



Legislative Fiscal Office
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Prepared by: MaryMichelle Sosne
 Reviewed by: Matt Stayner, Gregory Jolivette
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Bill Title: Relating to in-home service providers.

Government Unit(s) Affected: Long Term Care Ombudsman, Oregon Health Authority, Department of Human Services

Summary of Fiscal Impact

2023-25 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Department of Human Services	\$ 474,539	\$ -	\$ -	\$ 467,136	\$ 467,136	14	3.65
Oregon Health Authority	\$ 1,185,642	\$ -	\$ -	\$ 1,372,725	\$ 1,372,725	11	5.50
Total Fiscal Impact	\$ 1,660,181	\$ -	\$ -	\$ 1,839,861	\$ 1,839,861	25	9.15

2025-27 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Department of Human Services	\$ 50,328,231	\$ -	\$ -	\$ 92,393,965	\$ 92,393,965	14	13.50
Oregon Health Authority	\$ 1,833,349	\$ -	\$ -	\$ 2,129,784	\$ 2,129,784	11	11.00
Total Fiscal Impact	\$ 52,161,580	\$ -	\$ -	\$ 94,523,749	\$ 94,523,749	25	24.50

- The fiscal impact identified in the table for both the Department of Human Services and the Oregon Health Authority does not include the duplicate Other Funds expenditure limitation necessary to pay for expenses through the agencies’ Shared Services budget structure. Should this measure be adopted, the expenditure limitation will need to be established to properly budget for these expenses.
- Reimbursement costs for the Oregon Health Authority are indeterminate--see analysis.

Measure Description

HB 4129-1 requires the Department of Human Services (DHS) and the Oregon Health Authority (OHA) to contract with up to two agency-with-choice providers by January 1, 2026. DHS and OHA must adopt rules for licensing agencies that provide services to older adults, individuals with disabilities and individuals with behavioral health needs. These agencies would receive reimbursement from DHS and OHA for the cost of providing in-home services, including reimbursement for direct support worker wages and benefits and administrative costs.

Fiscal Analysis

In the 2023-25 biennium, 25 positions (9.15 FTE) will be needed to develop the state infrastructure and rules governing agency with choice in-home services at a cost of \$1,660,181 General Fund and \$1,839,861 Federal Funds. In the 2025-27 biennium, when the contract agencies begin providing agency-with-choice in-home services, the cost increases to \$52,161,580 General Fund and \$94,523,749 Federal Funds.

Additionally, there is a budget impact of \$160,180 Other Funds for the 2023-25 biennium and \$633,816 Other Funds for the 2025-27 biennium. This is the duplicate Other Funds expenditure limitation necessary to pay for expenses through the agencies' Shared Services budget structure. Should this measure be adopted, the expenditure limitation will need to be established to properly budget for these expenses.

Department of Human Services

The fiscal impact of the measure on DHS is \$474,539 General Fund, \$467,136 Federal Funds and 14 permanent full-time positions (3.65 FTE) for the 2023-25 biennium. Costs increase significantly for the 2025-27 biennium to \$50,328,231 General Fund, \$92,393,965 Federal Funds due to reimbursements to the agency with choice provider and increasing FTE for staff.

In preparation for the agency with choice service option, 11 permanent full-time positions (3.02 FTE) are required for the 2023-25 biennium to begin program implementation. Costs are projected to be \$414,498 General Funds and \$414,498 Federal Funds. The workload for these Aging and People with Disabilities Division positions will include rulemaking and policy development, contract management, training, rate methodology development for agency with choice, and compliance with measure requirements.

Additionally, three positions (2.50 FTE) from the Office of Financial Services and Office of Contracts and Procurement will assist with configuring and testing financial systems and manage the initial request for the contracts and provide ongoing contract support. These positions have a 2023-25 cost of \$60,041 General Fund and \$52,638 Federal Fund. As these positions are a shared service, should the measure pass, DHS will require Other Funds expenditure limitation of \$158,945 to pay for their portion of expenses through the agency's Shared Services budget.

