
MEMORANDUM

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To: Ways and Means Subcommittee on Human Services

From: Laurie Byerly, Legislative Fiscal Office
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Date: May 31, 2017

Subject: SB 5543 -- Department of Human Services and Oregon Health Authority
2015-17 Budget Rebalance

The Department of Human Services (DHS) and the Oregon Health Authority (OHA) have submitted their 2015-17 budget rebalance plans. The agencies will present their plans to the Human Services Subcommittee on Wednesday, May 31st, and we expect to complete the work session that day.

These rebalance plans reflect program cost increases and savings, revenue changes, and technical adjustments needed to balance each agency's budget. Rebalancing allows the agencies to move General Fund between appropriations and adjust Other and Federal Funds expenditure limitation to carry out legislatively approved programs.

Caseload and cost per case adjustments are based on the Spring 2017 caseload forecast; associated budget changes reflect differences from the Fall 2016 forecast, which was partially incorporated into the budgets through rebalance actions approved by the Emergency Board in December 2016. These actions result in net General Fund savings for each agency; the impact of the two agencies combined is \$63.0 million General Fund.

SB 5543 (a blank appropriation bill) will be the vehicle for the budget adjustments needed to implement the plan; the recommended -1 amendment makes those changes. The Legislative Fiscal Office (LFO) analysis of the agencies' requests and recommendations related to those requests are below.

DEPARTMENT OF HUMAN SERVICES

The rebalance plan for DHS indicates the agency expects to complete the 2015-17 biennium with a surplus of \$51.4 million General Fund. This net estimate is primarily due to fluctuations in caseload and cost per case, but also includes some cost increases and program savings. DHS also projects needing less Other Funds (\$18.0 million) and Federal Funds expenditure limitation (\$14.4 million) to close out the biennium. These net decreases include adjustments (increases)

in two appropriations and technical adjustments that net to zero agency wide. There are no changes to positions or FTE. The LFO recommendation is generally consistent with the agency's request; however, it does recommend disappropriating, rather than reverting, the surplus General Fund and allowing the agency to retain excess expenditure limitation. The latter step should support accounting entries and adjustments needed to close out the 2015-17 budget without further legislative action. The plan also includes a small General Fund cushion to help address potential close-out issues; any additional excess General Fund will be reverted.

The following table shows the General Fund impact of the agency's rebalance plan by program and agency totals:

Department of Human Services General Fund \$\$ in millions	SS	CW	VR	APD	IDD	CS PDS SAEC Shared	Debt	Total
2015-17 Leg Approved Budget (December 2016)	375.4	481.3	24.3	897.0	743.4	253.5	3.9	2,778.7
Rebalance Adjustments:								
Costs	-	18.7	-	15.2	-	0.7	-	34.6
Savings/Revenues	(40.4)	(10.5)	-	(32.7)	-	(2.4)	-	(86.0)
Technical adjustments	20.0	(20.0)	-	-	-	-	-	-
Net Change	(20.4)	(11.8)	-	(17.5)	-	(1.7)	-	(51.4)
2015-17 Leg Approved (After May-17 Rebalance)	354.9	469.5	24.3	879.5	743.4	251.8	3.9	2,727.2

More detail on the changes and LFO's recommendations for each program are outlined in the subsequent narrative. These are grouped by legal appropriations as approved in the agency's 2015-17 budget bill.

Self Sufficiency/Child Welfare/Vocational Rehabilitation (SS/CW/VR)

The rebalance plan for SS/CS/VR reflects net decreases of \$32.2 million General Fund, \$10.1 million Other Funds, and \$9.3 million Federal Funds. However, Other Funds expenditure limitation is not being recommended for reduction to support end of biennium accounting transactions.

For Self Sufficiency programs, the biennial average caseload in the Temporary Assistance to Needy Families (TANF) program has dropped by 873 families from the fall forecast, down to 22,426, which drives savings of \$29.2 million General Fund. This net amount includes a small increase in cost per case for TANF two-parent caseloads and \$1 million General Fund for cost contingencies in the last quarter of the biennium.

In addition to savings in TANF, DHS expects to underspend the Employment Related Day Care (ERDC) budget by \$11.2 million General Fund; there is also an associated projected ending balance of \$9.2 million Other Funds in Child Care Development Fund resources. The program

received a substantial funding increase in 2015-17; the higher funding level coupled with changes in eligibility timeframes and provider requirements made it more challenging to maximize ERDC participation while staying within the program's budget cap.

