

December 1, 2008

Governor's Recommended Budget
Department of Human Services

Governor Ted Kulongoski today released his recommended budget for the 2009-2011 biennium. This budget is the first step in a long process. During the next several months the Oregon Legislature will review agency budgets and set priorities. The revenue reports on which the budgets are built will continue being updated throughout 2009 and they likely will change. At the same time leaders in Washington, D.C., are discussing substantial investments in state Medicaid and other social safety net programs, which may offset some of the losses.

Meanwhile Oregon's economic situation will call for a greater demand on DHS services. It is estimated that fewer than one-fourth of Americans have a personal safety net of three months' expenses saved up as a buffer against layoffs or salary reductions. Therefore, as Oregon's unemployment rate rises, more families are turning to the public safety net to provide economic security. Overall DHS has seen a 16 percent increase in cash assistance requests over last year and a 13 percent increase in Food Stamp applications. Central and Southern Oregon have been particularly hard hit. This is a time of great uncertainty.

While DHS has outlined below the impacts of the investments and reductions of the Governor's Recommended Budget, it is important to keep in mind that the actual budget ultimately may look quite different after lawmakers have completed their work in 2009. The Governor's budget lays the groundwork for those discussions. Here are some highlights:

Difficult choices

The Governor's budget emphasizes expanding health care coverage, especially to Oregon's children, and controlling health care costs. However, as the Governor stated when he presented his recommended budget, the budget if passed by the Legislature would have harsh consequences for many Oregonians who count on the services provided by DHS. The Governor's Recommended Budget reduces the DHS budget by approximately 15 percent below what is needed to continue providing current services at the anticipated level of need.

Investments in health care and children

The Governor's Recommended Budget fully funds the Healthy Kids Plan, which will provide health insurance to all Oregon children and makes minimal reductions to child welfare services.

Additionally, his budget rebuilds Oregon Health Plan Standard, providing insurance to approximately 75,000 uninsured individuals, and builds a caseload reserve for OHP by increasing the provider taxes paid by hospitals and health insurers. The budget also invests \$5 million to support the work of the Oregon Health Fund Board to make health care available to all Oregonians.

The Governor's Recommended Budget also proposes a 60 cent tobacco tax increase for public health, tobacco cessation, obesity prevention, wellness and other health services.

Also, the Governor's Recommended Budget affirms the state's commitment to rebuilding the Oregon State Hospital by providing needed increased staffing for the Salem facility.

Reductions in senior services, family supports, and mental illness and addiction treatment

The Governor's Recommended Budget reduces the total budget for Seniors and People with Disabilities programs by 17 percent. Fully 6,500 seniors and individuals with disabilities could lose in-home care; of those, 2,100 could lose access to all long-term care services.

Children, Adults and Families programs would have a 6 percent cut below last budget's service levels, and programs that help families toward self sufficiency would see deep cuts. Fully 2,745 low-income families with children no longer would be eligible for cash assistance or employment assistance, and approximately 3,500 low-income working families each month no longer would have access to child care subsidies.

The Community Mental Health budget would be reduced by 17.6 percent, and the Alcohol and Drug Treatment budget would be cut by 82.8 percent. However, if the Oregon Health Plan were to be expanded as outlined in the Governor's budget, many low-income Oregonians who rely on community mental health and addiction services would have access to mental health and addiction treatment through the Oregon Health Plan. The Blue Mountain Recovery Center in Eastern Oregon would be phased out.

Also, while the Governor's budget calls for the Oregon Health Plan to expand the number of people served, some health care services such as dental and vision care for adults would be eliminated.

Additionally, most providers of service would not receive a cost-of-living increase.

Prudent fiscal management

Eighty-five percent of the DHS budget goes directly to clients or to organizations that provide services to clients. That includes Oregon Health Plan benefits, cash assistance for needy families, payments to foster parents, payments to nursing homes, drug and alcohol treatment programs, and job training for Oregonians with developmental disabilities. Approximately 11 percent of the DHS budget goes to payroll and benefits (including providers of direct services such as Oregon State Hospital and child welfare staff). The rest goes to costs such as building rent and maintenance, supplies and other infrastructure needs. That means that when demand on DHS services increases and revenues decrease, direct client services are impacted.

Now, more than ever, the work DHS does is too important to not be the best

Whether or how much of these cuts ultimately happen will be decided over the next few months. As part of those discussions, DHS will be telling the story of how past investments in human services have made things better for Oregonians.

For example, Oregon leads the nation when it comes to caring for seniors. As a state, we have the fewest people in nursing homes in the country. Oregon's Recovery Model for Community Mental Health Care is designed to identify people before their disease progresses and requires hospitalization. And the investments that have been made to keep families working by helping with child care and other assistance are paying off.

As part of his budget document, Governor Kulongoski made a point to mention the good work DHS employees are doing to improve client services and government efficiency through the Transformation Initiative. In a time of increased need and reduced revenue, it is more important than ever to protect client services by finding ways to do our jobs better and more efficiently.

Information will change and DHS will provide constant updates

The next several pages provide more detail on how the Governor's Recommended Budget would impact DHS, our clients and our providers of needed services if it were passed as is by the Oregon Legislature. Through the weeks and months ahead our clients will need our continued support. Our stakeholders will have many questions and concerns. We will strive to minimize uncertainty by being as transparent and rapid with communications about the budget as possible.

The following pages provide more detail about the investments and reductions in the Governor's Recommended Budget.

