Senator Marko introduced–

S.F. No. 3155: Referred to the Committee on Finance.

A bill for an act

relating to human services; appropriating money to replace federal funds.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **APPROPRIATIONS.**

$..... is appropriated in fiscal year 2006 and $..... is appropriated in fiscal year 2007 from the tax relief account under Minnesota Statutes, section 16A.1522, subdivision 4, to the commissioner of human services for the purposes of replacing federal funding reduced under the Deficit Reduction Act of 2005, Public Law 109-171. For the purpose of setting reimbursement rates for case management or targeted case management services provided under Minnesota Statutes, sections 245.4711; 245.4881; 256B.0625, subdivisions 20 and 33; 256B.094; and 256F.10, these funds shall be treated as if they were federal funds.

EFFECTIVE DATE. This section is effective retroactively from October 1, 2005. Any payments made for case management or targeted case management services under Minnesota Statutes, sections 245.4711; 245.4881; 256B.0625, subdivisions 20 and 33; 256B.094; and 256F.10, after the federal funding reductions take effect under the Deficit Reduction Act of 2005, Public Law 109-171, but before the appropriations under this section become available must be recalculated to take into account the appropriation in this section and the payments shall be adjusted accordingly.

Senator ..... moves to amend S.F. No. 3155 as follows:

Page 1, line 5, delete everything after "2006"

Page 1, line 7, after "funding" insert ", which Minnesota counties had received for case management and targeted case management services, and which were"

Page 1, line 8, after the period, insert "From the funds appropriated under this section, each county shall be entitled to an amount proportionate to the amount of the county's loss of federal reimbursement for case management and targeted case management services between calendar years 2005 and 2006."

Human Services Impact of the Budget Reconciliation Act/State Cost Shift

Community Services Works in partnership for the safety, well-being and stability of children, families and adults in Olmsted County.

Community Services Gets Results

- Nationally recognized Child Welfare Program
- Grant funded innovations in Meth Treatment through a Corrections/ Social Services//Private Provider Partnership
- Top performer in fraud prevention and Minnesota Family Investment Program (MFIP)
- Notable best practices in supervision of offenders, adult mental health, child welfare, and public assistance
- Strong outcomes in early intervention

Contact Information:
Paul Fleissner, Director
Olmsted County Community Services
fleissner.paul@co.olmsted.mn.us
507-287-2242

Impact on Local Levy

Child Support—funding reductions
- 2007—$277,000
- 2008—$706,000

Sex Offender State Cost Shift

The new State push to commit additional sex offenders is another example of the State cost shift to the local property tax.

2004—2005
- 6 offenders
- Averages on Hold
  - 275 days
  - $77,550 each offender
- $465,300 Total Cost

2006—Projected
- 3 offenders
- $232,650 Total Cost

Impact on Local Levy

Child Protection

- About 800 cases a year reach the threshold where we need to conduct a family assessment.
- These cases include a range of things from sexual abuse, physical abuse to neglect. Serious cases include law enforcement as a part of the investigation.
- The majority of cases are neglect cases, but include exposure to issues such as domestic violence or methamphetamine or other drug use.

Children's Mental Health

- We work in partnership with ZVMHC and Family Service Rochester through the Children's Mental Health Resource Center to serve over 200 children with Severe Emotional Disturbances (SED).
- The staff in this partnership work with children who have severe depression, bipolar disorder and several other diagnosis. They work to help the child and family understand the diagnosis, get the appropriate treatment and develop strategies for working with the child so they do better at home and in school.

Adult Protection

- We have approximately 500 adult protection complaints per year. 60% of these are elderly clients who are abused, neglected or do not take care of themselves and are no longer safe because of it.
- Complaints range from significant abuse, financial exploitation to self neglect (improper nutrition and hygiene) to houses filled with trash.
- The majority of adult protection cases are elderly citizens.
- The Budget Reconciliation Bill eliminates our ability to bill the federal government for this function. It does not slow the growth. It shifts this responsibility to the local taxpayer for this mandated service.
- We have developmentally disabled adults that only qualify for case management. These folks are too vulnerable le to leave without this support and we have a mandate to provide it. Will the local taxpayer want to pick up the difference?

Adult Mental Health

- We serve over 1,000 adults with serious and persistent metal illness.
- We have reduced our reliance on expensive institutions by building a community-based system. A critical portion of funding for this success was the funding that is potentially eliminated in the Budget Reconciliation Act.
- Will we let these folks live in the community without someone to keep them on their meds, in housing, in jobs and functioning as normal as possible.

This is a breach of contract. The mandates in Minnesota sit squarely on the shoulders of counties, yet when cuts come and the property taxpayers complain there is little understanding that the pressures are being passed on by other levels of government. These are critical functions and all levels of government have a responsibility to contribute.

Budget Reductions

⇒ Child Welfare Target Case Management $1.7 million

Non-Profit Targeted Case Management $ 228,000

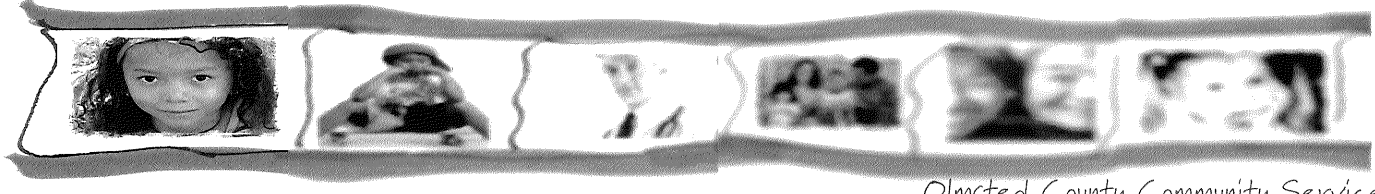
Children's Mental Health Targeted Case Management $100,000

Non-Profit Targeted Case Management $ 278,000

⇒ Vulnerable/Developmental Disabilities Target Case Management $247,000

⇒ Adult Mental Health Targeted Case Management $633,000

Non-Profit Targeted Case Management $567,000



Olmsted County Community Services

Washington County

Our Mission: To provide quality public services in a cost-effective manner through innovation, leadership, and the cooperation of dedicated people.

I continue to pursue my fiscally conservative values while being accutely aware of the social needs of our most vulnerable citizens.

My own childhood environment is a constant reminder that there are needs out there that have faces on them and we ***must*** *find ways to help those who* ***cannot*** *(not will not) help themselves*

Dick Stafford,
Washington County
Commissioner, District 5

Position Paper

March, 2006

Sound Economics:

Preserve in-home care for thousands of Washington County citizens. Protect families who rely on child support.

Federal cuts enacted as part of the Deficit Reduction Act of 2005 endanger the health and welfare of thousands of Washington County's most vulnerable citizens. The loss of $1.4 million for Washington County Community Services case management services may also mean that many of those currently receiving care in their homes would be removed from their homes and families, and placed in institutions, group homes and foster homes.

Institutional care could in turn cost taxpayers many times what they are currently paying for Washington County services.

Cuts to the federal child support incentive program will result in the loss of millions of dollars in child support for Minnesota families as state and local authorities have fewer resources to enforce collection from those who owe it. Denied the child support owed them, those families in turn are likely to rely more on other publicly funded support programs.

