

Division of Medical Assistance Programs

Governor's Recommended Budget

The following is a summary of the packages and adjustments that were incorporated in the development of the 2007-2009 budget for the Division of Medical Assistance Programs (DMAP). Expanded descriptions of each package listed in the table below follow this summary:

	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Base Budget	758,243,924	725,811,690	2,228,321,813	3,712,377,427	169	164.72

Essential Packages

Pkg 010-Personal Services Adjustment	(38,290)	7,416	22,789	(8,085)		
Pkg 021-Phase-In	(13,126,289)	7,143,358	(67,045,476)	(73,028,407)		
Pkg 022-Phase-Out	46,364,506	(126,010,098)	(128,125,866)	(207,771,458)		
Pkg 030-Inflation	121,728,742	56,207,541	274,604,719	452,541,002		
Pkg 040-Mandated Caseloads	58,433,261	49,386,772	213,459,337	321,279,370		
Pkg 050-Fund Shifts	131,995,918	(125,900,014)	(13,562,505)	(7,466,601)		
Pkg 060-Technical Adjustments	(2,250)	0	(2,859)	(5,109)		-
Total Essential Packages	345,355,598	(139,165,025)	279,350,139	485,540,712	0	0.00

Adjustments to Achieve the Governor's Recommended Budget:

Pkg 084-Dec06 E-Board	(7,027,933)	(6,824,020)	(22,498,038)	(36,349,991)		
Pkg 090-Analysts Adjustments	(49,179,224)	20,600,019	(48,685,463)	(77,264,668)		
Total Adjustments	(56,207,157)	13,775,999	(71,183,501)	(113,614,659)	0	0.00

Policy Packages included in the Governor's Recommended Budget:

POP 101-6 Healthy Kids Plan		53,875,750	47,128,394	101,004,144	7	6.16
POP 101-14 CAWEM Prenatal Care		4,500,000	18,839,654	23,339,654		
POP 102-24 Increase FFS Reimbursement		2,260,742	3,661,594	5,922,336		
POP 103-31 Extend Sunset on Provider Taxes		190,236,974	301,840,041	492,077,015		
POP 103-32 Plan Drug List	(2,970,445)	(942,854)	(6,586,292)	(10,499,591)		
POP 103-36 OHP Standard Increase		50,406,841	76,932,562	127,339,403	2	2.00
POP 106-55 OPAR Infrastructure	(803,407)	803,407		0		

	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
POP 106-62 Self Sufficiency Program Integrity	(3,752,224)		(5,953,478)	(9,705,702)		
POP 108-01 Hospital Payment Rates		5,000,000		5,000,000		
Total Policy Packages	(7,526,076)	306,140,860	435,862,475	734,477,259	9	8.16

Governor's Recommended Budget

	1,039,866,289	906,563,524	2,872,350,926	4,818,780,739	178	172.88
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Base Budget

This is the 2005-2007 Legislatively Approved Budget as of the April 2006 Special Session/Emergency Board.

Package 010: Non-PICS Adjustments/Vacancy Factor/Pension Bond Adjustment

The Vacancy Factor calculation projects budget changes related to staff turnover and position vacancy in the 2007-2009 biennium. Non-PICS (Personal Inventory Control System) Personal Services inflation includes any items not part of the PICS generated totals. These included unemployment assessment, overtime, temporary services, shift differential and Mass Transit Tax. The general inflation factor of 3.1 percent was applied to these Non-PICS Personal Service items.

Package Detail	GF	OF	FF	Total Funds
Inflation of Non-PICS Personal Services increase Central Admin	343	34	158	535
Inflation of Non-PICS Personal Services increases Program Support	8		7	15
Vacancy Factor Central Admin	(21,795)	(3,428)	27,248	2,025
Vacancy Factor Program Support	(18,108)	(3,937)	(2,407)	(24,452)
Pension Bond Contribution Central Admin	24,405	17,465	4,779	46,649
Pension Bond Contribution Program Support	11,090	1,379	18,147	30,616
Analyst's Adjustments apportioned to DMAP	(34,233)	(4,097)	(25,143)	(63,473)
Total	(38,290)	7,416	22,789	(8,085)

