



Oregon

Theodore R. Kulongoski, Governor

Department of Human Services

Office of the Director

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November 15, 2010

The Honorable Peter Courtney, Co-Chair
The Honorable Dave Hunt, Co-Chair
State Emergency Board
900 Court St. NE
H-178 State Capitol
Salem, OR 97301-4048



Re: December 2010 DHS 2009-11 Budget Rebalance Replacement

Dear Co-Chairpersons:

NATURE OF REQUEST

The Department of Human Services (DHS) requests approval of its December 2010 budget rebalance for the 2009-11 Biennium. This includes all issues subsequent to the July 2010 Rebalance; those from the September financial update report, the intentions of the Emergency Board at the September meeting, plus all needed adjustments in appropriations and expenditure limitations identified since September 2010.

DHS will not be completely rebalanced with these changes, and a \$10.5 million GF deficit (about 0.3% of its Legislatively Approved Budget GF authority) will remain in the Seniors and People with Disabilities division appropriation. Increased cost in Developmental Disability programs is the primary reason for the deficit position.

Because the DHS budget is very complex and fluid, and expenditure and revenue projections will likely continue to move through the rest of the biennium, particularly in this economic environment, the department is not requesting additional GF authority to address this deficit, rather it will continue to manage its budget within its current GF authority.



To achieve this, the department will continue stringent non-program administrative cost reduction plans, and maximize all available Federal and Other Fund revenue sources. Additional revenues from such sources as the Children's Health Insurance Program Reauthorization Act (CHIPRA) bonus funding (\$1.6 Million), increased funding in the Substance Abuse Prevention and Treatment grant (\$1.0 Million), and Supplemental Nutrition Assistance Plan (SNAP) bonus funding (\$2.4 Million) are additional tools available to the department to manage its GF budget. An additional CHIPRA bonus this biennium is also expected, and while the exact amount is not yet known, it is anticipated to be several times the amount of the \$1.6 bonus already received. In addition, while the forecast of available Tobacco Tax revenues has been very volatile, with significant swings in the projections, there could be additional Tobacco Tax revenues available to the department over the remainder of the biennium. While there is a portion of the Special Purpose Appropriation (SPA) established earlier this year related to DHS budget management that remains, the department does not anticipate needing these funds to manage its budget at this time. However, with the volatility of program costs driven by current economic conditions, the SPA may be a consideration later in the biennium.

Summary of changes since the September 2010 E-board:
 (The DHS December 2010 Rebalance provides the details of these issues)

Department of Human Services
 TOTAL DEPARTMENT & DIVISION
 December 2010 - Rebalance

	General Fund DHS Need / (Surplus)	ASD	CAF	DMAP	AMH	PHD	SPD
Cost/Revenue changes relative to the 2009-11 LAB after September 2010 E-Board:							
Program cost changes since September	\$ 19.8	\$ -	\$ -	\$ 5.3	\$ (0.02)	\$ -	\$ 14.5
Additional / New Revenues since September	\$ (7.1)	\$ -	\$ -	\$ (5.5)	\$ -	\$ -	\$ (1.6)
Other Issues - ORKIDS system	\$ 1.4	\$ 1.4	\$ -	\$ -	\$ -	\$ -	\$ -
DHS Internal Management Actions to Rebalance	\$ (3.7)	\$ (1.4)	\$ -	\$ -	\$ -	\$ -	\$ (2.3)
Total - Changes subsequent to September	\$ 10.5	\$ -	\$ -	\$ (0.2)	\$ (0.02)	\$ -	\$ 10.7

One of the critical assumptions that this rebalance is based upon is that the June 2010 Allotment reduction plans are implemented when planned and yield the expected cost reductions. Several of these reductions were delayed

by the Emergency Board by using a portion of the DHS Special Purpose Appropriation and the projected GF surplus in the DHS September Financial Update. These delayed reductions will need to be implemented at the delayed start date to achieve the planned reduction amounts. People who will be affected by these reductions will need to be notified by:

Reductions delayed to March 2011:	Notification Date
In-Home – Instrumental Activities of Daily Living – reduced hours.	January 28, 2011
Reductions to case management of children with developmental disabilities.	January 28, 2011
Community Mental health programs.	January 28, 2011
Oregon Project Independence program reductions.	January 28, 2011
County Developmental Disability Targeted Case Management reductions.	January 28, 2011
Developmental Disabilities Family Support reductions.	January 28, 2011
Employment Related Day Care program reductions.	January 28, 2011

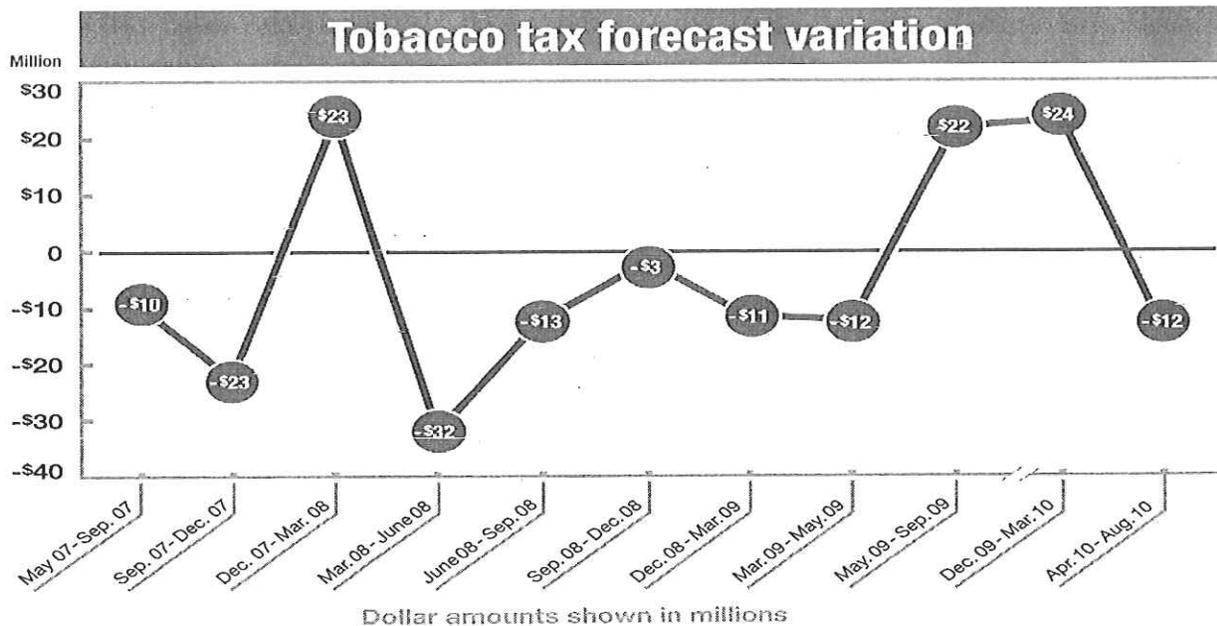
Additional Risks:

Program Costs:

The duration and effect the economic recession will have on the demand for DHS services and caseloads are ongoing risk factors for the agency. Continued record high unemployment and the precarious economic situation of both the state and the nation have led to record high increases in caseloads and demand for services. How long and to what extent this will continue is difficult to project and adds significant risk that program costs will exceed our September financial update.

Tobacco Tax/Tobacco Master Settlement revenues:

This forecast has historically fluctuated, increasing and decreasing widely and affects the Tobacco Tax revenues anticipated to fund Oregon Health Plan programs. Here is how these forecasts have adjusted projected Medical Assistance program Tobacco Tax revenues during the last three years:



Declines/increases in Tobacco Tax revenues shifts cost to and from GF, increasing or reducing GF need. Because these forecasts are volatile, there is additional risk to the expected level of Tobacco Tax revenues assumed in this financial update.

Tobacco Settlement: Funding of the approved budget for DHS includes \$30 million in Tobacco Settlement revenue. This revenue is from a lawsuit brought by 46 states against the tobacco industry for recovery of their tobacco-related health care costs. Oregon used the majority of these funds to finance the debt service on Oregon Health & Science University Opportunity Bonds and the 2003 Appropriation Credit. Oregon expects a payment of Tobacco Settlements every April of about \$80 million which is a decrease of approximately \$11 million each year from the October 2009 estimate. The projected revenue decrease is primarily the result of the 2009 increase in the federal excise tax on cigarettes and Phillip Morris paying the disputed portion of the Master Settlement Account (MSA) payment to the disputed payments escrow account rather than paying the State. As such, the Budget and Management Division of DAS and the Legislative Fiscal Office have delayed the May 2010 payment of \$15 million to DHS pending a reassessment of debt service costs during the 2009-11 biennium and 2011- 13 biennium.

If the actual Tobacco Settlement revenues received by DHS are less than planned, additional general funding would be needed to sustain the Medical Assistance programs that these Tobacco Settlement revenues fund.

Temporary Assistance to Needy Families (TANF) Penalties:

Two potential Federal TANF related penalties are still pending, totaling \$16.3 million. The potential for these two penalties have been included as risks in prior DHS Rebalance and Financial Update reports. These penalties are based on not achieving TANF work participation targets. The department is appealing these penalties and it is unknown at this time as to the outcome of the appeal or the timing of resolution of these penalties, which could be either the 2009-11 biennium or 2011-13 biennium. The job participation penalty for 2007 FFY is \$8.3 million and for FFY 2008 it is \$8 million, a total of \$16.3 million.

Timing of expenditures related to new MMIS:

The department has corrected many of the defects in the new Medicaid Management Information System that was implemented last year. We expect the new system will be ready for federal certification by December. As the defects are corrected, there is a potential risk for some adjustments to past claims. The department has assumed some additional costs for these adjustments in projections through the rest of the biennium. However, it is possible that the adjustments could vary from the projections, depending on the amount of any identified underpayments and the state's ability to recoup any overpayments. While any potential adjustments can not be predicted precisely, cost changes of up to \$10 million (plus or minus) could occur later this biennium. The major uncertainty involves payments to managed care organizations. We are working closely with the organizations and fiscal staff to narrow the range as soon as possible.

Remainder of 2009-11:

Given the volatility of the economy and the significant risks that the department faces, the reality is that this DHS financial position could change. While DHS has managed to stay within or very close to its budget, it has meant reductions in services, payments to providers and workforce. If the future brings more or greater shortfalls, DHS could be required to reduce services further.

ACTION REQUESTED

DHS is not requesting a change in its total General Fund Legislatively Approved Budget authority, however does request approval of needed shifts between DHS General Fund Appropriations. In addition, DHS requests all Other and Federal Fund limitation, and position authority changes needed for this Rebalance. DHS will not be completely rebalanced with these changes, and a \$10.5 million GF deficit will remain in the Seniors and People with Disabilities division appropriation. Barring additional risks, we anticipate being able to manage within this as described earlier.

LEGISLATION AFFECTED

Attachment B lists all requested adjustments by appropriation and limitation reference.

Sincerely,



Jim Scherzinger
Deputy Director of Finance

Attachments

CC: Linda Ames, Legislative Fiscal Office
Sheila Baker, Legislative Fiscal Office
Blake Johnson, Budget Analyst, DAS/BAM
Kelly Freels, Budget Analyst, DAS/BAM
Kate Nass, Budget Analyst, DAS/BAM



REPORT TO THE STATE EMERGENCY BOARD

The Department of Human Services (DHS) Rebalance Request
December 2010

Department of Human Services – December 2010 Rebalance:

The Department of Human Services presented financial updates at each State Emergency Board meeting in 2010. In July 2010, the Emergency Board approved a DHS budget rebalance that reflected the department's May 2010 financial update. Here's a summary of DHS General Fund budget following the July 2010 Emergency Board actions:

Department of Human Services
 Legislatively Approved Budget
 At July 2010 Emergency Board
 (Millions)

	Total - Department of Human Services	Administrative Services Division	Addictions & Mental Health Division	Children, Adults & Families Division	Medical Assistance Programs	Public Health Division	Seniors & People with Disabilities
LAB @ February 2010 Session	3,448.4	242.0	612.7	703.7	873.8	48.9	967.3
July 2010 DHS Rebalance (May 2010 Financial Update)	-	1.1	(2.4)	5.1	(45.4)	-	41.5
LAB @ July 2010	3,448.4	243.1	610.3	708.9	828.4	48.9	1,008.8
E-Board additions to DHS budget	15.4	-	3.6	-	(1.8)	-	13.6
GF -2009-11 LAB Funding @ July 2010	3,463.8	243.1	613.9	708.9	826.7	48.9	1,022.4

September 2010 Financial update:

The department presented another financial update at the September 2010 Emergency Board meeting. This update included changes in program costs due to the Fall 2010 caseload forecast (complete in August), a projected decline in tobacco tax revenues used to fund health care programs, and August extension of the federal American Recovery and Reinvestment Act (ARRA) stimulus funding based on the Federal Medical Assistance Rate (FMAP). Here is a summary of these changes:

Department of Human Services
September 2010 - Financial Update Report
General Fund (Millions)

<u>Budget Issue</u>	<u>Total - Department of Human Services</u>	<u>Admin. Services Division</u>	<u>Additions & Mental Health Division</u>	<u>Children, Adults & Families Division</u>	<u>Medical Assistance Programs</u>	<u>Public Health Division</u>	<u>Seniors & People with Disabilities</u>
1. Changes in program costs based on the Fall (August 2010) caseload & cost forecast.	2.6	0.0	-0.3	-4.8	1.7	0.0	6.0
2. Decline in forecast of Tobacco Tax Revenue	12.6	0.0	0.0	0.0	12.6	0.0	0.0
3. Additional Federal funding from extension of enhanced Federal Medical Assistance Percentage (FMAP) rate	-123.3	0.0	-4.3	-3.9	-73.5	0.0	-41.6
Total - Net General fund - DHS September 2010 Financial update position	-108.1	0.0	-4.6	-8.8	-59.1	0.0	-35.6

Also in September, the Governor ordered General Fund allotment reductions to address revenue declines in the September state revenue forecast by the Office of Economic Analysis. The department's allotment reductions totaled \$104.4 million

September Emergency Board Intent:

At the September 2010 Emergency Board meeting, the Emergency Board stated its intent to redistribute General Funds made available by the Federal ARRA extension of the FMAP stimulus rate to offset the Governor's allotment reductions. The September Financial position of the department after this allotment reduction backfill was a \$3.7 million GF surplus. (See Attachment A for further details.)

The Emergency Board also indicated that this projected surplus, plus \$3 million of Special Purpose Appropriation funding be directed to the DHS Children, Adults, and Families appropriation to buy back a portion of the Employment Related Day Care reduction made in response to the June 2010 allotment reduction.

Finally, the Emergency Board confirmed the department's plans to achieve \$10.8 million in "non-program" General Fund budget reductions. The July Emergency Board had directed the department to find these reductions to permit restoration of three program reductions proposed in the Seniors and People with Disabilities (SPD) budget in response to the June 2010 allotment reductions. Here is a summary of these changes.

<u>E-Board Intent</u>	<u>Total - Department of Human Services</u>	<u>Admin. Services Division</u>	<u>Addictions & Mental Health Division</u>	<u>Children, Adults & Families Division</u>	<u>Medical Assistance Programs</u>	<u>Public Health Division</u>	<u>Seniors & People with Disabilities</u>
Total - Net General fund - DHS September 2010 Financial update position	(108.1)	-	(4.6)	(8.8)	(59.1)	-	(35.6)
1. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD	-	-	(1.4)	(2.0)	(4.0)	(0.5)	7.9
2. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reductions	104.4	6.6	17.7	21.6	23.7	1.4	33.4
3. E-board directed - use of Sept Financial Update DHS surplus to delay ERDC reduction	3.7	-	-	3.7	-	-	-
4. E-board directed - use of 2009-11 Special Purpose Appropriation funding to delay ERDC reduction	3.0	-	-	3.0	-	-	-
Total - Net General fund - DHS budget at September 2010 E-board	3.0	6.6	11.7	17.5	(39.4)	0.9	5.7

December 2010 Rebalance:

The September Emergency Board did not formally rebalance DHS's budget. Thus, this December 2010 rebalance includes the issues in the September financial report, the intentions of the Emergency Board at the September meeting, plus any new issues and adjustments that have been identified since September.

This rebalance also assumes that all of the budget reductions proposed in response to the June 2010 allotment reductions will be implemented, including those that were delayed by the July Emergency Board until March 1, 2011.

The delayed reductions were in the following programs:

- In-Home – Instrumental Activities of Daily Living – reduced hours
- Case management of children with developmental disabilities.
- Community Mental Health programs.
- Oregon Project Independence.
- County Developmental Disability Targeted Case Management.
- Developmental Disabilities Family Support.
- Employment Related Day Care.

With these underlying assumptions, the department requests Emergency Board approval of the needed adjustments to its budget due to changes in program caseload forecasts, program costs, federal policies/rates, operational costs, changes in available Other Funds and Federal Funds revenues, and adjustments needed in Other Funds and Federal Funds limitations that are explained in this report.

While some appropriations are projected at a surplus position, and some in deficit, **overall the department is in a \$10.5 million GF deficit position (about 0.3% of it's Legislatively Approved Budget GF authority).**

The DHS budget is very complex and fluid, both expenditure and revenue projections will likely continue to move through the rest of the biennium. Therefore, **the department is not requesting additional GF authority to address this deficit.** Instead it will continue to manage its budget within the current GF authority. Additional revenues from such sources as the Children's Health Insurance Program Reauthorization Act (CHIPRA) bonus funding (\$1.6 Million), increased funding in the Substance Abuse Prevention and Treatment grant (\$1.0 Million), and Supplemental Nutrition Assistance Plan (SNAP) bonus funding (\$2.4 Million) are additional tools available to the department to manage its GF budget. We also anticipate receiving an additional CHIPRA bonus this biennium and while the exact amount is not yet known, we anticipate it will be several times the amount of the \$1.6 bonus we have already received. In addition, while the forecast of available Tobacco Tax revenues has been very volatile, with significant swings in the projections, there could be additional Tobacco Tax revenues available to the department over the remainder of the biennium. While there is a portion of the Special Purpose Appropriation (SPA) established earlier this year related to DHS budget management that remains, the department does not anticipate needing these funds to manage its budget at this time. However, with the volatility of program costs driven by current economic conditions, the SPA may be a consideration later in the biennium.

The major issues included in this December 2010 rebalance are:

Department of Human Services
TOTAL DEPARTMENT
DECEMBER 2010 - REBALANCE:

	GF	OF	FF	TF	Pos	FTE
Current 2009-11 LAB (Sept 2010 E-board):	3,466,769,020	1,899,336,726	10,449,677,402	15,815,783,148	11,544	11,027.51
DHS September 2010 Financial Update	\$ (108,145,695)	\$ (29,666,922)	\$ 135,617,736	\$ (2,194,881)	-	-
September 2010 Emergency Board intent	\$ 108,145,695	\$ (55,439)	\$ (7,803,141)	\$ 100,287,115	-	-
Issues since September:						
1. Program cost changes - in relation to Fall 2010 forecast costs	19,811,188	14,511,002	9,917,490	44,239,680	-	-
2. Other / Federal fund revenue changes:	(7,098,185)	24,624,035	42,750,692	60,276,542	78	30.06
3. All other budget challenges & adjustments:	1,445,294	(1,560,099)	1,524,732	1,409,927	-	-
4. Management Actions:	(3,695,294)	-	(577,294)	(4,272,588)	-	-
Subtotal - Changes since September	10,463,003	37,574,938	53,615,620	101,653,561	78	30.06
Total - DHS Position	10,463,003	7,852,577	181,430,215	199,745,795	78	30.06
* Net Technical Adjustments	-	-	-	-	-	-
Net deficit (surplus) to DHS LAB - December 2010 Rebalance Position	10,463,003	7,852,577	181,430,215	199,745,795	78	30.06
December 2010 Rebalanced LAB position	3,477,232,023	1,907,189,303	10,631,107,617	16,015,528,943	11,622	11,057.57
Less; June 2010 Allotment Reductions - unscheduled	(158,206,334)	-	-	(158,206,334)	-	-
Less; September 2010 Allotment Reductions - unscheduled	(104,389,923)	-	-	(104,389,923)	-	-
Net - Available 2009-11 LAB	3,214,635,766	1,907,189,303	10,631,107,617	15,752,932,686	11,622	11,057.57
December 2010 Rebalance Request	-	7,852,577	181,430,215	189,282,792	78	30.06

December 2010 Rebalance Issues subsequent to September 2010 Emergency Board:

General Fund
DHS
 Need / (Surplus) ASD CAF DMAP AMH PHD SPD

Cost/Revenue changes relative to the 2009-11 LAB after
 September 2010 E-Board:

Program cost changes since September	\$	19.8	\$	-	\$	-	\$	5.3	\$	(0.02)	\$	-	\$	14.5
Additional / New Revenues since September	\$	(7.1)	\$	-	\$	-	\$	(5.5)	\$	-	\$	-	\$	(1.6)
Other Issues - ORKIDS system	\$	1.4	\$	1.4	\$	-	\$	-	\$	-	\$	-	\$	-
DHS Internal Management Actions to Rebalance	\$	(3.7)	\$	(1.4)	\$	-	\$	-	\$	-	\$	-	\$	(2.3)
Total - Changes subsequent to September	\$	10.5	\$	-	\$	-	\$	(0.2)	\$	(0.02)	\$	-	\$	10.7

1. Program cost per case and other costs changes:

Since the Fall forecast, cost changes to DHS programs are:

<u>PROGRAM:</u>	<u>GF Need (Savings)</u> (Millions)
Medical Assistance Programs	+\$ 5.3
Aged & Physically Disabled Programs	+\$ 2.8
Developmentally Disabled Programs	+\$ 11.7
Net cost change – DHS Programs:	+\$ 19.8

Medical Assistance Programs: Changes in program costs are the result of two issues: 1) Unachieved allotment reductions - in response to the Governor's first allotment reduction in June 2010, the department included in its reduction plan a savings from the implementation of the new capitation rates to be paid to managed care organizations (MCOs) starting January 1, 2011. These were the preliminary rates that our actuaries were developing earlier this year. The department anticipated a \$5.1 million General Fund savings from the new capitation rates. The finalized actuary-certified capitation rates will generate \$2.6 million in General Fund savings, resulting in a \$2.5 million General Fund budget challenge. The capitation rate savings are primarily driven by changes in caseload projections, the Medicaid match rate, and co-payment and third party recovery offsets in the capitation rates, which were not fully known in the preliminary rate calculations.

2) Greater Graduate Medical Education (GME) costs than previously anticipated - Graduate Medical Education includes two components, Direct Medical Education (DME) and Indirect Medical Education (IME). The increase in costs is primarily caused by an increase in IME related to an increase in inpatient hospital reimbursement. Effective October 1, 2009, the department increased inpatient hospital reimbursement to 100 percent of current Medicare unit values,

as required by House Bill 2116 (2009 Regular Session). The IME payment calculation relies upon the Medicare unit value used for inpatient reimbursement. With the October increase in inpatient reimbursement, IME payments also increased. During the February 2010 Special Session, the GME General Fund budget was increased to add two new teaching hospitals and to address this budget challenge; however, payments have exceeded the estimated cost by \$2.8 million GF.

Aged & Physically Disabled programs: General Fund costs for Home-Care Workers programs are higher than previously anticipated due to lower federal participation in this program than planned. DHS clients in In-Home long term care programs pay a small portion of the cost for their care based on an income/resource based sliding scale. These "client contributions" are considered in budget development as available Other Fund resources, reducing General Funds needed for these programs. Budgeted client contribution payments were included in the calculation of federal Medicaid match in the Home-Care Worker program budget. While client contributions reduce the cost to the state for these services, these payments are not eligible for Medicaid match. By including them as Medicaid match funds, the federal funding for this program was overstated. Correction of this increases the GF needed in the program by \$4.4 million. In addition, costs for Live-in Home Care have increased by \$1.1 million GF since September. A portion of these increases in cost is offset by a slight savings in Nursing Facility costs and Home Care Benefits costs since the September projection, a total of (\$2.7) million in savings.

Developmentally Disabled (DD) Programs: Costs have increased in these programs since the September update due to increased costs for new DD clients coming into the Residential Care program at higher acuity levels that require more services and higher cost care settings. In addition, the DD Residential care rate setting initiative efforts that were launched in 2008 and continued through the 2009-11 biennium, has yielded higher costs than anticipated. While efforts to curb these added costs have been implemented, the average cost per case for the Residential Care program is projected to exceed earlier projections and result in greater costs. A portion of the increased DD costs will be off-set by additional efforts to reduce costs in other DD services and maximize all available federal funding.

2. Changes in Other and Federal Fund Revenues:

- Improved Estates Recovery Other Fund revenue (SPD): Based on more recent collection patterns and the level of outstanding Estate accounts, a projected \$1.6 million of additional Estates Recovery Other Fund revenues is anticipated to fund Aged and Physically Disabled programs, reducing the need for GF in this program.

- Prescription Drug litigation settlements (DMAP):
 - A global prescription drug litigation settlement with GlaxoSmithKline pharmaceutical company related to the drug Paxil will result in \$1.7 million of additional recovery Other Fund revenue for the Division of Medical Assistance Programs that will reduce GF need.
 - An additional prescription drug litigation settlement with Norvartis and AstraZenica/Seroquel pharmaceutical company will result in \$1.7 million of additional recovery Other Fund revenue for the Division of Medical Assistance Programs that will reduce GF need.

- Additional Provider Tax Other Funds: As noted earlier, effective October 1, 2009, the department increased inpatient hospital reimbursement to 100 percent of current Medicare unit values, in agreement with hospitals paying the hospital provider tax and as required by House Bill 2116 (2009 Regular Session). Hospital tax revenue is used to pay for enhanced inpatient reimbursement to 100 percent of current Medicare. The Indirect Medical Education IME payment calculation relies upon Medicare unit values used for inpatient reimbursement. With the October increase in inpatient reimbursement, IME payments increased by \$3.6 million (State Funds) for the biennium. Hospital representatives support using hospital provider tax revenue to fund this increase since it results in enhanced reimbursement to hospitals.

- Adjustment of allowable Medicaid funding for Family Planning Expansion Project (FPEP) charges: Medicaid reimbursement of charges related to this program is at a 90% Medicaid match rate. A recent audit of this program found a few claims that had been reimbursed by Medicaid did not qualify for the higher match rate and were adjusted to the general Medicaid program rate. This adjustment reduced Medicaid funding by (\$1.5) million, resulting in an increase in GF need.

- New Other & Federal fund grants: Several adjustment to Other and Federal fund limitation is also requested. Most of these are related to new grants and increases in other fund sources for Medicaid match which do not off-set General Fund need. The larger increases include an Addictions and Mental Health Access to Recovery federal grant, a Children, Adults, and Families Early Childhood Education Grant, several categorical Public Health grants, and additional Medicaid match county funding in the Seniors, Adults, & Families programs.

3. All Other Issues:

One of the July 2010 Governor's allotment reductions within the Administrative Services Division appropriation was a delay/slow-down of the Oregon Kids (ORKIDS) systems project, the state automated child welfare information system. The anticipated GF savings for 2009-11 from this action was \$1.4 million. The system was to be brought on-line later in the biennium, however several parts of the system were not yet functioning properly. In order to assure that the system is fully functioning properly before "go-live", the department negotiated additional quality assurance work with the vendor. This additional work will make the planned allotment reduction unachievable, creating a GF need.

4. Management Actions:

Internal "non-program" cost reduction measures to offset a portion of the increases in costs noted above include:

- Additional personnel costs savings from the Administrative Services Division hiring freeze of \$577,300 and savings in the Criminal Records Information Management System and Integrated Collections Management systems projects of \$868,000 will off-set the additional cost for the ORKIDS project noted earlier.
- Additional cost savings in the service & supplies budget of the Seniors & People with Disabilities division. Cost controls of travel, training, supplies, and contract services along with delays in the Express system development and consolidation of Life Span Respite services will reduce costs by \$2.25 million GF.

DHS Technical Adjustments:

Several technical adjustments needed to redistribute funding between DHS division appropriations or between divisional program structures. These entries do not change in the GF appropriation, Other or Federal limitation or position authority for the department.

The larger adjustments include the transfer of GF from the Children, Adults, and Families division appropriation to the Division of Medical Assistance Programs to help fund the joint Children's Wraparound Initiative (\$602,528). Shifting the Lifespan Respite program budget from the Administrative Services Division to the Seniors and People with Disabilities division to consolidate these services (\$300,353). Shifting budgeted GF in the Capital Improvements appropriation to the Addictions & Mental Health division to supplement the development of the Electronics Medical Records System for the Blue Mountain Recovery Center (\$612,603). In addition,

several Other and Federal fund budget shifts are included to align DHS divisions with the DHS Cost Allocation plan.

DHS Rebalance Financial Position by Division:

The major elements of the DHS rebalance have been presented as a department above. Please see appendix A1-A11 for how these issues effect each DHS division and the net fund positions of each division.

OTHER DHS FINANCIAL RISKS AND OUTSTANDING ISSUES:

DHS 2010 Allotment Reductions: The DHS Rebalance assumes that the proposed reductions in response to the June allotment reductions will be implemented when planned and the reductions fully achieved. Several of these reductions were delayed by the Emergency Board by using a portion of the DHS Special Purpose Appropriation and the projected GF surplus in the DHS September Financial Update. These delayed reductions will need to be implemented at the delayed start date to achieve the planned reduction amounts. People who will be affected by these reductions will need to be notified by:

Reductions delayed to March 2011:

Notification Date

In-Home – Instrumental Activities of Daily Living – reduced hours.	January 28, 2011
Reductions to case management of children with developmental disabilities.	January 28, 2011
Community Mental health programs.	January 28, 2011
Oregon Project Independence program reductions.	January 28, 2011
County Developmental Disability Targeted Case Management reductions.	January 28, 2011
Developmental Disabilities Family Support reductions.	January 28, 2011
Employment Related Day Care program reductions.	January 28, 2011

Caseload Forecast Risks: The duration and effect the economic recession will have on the demand for DHS services and caseloads are ongoing risk factors for the agency. Continued record high unemployment and the precarious economic situation of both the state and the nation have led to record high increases in caseloads and demand for services. How long and to what extent this will continue is difficult to project and adds significant risk that program costs will exceed our December Rebalance projections.