These cuts, aimed at increasing government efficiency, are likely to instead **result in a decline in the quality and quantity of government service** provided to some of the county's most needy individuals.

Officials anticipate loss of specific programs and waiting lists to receive service in programs where none currently exist.

At a time when problems such as methamphetamine abuse are placing greater burdens on the county's community service infrastructure, federal cuts mean those same services will have fewer resources with which to respond.

Washington County

"Obviously, the cuts in staff will have an impact on services. If you are going to cut that much staff someone is not going to get services. I am very concerned about how the cuts will impact people with mental illness that depend on staff for help. The staff who are left are going to get more stressed because they can only do so much.

I am also concerned about the proposed changes to the mental health system for the future. I think local government will do a better job of taking care of people than a big corporate health plan."

Deanna Storbakken, Member of Washington County Local Mental Health Advisory Council, representing the local chapter of the National Alliance for the Mentally Ill

Impact on Targeted Case Management

The Deficit Reduction Act of 2005 results in a potential loss of $1.4 million in case management services for Washington County residents.

The act may impact over 1,200 Washington County residents, including:
- children and adults suffering from mental illness
- children who have been abused and neglected
- taxpayers who will likely pay more for institutionalizing people who can live and thrive at home if they have some help.
- dedicated staff who would be laid off from work they love. Locally, about 21 positions may be lost to the county. These people are currently working in areas such as social work, public health nursing and in a few cases, contracted case management through HSI (Human Services Inc.)

Case Managers

Washington County Case Managers seek to improve or maintain the quality of life for people who suffer from severe disabilities, frailty from age or disease, as well as children who are recovering from abuse and neglect.
They are the people who:
- go into homes to connect vulnerable populations with services they need to survive and function outside of an institution
- help determine what services a client needs, thereby reducing confusion, frustration and inefficiency for both clients and service providers
- monitor children who have been abused and neglected to ensure that they are in a safe and stable environment.
- work with parents to make sure they are able to provide adequate care for a child.
- work with those needing care to make sure they use all the resources provided through their private insurance before public dollars get used.

Washington County

"As a member of the Washington County Citizen Review Panel, a volunteer panel that serves as advocates for the safety and well-being of children, I'm gravely concerned about the immediate and long-term impact that the federal budget reductions will have on the quality and quantity of child protection services offered by Washington County Community Services.

These services benefit many needy children and families, and help create a positive framework for our community and society. Therefore, it is imperative that the federal government officials reassess their funding priorities on behalf of our most precious, natural resource, CHILDREN."

Jennifer Brookins-King, PhD
Chair, Washington County Child Protection Citizen Review Panel

Impact of Potential Case Management Cuts: By the Numbers

Adult Mental Health Case Managers	
Number of workgroups (cases) served –	371
Budget cut	$428,000
Current fulltime positions -	18.5
Positions cut if provisions are enacted –	6.5
Child Welfare Case Managers	
Number of workgroups (cases) served –	670
Budget cut	$623,000
Current fulltime positions -	31
Positions cut if provisions are enacted –	9.4
Children's Mental Health Case Managers	
Number of workgroups (cases) served –	234
Budget cut	$342,000
Current fulltime positions -	8
Positions cut if provisions are enacted –	5.2
TOTAL	
Number of workgroups (cases) served –	1275
Budget Cut	$1,393,000
Current fulltime positions -	57.5
Positions cut if provisions are enacted –	21.1

To handle such a workload increase Washington County Community Services would have little choice but to rely more on institutional care, reversing strides made in integrating those with disabilities into society while costing the nation's taxpayers significantly more than they are currently paying.

Washington County

"In Washington County, Child Support is one of the cornerstones of welfare reform. The program prevents many families from needing public assistance and assures that children get the financial support they are entitled to.

In addition, we return over $8 for each dollar we spend to administer the program - more than twice the state average and very cost effective."

Dan Papin
Washington County
Community Services Director

Impact on Child Support in Washington County

Child Support Enforcement in Washington County currently receives federal support through a fairly complex two-pronged system.

First, Washington County is rewarded for good performance in collecting child support by an incentive fund.
Second, funds spent toward child support enforcement are matched by the federal government at a rate of two dollars for every dollar spent.

Language in the Deficit Reduction Act of 2005 removes counties' ability to use the funding awarded them for good performance to obtain federal matching dollars. The net effect is that Washington County stands to lose $952,000 each year in federal funding toward child support enforcement.

Washington County

In-Home Case Management vs. Institutional Care

(approximate costs)

Through Case Management

2006 Federal Funding For Each Eligible Washington County Resident Under Case Management - $1400 annually

The Alternatives

One year of foster care for a child
$12,000

One year in a residential treatment program for a child with mental health problems
$108,000

One year in an adult mental health regional center
$146,000

Case Statements: What it means to the individual

Washington County Case Statement 1

Protecting children from domestic abuse

Mother-Age: 27 years, Father-Age: 26 years- Both single
Three daughters – ages 9,8 and 3. One son- age 2
Both parents were addicted to methamphetamines. The mother was diagnosed with major mental illness including narcissistic and antisocial personality disorder. The father has extensive criminal history, multiple incarcerations and two felony warrants are active for possession of weapons and possession of drugs.
The children told investigators the following:
- "he hits us and tells us he's going to kill us";
- "he yells, "I don't ever want to talk to you. I'm not your father. I'm not (3-year old's) father either";
- "every time mom goes out, he chokes me and says he's going to kill me";
- "(3-year old) had a red mark on her face for five days where he smacked her"
- "he punches mother, kicks her, and slaps her when she has the baby."

Family and friends confirm these statements:
- "the children are so afraid they run to grandmother's apartment"
- "(9 year old) told me "he's going to kill mom and us kids and take the money."
- "Mother had threatened to kill herself and the children."

Intensive protective case management services were provided to the family including foster care placement with maternal grandmother, chemical dependency treatments, individual and family, family violence services including shelter and therapy, Order for Protection for mother and children, child protection at day care, financial and medical assistance for mother and children and frequent visits with family to insure safety of children. The children are currently in the care of the grandmother, who intends to adopt them.

Without the intervention of juvenile court and intensive child protection case management, it is likely that the father or mother would have killed one or all of the children either accidentally or by intent.

Washington County

Individuals and families will be safe, independent and able to meet their basic needs.

- Mission of the Washington County Department of Community Services

Case Statements: What it means to the individual

Washington County Case Statement 2

Enabling a woman with mental illness to live independently

After 14 psychiatric hospitalizations between 1962 and 1992, a 69 year-old female diagnosed with schizoaffective disorder had been fairly stable for the last several years and was living alone.
In June her mental health was deteriorating, leaving her unable to care for herself, hospitalized, and civilly committed. Prognosis was not good for her mental health and cognitive ability and recommendations were for her to be admitted to a long term care facility/nursing home.

With case manager assistance, she was discharged from the Regional Treatment Center to a board and lodge facility. From there she continued to improve and has returned to her home environment. She has built a positive relationship with both her case manager and the nurse case manager who provide her weekly visits for medication monitoring and mental health support.