Department of Human Services - 2009-11 Governor's Recommended Budget Investments & Reductions - December 2008

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(In rounded millions)					
General Fund	Lottery Fund	Other Fund	Tobacco Tax	Federal Fund	Total Fund

Investments:

<p>Healthy Kids Plan (POP 505) In 2006, about 116,000 Oregon children had no health insurance, and about half likely may have qualified for programs, but were not enrolled. Uninsured children are half as likely to get preventive care or see a doctor as insured children, more likely to use expensive emergency department services for care and more likely to be hospitalized. The Healthy Kids Plan (HKP) proposes to expand access to health care for all children. The DHS portion will increase income eligibility to 200% of the Federal Poverty level; have aggressive outreach to enroll currently eligible children; partner with communities to reach uninsured kids where they live and go to school; continue simple enrollment and keeping kids enrolled, and support and open more school-based health centers to improve access to health care. HKP will be supported with provider taxes and federal matching dollars on any services eligible for matching.</p>	-	-	102.3	-	110.8	213.0
<p>OHP Standard - POP 503 This POP will continue and then expand the OHP Standard program so about 100,000 individuals will be served. These components would allow the department to continue to provide services for the approximately 25,000 individuals on OHP Standard now, and then open OHP Standard using a reservation list. This recognizes the significant unmet need for health care coverage among low-income adults who would qualify for OHP Standard with incomes below the federal poverty level. It would be supported with Provider tax dollars with a 62 percent federal match.</p>	-	-	365.7	-	610.0	975.7
<p>Staffing of new Oregon State Hospital: Staffing, equipment and supports to open and operate a new state-of-the-art psychiatric treatment and recovery facility to replace Oregon State Hospital are supported with this package. These resources will assure that patients receive at least 20 hours per week of active psychiatric treatment in an integrated setting which provides access to healthy choices in food, supports in reaching personal goals, access to educational opportunities and easy access to outdoor open space and fresh air in a secure, supportive environment. This will assist patients in timely recovery and successful community transitions.</p>	40.0	-	0.5	-	0.4	40.9
<p>Oregon State Hospital Replacement Project - POP 378 (DHS) This POP is to continue with the planning and siting of a new State Hospital Facility to accommodate psychiatric patients currently housed in the Oregon State Hospital (OSH) in Salem, Oregon. During the 07-09 biennium, a Project Team was created to coordinate, report, and manage the myriad of Replacement project activities in concert with the Department of Administrative Services, a design team of architects and engineers, construction contractors, and stakeholders. The current Project Team will continue its duties and three additional staff will need to be added to the team in 09-11 to enhance the prevention programs and discharge planning reintegration with the community. Also the current Information system will be replaced with the Behavioral Health (Data) Integration Project (B-HIP) in order to improve mental health and addiction services for individuals in the Oregon State Hospital, increase time spent by hospital personnel in treatment activities, and improve the ability of the State to report accurate and timely information.</p>	-	-	296.8	-	-	296.8

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<p>Obesity Prevention and Education - POP 261 Over the last few decades Oregonians' weight has increased, so that now roughly two-thirds of Oregonians are either overweight or obese. The health consequences of this are serious such as increasing diabetes and heart disease. Recent studies demonstrate that increases in obesity account for at least a quarter of inflation in healthcare spending, so efforts at healthcare reform will not be financially sustainable unless we address the root causes of the rise in the major drivers of healthcare use. This POP would fund activities to create healthy school, work, home and community environments that support people to make healthy choices about eating and physical activity. Communities around the state would receive funding to address local opportunities, with overall support and technical assistance from the state Public Health Division. This approach has been endorsed by three recent legislatively mandated study groups on this issue including the Health Policy Commission and the Obesity Prevention Task Force.</p>	-	-	-	3.0	-	3.0
<p>Tobacco Prevention and Education Program - (POP 507): A portion of the new tobacco tax will go toward public health efforts of tobacco prevention and education. Tobacco is the leading preventable cause of death and disability in Oregon, killing roughly 7000 Oregonians each year. We know how to prevent kids from starting to smoke, help smokers quit, and reduce exposure to secondhand smoke: Oregon's Tobacco Prevention and Education Program (TPEP) can do just that, using a comprehensive approach that has been nationally recognized. This POP would allow expansion of all of the components of TPEP, greatly enhancing our ability to reduce tobacco use in Oregon and protect people from secondhand smoke.</p>	-	-	-	7.0	-	7.0
<p>Local Public Health Systems Improvement - POP 156 A robust local public health system is a critical part of our larger public health system that enables us to combat threats to the health of Oregonians, such as: the health effects of climate change, emerging infectious diseases, disease outbreaks, chronic diseases, injuries, and threats to parent and child health. A recent assessment of local public health capacity in Oregon found that Oregon's local public health departments are able to perform only 57% of their core functions as defined nationally. This gap is closely tied to lack of funding; according to a recent national study, Oregon ranks 41st in the nation on state support for local public health capacity. This POP would provide support to counties to improve local public health capacity, and allow them to better fulfill their core functions.</p>	-	-	-	2.0	-	2.0

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Oregon Health Fund Board initiatives (ARB POPs 169,179,199, 189, 209, 219, 229; GRB combines into one, POP 389) This package initiates some of the first steps of comprehensive health care reform recommended by the Oregon Health Fund Board (OHFB) and that complement the Governor's health initiatives. It also continues the Board's work to further develop the subsequent stages for reform by providing essential support to the Oregon Health Fund Board (OHFB), necessary resources for health policy planning, data collection and analysis, which are essential to the success of healthcare reform in Oregon. The Board's recommendations also address end of life and workforce issues and further development of a health insurance exchange. These are all keystone building blocks for the foundation of health care reform in Oregon.	5.0	-	0.2	-	2.4	7.6
CAF: Non-mandated caseload increases in Child Welfare and TANF families: Certain child safety services provided by Child Welfare to children as well as the TANF caseloads are deemed as "non-mandatory". As such, when caseload increases occur, increased budget needed is not included in the "Essential Budget Level", or what it would cost the state if we were to continue to provide the same level of services to the projected caseload for 2009-11. There are also reductions in federal funds, which from capped grants, available to support the services. The total need is over \$79 million dollars, about \$14 million in Child Welfare and \$65 million in Self Sufficiency programs. However, only 55 million will be allocated to cover the projected caseload increases.	55.0	-	-	-	24.1	79.1
Caseload Reserve - (POP 506) Any provider tax dollars not used in the Healthy Kids Plan and the OHP Standard expansion will be set aside as a caseload reserve in case of increasing caseloads.	-	-	212.8	-	20.9	233.6
Infrastructure Investments						
DHS IT Core Systems - POP 109 Core IT services – support for desktops and operating systems, e-mail, and file and print services – impact all DHS users. These services must be reliable and current because they provide a foundation to manage a wide range of information required to serve vulnerable Oregonians. Dependable core IT services connect users in any location to the organization and support internal and external collaboration. Also, with changing IT security needs and federal requirements, new technologies are required. Presently, DHS IT systems are not as current and reliable as needed, nor do they meet the increased security needs and federal requirements.	3.4	-	0.1	-	3.5	7.0

