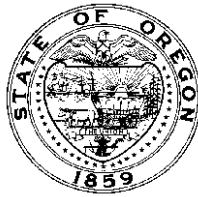


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To: Human Services Subcommittee

From: Gregory Jolivette, Legislative Fiscal Office
Steve Robbins, Legislative Fiscal Office

Date: May 16, 2023

Subject: HB 5047 - 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 2021-23 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 2021-23.

The plan submitted by DHS includes net General Fund savings of \$91.1 million and a total funds decrease of \$157.1 million. OHA's plan includes net General Fund savings of \$154 million and a total funds decrease of \$540.5 million. The Legislative Fiscal Office (LFO) recommends approval of the DHS rebalance plan as proposed. LFO recommends increasing the OHA rebalance adjustments by \$15.5 million General Fund to leverage an additional \$29.1 in Federal Funds for the Disproportionate Share Hospital (DSH) program.

Summary of DHS/OHA Budget Rebalance Changes - 2021-23	General Fund
DHS rebalance plan	(91,054,824)
LFO recommended adjustments	-
LFO Recommendation for DHS	(91,054,824)
OHA rebalance plan	(154,018,092)
LFO recommended adjustments	15,500,000
LFO Recommendation for OHA	(138,518,092)
Total LFO Recommendation	(229,572,916)

HB 5047 is a blank appropriation bill and will be used for the budget rebalance adjustments. The recommended -2 amendment makes those changes across DHS and OHA budget structures consistent with the LFO recommendation. The information below summarizes the requested and recommended adjustments.

DEPARTMENT OF HUMAN SERVICES

The DHS rebalance report identifies net General Fund savings of \$91.1 million, after accounting for costs of \$41 million General Fund and savings of \$132.1 million. It also includes a \$0.2 million decrease in Other Funds expenditure limitation and a \$65.9 million decrease in Federal Funds expenditure limitation, for a total funds reduction of \$157.1 million. This includes net zero technical adjustments across and within budget structures.

The Legislative Fiscal Office (LFO) has no recommended changes to the DHS rebalance proposal. The following table summarizes the General Fund impact of the agency proposed adjustments.

Dept of Human Services Divisions General Fund (\$ in millions)	SSP	CW	VR	APD	IDD	Central	Shared SAEC Debt	Total
2021-23 Legislatively Approved Budget (As of May 2023)	595.4	833.7	36.3	1,341.7	1,163.0	228.7	364.8	4,563.7
DHS Proposal:								
Costs	7.1	-	-	-	26.0	8.0	-	41.0
Savings	-	(11.0)	-	(41.0)	(80.1)	-	-	(132.1)
Net Change - DHS Plan	7.1	(11.0)	-	(41.0)	(54.1)	8.0	-	(91.1)
LFO Recommended Changes	-	-	-	-	-	-	-	-
Revised Net Change - LFO	7.1	(11.0)	-	(41.0)	(54.1)	8.0	-	(91.1)
2021-23 Leg Approved Budget After Rebalance Changes	602.5	822.6	36.3	1,300.7	1,109.0	236.7	364.8	4,472.6

DHS General Fund Costs

Caseload: \$3.8 million net General Fund Cost. Based on the Spring 2023 caseload forecast, the agency proposes a net General Fund increase of \$3.8 million for caseload adjustments. Caseload growth in the Intellectual/Developmental Disabilities (I/DD) and Self Sufficiency (SSP) programs--compared to the Fall 2022 forecast--result in General Fund costs of \$18.7 million. These costs are partially offset by \$14.9 million of caseload savings in the Aging and People with Disabilities (APD), Child Welfare (CW), and Healthier Oregon (HOP) programs.

Below is a summary of the caseload trends observed in the Spring 2023 forecast:

- *I/DD: \$11.6 million GF costs.* Overall caseload is 1.4% higher than the previous forecast. Specific I/DD services forecasted to have higher caseloads include Adult In-Home Support (1.9%), In-Home Support for Children (2.8%), and Adult 24-hour Residential Care (2%).

