Minnesota

Department of Human Services

November 2004 Forecast

St. Paul, Minnesota

December 1, 2004

THE DHS FORECAST

The Department of Human Services (DHS) prepares a forecast of expenditures in its major programs twice each year, for use in the state forecasts which are released in November and February during each fiscal year. These forecasts are reviewed by the Department of Finance and are used to update the Fund Balance for the forecasted programs.

The February forecast, as adjusted for changes made during the legislative session, becomes the basis for end-of-session forecasts and planning estimates. The preceding November forecast sets the stage for the February forecast.

The DHS forecast is a "current law" forecast. It aims to forecast caseloads and expenditures given the current state and federal law at the time the forecast is published.

The DHS programs covered by the forecast are affected by many variables:

> The state's general economy and labor market affect most programs to some degree, especially those programs and segments of programs which serve people in the labor market.
>
> Federal law changes and policy changes affect state obligations in programs which have joint state and federal financing. Federal matching rates for Medical Assistance change annually. Federal funding for the TANF (Temporary Assistance to Needy Families) program is contingent on state compliance with maintenance of effort requirements which mandate minimum levels of state spending.
>
> Changes in federal programs affect caseloads and costs in state programs. The Supplemental Security Income program (SSI) drives elderly and disabled caseloads in Medical Assistance and Minnesota Supplemental Aid. Changes in SSI eligibility may leave numbers of people eligible for General Assistance and General Assistance Medical Care instead of SSI and Medical Assistance.

The narrative section of this document provides brief explanations of the changes in forecast expenditures in the November 2004 forecast, compared to the February 2004 forecast. Generally, these changes are treated on a biennial basis, covering both the 2004-2005 biennium and the 2006-2007 biennium.

Tables One and Two provide the new and old forecasts and changes from the previous forecast for the current biennium; Tables Three and Four provide the same information about the next biennium.

CURRENT BIENNIUM SUMMARY

General Fund Costs Slightly Higher

General Fund costs for DHS medical and economic support programs for the 2004-2005 biennium are projected to total $5.982 billion, $37 million (0.6 percent) more than projected in the February 2004 forecast. The increase results from higher projected caseloads in General Assistance Medical Care and Medical Assistance children and parents.

TANF Forecast Lower

Forecasted expenditures of federal TANF (Temporary Assistance to Needy Families) funds for MFIP grants are $210 million, $11 million (5.1%) lower than in the February 2004 forecast. This increase results mainly because lower forecasted spending in child care requires the state to spend more state dollars and fewer TANF dollars on the MFIP program.

MinnesotaCare Forecast Lower

Forecasted Health Care Access Fund costs for the MinnesotaCare program are $508 million, $28 million (5.2%) less than projected in the February forecast. Most of the decrease results from lower enrollment projections for both families with children and adults with no children.

NEXT BIENNIUM SUMMARY

General Fund Costs Higher

General Fund costs for DHS medical and economic support programs for the 2006-2007 biennium are projected to total $7.376 billion, $300 million (4.2 percent) more than projected in the February forecast. The increase comes from higher caseload projections for MA children and parents and General Assistance Medical Care.

TANF Forecast Higher

Projected expenditures of federal TANF (Temporary Assistance to Needy Families) funds for MFIP grants are $238 million, $24 million (11.3%) higher than in the February forecast. About two-thirds of the increase funds MFIP caseload increases, while the remainder is available to offset General Fund MFIP costs.

MinnesotaCare Forecast Much Lower

Forecasted Health Care Access Fund costs for the MinnesotaCare program are $501 million, $225 million (31%) less than projected in the February forecast. The decrease results from lower projected enrollment, including a caseload shift to GAMC, lower cost of coverage, and higher projections of federal matching funds.

PROGRAM DETAIL

MEDICAL ASSISTANCE	'04-'05 Biennium	'06-'07 Biennium
Share of DHS Gen. Fund programs forecast	78.7%	79.9%
Total forecast change this item ($000)	14,735	133,997
Total forecast percentage change this item	0.3%	2.3%

The table above summarizes the forecast change for the entire Medical Assistance program.

The following sections explain the forecast change for each of four component budget activities of the Medical Assistance program.

Most of the increase for both this biennium and the next results from higher caseload projections for MA children and parents.

MA LTC FACILITIES	'04-'05 Biennium	'06-'07 Biennium
Share of DHS Gen. Fund programs forecast	17.1%	13.8%
Total forecast change this item ($000)	(24,231)	(52,447)
Total forecast percentage change this item	-2.3%	-4.9%

This activity includes payments to nursing facilities, to community ICF/MR facilities, for day training and habilitation services for community ICF/MR residents, and for the Regional Treatment Center program for the mentally ill and chemically dependent (RTC-MI/CD). (In the RTC-MI/CD programs, Medical Assistance generally covers only those residents who are under age 21 or age 65 or over.)

The net cost of this activity is also affected by the amount of Alternative Care funds expected to cancel to the Medical Assistance account. Alternative Care is usually funded at a larger amount than expected expenditures, to allow for the fact that funds have to be allocated to the counties and, because each county treats its allocation as a ceiling for spending, there is always substantial underspending of Alternative Care funds. The amount which is expected to be unspent is deducted from the funding of the Medical Assistance program in the budget process.

Nursing Facilities

Changes in the nursing facility expenditure forecast account for about 60% of the forecast change in this activity for the current biennium and about 70% for the next biennium. Projected expenditures for the current biennium are $18.0 million lower. Caseload reductions of 4.2% are offset by increases of 2.3% in projections of the average cost of care. Projected expenditures for the next biennium are $35.6 million lower. Reductions of 6.2% in caseload projections are offset by increases of 2.5% in projections of the cost of care.

County Nursing Facilities

Projections of the intergovernmental transfer to county nursing facilities are reduced by $2.5 million for the current biennium and $3.0 million for the next biennium because the number of beds in the affected facilities has been reduced.

Offset from Alternative Care Funds

The general reductions in this budget activity are offset by the cost of lower projections of the amount of Alternative Care funding projected to cancel to the MA account. These costs are $5.4 million for the current biennium and result mainly from higher than expected Alternative Care expenditures in FY 2004.

Community ICF/MR and Day Training & Habilitation (DT&H)

Projected costs for ICF/MR and DT&H services are reduced by $7.7 million for the current biennium and by $3.3 million for the next biennium. Average cost projections are about 3% lower for ICF/MR and about 2% lower for DT&H. Caseload projections for both services are slightly lower for the current biennium and slightly higher for the next biennium.

Regional Treatment Center Mental Illness Programs

Projected MA costs for RTC services are reduced by $3.1 million for the current biennium and $3.5 million for the next biennium, based on the level of charges to MA for FY 2004 services.

County Share of NF and ICF/MR

The county share of NF services for long-term patients under age 65 is resulting in billing of a larger county share amount than was anticipated in the 2003 Session. But billing of the county share started later than was anticipated in FY 2004. The net result is an increase of $1.6 million in projected state costs for the current biennium and a decrease of $7.1 million for the next biennium.

MA LTC WAIVERS & HOME CARE	'04-'05 Biennium	'06-'07 Biennium
Share of DHS Gen. Fund programs forecast	22.9%	23.8%
Total forecast change this item ($000)	(977)	(19,006)
Total forecast percentage change this item	-0.1%	-1.1%

This activity includes the following components:

- Developmentally Disabled Waiver (DD Waiver)
- Elderly Waiver (EW)
- Community Alternatives for Disabled Individuals (CADI Waiver)
- Community Alternative Care Waiver (CAC Waiver)
- Traumatic Brain Injury Waiver (TBI Waiver)
- Home Health Agency Services
- Personal Care and Private Duty Nursing Services (PCA & PDN).
- Fund transfer to Consumer Support Grants

The five waivers are special arrangements under federal Medicaid law, which provide federal Medicaid funding for services which would not normally be funded by Medicaid, when these services are provided as an alternative to institutional care (nursing facility, ICF/MR, or acute care hospital).

GRH Restructuring

Group Residential Housing rates were restructured in the 2003 Session, and roughly $25 million per year of GRH service costs were projected to shift to four of the waivers: DD waiver, CADI Waiver, EW, and TBI Waiver. This change will be implemented in December 2004.

With more accurate information about this shift now available, all four of these waiver forecasts have been adjusted to recognize a different distribution of these service costs. A delay in the start-up of the change is also recognized in the forecast. The net effect of these changes is a reduction of $4.6 million in the current biennium and $3.3 million in the next biennium. These changes are excluded from the waiver forecast changes explained below. (There are increases in the GRH forecast caused by the same reasons as the net waiver decreases.)

Elderly Waiver

Since FY 1997 EW has had a small and growing component for which payments were made through HMO rates for MSHO enrollees. In past forecasts these capitation payments for EW were buried in the history and projections for Elderly Basic Care. Effective with the November 2004 forecast this component of EW begins to be identified and forecasted separately. This has been done both because the capitation part of EW has grown to a level where it demands separate treatment in the forecast and because implementation of 2003 legislation is expected to produce a major expansion of EW capitation payments, which is expected to cause a decrease in the fee-for-service part of EW.

The projected shift of EW caseload to the capitated part of EW shifts payments from the LTC Waivers budget activity to the Elderly & Disabled Basic Care budget activity. This shift, compared to the February 2004 forecast, is projected to decrease the LTC Waivers budget activity by $1.6 million in the current biennium and $37.0 million in the next biennium. Corresponding increases are projected for the Elderly & Disabled budget activity.

Apart from the shift to capitation and GRH restructuring changes, projected costs for EW are $11.6 million lower for the current biennium and $19.8 million lower for the next biennium. These reductions result mainly from reductions in projected caseloads of 4.8% for the current biennium and 9.6% for the next biennium. Most of the current biennium caseload reduction is made because recipients leaving Alternative Care owing to the lien and recovery provisions in 2003 legislation did not, as had been expected, migrate to EW.

DD Waiver Changes

Projected costs for the DD Waiver are increased by $8.9 million for the current biennium and $17.8 million for the next biennium. These increases of about 1% for the current biennium and 2% for the next biennium result from a 2% increase in waiver allocations.

CADI Waiver Changes

Projected expenditures for CADI are $4.0 million higher for the current biennium and $11.2 million higher for the next biennium than in the February forecast.

CADI caseload is limited by a caseload cap adopted in 2003 legislation, which limits caseload growth to 95 persons per month. Based on experience since implementation of the cap, caseload projections are reduced by about 4.2% for the current biennium and 2.8% for the next biennium. (The caseload cap expires at the end of the current biennium, and pent-up demand for CADI is expected to raise the caseload during FY 2006 to the level forecasted before the caseload cap was implemented.)

In spite of the downward adjustment of CADI caseload projections, expenditure projections are 3.2% higher for the current biennium and 4.4% higher for the next biennium because the average cost of CADI coverage exceeded the forecast in FY 2004. Average cost projections are increased by 8.0% for the current biennium and by 7.6% for the next biennium. These higher average costs are believed to be connected to the caseload cap, which results in fewer cases, but a more expensive mix of cases being admitted to the waiver.

CAC Waiver Changes

Projected costs for the CAC waiver are reduced by $2.8 million for the current beinnium and $3.7 million for the next biennium. These decreases reflect that average costs for this waiver are running substantially (about 24%) under the previous projections. Part of the reason for this decrease is the current CAC eligibles are making relatively greater use of non-waiver private duty nursing services that they have in the recent past.

TBI Waiver Changes

Like the CADI waiver, TBI waiver caseload was also capped by 2003 legislation.

For the current biennium slightly higher (+1.7%) caseload projections are offset by a similar decrease in average cost projections, resulting in a decrease of $400,000 in the expenditure forecast. For the next biennium a reduction of 2.7% in average cost projections plus a slight reduction in caseload projections results in a decrease of $3.3 million in projected expenditures.

Personal Care Changes

Expenditure projections for personal care and private duty nursing are increased by $9.0 million (1.8%) for the current biennium and by $21.6 million (3.5%) for the next biennium. Caseload projections are increased by 10% to 12%, but these changes are offset by substantial decreases in the average cost of care.

Limitations on caseload growth in the DD Waiver, CADI waiver, and TBI waiver are leading to alternative use of personal care services. Also, as mentioned above on the CAC waiver, some waiver recipients are using more private duty nursing services instead of waiver services.

Home Health Agency Changes

Projected costs for home health agency services are reduced by $2.9 million for the current biennium and $3.5 million for the next biennium. These reductions, amounting to about 9% for both bienniums, result from lower average cost projections offset by slightly higher caseload projections.

MA ELD. & DISABLED BASIC CARE

	'04-'05 Biennium	'06-'07 Biennium
Share of DHS Gen. Fund programs forecast	22.2%	22.9%
Total forecast change this item ($000)	(24,235)	(1,219)
Total forecast percentage change this item	-1.8%	-0.1%

This activity funds general medical care for elderly and disabled Medical Assistance enrollees. For almost all of the elderly and for about 44 percent of the disabled who have Medicare coverage, Medical Assistance acts as a Medicare supplement. For those who are not eligible for Medicare, Medical Assistance pays for all their medical care. Also included in this activity is the IMD group, which was part of GAMC until October 2003 and is funded without federal match. Enrollees in this group are individuals who would be eligible as MA disabled but for the fact of residence in a facility which is designated by federal regulations as an "Institute for Mental Diseases." Residents of such facilities are barred from MA eligibility unless they are under age 21 or age 65 or older.

The disabled segment accounts for 60 percent of enrollees and 68 percent of costs in this activity, with the elderly segment accounting for the remainder.

Change in Medicare Part D Effects

Implementation of Medicare Part D pharmacy coverage will affect this activity by reducing costs for MA pharmacy payments. Most of the MA savings on pharmacy costs, however, are required to be paid to the federal agency in the form of monthly payments. Projected fiscal effects of Part D implementation were included in the previous forecast. Changes in the projections of these effects in the November forecast add $10.7 million to costs for the next biennium, mainly because MA pharmacy cost projections for the disabled are lower in the November forecast, after less than expected growth in costs for this coverage in FY 2004.

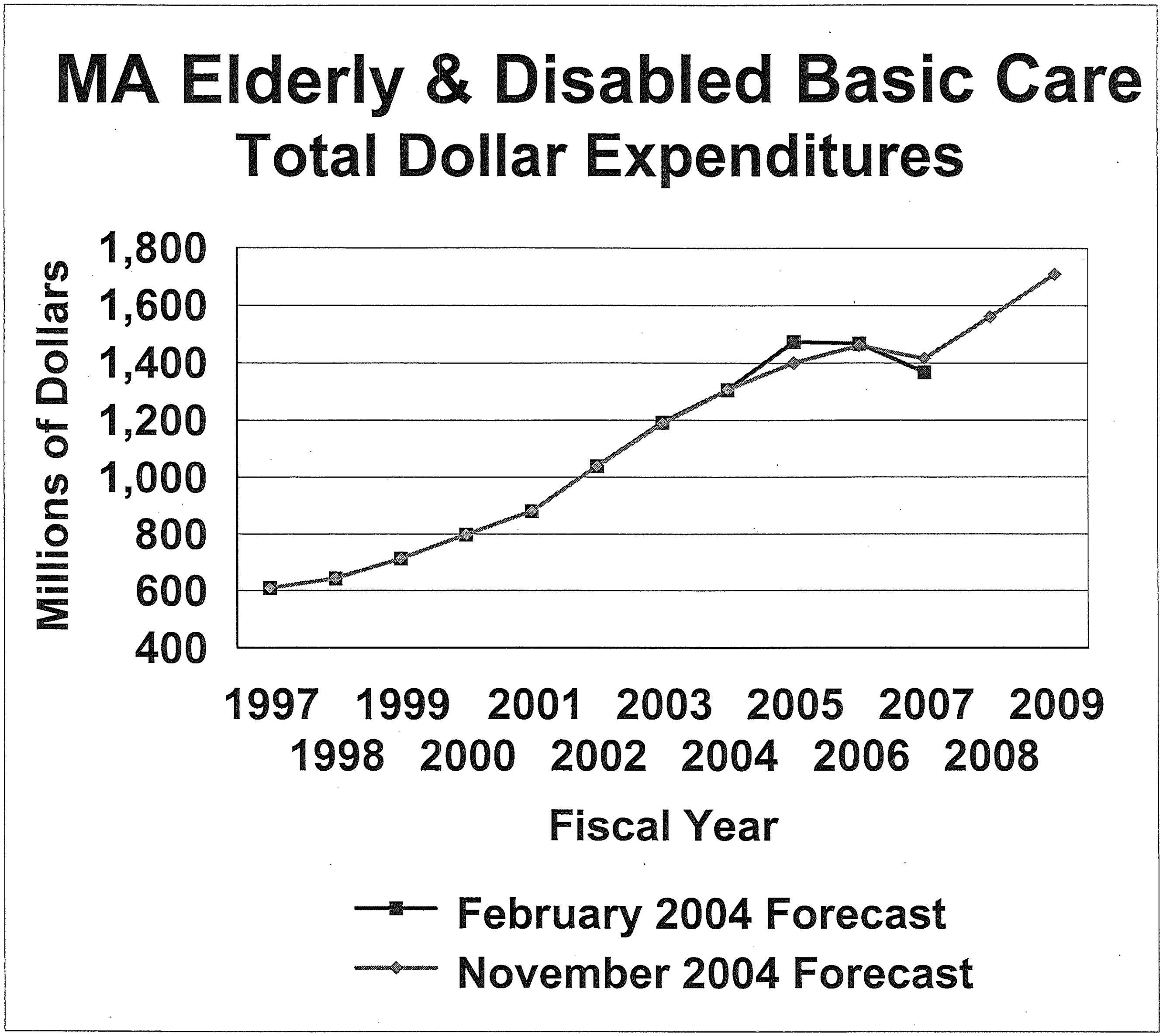
Payments for EW in Managed Care

As explained above, under Elderly Waiver Changes, the projected shift of EW caseload to capitated payments, is expected to increase HMO payments on behalf of the elderly by $1.6 million in the current biennium and $37.0 million in the next biennium. (This is a shift between budget activities, rather than a forecasted increase.)

Pharmacy Carve-out from Managed Care

Net savings were budgeted in the 2003 session based on carving pharmacy costs out of HMO rates (with some increase in those costs), in order to be able to obtain rebates from the drug manufacturers. The carve-out was to be effective for the 2004 HMO rate year, and increased rebates were projected to begin in FY 2005. Previous forecasts recognized that the carve-out did not begin with the 2004 rates and that Medicare Part D would eliminate any gain from rebates for the elderly--almost all of whom would be covered by Part D.

For the November forecast, consideration was given to delaying the carve-out again, until the 2006 rate year. (This would have eliminated most of the net savings which remained



in the previous forecast.) But based on a study of this issue prepared for the state of Arizona by Lewin and Associates, it is questionable what level of net savings can be produced by this approach. DHS continues to evaluate the possibility of a pharmacy carve-out, but will not go forward with it unless DHS staff are convinced that it will yield substantial net savings.

Given current uncertainty about the fiscal effects that should be anticipated from a pharmacy carve-out and uncertainty about when or whether it will be implemented, all the projected fiscal effects of the pharmacy carve-out were dropped from the November forecast, resulting in the following forecast changes:

	'04-'05 Biennium ($000)	'06-'07 Biennium ($000)
Elderly and Disabled Basic Care		
Drop Rx increase for elderly	(10,490)	(5,114)
MFIP & Families Basic Care		
Drop Rx increase for families	(8,380)	(14,978)
Cost of no increase in Rx rebates	16,786	40,445
Net Impact	(2,084)	20,353

Elderly Basic Changes

Other than the specific changes discussed above, projected costs for elderly basic care are increased by $12.1 million for the current biennium and by $13.5 million for the next biennium, an increase of about 1.5% for both periods. These increases result from higher average cost projections, partially offset by caseload projections which are reduced by approximately 2%. Higher costs in FY 2004 occurred in HMO payments, physician, and hospital payments. Caseload projections are lower because recipients leaving Alternative Care owing to the lien and recovery provisions in 2003 legislation did not, as had been expected, migrate to Elderly Waiver and Medical Assistance eligibility.

Disabled Basic Changes

Projected costs for disabled basic care, with the exception of changes in Medicare Part D effects, are reduced by $35.2 million (3.6%) for the current biennium and $67.6 million (6.8%) for the next biennium. Almost all of this change results from lower inpatient hospital, physician, and pharmacy costs during FY 2004, leading to lower projections for the future. Caseload projections are slightly lower than in the previous forecast: down 0.2% for the current biennium and down 0.5% for the next biennium.

IMD Changes

Projected costs for the IMD group are increased by $4.8 million (33%) for the current biennium and by $8.8 million (48%) for the next biennium. These increases result primarily from corrections of eligibility data made by the counties, in cases where the coding of eligibility has incorrectly resulted in a federal match being claimed for payments. The clean-up of eligibility data modifies the history on which previous forecasts were based, resulting in these very large forecast changes.

CD Fund Changes

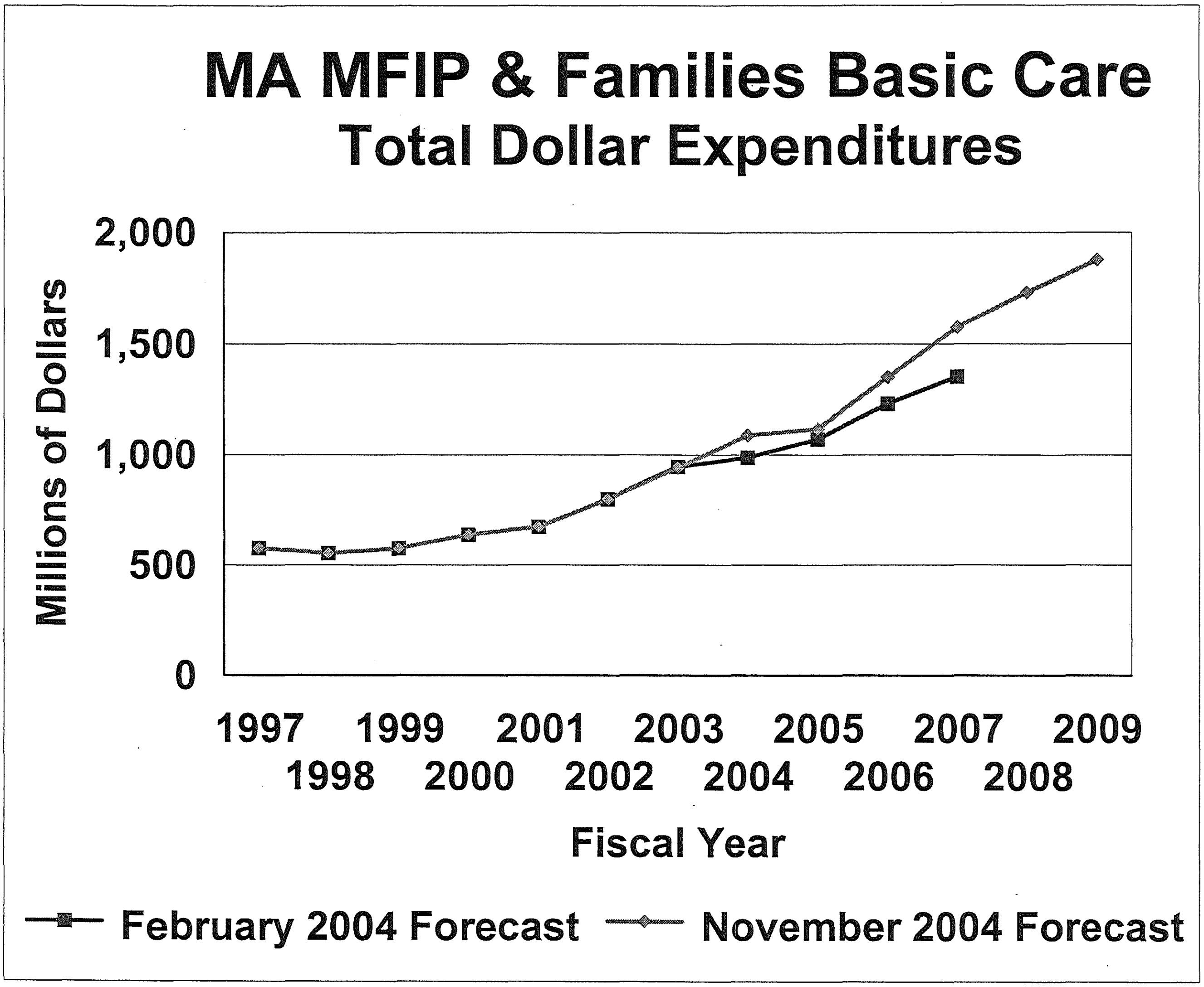
The same clean-up of eligibility data which is increasing IMD eligibles and expenditures is reducing the proportion of elderly and disabled basic care expenditures which is paid to the CD Fund. This has a technical effect on the projected state share of MA. To the extent that MA expenditures are projected to be paid to the CD Fund, no state share of MA is forecasted, because the CD Fund account provides the state share. When the amount projected to be paid to the CD Fund is reduced, this produces an increase in the projected state share of MA. In the November forecast this change produces an increase of $2.9 million for the current biennium and $1.4 million for the next biennium.

MFIP & FAMILIES BASIC CARE	**'04-'05 Biennium**	**'06-'07 Biennium**
Share of DHS Gen. Fund programs forecast	16.4%	19.5%
Total forecast change this item ($000)	64,178	206,669
Total forecast percentage change this item	7.0%	16.8%

This activity funds general medical care for MFIP recipients, including those with MA transition year coverage, for other families with children who are eligible for Medical Assistance, and for non-citizens who are ineligible for federal matching. The non-citizen segment is treated as part of this activity because non-citizen enrollment and costs are dominated by costs for pregnant women. (MinnesotaCare pregnant women and children under two were funded under this activity prior to Janaury 2003.)

The components of the overall forecast change in this activity are summarized in the following table:

	'04-'05 Biennium	**'06-'07 Biennium**
MFIP and Other Families:		
Caseload	32,870	117,609
Avg. cost	41,831	82,724
Avg. cost: Rx carve-out	0	0
Change in CD Fund share	2,665	104
Revised caseload shift from MinnesotaCare	0	(26,986)
Non-citizen MA segment	2,116	2,187
Services w special funding	(979)	(1,343)
Technical and other		
Rebates: Rx carve-out	16,786	40,445
Rebates: Other changes	1,274	15,043
FFP adjustments	(10,671)	(1,400)
Transfer in from U. of M.	(21,714)	(21,714)
Total	64,178	206,669



MFIP & Other Families Basic Care

In spite of the fact that the average caseload for FY 2004 was within 0.2% of the February forecast, in June 2004 the caseload was 2.1% over the old forecast, and by September 2004 the caseload exceeded the February forecast by 3.7%. The November forecast puts the FY 2005 caseload 5.9% higher than in February. The average increase in the projected caseload is 3.0% for the current biennium and 9.1% for the next biennium.

Three factors are combining to produce higher caseloads of MA children and parents:
1. The labor market remains soft, and forecasted unemployment levels are higher than those assumed in the February forecast: about 3% higher for FY 2005, rising to 13% higher for FY 2007.
2. With no scarcity of labor, and rapidly rising health care costs, the prevalence of employer-sponsored health coverage is decreasing, causing more low-income families to turn to the public programs for coverage.
3. Caseload growth of children and parents is occuring in MA rather than in MinnesotaCare. MinnesotaCare enrollment of children and parents has been declining slightly and is

expected to show less growth than has been anticipated in previous forecasts. There is a substantial pool of enrollees and potential enrollees who can choose to enroll in either MA or MinnesotaCare, and their choices seem to have tipped toward MA in the last one to two years.

The average cost of coverage for this segment was about 5.3% higher in FY 2004 than projected in the February forecast. Higher pharmacy, physician, and outpatient hospital costs contributed to the difference. Average payment projections for the current biennium are increased by approximately 5.2% and projections for the next biennium by 7.4%.

HMO rate increases for January 2005 are expected to average 11.3% compared to an increase of 7.5% assumed in the February forecast. This difference contributes about 1.2 percentage points of increase to the 7.4% increase for the next biennium and about 0.3 percentage points to the increase for the current biennium.

(See above, under Elderly & Disabled Basic Care, for the explanation of the pharmacy carve-out and CD Fund changes.)

Caseload Shift from MinnesotaCare

The caseload shift from MinnesotaCare is projected to result from implementation of of a new, web-based eligibility system for the medical programs. The new system is expected to identify for applicants the program which offers them the greatest benefit from among the programs for which they qualify. Currently there are about 55,000 children and parents enrolled in MinnesotaCare who could equally be on the MA program. It is expected that the new system, when it is implemented late in 2005, will cause 60% of this group to shift to MA by the end of FY 2006 and 80% by the end of FY 2007.

The cost of this shift to MA is projected at $75 million in the next biennium. The forecast change for the shift is a decrease of $27 million, which is the net of a decrease of $33.7 million in FY 2006 (because the shift is projected to begin later) and an increase of $6.7 million in FY 2007 (because a larger number of enrollees are now projected to move to MA).

The following table summarizes the total projected shift of children and parents from MinnesotaCare to MA in the November 2004 forecast:

	MinnesotaCare	**Medical Assistance**
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(10,179)	10,179
FY 2007	(41,322)	41,322
FY 2008	(47,136)	47,136
FY 2009	(48,117)	48,117

	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	($11,555,288)	$10,870,062
FY 2007	(70,218,679)	64,229,506
FY 2008	(91,478,850)	84,367,714
FY 2009	(106,557,293)	95,879,550

Note: MinnesotaCare savings are greater than MA costs because reduced FFP is assumed for the MinnesotaCare waiver in FY 2006 to FY 2009: 49% in '06; 48.5% in '07; 47.5% in '08; 46% in '09.

Non-Citizen MA

The Non-Citizen segment of MA now includes federal SCHIP coverage for pregnant women through the month in which they give birth. The value of federal SCHIP funding for this group was anticipated in previous forecasts and the actual amount of that funding is consistent with previous projections.

Projected state share costs for the Non-Citizen segment are 5.9% higher for the current biennium because average costs are about 4.0% above the previous forecast and caseload is about 2.0% higher. For the next biennium, caseload projections are 7.0% higher, but cost projections are only 3.9% higher because federal SCHIP funding is projected to cover a larger share of the costs.

Services with Special Funding

This is a forecast category which includes several services which have only federal and county share funding, such as child welfare targeted case management. It also includes some services which are administrative rather than medical services from the point of view of the federal agency, such as waiver access services.

The forecast change in this category comes mainly from lower projected costs for DD waiver screenings.

Pharmacy Rebates

Projected pharmacy rebates are lower than in the previous forecast because the base on which the rebates are calculated is about 5% lower for FY 2005 and about 10% lower for the next biennium.

(The change in rebate projections associated with the pharmacy carve-out is explained above, under Elderly & Disabled Basic Care.)

