay for state employee health insurance are budgeted in state agency budgets according to how each agency pays for employee salaries and benefits, be it from the General Fund, Lottery Funds, Other Funds, or Federal Funds. Once the resources are transferred to PEBB, they are accounted for as Other Funds.

OEBB is funded with Other Funds revenue received from premium payments for all insured individuals.

BUDGET ENVIRONMENT

The inflation rate applied for both the Public Employees Benefit Board and the Oregon Educators Benefit Board continues to be held to 3.4% per person per year, consistent with the Medicaid budget. SB 1067 (2017) codified the 3.4% annual inflationary target for PEBB and OEBB. The cost containment strategy for both PEBB and OEBB is largely focused on controlling premium costs as opposed to shifting costs to members through higher deductibles, copayments, or increased premium share, although member cost increases do occur. The Boards encourage the use of high-value services, such as value-based prescription drug formularies, waived copayments for office visits related to chronic conditions, and no-cost tobacco use cessation programs, among others.

In addition to inflationary pressures, the budget is significantly dependent on the caseload. Changes in total number of PEBB and OEBB enrollees are driven by budget needs of individual agencies. While small incremental changes are unlikely to impact per-person costs, substantial changes to enrollments can impact the risk pools due to shifts in demographics and acuity.

CURRENT SERVICE LEVEL

The current service level budget for PEBB and OEBB medical benefit payments is \$4.9 billion Other Funds. This \$428.4 million, 9.6% increase from the prior biennium. Of the total, \$308.6 million, or 6.9% is due to medical inflation. The remaining \$119.8 million is due to the phase-in of additional expenditure authority related to increased enrollment.

GOVERNOR'S BUDGET SUMMARY

The Governor's budget continues funding for PEBB and OEBB benefits at the current service level.

Public Health

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	221,127,873	261,366,329	260,113,729	276,197,530
Other Funds	1,108,866,549	350,623,589	355,734,097	354,737,049
Other Funds (NL)	25,661,390	40,000,000	40,000,000	40,000,000
Federal Funds	451,184,016	783,545,548	455,967,583	456,879,966
Federal Funds (NL)	75,407,236	102,729,051	118,138,409	118,138,409
Total Funds	1,882,247,064	1,538,264,517	1,229,953,818	1,245,952,954
Positions	892	1,000	997	1,015
FTE	868.12	953.95	993.71	1,011.71

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Public Health Division's (PHD) mission is to promote health and prevent the leading causes of death, disease, and injury in Oregon through the administration a variety of programs addressing the behavioral and social drivers of health. The division directly manages, and partners with local public health authorities and other entities to implement, more than 100 prevention-related programs that halt the spread of disease, protect against environmental hazards, and promote healthy behaviors.

Oregon's public health system includes federal, state, county, and local agencies, tribal communities, community-based organizations, and other diverse partners working together to protect and promote the health of Oregonians. Public health services in Oregon are delivered directly by PHD or through contracts with local and tribal public health authorities, nonprofit organizations, and clinics.

Subsequent to recommendations from the Task Force on the Future of Public Health Services and the passage of HB 3100 (2015), local public health authorities must, at a minimum, meet the following seven foundational capabilities: assessment and epidemiology; emergency preparedness and response; communications; policy and planning; leadership and organizational competencies; health equity and cultural responsiveness; and community partnership development. The authorities must also establish foundational programs in communicable disease control, environmental public health, prevention of injury and diseases, and promotion of health.

The Public Health Division has four general program areas:

Office of the State Public Health Director – responsible for guiding the strategy, operations, scientific activities, communications, and policies of public health programs. The office also oversees county health plans and the division's fiscal and policy responsibilities.

Center for Prevention and Health Promotion – helps communities and residents achieve lifelong health, wellness, and safety through the prevention of chronic diseases, child developmental delays, injuries and unsafe relationships, and physical and behavioral problems. The center has the following five sections: Adolescent, Genetics and Reproductive Health; Health Promotion and Chronic Disease

Prevention; Injury and Violence Prevention; Maternal and Child Health; and Nutrition and Health Screening.

Center for Health Protection – protects the health of individuals and communities by ensuring compliance with regulatory and health-based standards. The center’s seven sections include: Radiation Protection Services; Drinking Water Services; Environmental Public Health; Oregon Medical Marijuana Program; Oregon Psilocybin Services; Health Care Regulatory and Quality Improvement; and the Health Licensing Office.

Center for Public Health Practice – protects the health of individuals and communities through infectious disease control and prevention; integrated care and treatment for persons living with HIV; vital records; population health monitoring; and emergency public health services. The center has the following six sections: Center for Health Statistics (vital records); Acute and Communicable Disease Prevention; State Public Health Laboratory; HIV, Sexually Transmitted Diseases and Tuberculosis Prevention; Immunizations; and Health Security, Preparedness and Response.

Program Funding

The division is funded primarily through Federal Funds (46.7% at CSL), including grant funding categorically dedicated to specific programs, such as emergency and hospital preparedness, cancer prevention and control, and safe drinking water. Federal Medicaid matching funds are used by the division to support reproductive health and universal nurse home visitation programs. The Federal Funds budget also includes funding designated as nonlimited, which represents federal payments to support the Women, Infants, and Children program.

Other Fund revenues are derived through various fee-based programs, including newborn screening tests, licensing of hospital and inpatient care facilities, registration and inspection of x-ray equipment, testing and certification of emergency medical technicians, registration of medical marijuana cardholders, growers and dispensaries, and fees for issuing certified vital records. Additional Other Funds revenue includes a portion of tobacco taxes dedicated to tobacco cessation and prevention activities, hospital and inpatient care licensing fees, vital record fees, and fees for the inspection of public places (e.g., food, pool, and lodging).

The main programs funded with General Fund support local public health authorities, school-based health centers, contraceptive care, and the breast and cervical cancer screening program.

