Oregon Health Authority

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	2,412,898,628	3,483,809,469	3,905,105,206	5,331,395,972	5,415,491,546
Lottery Funds	17,296,110	18,641,986	19,670,002	26,581,377	26,543,282
Other Funds	7,925,747,798	9,560,625,992	10,763,030,259	9,654,430,147	9,955,926,721
Other Funds (NL)	265,902,399	40,000,000	40,000,000	40,000,000	40,000,000
Federal Funds	13,604,325,358	16,944,934,468	17,914,701,472	17,959,470,727	18,947,632,456
Federal Funds (NL)	58,607,977	102,729,051	102,729,051	102,729,051	102,729,051
Total Funds	**24,284,778,270**	**30,150,740,966**	**32,745,235,990**	**33,114,607,274**	**34,488,323,056**
Positions	4,394	4,770	5,325	5,190	5,829
FTE	4,300.20	4,717.60	5,093.99	5,162.06	5,516.50

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Oregon Health Authority (OHA) was created in 2009 to consolidate most health-related state programs into a single agency. OHA's strategy for reforming health care is framed around its goal of improving the lifelong health of Oregonians, increasing the quality and availability of health care, and lowering the cost of care. The agency's budget consists of the following seven program areas:

- **Health Systems Division** - supports the delivery of health care through 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 their health care coverage.

- **Health Policy and Analytics Division** - provides policy support, technical assistance, and access to health information statistics and tools to all organizations participating in Oregon's health system transformation.

- **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, Junction City, and Pendleton.

- **Central Services, Shared Services, and State Assessments and Enterprise-wide Costs** - supports the administrative functions of the agency.

OHA utilizes funding across a variety of revenue sources:

General Fund (GF): The preponderance of General Fund revenue is used as match to receive Federal Funds, particularly for the Oregon Health Plan (OHP), Oregon's Medicaid program. General Fund is also used to fund programs not eligible for Federal Funds match and is the primary funding source for the Oregon State Hospital.

Federal Funds (FF): In addition to Medicaid, Federal Funds support the Community Mental Health Services (CMHS) block grant, Maternal and Child Health grant and nutrition and health screening for the Woman, Infants & Children (WIC) program. The Public Health Division receives over 70 categorical federal grants targeting specific activities. Other large grants enhance substance abuse prevention programs and health reform and transformation activities. The Oregon State Hospital (OSH) receives Federal Funds through the Disproportionate Share Hospital entitlement, which grants Federal Funds to hospitals that serve a large percentage of patients that are unable to meet their expenses through any other source. OSH also receives Medicaid revenue for the 16-bed secure residential treatment facility in Pendleton, as it is not subject to the exclusion that limits revenue from Medicaid at the other OSH campuses.

Other Funds (OF): The hospital assessment provides funding for the Oregon Health Plan, enhanced reimbursements to hospitals and qualified directed payments to Type A and Type B rural hospitals to maintain quality and access. The Oregon Health and Science University (OHSU) intergovernmental transfer program was created when OHSU was exempted from the hospital assessment and ensures that OHSU receives net reimbursement of at least 87% for provided services. The Tobacco Master Settlement Agreement (TMSA) revenues are payments made to settling states in perpetuity beginning in 2000, and a portion of the settlement funds programs at OHA. Oregon imposes a tobacco tax on cigarettes and other tobacco products that support the Oregon Health Plan and other tobacco use prevention and cessation programs. Retail recreational marijuana taxes fund community mental health and substance use disorder services, and early intervention and treatment services. However, Ballot Measure 110 (modified by SB 755 (2021) and HB 4056 (2022)) redistributed a significant portion of marijuana tax revenue to fund the Behavioral Health Resource Networks (BHRNs) and Access to Care grants for drug treatment and recovery services. The insurer assessment helps fund a reinsurance program for eligible health benefit plans and the remaining revenue supports the Oregon Health Plan. Beer and wine taxes are collected by the Oregon Liquor and Cannabis Commission (OLCC), some of which is used by the Health Systems Division for alcohol and drug programs. The Public Employee's Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB) are budgeted entirely with Other Funds to support the cost of public employee health benefits, with revenue received from premium payments and cost-sharing from participating employers and covered employees.

CSL Summary

OHA's 2023-25 current service level (CSL) budget is $33.1 billion total funds, which represents a $0.4 billion increase over the 2021-23 legislatively approved budget (LAB). The General Fund CSL budget is $5.3 billion, which represents a $1.4 billion increase of the 2021-23 LAB. Most of the General Fund growth is in the Health Systems Division and largely results from the Healthier Oregon Program and inflationary costs, which is offset by a decrease in Medicaid match and costs related to caseload forecast based on redeterminations resulting from the anticipated end of the federal public health emergency for COVID-19.

Changes from 2021-23 LAB to 2023-25 CSL *amounts in millions*	**General Fund CSL Changes**
Personal service inflation (non-salary) and vacancies	(8.0)
Program Phase Ins	
Healthier Oregon Program phase in	480.6
Other phase-ins	19.9
Program Phase Outs	
HB4004 BH Provider Incentives	(132.2)
HB4035 Medicaid Redeterminations	(24.6)
BH Housing one-time funds ($100M)	(99.7)
Dental Provider Incentives	(19.0)
Other phase-outs	26.8
Inflation	
Medicaid inflation	141.4
Other program inflation	68.9
Caseload forecast	86.8
Federal match decrease (Medicaid)	465.2
Restore OSH GF from ARPA subsidy	321.4
Drug Rebate Adjustment	(52.3)
Medicaid OF Inflation	307.4
Fund Shifts	(156.3)
2023-25 CSL Change for General Fund	**1,426.3**

Overall, 76% of the CSL budget supports payments to coordinated care organizations and health care providers for Medicaid services. These services are funded by a state-federal partnership in which the federal government matches, on average, 72% of program costs. A significant portion of OHA's General Fund budget is linked to this matching arrangement. Although most of OHA's budget supports Medicaid services, 51% of the agency's staff work at the Oregon State Hospital, which has unique operational needs given its function as a 24-hour psychiatric hospital.

One of the largest non-inflationary components of CSL is the program phase-in for the Healthier Oregon Program committing $480.6 million General Fund to cover those that would otherwise be eligible for OHP coverage if not for their citizenship status. This could have appeared as a policy option package in the 2023-25 agency request budget, but as a program phase-in, it appears in CSL.

Not included in the above CSL amounts are adjustments recognizing revenue shortfalls for ongoing agency programs. Oregon's budget development process allows agencies to recognize these adjustments as part of a "modified CSL." OHA's modified CSL recognizes several revenue shortfalls: 1) $1.2 million Other Funds in the Health Policy and Analytics Division due to a planned revenue shortfall related to HB 2362 (2021) that imposes fees for health care mergers and acquisition oversight; 2) $6.4 million Other Funds in the Public Health Division to

recognize revenue shortfall in the Oregon Psilocybin Program (Ballot Measure 109); and 3) a $0.4 Other Funds shortfall in the Health Licensing Office revenue.

Policy Issues

Medicaid Caseload and the Public Health Emergency

Public Health Emergency, FMAP, and Caseload:

The public health emergency (PHE) for COVID-19 declared on January 31, 2020, by the U.S. Secretary of Health and Human Services has had a significant impact on the medical assistance caseload, and remains an important item to track as the 2021-23 biennium draws to a close and the 2023-25 budget is built. The PHE has been continuously renewed on a quarterly basis since the original declaration, and most recently extended on October 13, 2022, through January 13, 2023. But with no 60-day advance notice given on November 13, 2022, to end the emergency mid-January 2023, it was assumed that the PHE would end in April 2023 - and that has now been confirmed.

