



REPORT TO THE 2008 INTERIM JOINT LEGISLATIVE COMMITTEE ON WAYS & MEANS
The Department of Human Services (DHS) Rebalance Plan Report
January 2008

OVERVIEW

Closeout of the 2005-07 biennium:

At the April 2007 rebalance and at other presentations on our finances, the Department of Human Services (DHS) discussed three priorities in closing out the 2005-07 biennium:

- Managing the department's budget within available resources.
- Managing Temporary Assistance to Needy Families Maintenance of Effort (TANF-MOE) by reducing the need to disproportionately spend general fund ("flip") at the beginning of each biennium to meet the federal TANF-MOE requirement.
- Reserving funds to resolve the department's cash flow problems and to enable the department to properly accrue Medicaid expenditures under the state accounting rules.

DHS is happy to report that it has made progress on all three of these priorities.

Managing within resources:

The department will close the 2005-07 biennium within its general fund authorities and other funds and federal funds limitation levels as adjusted at the April 2007 DHS rebalance. No additional general fund is needed to closeout the biennium in any of the DHS appropriations. The department expects small reversions of general fund will be made from several appropriations, totaling less than \$1 million.

Managing TANF-MOE:

The department has produced a separate analysis on TANF MOE that will be presented at the same meeting as this rebalance report (attached). That analysis reports that, through a combination of additional resources identified in the 2005-07 closeout and the 2007-09 budget, the estimated amount of the general fund "flip" in the 2009-11 budget has been reduced by \$19 million to \$9.8 million.

Reserving funds to resolve structural cash flow problems:

DHS was able to set aside a total of about \$10 million in other funds balances to begin to address the cash flow issues. The department estimates the one-time general fund allocation required because the new MMIS system allows claims to be entered more

rapidly and payments made more quickly is about \$9.8 million. The additional amount needed to accommodate proper budget accrual of Medicaid expenditures is about \$30 million general fund in 2007-09 and \$6 million general fund in 2009-11.

In addition to conforming DHS practice to the state accounting rules, proper funding of the accruals should greatly reduce or eliminate the need for a Treasury loan at the end of each biennium.

The cash flow figures are discussed in greater detail in the rebalance report that follows.

January 2008 DHS Rebalance:

DHS has completed the first Rebalance plan of the 2007-09 biennium. The proposed adjustments in appropriations and expenditure limitations identified in the DHS rebalance plan are needed due to changes in program caseload forecasts, program costs, operational costs, changes in available other funds and federal funds revenues, adjustments needed in other funds and federal funds limitation, and proposed management actions.

The January 2008 rebalance plan includes an overall reduction of DHS general fund need at this point in time of \$6.5 million or 0.2 percent. From a department-wide perspective, the major issues included in the January 2008 rebalance plan are:

Issue	Jan 2008 Rebal Report	Jan 2008 Rebal Report	Jan 2008 Rebal Report	Jan 2008 Rebal Report
	GF Need (Savings)	OF Need (Savings)	FF Need (Savings)	TF Need (Savings)
1. Change in caseloads and caseload costs of Fall 2007 forecast compared to LAB (Spring 2007 forecast)	\$ (4,102,977)	\$ (1,228,762)	\$ (12,898,817)	\$ (18,230,556)
2. Net effect of Other and Federal fund revenue changes.	\$ 9,677,362	\$ (7,043,070)	\$ -	\$ 2,634,292
3. New rule requirements concerning involuntary use of medications at the Oregon State Hospital will add unplanned medical consultation and legal costs.	\$ 3,300,000	\$ -	\$ -	\$ 3,300,000
4. Latest 2007-09 State Data Center charges are greater than the estimate provided by DAS for the 2007-09 budget.	\$ 4,393,717	\$ -	\$ 4,393,717	\$ 8,787,434
5. Projected effect of the efficiencies in making more timely payments for our service providers with the implementation of new Medicaid Management Information System in July 2008	\$ 9,792,393	\$ 577,800	\$ 16,857,877	\$ 27,228,070
6. The Federal Title XIX Medicaid Federal Medical Assistance Percentage (FMAP) rate was raised from a biennial average rate of 60.85% to a new average rate of 61.48%. This will create increased program Federal revenues and reduce the need for GF.	\$ (38,868,424)	\$ -	\$ 38,868,424	\$ -
7. Management action to increase SPD Community Based Care provider rates to address the limited capacity of SPD Community Based Care and contain increases in higher cost Nursing Facility caseload growth.	\$ 9,756,737	\$ -	\$ 15,572,280	\$ 25,329,017
All Other (net of rebalance problems, savings, and management actions)	\$ (452,807)	\$ (41,179,823)	\$ 26,732,179	\$ (14,900,451)
Total DHS Rebalance Plan Rep- Fund Changes	\$ (6,503,999)	\$ (48,873,855)	\$ 89,525,660	\$ 34,147,806

1. Overall, DHS program caseload and caseload costs are projected below the Legislatively Approved Budget (LAB), which results in overall general fund savings for the department. The Fall – (November) 2007 DHS caseload forecasts, in the aggregate, are slightly below the levels projected in the 2007-09 LAB (based on the Spring – (April) 2007 caseload forecast). DHS has included the general fund savings from lower caseload and caseload costs as part of its January 2008 rebalance plan.

2. The department has identified several issues affecting other funds and federal funds available for use in the 2007-09 biennium. Overall, these issues net to less other funds and federal funds revenues available for the 2007-09 biennium than planned, creating a general fund need.
3. New legal requirements concerning involuntary use of medications at the Oregon State Hospital will add unplanned medical consultation and legal costs.
4. The latest rates to be charged for the State Data Center (SDC) are greater than those projected by DAS, on which the 2007-09 budget was based.
5. This rebalance plan also includes the projected effect of the efficiencies in making payments for our service providers in a more timely fashion made possible with the implementation of new Medicaid Management Information System in July 2008. The new system will streamline the payment process and provide on-line, electronic payment in lieu of the current paper process. Because the department is on a cash accounting basis for Medicaid expenditures, this increased timeliness of the processing system will result in a one-time increase in expenditures.
6. The Federal Medical Assistance Percentage (FMAP) rate will increase from a biennial average of 60.85 percent to 61.48 percent, resulting in additional federal participation in Medicaid programs and a reduced need of general fund.
7. A management action to increase the Seniors and People with Disabilities (SPD) Community Based Care provider rates to address the limited capacity of SPD Community Based Care and contain increases in higher cost nursing facility caseload growth is included in the January 2008 DHS rebalance plan.

All other actions include minor adjustments to general fund authority, several other funds and federal funds limitation adjustments that true-up the LAB alignment of general fund and related matching federal funds and adjusts limitation needs for Provider Tax funded programs.

