

LEGISLATIVE FISCAL OFFICE
900 Court Street NE, Room H-178
Salem, Oregon 97301
(503) 986-1828

Amanda Beitel, Legislative Fiscal Officer
Paul Siebert, Deputy Legislative Fiscal Officer
John Terpening, Deputy Legislative Fiscal Officer



JOINT COMMITTEE ON WAYS AND MEANS

Senator Lieber, Senate Co-Chair
Representative Sanchez, House Co-Chair

Senator Girod, Senate Co-Vice Chair
Representative Gomberg, House Co-Vice Chair
Representative Smith, House Co-Vice Chair

To: Human Services Subcommittee
From: Gregory Jolivet & Matt Stayner, Legislative Fiscal Office
Date: May 19, 2025
Subject: SB 5547 – 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 2023-25 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 the biennium accounting process, these plans are expected to serve as the final legislatively approved budget adjustments for DHS and OHA in 2023-25.

Summary of DHS/OHA Budget Rebalance Changes	
Spring 2025 Forecast - Rebalance #3	General Fund
DHS Rebalance	(12,042,765)
LFO recommended adjustments	-
LFO Recommendation for DHS	(12,042,765)
OHA Rebalance	(50,453,021)
LFO recommended adjustments	(2,000,000)
LFO Recommendation for OHA	(52,453,021)
Total LFO Recommendation	\$ (64,495,786)

The DHS rebalance plan includes net General Fund savings of \$12 million and a total funds increase of \$96.1 million. The Legislative Fiscal Office (LFO) recommends approval of the DHS rebalance plan as proposed. OHA's plan includes net General Fund savings of \$52.5 million and

a total funds increase of \$302.3 million. LFO recommended adjustments to the OHA rebalance further reduce the agency's 2023-25 budget by \$2 million General Fund. The total LFO recommendation for both agencies is General Fund savings of \$64.5 million.

SB 5547 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.

DEPARTMENT OF HUMAN SERVICES

DHS is presenting its third and final financial report of the 2023-25 biennium. The report identifies several issues affecting the DHS budget, including changes in forecasted caseload levels, costs per case, and federal fund receipts, and other program changes. The fiscal impact of these changes is a net General Fund savings of \$12 million General Fund, an Other Funds expenditure limitation increase of \$17.4 million, and a Federal Funds expenditure limitation increase of \$90.7 million.

As shown in the table to the right, increased caseload and cost per case are the main cost drivers. Other cost drivers include Stabilization and Crisis Unit overtime, interest on a Treasury loan to cover delayed provider tax revenues, and flood relief expenditures. These costs are more than fully offset by General Fund savings resulting from one-time funds shifts and Child Welfare program savings.

DHS Rebalance #3	
Item	General Fund
Caseload	35,691,854
Cost Per Case	28,871,197
Fund Shifts	(71,586,784)
CW Program Savings	(11,582,108)
Flood relief	500,000
Other	6,063,076
Total	(12,042,765)

General Fund Adjustments

Caseload Increases

The Spring 2025 forecast, released in March, projects higher average monthly caseloads in the Aging and People with Disabilities (APD), Intellectuals/Developmental Disabilities (I/DD), and Self Sufficiency (SSP) programs and a lower average monthly caseload in the Child Welfare program. The net fiscal impact of these caseload adjustments is \$35.7 million General Fund.

Cost Per Case

Based on recent actual expenditures, DHS reports higher than budgeted costs per case in the APD, and I/DD programs attributed to increased demand for more costly in-home agency services, partially offset by savings in the CW program related to lower treatment contract costs. The cost per case adjustments total \$28.9 million General Fund.

Fund Shifts

Higher Federal Funds and Other Funds in the 2023-25 biennium are expected to reduce General Fund costs by \$71.6 million. DHS reports more enrollees, particularly in the APD and I/DD programs, are qualifying for a higher federal match rate than had been assumed in the legislatively approved budget, which results in \$59.9 million General Fund savings. Other new offsetting revenues include \$5.4 million from APD estate recoveries, and \$6.3 million in COVID-19-related reimbursements from the Federal Emergency Management Agency.

Child Welfare Program Savings

DHS reports one-time General Fund savings of \$11.5 million in the CW program as a result of lower spending for non-Medicaid medical services, and remittances for residential treatment services ultimately paid by Coordinated Care Organizations.