The Fall 2022 medical assistance caseload forecast provided by the Office of Forecasting, Research and Analysis assumed that the mid-January end to the PHE was the final extension. As a result, updates to both caseload and federal match will need occur at the next forecast in the Spring of 2023.

As a condition of receiving an enhance federal medical assistance percentage (FMAP) of 6.2% during the PHE, Oregon is required to discontinue the process of redetermining Medicaid eligibility until the emergency ends. The result has been significant caseload growth as those who normally would have been disenrolled maintain coverage. As the PHE ends, Oregon has 12 months to begin the redetermination process for 100% of those on the caseload, and 14 months to complete it.

	Medicaid Matching Rate Increase (Percentage Points)	CHIP Matching Rate Increase (Percentage Points)
January 1 - March 31, 2023	6.2	4.34
April 1 - June 30, 2023	5.0	3.5
July 1 – September 30, 2023	2.5	1.75
October 1 – December 31, 2023	1.5	1.05

On December 29, 2022, the Consolidated Appropriations Act of 2023 was signed into law, delinking the Medicaid continuous coverage requirement from the COVID-19 public health emergency, and starting its unwinding after March 31, 2023. Instead of the immediate dissolution of the 6.2% FMAP rate, the new law provides a series of tiers that ramp down the federal match through the end of the 2023 calendar year.

Redeterminations and the Bridge Plan

As the state seeks to improve access to quality, affordable health care for all Oregonians, a policy issue has emerged regarding the PHE, growth in caseload, and how insurance coverage is maintained as eligibility redeterminations take place. House Bill 4035 (2022) was passed to address coverage issues and provide a plan that bridges the gap for those who fall between 138-200% of the federal poverty level as disenrollment is considered on a case-by-case basis. This "bridge plan" addresses the extension of benefits throughout the length of the post-PHE 14 months, while creating a new Basic Health Plan category of Medicaid coverage going forward. Due to the timing of the Fall 2022 forecast, the budgetary implications of this appear in a policy option package (see below under Agency Request Budget).

Behavioral Health Investments

Significant investment in the behavioral health system in Oregon occurred in 2021-23, totaling $225.6 million General Fund and $1.4 billion total funds across Aid and Assist services (discussed below in the Health Systems Division and the Oregon State Hospital), behavioral health crisis stabilization and the 9-8-8 suicide prevention hotline, drug treatment and recovery services resulting from Ballot Measure 110, behavioral health housing and social determinants of health, bolstering workforce and systems innovation, and investment in Oregon State Hospital (OSH) capacity. General Fund investments would have been $525.6 million if not for a $300 million investment of American Rescue Plan Act (ARPA) Other Funds dollars that came as a pass-through from the Department of Administrative Services (DAS) to the OSH budget in HB 5006 (2021). Elements of behavioral health investments are discussed here because they are funded across multiple OHA divisions.

Aid and Assist:

Now the largest segment of OSH patients, the Aid and Assist population comes to the hospital through a court order under ORS 161.370 for treatment that will help them understand the criminal charges against them and assist in their own defense. In 2002, the federal Mink Order required OSH to admit patients under Aid and Assist orders for competence restoration within seven days of the date the circuit court judge signed the order. Historically, once admitted an Aid and Assist patient could be held up to three years (ORS 161.371) to establish competence. The COVID-19 pandemic created workforce issues and other systemic constraints that resulted in delays at both admittance and release, eventually resulting in a federal court ruling that set new time constraints, differentiated into the following categories: those with a misdemeanor offense, felony charge, or "violent felony" under ORS 135.240. Misdemeanor aid-and-assist patients now have an adjusted maximum commitment time at OSH of 90 days, felony patients are limited to a maximum duration of commitment for restoration of six months, and violent felony patients have a maximum duration of commitment for restoration of one year. Capacity constraints in the community have made releasing patients a challenge, which then backs up the entire behavioral health system to OSH admission and to the counties prior to admission. A number of investments were made in 2021-23 to address the Aid and Assist issue: $21.5 million total funds ($18.6 million General Fund) to the Health Services Division for community restoration and clinical services, rental assistance, and wraparound support; $30.1 million General Fund to OSH to open two Junction City 24-bed units to make space in Salem for Aid and Assist patients; and $10.8 million General Fund from a $20 million special purpose appropriation that included the approval of 228 position (188.52 FTE) to support the first stage of OSH's staffing plan.

9-8-8 Crisis Stabilization

In 2021, HB 2417 required OHA to establish a statewide coordinated crisis services system consistent with the National Suicide Hotline Designation Act of 2020. To address Oregon's continuing to lag behind other states' measures of behavioral health systems, significant investment was made in the 2021-23 biennium to address the state's high rates of mental illness, suicidal thoughts, and substance abuse. OHA received $6.5 million in its 2021-23 primary budget bill for mobile crisis response and stabilization to expand a service for children and adolescents experiencing behavioral health crisis in order to reduce more costly interventions involving the medical system, criminal justice system, or child welfare system. In HB 2417 (2021), $15 million General Fund was added for the crisis hotline center ($5 million) and funded distributions to counties to establish and maintain mobile crisis interventions ($10 million). Also in HB 5202, $1.8 million General Fund ($2.2 million total funds) and 10 positions for ongoing agency operations went to support implementation and oversite of the crisis system envisioned by HB 2417 through the development of standards for statewide mobile crisis teams and crisis stabilization centers, development of Medicaid reimbursement opportunities, and business information system and financial management support. Significant funding is requested in a policy option package for the 2023-25 budget and is discussed in the Health Systems Division section below.

BH Workforce

HB 4004 (2022) included significant investments in recruitment and retention of the behavioral health workforce in Oregon. A one-time investment of $132.3 million General Fund was made to distribute grants to mental health or substance use disorder crisis line providers, Urban Indian Health Programs, Tribal Behavioral Health Programs, and non-hospital providers serving predominately uninsured or publicly insured clients. Providers were directed to use at least 75% of the grants on direct compensation to their staff with the remainder to be spent on other means to increase workforce retention or recruitment. The June 2022 Emergency Board also funded $42.5 million from a special purpose appropriation to improve behavioral health provider rates in an effort to bring them in line with other elements of the health care system.

Investment/Innovation

Across an array of both budget and policy bills in the 2021 session, nearly $100 million of investment was made to the behavioral health system for behavioral health accountability, systems modernization, block grants, a study for behavioral health structures, certified community behavioral health clinics, co-occurring disorder treatment, interdisciplinary assessment teams, peer respite centers psychiatric residential treatment services capacity and funds for young adults in transition.

Oregon State Hospital

As a critical component of the continuum of the behavioral health system in Oregon, the Oregon State Hospital (OSH) also received investment in the 2021-23 biennium. $31 million General Fund (110 positions) was invested in opening two 24 bed units at the Junction City facility to relieve the Salem campus bed constraints that were a result of Aid and Assist population growth. During the 2022 session, an additional $10.8 million (228 positions) was invested as the first of a multi-part staffing plan for OSH. OSH continues to put forward additional needs in 2023-25 to further address federal rulings on admission timelines and complex patient care issues, both of which were initially funded in the December 2022 Emergency Board.

