Oregon Health Authority - Agency Totals

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	1,933,379,158	2,169,921,934	3,190,659,426	2,167,928,460
Lottery Funds	10,591,632	11,348,753	12,456,604	12,322,109
Other Funds	3,885,646,674	6,121,251,226	5,733,331,142	6,563,470,971
Other Funds (NL)	1,521,434,616	273,000,902	40,000,000	40,000,000
Federal Funds	9,259,417,064	12,389,615,949	11,613,394,315	11,542,692,387
Federal Funds (NL)	101,837,124	106,653,023	106,448,361	106,446,717
Total Funds	**$16,712,306,268**	**$21,071,791,787**	**$20,696,289,848**	**$20,432,860,644**
Positions	4,548	4,454	4,780	4,749
FTE	4,112.29	4,394.82	4,741.84	4,540.26

*Includes Emergency Board and administrative actions through December 2016.

Program Description

The Oregon Health Authority's mission is to help people and communities achieve optimum physical, mental, and social well-being through partnerships, prevention, and access to quality, affordable health care. It has three goals to transform the health care system in Oregon: improve the lifelong health of Oregonians; increase the quality, reliability, and availability of care for all Oregonians; and lower or contain the cost of care so it is affordable to everyone. Programs provide medical coverage to low-income individuals and families, and to public employees; offer treatment services to persons with mental illness, alcohol or drug addictions; provide supports for Oregonians with disabilities; and regulate the state's public health system.

The agency was reorganized part way through the 2015-17 biennium, in order to better align with the agency's external partners under healthcare transformation. The budget is organized into the following programs:

- Health System Division includes both Medicaid and Non-Medicaid programs. The Medicaid programs consist primarily of the Oregon Health Plan, while the Non-Medicaid programs incorporate the community mental health and addictions portions of the old Addictions and Mental Health.
- Health Policy and Analytics includes offices providing policy support, technical assistance, and access to health information statistics and tools.
- Public Employees' Benefit Board provides health insurance for state employees.

- Oregon Educators Benefit Board provides health insurance for various school, education service, and community college districts throughout the state.
- Public Health includes community health, environmental public health, family health, and disease prevention and epidemiology.
- Oregon State Hospital, which was previously a part of the old Addictions and Mental Health, includes both the Salem and Junction City campuses.
- Central, Shared, and Statewide Assessments & Enterprise-wide Costs includes the administrative functions of the agency.

CSL Summary and Issues

The 2017-19 current service level for General Fund is $3.2 billion. This is an increase of $1.0 billion or 47% over the 2015-17 legislatively approved budget. The total funds current service level is $20.7 billion, a 1.8% decrease from 2015-17. Federal funds decline between the two biennia, partially as a result of the state paying a larger share for the ACA expansion population, partially because the caseload for the ACA population stabilizes in 2017-19 at a lower level than 2015-17, as well as other adjustments in federal funding.

- The General Fund needed for the 2017-19 current service level (CSL) for the agency is about $1 billion more than the 2015-17 legislatively approved budget. About $772 million of that is the result of backfilling 2015-17 one-time funds, or fund shifts that change funding sources for programs between the two biennia, as described in the two bullets below.
- About 350,000 clients are expected to be served by the Oregon Health Plan (OHP) during the 2017-19 biennium as a result of the ACA expansion. While the federal government paid 100% of the costs of the expansion population for the first three years, the state will pay an increasing share over time, up to a total of 10% starting in 2020. During the 2015-17 biennium, the state pays 5% of the costs for the last six months of the biennium. During the 2017-19 biennium, the state will pay 5% of costs for the first six months of the biennium, 6% of costs during calendar year 2018, and 7% of costs during the last six months of the biennium. The additional General Fund cost of this transition is expected to be about $271 million in 2017-19. Other changes in the federal match rate will cost an additional $81 million.
- Other General Fund backfill of one-time revenues and fund shifts total $420 million. This includes backfill of one-time hospital assessments carried over from the program that ended in September 2015 ($170 million), backfill of the final year of the federal DSHP funding ($136 million), backfill of reductions in the tobacco master settlement agreement revenues (TMSA) and tobacco tax ($20 million), and the use of General Fund to cover inflationary increases related to Other Funds that are not growing.
- The inflation rate for OHP continues at 3.4% per year, on a per capital basis, consistent with Oregon's federal waiver agreement over the last several years.
- CSL incorporates the impact of the Fall 2016 caseload forecasts. All caseload in the Health System Division (Medicaid) and certain of the caseload in Health Services Division (Non-Medicaid) are considered mandated caseload and funded within CSL. Caseload costs increase about $60 million General Fund but decrease by $1.1 billion federal funds, as the expansion population is expected to stabilize at a lower level than 2015-17.

