

## Oregon Health Authority - Agency Totals

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	2,152,357,931	2,185,935,679	2,165,609,758	3,176,978,132	2,441,537,660
Lottery Funds	11,113,255	12,457,116	12,498,909	13,035,809	12,925,769
Other Funds	5,683,251,462	6,653,688,309	7,784,716,708	6,872,981,111	7,726,255,646
Other Funds (NL)	212,475,263	40,000,000	40,000,000	40,000,000	40,000,000
Federal Funds	11,189,125,905	10,913,483,621	11,588,998,140	11,608,886,871	11,721,326,187
Federal Funds (NL)	85,956,641	106,448,361	106,448,361	106,196,261	106,196,261
<b>Total Funds</b>	<b>\$19,334,280,457</b>	<b>\$19,912,013,086</b>	<b>\$21,698,271,876</b>	<b>\$21,818,078,184</b>	<b>\$22,048,241,523</b>
Positions	4,450	4,646	4,200	4,121	4,297
FTE	4,394.40	4,591.03	4,281.80	4,096.47	4,221.17

\*Includes Emergency Board and administrative actions through December 2018.

### Program Description

The Oregon Health Authority's (OHA'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. The agency's strategy for reforming health care is framed around its goal of achieving the triple aim: improving the lifelong health of Oregonians; increasing the quality and availability of health care; and lowering the cost of care.

The agency's budget consists of the following seven program areas:

- Health Systems Division - includes both Medicaid and Non-Medicaid programs. The Medicaid program consists primarily of the Oregon Health Plan, which provides physical, behavioral, and oral health care coverage to low-income individuals. Non-Medicaid programs support critical elements in Oregon's community behavioral health system and serve as the behavioral health safety net for all Oregonians regardless of health care coverage.
- Health Policy and Analytics - includes offices providing policy support, technical assistance, and access to health information statistics and tools to all organizations participating in Oregon's health system transformation, including other programs within OHA.
- Public Employees' Benefit Board - provides health insurance for state and university employees.
- Oregon Educators Benefit Board - provides health insurance for K-12 school districts, education service districts, and community colleges.

- Public Health Division - addresses the social and behavioral drivers of health through programs involving community health, environmental public health, family health, and disease prevention and epidemiology.
- Oregon State Hospital - provides psychiatric care for adults from across the state at campuses in Salem and Junction City.
- Central Services, Shared Services, and State Assessments and Enterprise-wide Costs - supports the administrative functions of the agency.

### CSL Summary and Issues

The agency's 2019-21 General Fund Current Service Level (CSL) budget is \$3.2 billion, which represents a net increase of \$1.0 billion, or 47 percent, over the 2017-19 Legislatively Approved Budget (LAB). Most of the \$1.0 billion agency-wide growth in General Fund occurs in the Health Systems Division and is largely the result of decreases in the level of Federal Funds and Other Funds revenue available to support the Oregon Health Plan.

Over 70 percent of the agency's total funds CSL budget, or \$15.3 billion, reflects payments to health care organizations for providing Medicaid services. These services are funded through a state-federal partnership in which the federal government matches, on average, nearly 72 percent of program costs. A significant portion of OHA's General Fund budget is linked to this matching arrangement. Although most of OHA's budget is in the Medicaid program, most of the agency's staff are in other programs. In particular, 55 percent of the positions at CSL are located in the Oregon State Hospital, which has unique staffing needs due to the 24-hour care it provides.

### Policy Issues

- Oregon continues to face important policy decisions regarding how to finance the cost of the Oregon Health Plan. Although the upward pressure in the overall cost of health care remains an important issue to address, the predominant challenge in the 2019-21 budget deals with the amount of General Fund needed in CSL to backfill declining Federal Funds and Other Funds revenue. The amount of additional General Fund needed in CSL for the Oregon Health Plan is largely due to decreases in federal Medicaid matching rates, the statutory sunsets for provider assessments, and the loss of one-time revenue used in 2017-19. These revenue changes result in a combined shift of over \$800 million from Federal Funds and Other Funds to the General Fund in the Health Systems Division.
- The Governor's budget recommends \$632.5 million as part of a revenue package to help fund the Oregon Health Plan. This revenue proposal includes the following four components: 1) \$98 million from increasing the fully-reimbursable assessment on diagnostic related group (DRG) hospitals from 5.3 percent to 6.0 percent; 2) \$320 million from extending the insurer assessment, increasing it to 2.0 percent and assessing stop-loss plans; 3) \$119.5 million from implementing a new subsidized employer assessment; and 4) \$95 million by increasing the cigarette tax and taxing vaping products. This revenue package is intended to represent a six-year proposal.
- The next phase of health care transformation is referred to as "CCO 2.0." OHA's focus on this effort is guided by four priorities: 1) improve the behavioral health system; 2) increase value and pay for performance; 3) address social determinants of health and health equity; and 4) maintain sustainable cost growth. In October 2018, the Oregon Health Policy Board approved a comprehensive set of policy