The division’s General Fund appropriation has significantly grown over the past three biennia. The 2023-25 legislatively approved budget included \$261.4 million General Fund, representing 17% of the total funds budget. This is a four-fold increase from the General Fund amount appropriated in 2017-19. Most of this growth is from investments in Public Health Modernization, accounting for roughly \$110 million General Fund at the current service level. Other contributing factors include appropriations to backfill declining medical marijuana revenue that had been budgeted in non-medical marijuana programs; expansion of reproductive health services authorized in HB 3391 (2017); support for the new Healthy Homes Repair Fund established in HB 2842 (2021); and funding of the universally offered home visiting program established in SB 526 (2019).

BUDGET ENVIRONMENT

Continued funding and operational challenges at local public health authorities, including the ability to meet the minimum fundamental capabilities outlined in statute, will remain an issue for the Public Health Division in the 2025-27 biennium. Additionally, competing policy priorities between fulfilling statutory requirements and achieving health equity goals through financial support of community-based organizations is anticipated to continue into the upcoming biennium.

Changes in federal administration is likely to change funding priorities for certain federally mandated or federally supported grant programs. This may mean a reduction in existing funding, additional reporting requirements, or changes in program scope. Additionally, federal policy changes regarding funding for reproductive health services may put pressure on the division to backfill or buttress existing funding streams with General Fund.

An update of the estimated costs as required by ORS 431.380(2) to implement foundational capabilities and programs by local public health agencies is anticipated to be finalized in January 2025. This report will be pivotal in assessing the use and effectiveness of current funding, including increased funding for public health modernization, and should provide a starting place for discussion of ongoing funding and fiscal policy for the division. The Public Health Advisory Board paused the use of previously adopted metrics and began the process of revising public health accountability metrics. Updated metrics were adopted in 2023 and the agency has indicated that the January 2025 report will include reporting on these metrics.

CURRENT SERVICE LEVEL

The current service level budget for the Public Health Division of \$260.1 million General Fund, \$1.2 billion total funds, represents a 20% decrease in overall expenditure authority for the program. The budget includes 1,015 authorized positions comprising 1,011.71 FTE. While the majority of funding remains unchanged, an administrative increase of \$15 million Federal Funds Nonlimited is included for the Women, Infants, and Children (WIC) program. This is offset by a reduction of \$327.6 million Federal Funds to remove accumulated excess expenditure limitation from prior biennia, and for the phase out of Federal Funds expenditure limitation for one-time grant funding.

Program Phase-Ins

Expenditure authority of \$234,065 General Fund, \$368,920 total funds, is phased in to the current service level for services and supplies costs related to positions that were authorized throughout the prior biennium, but were budgeted at less than a full FTE due their establishment date. These adjustments represent the difference in the cost of funding the position-related services and supplies for the entire biennium, including inflation.

Unspecified reductions to General Fund budgets were included in the 2023-25 biennium to achieve statewide budget targets. For the Public Health Division, \$489,740 General Fund is phased in to the 2025-27 biennium current service level to restore programmatic budgets to original funding levels, including inflation.

Program Phase-Outs

Excess Federal Funds Expenditure Limitation - Existing Federal Funds expenditure limitation in the Public Health division significantly exceeds anticipated federal revenues for the upcoming biennium. An adjustment is included in package 022 to phase out \$324 million Federal Funds expenditure limitation for unspecified, previously approved federal grant funds to align the program's budget with currently anticipated revenues.

A specific reduction in Federal Funds expenditure of \$100,289 is made to remove limitation provided in the agency's first 2023-25 biennium rebalance that was carried forward from the 2021-23 biennium for the Harold Rogers Prescription Drug Monitoring Program (PDMP). These funds are anticipated to be completely expended in the 2023-25 biennium, therefore no expenditure limitation is needed to carry forward to the 2025-27 biennium.

Public Health Division Indirect Cost Rate Program - A technical adjustment to phase out unused expenditure limitation is included in package 022 for the division. OHA had established a budgetary subdivision within the program to account for indirect cost allocations for the myriad of state and federally funded programs overseen by the Public Health Division. While the structure and associated expenditure limitation were established in the prior biennium, the actual program has not been initiated. Both the structure and \$19.6 million Other Funds and \$18.8 million Federal Funds expenditure limitation is phased out of the current service level budget in package 022.

State Partnerships Improving Nutrition and Equity - One-time Other Funds expenditure limitation of \$100,000 provided in the 2023-25 biennium for the expenditure of awarded grant funding from the National Association of Chronic Disease Directors, a partnership funded partially by the U.S. Centers for Disease Control and Prevention is phased out of the Public Health Division, Center for Advancing Healthy Communities, budget. This funding was provided to support state activities related to equitable food and nutrition security.

Prescription Drug Monitoring Program – A one-time \$1.5 million General Fund appropriation was included in SB 5506 (2023) for integration of the Prescription Drug Monitoring Program (PDMP) with provider electronic health records systems is phased out of the Public Health division budget at the current service level.

Healthy Homes Repair Fund Capitalization - One-time funding of \$15 million General Fund for the capitalization of the Healthy Homes Fund provided in SB 1530 (2024) is phased out of the Public Health division budget at the current service level.

Newborn Screening Fees for Metabolic Diseases - Statute allows for the waiving of fees for screening newborns for metabolic diseases if the parent is unable to pay the fee. SB 5701 (2024) provided a one-time appropriation of \$250,000 General Fund to support program operations due to fee waivers that is phased out of the Public Health division budget at the current service level.

Sign Language Interpreter Licensing Program - HB 2696 (2023) established the state Board of Sign Language Interpreters and a licensing program for qualified practitioners within the Health Licensing Office program. \$100,100 Other Funds expenditure limitation was provided for the operations of the Board from anticipated licensing fees, including \$21,000 for start-up costs such as legal consultation,

supplies and equipment, and professional services. The current service level phases out expenditure limitation for these start-up costs.

Inflationary Factors

The current service level budget for the Public Health Division includes increased expenditure authority of \$9 million General Fund, \$21.9 million total funds, for a 4.2% standard inflation factor applied to base budget expenditures for most services and supplies, capital outlay, and certain special payment expenditure categories in package. This is in addition to changes to authorized expenditures for personal services costs that are adjusted in the base budget.