FFP Adjustments

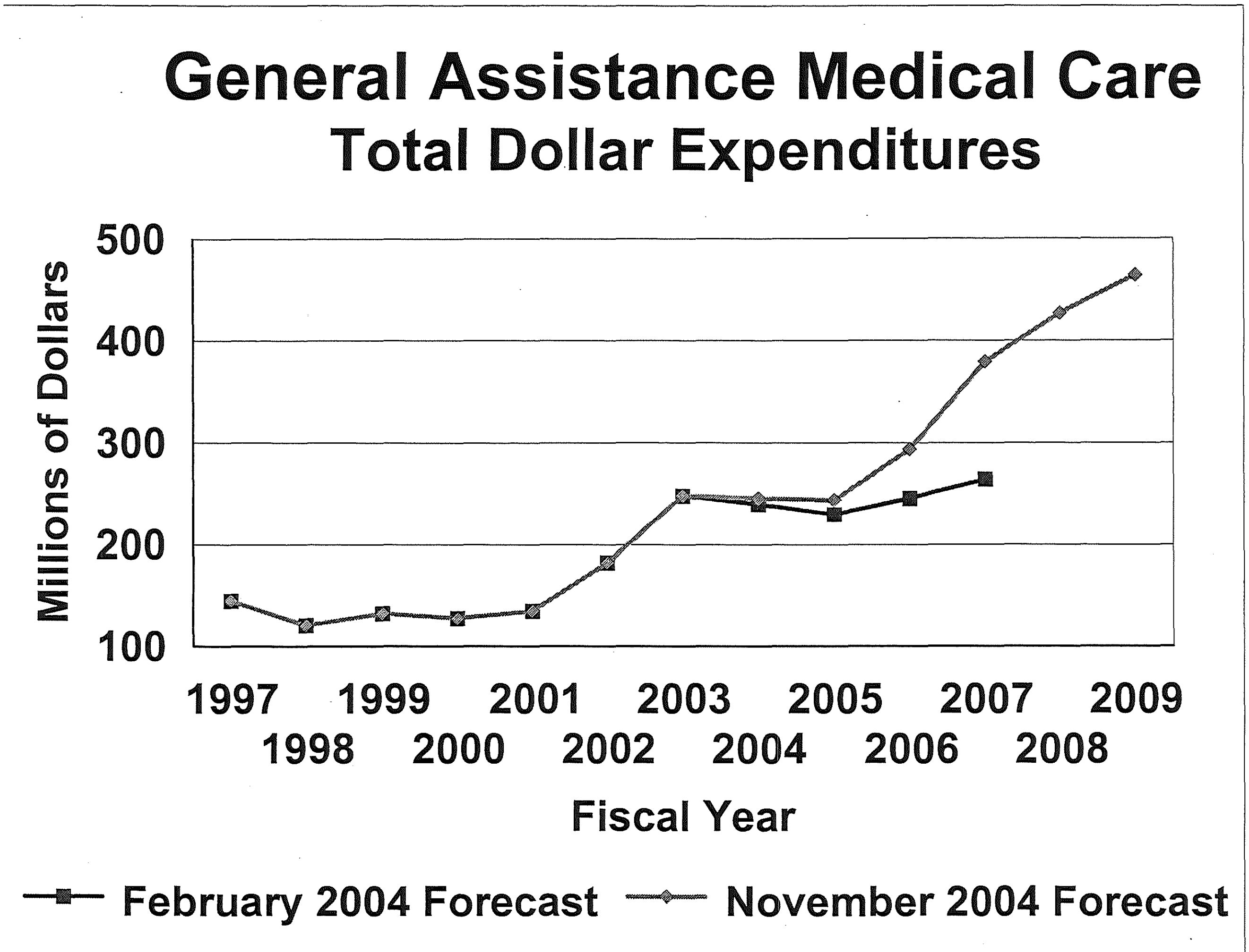
These adjustments concern medical education funding which is transferred to the State Health Department to be spent on medical education programs. Delays in the spending of the transferred funds have caused delays in claiming federal MA funds and consequent cash-flow costs for the state MA account in FY 2003 and FY 2004. These delays are expected to be eliminated by the end of FY 2005, resulting in state cash-flow savings which will make up for the earlier delays.

Transfer-in from the University of Minnesota

This change recognizes transfers from the University of Minnesota of $10,857,000 per year to fund a special increment to MA capitation rates for medical education. This transfer had not been recognized in previous forecasts.

GENERAL ASSISTANCE MED. CARE	**'04-'05 Biennium**	**'06-'07 Biennium**
Share of DHS Gen. Fund programs forecast	8.2%	9.1%
Forecast change this item ($000)	19,696	163,421
Forecast percentage change this item	4.2%	32.1%

Summary of Forecast Changes	**'04-'05 Biennium** ($000)	**'06-'07 Biennium** ($000)
Higher caseload	36,378	143,830
Lower average cost	(16,682)	(60,386)
Caseload shift from MinnesotaCare	0	79,977
Total changes	19,696	163,421



Beginning in February 2004 GAMC caseload started rising substantially over the February forecast, which contained actual caseload data through December 2003. By June the caseload was 3,000 (9.5%) over the forecast. By September it was 4,700 (15.7%) over forecast. The new caseload forecast for FY 2005 is 16.8% higher, producing an average increase for the current biennium of about 8.0%. The projected caseload for the next biennium is 28% higher.

The costs of higher caseload are partially offset by lower projections of average costs, which are 3.6% lower for the current biennium and 11.8% lower for the next biennium.

The same eligibility process changes which have been expected in previous forecasts to shift MinnesotaCare children and parents to MA are also expected to shift many adults with no children from MinnesotaCare to GAMC. In FY 2007 the average number expected to be added to GAMC enrollees is 12,400.

The following table summarizes the projected shift from MinnesotaCare to GAMC:

	MinnesotaCare	GAMC
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(2,920)	2,920
FY 2007	(12,443)	12,443
FY 2008	(14,822)	14,822
FY 2009	(15,518)	15,518
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	($9,665,893)	$11,069,114
FY 2007	(60,492,566)	68,907,665
FY 2008	(80,300,728)	91,269,747
FY 2009	(95,160,086)	107,951,454

Note: A 12% higher cost is assumed in GAMC because of difference in the benefit set.

CHEMICAL DEPENDENCY FUND	**'04-'05 Biennium**	**'06-'07 Biennium**
Share of DHS Gen. Fund programs forecast	2.0%	1.8%
Forecast change this item ($000)	2,878	3,645
Forecast percentage change this item	2.4%	2.8%

The increase for the current biennium results from lower projections of federal MA funding to offset state costs. Improved identification of IMD residents, who are not eligible for federal matching, is the main reason for this change.

The increase for the next biennium is divided between lower federal funding and a 2.7% increase in the projected number of placements during that biennium.

MFIP NET CASH (STATE AND FEDERAL)	'04-'05 Biennium	'06-'07 Biennium
Forecast change this item ($000)	4,431	17,695
Forecast percentage change this item	1.4%	6.2%
GENERAL FUND SHARE OF MFIP		
Share of DHS Gen. Fund programs forecast	1.9%	0.9%
Forecast change this item ($000)	15,696	(6,422)
Forecast percentage change this item	16.1%	-9.0%
FEDERAL TANF FUNDS FOR MFIP		
Forecast change this item ($000)	(11,265)	24,116
Forecast percentage change this item	-5.1%	11.3%

This activity provides cash assistance for families with children until they reach approximately 115 percent of the federal poverty guidelines (FPG). The MFIP program is Minnesota's TANF program. MFIP is therefore funded with a mixture of federal TANF Block Grant and state General Fund dollars. Forecasts of state General Fund expenditures are offset by the state share of child support collections on behalf of MFIP custodial parents.

Sluggish Labor Market Leads to Slight Increase in MFIP Caseload

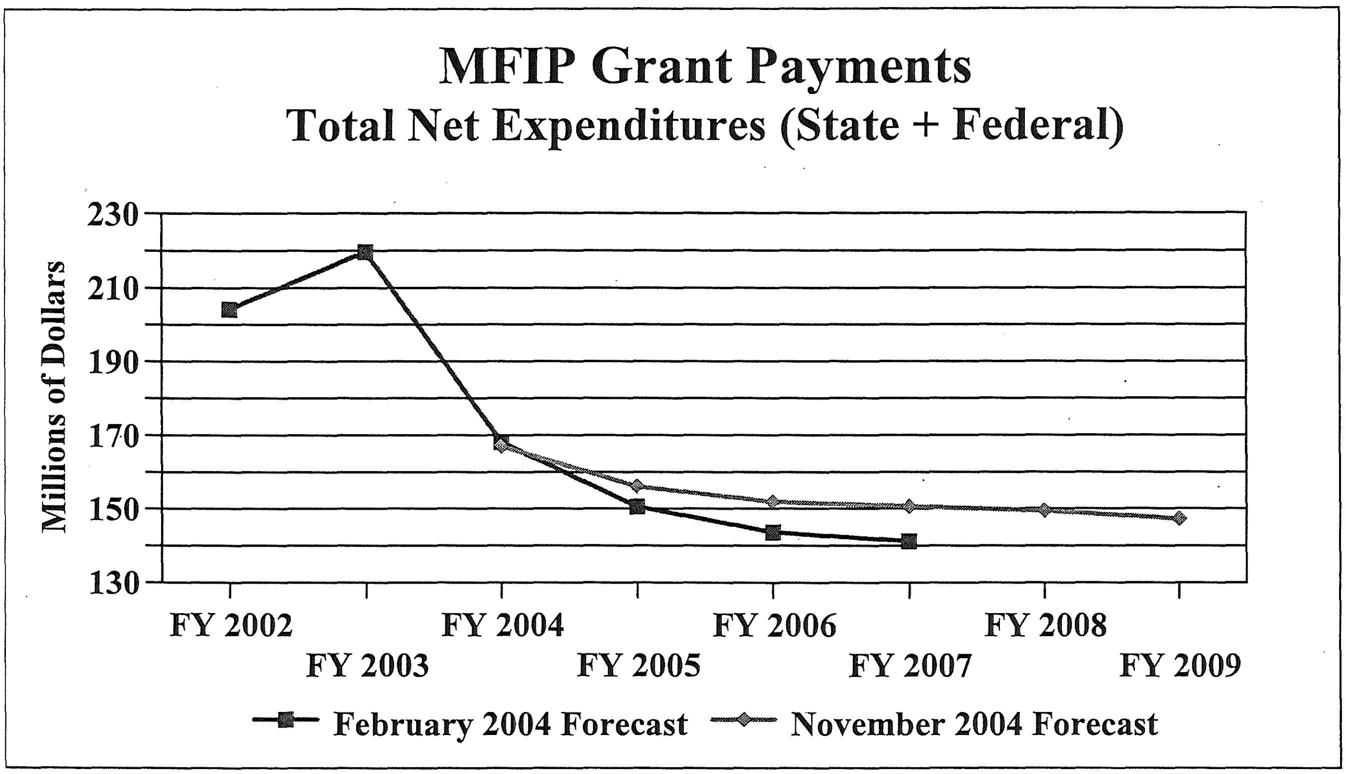
Despite decent overall growth in the domestic economy, a missing piece continues to be additional jobs. As a result, the State's national consultant has become more pessimistic in their labor market projections. This increased pessimism implies an increase in the MFIP caseload forecast. Since DHS models tracked MFIP caseload movements within about 0.7% over the previous six months, the base for the November forecast is essentially unchanged. However, the current unemployment scenario from our national consultant begins to diverge from the February forecast scenario during CY 2005. The net effect of this softer labor market on the MFIP caseload is a slight increase from the end-of-session forecast in the current biennium and a larger increase in the next biennium.

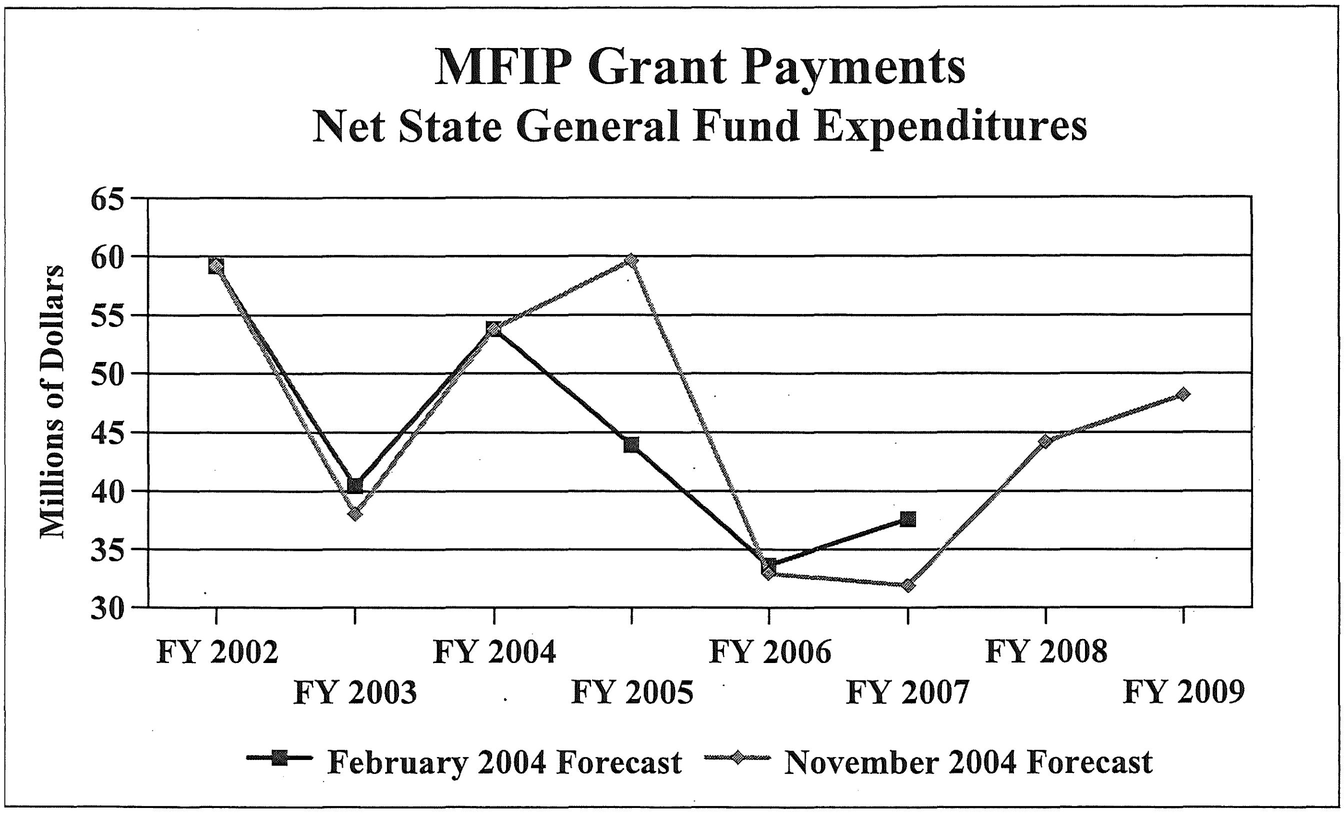
Adding to the MFIP caseload effect is an increase in the projected average monthly cash benefit per MFIP case. This increase is the result of slightly higher than anticipated average cash grants during FY 2004. Further movement in the gross MFIP forecast include a projected increase in the number of refugee resettlement cases from the Wat Tham Krabok camp in Thailand. Based on additional information from the State Department, it is now estimated that this resettlement will result in an additional 325 average monthly MFIP cases by the end of FFY 2005 relative to previous projections. Finally, Diversionary Work Program (DWP) average monthly caseload estimates have been adjusted based on information regarding actual implementation during the first few months of FY 2005. The February 2004 forecast anticipated approximately 1470 new DWP cases in a given month, and actual experience indicates the number to be closer to 1000 new DWP cases in a given month. Fewer actual cases in DWP result in reduced case month savings. These effects are summarized in the following table:

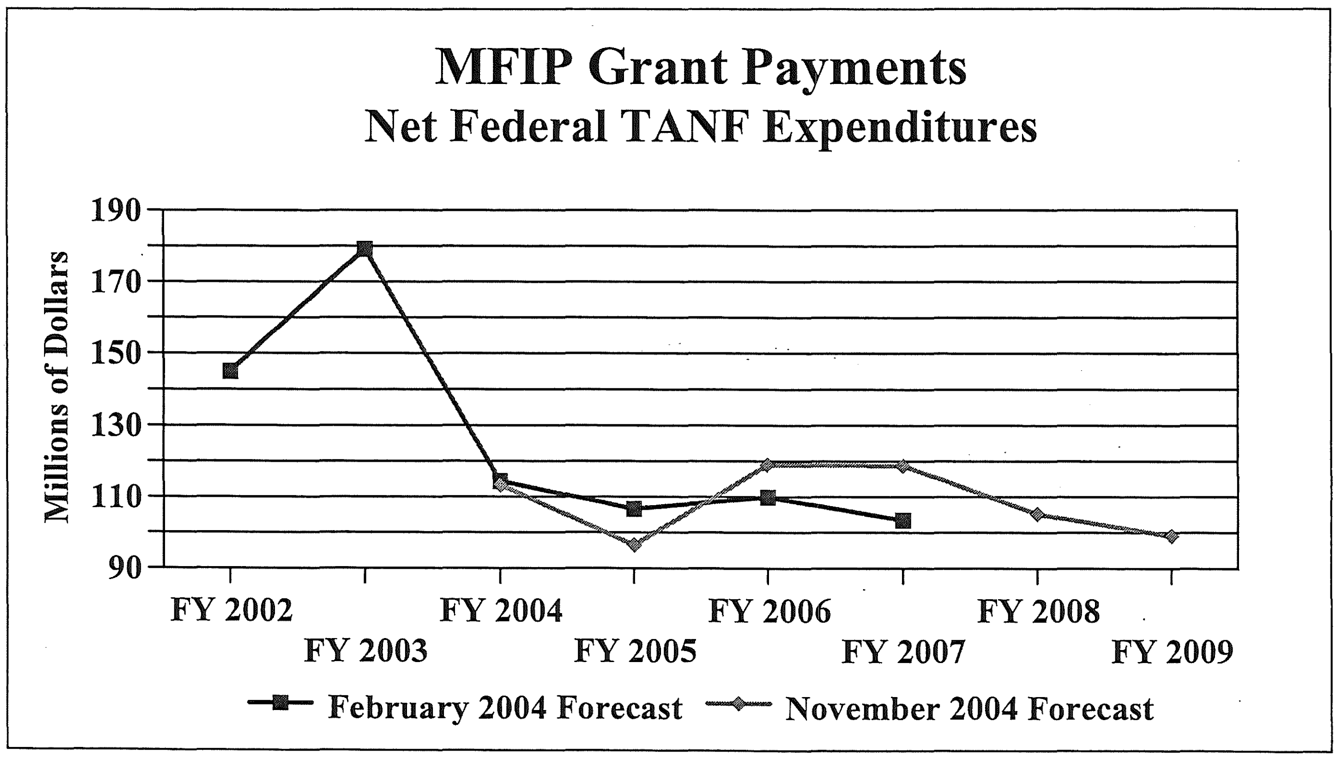
Summary of Forecast Changes	**'04-'05 Biennium ($000)**	**'06-'07 Biennium ($000)**
General MFIP caseload and average grant changes	1,300	6,200
Projected increase in refugee resettlement cases	1,600	5,000
Decrease in projected DWP caseload	1,100	4,800
	------------------	------------------
Gross MFIP cash grant forecast change	4,000	16,000

Maintenance of Effort Requirement for General Fund Expenditures in MFIP

The mixture of state and federal block grant funds used to finance MFIP is determined by a federally mandated Maintenance of Effort (MOE) requirement for state (i.e. General Fund)




MFIP Grant Payments
Net State General Fund Expenditures
Millions of Dollars
65
60
55
50
45
40
35
30
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
February 2004 Forecast
November 2004 Forecast


MFIP Grant Payments
Net Federal TANF Expenditures
Millions of Dollars
190
170
150
130
110
90
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
February 2004 Forecast
November 2004 Forecast

spending on its TANF program. The state must meet this minimum MOE requirement to draw its entire federal TANF block grant allotment. As a result, the MOE requirement directly affects the amount of the total MFIP forecast change that can be taken against the General Fund.

Further, certain components of the overall MOE requirement are forecasted separately from MFIP (child care is the primary example). Thus, required General Fund spending in the MFIP forecast will vary with the forecasted expenditure levels in these external MOE components. Variation in these external forecasts will, in turn, affect the level of forecasted General Fund expenditures for MFIP.

For the current biennium, the total gross MFIP cash grant forecast change is an increase of $4.0 million. Based on forecasted values of external MOE components (particularly in the child care forecast), the General Fund forecast increases by about $14.2 million to meet the minimum MOE requirement. Further, a reduction in projected federal share payments for child support pass-through payments to MFIP cases decreases TANF expenditures by approximately $1.0 million for this biennium. This combination of MFIP caseload movement, the effects of MOE on the General Fund, and the projected decrease in TANF expenditures for the pass-through results in a forecast decrease for federal TANF funds of $11.2 million for the current biennium. This change represents a 5.1% forecast decrease.

