

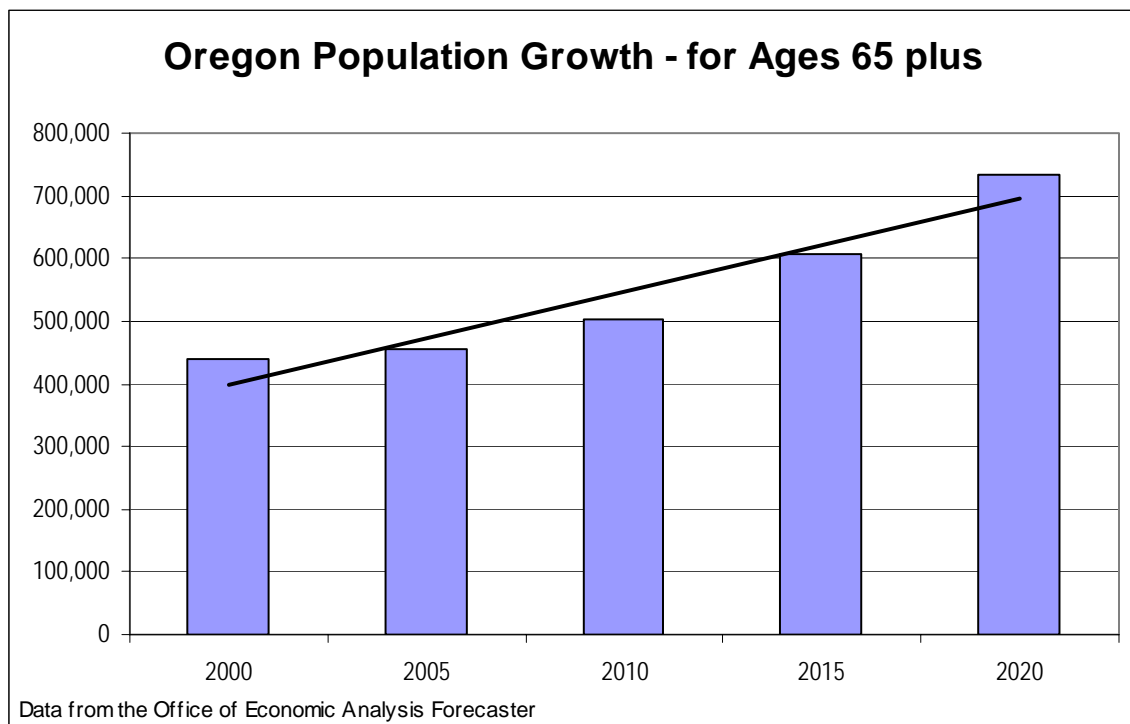
Major Budget Drivers and Environmental Factors

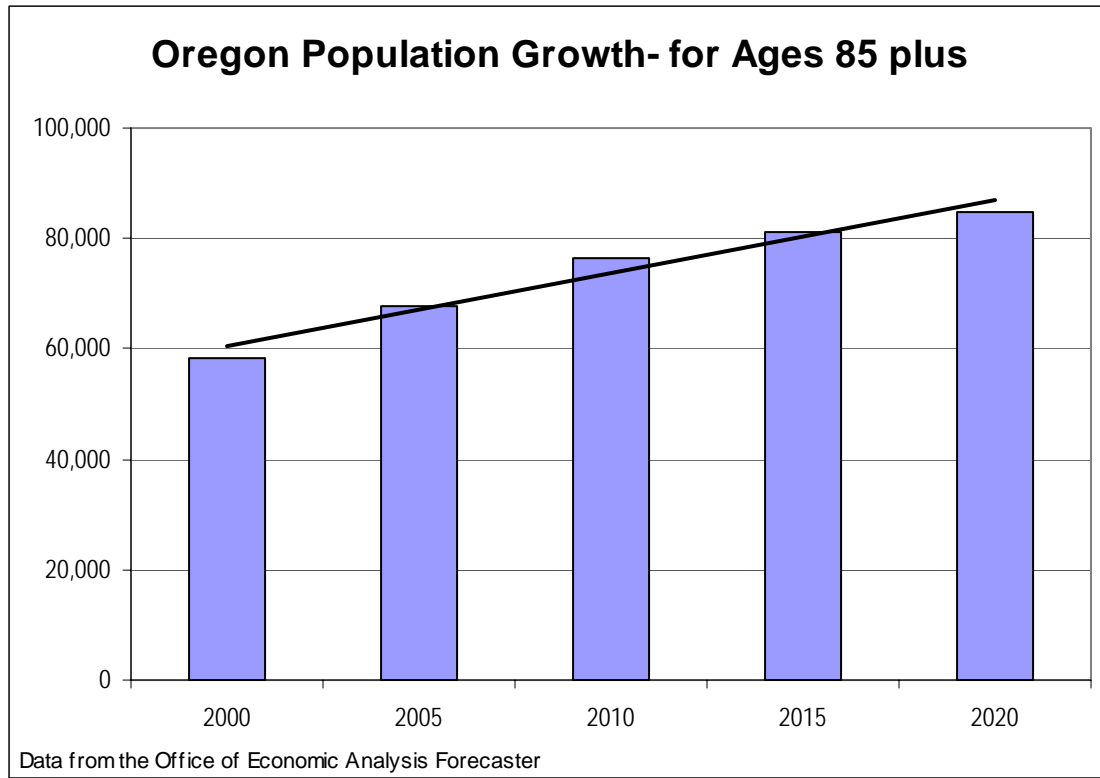
SPD continues to focus on developing and preserving a wide array of community service options. This array allows DHS clients to remain in their own homes or communities, to choose the service supports they prefer and to avoid institutional care whenever possible.

Major factors affecting the role of DHS Seniors and People with Disabilities (SPD) and the environment in which it operates include the following:

- ◆ The population potentially needing SPD services is expanding. The Oregon Population Survey estimates that by 2025, more than 936,000 Oregonians (20 percent) will be over age 65.
- ◆ The percentage of the population with disabilities is aging at the same rate, increasing the cost and complexity of their care as chronic diseases combine with pre-existing disability conditions.
- ◆ The number of children with severe disabilities, living longer because of better medical technology, and their families needing services is increasing.
- ◆ The number of children with severe autism continues to expand.
- ◆ Major changes in Medicare will have a significant impact on the state.
- ◆ Chronic labor shortages continue to plague the entire service system including community based and institutional settings. High vacancy and staff turnover rates reported in most programs are expected to continue.

- ◆ An emerging policy debate around cost vs. choice is of concern to senior and disability advocacy groups. Concern centers on whether the increasing number of those needing services combined with budget constraints will curtail the ability of clients to broadly choose their services.
- ◆ National policy increasingly embraces Oregon’s historic direction in services for seniors and people with developmental or physical disabilities. Most states are now looking at increasing home and community based care as a way to slow increasing costs and broaden client choice.