The nurse case-manager sets up this client's medications in a pill box weekly to avoid the woman's confusion with so many pills.

The client has been able to appropriately reconnect with her personal supports and her church. Without case management involvement and support, this woman would now be in a nursing homes and would have lost her ability to live independently.

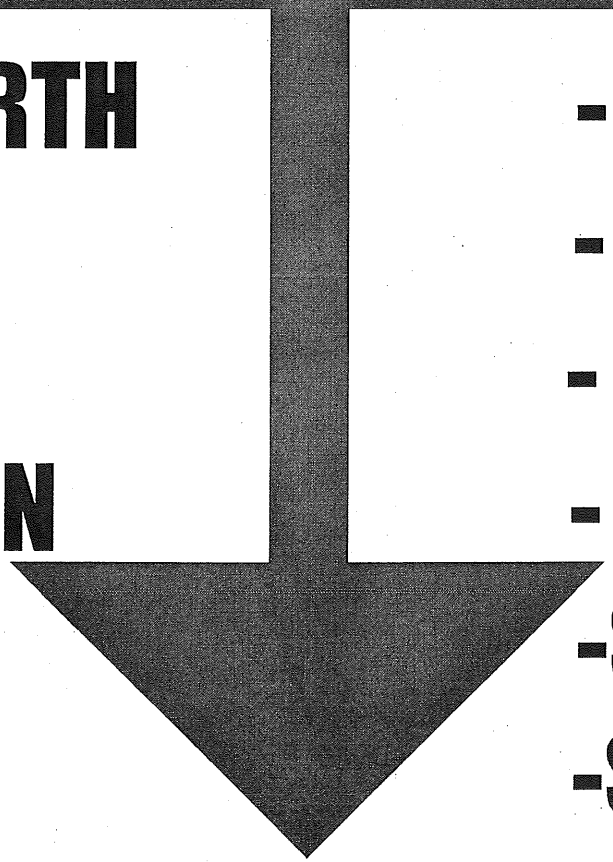
Washington County Case Statement 3

Keeping a family together

Cassie is a 16 year-old girl whom Washington County has worked with for three years.
She lives with her mother who is mentally ill and receives adult mental health services. Her 14 year-old brother, who has also been receiving mental health services, is on probation. Cassie herself was placed in foster care due to mental health needs her mother could not meet. She subsequently was placed in residential treatment for 10 months.

Cassie has since returned to her mother's care. She and her mother receive case management services, allowing them to stay in the community because of continued monitoring. The Washington County case worker meets with Cassie on a weekly basis, ensuring she keeps appointments. The staff person also works with her school and other service providers to solve problems when Cassie is disruptive. Without the intensive case management services this family receives, it is likely that both Cassie and her brother would end up in out-of-home placement again.

Children/Adults/Elderly/Developmentally Disabled
COUNTY TARGETED CASE MANAGEMENT
CUTS IN SELECTED COUNTIES



BLUE EARTH	- $1,485,100
CLAY	- $1,693,756
DAKOTA	- $4,086,818
HENNEPIN	- $22,125,000
RAMSEY	-$8,195,193
STEELE	-$962,509

TCM Estimated Lost Dollar Amounts For Selected Counties

January 2006

Targeted Case Management (Section 3146)

		Child Protection	Children's Mental Health	Adult Mental Health	Elderly	Developmental Disabilities	Other
Blue Earth	Dollar Amt.	597,100.00	214,000.00	559,000.00	12,000.00	103,000.00	
	No. of Staff						
Carver	Dollar Amt.	350,000.00	175,000.00	200,000.00		25,000.00	
	No. of Staff	5.40	2.70	3.10		0.40	
Clay	Dollar Amt.	777,048.00	488,782.00	326,726.00			101,200.00
	No. of Staff	18.00	9 contracted	6 contracted			0.50
Cook	Dollar Amt.	20,000.00	14,200.00	21,000.00	4,700.00	4,700.00	
	No. of Staff						
Douglas	Dollar Amt.	54,640.00	141,655.00	83,504.00	6,695.00		
	No. of Staff	1.09	2.83	1.67	0.13		
Freeborn	Dollar Amt.	270,000.00	154,000.00	85,000.00	included in DD	33,000.00	
	No. of Staff	7.00	3.00	3.00		4.00	
Hennepin	Dollar Amt.	13,768,000.00	2,637,000.00	3,753,000.00	1,100,000.00	867,000.00	
	No. of Staff						
Isanti	Dollar Amt.	127,014.00	152,731.00	110,359.00			5,925.00
	No. of Staff	2.20	2.51	1.81			0.05
Kandiyohi	Dollar Amt.	396,700.00	96,200.00	200,000.00		25,300.00	
	No. of Staff	6.50	1.60	3.30		0.40	
Le Sueur	Dollar Amt.	84,302.85	105,972.25	75,873.10		12,331.64	
	No. of Staff	2.00	3.00	2.00		0.50	
Lincoln/Lyon/Murray	Dollar Amt.	189,123.00	61,216.00	187,512.00	206,059.00	158,792.00	
	No. of Staff	3.50	1.25	3.75	4.00	4.00	
Marshall	Dollar Amt.	59,500.00	16,647.00	10,620.00	8,043.00	3,871.00	
	No. of Staff	5.00	5.00	1.00	3.00	2.00	
Mower	Dollar Amt.	210,000.00	27,000.00	134,500.00		65,000.00	
	No. of Staff	2.80	0.40	5 contracted		0.90	
Nobles	Dollar Amt.	67,500.00	39,200.00	106,000.00	18,500.00		
	No. of Staff	1.30	0.80	2.10	0.40		
Polk	Dollar Amt.	183,131.00	106,466.00	106,126.00			
	No. of Staff	11.00	7.00	4.00			
Ramsey	Dollar Amt.	5,721,636.00	460,000.00	1,282,000.00	319,000.00	412,557.00	
	No. of Staff	71.50	5.75	16.00	4.00	5.00	
Renville	Dollar Amt.	49,000.00	36,000.00	72,000.00	65,000.00	130,000.00	
	No. of Staff	1.00	1.00	2.00	2.00	3.00	
Rock	Dollar Amt.	29,624.00	45,000.00	11,880.00	3,384.00		
	No. of Staff	2.00	1.00	Contracted	1.00		
Scott	Dollar Amt.	178,008.00	146,832.00	143,196.00	18,126.00	77,784.00	
	No. of Staff	2.50	2.00	2.00	0.30	1.50	
Steele	Dollar Amt.	160,000.00	291,809.00	389,700.00	32,000.00	89,000.00	
	No. of Staff	2.00	5.00	7.00	0.50	2.00	
Stevens	Dollar Amt.	40,052.00	69,968.00	7,372.00		99,736.00	12,558.00
	No. of Staff						
Swift	Dollar Amt.	38,100.00	3,400.00	67,000.00	106,800.00	70,000.00	
	No. of Staff	1.00		1.00	2.00	2.00	

Olmsted County
Speaking points related to Budget Reconciliation
1/06

Child Protection:

- About 800 cases a year reach the threshold where we need to conduct a family assessment.
- These cases include a range of things from sexual abuse, physical abuse to neglect. Serious cases include law enforcement as part of the investigation.
- The majority of cases are neglect cases, but include exposure to issues such as domestic violence or methamphetamine or other drug use.
- The cuts will reduce the staff Olmsted County has to conduct the child protection investigation process because the federal govt will no longer pay anything for this mandated service. FSR and Olmsted County would lose funding for this service.
- The cuts will also reduce the services we can provide to these families because we will not have the funds to pay non-profits or our staff to spend the kind of time needed to improve the functioning of these families. Most kids do return to these families 95% of the time and Olmsted County has demonstrated success at reducing repeated maltreatment.
- Several state and national awards have been given to Olmsted County in this program area, and in fact, we have staff who are considered international experts and have consulted in numerous states, England and Australia.
- The county picks up the majority of funding in this area because the state has cut this area a great deal in recent years. A 25% cut in 2003.

