



Oregon

Kate Brown, Governor

Department of Human Services

Office of the Director

500 Summer St. NE, E-15

Salem, OR 97301

Voice: 503-945-5600

Fax: 503-581-6198

January 17, 2020

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Joint Interim Committee on Ways and Means on Human Services
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048



Re: Request for consideration in the February 2020 Session of General Fund and Federal Fund limitation for provider rate increases and ODDS systems changes

Dear Co-Chairpersons:

Nature of the Request

The purpose of this letter is to request additional funding up to \$12,230,954 million General Fund and up to \$22,975,232 Federal Funds limitation to address a gap that occurred due to circumstances beyond agency control.

The HB 5026 Budget Note reads:

It is the intent of the Legislature that providers serving people with intellectual and developmental disabilities will use the \$30.0 million General Fund (\$91.8 million total funds) approved for provider rate increases in HB 5026 to help bring the wage of direct support professionals as close as possible to \$15.00 per hour by the end of the 2019-21 biennium. In addition, the Legislature understands the Department of Human Services will be transitioning to new rate models during the biennium; to ensure there is enough funding available to effectively implement these new structures, rate increases under the old models should be limited to no more than four percent. DHS is also directed, to the best of its ability, to apply this investment in a manner that prioritizes supporting individuals with the highest need. By February 1, 2020, the agency will submit a report to the Interim Joint Committee on Ways and Means outlining how the funding has been and will be applied, describing stakeholder involvement in the process,

"Assisting People to Become Independent, Healthy and Safe"

identifying impacts on providers and workers, and providing an update on the transition to the new rate models.

Agency Action

Per legislative directive, ODDS implemented 4 percent rate increases to the following services starting August 1, 2019:

- Adult Group Homes
- Supported Living
- Attendant Care
- Day Support Activities (DSA)(Facility and Community)
- Employment Path (Facility and Community)
- Small Group Employment

In response to the crisis in placement capacity for children with high needs, ODDS moved to fully implement new rate models for children's 24-hour residential services starting September 1, 2019, with the expectation that it will help providers grow capacity.

Future Rate Increases

ODDS contracted with the Human Services Research Institute (HSRI) to develop a way to group people with similar support needs using data from ODDS' new Oregon Needs Assessment. When implemented, the service group for an individual will generate the range of hours the person could receive for in-home services or the rate paid to providers. Stakeholders participated in numerous records reviews and discussions in the Vision Advisory Committee.

ODDS worked with Burns & Associates, a subcontractor through HSRI, to develop new rate models because the current rates are tied to assessments ODDS no longer plans to use. We also needed to update cost assumptions, some of which are more than a decade old. ODDS committed to develop transparent rate models that align with expectations for providers to hire and retain well-trained staff who deliver safe, high-quality services in a way that maximizes independence and integration for the people served.

The Legislature supported efforts to increase rates to improve average wages for DSPs with a funding increase of \$30 million GF. As directed in the LAB budget

note, ODDS reviewed the rate models from Burns & Associates with its Vision Advisory Committee, and with providers, to gather input on how to distribute the funds that remained after the initial 4% rate increase. ODDS had planned to implement the service groups with the new rate models on July 1, 2020. As agreed with stakeholders, ODDS would have used the rest of the funding to implement an average 7% increase to fund the new rate models.

Unfortunately, data processing errors by HSRI were identified by ODDS staff late in 2019. Those errors caused underreporting of the number of people with very high behavioral needs by more than 2,000 individuals. As a result of HSRI's error, ODDS is no longer able to implement the new service groups and increase provider rates at the planned levels in July 2020 with current funding levels.

The errors do not impact the integrity of the Oregon Needs Assessment, the new provider rate models or the service group model itself. They do impact ODDS' ability to provide the anticipated rate increases and move into the new ONA-based service groups by July 1, 2020.

ODDS has required HSRI to implement new quality assurance measures to ensure accuracy of future data analysis. ODDS has verified those measures are working.

To meet the plan previously agreed to with providers would require up to an additional \$12.2 million General Fund due to the contractor error which was identified by ODDS and was beyond the agency's control.

The agency is still reviewing data and is open to discussing other possible options. The proposed agency plan is as follows:

Increase rates and move into new service groups/rate models in 19-21 (up to \$12.2 million General Fund need)

1. Honors the ODDS commitment to increase rates by 7% as of July 1, 2020
 - a. This commitment was made before the errors were identified and will be funded primarily with the remaining funding from the \$30 million General Fund budgeted for ODDS in the 19-21 LAB
 - b. This will be an increase to current rates and will not be tied to moving into the service groups under the new assessment and new rate models
2. Allows ODDS to implement the new ONA service groups and the new rate models as of January 1, 2021

- a. This is a delay from planned implementation of July 1, 2020
- b. Rates will not be increased again when ODDS implements new ONA service groups and rate models

DHS respectfully requests consideration of the proposed plan during the February session and will work with the Legislative Fiscal Office to address any questions or other proposals/options to address the contractor error and meet legislative intent.

Action Requested: DHS requests up to \$12,230,954 General Fund and up to \$22,975,232 of Federal Fund limitation during the February 2020 Session. With final amounts to be determined based on direction from the legislature after consideration of this issue.

Legislation Affected:

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| APD/IDD | ch 668 1(4) | General | TBD |
| | ch 668 3(4) | Federal | TBD |

If you have questions, please contact Eric Moore at 503-884-4701.

Sincerely,



Eric Luther Moore
DHS Chief Financial Officer

cc: Laurie Byerly, Legislative Fiscal Office
Ken Rocco, Legislative Fiscal Office
George Naughton, Department of Administrative Services
Tamara Brickman, Department of Administrative Services
Ali Webb, Department of Administrative Services
Mike Streepey, Department of Administrative Services