- A full 24 months of funding for all wards in the Oregon State Hospital is included in CSL, including both Salem and Junction City locations. Currently two of the six wards in Junction City are not open, as well as the three cottages. If these wards and cottages were not opened, costs would be reduced by about $34 million General Fund.
- For the 2013-15 biennium, the Public Employees' Benefit Board (PEBB) budget was changed to Other Funds (Limited) in order to emphasize the importance of holding down costs. The same was done with the Oregon Educators Benefit Board (OEBB) for the 2015-17 biennium. The inflation rate in CSL for both programs continues at 3.4% per year per person, consistent with the Medicaid budget.

Policy Issues

- The CSL calculations involving the hospital assessment expenditures do not utilize the full amount of revenue projected for the 2017-19 biennium. The current estimate of additional revenue is about $80 million for the 2017-19 biennium. At the same time, new regulations by CMS limit the amount of pass-through supplemental CCO payments that states may make to hospitals and other providers. These new regulations take effect in calendar year 2018 and phase out these payments over ten years. The impact of the new rules for 2017-19 is expected to be small, but will be much greater in the following biennium. This means that policy options that might be considered would not be allowed if it increased these payments. Other mechanisms for returning hospital assessments back to hospitals could avoid this problem, but involve significant policy changes and will take time to develop.
- Oregon's current five-year waiver with CMS ends June 2017. A new five-year waiver request was submitted in July 2016 that included new program proposals as well as a request for $1.25 billion in additional federal revenues. The waiver was approved as of January 12, 2017, but did not include any major program changes or any funding. However, it will allow the state to continue current programs using CCOs and a prioritized list of services.
- In July 2016 OHA finalized the Oregon Performance Plan, which calls for expanding services and improving outcomes for adults with serious and persistent mental illness. The plan is the result of a collaborative process with the U.S. Department of Justice, which began originally in 2010 when USDOJ investigated conditions at OSH, and later expanded into whether Oregon's community mental health services were sufficient to avoid unnecessary institutionalization of adults with mental illness. Under this three-year plan, the state is required to: 1) improve the way adults with mental illness transition to integrated community-based treatment from higher levels of care, 2) increase access to crisis services and community-based supports to avoid incarceration or unnecessary hospitalization, and 3) expand services and supports that enable adults with mental illness to successfully live in the community, including strengthening housing and peer support services.
- In 2015 the legislature passed HB 3100, which aims to increase the efficiency and effectiveness of Oregon's public health system while ensuring a basic level of public health services for every person in Oregon. In 2016, state and local public health authorities completed an assessment of our existing public health system, and found significant gaps between our current system and a fully modernized system that provides core public health services to all Oregonians. The assessment found that more than a third of Oregon communities have only limited or minimal foundational public health programs. Full implementation is estimated to cost an additional $105 million per

year, and the agency has determined that a baseline investment of $30 million is needed to begin to address this gap in 2017-19. This is not funded in the Governor's Budget.

Other Significant Issues and Current Discussions

- The CSL for the Oregon Health Authority is currently based on the caseload forecasts from Fall 2016. The budgetary impact of this new forecast has been incorporated into the 2017-19 Governor's Budget. The 2017-19 legislatively adopted budget will ultimately be based on the Spring 2017 caseload forecasts
- The Governor's Budget includes about $700 million of new revenues that are used to fund programs in the Health Services Division, primarily OHP. This includes $70 million of hospital assessment revenues that are redirected from the Hospital Transformation Performance Program to OHP, $379 million in increases in the hospital assessment (unspecified), $151 million from reinstating the 1% insurer premium tax, and $109 million to OHP and mental health programs resulting from an increase in the tobacco tax. In addition, marijuana tax revenues of $31 million, from both the 2015-17 and 2017-19 biennia, are included in the budget instead of General Fund. These revenues allow the Governor's Budget to maintain all current benefits for OHP members, as well as a CSL funding level for community mental health and addiction services programs.
- The Governor's Budget removes all General Fund inflationary increases for the CCOs as well as a portion for fee for service, resulting in savings of $104 million. Since CMS requires that rates to CCOs be calculated in a way that is actuarially sound, this policy change would require approval by CMS.
- Package 403 Hepatitis C Treatment Expansion is funded in the Governor's Budget at $32.0 million General Fund to cover treatment of Hepatitis C for OHP patients at an earlier stage of the disease. In the past two years, some states' Medicaid programs have moved to this model, for reasons including shifting standards of care, specific guidance from CMS, and litigation or threats of litigation.
- Package 407 OHP Coverage for All Kids is included in the Governor's Budget at $55 million General Fund to provide healthcare coverage through OHP for all children 0 through 18 regardless of legal status.
- The Governor's Budget closes the Junction City campus as of July 1, 2018, for a General Fund budget savings of $34.5 million. However, the Governor's Budget does not include any new funding in community mental health that would help to provide the necessary services and housing for the estimated 90 patients that will need to be placed in the community.
- The Co-Chairs' budget includes a reduction target of $881.5 million General Fund from the $3.2 billion CSL, or a 27.5% reduction. This results in a funding level of $2.3 billion General Fund. While some revenues are expected to be available to backfill General Fund, the target will need to be met primarily through program reductions. Program reductions of this magnitude will affect the entire system of healthcare, including CCOs; hospitals and other providers; services provided through OHP, community mental health programs, and the Oregon State Hospital; public health programs; and agency administration. In addition, these reductions would likely result in the loss of over $1.2 billion Federal Funds. The following are reductions to be considered:

- Reductions in funding for CCOs, and for hospitals that are funded through the hospital assessment.
- Significant reductions in benefits provided through the Oregon Health Plan, including dental and addiction services. In addition, the prioritized list of services covered by OHP may need to be reduced by as many as 50 medical services that are currently covered.
- Potential elimination of services for adults that qualified for OHP as a result of the ACA (about 350,000 adults).
- Potential reductions to community mental health programs.
- Closure of several wards and cottages at the Junction City and Salem campuses.
- Possible reductions to numerous programs in Public Health that are funded with General Fund.

OHA - Health Services Division

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	1,301,108,019	1,450,472,693	2,392,476,511	1,463,551,835
Lottery Funds	10,591,632	11,348,753	12,456,604	12,322,109
Other Funds	1,852,069,149	2,258,718,050	1,764,924,880	2,531,173,390
Other Funds (NL)	34,874,798	103,500,000	-	-
Federal Funds	8,853,496,358	11,863,346,261	11,106,290,230	11,044,878,548
Total Funds	**$12,052,139,956**	**$15,687,385,757**	**$15,276,148,225**	**$15,051,925,882**
Positions	677	623	798	816
FTE	622.99	610.47	790.10	807.26

*Includes Emergency Board and administrative actions through December 2016.

Program Description

Health Services Division includes both Medicaid and Non-Medicaid programs that deliver health services to Oregonians. Medicaid programs consist primarily of the Oregon Health Plan (OHP) which covers individuals eligible under both Medicaid and the Children's Health Insurance Program (CHIP), as well as certain non-OHP programs. The program's mission is to provide a system of comprehensive health services to qualifying low-income Oregonians and their families to improve their health status and promote independence. With the Affordable Care Act (ACA) expansion in 2014, OHP now covers a little over one million people, or about 25% of Oregon's population. For about 90% of individuals on OHP, care is provided by one of 16 coordinated care organizations (CCOs).

Non-Medicaid programs support Oregon's community behavioral health system that serves as a safety net regardless of health care coverage. These programs provide behavioral health services, including addictions and mental health services, to low-income individuals not on OHP, and provide social supports for OHP members that are not included in the Medicaid benefit package. Services are delivered through community non-profit providers, county mental health agencies, tribes, and CCOs.

CSL Summary and Issues

The 2017-19 current service level for General Fund is $2.4 billion. This is an increase of $942 million or a 65% increase over the 2015-17 legislatively approved budget. The total funds current service level is $15.3 billion, or a decrease of $411 million from the 2015-17 level. Federal funds decline $757 million between the two biennia, partially as a result of the state paying a larger share for the ACA expansion population, partially because the caseload for the ACA population stabilizes in 2017-19 at a lower level than 2015-17, as well as other adjustments in federal funding.

- The General Fund needed for the 2017-19 current service level (CSL) for the Health Services Division is $942 million more than the 2015-17 legislatively approved budget. About $772 million of that is the result of backfilling 2015-17 one-time funds, or fund shifts that change funding sources for programs between the two biennia, as described in the two bullets below.
- About 350,000 clients are expected to be served by the Oregon Health Plan during the 2017-19 biennium as a result of the ACA expansion. While the federal government paid 100% of the costs of the expansion population for the first three years, the state will pay an increasing share over time, up to a total of 10% starting in 2020. During the 2015-17 biennium, the state pays 5% of the costs for the last six months of the biennium. During the 2017-19 biennium, the state will pay 5% of costs for the first six months of the biennium, 6% of costs during calendar year 2018, and 7% of costs during the last six months of the biennium. The additional General Fund cost of this transition is expected to be about $271 million in 2017-19. Other changes in the federal match rate will cost an additional $81 million.
- Other General Fund backfill of one-time revenues and fund shifts total $420 million. This includes backfill of one-time hospital assessments carried over from the program that ended in September 2015 ($170 million), backfill of the final year of the federal DSHP funding ($136 million), backfill of reductions in the tobacco master settlement agreement revenues (TMSA) and tobacco tax ($20 million), and the use of General Fund to cover inflationary increases related to Other Funds that are not growing.
- The inflation rate for OHP continues at 3.4% per year, on a per capital basis, consistent with Oregon's federal waiver agreement over the last several years.
- CSL incorporates the impact of the Fall 2016 caseload forecasts. All caseload in the Health System Division (Medicaid) and certain of the caseload in Health Services Division (Non-Medicaid) are considered mandated caseload and funded within CSL. Caseload costs increase about $60 million General Fund but decrease by $1.1 billion federal funds, as the expansion population is expected to stabilize at a lower level than 2015-17.
- Health Services Division (Non-Medicaid) is expected to receive $43.9 million of tobacco tax, dedicated to funding community mental health programs. This is $2.6 million more than the amount needed for CSL.
- Tobacco Master Settlement Agreement (TMSA) revenues are expected to be less in 2017-19 than in the current biennium. That shortfall is backfilled with General Fund for OHP. However, TMSA revenues are also included in community mental health programs and in tobacco cessation programs. Because these are generally not mandated caseloads, these shortfalls result in a reduction of revenues for mental health of $2.2 million, and for tobacco cessation programs of $0.6 million.
- The $10 million General Fund that was allocated for Safety Net Clinics in the 2015-17 biennium was considered to be one-time, and is not funded in the CSL for 2017-19.
- After the failure of the Oracle system for OHP eligibility, the state used a hybrid eligibility and enrollment process that was significantly manual. The new Oregon Eligibility System, ONE, opened for staff use in December 2015, and began a phased-in implementation of the public portal in February 2016. Meanwhile the agency has used up to 600 temporary and limited duration staff in order to enroll new