2022-27 1115 Waiver:
On September 28, 2022, the Centers for Medicare and Medicaid Services (CMS) provided Oregon final decisions on allowed changes to the Oregon Health Plan (OHP) during the 2022-2027 demonstration period. Of note are efforts to ensure that people are able to maintain health insurance coverage due to temporary changes to their eligibility and improving health outcomes by addressing social needs that impact health. The new waiver does not require Oregon to fund these elements, but allows for federal match in the event that Oregon chooses to invest in these services:

Continuous Re-enrollment
The 2022-27 Section 1115 Medicaid Demonstration Waiver allows for children to maintain continuous OHP enrollment from birth until their sixth birthday. This allows for continuity of care for children and avoids the necessity of re-enrolling as temporary changes occur throughout their formative years. In addition, the waiver allows for two-year continuous OHP enrollment for people ages six and older - even if their eligibility status changes. For those whose income changes, even on a very temporary basis, they lose OHP health insurance and are forced to re-apply shortly thereafter to reestablish coverage. This "churn" costs Oregonians more in administrative work and results in poorer health outcomes. By providing two-year continuous coverage, the intent is to reduce churn significantly.

Social Determinants of Health (SDOH) or Health Related Social Needs (HRSN)
The new waiver allows Oregon to provide services to individuals and families who are experiencing transition in their lives through a package of services knows as health-related social needs (also known as social determinants of health). Depending on the nature of these transitions, parts of the health-related social needs package may include services related to housing, food assistance, and protection from climate events. Multiple groups may be eligible for these services, to include youth with special health care needs up to age 26, youth who are child welfare involved, people who are experiencing homelessness or at risk of homelessness, older adults who have both Medicaid and Medicare health insurance, people being released from custody and people at risk of extreme weather events due to climate change.

Healthier Oregon Program:
The Healthier Oregon Program (HOP), which was established by HB 3352 (2021) covers those who would be eligible for the Oregon Health Plan except for their ability to confirm citizenship. While emergency services for program enrollees receive a federal Medicaid match, General Fund supports the other elements of the comprehensive health coverage available to this population. More detail follows under the Health Systems Division below.

Governor's Budget Summary
The Governor's budget added various packages to OHA's budget and either recommended or modified policy option packages requested by the agency. The budget also incorporates the roll-up of the following adjustments approved in 2021-23 by the Emergency Board:

- June 2022 Emergency Board:
    - 2021-23 Investment: $42.5 million General Fund and $112 million total funds for increasing behavioral health provider rates.
    - 2023-25 GRB: Expands to a full biennium equating to $127.4 million General Fund and $388.1 total funds.
- September 2022 Emergency Board:
    - 2021-23 Investment: $1.8 million General Fund and 20 positions (7.60 FTE) in response to a CMS audit after a security issue at the Oregon State Hospital.
    - 2023-25 GRB: Expands to a full biennium equating to $4.2 million and 20 positions (20.00 FTE).
- December 2022 Emergency Board:
    - 2021-23 Investment: $1.5 million General Fund and 21 positions (5.25 FTE) to care for a complex patient at the Oregon State Hospital.
    - 2023-25 GRB: Expands to a full biennium equating to $4.2 million, 21 positions (21.00 FTE).

In addition, the Governor's 2023-25 budget recommendation for OHA includes $296.4 million in new General Fund investments across the agency, most of which are fully or partially funded policy option packages requested by the agency. To help pay for current service level budget growth and fund these investments, the Governor's budget includes a series of reductions and savings adjustments of $348.5 million General Fund. The budget assumes a $64 million savings as a result of the ramp-down of the enhanced FMAP for the end of the PHE; reduces the Healthier Oregon program by $176 million based on the assumption that average per member caseload costs will be lower than calculated at CSL according to members' utilization of services; reduces Medicaid inflation rates resulting in a savings of $66.5 million; incorporates a $64 million savings in CCO rates not reaching the anticipated 3.4% inflation rate; establishes a charge on 988 calls equating to $37 million; shifts for various settlements for tobacco and vaping settlements totaling $26.5 million; and includes an overall anticipated savings to services and supplies across the agency of $33.8 million.

Other Significant Issues and Background

In November 2022, Ballot Measure 111 amended the Oregon constitution by adding, "It is the obligation of the state to ensure that every resident of Oregon has access to cost-effective, clinically appropriate and affordable health care as a fundamental right." This makes Oregon the first state in the nation to codify this right in its constitution. Currently, approximately 6% of Oregonians are uninsured for a variety of reasons, and the measure's long-term impact on Oregon health care is unclear because it does not prescribe how the state should accomplish the measure's goal.

OHA - Health Systems Division

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	1,463,100,156	2,602,694,351	2,883,184,867	4,008,979,772	3,990,496,747
Lottery Funds	16,772,247	18,096,546	18,924,562	21,818,571	21,778,389
Other Funds	3,370,875,287	4,365,280,908	4,510,400,930	4,457,803,893	4,740,847,463
Federal Funds	13,104,558,231	16,406,290,748	16,955,019,588	17,149,894,333	18,129,129,157
Total Funds	**17,955,305,921**	**23,392,362,553**	**24,367,529,947**	**25,638,496,569**	**26,882,251,756**
Positions	384	437	552	538	664
FTE	340.67	424.00	493.18	529.75	631.05

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Health Systems Division (HSD) supports the state's health care system by delivering integrated physical, behavioral, and oral health care services. The division includes the following budget units: 1) Medicaid, which consists of funding for physical, behavioral, and dental health care services provided through the Oregon Health Plan and other Medicaid programs; 2) Non-Medicaid Behavioral Health, which supports Oregon's community behavioral health system and serves as a behavioral health safety net for Oregonians regardless of their health care coverage; and 3) Program Support and Administration, which provides the division's staffing and operational support.

CSL Summary

HSD's 2023-25 current service level (CSL) budget totals $25.6 billion, which represents a $1.3 billion increase from the 2021-23 legislatively approved budget. The CSL budget for General Fund is $4 billion, which represents an $1.1 billion, or 39%, increase over 2021-23. The net General Fund growth is due to new program phase-ins, inflation, various fund shifts due to revenue forecasts, and the impact of the potential end to the public health emergency (PHE) for COVID-19.

Of the $496.5 million General Fund in programmatic phase-ins ($637.4 million total funds), $480.6 million (nearly 97%) is related to the Healthier Oregon Program (HOP) that covers those that qualify for Medicaid coverage except for their citizenship status. Per HB 3352 (2021), on July 1, 2022, people who: a) met Oregon Health Plan (OHP) income and other criteria; b) don't qualify for full OHP benefits because of their immigration status; and c) were 19-25 years old and 55 years and older, became covered primarily with state General Fund because these benefits are largely not matched with federal dollars. As of July 1, 2023, those who are age 26-54 will be added to the program, so both populations are included in this increase to CSL for OHA. In future biennia, caseload impacts to HOP should appear as a component of normal caseload packages.

Offsetting the programmatic increases in the 2023-25 CSL are related to one-time investments in 2021-23. These decreases equate to $197.3 million General Fund and $721 million total funds. Some examples are the one-time investment in HB 4004 (2022) for behavioral health provider grants of $132.1 million, $100 million in behavioral health housing investments, and $19 million in Medicaid dental provider payments.