Adult Protection:

- We have approximately 500 adult protection complaints per year. 60% of these are elderly clients who are abused, neglected or do not take care of themselves and are no longer safe because of it.
- Complaints range from significant abuse, financial exploitation to self neglect (improper nutrition and hygiene) to houses filled with trash.
- Staff enter these many settings, assess the situation and find ways to keep the client safe. Staff may need to use a court appointed attorney to protect a confused elderly person from financial exploitation.
- Staff sometimes have to bring in home health care to support an elderly or disabled client better.
- Staff sometimes have to partner with law enforcement after law enforcement decides a criminal investigation is warranted and charges may be filed for financial exploitation or physical abuse.
- The Budget Reconciliation Bill eliminates our ability to bill the federal govt for this function. It does not slow the growth. It shifts this responsibility to the local taxpayer for this mandated service.

Children's Mental Health:

- **We work in partnership with ZVMHC and Family Services Rochester through the Children's Mental Health Resource Center to serve over 200 children with Severe Emotional Disturbances (SED).**
- **The staff in this partnership work with children who have severe depression, bipolar disorder and several other diagnosis. They work to help the child and family understand the diagnosis, get the appropriate treatment and develop strategies for working with the child so they do better at home and in school.**
- **The elimination of funding through the Budget Reconciliation Bill will force the local taxpayer to pick up these costs or cut services to this vulnerable population.**

Adult Mental Health:

- **We serve over 1,000 adults with serious and persistent mental illness.**
- **We have reduced our reliance on expensive institutions by building a community-based system. A critical portion of funding for this success was the funding that is being eliminated in the Budget Reconciliation Act.**
- **Is the state or federal government wanting to rebuild state hospitals for these folks after they cut this funding?**
- **Will local taxpayers want to pick up the costs ?**
- **Will we let these folks live in the community without someone to keep them on their meds, in housing, in jobs and functioning as normal as possible.**

Other populations:

- **The developmentally disabled. We have adults with developmental disabilities that only qualify for case management? These folks are too vulnerable to leave without this support and we have a mandate to provide it – again, will the local taxpayer want to pick up the different.**

This is a breach of contract. The mandates in MN sit squarely on the shoulders of counties, yet when cuts come and the property taxpayers complain there is little understanding that the pressures are being passed on by other levels of govt. These are critical functions and all levels of govt have a responsibility to contribute.

Dakota
COUNTY

February 28, 2006

Members, Dakota County Legislative Delegation
Minnesota House of Representatives/Senate
State Capitol/State Office Building
St. Paul, Minnesota 55155

Dear:

Congress recently approved and the President signed into law the Deficit Reduction Act of 2005 (P.L. 109-171). The Act contains several provisions with grave implications for County revenues and the clients we serve. Of specific concern are provisions limiting Targeted Case Management (TCM) and third party liability responsibilities in the Medicaid "reforms" made in the law. In opening the door for the Centers for Medicare and Medicaid Services to broadly interpret the legislative language with rule-making authority granted in the law, Congress made it likely that the changes will have a devastating effect on our ability to serve children in need of protection, children and adults with mental health problems, elderly and disabled adults, and those with developmental disabilities.

Office of the County Board

Dakota County
Administration Center

1590 Highway 55
Hastings, MN 55033

651.438.4418
Fax 651.438.4405
www.co.dakota.mn.us

Because counties do not have the ability to raise revenue during the calendar year, we urgently request that the legislature consider options – such as a one-time appropriation – that will allow us time to realize the full impact of the implementation of P.L. 109-171 without eliminating needed case management services. Cuts to Targeted Case Management and pushing additional costs onto the State and counties through increased third party payment responsibilities will seriously limit our ability to intervene with high-risk families and individuals early and at a reduced cost.

The State of Minnesota has estimated that the Targeted Case Management and third party liability provisions of P.L. 109-171 could cost the State of Minnesota $94 million. For Dakota County, the total amount of Targeted Case Management at risk is nearly $4.1 million. This translates into a significant cut to all types of case management services, but most significantly to families involved with child protection services. As the result of the loss of federal revenue, we estimate that we will be unable to respond as quickly or as effectively to 785 children who are at potential risk of abuse or neglect. The following table summarizes the estimated impacts on five client groups benefiting from case management services.

Client Group	Loss of Federal Dollars	Individuals/Families Affected
Child protection	$ 1,451, 120	665 children/290 families
Children's mental health	$ 297,392	120 children/60 families
Adult mental health	$ 1,774,290	640 adults
Elderly/disabled	$ 144,255	140 adults
Developmental disabilities	$ 419,761	325 individuals
Total	$ 4,086,818	1,890 individuals/350 families

The programmatic consequences of the loss of Targeted Case Management funds are:

- Less ability to prevent child abuse and neglect
- Reduced effectiveness in keeping families together and reunifying families as quickly as otherwise will be possible.

- More out-of-home placements for children and adults.
- Increased institutional placements for the elderly and disabled.
- More use of hospitals, Regional treatment Centers, nursing homes, and correctional facilities for the mentally ill.

The unwanted consequences of the federal law will clearly be a shift in costs to county governments for mandated services and likely will be an overall increase in public costs for services to vulnerable populations, in the long run.

It is important to put the magnitude of the cost shift into perspective.

- To provide the services supported by Targeted Case Management funds would be equal to a 4-percentage point increase in the County property tax. A 4-percentage point increase is approximately equal to the ***total property tax increase*** for all services provided by the County in 2006.
- In 2006, the adopted County budget provides $42.4 million in local funds for social services, employment and economic assistance, public health, and community corrections. A loss of $4.1 million of Targeted Case Management revenue is nearly 10% of the total budget for ***all*** of these services.

These changes cannot be absorbed by Dakota County. Approximately three-quarters of all services provided by the County are mandated by law. We need the assistance of the Legislature in either (1) providing a one-time appropriation that will allow the State and counties to work to change the federal law or, alternatively, sort out the options for dealing with its dramatic potential consequences or (2) tell counties which mandates they are not required to meet, in order to provide the discretion that they will need to implement the federal reductions.

Finally, if the consequences of P.L. 109-171 that we have outlined are not enough of a problem, the law also has negative consequences for the child support enforcement program.

- The law precludes the use of performance incentives in child support as a match for federal funds. Dakota County expects to lose $600,000 as a result of this change. This result is especially short-sighted, since the resultant loss of child support enforcement capability in the County is projected to result in a $10 million reduction in child support collected for about 2,200 Dakota County families. (This provision does not take effect until October 1, 2007.)

