



Oregon

Theodore R. Kulongoski, Governor

Department of Human Services

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June 2, 2008

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



RE: June 2008 DHS Financial Update

Dear Co-Chairs:

NATURE OF REQUEST

The Department of Human Services (DHS) requests receipt of its financial update report of the 2007-09 biennial budget. This report provides an update of:

- Program caseloads and costs (modest changes, virtually no change to GF budget for DHS).
- Status of federal revenues issues (summary of risk issues and department action to respond/mitigate).
- Status and funding needs from the DHS Special Purpose Appropriations (Requesting \$2.4 Million for Vocational Rehabilitation caseloads and \$1.7 Million for Oregon State Hospital continuous improvement plan).
- Other budget/management challenges DHS faces for the remainder of the 2007-09 biennium (DHS Salary Package funding, revenue challenges, and OSH budget).
- Latest Tobacco Tax Revenue update (DHS Tobacco revenues forecast for 2007-09 is down \$7 Million.)
- Status of the conversion from the current caseload field staff staffing model to a workload staffing model for the child welfare program.

The department requests approval of additional General Fund budget authority from the two DHS Special Purpose Appropriations. An additional \$2.4 million General Fund Authority is requested from the general purpose

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DHS Special Purpose Appropriation to fund increased Vocational Rehabilitation caseload and costs. This increase was identified as part of the January 2008 DHS Rebalance report, however the February 2008 Legislature put this \$2.6 million VR need into a Special Purpose Appropriation to be available if subsequent forecasts substantiated the need. The Spring 2008 caseload forecast and cost estimates support that this need is now at \$2.4 million. The department now requests this funding from the Special Purpose Appropriation in order to qualify for \$9.0 million additional federal matching funds money available during the annual reallocation to states in August of 2008, as announced by the federal Rehabilitation Service Administration (RSA).

The department requests \$1.7 million general fund authority from the DHS Special Purpose Appropriation for the Oregon State Hospital. This represents funding for the second phase of the continuous improvement plan to address issues raised by the recent federal review of OSH. The SPA for this continuous improvement plan was approved by the February 2008 legislature at a total investment of \$6.7 million over the remainder of the 2007-09 biennium. The Legislature appropriated \$1.8 million of the SPA for the first phase of the plan for investments to be implemented by the end of June 2008. An update of this first phase of the plan is provided in a separate report to the June E-board. This request for funding for the second phase is needed for investments to be implemented by the September 2008 E-board.

AGENCY ACTION

2007-2009 Financial Status

Since January of 2006, we have reported to each Emergency Board on our continued improvements in financial accountability and internal business processes. Our improved ability to forecast, track, and manage our caseloads and finances is reflected in the fact that we continue to operate within the funding levels of the LAB.

As we have noted at each department rebalance or update, our current caseload and cost per case estimates are always vulnerable to changes in policy or environmental factors and include a degree of risk that actual caseloads and costs will be higher than forecast. For this spring 2008 update, the weakening economy, including the rising gas and food prices,

were just emerging as issues when the forecasts were completed. Also, there were only a few months of data available on the restructured TANF and ERDC programs, and the outreach and publicity regarding the re-opening of OHP Standard had just begun when the forecasts were completed. These issues may increase caseload growth in subsequent months at a greater rate than the spring 2008 forecast projects.

The DHS Financial update includes the latest information and estimated budgetary impact of proposed Federal Policy changes and clarification or interpretation changes. Each issue is in a different state of development and the details of the changes including how and when they might apply to DHS programs are often vague. The budgetary effects included in this report are best estimates based upon the department's interpretation of the information available and there are risks that these Federal changes could have a greater affect than estimated in this report.

The department is actively addressing the Federal Fund revenue issues outlined to find ways to reduce, delay, or eliminate the financial effect. This includes written response to the Centers for Medicare & Medicaid Services disputing the finding or change and working with the Oregon Congressional delegation regarding the budgetary and programmatic impact to Oregon. If unsuccessful with these actions, the department will pursue possible litigation and negotiate the issues with CMS to reduce and delay the financial effect.

The department is also developing management action options to address these potential reductions of Federal Fund revenues and other budget and management challenges identified in the update. These options include such actions as shifting funding sources, administrative cost reductions, delaying or not implementing selected policy packages, program rate reductions and other program benefits or eligibility changes. These options would be brought forward as part of the next DHS Rebalance of the 2007-09 Biennial budget as needed.

The Honorable Peter Courtney, Co-Chair
The Honorable Jeff Merkley, Co-Chair
June 2, 2008
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ACTION REQUESTED

Acknowledgement of the Department of Human Services' June 2008 financial update report is requested. Approve the department's requests to increase General Fund budget authority by transferring funding from the two Special Purpose Appropriations, as outlined above.