recommendations surrounding these priorities. The agency plans to release a request for applications in January 2019 and award new contracts to coordinated care organizations (CCOs) in June 2019, with the new contracts implemented in January 2020. In terms of the 2019-21 budget development process, several of the investment proposals recommended by OHA support the general tenets of this effort. As the blueprint for CCO 2.0 becomes finalized and the related policy work progresses, additional areas for investment could be identified.

#### Other Significant Issues and Background

- The 2019-21 biennium represents the second biennium in which revenue from the Oregon Health and Sciences University (OHSU) intergovernmental transfer agreement is used to support the Oregon Health Plan. This agreement removed OHSU from the DRG hospital assessment structure and created a separate funding arrangement between OHA and OHSU based on quality and access to care. In addition to adjustments related to the amount of revenue projected for this program, the Governor’s budget includes an additional \$25 million in revenue paid by OHSU compared to what OHSU would have contributed under the 2017-19 structure.
- The Governor’s budget includes over \$100 million General Fund in new investment proposals, of which approximately \$72 million supports Policy Option Packages requested by the agency. Many of these investments are proposed with the intent to help children achieve their full potential (including recommendations from the Children’s Cabinet), improve health outcomes, and enhance the behavioral health system.
- OHA’s CSL budget is based on the caseload forecasts from Fall 2018. All Medicaid caseloads and two Non-Medicaid caseloads are considered “mandated” and are fully funded in CSL. The 2019-21 Legislatively Adopted Budget will ultimately be based on the Spring 2019 forecast for these caseloads.

## OHA - Health Systems Division

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	1,429,495,915	1,422,175,819	1,335,821,718	2,317,851,205	1,568,517,617
Lottery Funds	11,113,255	12,225,546	12,243,339	12,762,588	12,658,194
Other Funds	1,987,538,640	2,633,695,924	3,563,223,374	2,539,162,810	3,360,871,463
Other Funds (NL)	57,724,836	-	-	-	-
Federal Funds	10,783,582,209	10,473,456,412	11,139,162,134	11,138,814,776	11,241,216,329
<b>Total Funds</b>	<b>\$14,269,454,855</b>	<b>\$14,541,553,701</b>	<b>\$16,050,450,565</b>	<b>\$16,008,591,379</b>	<b>\$16,183,263,603</b>
Positions	623	776	316	297	329
FTE	609.97	764.56	458.20	289.63	321.53

\*Includes Emergency Board and administrative actions through December 2018.

### Program Description

A key goal of the Health Systems Division is to ensure the systematic transformation of health care in the state by delivering integrated physical, behavioral, and oral health care services, strengthening the coordinated care model, and holding costs down by leveraging purchasing power. The division's budget is comprised of the following budget units: 1) Medicaid, which consists primarily of the Oregon Health Plan; 2) Non-Medicaid, which supports Oregon's community behavioral health system and serves as a behavioral health safety net regardless of health care coverage; and 3) Program Support and Administration, which provides the operational support needed to ensure the division is able to fulfill its mission.

### CSL Summary and Issues

The 2019-21 CSL for General Fund is \$2.3 billion, which represents an increase of \$982 million, or 74 percent, over the 2017-19 LAB. The total funds CSL is \$16.0 billion, which is a slight decrease from the 2017-19 LAB.

The additional General Fund needed in the Health Systems Division is largely due to fund shifts related to the following changes in Federal Funds and Other Funds revenue: 1) decreases in federal Medicaid matching rates (\$442 million); 2) the statutory sunsets for provider assessments approved in 2017-19, specifically the 0.7 percent non-reimbursable DRG hospital assessment and 1.5 percent insurer assessment (\$284.3 million); and 3) decreases in Tobacco Master Settlement Agreement and tobacco tax revenues (\$82.4 million). Most of the CSL decrease in tobacco revenue results from the loss of \$63.3 million in one-time revenue available in 2017-19 under the Tobacco Master Settlement Agreement from a legal settlement of disputed funds with states.