The Deficit Reduction Act hurts the citizens of Minnesota and Dakota County in many ways. It makes changes that will affect nearly every area of human service support provided by the State and its counties. If we must absorb the nearly $5 million in lost federal funds resulting from reductions to Targeted Case Management and child support enforcement nearly 1,900 children and adults will not receive the services necessary to help them live in their communities rather than institutions. Nearly 2,200 families will not receive child support services that is necessary for them to be self-sufficient. While we will continue to vigorously work to change the federal law, it is essential that the Minnesota Legislature also prepare to help us to address the consequences of its implementation.

We look forward to working with you to address this most serious challenge that has been thrust upon us all.

Sincerely,

KATHLEEN GAYLORD, Chair
Board of Commissioners

cc: Members, Dakota County Board of Commissioners
Tim Pawlenty, Governor, State of Minnesota

Ramsey County

Hennepin County

220 Court House, 15 West Kellogg Boulevard
St. Paul, Minnesota 55102
(651) 266-8350 FAX: (651) 266-8370

A2400 Government Center
Minneapolis, Minnesota 55487-0240
(612) 348-3081 FAX: (612) 348-8701

MEDICAID – BACKGROUND AND BUDGET RECONCILIATION

Essential Points

- Child Protection services in Ramsey and Hennepin Counties are funded through Targeted Case Management. The State has historically not funded child protection services; these services are a county responsibility.
- The proposed changes take away money and resources from our efforts to relocate individuals from state institutions and reduce more expensive out of home placements. Limiting case management will lead to higher public and governmental costs in the future as more deep-end services are needed. For families, this is another example of the trend in which we are no longer helping people survive and thrive, but they are expected to barely survive at the margin.
- Working poor families who are doing what we ask to become self-reliant will likely have incomes fall into the area where they will qualify for TANF benefits.

Likely Long Term Consequences for Families and Individuals Served

- ***Case Management*** – Case management coordinates other needed services, controls utilization, and substitutes community support services for expensive institutional services. The most obvious examples are out of home placement and deep end medical costs. It is an integral part of services to abused and neglected children, elderly, and adults with physical, emotional, or cognitive disabilities.
- ***Third Party Liability*** – reduces the rehabilitative services money that keeps individuals with mental illness and chemical dependency out of expensive institutions.
- ***Child Support*** – Ramsey County collects $4.95 in child support for every $1 invested. Hennepin County collects over $114 million annually in child support payments, or $4.53 for every $1 invested. Child support enforcement is a critical component of welfare reform, keeping working family incomes from dropping to where they qualify and have to enter the program to make ends meet. In Ramsey County, 73% currently served are not on the TANF/MFIP program (57% were once on public assistance). In Hennepin, 78% of the cases are not on the TANF/MFIP program (60% were once on public assistance).
- ***Title IV-E*** – decrease the ability to keep children out of foster care and keep them with relatives. This will lead to more placements with non-relatives. This will most affect children with special or emotional needs. Studies have demonstrated that placements with relatives are more stable and educational success is greater.

Immediate Impacts on Families and Individuals Served

- ***Medicaid co-payments*** – charging $20 – 100 for health care services for which they are now charged no more than $3. Congressional Budget Office concluded that such increases in co-payments are likely to lead many Medicaid patients to forgo needed health care services and the imposition of premiums are likely to induce some to fail to enroll in Medicaid at all.
  - Family of three with an income below $16,000, co-payments that will increase at twice the level of inflation.
  - Family of three with an income of $16,000 – 24,0000, co-payments up to 10%,
  - Family of three above $24,000, co-payments up to 20%.
- ***Medicaid Benefit Reductions*** – The vast majority of children below the poverty line will lose access to the comprehensive health care coverage now guaranteed through the Early and Periodic Screening, Diagnostic, and Treatment component of Medicaid.
- ***Medicaid Citizenship Documentation*** – Native-born citizens applying for Medicaid must provide a birth certificate or passport to demonstrate citizenship. People affected by emergencies, homelessness, or with mental illness will be especially affected. Estimates nation-wide are that one in every five African-American born around 1940 lacks a birth certificate.
- ***TANF*** - Elimination of state flexibility in work requirements for families served entirely with the state's own funds. The Congressional Budget Office expects that states will try to cope with this and other federal mandates by increasing the number of families who are sanctioned off the program and by imposing new barriers to poor families seeking assistance.
- ***TANF, Two-Parent Families*** – 90% of all two parent families would have to participate in work activities for at least 35 hours per week. Researchers and state officials have recognized that such a participation requirement is not attainable because a parent is ill, or needs to care for an ill child, or simply waiting for a work program they are entered in to begin. This provision would encourage states to exclude poor two-parent families from assistance. It also may end up counteracting the new funding initiatives designed to encourage marriage.
- ***Child Care*** – With inadequate child care funding, states will shift available child care dollars from working families to support families on TANF so they can meet the work participation requirements. The net effect is that between TANF and working poor families, nation-wide 255,000 fewer children in low-income families will receive child care assistance - basic sliding fee.
- ***Social Security*** – Eligibility determinations for Social Security generally take many months and, in a significant number of cases, more than a year. Under current law, when found eligible, the recipient receives a lump sum payment back to date of application. The bill changes this so that catch up payments can be no more than 3 months of benefits, delaying Social Security payments for up to a year for individuals with disabilities who are found eligible for SSI.

How Medicaid Dollars Are Used

Ramsey County

	Child Protection	Children's Mental Health	Adult Mental Health	Elderly	Developmental Disabilities	Total
Targeted Case Management (Section 3146)	$5,721,636 Staff – 71.5	$460,000 Staff – 5.75	$1,282,000 Staff 16	$319,000 Staff - 4	$412,557 Staff - 5	$8,195,193 Staff – 102.25
Adult Mental Health Rehab. Services (Section 3144)			$220,000 Staff – 2.75			$220,000 Staff – 2.75
Assertive Community Treatment (Section 3144)			$282,514 Staff - 3.5			$282,514 Staff – 3.5
Total	$5,721,636 Staff – 71.5	$460,000 Staff – 5.75	$1,578,514 Staff – 22.25	$319,000 Staff - 4	$412,557 Staff – 5	$8,491,707 Staff – 108.5

Hennepin County

	Child Protection	Children's Mental Health	Adult Mental Health	Elderly (Nursing Home relocation, estimated)	Developmental Disabilities	Total
Targeted Case Management (Section 3146)	$13,768,000	$2,637,000	$3,753,000	$1,100,000	$867,000	$22,125,000

** In addition, Hennepin estimated $6-10 million is at risk in community case management for adults with behavioral health needs or for children in child protection, plus approximately $6 million in case management under the MA Waiver programs.

ASSOCIATION OF
AMC
MINNESOTA COUNTIES

Speaker of the House
Rep. Steve Sviggum
463 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, Minnesota 55155

February 10, 2006

Dear Rep. Sviggum,

I am writing on behalf of Minnesota's 87 counties to inform you of the impact of Congress' budget reconciliation bill on Minnesota and urge you to take steps to minimize the harm to Minnesota. In its recent passage of this bill, Congress cut funding for Medicaid, TANF, Title IV-E and child support. Estimates are that Minnesota will lose about $120 million a year in federal funds. Many of these funds are for services mandated by the state or federal government for child protection, vulnerable adult protection, or mental health services.