The rebalance also includes a technical action funding shifting \$20.0 million from Federal Funds to General Fund in Self Sufficiency and making the exact opposite shift in Child Welfare. This allows the General Fund to be counted for TANF Maintenance of Effort (MOE) in Self Sufficiency while keeping the Child Welfare program whole with federal dollars.

In Child Welfare, there are net General Fund savings of \$11.8 million because of overall lower caseloads; the total number of children served decreased by 31 between caseload forecasts. Embedded in the savings amount are higher costs for adoption assistance and due to more children are being placed out of home than previously projected. Another increased cost (\$7.9 million General Fund) is Attorney General legal billings that projected to be over budget; this is an ongoing issue that will likely continue to be a budget problem going forward.

As noted previously, \$20.0 million General Fund is shifted to Federal Funds to address TANF MOE. In addition, dollars (\$9.0 million) are being moved from federal Social Services Block Grant and TANF administration sources to General Fund to preserve federal carryforward and stay under a federal cap on administrative spending. As in the Self Sufficiency program, \$1 million General Fund for cost contingencies in the last quarter of the biennium is also retained in the budget as part of the plan.

No rebalance adjustments are needed for the Vocational Rehabilitation program.

Aging & People with Disabilities/Intellectual & Developmental Disabilities (APD/IDD)

The rebalance request for APD/IDD reflects net decreases of \$17.5 million General Fund and \$8.4 million Other Funds, along with an increase of \$10.7 million Federal Funds. However, the Other Funds expenditure limitation is not being proposed for reduction to support end of biennium accounting transactions.

For the Aging and People with Disabilities' budget, while overall caseloads have increased by 114 clients, the cost associated with that increase have been offset by cost per case savings, primarily in the live-in program. Due to high costs, consumers in this program have been transitioning to other plans, primarily into in home hourly. The number of participants dropped from 500 to 297 between forecasts.

The net \$17.5 million in APD General Fund savings accounts for the cost of both the caseload increases in the hourly program and higher caseloads in nursing facilities. A fundshift from Other Funds to General Fund of \$13.8 million is also included, which allows for nursing facility provider tax revenues to be carried forward.

Other items reducing General Fund need include a fundshift to adjust for increased estate recoveries, better federal match rates on services for some clients, and personnel related actions; collectively these plan components offset \$19.9 million in General Fund expenditures.

No change to the General Fund budget is being requested for the Intellectual and Developmental Disabilities (IDD) program. Spring caseloads are trending with the prior forecast in the short term, but cost have increased as more adults are projected to receive comprehensive in-home services. This activity, together with a funding gap left after the last rebalance and some additional costs tied to program management efforts, drive General Fund costs of about \$5.1 million. Another \$2.9 million in potential costs are associated with caseload volatility and the impacts of unwinding previously implemented reductions in service hours. The latter program change was a cost containment effort that was halted due to legal action.

These costs are offset by a reduced need for General Fund in other areas, primarily in the Stabilization and Crisis Unit (SACU). The unit received a staffing increase for this biennium but labor contract negotiations took longer than anticipated, which delayed the filling of some positions. The agency also began receiving a higher federal match rate on SACU work beginning January 1, 2017; this change reduced General Fund need but does require another \$2.9 million Federal Funds expenditure limitation to book expenditures appropriately.

Central Services/Program Design Services/Statewide Assessments and Enterprise-Wide Costs/Shared Services (CS/PDS/SAEC/Shared)

No changes are requested for the Central, Program Design, or Shared Services programs. The agency does project a potential for \$1.5 million General Fund savings but has retained those in the plan as a hedge against unforeseen issues. In Statewide Assessments and Enterprise-wide Costs, there is \$1.7 million General Fund in net savings for disappropriation. Within this amount are costs of \$0.5 million related to the new DAS telephone system plus another \$0.2 million to cover higher than budgeted mass transit, unemployment, and technology charges. In Other Funds, there is a net overall increase of \$0.5 million in expenditure limitation.

Costs are more than offset by \$2.4 million in General Fund savings, primarily for unspent facility project dollars (\$1.1 million) and changes in cost allocation for shared services functions that shift some costs over to the Oregon Health Authority (\$1.0 million). Federal Funds expenditure limitation is retained for end of biennium transactions.