Flood Relief

DHS reports the Office of Resiliency and Emergency Management (OREM) will work with Coos, Douglas, and Harney counties to provide flood relief assistance to an estimated 300 affected households at an estimated cost of \$2 million General Fund. The funds will be used to contract for case management services for affected households and to cover costs for things such as debris removal, mold remediation, home repairs and furniture replacement. The rebalance provides \$500,000 General Fund for this effort. The balance of \$1.5 million General Fund is part of the agency reshoot request for 2025-27.

Other

- DHS reports a need for \$5 million General Fund for Stabilization and Crisis Unit (SACU) overtime costs. The 24-hour crisis residential program administered by I/DD is currently experiencing high levels of over time use due to vacancies. DHS has indicated the program is working to hire staff to alleviate overtime usage and expects to begin to see lower utilization in 2025-27.
- DHS reports loan interest costs of \$1 million General Fund. Specifically, this includes interest for the final quarter of Provider Tax revenue which will be collected between mid-June to mid-September and applied by September 30, 2025.

General Fund Adjustments by Program

The table below shows budgeted General Fund, as well as proposed adjustments by program. The programs with the largest cost increases for caseload and costs per case --APD and I/DD --

also had significant savings due in large part to receiving higher federal match rates than assumed for many program participants.

	Self Sufficiency	Child Welfare	Vocational Rehabilitation	Aging and People with Disabilities	Intellectual and Developmental Disabilities	Oregon eligibility Partnership	Central Services	Shared Services	State assessments and Enterprise-wide Costs	Totals
General Fund \$ in millions										
2023-25 Leg Approved Budget	383.2	1,039.7	41.2	1,931.8	1,989.2	378.2	115.2	-	409.6	6,288.1
Rebalance Issues										
Costs	6.30	-	-	31.90	58.20	-	0.50	-	-	96.9
Savings	-	(25.80)	-	(31.70)	(51.40)	-	-	-	-	(108.9)
Net Change from Leg Approved	6.3	(25.8)	-	0.2	6.8	-	0.5	-	-	(12.0)

Limitation Adjustments

The rebalance proposes an Other Funds expenditure limitation increase of \$17.4 million, and a Federal Funds limitation increase of \$90.7 million. These net figures capture limitation adjustments associated with several issues discussed above: updated caseload and cost per case, higher federal fund match rates in ADP and I/DD, FEMA reimbursements, and APD estate recoveries. In addition, there is a \$3.6 million Other Funds increase due to Youth Transitions Program revenue to cover caseload costs in the Vocational Rehabilitation program, and \$2.8 million to accommodate the interagency agreement between DHS and OHA related to ONE system printing and mailing costs.

Potential Risks and Outstanding Issues

The rebalance identifies several potential risks, including further changes in caseload and cost per case; federal regulations and penalties; and natural disasters and other emergencies.

OREGON HEALTH AUTHORITY

OHA Spring 2025 Recommended Rebalance						
Category	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Forecast Adjustments	(30,754,837)	-	317,862,271	287,107,434	-	-
Revenue Adjustments	-	(14,694,763)	-	(14,694,763)	-	-
Budget Challenges	(13,337,493)	48,136,743	3,421,054	38,220,304	-	-
Savings	(8,360,691)	-	-	(8,360,691)	-	-
Technical Adjustments	-	-	-	-	-	-
Grand Total	\$ (52,453,021)	33,441,980	321,283,325	302,272,284	-	-

Caseload Forecast adjustments

Medicaid Caseload

Increased anticipated caseload and associated costs for ACA adult, Parent/Caretaker Relative, Children's Medicaid and CHIP eligibility categories of \$61.7 million General Fund are offset by reductions in caseload and costs for Aid to Blind and Disabled (ABD), Old Age Assistance (OAA), and Medicare parts A, B, and D eligibility categories of \$104.5 million General Fund.

Total caseload increased primarily due to ACA adults (25,110 individuals) that were previously thought to move to the Basic Health Plan but were either delayed due to continuous eligibility or found to remain under the income threshold for the BHP. The increase in ACA caseloads drive Federal Funds costs disproportionately compared to other eligibility categories due to the near 90% FMAP rate. For this reason, net Federal Funds expenditure limitation increased even as net General Fund decreased.

