



OFFICE OF THE DIRECTOR

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To: The Honorable Peter Courtney, Chair
The Honorable Arnie Roblan, Co-Chair
The Honorable Bruce Hanna, Co-Chair

Cc: Senator Ferrioli
Senator Rosenbaum
Representative Kotek
Representative Cameron
Ken Rocco, Legislative Fiscal Office
Linda Ames, Legislative Fiscal Office

From: Bruce Goldberg, M.D., Director

Designated State Health Program
The mechanism for federal investment into Oregon's Medicaid Transformation

Description of DSHP

The Designated State Health Program (DSHP) is a program through which CMS may provide federal matching payments for existing State-funded health programs that support low-income/uninsured individuals but are currently not matched as part of Medicaid.

CMS has approved federal matching payments for designated state health program in several states (e.g., California, Massachusetts, and Texas). In California, CMS also approved federal matching funds for specific health care workforce programs.

Through this program, CMS matches State funds that support services and programs to meet health needs that Medicaid, as it is currently structured, does not. Many of the Oregonians served by these dollars receive services alongside of people who are Medicaid eligible, and many of them are individuals who move in and out of Medicaid eligibility, creating a confusing and inefficient system for consumers and communities to navigate. An example of this is the state funding for indigent mental services that goes to Oregon counties.

By obtaining federal matching payments for such programs, state funds are freed up that are then reinvested in Medicaid.

The DSHP funding is implemented via an amendment to the Oregon Health Plan 1115 demonstration waiver. Oregon is currently working with CMS on an updated amendment to our 1115 waiver to reflect implementation of Coordinated Care Organizations as laid out in HB3650 and SB1580.

Oregon's agreement with CMS

CMS and Oregon have an agreement in principle whereby CMS will provide an upfront investment through DSHP of approximately \$1.9 billion in federal funds (state and federal match) over five years to support a transformed Medicaid system to improve health through better coordinated care and patient engagement. As part of the agreement, Oregon has committed to reducing the growth of projected per capita costs in Medicaid/Oregon Health Plan by 2 percentage points. This will recoup the entire federal investment within five years and net some \$9 billion in state and federal savings over the next 5 years.

Effect on Oregon General Fund: CMS has agreed to match sufficient state programs to free up state general fund in the following allocations:

Year 1 – July 1 through June 30, 2013	\$230 million in freed state funds
Year 2 – July 1 through June 30, 2014	\$230 million in freed state funds
Year 3 – July 1 through June 30, 2015	\$108 million in freed state funds
Year 4 – July 1 through June 30, 2016	\$ 68 million in freed state funds
Year 5 – July 1 through June 30, 2017	\$ 68 million in freed state funds

How dollars will be used

The specific details of this agreement are currently being negotiated by state and CMS staff and will be codified in the special terms and conditions of our 1115 Waiver. The parameters of the agreement were:

- Federal funding at the above levels to be used only for CCO implementation
- Oregon will create Coordinated Care Organization that will improve health outcomes of Medicaid beneficiaries and the state will lower growth in medical trend for per capita costs in the Medicaid program by 2 percentage points
- CMS agrees to a date of no later than July for approval of the waiver.

Oregon's Medicaid program becomes more financially sustainable as cost growth is brought more in line with growth of state revenue and other economic indicators.