For the next biennium, the total gross MFIP forecast change is an increase of $16.0 million. Due to increases in projected external MOE expenditures, TANF becomes the primary funding source for MFIP cash grants during the next biennium. As a result, General Fund expenditures are projected to decreases by $8.1 million. Thus, the net change in federal TANF expenditures is an increase of $24.1 million for the next biennium. This change represents a 11.3% forecast increase.

Public Assistance Child Support Collections Projected To Decrease

A projected sluggish labor market combined with lagging historical collections produces a lower forecast for public assistance child support collections used to offset General Fund expenditures in MFIP. For the current biennium, the projected child support offset is $1.5 million less than the end-of-session forecast, increasing the need for General Fund spending in MFIP. Combined with the increased MFIP cash spending due to MOE requirements, the net General Fund change for the current biennium is an increase of $15.7 million, or about 16.1%.

For the next biennium, child support collections are projected to be $1.7 million lower than the end-of-session forecast. Combined with decreased MFIP cash spending due to external MOE expenditures, the net General Fund change for the next biennium is a decrease of $6.4 million, or about 9.0%.

MFIP CHILD CARE ASSISTANCE	**'04-'05 Biennium**	**'06-'07 Biennium**
Share of DHS Gen. Fund programs forecast	2.0%	2.4%
Forecast change this item ($000)	(14,988)	6,155
Forecast percentage change this item	-11.0%	3.5%

This activity provides child care assistance to MFIP families who are employed or are engaged in other work activities or education as part of their MFIP employment plan. This activity also provides transition year child care assistance for former MFIP families. As with the MFIP grant program, child care assistance is funded with a mixture of federal and state General Fund dollars. The federal child care funding comes from the Child Care & Development Fund (CCDF). CCDF funding is fixed in the MFIP child care forecast implying that any forecast change is reflected in the state General Fund.

Higher MFIP Caseload and Maximum Rate Freeze Policy Leads to Mixed Child Care Forecast

During the 2003 Session, the legislature passed into law a freeze on the allowable maximum rates paid in the child care assistance program (CCAP) effective July 2003. The February 2004 forecast assumed that this freeze on CCAP maximum rates would translate into a reduction in the average monthly CCAP payment per family. However, based on additional data on actual MFIP child care caseload, it appears that the freeze on CCAP maximum rates has also resulted in a reduction in MFIP child care families. The projected effect of the MFIP child care caseload reduction due to the freeze on CCAP maximum rates is approximately $9.0 million for FY 2005. Also, due to the unanticipated caseload effects of the maximum rate freeze, actual MFIP child care expenditures in FY 2004 were approximately $8.7 million below the February forecast. Finally, an increase in MFIP cash grant caseload due to the slightly more pessimistic labor market outlook offsets this downward movement by about $2.7 million. For the current biennium, then, the MFIP/TY child care forecast change is a net decrease of $15.0 million, or about 11.0%.

Under current law, the freeze on allowable CCAP maximum rates sunsets June 30, 2005. After this, CCAP maximum rates are allowed to rise to the 75th percentile of the most recent market survey. As a result, the November 2004 forecast includes an MFIP child care caseload increase beginning July 2005 in response to the increased CCAP maximum rates. By definition, the MFIP child care caseload increase in the November 2004 forecast due to the maximum rate freeze sunset simply restores the caseload reduction in effect under the freeze. This implies the net forecast change of the rate freeze policy in the next biennium is zero. Finally, an increase in MFIP cash grant caseload due to the slightly more pessimistic labor market outlook results in an average increase of about $3.1 million per year during the next biennium. Thus, the MFIP/TY child care forecast change in the next biennium is a net increase of $6.2 million, or about 3.5%.

GENERAL ASSISTANCE

	'04-'05 Biennium	'06-'07 Biennium
Share of DHS Gen. Fund programs forecast	0.9%	0.8%
Forecast change this item ($000)	2,201	5,057
Forecast percentage change this item	4.1%	9.1%

This activity provides state-funded cash assistance for single adults and couples without children, provided they meet one of the specific General Assistance (GA) eligibility criteria. Typically, meeting one or more of the GA eligibility criteria indicates that the individual is mentally or physically unable to participate long-term in the labor market. However, despite the character of GA eligibility requirements, the sluggish labor market has driven a moderate GA caseload increase in the current biennium which extends into the next one.

The forecast change for the current biennium is an increase of about $2.2 million, which represents an 4.1% increase. The forecast change for the next biennium is an increase of $5.1 million, or about 9.1%. Since Emergency General Assistance is now a capped allocation to the counties, this entire forecast increase results from higher projected GA caseloads in the grant program.

GROUP RESIDENTIAL HOUSING

	'04-'05 Biennium	'06-'07 Biennium
Share of DHS Gen. Fund programs forecast	2.9%	2.4%
Forecast change this item ($000)	(1,737)	(1,560)
Forecast percentage change this item	-1.0%	-0.9%

This activity pays for housing and some services for individuals placed by the local agencies in a variety of residential settings.

The reductions in projected GRH expenditures are produced by lower caseload projections. Forecasted caseloads are reduced by 3.2% for the current biennium and by 1.9% for the next biennium. These reductions are offset by added costs related to the restructuring of GRH rates which was included in 2003 legislation. The restructuring will be implemented effective December 2004, four months later than anticipated in 2003 Session projections. Also the restructuring is now expected to affect fewer cases than anticipated in 2003 Session projections, mainly because growth in numbers of recipients on MA waivers has been less than anticipated in the February 2004 forecast. Both of these factors result in less savings than was anticipated in the previous forecast: about $10.8 million less in FY 2005 and about $5 million per year thereafter (out of the originally projected savings of about $22 million per year in FY 2006 and FY 2007). Note however that the reductions in GRH savings are offset about 50% by reduced MA waiver costs.

MINNESOTA SUPPLEMENTAL AID

	'04-'05 Biennium	'06-'07 Biennium
Share of DHS Gen. Fund programs forecast	1.0%	0.8%
Forecast change this item ($000)	(1,880)	(4,291)
Forecast percentage change this item	-3.2%	-6.6%

For most recipients, this activity provides a supplement of approximately $81 per month to federal Supplemental Security Income (SSI) grants.

Lower caseload projections are responsible for the expenditure reductions shown in the table above. Projected caseloads for the current biennium are reduced by 2.7%, and this reduction is augmented by a decrease of 0.6% in the projected average payment. For the next biennium projected caseloads are 9.3% lower. This reduction is offset by an increase of 2.7% in the average payment.

MINNESOTACARE

	'04-'05 Biennium	'06-'07 Biennium
Forecast change this item ($000)	(27,743)	(225,468)
Forecast percentage change this item	-5.2%	-31.0%

Summary of Forecast Changes	**'04-'05 Biennium** ($000)	**'06-'07 Biennium** ($000)
Families w. Children		
Lower enrollment	(10,589)	(46,239)
Lower average cost	(7,109)	(45,011)
Higher federal matching	0	(80,887)
Revised Shift to MA	0	48,790
Families w. Children Subtotal	(17,698)	(123,347)
Adults with No Children		
Lower enrollment	(7,921)	(16,983)
Lower average cost	(2,124)	(14,980)
Shift to GAMC	0	(70,158)
Adults with No Children Subtotal	(10,045)	(102,121)
Total Program	(27,743)	(225,468)

Families with Children

Enrollment of children and parents fell by 5.3% in FY 2004 compared with the previous fiscal year, with about one-half of the change appearing to result from 2003 Session legislative changes. A decrease of 3.6% is projected for FY 2005, after which enrollment (absent the expected caseload shift to MA) is projected to remain nearly constant. Compared to the previous forecast, this produces enrollment projections which are about 4% lower for the current biennium and about 11% lower for the next biennium.

The projected cost of coverage is about 3.0% lower for the current biennium and about 10.5% lower for the next biennium. HMO rates for 2005, which are increasing by only about 1%, contribute about 6.5 percentage points to the reduction for the next biennium and about half of the reduction for the current biennium.

The MinnesotaCare waiver expires at the end of FY 2005. Because of uncertainty around whether and under what terms it will be possible to renew the waiver, in the previous forecasts we have assumed reduced federal matching for the waiver beginning in FY 2006. The projected reductions in federal matching have been based on the supposition that the waiver caps on average costs of the waiver will be extended under the same terms as the existing waiver. In the February forecast this assumption resulted in projecting federal matching at 32.0% in FY 2006 and 31.5% in FY 2007. Subsequent to the February forecast, the federal agency agreed to rebasing the waiver caps at Minnesota's actual 2003 rates. This change results in a much higher projection of federal matching rates: 49.0% in FY 2006, 48.5% in FY 2007, 47.5% in FY 2008, and 46.0% in FY 2009.

The revised caseload shift to MA adds costs to the MinnesotaCare forecast because it starts later than projected in the February forecast:

Effect of Shift on MinnesotaCare

	November 2004	**February 2004**	**Difference**
	Average Enrollees	Average Enrollees	Average Enrollees
FY 2005	0	0	0
FY 2006	(10,179)	(27,944)	17,764
FY 2007	(41,322)	(32,290)	(9,032)
FY 2008	(47,136)		
FY 2009	(48,117)		
	State Share Costs	State Share Costs	State Share Costs
FY 2005	0	0	0
FY 2006	($11,555,288)	($54,812,133)	$43,256,845
FY 2007	(70,218,679)	(75,751,786)	5,533,107
FY 2008	(91,478,850)		
FY 2009	(106,557,293)		

Adults with No Children

Enrollment of adults with no children was 1.1% lower in FY 2004 and is projected to be about 5% lower than the previous forecast in FY 2005 and the next biennium. For the first time in this forecast the subset of adults with incomes over 75% FPG and the limited benefit set is projected separately.

Average cost projections are about 1% lower for the current biennium and about 4% lower for the next biennium. All of this reduction is owing to the small increase in the 2005 HMO rates.

(The projected shift of adults with no children to GAMC is discussed above under GAMC.)