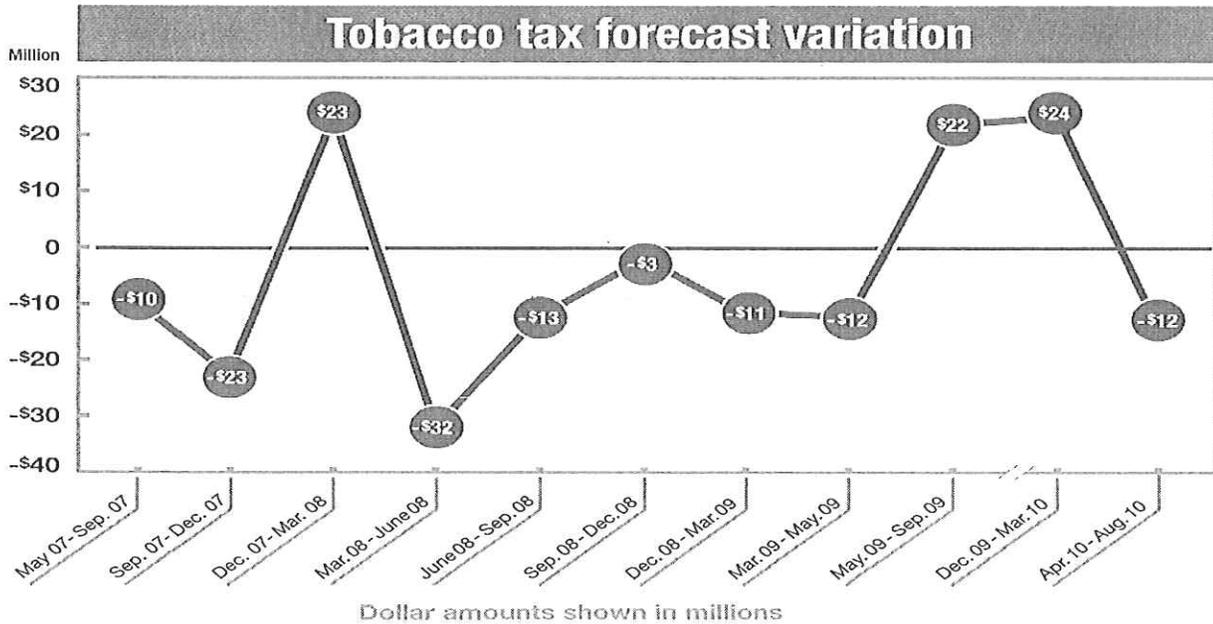
DHS - Caseload to Workload Update: Needed staffing investments were made during the 2009 Session, in both the Children, Adults and Families Division (CAF) Self Sufficiency and Child Welfare programs areas. However, increasing caseloads in Self Sufficiency and workloads in Child Welfare combined with the reduction in capacity of employees due to the hiring freeze and furloughs continue to create significant challenges for CAF direct service and other staff to provide services to Oregon's most vulnerable citizens.

Employment Related Day Care (ERDC) Program Options and Possible Federal Investment: In September the Emergency Board directed the Employment Related Day Care program to partially restore the reduction taken in the ERDC program due to the June allotment reductions by extending the ERDC program without a TANF-leaver restriction but capped at 10,000 cases through February 2011. Based on this direction, the current budget assumes that about 5,000+ cases will be removed from the ERDC program March 1, 2010 in order to stay within budget. Without additional investments, notices will go out by January 28, 2010 to that effect. The specific policy to target removal has not been finalized and no specific direction was provided in September. Direction must be provided at the December Emergency Board to avoid the removal of ERDC clients on the caseload at the end of February. While there is still the possibility of additional federal funds in the FFY 11 budget, this will likely not be decided by the time the Emergency Board meets.

TANF Contingency Funds: CAF is in process of analyzing the ability and risks of drawing TANF Contingency funds. TANF Contingency Funds were extended as part of the continuing resolution to make funding available in FFY 2011. States qualify on a monthly basis for contingency funding. Oregon is eligible for up to \$33 million in TANF contingency funds, but must spend to a certain level of "qualified state Maintenance of Effort (MOE) expenditures" to keep some or all of these funds at the end of a reconciliation process. Eligibility is triggered by high unemployment or SNAP caseloads and it appears Oregon should be eligible for all of FFY 11. Current spending in 2009-11 for the last 3 quarters of the biennium plus 70% of the "MOE" anticipated from other state agencies for FFY 11 are estimated to get Oregon close to or just over the MOE level. At this level Oregon would keep about \$20 million and would need to repay the Federal Government \$13 million by the end of FFY 12. If additional state expenditures above MOE are made in the first quarter of 2011-13; additional FF would be kept at the FMAP rate. An additional \$20 million would need to be spent to keep all \$33 million. To make these funds a viable option, CAF must be adequately budgeted in 2009-11 (no further state fund reductions can be taken in TANF programs) to ensure the MOE is met and the 2011-13 budget must account for spending above the normal TANF MOE level in order to pay back anticipated amounts after the FFY 11 reconciliation process. If Oregon fails to meet the MOE requirement all funds must be repaid.

TANF Penalties: Two potential Federal TANF related penalties are still pending, totaling \$16.3 million. The potential for these two penalties have been included as risks in prior DHS Rebalance and Financial Update reports. These penalties are based on not achieving TANF work participation targets. The department has appealed these penalties and it is still unknown as to the outcome of the appeal or the timing of resolution of these penalties. At this point the earliest these penalties could be levied is in the 2011-13 biennium. The job participation penalty for 2007 FFY is \$8.3 million and for FFY 2008 it is \$8 million, a total of \$16.3 million.

Tobacco Tax revenues: This forecast has historically fluctuated, increasing and decreasing widely and affects the Tobacco Tax revenues anticipated to fund Oregon Health Plan programs. Here is how these forecasts have adjusted projected Medical Assistance program Tobacco Tax revenues during the last three years:



Declines/increases in Tobacco Tax revenues shifts cost to and from general fund; increasing or reducing general fund need. Because these forecasts are volatile, there is additional risk to the expected level of Tobacco Tax revenues assumed in this financial update.

Tobacco Settlement: Funding of the approved budget for DHS includes \$30 million in Tobacco Settlement revenue. This revenue is from a lawsuit brought by 46 states against the tobacco industry for recovery of their tobacco-related health care costs. Oregon used the majority of these funds to finance the debt service on Oregon Health & Science University Opportunity Bonds and the 2003 Appropriation Credit. Oregon expects a payment of Tobacco Settlements every April of about \$80 million which is a decrease of approximately \$11 million each year from the October 2009 estimate. The projected revenue decrease is primarily the result of the 2009 increase in the federal excise tax on cigarettes and Phillip Morris paying the disputed portion of the Master Settlement Account (MSA) payment to the disputed payments escrow account rather than paying the State. As such, the Budget and Management Division of DAS and the Legislative Fiscal Office have delayed the May 2010 payment of \$15 million to DHS pending a reassessment of debt service costs during the 2009-11 biennium and 2011- 13 biennium. If the actual Tobacco Settlement revenues received by DHS are less than planned, additional general funding would be needed to sustain the Medical Assistance Programs that these Tobacco Settlement revenues fund.

Timing of expenditures related to new MMIS: The department has corrected many of the defects in the new Medicaid Management Information system that was implemented last year. We expect the new system will be ready for federal certification by December. As the defects are corrected, there is potential risk for some adjustments to past claims. The department has assumed some additional costs for these adjustments in projections through the rest of the biennium. However, it is possible that the adjustments could vary from the projections, depending on the amount of any identified underpayments and the state's ability to recoup any overpayments. While potential adjustments can not be predicted precisely, cost changes of up to \$10 million (plus or minus) could occur later this biennium. The major uncertainty involves payments to managed care organizations. We are working closely with the organizations and fiscal staff to narrow the range as soon as possible.

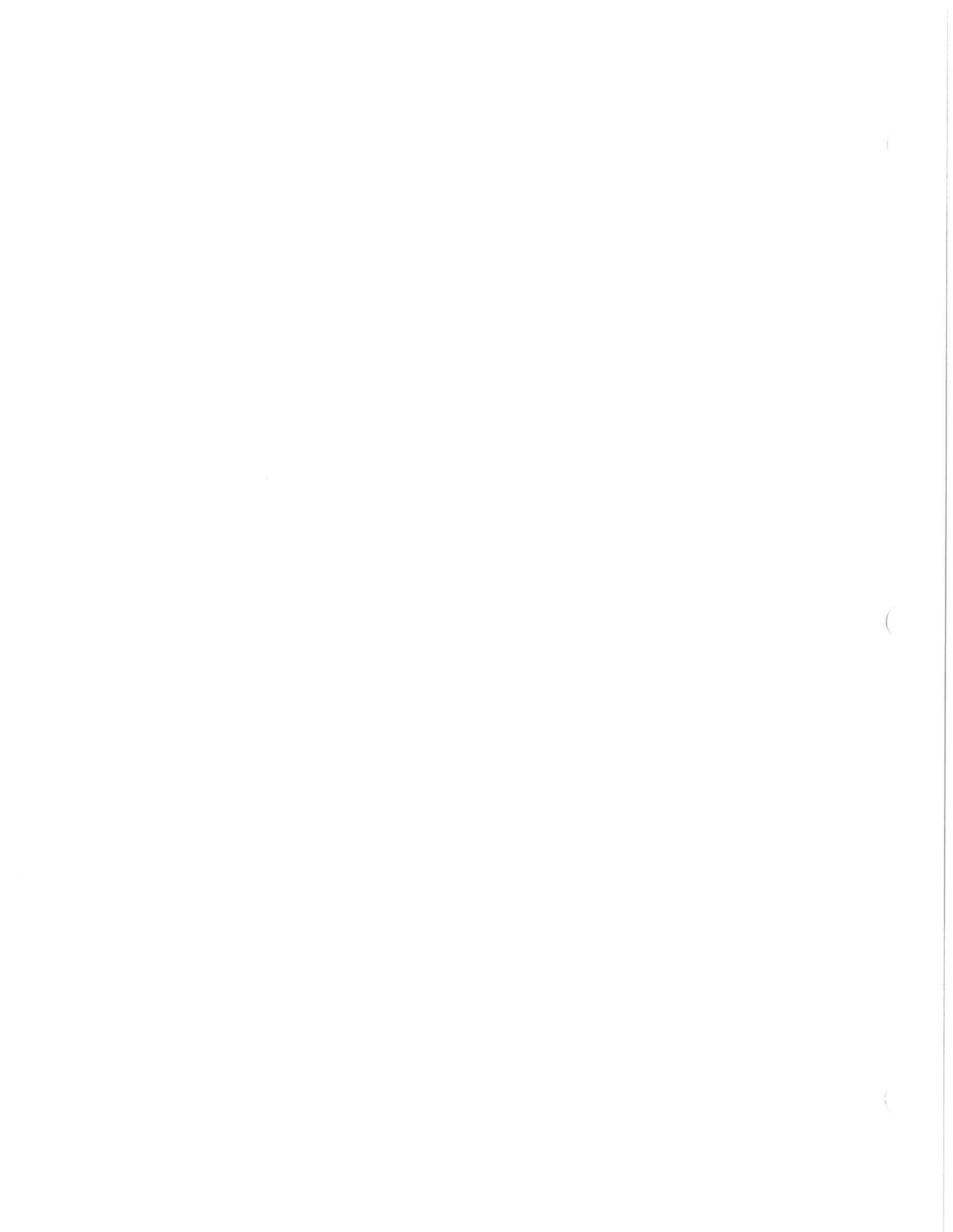
Department of Human Services
 Enhanced ARRA FMAP usage
 September 2010

Attachment A

<u>GF Appropriations</u>	<u>GF</u>	<u>OF</u>	<u>FF</u>	<u>TF</u>
<u>Extension of an enhanced FMAP rate for January - June 2011:</u>				
Children, Adults, & Families	(3,934,077)	-	3,934,077	-
HEALTH SERVICES:				
Medical Assistance Plans	(73,503,956)	(15,220,807)	88,724,763	-
Addictions & Mental Health	(4,307,354)	-	4,307,354	-
Seniors and Disabled	(41,603,164)	-	41,603,164	-
Total - DHS	(123,348,551)	(15,220,807)	138,569,358	-

Use of GF savings from enhanced FMAP extension - to back-fill September Allotment reductions:

Administrative Services	6,585,976
Children, Adults, & Families	21,628,072
HEALTH SERVICES:	
Medical Assistance Plans	23,749,588
Addictions & Mental Health	17,617,330
Public Health	1,404,638
AMH - Work Drug Free	9,713
AMH - Suicide Prevention Hotline	14,711
Seniors and Disabled	33,399,911
Capital Improvement	<u>20,016</u>
Total - DHS Back-fill	<u>104,429,955</u>
Remaining available GF	(18,918,596)
To be used for...	
DMAP - Back-fill projected Tobacco Tax decline	12,610,000
DHS - net caseload cost increase (Fall forecast)	<u>2,592,856</u>
Net - remaining available GF	(3,715,740)
E-Board Intent - use for ERDC reduction delay	3,715,740

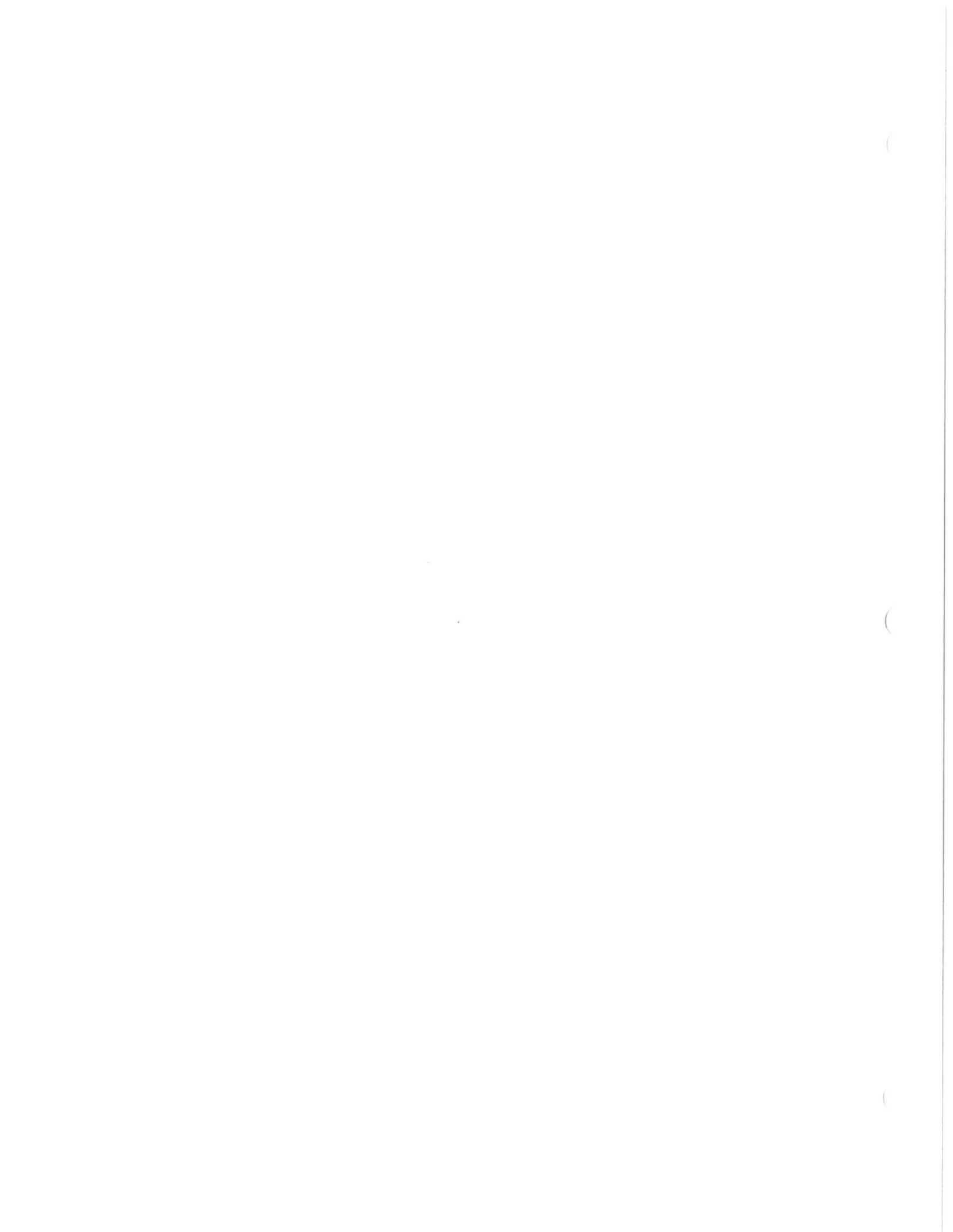


DEPARTMENT OF HUMAN SERVICES
 2009-11 December 2010 Rebalance Tracker
 APPROPRIATION AND LIMITATION ADJUSTMENTS

ATTACHMENT B

CLUSTER	PROPOSED LEGISLATION/ SECTION	FUND	REBALANCE ADJUSTMENTS	REQUEST FROM E-FUND RESERVE	NET ADJUSTMENTS
CAF	ch 732, 1(2)	General	13,939,540		13,939,540
	ch 732, 2(2)	Other	3,253,281		3,253,281
	ch 732, 4(2)	Federal	(5,504,798)		(5,504,798)
	ch 732, 5	Federal Non-Limited	(5,515,701)		(5,515,701)
		Total	6,172,322	-	6,172,322
HS	ch 732, 1(3)	General	(25,667,540)		(25,667,540)
	ch 910, 36(1)	General	9,713		9,713
	ch 910, 36(2)	General	14,711		14,711
	ch 732, 2(3)	Other	(15,949,274)		(15,949,274)
	ch 732, 5	Other Non-Limited	-		-
	Requested	Other Non-Limited	10,000,000		10,000,000
	ch 732, 3	Lottery	-		-
	ch 732, 4(3)	Federal	102,952,944		102,952,944
	ch 732, 5	Federal Non-Limited	-		-
	Total	71,360,554	-	71,360,554	
SPD	ch 732, 1(4)	** General	6,323,632		6,323,632
	ch 732, 2(4)	Other	11,764,444		11,764,444
	ch 732, 4(4)	Federal	84,022,310		84,022,310
		Total	102,110,386	-	102,110,386
ASD	ch 732, 1(1)	General	5,972,532		5,972,532
	ch 732, 1(6)	General - Debt Svcs	-		-
	ch 732, 2(1)	Other	(1,215,874)		(1,215,874)
	ch 732, 2(5)	Other - Debt Svcs	-		-
	ch 732, 4(1)	Federal	5,475,460		5,475,460
	ch 95, 13(2)	Federal Non-Limited	-		-
	Total	10,232,118	-	10,232,118	
Capital Improvement	ch 732, 1(5)	General	(592,587)		(592,587)
Capital Construction	ch 904, 1(4)	Other	-		-
Total		**General	0		0
		Other	(2,147,423)		(2,147,423)
		Other Non-Limited	10,000,000		10,000,000
		Lottery	-		-
		Federal	186,945,917		186,945,917
		Federal Non-Limited	(5,515,701)		(5,515,701)
		Total	189,282,793	-	189,282,793

** General - adjusted SPD post September deficit position of \$10,702,263 to \$239,260 - the surplus in AMH & DMAP, no additional GF requested for DHS.



Appendix 1 - 11

Appendix A-1

**Department of Human Services
Administrative Services Division
DECEMBER 2010 - REBALANCE:**

(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)

Current 2009-11 LAB (July 2010 Rebalance):

ASD Division GF	ASD Division OF	ASD Division FF	ASD Division TF	ASD POS	ASD FTE
243,126,552	73,166,336	246,677,856	562,970,744	1,119	1,082.96

September Financial Update:

1. Program caseloads and costs changes - Fall 2010 forecast & costs vs LAB
2. Declines in Other / Federal fund revenues that result in additional GF need - Forecasted Tobacco Tax decline
3. Effect of Federal rule / interpretation changes on Federal Revenues - FMAP - ARRA Extension
4. All Other: Additional Federal Limitation needed for MMIS reimbursement at certification

Net Position at September Financial update

-	-	4,500,000	4,500,000	-	-
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September E-board issues/intent:

- a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD
- b. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reducer
- c. E-board directed - use of Sept Financial Update DHS surplus to delay ERDC reduction
- d. E-board directed - use of 2009-11 Special Purpose Appropriation funding to delay ERDC reduction

Net Budget Position at September 2010 Emergency Board

6,585,976	-	-	6,585,976	-	-
6,585,976	-	-	6,585,976	-	-

New issues since September:

- BUDGET CHALLENGES:**
1. Program caseloads and costs increases - Fall 2010 forecast & costs vs LAB
 2. Declines in Other / Federal fund revenues that result in additional GF need:
 - a. Effect of Federal rule / interpretation changes on Federal Revenues
 - b. All other budget challenges:
 - a. Oregon Kids project - extension of contract to assure better quality at go-live.

