

Budget Drivers and Environmental Factors

The major budget drivers affecting the role of DHS/CAF and the environment in which they operate include the following:

- ◆ TANF – TANF Reauthorization will likely require extensive work attachment activities for clients, such as Work Experience. Activities to prepare clients for work, such as A&D and Mental Health activities, will not be countable activities, meaning that Oregon's program, to meet federal requirements, would have to minimize or eliminate these. Many clients in Oregon's TANF population require these services to be successful in employment, and these services provide the family stability envisioned in the Children's Initiative. Additionally, budgetary impacts of increased participation hours will be significant, given increased child care needs.
- ◆ Food Stamps – The Food Stamp Farm Security and Rural Investment Act 2002 mandated that states implement changes effective October 1, 2002, to increase Food Stamp participation and to provide slightly higher benefits for some low-income households.
- ◆ Food stamp caseload – With the current economic situation in Oregon, the Food Stamp caseload has increased substantially over the the past 3-4 years. This results in a workload impact in this program.
- ◆ TANF children entering Foster Care – Over the past four years, there has been an increase in the percent of children entering the foster care system within a year of being served by the TANF program. Currently, about 30% of the children entering the child welfare system were served by TANF during the previous 12 months.
- ◆ An increasing number of children who enter DHS custody are unable to return safely and permanently to their families. The number of these children with special needs that cannot be met by simply placing them

with stable adoptive families has also grown, increasing the demand for post adoption services.

- ◆ Methamphetamine – The increase in parental use of methamphetamines has brought new laws and new challenges to DHS workers. The legislature passed a law stating that DHS did not have to make efforts to reunify a child with parents if there is “conduct by the parent that knowingly exposes any child of the parent to the storage or production of methamphetamine...” In addition, this past year a meth task force is recommending that DHS adopt rules to discontinue the Oregon Trail Card for families who are caught manufacturing meth.

Challenges we are identifying for clients and workers include situations where CPS removal of children exposed to meth precursors contaminate the people removing the child (e.g., caseworkers) and the vehicles used to transport the child. In addition, these children need immediate medical attention and extra precautions have to be taken to make sure the child does not contaminate medical staff, medical facilities, foster parents and their foster homes.

As a result, there will be revised policies and practices for staff to address the complex needs of this population.

- ◆ Critical Incident Response Team (CIRT) Protocol – As a result of the comprehensive review of child welfare practice in recent CIRT cases, CAF anticipates immediate implementation of policy, training and systems changes that could impact resources and budget.
- ◆ Special needs of foster children – Children are entering the foster care system with increasing and more complex special needs as a result of the methamphetamine abuse by parents. In turn these children require specialized parenting and support services in order to care for them in a family, community-based setting. As a result, the cost of care for these children continues to increase in order to care for them. The department

is assessing the current foster care rate system and is identifying options which may redesign the system to better serve the children and support the foster parents who care for the children.

- ◆ Legal representation – Child welfare workers routinely attend court hearings without legal counsel. They are expected to speak on behalf of DHS in legal matters. With the implementation of the Adoption and Safe Families Act (ASFA), the complexity of courtroom hearings has increased. At the same time, federal laws require the courts to meet permanency timelines for children in the custody of DHS.
- ◆ IV-E Eligibility Review – Oregon had a federal Title IV-E Eligibility Review in August 2002. Although Oregon passed the review, increased vigilance will be required to pass a the 2005 review as it will have more stringent standards.
- ◆ Statewide Automated Child Welfare Information System (SACWIS) Review – Oregon participated in a federal SACWIS technical assistance visit in September of 2002. Oregon must comply with the recommendations made subsequent to the visit. If compliance is not achieved, the state would be expected to refund the federal share of funding for the project.
- ◆ Vocational Rehabilitation Services: Pending reauthorization of the program’s primary legislation, the Workforce Investment Act, the Rehabilitation Act and IDEA (Individuals with Disabilities Education Act) may bring program policy changes and a substantial unfunded mandate.
- ◆ Advocacy groups have varied expectations for the services DHS/CAF delivers in self-sufficiency, child welfare and vocational rehabilitation policy. DHS actively uses the advisory committees for CAF programs (self sufficiency, child welfare, voc rehab). CAF seeks and receives their

input into policies developed and often delays implementation of policies to work out compromises with advocates regarding policy issues.

Major Changes in Children, Adults and Families

- ◆ In 1995, DHS entered into a Settlement Agreement with the Juvenile Rights Project and the National Center for Youth Law to implement a system of care philosophy throughout the state of Oregon in the child welfare programs. This Agreement was revised and is scheduled to end in June 2007, unless negotiations require extension.
- ◆ In 1996, Welfare Reform changed the way families received assistance and services from DHS.
- ◆ With the implementation of the Adoption and Safe Families Act (ASFA) in 1997, the complexities of legal reviews regarding the status of children in the custody of DHS have increased significantly.
- ◆ During the 2003 legislative session, the Child Support Program was relocated from DHS to the Department of Justice (DOJ). DHS and the DOJ's Child Support Division have developed a memorandum of understanding to assist in this transition and to foster open and collaborative communication.
- ◆ DHS/CAF is exploring a different way to serve children and families through the Children's Initiative. The purpose of the TANF Children's Initiative is to determine possible methods for preventing the need for children on TANF to require services from foster care. It further addresses the Governor's interest in children associated with and on TANF. Goals of the Children's Initiative include providing supports to families to assist them in becoming independent and safe, identifying possible linkages to promote collaboration between DHS and its partners and providing workforce development opportunities. This Children's

Initiative is a component of the Governor's Children's Charter, which includes an emphasis on safety, early childhood and high school graduations.

Program managers will report other major changes in their specific program areas.

Specific Actions to Contain Costs

- ◆ Oregon has aggressively sought to maximize federal funds in supporting DHS program services.
- ◆ Title IV-E Waiver – In November 1996, Oregon received approval from the Department of Health and Human Services, Administration for Children and Families, to implement a child welfare waiver demonstration project under section 1130 of the Social Security Act. The waiver provides Oregon with greater flexibility to use Title IV-E funds for services that can prevent the need for foster care and to shorten the length of foster care placements. The waiver was renewed in April 2004 for an additional 5 years.
- ◆ Implementation of Targeted Case Management (beginning in 1992) has replaced General Fund dollars for child welfare in the amount of \$105 million in the past biennium.
- ◆ DHS did not request earned caseload positions – some duties were reassigned to existing staff and the priorities were changed for other duties.
- ◆ DHS maximizes the use of comparable benefits to leverage resources in the vocational rehabilitation services program.
- ◆ Based on ability to pay, DHS requires client participation in costs of vocational rehabilitation services.

Essential and Policy Option Packages

The following is a summary of the packages and adjustments that were incorporated in the development of the 2005-07 budget for the Children, Adults, and Families Cluster. Descriptions of each category listed in the display below and additional information regarding the budget follow this display.

	General Funds	Other Funds	Federal Funds	Total Funds	Pos	FTE
Base Budget (CAF and CHS):						
	394,287,592	138,959,026	1,596,799,942	2,130,046,921	4,201	4,075.58
Essential Packages (CAF and CHS):						
Pkg 010– Vacancy Factor and Non PICS Personal Services Adjustments	8,655,592	440,210	9,893,387	18,989,189	(1)	(1.00)
Pkg 021-Phase In	490,145	0	380,366	870,511	0	0.00
Pkg 022-Phase Out	(972,653)	(7,595,723)	(21,119,023)	(29,687,399)	0	0.00
Pkg 030-Inflation & Price List Adj	14,270,922	608,605	25,228,012	40,107,539	0	0.00
Pkg 040-Mandated Caseload	24,218,989	959,938	58,136,133	83,315,060	80	72.07
Pkg 050-Fund Shift	18,399,986	(90,792)	(18,309,195)	(1)	0	0.00
Pkg 060-Technical Adjustments	(1,015,705)	(34,749)	(1,123,300)	(2,173,754)	0	0.00
Total Essential Packages:	64,047,276	(5,712,511)	53,086,380	111,421,145	79	71.07
Adjustments to Achieve the Governor’s Recommended Budget (CAF):						
Pkg 084-November 2004 E-Board	4,725,556	1,046,871	9,013,808	14,786,235	67	66.00
Pkg 090-Analyst Adjustments	(54,232,275)	2,269,936	(33,573,864)	(85,536,203)	(171)	(165.00)
Pkg 096-CFAA Fundshift	2,690,126	(2,690,126)	0	0	0	0.00
Total Adjustments:	(46,816,593)	626,681	(24,560,056)	(70,749,968)	(104)	(99.00)

