

# DHS 2009–2011 Budget

*Joint Ways and Means Committee  
Human Services Subcommittee*

February 12, 2009



# Supporting Oregonians

---

DHS provides direct services to more than **1 million Oregonians** each year. These services provide a key safety net for those in our society who are most vulnerable or who are at a difficult place in their life. During 2007:

- Food benefits helped **435,000** people avoid food insecurity and hunger.
- Medical coverage was provided to more than **400,000** low-income Oregonians.
- Mental health programs served **103,000** individuals.
- Addictions treatment programs assisted **64,000** individuals.
- Emergency cash assistance helped stabilize **18,000** low-income families.
- Nearly **12,000** seniors and persons with disabilities received services that allowed them to remain in their homes.
- Nearly **11,000** seniors and persons with disabilities received community-based care.
- Child protective services ensured **10,000** children were kept safe.
- Adoption services found permanent, safe homes **1,000** children.
- Domestic violence services helped **500** victims regain safety.

## Supporting Oregonians (cont.)

---

DHS also touches the lives of **all Oregonians** through a range of public health programs designed to protect and prevent illness. These include:

- Drinking water safety
- Food safety
- Environmental safety
- Newborn health screenings
- Acute and communicable disease prevention
- Tobacco use prevention
- Chronic disease prevention
- Oversight of hospitals, emergency medical technicians and trauma systems.

## Supporting Oregonians (cont.)

---

In total, DHS offers more than 300 programs designed to keep Oregonians independent, healthy and safe. These services are offered through 160 local offices located throughout the state as well as through partners such as county health departments, Area Agencies on Aging, residential care facilities, hospitals and clinics, and many other care providers.

# Investing in Oregon Communities

---

## Direct investments in Oregon Communities:

- ~83% of budget is spent directly in Oregon communities
- ~\$13 million/day to local nursing homes, home health care workers, foster parents, mental health specialists, child care providers, and many, many more.
- Leverage approximately ~\$7 billion of federal funding for Oregon
- Jobs and economic activity:
  - help pay salaries of ~13,800 child care workers
  - support ~55,000 jobs in Oregon's health care sector
  - every \$1 million of state funds invested in Oregon Health Plan results in about \$2.7 million of economic activity in Oregon
  - Average food stamp subsidy of \$181 generates ~\$333 of economic activity

# Organization

---

DHS delivers these services through five operational divisions:

- Addictions and Mental Health
- Children, Adults and Families
- Medical Assistance Programs
- Public Health
- Seniors and People with Disabilities.

Their work is supported by the Administrative Services Division.

In all, DHS employs approximately 9,700 employees located throughout the state.

# Values

---

Underlying all of these efforts are the five values that guide the work DHS does:

- Integrity
- Stewardship
- Responsibility
- Respect
- Professionalism

## National Leader

---

- Community-based long term care
- Food stamp outreach
- Evidence-based health care
- Evidence-based addictions treatment
- Transforming the work of government

# Transformation Initiative

---

Because the department is responsible for some of the most important work that government can do, DHS is committed to continually improving our ability serve Oregonians by; improving our work processes, streamlining service delivery systems, and increasing our financial and operational effectiveness . To achieve this, the agency has embarked on a multi-year effort known as the Transformation Initiative, which has five key goals:

- Doing work the right way
- Getting more with the public dollar
- Developing world-class people and a world-class culture
- Working together across divisions
- Engaging with partners for improved performance

07-09

---

- Unemployment increasing
- State revenues decreasing
- More Oregon families are struggling and turning to the state for assistance
  - # people receiving food stamps increased 15.5% (Dec. 07 to Dec. 08)
  - Requests for TANF increased 16.4% (Dec. 07 to Dec. 08)

07-09

---

## January 2008 rebalance

**\$23 million GF surplus**

This surplus was used to establish two DHS Special Purpose Appropriations and for investments to improve services. Investment included:

- Community Based Care provider rate increase
- Funding for child welfare caseworkers
- Oregon State Hospital program improvements.

## Spring 2008

**Financial management actions**

In order to maintain services, the department began to develop and implement prudent management plans in light of growing caseload trends and emerging economic conditions.

## June 2008 E-Board report

**\$7.3 million GF need**

## September 2008 E-Board report

**\$14.1 million GF need\*\***

\*\* This includes DHS Internal cost reduction actions, use of available Other and Federal Fund balances, projected areas of program savings, and the use of the \$15.1 million DHS Special Purpose Appropriation to help address the budget challenges identified in this financial update.

## Post December 2008 E-Board Rebalance

**\$6.3 million GF need\*\***

\*\* This includes updated DHS Internal cost reduction actions, use of available Other and Federal Fund balances, projected areas of program savings, program cuts, and the use of the \$15.1 million DHS Special Purpose Appropriation to help address the budget challenges identified in this financial update.

## 07-09 Savings, Cost Containment Efforts, Fund Shifts

---

Cost cutting; (hiring freeze, reduced services & supplies, etc)	\$16.1 million
Program and admin savings	\$25.2 million
Use of available OF & FF balances	\$23.5 million
Funding shifts to address federal rule changes	<u>\$29.6 million</u>
<b>TOTAL</b>	<b>\$94.4 million</b>

## 07-09 Program Cuts

---

### **Reduced Vocational Rehabilitation Services**

**-\$12.4 Million**

Clients currently receiving services will continue being served; and  
For new clients, implement “Order of Selection” – as resources are available, people with most significant disabilities get the highest priority.