Funding Changes

The current service level budget recognizes increased fee revenues for the Oregon Psilocybin Services program of \$3.7 million, which offsets General Fund in the base budget.

GOVERNOR’S BUDGET SUMMARY

	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Current Service Level	260,113,729	-	395,734,097	574,105,992	1,229,953,818	997	993.71
Governor’s Budget	276,197,530	-	394,737,049	575,018,375	1,245,952,954	1,015	1,011.71
Change	16,083,801	-	(997,048)	912,383	15,999,136	18	18.00
	6.2%	-	-0.2%	0.2%	1.2%	1.8%	1.8%

The Governor’s proposed budget of \$1.2 billion total funds for the Public Health Division includes an increase in expenditures of \$16.1 million General Fund, \$16 million total funds. This is a 6.2% increase in General Fund and 1.2% increase in total funds from the 2025-27 current service level.

The Governor reduced expenditures in most OHA programs for Attorney General costs, statewide government service charges, and unspecified General Fund-supported services and supplies. For the Public Health Division, these reductions total \$1.1 million General Fund, \$294,987 Other Funds, and \$52,188 Federal Funds.

As requested by the agency as part of the 2025-27 budget reshoot, the Governor’s budget includes increased expenditure limitation of \$2.5 million Other Funds, \$990,000 Federal Funds, and the addition of two limited-duration positions (2.00 FTE) for anticipated 2025-27 biennium grants. Position authority is provided for two positions (2.00 FTE) for the Women, Infant, and Children (WIC) program funded with a net-zero reduction in services and supplies expenditures.

Other Funds supported expenditures in the Public Health Division are reduced by \$5.2 million in the Governor’s budget due to changes in forecasted revenues from tobacco taxes, tobacco retail license fees, beer/wine/cider taxes, and psilocybin program fees.

Significant Investments

The Governor's budget makes two one-time investments in reproductive health services through the Public Health Division. \$2.5 million General Fund is included for a grant to Seeding Justice, a 501(c)(3) nonprofit charitable organization that operates multiple social-change grant programs, including the Reproductive Health Equity Fund. An additional \$2.5 million General Fund is added for reproductive health provider response to changes or reductions to federal reproductive health funding,

A one-time General Fund investment of \$6 million for school-based health centers to expand mental health services, SUD screenings, and prevention services, and an additional \$1 million to expand culturally responsive youth suicide prevention work.

Policy Option Packages

POP 410 Public Health Modernization - Following on 2023-25 biennium increased funding of \$50 million General Fund to support public health modernization efforts as outlined in HB 3100 (2015), the Governor's budget includes an additional \$2 million General Fund to implement key priorities identified by the Public Health Advisory Board to specifically address health inequities.

POP 415 Domestic Well Safety - The package requests an increase of \$3.2 million General Fund and the addition of eight positions (8.00 FTE) for the Domestic Well Safety program. This is in addition to the program's existing four positions (4.00 FTE) and funding of \$3.1 million General Fund. In addition to the new personal services expenditures of \$1.9 million, the requested funding includes \$450,000 for contaminant testing and kitchen-tap treatment systems, and \$775,000 for contract costs for Oregon Department of Human Services field operations to collect and transport water samples for laboratory testing, paid media expenses, development and maintenance of case management data systems, and costs of contracts with local public health authorities and community based organizations to support residents in accessing safe water services.

POP 426 Hospital License Regulation - The Governor's budget supports increased expenditure limitation of \$1.7 million Other Funds from revenues derived from a proposed fee increase in the Health Care Facilities Licensing and Certification program, which will require a statutory change. OHA estimates an increase of \$2.8 million in revenues from the proposed fee increases. The proposed expenditure increase and requested establishment of six positions (6.00 FTE) are intended to address increased workload due to complaints received and investigated by the program, address public inquires, allow for consulting on regulatory solutions, and to address complexities of licensees.

POP 427 Synthetic Tobacco Tax - An increase in Tobacco Tax revenue is recognized in the Governor's budget. This change is dependent on substantive legislation to expand the tax to synthetic tobacco products. The Governor's budget assumes total new tax revenues of \$9.3 million. \$900,000 of that amount would be used in the Public Health Division to enhance tobacco retail sales enforcement activities, tobacco use prevention, and tobacco cessation programs.

OTHER SIGNIFICANT ISSUES

The Public Health program administers the state's special supplemental nutrition program for Women, Infants, and Children (WIC). OHA is engaged in the process of upgrading the information management

system used for WIC to a web-based system. The contracted transfer and implementation (T&I) vendor informed OHA that the current underlying code base is not viable and will not be supported past 2030. This has led the contracted quality assurance firm to assess that the project's current implementation approach, timeline, and plan are untenable. The T&I vendor was instructed to stop work on the project in November 2024. The next steps for the project are currently being evaluated, but the cost and timeline for completion of the project may increase significantly.

Oregon State Hospital

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	394,251,012	800,411,957	924,849,350	971,942,780
Other Funds	315,950,885	18,700,707	16,767,424	21,555,424
Federal Funds	25,004,495	42,979,854	32,441,418	32,441,064
Total Funds	735,206,392	862,092,518	974,058,192	1,025,939,268
Positions	2,754	2,772	2,772	2,996
FTE	2,642.63	2,768.75	2,772.00	2,990.82

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Oregon State Hospital (OSH) provides psychiatric care for adults admitted to OSH under court orders. OSH is budgeted to serve up to 758 individuals, with 592 beds in Salem, 150 beds in Junction City, and 16 beds at a secure residential treatment facility operated by OSH in Pendleton. The hospital's services include 24-hour nursing, psychiatric care, treatment planning, pharmacy, laboratory, food and nutritional services, and vocational and educational services. By leveraging these resources, OSH's main role is to treat individuals and prepare them to safely return to their communities.

Program Funding

OSH's budget is supported almost entirely with General Fund, with limited amounts of Other Funds and Federal Funds revenues available for the hospital's services.

The hospital receives ongoing Other Funds revenue from insurance reimbursements and settlements for billable services for covered patients, principally through Medicare and, to a lesser extent, commercial insurance. Lower numbers of patients on Medicare admitted to OSH has reduced the collection of Medicare revenue resulting in the need for additional General Fund support.