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Public Health Information System Support - POP 149 This Policy Option Package corrects a technical error made during the 2007 legislative session. Sixteen positions designated to support critical public health systems such as the Health Alert Network, Oregon Vital Records System, Laboratory Information System, Immunization Registry, and Safe Drinking Water Information System were approved by the 2007 Legislature and approved in the final budget bill. However technical problems prevented the Department of Administrative Services from inputting these positions. Federal and Other Funds are available to support these positions, and there is <u>no</u> General Fund impact. This package is needed to allow DHS to maintain permanent staff to support critical public health systems.	-	-	2.2	-	1.4	3.6
DHS Provider Payment/Payroll System - POP 379 DHS provider payment systems are not designed to deliver payroll services. However, a change must be made to properly withhold union dues for the long-term care Community Based Care (CBC) system, as set forth in the collective bargaining agreement. This Policy Option Package will secure the funding for these changes and allow for an analysis to determine whether DHS should make modifications to the existing CBC system or implement a new, department-wide payment and payroll system. The analysis would consider the full spectrum of options to determine the best approach.	1.3	-	-	-	1.3	2.5
OR-Kids (SACWIS) POP 308. Certificates of Participation (COP) Funding Request and Data Conversion. This requests COP funds required for the completion of the Child Welfare information system referred to as "OR-Kids". The project is already underway, and this provides funding for its completion.	6.0	-	14.4	-	16.3	36.7
Self Sufficiency Automation & Modernization - Data Mart (POP 328). This package would develop and deploy a single data information system. At present there are multiple systems that are not integrated and are difficult for users. This decreases efficiency at the field offices and decreases their ability to manage the Self-sufficiency programs effectively. Includes the request for COP funding for modernization of processes in the self-sufficiency programs.	3.3	-	14.2	-	7.0	24.6

Reductions and Program Savings by DHS Division in Rounded Millions:

Seniors & Peoples with Disabilities

Eliminate Homecare Union Benefits Board (HUBB) overpayment of Health Care Benefits premiums paid to HUBB for Home Care Workers (HCW) health insurance premiums. This eliminates the HUBB reserve process. Currently DHS overpays HUBB for health care premiums based on actual premium cost. Estimates provided by HUBB for Home Care Workers health insurance pool average an overpayment of approximately \$125,000 TF per month.	(1.1)	-	-	-	(1.9)	(3.0)
Reduce Home Care Worker (HCW) training budget by 50%. This budget can be reduced by 50%, or \$1.4 million General Fund based on spending patterns of the last two biennia.	(1.4)	-	-	-	-	(1.4)
RSVP: Eliminate Retired Senior Volunteer Program (RSVP) pass through funding - a 24 month program elimination.	(0.3)	-	-	-	-	(0.3)

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Reduction of Home Care Worker (HCW) Health Benefits for new HCW - Grandfathers current HCW benefit program for existing staff currently participating in health insurance benefits. Currently HCW receive <u>full</u> medical coverage if they work a total combined 80 hours/month in two consecutive months (20 hours a week minimum). Other state workers have to work a minimum of 20 hours and pay a <u>pro-rated</u> amount for less than full-time. This would establish paying of prorated benefits per minimum work week based on hours worked for any new Home Care Workers starting in 2009-11 . Those working less than full time and more than the 20 hour minimum would receive prorated benefits. Establishes Tier 1 and Tier 2 benefit status.	(6.3)	-	-	-	(10.2)	(16.4)
SPD Transfer AAA Aged & Physically Disabled Field Structure- Transfer Area Agencies on Aging (AAAs) participation in a hiring freeze for the 2009/2011 biennium except for critical need and direct care positions. This is a one-time savings for 6 month savings starting 7/1/09.	(0.3)	-	-	-	(0.3)	(0.6)
Diversion/Transition of Nursing Facility (NF) Clients- Impose mandatory review and approval for all NF entry for current Medicaid clients and implement more aggressive Diversion-Transition program and policy clarification for spend-down clients.	(3.5)	-	(0.9)	-	(6.0)	(10.5)
In-Home Care Program- Eliminate Home Care Worker provided In-Home services for clients if the clients receive less than 80 hours per month (effective October 1, 2009). About 6,590 clients would lose access to In-home HCW services. Of those, about 60% of these clients, or 4,000, will require and be eligible for up to 20 hours of Personal Care services each month; others will likely be re-assessed and found eligible for other long-term care services such as Assisted Living Facilities. The remaining 2,504 will lose access to long-term care services. Of those, about 1,700 will also lose their medical coverage under the Oregon Health Plan (OHP). The latter is shown in the reductions in OHP. Div. Medical Assistance section.	(23.1)	-	-	-	(39.4)	(62.5)
NF Allowable Cost Limitation Proposal- The cost limitation proposal will change the current allowable cost that is used in both quarterly and annual NF cost reports and the setting of future NF rates. Will result in NF program savings by limiting the allowable cost claimed for reimbursement, and removing medical cost inflation (known as DRI) in the rebasing year.	(39.1)	-	-	-	(66.7)	(105.8)
Eliminate Senior Health Insurance Benefits Assistance program - pass through funding to the Dept. of Consumer and Business Services (DCBS). This program provides free counseling to people receiving Medicare to make health insurance decisions, making sure they receive all possible benefits and don't pay too much out of their own pockets.	(0.8)	-	-	-	-	(0.8)