- *SSP: \$7.1 million GF costs.* The Temporary Assistance for Needy Families average monthly forecast for the 2021-23 biennium is 18,563 families, which is 2.8% higher than the previous forecast. The One-Parent and Two-Parent family caseloads are higher by 2.7% and 3.6%, respectively.
- *APD: \$2.2 million GF savings.* The forecasted Nursing Facility average monthly caseload of 3,852 is 0.5% lower, the In-Home Services caseload of 17,150 is 1.6% lower, and Community Based Care caseload of 12,274 is 0.5% higher, compared to the Fall 2022 forecast.
- *CW: \$5.9 million GF savings.* The CW average monthly forecast for the 2021-23 biennium is 18,793 children, which is 0.9% lower than the previous forecast. The forecast for Foster Care and in-home supports are lower by 1.4% and 6%, respectively.
- *HOP: \$6.8 million GF savings.* HOP provides medical assistance including I/DD and APD services for Oregonians who would qualify for Medicaid except for citizenship status. The initial HOP forecast was based on estimates of non-citizen populations in Oregon who would qualify. This rebalance adjustment is based on the current rate of enrollment uptake, which is much slower than initial estimates.

Cost Per Case: \$14.3 million General Fund Cost. Based on updated actual expenditures for I/DD program services, the agency proposes a cost per case adjustment of \$14.3 million General Fund. According to DHS, this increase is primarily driven by a continued trend of consumers choosing to access services from in-home provider agencies. In I/DD, the agency has also observed a modest uptick in use of authorized hours, which is believed to be related to the temporary parents as paid caregivers benefit program allowed under the public health emergency.

Humanitarian Mission: \$8 million General Fund Cost. Since early Fall 2022, DHS has partnered with community-based organizations, local government partners, and education partners to provide temporary shelter, culturally specific meals, immigration legal services, weekly resource coordination and system navigation to individuals and families who are arriving from the southern border. As of May 8, 2023, 284 individuals are receiving services as part of this mission. The \$8 million General Fund is needed to cover these costs through the end of the current biennium.

DHS General Fund Savings

Enhanced FMAP: \$3.1 million General Fund savings. The Families First Coronavirus Response Act increased states' Federal Medical Assistance Percentage (FMAP) by 6.2 percentage points during the period of the national public health emergency. The FMAP enhancement stepped down to 5% for the final quarter of the biennium. With the adjustments adopted in the early session omnibus budget rebalance bill (HB 5045), the 2021-23 legislatively approved budget for DHS reflects total enhanced FMAP savings through the end of the biennium of \$458.9 million General Fund. The rebalance

adjustment of an additional \$3.1 million General Fund savings is I/DD Delivery's estimated savings for the 8th quarter, which was inadvertently excluded from the adjustments made in the early session bill.

Home and Community Based Services: \$94.6 million General Fund savings. The American Rescue Plan Act (ARPA) provided temporary enhanced federal funds for state Medicaid spending on home and community-based services. For the period April 1, 2021 through March 31, 2022, states were eligible to receive a 10% increase in their FMAP for home and community-based services (HCBS) if they spent an equivalent amount of state monies by March 31, 2025 to enhance, expand or strengthen Medicaid home and community-based services.

To meet the maintenance of effort requirement, the 2021-23 legislatively approved budget for the APD and I/DD programs includes a total of \$268.3 million General Fund for various HCBS program enhancements approved by the U.S. Department of Health and Human Services. However, the agency now estimates it will spend only \$173.7 million in the current biennium resulting in a one-time General Fund savings of \$94.6 million.

It is important to note Oregon is still required to meet the MOE to avoid a federal penalty or clawback. As such, the agency is requesting the \$94.6 million General Fund be added to its 2023-25 legislatively adopted budget.

Other Program Savings: \$19.5 million General Fund savings:

- APD: In APD, delayed implementation of the Oregon Project Independence and Family Care Giver Assistance Program resulted in one-time savings of \$2.2 million General Fund.
- I/DD: In I/DD, more consumers than previously assumed were eligible for Medicaid resulting in General Fund savings of \$12.2 million.
- CW: In CW, one-time federal funds were used to offset General Fund expenditures for in-home services resulting in one-time savings. Additionally, the utilization of foster care respite benefits is lower than assumed in the 2021-23 LAB. Together, these issues resulted in General Fund savings of \$5.1 million.

DHS Expenditure Limitation and Position Adjustments. The rebalance proposes a net Other Funds expenditure limitation decrease of \$0.2 million, and a Federal Funds expenditure limitation decrease of \$65.9 million. These net figures capture limitation adjustments associated with the issues discussed above, including updated caseload forecast, cost per case adjustments, and changes in federal matching funds. The rebalance plan does not include any position changes.

OREGON HEALTH AUTHORITY

The rebalance plan submitted by OHA identifies \$154 million in net General Fund savings, a \$6.7 million decrease in Other Funds expenditure limitation, and a \$379.8 million decrease in Federal funds expenditure limitation, for a total funds reduction of \$540.5 million. This includes net zero technical adjustments across and within budget structures.