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	General Funds	Other Funds	Federal Funds	Total Funds	Pos	FTE
Policy Packages included in the Governor's Balanced Budget (CAF):						
Pkg 070-Revenue Shortfalls	0	(298,903)	0	(298,903)	0	0.00
Pkg 103-Partial OHP Std Benefit Pkg	0	1,055,627	1,055,762	2,111,389	25	22.83
Pkg 104-AG Rep for Child Welfare in Court Hearings	4,766,812	0	2,986,623	7,753,435	42	35.42
Pkg 119-Enhance Overpayment Collections Staff	(3,317,754)	252,000	101,345	(2,964,409)	7	7.00
Pkg 129-Implement Fed Mandated Medicaid QC Process	373,877	0	373,877	747,754	7	6.75
Total Policy Packages:	1,822,935	1,008,724	4,517,607	7,349,266	81	72.00
Governor's Recommended Budget (CAF):						
	413,341,571	134,881,920	1,629,843,873	2,178,067,364	4,257	4119.65

Base budget: This is the 2003-05 Legislatively Approved Budget as of the April 2004 Emergency Board. It is a combination of the Children, Adults and Families (CAF) cluster and the Community Human Services (CHS) cluster. Approximately \$523.2 million of the \$2,130 million Total Funds and 3,971 of the 4,201 positions relate to CHS. The CHS cluster budget is combined with the CAF cluster budget through a transfer in package 060.

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Package 010 Vacancy Factor and Non-PICS Personal Services

Adjustments - The Vacancy Factor calculation projects budget changes related to staff turnover and position vacancy in the 2005-07 biennium.

Non-PICS Personal Services inflation includes any items not part of the PICS generated totals. These include unemployment assessment, overtime, temporary services, shift differential, and Mass Transit Tax. The general inflation factor of 2.4% was applied to these Non-PIC's Personal Service items.

Package 010 Vacancy Factor and Non-PICS Personal Services Adjustments						
Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Vacancy Factor	(102,072)	3,170	(114,848)	(213,750)	(1)	(1.00)
Non-PICS Personal Services Inflation. Inflation for Temporary and Differentials.	69,473	40,221	54,346	164,040	0	0
PERS Rates and Pension Bond Contributions.	8,688,191	396,819	9,953,889	19,038,899	0	0
Total	8,655,592	440,210	9,893,387	18,989,189	(1)	(1.00)

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Package 021 Phased-In programs & one time costs - This package is related to new programs and expansion of mandated programs funded for less than 24 months during the 2003-05 biennium, but needing a full 24 months in the 2005-07 biennium. The costs for the additional months of funding needed to achieve the 24-month funding level are included in this package. Phase-in costs included are for position related service and supply costs.

Package 021 Phased-In programs and one time costs

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Phase-in of positions added during 2003-2005 related to caseload increases. This package reflects continuation of these positions through the 2005-07 biennium.	490,145	0	380,366	870,511

Package 022 Phased-Out programs & one time costs - This package is related to any programs permanently eliminated during the 2003-05 biennium, to remove costs in the base budget for the months the program operated during 2003-05. Phase-outs are also related to decreased costs resulting from discontinuation of pilot project programs and other one-time costs that will not be continued in the 2005-07 biennium.

In particular, this package eliminates the balance of Regular Emergency Assistance, Department of Labor funding of the Recidivism project, one-time carry forward funding from the Oregon Commission on Children and Families, one-time carry forward of FACIS project funding, and State Independent Living Council one-time funding.

Package 022 Phased-Out programs and one time costs

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
The April 2004 Emergency Board discontinued the Regular Emergency Assistance Program as part of the disappropriation process. This package eliminates the remaining 10 months service and supply expense.	(37,082)	0	(166,967)	(204,049)