2007-09 DHS Rebalance Issues by Division:

CHILDREN, ADULTS AND FAMILIES DIVISION (CAF)

The overall general fund expenditures for this division, including technical adjustments, is expected to be higher than anticipated in the 2007-09 LAB by \$0.7 million general fund, an increase of 0.1 percent. This estimate is higher than the LAB primarily due to other funds and federal funds revenue corrections to the 2007-09 LAB.

Summary of CAF January 2008 Rebalance Plan:

Division/Issue	<u>Jan 2008 Rebal Report</u> <u>GF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>OF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>FF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>TF Need (Savings)</u>
1. CAF program caseload and caseload costs were reprojected based upon the latest (Fall 2007) caseload forecasts completed in November 2007. Details of the changes are provided in the explanations below.	\$ (2,815,273)	\$ (1,882,219)	\$ (3,960,049)	\$ (8,657,541)
2. Federal and Other fund revenue corrections within the CAF budget. Carryover funding from the Basic 110 Federal Block grant and funding from the Child Care Development Fund were overestimated in the CAF 2007-09 LAB.	\$ 6,501,022	\$ (3,866,730)	\$ -	\$ 2,634,292
3. Increase in FMAP rate - The Federal Medical Assistance Percentage rate will increase from a Biennial average of 60.85% to 61.48%, resulting in additional Federal participation in Medicaid programs and a reduced need of General Fund.	\$ (2,456,760)	\$ -	\$ 2,456,760	\$ -
4. All Other net problems, savings, and management actions. Include general fund need for settlement of Adoption Assistance litigation, and Federal fund limitation related to the DHS Reshoot that was not rolled into the LAB. Details of these issues are provided in the explanations below.	\$ 411,871	\$ 4,990,833	\$ 27,938,592	\$ 33,341,296
Technical Adjustments	\$ (941,190)	\$ 227,711	\$ (781,745)	\$ (1,496,224)
Net - CAF Rebalance Position.	\$ 699,670	\$ (530,405)	\$ 25,653,558	\$ 25,822,823

1. **Caseloads:** Overall, the CAF Fall 2007 caseload cost forecasts results in savings when compared to the LAB (based on the Spring 2007 forecast and re-adjusted for policy option packages). The larger changes in monthly average cases in the Fall 2007 forecast to the LAB 2007 forecasts include an increase in Food Stamps of 1,287 cases or 0.6 percent; Substitute Care is down 1,008 cases or 11.9 percent; TANF Basic up 954 cases or 7.2 percent; and TANF UN up 203 cases or 28.3 percent. In addition, Vocational Rehabilitation (VR) has a projected increase of 320 cases due to the effect in VR of a new AMH Supported Employment Initiative. CAF caseload forecast changes are summarized in the following table.

Children, Adults & Families Division (CAF)	Caseloads				Cost per Case				Cost Change GF (millions)	Cost Change TF (millions)
	Adj Spring 07 (LAB)	Fall 07 (Current)	Change (Decrease)	% Change	Adj Spring 07 (LAB)	Fall 07 (Current)	Change (Decrease)	% Change		
Child Welfare:										
Out of Home Care/Substitute Care	8,464	7,456	(1,008)	-11.9%	727.52	722.01	(5.51)	-0.8%	(2.86)	(18.23)
Adoptions Assistance	10,240	10,119	(121)	-1.2%	511.74	487.45	(24.29)	-4.7%	(2.26)	(7.31)
Field staffing changes related to Child Welfare caseload decrease									(4.86)	(9.73)
Self-Sufficiency:										
TANF - Basic	13,207	14,161	954	7.2%	405.48	410.12	4.64	1.1%	0.00	11.11
TANF - UN (Unemployed/underemployed)	718	921	203	28.3%	476.07	505.10	29.03	6.1%	2.93	2.93
TANF - Pre-SSI	1,895	1,895	-	0.0%	536.39	536.39	-	0.0%	NA	NA
TANF - Post	2,523	2,523	-	0.0%	150.00	150.00	-	0.0%	NA	NA
Food Stamp	226,123	227,410	1,287	0.6%	174.52	172.26	(2.26)	-1.3%		
Refugees									0.00	(2.41)
Field staffing changes related to Self-Sufficiency caseload increase									0.12	1.98
Vocational Rehabilitation :										
AMH new initiative	-	320	320	NA	-	241.65	241.65	NA	0.81	0.81
Management and Other Actions:										
Relative Foster Care									(1.43)	4.44
Field staffing changes related to Self-Sufficiency caseload increase									(0.12)	(1.98)
Field staffing changes related to Child Welfare caseload decrease									4.86	9.73
CAF TOTAL									(2.81)	(8.66)

Relative Foster Care: DHS received \$1.8 million general fund from the legislature (POP 101-18 and Senate Bill 282) in the LAB to provide foster care reimbursement for relatives caring for a child who is otherwise unable to receive federal funding through Title IV-E. While funding in the LAB was only available for 12 months (start-up date of July 1, 2008), the Department was asked to consider ways to cover as many children placed with relatives as possible. With the law redefining a foster parent to include relatives beginning January 1, 2008, the Department intends to begin reimbursements to relatives at the same time, using the same assessment process for all children coming into state foster care, whether or not their foster parents are relatives. By doing so, the child would be eligible to be assessed for TANF Emergency Assistance funds (if they are not IV-E eligible), and then for state general fund, if needed. This option would allow the department to cover all of the children currently not covered, without applying a "financial means test" to the relative. By using TANF federal funds for eligible children, the need for general fund to implement this program has been reduced by \$1.43 million.

Staffing: The CAF rebalance plan does not include any changes to CAF Field staffing levels related to the changes in CAF program caseloads. CAF is in the process of conversion from a Caseload Staffing model to a Workload staffing model in February 2008. In addition, CAF is engaged in the DHS Transformation Initiative which may result in process improvements that would have an effect on staffing. Because of the imminent conversion to the new staffing models with related changes of staff to client ratios, and the potential effect of the DHS Transformation initiative, DHS has opted not to make any changes to CAF Field staffing at this time. The department expects to have the new Workload based staffing model in place for use in development of the next DHS Rebalance Plan.

2. **Other and Federal Funds Revenue Corrections:** In the 2005-07 budget process, CAF Vocational Rehabilitation was given the authority to carry over approximately \$5.1 million in Basic 110 federal funds to carry out a number of activities, including providing basic client support services to disabled clients and to invest funds to generate future "other funding" opportunities. However, during the 2003-05 biennium, a portion of this Basic 110 grant carryover balance was inadvertently used to help balance out the biennium, resulting in the need of a general fund backfill to complete the planned activities intended for use of the carryover, or a reduction of the services/projects approved by the Legislature to be funded by the grant carryover.