Federal revenue is from limited Medicaid reimbursements for services and federal Disproportionate Share Hospital (DSH) payments made available to eligible psychiatric institutions to defray the cost of providing uncompensated care. Federal law prohibits Medicaid reimbursement for patients aged 21 through 64 who are in mental health residential treatment facilities with more than 16 beds.

BUDGET ENVIRONMENT

The 2022 U.S. District Court order issued by Judge Mosman set up specific time limitations for individuals that were subject to a criminal proceeding, but were not psychologically able to aid in their own defense, to be treated and discharged from the State Hospital. This order was intended to address prior unmet court orders (Mink, 2003) to admit these individuals within seven days of being remanded to the State Hospital. The Oregon State Hospital has had varying levels of success in complying with the court order over the past two years. The current order is set to expire at the end of the year and it's not clear if it will be extended again. There is tension between the services that are able to be provided in

local settings and the State Hospital. Achieving the deadlines set in court orders may help alleviate jail capacity issues, including the ability to provide forensic evaluation service for communities and prevent individuals needing mental health services from languishing in jail, but limitation on time spent at the State Hospital may not afford appropriate care for individuals and may push potentially unready patients back to community settings that are lacking in capacity, expertise, and funding. Capacity issues at the State Hospital that result from the aid and assist population increase also results in a lack of capacity for civil commitment and guilty except for insanity (GEI) beds.

Recent surveys by the Centers for Medicare and Medicaid Services (CMS) identified operational deficiencies at the State Hospital that required corrective actions to remain in compliance with CMS requirements to receive federal Medicaid assistance payments. The agency has requested the establishment of eleven new positions: five nurse positions addressing medical emergencies, and six incident review and data analysis positions to address identified deficiencies. These positions are in addition to contracted mental health security positions and equipment that OSH has already brought on to immediately address the identified issues at a cost of \$5.2 million in the 2023-25 biennium. In the 2025-27 biennium, OSH plans to discontinue the use of contracted employees and has requested an additional 65 positions, for a total of 76 positions added in response to the CMS findings. The projected cost in the upcoming biennium is \$21.8 million General Fund.

Fluctuations in available federal revenue can impact the hospital's biennial budget. Similar to the Medicaid Division budget, the hospital must account for changes in the Medicaid match rate in terms of both the limited Medicaid reimbursement available for patient care and the federal Disproportionate Share Hospital payments, which are impacted by the same federal match rate. During years when the match rate increases, General Fund can be saved; conversely, General Fund must be increased when the match decreases to maintain patient services.

CURRENT SERVICE LEVEL

The current service level budget for the Oregon State Hospital includes \$924.8 million General Fund, \$974.1 million total funds. The \$124.4 million, or 15.5%, increase in General Fund from the 2023-25 legislatively approved budget is slightly offset by reductions of \$1.9 million Other Funds and \$10.5 million Federal Funds, resulting in a total budget that increases by \$112 million. The budget supports 2,996 authorized positions comprising 2,990.82 FTE.

The majority of the General Fund increase results from changes to expenditure levels for the cost of authorized positions continuing into the 2025-27 biennium that were budgeted for less than an entire biennium in the 2023-25 budget, as well as compensation plan changes. Base budget adjustments for the 2025-27 biennium total \$85.5 million General Fund, \$89 million total funds, and increase total FTE by 3.25.

Additional position-related adjustments are made to account for changes not captured in the position budgeting system. For OSH these include an increase of \$8 million General Fund for changes in costs due to use of temporary employees, overtime pay, shift differential payments, and position-related equipment. Pension bond obligation adjustments reduce General Fund by \$1.1 million, \$1.2 million total funds. The application of standard vacancy savings factors to the adjusted personal services budget

result in an increase of \$21.1 million General Fund, \$22.5 million total funds. Part of this increase is due to the elimination of non-standard vacancy savings that was applied in the 2023-25 biennium.

Program Phase-Outs

Capital Improvements and Deferred Maintenance - Expenditure limitation of \$1.4 million Other Funds for capital improvement projects that was provided in the 2023-25 biennium as part of the agency’s first biennial rebalance package will not be needed in the upcoming biennium and is phased out of the State Hospital budget in the current service level. Additionally, \$565,661 Other Funds expenditure limitation for American Rescue Plan Act funds allocated to OHA for deferred maintenance projects at the State Hospital is phased out at the current service level.

DEI Program Start-Up Costs - \$69,300 General Fund is phased out of the State Hospital budget at the current service level. The funding, provided as part of a package in SB 5506 (2023), was used in the 2023-25 biennium to support one-time services and supplies expenditures for the establishment of the diversity and equity program within the Oregon State Hospital division.

GOVERNOR’S BUDGET SUMMARY

	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Current Service Level	924,849,350	-	16,767,424	32,441,418	974,058,192	2,772	2,772.00
Governor’s Budget	971,942,780	-	21,555,424	32,441,064	1,025,939,268	2,996	2,990.82
Change	47,093,430	-	4,788,000	(354)	51,881,076	224	218.82
	5.1%	-	28.6%	0.0%	5.3%	8.1%	7.9%

The Governor’s proposed budget of \$1 billion total fund, for the Oregon State Hospital includes an increase in expenditures of \$47.1 million General Fund and \$4.8 million Other Funds. This is a 5.1% increase in General Fund, 5.3% increase in total funds, from the 2025-27 current service level and adds 224 new positions (218.82 FTE)

The Governor reduced expenditures in most OHA programs for Attorney General costs and statewide government service charges. For the Oregon State Hospital, these reductions total \$222,369 Other Funds, and \$354 Federal Funds.

Significant Investments

State Hospital Operations - As requested by the agency as part of its 2025-27 budget reshoot, the Governor’s budget includes \$21.8 million General Fund to address identified operational deficiencies at the State Hospital that require corrective actions for the hospital remain in compliance CMS requirements. This increase in funding is a follow-on to funding requested by OSH in its 2023-25 biennium budget second rebalance. The rebalance requested the establishment of eleven new

positions: five nurse positions addressing medical emergencies and six incident review and data analysis positions. These positions are in addition to contracted mental health security positions and equipment that OSH had previously engaged to immediately address the identified issues. For the 2025-27 biennium, OSH will discontinue the use of contracted employees and use the funding included in the Governor's budget to establish an additional 65 positions for a total of 76 positions (76.00 FTE) added in response to the CMS findings.