Inflation had a substantive impact on CSL, totaling $171.5 million General Fund and $1.6 billion total funds. The inflation relative to Medicaid alone was $141.4 million General Fund and $1.5 billion total funds. Although the CSL budget limits Medicaid cost growth to 3.4% per member per year, the General Fund shoulders a larger portion of the state-funded costs consistent with forecasts for the other sources of revenue.

To support medical assistance and non-Medicaid mental health caseloads, the CSL budget incorporates forecasted caseload levels published by the Department of Human Services (DHS) Office of Forecasting, Research and Analysis (OFRA), which conducts forecasts for DHS and OHA caseloads as part of the agencies' shared services agreement. Based on OFRA's fall 2022 forecast, the CSL budget recognizes an average biennial medical assistance caseload of 1,295,308 (excluding Healthier Oregon Program), which represents an increase of 111,138 compared to the previous caseload forecast provided in Spring 2022. Through November 2022, the OHP caseload has grown to nearly 1.5 million, an increase of 400,000 members.

Most of this increase occurs in the ACA and parent/caretaker relative Medicaid caseloads. A modest decrease is included for forecasted changes for non-Medicaid civil commitment and guilty except for insanity caseload levels. Budgetary adjustments to these caseloads were paused in 2019-21 pending the completion of a review of the related forecast and budget processes, as well as recommendations from an OHA-led stakeholder workgroup. This work was required by a budget note due to concerns about the data available to inform the forecast and whether the long-standing way of budgeting for these caseloads properly incentivizes outcomes. This work was originally expected to be completed by the time OHA's CSL budget was final; however, the work has been delayed and OHA is still evaluating next steps. Similar to past pauses to these adjustments, the Governor's budget restores the decrease included in the CSL budget.

Policy Issues

Medicaid Caseloads: With clarification from the federal government that the PHE ends in April 2023, the caseload growth of approximately 400,000 that OHP has experienced since early 2020 should subside and begin to decrease over the course of the 2023-25 biennium. Medicaid caseload costs in 2023-25 for the non-Healthier Oregon Program will still increase over CSL as members will be disenrolled later as the redetermination process is delayed. These increased caseload costs will be offset, in part, by the tiered reduction in the FMAP rate that was originally anticipated in CSL to end in its entirety upon the PHE ending.

Redeterminations and the Basic Health Plan: With the passage of HB 4035 (2022), the legislature sought to fund not only the federally required process of redetermining 100% of those covered by Medicaid in Oregon at the close of the PHE, but also to extend benefits for them

in anticipation of a new caseload component of OHP called the Basic Health Plan that will serve those between 138-200% of the federal poverty level. Initial funding in 2021-23 was $120 million General Fund across the agency, but that funding has been phased out in the 2023-25 Governor's budget through a combination of CSL packages. The Governor's budget adds $3 million General Fund for the Health Policy and Analytics Division to continue planning activity for the Basic Health Plan.

Medicaid 1115 Waiver: The extent of the new 1115 Waiver is considerable (see above) and the Governor's budget includes $120 million General Fund and $969.7 million total funds to pay for continuous eligibility, administrative costs, tribal enhancements, and the inclusion of those involved in the justice system who are releasing and need coverage. While $10.4 million General Fund is included for the justice-involved caseload, as of this writing CMS has not formally approved that component of the Waiver. The social determinants of health components are funded entirely with federal funds until fiscal year 2027 when a General Fund match will be required.

Healthier Oregon Program: In the 2021-23 biennium, an initial $100 million investment was made in the Healthier Oregon Program (HOP) that provides coverage to those in Oregon who would qualify for Medicaid except for their citizenship status. With some administrative costs and a potion transferred to the Department of Human Services, the seed money for the program was $83 million. As mentioned above, the full program was phased into CSL at $480.6 million General Fund. Caseload updates have added an additional $106 million General Fund, bringing the entire program to $676 million. The Governor's budget assumes that per member caseload costs will be lower than calculated at CSL based on member risk assumptions and the program is reduced to $500 million General Fund in total (a reduction of $176 million).

Behavioral Health Investments: The 988/Crisis System received $18.4 million in the Governor's budget, with no additional funding going toward the mobile crisis teams nor the crisis intervention centers. The ARB removed $14.2 million from the behavioral health caseload and the GRB restores that funding. Additional investments are made for enhanced pre-civil commitment services ($10 million), child and adult substance use disorder (SUD) facilities ($15 million), suicide prevention and intervention teams ($7 million), case management for the houseless discharged from the Oregon State Hospital ($6 million), and other investments to support behavioral health workforce.

Other Significant Issues and Background

Revenue Impacts: Absent budget or policy changes, the reallocation of marijuana tax revenue required by Ballot Measure 110 to support new addiction recovery centers decreased the funding available for OHA's existing non-Medicaid mental health and SUD services. The amount of marijuana tax revenue budgeted in OHA's 2021-23 legislatively approved budget for these services was approximately $65 million, but that grows to $221.8 million in the December 2022 forecast. Revenue is estimated to grow to $231.3 million for 2023-25. However, the marijuana tax revenue available for OHA's existing services was capped at $22.5 million in 2021-23. HB 4056 (2022) now allows an inflationary factor to be applied to this total, and the Office of Economic Analysis increased the revenue forecast for non-Measure 110 to $25.5 million for 2023-25 in the December 2022 forecast.

The 2023-25 biennium contains additional revenue from increased tobacco and vaping taxes to support OHA's medical assistance programs, consistent with the passage of Ballot Measure 108. Based on the December 2022 state revenue forecast for the 2023-25 biennium, $625.2 million is available in tax revenue to save a like amount of General Fund in the Medicaid budget.

OHA - Health Policy and Analytics

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	41,111,181	55,515,071	79,050,011	62,430,348	87,845,909
Lottery Funds	24,282	25,983	25,983	27,074	27,074
Other Funds	25,836,748	127,420,711	49,213,191	89,305,177	95,578,604
Federal Funds	47,887,880	46,714,223	48,523,195	37,873,539	46,765,473
Total Funds	**114,860,091**	**229,675,988**	**176,812,380**	**189,636,138**	**230,217,060**
Positions	161	194	218	248	279
FTE	149.26	190.08	202.40	235.65	259.95

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Health Policy and Analytics (HPA) Division provides policy support, technical assistance, and access to health information statistics and tools to all organizations and providers participating in Oregon's health system transformation. The division is comprised of the following offices: Health Policy, Health Analytics, Delivery Systems Innovation, Health Information Technology, and Business Operations. The Public Employees' Benefit Board and Oregon Educators Benefit Board are operationally situated in HPA but have different budget structures.

CSL Summary

HPA's 2023-25 current service level budget totals $189.6 million, which represents a $12.8 million, or 7%, increase from the 2021-23 legislatively approved budget. The CSL budget for General Fund is $62.4 million, which represents a $16.6 million, or 21%, decrease from 2021-23. Most of the total funds change is due to the phase-out of General Fund and transfers of Other Funds. The General Fund change is primarily due to the phase out of one-time investments made in HB 4035 (2022) services and supplies to cover the costs of redeterminations and the bridge plan associated with the end of the public health emergency. This is slightly offset by a phase-in of $1.3 million related to permanent and limited duration positions for the same bill. Other Funds increases were the result of technical adjustments transferring the operations components of PEBB and OEBB into HPA ($36.4 million, 40 positions, 39.50 FTE).

