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To: Human Services Subcommittee

From: Gregory Jolivette, Legislative Fiscal Office
Tom MacDonald, Legislative Fiscal Office

Date: May 27, 2021

Subject: HB 5043 – Department of Human Services and Oregon Health Authority
Work Session Recommendations

The Department of Human Services (DHS) and the Oregon Health Authority (OHA) have submitted their third budget rebalance plans for the 2019-21 biennium. Typical rebalance plans reflect program cost increases, savings, revenue changes, technical adjustments, and transfers between appropriations for legislatively approved programs and activities. Unless subsequent adjustments are necessary as part of the close of biennium accounting process, these plans are expected to serve as the final legislatively approved budget adjustments for DHS and OHA in 2019-21.

The plan submitted by DHS includes net General Fund savings of \$7,491,196 and a total funds increase of \$39,377,011. OHA's plan includes net General Fund savings of \$174,848,528 and a total funds decrease of \$15,934,579. The Legislative Fiscal Office (LFO) recommends adjustments to these plans resulting in additional General Fund decreases. Inclusive of these changes, the LFO recommendation disappropriates a combined \$198.4 million across both agencies.

Summary of DHS/OHA Budget Rebalance Changes - 2019-21	General Fund
DHS rebalance plan	(\$7,491,196)
LFO recommended adjustments	(\$13,500,000)
LFO Recommendation for DHS	(\$20,991,196)
OHA rebalance plan	(\$174,848,528)
LFO recommended adjustments	(\$2,600,000)
LFO Recommendation for OHA	(\$177,448,528)
Total LFO Recommendation	(\$198,439,724)

HB 5043 is a blank appropriation bill and will be the vehicle for the budget rebalance adjustments. The recommended -2 amendment makes those changes across DHS and OHA budget structures consistent with LFO's recommendations. The information below summarizes the requested and recommended adjustments.

OREGON DEPARTMENT OF HUMAN SERVICES

The rebalance plan for ODHS indicates the agency expects to complete the 2019-21 biennium with a surplus of \$7.5 million General Fund. This net estimate is primarily due to fluctuations in caseload and cost per case, but also includes some cost increases and program savings. (See the agency rebalance request for details.) DHS also projects needing less Other Funds (\$5.3 million) and Federal Funds (\$14.8 million) expenditure limitation to close out the biennium. These net decreases include adjustments (increases) in several appropriations and technical adjustments that net to zero agency wide. There are no changes to positions or FTE. The LFO recommendation is to approve the agency request, with two adjustments that result in a further General Fund savings of \$13.5 million as discussed below.

The following table shows the General Fund impact of the agency's rebalance plan by program, as well as LFO recommended adjustments.

Department of Human Services General Fund \$ in millions	SSP	CW	VR	APD	IDD	CS Shared SAEC Debt	Total
2019-21 Leg Approved Budget							
March 2021	460.4	797.8	33.8	1,089.6	926.6	434.3	3,742.5
							-
Costs	-	-	-	3.5	12.7	19.9	36.1
Savings	(5.2)	(36.5)	-	(1.9)	-	-	(43.6)
Net Change - ODHS Plan	(5.2)	(36.5)	0.0	1.6	12.7	19.9	(7.5)
LFO Recommended Changes	-	-	-	(3.5)	-	(10.0)	(13.5)
Revised Net Change - LFO	(5.2)	(36.5)	0.0	(1.9)	12.7	9.9	(21.0)
2019-21 Leg Approved Budget							
(After Rebalance Changes)	455.2	761.3	33.8	1,087.7	939.3	444.2	3,721.5

LFO Recommended General Fund Adjustments for ODHS

COVID Testing. The Aging and People with Disabilities program budget includes \$7.5 million to reimburse long term care facilities for COVID testing. The rebalance requests an additional \$3.5 million General Fund to cover these costs through the end of the biennium. The LFO recommends these costs be covered by a source other than the General Fund. The Oregon Health Authority is working with ODHS to support these costs with existing federal funds that can be used for this purpose.

Wildfire Shelter and Feeding. The Central Services program budget includes \$93.2 million General Fund to cover the cost of housing and feeding Oregonians displaced the wildfires.

The rebalance requests an additional \$16.8 million General Fund to cover projected costs through the end of the biennium. Based on a review of actual invoices received by the department and payments made through March, we recommend the Legislature approve only \$6.8 million General Fund for this purpose. The agency expects that some portion of these costs will be reimbursed by the Federal Emergency Management Agency. While the timing of the reimbursement is unknown, the agency does not expect it will be during the current biennium.

