

**Oregon Health Authority
2011-2013 Budget Reductions**

**OHA budget:
\$11.9 billion Total Fund
\$1.7 billion General Fund**

This document covers reductions for the OHA administrative budget, Oregon Health Plan, Healthy Kids, Addictions and Mental Health Division, Oregon State Hospital, and Public Health Division. For more information on the OHA budget, go to www.oregon.gov/OHA.

Oregon's fiscal reality has meant that legislators and Governor Kitzhaber had to make difficult decisions. Due to increased demand for services and the loss of nearly \$1 billion in federal stimulus funds, the Oregon Health Authority budget will be 39 percent less than what is needed to maintain current services. Nearly every person who receives or provides services funded through the Oregon Health Authority budget will be affected by the reductions. This budget also calls for reducing by approximately \$239 million the cost of delivering health care to Oregon Health Plan clients at the local level through better coordination of care, reduced inefficiencies, and improved health for clients.

In all divisions, most budget reductions made in 2009-2011 will continue through 2011-2013. In addition, \$44.3 million, or 19 percent of the OHA state General Fund administrative budget will be cut. The Oregon Health Authority will continue to increase efficiencies through lean management techniques, reduction of unnecessary processes, and continually improving services.

**Oregon Health Plan Budget
\$6.52 billion - Total Fund
\$901.1 million - State General Fund
(Medicaid)**

The Oregon Health Plan is our state's Medicaid program. More than 98 percent of the Oregon Health Authority total fund budget is paid to providers for OHP services. Approximately 600,000 Oregonians are forecasted to need some type of OHP coverage during 2011-2013, an increase of 14 percent over 2009-2011.

Through OHP, low-income Oregonians receive care and treatment for physical, mental, dental and vision services. Due to the difficult budget realities and increased caseload demands, there will be budget reductions for 2011-2013 that will affect clients, providers, and local communities over the next few years. These reductions come on top of reductions taken in 2009-2011.

As most of the dollars in the Oregon Health Plan budget go to providers for services, that is where the bulk of the budget reductions will occur. Oregon physical, mental and dental health care providers are facing an unprecedented reduction in rates for OHP in order to meet budget reductions of more than 11 percent.

Summary of 2011-2013 OHP budget reductions:

- Administrative costs in the Division of Medical Assistance Programs will be reduced 16 percent, a total dollar reduction of \$6.8 million.

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- Reimbursements to providers of OHP for physical, mental, dental, vision services and products as well as capitation payments to managed care plans will be reduced for a total dollar reduction of \$629.5 million. (For more information on provider reductions, see below.)
 - Thirteen services will be cut from the Oregon Health Plan from the prioritized list. The prioritized list ranks health conditions and their treatments from the most effective to the least effective. The draft 2012 prioritized list includes 692 condition and treatment pairings, or lines. The Oregon Health Plan today covers the equivalent of line 1 through line 511 on the 2012 list. The approved budget will only fund lines 1 through 498. This is a total fund reduction of \$20.7 million.
 - The budget makes one restoration of hospital services in OHP Standard. Clients will now receive comprehensive inpatient and outpatient care. Prior, OHP covered only emergency or urgent hospital care.

Health program reductions outside of the Oregon Health Plan

- Healthy Kids and Healthy Kids Connect outreach and marketing will be reduced by \$2.5 million in General Fund.
- Funding for safety net clinic grants was reduced by \$3.5 million Other Funds.

Provider Rate Reductions

Due to the severe budget shortfall, provider rates were slated to be reduced an average of 19 percent for all Oregon Health Plan (OHP) providers in the Governor's Balanced Budget.

With an increase of the hospital assessment, lawmakers were able to mitigate those reductions to an approximately 11.2 percent budget target over the biennium. In the 2011-2013 budget, most health care providers will be affected by these reductions. However, lawmakers also were able to maintain funding for primary care because it is foundational to maintaining access to basic health care, which can help prevent more costly health care later.

These reductions will be difficult, and it will be important for providers to have clear, accurate information. The Division of Medical Assistance Programs has begun holding meetings with providers and the most current information about the reductions and how they will be implemented will be updated on the OHA website.

Information detailing rate reductions for individual program types can be found by visiting www.oregon.gov/OHA/healthplan/budget-reductions.

Managed Care

Capitation rates for managed care organizations (MCOs) that serve OHP clients will be reduced, on average about 11 percent over a 24-month period. DMAP is working with the 34 MCOs on implementing these reductions to go into effect no later than Oct. 1, 2011. The MCOs will work with their providers on implementation of the reductions. However, similar to fee-for-service, primary care through MCOs will be supported in order to help maintain access to preventive health care.

More information about the exact rate for each provider type and the date the reductions will go into effect will be available as soon as possible on the OHA Web page at www.oregon.gov/OHA, and be sent to provider groups. In addition, DMAP will be holding a series of meetings for providers. Information on dates and times also will be posted on the OHA website.

Addictions and Mental Health Division Budget
\$978.5 million - Total Fund
\$667.4 million - State General Fund
(Non-Medicaid)

In the Addictions and Mental Health Division, most General Fund reductions in the 2011-2013 budget were at the Oregon State Hospital and in Division administration.

Administrative reductions: 4.2 percent or \$1.7 million. The 2011-2013 budget reduces nine positions in AMH and the Division plans to keep most current vacancies open. Several contracts will be eliminated including consultation and training for employers in hiring and managing alcohol and drug-free employees. These reduced expenditure levels will continue throughout the biennium.

Oregon State Hospital - The Salem and Portland campuses of Oregon serve 580 patients. The 2011-2013 total reduction is \$29.5 million, or 7.7 percent. The hospital will take several steps to manage these reductions. Positions not related to direct patient care will continue to be held vacant, with some strategic exceptions. The hospital will continue to reduce overtime and spending on non-staff contract nurses. The hospital will streamline management structures and eliminate eight positions, carefully monitor all service and supplies expenditures and increase the rate of billings and collections for services covered by Medicare. This work will be done in keeping with Lean management principles and practices and will be possible because of the improved processes and improved accountability established at the hospital.

Blue Mountain Recovery Center serves 60 patients in Pendleton. This budget is a reduction of approximately \$2.7 million or 10.3 percent. To meet the reduction, BMRC will avoid filling positions that are not related to patient care and safety. They will carefully monitor all expenditures for consulting services and purchase of supplies.

Public Health Division Budget
\$491.6 million - Total Fund
\$32.6 million - General Fund

The Oregon Public Health Division will take the following budget reductions:

\$2.1 million General Fund reduction - Public Health will reduce administrative costs by holding positions vacant, managing expenditures, and utilizing lean management techniques to increase efficiencies and reduce costs. In addition, 11 vacant positions were eliminated from Public Health.

\$1.8 million total funds reduction to the Drinking Water Program budget, which will mean the following reductions:

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- Elimination of oversight and testing for 900 very small water systems (defined as fewer than 15 connections) across the state; these systems will now be without oversight.
 - Greatly reduced consultation and technical assistance about how to meet national standards for drinking water quality for approximately 2,600 smaller water systems. These systems have depended on help from the state program in the past, but will have to maintain compliance with federal regulations without this assistance.
 - Greatly reduced capacity for coordination with other agencies that will be enacting policies affecting the quality of drinking water without input from public health experts
 - Elimination of planning and exercising for emergencies affecting drinking water systems.
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