

Department of Human Services (DHS)

Sources of Funding for 2009-2011

I. Forecast Methods and Assumptions

Revenue for the DHS comes from multiple funding sources, which are classified as the State General Fund, Other Funds, Lottery Funds and Federal Funds. The following is a summary of the major methodologies used to project revenues for the Department:

1. Expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC) – this method is mainly used for federal entitlement grants.
2. Grant cycles and how the grant cycle falls within the biennium are considered for block grants. Assumptions are made to project the amount of funds that will be received. These assumptions consist of prior grant averaging and anticipated impact of the federal budget.
3. Historical receipt trends – this method is used for other funds sources such as collections of overpayments and fees (unless special projects, additional staff, etc. are expected to increase receipts).

DHS projects revenues based on assumptions that takes into account:

1. Essential packages (phasing in or out of program changes, one time costs, Department of Administrative Services inflation factor, mandated caseload changes, and any needed fund shifts) which adjust the existing base budget to the 2009-11 essential budget level (EBL) for all legislatively approved programs. The enclosed estimates are preliminary and do not include essential package adjustments at this time.
2. Applicable federal funding limits and requirements, including the availability of state funds to meet matching or maintenance of effort (MOE) requirements;
3. Changes in Federal policies that effects Federal revenues available for DHS programs;
4. Expected non-mandated program caseload changes; and, any recent changes in state or federal statutes and

regulations that will affect the availability or timing of revenue receipts.

II. Fee Schedules and Proposed Increases

The Department utilizes many fees as funding sources. The majority of these fees are in the Public Health area of the Health Services Division.

III. Significant Known Federal Revenue Changes / Risk Factors

The Deficit Reduction Act of 2005 (DRA) created changes in numerous provisions that may effect the Department of Human Services (DHS). Through subsequent federal rulemaking, further clarity of the full impact will be known. At this time, the major known changes include:

Children Adults and Families (CAF):

Self-Sufficiency:

Temporary Assistance for Needy Families (TANF)

1. Caseload Reduction Credit (CRC) moves baseline year for work participation to federal fiscal year 2005, which will reduce the CRC to approximately 10% or less. A penalty of up to 5% may be assessed for not meeting federal work requirements, resulting in increasing Maintenance of Effort requirement from 75% of base year to 80%.
2. More prescribed work verification requirements are imposed on states to verify work hours of participants. Penalties of 1-5% (which increases for subsequent years of non-compliance) may be assessed for failure to comply, depending on severity of non-compliance. Staff will be required to document this verification, which will likely be a new and extensive administrative burden.
3. High performance bonuses are eliminated.
4. The DRA authorizes TANF through September 30, 2010.

Child Care and Development Fund (CCDF)

1. The DRA reauthorized CCDF for five years and increased appropriations, which would require additional state matching funds. CAF estimates overall demand for childcare subsidies will likely increase due to the added TANF work requirements.

Targeted Case Management (TCM)

1. The Deficit Reduction Act (DRA) provides a stricter definition for TCM services, while Third Party Liability language is changed to reflect that any legally responsible entity can be considered a third party resource payor in front of Medicaid. Any program that currently uses Medicaid and also has either another funding source or statutory intent may be at risk for Medicaid reductions. The TCM statute allows the rules of third party liability to determine if Medicaid will not cover services that are normally provided under another program authority, which could include self-sufficiency resources.

Child Welfare:

Eligibility for Title IV-E foster care maintenance and adoption assistance

1. The DRA limits the determination of eligibility for Title IV-E foster care maintenance and adoption assistance. The language would reverse the Rosales v. Thompson decision, by restricting determination of Title IV-E eligibility based on the broader criterion of a specified relative with whom a child may have resided within six months of removal. This will affect approximately 5% of the caseload because they will not be eligible for services.
2. Oregon's child welfare system effectively utilizes Medicaid through TCM. The DRA provides a stricter definition of TCM services, yet Third Party Liability language is changed to reflect that any legally responsible entity can be considered a third party resource payor in front of Medicaid. Currently the regulations guiding TCM are under moratoria until April of 2009.

Administrative Services Division (ASD):

Medicaid Integrity Program:

1. The DRA created the Medicaid Integrity Program to institute the Medicaid Fraud Act. An additional 150 federal auditors are added to examine state expenditures. There is an administrative burden placed on the

State, requiring all providers with receipts greater than \$5 million per fiscal year to have policies and training relating to the False Claims Act. This would include the necessary technical assistance and training, and monitoring of providers for compliance. Further, the Medicaid Integrity Program allows states to retain an additional 10% of audit recoveries.

Division of Medical Assistance Programs (DMAP):

Managed Care Organizations (MCOs):

1. The DRA expands the Medicaid MCO provider class to include all MCOs and limits states' ability to use MCO provider taxes. This provision has a grandfather clause that will take effect after Oregon's current MCO tax statute sunsets. However, this will require reconsideration for any new MCO provider tax legislation to tax all MCO providers. Any new proposed legislation would need to be inclusive of all MCO providers. Currently these taxes partially pay for the Standard Medicaid population.
2. Congress also reduced the provider tax on MCOs from 5.8% to 5.5% until Sept 30 2009 and the hospital tax from 3% to 1.5% until October 2011
3. Another CMS rule eliminates Medicaid match payments for Graduate Medical Education (GME). This rule took effect on May 25, 2008.