Child Care Development Fund (CCDF) other funds revenues are budgeted in CAF to fund child care costs so that low-income parents can be employed or remain employed. A portion of the administrative allowance of the CCDF is applied within the Administrative Services Division (ASD) through cost allocation to fund centralized administrative functions that support this grant. During budget development for 2007-09, the combined amount of CCDF revenue budgeted in both divisions exceeds the contract total amount, resulting in an overstatement of the CCDF revenues. Additional general fund is needed to correct of this overstatement of CCDF revenues in the DHS budget.

3. **FMAP:** The federal Title XIX Medicaid FMAP rate was raised from a biennial average rate of 60.85 percent to a new average rate of 61.48 percent. This will create increased program federal revenues and reduce the need for general fund.
4. **Other net problems and savings:**

Additional other funds and federal funds limitation is needed for the:

- **Oregon Food Stamp Performance Bonus:** The performance bonus is based upon improvements in determining eligibility and decreased error rates, issuing benefits, and attracting/retaining participants. CAF will reinvest the bonus funds into Food Stamp programs with objectives related to improved nutrition and health, and improved access to benefits. CAF will use these funds in conjunction with community partners across the state. (+\$2.9 million FF limitation need.)
- **CAF Administrative Budget:** Additional federal funds limitation is needed in the CAF field and program support budget to roll an adjustment made in the April 2007 Rebalance into the 2007-09 LAB. Sufficient federal funds revenues are available to support this limitation and it will be needed to support the planned level of CAF field and program support expenditures for 2007-09. (\$22.4 million FF limitation need.)

- Federal and Other Funds limitations for new grants, agreements, and recoveries.** CAF received several new grants and new/additional revenue sources and will need additional federal and other funds limitation to accommodate this new revenue. They include the Food Stamp Participation Grant, the Vocational Rehabilitation's new Post Secondary and Employment Outcome grant, the Vocational Rehabilitation's continuing inter-agency agreement with the Department of Consumer and Business Services for the injured worker program, and the self-sufficiency recoveries from the adult portion of the SSI program that is returned to DHS once the client has been approved for Social Security benefits. (\$4.6 million OF limitation and \$2 million FF limitation need.)
- Other Funds limitation need for use of Provider Tax in support of the Oregon Health Plan – Standard Program.** The Oregon Health Plan (OHP) Processing Center, which is staffed with CAF employees, has experienced a dramatic increase in workload related to OHP re-opening. The increased workload will require the Center to hire 30 temporary staff for six months to assist with increased application and phone calls. It will also increase Service & Supplies costs such as increased phone-line and voicemail capacity, cubicle reconfiguration, new headsets, etc. Additional Provider Tax other funds limitation is needed to cover these costs. (\$0.4 million OF limitation need.)
- Adoption Assistance court case:** The U.S. Supreme court declined to hear Oregon's appeal of the Ninth Circuit Court decision in the ASW vs. Oregon case. The Ninth Circuit Court determined that the plaintiffs could sue in federal court for violation of their alleged statutory rights, which were effected by the "across-the-board" 7.5% reduction in adoption assistance payments in 2003 that were a part of expenditure reduction actions taken to balance the DHS budget. The reimbursement to plaintiffs under the Adoption Assistance court case has been shifted from 2005-07 to 2007-09 biennium because the court case was not settled prior to the close of 2005-07. The Budget and Management Division and the Legislative Fiscal Office had approved the use of the general fund reserved for the payment of the settlement for TANF expenditures in 2005-07, with a corresponding amount to be shifted back from TANF to Adoptions in 2007-09. (\$1.1 million FF need.) This issue has no general fund effect because the unspent general fund reserved for the court case in the 2005-07 biennium was spent to help meet the 2007 Federal Fiscal Year TANF-MOE requirement. This has allowed shifting of the comparable amount out of the planned TANF-MOE spending in the 2007-09 budget to pay these settlement costs.

A transfer of \$941,190 general fund from CAF to other divisions, primarily the Administrative Services Division (ASD), through technical adjustment is included in the CAF Rebalance. This transfer is needed to address a number of issues including the correction of misaligned positions, and to fund systems projects such as the Criminal Records Management System (CRIMS) and the Integrated Client Services (ICS) that will

be budgeted and implemented in the ASD-Office of Information Services. There is no net change in funding for the department.

DIVISION OF MEDICAL ASSISTANCE PROGRAMS (DMAP)

The overall general fund expenditures for this division, including technical adjustments, is expected to be lower than anticipated in the LAB by \$8.6 million general fund, a decrease of 0.8 percent. The reduction is driven by an increase in the FMAP rate that will increase federal participation in DMAP programs, reducing the need for general fund.

Summary of DMAP January 2008 Rebalance Plan:

Division/Issue	<u>Jan 2008 Rebal Report</u> <u>GF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>OF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>FF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>TF Need (Savings)</u>
1. DMAP program caseload and caseload costs were reprojected based upon the latest (Fall 2007) caseload forecasts completed in November 2007. Overall, caseloads and caseload costs are projected down slightly to the LAB for DMAP. Details of the changes are provided in the explanations below.	\$ 2,572,003	\$ -	\$ (4,194,972)	\$ (1,622,969)
2. Other fund revenue adjustments within the DMAP budget. This issue is the net of the latest projections of 2007-09 Tobacco Tax revenues and Drug Rebate revenues for DMAP. Details are provided below.	\$ 3,018,340	\$ (3,018,340)	\$ -	\$ -
3. New Medicaid Management Information System provider payment efficiencies - The projected effect of the efficiencies in making payments to service providers in a more timely fashion that will be a possible with the new MMIS system.	\$ 4,241,040	\$ 577,800	\$ 7,781,160	\$ 12,600,000
4. Adjustments of Other Fund and Federal fund limitation are needed to remove excess Other and Federal fund limitation for Provider Tax and to add OF and FF limitation for additional Medicaid leveraging and for the new Transformation grant approved for the 2007-09 biennium. See details below.	\$ -	\$ (47,083,410)	\$ (45,682,085)	\$ (92,765,495)
5. Increase in FMAP rate - The Federal Medical Assistance Percentage rate will increase from a Biennial average of 60.85% to 61.48%, resulting in additional Federal participation in Medicaid programs and a reduced need of General Fund.	\$ (17,419,152)	\$ -	\$ 17,419,152	\$ -
Technical Adjustments	\$ (1,005,093)	\$ (341,491)	\$ (1,226,117)	\$ (2,572,701)
Net - DMAP Rebalance Position.	\$ (8,592,862)	\$ (49,865,441)	\$ (25,902,862)	\$ (84,361,165)

Caseload and cost per case issues:

A general fund need results from the net of forecasted caseload increases in several higher-rate service eligibility categories, partially off-set by forecast caseload declines in lower rate, heavier federally funded service categories as

well as savings in fee-for-service programs. While DMAP caseloads in the aggregate are forecast essentially flat to the LAB, the projected cost for the latest caseload forecast is a slight increase in general fund need due to the mix of caseload changes. OHP Plus (traditional Medicaid program) caseload increased, primarily in the Poverty Level Medical Children and Aid to Blind and Disabled groups (both higher rate services), while the Children's Health Insurance Plan (CHIP) estimates were somewhat lower to account for slowing growth in recent months. The increases in the higher-rate Poverty Level Medical Children and Aid to Blind and Disabled groups is partially off-set by a decrease in CHIP, a lower rate heavier federally funded service category, but results in a net general fund need (see grid below for caseload details). Also, the net increase in projected capitated managed care program costs was partially off-set by general fund savings in trended fee-for-service costs. DMAP caseload forecast changes are summarized in the following table.