Package 021: Phase-In

This package is related to new programs and expansion of non-mandated programs funded for less than 24 months during the 2005-2007 biennium, but needing a full 24 months in the 2007-2009 biennium. The costs for the additional months of funding needed to achieve the 24-month funding level are included in this package. Phase-in of 2005-2007 administrative management actions from April 2006 Special Session:

Package Detail	GF	OF	FF	Total Funds
Phase-in Medicare Modernization Act (MMA) Drug savings	(50,992,616)		(80,873,471)	(131,866,087)
Phase-in Provider Tax reduction in revenue and expenditures attributed to MMA Drug savings for managed care		(960,839)	(1,553,131)	(2,513,970)

Package Detail	GF	OF	FF	Total Funds
Phase-in savings from LAB reductions in Package 90 that were budgeted in 2005-07 for less than 24 months.	(4,591,620)		(7,282,236)	(11,873,856)
Phase-in Provider Tax reduction in revenue and expenditures attributed to LAB reductions in LAB Package 90		(413,250)	(667,991)	(1,081,241)
Phase-in biennial cost of the Medicare Part D State Phase-down Contribution ("Clawback")	42,195,359			42,195,359
Phase-in CHIP renewal period change from 6 to 12 months		8,453,621	22,775,122	31,228,743
Phase-in of 2005-07 Management Actions from April 2006 Special Session Central Admin	15,437		17,190	32,627
Phase-in of 2005-07 Management Actions from April 2006 Special Session Program Support	3,141		1,389	4,530
Phase-in of 2005-07 COLA delay Central Admin	160,267	63,551	344,201	568,019
Phase-in of 2005-07 COLA delay Program Support	83,743	275	193,463	277,481
Analyst's Adjustments apportioned to DMAP			(12)	(12)
Total	(13,126,289)	7,143,358	(67,045,476)	(73,028,407)

Package 022: Phase-Out

This package is related to any programs permanently eliminated during the 2005-2007 biennium, to remove costs in the base budget for the months the program operated during 2005-2007. Phase-outs also are related to decreased costs resulting from discontinuation of pilot project programs and other one-time costs that will not be continued in the 2007-2009 biennium.

Package Detail	GF	OF	FF	Total Funds
Phase-out one-time OHP Plus FFS LAB reduction actions which were in Package 90	3,186,112		5,053,123	8,239,235
Phase-out one-time OHP Plus Managed Care LAB reduction actions which were in Package 90	4,003,458		6,349,420	10,352,878
Phase-out Provider Tax reductions in revenue and expenditures attributed to one-time LAB reductions in LAB Package 90		514,917	832,327	1,347,244
Phase-out DRG hospital payments at 72 percent to bring payments back to 100 percent	43,630,040		69,196,543	112,826,583
Phase-out Provider Tax reductions in revenue and expenditures attributed to DRG hospital payments		318,642	515,063	833,705

Package Detail	GF	OF	FF	Total Funds
Phase-out the LAB cost of claims lag for FFS clients who move into new Physician Care Organizations	(3,176,765)		(5,038,298)	(8,215,063)
Phase-out Hospital Provider Tax (Standard, Enhanced Plus, and Enhanced CHIP) revenue and expenditures as of January 1, 2008 (18 months.)		(46,216,976)	(74,706,562)	(120,923,538)
Phase-out Managed Care Provider Tax (Standard, Enhanced Plus, and Enhanced CHIP) revenue and expenditures as of January 1, 2008 (18 months.)		(80,626,681)	(130,327,482)	(210,954,163)
Phase-out GF expenditures for Former Medically Needy HIV clients. The program is now administered by ADAP within Public Health.	(1,278,339)			(1,278,339)
Total	46,364,506	(126,010,098)	(128,125,866)	(207,771,458)

Package 030: Inflation and Price List Adjustments

The biennial inflation factors for 2007-2009 include 3.1 percent for general inflation and for non-state personnel costs (contract providers) and 5.4 percent for medical services. Some programs may use an annual inflation factor, as approved by the Budget and Management Analyst. The annual rates are 2.1/2.1 percent for general inflation and for non-state employee personnel costs and 3.6/3.5 percent for medical inflation. The general inflation factor and the Department of Administrative Services (DAS) Price List were used to calculate general increases for Services and Supplies, Capital Outlay and Special Payments.