Federal Upper Limit:

1. The DRA establishes a new methodology to determine the federal upper limit (FUL) for pharmaceuticals. When available, the FUL will be based on the Average Manufacturer Price (AMP), which is expected to be more representative of actual pharmaceutical costs. The recent TCM interim final rules require tha a client only has one case manager; many clients who access TCM services through more than one case manager will be affected by this rule.

Targeted Case Management (TCM):

1. TCM is used in local programs. These TCM's utilize local funds for the match, so there is no state impact, although the impact may effect county public health departments' ability to continue providing services.

School-based Services:

1. CMS promulgated final rules to prohibit Medicaid funding for school-based administrative and certain transportation services. This funding primarily affects local education districts.

Seniors and People with Disabilities:

Targeted Case Management (TCM):

1. The DRA provides a more clear definition of TCM services (refer to CAF TCM). Any program that currently uses Medicaid and also has either another funding source or statutory intent may be at risk for Medicaid reductions. The TCM statute allows the rules of third party liability to determine if Medicaid will cover services that are normally provided under another program authority, which could include Developmentally Disabled (DD) programs and Child Welfare Programs.

Long-term Care Reform:

1. The DRA increased the look-back period from three to five years and provides penalty periods to begin at time of application. This change to long-term care asset determinations requires a greater administrative burden regarding staff reviews of client documents, and increases technical assistance and training requirements.

IV. Major Funding Sources

The following identifies the major funding sources for DHS. All references to a grant “Title” are referencing the originating statute in the federal Social Security Act. Grants are listed in alphabetical order.

Federal Funds

Assistive Technology

The Assistive Technology Act of 1998 supports State efforts to improve the provision of assistive technology (AT) by providing States with financial assistance to implement programs designed to meet AT needs of individuals with disabilities, including activities that improve access to and the acquisition of AT devices and services for individuals with disabilities.

This grant (213000) is a revenue source of the Oregon Disabilities Council, which was transferred to SPD by the Legislature through HB 3230 in August 2005.

Currently funds DHS Seniors and People with Disabilities Division.

Cash-In-Lieu

Cash-In-Lieu is cash assistance from the Nutrition Services Incentive Program (NSIP) grant to supplement Title III-C and local funds in the provision of nutrition services. Funds are 100% federal. No match is required.

Currently funds DHS Seniors and People with Disabilities Division. Projection is expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC).

Center for Mental Health Services Block Grant (CMHS)

Federal CMHS funds are granted to states to carry out activities in the Office of Mental Health and Addiction Services (AMH) plan for adults with serious mental illness and children with serious emotional disturbances. At least 30% of each grant must be expended for mental health services for children. Funds for children are contracted in all counties throughout the state.

Currently funds DHS Health Services Division. Projection is based on grant cycle.

Center for Mental Health Services (CMHS) funded research

CMHS currently is funding Oregon's Office of Mental Health Services Data Infrastructure Grant, which is being used to assist AMH in building data infrastructure to meet uniform data set reporting requirements for the Community Mental Health Block Grant. It is also funding the Statewide Coalitions to Promote Community-Based Care Grant, which helps AMH to select the most appropriate integrated setting for service delivery to persons with psychiatric disabilities. CMHS revenue is 100% federal funds and does not require state match.

Currently funds DHS Health Services Division.

Chafee Foster Care Independence Grants (Title IV-E)

The Chafee Foster Care Independent Living program was established to assist foster youth likely to remain in foster care until 18 years of age, and children who “aged out” of foster care but have not yet turned 21, to make the transition from foster care to independent living. This program also includes the Education and Training Vouchers program.

The Chafee Foster Care Independent Living program is a formula grant based on the number of foster care children in the state. There is a 20% state match requirement.

Currently funds DHS Children, Adult and Families Division. Projection method is grant cycle.

Child Abuse Prevention and Treatment Act Grant

The Child Abuse Prevention and Treatment Act (CAPTA) provides funding to assist states in improving their child protective service system. The funding is administered by the U.S. Department of Health and Human Services,

Administration on Children, Youth and Families. Federal legislation authorizes an annual award of funds to States that submit State plans every five years and meet certain other eligibility requirements. The amount of CAPTA funding received by the states varies from year to year with no matching requirement. The funding is provided to the state for use on a statewide basis, and is allocated to projects designed to improve the child welfare service system. A portion of the budget is also set aside to provide support to three CAPTA Panels which are mandated as part of the federal award to provide a citizen review of the child welfare system and to make recommendations for improvements to the system.

Currently funds the DHS Children, Adults and Families Division. Projection method is grant cycle.

Child Welfare Services (CWS) Block Grants (Title IV-B)

Title IV-B consists of two formula grants. The first is the basic Child Welfare Services grant that may be used for a number of child welfare related services including homemaker services, protective services, reunification services, and a limited amount for foster care, adoptions, and day care. The amount of federal funding allotted to the state for this grant is based on the state's population of children and the state's per capita income.

The second part of Title IV-B is the Promoting Safe and Stable Families grant. It focuses on family preservation, family support services, reunification, and adoption promotion and support. The amount of federal funding allotted to the state is based on the number of children receiving food stamps in the state.

Both grants require a 25% state match.

Currently funds DHS Children, Adult and Families Division. Projection method is grant cycle.

Children's Justice Act Grant (CJA)

The Children's Justice Act (CJA) provides grants to States to improve the investigation, prosecution and judicial handling of cases of child abuse and neglect, particularly child sexual abuse and exploitation, in a manner that limits additional trauma to the child victim. This also includes the handling of child fatality cases in which child abuse or neglect is suspected.

Funding comes from the Crime Victims' Fund, which collects fines and fees charged to persons convicted of Federal crimes. The Fund is administered by the U.S. Department of Justice, Office of Victims of Crime (OVC) and the grants are awarded by the Administration on Children, Youth and Families, U.S. Department of Health and Human Services, as outlined in Section 107 of the Child Abuse Prevention and Treatment Act (CAPTA), as amended, October 3, 1996.

To be eligible for CJA funds, States must be eligible for the CAPTA Basic State Grant and are required to establish and maintain a multidisciplinary Task Force on children's justice. There is no matching requirement for this grant.

Currently funds DHS Children, Adults and Families Division. Projection is grant cycle.

Developmentally Disabled Service Act (DDSA)

Congress sets a national allocation determining the amount of annual funding, which is administered by the Developmental Disabilities (DD) Council in partnership with DHS. There is a 5% limit on administrative expenditures except those of the DD Council. Program expenditures are limited to programs for clients with developmental disabilities and are guided by the State Plan submitted to the federal government. Federal law requires a state/local match, of which most can be in-kind.

Currently funds DHS Seniors and People with Disabilities Division. Projection is expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC).

Family Violence Grant

The Family Violence grant is a discretionary grant to support states in the establishment, maintenance, and expansion of programs and projects to prevent incidents of family violence and provide immediate shelter and related assistance for victims of family violence and their dependents. States must provide 25% matching funds. This grant is used in support of the Domestic Violence program in CAF. The grant is 100% federal funds.

Currently funds DHS Children, Adults and Families Division. Projection method is grant cycle.

Food Stamps

The Food Stamps Program provides children and low-income people access to food, a healthful diet, and nutrition education. The program is 100% federally funded by the Department of Agriculture Food and Nutrition Service (FNS). The food stamp benefits are distributed by DHS electronically in the form of an Electronic Benefits Transfer (EBT) Card, which is the Oregon Trail Card. The Cashout Program provides food stamp benefits to selected elderly clients in four counties using a direct cash payment. These benefits are also 100% federally funded.

The Food Stamps Employment & Training Program (OFSET) provides reimbursements of certain costs to families and individuals participating in activities to find employment or educational activities. The OFSET program is 100% federally funded up to the state's specified cap. Expenditures above the cap are funded with 50% state and 50% federal funds.

FNS funds 50% of the state's administrative costs for operating the Food Stamps EBT Program, the Cashout Program and the OFSET Program. States may receive enhanced funding up to 60% of administrative costs if their food stamp error rate is below a set percent and below the national average.

Currently funds DHS Children, Adults and Families, Seniors and People with Disabilities and Administrative Services Divisions. Projection method is expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC).

Foster Care and Adoption Services (Title IV-E)

The foster care and adoption assistance program for children is an entitlement program funded under the Social Security Act, Title IV-E. Children are taken into custody due to imminent risk of harm because of abuse and neglect and are provided foster care placement and medical care. Title IV-E eligibility is based on a number of

factors including the income of the child and his/her family. Title IV-E eligible children are also categorically eligible for Medicaid.

Federal financial participation (FFP) is available at the Medicaid FMAP rate for program costs (average biennium FMAP for 2007-09 is 61.48%), and at the rate of 50% for administrative expenditures necessary for the proper and efficient administration of the Title IV-E State Plan. The State's Cost Allocation Plan identifies which administrative costs are allocated and claimed under this program. FFP is also available at the rate of seventy-five percent (75%) for the costs of:

- Training personnel employed or preparing for employment by the state or local agency administering the plan, and;
- Providing short-term training (including travel and per diem expenses) to current or prospective foster or adoptive parents, and the members of the state licensed or approved child care institutions providing care to foster and adopted children receiving Title IV-E assistance.

All training activities and costs funded under Title IV-E must be included in the State agency's training plan that is part of the Children and Families Services Plan.

Currently funds Children, Adults and Families and Administrative Services Divisions. Projection method is expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC).

Maternal and Child Health Grant (Title V)

The goal of the Maternal and Child Health Grant (MCHG) is to enable States to maintain and strengthen their leadership in planning, promoting, coordinating and evaluating health care for pregnant women, mothers, infants, and children and children with special health care needs in providing health services for mothers and children who do not have access to adequate health care. MCHG is a formula grant partially based on the state's population of

children in poverty. States must expend \$3 for every \$4 of federal funds. In CAF, these funds are used in support of abstinence prevention programs such as Students Today Aren't Ready for Sex (STARS).

Currently funds DHS Children, Adults and Families, Health Services and Administrative Services Divisions. Projection method is grant cycle.

Medicare (Title XVIII)

Medicare provides federal funding for a portion of the costs of the certification and survey (inspection) of nursing homes.