State Hospital Staffing - An \$11.7 million General Fund increase is included in the Governor's budget to support the addition of 136 mental health technician positions (136.00 FTE). Regular personnel scheduling accounts for population and assumed acuity needs, but does not fully account for non-delivered events such as unanticipated sick days, unscheduled leave, vacation days, or other protected leave taken. When these events occur, OSH resorts to the use of overtime or contracted, on-call positions; both at a higher rate than standard, budgeted positions. OSH believes that, in a significant number of these cases, it can use an enhanced level of staffing of Mental Health Technicians to address the care needs of its population. The total cost of the new positions is estimated to be \$26.1 million; however, the package assumes that a reduction in overtime and contracted services will offset the additional expenditures for the new positions by \$14.4 million, leaving a net expense of \$11.7 million. Whether or not the savings would materialize is indeterminant as the State Hospital has acknowledged that the reduction in nursing overtime may not be achievable while meeting staffing minimums.

Enhanced Security Contracts - In response to Centers for Medicare and Medicaid Services survey findings that required corrective action by the Oregon State Hospital, the requested budget includes \$5.8 million General Fund for contracted security services at both the Salem campus and the Junction City facility.

Patient Vitals Monitoring - A request for \$3 million General Fund is included in the Governor's budget to address CMS survey findings following the untimely discovery of patient that had died while in the State Hospital's care. This package includes various biometric sensors, software, information technology hardware, communication, and information technology services. Roughly \$1 million of the total is for one-time equipment costs. Ongoing costs for software licenses and cloud services are estimated to be \$1.5 million per year.

Forensic Evaluation Services - The Governor's budget adds \$685,782 to extend four current contracts providing 20 hours per week of forensic evaluation services. These services evaluate the ability of individuals remanded to the State Hospital or community restoration to aid in their own defense. This work addresses the continued compliance with constitutional requirements that individuals found unable to aid and assist in their own defense be admitted to OSH for restoration within seven days of an order for their commitment. Current staffing at OSH doing this work included 21 Clinical Psychologists, a Supervising Psychiatrist, a Psychology Manager, two administrative specialists, and seven contractors. These evaluative services are required for patients remanded to the State Hospital, but OSH is also providing these services at no charge for certain individuals in community restoration settings.

Behavioral Health Community Navigators - The Governor's budget adds \$2.9 million General Fund to the \$6 million General Fund included in CSL from the investments in prior biennium to help people on Aid and Assist orders at the Oregon State Hospital navigate their transition back to the community. Of the total increase, \$2.4 million is budgeted in the Behavioral Health Program and includes the addition of an Operations and Policy Analyst position (1.00 FTE) to provide statewide coordination, reporting, and

program administration, and \$2 million for distribution to community mental health programs. The remaining \$531,308 is in the Oregon State Hospital program supporting the addition of two resource coordination positions (2.00 FTE) to assist in connecting OSH discharges with local and community services and resources appropriate for individualized transition plans. The original \$6 million was included in SB 5525 (2023), policy package 803, to pilot the program. The added \$2 million General Fund in this package for distribution CMHPs is to expand the program to the Southern Oregon and the North Coast regions.

Position Reclassifications - The budget proposes an increase of \$531,504 General Fund to provide the budgetary capacity to convert four Licensed Practical Nurse positions to Registered Nurse positions. This aligns the budget to the required staffing needs of the State Hospital.

Policy Option Packages

POP 409 AVATAR Upgrade - A General Fund appropriation of \$3.1 million and the addition of four limited duration positions (1.89 FTE) is included in the Governor's budget for the upgrade of the Oregon State Hospital's electronic health record (EHR) system and enhancements to the hospital's workforce staffing software. The current version of the EHR system will no longer be supported in 2025. For the update to the ERH system, the requested funding includes \$534,609 for the limited duration positions and \$442,000 for two additional contracted positions, both of these are one-time costs in the 2025-27 biennium. One-time software and contracted vendor implementation costs are estimated to be \$1.3 million. Annual vendor support costs are estimated at \$60,000 per year beginning in 2026.

The additional software modules for the workforce staffing system are needed to ensure compliance and provide additional reporting capabilities. The purchase and implementation of the new modules are anticipated to cost \$742,033 in the upcoming biennium, with ongoing licensing and support of \$300,788 in subsequent biennia.

POP 414 Native Services -The Governor has included \$211,729 General Fund to establish a permanent Native Services program by establishing six positions (2.93 FTE) that would provide native services spiritual and recovery practices at OSH on both the Salem and Junction City campuses.

POP 419 Facility Conservation and Development - Increased capital improvement expenditure limitation of \$4.8 million Other Funds is included in the Governor's budget for improvements to the air handler return equipment at the Junction City campus in order to properly address air quality in the event of environmental air concerns, such as forest fires. The underlying source of funding for this project is the net proceeds of a proposed general obligation bond issuance. Additional funding of \$2.7 million in this package is included in the Capital Construction program.

Capital Construction (Oregon State Hospital)

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
Other Funds	7,992,750	8,000,000	-	2,675,000
Total Funds	7,992,750	8,000,000	-	2,675,000

PROGRAM DESCRIPTION

The Capital Construction program for the Oregon Health Authority is simply a budgetary function that allows for the segregation and tracking of funding approved through the capital construction budget process that supports planning, design, and construction activities for facility projects with a cost of more than \$1 million. Expenditure limitation provided for capital construction projects continues to be authorized for a six-year period from the original authorization, but is not tracked or displayed as part of the current service level.

CURRENT SERVICE LEVEL

There are no expenditures for capital construction budgeted at the current service level.

OHA's 2023-25 Capital Construction budget included two projects at the Oregon State Hospital (OSH) approved in the 2023 session.