While smaller in nature, a number of other reductions to CSL came from phasing out temporary staffing services related to SB 428 (2021), professional services from HB 2010 (2021), and funds to support a task force established SB 428 (2021) related to universal health care. Not included in the amounts above is a modifying CSL adjustment to reflect a $1.2 million shortfall in Other Funds revenue from hospital merger and acquisition review requirements established in HB 2362 (2021).

Policy Issues

A legislative priority requiring the strong involvement of HPA was the design of an annual health care growth target and other recommendations to address the rising cost of health care, as required by Senate Bill 889 (2019). A preliminary draft of these recommendations was published in December 2020 and a full report was submitted July 2022. With this body of work complete, the 2023-25 current service level phases out $33,000 General Fund for consulting fees no longer needed.

Governor's Budget Summary

The Governor's budget includes a 21% increase over CSL in total funds and 40%, or $25.4 million, increase in General Fund investments. The investments were made in the following areas:

HCPIP Workforce: The Health Care Provider Incentive Program (HCPIP) was created in HB 3261 (2017) and is administered by OHA in collaboration with the Office of Rural Health under the direction of the Oregon Health Policy Board. The Governor's budget includes $20 million for HCPIP for the purpose of focusing on developing the behavioral health workforce.

Basic Health Plan: With the passage of HB 4035 (2022), the legislature sought to fund not only the federally required process of redetermining 100% of those covered by Medicaid in Oregon at the close of the PHE, but also to extend benefits for them in anticipation of a new caseload component of OHP called the Basic Health Plan that will serve those between 138-200% of the federal poverty level. Initial funding in 2021-23 was $120 million General Fund across the agency, but that funding has been phased out in the 2023-25 Governor's budget through a combination of CSL packages. The GRB adds $3 million General Fund for the HPA to continue planning activity for the Basic Health Plan.

Medicaid 1115 Waiver: Oregon's Medicaid 1115 Waiver (discussed above) received funding in the Governor's budget. The Governor's budget includes $5.5 million General Fund of the $120 million General Fund total for HPA.

OHA - Public Employees' Benefit Board

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
Other Funds	2,160,263,393	2,311,370,412	2,326,601,853	2,487,050,278	2,488,161,194
Total Funds	**2,160,263,393**	**2,311,370,412**	**2,326,601,853**	**2,487,050,278**	**2,488,161,194**
Positions	20	20	20	--	--
FTE	19.50	19.50	19.50	--	--

* Includes Emergency Board and administrative actions through December 2022.

Program Description

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

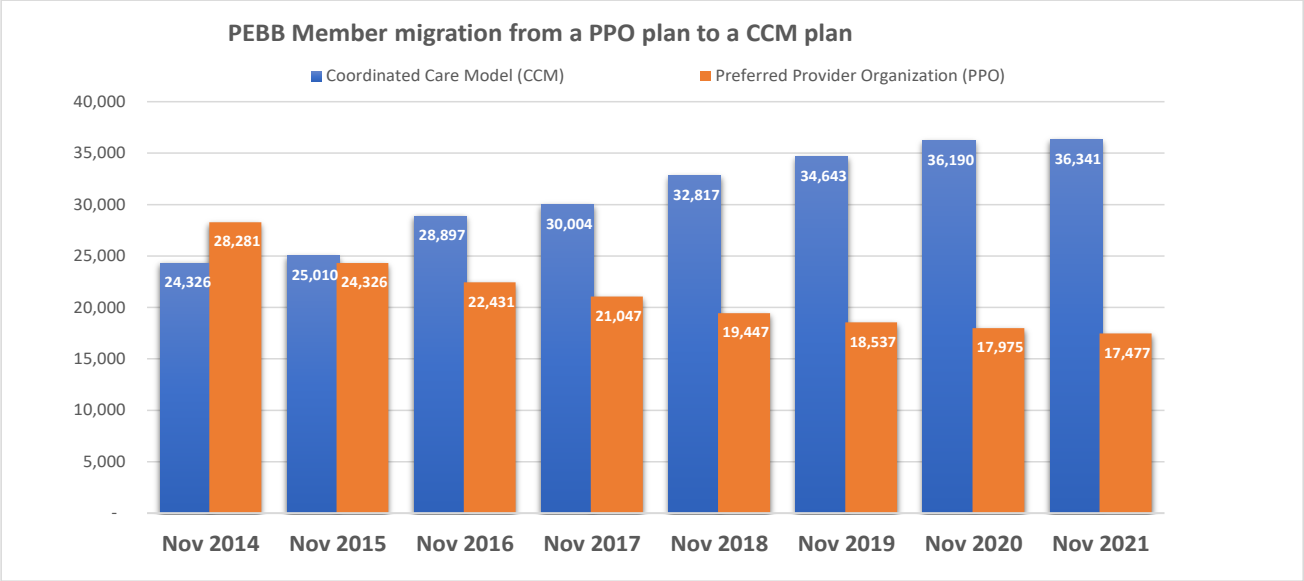
CSL Summary

PEBB's 2023-25 current service level budget totals $2.5 billion Other Funds, which represents a 6.9% increase over the 2021-23 legislatively approved budget. This growth results from the phasing-in of expenditure limitation to support an increase in PEBB enrollments and annual inflation. The inflation rate applied for both PEBB and the Oregon Educators Benefit Board (OEBB) continues to be held to 3.4% per person per year, consistent with the Medicaid budget. SB 1067 (2017) codified the 3.4% annual inflationary target for PEBB and OEBB. The budget structure for PEBB's operations is moved to the Health Policy and Analytics Division, accounting for a net-zero transfer of $18.7 million and 20 positions (19.50 FTE). The expenditure limitation remaining in the PEBB budget structure supports member benefits.

The resources to pay for state employee health insurance 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. State law allows PEBB to collect an amount that equals no more than 2% of total premiums to support administrative and operational needs. In addition to premium and administrative costs, the Other Funds expenditure limitation also covers optional benefits selected by employees, such as life, disability, and long-term care insurance.

Policy Issues

The cost containment strategy for both PEBB and OEBB is largely focused on controlling premium costs as opposed to shifting costs to members through higher deductibles, copayments, or increased premium share, although member cost increases do occur. The Boards encourage the use of high-value services, such as through value prescription drug formularies, waived copayments for office visits related to chronic conditions, and no-cost tobacco use cessation programs, among others. PEBB and OEBB have also incorporated value-based payment (VBP) models into plan design and are aligned with the goals of CCO 2.0 to have 70% of total medical expenditures supported through a VBP arrangement by 2024.



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 aims to reduce the utilization of unnecessary services, improve coordination of disease management across providers, and use innovative reimbursement models.

PEBB and OEBB are still in relatively early stages in terms of experiencing the impact of the cost control changes required by Senate Bill 1067 (2017). The bill required PEBB and OEBB to combine administrative functions and operations and limit hospital reimbursement rates to 200% of Medicare rates for in-network providers and 185% for out-of-network providers. The bill also eliminated "double coverage" and "opt-out" incentive payments. House Bill 2266 (2019) repealed the double coverage and opt-out provisions before they took effect and instead imposed a surcharge for employees who enroll in a PEBB or OEBB plan when already enrolled as a dependent on another PEBB or OEBB plan. Both boards formed a joint innovation workgroup to analyze cost drivers, measure access and quality, and explore alternative payment models focused on the value of care and the potential for meaningful cost savings.