Additionally, federal changes to the Medicare program can impact state program funding as well, particularly under Medicaid. The Medicare Modernization Act of 2003 (MMA) created a Medicare prescription drug benefit beginning in January 2006. With the creation of this new federally-funded benefit for all Medicare beneficiaries, states will no longer be eligible to receive federal Medicaid matching funds for prescription drugs provided to Medicare/Medicaid dual eligible beneficiaries. Additionally, the MMA requires states to submit a monthly payment to the federal government beginning in January 2006 to help fund the new Medicare benefit. The net impact of these changes on revenues and expenditures will be continually assessed by DHS as more guidance is released by the federal Centers for Medicare and Medicaid Services (CMS).

This funding pays the Medicare Part B outpatient benefit premium for Oregon Health Plan (OHP) clients and other Medicare beneficiaries with Federal Poverty Level (FPL) incomes up to 135% of the FPL. For clients between 120% and 135% of FPL, the federal match is 100% up to an allotment cap. The allotment cap has been reached and enrollment is closed at this time for this population. A limited number of Medicare Part A hospital premiums are also paid for Medicaid clients.

Currently funds Medical Assistance Programs and Administrative Services Division.

Medicaid (Title XIX)

Medicaid provides reimbursement to states to provide medical care and medical-related services to low income and other medically needy individuals. This includes financing for:

- Health care services provided under the Oregon Health Plan;
- Private insurance premium assistance through the Family Health Insurance Assistance Program (FHIAP);
- Long-term care in institutional and community-based care settings;
- Some client care provided in State hospitals;
- Residential treatment services to adults and youth;
- Central administration of alcohol and drug programs;
- Medical and non-medical transportation for Medicaid eligible individuals;
- Family planning services for individuals not enrolled in the Oregon Health Plan; and,
- Uncompensated care provided by hospitals serving a high proportion of Medicaid and uninsured individuals.

State General Funds or Other Funds must be used to match federal Medicaid dollars for administration and direct service payments. The administration match rate is primarily 50%. A 75% federal fund match is available for skilled professional medical personnel, certification of nursing facilities, and related information systems activities, including the Medicaid Management Information System (MMIS) computer system support. Administration of Family Planning is matched at 90%. The current average federal Title XIX match rate for service payments to providers for the 2007-09 biennium is 61.48%. This rate is projected for the 2009-11 biennium to be 63.02%.

Most of these services in Oregon are provided through Medicaid programs that require waivers of federal requirements. The Oregon Health Plan is the largest of these waiver programs. DHS must obtain approval from the federal Centers for Medicare and Medicaid Services (CMS) to make changes to its Medicaid program. This

approval process can be lengthy, sometimes affecting the timing of program changes and the receipt of associated federal revenues.

Currently funds all DHS Divisions. Projection method is expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC).

Older Americans Act

The Older Americans Act allocates funds annually to Oregon. Seniors and People with Disabilities, by formula, allocates funds (except for state administration funds) to the 17 Area Agencies on Aging. Emphasis is placed on serving the most economically and socially needy persons 60 years of age and older. There is a 15% match requirement for program services that is met by Area Agencies on Aging local funds.

- State Administration - Provides for state agency administration, including support for the Long-Term Care Ombudsman and Legal Services Development. There is a 25% match requirement met with General Funds.
- Title III —Provides for supportive services such as transportation, legal assistance, and in-home care. Senior Center meals and Meals-on-Wheels use the nutrition funding for the establishment and operation of their programs. The act also provides in-home services for frail individuals to prevent premature institutionalization and preventive health services for elderly clients in rural areas. Provides funding for family caregiver support, and training and service to prevent abuse of the elderly. There is a minimum match requirement of 25% for III-B, III-C-1, and III-C-2 for administration expenditures. There is a minimum match requirement of 10% for III-B, III-C-1 and III-C-2 for program expenditures. There is a minimum match requirement of 25% for III-E for program and administration expenditures.

- Title V – Provides subsidized, part-time employment opportunities in community service work for low-income persons, aged 55 and over. There is a 10% match requirement, which is met by the program operators.
- Title VII – Provides additional support for the Long-term Care Ombudsman and prevention of elder abuse, neglect, and exploitation.

Currently funds DHS Seniors and People with Disabilities Division. Projection is expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC).

Projects for Assistance in Transition from Homelessness (PATH) Formula Grant

This program provides federal grant funds for case management, treatment, and residential options for individuals who suffer from severe mental illness and/or co-occurring substance abuse disorders, and who are homeless or at imminent risk of becoming homeless in Marion and Multnomah Counties.

Currently funds DHS Health Services Division. Projection is based on the grant cycle.

Public Health Federal Fund Grants

Public Health receives over 90 categorical federal fund grants targeting specific activities. The variety of programs administered by Public Health using federal funds include: Women, Infant & Children (WIC) food vouchers, Maternal & Child Health, Cancer Prevention, Emerging Infections, Immunization, HIV prevention and care, Water System Revolving Fund, Beach Safety Assessment and Monitoring, Diabetes Reduction, Newborn Screening, and Disaster Preparedness.

Currently funds Health Services and Administrative Services Divisions. Public Health projects federal fund grant revenue using applicable federal funding limits and requirements, including the availability of state funds to meet matching or maintenance of effort (MOE) requirements.

Real Choices

Support for analysis, experimentation, and pilot projects to resolve major health care financing issues and the development of innovative methods for the administration of Medicare and Medicaid is the objective of this federal grant. The awards are in the form of research grants and cooperative agreements. This is a 5-year grant that will end in 2010. Currently funds DHS Seniors and People with Disabilities and Administrative Services Divisions.