LEGISLATION AFFECTED

Attachment 1 has the changes necessary in Oregon Laws to implement the increases from the SPA to DHS.

Sincerely,



Clyde Saiki,
Deputy Director of Operations

Cc: John Britton, Legislative Fiscal Office
Sheila Baker, Legislative Fiscal Office
Eric Moore, Department of Human Services
Jim Scherzinger, Deputy Director of Finance

REPLACEMENT REPORT

DEPARTMENT OF HUMAN SERVICES REPORT TO THE STATE EMERGENCY BOARD JUNE 2008

The Department of Human Services Financial Update

Overview-

Since the January 2008 DHS rebalance report, the department has been monitoring its revenue and expenditure status, completed a new forecast of program caseloads for the biennium, and continued to monitor potential federal policy changes and new interpretations of policy that will affect federal funding levels of DHS programs. This financial report provides an update to these areas:

1. Program caseloads and costs (modest changes, virtually no change to GF budget for DHS).
2. Status of federal revenues issues (summary of risk issues and department action to respond/mitigate).
3. Status and funding needs from the DHS Special Purpose Appropriations (\$2.4 Million for Vocational Rehabilitation caseloads and \$1.7 Million for Oregon State Hospital continuous improvement plan).
4. Other budget/management challenges DHS faces for the remainder of the 2007-09 biennium (DHS Salary Package funding, revenue challenges, and OSH budget).
5. Update to the latest Tobacco Tax revenue forecast (the June 2008 forecast lowers DHS Tobacco Tax revenues by \$7 million).
6. Status of the conversion from the current caseload field staff staffing model to a workload staffing model for the child welfare program.

Summary:

Issue/Update	General Fund (Millions)	Other Funds (Millions)	Federal Funds (Millions)	Total Funds (Millions)
1. Program Caseload and Cost forecast	\$ (0.2)	\$ (4.1)	\$ 99.4	\$ 95.1
2. Status of Federal Revenue Risks:				
Federal Policy Changes - 2007-09 Biennium	Up to \$34.6	-	Up to (\$42.4)	Up to (\$7.8)
Federal Policy Clarification/Interpretations	Up to \$232	-	Up to (\$232)	-
3. Status of DHS Special Purpose Appropriation				
Request for Funding from DHS - SPA	\$ 2.4	\$ -	\$ 9.0	\$ 11.4
Request for Funding from DHS (OSH) - SPA	\$ 1.7	\$ -	\$ -	\$ 1.7
4. Other Budget/management challenges	\$21.9 to \$42	(1.2)	(\$2.8 to \$8.0)	\$17.9 to \$32.8
5. Update to June 2008 Tobacco Tax revenue forecast.	\$ 7.0	\$ (7.0)	\$ -	\$ -
6. Child Welfare field staffing - conversion from caseload to workload model	Unknown	Unknown	Unknown	Unknown

Financial Updates -

1. Updates to the latest (April 2008) DHS caseload forecast and related cost changes.

Overall, DHS caseload and caseload general fund costs based upon the latest spring (April 2008) caseload forecast are slightly lower than the DHS Legislatively Approved Budget (LAB) which reflects the fall (October 2007) forecast. Here are the significant issues (see Attachment A for more detail on the caseloads and cost per case changes):

Children, Adults and Families (CAF)

- Child Welfare: out-of-home/substitute care. Over the last year, the number of children in out-of-home care (e.g. foster care) declined to a greater degree than forecasted. This is due to the large influx of children entering into foster care over the past few years now leaving foster care. It is anticipated that in the upcoming year, this caseload will stabilize.
- Many more families are seeking services from self-sufficiency programs such as Temporary Assistance for Needy Families (TANF) and Food Stamps than had been estimated during the last forecast. This is believed to be due to the economic slowdown. Given the restructuring of TANF and Employment-Related Daycare Program, there are considerable risks of even higher caseloads. [Note that the

forecasted increase in caseload cost is funded by TANF federal funds which are made available by the reduction of TANF funding eligible to be used for TANF emergency assistance – see Attachment B.]

- The Fall 2007 forecast for Vocational Rehabilitation (VR) caseloads and caseload costs revealed that the 2007-09 Legislatively Adopted Budget would not fully fund anticipated caseloads and an additional \$2.6 million was needed. The February 2008 legislature put this \$2.6 million into a Special Purpose Appropriation to be available if subsequent forecasts substantiated the need. The spring 2008 caseload forecast and cost estimates support that this need is now at \$2.4 million. The department now requests this funding from the Special Purpose Appropriation in order to qualify for \$9.0 million additional federal matching funds money available during the annual reallocation to states in August of 2008, as announced by the federal Rehabilitation Service Administration.

Net CAF Cost Change: GF: \$3.0 Million TF: \$101 Million

Division of Medical Assistance Programs (DMAP)

The Spring 2008 forecast is largely similar to the fall 2007 forecast with a few exceptions:

- Children: More children in the Poverty Level Children are seeking services than had been estimated in the last forecast. This may be due to the weakening economy.
- While there is a less than one percent increase in seniors and the Aid to Blind and Disabled, since the individuals have high medical costs, small changes had a relatively large budgetary impact of about \$4.6 million general fund.
- The costs for Medicare Buy-In are lower than originally estimated. The Centers for Medicare and Medicaid Services (CMS) recently announced the Medicare premium rates for calendar year 2008. These rates are about 8 percent lower than the premium rate provided by the Senior League used in the budget.
- As with the self-sufficiency programs, given the major policy changes in the TANF program, the weakening economy, along with the OHP (Oregon Health Plan) Standard re-opening, there are significant risks to the DMAP forecasts.

Net DMAP Cost Change: GF: (\$3.9) Million TF: (\$10.3) Million

Seniors and People with Disabilities

- In-home. The in-home caseload continues to decline, and the forecast was further adjusted downward. The decline is likely due to the on-going effects of Medicare Part D. (People would sign up for in-home long-term care services in order to qualify for OHP Plus, specifically the prescription drug benefit.)
- Community-based care. Assisted living facilities and residential care facilities have been slowly declining or holding steady. The decline likely is due to market forces of the private market and Medicaid. There is little change in the forecast, however, because these trends were anticipated in the last forecast. The increase in the cost per case is largely due to the rate increase that was approved during the February 2008 legislative session.
- Nursing facilities are no longer in decline for the first time in several years. It is now anticipated that they will increase, especially if there are continued capacity issues with the community-based facilities. In recent months, more people have been in nursing facilities than forecasted, leading to an increase in the nursing facility caseload forecast. The increase in the cost per case is due to a scheduled rate increase that goes into effect July 1, 2008, as well as a rate add-on of a few dollars per resident day due to the increased Certified Nursing Assistant (CNA) minimum staffing requirement that was effective March 1, 2008.

Net SPD Cost Change: GF: \$0.7 Million TF: \$4.6 Million

Total DHS Net Cost Change: GF: (\$0.2) Million TF: \$95.1 Million

As noted above, there are several known risks to the caseload forecasts in addition to the expected variations that always accompany a forecast. The weakening economy, including the rising gas and food prices, were just emerging as issues when the forecasts were completed. There were only a few months of data available on the restructured TANF and ERDC programs, and the outreach and publicity regarding the re-opening of OHP Standard had just begun when the forecasts were completed. These risks are more likely to lead to higher than projected caseloads than lower.

2. Update on the status of federal revenue issues.

The department's report on "federal regulation analysis and audit findings" explains these changes and the effect they will have on federal funding participation for these program areas. Attachment B is a summary of the estimated financial effect of these issues on DHS in the 2007-09 biennium. (Note that the current estimate of risk of lost federal fund revenues in the 2007-09 biennium from policy/rule changes

is up to \$42.4 million for those issues with a proposed effective date. Additional risk of federal fund revenue reductions related to policy/rule interpretation and clarification is up to \$232 million if fully retroactively applied.)

The department is actively addressing the Federal Fund revenue issues outlined to find ways to reduce, delay, or eliminate these potential budgetary effects. This includes written response to the Centers for Medicare & Medicaid Services disputing the findings or changes and working with the Oregon congressional delegation regarding the budgetary and programmatic impact to Oregon. If unsuccessful with these actions, the department will pursue possible litigation and negotiation of the issues with CMS to reduce and delay the budgetary effect.

The department is also developing management action options to address these potential reductions of Federal Fund revenues. These options include such actions as shifting funding sources, administrative cost reductions, delaying or not implementing selected 2007-09 policy packages, program rate reductions and other program benefits or eligibility changes. These options would be brought forward as part of the next DHS Rebalance of the 2007-09 Biennial budget as needed.

3. Status of the DHS Special Purpose Appropriation (SPA) needs.

DHS – General SPA. This SPA included provisions for several potential funding needs within the department. Please see Attachment C for the current status of these issues. As noted on the attachment, the department requests \$2.4 million General Fund Authority from the general purpose DHS Special Purpose Appropriation to fund increased Vocational Rehabilitation caseload and costs. This funding will be matched with \$9.0 million additional federal matching funds available during the annual reallocation to states in August of 2008, as announced by the federal Rehabilitation Service Administration (RSA).

DHS –Oregon State Hospital Continuous Improvement Plan SPA. In January 2008, the Oregon State Hospital (OSH) further advanced its comprehensive continuous improvement plan to address several issues identified in a recent inspection of OSH by the U.S. Department of Justice. This plan totaled \$6.7 million and included 211 new OSH positions and 43.78 new FTE, and was presented to the legislature during the February 2008 session. The plan was approved, and additional funding and position authority for the portion of the plan to be completed by June 2008 totaling \$1.8 million, 21 new positions and 11.54 FTE was approved and included in the DHS budget. The remaining \$4.9 million, 190 positions, and 32.24 FTE were placed in this DHS Special Purpose Appropriation for future allocation. Here is an update on the portion of funding and position authority approved in February 2008 and a request for the next portion of the comprehensive plan needed for positions to be hired from July 2008 through September 2008.

DHS – OSH Continuous Improvement Plan:	
Total Plan Cost:	\$6.7 Million
Total Plan Positions:	211 Positions
Total Plan FTE:	43.78 FTE
Update on the First Phase of the OSH Plan (to be in place by June 2008):	
Additional Funding Approved:	\$1.8 Million
Additional Positions/FTE Authorized:	21 New Positions and 11.54 FTE
New Positions Filled as of June 2008:	21 New Positions Filled
Projected Cost for new positions:	\$1.8 Million
Request for allocation from the OSH SPA for the second phase of the OSH Plan (to be in place by September 2008)	
Additional Funding Requested:	\$1.7 million
Additional Positions/FTE Requested:	22 New Positions and 9.8 FTE

4. Other DHS budget challenges. The department has identified several budget revenue and expenditure "challenges" as part of on-going financial monitoring and analysis. These issues are being monitored and plans are being developed to address them within the confines of the 2007-09 DHS budget.

Revenue challenges:

- DHS Federal Fund - Transition Grant. During the restructure of DHS in 2001-03, several ending federal grant balances within the accounting system were consolidated into one grant called the DHS Transition Grant. This was done as part of the consolidation into one department. As DHS has progressed since the restructure, it has been determined that the "Transition Grant" balance is erroneous and should be eliminated. Since the DHS Transition Grant was included as part of budgeted Children, Adults and Families (CAF) funding, the correction of this grant will present a budget management challenge to DHS and CAF of \$1.5 million.
- DHS Other Fund - Provider tax interest. This revenue source was included in the OHP Plus program budget as funding for this program. Upon further review, this revenue is restricted to the OHP Standard program and cannot be used for OHP Plus. Since the OHP Standard program is funded exclusively with provider tax and Medicaid funds, the interest earned on the provider tax would not displace

the need for general fund. Since the provider tax revenue cannot be used for OHP Plus as budgeted, this will become a DHS budget management challenge to DHS and DMAP of \$1.2 million.

Medicaid funding for the Oregon State Hospital – Geriatrics Program. The Geropsychiatric Program at Oregon State Hospital is a 114 bed program certified as a component of the hospital that provides active psychiatric treatment to Medicaid eligible individuals age 65 and older and is reimbursed by Medicaid. A February 2008 survey by CMS found that some individuals were not receiving active psychiatric treatment and could not be billed to Medicaid. The larger problem is that in the report following the survey, CMS indicated a new policy that determines formerly eligible individuals are no longer able to benefit from active psychiatric treatment and are best served with custodial care. CMS will not reimburse for custodial care in a state psychiatric hospital. As a result of the review and the change in policy, OSH faces a number of challenges.

- Complete decertification with a loss of \$6.3 million in Medicaid and Medicare revenue; or
- Continued certification, but patients deemed ineligible for reimbursement for active psychiatric treatment and phased out over time with a loss of \$1.1 million in Medicaid revenue.

In response to these challenges, OSH will

- Reconfigure the program and concentrate the patients eligible for active psychiatric treatment on one 30 bed ward;
- The remaining patients will be served in 84 beds that are no longer certified by CMS to bill Medicaid;
- Sufficient staff will be assigned to assure the provision of active psychiatric treatment on the certified ward;
- The loss of Medicaid and Medicare revenue is estimated to be approximately \$5 million

OSH and AMH leadership expect a resurvey in June 2008. AMH and SPD are considering the options that may exist to discharge the individuals who have been deemed unable to benefit from active psychiatric treatment to appropriate community-based settings.

Expenditure challenges:

Financing the 2007-09 compensation plan (salary package). Due to the decline in projected state revenues by the March 2008 Office of Economic Analysis of the Department of Administrative Services, the 2007-09 state compensation salary package may not be available to state agencies. This will require state agencies to develop plans to self-fund part or the entire salary package. DHS has developed its plans to self-fund from \$16.7 million to \$30 million (100% of the salary package) if needed and has submitted the plan to DAS and Legislative Fiscal Office. The plan includes the use of vacancy savings in excess of planned levels, a hiring delay, service and supply cost delays and reductions, use of other savings within the DHS budget, and the use of available other fund ending balances.

OSH operations budget (excluding continuous improvement funding). The May 2008 review of OSH budget status, based on actual expenditure trends through March 2008, indicate expenditures are projected to be up to \$10.6 million above the budget. This projected deficit may be reduced by:

Projected additional expenditure:	\$ 10.6 M
Less: OSH portion of Salary Package:	(6.8 M)
Less: Additional Medicaid Part D revenues	(1.0 M)
Less: Use of available SPA funding for Involuntary Medication Hearings – no longer needed:	(1.2 M)
Remaining risk to “manage” within budget levels:	<u>\$ 1.6 M</u>

5. Latest Tobacco Tax Revenue Forecast.

The latest (June 2008) Tobacco Tax revenue forecast by the Oregon Department of Economic Analysis results in a reduction of Tobacco Tax revenue for the department of \$7 million. The DHS budget includes \$373.5 million of Tobacco Tax revenues, but the latest forecast reduces this to \$366.5. This will effect funding for the Oregon Health Plan and the Tobacco Use Reduction Account. This issue will appear on the next DHS Rebalance plan as a budget problem.

6. Update on the status of the effort to convert CAF child welfare to a workload staffing model.

A child welfare staffing study was conducted by McKinsey and Company as part of the Phase I DHS Transformation Initiative. The study found that a significant gap (24-37 percent) exists between the current staffing and what is required for child welfare to operate effectively and efficiently.

DHS and McKinsey have identified a series of improvement initiatives that are estimated to close a large portion of the gap. However, even the best case scenario

leaves a 10 percent staffing gap that will need to be resourced in order to make the operation whole.

Additionally, McKinsey developed a workload staffing model to replace the existing caseload model and conducted preliminary training with child welfare and budget staff in early 2008 on how to use the model. A subsequent training on the use of this model was conducted in May 2008 with CAF field services administration, CAF program performance and reporting, the child welfare staffing allocation committee and budget staff.

CAF field administration will begin using/testing the model in June 2008 and will provide an update on progress at the September Emergency Board.

DEPARTMENT OF HUMAN SERVICES
 2007-09 JUNE 2008 FINANCIAL UPDATE
 APPROPRIATION AND LIMITATION ADJUSTMENTS

ATTACHMENT 1

DIVISION	CHAPTER, SECTION	FUND	REBALANCE ADJUSTMENT S	REQUEST FROM SPA	NET ADJUSTMENT S
CAF	Ch 743, 1(2)	General		2,420,237	2,420,237
	713 (7)	General			
	Ch 749, 21d	General			
	Ch 743, 2(2)	Other Limited			
	713 (7)	Other			
	Ch 743, 4(2)	Federal Limited			
	713 (7)	Federal			
	Ch 743, 5	Federal Non-Limited Total			
HS	Ch 743, 1(3)	General		1,725,000	1,725,000
	Ch 910, 21a(1)	General			
	Ch 16, 51(1)	General			
	Ch 16, 51(2)	General			
	Ch 16, 51(3)	General			
	Ch 743, 2(3)	Other Limited			
	Ch 743, 5	Other Non-Limited			
	Ch 743, 3	Lottery			
	Ch 743, 4(3)	Federal Limited			
	Ch 743, 5	Federal Non-Limited Total			
	SPD	Ch 743, 1(4)	General		
Ch 749, 21b		General			
Ch 749, 21c		General			
Ch 743, 2(4)		Other Limited			
Ch 743, 4(4)		Federal Total			
ASD	Ch 743, 1(1)	General			
	Ch 743, 1(6)	General - Debt Svcs			
	Ch 697, 26(1)	General			
	Ch 697, 25(1))	General			
	Ch 697, 24(1)	General			
	Ch 743, 2(1)	Other Limited			
	Ch 697, 26(1)	Other			
	Ch 697, 24(2) and Ch 16, 40	Other			
	Ch 743, 4(1)	Federal			
	Ch 697, 25(2) 713 (7)	Federal Federal Total			
Capital Improvement	Ch 743, 1 (5)	General			
Capital Construction	Ch 742, 1(6) Ch 15, 3	Other General			
Total		General		4,145,237	4,145,237
		Other			
		Other Non-Limited			
		Lottery			
		Federal Federal Non-Limited Total		4,145,237	4,145,237

ATTACHMENT A

Emergency Board - June, 2008: Summary of Changes to the 2007-09 LAB based on the Spring 2008 Caseload Forecast & Caseload Cost Changes

Department of Human Services

Positive Numbers Represent Increased Need and Negative Numbers Reduced Need

January 2008 Rebalance to June 2008 Financial Update

Caseload / Caseload Cost changes	Caseload Forecast				Cost per Case Estimates				Cost Change	
	Spring 2008 (Most recent)	Fall 07 (Current, Jan. 2008 Rebalance)	Change Jan Rebalance to June 2008 Financial Update	% Change	Most recent	Current, Jan. 2008 Rebalance	Change	% Change	GF (millions)	TF (millions)
Children, Adults, Families Division (CAF)										
Child Welfare Average Daily Population: Out of Home Care/Substitute Care Adoptions Assistance	7,272 10,042	7,456 10,119	(184) (77)	-2.5% -0.8%	729.18 483.61	722.01 487.45	7.17 (3.84)	1.0% -0.8%	\$ (2.03) \$ 1.10	\$ (4.21) \$ (1.83)
Self-Sufficiency Families/Households:										
TANF - Basic*	16,095	14,161	1,934	13.7%	\$ 405.53	\$ 410.12	\$ (4.59)	-1.1%	\$ -	\$ 18.92
TANF - UN (Unemployed/underemployed)	1,018	921	97	10.5%	\$ 521.09	\$ 505.10	\$ 15.99	3.2%	\$ 1.57	\$ 1.57
TANF - Pre-SSI*	1,603	1,895	(292)	-15.4%	\$ 575.98	\$ 536.47	\$ 39.51	7.4%	NA	NA
TANF - Post*	2,489	2,523	(34)	-1.3%	\$ 129.73	\$ 150.00	\$ (20.27)	-13.5%	NA	NA
TANF - Domestic Violence*	562	504	58	11.5%	\$ 672.81	\$ 696.96	\$ (24.15)	-3.5%	\$ (0.10)	\$ 0.65
Employment Related Day Care (ERDC)*	10,435	10,487	(52)	-0.5%	\$ 514.16	\$ 524.89	\$ (10.73)	-2.0%	\$ -	\$ (2.04)
Food Stamps*	238,130	226,123	12,007	5.3%	\$ 178.80	\$ 174.52	\$ 4.28	2.5%	\$ -	\$ 76.44
Vocational Rehabilitation Cases:										
Vocational Rehabilitation Clients* 4	9,111	8,991	120	1.3%	\$ 205.90	\$ 186.89	\$ 19.01	10.2%	\$ 2.42	\$ 11.42
CAF Total									\$ 2.96	\$ 100.92

Note 1: Caseloads that are mandated are in *italics*

Note 2: Items with (*) are being compared to Legislatively Adopted caseload of Spring 2007 and cost per case, not Legislatively Approved caseload of Fall 2007 and cost per case since no action was taken on these items at the Jan/Feb 2008 rebalance.

Note 3: Bolded items assumes use of TANF Federal Funds for caseload increase impact

Note 4: Increase in GF need for Vocational Rehabilitation is covered in Special Purpose Appropriation. The Current Cost per person is based on the Actual cost per case from 2005-07. The budgetary need is due to \$144.82 dollars per client available budgetarily.

Continued on next page

ATTACHMENT A

Emergency Board - June, 2008: Summary of Changes to the 2007-09 LAB based on the Spring 2008 Caseload Forecast & Caseload Cost Changes

Department of Human Services

Positive Numbers Represent Increased Need and Negative Numbers Reduced Need

January 2008 Rebalance to June 2008 Financial Update											
Caseload / Caseload Cost changes	Caseload Forecast				Cost per Case Estimates				Cost Change		
	Spring 2008 (Most recent)	Fall 07 (Current, Jan. 2008 Rebalance)	Change Jan Rebalance to June 2008 Financial Update	% Change	Most recent	Current, Jan. 2008 Rebalance	Change	% Change	GF (millions)	TF (millions)	
Division of Medical Assistance Programs (DMAP)											
OHP Plus: Temporary Asst to Needy Families (Medical & Extended)	114,617	116,091	(1,474)	-1.3%	\$ 234.99	\$ 234.99	\$ -	0.0%	\$ (3.20)	\$ (8.31)	
OHP Plus: Poverty-Level Children	84,680	83,407	1,273	1.5%	\$ 152.52	\$ 152.52	\$ -	0.0%	\$ 1.80	\$ 4.66	
OHP Plus: CHIP (Children's Health Insurance Program)	41,801	42,567	(766)	-1.8%	\$ 94.13	\$ 94.13	\$ -	0.0%	\$ (0.47)	\$ (1.73)	
OHP Plus: Seniors & People w/ Disabilities	95,922	95,221	702	0.7%	\$ 701.26	\$ 701.26	\$ -	0.0%	\$ 4.55	\$ 11.81	
OHP Plus: Poverty Level Medical Women	10,822	10,825	(3)	0.0%	\$ 949.43	\$ 949.43	\$ -	0.0%	\$ (0.03)	\$ (0.07)	
OHP Plus: Foster/Substitute Care	17,361	17,667	(306)	-1.7%	\$ 400.44	\$ 400.44	\$ -	0.0%	\$ (1.13)	\$ (2.94)	
Subtotal - OHP Plus Total	365,205	365,777	(573)	-0.2%					\$ 1.52	\$ 3.43	
Other Medical Assistance Programs											
Citizen-Alien Waived Emergency Medical Breast & Cervical Cancer program	17,501	17,573	(73)	-0.4%	\$ 114.11	\$ 114.11	\$ -	0.0%	\$ (0.08)	\$ (0.20)	
Buy In - Part A and B (1)	372	372	0	0.0%	\$ 1,708.53	\$ 1,708.53	\$ -	0.0%	\$ 0.00	\$ 0.00	
DMAP Caseload Subtotal	383,077	383,723	(645)	-0.2%							
Buy In - Part A and B (1)	80,104	80,186	(82)	-0.1%	\$ 102.32	\$ 109.42	\$ (7.10)	-6.5%	\$ (5.34)	\$ (13.56)	
(1): Most individuals in Medicare Buy-in are also included in the above caseloads.											
DMAP Total									\$ (3.90)	\$ (10.33)	
Seniors & People w/ Physical Disabilities - Long-Term Care											
In-Home	10,854	10,991	(137)	-1.2%	\$ 1,251.17	\$ 1,291.95	\$ (30.78)	-2%	\$ (11.04)	\$ (12.26)	
Other Services (e.g. Adult Day Care, Home delivered meals)	3,286	3,288	(2)	-0.1%	\$ 375.81	\$ 373.85	\$ 1.96	1%	\$ (0.07)	\$ 0.14	
Community-Based Care	11,028	11,008	20	0.2%	\$ 1,481.30	\$ 1,459.20	\$ 22.10	2%	\$ 1.93	\$ 6.55	
Nursing Facilities	4,837	4,680	157	3.4%	\$ 5,411.57	\$ 5,381.99	\$ 29.58	1%	\$ 9.84	\$ 23.71	
Oregon Supplemental Income Program (OSIP)	52,930	52,788	142	0.3%	\$ 6.83	\$ 6.77	\$ 0.06	1%	\$ 0.10	\$ 0.10	
Other Adjustments: Dev Disability Program	82,935	82,755	180	0.2%	\$ -	\$ -	\$ -	-	\$ 0.76	\$ 18.25	
SPD Subtotal									\$ -	\$ (13.17)	
SPD Total									\$ -	\$ 4.55	
TOTAL DHS CHANGE IN CASELOADS AND CASELOAD COSTS											
DHS Total									\$ (0.17)	\$ 95.1	

Note: Changes in GF are due to a combination of caseload changes, cost per case and other non-related caseload changes.

2007-09 Biennium ESTIMATED Federal Funds at Risk
2009-11 Biennium ESTIMATED Federal Funds at Risk

Final Federal Rule/Policy Change Issues:	Division(s) Affected	Effective	2007-09 Biennium ESTIMATED Federal Funds at Risk	2009-11 Biennium ESTIMATED Federal Funds at Risk	Status
Targeted Case Management (TCM): The Centers for Medicare & Medicaid Services (CMS) rule changes eliminated child welfare, probation, and parole employees from the definition of Targeted Case Management services providers.	Children, Adults, and Families	March 2008	Up to -\$23.5 Million	Up to -\$8.2 Million	DHS is working with our Congressional Delegation to obtain a moratorium delaying the implementation of this regulation.
Graduate Medical Education (GME): CMS rule changes eliminate Medicaid match payments for GME effective May 25, 2008.	Seniors & People with Disabilities Administrative Services Division	March 2008	Up to -\$6.0 Million Up to -\$5.1 Million	Up to -\$9.6 Million Up to -\$8.4 Million	The moratorium has been extended to August 1, 2008 on this rule change, however DHS is working with our Congressional Delegation to obtain a moratorium delaying the implementation of this regulation beyond August 1, 2008.
Total estimated effect of Federal Rule/Policy Changes for 2007-09 - (TCM & GME)	Medical Assistance Programs	August 2008	Up to -\$7.8 Million	Up to -\$22 Million	Up to -\$78.2 Million

Proposed Federal Rule/Policy Change Issues:	Division(s) Affected	Effective	2007-09 Biennium ESTIMATED Federal Funds at Risk	2009-11 Biennium ESTIMATED Federal Funds at Risk	Status
Rehabilitative Services: CMS proposed rule changes eliminate services that are not "restorative", increase required planning and documentation for client services, and eliminate Medicaid payment for services furnished as part of a non-medical program (schools or correctional institute).	Children, Adults, and Families Addictions and Mental Health	Not determined as of May 27, 2008. Assumed Start date of July 1, 2009	None in 2007-09 based on estimated effective date.	Up to -\$21.4 Million Up to -\$42.0 Million	There is no final rule for this regulation and no clarification has been provided by CMS.
Local Government Cost Limits: Although this rule would reduce the revenue of some local governments, SPD estimates a possible reduction of Medicaid match for Developmental Disabled Case Management. Additionally the most significant impact is likely to be a large administrative burden on DHS (estimated 10.0 FTE \$1.0 Million per biennium) and local governments to complete and audit the cost reports and adjust payments.	Administrative Services Division Seniors & People with Disabilities	Not determined as of May 27, 2008. Assumed Start date of July 1, 2009	None in 2007-09 based on estimated effective date.	Up to +\$0.5 Million (ADDED NEED) Up to -\$7.0 Million	The regulation has been vacated by the US District court for the District of Columbia due to a lawsuit brought forward by a national coalition of hospitals. This action delays the implementation of the CMS regulation, however CMS could republish the regulation as currently written and we would have 60 days to respond.
Total estimated effect of Federal Rule/Policy Changes for 2009-11 - (Rehabilitative Services & Cost Limits)			\$0	Up to -\$69.9 Million	

Federal Rule/Policy Interpretation Change/Clarification as a result of audits:	Division(s) Affected	Audit Period	2007-2009 Impact from Audit Period	2009-11 Biennium ESTIMATED Federal Funds at Risk	Status
TANF Emergency Assistance (EA) Redetermination: Clarification provided by the Administration for Children and Families (ACF) requires annual redetermination of TANF EA eligibility effective February 2008. This will reduce TANF EA eligibility and reduce Federal participation for these clients. [Note: DHS plans to redirect \$18.9 million of these TANF funds to off-set the need for additional GF to fund the increase in TANF eligible caseloads. See Attachment A.]	Children, Adults, and Families Administrative Services Division	Feb 2008	-\$30.0 to -\$38.3 Million Up to -\$1.1 Million	-\$42 to -\$54 Million Up to -\$1.6 Million	Estimated financial effect of this policy clarification which changes process and availability of TANF funding for Emergency Assistance. DHS has developed a series of management actions to address this issue. This includes identification of alternative funding sources and expenditure reductions to off-set this loss of Federal revenue.
Personal Care (PC) (Medicaid): CMS has disallowed the on-going DHS practices regarding Medicaid eligibility of foster care "special rate" payments paid to foster care parents for personal care services. CMS is also currently conducting a review of personal care expenditures in AMH residential treatment programs	Children, Adults, and Families Addictions and Mental Health	Jan. 2005 Jan. 2005	Up to -\$48.6 Million (higher risk) Up to -\$144 Million (lower risk)	Up to -\$20 Million (however resolution expected before 2009-11) Up to -\$96 Million (however resolution expected before 2009-11)	DHS has filed notice to appeal the Child Welfare decision by DHHS and will attempt to ameliorate this disallowance. At this time, DHS is awaiting a decision on the Child Welfare appeal, and the AMH Financial Management Review report is pending.
Total estimated effect of Federal Rule/Policy Changes from Audits for 2007-09 - (TANF EA & PC Medicaid)			Up to -\$432.0 Million	Up to -\$171.6 Million	
Total - All Federal Revenue Risk Issues			Up to -\$274.4 Million	Up to -\$319.7 Million	

Attachment C						
Department of Human Services						
Special Purpose Appropriation (SPA) Update						
June 2008						
SPA Funding Elements	Division	Original SPA Amount	June 2008 Updated Need	Change to SPA Amount	Funding Needed from SPA in June 2008	Comments
DHS GENERAL SPA:						
Vocational Rehab - GF Backfill	CAF	\$ 2,634,292	\$ 2,420,237	\$ (214,055)	\$ 2,420,237	This is needed to address increased caseload and cost per case, to receive the \$9 Million FF reallocation in August 08, and to avoid "order of selection" in treating clients.
Potential - DD Program Savings	SPD	\$ 6,300,000	\$ 6,300,000	\$ -	\$ -	Still tracking - hold until Fall Rebalance.
MMIS Efficiencies	DMAP, SPD	\$ 9,792,393	\$ 9,792,393	\$ -	\$ -	No change in assumptions - estimate still valid.
Involuntary Medication Hearings	AMH	\$ 1,182,600	\$ -	\$ (1,182,600)	\$ -	Based on actual activity to date, cost for this issue is less than originally estimated, no additional funding is needed.
State Data Center	ASD	\$ 495,743	\$ 495,743	\$ -	\$ -	DAS did not present statewide need in February, DHS portion of additional SDC cost
Reserve/Shortfall		\$ (2,904,735)	\$ (2,904,735)	\$ -	\$ -	
Total DHS General SPA		\$ 17,500,293	\$ 16,103,638	\$ (1,396,655)	\$ 2,420,237	
DHS - OSH CONTINUOUS IMPROVEMENT PLAN SPA:						
CIP Plan Investment		\$ 4,870,055	\$ 4,870,055	\$ -	\$ 1,725,000	Requested appropriation funds investments planned to be implemented from June to September 2008