Previous forecasts had incorporated a pause in processing of redeterminations for higher-benefit groups such as ABD and OAA due to concerns by advocates that incorrect asset and income information was being used. The current forecast accounts for the resolution of these concerns and the movement of individuals from the higher benefit groups to lower benefit, dual-eligible or partially dual eligible groups such as Qualified Medical Beneficiary (QMB), or Qualifying Individual (QI) categories. The net result of this is an increase in QMB and QI caseload of 3,456 individuals, but a reduction in net General Fund expenditures from due to movement from ABD and OAA categories to QMB and QI categories of \$66.7 million. Forecasted caseload reductions for Medicare supplemental programs make up the remaining \$36.4 million reduction in General Fund.

Healthier Oregon Caseload

Biennial average caseload for Healthier Oregon children 0-18 years old and pregnancy services increases by 12,678 individuals from the Fall 2024 forecast. The adult and parent/caretaker relative (PCR) caseload increases by 73,912 individuals. Total additional caseload costs are estimated to be \$31.5 million Total

Funds; \$23.2 million General Fund and \$8.3 million Federal Funds. An offsetting reduction of \$7.1 million General Fund is anticipated due to increased risk corridor payments in addition to the \$125 million that was assumed in the Fall 2024 rebalance. The application of this savings produces a net General Fund cost of \$16.1 million for the HOP caseload.

Revenue Forecast Adjustments

Tobacco Tax Revenues

The May 2025 revenue forecast included a decline in projected income from tobacco taxes for the Public Health, Behavioral Health, and Medicaid divisions. Typically declines in tobacco taxes dedicated to public health programs are not replaced with additional General Fund monies but declines in support for Behavioral Health and Medicaid divisions are. Of the overall decline of \$9.9 million in tobacco tax revenues, the rebalance backfills \$8.7 million with General Fund in the Medicaid division and \$392,562 in the Behavioral Health division.

Marijuana Tax Revenues

The May 2025 revenue forecast also included a decline of \$4.8 million of Marijuana Tax revenues transferred to the Drug Treatment and Recovery Services fund. A downward adjustment of expenditure limitation from the fund was included for the Behavioral Health division to account for this change.

General Fund Revenue Alignment

Reductions to General Fund appropriations totaling \$9.1 million were included in the Medicaid and Behavioral Health programs to align expenditures with anticipated programmatic need and available resources through the end of the biennium.

Budget Challenges

Medicaid and Behavioral Health

Portions of three General Fund appropriations totaling \$45.6 million are slated to be moved from the 2023-25 biennium to the 2025-27 biennium. These actions reduce General Fund expenditures in the current biennium and increase General Fund expenditures by the same amounts in the 2025-27 biennium.

- \$29.1 million from a \$65 million General Fund appropriation originally made in HB 5024 (2021) for capital, start-up, and operational costs related to increasing statewide capacity of licensed residential facilities and housing serving people with behavioral health conditions. Of the original \$65 million GF, \$34 million was re-appropriated into the 2023-2025 Legislatively Adopted Budget and has been obligated; however, \$29.1 million of the obligated amount is expected to be expended in the 2025-2027 biennium.
- \$13.5 million General Fund from an appropriation made in SB 5525 (2023), policy package 803, of \$15 million General Fund to increase substance use disorder facilities for children and adults

with substance use disorders. The contracting for these capital projects has been delayed due to prioritizing contracts that were funded through HB 5024 (2021) because they are funded with American Rescue Plan Act funding, which has an obligation date December 30, 2024. All General Fund monies are anticipated to be incurred before June 30, 2025, however invoicing and expenditures will not. Invoicing will continue thru the 2025-27 biennium as vendors and contractors complete project stages.

- \$3.0 million General Fund from a \$15 million appropriation made in HB 3396 (2023) for grants to support clinical education at hospitals and health care facilities. OHA determined that to meet its equity goals, \$3 million of the \$15 million General Fund appropriation for clinical trainings should be dedicated to tribal operations. This effort has required an entirely separate process to establish this program which has caused delays resulting in the need to carry over the funds into the 2025-27 biennium.