members and to process redeterminations. The agency believes they will need less than this number of staff for 2017-19, but still significantly more than they currently have as permanent positions. CSL includes a phase-in of $3.7 million General Fund, $11.1 million Federal Funds, and 188 new positions.

Policy Issues

- The CSL calculations involving the hospital assessment expenditures do not utilize the full amount of revenue projected for the 2017-19 biennium. The current estimate of additional revenue is about $80 million for the 2017-19 biennium. At the same time, new regulations by CMS limit the amount of pass-through supplemental CCO payments that states may make to hospitals and other providers. These new regulations take effect in calendar year 2018 and phase out these payments over ten years. The impact of the new rules for 2017-19 is expected to be small, but will be much greater in the following biennium. This means that policy options that might be considered would not be allowed if it increased these payments. Other mechanisms for returning hospital assessments back to hospitals could avoid this problem, but involve significant policy changes and will take time to develop.
- The transition of state funding required for the ACA expansion population continues into the 2019-21 and 2021-23 biennia. The state will pay 7% of the costs in calendar year 2019 and 10% of the costs in 2020 and thereafter. This translates into additional state costs in the 2019-21 biennium of about $193 million more than the previous biennium (excluding inflation and caseload changes), and $45 million additional state costs in the 2021-23 biennium.
- Oregon's current five-year waiver with the Centers for Medicare and Medicaid (CMS) ends June 2017. A new five-year waiver request was submitted in July 2016 that included new program proposals as well as a request for $1.25 billion in additional federal revenues. The waiver was approved as of January 12, 2017, but did not include any major program changes or any funding. However, it will allow the state to continue current programs using CCOs and a prioritized list of services.
- Integration of physical and behavioral health was a basic tenet of Oregon's health care transformation, and continues to be a challenge. OHA is currently facilitating the Behavioral Health Collaborative that includes a large and diverse group of leaders and stakeholders. The group is focused on identifying issues in the system, and proposing solutions to overcome those issues. The group is expected to release their recommendations in January 2017.
- In July 2016 OHA finalized the Oregon Performance Plan, which calls for expanding services and improving outcomes for adults with serious and persistent mental illness. The plan is the result of a collaborative process with the U.S. Department of Justice, which began originally in 2010 when USDOJ investigated conditions at OSH, and later expanded into whether Oregon's community mental health services were sufficient to avoid unnecessary institutionalization of adults with mental illness. Under this three-year plan, the state is required to: 1) improve the way adults with mental illness transition to integrated community-based treatment from higher levels of care, 2) increase access to crisis services and community-based supports to avoid incarceration or unnecessary hospitalization, and 3) expand services and supports that enable adults with mental illness to successfully live in the community, including strengthening housing and peer support services.