- Replacement of the programmable logic controller (PLC) that integrates camera and door control systems to maintain safe and secure operations; \$3 million.
- Construction of a new unit at the Junction City location to accommodate the needs of a patient that presents a danger to himself, other patients, and staff; \$5 million.

Both projects were funded with proceeds from the issuance of general obligation bonds authorized under Article XI-Q of Oregon's Constitution.

HB 5006 (2023) provided six-year Other Funds expenditure limitation for the projects; however, as noted in the program description section above, that limitation is not tracked or displayed as part of the current service level.

GOVERNOR'S BUDGET SUMMARY

POP 419 Facility Conservation and Development - Capital Construction expenditure limitation of \$2.7 million Other Funds is included in the Governor's budget for the addition of a second floor within the Vocational Services area at the Oregon State Hospital, Salem campus, creating 2,700 square feet of office space and approximately 32 additional work spaces. The underlying source of funding for this project is the net proceeds of a proposed general obligation bond issuance.

Central Services

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	62,652,125	100,181,860	116,555,568	120,932,570
Lottery Funds	184,532	239,926	250,004	250,004
Other Funds	4,599,161	6,694,109	6,764,732	6,944,611
Federal Funds	19,066,944	34,958,025	37,356,639	37,509,947
Total Funds	86,502,762	142,073,920	160,926,943	165,637,132
Positions	246	296	291	305
FTE	231.43	286.64	291.00	303.51

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

Central Services budget houses the agency-wide administrative functions of the agency. This budget structure supports the following programs:

- Director's Office – responsible for overall leadership, policy development and administrative oversight for the agency.
- External Relations Division – manages external communications and policy with the public, media, Legislature, and other agencies at the state and federal levels.
- Agency Operations Division – provides operational support and human resources services through two sub-programs: Central Operations and Human Resources.
- Fiscal Division – manages implementation and oversight of financial policies, coordinates budget development and execution, and provides accounting services for the agency.
- Equity and Inclusion Division – Develops and manages implementation of equity and inclusivity policies and programs within the agency and promotes equity and inclusivity policy throughout the healthcare system in Oregon, generally.

Program Funding

Central Services is funded based on a federally approved cost allocation plan where operating programs are charged according to their respective state and federal funding sources for the support they receive from Central Services. The transfer of programs into or out of OHA, as well as the enhancement or reduction of existing OHA programs, can impact the model's cost allocation statistics and result in changes to the amount of General Fund, Other Funds, or Federal Funds supporting Central Services.

BUDGET ENVIRONMENT

The Central Services program is sensitive to large programmatic changes and new agency-wide investments as the division is often asked to absorb additional workload from these changes without additional resources. The issue is more acutely realized in the human resources, budgeting, and accounting programs where changes in policies and staffing in other operating programs must be

supported by these administrative functions. Additionally, compounding programmatic, policy or budgetary changes that, individually, are not perceived to have a substantive impact on the administrative workload, may, in the aggregate, result in workload challenges for the division.

As with other programs at OHA, the Central Services program funding is at risk due to the agency's exposure to changes in federal funding and policies.

CURRENT SERVICE LEVEL

The current service level budget of \$116.6 million General Fund, \$160.9 million total funds, is a 13.3% increase from the 2023-25 legislatively approved budget. The \$16.4 million General Fund increase is primarily due to roll-up costs of positions and programs authorized in the 2023-25 biennium, and the reversal of one-time reductions to the General Fund budgets of most OHA divisions that was taken in the 2023-25 biennium.

Program Phase-Ins

Reversal of One-Time Reductions - An unspecified reduction of \$11.9 million General Fund was included in the 2023-25 biennium budget to achieve statewide budget targets. This amount is phased in to the 2025-27 biennium current service level to restore programmatic budgets to original funding levels, including inflation.

Health Care Interpreters Transfer Unwinding - Prior to the repeal in SB 5701 (2024) of a \$2 million General Fund appropriation made to OHA, Central Services division, in SB 5506 (2023) to supplement health care interpreter rates, OHA had transferred the \$2 million General Fund appropriation from its Central Services division to the Medicaid division for expenditure in that program as part of the agency's biennial rebalance. The repeal of the original funding resulted in an error in the agency's budget due to the transfer of expenditure authority between the divisions, leaving the base budget for the Central Services program short by \$2 million and the Medicaid program over-appropriated by \$2 million. Package 021 phases in the missing \$2 million in the Central Services program and Package 022 phases out the excess \$2 million from the Medicaid program.

Program Phase-Outs

REALD and SOGI Implementation - HB 3159 (2021) directed OHA to collect patient demographic data from health care providers and insurers, including data on a patient's race, ethnicity, language, disability, sexual orientation, and gender identity (REALD and SOGI). HB 3159 provided a \$9.8 million General Fund appropriation and \$2.8 million Federal Funds expenditure limitation for the program, including support for 43 positions. Policy option package 403 that was included in SB 5525 (2023) for the Central Services program provided an additional \$12.4 million General Fund and \$2 million Federal Funds expenditure limitation for the program, including an additional eight positions. Subsequent to these funding packages, OHA received permission to use enhanced Medicaid assistance funding for certain costs, reducing the need for General Fund. The reduction in General Fund resultant from that change is captured in the agency's second rebalance for the 2023-25 biennium. That change and the phase out of one-time program expenditures are carried into the 2025-27 biennium through a reduction

of \$10.1 million General Fund, \$883,750 Other Funds expenditure limitation, and \$1.6 million Federal Funds expenditure limitation.

Inflationary Factors

In addition to the \$1.8 million General Fund, \$2.8 million total funds, increase for standard inflationary factors, the current service level includes an increase of \$2.1 million General Fund, \$2.7 million total funds, for extraordinary inflation for shared services (Office of Information Services) costs that are charged to the Equity and Inclusion Division. This funding supports OIS work on REALD and SOGI information technology systems.