Caseload-Driven Budget Changes				
Compares:	2007-09 LAB	2007-2009 Jan 08 Rebalance		
Eligibility Category	2007-09 LAB Eligibles	2007-09 Jan 08 Rebalance Eligibles	Monthly Average Eligibles Change problem/(savings)	Eligible percent Change
TANF	116,685	116,091	(594)	-1%
PLMA>FPL	4,293	4,080	(213)	-5%
PLMA<FPL	6,694	6,745	50	1%
PLMC>FPL, <1	5,560	6,344	784	14%
PLMC>FPL, 1-5	8,822	8,607	(216)	-2%
PLMC<FPL, <1	9,256	9,859	602	7%
PLMC<FPL, 1-5	20,467	22,323	1,857	9%
PLMC<FPL, 6-12	21,087	21,730	644	3%
PLMC<FPL, 13-18	14,829	14,545	(284)	-2%
CAWEM	16,778	17,573	795	5%
AB/AD	64,093	64,733	640	1%
OAA	30,417	30,487	71	0%
FC	17,150	15,836	(1,314)	-8%
SAC	1,904	1,830	(73)	-4%
Total OHP	338,035	340,784	2,749	
CHIP < 1	999	424	(575)	-58%
CHIP 1-5	11,361	10,860	(501)	-4%
CHIP 6-12	22,609	19,620	(2,989)	-13%
CHIP 13-18	12,643	11,663	(980)	-8%
Total CHIP	47,612	42,567	(5,045)	
Buy In Part A and B	77,535	80,186	2,651	3%
BCCP	400	372	(28)	-7%
Total Non OHP	77,935	80,558	2,623	

- Revised Tobacco Tax Revenue:** Tobacco Tax Revenues estimates by the Department of Economic Analysis are lower than the prior projection included in the LAB. This change results in a need of \$8.6 million general fund. However, much of this general fund need will be offset by a projected increase in DMAP

drug rebate revenues for the biennium of \$5.6 million.

2. **One-time Increase Related to the Implementation of the Medicaid Management Information System:** This rebalance plan includes the projected effect of the efficiencies in making payments for our service providers with the implementation of new Medicaid Management Information System in July 2008. The new system will streamline the payment process and provide on-line, electronic payment in lieu of the current paper process. Because the department is accounting for these expenditures on a cash basis, an acceleration of payments for services provided in the current biennium results in a one time cost increase for the biennium. Once the department begins normal accrual of Medicaid expenditures, changes in the timing of payments will no longer result in budget issues.
3. **Limitation Adjustments:** This action reduces other funds and federal funds expenditure limitation for Provider Tax funded programs to align with cost projections to serve an average of 24,000 Standard clients for 2007-09. This issue also includes an increase to the Hospital Disproportionate Share (DSH) Leverage limitation, because DSH-applicable facilities expect an increased volume of uncompensated care expenditures during this biennium which will increase their DSH payments. Increased federal limitation is also required for the Medicaid Transformation Grant that was submitted to the September 2006 E-Board and approved by the federal Center for Medicaid and Medicare Services (CMS) in September 2007. The grant funds will be utilized to establish the Health Record Bank of Oregon.
4. **FMAP Rate Change:** The federal Title XIX Medicaid FMAP rate was raised from a biennial average rate of 60.85 percent to a new average rate of 61.48 percent. This will create increased program federal revenues and reduce the need for general fund.

The DMAP Rebalance includes several technical adjustments to correct and realign the DMAP budget between DMAP budget structures and/or between DMAP and other DHS divisions. The larger Technical Adjustment is related to the Administrative Services Division - Office of Payment Accuracy and Recovery (OPAR) funding. OPAR positions are responsible for collecting DHS Accounts Receivables. These recoveries are credited to the respective DHS divisions to which they are owed as recovery revenues and/or reduction of expenditures. Some OPAR positions were originally planned to be funded by their recoveries, however because much of the recovery actually is accounted for as a reduction of expenditure within the originating DHS division, it can not fund OPAR positions. This technical adjustment adjusts the ASD-OPAR and DMAP division to reflect how the OPAR positions are actually being funded and how recoveries are actually be accounted for.

ADDICTIONS AND MENTAL HEALTH DIVISION (AMH)

The overall general fund expenditures for this division, including technical adjustments, is expected to be higher than anticipated in the LAB by \$1.6 million general fund, an increase of 0.3 percent. The major cause of the increase is the projected financial effect of new administrative rules requiring administrative hearings when medications or medical procedures are involuntarily administered to Oregon State Hospital (OSH) patients, which was not anticipated in the 2007-09 AMH LAB. Part of this increase is offset by the effect in AMH of the increase in the FMAP rate.

Summary of the AMH January 2008 Rebalance Plan:

<u>Division/Issue</u>	<u>Jan 2008 Rebal Report</u> <u>GF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>OF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>FF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>TF Need (Savings)</u>
1. Involuntary Medications - New legal requirements concerning involuntary use of medications at the Oregon State Hospital will add unplanned medical consultation contract services and legal costs.	\$ 3,300,000	\$ -	\$ -	\$ 3,300,000
2. Reduction of Contract Services Revenues - Loss of planned revenues for the Blue Mountain Recovery Center (BMRC) for contracted services to Greater Oregon Behavioral Health Inc.	\$ 158,000	\$ (158,000)	\$ -	\$ -
3. New Medicaid Management Information System provider payment efficiencies - The projected effect of the efficiencies in making payments to service providers in a more timely fashion that will be a possible with the new MMIS system.	\$ 256,271	\$ -	\$ 419,014	\$ 675,285
4. Increase in FMAP rate - The Federal Medical Assistance Percentage rate will increase from a Biennial average of 60.85% to 61.48%, resulting in additional Federal participation in Medicaid programs and a reduced need of General Fund.	\$ (1,871,186)	\$ -	\$ 1,871,186	\$ -
5. Correction of position funding - A position at the Blue Mountain Recovery Center was incorrectly priced at LAB, overstating general fund need.	\$ (41,037)	\$ -	\$ -	\$ (41,037)
Technical Adjustments	\$ (227,204)	\$ 797,843	\$ (215,866)	\$ 354,773
Net - AMH Rebalance Position.	\$ 1,574,844	\$ 639,843	\$ 2,074,334	\$ 4,289,021

1. Oregon State Hospital staff, assisted by the Attorney General's office, worked with the Oregon Advocacy Center to improve the procedures for administering medications or other significant medical procedures to patients who are refusing treatment. The previous procedures were insufficient to protect patients' rights to due process. Failure to improve the entire process would have resulted in a lawsuit.