Other Significant Issues and Current Discussions

- The CSL for the Oregon Health Authority is currently based on the caseload forecasts from Fall 2016. The budgetary impact of this new forecast has been incorporated into the 2017-19 Governor's budget. The 2017-19 legislatively adopted budget will ultimately be based on the Spring 2017 caseload forecasts.
- The Governor's Budget includes about $700 million of new revenues that are used to fund programs in the Health Services Division, primarily OHP. This includes $70 million of hospital assessment revenues that are redirected from the Hospital Transformation Performance Program to OHP, $379 million in increases in the hospital assessment (unspecified), $151 million from reinstating the 1% insurer premium tax, and $109 million to OHP and mental health programs resulting from an increase in the tobacco tax. In addition, marijuana tax revenues of $31 million, from both the 2015-17 and 2017-19 biennia, are included in the budget instead of General Fund. These revenues allow the Governor's Budget to maintain all current benefits for OHP members, as well as a CSL funding level for community mental health and addiction services programs.
- The Governor's Budget removes all General Fund inflationary increases for the CCOs as well as a portion for fee for service, resulting in savings of $104 million. Since CMS requires that rates to CCOs be calculated in a way that is actuarially sound, this policy change will require negotiation with CMS.
- Package 403 Hepatitis C Treatment Expansion is funded in the Governor's Budget at $32.0 million General Fund to cover treatment of Hepatitis C for OHP patients at an earlier stage of the disease. In the past two years, some states' Medicaid programs have moved to this model, for reasons including shifting standards of care, specific guidance from CMS, and litigation or threats of litigation.
- Package 407 OHP Coverage for All Kids is included in the Governor's Budget at $55 million General Fund to provide healthcare coverage through OHP for all children 0 through 18 regardless of legal status.
- The Governor's Budget includes $8.2 million General Fund savings as a result of implementing a preferred drug list for mental health drugs. This policy change will require statutory change.
- The Co-Chairs' budget includes a reduction target of $881.5 million General Fund from the $3.2 billion CSL, or a 27.5% reduction for the agency as a whole. Most of these reductions would likely be in Health Services, including reductions in funding for CCOs, and for hospitals that are funded through the hospital assessment; significant reductions in benefits provided through the Oregon Health Plan, including dental and addiction services, and the prioritized list of services covered by OHP may need to be reduced by as many as 50 medical services that are currently covered; and the potential elimination of services for adults that qualified for OHP as a result of the ACA (about 350,000 adults).

OHA - Health Policy and Analytics

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	44,366,971	22,392,142	27,344,901	31,195,449
Other Funds	3,086,448	7,319,843	3,655,137	19,358,455
Federal Funds	91,491,370	123,507,768	100,881,847	101,106,925
Total Funds	**$138,944,789**	**$153,219,753**	**$131,881,885**	**$151,660,829**
Positions	119	137	144	146
FTE	114.07	131.49	138.15	140.15

*Includes Emergency Board and administrative actions through December 2016.

Program Description

Health Policy and Analytics includes offices that provide policy support, technical assistance, and access to health information statistics and tools to all organizations and providers participating in Oregon's health system transformation, including programs within OHA. Offices include the Office of Health Policy (including the Office of Clinical Improvement Services), Office of Health Analytics, Office of Health Information Technology, and Office of Business Support.

CSL Summary and Issues

The General Fund current service level is $27.3 million, an increase of $5.0 million or 22.1% over the 2015-17 legislatively approved budget. The total funds CSL is $131.9 million, including over $100 million of Federal Funds. The total funds budget decreased by 13.9% from 2015-17 to 2017-19 CSL.

- The Transformation Center, providing support to CCOs and healthcare transformation, was originally funded with Federal Funds. That grant ended in September 2016, and General Fund was added to the 2015-17 budget to support some of those functions for the last nine months of the biennium. The 2017-19 CSL budget phases in that funding to pay for those functions for a full 24 months, for an increase in General Fund of $4.1 million.

Policy Issues

- Package 409 OHA Fee Changes is included in the Governor's Budget, which establishes fees to support three Health Information Technology initiatives: Oregon Common Credentialing, Provider Directory, and CareAccord programs. Common Credentialing and the Provider Directory are new programs that have been under development during the current biennium, but need fee revenues to be fully implemented. CareAccord is an existing program that offers a basic web portal service for the secure sharing of protected health

information between health care providers. The proposed fees would allow the program to expand to serve more providers and ensure the program is statewide. The proposal would provide $13 million in revenues during the 2017-19 biennium.

- The Governor's Budget includes the transfer of $4.8 million General Fund from OHSU to this program in OHA. As a result of HB 3396 a number of provider incentives end in their current form and the funding is transferred to OHA to be administered in a more holistic way. Per statute the transfer is effective January 1, 2018, and the Governor's Budget transfers 75% of the total funding for the programs.

Other Significant Issues and Current Discussions

None.

OHA - Public Employees' Benefit Board

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
Other Funds	1,649,353,228	1,872,814,604	1,899,933,830	1,895,810,984
Total Funds	**$1,649,353,228**	**$1,872,814,604**	**$1,899,933,830**	**$1,895,810,984**
Positions	20	19	20	19
FTE	19.50	18.50	19.50	18.50

*Includes Emergency Board and administrative actions through December 2016.

Program Description

The Public Employees' Benefit Board contracts for and administers medical, dental, and vision insurance programs for state employees and their dependents.