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Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Phase –out of one-time Federal revenue used for Vocational Rehabilitation programs, as approved by the April 2004 Emergency Board.	0	0	(3,053,629)	(3,053,629)
Phase-out of one-time purchase of system software and related training for the State Independent Living Councils - Center for Independent Living, as approved by the April 2004 Emergency Board.	0	(320,000)	0	(320,000)
Phase-out of one-time 2003-05 revenues from community partners for the purpose of funding start-up cost for the local Center for Independent Living agreement, as approved by the April 2004 Emergency Board.	0	(25,000)	0	(25,000)
Phase-out of one-time revenues from the State Vocational Rehabilitation agency to fund the development of local programs between local OVRS branch offices and the corresponding local Center for Independent Living, as approved by the April 2004 Emergency Board.	0	(225,000)	(831,336)	(1,056,336)
Phase-out of field staff related to lower Oregon Health Plan Plus population caseload projections, as approved by the April 2004 Emergency Board.	(120,805)	0	(120,805)	(241,610)
Phase-out of field staff related to the discontinuation of the Oregon Health Plan Standard programs, as approved by the April 2004 Emergency Board	(132,740)	0	(132,742)	(265,482)
Eliminate 7 limited duration positions for Overtime Writers	(25,205)	0	(142,826)	(168,031)
Eliminate FACIS carry-forward to 2003-2005 biennium.	(650,000)	0	(650,000)	(1,300,000)
Phase-out of one-time US Dept. of Labor funding for Recidivism Project	0	0	(1,000,000)	(1,000,000)
Phase-out of Ltd Duration IV-E Foster Care Certification Coordinator position (April 2004 Rebalance).	(6,821)	0	(6,821)	(13,642)
Eliminate one-time carry-forward of Oregon Commission on Children and Families (OCCF) funding (April 2004 Rebalance).	0	0	(2,262,959)	(2,262,959)
Remove empty Other Fund limitation unscheduled in the April 2004 Rebalance.	0	(7,025,723)	(12,750,938)	(19,776,661)
Total	(972,653)	(7,595,723)	(21,119,023)	(29,687,399)

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Package 030 Inflation and Price List Adjustments - The standard annual DAS biennial inflation factor of 2.4% (or 1.5% and 1.9% annual rate) and the Department of Administrative Services (DAS) Price List were used for calculating general increases for Services and Supply, Capital Outlay, and Special Payments. Annual inflation factors of 3.2% and 3.5% were used for medical services in Child Welfare programs. An additional inflation rate was requested and received for the Attorney General’s services at an inflation factor of 16% displayed as an increment to the standard inflation rate. Implementation of the inflation factor adjustments (excluding the Attorney General’s), were delayed to January 1, 2006 in Package 090 of the Governor’s Recommended Budget.

Package 030 Inflation and Price List Adjustments

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
CPI of 2.4% applied to special payments and service and supplies.	13,627,821	423,950	24,439,693	38,491,464
Incremental CPI for Medical Services (3.2% and 3.5% annually) in the "Substitute Care" programs.	75,142	1,450	8,844	85,436
Annual inflation rates of 1.5% and 1.9% applied to purchased services in Child Welfare Programs.	106,416	7,494	73,442	187,352
16% CPI applied to administrative Services & Supplies - Attorney General costs.	461,543	175,711	706,033	1,343,287
Total	14,270,922	608,605	25,228,012	40,107,539

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Package 040 Mandated Caseload - This package includes only programs that have been designated as “mandated” in the DAS budget instructions. Mandated caseload costs reflect the changing costs from caseload and/or cost-per-case fluctuations, plus related inflation. Mandated caseload increases include Supportive Remedial Daycare, Substitute Care programs, Adoption Assistance, and Food Stamps. Note: The increase in staffing related to mandated caseload increases (80 positions), were eliminated in Package 090 of the Governor’s Recommended Budget.

Package 040 Mandated Caseload

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Mandated program caseload increase for Child Safety, Substitute Care, and Adoption programs.	20,015,715	959,938	18,301,558	39,277,211	0	0
Mandated program caseload increase of 4,440 monthly average Food Stamps cases was forecasted for the 2005-2007 biennium.	1,775,590	0	37,406,743	39,182,333	31	27.93
Mandated program caseload increase of 455 in the average daily population is projected for Foster Care for 2005-07.	2,427,920	0	2,428,079	4,855,999	49	44.14
Changes to the Employment Relations Board assessment rate.	(236)	0	(247)	(483)	0	0
Total	24,218,989	959,938	58,136,133	83,315,060	80	72.07

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Package 050 Fund Shifts - This package reflects significant budgeted changes in the funding sources for existing programs. This includes backfill for one time Social Services Block Grant, Title IV-E adoption incentive, Temporary Assistance to Needy Families (TANF), and TANF Bonus federal funds. This package also adjusts for changes in the Federal medical assistance percentage (FMAP) rate.

Package 050 Fund Shifts				
Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Federal match rate chg. 62.32% to 61.61%.	342,964	0	(342,964)	0
Backfill for one-time TANF Carry-forward	6,047,545	0	(6,047,545)	0
Backfill for one-time TANF High Performance Bonus	6,070,139	0	(6,070,139)	0
General Fund backfill for one-time Adoption Assistance Incentive Bonus	224,000	0	(224,000)	0
General Fund backfill of capped Federal Block grants to fund approved inflation increases.	181,257	0	(181,257)	0
General Fund backfill of capped Federal Block grants to fund approved personal services rate increases in 2005-07.	1,322,922	(90,792)	(1,232,131)	(1)
Backfill SSBG carry forward (April 2004 Rebalance).	4,211,159	0	(4,211,159)	0
Total	18,399,986	(90,792)	(18,309,195)	(1)

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Package 060 Technical Adjustments - This package is used to make adjustments to the budget for issues that do not fit within any other package type, related to unique needs, such as structural changes. The April 2004 Rebalance Plan presented a plan on the reorganization of the Community Human Services (CHS) field structure. This plan included the transfer of the Seniors and People with Disabilities (SPD) field structure to the SPD cluster and the transfer of the CHS field structure and the Office of Vocational Rehabilitation to the CAF cluster. Therefore, CHS is eliminated as a stand-alone cluster and is consolidated into both SPD and CAF.

Package 060 Technical Adjustments

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Transfer of expenditure limitation to the Senior and People with Disabilities Cluster. (Completes administrative transfer approved in April 2004 Rebalance Plan.)	(1,179,651)	(3,903)	(963,671)	(2,147,225)
This entry eliminates the CHS structure and transfers it to the CAF structure as approved in the April 2004 Rebalance Plan. With the exception of a small balance left due to ORBITS and PICS system interface issues, this is a net zero entry between the two clusters.	(210)	353	(140)	3
General Fund backfill of capped Other and Federal Block grants to fund personal services expenditure changes resulting from the elimination of the CHS structure and transfers to the CAF structure.	176,214	(30,785)	(145,428)	0
Changes to the Employment Relations Board assessment rate.	(12,058)	(414)	(14,060)	(26,532)
Total	(1,015,705)	(34,749)	(1,123,300)	(2,173,754)

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Package 084 – Reflects 2005-07 biennium impact of the actions taken at the November 2004 Oregon Legislative Emergency Board meeting. These actions covered:

Package 084 November 2004 E-Board

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Projected changes to Self Sufficiency programs for caseloads, cost per case, and federal funding level.	(327,944)	0	2,346,743	2,018,799	22	18
Projected changes to Child Welfare programs for caseloads and cost per case.	4,538,557	1,046,871	6,152,122	11,737,550	34	37
Enhanced recovery efforts related to medical cost recovery and increased hearings costs related to client overpayments.	514,943	0	514,943	1,029,886	11	11
Total	4,725,556	1,046,871	9,013,808	14,786,235	67	66.00

Package 090 – Additional changes made to achieve the Governor’s Recommended Budget. These actions were:

Package 090 Analyst Adjustments

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Delay implementation of inflation factors to January 1, 2006	(3,567,731)	(152,149)	(6,127,840)	(9,847,720)	0	0
Reduction to CAF administrative costs	(6,347,004)	(623,383)	(9,787,718)	(16,758,105)	(81)	(76.76)
Limit Food Stamp OFFSET program funding to transportation services only	(1,000,000)	0	0	(1,000,000)	0	0

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Package Detail	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
No longer fund research activities with Portland State University (except IV-E waiver)	(396,801)	(16,533)	(1,240,005)	(1,653,339)	0	0
Lower funding level for JOBS program services, including limiting services to people applying for or receiving TANF	(3,465,183)	0	0	(3,465,183)	0	0
Lower funding of Vocational Rehabilitation services	(1,754,084)	0	(6,486,007)	(8,240,091)	0	0
No longer fund the Homemaker program	(276,648)	(800)	(278,868)	(556,316)	0	0
Lower the reimbursement limit for non-recurring adoption expenses from \$2,000 to \$1,500 per child	(354,708)	(2,736)	(362,556)	(720,000)	0	0
Lower funding for System of Care	(4,750,000)	(108,720)	(1,110,423)	(5,969,143)	0	0
Establish a TANF "no-parent" income standard at 150% of the Federal Poverty Level	(2,084,183)	56,100	2,085,495	57,412	10	6.51
Eliminate funding from VR for the Seniors and People with Disabilities employment readiness program	(292,556)	0	(1,080,945)	(1,373,501)	0	0
Eliminate the minimum co-pay for Employment Related Day Care and limit eligibility to families leaving	(14,552,899)	0	0	(14,552,899)	(19)	(20.37)
Lower funding for Prevention Services	(1,526,083)	0	0	(1,526,083)	0	0
Lower funding for the Emergency Assistance Domestic Violence program	(2,059,056)	0	0	(2,059,056)	(1)	(2.31)
Eliminate staffing related to mandated caseload increases	(4,203,510)	0	(4,203,754)	(8,407,264)	(80)	(72.07)
Lower the enhanced foster care rates paid for children with special needs	(4,177,812)	(305,717)	(4,981,383)	(9,464,912)	0	0
Access excess cash balances in JOBS Plus Individual Education Accounts and the Law Enforcement	(3,424,227)	3,424,227	0	0	0	0
Adjustment to eliminate remaining balances in CHS	210	(353)	140	(3)	0	0
Total	(54,232,275)	2,269,936	(33,573,864)	(85,536,203)	(171)	(165.00)

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Package 096 CFAA Fund-shift – This package shifts the Criminal Fines and Assessment Account (CFAA) from Other Funds to General Fund.

Package 096 Criminal Fines and Assessment Account (CFAA)

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
CFAA fund shift	2,690,126	(2,690,126)	0	0

Package 070 Revenue Shortfall – This package reflects a projected revenue shortfall in receipt of funding from the Criminal Fines and Assessments Account.

Package 070 Revenue Shortfall

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Criminal Fines and Assessments Account revenue shortfall.	0	(298,903)	0	(298,903)

Package 103 Partially Restore Standard Benefit Package/Provider Taxes - This policy package restores: 1. A restricted benefit package for a limited number of eligible OHP Standard clients; 2. Staff necessary to administer the program and determine eligibility for the program; and 3. Funds to pay for the contract with the William Earhart Company to collect premiums. The Department eliminated staff to administer and operate the Standard program and funds for the Earhart contract, when state funds were eliminated for clients receiving the Standard Benefit Package. House Bill 2747, approved by the 2003 Legislative Assembly established both a Managed Care Organization (MCO) tax and a Hospital tax. The Centers for Medicare and Medicaid Services (CMS) approved this tax to be effective retroactively to May 1, 2004. DHS estimates the MCO and hospital tax revenues, along with matching Federal funds, will be sufficient to support a monthly average of approximately 24,000 OHP Standard clients in 2005 - 07.

Package 104 Attorney General Representation for Child Welfare in Court Hearings - Funds Attorney General representation for child welfare caseworkers in court hearings. Provides additional Attorney General representation (paralegal, support, and attorneys) for Child Welfare caseworkers in court hearings where currently not available. Result will enable caseworkers to spend more time doing casework rather than court work.

Package 119 Enhanced Overpayment Collections Staff - Establishes permanent positions in Overpayment Collections to enhance recovery, enables state to recover third party liability and reduces costs associated with accounting. A net General Fund savings of \$2.9 million is expected from these recovery activities in the 2005-07 biennium.

Package 129 Implement Federally Mandated Medicaid Quality Control Process - Improve State's Medicaid Quality Control Process and implements Improper Payment Error Rate Measurement as required by federal government. Due to changes at the federal level, including enactment of the Improper Payments Act of 2002, the department has been informed our current Medicaid Quality Control process will no longer be acceptable. Starting with FFY 2005, the department must submit a yearly plan for approval by DHHS-CMS. The department is required to discontinue QC review of the OHP standard population and include a review of categorical Medicaid programs. Changes necessary include increasing the sample size by about 300 percent. Starting with FFY 2006 the department will be under a requirement to complete an additional prescribed MEQC review every third year. This requirement is currently being piloted by one-third of the states and they are finding it takes more resources to complete this required review.

To comply with the Improper Payments Information Act of 2002, CMS is implementing the Payment Error Rate Measurement program in FFY2006.

The Department will be required to do specific medical necessity and coding accuracy reviews of a sample of Medicaid and SCHIP claims in addition to the eligibility review.

Ending Balances – The only ending balance anticipated for the CAF cluster relates to the Law Enforcement Medical Liability Account (LEMLA), which was created by the 1991 Legislature. LEMLA provides a means for reimbursing medical providers for medical expenses incurred for treating injuries sustained by an individual as a result of law enforcement activity. Claims are only paid out of the account when recovery from the injured party is unsuccessful or when insurance fails to pay. Liability for coverage by LEMLA ends when the individual is released from physical custody.

LEMLA is an account separate and distinct from the General Fund. The account is fully funded from assessments added to fines and bail forfeitures. No taxpayer funds are involved. This dedicated fund accumulates cash to be used for potential liabilities as a result of law enforcement activities. Although most claims are small in nature, there is a potential for very large claims. These large claims could include surgeries, intensive care and extensive emergency room services.