With these recommended General Fund changes, the LFO recommendation disappropriates a total of \$20.9 million General Fund for ODHS.

American Rescue Plan Funding for Home and Community Based Services. The American Rescue Plan Act (ARPA) includes enhanced federal funding for state Medicaid spending on Home and Community Based Services (HCBS). Specifically, beginning April 1, 2021 and through March 31, 2022, states will be eligible to receive a 10% increase in their federal medical assistance percentage for specified HCBS. The ODHS rebalance plan initially requested a total of \$66.9 million in new Federal Funds limitation to begin implementation of these provisions of ARPA in the current biennium; however, with the subsequent issuance of federal guidance on the various requirements state agencies must meet to draw down the enhanced funds, it now seems unlikely the state will actually receive the federal funds within the current biennium. For this reason, the agency has withdrawn this portion of the rebalance request. This issue will be addressed in the ODHS 2021-23 budget.

More detail on the ODHS rebalance plan changes and LFO's recommendations for each program are outlined in the subsequent narrative. These are grouped by legal appropriations as approved in the agency's 2021-23 budget bill.

Self Sufficiency and Vocational Rehabilitation

The Self Sufficiency Program has a net General Fund savings of \$5.2 million primarily in the TANF UN program. The savings is the impact of the spring caseload forecast. While still above current levels, caseloads are now projected to be lower increase than anticipated in the prior forecast. Caseload changes also result in reductions in Other Funds (\$1.0 million) and Federal Funds (\$15.1 million). The Vocational Rehabilitation program has no rebalance adjustments.

Child Welfare

The Child Welfare program has a General Fund savings of \$36.5 million. This is the result of caseload savings in Well Being and Permanency, as well as COVID-related underutilization of various services. The rebalance also decreases Other Funds (\$5.8 million) and Federal Funds (\$23.0 million) limitations in Child Welfare.

Aging and People with Disabilities/Intellectual and Developmental Disabilities

Although the Aging and People with Disabilities (APD) caseload is down compared to the earlier forecast, the rebalance plan shows a net need of \$1.6 million General Fund. The increase reflects the agency request for additional funds to reimburse long term care providers for COVID-19 testing. During the August Special Session, the legislature provided \$7.5 million General Fund to cover COVID-19 testing in licensed nursing, assisted living, and residential care facilities from January through March. The rebalance requests an

additional \$3.5 million for April through June. The LFO recommendation does not include additional General Fund monies for this. ODHS should work with OHA to identify available public health monies for COVID testing. The rebalance plan also decreases APD Federal Funds limitation (\$3.7 million).

The Intellectual and Developmental Disabilities (I/DD) program has a need for \$12.7 million General Fund. The net increase is driven by increases in caseload and costs per case. Specifically, there was an uptick in caseload for In-Home Services, Adult 24 Hour Group Homes, Adult Supported Living Services, and Ancillary Services. Caseloads with a slight decrease include Adult Foster Care, and Children’s Foster Care. The rebalance plan increases I/DD Federal Funds limitation (\$25.0 million).

State Assessments and Enterprise Wide Costs and Central Services

The rebalance plan includes a General Fund increase of \$3.1 million for SAEC. This includes two requests: one for \$0.9 million General Fund (\$1.5 million total funds) to replace ten scanners in Imaging and Records Management Services; and another for \$2.2 million General Fund (\$3.7 million total funds) to purchase 2,000 laptops to meet the telecommuting demands of the agency. The rebalance plan also increases Other Funds (\$1.5 million) and Federal Funds (\$2.0 million) limitations.

The agency projects wildfire related cost of \$100 million. To date, the legislature has approved \$93.2 million, leaving an estimated need of \$6.8 million General Fund; however, the rebalance request includes an additional \$10 million GF (for a total request of \$16.8 million GF) as a “contingency” in the event additional wildfire victims come forward for support. The LFO recommendation is to approve \$6.8 million GF. The need for a \$10 million GF contingency is not supported by the expenditure data provided to the LFO for review.

Shared Services

The Other Funds limitation for Shared Services is increased (\$1.5 million) to allow the agency to purchase scanners for the Imaging and Records Management Services, which is a shared service between OHA and ODHS. The General Fund and Federal Funds discussed above for scanners is transferred from SAEC, so it shows up as Other Funds in the Shared Services program.

Debt Service

There are no rebalance adjustments needed for debt service-related costs.