The most immediate problem for our state is the new language limiting the allowable use of Medicaid funds for "targeted case management." Minnesota is unique in that counties directly rely upon federal funding to deliver targeted case management services to vulnerable populations. Targeted case management services save money by preventing the need for more intensive and expensive services. For example, the federal funds have been used to relocate individuals out of nursing homes or regional treatment centers into home and community settings. They have also been used for child protection for children at risk of abuse and neglect. Note that the state has historically provided little funding for child protection; these services are a county responsibility. Limiting case management will lead to higher public costs in the future, as more deep-end services are required. The Federal Budget Reconciliation Act eliminates the entire federal share of the funds that help maintain these core cervices in our communities. We estimate that this will result in a loss of $86 million in federal funds for Minnesota.

Neither Minnesota's counties nor the taxpayers are prepared to back fill cuts of this magnitude, nor does Minnesota have the time to develop a new service delivery system for our vulnerable populations. Minnesota's counties would be forced to increase property taxes substantially--many by over 10%--if they are forced to handle this situation alone.

Counties urge the governor and the legislature to work with us to address this serious problem. One possible solution is to fund these services through a one-time draw on the Property Tax Relief fund. This would allow some time to advocate to Congress for technical language or administrative rules that allow Minnesota counties to claim our fair share of Medicaid dollars.

Counties look forward to working with you to address this critical issue.

Sincerely,

Nancy Schouweiler

Nancy Schouweiler, AMC President
Dakota County Commissioner

cc. Commissioner Kevin Goodno, DHS

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February 19, 2006

The Honorable Tim Pawlenty
130 State Capitol
St. Paul, MN 55155

Dear Governor Pawlenty:

Earlier this month, Congress enacted the Deficit Reduction Act of 2005, which contains numerous cuts to Medicaid that will disproportionately harm Minnesota and likely lead to additional property tax increases in 2007. My purpose in writing you on behalf of our member counties is to request you include funding in your supplemental budget to offset the impact of these cuts. Given their tax impact, it would seem to us that they are an ideal candidate for funding from the state's tax relief account.

The Department of Human Services (DHS) estimates the **Targeted Case Management (TCM)** changes in Section 6052 of the bill alone will have an impact of $87 million per year. Targeted case management is integral to effective coordination of services that allows Minnesota counties to intervene in a manner that minimizes health care outlays and out-of-home placements for particularly the mentally ill and at-risk children. Vulnerable adults and the developmentally disabled also benefit from the services partially funded with the federal dollars. Please note the funding for targeted case management services for medical-assistance-eligible clients is unique in that the nonfederal share is paid for by counties rather than the norm of the state paying. Elimination of the federal funding will mean the counties' cost will increases from 50% to 100% of the total cost of targeted case management services. You should further note that failure to address this issue will undoubtedly result in increases in hospitalizations at largely state expense at the Regional Treatment Centers and other institutionalizations of affect clients.

Other provisions of the bill include:

1. **A Child Support Restriction** that will prohibit the state from using incentive grant funds to draw a federal match. It is expected to cost Minnesota counties $24 million per year.
2. **Limits On Federal Foster Care Administrative Claiming**. These changes are estimated to cost $28 million per year to Minnesota counties and local collaboratives.
3. **A Third Party Liability Enhancement (TPL) Provision** that was very controversial and about which Minnesota state and county officials raised considerable concern while it was developing in the House and Senate bills. In essence, it prohibits federal matching funds for any service that the federal government's Center for Medicaid and Medicare Services (CMS) believes would be provided by state or local government in the absence of Medicaid coverage. Prior to Medicaid, state and local government were largely responsible for the types of rehabilitative services that were not covered by insurance (CD treatment, mental health counseling and supports, etc.). Minnesota will need to await CMS

interpretation of the breadth of this language, but the language creates the possibility that the state and counties could a loss of millions of dollars of federal funding

In conclusion, if counties try to make up for the loss of the federal dollars, our mutual constituencies will suffer county tax increases nearly as great as the total county property tax increase - for all purposes – for 2006. I urge you to provide funding to address particularly the loss of the federal targeted case management funding in your supplemental budget. This is not only a dollar and cents issue, it's a quality of life issue for the affected clients. But it is also a proven, cost-effective-investment in reducing health care costs, out-of-home placement and juvenile delinquency.

If I may be of any assistance to you regarding this matter, please do not hesitate to contact me.

Sincerely,

Keith Carlson
Executive Director

cc: Commissioner Kevin Goodno
Commissioner Peggy Ingison
Commissioner Dan Salomone

Senator Larson introduced–

S.F. No. 2521: Referred to the Committee on Health and Family Security.

A bill for an act

relating to health; providing an exception to hospital restricted construction or modification; amending Minnesota Statutes 2005 Supplement, section 144.551, subdivision 1.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2005 Supplement, section 144.551, subdivision 1, is amended to read:

Subdivision 1. **Restricted construction or modification.** (a) The following construction or modification may not be commenced:

(1) any erection, building, alteration, reconstruction, modernization, improvement, extension, lease, or other acquisition by or on behalf of a hospital that increases the bed capacity of a hospital, relocates hospital beds from one physical facility, complex, or site to another, or otherwise results in an increase or redistribution of hospital beds within the state; and

(2) the establishment of a new hospital.

(b) This section does not apply to:

(1) construction or relocation within a county by a hospital, clinic, or other health care facility that is a national referral center engaged in substantial programs of patient care, medical research, and medical education meeting state and national needs that receives more than 40 percent of its patients from outside the state of Minnesota;

(2) a project for construction or modification for which a health care facility held an approved certificate of need on May 1, 1984, regardless of the date of expiration of the certificate;

(3) a project for which a certificate of need was denied before July 1, 1990, if a timely appeal results in an order reversing the denial;

(4) a project exempted from certificate of need requirements by Laws 1981, chapter 200, section 2;

(5) a project involving consolidation of pediatric specialty hospital services within the Minneapolis-St. Paul metropolitan area that would not result in a net increase in the number of pediatric specialty hospital beds among the hospitals being consolidated;

(6) a project involving the temporary relocation of pediatric-orthopedic hospital beds to an existing licensed hospital that will allow for the reconstruction of a new philanthropic, pediatric-orthopedic hospital on an existing site and that will not result in a net increase in the number of hospital beds. Upon completion of the reconstruction, the licenses of both hospitals must be reinstated at the capacity that existed on each site before the relocation;

(7) the relocation or redistribution of hospital beds within a hospital building or identifiable complex of buildings provided the relocation or redistribution does not result in: (i) an increase in the overall bed capacity at that site; (ii) relocation of hospital beds from one physical site or complex to another; or (iii) redistribution of hospital beds within the state or a region of the state;