CSL Summary and Issues

For the 2013-15 biennium, the Public Employees' Benefit Board (PEBB) budget was changed from a Nonlimited expenditure limitation to Other Funds (Limited) in order to emphasize the importance of holding down costs. The same was done with the Oregon Educators Benefit Board (OEBB) for the 2015-17 biennium. The inflation rate in CSL for both programs continues at 3.4% per year per person, consistent with the Medicaid budget. However, the CSL was not updated after expenditure limitation was added to the 2015-17 biennium as part of the December 2016 Emergency Board actions. Ultimately, the 2017-19 budget amount will need to be adjusted as better data are available to estimate actual expenditures for the 2015-17 biennium.

Policy Issues

Over the past several years the Board has been successful in holding down the rate of increase in costs. During the three-year period from 2011 through 2014, costs grew only 2.6% overall. However, in 2015 increases totaled 3.6%, and 2016 is currently projected to increase similarly. As in Medicaid, pharmacy costs are a significant challenge.

Other Significant Issues and Current Discussions

The 2015-17 budget approved the transfer of $120 million out of the PEBB Stabilization Fund to the General Fund. This is scheduled to happen in May 2017, near the end of the biennium. This would still leave adequate resources in the Fund, based on the Board's targeted reserve amount. However, it does increase the risk that rates will need to increase significantly in the future.

OHA - Oregon Educators Benefit Board

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
Other Funds	10,224,333	1,597,477,853	1,663,552,591	1,663,397,477
Other Funds (NL)	1,421,512,375	-	-	-
Total Funds	**$1,431,736,708**	**$1,597,477,853**	**$1,663,552,591**	**$1,663,397,477**
Positions	24	22	20	20
FTE	23.00	22.00	20.00	20.00

*Includes Emergency Board and administrative actions through December 2016.

Program Description

The Oregon Educators Benefit Board (OEBB) contracts for and administers medical and dental insurance programs for various school districts, education service districts, and community college districts throughout the state.

CSL Summary and Issues

For the 2015-17 biennium, the Oregon Educators Benefit Board budget was changed from a Nonlimited expenditure limitation to Other Funds (Limited) in order to emphasize the importance of holding down costs. The same was done with the Public Employees' Benefit Benefit Board (PEBB) for the 2013-15 biennium. The inflation rate in CSL for both programs continues at 3.4% per year per person, consistent with the Medicaid budget. However, the CSL was not updated after expenditure limitation was added to the 2015-17 biennium as part of the December 2016 Emergency Board actions. Ultimately, the 2017-19 budget amount will need to be adjusted as better data are available to estimate actual expenditures for the 2015-17 biennium.

Policy Issues

OEBB has been successful at keeping the rate of growth of average costs per employee at a low level, although this is partially a result of members shifting to lower cost plans with high deductibles.

Other Significant Issues and Current Discussions

None.

OHA - Public Health

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	40,674,722	43,088,581	45,118,075	43,470,545
Other Funds	128,264,554	183,344,217	188,030,158	192,185,900
Other Funds (NL)	34,969,820	40,000,000	40,000,000	40,000,000
Federal Funds	209,960,884	266,121,447	271,772,432	269,954,073
Federal Funds (NL)	97,695,171	102,729,051	102,729,051	102,727,407
Total Funds	**$511,565,151**	**$635,283,296**	**$647,649,716**	**$648,337,925**
Positions	770	789	760	764
FTE	727.56	765.22	751.41	755.66

*Includes Emergency Board and administrative actions through December 2016.

Program Description

Public Health provides a diversity of services to improve and protect the health of all Oregonians. The program manages more than 100 prevention-related programs that halt the spread of disease, protect against environmental hazards, and promote healthy behaviors. Much of the work is carried out by local county health departments which are supported in their work by Public Health staff. By working to address behavioral and social drivers of health, public health programs can complement and amplify investments in other health care programs.

CSL Summary and Issues

The current service level for General Fund is $45.1 million, an increase of $2.0 million or 4.7% over the 2015-17 legislatively approved budget. Total funds at CSL are $647.6 million, or an increase of 1.9%.

- TMSA revenues are expected to be less in 2017-19 than in the current biennium. This results in a reduction of revenues for tobacco cessation programs of $0.6 million.

Policy Issues

- The Public Health program is comprised of 58% federal funds, consisting of many different federal grants and other funding streams. Numerous other programs are funded with revenues from fees. General Fund makes up less than 7% of the total budget, and is concentrated in just a few areas. These include state support of county public health departments, administration, immunizations, HIV/STD/TB prevention, family planning (CCare), the breast and cervical cancer screening program, and home visiting programs. Consequently, any General Fund reductions also fall into these few areas.