Major Changes to Long-term Care Services

Eligibility for Long-term Care Services for Seniors and People with Physical Disabilities

By federal law, each state must develop criteria for access to nursing facility care paid for by Medicaid. Criteria must include financial and asset tests as well as functional assessments. The federal government, through the Centers for Medicare and Medicaid Services must approve any criteria established by the states. In Oregon, a Home and Community Based Care Waiver allows the Department of Human Services to provide eligible seniors and people with disabilities a range of service options, including nursing facilities, community based care facilities and in-home services.

The Department created Service Priority Levels (SPLs) to establish eligibility for Medicaid long-term care services. SPLs prioritize services for those seniors and people with disabilities whose well-being and survival would be in jeopardy without long-term care. Levels range from level one (1), which reflects the most impaired to level seventeen (17), which reflects the least impaired.

Activities of daily living (ADLs) are those personal activities required for continued well-being. These include eating/nutrition, personal hygiene and mobility. For many individuals with disabilities, assistance from other people to perform activities of daily living is a daily need. SPD assists thousands of Oregonians who require ADL services in selecting competent providers and establishing effective working relationships with those care providers.

Program Changes/Impacts

In 2003, to balance the state's budget, the Legislature approved eliminating clients in Service Priority Levels 12 through 17. On February 1 that year, 3,231 seniors and people with disabilities in SPL 15 through 17 lost long-term care and medical services (1,135 kept Oregon Health Plan eligibility.) An additional 1,643 people in SPL 12 through 14 lost long-term care services on April 1, 2003, (310 of these people kept Oregon Health Plan eligibility.)

The legislature approved restored funding for levels 12 and 13, beginning in 2004. Following approval from CMS, levels 12 and 13 were added back to the definition of persons eligible for Medicaid long-term care services effective July 1, 2004. When CMS approved adding levels 12 and 13 back into Oregon's eligibility definition, the federal government demanded assurance that the state would not again eliminate services to this population. Levels 14 through 17 remain un-funded.

Impact of Service Priority Level Cuts on Clients

A total of 3,231 long-term care service clients in service priority levels 15 - 17 received service closure notices (February 1, 2003).

SP Level 15-17	Feb-03	Mar-03	Jun-04	Jan-05
Closed Cases ¹	1,071	1,021	1,239	1,286
Waivered Services	419	467	712	846
Personal Care ³	578	602	467	382
Nursing Facility ⁴	28	38	48	46
Medical Only ⁵	1,135	1,103	765	711
Total	3,231	3,231	3,231	3,231

A total of 1,643 long-term care service clients in service priority levels 12- 14 received service closure notices (April 1, 2003).

SP Level 12-14	Mar-03	Apr-04	Jun-04	Nov-04
Closed Cases ¹	128	408	546	657
Waivered Services	1265	590	583	597
Personal Care ³	21	182	160	97
Nursing Facility ⁴	134	153	126	107
Medical Only ⁵	95	310	228	185
Total	1,643	1,643	1,643	1,643

1 = These clients have not accessed any services.

2 = These clients have been reassessed at a higher level of need and have returned to waivered services such as AFHs or in-home care

3 = Individuals receiving these services may or may not have been reassessed but are only receiving a maximum of 20 hours of service per

4 = These clients have been reassessed at a higher level of need and have returned to waivered services such as AFHs or in-home care

5 = These are clients who lost long-term care services but continue to receive a medical card through OHP

Home and Community-Based Services Waiver for Seniors and People with Physical Disabilities

Oregon offers a variety of long-term care settings to seniors and people with physical disabilities. Medicaid law requires that states offer long-term care in nursing facilities to all eligible individuals. States can also choose to offer care to people in their own homes, or other community setting, through federally approved Home and Community-Bases Services (HCBS) waivers.

In 1981, the Federal government approved Oregon’s application for the first HCBS waiver. Over the next 25 years, use of community-based and home services grew in both private pay and Medicaid populations. *(See chart in Phase 1.)*

Medicaid beneficiaries are entitled to receive long-term care in nursing facilities. A Medicaid client can choose to receive long-term care in a community setting but that right can be limited by the state based on availability of funding for long-term care. If a state chooses to limit participation in its HCBS waiver, people who would be eligible for the waiver can either be placed on a waiting list, or they can choose to go to a nursing facility. Since nursing facility care is significantly more expensive than care in home and community-based settings, states need to carefully set criteria to make people eligible for waived services and to determine placement on and movement from the waiting list.

The Governor’s budget proposes that Oregon limit the number of seniors and people with physical disabilities eligible to participate in the Home and Community-Bases services waiver by “capping” the waiver effective January 1, 2006. The cap will be set at the number of people receiving HCBS services on December 31, 2005. These people will retain their place in the HCBS waiver unless their need for long-term care services decreases.

“New” clients after January 1, 2006, will be placed on a waiting list. SPD will be developing “at risk” criteria to help determine in what order individuals come off the waiting list. At any time, individuals on a waiting list can exercise their right to receive care in nursing facilities. The Department will need federal approval before implementation of a new waiver “cap.”

SPD estimates that this waiver “cap” will impact approximately 750 people during the 2005-2007 biennium and will save approximately \$7.6 million General Fund.

In-Home Support Services

In 1976, Oregon began providing assistance to seniors through an in-home subsidy program called Oregon Project Independence. In 1981, with a waiver from the federal government, Oregon created a Medicaid-funded program to serve the frail elderly (and later, people with disabilities) in their own home. The waiver allowed DHS to use Medicaid nursing facility dollars on community-based care. The program continued to see steady client growth during the 1980s and 1990s.

Program Changes/Impacts

In November 2000, Ballot Measure 99 passed in Oregon, creating the Home Care Commission and extending collective bargaining rights to Home Care Workers. The Home Care Commission was charged with developing qualifications and a statewide referral registry of Home Care Workers.

On June 17, 2003, the Department of Administrative Services, on behalf of the Home Care Commission, reached an agreement in bargaining with SEIU Local 503, OPEU, the Home Care Workers’ Union, which extended health insurance, workers compensation and two wage increases during the 2003-

05 contract. In July the union's members ratified the bargaining agreement, and in August, retroactive payment increases of forty cents per hour effective July 1, 2003, were issued to Home Care Workers.

The changes brought about by the contract have increased the workload of local offices, AAAs and SPD Central Office. Changes include rule revisions, notices to clients and providers, the creation of forms, computer systems changes and ongoing information and assistance to providers.

Past/Future Efficiencies

In September 2004 the Home Care Workers Guide was updated and released including all of the new benefits available to Home Care Workers under the bargaining agreement.

