

Department of Human Services Sources of Funding for 2009-11

DHS revenues come from multiple sources. They are classified into the General Fund, Other Funds, Lottery Funds and Federal Funds.

These revenue sources are budgeted based on the following criteria:

- Most revenues are earned by making eligible expenditures. These expenditures are forecast based on estimated average daily populations (ADP) and cost per case (CPC). This method is used primarily for federal entitlement grants.
- Federal block grants are forecast based on prior grants and the anticipated effect of the federal budget. The federal fiscal year forecasts then are adjusted to fit the state fiscal years based on grant cycles and how each grant cycle falls within the biennium.
- Most Other Fund sources are forecast based on historical receipt trends adjusted for known initiatives. For example, fee collections are forecast based on trends adjusted for any rate changes, known changes among payers, special staff collection efforts and similar criteria. Other Fund sources also include Certificate of Participation funding for capital projects such as the Oregon State Hospital replacement and systems projects.

Because revenues often are earned by expenditures, DHS revenue projections must be adjusted to take into account several factors.

- Essential packages (phasing in or out of program changes, one-time costs, the inflation factor set by DAS, mandated caseload changes, and any needed fund shifts) are used to adjust the existing base budget to the 2009-2011 essential budget level (EBL) for all legislatively approved programs. The enclosed estimates are preliminary and do not include all essential package adjustments at this time.
- Applicable federal funding limits and requirements, including the availability of state funds to meet matching or maintenance of effort (MOE) requirements, must be considered.

- Changes in federal policies affect federal revenues available for DHS programs.
- Changes in non-mandated program caseloads and in state or federal statutes and regulations affect the availability and timing of revenue receipts.

Major funding sources

Federal Funds

SNAP - Supplemental Nutrition Assistance Program (formerly Food Stamps)

The Food Stamp program provides children and low-income people access to food, a healthful diet and nutrition education. The program is 100 percent federally funded by the U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS). Food Stamp benefits are distributed by DHS electronically in the form of an electronic benefits transfer (EBT) debit card, known as the Oregon Trail Card. The cashout program provides Food Stamp benefits to selected elderly clients in four counties using a direct cash payment. These benefits also are 100 percent federally funded.

The Food Stamp Employment and Training program (OFSET) provides reimbursements of certain costs to families and individuals participating in activities to find employment or educational activities. The OFSET program is 100 percent federally funded up to the state's specified cap. Expenditures above the cap are funded with 50 percent state and 50 percent Federal Funds.

FNS funds 50 percent of the state's administrative costs for operating the Food Stamp EBT, cashout and OFSET programs. States may receive enhanced funding up to 60 percent of administrative costs if their food stamp error rate is below a set percent and below the national average.

FNS currently provides funding to the DHS Children, Adults and Families; Seniors and People with Disabilities; and Administrative Services divisions. The projection method is expenditures based on estimated average daily populations (ADP) and cost per case (CPC).

Revenue budgeted in 2009-2011 EBL: \$1.2 billion
Unlimited Federal Funds: Federal Entitlement Program

Nutrition and Health Screening (WIC) Program

The Nutrition and Health Screening (WIC) program is a fully federally funded entitlement program that provides individual assessment of growth and health, education and counseling on nutrition and physical activity including promotion of a healthy lifestyle and prevention of chronic diseases such as obesity, breastfeeding education and support, and referrals to other preventive health and social services.

Services are provided to lower-income pregnant, postpartum and breastfeeding women, and children under the age of 5 who have a health or nutrition risk. During 2007 local programs served 168,000 women, infants and children. This includes 40 percent of all infants born in the state, 51 percent of all infants born in rural counties, and 1 in 3 Oregon children under the age of 5. More than 72 percent of those served are working families.

Revenue budgeted in 2009-2011 EBL: \$102.7 million
Unlimited Federal Funds: Federal Entitlement Program

Foster Care and Adoption Services (Title IV-E)

The Foster Care and Adoption Assistance program for children is an entitlement program funded under the Social Security Act, Title IV-E. Children are taken into custody due to imminent risk of harm because of abuse and neglect, and are provided foster care placement and medical care. Title IV-E eligibility is based on a number of factors including the income of the child and his or her family. Children eligible for Title IV-E also are categorically eligible for Medicaid.