Oregon State Hospital

\$18.3 million net General Fund for “budget stabilization” at OSH as a follow-on to the \$72.3 million General Fund appropriated to the OHA for the Oregon State Hospital in SB 5550 (2025) for the Fall 2024 rebalance. OSH states that there are three main factors associated with this increase:

- \$20.2 million for Personal Services expenditures resultant from position reviews (salary selective, including back pay for the lookback period on these positions) compounded by adjustments to management positions due to compression. This is additionally compounded by application of the COLA that was not accounted for in the fall projections.
- \$1.5 million additional Other Funds and Federal Funds revenue collections used to offset General Fund over previous estimates.
- \$0.4 million in net General Fund expenditure reductions through various management actions.

\$2 million General Fund for budget contingencies through the end of the 2023-25 biennium. This amount is estimated to address budgetary risks due to:

- Continued increases in staffing costs due to nursing call-out rates.
- Increased contracted personal services utilization and costs related to backfill of expiring Registered Nurse contracts.
- Cost related to recruitment and retention of Superintendent and Chief Medical Officer positions.
- Contracted Registered Nurse positions addressing CMS issues.
- Increased medical clinic capacity.
- Contracted compliance and staff training services.

Public Health Division

\$12 million General Fund to support costs related to activities undertaken during the COVID-19 pandemic. This includes:

- \$10.7 million for claims that have been deemed ineligible for cost reimbursement by FEMA. This represents roughly 1% of the \$992 million in total claims submitted by the agency.
- \$1.3 million for state matching funds due to a change in FEMA funding percentage that reduced federal participation on certain claims related to public health and safety communications from 100% to 90%.

General Fund Savings

Health Policy and Analytics Division

\$6.9 million General Fund savings from \$30 million appropriated to the agency in SB 5525 (2023) is realized following the close out of the public health emergency and development of the Basic Health Plan. This is a follow-on reduction of \$2.5 million General Fund allocated to these programs that was contained in the Fall 2024 rebalance.

Medicaid Division

\$1.5 million General Fund savings due to lower than anticipated claim activity for local matching funds related to the Nurse Family Partnership.

\$3,155,147 General Fund was appropriated on a one-time basis in section 12 of HB5204 for the Nurse Family Partnership (NFP) Home Visiting Program. The state share of this claim activity has been less than the amount appropriated, and this action is to reduce this GF appropriation by \$1,455,147 leaving General Fund of \$1.7 million to cover the already processed and anticipated claims for the 2023-2025 biennium.

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						
Program	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Self Sufficiency	6,315,525	(29,940)	11,525,734	17,811,319	-	-
Vocational Rehabilitation	-	3,578,531	3,723,407	7,301,938	-	-
Aging and People with Disabilities	255,050	11,084,125	64,406,239	75,745,414	-	-
Intellectual/Developmental Disabilities	6,791,006	-	17,645,569	24,436,575	-	-
Child Welfare	(25,904,346)	-	(6,559,807)	(32,464,153)	-	-
Oregon Eligibility Partnership	-	2,760,408	-	2,760,408	-	-
Central Services	500,000	-	-	500,000	-	-
Total	\$ (12,042,765)	17,393,124	90,741,142	96,091,501	-	-

Oregon Health Authority						
Program	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Heath Systems Division Administration	8,897,197	5,845,103	11,876,621	26,618,921	-	-
Heath Systems Division Medicaid	(62,033,721)	(11,680,518)	305,985,650	232,271,411	-	-
Heath Systems Division Non-Medicaid	(42,643,639)	(8,051,740)	-	(50,695,379)	-	-
Health Policy and Analytics	9,068,749	-	-	9,068,749	-	-
Oregon State Hospital	20,274,996	48,136,743	3,421,054	71,832,793	-	-
Public Health	13,983,397	(807,608)	-	13,175,789	-	-
Total	\$ (52,453,021)	33,441,980	321,283,325	302,272,284	-	-

Recommended Changes

LFO recommends adoption of the -2 amendment.

MOTION: I move adoption of the -2 amendment to SB 5547. *(vote)*

Final Subcommittee Action

LFO recommends that SB 5547, as amended by the –2 amendment, be moved to the Ways and Means Full Committee.

MOTION: I move SB 5547, as amended, to the Full Committee with a do pass recommendation. *(vote)*

Carriers

Full Committee:

House Floor:

Senate Floor: