

Key facts about the DHS budget

(REVISED Feb. 14, 2003)

Limited choices in cutting the budget:

- Oregon's financial crisis involves the general fund – primarily personal and corporate income taxes. Therefore, it's the general fund portion of budgets that state agencies must cut.
- General fund accounts for only about 25 percent of the DHS budget (About 60 percent is federal). This narrows the range of programs and services to which we can look for cuts that meet general fund reduction targets.
- About 87 percent of those general fund dollars are used to support federally required program levels or to match federal dollars. Each general fund matching dollar generally brings in \$1.50 in federal funds. Cutting general fund matching money therefore results in greater overall funding losses.
- HB 5100 allotment reductions and other direction we have received require specific general fund cut levels in each DHS division, even though these divisions have very different mixes of state and federal funds. (The current budget is structured by DHS former divisions; the 2003-2005 budget will reflect the current structure).
- About 80 percent of the department's budget goes out in direct payments to clients and to care providers such as foster parents, nursing homes, assisted living facilities, treatment programs, hospitals and local government agencies. Another 16 percent pays for DHS employees who work directly with clients. Administration accounts for about 4 percent.
- Therefore, significant savings can't be realized without major cuts to services.

Some key principles:

In identifying cuts, we:

- Looked to programs financed only with general funds, to avoid losing federal matching dollars.
- Sought to protect the most vulnerable, although all of our clients are vulnerable.
- Sought to avoid endangering federal or court-ordered mandates.
- Used all flexibility available under federal Oregon Health Plan 2 waivers.
- Sought to reduce programs before eliminating them.

Details by program area:

Mental Health and Addiction Services

- The first cuts were made in future investments. Examples: Funds to address expected caseload increases and to expand bed space at the Oregon State Hospital.
- Cuts were avoided in services for the most impaired, such as community residential care for adults and children.
- Cuts that would interfere with the department's legal responsibilities were avoided. For instance, forensic bed capacity at the state hospital was retained.
- We looked for realistic savings. For example, closing civil commitment state hospital beds costing \$300 a day would have forced patients into acute-care community hospitals, where beds cost three times as much.
- As required reduction levels increased, it became impossible to avoid eliminating virtually all funding for community outpatient and crisis services

Key facts about the DHS budget

for people not eligible for Medicaid.

- The November Emergency Board eliminated all mental health and addiction services for the OHP “standard” population (about 100,000 people) to avoid reductions in reimbursement to medical providers.

Office of Medical Assistance Programs

- We looked for Medicaid cuts that didn’t require statutory change or pose major federal obstacles. Reductions were designed to leave a foundation on which to rebuild a future, sustainable Medicaid program.
- We used all available flexibility in federal rules to reduce Oregon Health Plan coverage for various services in the order approved by the Health Services Commission.
- Reimbursement rates for services and providers were reduced if this action would not reduce access to services.
- Mandatory Medicaid services were preserved.

Public Health

- Public health has about 1 percent of the department’s general fund budget, most of which is contracted to counties to manage communicable disease and provide prenatal and early childhood services. These allocations, based on the population of each county, were reduced.
- More than 10 percent of public health general funds were allocated to 20 school-based health centers. State support to these centers has been important, but other funding sources are available.
- Cuts were made in areas where alternative services were available.

Services for seniors and people with physical disabilities

- The priority was to support people with the highest needs who receive long-term support in their own homes or in substitute care, such as foster

Key facts about the DHS budget

care, residential care, assisted living or nursing homes. We also sought to preserve general fund dollars that bring in federal matching funds, and to minimize cuts in provider reimbursements that would cause providers to reduce their capacity.

- With these criteria, we ranked cuts as follows:
 - Rate reductions for substitute care providers, removing previously granted inflationary increases.
 - Programs paid for only with general funds, such as Oregon Project Independence and General Assistance.
 - Cuts in long-term care according to survival priority level (People receiving care are classified in 17 levels, with those in the lowest levels requiring the most care). Services were reduced first to people in levels 15-17, and then to those in levels 10-14. We believe that reductions below level 10 would cause legal problems.

Services for people with developmental disabilities

- The priority was retaining 24-hour care services wherever possible.
- To reach the HB5100 target, this meant cutting all non-24-hour care – including in-home support such as respite care, attendant care, housing modifications etc. – and then other services such as transportation, employment services and special equipment.

Services to Children and Families

- As elsewhere, cuts had to be focused on programs paid for largely with general funds. System of Care was eliminated, including about 30 positions. Foster care special rates and foster care and adoption assistance payments were reduced.
- Foster care and adoption assistance payments were reduced equally; federal regulations prohibit reductions in adoption assistance greater than those in foster care payments.
- We tried to preserve basic services in child protection, foster care and adoptions, and to sustain efforts that help children stay with their families rather than entering substitute care.

Adult and Family Services

- Cuts to TANF were minimized (average monthly cash payment was reduced \$5), because payments have not seen a cost-of-living increase since 1991. The maximum monthly grant for a family of three drops to \$498.
- We also chose smaller cuts to the JOBS program, because it's the means to move families to self-sufficiency. In addition, demands on this program are likely to increase as federal reauthorization brings changes to TANF.
- The Regular Emergency Assistance Program, used mainly to help people facing crises in retaining housing, was closed out for the remainder of the 2001-2003 biennium. Previously, the maximum grant had been reduced from \$350 to \$100.
- Significant reductions were made in Employment Related Day Care, the remaining program area with significant general fund support. The recipients of these funds have employment, and thus other income. The reduction actions included raising co-payment requirements; the minimum monthly co-pay has increased from \$25 to \$43.