Federal financial participation (FFP) is available at the Medicaid FMAP rate for program costs (the average biennium FMAP for 2009-2011 is 62.70 percent), and at the rate of 50 percent for expenditures necessary for the

proper and efficient administration of the Title IV-E state plan. Oregon's cost allocation plan identifies which administrative costs are allocated and claimed under this program. FFP also is available at the rate of 75 percent for the costs of:

- Training personnel employed or preparing for employment by the state or local agency administering the plan, and
- Providing short-term training (including travel and per diem expenses) to current or prospective foster or adoptive parents, and the members of the state licensed or approved child care institutions providing care to foster and adopted children receiving Title IV-E assistance.

All training activities and costs funded under Title IV-E must be included in the state agency's training plan that is part of the Children and Families Services Plan.

Title IV-E currently provides funding to the DHS Children, Adults and Families, and the Administrative Services divisions. The projection method is expenditures based on estimated ADP and CPC.

Revenue budgeted in 2009-2011 EBL: \$181.1 million

Requirements to receive funding: State funding match basis

Medicaid (Title XIX)

Medicaid provides reimbursement to states to provide medical care and medical-related services to low-income and other medically needy individuals. This includes financing for:

- Health care services provided under the Oregon Health Plan,
- Private insurance premium assistance through the Family Health Insurance Assistance Program (FHIAP),
- Long-term care in institutional and community-based care settings,
- Some client care provided in state hospitals,
- Residential treatment services to adults and youth,

- Central administration of alcohol and drug programs,
- Medical and non-medical transportation for Medicaid-eligible individuals,
- Family planning services for individuals not enrolled in the Oregon Health Plan, and
- Uncompensated care provided by hospitals serving a high proportion of Medicaid and uninsured individuals.

General Fund or Other Funds must be used to match federal Medicaid dollars for administration and direct service payments. The administration match rate is primarily 50 percent. A 75 percent Federal Funds match is available for skilled professional medical personnel, certification of nursing facilities, and related information systems activities including the Medicaid Management Information System (MMIS) computer system implementation and support. Administration of Family Planning is matched at 90 percent. The current average federal Title XIX match rate for service payments to providers for the 2009-2011 biennium is 62.70 percent.

Most of these services in Oregon are provided through Medicaid programs that require waivers of federal requirements. The Oregon Health Plan is the largest of these waiver programs. DHS must obtain approval from the federal Centers for Medicare and Medicaid Services (CMS) to make changes to its Medicaid program. This approval process can be lengthy, sometimes affecting the timing of program changes and the receipt of associated federal revenues.

Title XIX currently provides funding to all DHS divisions. The projection method is expenditures based on estimated ADP and CPC.

Revenue budgeted in 2009-2011 EBL: \$5.7 billion

Requirements to receive funding: State funding match basis

Older Americans Act

The Older Americans Act (OAA) allocates funds annually to Oregon. The Seniors and People with Disabilities Division, by formula, allocates funds (except for state administration funds) to the 17 Area Agencies on Aging. Emphasis is placed on serving the most economically and socially needy persons 60 years of age and older. There is a 15 percent match requirement for program services that is met by Area Agencies on Aging local funds and Oregon Project Independence allocations.

- State Administration provides for state agency administration including support for the Long-Term Care
- Ombudsman and Legal Services Development. There is a 25 percent match requirement met with General Fund dollars.
- Title III provides for supportive services such as transportation, legal assistance and in-home care. Senior Center meals and Meals on Wheels use the nutrition funding for the establishment and operation of their programs. OAA also provides in-home services for frail individuals to prevent premature institutionalization, preventive health services for elderly clients in rural areas, funding for family caregiver support, and training and services to prevent abuse of the elderly. There is a minimum match requirement of 25 percent for III-B, III-C-1 and III-C-2 for administration expenditures. There is a minimum match requirement of 10 percent for III-B, III-C-1 and III-C-2 for program expenditures. There is a minimum match requirement of 25 percent for III-E for program and administration expenditures.
- Title V provides subsidized, part-time employment opportunities in community service work for low-income persons aged 55 and over. There is a 10 percent match requirement, which is met by the program operators.
- Title VII provides additional support for the Long-Term Care Ombudsman and prevention of elder abuse, neglect and exploitation.

OAA currently provides funding to the DHS Seniors and People with Disabilities Division. The projection is based on a statewide funding formula.

Revenue budgeted in 2009-2011 EBL: \$30.1 million

Requirements to receive funding: State funding match basis

Public Health federal fund grants

Public Health receives more than 90 categorical federal fund grants targeting specific activities. The programs administered by the Public Health Division using Federal Funds include Women, Infants and Children (WIC) food vouchers, Maternal and Child Health, Cancer Prevention, Emerging Infections, Immunizations, HIV Prevention and Care, Water System Revolving Fund, Beach Safety Assessment and Monitoring, Diabetes Reduction, Newborn Screening, and Disaster Preparedness.

These grants currently provide funding to the DHS Public Health and Administrative Services divisions. The Public Health Division projects federal fund grant revenue using applicable federal funding limits and requirements including the availability of state funds to meet matching or maintenance of effort (MOE) requirements.

Revenue budgeted in 2009-2011 EBL: \$366.8 million

Requirements to receive funding: Some have MOE requirements

Rehabilitation Act grants (U.S. Department of Education)

Rehabilitation Act grants are the major funding source for the programs provided through the CAF Office of Vocational Rehabilitative Services.

- Section 110 (Basic 110 Grant), which is available to help people with disabilities become employed, is a formula grant based on the state's population and per capita income. The funds available to Oregon are divided between Vocational Rehabilitation (87.5 percent) and the Commission for the Blind (12.5 percent). These Federal Funds must be matched with state funds. The match rate is 78.7 percent Federal Funds and 21.3 percent state match.
- Section 302 (Training Grant), which covers the cost of mandated rehabilitation services training, is awarded annually on a competitive basis. The grant must be matched with state funds at 90 percent Federal Funds and 10 percent state match.

- Section 633 (Title VI-C Grant for Supported Employment) assists the state in developing programs with public and private agencies for training and services leading to supported employment for individuals with severe disabilities. The grant is 100 percent Federal Funds and does not require a state match.
- Section 711 (Independent Living Rehabilitation, Part B) funds support the State Independent Living Council and statewide Independent Living Centers. The grant must be matched at 90 percent Federal Funds and 10 percent state match.

These grants currently provide funding to the DHS Children, Adult and Families, and Administrative Services divisions. The projection method is a grant cycle.

Revenue budgeted in 2009-2011 EBL: \$64.5 million

Requirements to receive funding: Part state funding match basis, Part MOE requirement

Social Services Block Grant (SSBG, Title XX)

The Social Services Block Grant (SSBG) is one of the most flexible grants provided by the U.S. Department of Health and Human Services. The objective of SSBG is to provide social services best suited to the needs of individuals residing in the state. Oregon uses SSBG to fund a number of programs including Employment Related Day Care, crisis nurseries, Supportive Remedial Day Care, social service components of residential treatment programs, and pre-delinquent/Level 7 Youth. SSBG has no matching or MOE requirements. However, in September 2008, the SSBG Program implemented an accountability measure designed to decrease the percentage of SSBG funds identified as “administrative costs” in the post-expenditure reports by states to nine percent.

SSBG currently provides funding to the DHS Children, Adults and Families, and Administrative Services divisions. The projection method is a grant cycle.

Revenue budgeted in 2009-11 EBL: \$39.5 million

Mental Health and Substance Abuse Prevention Treatment Grants

The Substance Abuse Prevention Treatment Block Grant provides funds to fund most alcohol and drug programs and some administrative costs. States that receive the funds must meet federal requirements – 20 percent of the grant must be spent on prevention, and service levels must be maintained for specified populations such as women and women with children. The grant is 100 percent Federal Funds.