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Lower income standard to reduce number of people in care by applying for Congressional approved "i" waivers under the Social Security Act- DHS proposes to move from the use of "c" waiver to the new Medicaid State Plan option "i" waiver. Income eligibility would decrease from 300% of SSI (\$1991) to 200% of SSI (\$1300). Of the current 28,000 individuals currently served, about 4,000 exceed the 200% of SSI requirement and would lose both their long term care and eligibility for the Oregon Health Plan (the latter can be found in the OHP/Div. of Medical Assistance Programs section).	(98.8)	-	-	-	(166.1)	(264.9)
Eliminate all cost of living adjustments (COLAs) in the Aged and Physically Disabled (APD) programs.	(15.3)	-	(0.4)	-	(30.1)	(45.8)
Developmentally Disabled Program Area						
Reduce Juvenile Psychiatric Security Review Board capacity: There has been slower program implementation than originally legislatively approved so less capacity is needed. In addition, some clients in the program are currently being served by mental health due to their special needs and circumstances. This item recognizes the savings in 2007-09 and carries the savings into the 2009-11 biennium. It reduces children's residential, local authority and case management but retains staffing and all other costs.	(0.6)	-	-	-	(0.9)	(1.5)
Reduce Children In-home Intensive Services Medically Fragile Unit Budget - This reduction recognizes that one third of these children have private insurance pay-in. Parental income is not considered for financial eligibility for this population.	(1.9)	-	-	-	(3.3)	(5.1)
Restructure and Reduce Developmentally Disabled (DD) Program - Employment & Community Inclusion - Reduces the Developmentally Disabled Program Employment & Community Inclusion program which provides supports for in-home DD clients to enable them to obtain and maintain employment outside the home at local businesses. Currently, of the 912 clients in the EPD program in both Aged and Physically Disabled (APD) and Developmentally Disabled (DD) settings, half are DD and are served by a "sheltered employment" program. This reduction is to the DD Employment & Community Inclusion program area only. The APD EPD program resources of continued medical coverage and client partial pay-in requirements are maintained.	(3.1)	-	-	-	(3.9)	(7.0)
Reduction of General Fund to DD Housing Fund in Base Budget - Currently the Housing fund Base Budget is \$9.7 million. In addition, there is a \$2.5 million fund balance in this program that can be used to fund 2009-11, allowing the budget for this program to be reduced.	(2.5)	-	-	-	-	(2.5)
Institutions - State Operated Community Programs (SOCP) - Hiring Freeze- Implement a hiring freeze for the 2009-2011 biennium except for critical need and direct care staff positions in the SPD SOCP budget.	(0.1)	-	-	-	(0.1)	(0.2)
Reduction of DD Brokerage Support Services - One of the final program requirements of the Staley Re-Settlement Agreement requires the DD program to provide services within 90 days (eliminating wait list). This would reduce the funding budgeted for this purpose which may delay reaching this requirement.	(6.1)	-	-	-	(6.7)	(12.9)

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DD Specialized Services - This places cap of 15 clients on those who receive Nursing Facilities Specialized Services (25 hours of employment or alternatives to employment.) These are currently 100% General Funded services offered but not mandated in the DD program. Clients who receive this services may be better served in a community based setting.	(0.4)	-	-	-	-	(0.4)
Restructure and reduce Special Projects DD Service - This is a 49% reduction in the Community Training budget portion of this service element which provides training to DD community providers.	(1.2)	-	-	-	(0.8)	(2.0)
Reduction of Comp 300 Clients in Base Budget - Reduce by 50% projection assumption of 130 additional clients entering DD Comprehensive services.	(8.9)	-	-	-	(13.9)	(22.8)
Restructure and reduce In-home Services and Family Support program in DD. This reduces the General Fund portion of In-home Services and Family Support Program by 35%. Via contracting with the counties, family support services are provided to families whose incomes are above Medicaid eligibility limits.	(6.0)	-	-	-	-	(6.0)
Eliminate cost of living adjustments (COLAs) in DD Programs.	(10.6)	-	(0.2)	-	(15.4)	(26.2)
SPD Administrative Area						
ADMIN: Reduce Attorney General use by 10%: Target reduction to reduce the use of AG services during the 2009-11 biennium. Includes stricter control over initiating consultation services.	(0.1)	-	(0.0)	-	(0.0)	(0.1)
Reduce DHS Personal Services budget by 4% - a reduction across all DHS division administrative Personal Services budgets excluding Institution budgets and direct service staff positions.	(2.5)	-	(0.2)	-	(2.9)	(5.6)
Reduce DHS S&S Administrative Budgets by 2% - a reduction across all DHS division administrative Service and Supply budget.	(0.3)	-	(0.0)	-	(0.3)	(0.7)
Total SPD Reductions	(234.3)	0.0	(1.7)	0.0	(369.0)	(604.9)
Oregon Health Plan/ Div. of Medical Assistance						
Allow for the PDL to be enforceable. The most effective way to produce prescription drug cost savings is to allow DMAP to enforce its preferred Prescription Drug List (PDL) through the use of prior authorization (PA). A PA enforced PDL with appropriate safeguards in place increases prescription drug savings in two ways. First, it increases the utilization of the preferred drugs that have been found to be the most cost-effective while also judged to be efficacious based on a review of the clinical evidence available. Second, it provides additional incentives to drug manufacturers to provide more aggressive supplemental rebates since an enforced PDL is more effective than a voluntary PDL at increasing market share for the drugs included on the PDL.	(3.2)	-	1.1	-	(3.7)	(5.8)

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Add mental health drugs to the enforceable PDL. This reduction would add mental health drugs to the preferred Prescription Drug List (PDL) and eliminate co pays for preferred mental health drugs. There are no limitations on access to prescriptions for this reduction option. Before being placed on the PDL, drugs are subjected to rigorous evidence review. Thereafter, prescribing and patient utilization behaviors are managed by prospective and retrospective drug utilization reviews and provider education. This action would subsequently add market leverage to get higher amounts of supplemental rebates that are currently not possible.	(9.7)	-	0.7	-	(15.4)	(24.4)
Limit vision services for adults with OHP Plus benefit package, except pregnant women - This reduction option would eliminate routine vision coverage for all OHP Plus non-pregnant adults, age 21 and older (about 125,000 people). Only a very limited number of clients in this group would qualify for vision coverage due to medically necessary diagnoses to restore vision due to surgical removal or congenital absence of the natural lens.	(4.9)	-	-	-	(8.3)	(13.2)
Eliminate dental for adults with OHP Plus benefit package, except pregnant women - This reduction option would eliminate all dental services for non-pregnant adults, age 21 and older, who are covered under the OHP Plus benefit package (about 125,000 people).	(22.5)	-	-	-	(37.8)	(60.2)
Eliminate certain Medicaid optional services. This reduction option would eliminate certain services currently provided in Oregon that are considered optional under federal Medicaid regulations: Private Duty Nursing, prosthetic devices, hearing aids, chiropractic services and podiatrist services. It would impact approximately 125,000 non-pregnant adults, age 21 and older, who are covered under the OHP Plus benefit package.	(2.9)	-	-	-	(6.2)	(9.1)
Limit payment to FQHCs and RHCs at the lesser of the Medicare or Medicaid allowable for Dual-eligibles. This action would reduce payments to Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) by paying them the lesser of Medicare or Medicaid reimbursement rates for those patients who have dual coverage of Medicare and Medicaid.	(1.1)	-	-	-	(1.8)	(2.9)
Create a Durable Medical Equipment Point of Sale sole source contract for specialized equipment. This action would procure specialized medical equipment through a sole source contract rather than purchasing from any provider willing to provide the equipment.	(0.1)	-	-	-	(0.2)	(0.3)
The component of managed care organizations' capitation rates related to hospitals with 50 plus beds (known as DRG hospitals) will not implement the budgeted increase from its current 80% of cost to 100% cost.	(59.7)	-	-	-	(102.4)	(162.1)
Reduce the component of managed care organizations' capitation rates related to hospitals with 50 plus beds (known as DRG hospitals) from 80% to 72% of cost. (The rate is currently at 80% of cost.)	(19.9)	-	-	-	(34.5)	(54.3)

