

Major Budget Drivers and Environmental Factors

Budget Drivers

State budget problems have posed a threat to the stability of outpatient alcohol and drug treatment services; this area experienced a 16 percent reduction in state General Fund support in spring 2002.

Revenue shortfalls in 2001-03 led to a reduction of 47 alcohol and drug residential treatment beds or 9.4 percent of the state purchased beds.

Environmental Factors

Three factors drive the need for publicly funded alcohol and drug prevention and treatment programs:

- ◆ Alcohol remains the number one drug of abuse for young people;
- ◆ The epidemic of methamphetamine abuse and the broad availability of the drug affects many Oregon families, for example 30-day use among 8th graders has increased 18.2 percent from 2001-2004; and
- ◆ The high exposure of Oregon youth to marijuana and the increased availability of so-called club drugs.

Legal Actions

A lawsuit was filed against the Department and Governor in January 2001, based on the United States Supreme Court decision in the Olmstead case, alleging that the state has not made sufficient efforts to secure community placements for 10 civilly committed patients in Oregon State Hospital. The state settled the case March 8, 2004. As a result, the state will create 75 community placements by June 30, 2005, and discharge 31 hospital patients who were ready to discharge at the time of settlement and who had been waiting for discharge. These patients are

referred to as class members and they must be discharged by June 30, 2005. As of December 31, 2004, the state had created 89 placements and discharged 37 class members.

Another set of legal actions was initiated by Multnomah County and the Oregon Advocacy Center regarding the waiting times required for Oregon State Hospital admissions of local jail inmates awaiting court-ordered evaluations to determine their psychiatric fitness to stand trial. The judge in the case ordered the state to admit these people within seven days. The state lost on appeal and is admitting people within the required timeframe.

As a result of this decision and the growth in the numbers of people criminally committed to the state hospital under the Psychiatric Security Review Board (PSRB), Oregon State Hospital (OSH) experienced populations of nearly 70 patients above budgeted capacity prior to opening an additional ward in September 2004. The November 2004 Emergency Board approved a plan to develop up to 75 additional community placements for people under PSRB jurisdiction. These resources are a temporary strategy to lessen pressures caused by crowding in the OSH Forensic Program. In addition, the Emergency Board approved funds to begin developing a state hospital master plan.

Shifting Emphasis from Institutions to Community-Based Service

- ◆ Resources have shifted from institutions to community programs. In Fiscal Years 2003-05, 74 percent of dollars spent on adult and children's mental health services was through community programs. In Fiscal Year 1988, approximately 37 percent of expenditures were made in the community.
- ◆ Collaboration among DHS, the PSRB and the community programs during this biennium has enabled nearly 300 people to be served safely in the community rather than at the state hospital. This is an improvement over the 200 people served in the community last biennium.

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- ◆ During 2001-03, the state contracted for a new level of care, called Post Acute Intermediate Treatment Services. There are 16 beds in Multnomah County, 6 beds in Lane County and 3 beds in Deschutes County. These programs serve people who need a course of inpatient treatment longer than that provided in acute care, but who do not need five- to six-month stays in the state hospital.
- ◆ During 2003-05, the state continued to shift resources from institutions to community-based care. A reduced OSH census allowed the consolidation of two adolescent wards into a single ward with improved space and improved staffing. Savings from the consolidation were transferred from the hospital budget to the community budget to fund additional community-based services for adolescents with severe emotional disorders.

In January 2005, the Department working with community partners was able to announce the closure of the remaining adolescent ward. The youth served on that ward will be transferred to a secure community-based, 12-bed program. Up to an additional 10 beds will be available statewide to serve youth who had previously been served at the state hospital. It will be possible to serve youth in a smaller and more intense treatment setting with shorter lengths of stay.

System of Care for Children

- ◆ Prior to 1987, the community mental health system for children and adolescents was limited to outpatient services and a 60-bed unit at the Oregon State Hospital. More intensive day services and limited psychiatric residential services were only available through the child welfare system. The Department worked with community partners and increased access for outpatient services, added specialized crisis services, added local acute care psychiatric services, psychiatric day treatment services, and expanded psychiatric residential services to the children's mental health system.

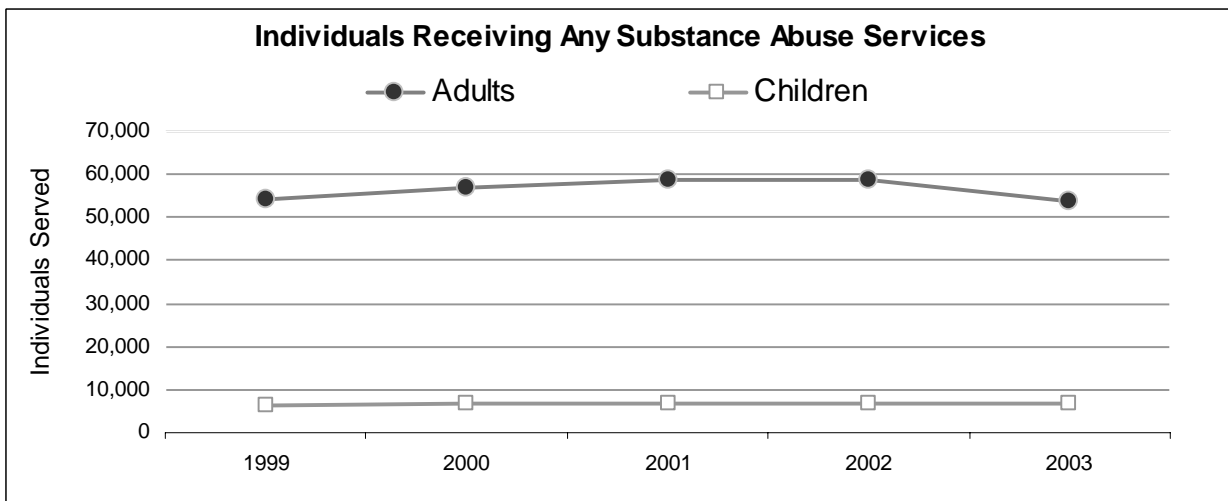
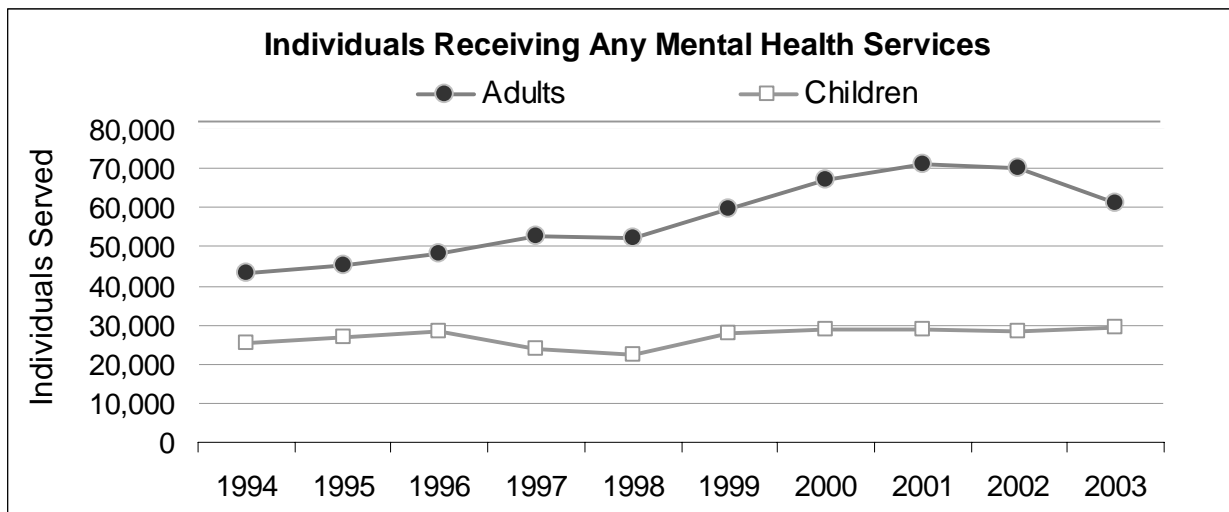
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- ◆ The improvements are seen in the increasing number of children receiving services. In fiscal year 2002-03, 28,356 children received public mental health services compared with 12,610 in fiscal year 1990-91.
- ◆ This work, in response to the 2003 Budget Note directing the Department to create an integrated system of care, will result in more community-based wraparound services requested by families in order to maintain their children in their homes rather than in institutional settings.

Major Changes in the Past 10 Years

Changing Access to Mental Health and Substance Abuse Treatment Services

The inclusion of mental health and chemical dependency services in the Oregon Health Plan increased access to mental health and chemical dependency treatment. The effects of the 2001-03 and 2003-05 reductions are clearly displayed on the following graphs.



Emphasis on Housing

Without safe, affordable, drug-free housing, it is very difficult for people with major mental illness to participate in treatment, follow medication regimens and live stable lives. Lack of housing is a major barrier to timely discharges from the state hospitals. This has been true since the 1980s and was the rationale for 1989 Legislative approval of about \$250,000 in General Fund for the Department to work with communities to develop housing appropriate to the needs of people with major mental illnesses.

In 2003-05, OMHAS awarded \$456,000 to 12 providers to develop new housing for 95 people in eight counties and \$126,000 to fund health and safety renovations in 30 sites. This is in addition to the \$3.9 million OMHAS has awarded since 1989 to develop and preserve housing for 1,900 people in 27 Oregon counties.

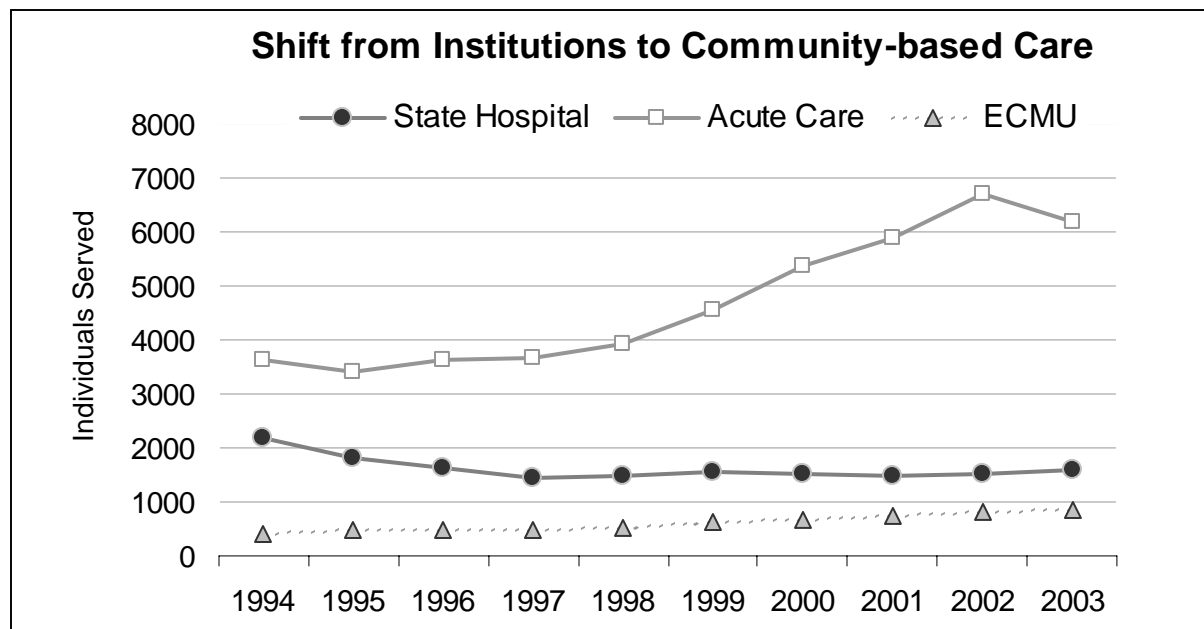
To develop housing for people in recovery from addiction disorders, OMHAS works in partnership with Oregon Housing and Community Services (OHCS) to distribute \$1 million each biennium for the development of alcohol and drug free housing. In the 2003-05 biennium, five counties will create housing for 25 individuals. Since 2001, another \$2.4 million has been awarded to 19 housing projects to provide housing for 165 people.

OMHAS also contracts with seven counties and one tribe to provide rental assistance and housing coordination services for individuals completing substance abuse treatment. In the fiscal year 2004, these eight projects assisted 673 people to obtain safe housing upon completing treatment. About half of those assisted were re-uniting families.

OMHAS, in partnership with OHCS, also provides funding to Ecumenical Ministries, Inc. to support two Oregon Recovery Homes Outreach Coordinators. These outreach coordinators work to support and expand self-run recovery homes, mostly “Oxford Houses” throughout Oregon. There are currently 121 homes with capacity for 904 residents in 24 cities in 15 counties.

Community-Based Alternatives to Institutions (State Hospitals and Juvenile and Criminal Justice Facilities)

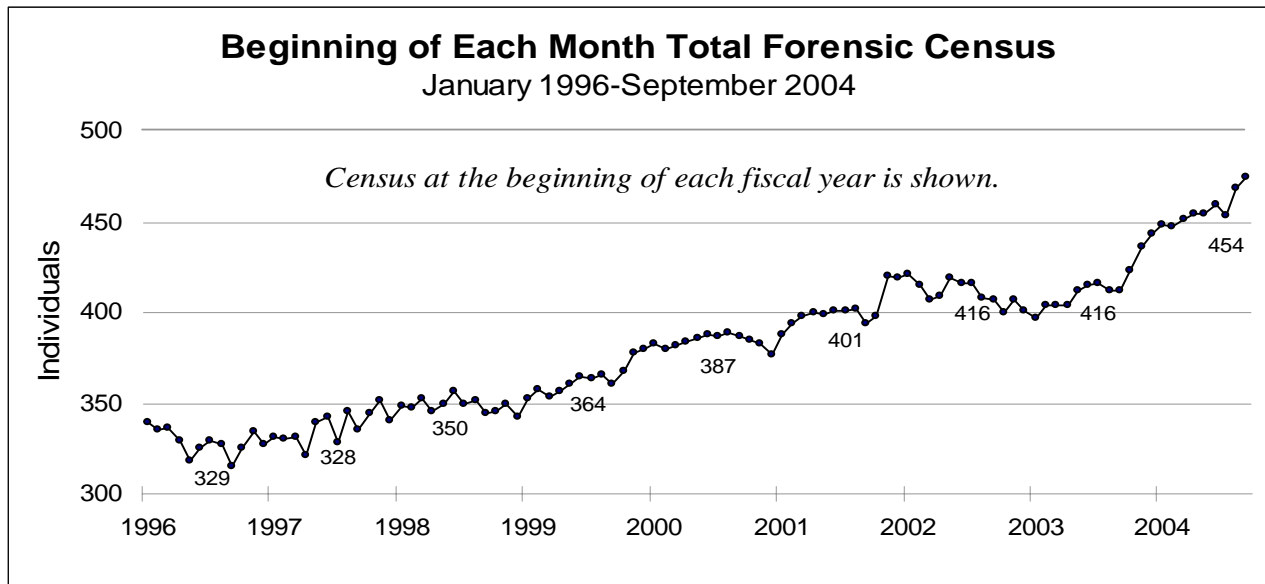
Over the last 10 years, the state has relied less and less on large state- operated institutions to provide treatment for persons with severe mental illness. Dammasch State Hospital was closed in 1995 and replaced by a much smaller state-operated unit and community-based services. In 1995, there were 220 community-based beds available to serve people with major mental illness. By December 1, 2004, there were 680 beds for services to adults who have histories of long-term hospitalization. From December 1, 2004 through June 30, 2005, OMHAS will develop approximately 100 beds for adults who are civilly committed.



Community-based services are critical for treating the growing numbers of clients adjudicated guilty except for insanity, and placed under the jurisdiction of the Psychiatric Security Review Board (PSRB). This population had been growing steadily over the last 10 years; however, in the last 12 months the rate of growth increased from a net gain of 3.5 patients per month in the state hospital to 6.2 patients per month. This growth rate along with increases in patients who are

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being treated in order to stand trial has created crowding in the Forensic Treatment Program at the Oregon State Hospital.



As of January 1999, there were 38 beds designated for community treatment of persons conditionally released under the jurisdiction of the Psychiatric Security Review Board (PSRB); by the end of December 2004, there were 145 designated beds; and by June 30, 2005, there will be 220 designated beds plus 50 slots of supported housing to serve persons in the community under the jurisdiction of the PSRB.

In the last 10 years, the state has worked to develop more community-based treatment for children and adolescents with severe emotional disorders. In January 2002, the children 13 years and younger were moved from a 20-bed ward at the Oregon State Hospital (OSH) into a 12-bed secure community facility specifically designed to meet the needs of these children. In addition, 16 beds in other community residential settings were created for young children.

With the successful development of more community-based resources for adolescents with emotional disorders, the census on the two remaining 20-bed wards at OSH declined to the point that the state consolidated the two wards, improved the staffing ratios, and moved additional youth into integrated community settings. At the end of January, the consolidated unit was serving 15 youth and will be closing this spring.

Child and Adolescent System Change

With the success of Legislatively sanctioned pilot programs for serving children and adolescents in more integrated, supportive and normal community settings, the 2003 Legislative Assembly directed OMHAS to implement significant changes to the children's mental health system by June 30, 2005. The Legislative directive aims to substantially increase the availability and quality of individualized, intensive, and culturally competent home and community-based services. The goal is to serve children in the most natural environment possible and to minimize the use of institutional care.

Working closely with stakeholders, OMHAS developed a strategy that integrates the financing of Psychiatric Day and Residential Treatment Services with the outpatient and acute inpatient services managed by Oregon Health Plan Mental Health Organizations and local Community Mental Health Programs. Finance and contracting changes will take effect July 1, 2005.

Integrated Services

The Department has been promoting integration of services for the most vulnerable Oregonians. This critical need was recognized by DHS and resulted in combining the Office of Mental Health Services with the Office of Alcohol and Drug Abuse Programs to form the Office of Mental Health and Addiction Services. The Office works in collaboration with other DHS Offices, state and local juvenile justice, education, and with the Commission on Children and Families to improve the coordination, planning and service delivery for children and their families.

Prevention and Treatment of Problem Gambling

The 1999 Legislature moved the responsibility for administering the gambling treatment funds to the Department. The current programs for the prevention and treatment of Problem Gambling began July 1, 2001. The program has become known nationally and internationally for the treatment model used for problem gamblers and their families.

Emphasis on Quality and Accountability

The state has improved oversight of community and state hospital programs in the last 10 years. All counties and other contracted providers are reviewed systematically with an emphasis on health and safety and improved service quality. The state assures the health and safety of hospital hold rooms used to contain people in acute psychiatric crisis who may be a danger to themselves or others, of residential programs and adult foster homes. Problem programs are cited for deficiencies and provided assistance in order to improve or are removed from the system.

OMHAS has been working with our federal partners as well as the community mental health programs and the alcohol and drug treatment providers to develop program outcomes that are linked to the requirements associated with the federal block grants as well as the Oregon Benchmarks.

Demographics

Oregon continues to see changes in the racial and ethnic make up of the state. These shifts are a challenge for the mental health and substance abuse treatment system. In order to serve the growing population of Hispanics, programs must learn to work with nontraditional providers and must attract bilingual and bicultural staff.

The Oregon population is also aging. There will be an increasing need to serve elderly persons with mental disorders and to prevent or recognize and treat substance use problems among the elderly.

Evidence-based Practices

The 2003 Legislature passed SB 267. This bill requires that increasing amounts of state funds be focused on Evidence-Based Practices (EBP). OMHAS is using this opportunity to work with stakeholders to restructure the mental health and substance abuse delivery systems for adults and youth.

For 2005-07, the statute requires that at least 25 percent of state funds used to treat people with substance abuse problems who have a propensity to commit crimes be used for the provision of Evidence-Based Practices. The statute also requires that 25 percent of state fund be used to treat people with mental illness who use or have a propensity to use emergency mental health services. In 2007-09, the percentage of funds to be spent on EBPs increases to 50 percent and in 2009-2011 to 75 percent.

The shift to the delivery of services based on scientific evidence of effectiveness is a major shift for both the mental health and addiction treatment systems. This shift includes a focus on lifelong recovery for person with mental illness as well as those with substance abuse disorders.

Other Issues

The state hospitals will also be improving treatment and management practices, implementing a recovery model, stabilizing relationships between union and management, opening communication and improving linkages with the community programs. These issues were identified by an expert review panel and were covered in recommendations from the Governor's Mental Health Task Force.

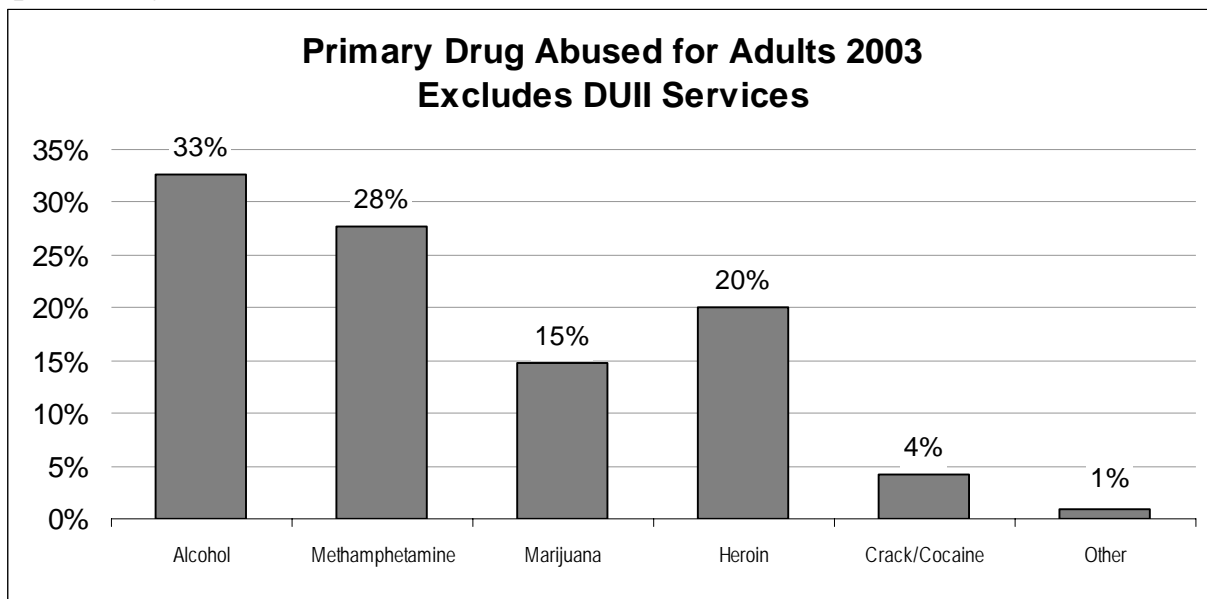
OMHAS made important progress during 2003-05 in improving the equity of the allocation of treatment resources among the counties. This has been an issue for

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more than ten years as several counties experienced high growth in population during a time of either flat or declining mental health resources for treatment of non-Medicaid eligible adults and for responding to persons in a mental health crisis. There is more to be done and it will be a challenge during a time when funding reductions may be necessary.

The alcohol and drug adolescent residential treatment programs are at risk of closure due to rates that have not been adjusted to meet the changing clinical needs of the youth who are served. More and more of the youth with substance abuse problems that require residential level of care also have serious mental disorders that must be treated. It has been four years since standard rates were increased from \$100 to \$113 per day for the A&D youth residential treatment services. This is significantly less than the rates paid to psychiatric residential programs for youth.