These block grants currently provide funding to the DHS Addictions and Mental Health Division. The projection is based on a grant cycle.

Revenue budgeted in 2009-2011 EBL: \$42.4 million
Requirements to receive funding: MOE requirement

Temporary Assistance for Needy Families (TANF, Title IV-A)

Under the Personal Responsibility and Work Act of 1996 (PRWOA), Oregon is eligible to receive an annual federal block grant under the Temporary Assistance for Needy Families (TANF). In order to qualify for this grant, the state must expend a minimum of state and local revenues on TANF-related services to meet federal MOE requirements.

Some of these state and federal revenues fund TANF-eligible services. In Oregon, these services are cash assistance for single- and two-parent families, domestic violence emergency assistance, and employment and training (JOBS) services. DHS and other agencies also use TANF revenues to fund related programs such as child-related foster care, prevention services, alcohol and drug treatment services, transportation, and housing assistance for homeless persons. Administrative and direct service costs also can be reimbursed using TANF revenues. Administrative costs are limited to no more than 15 percent of total TANF expenditures, with certain limited exceptions.

The block grant concept, under which TANF operates, places constraints on service delivery. Federal Funds are capped, which means no federal revenue is available for increasing program costs. This limitation on revenue requires Oregon to essentially self-fund any program increases. The Deficit Reduction Act of 2005 authorizes TANF through September 30, 2010.

This block grant currently provides funding to the DHS Children, Adults and Families, Medical Assistance Programs and Administrative Services divisions. The projection method is a grant cycle.

Revenue budgeted in 2009-2011 EBL: \$332.1 million

Requirements to receive funding: MOE requirement (state funding of \$195.5 for this program is required)

Other Funds

Client Account Collections-Estates

Other Funds are collected from the estates of clients to reimburse previous cost of care. Collections are used as a reimbursement of cost and offset both the Title XIX program cost and the General Fund.

These collections currently provide funding to the DHS Seniors and People with Disabilities Division. The projection is expenditures based on estimated historical receipt trends.

Revenue budgeted in 2009-2011 EBL: \$17.9 million

DMAP uses the per member per month premiums for Families and Adults and Couples forecasted on a Standard sustainable caseload of 24,080, taking into account the collection rate and SB 782 as a basis for revenue premium projections. SB 782 eliminated premiums, effective January 1, 2006, for eligible individuals earning 0-10 percent of the FPL. The projected 2007-2009 revenues are not sufficient to sustain the Standard population through the entire 2009-2011 biennium.

These revenues currently provide funding to all DHS divisions. The projection method is historical receipt trends.

Revenue budgeted in 2009-2011 EBL: \$41.7 million

Provider Taxes

Oregon imposes taxes on three Medicaid provider groups –long-term care facilities (nursing homes), hospitals and managed care organizations (MCOs). Provider taxes produce state funds that are used to generate additional Federal Funds. The tax proceeds and the generated Federal Funds are used to increase provider rates and improve access to care. To limit the potential costs, Congress limits provider tax rates and requires taxes to meet “broad-based” tests. These tests are intended to ensure that revenues are not returned to providers in the same proportion they paid them.

The Deficit Recovery Act of 2005 (DRA) reduced the maximum provider tax rate from 6 percent to 5.5 percent and, beginning October 1, 2009, required managed care taxes to meet stricter “broad-based” tests.

Long -Term Care (LTC) facilities – The current LTC tax rate is approximately \$15 per bed day, which supports a per-day bed rate of approximately \$197 – an amount calculated to collect 5.5 percent of gross revenues of taxable long-term care facilities. Revenue projections are based on previous and current year tax reports, and include a growth factor. Provider tax revenues fund basic and complex long-term care services. This has allowed DHS to increase provider rates from an average of \$111 per day per patient in 2003 to the current average rate of approximately \$200 per day per patient. The 2007 Legislature extended the tax to July 1, 2014. The LTC provider

tax of approximately \$80 million and associated Federal Funds of approximately \$80 million generate approximately \$160 million per biennium.