The main cost driver for the 2025-27 biennium is the projected reimbursements to the agency with choice providers. The total eligible caseload to receive agency with choice services is 13,200. The pricing model assumes half of the eligible caseload (or 6,600) will opt into agency with choice services over a 12-month period, starting January 1, 2026. It is important to note the fiscal impact in 2025-27 could be lower if cases migrate at a slower rate; for example, an 18-month migration could reduce 2025-27 General Fund costs by \$11,696,325. This does not reduce the overall cost of the measure, rather it pushes full implementation costs into a future biennium. The fiscal impact reflects the difference in cost between the current home care worker model and estimated costs for the agency with choice model. The average monthly cost for a home care worker is \$3,489.35 compared to an estimated \$5,181 per month for the agency with choice provider. The latter includes 15% administrative costs. The level of assumed administrative costs takes into consideration the various requirements placed on the agency with choice provider by the measure. If administrative costs are 10%, this would reduce the fiscal impact of the measure in 2025-27 by \$6,305,714 General Fund. The estimated net effect of this shift is \$48,734,687 General Fund and \$90,826,273 Federal Funds, or \$139,560,960 Total Funds.

Oregon Health Authority

The fiscal impact of the measure on the Oregon Health Authority is \$1,185,642 General Fund and \$1,372,725 Federal Funds for the 2023-25 biennium and 11 limited-duration positions (5.50 FTE) increasing to \$1,183,349 General Fund, \$2,129,784 Federal Fund as the positions increase to 11.00 FTE. There is a budget impact of \$1,235 Other Funds for the 2023-25 biennium and \$4,862 Other Funds for the 2025-27 biennium. OHA's expenditure limitation will need to be increased to reflect their portion of state assessment and enterprise-wide costs for the positions Shared Services positions detailed in DHS' fiscal impact.

As with DHS, developing and implementing the requirements of the measure essentially establishes a new team with OHA at a cost of \$587,249 General Fund and \$752,534 Federal Fund. This group will provide supervision, analysis for Medicaid behavioral health policy and the Medicaid Management Information System (MMIS), compliance with measure requirements, provider enrollment assistance, training development, inter-agency

coordination, background check processing, and federal funding compliance. Until caseload levels are projected, the Legislative Fiscal Office recommends all positions for OHA be limited duration. Additionally, OHA's portion of statewide assessment and enterprise costs for the two shared services positions in DHS's fiscal impact is \$34,225 General Fund and \$27,688 Federal Funds.

Adding the agency with choice providers will require several system upgrades to be managed by contractors and existing staff. A contract to update the MMIS system to support a new provider type is anticipated to take 412 hours and is expected to be completed by a contractor for \$14,168 General Fund and \$42,503 Federal Funds.

In addition to position costs, legal consultation is expected with the Department of Justice (DOJ) to ensure administrative rules adhere to state and federal requirements. The estimated costs for DOJ's services is \$50,000 General Fund and \$50,000 Federal Funds in each biennium. Translation services are also expected to translate publications relating to the new agency with choice program. Translation costs are estimated at \$500,000 General Fund and \$500,000 Federal Funds in each biennium.

Personal Care Attendant Services are currently capped at 270 hours per eligible individual per year. OHA is currently applying for approval to change their personal attendant care services from capitated to needs-based. This would result in the number of hours of services available to any given individual to vary. The effect of this change is unknown but is likely to increase the total number of hours that services are provided. Due to the change in hour requirements the provider reimbursement costs are indeterminate. However, using DHS's home care worker rates, which are the same as OHA's personal attendant care rates and the current 650 individuals receiving personal attendant services, the Legislative Fiscal Office projects a biennial differential of approximately \$4.8 million between current rates paid by OHA and rates with an agency with choice services provider. Following adjustments to the 1915i waiver, OHA advises there may be an estimated 2,811 personal individuals receiving personal attendant services. Using the same cost differential and expanding to this larger possible caseload, LFO projects the biannual cost for this group to be approximately \$21 million.

The measure has no fiscal impact on the Long-Term Care Ombudsman

Relevant Dates

DHS and OHA are required to contract with up to two agencies to provide agency with choice services by January 1, 2026.

The measure takes effect on January 1, 2025.