- Laws passed during both the 2015 and 2016 legislative sessions to implement recreational marijuana have had significant effects on the medical marijuana program located in Public Health. First, it is still unclear how many patients will remain in the medical marijuana program, paying annual cardholder fees. Second, individual producers, processors, and dispensaries can now choose to participate in both the medical and recreational markets, in which case they will be regulated by the Oregon Liquor Control Commission (OLCC). All associated licensing fees will also go to OLCC. In both cases, revenues to Public Health are expected to decline. A number of on-going core public health programs are currently funded with fee revenue generated through the medical marijuana program. In 2015-17 these costs total $18.5 million. If revenues in the future are inadequate to fund these programs, General Fund or other state funding could be required to continue these programs, or the programs would have to be reduced. These programs include state support for local public health departments, the Safe Drinking Water Program, Emergency Medical Services, and others.
- In 2015 the legislature passed HB 3100, which aims to increase the efficiency and effectiveness of Oregon's public health system while ensuring a basic level of public health services for every person in Oregon. In 2016, state and local public health authorities completed an assessment of our existing public health system, and found significant gaps between our current system and a fully modernized system that provides core public health services to all Oregonians. The assessment found that more than a third of Oregon communities have only limited or minimal foundational public health programs. Full implementation is estimated to cost an additional $105 million per year, and the agency has determined that a baseline investment of $30 million is needed to begin to address this gap in 2017-19. This is not funded in the Governor's Budget.
- The Governor's Budget includes Package 409 OHA Fee Changes. This includes four fee increases and the establishment of two new fees, for a total revenue increase of $2.5 million during the 2017-19 biennium. The fee increases include the Oregon Environmental Laboratory Accreditation Program, Newborn Screening Fees, Health Facilities Plan Review Fees, Hospice and In-Home Care Licensing Fees, while new fees are established for the Toxic-Free Kids Act program, and the Immunization Alert system.

<u>Other Significant Issues and Current Discussions</u>

- Package 401 Cleaner Air Oregon Initiative is funded in the Governor's Budget, for a total of $720,290 General Fund.
- The Co-Chairs' budget includes a reduction target of $881.5 million General Fund from the $3.2 billion CSL, or a 27.5% reduction for the agency as a whole. Although the amount of General Fund in Public Health is relatively small, some program reductions would be likely, potentially including the Babies First program, school-based health centers, family planning services (CCare), tobacco cessation programs, and the state support for county health departments.

OHA - Oregon State Hospital

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	388,702,108	452,013,672	531,068,904	436,573,335
Other Funds	93,956,584	23,951,824	25,611,323	66,297,954
Federal Funds	45,451,223	49,800,786	35,847,166	34,477,750
Total Funds	**$528,109,915**	**$525,766,282**	**$592,527,393**	**$537,349,039**
Positions	2,369	2,269	2,438	2,369
FTE	2,052.74	2,262.90	2,433.32	2,188.57

*Includes Emergency Board and administrative actions through December 2016.

Program Description

The Oregon State Hospital (OSH) is an integral part in the statewide behavioral health system, providing the highest level of psychiatric care for adults from all 36 counties. The hospital's primary goal is to help people recover from their mental illness and return to life in their communities. OSH operates two campuses - the Salem campus with a capacity of 620 beds, and the Junction City campus with 174 beds. Patients receiving treatment in OSH fall into one of the following three commitment types:

- Civil - people who have been found by the court to be an imminent danger to themselves or other, or who are unable to provide for their own basic health and safety needs, due to their illness.
- Guilty Except for Insanity (GEI) - people who committed a crime related to their mental illness. Depending on their crime, patients are under the jurisdiction of the Psychiatric Security Review Board (PSRB) or the State Hospital Review Panel (SHRP).
- Aid and Assist - people who have been charged with a crime but have been found unable to participate in their legal proceedings due to a mental illness and are in need of mental health treatment enabling them to understand the criminal charges against them and aid and assist in their own defense.

The 2013-15 Other Funds expenditure limitation includes $79.4 million of capital construction limitation related to building the new Oregon State Hospital.

CSL Summary and Issues

The 2017-19 current service level for General Fund is $531.1 million. This is an increase of $79 million, or 17.5% over the 2015-17 legislatively approved budget. The total funds current service level is $592.5 million. General Fund represents almost 90% of the CSL budget.

- A full 24 months of funding for all wards in the Oregon State Hospital is included in CSL, including both Salem and Junction City locations. Currently two of the six wards in Junction City are not open, as well as the three cottages. If these wards and cottages were not opened, costs would be reduced by about $34 million General Fund.

