



Oregon

Theodore R. Kulongoski, Governor

Department of Human Services

Office of the Director

500 Summer St. NE, E-15

Salem, OR 97301-1097

(503) 947-5110

Fax: (503) 378-2897

TTY: (503) 947-5080

December 24, 2007

The Honorable Kurt Schrader, Co-Chair

The Honorable Mary Nolan, Co-Chair

JOINT LEGISLATIVE COMMITTEE ON WAYS & MEANS

900 Court St NE

H-178 State Capitol

Salem, OR 97301



RE: January 2008 DHS Rebalance Report

Dear Co-Chairpersons:

NATURE OF REQUEST

The Department of Human Services (DHS) requests receipt of the 2007-09 biennial financial rebalance report. This report presents needed budget adjustments in appropriations and expenditure limitations because of changes in available federal and other fund revenues, forecast program caseload and cost changes, other cost changes and proposed management actions.

While the report presents a slight general fund savings of \$6.5 million (less than 0.2% of the total general fund budget), the department requests that these savings be redirected within the DHS budget. Three quarters of the biennium remain before us and a number of factors could adversely effect the Department's financial position. These risks which are detailed in our report, include further unanticipated changes in revenue (e.g. tobacco tax), caseload changes, federal policy changes, and outstanding legal matters.

AGENCY ACTION

2007-2009 Financial Status

This report provides a brief report on the close out of the 2005-07 biennium and a detailed update of the department's financial status for 2007-09 since the beginning of the biennium. The report describes changes in anticipated caseload and cost-per-case forecasts, revenue changes, other cost changes, and proposed management actions.

"Assisting People to Become Independent, Healthy and Safe"

An Equal Opportunity Employer



Here is a summary of the major issues included in the report:

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

Overall, the latest DHS caseload forecasts results in a savings of \$4.1 million general fund and \$18.2 total funds. Given the size of these program budgets, and the risk of this early forecast, this variance is immaterial. The Federal Medical Assistance Percentage (FMAP) match rate increased slightly since the beginning of the biennium, resulting in an increase of federal Medicaid revenues of \$38.9 million, which reduces the need to general funding for these programs. This general fund savings is largely offset by changes in Other Federal fund and Other fund revenues, an increase in State Data Center service rates, and added costs related to more timely provider payments with the new MMIS system implementation in July 2008. The department has also included a management

action in this rebalance report to increase Seniors and People with Disabilities community based care provider rates. This action is proposed in order to address the diminishing capacity in this program area and contain increases in higher cost Nursing Facility caseload growth. The net result of these problems, savings, and management actions is a \$6.5 million general fund savings, a decrease in other fund limitation need, and an increase in federal fund limitation need.

Since January of 2006, we have reported to each Emergency Board on our continued improvements in financial accountability and internal business processes. Our improved ability to forecast, track, and manage our caseloads and finances is reflected in the fact that we continue to operate within the funding levels of the LAB. Of course, our current caseload and cost per case estimates are always vulnerable to changes in policy or environmental factors. Given that it is early in the biennium, this caseload forecast has a higher degree of expected variation than a forecast done closer to the end of the biennium. The Rebalance report includes a section that outlines these and other risks that the department faces in the months ahead.

ACTION REQUESTED

Acknowledgement of the Department of Human Services' January 2008 rebalance report is requested. The department requests that the adjustments in appropriation and expenditure limitation be made at the February 2008 supplemental session and that the general fund savings presented in the report be redirected within the Division of Medical Assistance Programs within the DHS 2007-09 budget.

Along with the report are:

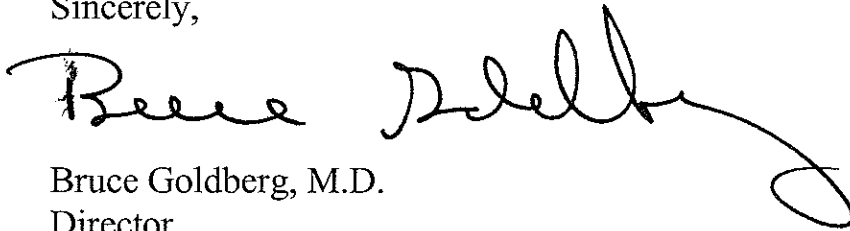
- Attachment A is a summary of changes, by division, from the approved budget;
- Attachment B identifies the appropriations and limitation changes necessary;
- Attachment C identifies the position adjustments.

The Honorable Kurt Schrader, Co-Chair
The Honorable Mary Nolan, Co-Chair
December 24, 2007
Page 4

LEGISLATION AFFECTED

Attachment B has the changes necessary in Oregon Laws to implement this rebalance plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Goldberg", with a long, sweeping flourish extending to the right.

Bruce Goldberg, M.D.
Director

Enclosures

BG:rmf