OREGON HEALTH AUTHORITY

The rebalance plan submitted by OHA identifies \$174.8 million in net General Fund savings after accounting for program costs of \$66.3 million and savings of \$241.1 million. The plan also includes a \$5.8 million decrease in Other Funds expenditure limitation, a \$167.3 million increase in Federal Funds expenditure limitation, a decrease of one position (0.25 FTE), and net zero technical adjustments across budget structures.

The following table summarizes the General Fund impact of the agency’s rebalance plan and LFO’s proposed changes by program.

Oregon Health Authority <i>General Fund \$\$ in millions</i>	Health Systems Division	Health Policy & Analytics	Public Health	Oregon State Hospital	Central, Shared, Debt Service	Total
2019-21 Legislatively Approved Budget (May 2021)	\$1,646.0	\$45.1	\$93.6	\$599.2	\$260.2	\$2,644.1
OHA Proposal:						
Costs	\$53.1	\$0.0	\$0.0	\$13.2	\$0.0	\$66.3
Savings	(\$234.6)	(\$1.4)	(\$0.2)	(\$3.1)	(\$1.9)	(\$241.1)
Net Change - OHA Plan	(\$181.5)	(\$1.4)	(\$0.2)	\$10.2	(\$1.9)	(\$174.8)
LFO Recommended Changes	(\$2.6)	\$0.0	\$0.0	\$0.0	\$0.0	(\$2.6)
Revised Net Change - LFO	(\$184.1)	(\$1.4)	(\$0.2)	\$10.2	(\$1.9)	(\$177.4)
2019-21 Leg Approved Budget After Rebalance Changes	\$1,461.9	\$43.7	\$93.5	\$609.4	\$258.3	\$2,466.7

The General Fund costs are due to two issues: 1) an increase in the biennial average Medicaid caseload in accordance with the Spring 2021 forecast; and 2) an increase in Oregon State Hospital costs related to addressing the COVID-19 pandemic, mostly in the form of employee overtime and contractual staffing costs. The General Fund savings are largely from the temporary 6.2 percentage point increase in the federal medical assistance percentage (FMAP) used to match state Medicaid spending.

LFO Recommended General Fund Adjustments for OHA

LFO recommends the Human Services Subcommittee adopt OHA’s plan with two modifications resulting in additional savings of \$2.6 million General Fund. These changes involve slower than expected spending on investments approved in an early session budget omnibus bill (HB 5042) to address the state’s growing “aid and assist” caseload. First, the agency is unable to execute a \$500,000 contract before the end of the biennium to study the underlying issues behind the state’s “aid and assist” caseload increases. While this contract is unable to move forward in 2019-21, OHA is separately requesting to fund the contract in 2021-23. Second, OHA is similarly unable to spend \$2.1 million from a \$2.3 million investment to increase community residential treatment capacity (\$2.1 million). With these changes, LFO’s recommendation disappropriates \$184.1 million General Fund for OHA.

The information that follows provide more information on the changes in the OHA budget rebalance. Additional information can also be found in the agency’s request letter.

Health Systems Division (HSD)

The 6.2% federal medical assistance percentage (FMAP) savings are over the six-month period of January 2021 through June 2021. Under federal law, the enhanced rate will expire at the end of the calendar quarter in which the federal public health emergency (PHE) expires. At this time, the PHE is expected to end no sooner than January 2022, which means the enhanced rate would end March 31, 2022. While this scenario could change, the Biden administration announced it will give states 60-days advance notice prior to allowing the PHE to expire, which is effective according to 90-day intervals. The six-months of

enhanced FMAP results in savings of \$151.6 million General Fund and \$5.8 million Other Funds, and corresponding Federal Funds cost increase of \$157.4 million.

Oregon Health Plan and other Medicaid caseload levels continue to increase and represent costs of \$53.1 million General Fund and \$161.5 million total funds based on the difference between the Spring 2021 forecast and Fall 2020 forecast. Caseloads are growing in large part due to federal policies that limit states' ability to disenroll members from Medicaid in exchange for receiving the 6.2% FMAP increase. The largest forecasted increase is in the Affordable Care Act caseload.

The rebalance includes Medicaid savings of \$79 million General Fund and \$233.3 million total funds from lower than budgeted fee-for-service and coordinated care organization payments, as well as Medicare Part B rates and the Part D prescription drug clawback. Declines in service utilization, such as for inpatient/outpatient services and maternity services, are the driving factors behind the savings and are due to fewer patient encounters during the pandemic.

Additional savings of \$1.5 million General Fund result from federal funds authorized in the American Rescue Plan Act (ARPA) to support states' share of vaccine administration costs for people covered by Medicaid starting April 1, 2021. The January 2021 Emergency Board allocated \$3 million to support these costs; OHA is estimating \$1.5 million in costs having occurred prior to the effective date of the ARPA funds.