Methamphetamine use is the biggest drug problem facing Oregon child welfare today. In 2002, 109 children were removed from homes with methamphetamine labs; 42 percent of them were ages 6 or younger. In Oregon, the number of young girls, ages 17 and under, using methamphetamine has increased 57 percent in the past five years.

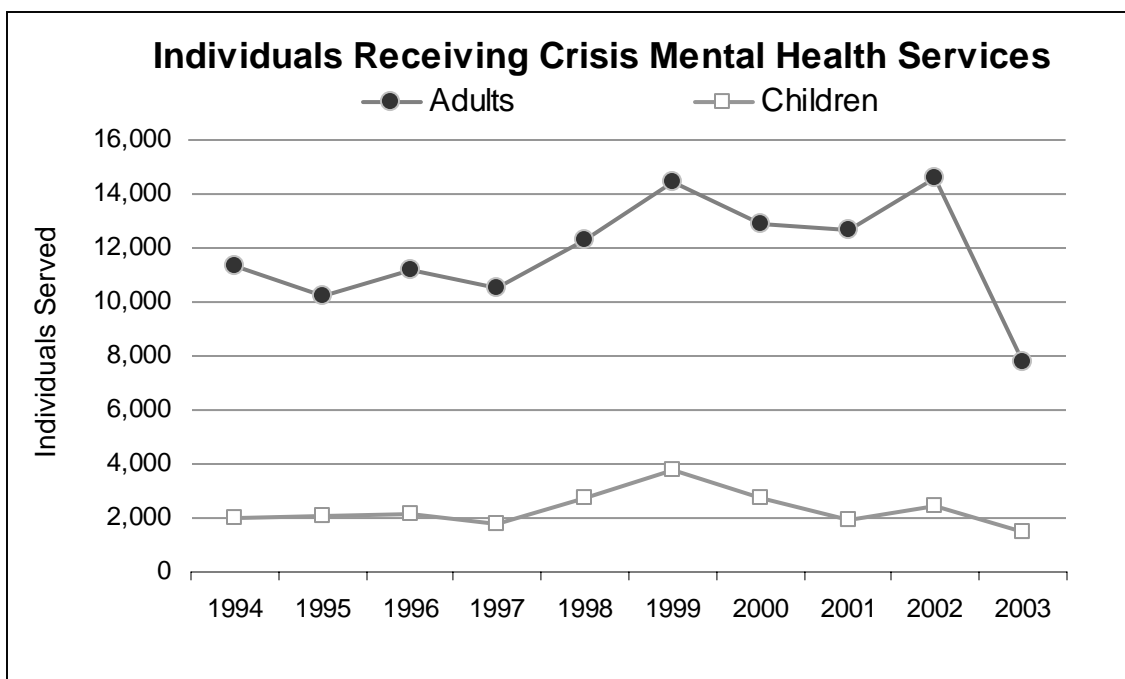


The chart on the previous page, shows that while alcohol remains the primary drug of abuse in Oregon, methamphetamine now takes second place as preferred drug of abuse for enrolled clients.

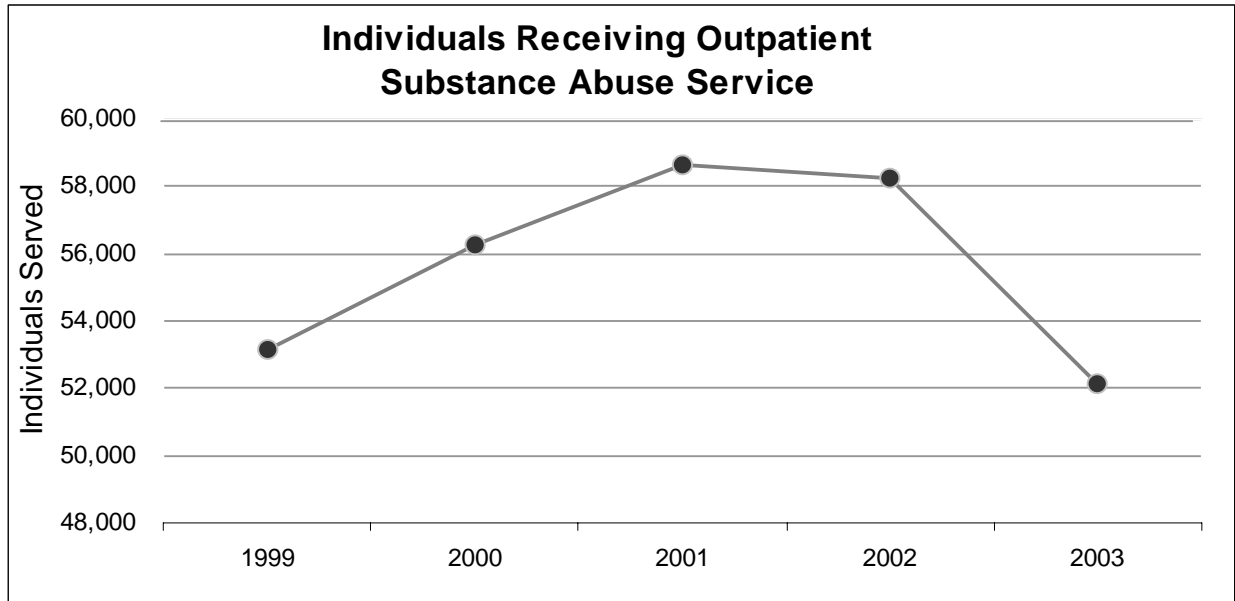
Impact of Cuts

The mental health and substance abuse treatment systems continue to struggle with the reductions made in 2003-05 and those made at the end of the 2001-03 biennium. Alcohol and drug treatment services for non-Medicaid eligible clients were reduced \$3.0 million in 2001-03, and were not restored by the 2003 Legislature. Because of wait lists, people who are unable to access services when they are ready for treatment continue to abuse substances and become more deeply involved in the criminal justice system.