Governor's Budget Summary

As Oregon looks to create payor parity and bring behavioral health crisis services into commercial insurance coverage as specified in HB 3046 (2021), incorporating coverage into PEBB and OEBB services will be included. This would allow PEBB and OEBB to provide consistent access to

behavioral health crisis service teams to members when they experience crisis. Statutory change is needed to make this a requirement and the increased cost would result in an estimated 0.05% premium increase in PEBB's and OEBB's medical/pharmaceutical plans. The Governor's budget includes $1.1 million Other Funds limitation for this access.

Other Significant Issues and Background

PEBB and OEBB began exploring options in 2019-21 to replace their outdated benefits management systems with a modern integrated system to improve customer experience, reduce duplication of effort, and make progress on aligning their benefits. In a practical sense, the current systems are unable to meet basic business needs that are standard features of modern subscriber-based systems. These needs include the ability of PEBB and OEBB members to securely access and change their personal account information; updating family member eligibility with legal documentation that contains personally identifiable information; exchanging secured communications between members and program support staff; and enhancing remote capabilities for benefit administrators to properly manage accounts for their organizations and employees. The 2021-23 legislatively approved budget contained $1.8 million Other Funds limitation, 2 positions and 2.00 FTE to advance this work in a policy option package for PEBB/OEBB with the revenue to pay for this cost coming from both programs' administrative fees. The 2023-25 Governor's budget includes $6.6 million in Other Funds limitation to continue moving this project forward.

OHA - Oregon Educators Benefit Board

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
Other Funds	1,728,878,933	1,874,846,839	1,887,463,981	1,993,653,357	1,994,469,796
Total Funds	**1,728,878,933**	**1,874,846,839**	**1,887,463,981**	**1,993,653,357**	**1,994,469,796**
Positions	20	20	20	--	--
FTE	20.00	20.00	20.00	--	--

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Oregon Educators Benefit Board (OEBB) administers medical, dental, vision, and other benefits for over 155,000 employees, retirees, and their family members in Oregon's K-12 school districts, education service districts, and community colleges, as well as some charter schools and local governments.

The Board is comprised of 10 members appointed by the Governor and confirmed by the Senate. Members represent district boards (two) and management (two); non-management district employees from the large labor organization representing district employees (two); non-management district employees from the second largest labor organization representing district employees (one); and non-management district employees who are not represented by labor organizations (one). Also appointed are two members with expertise in health policy or risk management. Like PEBB, OEBB has budget authority for 20 state employee positions to manage operations and support the work of the Board, but those are transferring to a different division in OHA (see below under CSL Summary, below). The executive director of PEBB also serves as OEBB's executive director; this dual role was formalized upon the passage of Senate Bill 1067 (2019).

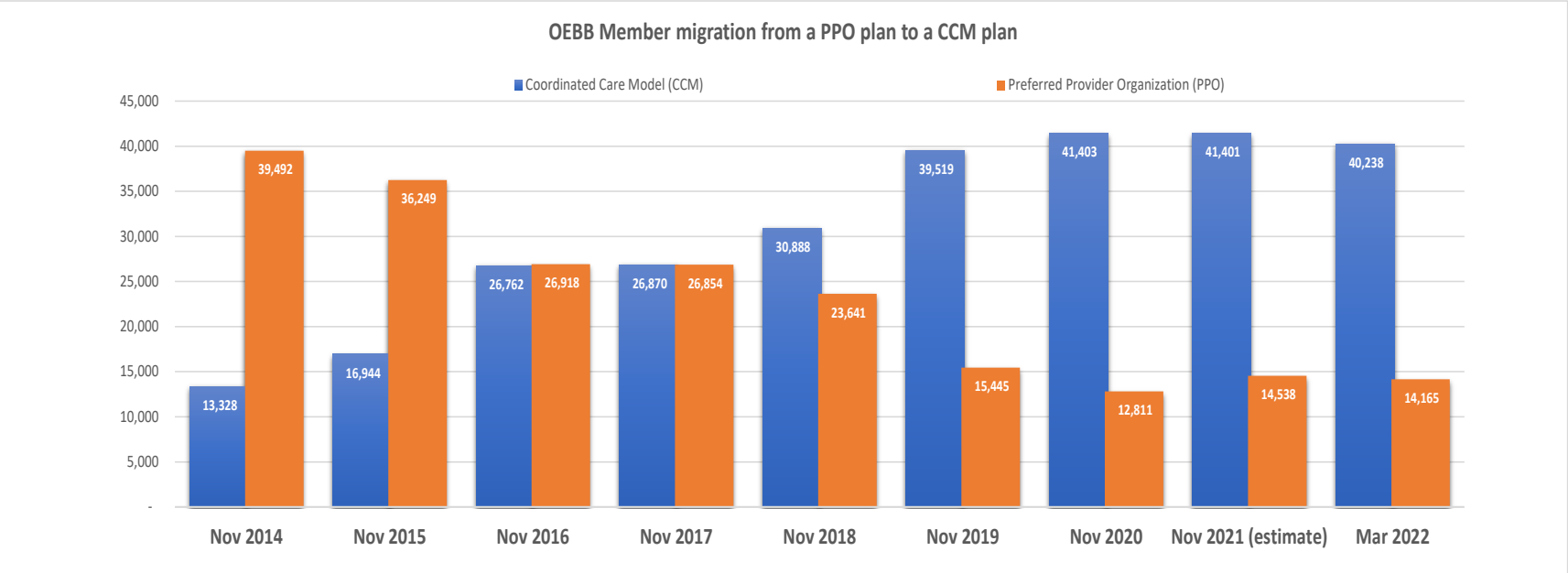
CSL Summary

OEBB's 2023-25 current service level budget totals $2.0 billion Other Funds, which represents a 5.6% increase over the 2021-23 legislatively approved budget. This growth is the result of the phase-in of expenditure limitation to support growing OEBB membership and inflationary expenses. As with PEBB, inflationary expenses in OEBB's budget are capped at 3.4% per member per year. OEBB is budgeted entirely with Other Funds revenue received from members' premium payments. The program's administrative costs are supported through an assessment that cannot exceed 2% of total monthly premiums.

As with PEBB, in 2023-25 OEBB's operations are moved from the OEBB budget structure to the Health Policy and Analytics Division, accounting for a net-zero transfer of $17.7 million and 20 positions (20.00 FTE). The expenditure limitation remaining in the OEBB budget structure supports member benefits.

Policy Issues

OEBB has controlled costs by offering its members a wide-range of plans, and—much like PEBB—encouraging the migration from PPO to lower premium CCM plans, as well as implementing value-based payment (VBP) models. OEBB has held annual medical premium increases below 3.4% since the 2010-11 plan year. An on-going policy discussion with both OEBB and PEBB has involved ways to eliminate duplicate program functions and enhance purchasing power. SB 1067 (2017) required both boards to create a plan for merging functions and



operations. This process resulted in the implementation of a hybrid board model in which joint OEBB-PEBB innovation and shared service subgroups were formed, with the boards otherwise maintaining their separate legal structure and governance.

Governor's Budget Summary

As Oregon looks to create payor parity and bring behavioral health crisis services into the fold of commercial insurance coverage in HB 3046 (2021), that includes incorporating coverage into PEBB and OEBB services. This would allow PEBB and OEBB to provide consistent access to behavioral health crisis service teams to members when they experience crisis. Statute change is needed to make this a requirement and the increased cost would result in an estimated 0.05% premium increase in PEBB's and OEBB's medical/pharmaceutical plans. The Governor's budget included $0.8 million Other Funds limitation for this project.