Nearly half of the \$442 million General Fund cost related to decreases in federal Medicaid matching rates, i.e. the Federal Medical Assistance Percentage (FMAP), is tied to the step-down of the rate that supports the expansion population under the Affordable Care Act (ACA). An average of about 350,000 clients are expected to be served by the Oregon Health Plan during the 2019-21 biennium as a result of the ACA expansion. While the federal government paid 100 percent of the costs of the expansion population for the first three years, the ACA FMAP began decreasing in 2017 until it reaches a floor of 90 percent in 2020. Oregon's average biennial ACA FMAP drops from 94 percent in 2017-19 to 90.75 percent in 2019-21. The additional General Fund cost attributed to this change is estimated to be \$205 million in 2019-21. The remaining General Fund costs tied to this issue result from decreases in the FMAP used for the traditional Medicaid population and Children's Health Insurance Program.

Another significant General Fund cost results from inflation. Inflation for the Oregon Health Plan remains capped at an average of 3.4 percent per person per year, resulting in a General Fund impact of \$220.1 million. This impact includes the portion of inflation that would have been supported by Other Funds revenue if that revenue source was sufficient to fully cover its share.

General Fund savings of \$110 million is achieved in CSL from additional revenue received for the Oregon Health Plan under the OHSU intergovernmental transfer agreement. The additional revenue represents a six months phase-in of revenue and program growth pursuant to the number of OHP members served by OHSU. General Fund savings in CSL is also achieved from rural A/B hospital assessment revenue. Starting in 2017-19, rural A/B hospitals are now part of the fully-reimbursable hospital assessment program and are assessed at a lower rate than DRG hospitals. The 2019-21 CSL recognizes the phase-in of six-months of program revenue, resulting in General Fund savings of \$24 million.

CSL incorporates the impact of the Fall 2018 caseload forecasts for Medicaid and Non-Medicaid. All caseloads in the Health Systems Division for Medicaid are considered mandated. The CSL recognizes a forecasted Medicaid caseload of approximately 1,052,000, which is a modest increase compared to the caseload funded in 2017-19 when the CSL budget was developed. Much of the increase occurs in the ACA and Children's Health Insurance Program caseloads, which receive higher federal matching rates, whereas other caseloads that are more expensive to the state are decreasing. These caseload changes result in a net savings of \$0.8 million General Fund. Two caseload categories in the Non-Medicaid community mental health system are considered mandated, specifically the Guilty Except for Insanity and Civil Commitment caseloads. Increases in these caseloads result in a General Fund cost of \$3.1 million.

### Policy Issues

- OHA's 2017-19 budget is the agency's first budget to incorporate a portion of recreational marijuana tax revenue statutorily dedicated for alcohol and drug abuse prevention, early intervention and treatment services. A total of \$50.6 million of this revenue was included in OHA's Non-Medicaid behavioral health budget. As a budget saving measure, a like amount of General Fund was removed from this program, with the intent that no services would be negatively impacted. However, due to the statutory requirements for how the marijuana tax revenue could be used, this action was ultimately only able to save \$34.6 million General Fund based on how the Non-

Medicaid funding was expended for alcohol and drug abuse services. OHA had to include the remaining \$16 million General Fund reduction in its budget for Non-Medicaid mental health services, which resulted in a funding shortfall in those services because the marijuana tax revenue could not be used for that purpose. To resolve this issue, Senate Bill 1555 (2018) was adopted to allow the marijuana tax revenue to pay for behavioral health services more broadly. This bill sunsets on June 30, 2019, which will again create a budget problem in Non-Medicaid mental health services absent any statutory or budgetary changes. The Governor's 2019-21 budget recommends eliminating the statutory sunset and further increases the General Fund savings by \$13.3 million based on a forecasted increase in marijuana tax revenue.

- 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 originally began in 2010 when USDOJ investigated conditions at the Oregon State Hospital, and later expanded into whether Oregon's community mental health services were sufficient to avoid unnecessary institutionalization of adults with mental illness. The three-year plan ends in July 2019 and the process beyond this date is currently unclear.