To assure appropriate external oversight, patient advocacy and education in the use of medical procedures against the wishes of the patients, the department adopted emergency administrative rule (OAR 309-114-000 to 309-114-025). This rule requires an administrative hearing to protect patient rights when

administering medications against the patient's will. This rebalance issue reflects the estimated cost for attorney and legal fees, Administrative Law Judge costs, outside expert medical doctors, additional OSH staffing and other related costs for this new rule. This change was not anticipated in the 2007-09 LAB.

2. Budgeted revenues for the Blue Mountain Recovery Center (BMRC) included contract services fees paid by Greater Oregon Behavioral Health Inc. for their clients served at the BMRC. This contract terminated in October of 2006 and these client beds were filled with new clients who are not eligible for other funding. This loss of this other funds revenue creates a need for additional general fund.
5. The AMH rebalance plan includes the projected effect of the efficiencies in making payments for our service providers with the implementation of new Medicaid Management Information System in July 2008. The new system will streamline the payment process and provide on-line, electronic payment in lieu of the current paper process. Because the department is accounting for these expenditures on a cash basis, an acceleration of payments for services provided in the current biennium results in a one time cost increase for the biennium. Once the department begins normal accrual of Medicaid expenditures, changes in the timing of payments will no longer result in budget issues.
4. The federal Title XIX Medicaid FMAP rate was raised from a biennial average rate of 60.85 percent to a new average rate of 61.48 percent. This will create increased program federal revenues and reduce the need for general fund.
5. A position funding correction within the Blue Mountain Recovery Center budget is needed

The AMH Rebalance includes several technical adjustments to correct and realign the AMH budget between AMH budget structures and/or between AMH and other DHS divisions. The larger technical adjustment in AMH is a related to the Administrative Services Division - Office of Payment Accuracy and Recovery (OPAR) to align ASD-OPAR position funding and recovery revenues/reduction of expenditures collected by ASD-OPAR with the way they are being accounted for.

PUBLIC HEALTH DIVISION (PHD)

The overall general fund expenditures for this division are not expected to change from the 2007-09 LAB. Several other funds and federal funds limitation adjustments and position authority adjustments are needed however.

Summary of the PHD January 2008 Rebalance Plan:

<u>Division/Issue</u>	<u>Jan 2008 Rebal Report</u> <u>GF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>OF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>FF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>TF Need (Savings)</u>
1. Other fund and Federal fund limitation needs - \$ The Public Health Division has identified several needs for additional Other fund and Federal fund limitation in the 2007-09 budget. This is largely limitation that was omitted when general funds were added to the Family Planning Expansion Program (FPEP) and for new or increased categorical grants that fund PHD programs	\$ -	\$ 5,108,191	\$ 40,924,689	\$ 46,032,880
2. Position authority requests to eliminate double- filled positions.	\$ -	\$ 63,212	\$ 101,229	\$ 164,441
Technical Adjustments	\$ -	\$ (4,384,822)	\$ (4,201,956)	\$ (8,586,778)
Net - PHD Rebalance Position.	\$ -	\$ 786,581	\$ 36,823,962	\$ 37,610,543

- Several additions to the PHD other and federal funds limitation levels are needed. The larger increases include the federal funds limitation related to a general fund increase to the Family Planning Expansion Program (FPEP) which is at a 9 to 1 federal match rate (a \$33.5 million federal funds limitation need), and additional other and federal grant funding for the Health Alert Network and the Laboratory Information Management System.
- This action includes the shifting of a portion of the PHD service and supply budget to personal services budget and the use of additional on-going grant or fee revenue sources to add 24 permanent positions and 15.89 FTE that are currently double filled positions.

The PHD Rebalance includes several technical adjustments to correct and realign the PHD budget between PHD budget structures and/or between PHD and other DHS divisions. The larger technical adjustments in the PHD rebalance plan include transfer of other and federal funds limitation from PHD to the Administrative Services Division – Office of Information Systems in order to install and maintain the Oregon Vital Records database, the Health Alert Network, and the Laboratory Information Management System.

SENIORS AND PEOPLE WITH DISABILITIES DIVISION (SPD)

The overall general fund expenditures for this division, including technical adjustments, is expected to be lower than anticipated in the LAB by \$8.6 million general fund, a decrease of 0.8 percent. The reduction is driven by savings from lower SPD caseloads in Community Based Care and the Home Care Worker program; lower than projected caseload cost in the LAB; general fund savings in FMAP; and general fund savings in the Developmentally Disabled program budget. These issues are described below.

Summary of the SPD January 2008 Rebalance:

<u>Division/Issue</u>	<u>Jan 2008 Rebal Report</u> <u>GF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>OF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>FF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>TF Need (Savings)</u>
1. SPD program caseload and caseload costs were reprojected based upon the latest (Fall 2007) caseload forecasts completed in November 2007. Overall, caseloads and caseload costs are projected down slightly to the LAB for SPD. Details of the changes are provided in the explanations below.	\$ (3,859,707)	\$ 653,457	\$ (4,743,796)	\$ (7,950,046)
2. Adjustments of Other Fund and Federal fund limitation are needed because several actions during the 2007 Legislative session added general fund authority to the SPD LAB, however related other fund and Federal Fund limitation was omitted in the action. See details below.	\$ -	\$ 806,942	\$ 6,725,857	\$ 7,532,799
3. New Medicaid Management Information System provider payment efficiencies - The projected effect of the efficiencies in making payments to service providers in a more timely fashion that will be a possible with the new MMIS system.	\$ 5,295,082	\$ -	\$ 8,657,703	\$ 13,952,785
4. Developmentally Disabled program budget adjustments related to an omitted phase-out of debt service GF no longer needed, offset by a GF need to house SPD clients displaced with the OSH replacement project.	\$ (571,000)	\$ (571,000)	\$ -	\$ (1,142,000)
5. Increase in FMAP rate - The Federal Medical Assistance Percentage rate will increase from a Biennial average of 60.85% to 61.48%, resulting in additional Federal participation in Medicaid programs and a reduced need of General Fund.	\$ (17,121,326)	\$ -	\$ 17,121,326	\$ -
6. Management action to to increase SPD Community Based Care provider rates to address the limited capacity of SPD Community Based Care and contain increases in higher cost Nursing Facility caseload growth.	\$ 9,756,737	\$ -	\$ 15,572,280	\$ 25,329,017
7. The SPD Rebalance Plan includes two initiatives to assist in the transition from long-term institutionalization or divert placement into high cost nursing facilities - Money Follows the Person federal grant and the Nursing Facility Diversion-Relocation project. See details below.	\$ (694,699)	\$ (2,096,261)	\$ (3,718,077)	\$ (6,509,037)
8. Management action to increase staffing of the Presumptive Medical Eligibility Determination Teams to eliminate backlog of claims.	\$ 442,058	\$ -	\$ 441,974	\$ 884,032
Technical Adjustments	\$ (1,870,763)	\$ 745,736	\$ (737,684)	\$ (1,862,711)
Net - SPD Rebalance Position.	\$ (8,623,618)	\$ (461,126)	\$ 39,319,583	\$ 30,234,839