The following charts display longitudinal data of service patterns for the services affected by the major reductions during 2001-03 and 2003-05. The trend data show the decline in numbers served in mental crisis services, outpatient substance abuse, residential substance abuse and methadone maintenance.



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While the loss of the mental health and chemical dependency benefit for adults eligible for the Oregon Health Plan due to poverty (referred to as OHP Standard population) was restored by the 2003 Legislature effective August 1, 2004, the number of people covered by the Standard plan will have been reduced from over 100,000 to approximately 24,000 by June 2005. These cuts have reduced access to treatment services. People with mental illness who are unable to access services experience worsening symptoms and are treated in the crisis system and hospitals, which are far more expensive than early intervention services.

These cuts have jeopardized early intervention programs for older adolescents and young adults experiencing their first psychotic episode. These programs have demonstrated success in working with these young people to stabilize their psychiatric condition and connect them with education or vocational programs. They work with families to assist them in understanding the illness and the effective approaches to supporting their family member. These programs help young people recover and have hope for a future with work, friends and family rather than disability and endless mental health treatment.

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The reduced availability of alcohol and drug treatment for the OHP Standard population has resulted in a loss of services for clients who come to the system through the drug courts or the integrated family courts. The effectiveness of these courts is dependent on the services that people are required to attend. Without services, the court-ordered clients will be far less likely to abstain from substance use and abuse and more likely to commit crimes and be sentenced to the criminal justice system.

The loss of alcohol and drug treatment for the OHP Standard population also interferes with the progress adults who have had their children removed by child welfare can make in being reunited with their children. Without treatment for parents, children will stay much longer in the state's care.

Cuts made in other programs late in 2001-03 that continue into 2003-05, include loss of and/or major limitations on the Medically Needy Program and the General Assistance Program. These support services are critical to the timely discharge of people with mental illness from local and state hospitals and from jails and prisons. Without these supports, they are unable to access medications or to pay rent.

Actions to Contain Costs and Improve Service Delivery

OMHAS takes action to contain costs and to improve the quality of services provided by the public mental health system.

Evidenced-based practices – contain costs and improve service.

- ◆ The 2003 Legislature passed SB 267 which drives the mental health and substance abuse treatment systems to the use of Evidence-Based Practices (EBP). These are services that have been studied by independent researchers and are proven to be effective in delivering positive treatment outcomes. State contracts for 2005-07 will reflect the requirement that at least 25 percent of services dollars be used for EBP. OMHAS will revise Administrative Rules and modify performance requirements to support this direction. These changes will assure that scarce resources are directed to treatment strategies with the greatest likelihood of positive outcomes.
- ◆ OMHAS is working with prevention partners including county and tribal prevention, community coalitions, and the Oregon Partnership to promote the adoption and implementation of evidence-based prevention strategies. OMHAS is developing a technical assistance process to assist prevention providers in making the changes necessary to meet the intent of SB 267.
- ◆ Although new resources are not available for investment in alcohol and drug prevention services, the state will continue to promote these services and work collaboratively with local communities and the counties to focus the resources that are available on strategies that have been proven effective in decreasing the risks of substance abuse and those that promote the strength and resiliency of individuals and communities. OMHAS will use data to link prevention resources and strategies to the unique strengths and needs of communities.

Community-based Services – contain costs and improve quality

- ◆ The 2005-07 budget includes resources to continue the development of community-based services for adults who are either civilly or criminally committed to state care and custody. This will allow the expansion of the extended care system in the community. In addition, the 2005-07 budget includes the closure of three wards at Oregon State Hospital for elderly persons or adults with head injuries. There will be savings available to invest in community-based services for these people. The services will be developed in collaboration with Seniors and People with Disabilities and will be provided in settings that allow the use of Medicaid funds.
- ◆ In January 2002, the state moved the children 13 years and younger from the state hospital into community-based services including a 12-bed secure program. The children are now served in a setting specifically designed to meet their needs. The program has assisted children to return to their communities and families in a timely manner. Improvements in treatment methods and length of stay in the community-based programs for adolescents has decreased the demand for state hospital services. This allowed the state to consolidate two wards for adolescents in 2003 and invest the savings in additional client-specific community-based services. The ward will be closed, and the remaining patients transferred to community care in the spring of 2005.

Alternative Services – contain costs and improve quality

In the last several years, several counties developed Crisis Triage Centers as an alternative to the use of acute care hospitals. During 2003-05, programs have been developed in southern, coastal, and central Oregon. These programs support early intervention services for people who are in mental health crisis and provide safe alternatives to hospitalization and may avoid additional civil commitments and longer lengths of stay in more expensive services.

OSH Master Plan – Improve Quality

- ◆ OMHAS will include, as part of the master planning process for the state hospital system, the review of appropriate staffing levels for the treatment to be delivered in a reconfigured state hospital. While the planning work is progressing, the OMHAS will work to resolve the problems created by staff vacancies and mandated overtime in the state hospitals.
- ◆ OMHAS will continue planning with the Department of Corrections to determine the feasibility of a forensic institute shared between the state hospital and the Department of Corrections for the treatment of people who have committed crimes and who have a major mental illness. Alternatives for licensing the beds in the institute will also be explored in order to maximize the potential revenue sources.

OMHAS Approach To and Use of Professional Services and Purchasing Contracts

The Office of Mental Health and Addiction Services (OMHAS) provides most funding for mental health, addiction, and problem gambling prevention and treatment services through financial assistance agreements with counties and through contracts with managed care organizations to provide mental health services for people covered by the Oregon Health Plan. County Community Mental Health Programs deliver the services directly or through subcontracts with non-profit prevention or treatment providers. OMHAS contracts directly with providers for regional programs serving more than one county or statewide programs. OMHAS also contracts with the nine federally recognized tribes for alcohol and drug prevention services.

The Office uses personal services contracts to purchase training, consultation, research and program evaluation. Contracts to provide training to providers or delivery system administrators represent the most common use of this type of

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contract. Contracts for research or evaluation activities that measure delivery system performance are another example. However, personal services contracts and purchasing contracts form only a small fraction of overall expenditures, while contracts with counties and providers to deliver client services represent the bulk of the OMHAS expenditures.