The Home Care Commission, SEIU, SAIF and DHS agreed to carefully review and regularly monitor implementation of contractual benefits over the first several years of the collective bargaining agreement, particularly the Workers Compensation benefit. All groups have discussed the cost associated with offering workers compensation coverage to a decentralized and largely unsupervised work force.

The Governor's Budget retains the in-home program as a key component of Oregon's long-term care system for seniors and people with physical disabilities. In an effort to preserve the important gains home care workers have achieved through collective bargaining, and yet contain rising cost, DHS will explore an "Agency with Choice" provider model for the Home Care Worker bargaining group.

In the “Agency with Choice” provider model:

- ◆ The client still hires and fires;
- ◆ Home Care Workers collectively bargain their wages and benefits with the Home Care Commission and the Department of Administrative Services;
- ◆ The “Agency with Choice” provider co-employs the Home Care Worker along with the client;
- ◆ The “Agency with Choice” is bound by the terms of the collective bargaining agreement; and
- ◆ The Agency with Choice:
 - Assumes responsibility for Unemployment Insurance and Worker’s Compensation;
 - Screens workers to assure minimum qualifications and work suitability;
 - Supervises workers in conjunction with the client; and
 - Provides payroll and benefit administration.
- ◆ DHS has is beginning the extensive planning process needed to implement this new model by early 2006. SEIU, clients and other key stakeholders will be thoroughly involved in the planning process.

Support Services for People with Developmental Disabilities

This program resulted from a lawsuit initiated by various developmental disability stakeholder groups. In September 2000 the parties entered into a settlement agreement requiring:

- ◆ Program infrastructure changes implementing new approaches to service delivery;
- ◆ Elimination of the existing wait list for adults by the creation and expansion of in-home support services;
- ◆ Development of a targeted number of comprehensive (24-hour) services for people not in crisis; and
- ◆ Compliance with specific expectations in terms of numbers of people served, time lines for program implementation, and data/information reporting requirements.

SPD began implementing this agreement in November 2001. As of October 31, 2004, a total of 3,128 individuals 18 years of age and older with developmental disabilities are receiving services through support service brokerages.

Program Changes/Impacts

The Department, facing budget cuts during the 2001-03 biennium, stopped new enrollments from the wait list into the support services program from February 1, 2003 to July 31, 2003. The Department also suspended the development of non-crisis comprehensive services. SPD estimates that 775 individuals would have entered brokerage services had new enrollments been allowed during this period.

These actions represented a potential breach to the existing settlement. The Plaintiffs and the Department agreed to modifications that extended the timelines to meet the original expectations. This revised settlement was agreed to by all parties in September 2003 and ratified by the District Federal Court in January 2004.

After September 1, 2003, the Department reinstated enrollments from the wait list into support services, but at a reduced pace because of budget restrictions. The Department continued its suspension of the development of new non-crisis comprehensive services.

Past/Future Efficiencies

Effective January 1, 2005, SPD will implement a change in benefit levels for adults with developmental disabilities in support services. Currently there are two annual benefit levels; a “basic benefit” level of \$9,600 per year and a “supplement to base” level of up to \$20,000 per year.

The new policy calls for a second level supplement to base, capped at \$14,400 per year. This policy decision is within the approved and authorized budget. This action is intended reduce the number of people needing to enter SPD’s crisis/diversion services, so there is an expected, offset to that budget area.

Support Service Brokerages will continue to send SPD monthly aggregate reports on the levels of planned expenses based on approved Individual Support Plans and actual expenditures generated from those plans. This information is used to track trends. Every six months, Brokerages are asked for information on an individual client basis instead of aggregate reports to help validate general information or trends.

Staley Re-Settlement Agreement Enrollment Delay

In order to provide savings for the 2005-07 Governor’s Recommended Budget, the Department proposes to delay enrollment of people into services provided under the Staley Re-Settlement Agreement. DHS originally planned to enroll 1,000 clients into Staley Support Services and 130 into Staley Non-Crisis Comprehensive Care at a steady rate through the 2005-07. The Department now anticipates that 300 Support Service clients will be

enrolled in the first year of the biennium, and the remaining 700 will be enrolled between July 2006 and June 2007. Phase-in to services for the 130 clients expected to enroll in Non-Crisis Comprehensive Care will also be delayed until the second year of the biennium. Transfer of Semi-Independent Living Program (SILP) clients into the Support Service Brokerages is delayed as well, impacting about 250 clients.

Community Based Care Services (CBC)

Community Based Care is 24-hour care and health oversight services provided in licensed facilities as an alternative to nursing facilities. All facility types (Adult Foster Homes, Assisted Living and Residential Care) serve both private pay and Medicaid clients. Specialty programs such as Alzheimer Endorsed Units, Enhanced Care Services and Contract Nursing are available in some settings.

Program Changes for Residential Care (RCF) and Assisted Living Facilities (ALF)

There are 236 RCF's and 191 ALF's in Oregon and 115 Alzheimer Endorsed Units located within these and nursing home licensed settings.

In 2001, the Oregon Legislature enacted a licensing moratorium for new assisted living and residential care facilities. The purpose of the legislation was to slow the building trend of these facilities. There was an over saturation of facilities in urban areas. Since 2001, as a result of the moratorium, only 23 new assisted living and 35 new residential care facilities have been licensed.

Rate restructuring

The Senior and People with Disabilities cluster (SPD) pays different long-term care providers using different rate setting systems. While client care

needs in community-based care living settings are similar, for clients with similar impairments, Medicaid service payments are higher for assisted living facilities than for other community facilities.

In the Governor's Recommended Budget, SPD proposes to move adult foster care homes, residential care facilities and assisted living facilities to the same reimbursement system. The proposal also moves adult foster homes and assisted living facilities to the same payment rates.

In December 2004, assisted living facility payment rates averaged \$1,635 per month. Commercial adult foster home payment rates averaged \$1,046 per month. Payments rates will be increased for commercial adult foster homes, and decreased for assisted living facilities, so that rates in both types of facilities average between \$1,100 and \$1,200 per month.

Relative Foster Care

The Governor's budget proposes to eliminate Medicaid payment for Relative Foster Care to provide savings for the 2005-07 biennium.

About 1,900 people receive Medicaid-funded long-term care services from a relative whose home they share. SPD pays the relative as a care provider. The average payment rate is about \$850 per month. About 40 percent of these clients will retain eligibility for 20 hours per month of Personal Care, at an average cost of \$9.26 per hour. An additional 20 percent of these clients are expected to transition back into non-family 24-hour care during the biennium. The reduction assumes that about 750 people will remain in family homes without Medicaid funding.

Delay Cost-of-Living Adjustments

Most long-term care services for Medicaid clients are provided by small businesses and/or not-for-profit agencies. In many cases, Medicaid funding accounts for the majority of revenue that the service provider earns. In

response to the budget shortfalls in 2003, most service providers did not receive cost-of-living adjustments for the 2003-05 biennium. As a result of this action, revenue streams for many vital service providers have been frozen at 2002 levels for the past three years.