#### Other Significant Issues and Background

- The Governor's budget includes several investments within the Health Systems Division aimed at helping children achieve their full potential. Package 402 (School-Based Mental Health Promotion/Suicide Prevention) includes \$13.1 million General Fund to enhance suicide intervention and prevention in schools and expand school-based mental health treatment. Package 403 (Intensive In-Home Behavioral Health Services) recommends funding for intensive community-based behavioral health services to help Medicaid-eligible youth receive treatment in their home community as opposed to being referred to residential care. This package is funded at \$19.6 million total funds (\$6.6 million General Fund). The Governor's budget also includes \$13.8 million total funds (\$10.4 million General Fund) for regional assessments to support integrated evaluations and care planning for children and their families. Finally, \$5 million General Fund is included for multi-generational addictions treatment to expand prenatal and postpartum treatment and support for mothers.
- The Governor's budget recommends Package 410 (Aid and Assist Misdemeanor Defendants), which includes \$7.6 million General Fund to increase capacity at the community level to serve the Aid and Assist population instead of sending these patients to the Oregon State Hospital for treatment. This package is combined with statutory proposals supporting the same outcome.
- Similar to the Medicaid program, a portion of Tobacco Master Settlement Agreement and tobacco tax revenue is dedicated for Non-Medicaid mental health services. However, unlike the Medicaid program, the General Fund is not used to backfill decreases in this revenue for Non-Medicaid in CSL because most of the Non-Medicaid budget is not considered "mandated." The decision to backfill revenue decreases for Non-Medicaid is typically treated as a policy decision. In light of the forecasted decreases in revenue for this program, the Governor's budget includes \$9.1 million General Fund in Package 413 (Behavioral Health Funding Shortfall).
- The Governor's budget recommends Package 415 (Expanding Hepatitis C Coverage) to support treatment for all Medicaid-eligible individuals with Hepatitis C, regardless of stage. This package is funded at \$107.4 million total funds (\$10 million General Fund).

## OHA - Health Policy and Analytics

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	22,205,930	31,512,233	46,280,124	48,127,235	51,290,254
Lottery Funds	-	-	24,000	24,912	24,000
Other Funds	5,803,968	20,061,297	39,582,250	35,186,855	30,375,215
Federal Funds	84,426,282	107,441,227	107,900,414	114,161,885	113,615,762
<b>Total Funds</b>	<b>\$112,436,180</b>	<b>\$159,014,757</b>	<b>\$193,786,788</b>	<b>\$197,500,887</b>	<b>\$195,305,231</b>
Positions	137	145	137	155	160
FTE	130.04	138.90	129.57	147.30	150.60

\*Includes Emergency Board and administrative actions through December 2018.

### Program Description

Health Policy and Analytics (HPA) 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 Delivery Systems Innovation, Office of Health Information Technology, and Office of Business Operations.

### CSL Summary and Issues

The 2019-21 General Fund CSL is \$48.1 million, which is an increase of \$1.8 million, or 4.0 percent, from the 2017-19 LAB. The total funds CSL is \$197.5 million, which represents an increase of 1.9 percent from the 2017-19 LAB. The increase in General Fund is largely due to the phase-in of program funding approved in 2017-19, most of which is from the phase-in of funding for the Health Care Incentive Fund.

### Policy Issues

The Common Credentialing Program was created to simplify the credentialing process for health care practitioners. As part of this program, state law required the agency to establish a web-based credentialing system to capture and store credentialing information provided by health care practitioners. Credentialing organizations would then use the system to obtain credentialing information and verifications. OHA leveraged its existing General Fund resources to fund the project in anticipation of the collection of fee revenue paid by users of the system. However, the project ended up being considerably more complex and expensive than initially predicted. The agency suspended the program in July 2018 to avoid further expenditures and project delays. Since the fee revenue did not materialize, the agency's December 2018 rebalance included \$5.5 million General Fund to repay the agency a portion of what it expended with its own resources on the project.

## Other Significant Issues and Background

- The Governor's budget supports Package 404 (Office of Child Health), which provides \$0.9 million total funds (\$0.6 million General Fund) and four positions (3.50 FTE) to establish the Office of Child Health. This office is intended to help OHA improve the social determinants of health and health equity in Oregon, with a focus on the prenatal through age 5 population.
- Package 409 (Opioid Alternative Pain Education Modules) is proposed in the Governor's budget to develop pain education modules to change risky prescribing practices contributing to opioid addictions and promote alternative approaches for pain management. The package includes \$0.4 million total funds (\$0.3 million General Fund) and one position (0.88 FTE).
- The agency requests Package 411 (Behavioral Health System Investments) to advance the integration of the behavioral health system. The package supports three distinct functions: 1) a four-year incentive program to help behavioral health providers adopt electronic health records; 2) new staff and resources to establish a process for identifying clinics that meet the standards to be considered a behavioral health home; and 3) funding and positions to continue the work of the Mental Health Clinical Advisory Group, which has a statutory sunset of December 31, 2018. The Governor's budget supports this package with \$5.7 million total funds (\$5.4 million General Fund) and four positions (3.50 FTE), which is one less position than requested by the agency.
- The Governor's budget supports Package 416 (CCO 2.0), which includes \$1.9 million total funds (\$1.1 million General Fund) and seven positions (6.16 FTE) to support the agency's effort to implement CCO 2.0.
- Package 422 (Statewide Pharmacy Implementation Group) includes \$0.7 million total funds (\$0.4 million General Fund) and two positions (1.76 FTE) to strengthen the Oregon Prescription Drug Monitoring Program's ability to analyze and oversee existing program functions. The package would also assist in the alignment of OHA programs conducting pharmacy purchasing. The Governor's budget supports this package.