GOVERNOR’S BUDGET SUMMARY

	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Current Service Level	116,555,568	250,004	6,764,732	37,356,639	160,926,943	291	291.00
Governor’s Budget	120,932,570	250,004	6,944,611	37,509,947	165,637,132	305	303.51
Change	4,377,002	-	179,879	153,308	4,710,189	14	12.51
	3.8%	0.0%	2.7%	0.4%	2.9%	4.8%	4.3%

The Governor’s budget for the Central Services program includes \$120.9 million General Fund, \$165.6 million total funds, and 305 positions (303.51 FTE). This is an increase of \$4.4 million, or 3.8%, General Fund, \$4.7 million, or 2.9%, total funds, and 14 positions (12.51 FTE).

The Governor reduced expenditures in most OHA programs for Attorney General costs, statewide government service charges, and unspecified General Fund-supported services and supplies. For the Central Services program, these reductions total \$1.2 million General Fund, \$6,920 Other Funds, and \$14,185 Federal Funds.

As requested by the agency as part of the 2025-27 budget reshoot, the Governor’s budget recognizes an additional \$400,000 reduction in General Fund expenditures for HB 3159 (2021) that directed OHA to collect patient demographic data from health care providers and insurers, a transfer of a communications position for the 988 program from the Central Services program to the Behavioral Health division, and savings of \$194,376 General Fund and \$179,424 Federal Funds from work on a health care interpreter portal as directed by SB 1578 (2024).

Additional significant packages recommended in the Governor’s budget include:

PKG 090 Position Actions - A position (1.00 FTE) that is intended to be a liaison with the Governor’s office and to provide administrative support for the Governor’s behavioral health initiative is proposed in the Central Services program at a biennial cost of \$255,242. Within the Director’s office, four new managerial positions (3.75 FTE) are proposed to be established. These positions are: a second Deputy Director for policy and programs; a budgeting and outcomes manager; a Tribal Affairs program manager;

and a project manager for agency-wide contracting. The \$1.5 million cost of these positions are self-funded by the program through a reduction in budgeted services and supplies expenditures of \$1.2 million General Fund, \$104,313 Other Funds, and \$193,724 Federal Funds.

POP 406 Equity and Inclusion Office Expansion - The conversion of five unbudgeted positions (5.00 FTE) to budgeted positions and addition of enhanced funding in the Civil Rights, Learning, and Inclusion section of the Equity and Inclusion program is included in the Governor's budget at a cost of \$1.9 million General Fund, \$2.4 million total funds. The positions are intended to develop and implement policies and procedures related to inclusivity, position classification, accessibility, and civil rights compliance. This work is primarily internally focused; however, OHA indicates that the work impacts volunteers, board and commission members, and partner and providers delivering healthcare services.

POP 411 Regional Health Equity Coalition Expansion - The Governor's budget includes \$3.6 million General Fund, \$3.8 million total funds, and the addition of two positions (1.38 FTE) within the Equity and Inclusion program to expand the Regional Health Equity Coalition (RHEC) program. Currently, there are nine RHECs in Oregon covering 20 counties. In addition to the roughly \$562,000 total funds cost for the new RHEC systems strategist and program coordinator positions in the Equity and Inclusion program, the package includes a \$3.2 million General Fund increase in professional services contract expenditures that the agency indicates will support an additional two positions at each of the existing RHECs and provide support for the addition of three new RHECs. It's notable that the package uses the professional services expenditure category for the funding support to RHECs as that expenditure category inflates at a rate of 6.8% per biennium rather than the standard 4.2% for most services and supplies categories.

POP 412 Traditional Health Worker Program - This \$588,118 General Fund package expands the Traditional Health Worker program within the Equity and Inclusion program by adding three positions (2.38 FTE): a traditional health worker program coordinator, a CCO innovation and implementation strategist, and a health equity workforce administrative specialist. The positions are intended to provide programmatic support to community health workers, doulas, personal health navigators, addiction and mental health specialists, family support specialists, youth support specialists, and tribal traditional health workers.

Statewide Assessments and Enterprise Costs

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	233,321,471	274,732,507	316,508,962	310,137,649
Lottery Funds	504,870	6,712,661	17,068,799	17,068,799
Other Funds	22,240,777	38,160,730	40,357,281	39,888,597
Federal Funds	66,059,647	68,520,334	75,104,657	74,080,583
Total Funds	322,126,765	388,126,232	449,039,699	441,175,628
Positions	-	-	-	-
FTE	-	-	-	-

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

State Assessments and Enterprise-wide Costs (SAEC) is a budget structure for aggregating, managing, and reporting on assessments and other expenses applied agencywide. The SAEC budget does not include any staff. The program budget includes central government assessments and usage charges, such as state government service charges, risk assessments, State Data Center usage charges, Secretary of State audit charges, mass transit charges, and information technology direct charges. This budget also includes all facility costs, including rent, maintenance, and utilities, debt service payments, and funding to pay for shared services provided by both OHA and the Department of Human Services (DHS) that are not directly charged to individual programs.

BUDGET ENVIRONMENT

Assessments and usage charges are paid to other state agencies, in particular the Department of Administrative Services, Department of Justice, and Secretary of State. As those budgets are adjusted by the Legislature, the SAEC budget is also adjusted to reflect those changes. Similar to the Central Services budget, the transfer of programs into or out of OHA, as well as the enhancement or reduction of existing OHA programs, can impact the model's cost allocation statistics and result in changes to the amount of General Fund, Other Funds, or Federal Funds supporting SAEC.

CURRENT SERVICE LEVEL

The current service level budget of \$316.5 million General Fund, \$449 million total funds, is a 15.7% increase in total funding from the 2023-25 legislatively approved budget. Debt service increases by \$1.1 million General Fund for general obligation bonds issued to support capital projects at the Junction City State Hospital facility, and \$10.3 million Lottery Funds for lottery revenue bonds authorized to support investments in expanded community acute psychiatric facility capacity.

The budget phases in \$6 million General Fund to reverse one-time General Fund budget reductions that were taken in the 2023-25 biennium.

The current service level budget includes standard inflationary increases of \$31 million General Fund, \$38.1 million total funds, and exceptional inflation of \$3.8 million General Fund, \$6 million total funds. Exceptional inflation increases were authorized by the Department of Administrative Services for the program because a portion of the funding passes-through to the Office of Information Services within the Shared Services program to support personal services expenditures that inflate at a higher rate than standard inflation.

