

Tina Kotek, Governor

May 12, 2025

Senator Kate Lieber, Co-Chair
Representative Tawna Sanchez, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of Request

The Oregon Health Authority (OHA) requests receipt of this letter as its Spring 2025 Rebalance Report for the 2023-25 biennium.

Agency Action

OHA is projecting a \$50.5 million General Fund net savings. Additionally, the agency is projecting a need to increase Other Funds limitation by \$48.1 million and Federal Funds limitation by \$321.3 million. Of this savings, \$45.6 million General Fund is requested to be re-appropriated for the 2025-27 biennium to reflect the timing of payments for behavioral health facilities projects and to allow time for collaboration with Tribes on grants for clinical training for Tribal operations. These changes are based on the following savings, shifts between biennia, challenges, and technical adjustments:

Savings

Medicaid/CHIP 2025 Spring Caseload Forecast — Updating the Health Systems Division (HSD) medical assistance caseloads from the Fall 2024 Caseload Forecast to the Spring 2025 Caseload Forecast results in a \$46.8 million General Fund savings and a need for \$309.6 million in additional Federal Funds limitation. The forecast includes an increase in the Affordable Care Act (ACA) caseload, but results in a savings overall due to decreases in the Old Age Assistance (OAA) and the Aid to the Blind and Disabled (ABAD) caseloads.

Health Policy & Analytics Administrative Savings — The Health Policy & Analytics division has identified a net \$6.9 million in General Fund savings for the Oregon Health Insurance Marketplace. Staffing and call center costs for activities authorized in House Bill 4035 (2022) were lower than anticipated for the 2023-25 biennium due to several extensions of the Public Health Emergency and fewer client transitions to the marketplace than anticipated.

Nurse Family Partnership — House Bill 5204 appropriated \$3.2 million General Fund to OHA for the Nurse Family Partnership (NFP) Home Visiting Program. This one-time appropriation was approved to subsidize the non-federally supported portion of costs for services provided under this program. Updated estimates show the state share for NFP services will likely fall below the appropriated amount, resulting in a \$1.5 million General Fund savings for the 2023-25 biennium.

Shifts from 2023-25 to 2025-27

Regional development and innovation — In House Bill 5024 (2021), the Legislature invested \$65 million General Fund to increase statewide capacity of licensed residential facilities and housing serving people with behavioral health conditions. Of that investment, \$34 million was shifted into the 2023-25 biennium. While all funding has now been fully obligated, \$29.1 million is expected to be expended next biennium by June 30, 2026. OHA requests shifting \$29.1 million General Fund from the 2023-25 to the 2025-27 biennium.

Substance use disorder facilities for children and adults — In Senate Bill 5525 (2023), the Legislature invested \$15 million General Fund in increasing facilities for children and adults with substance use disorders. The solicitations and recommendations for these capital projects were completed in Spring 2024 and provided to OHA's Behavioral Health Investment Team (BHIT). While all funds are anticipated to be obligated in the 2023-25 biennium, invoicing will continue through the 2025-27 biennium as vendor and contractors complete project stages. Projects are expected to be complete by no later than June 30, 2027. OHA requests shifting \$13.5 million General Fund from the 2023-25 to the 2025-27 biennium.

Tribal set-aside for clinical training — In House Bill 3396 (2023), the Legislature invested in grants to support clinical training and labor management trusts in health care settings. To receive federal Medicaid matching funds, OHA pursued

utilizing state directed payments and state plan amendments targeted to hospital training settings. OHA identified a possible shortcoming in pursuing Medicaid matched programs that only targeted Oregon's hospital training settings. To support OHA's goal to eliminate health inequities, OHA set aside \$3 million of the \$15 million General Fund for clinical trainings for tribal operations. This effort to advance tribal clinical training offerings has been delayed due to the need to pursue a process separate from Medicaid. OHA requests shifting \$3 million General Fund from the 2023-25 to the 2025-27 biennium.

Challenges

Healthier Oregon Program Update — Updating the Healthier Oregon caseloads from the Fall 2024 Caseload Forecast to the Spring 2025 Caseload Forecast and factoring in the final risk corridor settlements from 2022 and 2023 results in a net \$16.1 million General Fund challenge and need for \$8.2 million in additional Federal Funds limitation.

Oregon State Hospital budget stabilization — The Oregon State Hospital (OSH) is projecting a \$18.3 million General Fund need to close out the 2023-25 biennium. This need is primarily due to OSH hiring faster than anticipated for clinical, nursing, and administrative and operations staff than was projected at the Fall 2024 rebalance. Since the start of the pandemic, OSH has seen a flat hiring rate, meaning that the hiring rate and attrition rate were about equal and projected this trend to continue. Fortunately, OSH has achieved much lower vacancy rates over the past few months, especially in clinical positions, and is now able to offer an enhanced level of care. For example, the psychology department now has a vacancy rate of 7 percent, where couple of years ago it hovered between 35 and 40 percent. Similarly, the social work department now has a vacancy rate of 3 percent, whereas their vacancy rate was nearly 35 percent in 2023.