Subtotal - Budget Challenges

1,445,294	-	-	1,445,294	-	-
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SAVING & MANAGEMENT ACTIONS TO ADDRESS CHALLENGES:

5. Program caseloads and costs reductions - Fall 2010 forecast & costs vs LAB
6. Surplus in Other / Federal fund revenues that result in reduced GF need:
 - a. Management Actions:
 - a. Additional Vacancy Savings - hiring freeze
 - b. Systems delays - CRIMS & ICM

Total - all issues subsequent to September

(577,294)	(868,000)	(577,294)	(1,154,588)	-	-
(868,000)	-	(577,294)	(868,000)	-	-
6,585,976	-	3,922,706	10,508,682	-	-
(613,444)	(1,215,874)	1,562,754	(276,564)	(19)	(17.16)
5,972,532	(1,215,874)	5,475,460	10,232,118	(19)	(17.16)

Total - ASD Position

6,585,976	-	3,922,706	10,508,682	-	-
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* Net ASD Technical Adjustments (Net zero for DHS)

Net change to ASD Authority & Limitation - December 2010 Rebalance

249,099,084	71,950,462	252,153,316	573,202,862	1,100	1,065.80
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December 2010 Rebalanced LAB request

- Less: June 2010 Allotment Reductions - unscheduled
Less: September 2010 Allotment Reductions - unscheduled

Net - Available 2009-11 LAB

232,671,537	71,950,462	252,153,316	556,775,315	1,100	1,065.80
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**Department of Human Services
Additions and Mental Health
DECEMBER 2010 - REBALANCE:**

(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)

Current 2009-11 LAB (July 2010 Rebalance):

AMH Division	AMH Division OF	AMH Division FF	AMH Division TF	AMH POS	AMH FTE
613,213,151	46,996,300	283,188,829	943,398,280	2,391	2,100.93

September Financial Update:

1. Program caseloads and costs changes - Fall 2010 forecast & costs vs LAB
2. Declines in Other / Federal fund revenues that result in additional GF need.
3. Effect of Federal rule / interpretation changes on Federal Revenues - FMAP - ARRA Extension

Net Position at September Financial update

(284,365)	-	-	(284,365)	-	-
(4,307,354)	-	4,307,354	-	-	-
(4,591,719)	-	4,307,354	(284,365)	-	-

September E-board issues/intent:

- a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD
- b. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reduction

Net Budget Position at September 2010 Emergency Board

(1,354,673)	(13,452)	(57,600)	(1,425,725)	-	-
17,641,754	-	-	17,641,754	-	-
16,287,081	(13,452)	(57,600)	16,216,029	-	-

New Issues since September:

1. Program caseloads and costs increases - Fall 2010 forecast & costs vs LAB
2. Declines in Other / Federal fund revenues that result in additional GF need:
 - a. New federal grants in Alcohol and Drug programs - Access to Recovery and Oregon Conference Grant
 - b. HB 2345 - Health Professionals Services Program will generate revenue for the program
3. Effect of Federal rule / interpretation changes on Federal Revenues
4. All other budget challenges:

Subtotal - Budget Challenges

(16,313)	-	-	(16,313)	-	-
-	1,766,744	2,904,500	2,904,500	3	0.91
-	-	-	1,766,744	2	1.10
(16,313)	1,766,744	2,904,500	4,654,931	5	2.01

SAVING & MANAGEMENT ACTIONS TO ADDRESS CHALLENGES:

5. Program caseloads and costs reductions - Fall 2010 forecast & costs vs LAB
6. Surplus in Other / Federal fund revenues that result in reduced GF need:
7. All other budget savings:
 - a. Move excess limitation from other program within AMH to adjust OF and FF limitation needs.
 - b. Management Actions:

Total - all issues subsequent to September

(16,313)	45,363	(1,807,793)	(1,778,743)	5	2.01
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Total - AMH Position

11,679,049	31,911	2,441,961	14,152,921	5	2.01
38,584	(31,911)	(1,941,623)	(1,934,950)	19	17.04

* Net AMH Technical Adjustments (Net zero for DHS)

Net change to AMH Authority & Limitation - December 2010 Rebalance

11,717,633	-	500,338	12,217,971	24	19.05
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December 2010 Rebalanced LAB request

624,930,784	46,996,300	283,689,167	955,616,251	2,415	2,119.98
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Less: June 2010 Allotment Reductions - unscheduled

(24,357,324)	-	-	(24,357,324)	-	-
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Less: September 2010 Allotment Reductions - unscheduled

(17,641,754)	-	-	(17,641,754)	-	-
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Net - Available 2009-11 LAB

582,931,706	46,996,300	283,689,167	913,617,173	2,415	2,119.98
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**Department of Human Services
Children, Adults, and Families
DECEMBER 2010 - REBALANCE:
(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)**

Current 2009-11 LAB (July 2010 Rebalance):

CAF Division GF	CAF Division UF	CAF Division FF	CAF Division TT	CAF Pos	CAF FTE
711,853,101	132,185,966	3,123,196,729	3,967,235,796	4,961	4,830.45

September Financial Update:

1. Program caseloads and costs changes - Fall 2010 forecast & costs vs LAB:

Self Sufficiency	(1,670,419)	(6,844,628)	(8,515,047)	-	-
Substitute Care	(790,914)	(109,302)	1,122,502	-	-
Adoptions	(2,368,609)	(6,486,849)	(8,992,174)	-	-

2. Federal Rule changes/interpretations:

Effect of modified extension of the ARRA - FMAP enhanced rate. Sub Care
Effect of modified extension of the ARRA - FMAP enhanced rate. Adoptions
Effect of modified extension of the ARRA - FMAP enhanced rate. Program Support & Admin.

	(1,081,389)	1,081,389	-	-	-
	(669,153)	669,153	-	-	-
	(2,183,535)	2,183,535	-	-	-

Net Position at September Financial update

	(8,764,019)	1,886,002	(9,606,702)	(16,384,719)	-
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September E-board issues/intent:

a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD
b. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reduction
c. E-board directed - use of Sept Financial Update DHS surplus to delay ERDC reduction

	(2,037,670)	(27,085)	(393,259)	(2,458,014)	-
	21,628,072	-	-	21,628,072	-
	3,715,740	-	-	3,715,740	-

Net Budget Position at September 2010 Emergency Board

	23,306,142	(27,085)	(393,259)	22,885,798	-
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New issues since September:

BUDGET CHALLENGES:

Program Costs:

Self Sufficiency
Program caseload changes
Other program costs variances - SNAP Cashout

	37,185	(168,052)	1,328,927	(130,867)	-
	-	-	-	1,328,927	-
	-	-	-	-	-

Adoptions

Program Cost variances (cost per case - mix of services) changes

	46,364	(149,939)	112,201	8,626	-
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Revenue Adjustments:

Adoptions- New Incentive Award FFY09 and FFY10
Early Childhood Education Grant

	-	-	857,726	857,726	-
	-	-	419,562	419,562	2
	-	-	-	-	0.75

Subtotal - Budget Challenges

	83,549	(317,991)	2,718,436	2,483,994	2
	-	-	-	-	0.75

SAVING & MANAGEMENT ACTIONS TO ADDRESS CHALLENGES:

Program Costs:

Substitute Care - Program Cost variances (cost per case - mix of services) changes

	(83,549)	251,934	(898,336)	(719,951)	-
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Total - all issues subsequent to September

	-	(56,057)	1,820,100	1,764,043	2
	-	-	-	-	0.75

Total - CAF Position

	14,542,123	1,802,860	(8,079,861)	8,265,122	2
	(602,563)	1,450,421	(2,940,638)	(2,092,800)	-

* Net CAF Technical Adjustments (Net zero for DHS)

	13,939,540	3,253,281	(11,020,499)	6,172,322	2
	-	-	-	-	0.75

Net change to CAF Authority & Limitation - December 2010 Rebalance

	725,792,641	135,439,247	3,112,176,230	3,973,408,118	4,963
	(32,568,441)	-	-	(32,568,441)	-
	(21,628,072)	-	-	(21,628,072)	-
	671,596,128	135,439,247	3,112,176,230	3,919,211,605	4,963
	-	-	-	-	4,831.21

December 2010 Rebalanced LAB request

Less: June 2010 Allotment Reductions - unscheduled
Less: September 2010 Allotment Reductions - unscheduled
Net - Available 2009-11 LAB

**Department of Human Services
Division of Medical Assistance Plans
DECEMBER 2010 - REBALANCE:**

(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)

Current 2009-11 LAB (July 2010 Rebalance):

September Financial Update:	DMAP Division GF	DMAP Division OF	DMAP Division FF	DMAP Division TF	DMAP Pos	DMAP FTE
	813,364,738	1,083,857,450	4,120,135,970	6,017,358,158	194	185.38
Program Costs:						
1. Program caseloads and costs changes - Fall 2010 forecast & costs vs LAB	1,745,012	1,076,374	(3,065,295)	(243,909)	-	-
Revenue Adjustments:						
a. Tobacco Tax Revenues declined in September 2010 Forecast by DAS/OEA	12,610,000	(12,610,000)	-	-	-	-
Federal Rule changes/interpretations:						
a. Effect of modified extension of the ARRA - FMAP enhanced rate.	(73,503,956)	(19,960,554)	88,724,763	(4,739,747)	-	-
Net Position at September Financial Update	(59,148,944)	(31,494,180)	85,659,468	(4,993,656)	-	-

September E-board issues/intent:

- a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD
- b. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reducer

Net Budget Position at September 2010 Emergency Board

	20,995,605	-	(2,740,570)	18,255,035	-	-
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New Issues since September:

- Program Costs:
- a. Implementation of new 2011 MC Cap Rates/Flat Rates Reduction not taken
 - b. Graduate Medical Education Cost
 - c. HB 3664 Foster Care Extended Benefits
 - d. Remove Empty Limitation NON OHP 09-11

Revenue Adjustments:

- a. Fund shift for enhanced reimbursement of Indirect Medical Education
- b. Additional Global Drug Settlement - estimated
- c. Global Drug Settlement - received
- d. Family Planning - Federal Medicaid funding adjustment
- e. CHIPRA Quality Demonstration Grant Award
- f. ABCDIII Grant Award
- g. Medicaid Transformation Grant Realignment

Federal Rule changes/interpretations:

DHS Internal Management Actions Options to Rebalance:

Total - all issues subsequent to September	(222,947)	9,881,957	(25,544,809)	(15,885,799)	3	1.25
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Total - DMAP Position

	(38,376,286)	9,881,957	(28,285,379)	2,369,236	3	1.25
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* Net DMAP Technical Adjustments (Net zero for DHS)

	1,899,376	15	5,899,620	7,799,011	1	1.00
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Net change to DMAP Authority & Limitation - December 2010 Rebalance

	(36,476,910)	9,881,972	(22,385,759)	10,168,247	4	2.25
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December 2010 Rebalanced LAB request

	776,887,828	1,093,739,422	4,097,750,211	6,027,526,405	198	187.63
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Less: June 2010 Allotment Reductions - unscheduled

	(44,328,055)	-	-	(44,328,055)	-	-
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Less: September 2010 Allotment Reductions - unscheduled

	(23,749,588)	-	-	(23,749,588)	-	-
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Net - Available 2009-11 LAB

	708,810,185	1,093,739,422	4,097,750,211	5,959,448,762	198	187.63
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**Department of Human Services
Health Service - Oregon Health Authority
DECEMBER 2010 - REBALANCE:**

(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)

Current 2009-11 LAB (July 2010 Rebalance):

OHA Division	GF	OHA Division	OF	OHA Division	FF	OHA Division	TF	OHA Pos	OHA FTE
	7,696,459		395,137		4,608,478		12,700,074	14	12.55

September Financial Update:

Program Costs:	Revenue Adjustments:	Federal Rule changes/interpretations:	Other Issues:
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Net Position at September Financial update

	-	-	-	-	-	-	-	-	-
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September E-board issues/intent:

a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD	(1,000,000)	-	(2,292,370)	-	(3,292,370)	-	-	-	-
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Net Budget Position at September 2010 Emergency Board

	(1,000,000)	-	(2,292,370)	-	(3,292,370)	-	-	-	-
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New Issues since September:

Program Costs:

Revenue Adjustments:	
a. Program caseload changes since July 2010 Rebalance	-
b. Program Cost variances (cost per case - mix of services)	-
c. Other program costs variances	-
d. HRSA SHAP Grant positions and budget limitation	256,909
e. CHIPRA grant budget limitation	4,145,117
f. FMIP Limitation need	4,624,439
	10,000,000
	20,000,000

Total - all issues subsequent to September

	-	10,256,909	18,769,556	29,026,465	9	5.59
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Total - OHA-DO Position

	(1,000,000)	10,256,909	16,477,186	25,734,095	9	5.59
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* Net OHA-DO Technical Adjustments (Net zero for DHS)

	(53,940)	-	(53,940)	(107,880)	-	-
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Net change to OHA-DO Authority & Limitation - December 2010 Rebalance

	(1,053,940)	10,256,909	16,423,246	25,626,215	9	5.59
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December 2010 Rebalanced LAB request

	6,642,519	10,652,046	21,031,724	38,326,289	23	18.14
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Less: June 2010 Allotment Reductions - unscheduled
Less: September 2010 Allotment Reductions - unscheduled

	-	-	-	-	-	-
	-	-	-	-	-	-

Net - Available 2009-11 LAB

	6,642,519	10,652,046	21,031,724	38,326,289	23	18.14
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Department of Human Services
 Health Service - Oregon Health Policy & Research
 DECEMBER 2010 - REBALANCE:

(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)

Current 2009-11 LAB (July 2010 Rebalance):

September Financial Update:	OHRP Division GF	OHRP Division OF	OHRP Division FF	OHRP Division TF	OHRP Pos	OHRP FTE
	5,599,835	9,759,968	4,337,653	19,697,456	41	37.89
Program Costs:	-	-	-	-	-	-
Revenue Adjustments:	-	-	-	-	-	-
Federal Rule changes/Interpretations:	-	-	-	-	-	-
Other Issues:	-	-	-	-	-	-

Net Position at September Financial Update

September E-board Issues/Intent:	OHRP Division GF	OHRP Division OF	OHRP Division FF	OHRP Division TF	OHRP Pos	OHRP FTE
a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD	(230,000)	(67,074)	-	(297,074)	-	-
Net Budget Position at September 2010 Emergency Board	(230,000)	(67,074)	-	(297,074)	-	-

New Issues since September:

Program Costs:	OHRP Division GF	OHRP Division OF	OHRP Division FF	OHRP Division TF	OHRP Pos	OHRP FTE
Revenue Adjustments:	-	-	-	-	-	-
a. HRSA SHAP Grant positions and budget limitation	-	-	9,541,433	9,541,433	5	3.81
b. ONC-HIE Grant positions and budget limitation	-	108,767	3,486,970	3,595,737	7	3.01
c. Health Study Grants position and budget limitation	-	3,555,645	5,058,010	8,613,655	1	0.10
d. HHS Health Insurance Exchange Grant	-	-	1,000,000	1,000,000	1	0.29
e. CHIPRA grant positions and budget limitation	-	-	2,118,030	2,118,030	3	1.50
f. CDC Acquired Infections grant position and limitation	-	-	92,000	92,000	1	1.00
g. Safe Practices (AHRQ) Grant	-	-	299,458	299,458	1	0.50
h. Federal Limitation need	-	-	1,662,323	1,662,323	-	-
Federal Rule changes/Interpretations:	-	-	-	-	-	-
Other Issues:	-	-	-	-	-	-

Total - all issues subsequent to September

	3,664,412	23,258,224	26,922,636	19	10.21
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Total - OHRP Position	OHRP Division GF	OHRP Division OF	OHRP Division FF	OHRP Division TF	OHRP Pos	OHRP FTE
	(230,000)	3,597,338	23,258,224	26,625,562	19	10.21
* Net OHRP Technical Adjustments (Net zero for DHS)	(466,832)	-	(2,280,547)	(2,747,379)	(1)	(0.88)
Net change to OHRP Authority & Limitation - December 2010 Rebalance	(696,832)	3,597,338	20,977,677	23,878,183	18	9.33

December 2010 Rebalanced LAB request	OHRP Division GF	OHRP Division OF	OHRP Division FF	OHRP Division TF	OHRP Pos	OHRP FTE
	4,903,003	13,357,306	25,315,330	43,575,639	59	47.22
Less: June 2010 Allotment Reductions - unscheduled	-	-	-	-	-	-
Less: September 2010 Allotment Reductions - unscheduled	-	-	-	-	-	-
Net - Available 2009-11 LAB	4,903,003	13,357,306	25,315,330	43,575,639	59	47.22

Department of Human Services
Public Health Division
DECEMBER 2010 - REBALANCE:

(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)

Current 2009-11 LAB (July 2010 Rebalance):

September Financial Update:

Program Costs:
Revenue Adjustments:
Federal Rule changes/Interpretations:
Other Issues:

Net Position at September Financial update

September E-board issues/intent:

- a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD
- b. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reducer

Net Budget Position at September 2010 Emergency Board

New issues since September:

Program Costs:

Revenue Adjustments:

Limitation & position authority associated with new grants:

- a. Demonstrating the capacity of comprehensive cancer control programs
- b. Personal Responsibility Education Prevention grant (5 year, through 9/30/15), Colorectal Screening grant (5 year, through 6/30/14), ARRA funding (through 8/31/12), MCH Home Visiting grant (first-funding cycle through 9/30/12), Universal Newborn Hearing grant (ongoing HRSA grant), ARRA Immunization interoperability grant, MCH Title V Block grant, Wise Woman grant, and the Family Planning Title X grant
- c. Medical Marajuna
- d. Strengthening Public Health Infrastructure for Improved Health Outcomes
- e. Emergency System for Advance Registration of Volunteer Health Professionals
- f. TURA
- g. Fee increases - Health Care Regulation & Quality improvement
- h. Position authority for Hospital Preparedness Program

Federal Rule changes/interpretations:

Other issues:

Total - all issues subsequent to September

Total - PHD Position

* Net PHD Technical Adjustments (Net zero for DHS)

Net change to PHD Authority & Limitation - December 2010 Rebalance

December 2010 Rebalanced LAB request

Less: June 2010 Allotment Reductions - unscheduled
Less: September 2010 Allotment Reductions - unscheduled

Net - Available 2009-11 LAB

	PHD Division GF	PHD Division OF	PHD Division FF	PHD Division TF	PHD Pos	FTE
Current 2009-11 LAB (July 2010 Rebalance):	48,891,775	111,164,815	363,695,190	523,751,780	706	679.64
September Financial Update:						
Program Costs:	-	-	-	-	-	-
Revenue Adjustments:	-	-	-	-	-	-
Federal Rule changes/Interpretations:	-	-	-	-	-	-
Other Issues:	-	-	-	-	-	-
Net Position at September Financial update	-	-	-	-	-	-
September E-board issues/intent:						
a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD	(537,705)	52,172	(303,247)	(788,760)	-	-
b. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reducer	1,404,638	-	-	1,404,638	-	-
Net Budget Position at September 2010 Emergency Board	866,933	52,172	(303,247)	615,858	-	-
New issues since September:						
Program Costs:	-	-	-	-	-	-
Revenue Adjustments:	-	-	-	-	-	-
Limitation & position authority associated with new grants:						
a. Demonstrating the capacity of comprehensive cancer control programs	-	-	54,444	54,444	1	0.25
b. Personal Responsibility Education Prevention grant (5 year, through 9/30/15), Colorectal Screening grant (5 year, through 6/30/14), ARRA funding (through 8/31/12), MCH Home Visiting grant (first-funding cycle through 9/30/12), Universal Newborn Hearing grant (ongoing HRSA grant), ARRA Immunization interoperability grant, MCH Title V Block grant, Wise Woman grant, and the Family Planning Title X grant	-	(3,900)	2,140,842	2,136,852	4	1.00
c. Medical Marajuna	-	500,238	-	500,238	10	2.50
d. Strengthening Public Health Infrastructure for Improved Health Outcomes	-	-	134,227	134,227	11	2.63
e. Emergency System for Advance Registration of Volunteer Health Professionals	-	-	52,109	52,109	1	0.29
f. TURA	-	1,131,000	-	1,131,000	-	-
g. Fee increases - Health Care Regulation & Quality improvement	-	331,918	-	331,918	6	1.50
h. Position authority for Hospital Preparedness Program	-	-	-	-	7	2.08
Federal Rule changes/interpretations:						
Other issues:						
Total - all issues subsequent to September	-	1,959,166	2,381,622	4,340,788	40	10.25
Total - PHD Position	866,933	2,011,338	2,078,375	4,956,646	40	10.25
* Net PHD Technical Adjustments (Net zero for DHS)	-	(202,651)	(300,401)	(503,052)	-	-
Net change to PHD Authority & Limitation - December 2010 Rebalance	866,933	1,808,687	1,777,974	4,453,594	40	10.25
December 2010 Rebalanced LAB request	49,758,708	112,973,502	365,473,164	528,205,374	746	689.89
Less: June 2010 Allotment Reductions - unscheduled	(2,344,656)	-	-	(2,344,656)	-	-
Less: September 2010 Allotment Reductions - unscheduled	(1,404,638)	-	-	(1,404,638)	-	-
Net - Available 2009-11 LAB	46,009,414	112,973,502	365,473,164	524,456,080	746	689.89