Refugee Resettlement

The Refugee Resettlement program provides time-limited cash and medical assistance as well as social services to refugees upon entering the country. The Refugee Resettlement program and administration expenditures are 100% federal funds, as defined by the Immigration and Nationality Act of 1980.

Currently funds DHS Children, Adults and Families and Administrative Services Divisions. Projection method is expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC).

Rehabilitation Act Grants (U.S. Department of Education)

The Rehabilitation Act grants are the major funding source for the programs provided through the Office of Vocational Rehabilitative Services.

- Section 110 (Basic 110 Grant)

Basic 110 Grant, which is available to assist people with disabilities become employed, is a formula grant based on the state's population and per capita income. The funds available to Oregon are divided between Vocational Rehabilitation (87.5%) and the Commission for the Blind (12.5%). These federal funds must be matched with state funds. The match rate is 78.7% federal funds and 21.3% state funds.

- Section 302 (Training Grant)
This grant covers the cost of mandated rehabilitation services training and is awarded annually on a competitive basis. The grant must be matched with state funds at 90% federal Funds and 10% state match.
- Section 633 (Title VI-C Grant for Supported Employment)
This grant assists the state in developing programs with public and private agencies for training and services leading to supported employment for individuals with severe disabilities. The grant is 100% federal funds and does not require state match.
- Section 711 (Independent Living Rehabilitation, Part B)
Independent Living Rehabilitation funds support the State Independent Living Council and statewide Independent Living Centers. The grant must be matched at 90% federal funds and 10% state match.

Currently funds Children, Adult and Families, and Administrative Services Divisions. Projection method is grant cycle.

Safe and Drug Free Schools, US Department of Education (USDOE)

USDOE funds provide for community-based prevention programs to address the high-risk needs of school aged youth not currently receiving services through local education agencies. Services include parenting programs, training for mentors of children, education/intervention for school aged youth, and screening and referral. County providers include parenting subcontractors and juvenile justice providers.

Currently funds DHS Health Services Division. Projection is based on grant cycle.

Social Services Block Grant (SSBG, Title XX)

The Social Services Block Grant (SSBG) is one of the most flexible grants provided by the U.S. Department of Health and Human Services. The objective of SSBG is to provide social services best suited to the needs of

individuals residing in the state. Oregon uses SSBG to fund a number of programs including Employment-Related Day Care, Crisis Nurseries, Supportive Remedial Day Care, social service components of residential treatment programs, and Pre-Delinquent/Level 7 Youth. SSBG has no matching or maintenance of effort requirements.

Currently funds Children, Adults and Families, Seniors and People with Disabilities, and Administrative Services Divisions. Projection method is grant cycle.

State Children's Health Insurance Program (Title XXI)

The State Children's Health Insurance Program (sometimes referenced as SCHIP or CHIP) provides federal matching funds to the state for medical care of children through age 18 whose parents earn too much for traditional Medicaid, but do not have insurance. These services are covered through the Oregon Health Plan. SCHIP also supports private insurance premiums through the Family Health Insurance Assistance Program (FHIAP). Federal funding for administration and outreach cannot exceed 10% of the total grant. The current average federal Title XXI match rate for the 2007-09 biennium is 73.04%. This rate is projected for the 2009-11 biennium to be 74.11%.

Currently funds Children, Adults and Families, Health Services and Administrative Services divisions. Projection method is expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC).

Substance Abuse Prevention Treatment Grant (SAPT)

The Substance Abuse Prevention Treatment grant (SAPT) provides funds to fund most alcohol and drug programs and some administrative costs. States that receive the funds must meet federal requirements, i.e., 20% of the grant must be spent on prevention, and service levels must be maintained for specified populations, such as women and women with children. The grant is 100% federal funds.

Currently funds DHS Health Services Division. Projection is based on grant cycle.

Temporary Assistance for Needy Families (TANF; Title IV-A)

Under the Personal Responsibility and Work Act of 1996 (PRWOA), Oregon is eligible to receive an annual federal block grant under the Temporary Assistance for Needy Families (TANF). In order to qualify for this grant, the State must expend a minimum of state and local revenues on TANF related services to meet federal maintenance of effort requirements (MOE).

Some of these state and federal revenues fund Temporary Assistance to Needy Families (TANF) eligible services. In Oregon, these services are Cash Assistance for single and two parent families, DV Emergency Assistance, and Employment and Training (JOBS) services. DHS and other agencies also use TANF revenue to fund related programs such as child related foster care, prevention services, alcohol and drug treatment services, transportation, and housing assistance for homeless persons. Administrative and direct service costs can also be reimbursed using TANF revenues. Administrative costs are limited to no more than 15% of total TANF expenditures, with certain limited exceptions.

The block grant concept, under which TANF operates, places restraints on service delivery. Federal funds are capped, which means no federal revenue is available for increasing program costs. This limitation on revenue requires Oregon to essentially self-fund any program increases. The DRA authorizes TANF through September 30, 2010. The projection for the 2007-09 biennium is that the federal funding will continue at the current level.

Currently funds DHS Children, Adults and Families, Health Services and Administrative Services divisions. Projection method is grant cycle.