HSD administrative savings of \$2.5 million General Funds are available due to available federal funding and slower spending tied to the pandemic. Specifically, federal Coronavirus Relief Funds have been used to pay for staffing costs for positions working on COVID-19 responses activities. Savings are also due to a slowdown in filling vacant positions and expenditures on travel and information technology.

Oregon State Hospital (OSH)

As a 24-hour psychiatric facility, OSH's response to the pandemic has been unique because of the need to adjust patient intake processes, setup patient screening stations and operate isolation units for patients who test positive for COVID-19 or are presumed to be infected. In addition, the Department of Administrative Services has temporarily authorized expanded employee leave time for employees who are unable to report to work due to COVID-19 infections or family issues, such as childcare during school closures. Because of higher than normal staff callouts and employees on leave, OSH has experienced additional costs for overtime, contractual staffing services, and personal protective equipment and supplies. After accounting for available federal funds from the CARES Act and FEMA reimbursement, OSH is estimating additional costs of \$13.2 million General Fund.

These costs are offset by savings of \$3.1 million due to two issues. First, \$2 million is available from the closure of two eight-bed Junction City cottages OHA opened in early 2019-21 as step-down units for civil commitment patients transitioning to community settings. The hospital closed these cottages effective April 1, 2021 because of capacity constraints limiting the admission of new civil commitment patients and the lack of civil commitment patients. The hospital no longer has enough civil commitment patients whose acuity level enables them to occupy the cottages. Second, savings of \$1.1 million is

available from lower than expected Medicaid recoupments. An increase of \$8.1 million General Fund was approved during the August 2020 special session to repay the federal government for overclaimed Medicaid services identified by OHA's Office of Program Integrity. Upon processing final revised claims entries, the Medicaid recoupment was lower than expected, resulting in the savings.

Public Health

In October 2020, the Emergency Board allocated \$750,000 for the Public Health Division to test drinking water in areas impacted by wildfires. Of this amount, \$600,000 was included to test domestic wells, which the agency has been unable to do because of ongoing debris removal and safety issues. While the domestic well testing has not occurred as planned, the agency identified the need for additional testing of small water systems, as well as the need to test drinking water at mobile home parks. Overall, the agency expects to underspend the Emergency Board allocation by \$150,000 in 2019-21. Because the testing of domestic wells has not been implemented as quickly as initially assumed, OHA is requesting to instead fund this activity in 2021-23.

Additional Savings

In Health Policy and Analytics, savings of \$1.4 million General Fund is available due to vacancy savings, the reimbursement of eligible staffing costs with federal Coronavirus Relief Funds, and the suspension of the Provider Directory and Client Quality Metrics Registry programs. \$1.9 million in debt service savings is also available due to a change in payment schedule.

Recommended Changes

Consistent with the modifications described above, LFO recommends approval of General Fund appropriation changes and adjustments to expenditure limitations, as shown in the tables below.

Department of Human Services

	General Fund	Other Funds	Federal Funds	Total Funds	Posiitons	FTE
Self Sufficiency Vocational Rehabilitation	(5,190,224)	(946,229)	(15,137,677)	(21,274,130)	-	-
Child Welfare	(36,477,331)	(5,817,188)	(22,973,174)	(65,267,693)	-	-
Adults and People with Disabilities Intellectual & Developmental Disabilities	10,814,946	-	21,300,076	32,115,022	-	-
Central Services State Assessments and Enterprisewide Costs	9,861,413	-	2,041,080	11,902,493	-	-
Shared Services	-	1,451,699	-	1,451,699	-	-
Total	(20,991,196)	(5,311,718)	(14,769,695)	(41,072,609)	-	-

Oregon Health Authority

	General Fund	Other Funds	Federal Funds	Total Funds	Posiitons	FTE
Health Systems Division	(184,115,582)	(5,850,293)	170,110,340	(19,855,535)	-	-
Oregon State Hospital	10,157,168	0	0	10,157,168	-	-
Public Health Division	(150,000)	42,884	(67,753)	(174,869)	(1)	(0.25)
Health Policy and Analytics	(1,405,849)	-	(2,721,229)	(4,127,078)	-	-
Debt Service	(1,934,265)	0	-	(1,934,265)	-	-
Total	(177,448,528)	(5,807,409)	167,321,358	(15,934,579)	(1)	(0.25)

Final Subcommittee Action

LFO recommends that HB 5043, as amended by the -2 amendment, be moved to the Ways and Means Full Committee.

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____