The Governor's Recommended Budget does propose service provider cost-of-living adjustments of 1.5 percent for 2005-06 and 1.9 percent for 2006-07, but delays implementation of the 2005-2006 increase until January 1, 2006.

Foster Homes for Developmentally Disabled

The Governor's Recommended Budget is based on a 5 percent vacancy rate in Non-relative Foster Homes for Developmentally Disabled clients. This reduction would reduce counties' ability to serve about 125 clients over the course of the biennium. It is not the intention to remove clients who are currently being served, but to maintain the 5 percent vacancy factor statewide.

Children's Intensive In-Home Program

The Children's Intensive In-Home program uses a Model Waiver to match Federal funds with state General funds to assist a family in caring for their child at home, even when that child has very complex medical or behavioral supports. The covered services include nursing costs as well as non-professional staff and services and supplies. For each family and child in the program, other supports such as a family covered insurance are considered. For a number of children with medically fragile conditions, the family insurance program is paying for the direct nursing costs, thus bringing the overall cost per case down from the projections.

Changes/Impacts:

The Governor's 2005-07 Recommended Budget reduces program funding by approximately \$1.4 million. This reduction more accurately represents the average cost per case the Department is incurring.

Oregon Project Independence

In 1975, Oregon Project Independence was established by the Legislative Assembly to serve persons age 60 and over and persons under age 60 with a diagnosis of Alzheimer's disease, who require assistance to remain independent in their homes. The goals of the program are to maximize an individual's personal and community supports to promote independent living and a high quality of life.

This program is preventive in nature, providing needed in-home services that allow clients to remain at home rather than moving into other 24-hour care settings. Eligible recipients cannot be receiving Medicaid. They may pay toward the cost of services, based on their income level. OPI funds are used to meet the maintenance of effort requirements in support of the Older Americans Act (OAA) programs. If maintenance of effort funding is not maintained, Older Americans Act funds are reduced proportionately.

Changes/Impacts

For the 2001-03 biennium, the OPI funding was reduced from \$13.7 million to \$10.2 million. Area Agencies on Aging (AAAs) had to change the way they administered OPI services at the local level. Many AAA were forced to restrict eligibility for the OPI program to those most in need by:

- ◆ Capping the number of people served at any given time;
- ◆ Capping the number of service hours allowed for each client;

- ◆ Limiting eligibility by reducing the service priority level to match Medicaid, which resulted in the closure of many existing OPI cases;
- ◆ Closing the OPI program to new applicants and using a waiting list to establish new OPI clients when attrition occurred.

In the 2003-05 biennium the allocation was further reduced to \$8.5 million. The number of people receiving OPI services has declined by 58 percent when compared to the 2001-03 biennium. The U.S. Administration on Aging has notified the Department that OAA funding will be reduced if the maintenance of effort level of \$3.9 million is not maintained.

Past/Future Efficiencies

OPI is a state-funded program. The State receives no matching Medicaid dollars for OPI. Due to the anticipated revenue shortfall in 2005-07, the OPI budget is funded at \$3.9 million. This is the minimum amount needed to maintain Older Americans Act funding.

Major Changes to Direct Financial Support

Oregon Supplemental Income Program for the Aged, Blind and Disabled

The Oregon Supplemental Income Program provides cash and medical assistance to individuals who are age 65 and older, physically or mentally disabled or blind as determined by the Social Security Administration. Medical and cash assistance is based on a means test, which includes an income and resource test. The income limit is \$579 per month – with the state supplying a mandatory supplement of \$20.40 per year. Typically these

recipients are eligible for Supplemental Security Income (SSI), administered by the Social Security Administration.

SPD currently serves 56,526 recipients of SSI.

Program Changes/Impacts:

In the past 10 years there has been a shift in those who qualify for SSI and the Oregon Supplemental Income Program. The number of people with disabilities now makes up 78 percent of the SSI recipients, whereas the aged comprise 21 percent and blind individuals comprise 1 percent of the total number of SSI recipients in Oregon.

There have been no reductions to the medical portion of the program, as SSI individuals are considered mandatory for state assistance and receive the Oregon Health Plan Plus benefit package.

Special Needs Payments

Special needs payments support the stability and independence of low-income aged and disabled (OSIP/OSIPM) clients. There are 17 categories of special needs payments. To be eligible for a payment, the client must have no other resources available in the community to meet a given need. Eligible clients receive one-time (e.g., home repairs or moving costs) or regular ongoing special needs payments (e.g., food for guide dogs and special assistance animal).

During October 2004, the Department served 1,967 clients with special needs payments.

Program Changes/Impacts:

The Department implemented major revisions to special needs rules and procedures effective November 2002, to aid in rebalancing the agency's budget. Payments for household equipment, furniture and corrective shoes were terminated. Maximum payment amounts were established for moving costs and home repairs, along with limits on the frequency of these payments. Training was provided to field staff, which included not only information on policy changes, but also correct coding of payments in order to maximize federal matching funds.

The result of these changes was a significant reduction in payments: From an average of nearly \$384,000 per month prior to the November changes to a current monthly average of under \$209,000, or more than a 45 percent reduction per month.

To enforce this major policy change and training, after implementation, the Department began monthly monitoring of the special needs payments in the affected categories. The Department also identified the Shelter Exceptions category (meant to provide a supplemental payment to clients whose housing costs are high due to the added cost of accessibility) as a problem. Management actions resulted in significantly reduced expenditures. SPD will be clarifying the eligibility criteria of the Shelter Exception and will monitor these cases. As a result of these changes, expenditures declined 28 percent.

Past/Future Efficiencies:

Implementing the above rule changes, monitoring and training have been effective methods for achieving consistent special needs program delivery statewide and reduced special needs program expenditures.

General Assistance (GA) Program

General Assistance (GA) was established to provide medical and financial benefits for individuals age 18 to 64 with disabilities who are unable to work and who have very limited income and resources. The GA program provides interim cash assistance of \$314 per month for disabled single childless individuals, and \$628 per month for disabled childless couples who are waiting for their Supplemental Security Income (SSI) to be approved by the Social Security Administration (SSA). Clients participating in the GA program receive Oregon Health Plan Plus Medicaid benefits. Coverage for long term care services (home & community based or nursing facility) is available for GA clients who fall within SPD service priority levels 1-13.

Program Changes/Impacts

From 1991 to February 2003, only those individuals with severe physical or mental impairments expected to last a minimum of 12 months and prevent an individual from doing any work activity could qualify. The program served approximately 3,000 individuals.

The GA program was eliminated in February 2003 due to budget cuts. A lawsuit challenging the state's decision was filed and is still pending. At the time, approximately 2,500 individuals were receiving GA benefits.