LFO recommends adjusting OHA’s rebalance plan by increasing General Fund by \$15.5 million and Federal Funds by \$29.1 million to leverage the amount of federal DSH funding available for Oregon hospitals. The following table summarizes the General Fund impact of the agency’s rebalance plan and LFO’s proposed changes:

Oregon Health Authority Divisions General Fund (\$ in millions)	Health Systems Division	Health Policy & Analytics	Oregon State Hospital	Central, Shared, Statewide	Total
2021-23 Legislatively Approved Budget (As of May 2023)	2,833.2	79.0	398.6	325.7	3,636.5
OHA Proposal:					
Costs	13.6	-	6.7	2.0	22.3
Savings	(147.5)	(12.8)	-	(16.0)	(176.3)
Net Change - OHA Plan	(133.9)	(12.8)	6.7	(14.0)	(154.0)
LFO Recommended Changes	15.5	-	-	-	15.5
Revised Net Change - LFO	(118.4)	(12.8)	6.7	(14.0)	(138.5)
2021-23 Leg Approved Budget After Rebalance Changes	2,714.8	66.2	405.3	311.7	3,498.0

Health Systems Division (HSD)

The rebalance plan includes a net General Fund decrease of \$118.4 million, an Other Funds limitation increase of \$8,617, and a Federal Funds limitation decrease of \$353.7 million to HSD.

Medicaid Cost Savings

The Oregon Health Plan experienced \$130.2 million General Fund savings based on lower utilization of those added to Medicaid coverage during the public health emergency (PHE) combined with the federal requirement that no members be disenrolled until the end of the PHE. This also resulted in less need for Federal Fund limitation totaling \$361 million.

Certified Community Behavioral Health Centers (CCBHCs)

The CCBHC program saw a \$9.9 million General Fund and \$45 million Federal Funds savings as a result of under-utilization of wrap-around services in the 2021-23 biennium.

HB 4035 Bridge Plan

HB 4035 (2022) established a \$120 million appropriation to cover 1) Medicaid redeterminations due to begin at the end of the PHE, 2) a newly established extension of coverage for those between 138-200% of the federal poverty level as means of bridging coverage gaps (known as the Bridge Plan) until a new solution could be initiated, and 3) a

Basic Health Plan to cover a larger number of Oregonians with a greater array of services. Because of repeated extensions of the PHE, most of the need for the Bridge Plan was pushed into the 2023-25 biennium. As the 2021-23 biennium has progressed, un-utilized General Fund for the Bridge Plan has been returned by OHA, and in this rebalance they are returning a final \$2.2 million General Fund and \$3.3 million Federal Fund limitation.

Revenue Updates

The March 2023 state revenue forecast reflected an anticipated drop of tobacco tax revenue, resulting in a \$2.2 million reduction in Other Funds limitation and a \$2.2 million General Fund offset to maintain services. The insurer's tax revenue forecast results in a \$2.2 million Other Funds increase and also contains a related General Fund decrease of \$1.8 million and a \$1.8 million Federal Funds expenditure limitation increase.

Caseload

The Spring 2023 Medicaid caseload forecast saw small increases in the categories of the Affordable Care Act and Children's Health Insurance Plan, resulting in a \$0.9 million General Fund increase and a \$24.8 million Federal Funds limitation increase.

Healthier Oregon Program

The OHA rebalance has no net change to the Healthier Oregon Program, the program that provides Medicaid-like coverage for those who qualify for the Oregon Health Plan but for citizenship status. However, funds are being shifted inside the program between divisions. The Health Systems Division has a \$4 million increase, and an offsetting \$4 million decrease will be seen later under the Central Services Division.

FamilyCare Settlement

The State of Oregon entered into a settlement agreement with the coordinated care organization FamilyCare, and the final payment due in the 2021-23 biennium from OHA requires a \$6.5 million increase in General Fund.

Disproportionate Share Hospital (DSH) Investment

The federal government allows states to leverage federal funds for hospitals that provide a disproportionate share of services to those that are low-income. By investing an additional \$15.5 million General Fund before the end of the 2021-23 biennium, Oregon can leverage a greater federal match before the enhanced match for the PHE ends. This is accompanied by a \$29.1 million increase in Federal Funds expenditure limitation to utilize the funds drawn down through this program. While this adjustment was not included in the agency's rebalance plan, LFO is recommending inclusion of this increase to fully leverage Oregon's available federal DSH allotment to support hospitals' costs for patient care.

Administrative Savings

OHA anticipates \$3.4 million General Fund savings from vacant positions and other operational efficiencies in HSD before the end of the 2021-23 biennium.