### **Reduced JOBS program services :**

**-7.4 Million**

Generally limit services to “core” activities

Monthly expenditure limitations – could mean service delays; and

Reduce contracted services to remain within funding limitations.

### **Reduction of monthly Post-TANF benefit from \$150 to \$100:**

**-\$0.9 Million**

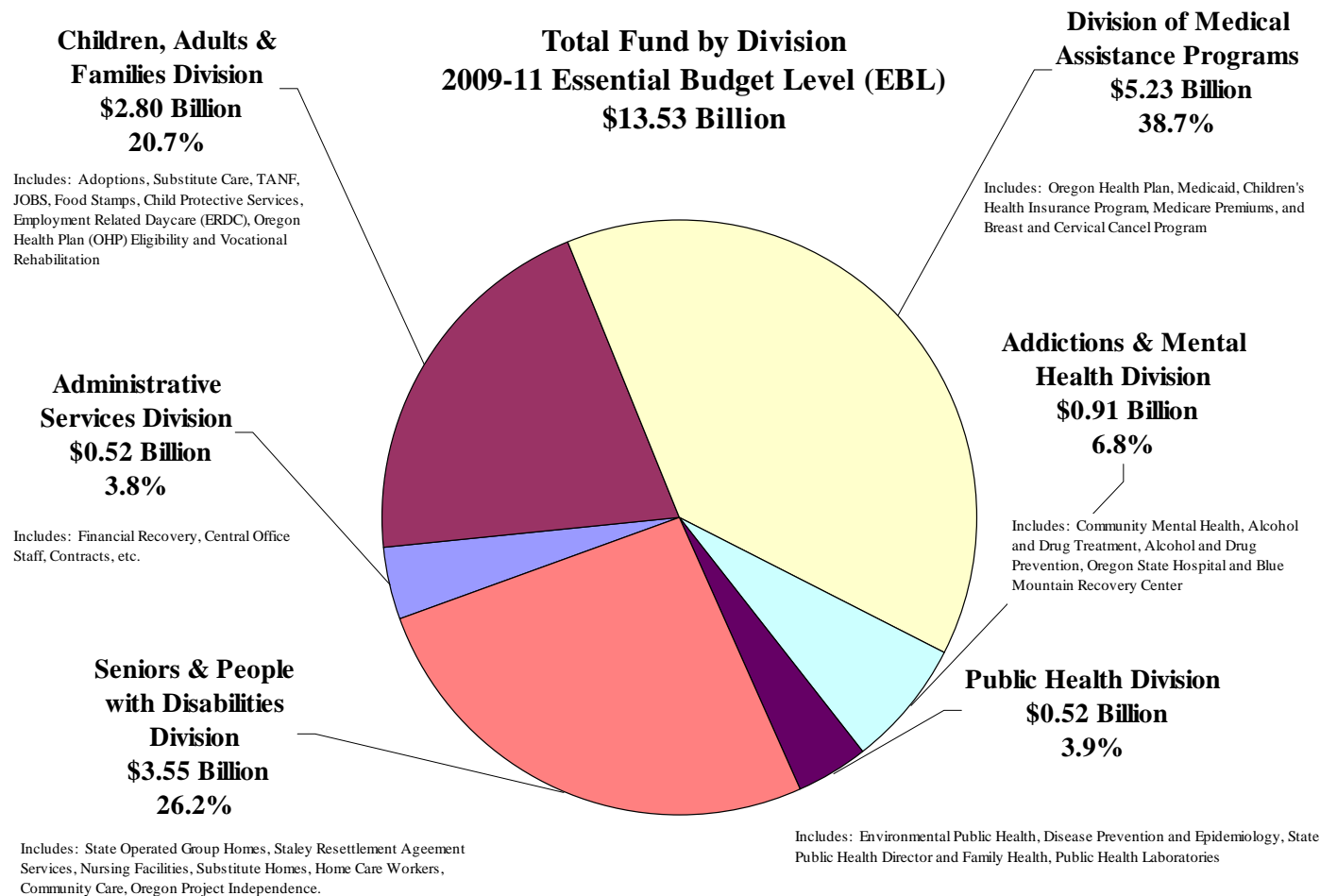
This affects the amount of resource we offer to families transitioning off of TANF to employment