1. Overall, the SPD Fall 2007 caseload cost forecasts results in savings when compared to the LAB (based on the Spring 2007 forecast). The major changes in SPD caseloads and caseload costs are:

- Home Care Worker program Fall 2007 caseload forecast projects lower

Home Care Worker program related caseloads (Hourly (-726 cases), Live-in (-60 cases) and Spousal (-7 cases)) and lower average cost per case than the Spring 2007 forecast. This results in a general fund savings of \$3.1 million.

- Aged and Physically Disabled mandated nursing facility Fall 2007 caseload forecast projects caseloads and net costs to be higher than the Spring 2007 forecast. Nursing facility caseload levels for Basic and Complex Medical cases are higher (+87 cases) and cost-per-case is \$3.63 higher in Basic, and \$41.48 in Complex Medical cases than projected in the LAB. These increases result in a general fund need of \$2.9 million.
- The Providence Program for All-Inclusive Care (PACE) payments and enrollments are being reconciled for 2006 and 2007. This will result in additional payment estimated at \$288,900 general fund. In addition, the calculation of the Upper Payment Limit to set the rate for PACE all-inclusive services for 2008 was just recently completed. The final rate of \$2,682.54 is a 19 percent increase from the LAB rate of \$2,254.99. This results in an increased general fund need of \$2.5 million.
- The Developmentally Disabled program had general fund savings in the 2005-07 close out of \$9.3 million in the three Developmentally Disabled (DD) program areas. The Rebalance assumes continued savings of \$3 million general fund and retains \$6.3 million of savings in the DD Comprehensive Services budget in anticipation of DD Staley wait list services demands. Should those services not occur, a savings will be identified again in the next rebalance. In addition, the rate of anticipated participation in the DD programs is lower than at LAB and results in an additional general fund savings of \$600,940.
- Significant savings are projected in the Community Based Care program due to decreased caseload and cost per case in Residential Care Facilities and Assisted Living Facilities and results in an overall general fund savings of \$3.6 million.

SPD caseload forecast changes are summarized in the following table.

	Caseloads				Cost Per Case				Cost Change	
	LAB	Jan 08	Change	% Change	LAB	Jan 08	Change	% Change	HB GF	HB TF
Pediatrics	70	56	(14)	-20.00%	8,770.68	10,218.84	1,448.15	16.51%	(385,443)	(1,000,632)
Basic	4,452	4,531	78	1.76%	4,953.94	4,950.31	(3.63)	-0.07%	2,577,549	8,908,746
Complex Medical Add-On	339	349	9	2.74%	7,374.65	7,416.13	41.48	0.56%	668,573	1,991,493
Medicare Extended Care	155	136	(19)	-12.03%	3,598.08	3,632.41	34.33	0.95%	(576,314)	(1,496,144)
OHP Post-Hospital Care	6	6	0	0.00%	8,052.76	8,107.37	54.61	0.68%	3,029	7,864
NF Enhanced Care	60	60	0	0.00%	7,514.33	7,469.50	(44.83)	-0.60%	(24,866)	(64,553)
Non-Service	0	0	0	0.00%	0.00	0.00	0.00	0.00%	240,230	0
Total Nursing Facilities	5,082	5,137	55	1.08%	5,174.72	5,187.10	12.38	0.24%	2,502,757	8,346,774
Relative AFH	1,451	1,456	5	0.34%	794.00	799.81	5.81	0.73%	114,964	298,452
Commercial AFH	2,488	2,551	63	2.53%	1,129.86	1,134.41	4.55	0.40%	765,389	1,986,991
Regular RCF	997	957	(40)	-4.01%	842.54	843.02	0.48	0.06%	(307,305)	(797,782)
Contract RCF	1,197	1,102	(95)	-7.94%	1,893.14	1,829.77	(63.37)	-3.35%	(2,308,296)	(5,992,461)
Specialized Living	165	165	0	0.00%	1,453.41	1,450.14	(3.27)	-0.22%	(4,987)	(12,947)
Assisted Living	3,933	3,615	(318)	-8.09%	1,384.61	1,372.90	(11.71)	-0.85%	(4,462,055)	(11,583,736)
PACE	698	704	6	0.86%	1,929.12	2,318.18	389.07	20.17%	2,639,176	6,851,445
Temporary Absence	0	0	0	0.00%	0.00	0.00	0.00	0.00%	0	0
Total Community Facilities	10,929	10,550	(379)	-3.47%	1,292.69	1,302.60	9.91	0.77%	(3,563,114)	(9,250,038)
Hourly Provider	10,162	9,436	(726)	-7.15%	784.13	811.19	27.05	3.45%	(2,705,890)	(7,545,478)
Live-In Provider	1,191	1,131	(60)	-5.03%	1,526.17	1,584.59	58.42	3.83%	(454,215)	(608,959)
Spousal Pay	131	124	(7)	-5.04%	1,650.12	1,681.02	30.91	1.87%	(65,013)	(168,776)
Independent Choices	300	300	0	0.00%	984.56	984.56	0.00	0.00%	0	0
Community Transition	0	0	0	0.00%	0.00	0.00	0.00	0.00%	0	0
FICA	0	0	0	0.00%	0.00	0.00	0.00	0.00%	(211,162)	(548,189)
FUTA/SUTA (Unemployment)	0	0	0	0.00%	0.00	0.00	0.00	0.00%	(154,853)	(402,005)
Benefits	0	0	0	0.00%	0.00	0.00	0.00	0.00%	0	0
Training	0	0	0	0.00%	0.00	0.00	0.00	0.00%	0	0
Total Home Care Workers	11,784	10,991	(793)	-6.73%	1,215.82	1,268.38	52.56	4.32%	(3,591,133)	(9,273,408)
Adult Day Care	196	196	0	0.00%	601.66	601.66	0.00	0.00%	0	0
In-Home Agency Provider	412	430	19	4.54%	378.07	344.59	(33.48)	-8.86%	(26,095)	(176,073)
Home Delivered Meals	904	934	30	3.34%	177.71	202.44	24.73	13.92%	263,031	682,842
Minor Home Adaptations	0	0	0	0.00%	0.00	0.00	0.00	0.00%	(26,115)	(67,796)
Contract RNs	0	0	0	0.00%	0.00	0.00	0.00	0.00%	0	0
Personal Care	1,700	1,728	28	1.65%	236.19	243.64	7.45	3.16%	180,370	468,250
Non-Medical Transportation	0	0	0	N/A	0.00	0.00	0.00	0.00%	0	0
Total Other Services	3,211	3,288	77	2.40%	371.03	373.85	2.82	0.76%	391,191	907,223
Old Age Assistance	11,555	11,651	96	0.83%	11.07	9.21	(1.86)	-16.82%	(495,301)	(495,301)
Aid to the Blind	620	621	1	0.19%	31.65	27.17	(4.48)	-14.15%	(65,828)	(65,828)
Aid to the Disabled	40,311	40,494	183	0.45%	4.04	5.71	1.67	41.31%	1,639,830	1,639,830
Special Needs (Diets)	21	23	2	8.87%	90.15	87.97	(2.17)	-2.41%	2,794	2,794
Total OSIP	52,506	52,788	282	0.54%	5.95	6.77	0.82	13.82%	1,081,496	1,081,496
PACE Reconciliation	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	288,900	750,000
DD Staley, SE 45, SOCP CM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,845,693	3,544,746
DD 05-07 Program Savings	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(3,000,000)	(5,457,471)
DD Participation Rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(600,940)	
NF Peds to DD Comp	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	385,443	1,000,632
HCW GF to OPI HC	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	400,000	400,000
Total Other Adjustments	0	0	0	0	0	0	0	0	(680,904)	237,907
SPD Grand Total Isolation of Change	83,512	82,754	(758)	-0.91%	673.64	675.69	2.05	0.30%	(3,859,707)	(7,950,046)