Under Age Drinking (UAD)

UAD funds provide for prevention programs, which are community-based and support the enforcement of underage drinking laws. Specific services include education of officers and community prevention partnerships. Funding comes from the Office of Juvenile Justice and Delinquency Prevention (OJJDP).

Currently funds DHS Health Services Division. Projection is based on grant cycle.

Other Funds

Beer and Wine Revenue

Beer and wine revenue is from the Oregon State Liquor Commission (OLCC) and is based on a set percentage of tax revenues. Revenue is used for all alcohol and drug programs. OLCC provides the estimate of Beer and Wine taxes, the following is an excerpt from the OLCC Revenue Narrative for 09-11 – NOTE: this is an assumption - not the final estimate:

Privilege taxes on malt beverages (\$2.60 per 31-gallon barrel) and wines (\$.67 per gallon on table wines and \$.77 per gallon on dessert wines) are projected to be \$35,600,000 for the 2009-11 biennium, continuing a moderate upward trend since 1988. The change in revenues is the result of the continued maturing of the wine industry in Oregon coupled with an expected increase in population. The continued growth in Privilege taxes has been mitigated by the shift in consumer preferences from malt beverages to distilled spirits. Per Capita consumption of malt beverage products continues to weaken, demonstrating the shift to distilled spirits. The Commission estimates gross tax revenue of \$35,600,000 in tax collections will provide an additional \$4.7 million dollars of proceeds above the 2007-09 estimate of \$30,900,000. Oregon Wine Board will have about \$494,000 of this, so $\$35,600,000/2 = \$17,800,000$ for DHS.

Currently funds DHS Addictions & Mental Health Division.

Candlish Trust

These funds were donated from the estate of Frances Candlish to the former Mental Health Division in 1973 for “research toward mental illness.” AMH uses interest accrued from this donation to conduct special mental health research projects each biennium.

Currently funds DHS Addictions & Mental Health Division.

Care of State Wards

Care of State Wards includes the following:

- Trust Recoveries – Other Funds, which are collected from SSA, SSI, and child support payments and used to reimburse the state for the maintenance cost of children in care. Collecting SSI disability payments is 24% of trust recoveries, 53% are from child support payments, and 23% are from SSA death and survivor benefits. Trust Recoveries are used in place of general funds to match Title XIX federal funds for the long-term care program.
- Other Funds are collected from client Social Security income to supplement the General Fund expense of their care.

Currently funds DHS Children, Adult and Families and Seniors and People with Disabilities Divisions. Projection method is caseload trends and historical receipt trends.

Collection of Overpayment

Overpayment recoveries are recovered program dollars incorrectly paid to or for clients through client error or fraud. There are multiple areas of recoveries including: Food Stamps, Child Care, Public Assistance cash, and Public Assistance grant reductions. The projections of these revenues are developed by using past performance, inflation, and changes in caseloads and regulations, as indicators of future trends. Public Assistance recoveries are applied against program expenditures during the month of the recovery. Food Stamp and Child Care overpayment recoveries are budgeted as other funds.

Currently funds Children, Adult and Families, Seniors and People with Disabilities and Administrative Services. Projection method is historical receipt trends.

Client Account Collections-Estates

Other Funds are collected from the estates of clients to reimburse previous cost of care. Collections are used as a reimbursement of cost and offset both the Title XIX program cost and the general fund.

Currently funds DHS Seniors and People with Disabilities Division. Projection is expenditures based on estimated Average Daily Populations (ADP) and Cost per Case (CPC).

Client Contribution- Client Employed Provider

In the Client Employed Provider (Home Care Worker) program, a small number of clients are able to provide a portion of the funds necessary to pay for the services provided. Client contributions, also known as Client Pay-In, are applied to reduce total fund expenditures for home care costs.

Currently funds Seniors and People with Disabilities Division. Projection is historical receipt trends.

Dedicated Fees for Children's Ombudsman

ORS 417.825 dedicates a \$1 fee on the original filing and duplication of birth certificates, adoption filing, and divorce filing to the Children's Ombudsman program. These funds are currently transferred to DHS from the state Commission on Children and Families.

Currently funds DHS Administrative Services Division.

Domestic Violence Receipts

Marriage license fees enacted in 1981 are dedicated to fund the Domestic Violence program. The marriage license fee is currently \$25. Expenditures in this program are limited to the amount of revenue actually received. In addition, legislation directed that the unitary tax provide additional funding for this program as well as the Criminal Fines and Assessments Account monies.

Currently funds DHS Children, Adults and Families Division. Projection method is historical receipt trends for Marriage License fees and Department of Revenue projections for Criminal Fines and Assessments Account.

Drug Rebates

The Omnibus Budget Reconciliation Act of 1990 requires drug manufacturers to provide rebates from drugs purchased by state Medicaid programs. The Office Medical Assistance Payments projects these rebates using past expenditure history and expected future trends. Rebates are collected quarterly for the previous quarter's drug claims and based upon rates that are transmitted to the States by Centers for Medicare and Medicaid Services. The State's rebate contractor generates and mails invoices for each manufacturer based on the number of units dispensed for each drug product made by that manufacturer. Prior period adjustment invoices are also generated quarterly for any previous invoices not paid or necessary adjustments based upon dispute resolution. Checks from manufacturers are received by accounting and the rebate contractor receives a copy of the accompanying "Reconciliation of State Invoice" indicating what payments are being made by line item. This information is tracked for future invoicing. If there are disputes on payment, that information is tracked and worked toward resolution by the rebate contractor. The drug rebate revenue level is based on the fee-for-service expenditures forecast and utilizes the historical percentage of revenue compared to expenditures.