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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 Health Services Cluster, Office of Mental Health and Addiction Services. Expanded descriptions of each package listed in the table below follows this summary:

	General Funds	Other Funds & Lottery Funds	Federal Funds	Total Funds	Pos	FTE
Base Budget	321,761,062	46,234,908	164,167,248	532,163,218	1,455	1,415.04
Essential Packages						
Pkg 010- Vacancy Factor and Non PICS Personal Services Adjustments	5,421,558	428,569	1,415,279	7,265,406	0	0.00
Pkg 021-Phase In	13,442,971	332,822	11,545,934	25,321,727	0	0.00
Pkg 022-Phase Out	(1,153,000)	0	(437,500)	(1,590,500)	0	0.00
Pkg 030-Inflation/Price List Adj	4,940,517	774,382	3,229,354	8,944,253	0	0.00
Pkg 040 Mandated Caseload	10,676,999	0	10,546,792	21,223,791	0	0.00
Pkg 050-Fund Shift	(5,262,340)	259,399	5,002,941	0	0	0.00
Total Essential Packages	28,066,705	1,795,172	31,302,800	61,164,677	0	0.00
Adjustments to Achieve the Governor's Recommended Budget:						
Pkg 084- November 2004 Emergency Board	911,540	1,150,105	(42,558)	2,019,087	0	0.00
Pkg 090-Analyst Adj	(4,590,477)	(245,295)	(1,267,874)	(6,103,646)	140	42.00
Total Adjustments	(3,678,937)	904,810	(1,310,432)	(4,084,559)	140	42.00
Policy Packages included in the Governor's Recommended Budget:						
Pkg 108-Gambling Treatment Program Restoration	0	2,268,416	0	2,268,416	0	0.00
Pkg 141 Oregon State Hospital Overtime Reduction	(588,206)	(66,348)	(173,955)	(828,509)	41	41.00
Total Policy Packages	(588,206)	2,202,068	(173,955)	1,439,907	41	41.00
Gov. Rec. Budget	345,560,624	51,136,958	193,985,661	590,683,243	1,636	1,498.04

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Base Budget – This is the 2003-05 Legislatively Approved Budget as of the April 2004 Emergency Board with personal services increased to 2005-2007 costs. This would include 24 months of any cost of living adjustments in the 2003-05 biennium, any step increases planned for employees in the 2005-07 biennium and 24 months of any step increases granted to employees in the 2003-05 biennium.

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 percent was applied to these Non-PIC’s Personal Service items.

Package 010: Non PICS Personal Services Adjustment

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Vacancy Savings	(54,680)	(16,301)	(55,668)	(126,649)
Pension Bond Contribution	1,727,875	144,355	1,367,647	3,239,877
Non-PICS Personal Services less Pension Bond Contribution	3,748,363	300,515	103,300	4,152,178
Total	5,421,558	428,569	1,415,279	7,265,406

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Package 021: Phase In – This package is related to new programs and expansion of non-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 in this budget structure are:

Package 021: Phase In				
Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Medicaid match for 60 alcohol and drug beds at Multnomah County Corrections, as funded through the Office of Mental Health & Addiction Services. Implemented September 2003	0	332,822	318,442	651,264
Phase-in of the new forensic ward at the Oregon State Hospital (OSH), opened October 2003	70,358	0	0	70,358
69 restored alcohol and drug adult residential beds funded in the 2003 Legislative Session. Implemented October 2003.	395,762	0	254,273	650,035
Phase-in of the new forensic OSH ward, open July 2004.	412,993	0	0	412,993
Specialized community-based placement for adolescents using savings from consolidation of adolescent wards at OSH. Implemented November 2003.	103,802	0	153,666	257,468
Capacity expansion of community Mental Health settings need to shift more criminally committed individuals from Institutional settings to community starting May 2004. This was an April 2004 Rebalance item.	3,973,841	0	2,690,445	6,664,286
Mental Health offset to elimination of OHP Standard. Cost for continued care for civilly committed OHP Standard clients receiving acute mental health care, effective August 2004. This was an April 2004 rebalance disappropriation related item.	4,236,800	0	0	4,236,800
Phase-in of the 2003-05 mandated caseload for civilly committed individuals served in Community Settings (for continuation of this caseload into 2005-07).	4,249,415	0	8,129,108	12,378,523
Total	13,442,971	332,822	11,545,934	25,321,727

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Package 022: Phase Out – 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. The decreased costs from phased-out programs in this budget structure are:

Package 022: Phase Out

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Phase-out one-time capital outlay construction costs for a new forensic ward at the Oregon State Hospital. Ward 41A, July 2004	(803,000)	-	-	(803,000)
Phase-out one-time capital outlay construction costs for a new forensic ward at the Oregon State Hospital. Ward 50G, October 2003	(350,000)	-	-	(350,000)
Phase-out the State Incentive Grant, Alcohol & Drug Prevention began in September 2003 and will end in September 2006. There is no Federal intent to renew the funding beyond this period.	-	-	(437,500)	(437,500)
Total	(1,153,000)	0	(437,500)	(1,590,500)

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Package 030: Inflation and Price List Adjustments – The standard inflation factor of 2.4 percent and the Department of Administrative Services (DAS) Price List was used for calculating general increases for Services and Supply, Capital Outlay, and Special Payments. An additional 2.6 percent was added for specifically identified medical services expenditures that meet the definition to qualify for this higher inflation factor. Package 090 includes an action to delay implementation of inflation until January 2006.

Package 030: Inflation and Price List Adjustments

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Standard inflation increase for non-personal services expenditures	4,589,326	771,701	3,107,053	8,468,080
Medical Service inflation to specifically identifiably budgeted medical expenditures for OMHAS. This includes medical services expenditures for Mental Health, Institutions and Alcohol and Drug residential facilities.	351,191	2,681	122,301	476,173
Total	4,940,517	774,382	3,229,354	8,944,253

Package 040 Mandated Caseload – This 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 changes that affect Health Services, Office of Mental Health and Addiction Services are:

Package 040: Mandated Caseload

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Criminally committed individuals in community placements	4,202,133	0	3,185,047	7,387,180
Civilly committed individuals in community placements	6,474,866	0	7,361,745	13,836,611
Total	10,676,999	0	10,546,792	21,223,791

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Package 050: Fund Shifts – This package reflects significant budgeted changes in existing programs. Fund shift affecting this budget structure are:

Package 050: Fund Shifts

Package Detail	General Fund	Other Funds	Federal Funds	Total Funds
Increase in Beer and Wine 2005-07 revenue	(259,399)	259,399	0	0
Disproportionate Share Hospital Federal Fund Increase	(5,674,197)		5,674,197	0
Change in the Federal Match rate participation for Medicaid costs	671,256		(671,265)	0
Total	(5,262,340)	259,399	5,002,941	0

Package 084: November 2004 Emergency Board – Reflects 2005-07 biennium impact of the actions taken at the November 2004 Oregon Legislative Emergency Board meeting that affected the Health Services, Office of Mental Health and Addiction Services of the Department of Human Services. These actions are:

Package 084: November 2004 Emergency Board

Package Detail	General Fund	Other	Federal Funds	Total Funds
Adjusting the Oregon State Hospital budget for the 2005-07 impact of a greater increase in mandated forensic caseload than anticipated in 2003-05.	2,019,087	0	0	2,019,087
Carry forward of the shortfall of Patient Resource Other Fund revenues.	1,378,754	(1,378,754)	0	0
Carry forward of surplus Medicare revenues and contract services revenues from Greater Oregon Behavioral Health, Inc.	(2,528,859)	2,528,859	0	0
General Fund back-fill of the reduction of Medicaid funding for Alcohol and Drug due to changes in the Oregon Health Plan Standard Program.	42,558	0	(42,558)	0
Total	911,540	1,150,105	(42,558)	2,019,087

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Package 090: Analyst Adjustments – The additional actions to achieve the Governor’s Recommended Budget for Health Services, Office of Mental Health and Addiction Services of the Department of Human Services are:

Package 090: BAM Analyst Recommended Adjustments

Package Detail	General Funds	Other Funds & Lottery Funds	Federal Funds	Total Funds	Pos	FTE
Oregon State Hospital Investment to alleviate over-crowding in the Forensic population	4,668,676	-	1,316,224	5,984,900	0	0
Closure of three Geropsychiatric Wards at the Oregon State Hospital with partial placement of displaced clients in community settings. (See Note Below)	(3,000,000)	-	(1,672,088)	(4,672,088)	100	29.00
Reduction of Mental Health Crisis Services funding for adults.	(500,000)	-	-	(500,000)	0	0.00
Eliminate Mental Health Crisis Services for older/disabled adults	(1,700,000)	-	-	(1,700,000)	0	0.00
Closure of one ward (of two wards) at Eastern Oregon Psychiatric Center, effective 11/1/06. (See Note Below)	(1,100,000)	-	(64,760)	(1,164,760)	40	13.00
Reduction of funding for the Workforce Alcohol and Drug Prevention Services Contract	(300,000)	-	-	(300,000)	0	0.00
Reduction of funding for Alcohol and Drug Treatment Enhancement projects	(500,000)	-	-	(500,000)	0	0.00
Reduction in Community Mental Health Services funding.	(833,767)	-	-	(833,767)	0	0.00
Reduction of the Oregon Judicial Department transfer.	-	(29,311)	-	(29,311)		0.00
Savings related to the Oregon State Smart Buy program.	(92,894)	(27,163)	(40,377)	(160,434)	0	0.00
Delay in implementation of the 2005-07 inflation increases January 2006.	(1,232,492)	(188,821)	(806,873)	(2,228,186)	0	0.00
Total	(4,590,477)	(245,295)	(1,267,874)	(6,103,646)	140	42.00

Note: The positions and Full Time Equivalent (FTE) related to the Closure of three Geropsychiatric Wards at the Oregon State Hospital and one ward at Eastern Oregon Psychiatric Center was inadvertently increased by the BAM Analysts in the Governor’s Recommended Budget rather than reduced. These adjustments to both positions and FTE should have been reductions.

Policy Package 108: Gambling Treatment Program Restoration – Restore funding of Gambling Treatment program to full 1 percent of dedicated Lottery funds. House Bill 3665 included a one-time redirection of a portion (\$1,278,546) of the dedicated 1 percent Lottery funding, during the 2003-05 biennium, from the DHS Gambling Addiction program to the Administrative Services Economic Development fund. This action would restore this redirected funding back to the DHS Gambling Treatment program and also adjust total DHS Gambling Treatment funding to 1 percent of the latest Lottery Earnings estimate for 2005-07.

Policy Package 141: Oregon State Hospital Overtime Reduction – Adds positions to the Oregon State Hospital to reduce the need for overtime, resulting in a net cost savings. This package requests additional position authority to reduce overtime at OSH, with estimated net savings of \$0.8 million in personal service costs and services and supplies costs. The Secretary of State's overtime audit of OSH recognized that a significant amount of overtime is unavoidable, but that about 7,900 overtime hours per month were routinely incurred and could be replaced by straight-time workers, with resultant savings.

Other Fund Ending Balances

Other fund ending balances exist within the regulatory programs of the Health Services Cluster, Office of Mental Health and Addiction Services. Dedicated funds resulting from greater revenues than expenditure limitation in lottery and beer & wine receipts are specifically for addiction treatment programs.

Summary of Proposed Legislation

Senate Bill 222 – Mental Health Housing Definitions

A variety of supportive housing options are necessary to accommodate people with severe and persistent mental illness in communities. The current statutory definition of community housing for people with chronic mental illness is inconsistent with the array of residential alternatives needed. Current statutes also prohibit the Department from disposing of property used as community housing that is no longer suitable for this purpose. This bill corrects these problems and facilitates the development of housing for people disabled by mental illness.