Other Significant Issues and Background

PEBB and OEBB began exploring options in 2019-21 to replace their outdated benefits management systems with a modern integrated system to improve customer experience, reduce duplication of effort, and make progress on aligning their benefits. In a practical sense, the current systems are unable to meet basic business needs that are standard features of modern subscriber-based systems. These needs include the ability of PEBB and OEBB members to securely access and change their personal account information; updating family member eligibility with legal documentation that contains personally identifiable information; exchanging secured communications between members and program support staff; and enhancing remote capabilities for benefits administrators to properly manage accounts for their organizations and employees. The 2021-23 legislatively approved budget contained $1.8 million Other Funds limitation, two positions and 2.00 FTE to advance this work in a policy option package for PEBB/OEBB with the revenue to pay for this cost coming from both programs' administrative fees. The 2023-25 GRB includes $6.6 million in Other Funds limitation to continue moving this project forward.

OHA - Public Health Division

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	92,382,780	169,410,493	218,566,978	174,916,295	232,664,110
Other Funds	356,233,857	289,248,765	1,380,886,946	307,161,504	313,411,889
Other Funds (NL)	31,032,499	40,000,000	40,000,000	40,000,000	40,000,000
Federal Funds	369,303,805	394,495,862	802,218,166	652,740,626	653,757,669
Federal Funds (NL)	57,720,118	102,729,051	102,729,051	102,729,051	102,729,051
Total Funds	**906,673,059**	**995,884,171**	**2,544,401,141**	**1,277,547,476**	**1,342,562,719**
Positions	779	872	894	879	922
FTE	759.21	850.73	873.26	872.34	903.49

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Public Health Division (PHD) 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.

The division is funded primarily through federal funds, including over 70 grants categorically dedicated to specific programs, such as emergency and hospital preparedness, cancer prevention and control, and safe drinking water. PHD also collects Other Funds through various fee-based programs, including newborn screening tests, licensing of hospital and inpatient care facilities, registration and inspection of x-ray equipment, testing and certification of emergency medical technicians, registration of medical marijuana cardholders, growers and dispensaries, and fees for issuing certified vital records. Non-limited Federal Funds support the Women, Infants and Children nutrition program. General Fund supports 17.3 percent of the Public Health budget as of the 2023-25 GRB. The main programs funded with General Fund support local public health authorities, School Based Health Centers, Contraceptive Care, and the Breast and Cervical Cancer Screening Program.

CSL Summary

PHD's 2023-25 current service level budget totals $1.3 billion, which represents a $1.2 billion, or 47%, decrease from the 2021-23 legislatively approved budget. The CSL budget for General Fund is $174.9 million, which represents a $43.7 million (20%) decrease from 2021-23. The large total funds decrease is partially driven by the one-time federal dollars available in 2021-23 for COVID-19 response activities. The CSL budget also phases-out $570 million in one-time Other Funds limitation provided in the 2021-23 biennium in the OHA December 2021 budget rebalance to cover FEMA funding coming from the Oregon Office of Emergency Management for nursing and other staffing contracts.

Policy Issues

The State Health Improvement Plan, which is a five-year plan developed by OHA and its partners, helps guide PHD's priorities and policy work. The plan developed for 2020 through 2024 is titled "Healthier Together Oregon," or HTO, and focuses on the social determinants of health and inequities driving disproportionate health outcomes due to structural racism, discrimination, bias, and oppression. HTO is based on five upstream determinants of health: institutional bias; adversity, trauma, and toxic stress; behavioral health; economic drivers of health; and access to equitable preventive care. The implementation framework developed for HTO, which will be updated annually, helped inform, at least in part, some of OHA's 2023-25 budget requests. No additional funding was provided in the Governor's budget.

Governor's Budget Summary

The Governor's budget includes a total investment increase of $65 million, which includes $57.7 million General Fund, over CSL. Included in this is a modified reduction to CSL of $6.7 million Other Funds related to revenue shortfalls for both the Oregon Psilocybin Services program ($6.4 million) and the Health Licensing Office (HLO) of $0.4 million. Other significant investments include:

Public Health Modernization: In 2013, HB 2348 initiated a series of legislation and funding to address the modernization of the public health system in Oregon. Oregon's public health modernization effort is a top agency priority, with core objectives being to ensure the right public health protections are in place for everyone, the public health system is prepared and sufficiently resourced to address emerging health threats, and the system is structured to eliminate health disparities. In 2016, an assessment completed by state and local public health agencies identified significant gaps between Oregon's public health system and a fully modernized system that provides core public health services to all Oregonians. $60 million General Fund has been invested to date: $5 million in HB 5026 (2017), $10 million in SB 5525 (2019), and $45 million in HB 5024 (2021). The Public Health Advisory Board is established by ORS 431.122 and reports to the Oregon Health Policy Board (OHPB) and is accountable for governmental public health in Oregon, to include aligning public health priorities with available resources. The Governor's budget includes a $50 million investment in this area.

Universally Offered Home Visiting: Family Connects Oregon is a nurse home visiting model that helps families identify what they need and want from local resources, and then provides an individualized, non-stigmatizing entry into a community system of care. The system includes referrals to other, more intensive, home visiting programs and health and social supports around the state, such as obstetricians and primary care providers, pediatricians and family practice physicians, childcare options, mental health services, housing agencies and lactation support

organizations. The Governor's budget approved the agency's requested policy option package requesting an additional $5.9 million General Fund and five positions (3.75 FTE).

Domestic Well Safety Program: The Domestic Well Safety Program (DWSP) uses data collected under the state Domestic Well Testing Act to inform people in Oregon about the importance of testing drinking water from wells and provides guidance about how to improve poor water quality - leading to improved health outcomes. The Governor's budget includes $3 million General Fund and one position (0.75 FTE) to support this program and permanently add a dedicated DWSP position.

Other Proposed Increases: Also included in the Governor's budget are funds and a position for environmental justice mapping, an Other Funds position to support regional residential hospitals for disaster response, $1 million General Fund and two positions (1.50 FTE) to support personal protective equipment and medical supply management, $1.9 million and two positions (1.50 FTE) for the newborn bloodspot screening program (funded by fee ratification), Other Funds investment in Oregon's environmental Lab Accreditation Program, and an investment in youth/adult suicide intervention and prevention plans.

OHA - Oregon State Hospital

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	572,024,601	357,971,802	398,581,009	724,798,295	744,513,429
Other Funds	34,821,744	341,395,268	341,833,409	40,128,079	39,399,507
Federal Funds	26,845,663	28,392,879	30,728,961	31,303,706	30,037,674
Total Funds	**633,692,008**	**727,759,949**	**771,143,379**	**796,230,080**	**813,950,610**
Positions	2,321	2,425	2,754	2,658	3,024
FTE	2,319.17	2,424.82	2,642.63	2,657.82	2,800.23

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Oregon State Hospital's (OSH) primary goal is to help people recover from their mental illness and return to life in their communities. OSH operates two primary campuses and one secure residential treatment facility, which collectively are budgeted to serve up to 758 individuals from across the state. This includes 592 beds at the Salem campus, 150 beds at the Junction City campus, and 16 beds at the secure residential treatment facility operated by OSH in Pendleton.