Currently funds DHS Health Services and Administrative Services Divisions.

DMAP uses the per member per month premiums for Families and Adults & Couples forecasted on a Standard sustainable caseload of 24,080, taking into account the collection rate and SB782 as a basis for revenue premium projections. SB 782 eliminated premiums, effective 1/1/06, for those eligibles within the 0 - 10% Federal Poverty Level. Projected 2007-09 revenues are not sufficient to sustain the Standard population through the entire 09-11 biennium.

Currently funds DHS Children, Adults and Families, Health Services and Seniors and People with Disabilities Divisions. Projection method is historical receipt trends.

Intoxicated Driver Program Fund

Intoxicated Driver Program Fund (IDPF) revenue is generated from state and municipal court fines assessed to persons convicted of driving under the influence (DUII). Revenue is used for treatment programs for offenders.

Currently funds DHS Health Services Division.

Law Enforcement Medical Assistance Fund (LEMLA)

This program was a pilot project during the 1991-93 biennium. The 1993 Legislature permanently approved continuing the program commencing with the 1993-95 biennium. The program is funded with Other Funds revenue from Oregon county law enforcement agencies paid to the Department. The Department makes payments to medical providers for services to persons injured as a result of efforts by law enforcement to apprehend them. Additional fees on bails and fines handed down by the courts generate these other funds. A small portion of this fund is used to administer the program.

Currently funds DHS Children, Adults and Families and Administrative Services Divisions. Projections method is based on estimates from Department of Revenue and Justice.

Local School Funding For Rehabilitation Services

Other Funds from local schools are used as the 21.3% state match needed for the Basic 110 Grant for rehabilitation services which is funded at 78.7% federal funds. The Youth Transition Project (YTP) is a collaborative program with local school districts to assist youth with disabilities in transition from school to the community workforce. DHS initially pays the schools for 100% of their eligible vocational rehabilitation services, with the schools then reimbursing DHS for the state match portion for the federal funds.

Currently funds Children, Adult and Families and Administrative Services Divisions. Projection method is capped based on agreements with schools.

Oregon Project Independence

Per Senate Bill 870 \$12 million in 05-07 General Fund was deposited into a newly created Treasury Account called Oregon Project Independence Fund. This Fund consists of moneys appropriated to the fund by the Legislative Assembly, interest earned by the fund, moneys contributed to the fund by donors and moneys transferred to the fund under ORS 311.701 Department of Revenue property tax revenue. Seniors and People with Disabilities will receive Other Fund monies from the Oregon Project Independence Fund for the purpose of funding Oregon Project Independence.

Currently funds Seniors and People with Disabilities Division. Projection is historical receipt trends.

Program Recoveries

Program Recoveries are Other Funds offset which are collected and applied at the FMAP rate to Nursing Facilities Basic services offsetting Title XIX and general funds from a variety of sources including recovery services liens and miscellaneous Area Agency on Aging and Seniors and People with Disabilities branch collections.

Currently funds Seniors and People with Disabilities Division. Projection is historical receipt trends.

Provider Tax

During the 2003 Oregon Legislative session, HB 2747 was passed which imposes taxes on four types of businesses that provide health services to many of Oregon's Medicaid clients: long-term care facilities (nursing homes), hospitals, Medicaid managed health care plans (MCO), and Programs of All-Inclusive Care for the Elderly (PACE). DHS was given oversight of the taxes and decided to implement all but PACE. The long-term care facilities tax increases nursing facility rates and improves the financial stability of the nursing home industry. The managed care health plan provider tax is used to partially fund Oregon Health Plan (OHP) Standard population hospital benefits. Hospital provider tax revenue is used to partially fund OHP hospital benefits, to increase Medicaid rates to certain hospitals, and to restore the practice of allowing OHP eligibility retroactively after medical costs have been incurred.

Projected revenues are not sufficient to sustain the Standard population past the provider tax program expiration date.

Note: Hospital and MCO Provider Taxes are scheduled to sunset Sept 30, 2009 based on HB2183 and HB2177. The Long -Term Care Provider Tax is scheduled to sunset January 2, 2009 based on HB2147.

Long -Term Care (LTC) - The current tax rate is set to collect up to 6% of gross revenues of non-exempt long-term care facilities. Revenue projections are based on previous years' cost reports, as well as current year tax reports, and include a growth factor. Provider tax dollars are used to fund Basic and Complex LTC services. At present, we collect approximately \$8M per quarter in Other Funds. The Federal Match is approximately \$12M per quarter, totaling \$20M per quarter. At the present reimbursement rates to Nursing Facilities, the provider tax (including the federal match) does not cover the cost of this program. General fund will be needed to fill the void.

The President's proposed glide down to 3% will cause the need for much more GF, lower rates, or the cutting back on services. Each year of the glide down will reduce OF collections (and Federal match) by approximately 16%.