## OHA - Public Employees' Benefit Board

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	1,846,192,434	1,966,713,889	2,046,798,409	2,098,771,459	2,099,657,653
<b>Total Funds</b>	<b>\$1,846,192,434</b>	<b>\$1,966,713,889</b>	<b>\$2,046,798,409</b>	<b>\$2,098,771,459</b>	<b>\$2,099,657,653</b>
Positions	19	19	19	19	21
FTE	18.50	18.50	18.50	18.50	20.50

\*Includes Emergency Board and administrative actions through December 2018.

### Program Description

The Public Employees' Benefits Board (PEBB) designs, contracts for, and administers health plans, group insurance policies, and flexible spending accounts for state and university employees and their dependents, representing over 139,000 Oregonians.

### CSL Summary and Issues

The resources to pay for state employee health insurance through PEBB are included in each state agency's budget. These resources may be General Fund, Lottery Funds, Other Funds, or Federal Funds depending on how the personnel costs for each state agency are funded. Once these resources are transferred to PEBB, they are accounted for as Other Funds in PEBB's budget. In addition to premium costs, the Other Funds expenditure limitation in PEBB's budget also covers optional benefits selected by employees, such as life, disability, and long-term care insurance.

The inflation rate in CSL for both PEBB and the Oregon Educators Benefit Board (OEBB) continues at 3.4 percent per person per year, consistent with the Medicaid budget. Senate Bill 1067 (2017) codified this inflationary budget target for PEBB and OEBB.

### Policy Issues

- Although the Board has mostly been successful in containing average per employee cost increases within its target thresholds, sustaining lower cost growth has become challenging, particularly as a new generation of expensive pharmaceuticals have entered the market. The actual cost increase between 2015 and 2016 was higher than the target at 5.0 percent but dropped to 2.6 percent between 2016 and 2017. A key part of PEBB's strategy to improve health outcomes while containing costs relates to promoting the use of coordinated care model (CCM) plans instead of more expensive preferred provider organization plans. CCM plans focus on primary care and prevention and have defined quality and access standards. This model also provides an opportunity for reducing the utilization of unnecessary services, improving coordination of disease management among varying providers, and using innovative reimbursement models. Around 60 percent of PEBB's members are now enrolled in a CCM plan.

- Senate Bill 1067 was the result of an initiative of the 2017 legislative session to find ways to reduce and control future government costs. The bill requires PEBB and OEBC to combine administrative functions and operations. It also limits hospital reimbursement rates for PEBB and OEBC to 200 percent of Medicare rates for in-network providers and 185 percent of Medicare rates for out-of-network providers. Finally, the bill eliminates “double coverage” and “opt-out” incentive payment for covered employees who have family members also employed by a PEBB or OEBC employer. Both the hospital and double coverage provisions are effective beginning with the 2020 plan year for PEBB (starting January 1, 2020) and the 2019-20 plan year for OEBC (starting October 1, 2019).

#### Other Significant Issues and Background

- The Governor’s budget proposes to transfer \$50 million in reserves from the PEBB Stabilization Fund to the General Fund. This transfer is intended to leave adequate reserves in the fund, as well as to pay for federal penalties.
- The agency is requesting Package 421 (Benefit Management System Replacement) to start the planning process to replace the benefit management systems used by PEBB and OEBC. The goal of the project is to replace both systems with a centralized solution to provide easier enrollment, better coordination of benefits management, and improved access to plan information. The total cost of the package is \$1.8 million and four positions (4.00 FTE), with both PEBB and OEBC each contributing half of the overall costs. This package is supported in the Governor’s budget.

## OHA - Oregon Educators Benefit Board

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	1,507,266,355	1,628,844,689	1,709,882,105	1,739,526,870	1,740,361,217
<b>Total Funds</b>	<b>\$1,507,266,355</b>	<b>\$1,628,844,689</b>	<b>\$1,709,882,105</b>	<b>\$1,739,526,870</b>	<b>\$1,740,361,217</b>
Positions	22	19	19	19	21
FTE	22.00	19.00	19.00	19.00	21.00

\*Includes Emergency Board and administrative actions through December 2018.