Funding for a revised GA program was provided during the 2003 Legislative Session and the GA program was restored November 1, 2003. The reinstated GA program was restricted to individuals who were SSI eligible only. Funded to serve a caseload of approximately 1,148 individuals, the program is currently serving approximately 400 individuals at this time.

Past/Future Efficiencies

Currently, SPD staff monitor the GA program to track the number of individuals who are receiving GA, and those who have left the program. For

those receiving GA, monitoring ensures the individual has an active SSI application on file and is coded for reimbursement upon approval of SSI.

Since the program was re-established in November 2003, monitoring has taken place whenever a client leaves the program to assure the Department has recovered GA funds. SSI recovery reports are generated monthly to determine how much GA was recovered compared to the dollars spent. This monitoring has improved program efficiencies, program delivery and costs.

This program is not included in the Governor's 2005-07 Recommended Budget.

Employment Initiative Program

The Employment Initiative Program (EI) began as a pilot in 1997 to improve opportunities for individuals with disabilities to enter the workforce who needed additional supports to achieve their employment goals. Clients receive services such as work readiness training, resume writing and other job related supports.

As a result of the pilot, the Oregon Legislature approved funding for the program in 1999. Since 1997 over 9,000 clients have received services through this program.

The EI program is a collaborative effort between Office of Vocational Rehabilitation Services (OVRs), SPD and local area partners. EI Specialists are involved in identifying local resources and creating networks to support the EI program. EI Specialists, in conjunction with OVRs, identify specific needs in their local areas. In addition to assisting individual clients, EI Specialists also perform employer education services to increase the number of employers willing and able to hire workers with disabilities.

Additionally, the funding for the EI program included a \$100,000 per year Special Needs Fund. This fund can only be used when there are no other resources available, and a client needs help obtaining or retaining employment.

This program is not included in the Governor's 2005-07 Recommended Budget.

Retired Senior Volunteer Program

The Retired and Senior Volunteer Program (RSVP) is a federally funded volunteer program. RSVP volunteers serve in a diverse range of nonprofit organizations, public agencies, and faith-based groups. Among other activities, they mentor at-risk youth, organize neighborhood watch programs, test drinking water for contaminants, teach English to immigrants, and lend their business skills to community groups that provide critical social services. For the last few biennia, Oregon has provided general fund assistance to these local programs. The state's contribution is not a requirement.

This program is not included in the Governor's 2005-07 Recommended Budget.

Professional Services and Purchasing Contracts

SPD provides long-term care, employment, financial/medical benefits, food stamps, service coordination, program development, and direct service to Oregonians who are elderly and for people of all ages who have developmental or physical disabilities. These services are provided through

financial assistance agreements with counties, Area Agencies on Aging, and many community non-profit agencies. These counties and agencies deliver services directly or through subcontracts with providers. SPD contracts directly for some regional programs to provide services to more than one county.

SPD contracts with providers of direct hands-on services such as adult foster homes, assisted living facilities residential care facilities, in-home care agencies and other long-term care providers. These contracts ensure access to licensed facilities for Medicaid eligible clients.

SPD uses personal services contracts to buy services that relate directly to training, technical assistance, care monitoring and eligibility evaluation services. Contracts are also used by SPD to provide medical consultation, psychological treatment, and other consultant services at Eastern Oregon Training Center and State Operated Community Programs where care and treatment is provided directly by the State. The most common use of these contracts are to provide training and technical assistance to service providers. Occasionally purchasing contracts are used to purchase supplies or equipment used in training or other activities necessary to maintain the service delivery system. Personal services contracts and purchasing contracts are a very small fraction of overall SPD expenditures.

SPD uses personal service contracts to provide nursing assessment, evaluation and care monitoring for clients living in their own homes or in adult foster homes. These services ensure that each client's specific health needs are met.

Department of Human Services
2005 Ways and Means Presentation – Phase 2

Essential and Policy Option Packages

	General Funds	Other Funds	Federal Funds	Total Funds	Pos	FTE
Base Budget	773,013,777	156,377,074	1,370,028,284	2,299,419,135	2,086	2,037.77
Essential Packages						
Pkg 010– Vacancy Factor and Non PICS Adjustments	3,428,954	27,890	5,592,067	9,048,911	0	0.00
Pkg 021-Phase In	14,254,744	3,784,374	22,261,356	40,300,474	0	0.00
Pkg 022-Phase Out	(445,031)	(16,467,046)	(445,030)	(17,357,107)	0	0.00
Pkg 030-Inflation & Price List Adjustments	18,186,830	24,926,018	69,103,491	112,216,339	0	0.00
Pkg 040-Mandated Caseload	60,359,920	(11,580,457)	59,686,796	108,466,259	(26)	(23.86)
Pkg 050-Fund Shift	21,628,346	153,941	(21,975,816)	(193,529)	0	0.00
Pkg 060-Technical Adjustments	1,179,651	(19,838)	943,182	2,102,995	0	0.00
Total Essential	118,593,414	824,882	135,166,046	254,584,342	(26)	(23.86)
Adjustments to						
Pkg 084 November 2004 E-Board	(77,101,227)	7,313,779	(71,585,215)	(141,372,663)	3	3.00
Pkg 090 Analysts Adjustments	(88,347,543)	(10,950,776)	(100,577,183)	(199,875,502)	(104)	(102.51)
Total Adjustments	(165,448,770)	(3,636,997)	(172,162,398)	(341,248,165)	(101)	(99.51)
Policy Packages included in the Governor's Recommended Budget:						
Pkg 103-Partially Restore Standard Benefit Package/Provider Taxes	0	448,382	445,362	893,744	6	4.31
Pkg 105-Adult Protective Services	429,662	0	283,334	712,996	0	0.00
Pkg 110-Medicare Modernization Act	208,868	0	208,869	417,737	3	3.00
Pkg 111-Medicare Modernization Act Cost Avoidance	1,887,618	(1,372,536)	809,718	1,324,800	0	0.00
Pkg 144-Board of Nursing-Investigations	0	64,305	64,305	128,610	0	0.00
Total Policy Packages	2,526,148	(859,849)	1,811,588	3,477,887	9	7.31
Agency Appeal						
Total Agency Appeal	0	(1,122)	(1,392)	(2,514)	0	0.00
Totals	\$728,684,569	\$152,703,988	\$1,334,842,128	\$2,216,230,685	1,968	1,921.71

Base Budget – This is the 2003-05 Legislatively Approved Budget as of the April 2004 Emergency Board with personal services increased to 2005-07 costs. This would include 24 months of any cost of living adjustments in the 2003-05 biennium, any step increases planned for employees in the 2005-07 biennium and 24 months of any step increases granted to employees in the 2003-05 biennium.

Essential Packages

Package 010: Non PICS Personal Services Adjustments – The Vacancy Factor calculation projects budget changes related to staff turnover and position vacancy in the 2005-07 biennium.