Health Policy & Analytics (HP&A)

The Health Policy and Analytics division includes a \$12.8 million General Fund decrease in the agency's rebalance plan.

OSU Bridge Insulin Training Program

Additional funding was provided to OHA in 2021 for the purpose of establishing the Oregon State University Bridge Insulin Training Program and to develop training related to pharmacists prescribing insulin. Enrollment in the program was less than originally anticipated and the resultant one-time savings is \$105,714 General Fund.

HB 4035 Redeterminations Savings

Funds were also provided to HP&A as a part of HB 4035 (2022) in anticipation of the impending redetermination process planned at the end of the PHE. With the subsequent extensions of the PHE, OHA realized a savings of \$12.7 million General Fund for the redeterminations component of the bill.

Oregon State Hospital (OSH)

The Oregon State Hospital includes a \$6.7 million General Fund increase and a \$6.7 million Other Funds decrease in the rebalance. This net-zero total funds shift reflects reduced Other Funds revenue available to the hospital from commercial insurance and Medicare reimbursement based on the patients admitted to the hospital with this coverage.

Central Services and Statewide Allocations and Enterprise-wide Costs

The Central Services and Statewide Allocations and Enterprise-wide Costs (SAEC) divisions include a \$14 million General Fund decrease and a \$3 million Federal Funds increase.

Line of Credit Interest

Due to biennial reoccurring cash flow concerns as a result of Other Funds reimbursement timing for Medicaid expenditures, OHA establishes a line of credit with Oregon State Treasury to cover operational costs through the end of each biennium. An initial \$1.5 million in General Fund was approved in the early 2023 session omnibus budget rebalance bill (HB 5045), but with the increase in interest rates in the intervening months, OHA is requesting an additional \$2 million General Fund.

General Fund Program Carryover

The Tribal Traditional Health Worker Training Program was established in the 2021-23 biennium with \$140,000 General Fund to facilitate the delivery of culturally responsive care to tribal community members. Due to the pandemic and delays with Human Resources classification reviews, OHA is realizing a savings in 2021-23 and separately requesting for these funds to be re-appropriated in the 2023-25 biennium. OHA was also to provide mini-grant allocations totaling \$300,000 General Fund specified in ORS 413.166 for the Race, Ethnicity, Language, and Disability (REALD) and Sexual Orientation or Gender Identity (SOGI) system implementation. With delays in implementation, OHA does not yet know the full specifications that will be in the request for proposal. As a result, OHA is proposing this as a reduction in 2021-23 and also seeks for these funds to be re-appropriated in the 2023-25 biennium.

Other Program Savings and Limitation Needs

Finally, both the Central Services and Statewide Allocations and Enterprise-wide Costs divisions realized one-time savings in the 2021-23 biennium totaling \$11.5 million and an additional \$4 million savings as a result of the net-zero shift for the Healthier Oregon program to HSD. The SAEC changes also result in additional Federal Funds expenditure limitation of \$3 million to cover available federal match.

OHA's rebalance plan also includes a number of net-zero technical adjustments between divisions to rebalance operating cost with budgets.

LFO Recommendation

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 and reflected in the -2 amendment:

Department of Human Services	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Self Sufficiency	7,053,076	(15,646)	-	7,037,430	-	-
Child Welfare	(11,022,962)	(169,988)	(3,854,006)	(15,046,956)	-	-
Vocational Rehabilitation	-	-	-	-	-	-
Aging and People with Disabilities	(41,021,547)	-	(91,001,900)	(132,023,447)	-	-
Intellectual/Developmental Disabilities	(54,063,391)	-	28,961,764	(25,101,627)	-	-
Central, Shared, and Statewide	8,000,000	-	-	8,000,000	-	-
Total	(91,054,824)	(185,634)	(65,894,142)	(157,134,600)	-	-

Oregon Health Authority	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Health Systems Division	(118,351,092)	8,617	(353,697,133)	(472,039,608)	-	-
Oregon State Hospital	6,678,251	(6,678,251)	-	-	-	-
Health Policy and Analytics	(12,831,326)	-	-	(12,831,326)	-	-
Central, Shared, and Statewide	(14,013,925)	-	3,000,000	(11,013,925)	-	-
Total	(138,518,092)	(6,669,634)	(350,697,133)	(495,884,859)	-	-

Recommended Changes

LFO recommends adoption of the -2 amendment.

MOTION: I move adoption of the -2 amendment to HB 5047. (VOTE)

Final Subcommittee Action

LFO recommends that HB 5047, as amended by the -2 amendment, be moved to the Ways and Means Full Committee.

MOTION: I move HB 5047, as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____