*General Inflation was applied to Central Administration, Program Support and OHP Medicaid, OHP CHIP, and Non-OHP Medicaid Programs.

*Medical Inflation was applied to OHP Medicaid, OHP CHIP, and Non-OHP Medicaid Programs.

*Actuarial Inflation/Utilization Rate applied to Mandated Caseload increase in OHP Medicaid, OHP CHIP, and Non-OHP Medicaid Programs.

*Additional changes to this package were made to inflation during the Analyst Recommended process.

Package Detail	GF	OF	FF	Total Funds		
General Inflation of 3.1 percent for OHP Medicaid expenditures	19,543,939	10,041,324	46,921,752	76,507,015		
General Inflation of 3.1 percent for Standard and Enhanced Plus/CHIP Program expenditures		993,817	1,375,127	2,368,944		
Medical Inflation of 2.3 percent for OHP Medicaid expenditures	14,500,342	7,450,014	34,812,912	56,763,268		
Medical Inflation 2.3 percent for Standard and Enhanced Plus/CHIP Program expenditures		708,330	983,773	1,692,103		
General Inflation of 3.1 percent for Client Related	100,017		158,626	258,643		

Package Detail	GF	OF	FF	Total Funds		
expenditures						
Medical Inflation 2.3 percent for Client Related Adjustments expenditures	74,207		117,690	191,897		
General Inflation of 3.1 percent for Kids Intensive Mental Health expenditures	1,177,201		1,867,022	3,044,223		
Medical Inflation of 2.3 percent for Kids Intensive Mental Health Program expenditures	873,407		1,385,210	2,258,617		
Utilization and Trend Inflation of 9.6 percent for OHP Medicaid expenditures	60,832,896	34,117,920	149,994,730	244,945,546		
General inflation of 3.1 percent for CHIP expenditures		552,989	1,489,823	2,042,812		
Medical inflation of 2.3 percent for CHIP expenditures		410,282	1,105,353	1,515,635		
Utilization and Trend Inflation of 9.6 percent for CHIP expenditures		1,712,483	4,613,646	6,326,129		
General inflation of 3.1 percent for Non-OHP expenditures	5,934,195		3,305,723	9,239,918		
Medical inflation of 2.3 percent for Non-OHP expenditures	4,402,790		2,452,633	6,855,423		
Utilization and Trend Inflation of 9.6 percent for Non-OHP expenditures	18,376,864		10,237,077	28,613,941		
General Inflation for DMAP Central Administration expenditures	292,961	207,427	779,643	1,280,031		
General Inflation for DMAP Program Support expenditures	57,586	12,955	65,155	135,696		
Pkg 030 Adjustments at GRB	(4,437,663)		12,938,824	8,501,161		
Total	121,728,742	56,207,541	274,604,719	452,541,002		

Package 040: Mandated Caseloads

Mandated caseload costs reflect the changing costs from caseload and/or cost-per-case fluctuations plus related inflation.

*Forecasted increase in Medical Assistance Programs for the OHP Medicaid, OHP CHIP, and Non-OHP Medicaid mandated caseload

including general inflation, incremental medical inflation and incremental actuarial inflation/utilization rate.

*Additional changes to this package were made during the Analyst Recommended process.

Package Detail	GF	OF	FF	Total Funds		
OHP Medicaid: Mandated caseload, including increase for general inflation at 3.1 percent, incremental medical inflation of 2.3 percent and incremental actuarial inflation/utilization rate of 9.6 percent	68,168,620	36,809,014	166,728,204	271,705,838		
OHP CHIP: Mandated caseload, including increase for general inflation at 3.1 percent, incremental medical inflation of 2.3 percent and incremental actuarial inflation/utilization rate of 9.6 percent		12,577,758	33,886,071	46,463,829		
Non-OHP: Mandated caseload, including increase for general inflation at 3.1 percent, incremental medical inflation of 2.3 percent and incremental actuarial inflation/utilization rate of 9.6 percent	4,783,750		9,889,990	14,673,740		
Pkg 040 Adjustment GRB	(14,519,109)		2,955,072	(11,564,037)		
Total	58,433,261	49,386,772	213,459,337	321,279,370		

Package 050: Fund Shifts

This package reflects significant revenue changes in existing programs. The change may have occurred during the 2005-2007 biennium or may be expected to occur during the 2007-2009 biennium. Additional changes to adjust FMAP from 61.34 percent to 60.89 percent and other fund shifts were made during the Analyst Recommended process.