Debt Service

There are no rebalance adjustments needed for debt-related costs.

OREGON HEALTH AUTHORITY

The plan submitted by the agency shows that OHA expects to complete the 2015-17 biennium with a surplus of \$7.6 million General Fund. This is related to several issues, including lower caseload, Other Fund revenues above forecast, and a mixture of increases and decreases in program costs. The plan would increase Other Funds expenditure limitation by \$16.8 million,

and decrease Federal Funds by \$941.4 million. Technical adjustments net to zero agency wide. There are no changes to positions or FTE. The Legislative Fiscal Office recommendation includes an additional \$4.0 million General Fund savings resulting from underspending in the rural provider insurance subsidy program. The total General Fund savings is then \$11.6 million.

This table shows the agency plan’s General Fund impact by program and agency totals:

<i>General Fund \$\$ in millions</i>	HSD	Health Policy	Public Health	OSH	Central/ Shared	Cap Impr	Total
2015-17 Leg. Approved Budget	1,450.5	22.4	43.1	451.3	202.0	0.7	2,169.9
Rebalance Issues							
Costs	5.9	4.8	-	-	11.3	-	22.0
Savings	(23.6)	(2.5)	(3.2)	-	(0.3)	-	(29.6)
Technical Adjustments	(0.1)	(0.0)	-	-	0.1	-	0.0
Net Change	(17.7)	2.3	(3.2)	-	11.0	-	(7.6)

Health Systems Division (HSD)

The OHA rebalance plan includes several adjustments to HSD. Rebalance issues in this program result in overall net savings of \$17.7 million General Fund. The plan includes a net increase in Other Funds of \$14 million, and a decrease in Federal Funds of \$923.7 million.

OHA reports General Fund savings of \$3.6 million from caseload changes, as can be seen in the table below. The updated Spring 2017 caseload forecast resulted in a decrease of 3,637 individuals on the caseload, compared to the Fall 2016 forecast. Most of this decline is in the ACA expansion population and the Children’s Medicaid Program, which is offset by an increase in the Children’s Health Insurance Program (CHIP). The state receives a better match rate for CHIP than for the Children’s Medicaid Program, so the movement of children into CHIP results in a General Fund savings overall. The Parent/Caretaker Relative category has increased since the Fall 2016 forecast. This category is decreasing over time, but not as quickly as was assumed in the last forecast. The financial impact of caseload changes result in a savings to General Fund costs of \$9.5 million. This is offset by the \$6 million of caseload costs that was not funded in the December 2016 rebalance, but rather left as a hole in the agency budget.

The rebalance includes several adjustments that result in savings to the General Fund. This includes an increase of \$5 million in the tobacco tax forecast and \$6 million more in anticipated drug rebate revenues. A savings of \$5.3 million General Fund results from the Special Needs Rate Group settlement from Coordinated Care Organizations (CCOs). This is the final settlement related to a risk-sharing arrangement with CCOs for costs of certain high risk populations when they were moved from Fee-for-Service to CCOs. There is \$3.7 million General Fund savings related to the ONE system. Costs have come in lower than expected, partially due to staff turnover in the processing center. LFO recommends another \$4 million in

General Fund savings as a result of underspending in the rural provider insurance subsidy program. This results in an overall General Fund savings of \$21.7 million in HSD.

2015-17 Biennium	Approved Budget	May 2017	Difference	% Change	\$MM Difference
Medicaid Caseload Eligibility Category					
Affordable Care Act (ACA) Adults	409,098	404,970	(4,128)	-1.0%	(40.1)
Parent/Caretaker Relative	68,770	70,491	1,721	2.5%	22.0
Pregnant Women	16,639	16,471	(168)	-1.0%	(4.8)
Children's Medicaid Program	344,965	341,051	(3,914)	-1.1%	(18.3)
Aid to Blind and Disabled	82,008	82,154	146	0.2%	5.3
Old Age Assistance	42,338	42,133	(205)	-0.5%	(2.0)
Foster/Adoption/BCCP	20,046	20,050	4	0.0%	(0.1)
Children's Health Insurance Program	61,706	65,281	3,575	5.8%	14.0
Medicare Buy-in, CAWEM	71,255	70,587	(668)	-0.9%	(1.6)
TOTAL	1,116,825	1,113,188	(3,637)	-0.3%	(\$25.5)
Total General Fund Impact					(\$9.5)
Unfunded caseload from December 2016 Rebalance					\$6.0
Net General Fund Impact					(\$3.6)

The plan also includes increased costs for the “clawback” for the current biennium of \$5.9 million General Fund. This is the funding that the state is required to pay to our federal partners for the cost of prescription drug benefits under Medicare Part D for clients that are eligible for both Medicaid and Medicare.