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Reduce capitation rates paid to Managed Care Organizations by about 3 percent, effective January 2010.	(30.2)	-	-	-	(52.2)	(82.4)
Eliminate cost of living adjustments (COLAs) for some Fee-for-Service providers. Eliminate 2009-11 cost-of-living increases in the fee-for-service delivery system for the following provider groups: Physicians, nurse practitioners, dentists, home enteral and parenteral intravenous service providers, durable medical equipment and supplies providers, transportation providers, laboratory and radiology providers, mental health and alcohol and drug treatment providers.	(2.6)	-	-	-	(4.5)	(7.2)
OHP impact of new SPD "i" waiver: Income eligibility for the current waiver is 300 percent of SSI (\$1,991 per month). Eligibility for the "i" plan is 150 percent of the federal poverty level (FPL) or \$1,300 per month. By January of 2010 seniors and people with disabilities currently receiving services under Medicaid will be transitioned from the waiver to the new "i" plan. Of 28,000 individuals currently served, about 4,000 exceed the 150 percent FPL requirement and will lose both their long-term care services and eligibility for the Oregon Health Plan.	(20.8)	-	-	-	(34.9)	(55.7)
OHP portion of the In-home Home Care Worker SPD reduction that limits coverage to those people who need at least 80 hours per month of In-home care (see SPD reductions): About 2,500 people will lose long-term care services, and of those, about 1,700 will also lose their medical coverage under the Oregon Health Plan.	(7.9)	-	-	-	(13.3)	(21.3)
OHP/DMAP Administrative Area						
Admin: Reduce Attorney General use by 10%: Target reduction to reduce the use of AG services during the 2009-11 biennium. Includes stricter control over initiating consultation services.	(0.0)	-	(0.0)	-	(0.0)	(0.1)
Admin: Reduce Personal Services budget by 4% - a reduction across all DHS division administrative Personal Services budgets excluding Institution budgets and direct service staff positions.	(0.4)	-	(0.0)	-	(2.0)	(2.4)
Admin: Reduce S&S Administrative Budgets by 2% - a reduction across all DHS division administrative Service and Supply budgets.	(0.3)	-	(0.1)	-	(0.7)	(1.1)
TOTAL DMAP REDUCTIONS (186.1) 0.0 1.7 0.0 (318.0) (502.4)						
<u>Children, Adults and Families:</u>						
Self Sufficiency - TANF and Employment Related Daycare (ERDC)						
Reduce State Family Pre-Social Security Income (SSI) staffing. This reduction adjusts the staffing standard for Pre-SSI cases from 130/1 to 85/1. This action aligns actual workload and projected program caseload for this new program, and should not adversely affect clients.	(0.2)	-	-	-	(0.2)	(0.4)

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	(In rounded millions)					Total Fund
	General Fund	Lottery Fund	Other Fund	Tobacco Tax	Federal Fund	
Reduce Pre-TANF payment for basic living expenses. The Pre-TANF program provides short-term support and assessment services to clients in their efforts to achieve self-sufficiency and family stability, decreasing the need for longer-term TANF services. Pre-TANF financial assistance for basic living expenses would be limited to maximum of 100% of the TANF Payment Standard. Currently, financial assistance is limited to a maximum of 200% of the standard. (As an example, for a household of three, the financial assistance would be reduced from a maximum of \$970 to \$485 per month). This reduction will affect approximately 150 cases/month.	(0.3)	-	(0.0)	-	(0.4)	(0.8)
Self-Sufficiency - Reduce program costs by establishing a household income standard for TANF Non-Parent Caretaker Households of 185% of the Federal Poverty Level (FPL). Currently, caretaker relative's income is disregarded in determining eligibility for the TANF program and determining benefit level. This action would establish a household income standard for relative households in determining TANF eligibility and benefits for children under their care and supervision. The income standard would be set at 185% of the FPL. (As an example, 185% of FPL for a family of three is \$2,714 per month.) This reduction would eliminate assistance to about 1,676 households/month.	(14.2)	-	(0.2)	-	(2.0)	(16.4)
Self-Sufficiency - Reduce TANF program costs by implementing a TANF JOB quit penalty. This action establishes a new requirement for TANF single-parent households (similar to the one already in effect for two-parent households), which would make the family ineligible for TANF if the adult is unemployed from his/her most recent job without good cause (based on the same criteria used in determining unemployment benefit eligibility). This would only apply to employment within the 12 months prior to the application for assistance. This proposal would not impact the families eligibility for other programs such as medical, ERDC or Food Stamps. It is estimated that approximately 291 new cases each month would be denied.	(1.6)	-	(0.1)	-	(4.6)	(6.3)
Eliminate TANF (UN) program, starting July 2010. This reduction would eliminate two-parent, unemployed parent families from the TANF program. The reduction will eliminate 777 households/month from receiving benefits. However, about 60% of those households, or about 466 households, would likely end up back on TANF as a single-parent household. The calculations have considered this offset.	(5.6)	-	(0.1)	-	(0.9)	(6.6)
Disregard 0% of SSI benefits when figuring TANF benefits. Currently parents' SSI benefits are fully excluded from income consideration for TANF eligibility and benefit amount calculations. The current SSI payment is \$637. This reduction would not exclude any SSI income, and would affect 1,415 cases/month. Some proportion of the 1,415 households might lose TANF benefits; others may get a reduced benefit amount.	-	-	-	-	(18.0)	(18.0)