Policy Issues

- As a 24/7 institution, the Oregon State Hospital is very different from the rest of the agency. Their primary cost driver is staff, most of whom are involved in direct patient care. In fact, about half of all agency positions are in the hospital. Reduction options that can sometimes be used in other parts of the agency, such as holding positions vacant, are generally not effective in the hospital because it simply results in more overtime and staffing contract costs. Even reductions to Services and Supplies can be problematic at the hospital, since a significant portion of their Services and Supplies are related to essential patient costs such as food and medicine.
- While the number of GEI patients has declined over recent years, the number of Aid and Assist patients has grown rapidly. This population has doubled since the beginning of 2012 and now comprises over 35% of the OSH population. By court order, these patients must be admitted within seven days of the court finding them unable to assist in their own defense. OHA has been collaborating with and investing in local communities to keep many of these patients in the local community for treatment, rather than sending the less serious offenders to OSH. This work only started in the last year, and it is still unclear whether the Aid and Assist population will be significantly reduced at OSH, or if additional measures will be needed. The hospital opened an additional unit at its Salem campus in March 2016 to serve these patients, needing additional resources as part of the Fall 2016 agency rebalance.
- One of the consequences of the increasing numbers of Aid and Assist patients at the hospital is that there are fewer beds available for civilly committed patients. This results in long waits for patients to get into OSH, sometimes resulting in long stays at hospital emergency rooms that are often unsuited to treat patients with mental illness.
- Over the last two years the hospital has made significant progress on improving billing and reimbursement processes. OSH is now well positioned to certify an additional 454 hospital-licensed bed with CMS, and has formally applied for certification. If approved, this would bring the total CMS certified beds from 115 to 569. Certification means the hospital can bill insurance plans for patients covered under Medicare, Medicaid, and third party insurance. The Governor's Budget includes Package 410 Oregon State Hospital Improvements, which includes an additional $30.8 million Other Funds revenues in 2017-19, and proposes investing $20.5 million of that. That leaves about $10 million that can be used to offset General Fund need. The Governor's Budget assumes an additional $10 million of new revenue is available. With the necessary investments, the agency expects these revenues to increase in the following biennia.
- In July 2016 OHA finalized the Oregon Performance Plan, which calls for expanding services and improving outcomes for adults with serious and persistent mental illness. The plan is the result of a collaborative process with the U.S. Department of Justice, which began originally in 2010 when USDOJ investigated conditions at OSH, and later expanded into whether Oregon's community mental health services were sufficient to avoid unnecessary institutionalization of adults with mental illness. Under this three-year plan, the state is required to: 1) improve the way adults with mental illness transition to integrated community-based treatment from higher levels of

care, 2) increase access to crisis services and community-based supports to avoid incarceration or unnecessary hospitalization, and 3) expand services and supports that enable adults with mental illness to successfully live in the community, including strengthening housing and peer support services.

Other Significant Issues and Current Discussions

- The Governor's Budget closes the Junction City campus as of July 1, 2018, for a General Fund budget savings of $34.5 million, in addition to the $34 million savings that result from keeping only current wards open. However, the Governor's Budget does not include any new funding in community mental health that would help to provide the necessary services and housing for the estimated 90 patients that will need to be placed in the community.
- The Co-Chairs' budget includes a reduction target of $881.5 million General Fund from the $3.2 billion CSL, or a 27.5% reduction for the agency as a whole. A portion of that reduction is likely to come from the Oregon State Hospital, through closure of some wards and cottages at the Junction City and the Salem campuses.

OHA - Central, Shared, and Statewide Assessments & Enterprise-wide Costs

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	158,527,338	201,954,846	194,651,035	193,137,296
Other Funds	148,692,378	177,624,835	187,623,223	195,246,811
Other Funds (NL)	30,077,623	129,500,902	-	-
Federal Funds	59,017,229	86,839,687	98,602,640	92,275,091
Federal Funds (NL)	4,141,953	3,923,972	3,719,310	3,719,310
Total Funds	**$400,456,521**	**$599,844,242**	**$484,596,208**	**$484,378,508**
Positions	569	595	600	615
FTE	552.43	584.24	589.36	610.12

*Includes Emergency Board and administrative actions through December 2016.

Program Description

This budget includes Central Services, Shared Services, and State Assessments & Enterprise-wide Costs. Central Services includes leadership and business support functions, such as the director's office, communications, Office of Equity and Inclusion, and a portion of budget and human resources. Shared Services provide administrative services to both OHA and the Department of Human Services, regardless of where each function is housed. Information Services are housed in OHA, while DHS houses financial services, budget, human resources, facilities, and procurement. State Assessments & Enterprise-wide Costs includes the budget to pay for central government assessments and usage charges, as well as debt service. Included are state government service charges, risk assessments, Enterprise Technology Services usage charges, and rent. In addition, the funding to pay for shared services is included here.

CSL Summary and Issues

The current service level for General Fund is $194.7 million, a decrease of $7.3 million or 3.6% from the 2015-17 legislatively approved budget. Total Funds decrease to $484.6 million at CSL, but the reduction is primarily the result of refinancing bonds during the 2015-17 biennium resulting in an additional one-time Other Funds Nonlimited expenditure of $129.5 million in that biennium.

- Debt service costs related to building the new Oregon State Hospital are included in the State Assessments & Enterprise-wide Costs section of the budget. For 2017-19 these total $67.7 million General Fund and $3.7 million Federal Funds.

Policy Issues

None.

Other Significant Issues and Current Discussions

None.