### Program Description

The Oregon Educators Benefit Board (OEBB) administers medical, dental, vision, and other benefits for approximately 150,000 employees, retirees, and their family members in Oregon's K-12 school districts, education service districts, and community colleges. With the passage of House Bill 2279 (2013), cities, counties and special districts also became eligible to join the OEBB benefits program.

### CSL Summary and Issues

OEBB is budgeted entirely with Other Funds revenue received from members' premium payments, which OEBB then expends to purchase insurance plans and pay administrative costs. The inflation rate budgeted in CSL for OEBB continues at 3.4 percent per person per year, as now required under Senate Bill 1067.

### Policy Issues

OEBB has controlled costs by using alternative payment models, offering its members a wide-range of plans, and—much like PEBB—encouraging the migration from preferred provider organization plans to coordinated care model plans, which have lower premiums. OEBB has held annual medical premium increases below 3.4 percent since the 2010-11 plan year. In addition to the 3.4 percent per-member per-year inflationary threshold, Senate Bill 1067 prescribes other cost containment parameters with OEBB and PEBB, as discussed above.

### Other Significant Issues and Background

The agency is requesting Package 421 (Benefit Management System Replacement) to start the planning process to replace the benefit management systems used by PEBB and OEBB. The goal of the project is to replace both systems with a centralized solution to provide easier enrollment, better coordination of benefits management, and improved access to plan information. The total cost of the package is \$1.8 million and four positions (4.00 FTE), with both PEBB and OEBB each contributing half of the overall costs. This package is supported in the Governor's budget.

## OHA - Public Health

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	39,805,881	65,196,109	65,325,147	73,292,764	83,264,280
Other Funds	154,540,730	150,073,638	184,316,919	192,218,213	221,767,860
Other Funds (NL)	25,249,525	40,000,000	40,000,000	40,000,000	40,000,000
Federal Funds	211,115,309	236,650,545	248,100,646	262,783,627	277,647,023
Federal Funds (NL)	81,902,469	102,729,051	102,729,051	102,729,051	102,729,051
<b>Total Funds</b>	<b>\$512,613,914</b>	<b>\$594,649,343</b>	<b>\$640,471,763</b>	<b>\$671,023,655</b>	<b>\$725,408,214</b>
Positions	784	754	771	739	764
FTE	760.59	735.67	741.37	731.11	751.11

\*Includes Emergency Board and administrative actions through December 2018.

### Program Description

The Public Health Division administers a variety of programs addressing the behavioral and social drivers of health to ensure the state's physical and social environments promote health and make it easier for people to make healthy choices. Public Health's programs complement investments in health care programs by focusing on prevention and have important impacts on reducing the need for costly health care services. Oregon's public health system includes federal, state, counties and local agencies, private organizations, and numerous other partners. Public Health operates some programs directly and funds and coordinates other programs through local public health authorities across Oregon.

Public Health's budget is comprised of 55 percent Federal Funds, which consists of many different federal grants and other funding streams. Other programs are funded with various revenues from fees. General Fund makes up 10 percent of the division's budget and is concentrated in a few areas. These include state support of local public health authorities, administration, immunizations, HIV/STD/TB prevention, school-based health centers, family planning, the breast and cervical cancer screening program, and home visiting programs.

### CSL Summary and Issues

The 2019-21 General Fund CSL is \$73.3 million, which is an increase of \$8 million, or 12.2 percent, over the 2017-19 LAB. The total funds CSL is \$671 million, which represents an increase of 4.8 percent from the 2017-19 LAB.

Apart from inflationary adjustments, the General Fund increase in CSL is largely driven by the phase-in of \$5.1 million for the provision of reproductive services established in House Bill 3391 (2017). The CSL phases out \$1.2 million in one-time General Fund added in the 2017-19

end-of-session bill for the Senior Farm Direct Nutrition Program and the Women, Infants, and Children Farm Direct Nutrition Program. A total of about \$270,000 General Fund remains in the budget for the two programs.