Hospital – The Hospital Provider tax should not be impacted. At present, the State legislature has limited the tax rate to no more than 1.5% of both inpatient and outpatient net revenues from Diagnosis-Related Group (DRG) hospitals, which would be in line with the President's plan. Currently, the tax rate is set at 0.63%. The hospital tax provides approximately \$10M per quarter, with a \$15M federal match, for a total of \$25M per quarter. AY 09-11 projections include eighth quarters of revenue, which will be collected after June 30, 2009. AY 09-11 revenue projections are based on two quarters, due to the sunset of the law on Sept 30, 2009. The Hospital tax pays for enhanced payments to hospitals, as well as aids in funding approximately 24,000 clients in the Standard OHP.

MCO – The MCO provider tax is used to pay administrative costs of the OHP, approximately 24,000 clients in the Standard OHP, and approximately 30 DHS staff. The MCO tax is statutorily set to collect up to a maximum rate of 5.5% of the MCO's managed care premiums. Currently, DHS taxes at 5.5%. The tax provides approximately \$16M per quarter in OF, federal match of \$26M, for a total of \$42M per quarter. 2009-11 MCO Provider Tax revenue estimate is based on the current 2007-09 Managed Care expenditure forecast, which includes three months of actual data and 21 months of projected data. This analysis assumes the provider tax will sunset September 30, 2009. Projected revenues are not sufficient to sustain the Standard population past the provider tax program expiration date. The Essential Budget Level will reflect a General Fund need for the Standard Program.

Currently funds DHS Children Adults and Families, Seniors and People with Disabilities, Health Services and Administrative Services.

Public Health Other Funds Sources

Public Health has over 150 sources of other fund revenue. These revenue sources include negotiated agreements to provide services, lab fees, inspection fees, certification fees, grant awards, client co-pays and other charges. The largest other fund revenue source supporting Public Health programs is the non-limited Women, Infants, and Children (WIC) Food Rebate. The large number of other fund revenues reflects the variety of programs and

services administered by Public Health. A sampling of this diversity includes: Cavity Prevention, Tobacco Prevention, Juvenile Violence Prevention, Medical Marijuana Certification, Environmental Laboratory Accreditation, Coordinated School Health, Breast Cancer Screening, Radiation Control, Drinking Water Operator Certification, Drug Lab Clean-Up, Health Records and Statistics, Newborn Screening, and Cross Connection and Backflow Inspection. See Fee Schedule for details.

Currently funds DHS Health Services and Administrative Services Divisions. Public Health projects other fund revenue sources using historic data, contract agreements, anticipated levels of service and changes to service charges (fees).

Currently funds DHS Health Services and Administrative Services Divisions.

Salem Rehabilitation Facility

In 1999-01, the wood products and benchwork products programs managed by the facility were transferred to the Oregon State Hospital. Revenues from the sale of wood products and bench work products support this program.

Tobacco Tax

Tobacco tax revenues approved in 1996 Ballot Measure 44 were appropriated to the Department to fund additional program delivery positions performing eligibility determination for the Oregon Health Plan (OHP). Tobacco tax revenue is projected to decrease in 2009-11. The Office of Economic Analysis forecasts Tobacco Tax revenue utilizing a 12-month moving average consumption level developed from the Department of Revenue's Tax Distribution Record data. Price effects and per capita consumption impacts are applied, as well as the forecast for the 18-year-old and older population. Tobacco tax revenue is projected to decrease in the next biennium following passage of SB571 which eliminates smoking in bars and restaurants beginning January 1, 2009.

Currently funds DHS Medical Assistance Programs Division.

Medicaid and Third Party Recoveries

The Office of Payment Accuracy and Recovery (OPAR) includes five units that recover Medicaid related funds. Those offices are the Overpayment Recovery Unit, Estates Administration Unit, Medical Payment Recovery Unit, Personal Injury Liens Unit and the Provider Audits Unit.

The Third Party Recovery Program recovers medical portions of collections from insurance companies, providers, and clients, and cash assistance by filing liens on personal injury settlements when clients are involved in accidents. The State's share of the recovery becomes Other Fund revenue used in the Oregon Medical Assistance Programs (OMAP) to offset Medicaid expenditures.

A number of factors will impact recoveries in the upcoming two biennia, including OPAR's efforts to increase cost avoidance efforts through provider education and an emphasis on up front payment accuracy and coordination of benefits. Increased cost avoidance results in fewer dollars being paid out by the program, and directly impacts, therefore, the amounts of recovery to be expected. In addition, Estates Recovery is projecting a 10% decrease in Estates Revenue collection due to the slow housing market.

Currently funds DHS Medical Assistance Programs and Administrative Services Divisions.

Transfers from other DHS Divisions, other State Agencies, Educational Services Districts and other Local Public Entities

Transfers from other DHS Divisions, other state agencies, such as Board of Nursing, Department of Education and Oregon Youth Authority, and funds received from Educational Services Districts and other local public entities,

such as Council of Governments, are used to fund the state share of health services for Medicaid children and families.

Currently funds DHS Children, Adults and Families, Health Services, Administrative Services and Seniors and People with Disabilities Divisions. Projection method is transferring entities latest estimates.

Lottery Funds

Legislature provides the authority to allot funds to DHS. Statute (ORS 461.549) reserves 1% of the Lottery proceeds for DHS. Lottery funds may only be used for problem gambling treatment and prevention services.

Currently funds DHS Addictions and Mental Health Division.