# BUDGET OVERVIEW

## 2009-11 EBL

February 12, 2009

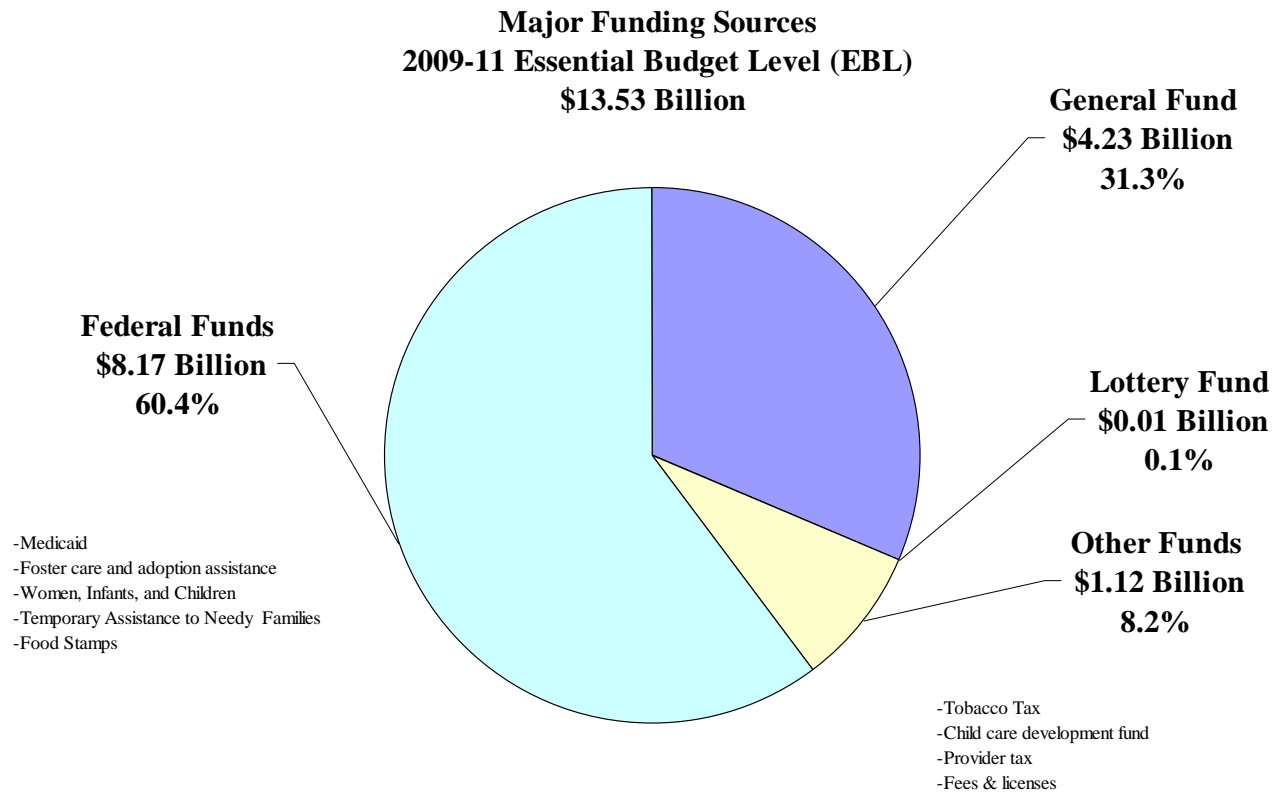
# DHS is comprised of five divisions, supported by a central Administrative Service Division



Source: 2009-11 GRB (ORBITS - unaudited)

February 12, 2009

# DHS is highly Federally Funds leveraged

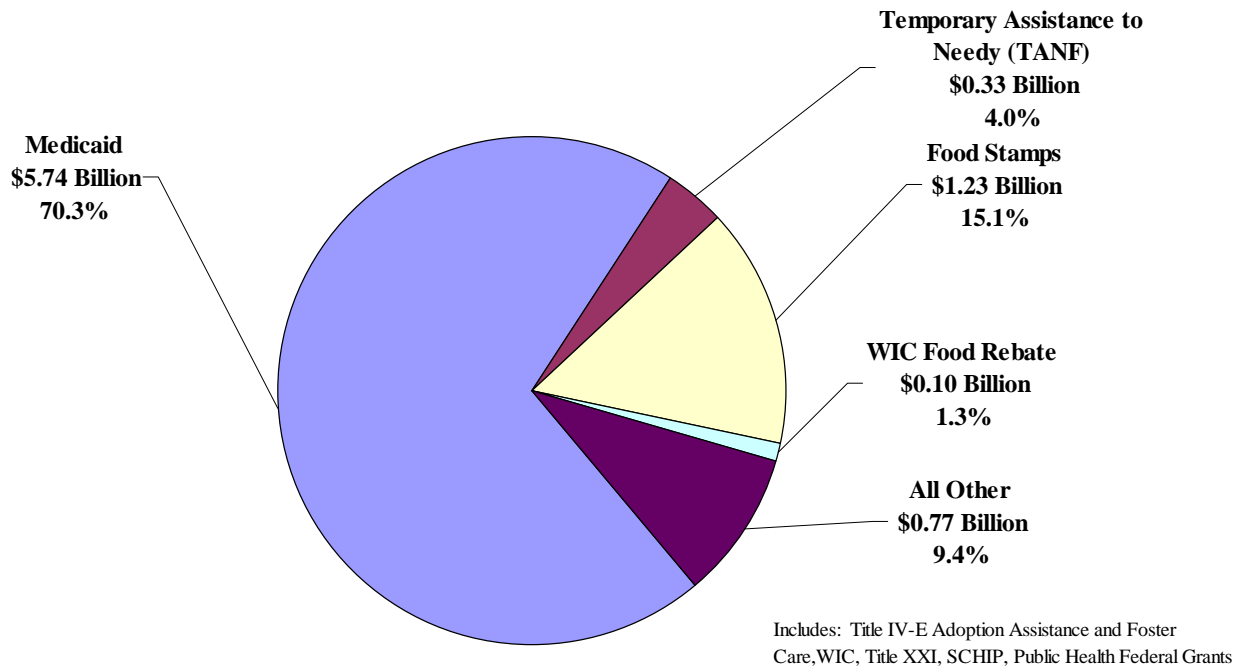


Source: 2009-11 GRB (ORBITS - unaudited)

February 12, 2009

# DHS federal funding is siloed

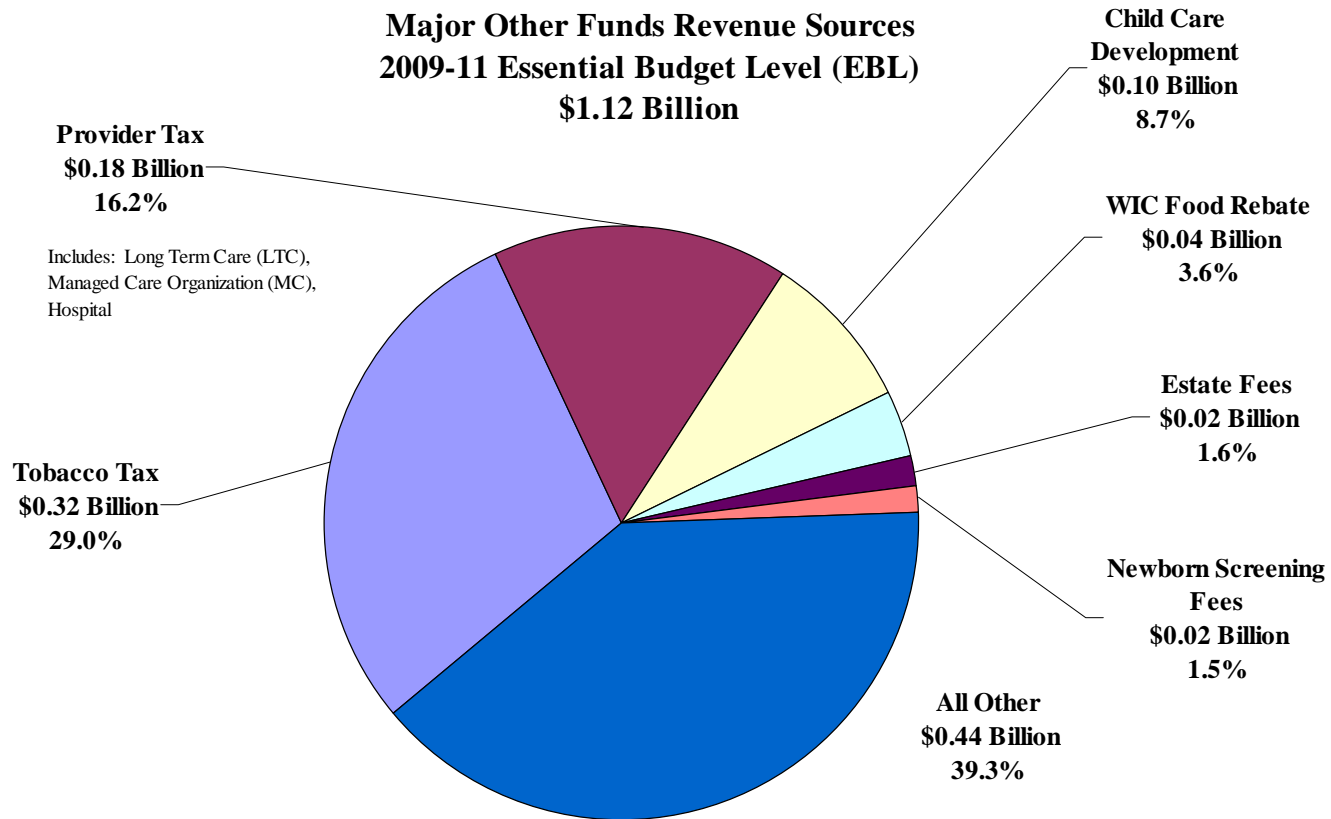
## Major Federal Funds Revenue Sources 2009-11 Essential Budget Level (EBL) \$8.17 Billion



Source: 2009-11 GRB (ORBITS - unaudited)

February 12, 2009

# DHS has many Other Funds sources



Approximately 300 separate revenue sources including:  
Various grants, license & fees, Care of State Wards,  
Certificates of Participation

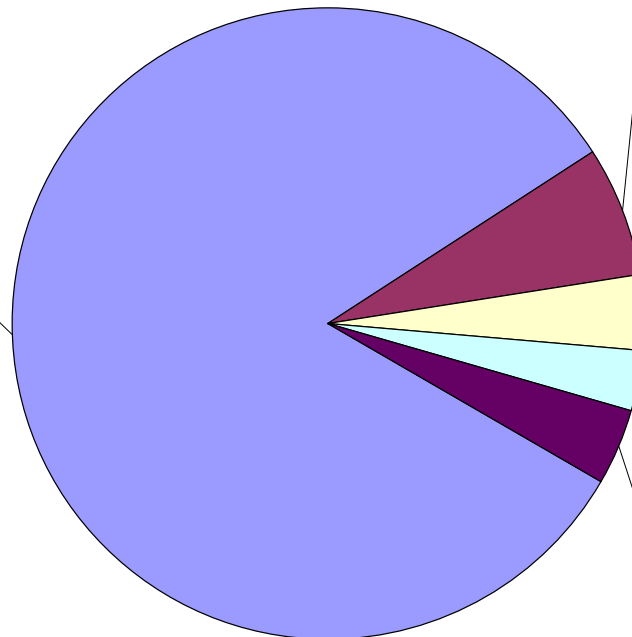
Source: 2009-11 GRB (ORBITS - unaudited)

February 12, 2009

# 82.5% of DHS spending goes directly to clients and provider partners

**Expenditure by Area**  
**2009-11 Essential Budget Level (EBL)**  
**\$13.53 Billion**

**Client Benefits & Services** (funds directly to clients and partners) includes: cash payments to clients, food stamps, services delivered by counties, nursing homes, doctors, hospitals and tribes  
\$11.16 Billion / 82.5%



**Field Services** includes: DHS caseworkers, management and staff in the field  
\$0.91 Billion / 6.7%  
(6,006.89 FTE)

**Population Based Services** includes: Public Health programs  
\$0.52 Billion / 3.9%  
(668.31 FTE)

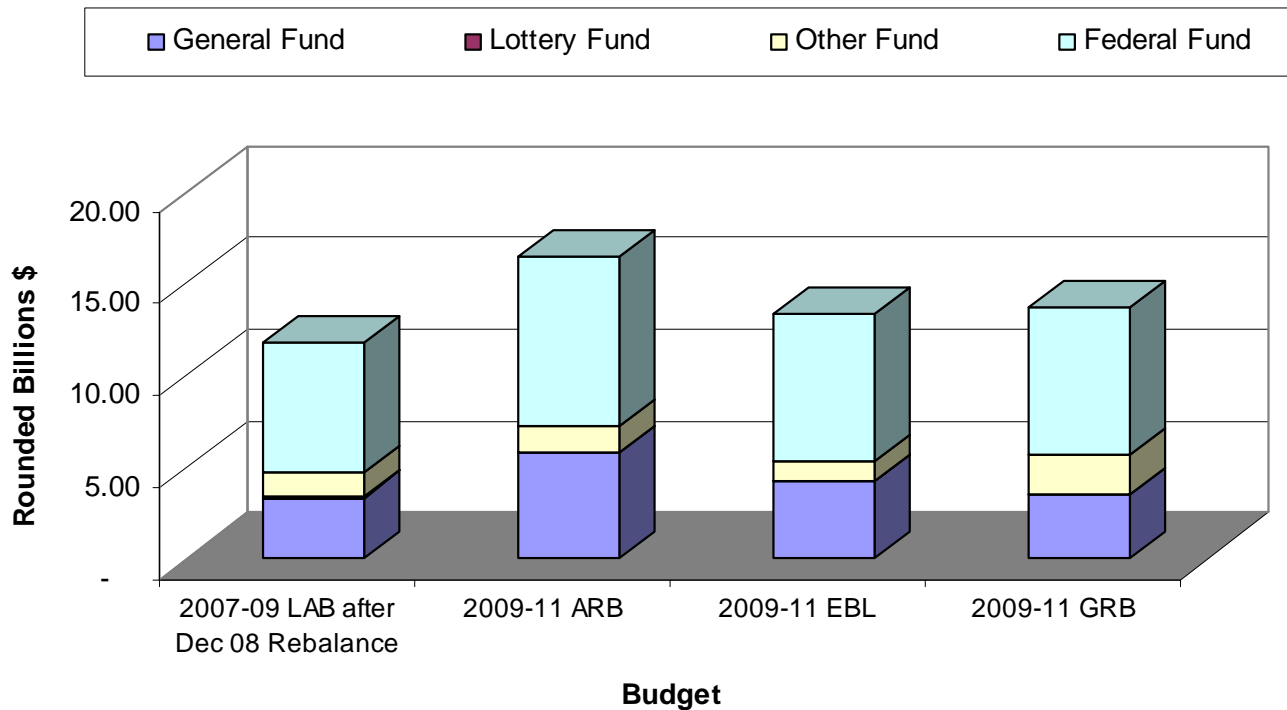
**State Operated Services** includes: institutions  
\$0.42 Billion / 3.1%  
(2,188.17 FTE)

**Administrative Services** includes: all facilities costs, State Government Service Charges, State Data Center Charges, all collections activities, information technology/systems and all other business support functions  
\$0.52 Billion / 3.8%  
(1,056.21 FTE)

Source: 2009-11 GRB (ORBITS - unaudited)

February 12, 2009

# DHS Agency Request – a needs based budget.



February 12, 2009

# DHS – 2009-2011 budget build:

## *Essential budget level (EBL) 2007-09 LAB to Base*

Package / Description	<b>GENERAL FUND <u>(Millions)</u></b>	<b>LOTTERY FUND <u>(Millions)</u></b>	<b>OTHER FUNDS <u>(Millions)</u></b>	<b>FEDERAL FUNDS <u>(Millions)</u></b>	<b>TOTAL FUNDS <u>(Millions)</u></b>
<b>1. 2007-09 Legislatively Adopted Budget</b>	3,312	13	1,289	6,973	11,587
2. Roll-up of 2007-09 E-board actions	51	-	-	43	94
3. Personal Services projections (PICS system calculated)	15	-	2	14	31
4 Debt Services for existing commitments	13	-	1	-	14
5. Non-Limited Federal Fund Adjustment (DAS approved)	-	-	-	157	157
6. Capital Construction Adjustment	(1)	-	(89)	-	(90)
<b>7. 2009-11 Base Budget</b>	<b>3,389</b>	<b>13</b>	<b>1,203</b>	<b>7,187</b>	<b>11,792</b>

# DHS – 2009-2011 budget build:

## Base to EBL - *Mandated caseload, inflation and fund shifts – major drivers*

Package / Description	GENERAL FUND <u>(Millions)</u>	LOTTERY FUND <u>(Millions)</u>	OTHER FUNDS <u>(Millions)</u>	FEDERAL FUNDS <u>(Millions)</u>	TOTAL FUNDS <u>(Millions)</u>
<b>7. 2009-11 Base Budget</b>	<b>3,389</b>	<b>13</b>	<b>1,203</b>	<b>7,187</b>	<b>11,792</b>
8. Package 010 - Vacancy Savings/ Pension Bond Adj	14	-	-	2	16
9. Package 021 Phase-in (Roll-up costs)	62	-	5	89	156
10. Package 022 Phase -out of programs, policies, etc	22	-	(60)	(72)	(110)
11. Package 030 Inflation - cost of goods & services	177	-	104	417	698
12. Package 040 Mandated Caseload Increases/ (Decreases)	378	-	51	605	1,034
13. Package 050 Fund Shifts (Insufficient/declining OF & FF)	215	-	(184)	(31)	-
14. Package 060 Technical Adjustments	(25)	-	-	(31)	(56)
<b>Subtotal - 2009-11 ESSENTIAL BUDGET LEVEL</b>	<b>4,232</b>	<b>13</b>	<b>1,119</b>	<b>8,166</b>	<b>13,530</b>

# DHS – 2009-2011 budget build: *EBL to GRB*

---

Package / Description	GENERAL FUND <u>(Millions)</u>	LOTTERY FUND <u>(Millions)</u>	OTHER FUNDS <u>(Millions)</u>	FEDERAL FUNDS <u>(Millions)</u>	TOTAL FUNDS <u>(Millions)</u>
<b>Subtotal - 2009-11 ESSENTIAL BUDGET LEVEL</b>	<b>4,232</b>	<b>13</b>	<b>1,119</b>	<b>8,166</b>	<b>13,530</b>
15. Package 070 Revenue Shortfalls	-	-	(49)	(88)	(137)
16. Package 081 June E-board roll-up	3	-	-	-	3
17. Package 082 September E-board roll-up	21	-	-	-	21
19. Package 90 Governor's Adjustments	(856)	(0)	124	(977)	(1,709)
20. Policy Packages	121	-	924	976	2,021
<b>21. 2009-11 GOVERNOR'S RECOMMENDED BUDGET</b>	<b>3,521</b>	<b>13</b>	<b>2,118</b>	<b>8,077</b>	<b>13,729</b>

## EBL drivers:

*Inflation, caseload and loss of Other and Federal funds*

---

	<b>GF (Millions)</b>	<b>% Total EBL Increase</b>
<b><u>Total EBL GF Increase:</u></b>	<b>\$843</b>	
<b>Inflation – GF Increase:</b>	<b>\$177</b>	<b>21.0%</b>
<b>Caseload – GF Increase:</b>	<b>\$378</b>	<b>44.8%</b>
<b><u>OF &amp; FF declines – GF Increase:</u></b>	<b>\$215</b>	<b>25.5%</b>
<b>Total – Major Budget Drivers:</b>	<b>\$770</b>	<b>91.3%</b>

# Budget drivers:

## *Essential budget level (EBL): Inflation*

---

- **Inflation – increases budgeted costs of goods and services based on:  
(General Fund)**

- **State budget “general” inflationary increases:  
(2.8%/biennium):** **\$ 80.7**

- **Medical inflation rates in excess of the general rate:  
(Example – higher rates for pharmaceuticals,  
contract Nurse services, etc.) (4.4%/biennium)** **\$ 25.0**

- **Inflation rates in excess of general rate:** **\$ 71.5**  
**Example – OHP rates paid to Managed Care plans  
as determined by Actuaries.**

**Total DHS Inflation EBL Package:** **\$177.2**

Budget drivers:

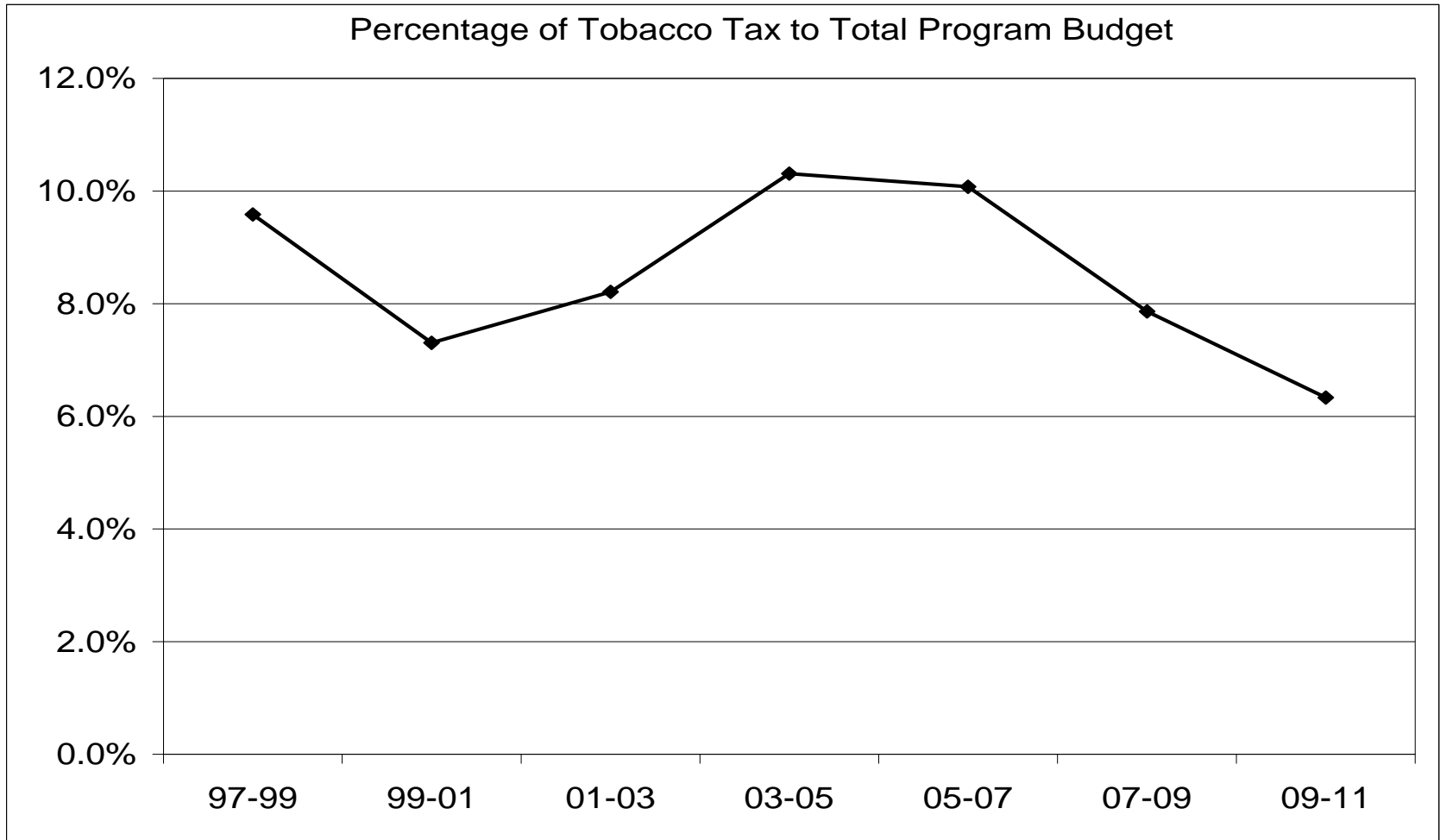
*Essential budget level (EBL): Fund shift*

---

**Fund Shifts – back-filling of declines in Other Fund or Federal Fund revenues needed to fund “Mandated” program cost increases.**

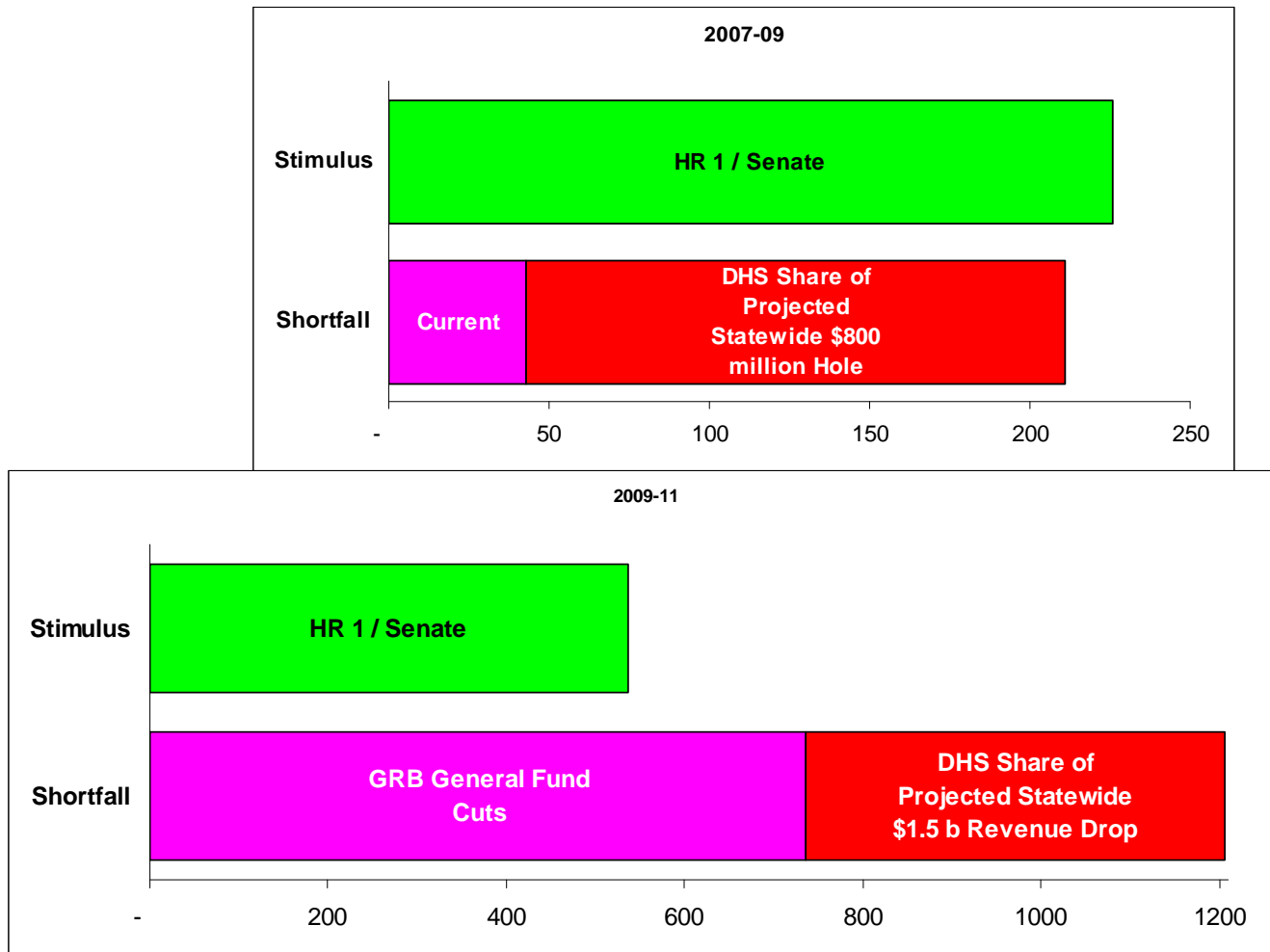
- **Example – Tobacco Tax revenues projected for 2009-11 is not sufficient to support projected Caseload increases in OHP. Additional General fund will be needed in lieu of Tobacco Tax.**