GOVERNOR’S BUDGET SUMMARY

	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Current Service Level	316,508,962	17,068,799	40,357,281	75,104,657	449,039,699	-	-
Governor’s Budget	310,137,649	17,068,799	39,888,597	74,080,583	441,175,628	-	-
Change	(6,371,313)	-	(468,684)	(1,024,074)	(7,864,071)	-	-
	-2.0%	0.0%	-1.2%	-1.4%	-1.8%	-	-

The Governor’s budget for the Statewide Assessments and Enterprise-wide Costs (SAEC) program includes \$310.1 million General Fund, \$441.2 million total funds. This is a decrease of \$6.4 million, or 2% General Fund and \$7.9 million, or 1.8%, total funds.

Nearly the entirety of the reduction is due to the application of reduced rates by the Governor for Attorney General costs and Department of Administrative Services (DAS) Statewide Government Service Charges. For SAEC, these reductions total \$9.7 million General Fund, \$820,699 Other Funds, and \$1.6 million Federal Funds.

Offsetting these reductions are increased expenditures of \$1.6 million General Fund, \$2.4 million total funds for OHA program assessments to fund OHA’s share of two information technology packages implemented in the shared services programs of both OHA and DHS: POP 201 – Mainframe Modernization, and POP 202 – IT Privacy and Security.

Further offsetting the General Fund reductions recommended by the Governor is an increase of \$1.7 million General Fund for debt service related to proposed bond issuance supporting Oregon State Hospital facility improvements in POP 419.

Shared Services

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
Other Funds	200,907,761	252,076,062	278,030,675	288,989,982
Total Funds	200,907,761	252,076,062	278,030,675	288,989,982
Positions	621	664	659	669
FTE	612.32	651.37	659.00	664.99

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Shared Services program houses business functions used by both OHA and the Department of Human Services (DHS) under a joint governance agreement. Both agencies have a Shared Services budget structure to support the coordinated administrative services available to all OHA and DHS programs. The only OHA operated program in OHA’s Shared Services budget is the Office of Information Services (OIS). This program deploys and maintains the information technology hardware and software needed by OHA and DHS employees to do their jobs; oversees the implementation of enterprise-wide technology solutions; ensures the back-up and integrity of data used by agency employees and partners; and provides the information infrastructure and technical support necessary to maintain key business services, such as payroll distribution, vendor payments, and personnel actions.

Whereas OIS is budgeted within OHA’s Shared Services structure, this budget also supports OHA’s use of the following services budgeted within DHS’s Shared Services structure: the Office of Forecasting, Research, and Analysis; Office of Financial Services; Facilities; Office of Imaging and Records Management; Office of Payment, Accuracy, and Recovery; and Internal Audit.

Program Revenues

Shared Services expenditures are allocated based on a federally approved cost allocation plan. The distribution of expenditures through the cost allocation process determines the payments received from both DHS and other OHA programs for purchased services. Ongoing allocated assessments to OHA programs are shown in the State Assessments and Enterprise-wide Costs budget as General Fund, Lottery Funds, Other Funds, and Federal Funds, but when passed-through (expended) to the Shared Services program, those funds are then budgeted by the Shared Services program as Other Funds. This accounting treatment “double-counts” these funds, once in the SAEC budget and again in the Shared Services budget. Shared Services also direct-charges OHA and DHS operating programs for specific services or projects that are provided solely to those operating programs. These funds are double-counted in the same way as funding passing through the SAEC budget.

CURRENT SERVICE LEVEL

The current service level budget for the Shared Services program of \$278 million Other Funds is a \$26 million, or 10.3% increase, from the 2023-25 legislatively adopted budget. The budget supports 669

positions (664.99 FTE). The budget increase for the 2025-27 biennium is due to the roll-up costs of positions and programs authorized in the 2023-25 biennium, reductions in vacancy savings, and standard inflationary factors.

GOVERNOR’S BUDGET SUMMARY

	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Current Service Level	-	-	278,030,675	-	278,030,675	659	659.00
Governor’s Budget			288,989,982	-	288,989,982	669	664.99
Change	-	-	10,959,307	-	10,959,307	10	5.99
	-	-	3.9%	-	3.9%	1.5%	0.9%

The Governor’s budget for the Shared Services program totals \$289 million Other Funds. This is an increase of \$11 million, or 3.9%, Other Funds and includes the addition of 10 positions (5.99 FTE) from the current service level.

Policy Option Packages

POP 201 Mainframe Modernization - The Governor has recommended an increase of \$5.8 million Other Funds expenditure limitation to continue work that was begun in the 2023-25 biennium to migrate certain benefit eligibility programs and provider payment processing from older mainframe computer systems to more modern platforms, including cloud-based platforms. Prior biennium funding included an increase of \$3.6 million Other Funds expenditure limitation and the authorization to establish 19 new positions that are carried forward to the 2025-27 budget in the current service level. The expenditure limitation in this package is additive to that funding. Revenue to support the work comes from indirect and direct charges to operating programs at both OHA and DHS programs.

POP 202 IT Privacy and Security - This package increases Other Funds expenditure limitation by \$3.8 million and authorizes the establishment of four new positions (2.00 FTE) within the Information Security and Privacy Office of the Office of Information Technology. The program intends to use the funding and positions to provide enhanced cybersecurity threat identification and prevention, risk mitigation, and data security. The request includes \$783,024 for new staff costs, and \$3 million for archiving, auditing, and monitoring software. Revenue to support the work comes from indirect and direct charges to operating programs at both OHA and DHS programs.

POP 424 State-Based Marketplace - The Governor has included a \$1.4 million Other Funds expenditure limitation increase and the authorization to establish six new positions (3.99 FTE) in the Office of Information Services to support the implementation of a state-based health insurance marketplace platform. Most of the revenue support the OIS work is from a direct charge to the Health Insurance Marketplace program within the Health Policy and Analytics division. The role of the OIS is to provide

technology project management, vendor management, solutions planning, systems security, user acceptance testing management, interface systems development, and data analysis.

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