2. Other and federal funds limitation adjustments are needed to align other and matching federal funds limitation to increases in general fund authority made during the 2007 Legislative Session. The other funds and federal funds limitation adjustments related to these general fund changes were inadvertently omitted in the legislation. Adjustments include added federal funds limitation for Certified Nursing Assistant Staffing (POP 109) and related federal funds limitation for the Home Care Worker program increase.

3. The SPD rebalance plan includes the projected effect of the efficiencies in making payments for our service providers with the implementation of new Medicaid Management Information System in July 2008. The new system will streamline the payment process and provide on-line, electronic payment in lieu of the current paper process. Because the department is accounting for these expenditures on a cash basis, an acceleration of payments for services provided in the current biennium results in a one time cost increase for the biennium. Once the department begins normal accrual of Medicaid expenditures, changes in the timing of payments will no longer result in budget issues.
4. Two adjustments of the Developmentally Disabled budget are needed. Two group homes on the state hospital grounds will be displaced as a result of the siting of the new OHS facility. Transition of 10 clients was not included in the LAB. The estimated cost of refurbishing one home is \$90,000 general fund and construction bids for a new 5-bedroom home were \$839,000 general fund. This results in an increased general fund need of \$929,000. This cost is offset by a \$1.5 million general fund savings that phases out excess debt service for bond payments.
5. The federal Title XIX Medicaid FMAP rate was raised from a biennial average rate of 60.85 percent to a new average rate of 61.48 percent. This will create increased program federal revenues and reduce the need for general fund.
6. The SPD Rebalance Plan includes a Management Action for a Community Base Care Base Rate Adjustment. To reduce the rate of Medicaid bed loss in Commercial Adult Foster Homes (AFH), Regular Residential Care Facilities (RCF) and Assisted Living Facilities (ALF), and strengthen provider ability to serve higher acuity clients in Service Priority Level (SPL 1-3), a one-time base rate adjustment of \$260 per month is proposed. The base rate adjustment increases RCF and AFH base rate from \$969 to \$1,229. Savings from Community Based Care and Home Care Worker programs total \$6.7 million. This Management Action will assist in reduction of Medicaid withdrawal and retain DHS community based long term care providers.

7. The SPD Rebalance Plan includes two initiatives to assist in the transition from long-term institutionalization or divert placement into high cost nursing facilities. Oregon's new five year federal Money Follows the Person (MFP) demonstration grant shows that long-term institutionalized clients can be served in their communities with wrap-around packages of supports and services at less cost. These are clients who have been in institutional care for a minimum of six months and include the Nursing Facilities and Eastern Oregon State Training Center. The MFP project includes an enhanced 80 percent federal participation match rate for the first year of movement including the cost of transition, the community placement and staff. All savings from MFP must be reinvested in programs and services that support the on-going activities that support a stronger community based system. The second initiative is the Nursing Facility Diversion-Relocation project. For clients who are not MFP eligible, or have just recently been placed into a Nursing Facility from a hospital or rehab discharge or are seeking placement from a hospital or rehab center, the NF Diversion-Relocation teams will identify and place clients with a comprehensive and supportive placement plan, a less expensive community based placement. The NF Diversion-Relocation project is estimated to transition or divert 250 clients in 2007-09 and result in a general fund savings.
8. The Presumptive Disability Determination program is required to make presumptive Medicaid disability determination for applicants who claim a disability that would meet the Social Security disability requirements for Supplemental Security Income or Supplemental Security Disability Income. The current program has hired 10 new positions to address the backlog of determinations and the increase in referrals. The SPD Rebalance requests 10 permanent positions to address the workload.

A transfer of \$1,870,763 general fund from SPD to other divisions, primarily the Administrative Services Division (ASD), through technical adjustment is included in the SPD Rebalance. This transfer is needed fund the Criminal Records Management System (CRIMS) project and to align ASD-OPAR position funding and recovery revenues/reduction of expenditures collected by ASD-OPAR with the way they are being accounted for.

ADMINISTRATIVE SERVICES DIVISION (ASD)

The overall general fund expenditures for this division, including technical adjustments, are expected to be higher than anticipated in the LAB by \$8.4 million general fund, an increase of 4.8 percent. This is the result of greater costs to DHS for State Data Center (SDC) services and technical adjustments that move authority and limitation between ASD and other DHS divisions.