Non-PICS Personal Services inflation includes any items not part of the PICS generated totals. These include unemployment assessment, overtime, temporary services, shift differential, and Mass Transit Tax. The general inflation factor of 2.4 percent was applied to these Non-PICS Personal Service items.

Package 010: Non PICS Personal Services Adjustment

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Vacancy factor calculation projects budget savings reasonably expected from staff turnover in the 2005-07 biennium.	(39,248)	11,501	(207,631)	(235,378)
Non-PICS items in base were adjusted for standard inflation based on the DAS Budget Instructions.	83,199	22	153,414	236,635
PERS Rates and Pension Bond Contributions	3,385,003	16,367	5,646,284	9,047,654
Total	3,428,954	27,890	5,592,067	9,048,911

Department of Human Services
2005 Ways and Means Presentation – Phase 2

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 2003-05 biennium, but needing a full 24 months in the 2005-07 biennium. The costs for the additional months of funding needed to achieve the 24-month funding level are included in this package. Phase-in costs in this budget structure are:

Package 021: Phase In

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Replacement of the one time savings from the April 2004 Rebalance that will be needed to fully fund the General Assistance program.	34,035	3,784,374	0	3,818,409
Phase in of Home Care Worker program. As a result of collective bargaining, additional money was added into the SPD budget during the 2003 Legislative Session for the Home Care Worker program. This actions will Phase in of full biennium of funding for the Home Care Worker program.	14,220,709	0	22,261,356	36,482,065
Total	14,254,744	3,784,374	22,261,356	40,300,474

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Package 022: Phase Out – This package is related to any programs permanently eliminated during the 2003-05 biennium, to remove costs in the base budget for the months the program operated during 2003-05. Phase-outs are also related to decreased costs resulting from discontinuation of pilot project programs and other one-time costs that will not be continued in the 2005-07 biennium. The decreased costs from phased-out programs in this budget structure are:

Package 022: Phase Out				
Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Phase-out of funds identified in the April 2004 Rebalance actions to unschedule empty Other and Federal Funds.		(8,616,070)		(8,616,070)
Partial phase-out of funding for Nursing Facility Aide Training. This reduces the amount funds associated with the Nursing Facility Aide Training program that will not be spent in the 2005-2007 biennium.	(445,031)		(445,030)	(890,061)
Reduce the amount of Other Funds limitation in Nursing Facilities. This is empty limitation of funds not available in the 2005-2007 biennium.		(7,750,976)		(7,750,976)
Reduce the amount of Nursing Facility Trust Fund limitation. Assumes lower than anticipated Other Funds associated with the Nursing Home Trust Fund are unavailable in the 2005-2007 biennium.		(100,000)		(100,000)
Total	(445,031)	(16,467,046)	(445,030)	(17,357,107)

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Package 030: Inflation and Price List Adjustments – The standard inflation factor of 2.4 percent and the Department of Administrative Services (DAS) Price List was used for calculating general increases for Services and Supply, Capital Outlay, and Special Payments. Biennial inflation factor exceptions were requested and received for Long-Term Care, Older Americans Act and Direct Financial Support using 1.5/1.9 percent. The biennial medical inflation rate of 5 percent was used for medical supplies and miscellaneous medical at EOTC and contracted nursing services. (Displayed as an increment of 2.6 percent to the general inflation rate).

Package 030: Inflation and Price List Adjustments

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
A 2.4% general inflationary increase was applied to the Eastern Oregon Training Center, the State Operated Community Programs, Program Support, and Central Administration.	1,426,566	435,165	2,424,007	4,285,738
An annual general inflationary increase of 1.5% /1.9% was applied to the remainder of Long-Term Care, Older Americans Act, and Direct Financial Support Programs and Developmentally Disabled Local Authority within Program Support.	13,128,466	535,081	20,828,013	34,491,560
The medical inflation rate of 5% was used for Medical Supplies and Miscellaneous Medical Out of Institution expenditures at Eastern Oregon Training Center and for Contract Registered Nurses.	68,662	6,887	177,602	253,151
Additional inflation for nursing facilities based on the April 2004 forecasted as required by Nursing Facility rebasing statute.	0	29,443,690	48,697,737	78,141,427
Client contributions for clients who are aged or physically disabled receiving In-home services are projected to decrease during the 2005-07 biennium.	909,944	(909,944)	0	0

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Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Client contributions for clients who are aged or physically disabled receiving services in nursing facilities and community facilities are projected to increase during the 2005-07 biennium.	(1,931,669)	0	(3,023,868)	(4,955,537)
General Assistance Program-Social Security Income Recoveries for clients who were served during the 2001-03 biennium were collected during the 2003-05 biennium due to a several month lag in program enrollment. These amounts collected in Social Security Income that offsets the General Assistance Program will not be received at the same rate during the 2005-07 biennium.	4,584,861	(4,584,861)	0	0
Total	18,186,830	24,926,018	69,103,491	112,216,339

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Package 040: Mandated Caseload – This package is related to mandated caseload changes due to changes in State or Federal entitlement standards, increase or decrease in the caseloads or any court action affecting entitlement standards.

Package 040: Mandated Caseload

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
New and rollup cost for the 2005-07 biennium for Developmentally Disabled mandated caseload populations including: Adult and Children's Long-Term Diversion, Forensics, Children Turning 18 (Residential), Children's Intensive In-home Supports Turning 18 (Residential), and Children Turning 21 (Vocational & Transportation).	14,491,146	0	17,417,970	31,909,116		
Developmental Disability Community forecast in growth for the 2005-07 biennium for the services included in the Staley Re-Settlement Agreement, including phase-in of 130 new comprehensive services slots. The agreement mandates that 1,000 clients will enter Adult Support Services off of the wait list.	10,714,955	1,464,882	14,123,492	26,303,329		
Medicaid Long-Term Care and Oregon Supplemental Income Program caseload increases that are dependent upon various demographics. The Department uses a forecast model where historical data on adult and physically disabled program eligible populations is the basis to estimate monthly program caseload inflows, outflows and transfers, and final caseload numbers.	37,692,859	(13,042,365)	31,064,276	55,714,770		
Based on caseload growth for 2005-07 and using the approved staffing standards, program staff will decrease by (23.86) full time equivalents relating to SPD in two types of mandated caseloads: 1. Those programs for which the Cluster is responsible, such as, Medicaid Long-Term Care and Oregon Supplemental Program. 2. Programs in other Clusters for which program staff determine eligibility, such as, Food Stamps and Special Low-Income Medicare Beneficiaries.	(2,539,040)	(2,974)	(2,918,942)	(5,460,956)	(26)	(23.86)
Total	60,359,920	(11,580,457)	59,686,796	108,466,259	(26)	(23.86)

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Package 050: Fund Shifts – This package reflects significant budgeted changes in existing programs. Fund shifts affecting this budget structure are:

Package 050: Fund Shifts				
Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Fund shift needed due to expected decline in the FMAP for Medicaid expenditures from a biennial average of 62.32% for the 2003-05 biennium to 61.61% for the 2005-07 biennium.	21,782,287	0	(21,975,816)	(193,529)
A decrease of General Funds and increase of Other Funds due to anticipated Social Security increases.	(43,307)	43,307	0	0
Other Fund replacement of General Funds to maintain mandated program funding level.	(110,634)	110,634	0	0
Total	21,628,346	153,941	(21,975,816)	(193,529)

Package 060: Technical Adjustments – This package reflects technical adjustments approved by the Budget and Management Analyst (BAM).