Oregon State Hospital emergent issues contingency — The Oregon State Hospital (OSH) requests \$4.0 million General Fund as a contingency for emerging issues. These issues are related to staffing a 24/7 secure facility and continued Centers for Medicare and Medicaid Services (CMS) compliance activities. Staffing uncertainties are due to backfilling for medical clinic vacancies expiring registered nursing (RN) contracts and staffing coverage when staff callout of work. Recently, the callout rate has been growing by about 0.5 percent each month. Another staffing cost uncertainty is contracting for a temporary Superintendent and Chief Medical Officer while OHA recruits' permanent leadership. OSH must also extend

the Chartis Group contract as the CMS investigation findings are not yet final, and the response required to ensure patient safety, quality care and ongoing accreditation with the Joint Commission and CMS is not yet known.

COVID-19 items not eligible for FEMA reimbursement — OHA continues to follow its established review and submission process for Federal Emergency Management Agency (FEMA) reimbursement for remaining COVID-19 expenses. OHA first indicated in 2021 that there may be a need for General Fund for COVID-19 expenses that were not reimbursed by FEMA. OHA needs \$12.0 million General Funds to cover the claims that are not reimbursable by FEMA. As of May 8, 2025, OHA has submitted \$939 million in COVID-19 reimbursement claims to FEMA. Of this total, OHA has received \$747 million in reimbursements from FEMA received through the Oregon Department of Emergency Management (ODEM). An additional \$109 million has been approved by FEMA and is with ODEM for their subsequent review and distribution to OHA, and \$83 million is pending FEMA review. An additional \$56 million will be submitted to FEMA as the project nears the close-out phase during the last quarter of 2025. Outside of the amounts already reflected, approximately 1 percent of OHA's COVID-related expenses have been found ineligible for FEMA reimbursement.

Expenditure Limitation and Technical Adjustments

OSH revenue limitation update — The state hospital requests an increase of \$2.1 million Other Funds limitation and \$2.0 million Federal Funds limitation to account for updates in revenue projections. These changes are due to processing multiple claims that were paused earlier in the biennium due to a combination of compliance questions, system issues, and staffing levels.

FEMA reimbursement limitation for OSH — The Oregon State Hospital (OSH) anticipates receiving \$45.9 million Other Funds for FEMA reimbursement related to expenses that occurred during the Public Health Emergency. OSH requests the Other Funds limitation to receive the FEMA revenue and resolve those past expenses.

Appropriation and budget transfer from Medicaid Program to Medicaid Administration — The Medicaid Program Certified Community Behavioral Health Clinics (CCBHC), Home and Community Based Services (HCBS), and Designated State Health Programs (DSHP) were predominantly budgeted in the Medicaid program appropriation. However, as expenditures for those programs

were assessed through the state accounting process some were identified as being administrative expenses, rather than programmatic. Therefore, the Health Systems Division is requesting an appropriation transfer of \$8.9 million General Fund between the Medicaid Program and Medicaid Administration budgets. This technical adjustment would have a net-zero impact across OHA.

DTRSF transfer from HSD Non-Medicaid to Administration — OHA requests a one-time transfer of \$2.9 million Other Funds from the Drug Treatment & Recovery Services Fund (DTRSF) from the HSD Non-Medicaid budget to the HSD Program Support and Administration budget to address a shortfall. Revenue from the DTRSF supports Behavioral Health Resource Networks, substance use disorder (SUD) treatment services, and grants for community-based services. It also supports administrative costs, which includes the Oversight and Accountability Council, a call center for people seeking SUD treatment, and OHA's staffing costs. The shortfall for administrative costs was driven by a transition to a new vendor for the call center and a need for additional contracting resources due to position vacancies.

The rebalance also includes various net-zero technical adjustments that transfer budget and positions across agency programs. The table on the following page provides the OHA Rebalance savings and challenges by fund type.

	General Fund (Savings)/Need	Other Funds (Savings)/Need	Federal Funds (Savings)/Need	Total Funds (Savings)/Need
Savings				
Medicaid/CHIP 2025 Spring Caseload	(\$46.8)	-	\$309.6	\$262.8
HPA Administrative Savings	(\$6.9)	-	-	(\$6.9)
Nurse Family Partnership	(\$1.5)	-	-	(\$1.5)
Total Savings	(\$55.2)	-	\$309.6	\$254.4
Shift from 2023-25 to 2025-27				
Regional Development and Innovation	(\$29.1)	-	-	(\$29.1)
SUD Facilities for Children and Adults	(\$13.5)	-	-	(\$13.5)
Tribal Set-Aside for Clinical Training (HB3396)	(\$3.0)	-	-	(\$3.0)
Total Shift to 2025-27	(\$45.6)	-	-	(\$45.6)
Challenges				
OSH Budget Stabilization	\$18.3	\$0.1	\$1.4	\$19.8
Healthier Oregon Program Update	\$16.1	-	\$8.2	\$24.3
COVID-19 Items Not Eligible for FEMA Reimbursement	\$12.0	-	-	\$12.0
OSH Emergent Issues Contingency	\$4.0	-	-	\$4.0
Total Challenges	\$50.4	\$0.1	\$9.7	\$60.1
Technical Adjustments and Limitation Adjustments				
FEMA Reimbursement Limitation for OSH	-	\$45.9	-	\$45.9
OSH Revenue Limitation Update	-	\$2.1	\$2.0	\$4.1
Other Technical Adjustments	-	-	-	-
Total Technical & Limitation Adjustments	-	\$48.0	\$2.0	\$50.0
Net OHA Spring 2025 Rebalance	(\$50.5)	\$48.1	\$321.3	\$319.0