TABLE ONE
CURRENT BIENNIUM SUMMARY

GENERAL FUND	February 2004 Forecast FY 2004 - FY 2005 Biennium ($ in thousands)			November 2004 Forecast FY 2004 - FY 2005 Biennium ($ in thousands)		
	FY 2004	FY 2005	Biennium	FY 2004	FY 2005	Biennium
Medical Assistance						
LTC Facilities	513,763	536,320	1,050,083	508,716	517,136	1,025,852
LTC Waivers	624,631	748,189	1,372,820	622,023	749,819	1,371,842
Elderly & Disabled Basic	610,518	743,858	1,354,376	616,620	713,521	1,330,141
MFIP & Families Basic	427,769	489,545	917,314	502,050	479,443	981,493
Total	2,176,681	2,517,912	4,694,593	2,249,409	2,459,919	4,709,328
Alternative Care Program	75,206	66,351	141,557	75,206	66,351	141,557
General Assistance Medical Care	239,861	229,960	469,821	245,624	243,893	489,517
Chemical Dependency Fund	57,612	60,034	117,646	57,612	62,912	120,524
Subtotal: Health Care	2,549,360	2,874,257	5,423,617	2,627,851	2,833,075	5,460,926
Minnesota Family Inv. Program	53,818	43,942	97,760	53,818	59,637	113,455
Child Care Assistance	67,935	68,635	136,570	67,935	53,647	121,582
General Assistance	26,329	26,909	53,238	26,390	29,049	55,439
Group Residential Housing	94,547	81,055	175,602	86,793	87,072	173,865
Minnesota Supplemental Aid	28,955	30,490	59,445	28,165	29,400	57,565
Subtotal: Economic Support	271,584	251,031	522,615	263,101	258,805	521,906
Total General Fund	2,820,944	3,125,288	5,946,232	2,890,952	3,091,880	5,982,832
TANF funds for MFIP Grants	114,370	106,583	220,953	113,247	96,442	209,689
MinnesotaCare	253,370	281,938	535,308	270,157	237,408	507,565

TABLE TWO
CURRENT BIENNIUM SUMMARY

GENERAL FUND	November 2004 Forecast Change from February 2004 Forecast FY 2004 - FY 2005 Biennium ($ in thousands)			November 2004 Forecast Change from February 2004 Forecast FY 2004 - FY 2005 Biennium (Percent Change)		
	FY 2004	FY 2005	Biennium	FY 2004	FY 2005	Biennium
Medical Assistance						
LTC Facilities	(5,047)	(19,184)	(24,231)	-1.0%	-3.6%	-2.3%
LTC Waivers	(2,608)	1,630	(978)	-0.4%	0.2%	-0.1%
Elderly & Disabled Basic	6,102	(30,337)	(24,235)	1.0%	-4.1%	-1.8%
MFIP & Families Basic	74,281	(10,102)	64,179	17.4%	-2.1%	7.0%
Total	72,728	(57,993)	14,735	3.3%	-2.3%	0.3%
Alternative Care program	0	0	0	0.0%	0.0%	0.0%
General Assistance Medical Care	5,763	13,933	19,696	2.4%	6.1%	4.2%
Chemical Dependency Fund	0	2,878	2,878	0.0%	4.8%	2.4%
Subtotal: Health Care	78,491	(41,182)	37,309	3.1%	-1.4%	0.7%
Minnesota Family Inv. Program	0	15,695	15,695	0.0%	35.7%	16.1%
Child Care Assistance	0	(14,988)	(14,988)	0.0%	-21.8%	-11.0%
General Assistance	61	2,140	2,201	0.2%	8.0%	4.1%
Group Residential Housing	(7,754)	6,017	(1,737)	-8.2%	7.4%	-1.0%
Minnesota Supplemental Aid	(790)	(1,090)	(1,880)	-2.7%	-3.6%	-3.2%
Subtotal: Economic Support	(8,483)	7,774	(709)	-3.1%	3.1%	-0.1%
Total General Fund	70,008	(33,408)	36,600	2.5%	-1.1%	0.6%
TANF funds for MFIP Grants	(1,123)	(10,141)	(11,264)	-1.0%	-9.5%	-5.1%
MinnesotaCare	16,787	(44,530)	(27,743)	6.6%	-15.8%	-5.2%

TABLE THREE
NEXT BIENNIUM SUMMARY

GENERAL FUND	February 2004 Forecast FY 2006 - FY 2007 Biennium ($ in thousands)			November 2004 Forecast FY 2006 - FY 2007 Biennium ($ in thousands)		
	FY 2006	FY 2007	Biennium	FY 2006	FY 2007	Biennium
Medical Assistance						
LTC Facilities	531,079	536,426	1,067,505	509,966	505,092	1,015,058
LTC Waivers	837,776	934,187	1,771,963	834,479	918,478	1,752,957
Elderly & Disabled Basic	820,305	866,840	1,687,145	813,435	872,491	1,685,926
MFIP & Families Basic	567,141	665,870	1,233,011	649,687	789,993	1,439,680
Total	2,756,301	3,003,323	5,759,624	2,807,567	3,086,054	5,893,621
Alternative Care Program	67,425	67,528	134,953	67,425	67,528	134,953
General Assistance Medical Care	245,419	264,348	509,767	293,893	379,295	673,188
Chemical Dependency Fund	62,810	67,166	129,976	63,183	70,438	133,621
Subtotal: Health Care	3,131,955	3,402,365	6,534,320	3,232,068	3,603,315	6,835,383
Minnesota Family Inv. Program	33,667	37,625	71,292	32,932	31,939	64,871
Child Care Assistance	82,555	91,061	173,616	86,231	93,540	179,771
General Assistance	27,333	28,043	55,376	29,825	30,607	60,432
Group Residential Housing	85,234	91,024	176,258	84,588	90,110	174,698
Minnesota Supplemental Aid	32,030	33,041	65,071	30,125	30,655	60,780
Subtotal: Economic Support	260,819	280,794	541,613	263,701	276,851	540,552
Total General Fund	3,392,774	3,683,159	7,075,933	3,495,769	3,880,166	7,375,935
TANF funds for MFIP Grants	109,927	103,534	213,461	118,891	118,687	237,578
MinnesotaCare	346,645	379,823	726,468	285,514	215,486	501,000

TABLE FOUR
NEXT BIENNIUM SUMMARY

GENERAL FUND	November 2004 Forecast Change from February 2004 Forecast FY 2006 - FY 2007 Biennium ($ in thousands)			November 2004 Forecast Change from February 2004 Forecast FY 2006 - FY 2007 Biennium (Percent Change)		
	FY 2006	FY 2007	Biennium	FY 2006	FY 2007	Biennium
Medical Assistance						
LTC Facilities	(21,113)	(31,334)	(52,447)	-4.0%	-5.8%	-4.9%
LTC Waivers	(3,297)	(15,709)	(19,006)	-0.4%	-1.7%	-1.1%
Elderly & Disabled Basic	(6,870)	5,651	(1,219)	-0.8%	0.7%	-0.1%
MFIP & Families Basic	82,546	124,123	206,669	14.6%	18.6%	16.8%
Total	51,266	82,731	133,997	1.9%	2.8%	2.3%
Alternative Care program	0	0	0	0.0%	0.0%	0.0%
General Assistance Medical Care	48,474	114,947	163,421	19.8%	43.5%	32.1%
Chemical Dependency Fund	373	3,272	3,645	0.6%	4.9%	2.8%
Subtotal: Health Care	100,113	200,950	301,063	3.2%	5.9%	4.6%
Minnesota Family Inv. Program	(735)	(5,686)	(6,421)	-2.2%	-15.1%	-9.0%
Child Care Assistance	3,676	2,479	6,155	4.5%	2.7%	3.5%
General Assistance	2,492	2,564	5,056	9.1%	9.1%	9.1%
Group Residential Housing	(646)	(914)	(1,560)	-0.8%	-1.0%	-0.9%
Minnesota Supplemental Aid	(1,905)	(2,386)	(4,291)	-5.9%	-7.2%	-6.6%
Subtotal: Economic Support	2,882	(3,943)	(1,061)	1.1%	-1.4%	-0.2%
Total General Fund	102,995	197,007	300,002	3.0%	5.3%	4.2%
TANF funds for MFIP Grants	8,964	15,153	24,117	8.2%	14.6%	11.3%
MinnesotaCare	(61,131)	(164,337)	(225,468)	-17.6%	-43.3%	-31.0%

Shift of Families with Children
November 2004 Forecast

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(10,179)	10,179
FY 2007	(41,322)	41,322
FY 2008	(47,136)	47,136
FY 2009	(48,117)	48,117
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	(11,555,288)	10,870,062
FY 2007	(70,218,679)	64,229,506
FY 2008	(91,478,850)	84,367,714
FY 2009	(106,557,293)	95,879,550

Note: MinnesotaCare savings are greater than MA costs because reduced FFP is assumed for the MinnesotaCare waiver in FY 2006 to FY 2009: 49% in '06; 48.5% in '07; 47.5% in '08; 46% in '09.

Shift of Families with Children
February 2004 Forecast

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(27,944)	27,944
FY 2007	(32,290)	32,290
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	(54,812,133)	44,574,198
FY 2007	(75,751,786)	57,511,730

Shift of Families with Children
Difference from February 2004

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	17,764	(17,764)
FY 2007	(9,032)	9,032
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	43,256,845	(33,704,136)
FY 2007	5,533,107	6,717,776

Shift of Adults with No Children
November 2004 Forecast

	MinnesotaCare	GAMC
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(2,920)	2,920
FY 2007	(12,443)	12,443
FY 2008	(14,822)	14,822
FY 2009	(15,518)	15,518
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	(9,665,893)	11,069,114
FY 2007	(60,492,566)	68,907,665
FY 2008	(80,300,728)	91,269,747
FY 2009	(95,160,086)	107,951,454

Note: A 12% higher cost is assumed in GAMC because of difference in the benefit set.

Shift of Adults with No Children
February 2004 Forecast

No shift was assumed.