Summary of the ASD January 2008 Rebalance Plan:

<u>Division/Issue</u>	<u>Jan 2008 Rebal Report</u> <u>GF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>OF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>FF Need (Savings)</u>	<u>Jan 2008 Rebal Report</u> <u>TF Need (Savings)</u>
ASD (DWSS):				
1. The latest rates to be charged for the State Data Center (SDC) are greater than those projected by DAS on which the 2007-09 budget was based.	\$ 4,393,717	\$ -	\$ 4,393,717	\$ 8,787,434
2. Position authority and funding related to the OSH replacement project will be removed from the ASD budget. DAS Budget and Management (BAM) will administratively establish Limited-Duration positions each biennium in a non-capital construction summary cross reference for this project.	\$ -	\$ (2,398,330)	\$ -	\$ (2,398,330)
Technical Adjustments	\$ 4,044,250	\$ 2,955,023	\$ 7,163,368	\$ 14,162,641
Net - ASD Rebalance Position.	\$ 8,437,967	\$ 556,693	\$ 11,557,085	\$ 20,551,745

1. The State Data Center (SDC) has reassessed its cost of operations and has issued new rate estimates approved by the Governing Board in December 2007. The new rates are based upon actual costs experienced by the SDC since conversion last biennium. Charges have been reviewed for each State agency the SDC supports and service rates realigned among the agencies based on actual costs. This SDC rate reassessment and realignment has resulted in higher costs to DHS and has created a general fund authority and federal Fund limitation need within the Administrative Services Division.
2. Nineteen positions currently within the ASD budget related to the Oregon State Hospital (OSH) replacement project will be abolished and administratively established by the Department of Administrative Services (DAS) to correctly align these positions in the capital construction budget. DAS Budget and Management (BAM) will administratively establish Limited-Duration positions each biennium and costs associated with these positions will be charged to the capital construction limitation.

Numerous technical adjustments to shift budget expenditure and funding between ASD and other DHS Divisions are needed to properly align the ASD budget and funding sources. The larger technical adjustments are related to the Office of Payment Accuracy and Recovery (OPAR) funding. Positions within this office are responsible for collecting DHS Accounts Receivables. These recoveries are credited to the respective DHS divisions to which they are owed as recovery revenues and/or reduction of expenditures. Some OPAR positions were originally planned to be funded by their recoveries, however because much of the recovery actually is accounted for as a reduction of expenditure within the originating DHS division, it can not fund OPAR positions. These technical adjustments adjust the ASD-OPAR and each DHS division to reflect how the OPAR positions are actually being funded and how recoveries are actually accounted for. This Technical Adjustment shifts general funds from the divisions receiving OPAR Recoveries to fund the OPAR positions and the divisions retain all of the OPAR Recoveries/Collections (other funds) within their program areas. Technical adjustments do not affect the overall general fund need for DHS, as it is only a shifting of funds between divisions.

OTHER DHS FINANCIAL RISKS AND OUTSTANDING ISSUES:

Because this Rebalance plan is earlier than usual during the biennium, the risks associated with it are magnified. There is limited actual data at this point to adequately identify all revenue variances to the 2007-09 LAB or to fully determine the effect of the program changes that are included in the LAB. In addition to this general risk, there are several other risk areas and outstanding issues that could materially affect the department's budget. These include:

Caseload Forecast Risks:

With any forecast, one can expect variation from the projections especially the further into the future the projections extend. The caseload forecast is no exception to this. Given that it is early in the biennium, this caseload forecast has a higher degree of expected variation than a forecast done closer to the end of the biennium. In addition, the forecast incorporates several major program restructurings, such as the restructuring of Temporary Assistance to Needy Families (TANF) that had not been implemented at the time of the forecast. The tenuous economic situation in Oregon and the nation arising out of the sub-prime home loan problem, along with effects of a natural disaster resulting in five counties in Oregon eligible for federal disaster relief adds to the risk of an underestimation of the caseload forecast. The estimate of this potential variation from and risk to the caseload forecast, would result in an estimated program caseload cost increase of \$94 million general fund for the department.

Lack of full conformance with the standard State accrual policy:

The new MMIS system that will be implemented during the biennium will allow the department to begin to accrue the costs for provider services in accordance with the standard state accrual policies. A change in the DHS accrual policy to be in compliance with state accrual policy would result in a one time increase in program costs in the 2007-09 biennium of \$29.5 million general fund.

Federal Policy and Regulation changes/potential disallowances:

Targeted Case Management (TCM) is an optional Medicaid service that provides eligible individuals information and referral to needed social, medical, educational, vocational, and other services. Draft rules published by the Centers for Medicare and Medicaid Services (CMS) would prohibit child welfare staff from billing TCM services, would severely restrict the ability to claim for TANF recipients, and would require claiming changes for the local partner programs. Under the draft rules, the components of the rule that would affect DHS claiming are effective March 4, 2008.

Currently, DHS claims approximately \$50 million federal funds annually to TCM for case management in child welfare, \$1.5 million annually for Self-Sufficiency programs, and \$12 million for the Developmentally Disabled program. The department is currently working to determine the potential financial and client impact of these proposed changes if they were to become effective.

Personal Care is a Medicaid State Plan Amendment (SPA) option that provides the methodology for reimbursement of physician-authorized services for Medicaid eligible clients, including support for activities of daily living (ADLs). In Oregon, Personal Care is used in 24 hour community mental health settings, child welfare foster care, and for seniors, people with disabilities, and mental health clients through a service voucher program. The Centers for Medicare and Medicaid Services (CMS) Region X office conducted a review of Personal Care Services in Oregon. The review recommended dramatic changes to claiming in Child Welfare and Mental Health. Oregon DHS has responded to the draft CMS reports, and is waiting for the final CMS response.

DHS annual Personal Care expenditures are approximately \$38 million federal funds (mental health residential: \$20 million, child welfare foster care: \$14 million, services to seniors: \$4 million).

Civil Rights of Institutionalized Persons Act (CRIPA):

OSH was reviewed by a team from the U.S. Department of Justice (US DoJ) under the Civil Rights of Institutionalized Persons Act (CRIPA) in November 2006. The hospital has been working with state-contracted experts in CRIPA related reviews since September of 2006 to implement a Continuous Improvement Plan to proactively make changes in the hospital treatment and staffing models. At this time the state has not received the report from the US DoJ. The work to improve treatment and staffing continues. The risk remains that US DoJ will require substantial additional investments in OSH or takes other action against the state. The due date for the reports is not known at this time.

Insufficient funding from the State salary package to fully fund the 2007-09 Compensation plan.

The biennial State salary package typically does not fully fund the compensation plan for the biennium. The department will absorb this risk within the LAB budget authority.