Patients receiving treatment in OSH fall into three main 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 - people who committed a crime and are found by a court to be Guilty Except for Insanity. 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

OSH's 2023-25 current service level budget totals $796.2 million, of which $724.8 million is General Fund. This represents a 3.2% increase in total funds when compared to the 2021-23 legislatively approved budget. The 2021-23 budget for OSH contained a $300 million fund swap to utilize available one-time ARPA funds, shifting General Fund budget for Other Funds limitation. The 2023-25 CSL phases-out the Other Funds

and restores General Fund, reflecting the significant General Fund change. As a 24-hour institution serving patients with complex psychiatric needs, OSH 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.

OSH is mostly funded with General Fund. Other Funds revenue comes from Medicare, Medicaid, third-party insurance, and the operation of a café and other enterprise-type activities. Reimbursements from insurance are limited; many patients are uninsured at the time of their admission to OSH. Federal law precludes institutions of mental disease with more than 16 beds from billing Medicaid for most services provided, and Medicare has a lifetime limit of 180 days per patient for inpatient psychiatric treatment. OSH receives Federal Funds in the form of disproportionate share hospital payments, which are allocated as the mental health component of the federal allotment determined by the Centers for Medicare and Medicaid Services (CMS). To draw down the mental health component of the allotment, OSH must provide the state share based on the Medicaid FMAP rate.

Policy Issues

OSH faces significant challenges that, in part, reflect the struggles facing the healthcare industry at large. Capacity issues that result from the Aid and Assist population (described under the general agency overview above) continue. This results in a lack of capacity for civil commitment beds and has prompted legal action by some Oregon counties, district attorneys, and private nonprofit hospitals.

Clinical staffing concerns plaguing both acute care and post-acute facilities are causing bed shortages and financial challenges for emergency departments and recovery beds across the state. OSH faces the same issues with recruitment and retention. Significant investment was made in the 2021-23 biennium for OSH staffing levels, and include the funding of two additional 24 bed units at the Junction City facility ($31 million General Fund and 110 positions) and the first stage of a staffing plan to resolve an overall shortage of direct care staff ($10.8 million and 228 positions). Further adjustments were approved at the December 2022 meeting of the Emergency Board and OSH's agency request budget includes additional requests for funding, all while the hospital continues to deal with many vacancies, including over 100 vacant clinical positions.

Governor's Budget Summary

Investments from the Governor's budget include the roll-up of two Emergency Board items approved during the 2021-23 biennium to support CMS audit recommendations related to a security issue ($4.2 million General Fund and 20 positions) and additional funding and staff to care for a complex patient in Junction City ($4.2 million and 21 positions). The Governor's budget also includes a $25.4 million reduction ($23.7 million General Fund) to recognize savings against non-clinical positions and a $2.8 million reduction to recognize savings in the 2022 fall rebalance.

A number of the agency's policy option packages for OSH were partially funded, to include 27 General Fund positions (12.78 FTE) to advance agency equity and inclusion collaboration throughout OSH, and $34 million General Fund and 304 positions (94.63 FTE) as the final phase of

the hospital's staffing plan that had been partially approved in the 2021-23 biennium. Two bonded policy option packages were approved and appear below under Capital Construction.

OHA - Central, Shared Services, and State Assessments & Enterprise-wide Costs

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	244,279,910	298,217,752	325,722,341	360,271,262	359,971,351
Lottery Funds	499,581	519,457	719,457	4,735,732	4,737,819
Other Funds	248,837,836	243,070,339	258,637,199	279,327,859	276,058,268
Other Funds (NL)	234,869,900	--	--	--	--
Federal Funds	55,729,779	69,040,756	78,211,562	87,658,523	87,942,483
Federal Funds (NL)	887,859	--	--	--	--
Total Funds	**785,104,865**	**610,848,304**	**663,290,559**	**731,993,376**	**728,709,921**
Positions	709	802	867	867	940
FTE	692.39	788.47	843.02	866.50	921.78

* Includes Emergency Board and administrative actions through December 2022.

Program Description

OHA's central leadership and operational support functions are supported within three budget units:

- Central Services: includes functions supporting the leadership and central operational support of the agency, such as the director's office, budget and financial services, human resources, external relations, and equity and inclusion functions.

- Shared Services: supports certain business functions for both OHA and DHS under an inter-agency agreement. Although all shared service functions support both agencies, some are housed in OHA and others in DHS. OHA's shared services budget includes the Office of Information Services, which provides information technology support to both agencies. 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 (SAEC): the SAEC budget supports various DAS assessments and charges, such as those supporting the Oregon State Library, Chief Financial Office, and Secretary of State audits, among others. It also supports direct charges, rent, debt service, computer purchases, mass transit, and unemployment insurance. The revenue to pay for OHA's portion of Shared Services is also included in this budget.

CSL Summary

The 2023-25 current service level totals $732 million, which represents a $68.7 million increase from the 2021-23 legislatively approved budget. The General Fund increase is $34.5 million for the same comparison. A majority of these increases are driven by a combination of roll-up costs in their base budget and inflation on personal services and services and supplies.

Policy Issues

The Equity and Inclusion Division has a prominent role in terms of working on OHA's goal to eliminate health inequities within the next 10 years. The division develops programs and initiatives related to health equity policy. In 2019, the division developed health equity requirements for coordinated care organization contracts, helped develop health equity metrics for CCOs to develop language access plans and collect and report language interpreter data, and led the development of a new health equity definition, which was adopted for use by the Oregon Health Policy Board. In 2020, the division developed and continues to manage a one-time health equity grant program to address racial disparities that have been heightened due to the COVID-19 pandemic. The Emergency Board approved $45 million in Coronavirus Relief Funds for this purpose in June 2020 and subsequently allocated $11.3 million General Fund to continue the program over the first three months of 2021. The division represents a meaningful part of the Governor's 2023-25 budget proposal for OHA in terms of investment requests.

Governor's Budget Summary

The Governor's total funds budget for this division is $728.7 million, a $3.3 million decrease. General Fund also decreased by $0.3 million. These decreases are attributed to services and supplies reductions and additional vacancy savings targets. The largest increases in the Governor's budget are attributed to agency requests for 31 positions (22.03 FTE) to eliminate health inequities through training and engagement, three positions (2.25 FTE) to support the Regional Health Equity Coalition, system investments in the Race, Ethnicity, Language, and Disability/Sexual Orientation and Gender Identity system implementation that track demographic data, and upgrades to mainframe and client payment systems totaling $3.6 million General Fund.

OHA - Capital Construction

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Agency Request Budget
Other Funds	--	7,992,750	7,992,750	--	8,000,000
Total Funds	**--**	**7,992,750**	**7,992,750**	**--**	**8,000,000**
Positions	--	--	--	--	--
FTE	--	--	--	--	--

* Includes Emergency Board and administrative actions through December 2022.

Program Description

Capital construction reflects Other Funds revenue (typically bonded) for depreciable capital projects exceeding $1 million.

CSL Summary

OHA's only capital construction requests are made in its agency request budget as part of policy option packages, so current service level reflects no funding.

Governor's Budget Summary

The Oregon State Hospital budget includes two policy option packages utilizing bonded capital construction funds. First, the Governor's budget proposes a $5 million Other Funds project to "harden" a housing unit to accommodate the management of complex care for a violent patient. An additional $3 million Other Funds is to replace the Programmable Logic Control system that interfaces with monitoring cameras and access control.

Key Performance Measures

A copy of the Oregon Health Authority Annual Performance Progress Report can be found on the LFO website: https://www.oregonlegislature.gov/lfo/APPR/APPRProposed_OHA_2022-09-26.pdf