Package 060: Technical Adjustments				
Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Phase-in of transfer of remaining 10 months of administrative funding from Community Human Services. The April 2004 Emergency Board approved the transfer of 507 positions and 14 months of related service and supply from the CHS Cluster to the SPD Cluster as part of a reorganization. This issue transfers the remaining 10 months of service and supply to SPD.	1,179,651	3,903	963,671	2,147,225
Phase-out of funding for the Long-Term Care Ombudsman	0	(23,741)	(20,489)	(44,230)
Total	1,179,651	(19,838)	943,182	2,102,995

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Package 084: November 2004 Emergency Board – Reflects 2005-07 biennium impact of the actions taken by the November 2004 Oregon Legislative Emergency Board meeting that affected SPD. The actions are:

Package 084: November 2004 Emergency Board						
Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Community Facilities: Savings due to lower aggregate caseload and slightly higher cost per case.	(15,254,740)	0	(17,436,683)	(32,691,423)		
Developmental Disabilities Community Participation rate savings: Billings as reported in the (State's) Client Process Monitoring System (CPMS) have been updated, recognizing an increased percentage of clients have qualified for the Medicaid (Title XIX).	(9,080,178)	52,455	9,027,723	0		
Developmental Disabilities Community Crisis Mandated Caseload savings: Savings realized in Adult and Kids Long-term Diversion and Kids turning 18 & 21 transition caseloads.	(3,794,552)	0	(1,014,366)	(4,808,918)		
Medically Fragile Children's Unit: Lower caseload than anticipated.	(1,404,538)	0	(1,305,651)	(2,710,189)		
General Assistance Program: While anticipated caseload is reduced by more than 50%, average cost per case shows a \$100 per month increase, reflecting reduced and delayed SSI recoveries.	0	1,705,628	0	1,705,628		
SPD - Implementation issues of the Medicare Modernization Act (MMA) will cross the Department. This issue provides funding for three permanent positions.	242,146	0	242,146	484,292	3	3.00
In-home Care: This problem recognizes the Internal Revenue Service decision that Home Care Workers are FUTA subject.	891,934	0	891,934	1,783,868		
In-home care: Home Care Workers: Caseload has decreased substantially but cost per case has increased reflecting increased worker hours.	(23,208,579)	(1,196,199)	(35,756,439)	(60,161,217)		
In-home care: Other ancillary services: Lower caseload than anticipated in all ancillary services.	(173,806)	25,025	(1,111,104)	(1,259,885)		
In-home care: Personal Care: Lower caseload than anticipated.	(4,059,754)	(403,403)	(8,657,584)	(13,120,741)		
Nursing Facility service costs: Lower cost per case and additional provider tax revenue.	(15,355,161)	5,180,226	(4,967,213)	(15,142,148)		
Savings due to lower expenditures in Certified Nurses Aide Training in nursing facilities.	(193,229)	0	(193,230)	(386,459)		
Disability Determination Services: Reduction in Personal Services and Services & Supplies.	0	0	(4,285,243)	(4,285,243)		

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Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Disability Determination Services: Restore funding for two Medical Consultants due to increase need.	0	0	751,080	751,080		
Savings in Staley Support Services: Budgeting methodology has changed to reflect planned expenditures as the forecasting base rather than budgeted expenditures.	(5,710,770)	0	(7,842,824)	(13,553,594)		
Increase OF and FF limitation in Transfer AAAs to match projected expenditures.	0	1,950,047	72,239	2,022,286		
Total	(77,101,227)	7,313,779	(71,585,215)	(141,372,663)	3	3.00

Package 090: BAM Analyst Recommended Adjustments

Package 090: BAM Analyst Recommended Adjustments

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Reductions to client programs/services						
Delay enrollment of people from the wait list into services funded by the Staley Re-Settlement Agreement.	(2,450,000)		(3,280,000)	(5,730,000)		
Provide Personal Care services only through the State Medicaid Plan.	(3,515,379)		(4,988,384)	(8,503,763)	(14)	(13.70)
Reduce intake into 24-hour community services for people with developmental disabilities.	(1,000,000)		(1,586,368)	(2,586,368)		
Reduce amounts available for Medically Fragile Childrens Services.	(1,400,000)		(1,300,000)	(2,700,000)		
Eliminate Adult Foster Care provided to Medicaid clients in the homes of family members.	(22,066,208)		(34,542,843)	(56,609,051)		
Eliminate case management and licensing staff associated with the Relative Foster Care Program.	(1,033,385)		(1,205,360)	(2,238,745)	(13)	(9.63)
Cap enrollment in the Aged and Physically Disabled Waiver at December 31, 2005. Allow new waiver participants only when a vacancy becomes available.	(7,568,034)		(11,533,126)	(19,101,160)	(4)	(7.15)
Reduce Oregon Project Independence funding to minimum amount required to meet Older American Act Maintenance of Effort requirement.	(11,120,454)			(11,120,454)		

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Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Eliminate General Assistance funding which results in the loss of short-term benefits for approximately 900 very low-income individuals who are waiting for Social Security Disability determinations.	(4,925,866)	(7,106,532)	(4,397,579)	(16,429,977)	(28)	(27.11)
Eliminate Retired Senior Volunteer Program (RSVP).	(250,000)			(250,000)		
Eliminate the Employment Initiative program.	(1,705,145)		(1,774,389)	(3,479,534)	(20)	(19.32)
Reductions to provider payments/services						
Limit capacity building funding in non-relative foster homes for people with developmental disabilities.	(800,000)		(1,269,094)	(2,069,094)		
Reduce amounts reserved for payoff of 6-year notes in the Fairview Housing Fund.	(2,000,000)	(3,652,774)		(5,652,774)		
Cap the maximum service payment in assisted living facilities at \$1675 per month. Increase the non-relative adult foster home base payment to \$1000 per month; increase add-ons to the base payment to \$250 per month each.	(16,888,064)		(26,436,882)	(43,324,946)		
The Oregon State Smart Buy combined purchasing program's savings to Service & Supply expenditure budget.	(46,460)	(16,109)	436,824	374,255		
Changes or reductions in infrastructure						
Do not allow cost-of-living increases in Staley Settlement Agreement benefits. Do not allow cost-of-living increase to brokerages.	(1,020,000)		(1,060,000)	(2,080,000)		
Delay cost-of-living adjustment for most providers to January 1, 2006.	(1,460,629)	(175,361)	(2,468,487)	(4,104,477)		
Reconfigure the administrative structure used to manage the Home Care Workers pay and benefits.	(9,097,919)		(5,171,495)	(14,269,414)	(25)	(25.60)
Total	(88,347,543)	(10,950,776)	(100,577,183)	(199,875,502)	(104)	(102.51)