Package Detail	GF	OF	FF	Total Funds		
Fund Shift – Change in the Federal Medical Assistance Percentage (FMAP)	(198,253)		198,253	-		
Fund Shift based on current 2007-09 Tobacco Tax Forecast from the Department of Revenue	(1,240,806)	1,240,806		-		
Fund Shift due to loss of Tobacco Settlement revenue in the 2007-09 Biennium	24,500,000	(24,500,000)		-		

Package Detail	GF	OF	FF	Total Funds		
Fund Shift due to loss of the TURA part of the Tobacco Tax	7,518,057	(7,518,057)		-		
Fund Shift in Tobacco Tax which represents the general fund need due to Packages 021, 030 and 040	107,557,780	(107,557,780)		-		
Fund Shift – To recognize a full 24 months of enhanced payment recovery revenue resulting from addition of three additional Revenue Agent 2 positions added in 2005-07, effective May 2006	(115,751)	115,751		-		
Fund Shift – Change in FMAP for CHIP	(10,752)		10,752	-		
Fund Shift based on current 2007-09 Tobacco Tax Forecast from the Department of Revenue	(560,039)	560,039		-		
Fund Shift – Change in FMAP for the Non-OHP	(19,669)		19,669	-		
Adjustment to CHIP fund shift at GRB	(9,394,495)	9,998,733	(604,238)	-		
Adjustment to Non-OHP fund shift at GRB	950,488		(950,488)	-		
Adjustment to OHP Medicaid fund shifts at GRB	3,009,358	1,760,494	(12,236,453)	(7,466,601)		
Total	131,995,918	(125,900,014)	(13,562,505)	(7,466,601)		

Package 060: Technical Adjustments

This package is used for technical budget adjustments, such as agency reorganizations and expenditure category shifts that do not fit into the standard essential packages 010 through 050.

Package Detail	GF	OF	FF	Total Funds		
Analyst's Adjustments apportioned to DMAP	(2,250)	-	(2,859)	(5,109)		
Total	(2,250)	-	(2,859)	(5,109)		

Package 084: December 2006 E-Board Adjustments

This package reflects 2007-2009 biennium impact of the actions taken at the December 2006 Oregon Legislative Emergency Board meeting.

Package Detail	GF	OF	FF	Total Fund		
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Package Detail	GF	OF	FF	Total Fund		
The hospital Fee-For-Service cost settlement projections were re-evaluated	1,189,319		1,889,322	3,078,641		
A substantial portion of Kids Intensive Mental Health Treatment services were placed into Capitation during the 2005-07 Biennium.	(3,716,771)	(7,007)	(5,786,607)	(9,510,385)		
Leverage forecast updated. Leverage components include limitation to allow for pass through of federal and other funds according to agreements with local health departments and school districts, the Office of Private Health Partnerships and Oregon Health and Sciences University		12,322,510	19,551,545	31,874,055		
Due to denial of SPA 05-003 in June 2006 to calculate the Inpatient Pro Share using the Length of Stay methodology, projections were reduced. Projections are reduced from 6.5 million per quarter down to 2 million per quarter.		(16,803,005)	(27,304,353)	(44,107,358)		
Update of the forecast for Client Related Adjustments	(4,500,481)	(2,336,518)	(10,847,945)	(17,684,944)		
Total	(7,027,933)	(6,824,020)	(22,498,038)	(36,349,991)		