Department of Human Services
Seniors & People with Disabilities
DECEMBER 2010 - REBALANCE:

Appendix A-8

(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)

	SPD Division GF	SPD Division OF	SPD Division FF	SPD Division TF	SPD Pos	SPD FILE
Current 2009-11 LAB (July 2010 Rebalance):	1,022,360,091	162,521,536	2,303,836,697	3,488,818,424	2,118	2,097,70
September Financial Update:						
Program Costs:						
a. Sept - Program caseload changes since July 2010 Rebalance - APD	4,811,527	(70,782)	7,541,163	12,282,008	-	-
b. Sept - Program caseload changes since July 2010 Rebalance - DD	1,150,524	12,038	1,513,289	2,675,851	-	-
Revenue Adjustments:						
a. Effect of modified extension of the ARRA - FMAP enhanced rate.	(41,603,164)	-	41,603,164	-	-	-
Other Issues:						
Net Position at September Financial Update	(35,641,013)	(58,744)	50,657,616	14,957,859	-	-
September E-board Issues/Intent:						
a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD	(2,885,969)	-	(2,016,095)	(4,902,054)	-	-
b. Trf of Non-program reductions to SPD to fund Allotment cuts not taken.	10,800,000	-	-	10,800,000	-	-
c. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reductions	33,399,911	-	-	33,399,911	-	-
Net Budget Position at September 2010 Emergency Board	41,313,942	-	(2,016,095)	39,297,847	-	-
New Issues since September:						
Program Costs:						
a. Aged & Physically Disabled programs	2,810,116	(1,814,714)	(5,575,028)	(4,579,626)	-	-
b. Developmentally Disabled Programs	11,725,735	13,614,413	39,366,310	64,706,458	-	-
Revenue Adjustments:						
a. Better Estate Recoveries then budget	(1,583,588)	1,583,588	-	-	-	-
DHS INTERNAL Management Actions Options to Rebalance:						
a. Express system savings	(1,000,000)	-	-	(1,000,000)	-	-
b. Additional S&S cuts	(1,000,000)	-	-	(1,000,000)	-	-
c. Eliminate Life Span Respite	(250,000)	-	-	(250,000)	-	-
Other Issues: Adjustments to align position funding correctly	-	(1,560,099)	1,524,732	(35,367)	-	-
Total - all issues subsequent to September	10,702,263	11,823,188	35,316,014	57,841,465	-	-
Total - SPD Position	16,375,192	11,764,444	83,957,635	112,087,171	-	-
* Net SPD Technical Adjustments (Net zero for DHS)	411,442	-	64,775	476,217	-	-
Net change to SPD Authority & Limitation - December 2010 Rebalance	16,786,634	11,764,444	84,022,310	112,573,388	-	-
December 2010 Rebalanced LAB request	1,039,146,725	174,386,080	2,387,859,007	3,601,391,812	2,118	2,097,70
Less: June 2010 Allotment Reductions - unscheduled	(44,766,287)	-	-	(44,766,287)	-	-
Less: September 2010 Allotment Reductions - unscheduled	(33,399,911)	-	-	(33,399,911)	-	-
Net - Available 2009-11 LAB	960,980,527	174,386,080	2,387,859,007	3,523,225,614	2,118	2,097,70

**Department of Human Services
Capital Improvement
DECEMBER 2010 - REBALANCE:**

Appendix A-9

(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)

Current 2009-11 LAB (July 2010 Rebalance): 663,318 - - - - - 663,318

September Financial Update:

1. Program caseloads and costs changes - Fall 2010 forecast & costs vs LAB
2. Declines in Other / Federal fund revenues that result in additional GF need - Forecasted Tobacco Tax decline :
3. Effect of Federal rule / interpretation changes on Federal Revenues - FMAP - ARRA Extension

Net Position at September Financial Update

September E-board issues/intent:

- a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD
- b. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reductor
- c. E-board directed - use of Sept Financial Update DHS surplus to delay ERDC reduction
- d. E-board directed - use of 2009-11 Special Purpose Appropriation funding to delay ERDC reduction

Net Budget Position at September 2010 Emergency Board

New Issues since September:

BUDGET CHALLENGES:

1. Program caseloads and costs increases - Fall 2010 forecast & costs vs LAB
2. Declines in Other / Federal fund revenues that result in additional GF need:
3. Effect of Federal rule / interpretation changes on Federal Revenues
4. All other budget challenges:

Subtotal - Budget Challenges

SAVING & MANAGEMENT ACTIONS TO ADDRESS CHALLENGES:

5. Program caseloads and costs reductions - Fall 2010 forecast & costs vs LAB
6. Surplus in Other / Federal fund revenues that result in reduced GF need:
7. Management Actions:

Total - all issues subsequent to September

	CC Division GF	CC Division OF	CC Division FF	CC Division TF	CC Pos	CC FTE
Total - CI Position	20,016	-	-	20,016	-	-
* Net CI Technical Adjustments (Net zero for DHS)	(612,603)	-	-	(612,603)	-	-
Net change to CI Authority & Limitation - December 2010 Rebalance	(592,587)	-	-	(592,587)	-	-
December 2010 Rebalanced LAB request	70,731	-	-	70,731	-	-
Less: June 2010 Allotment Reductions - unscheduled	(30,699)	-	-	(30,699)	-	-
Less: September 2010 Allotment Reductions - unscheduled	(20,016)	-	-	(20,016)	-	-
Net - Available 2009-11 LAB	20,016	-	-	20,016	-	-

Department of Human Services
 Capital Construction
DECEMBER 2010 - REBALANCE:

Appendix A-10
 CC
 CC
 Pos
 FTE

(Rebalance variances relative to the 2009-11 Legislatively Adopted Budget)

Current 2009-11 LAB (July 2010 Rebalance): - 279,189,118 - 279,189,118

September Financial Update:

1. Program caseloads and costs changes - Fall 2010 forecast & costs vs LAB
2. Declines in Other / Federal fund revenues that result in additional GF need - Forecasted Tobacco Tax decline.
3. Effect of Federal rule / interpretation changes on Federal Revenues - FMAP - ARRA Extension

Net Position at September Financial update - - - - -

September E-board issues/intent:

- a. E-Board directed alternative "non-program" reductions to June allotment reductions in SPD
- b. September E-board directed use of additional Federal Medicaid funding in lieu of Allotment reduction
- c. E-board directed - use of Sept Financial Update DHS surplus to delay ERDC reduction
- d. E-board directed - use of 2009-11 Special Purpose Appropriation funding to delay ERDC reduction

Net Budget Position at September 2010 Emergency Board - - - - -

New Issues since September:

BUDGET CHALLENGES:

1. Program caseloads and costs increases - Fall 2010 forecast & costs vs LAB
2. Declines in Other / Federal fund revenues that result in additional GF need:
3. Effect of Federal rule / interpretation changes on Federal Revenues
4. All other budget challenges:

Subtotal - Budget Challenges

SAVING & MANAGEMENT ACTIONS TO ADDRESS CHALLENGES:

5. Program caseloads and costs reductions - Fall 2010 forecast & costs vs LAB
6. Surplus in Other / Federal fund revenues that result in reduced GF need:
7. Management Actions:

Total - all issues subsequent to September - - - - -

Total - CC Position
 * Net CC Technical Adjustments (Net zero for DHS)

Net change to CC Authority & Limitation - December 2010 Rebalance

December 2010 Rebalanced LAB request - 279,189,118 - 279,189,118

Less: June 2010 Allotment Reductions - unscheduled - - - - -

Less: September 2010 Allotment Reductions - unscheduled - - - - -

Net - Available 2009-11 LAB - 279,189,118 - 279,189,118

Department of Human Services
TOTAL DEPARTMENT
DECEMBER 2010 - REBALANCE:

	GF	OF	FF	TF	Pos	FTE
Current 2009-11 LAB (Sept 2010 E-board):	3,466,769,020	1,899,336,726	10,449,677,402	15,815,783,148	11,544	11,027.51
DHS September 2010 Financial Update	\$ (108,145,695)	\$ (29,666,922)	\$ 135,617,736	\$ (2,194,881)	-	-
September 2010 Emergency Board intent	\$ 108,145,695	\$ (55,439)	\$ (7,803,141)	\$ 100,287,115	-	-

Issues since September:

1. Program cost changes - in relation to Fall 2010 forecast costs	19,811,188	14,511,002	9,917,490	44,239,680	-	-
2. Other / Federal fund revenue changes:	(7,098,185)	24,624,035	42,750,692	60,276,542	78	30.06
3. All other budget challenges & adjustments:	1,445,294	(1,560,099)	1,524,732	1,409,927	-	-
4. Management Actions:	(3,695,294)	-	(577,294)	(4,272,588)	-	-
Subtotal - Changes since September	10,463,003	37,574,938	53,615,620	101,653,561	78	30.06
Total - DHS Position	10,463,003	7,852,577	181,430,215	199,745,795	78	30.06

*** Net Technical Adjustments**

December 2010 Rebalanced LAB position	3,477,232,023	1,907,189,303	10,631,107,617	16,015,528,943	11,622	11,057.57
Less: June 2010 Allotment Reductions - unscheduled	(158,206,334)	-	-	(158,206,334)	-	-
Less: September 2010 Allotment Reductions - unscheduled	(104,389,923)	-	-	(104,389,923)	-	-
Net - Available 2009-11 LAB	3,214,635,766	1,907,189,303	10,631,107,617	15,752,932,686	11,622	11,057.57
December 2010 Rebalance Request	-	7,852,577	181,430,215	189,282,792	78	30.06