(8) relocation or redistribution of hospital beds within a hospital corporate system that involves the transfer of beds from a closed facility site or complex to an existing site or complex provided that: (i) no more than 50 percent of the capacity of the closed facility is transferred; (ii) the capacity of the site or complex to which the beds are transferred does not increase by more than 50 percent; (iii) the beds are not transferred outside of a federal health systems agency boundary in place on July 1, 1983; and (iv) the relocation or redistribution does not involve the construction of a new hospital building;

(9) a construction project involving up to 35 new beds in a psychiatric hospital in Rice County that primarily serves adolescents and that receives more than 70 percent of its patients from outside the state of Minnesota;

(10) a project to replace a hospital or hospitals with a combined licensed capacity of 130 beds or less if: (i) the new hospital site is located within five miles of the current site; and (ii) the total licensed capacity of the replacement hospital, either at the time of construction of the initial building or as the result of future expansion, will not exceed 70 licensed hospital beds, or the combined licensed capacity of the hospitals, whichever is less;

(11) the relocation of licensed hospital beds from an existing state facility operated by the commissioner of human services to a new or existing facility, building, or complex

operated by the commissioner of human services; from one regional treatment center site to another; or from one building or site to a new or existing building or site on the same campus;

(12) the construction or relocation of hospital beds operated by a hospital having a statutory obligation to provide hospital and medical services for the indigent that does not result in a net increase in the number of hospital beds, notwithstanding section 144.552, 27 beds, of which 12 serve mental health needs, may be transferred from Hennepin County Medical Center to Regions Hospital under this clause;

(13) a construction project involving the addition of up to 31 new beds in an existing nonfederal hospital in Beltrami County;

(14) a construction project involving the addition of up to eight new beds in an existing nonfederal hospital in Otter Tail County with 100 licensed acute care beds;

(15) a construction project involving the addition of 20 new hospital beds used for rehabilitation services in an existing hospital in Carver County serving the southwest suburban metropolitan area. Beds constructed under this clause shall not be eligible for reimbursement under medical assistance, general assistance medical care, or MinnesotaCare;

(16) a project for the construction or relocation of up to 20 hospital beds for the operation of up to two psychiatric facilities or units for children provided that the operation of the facilities or units have received the approval of the commissioner of human services;

(17) a project involving the addition of 14 new hospital beds to be used for rehabilitation services in an existing hospital in Itasca County;

(18) a project to add 20 licensed beds in existing space at a hospital in Hennepin County that closed 20 rehabilitation beds in 2002, provided that the beds are used only for rehabilitation in the hospital's current rehabilitation building. If the beds are used for another purpose or moved to another location, the hospital's licensed capacity is reduced by 20 beds; ~~or~~

(19) a critical access hospital established under section 144.1483, clause (9), and section 1820 of the federal Social Security Act, United States Code, title 42, section 1395i-4, that delicensed beds since enactment of the Balanced Budget Act of 1997, Public Law 105-33, to the extent that the critical access hospital does not seek to exceed the maximum number of beds permitted such hospital under federal law~~.~~; or

(20) a project for an acute care hospital in Fergus Falls that will increase the bed capacity from 108 to 110 beds by increasing the rehabilitation bed capacity from 14 to 16 and closing a separately licensed 13-bed skilled nursing facility.

Senate Counsel, Research, and Fiscal Analysis

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Senate

State of Minnesota

S.F. No. 2521 - Fergus Falls Hospital Moratorium Exception

Author: Senator Cal Larson

Prepared by: David Giel, Senate Research (296-7178)

Date: March 15, 2006

S.F. No. 2521 authorizes an exception to the hospital construction moratorium to allow the addition of two rehabilitation beds at a Fergus Falls hospital that closes its separately licensed 13-bed skilled nursing facility.

DG:rdr

Consolidated Fiscal Note – 2005-06 Session

Bill #: S2521-0 **Complete Date:** 03/20/06

Chief Author: LARSON, CAL

Title: HOSP RESTRICTED CONSTRUCTION EXCEPT

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agencies: Human Services Dept (03/20/06) Health Dept (03/16/06)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: CRAIG WIEBER
Date: 03/20/06 Phone: 282-5065

Fiscal Note – 2005-06 Session

Bill #: S2521-0 **Complete Date:** 03/20/06

Chief Author: LARSON, CAL

Title: HOSP RESTRICTED CONSTRUCTION EXCEPT

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Human Services Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

NARRATIVE: HF 2854/SF 2521

Bill Description
This bill amends Minnesota Statutes section 144.551, subdivision 1, by adding a clause that will permit the Lake Region Hospital in Fergus Falls to add two beds to inpatient care by adding two beds to their rehabilitation program, and to close their 13 nursing facility beds.

Assumptions
For the 13-bed nursing facility closure, it is assumed that these beds are part of the beds carried in the forecast as closing during the biennium.

A change to the moratorium on new beds does not increase Minnesota Health Care Program costs because all medically necessary inpatient services are already being provided, but at a different location. An increase in hospital bed availability does not increase demand for inpatient services.

Expenditure and/or Revenue Formula
The Reports and Forecasts division includes in its forecast that nursing facility beds will close for reasons other than to take advantage of rate incentives that have been put in statute to encourage bed closures. For FY07 this number is 180 beds; for each FY08 and FY09 an additional 96 is in the forecast.

These 13 beds at Lake Region are not closing to receive a planned closure rate adjustment under section 256B.437 or a single-bed incentive under section 256B.431. Therefore, they are being counted as part of the forecasted non-incentive-based closure.

Long-Term Fiscal Considerations
None

Local Government Costs
None

References/Sources
DHS' forecast

Agency Contact Name: Greg Tabelle 431-2262
FN Coord Signature: STEVE BARTA
Date: 03/20/06 Phone: 431-2916

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: CRAIG WIEBER
Date: 03/20/06 Phone: 282-5065

Fiscal Note – 2005-06 Session

Bill #: S2521-0 **Complete Date:** 03/16/06

Chief Author: LARSON, CAL

Title: HOSP RESTRICTED CONSTRUCTION EXCEPT

Agency Name: Health Dept

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Section 1
Amends Minnesota Statutes 2005 Supplement, section 144.551, subdivision 1, to allow for a project at an acute care hospital in Fergus Falls, Minnesota increasing bed capacity from 108 to 110 beds by increasing rehabilitation bed capacity and closing a separate skilled nursing facility.

Assumptions

Article 1, Section 3
Approval of increased bed capacity for this project would require no additional responsibilities for the Department and have no fiscal impact. If a public interest review were to be conducted for this project pursuant to Minnesota Statutes 144.552, there would be some additional costs to the Department, but those costs would be covered by revenues from the filing entity, as required by Minnesota Statutes 144.552, leaving no net fiscal impact.

Expenditure and/or Revenue Formula

No fiscal impact to the Department.

Long-Term Fiscal Considerations

Local Government Costs

References/Sources

Agency Contact Name: Scott Leitz (651-282-6361)
FN Coord Signature: MARGARET KELLY
Date: 03/07/06 Phone: 201-5812

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: CRAIG WIEBER
Date: 03/16/06 Phone: 282-5065

To: Senator Cohen, Chair

Committee on Finance

Senator Berglin,

Chair of the Health and Human Services Budget Division, to which was referred

S.F. No. 2521: A bill for an act relating to health; providing an exception to hospital restricted construction or modification; amending Minnesota Statutes 2005 Supplement, section 144.551, subdivision 1.