Risk Factors, Challenges and Outstanding Issues

Challenges and outstanding issues that OHA will continue to closely monitor for the remainder of the biennium include:

- Federal changes to key health policy and programs, such as Medicaid and Public Health, including reproductive health, gender affirming care, chronic and communicable diseases, immunizations, climate and health, harm reduction, as well as many Behavioral Health Division programs.
- Federal Emergency Management Administration (FEMA) reimbursement of OHA's COVID-19 expenditures – the FEMA reimbursement process is slow and there is risk FEMA will deny some expenditures as not eligible.

- Oregon Health Plan caseload changes.
- Several budget areas within the Oregon State Hospital, including contracted nurse staffing costs, recruitment and unit staffing, litigation costs, and workplace violence mitigation and safety costs.

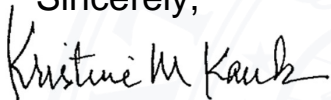
Action Requested

Acknowledge receipt of the OHA Spring 2025 Rebalance Report for the 2023-25 biennium.

Legislation Affected

See Attachment A.

Sincerely,



Kris Kautz
Interim OHA Director

Enc: Attachment A – Legislation Affected
Attachment B – Caseload Forecast Changes

EC: Matt Stayner, Legislative Fiscal Office
Jason Trombley, Department of Administrative Services
Stacey A. Chase, Department of Administrative Services
Kate Nass, Department of Administrative Services
Amanda Beitel, Legislative Fiscal Office

Attachment A
Oregon Health Authority
Spring 2025 Rebalance Actions
Appropriation and Limitation Adjustments

Division	Proposed Legislation/ Section	Fund	Rebalance Adjustments	Appr #
Health Systems Division - Admin				
	Ch. 591 1(1)	General	\$8,872,108	87808
	Ch. 591 2(1)	Other	\$5,845,103	34807
	Ch. 591 5(1)	Federal	\$11,876,621	64807
		Total	\$26,618,921	
Health Systems Division - Programs				
	Ch. 591 1(2)	General	(\$103,222,212)	87801
	Ch. 71, section 12	General	(\$1,455,147)	87873
	Ch. 591 2(2)	Other	(\$5,845,103)	34801
	Ch. 591 5(2)	Federal	\$305,985,650	64801
		Total	\$195,463,188	
Health Policy & Analytics				
	Ch. 591 1(3)	General	\$12,020,279	87701
	Ch. 605 305	General - HB3396 Clinical	(\$3,000,000)	87702
		Total	\$9,020,279	
Public Health				
	Ch. 591 1(4)	General	\$14,031,867	87501
		Total	\$14,031,867	
Oregon State Hospital				
	Ch. 591 1(5)	General	\$22,274,996	87802
	Ch. 591 2(7)	Other	\$48,136,743	34802
	Ch. 591 5(5)	Federal	\$3,421,054	64802
		Total	\$73,832,793	

Attachment B

Spring 2025 Medicaid/CHIP Caseload Forecast

Eligibility Category	2023-25 Fall 2024 Forecast	2023-25 Spring 2025 Forecast	Difference Problem/ (Savings)	Percent Change	General Fund Problem/ (Savings) in Millions	Total Funds Problem/ (Savings) in Millions
Affordable Care Act (ACA)	549,248	574,359	25,111	4.6%	\$46.5	\$437.0
Parent/Caretaker Relative	98,623	99,913	1,290	1.3%	\$8.3	\$20.6
Pregnant Women	17,704	17,259	(445)	-2.5%	(\$5.1)	(\$12.7)
Children's Medicaid Program	320,301	321,650	1,349	0.4%	\$2.9	\$8.9
Aid to Blind and Disabled	93,841	90,020	(3,821)	-4.1%	(\$36.4)	(\$90.7)
Old Age Assistance	81,588	75,586	(6,002)	-7.4%	(\$31.6)	(\$78.7)
Foster/Adoption & BCCP	16,714	16,687	(27)	-0.2%	(\$0.3)	(\$0.7)
Children's Health Insurance Program	135,824	137,452	1,628	1.2%	\$4.0	\$14.2
Non-OHP (HOP Medicaid Adults, QMB, OSIP)	25,450	28,905	3,455	13.6%	\$1.3	\$3.3
Other Non-OHP (Part A, B, & D)				-3.1%	(\$36.4)	\$38.5
2023-25 Total	1,339,293	1,361,830	22,537	0.8%	(\$46.8)	\$262.8