Hospitals – The current hospital tax rate is 0.63 percent of the gross income of diagnosis-related group (DRG) hospitals. The tax sunsets October 1, 2009. The hospital tax and associated federal revenues increased Medicaid rates for hospitals and partially funds expanded access to health care to the OHP Standard population.

Managed care organizations (MCOs) – The current MCO tax rate is 5.5 percent of gross revenue of Medicaid MCOs. The tax sunsets October 1, 2009. The MCO tax and associated federal revenues increased MCO rates and expanded access to the OHP Standard population. OHP Standard receives no General Fund dollars; it is funded entirely by fees, the hospital and MCO provider taxes, and associated federal revenues. The hospital and MCO taxes and associated General Fund dollars generate approximately \$520 million per biennium.

The current MCO tax does not meet the federal “broad-based” tests that become effective October 1, 2009. To continue the tax beyond October 1, 2009, the state must expand the MCO provider class to include all MCOs and expand the tax base to include non-Medicaid business.

Because the hospital and MCO taxes sunset in 2009, the EBL phases out OHP Standard and restores it in a package.

These taxes currently provide funding to the DHS Children Adults and Families, Seniors and People with Disabilities, Medical Assistance Programs, and Administrative Services divisions.

Revenue budgeted in 2009-2011 EBL: \$141.1 million

Public Health Other Funds Sources

The Public Health Division has more than 150 sources of Other Funds revenue. These revenue sources include negotiated agreements to provide services, lab fees, inspection fees, certification fees, grant awards, client co-pays and other charges. The largest Other Funds revenue source supporting Public Health Division programs is the non-limited Women, Infants and Children (WIC) food rebate. The large number of Other Funds revenues reflects the variety of programs and services administered by the Public Health Division. A sampling of this diversity includes Cavity Prevention, Tobacco Prevention, Juvenile Violence Prevention, Medical Marijuana Certification, Environmental Laboratory Accreditation, Coordinated School Health, Breast Cancer Screening, Radiation Control, Drinking Water Operator Certification, Drug Lab Clean-Up, Health Records and Statistics, Newborn Screening, Cross Connection and Backflow Inspection, and funding of several Information Technology projects. See the Fee Schedule for details.

These fees currently provide funding to the DHS Public Health and Administrative Services divisions. Public Health Division projects Other Funds revenue sources using historic data, contract agreements, anticipated levels of service and changes to service charges (fees).

These fees currently provide funding to the DHS Public Health and Administrative Services divisions.

Revenue budgeted in 2009-2011 EBL: \$117.3 million

Nutrition and Health Screening (WIC) Program – infant formula rebates

Related to the Federal Nutrition and Health Screening (WIC) program, infant formula manufacturer rebates on purchases through the federal WIC program provide additional Other Funds revenues for the WIC program.

Revenue budgeted in 2009-2011 EBL: \$40 million

Unlimited Federal Funds: All rebates received may be used to fund this program

Tobacco Tax

Tobacco tax revenues approved in 1996 by Ballot Measure 44 were appropriated to DHS to fund additional program delivery positions performing eligibility determination for the Oregon Health Plan (OHP). Tobacco tax revenue is projected to decrease in 2007-2009. The Office of Economic Analysis forecasts tobacco tax revenue using a 12-month moving average consumption level developed from the Oregon Department of Revenue's Tax Distribution Record data. Price effects and per capita consumption impacts are applied, as well as the forecast for the 18-year-old and older population. Tobacco tax revenue is projected continue to decrease during the next two biennia.

Tobacco taxes currently provide funding to the DHS Medical Assistance Programs Division.

Revenue budgeted in 2009-2011 EBL: \$324.9 million

Lottery Funds

The Legislature provides the authority to allot Lottery revenues to DHS. ORS 461.549 reserves 1 percent of Lottery proceeds for DHS. Lottery Funds may be used only for problem gambling treatment and prevention services.

Lottery Funds currently provide funding to the DHS Addictions and Mental Health Division.

Revenue budgeted in 2009-2011 EBL: \$13.7 million