### Policy Issues

- Medical marijuana revenue for the Oregon Medical Marijuana Program has significantly declined as medical marijuana dispensaries, processors, and growers have moved to the recreational market regulated by the Oregon Liquor Control Commission. Cardholders have also declined as more individuals take advantage of the recreational program. In the past, available medical marijuana revenues were used to replace General Fund in several core Public Health programs. Because of the recent large decreases in available medical marijuana revenue, these programs now face revenue shortfalls. The 2017-19 budget addressed this issue by replacing \$12.1 million of medical marijuana revenue with General Fund to avoid program reductions. This action left \$7.1 million in medical marijuana revenue continuing to support pass-through grants to local public health authorities. Based on current revenue estimates, most of this medical marijuana revenue will need to be replaced with General Fund in the 2019-21 budget. The Governor's budget includes \$5.5 million General Fund to help resolve the projected revenue shortfall in 2019-21.
- Public Health Modernization remains an important priority of the agency. In 2016, state and local public health authorities completed an assessment of the existing public health system and found significant gaps between the current system and a fully modernized system that provides core public health services to all Oregonians. The assessment estimated an additional \$105 million per year is needed to fully implement a modernized public health system. The 2017-19 budget included \$5 million General Fund for Public Health Modernization to begin addressing public health system gaps. This funding has been used to support communicable disease control, health equity and cultural responsiveness, and epidemiology foundational capabilities. In Package 405, OHA requests an additional investment of \$47.7 million in 2019-21 to continue the work already underway and to add resources for emergency preparedness and response, environmental health, and performance management. The Governor's budget uses revenue from the proposed increase in tobacco taxes to fund this package at \$13.6 million.
- Wallowa County returned its public health authority responsibilities to OHA as of April 2018. This is expected to result in the need for \$134,663 General Fund in 2019-21 for OHA to continue programs consistent with statutory requirements. The cost to continue these services is funded in the Governor's budget.

### Other Significant Issues and Background

- The Governor's budget includes \$8.7 million total funds (\$4.1 million General Fund) in Package 401 to fund a Universal Home Visiting program to complement existing home visiting services.
- The Governor's budget includes Packages 418, 419 and 420 to support new fees or fee increases for the Drinking Water Services Program; Food, Pool, and Lodging Program; and Toxic Free Kids Program. The increased revenue associated with these fee proposals totals an estimated \$2 million in the 2019-21 biennium.

## OHA - Oregon State Hospital

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	453,736,884	451,041,430	491,150,763	494,313,354	500,754,610
Other Funds	17,734,460	64,382,972	50,209,859	70,340,663	68,740,488
Federal Funds	45,372,776	31,392,627	32,302,027	38,792,314	38,653,318
<b>Total Funds</b>	<b>\$516,844,120</b>	<b>\$546,817,029</b>	<b>\$573,662,649</b>	<b>\$603,446,331</b>	<b>\$608,148,416</b>
Positions	2,269	2,289	2,286	2,283	2,345
FTE	2,268.82	2,281.95	2,279.45	2,282.82	2,314.32

\*Includes Emergency Board and administrative actions through December 2018.

### Program Description

The Oregon State Hospital (OSH) is an integral part of the statewide behavioral health system and provides 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 Commitments - people who have been found by the court to be an imminent danger to themselves or others, 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 and are found by a court to be GEI. Although these patients receive treatment at OSH, they are under the jurisdiction of the Psychiatric Security Review Board.
- 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 to enable them to understand the criminal charges against them and "aid and assist" in their own defense.

### CSL Summary and Issues

The 2019-21 CSL for General Fund is \$494.3 million, which is an increase of \$3.1 million, or 0.6 percent over the 2017-19 LAB. The total funds CSL is \$603.4 million, which represents a 5.2 percent increase from the 2017-19 LAB. General Fund represents approximately 82 percent of the CSL budget, which is down from 88 percent in the 2015-17 biennium. The main reason for the decline in the level of General Fund needed is due to OSH's efforts to increase the number of hospital-licensed beds that are eligible to be reimbursed by Medicare, Medicaid, and third-party insurance.