Package 090: BAM Analyst Recommended Adjustments

Package Detail	GF	OF	FF	Total Fund		
090-01: Manage drug costs by using incentives to encourage use of lower cost drugs and enforcing existing policies to reduce abuse	(2,452,570)	(794,442)	(5,209,125)	(8,456,137)		
090-11: Changes to how pharmacies are reimbursed (federal change) from average wholesale price to average manufacturers price	(1,000,000)	-	(1,586,653)	(2,586,653)		
090-10: Reduce payments for durable medical equipment and medical supplies to 80 percent of Medicare	(1,167,185)	(5,149)	(1,876,611)	(3,048,945)		

Package Detail	GF	OF	FF	Total Fund		
090-12: Reduce Diagnostic Related Groups (DRG) component of managed care organizations' capitation rates from 100 percent to 90 percent of cost	(21,509,563)	(698,509)	(36,013,074)	(58,221,146)		
Use Tobacco Tax instead of State General Funds to fund Citizen-Alien/Waived Emergency Medical (CAWEM)	(22,098,119)	22,098,119	-	-		
Increase Family Planning Expansion Program (FPEP) from OHP savings	(920,000)	-	-	(920,000)		
Agency wide reduction of Supplies and Services apportioned to DMAP	(31,787)			(31,787)		
Reduce excess Federal Fund limitation	-	-	(4,000,000)	(4,000,000)		
Total	(49,179,224)	20,600,019	(48,685,463)	(77,264,668)		

Policy Packages

101-6: Healthy kids plan

Establishes a Healthy Kids Plan providing health insurance to more than 100,000 uninsured Oregon children who primarily are from working families. It also would provide access to disease management for children who have asthma and/or diabetes and it would expand dental sealants to low-income school children.

101-14: CAWEM prenatal care

Expands covered services for pregnant women in the Citizen-Alien/Waived Emergency Medical (CAWEM) program to include prenatal care (presently only delivery and emergency services are covered). Health outcomes for babies and mothers will improve, and some of the tragic and very expensive outcomes seen in very low birth weight babies will diminish.

102-24: Increase FFS reimbursement

Increases fee-for-service reimbursements for certain provider groups currently below 75 percent of Medicare to improve access by increasing willingness to provide services in Medicaid programs. It begins to provide a greater parity for all provider groups. It increases community support for Medicaid programs, all of which are critically important to the health of all Oregonians, not just those covered under Medicaid.

103-31: Extend sunset on provider taxes

Extends the provider taxes on Medicaid managed care plans and hospitals, combined with 1.5 to 1 federal matching funds, to provide significant funding for OHP, paying for medical services for low-income Oregonians who otherwise would be uninsured.

103-32: Plan Drug List

Adds mental health drugs to the plan drug list (PDL) and requires prior authorization for payment of drugs not on the PDL. It improves medical outcomes and decreases cost. Prior authorization does not prevent the prescribing of any drug a physician determines is most appropriate for her or his patient.

103-36: OHP Standard increase

Increases by 10,000 clients the number of people served in the capped OHP Standard program. Increased state funds combined with 1.5 to 1 federal matching funds will provide medical services for low-income Oregonians who otherwise would be uninsured. Providing this insurance improves health outcome, decreases use of more expensive medical services, decreases cost-shifting via the hidden tax of increased premiums in the private sector and decreases the use of the criminal justice system.

106-55: OPAR infrastructure

Makes enhancements to the Office of Payment Accuracy and Recovery (OPAR) infrastructure to strengthen the accuracy of program payments to clients and providers, and the recovery of overpayments and other receivables due the department.

106-62: Self-Sufficiency program integrity

Creates a comprehensive quality assurance program for self-sufficiency programs. Upgrades the operational infrastructure of DHS and creates efficiencies that enable the department to better deliver on its commitment to accountability, accuracy, financial stewardship and transparency.

108-1: Hospital payment rates

Applies additional tobacco tax revenues to increase reimbursement to hospitals reimbursed by Diagnosis Related Groupings (DRGs) for inpatient services under OHP. Increases fee-for-service base rates of the lowest reimbursed hospitals up to a higher percentage of the 2004 Medicare rates, in effect establishing a new floor for Medicaid payments. This will improve OHP clients' ability to get the medical care they need and reduce the cost shift to Oregonians who have commercial insurance.