Shift of Adults with No Children
Difference from February 2004

	MinnesotaCare	GAMC
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(2,920)	2,920
FY 2007	(12,443)	12,443
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	(9,665,893)	11,069,114
FY 2007	(60,492,566)	68,907,665

Families with Children
Enrollment Projections With Shift
November 2004 Forecast

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 1997	88,339	295,216
FY 1998	91,493	269,504
FY 1999	92,651	250,538
FY 2000	94,647	244,121
FY 2001	103,647	250,196
FY 2002	114,744	265,846
FY 2003	120,225	301,473
FY 2004	114,622	320,667
FY 2005	110,654	335,882
FY 2006	100,167	358,658
FY 2007	69,587	395,949
FY 2008	64,901	402,696
FY 2009	66,251	403,804

Families with Children
Enrollment Projections With Shift
February 2004 Forecast

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 1997	88,339	295,216
FY 1998	91,493	269,504
FY 1999	92,651	250,538
FY 2000	94,647	244,121
FY 2001	103,647	250,196
FY 2002	114,744	265,846
FY 2003	120,229	301,473
FY 2004	116,194	319,940
FY 2005	118,627	317,053
FY 2006	91,944	347,801
FY 2007	88,877	352,597

Families with Children
Enrollment Projections With Shift
Difference from February 2004

	MinnesotaCare		Medical Assistance	
	Average Enrollees		Average Enrollees	
FY 1997	(0)		0	
FY 1998	(0)		0	
FY 1999	(0)		0	
FY 2000	0		0	
FY 2001	(0)		0	
FY 2002	0		0	
FY 2003	(4)		0	
FY 2004	(1,572)	-1.4%	727	0.2%
FY 2005	(7,973)	-6.7%	18,829	5.9%
FY 2006	8,222	8.9%	10,857	3.1%
FY 2007	(19,290)	-21.7%	43,352	12.3%

Families with Children
Enrollment Projections Without Shift
November 2004 Forecast

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 1997	88,339	295,216
FY 1998	91,493	269,504
FY 1999	92,651	250,538
FY 2000	94,647	244,121
FY 2001	103,647	250,196
FY 2002	114,744	265,846
FY 2003	120,225	301,473
FY 2004	114,622	320,667
FY 2005	110,654	335,882
FY 2006	110,346	348,479
FY 2007	110,909	354,627
FY 2008	112,036	355,560
FY 2009	114,368	355,686

Families with Children
Enrollment Projections Without Shift
February 2004 Forecast

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 1997	88,339	295,216
FY 1998	91,493	269,504
FY 1999	92,651	250,538
FY 2000	94,647	244,121
FY 2001	103,647	250,196
FY 2002	114,744	265,846
FY 2003	120,229	301,473
FY 2004	116,194	319,940
FY 2005	118,627	317,053
FY 2006	119,888	319,858
FY 2007	121,167	320,307

Families with Children
Enrollment Projections Without Shift
Difference from February 2004

	MinnesotaCare		Medical Assistance	
	Average Enrollees	% Change	Average Enrollees	% Change
FY 1997	(0)		0	
FY 1998	(0)		0	
FY 1999	(0)		0	
FY 2000	0		0	
FY 2001	(0)		0	
FY 2002	0		0	
FY 2003	(4)		0	
FY 2004	(1,572)	-1.4%	727	0.2%
FY 2005	(7,973)	-6.7%	18,829	5.9%
FY 2006	(9,542)	-8.0%	28,621	8.9%
FY 2007	(10,258)	-8.5%	34,319	10.7%

Adults with No Children
Enrollment Projections With Shift
November 2004 Forecast

	MinnesotaCare	Gen. Assistance Med. Care
	Average Enrollees	Average Enrollees
FY 1997	7,890	38,428
FY 1998	10,208	31,113
FY 1999	13,900	26,794
FY 2000	18,727	23,347
FY 2001	23,553	24,592
FY 2002	28,966	29,886
FY 2003	34,233	37,340
FY 2004	33,717	34,873
FY 2005	34,489	37,122
FY 2006	33,546	41,591
FY 2007	25,256	52,897
FY 2008	23,377	55,826
FY 2009	22,840	56,443

Adults with No Children
Enrollment Projections With Shift
February 2004 Forecast

No shift from MinnesotaCare to GAMC
was projected in the February 2004 forecast.

Adults with No Children
Enrollment Projections With Shift
Difference from February 2004

Adults with No Children
Enrollment Projections Without Shift
November 2004 Forecast

	MinnesotaCare	Gen. Assistance Med. Care
	Average Enrollees	Average Enrollees
FY 1997	7,890	38,428
FY 1998	10,208	31,113
FY 1999	13,900	26,794
FY 2000	18,727	23,347
FY 2001	23,553	24,592
FY 2002	28,966	29,886
FY 2003	34,235	37,340
FY 2004	33,717	34,873
FY 2005	34,489	37,122
FY 2006	36,467	38,671
FY 2007	37,699	40,453
FY 2008	38,199	41,004
FY 2009	38,358	40,925

Adults with No Children
Enrollment Projections Without Shift
February 2004 Forecast

	MinnesotaCare	Gen. Assistance Med. Care
	Average Enrollees	Average Enrollees
FY 1997	7,890	38,428
FY 1998	10,208	31,113
FY 1999	13,900	26,794
FY 2000	18,727	23,347
FY 2001	23,553	24,592
FY 2002	28,966	29,886
FY 2003	34,235	37,340
FY 2004	34,083	35,212
FY 2005	36,296	31,777
FY 2006	38,376	31,105
FY 2007	39,803	30,686

Adults with No Children
Enrollment Projections Without Shift
Difference from February 2004

	MinnesotaCare		Gen. Assistance Med. Care	
	Average Enrollees	% Change	Average Enrollees	% Change
FY 1997	0		0	
FY 1998	0		0	
FY 1999	0		0	
FY 2000	0		0	
FY 2001	0		0	
FY 2002	0		0	
FY 2003	0		0	
FY 2004	(366)	-1.1%	(339)	-1.0%
FY 2005	(1,807)	-5.0%	5,346	16.8%
FY 2006	(1,909)	-5.0%	7,566	24.3%
FY 2007	(2,104)	-5.3%	9,767	31.8%

2005 STATE APPROPRIATION REQUEST: $12,600,000

AGENCY PROJECT PRIORITY: 2 OF 5

PROJECT LOCATION:

Project At A Glance

♦Develop secure skilled nursing home bed capacity (50-beds) for individuals committed to the Forensic Division of State Operated Services or sentenced to the Department of Corrections, which because of age and/or illness require skilled nursing home accommodations.
♦Funds for design, construction and purchase of furnishings, fixtures and equipment are requested during the 2005 Legislative Session with construction beginning in the summer of 2006 with completion in late 2007.

Project Description
This request is for funds to plan, design and construct a new secure skilled nursing facility for State Operated Services Forensics Division. This facility will be used to provide services to individuals committed as sexual psychopathic personalities (SPP), sexually dangerous persons (SDP), and persons committed as mentally ill and dangerous (MI&D), which because of age or illness require skilled nursing home services. It will also be used to serve offenders under the custody of the Department of Corrections who are placed on release status due to the need for nursing home level of care. The proposed capacity of these new facilities is 50 beds.

This project proposes constructing new facilities for the forensic nursing home. At the time of this writing this project is not site specific. State Operated Services is developing a review process to evaluate possible locations. This process will evaluate such criteria as local clinical resources, public safety and security issues, overall impact to the state budget, staffing requirements and resource availability.

This forensic SNF facility could be located at any of the existing RTCs. However, this request does not include funds for upgrading or developing new dietary and/or power plant services. Subsequently, since not all of the RTC facilities have dietary services and/or power plant services which can appropriately meet the long-term needs of this new facility, additional funds will be required if one of the facilities lacking the dietary and power plant capacity is chosen for the Forensic SNF. This could add over a million dollars to the request, and also increase related operating expenses for the life of the project.

Projected construction costs reflect the design criteria needed to meet skilled nursing facility requirements with added security measures to address public safety issues associated with the proposed patients.

If approved, this request will fund the development of working drawings, construction administration, construction, furniture, fixtures and equipment and other occupancy costs associated with the project, including a project contingency, data and voice communications, specialized security systems, etc.

Background
Growth rates for the MSOP are projected to range from 18 to 36 per year. Growth rates for the MSH are projected to range from 5 to 12 per year. Growth in the forensic nursing home population is projected to be 5 per year.

The long term nature of the forensic programs means that as the overall populations of MSOP and MSH increase, so will the number of patients requiring skilled nursing services. This combined with the policy of providing secure facilities for the growing number of geriatric inmates requiring skilled nursing care from the Department of Corrections, requires the state to implement a plan to develop these secure SNF facilities this year.

The nature of this population is very volatile. The recent increase in the rate of admissions over discharges indicates that the program may exceed earlier projections that this specialized population would range around the 25 bed level over the next 3 to 4 years. Accordingly, to ensure adequate skilled nursing home bed capacity is available for this population if the recent upswing is a new trend, we recommend all 50 beds be available by 2008.

Impact on Agency Operating Budgets (Facilities Notes)
The increasing Forensic SNF population will impact the agency's operating budget. Program costs will go up as the population increases.

Please refer to the Project Detail Sheet for this project to review the change in State operating costs.

Previous Appropriations for this Project
This is the first time a request has been submitted for developing Skilled Nursing Home beds specifically for the forensic population.

Other Considerations
The Department of Human Services currently operates the Ah-Gwah-Ching Center, a psycho-geriatric nursing home. Ah-Gwah-Ching Center, located several miles south of Walker, Minnesota, was originally constructed as a TB sanitarium in the early 1900's. In the 1960's, the state started operating a nursing home in the Ah-Gwah-Ching facility. Although the basic infrastructure and structural integrity of the core campus has been well maintained, the existing multi-storied facilities do not meet basic nursing home requirements, and existing interior configurations and structural design are not conducive to renovating to meet the space and line-of-sight requirements for an efficient/effective secure skilled nursing facility for forensic patients and DOC inmates. Accordingly, the department does not recommend the use of existing buildings at the Ah-Gwah-Ching Center as the long term solution for providing space for this program.

Project Contact Person
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Governor's Recommendations

The Governor recommends general obligation bonding of $12.6 million for this project.

($ in thousands)

TOTAL PROJECT COSTS All Years and funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	Total
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	62	0	0	62
3. Design Fees	0	1,017	0	0	1,017
4. Project Management	0	198	0	0	198
5. Construction Costs	0	10,171	0	0	10,171
6. One Percent for Art	0	102	0	0	102
7. Relocation Expense	0	0	0	0	0
8. Occupancy	0	450	0	0	450
9. Inflation	0	600	0	0	600
TOTAL		12,600	0	0	12,600

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds:					
G.O. Bonds/State Bldgs	0	12,600	0	0	12,600
State Funds Subtotal	0	12,600	0	0	12,600
Agency Operating Budget Funds	0	0	0	0	0
Federal funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	0	12,600	0	0	12,600

CHANGE IN STATE OPERATING COSTS	Change in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	Total
Compensation – Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expense	0	0	0	0
NonState-Owned Owned Lease Expense	0	0	0	0
Expenditure Sub-Total	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0	0	0	0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	**Amount**	**Percent of Total**
General Fund	12,600	100.0%
User Financing	0	0.0%

	STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill
Yes	MS 16.B335 (1.a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign review Required (by Administration Dept.)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2010