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Eliminate Cooperation Incentive Payment (COI) as a supplement to TANF grants; effective 7/1/2010. The COI is a monthly payment added to the TANF cash grant. The COI amount varies based on family size. Currently, a TANF grant for a family of three is \$485 per month. With the COI, the family may receive \$528 if they are participating in self-sufficiency activities. This reduction would have the grant amount revert back to the base TANF payment. This reduction would affect 16,907 clients/month.	-	-	-	-	(7.0)	(7.0)
Reduce Post-TANF Payment by \$50 per month effective 7/1/09. Increase this reduction to \$100 per month on 7/1/10. The Post-TANF program provides monthly payments for up to 12 months for people transitioning out of the State Family Pre-SSI, Pre-TANF or TANF programs due to employment. This payment is intended to help newly employed TANF clients meet some expenses so that they are able to sustain their transition to ongoing employment. Reducing this payment threshold will likely increase the chances for newly employed clients to be unable to sustain their transition. Approximately 3,760 cases/month will be affected.	(6.8)	-	-	-	-	(6.8)
Eliminate Employment Related Day Care (ERDC) eligibility for self-employed clients. This policy change limits access for those families where the adult has declared they are self-employed. The ERDC Program helps working parents with an income below 185% of the Federal Poverty Level to access quality child care. About 150 self-employed families/month that would lose access to subsidized child care.	(2.0)	-	-	-	-	(2.0)
Limit eligibility for Employment Related Day Care (ERDC) to families with adults who are citizens or legally documented residents. Currently, citizenship requirements for ERDC eligibility applies only to the child. This change would include the residency status of the caretaker in determining eligibility. If implemented, approximately 280 families with undocumented adults would lose access to subsidized child care per month.	(4.1)	-	(0.0)	-	(0.0)	(4.1)
Limit Employment Related Day Care Program to families leaving TANF. Currently, all families earning less than 185% of FPL are eligible for ERDC. This change would only allow working families that have left TANF (because they are now employed) to access the ERDC program. This may limit the families' ability to find and keep stable, quality child care. Existing ERDC clients will continue to be eligible until there is a break in benefits. Approximately 3,168 fewer families per month would be in the pool of potential clients to access benefits.	(40.1)	-	0.1	-	9.8	(30.2)
Increase the co-pay by an average of 6 percent for families on the Employment Related Day Care Program. Currently the co-pay for families is based on sliding fee scale based on family income. The average co pay for a family is \$125. This change in co-pay would mean an increase of an average of \$5-\$10 for a family. Oregon's co-pay levels are higher than many states although the 2007 legislative session made dramatic improvements. This may also limit the families' ability to find and keep stable, quality child care.	(1.4)	-	-	-	-	(1.4)

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Eliminate the "reduced" co-pay in the first month of ERDC eligibility. Current policy adjusts the calculated co-pay to no more than \$25 for the first month of ERDC. This action would return the first month co-pay to the full amount. When a low income family first begins a job, it is often difficult for newly employed clients to meet the co-payment requirements of ERDC as the client has yet to receive a paycheck. This action will place more families at risk of losing childcare arrangement and or their employment during the initial month following placement. This action would reduce the caseload by 233 cases/month, and affect the benefits of another 502 cases/month.	(4.3)	-	0.0	-	0.7	(3.5)
Reduce the maximum payment threshold for ERDC to the 65th percentile of the 2006 Market Rate Study. The maximum payment rate for Licensed and Registered child care providers would be decreased from the 75th percentile to the 65th percentile of the 2006 Market Rate study. The license-exempt providers, who are paid at a lower rate than the licensed group, would be paid at 88% of the maximum Oregon subsidy rate for child care. This reduction will limit low-income families' ability to find stable quality child care, which may put their ability to maintain employment at risk.	(4.2)	-	-	-	-	(4.2)
CAF: Child Welfare Programs						
Child Safety - Eliminate Supported Remedial Daycare (SRDC). This service is a part of the Child Safety program for children who enter the system due to child abuse or neglect. SRDC is day care available to parents or foster care providers of these children and is intended to help prevent the placement of the child into substitute care, facilitate the child's return to a parent, assist the parent or caregiver in meeting a child's special needs, allow the parent to participate in case plan activities, maintain a child's placement that may be in jeopardy due to caregiver illness, or assist in stabilizing a placement. There were a total of 1,580 children from 786 cases who received SRDC services in FFY 2007.	(3.6)	-	(0.1)	-	(0.7)	(4.4)
Substitute Care - Reduce Other Medical Program by 50%. This program provides services such as psychological evaluation, urinary analysis, and other lab tests for children in DHS' care and custody or for his/her parent who are not eligible for Medicaid and there are no other resources available. A large portion of this program is used for court-ordered urine analyses and would therefore require collaboration with the courts in order to successfully implement this reduction.	(3.0)	-	(0.0)	-	-	(3.0)
Substitute Care - Eliminate Crisis Case Management. This action eliminates crisis intervention services and/or shelter care placements for youth in the Portland area. Contractors provide these services for children who need immediate care after normal working hours.	(0.01)	-	(0.02)	-	(0.23)	(0.26)
CAF program: Provider COLA reduction						
Eliminate cost of living adjustments (COLAs) increases within CAF control - COLA increases for Self Sufficiency, Child Welfare and Vocational Rehabilitation program service provider contracts would be eliminated.	(8.1)	-	(0.8)	-	(13.9)	(22.8)

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CAF: Administrative Area						
ADMIN: Reduce Attorney General use by 10%: Target reduction to reduce the use of AG services during the 2009-11 biennium. Includes stricter control over initiating consultation services.	(1.1)	-	(0.0)	-	(1.3)	(2.4)
Admin: Reduce DHS Personal Services budget by 4% - a reduction across all DHS division administrative Personal Services budgets excluding Institution budgets and direct service staff positions.	(1.3)	-	(0.0)	-	(2.0)	(3.3)
Admin: Reduce DHS S&S Administrative Budgets by 2% - a reduction across all DHS division administrative Service and Supply budget except ASD which has provided specific reduction options.	(0.7)	-	(0.0)	-	(1.2)	(1.8)
TOTAL CAF REDUCTIONS	(102.8)	0.0	(1.2)	0.0	(41.9)	(145.8)