Policy Option Packages

Policy Package 103: Partially Restore Standard Benefit

Package/Provider Taxes – This policy package restores: 1. A restricted benefit package for a limited number of eligible Standard clients; 2. Staff necessary to administer the program and determine eligibility for the program; and 3. Funds to pay for the contract with the William Earhart Company to collect premiums. The Department eliminated staff to administer and operate the Standard package and funds for the Earhart contract, when state funds were eliminated for clients receiving the Standard Benefit Package. House Bill 2747, approved by the 2003 Legislative Assembly established both a Managed Care Organization (MCO) tax and a Hospital tax. DHS estimates the MCO and hospital tax revenues, along with matching Federal funds, will be sufficient to support approximately 24,000 OHP Standard clients in 2005-07. Impact is \$893,744 Total Funds, \$0 General Funds, \$448,382 Other Funds, and \$445,362 Federal Funds.

Policy Package 105: Adult Protective Services – This package expands Adult Protective Services staffing. Estimated cost of \$712,996 to increase capacity and improve the services rendered to vulnerable Oregonians in danger of physical, mental, or financial abuse by improving the ratios of staff working in Adult Protective Services. Impact is \$712,996 Total Funds, \$429,662 General Funds, \$0 Other Funds, and \$283,334 Federal Funds.

Policy Package 110: Medicare Modernization Act Implementation – Implements the Federal Medicare Modernization Act eligibility assessments regarding drug benefits.

This package reflects the fiscal and programmatic impacts of the new federal Medicare Prescription Drug, Improvement and Modernization Act of 2003, which creates a Medicare prescription drug benefit called Medicare Part D.

Effective January 2006, states will no longer be eligible for federal Medicaid matching funds for Medicare/Medicaid dual eligible drug coverage. Dual eligible beneficiaries will receive their drug benefits through Medicare unless they opt out of Medicare Part D. States may provide additional drug benefits, but they will not receive federal match for these expenditures with a few minor exceptions. Senate Bill 88 (policy package 111) has been submitted to eliminate the requirement for a Medicaid-equivalent prescription drug benefit that would be funded only with state funds. Removing this current statutory requirement for a Medicaid-equivalent prescription drug benefit would mitigate a large portion of the expanded cost to the state.

Estimates of the SPD impacts of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 are preliminary. The Centers for Medicare and Medicaid Services (CMS) is still in the process of determining how the details of the Act will be implemented. Impact is \$417,737 Total Funds, \$208,868 General Funds, \$0 Other Funds, and \$208,869 Federal Funds. There is an additional impact on Office of Medical Assistance Programs and Department Wide Support Services.

Policy Package 111: Medicare Modernization Act Cost Avoidance –
Eliminates Medicaid-equivalent prescription drug coverage for dual Medicare/Medicaid eligibles. This policy package will eliminate Medicaid-equivalent prescription drug coverage for dual Medicare/Medicaid eligibles when the Medicare Part D drug coverage begins January 1, 2006, unless there are federal matching funds available. This policy package requires a statutory change, which is contained in Senate Bill 88.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 created a Medicare prescription drug benefit called Medicare Part D. Effective January 2006, states will no longer be eligible for federal Medicaid

matching funds for Medicare/Medicaid dual eligible drug coverage. Dual eligible beneficiaries will receive their drug benefits through Medicare unless they opt out of Medicare Part D. States may provide additional drug benefits, but they will not receive federal match for these expenditures with a few minor exceptions.

Current state law requires the state to fill the gap between what the Part D plans will provide and what Oregon’s Medicaid program provides even though no federal match is available and also requires a state funded drug benefit for Medicare/Medicaid dual eligibles who choose not to participate in the Medicare drug program. Impact to SPD is \$1,324,800 Total Funds, and \$1,887,618 General Funds (\$1,372,536) Other Funds, and \$809,718 Federal Funds through cost avoidance.

Policy Package 144: Board of Nursing-Investigations – The Board of Nursing (BON) licenses approximately 60,800 individuals who hold over 64,000 licenses. The BON receives some 700 complaints per year against licensees and certificate holders regarding nursing performance. It also conducts background checks of all new and renewing applicants. This amounts to a total of 2,000-2,300 investigations conducted each year. The purpose of this package is to provide matching funds for the Board of Nursing (BON) Policy Option Package 102 which increases the investigative program in the BON. Impact is \$128,610 Total Funds, \$0 General Funds, \$64,305 Other Funds, and \$64,305 Federal Funds.

Agency Appeal: Change special payment from DHS to the Long-Term Care Ombudsman.

Agency Appeal

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Total	0	(1,122)	(1,392)	(2,514)

Summary of Proposed Legislation

Senate Bill 98 -- Adult Foster Home Licensing Delegation

Adult Foster Homes (AFH) are licensed long-term care facilities with five or fewer beds that provide care to seniors and people with disabilities who can no longer meet their own daily needs. In six of areas of the state, AAAs have taken over responsibility for licensing AFHs. The Department does not have the capacity to do the licensing since the AAAs have accepted responsibility for the Medicaid program in those areas. SB 98 ratifies current practice by specifically allowing the Department to designate AAAs and their staff as approved licensures for AFHs.

Need for Policy Change

Recently, the Attorney General's office notified the Department that we might not have the authority to delegate licensing to AAAs. A workgroup analyzed the possibility of centralizing licensing. However, the option would have been very costly and would not provide the level of service AFH owners and clients expect and need. If the legislation is not passed, there would be significant negative fiscal impact to the local AAAs and an additional expenses added back to the Department.

Senate Bill 174 -- Adult Foster Homes' Home Owner's Insurance Protection

Adult Foster Homes (AFH) are licensed long-term care facilities with five or fewer beds that provide care to seniors and people with disabilities who can no longer meet their own daily needs and need 24-hour assistance. These are

home-based businesses and are critical component of Oregon’s long-term care system. This concept would prohibits an insurer, offering homeowners insurance, from canceling or denying coverage solely on the basis of an applicant operating an AFH in their home.

Need for Policy Change:

AFH owners are facing increasing troubles with obtaining and maintaining their liability insurance. This has caused an escalating problem with insurers denying or terminating homeowners insurance even though they are not liable for any business related claims. This often endangers AFH’s mortgages and the stability of the AFH system.