## Policy Issues

- As a 24-hour institution, the Oregon State Hospital has very different operational requirements compared to the rest of the agency. The hospital's primary cost driver is staff, most of whom are involved in direct patient care. 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 vacancies and, generally, lower hospital staffing, result in more overtime and contractual staffing costs. Reductions to the hospital's Services and Supplies budget can also be problematic since a significant portion is related to essential patient costs, such as food and medicine.
- While the number of GEI patients has declined in recent years, the number of Aid and Assist patients has significantly grown. This population has doubled since the beginning of 2012 and now comprises over 35 percent 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. Progress has been made in some counties, but other counties continue to send increasing volumes of patients. The December 2018 Emergency Board allocated \$1.5 million General Fund (through the Health Systems Division) to invest in community services aimed at reducing the Aid and Assist population at the hospital. The Governor's budget also includes an investment of \$7.6 million General Fund for the 2019-21 biennium.
- One of the consequences of the increasing number of Aid and Assist patients at the hospital is that there are fewer beds available for Civil Commitment patients. This scenario can result in long waits for Civil Commitment patients to be admitted to OSH, sometimes resulting in long stays at hospital emergency rooms that are often unsuited to treat patients with mental illness.
- With improvements made to the Oregon State Hospital in 2016, the hospital received federal certification for an additional 454 hospital-licensed beds. This certification enables the hospital to bill for certain services covered by Medicare, Medicaid, and third-party insurance. The hospital has been in the process of establishing the infrastructure, contracts, and processes to maximize this billing in 2017-19. The 2017-19 OHA budget included General Fund savings of \$30 million tied to an estimated \$40 million in additional Other Funds revenue anticipated from the increased level of billings. While revenues are up in 2017-19, the General Funds savings are expected to be \$15 million short of the budgeted target. The Emergency Board approved \$15 million General Fund as part of OHA's December 2018 rebalance to cover the Other Funds revenue shortfall in the 2017-19 biennium. At this time, the agency's Other Funds revenue forecast is expected to be achieved for the 2019-21 biennium.
- In July 2016, OHA finalized the Oregon Performance Plan, which called 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 in 2010 when USDOJ investigated conditions at OSH, and later 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. The three-year period ends in July 2019, and it is uncertain if or how the process may continue.

#### Other Significant Issues and Background

In addition to the \$7.6 million General Fund included in the Governor's budget for community mental health investments, the budget also includes \$7.1 million General Fund to open a unit at the Junction City campus as a stop-gap measure to increase the hospital's capacity for serving Aid and Assist patients until community programs reduce that population. This investment assumed funding would also be appropriated at the December 2018 Emergency Board for the same purpose in 2017-19. However, the Emergency Board opted to invest in community programs instead of opening a new unit.



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

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	207,113,321	216,010,088	227,032,006	243,393,574	237,710,899
Lottery Funds	-	231,570	231,570	248,309	243,575
Other Funds	164,174,875	189,915,900	190,703,792	197,774,241	204,481,750
Other Funds (NL)	129,500,902	-	-	-	-
Federal Funds	64,629,329	64,542,810	61,532,919	54,334,269	50,193,755
Federal Funds (NL)	4,054,172	3,719,310	3,719,310	3,467,210	3,467,210
<b>Total Funds</b>	<b>\$569,472,599</b>	<b>\$474,419,678</b>	<b>\$483,219,597</b>	<b>\$499,217,603</b>	<b>\$496,097,189</b>
Positions	596	644	652	609	657
FTE	584.48	632.45	635.71	608.11	642.11

\*Includes Emergency Board and administrative actions through December 2018.

### Program Description

This budget includes Central Services, Shared Services, and State Assessments and Enterprise-wide Costs. Central Services includes OHA's leadership and business support functions, such as the director's office, communications, Office of Equity and Inclusion, and budget and human resource functions.

Shared Services supports certain business functions for both OHA and the Department of Human Services (DHS) under a joint governance agreement. This program area includes the Office of Information Services, which supports technology systems and services, and the Information Security and Privacy Office, which provides information security services. Shared Services is funded entirely by Other Funds transferred from different OHA and DHS programs through a federally approved cost allocation plan.

State Assessments and Enterprise-wide Costs is the budget structure used to pay for central government assessments and usage charges, as well as debt service. Examples of these assessments include state government service charges, risk assessments, unemployment assessments, mass transit taxes, technology usage charges, and rent. The revenue to pay for OHA's portion of Shared Services is also included in this budget. Debt service costs related to building the new Oregon State Hospital are also included in the State Assessments and Enterprise-wide Costs budget structure. In 2019-21, these costs total \$63.9 million General Fund and \$3.5 million Federal Funds.

### CSL Summary and Issues

The 2019-21 CSL for General Fund is \$243.4 million, which is an increase of \$16.4 million, or 7.2 percent, over the 2017-19 LAB. The total funds CSL is \$499.2 million, which is a 3.3 percent increase compared to the 2017-19 LAB.

The General Fund increase at CSL is primarily the result of standard inflationary costs and increases in the General Fund share of cost allocation expenses. Cost allocation is determined by a federally-approved methodology to allocate central and administrative costs to specific funding sources. The General Fund costs related to cost allocation have increased significantly since the 2015-17 biennium due to the inclusion of the Oregon State Hospital in the allocation methodology. More recently, the General Fund share of cost allocation has increased because of the transfer of Oregon Health Plan Member Services from OHA to DHS.

### Policy Issues

None.

### Other Significant Issues and Background

None.