The HSD plan includes a decrease in Federal Funds expenditure limitation of \$923.7 million. Most of this was a result of caseload changes in the December 2016 rebalance. The Federal Funds were unscheduled at that time, since the Emergency Board does not have the authority to reduce the agency budget. This empty limitation is now being removed from the budget.

Health Policy and Analytics

The Health Policy and Analytics plan result in overall net costs of \$2.3 million General Fund. The plan includes a net increase in Other Funds of \$2.3 million, and a decrease in Federal Funds of \$76,500. Costs of \$4.8 million are related to legal costs incurred by the agency as a result of the Cover Oregon litigation. Savings of \$2.4 million General Fund resulted from a no cost extension of the State Innovation Model (SIM) grant that was originally awarded in 2013 for the period ending September 2016. The extension allowed the agency to utilize grant funding to complete work that would have otherwise been paid by General Fund.

Public Health

The Public Health plan results in \$3.2 million in General Fund savings. The CARE Assist program has \$3 million General Fund available, because of an increase in Other Funds revenues from

rebates on insurance premiums that are paid through this program. The Breast and Cervical Cancer Screening Program also expects to underspend their General Fund budget by \$227,000. Demand for services through this program has been decreasing since the Affordable Care Act increased the number of Oregonians that have insurance.

Central Services/Shared Services/Statewide Assessments & Enterprise-Wide Costs

The rebalance plan for Statewide Assessments & Enterprise-Wide Costs includes a net increase in General Fund of \$11 million. Higher utilization of Department of Administrative Services (DAS) usage-based services as well as cost allocation changes for State Government Service Charges has resulted in an increase of \$0.3 million. The continued implementation of the new DAS telephone system, MUSIC, is expected to cost \$0.4 million General Fund more than budgeted during the current biennium. Risk charges offset these costs with \$0.3 million in General Fund savings.

Shared Services costs continue to be affected by changes in cost allocation, partially resulting from the inclusion of the Oregon State Hospital in cost allocation. The General Fund cost is expected to be an additional \$6.6 million. Because these are shared services across both OHA and DHS, there is a General Fund savings in DHS related to this item. Finally, costs have increased by \$3.9 million because of increased utilization and cost allocation for Enterprise Technology Services (ETS).

Legislative Fiscal Office Recommendations

LFO recommends the following actions to implement the DHS and OHA 2015-17 rebalance plans with the adjustments as described above.

Department of Human Services

	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Self Sufficiency						
Child Welfare						
Vocational Rehabilitation	(32,202,000)	-	(9,254,132)	(41,456,132)	-	-
Adults & People with Disabilities						
Intellectual & Developmental Disabilities	(17,535,382)	-	10,708,805	(6,826,577)		
Central Services						
Program Design Services						
SAEC	(1,700,153)	512,831	-	(1,187,322)	-	-
Debt Service	-	-	-	-	-	-
Shared Services	-	-	-	-	-	-
TOTAL	(51,437,535)	512,831	1,454,673	(49,470,031)	-	-

Oregon Health Authority

	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Health Services Programs	(22,582,478)	16,304,929	(924,045,139)	(930,322,688)	-	-
Central/SAEC	11,030,371	475,262	(17,306,106)	(5,800,473)	-	-
TOTAL	(11,552,107)	16,780,191	(941,351,245)	(936,123,161)	-	-

1. Approve the -1 amendment to SB 5543 to adjust General Fund appropriations, and Other Funds and Federal Funds expenditure limitations.

Motion #1: I move to adopt the -1 amendment to SB 5543

2. Move the bill as amended to the Full Committee on Ways and Means with a “do pass” recommendation, as amended.

Motion #2: I move SB 5543 to the Joint Committee on Ways and Means with a “do pass” recommendation, as amended.