# *OHP Budget growth vs. Tobacco Tax decline*



February 12, 2009

# DHS – 2009-2011 budget: *Effect of federal stimulus*



February 12, 2009

# MAJOR THEMES

**Key issues to consider during  
presentation of the DHS  
Budget**

## *Always Consider*

---

- **Program caseloads**
- **The true cost of care**
- **Changing environment and need for reserves**
- **Upstream expenditures and prevention**
- **Workload**
- **Information technology**

## Program caseloads – major budget driver

---

- **Essential Budget Level is not Current Service Level.**  
**DHS programs not considered “mandated” by Department of Administrative Services State Budget instructions include:**
  - **Temporary Assistance for Needy Families (CAF)**
  - **Vocational Rehabilitation**
  - **Child Welfare – “In-home” services (Non sub care or adoptions)**
  - **Community Mental Health – Non-civil or criminal committed**
  - **Addictions services**
  - **Oregon Project Independence**

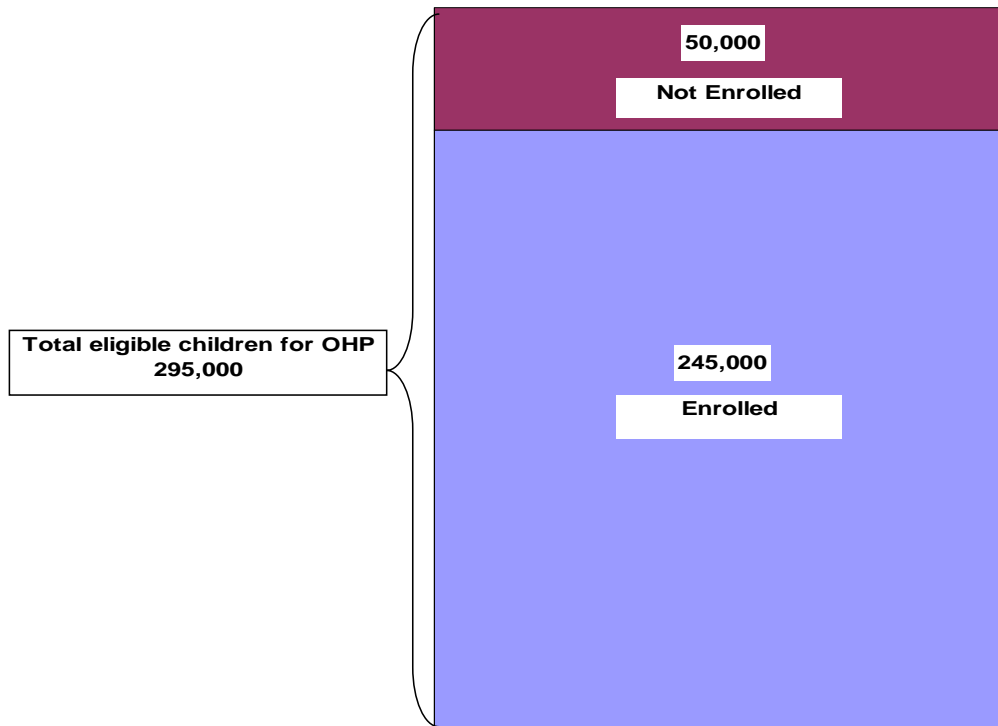
## Program caseloads – major budget driver

---

- **Current Caseload/Budget Approach – does not address Oregon's needs**
  - **Historically based rather than needs based.**

# Budget drivers: Eligible – enrolled / not

## Children Eligible for Oregon Health Plan



February 12, 2009

## *The cost of doing business*

---

- **Current budget approach often does not address the true costs for those providing the service**
  - **Historically based rather than cost based**
  - **Access and quality suffer**
  - **Costs are shifted**

No margin for change in economy or Federal Policy –  
no “reserves”

---

- **Budget is based on caseloads looking out over two years ahead – with no reserve funding for variances that will be encountered.**
- **Have developed “risk bands” – but have not factored this in to funding.**

# Outcomes & Prevention

---

- **Outcomes – product of programs/services interaction, systems of care.**
- **Need to move away from budgetary & programmatic silos.**
  - **Child welfare  $\leftrightarrow$  Adult addictions & mental health funding**
  - **Tobacco & chronic disease  $\leftrightarrow$  OHP Costs**
- **Need to focus on prevention, upstream expenditures, and root causes**

Staff resources:

*Caseload based vs. workload*

---

- **Have developed new model to calculate staffing needs based on workload. Caseload model did not factor in effects of changing federal and state processing requirements.**
- **Efforts to improve efficiency will help, but not eliminate need.**

## *Information Systems – Architecture to support our work*

---

- **Outdated / stand alone legacy systems.**
- **Have lacked system architecture**
  - **Costly to get higher functionality**
  - **Many systems with similar functions**
- **Almost completed current state documentation**
- **First draft of future state**
  - **User accesses system through portal**
  - **Middleware accesses data based on user permissions**
  - **Configurable tools provide functionality**
- **First future state investments in packages**