Addictions and Mental Health

Mental Health Services						
Cut Supported Employment - Cut Supported Employment Services to 280 people per year. Loss of these services means that people with mental illness won't be able to find jobs, learn the skills needed to get and keep jobs, or have the supports for successful employment. Without the benefits of work some individuals will have trouble managing their illness and may require more intensive levels of care including state hospital services. This cut jeopardizes the Mental Health Block Grant maintenance of effort (MOE) requirements.	(1.0)	-	-	-	-	(1.0)
Reduce by 90% Adult Outpatient Mental Health Services for non-Medicaid clients - This reduction cuts about 90% the General Fund for outpatient mental health services such as case management, medication management, and therapy and skills training in managing one's illness for about 5,850 adults per year who are not eligible for Medicaid. However, it is estimated that at least some of these clients may be eligible for Medicaid with the OHP Standard expansion, and would be able to access mental health services via the OHP.	(28.4)	-	-	-	-	(28.4)
Acute Care -This reduction cuts about 50% of the funding for acute inpatient psychiatric care for an estimated 3,400 adults. Some of these clients may have access to these services via the OHP Standard expansion, however. There is a risk of the loss of acute inpatient psychiatric treatment capacity and pressure on the state to provide this service directly in state hospitals.	(18.1)	-	-	-	-	(18.1)
Closure of Blue Mountain Recovery Center (BMRC) on 1-1-10 - Clients will be transitioned to community settings over a six-month period beginning July 31, 2009. Costs for preparing the facility for closure and mothball expenditures are included in the pricing. In addition, costs for development of community beds and ongoing treatment costs are included. This results in the loss of 60 beds of state hospital level of care that serves the eastern region as well as residents of western Oregon. While the plan includes services for people residing at BMRC as of the date of closure, there is a loss of state hospital level of care.	(4.9)	-	(2.8)	-	2.4	(5.3)

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AMH: Addiction Services						
Reduce GF from the Alcohol & Drug continuum of care - This reduction cuts \$18.5 million (50%) of the funding for alcohol and drug treatment services for 11,850 people who are not eligible for Medicaid. Some of the clients may be eligible for Medicaid with the expansion of OHP Standard, however, and thus have access to these services.	(18.5)	-	-	-	(14.2)	(32.7)
Reduce Adult Residential Services This removes this program and funding for A&D Residential Treatment for an estimated 1,900 adults per year who do not have Medicaid coverage. However, some of the clients may be eligible for Medicaid with the OHP Standard expansion, and thus have access to these services.	(15.1)	-	-	-	(8.9)	(24.0)
AMH program: Provider COLA Reductions						
Eliminate cost of living adjustments (COLAs) increases within AMH control - COLA increases for Mental Health and Addiction Services provider contracts would be eliminated .	(10.4)	-	(0.4)	-	(5.8)	(16.6)
AMH: Adminstrative area						
ADMIN: Reduce Attorney General use by 10%: Target reduction to reduce the use of AG services during the 2009-11 biennium. Includes stricter control over initiating consultation services.	(0.1)	(0.0)	(0.0)	-	(0.0)	(0.1)
Reduce DHS Personal Services budget by 4% - a reduction across all DHS division administrative Personal Services budgets excluding Institution budgets and direct service staff positions. Also excludes ASD which has provided specific reduction options	(0.6)	(0.0)	(0.0)	-	(0.2)	(0.9)
Reduce DHS S&S Administrative Budgets by 2% - a reduction across all DHS division administrative Service and Supply budget except ASD which has provided specific reduction options.	(1.3)	(0.0)	(0.1)	-	(0.6)	(2.0)
TOTAL AMH REDUCTIONS	(98.4)	(0.1)	(3.3)	0.0	(27.4)	(129.2)
Public Health						
Reduce Family Planning Expansion Program (FPEP) Cuts birth control for low income women, including teens. Reduces resources available to local providers, mainly county health departments.	(2.2)	-	-	-	(19.8)	(22.0)
Reduce Primacy Safe Drinking Water Program. Reduction to statewide drinking water protection and oversight; including inspecting water systems (\$0.5M cut out of \$4M GF and \$12.1 TF budget). Services includes investigating and responding to drinking water disease outbreaks and contamination, investigating and correcting non-complying water systems, training and certifying water system operators, reviewing construction plans, managing and reporting drinking water quality data, responding to and planning for emergencies, assessing and protecting drinking water sources, and preventing backflow.	(0.5)	-	-	-	-	(0.5)

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Reduce Communicable Disease Testing for Local Health Department Field Services. Eliminate parasitology, syphilis and other testing at the Public Health Laboratory. This is a reduction in direct support for local health departments. In 2007, 460 cases of giardiasis, 165 cases of cryptosporidiosis, and 26 cases of syphilis were reported in Oregon.	(0.5)	-	0.4	-	-	(0.1)
Reduce HIV/STD/TB Reduce resources and support provided to county health departments for HIV/Sexually Transmitted Disease/Tuberculosis (HIV/STD/TB) programs. General fund dollars primarily provide resources for local health authorities to purchase drugs and medical supplies for the diagnosis and treatment of STDs and TB. It also provides funding for TB case management, STD partner notification and HIV prevention/education materials. Reduction will have a negative impact on county health departments' ability to control and treat these diseases in their communities.	(1.0)	-	-	-	-	(1.0)
Consolidate Health Systems Planning from Public Health to Office of Health Policy and Research.	(0.3)	-	0.0	-	-	(0.3)
PH - Pilot projects: Some pilot projects will not be instituted in 2009-11.	(0.5)	-	-	-	-	(0.5)
Eliminate cost of living adjustments (COLAs) increases within Public Health Div. control - COLA increases for program service provider contracts would be eliminated.	(1.1)	-	-	-	(4.9)	(6.0)
Public Health: Administrative area						
ADMIN: Reduce Attorney General use by 10%: Target reduction to reduce the use of AG services during the 2009-11 biennium. Includes stricter control over initiating consultation services.	(0.0)	-	(0.0)	-	(0.0)	(0.1)
Admin: Reduce Personal Services budget by 4% - a reduction across all DHS division administrative Personal Services budgets excluding Institution budgets and direct service staff positions. Eliminate Database coordinator position	(0.7)	-	(1.4)	-	(2.0)	(4.1)
Admin: Reduce S&S Administrative Budgets by 2% - a reduction across all DHS division administrative Service and Supply budget except ASD which has provided specific reduction options.	(0.1)	-	(0.5)	-	(0.5)	(1.1)
TOTAL PHD REDUCTIONS	(6.9)	0.0	(1.5)	0.0	(27.1)	(35.5)

Administrative Services Division

ADMIN: Reduce Attorney General use by 10%: Target reduction to reduce the use of AG services during the 2009-11 biennium. Includes stricter control over initiating consultation services.	(0.2)	-	(0.0)	-	(0.2)	(0.4)
ADMIN: Reduce IT Expendable Property by 10%: A loss of resources would result in delays in computer replacement schedule	(0.5)	-	(0.3)	-	(1.0)	(1.8)
ADMIN: Eliminate additional funding received in EBL for Phase In S & S: Removes the exception EBL package "roll-up" S&S costs associated with Policy Packages implemented in 2007-09.	(0.6)	-	(0.0)	-	(0.7)	(1.3)
ADMIN: Eliminate additional funding received in EBL for increased fuel costs. Removes an exception EBL package for additional inflation to address fuel cost increases.	(0.3)	-	-	-	-	(0.3)

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ADMIN: Reduce Staffing and Services & Supplies by 10% for BPA. A loss of resources would result in: • Represented staff layoffs (3 positions identified) • Reduction of Professional Services Contracts • Reduction of Expendable Property	(1.0)	-	(0.3)	-	(1.2)	(2.5)
ADMIN: Eliminate additional funding received in EBL for increased training costs. Target reduction that Limits funding for DHS employee training.	(0.1)	-	-	-	-	(0.1)
ADMIN: Eliminate additional funding received in EBL for Mandated Caseload: Removes the ASD related cost increase anticipated to support the added workload from increases in mandated DHS caseloads.	(1.5)	-	-	-	(1.4)	(2.9)
ADMIN: Reduce State Data Center Budget by 10%: Target for reducing use and storage fees through improved efficiencies and increased scrutiny of the use of services.	(1.6)	-	(0.1)	-	(1.5)	(3.1)
TOTAL ADMINISTRATIVE REDUCTIONS	(5.8)	0.0	(0.7)	0.0	(5.9)	(12.3)

TOTAL DHS REDUCTIONS (634.2) (0.1) (6.6) 0.0 (789.3) (1,430.2)

Fee Increases:

Public Health: Health Care Facility Inspections & Oversight (POP 316) This increases the frequency of health care facilities inspections from once every five years, to once every three years, which is the national standard set by Medicare for inspection of hospitals. This will also expand licensing of medical staffing agencies and infusion companies that currently have no regulatory oversight. This will be funded with fees, not General Fund.	-	-	0.7	-	-	0.7
Public Health: Hospice Agency Licensing & Regulatory Oversight (POP 326): Minimum standards for inspections, defined roles and responsibilities for providers, and clarified procedures are required to ensure patients are provided safe care. This would provide regulatory oversight of hospice agencies in Oregon by implementing of a licensing program so supplement current oversight and funding under the Medicare Survey Grant. The latter, however, has historically been inadequate with recertification only occurring once every six to ten years. The Health Care Licensure and Certification group will perform such certifications. This will be funded with fees, and no General Fund.	-	-	0.1	-	-	0.1
Public Health: Admin of EPA Lead-Based Paint Renovation (POP 346) Adopts EPA program to address activities posing largest lead poisoning concern but not previously regulated. Funding authorization provides program leadership, outreach, risk communication, training, technical assistance and enforcement of health-based regulations. Accompanying legislative concept also streamlines enforcement authority of currently-regulated 'abatement' projects.	-	-	0.4	-	-	0.4

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Public Health Lab Fee Increase (POP 356): This POP allows for establishing fees for tests that cost more than \$50, which will allow the Oregon State Public Health Laboratory to offer additional tests that are of public health significance. The current cap on the fee amount does not cover the cost of some new tests, for example Hepatitis C confirmation. Also, newborn screening test fees would be increased to cover the cost of a new laboratory information management system. Without the new system, the laboratory's accreditation to test in support of local health departments and public health programs is in jeopardy.	-	-	1.9	-	-	1.9
Public Health Mortuary Board Fee Increase (POP 366)	-	-	0.3	-	-	0.3
Public Health - Facilities - Planning & Safety, Certificate of Need, Health Care Licensure & Certification Revenue Shortfall (SB333 - POP 376) The Certificate of Need (CN) and Facilities, Planning and Safety (FPS) program, and the Health Care Licensure and Certification (HCLC) program will have negative cash balances without a fee increase. The CN and FPS programs have not had fee increases for over twenty years, and most programs that are licensed and certified by HCLC have not had fee increases since before 1996. Fee increases are necessary to continue the programs as they are currently, not enhancements to the programs.	-	-	0.9	-	-	0.9
Seniors & Peoples with Disabilities: Expedited Trustee Fund Troubled Facilities (POP 143) Statute allows for a trustee to be requested and appointed when the health and welfare of residents in a health care facility are in jeopardy, but court appointment of a trustee can take several days to weeks, during which time residents may be in danger. This POP enhances the tool used to protect residents in troubled health care facilities by imposing a trustee or temporary manager of a facility when residents are at risk and in order to prevent immediate evacuation of residents. This POP increases the amount available for payment of trustees and the method of collecting fees from facilities, which will increase revenue into the trustee account.	-	-	0.2	-	-	0.2
Seniors & Peoples with Disabilities - Improving Quality of Long Term Care (POP 123) This creates a Long Term Care Quality Fund from state civil penalties collected from long term care facilities, removes restrictions on state civil penalty amounts, and removes reversion of state civil penalties to the General Fund, and instead focuses those funds to support provider training and technical assistance. It also raises the licensing fees collected from long term care facilities and allocates those resources to enhancement and maintenance of the long term care facility licensing and regulatory activities.	0.0	-	0.3	-	0.3	0.6