Reports the same back with the recommendation that the bill do pass and be referred to the full committee.

Linda Berglin
(Division Chair)

April 5, 2006
(Date of Division action)

A bill for an act

relating to human services; providing limited medical assistance coverage for individuals eligible for Medicare Part D; directing commissioner to seek reimbursement from federal government; amending Minnesota Statutes 2004, section 256B.0625, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 256B.0625, is amended by adding a subdivision to read:

Subd. 13i. **Medicare Part D.** (a) Notwithstanding subdivision 13, paragraph (d), for recipients who are enrolled in a Medicare Part D prescription drug plan or Medicare Advantage special needs plan, medical assistance covers the following:

(1) co-payments which the recipient is responsible for under a Medicare Part D prescription drug plan or Medicare Advantage special needs plan, once the recipient has incurred $12 per month in prescription drug co-payments, in accordance with the requirements of the plan; and

(2) any prescription drug that is not included in the drug formulary used by the Medicare Part D prescription drug plan or Medicare Advantage special needs plan in which the recipient is enrolled. Coverage under this clause shall only occur upon a determination by the Board of Aging that the recipient is enrolled in the plan that provides the most comprehensive prescription drug coverage in terms of the recipient's prescription drug needs and meets the low-income premium benchmark set for Minnesota. Once a determination has been made by the Board of Aging, the commissioner shall not require the recipient to pursue the plan's exception and appeal process before providing coverage under this clause.

(b) Notwithstanding subdivision 13, paragraph (d), for recipients who are eligible for Medicare Part D but who are awaiting enrollment into a Medicare Part D prescription drug plan or Medicare Advantage special needs plan, medical assistance covers prescription drugs as required under subdivision 13, paragraph (a), for a period of 60 days beginning the date the Medicare Part D application was submitted.

(c) Medical assistance coverage under paragraphs (a) and (b) shall be provided in accordance with the requirements of subdivisions 13 to 13h.

Sec. 2. **FEDERAL GOVERNMENT CHANGES.**

The commissioner of human services shall seek reimbursement from the federal government for funds expended by the state to provide drug coverage to medical assistance recipients who are enrolled or in the process of enrolling in Medicare Part D. The commissioner shall also continue to pursue federal changes to Medicare Part D to address lapses in drug coverage for medical assistance recipients who are also enrolled or eligible for Medicare Part D.

Senate Counsel, Research, and Fiscal Analysis

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Senate
State of Minnesota

S.F. No. 3064 - Medical Assistance Coverage for Medicare Part D Enrollees (Delete-Everything Amendment)

Author: Senator Linda Berglin

Prepared by: Katie Cavanor, Senate Counsel (651/296-3801) KTC

Date: April 4, 2006

S.F. No. 3064 provides medical assistance coverage for medical assistance recipients who are either enrolled in a Medicare Part D plan or eligible for a Medicare Part D plan.

Section 1 (256B.0625, subdivision 13i) provides medical assistance coverage for co-payments paid under a Medicare Part D prescription drug plan or Medicare Advantage special needs plan.

Section 2 requires the Commissioner of Human Services to seek reimbursement from the federal government for funds expended by the state to provide drug coverage to medical assistance recipients.

KC:ph

ATTACHMENT "B"

Senator ..... moves to amend S.F. No. 3064 as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 256B.0625, is amended by adding a subdivision to read:

Subd. 13i. **Medicare Part D co-payments.** For recipients who are enrolled in a Medicare Part D prescription drug plan or Medicare Advantage special needs plan, medical assistance covers the co-payments in which the recipient is responsible for under the Medicare Part D prescription drug plan or Medicare Advantage special needs plan.

Sec. 2. **FEDERAL GOVERNMENT CHANGES.**

The commissioner of human services shall seek reimbursement from the federal government for funds expended by the state to provide drug coverage to medical assistance recipients who are enrolled or in the process of enrolling in Medicare Part D. The commissioner shall also continue to pursue federal changes to Medicare Part D to address lapses in drug coverage for medical assistance recipients who are enrolled in Medicare Part D but who are taking prescription drugs that are not included in the formularies used by the Medicare Part D drug plans that meet the low-income premium benchmark set for Minnesota or who are in the process of enrolling in a Medicare Part D prescription drug plan, or who are eligible for Medicare Part D, and in the process of enrolling."

Senators Berglin and Anderson introduced–

S.F. No. 3085: Referred to the Committee on Health and Family Security.

A bill for an act

relating to human services; creating a group residential pilot project.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **MENTAL HEALTH PILOT PROGRAM FOR UNSHELTERED INDIVIDUALS.**

Subdivision 1. **Pilot project program components.** The commissioner of human services shall establish two pilot projects, one in Ramsey County and one in Hennepin County, which shall:

(1) operate two ten-bed facilities in separate locations;

(2) provide community support to individuals who have been living homeless for at least one year;

(3) provide 24-hour supervision; and

(4) provide on-site mental health services which focus on the mental health needs of individuals who have lived unsheltered.

Subd. 2. **Group residential housing.** Notwithstanding Minnesota Statutes, section 256I.05, subdivisions 1a and 1c, a county agency shall negotiate a supplementary rate in addition to the rate specified in Minnesota Statutes, section 256I.05, subdivision 1, not to exceed $700 per month, including any legislatively authorized inflationary adjustments for a group residential program that meets the components under subdivision 1, and for the independent living component of the program under subdivision 3.

Subd. 3. **Independent living.** An individual who has lived in one of the facilities under subdivision 1, and who is being transitioned to independent living as part of the program plan, continues to be eligible for group residential housing and the supplementary service rate negotiated with the county under subdivision 2.

Subd. 4. **Effective date.** This section is effective July 1, 2006, through June 30, 2008.

Senate Counsel, Research, and Fiscal Analysis

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DIRECTOR

Senate

State of Minnesota

S.F. No. 3085 - Pilot Project for Unsheltered Individuals

Author: Senator Linda Berglin

Prepared by: Joan White, Senate Counsel (651/296-3814)

Date: April 3, 2006

S.F. 3085 establishes a mental health pilot project for individuals who have lived unsheltered for at least one year.

Subdivision 1 requires the commissioner of human services to establish two pilot projects, one in Ramsey County and one in Hennepin County, which must:

(1) operate two ten bed facilities;

(2) provide community support to individuals who have been homeless for at least one year;

(3) provide 24-hour supervision; and

(4) provide on-site mental health services, which focus on the mental health needs of individuals who have lived unsheltered.

Subdivision 2 requires the county to negotiate a group residential rate for the pilot programs.

Subdivision 3 provides that an individual who has lived at one of the pilot program facilities, who is being transitioned to independent living as part of the program plan, continues to be eligible for the group residential housing rate under subdivision 2.

JW:mvm

Fiscal Note – 2005-06 Session

Bill #: S3085-0 **Complete Date:** 03/23/06

Chief Author: BERGLIN, LINDA

Title: GROUP RESIDENTIAL PILOT PROJECT ESTD

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Human Services Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund		0	168	168	168
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund		0	168	168	168
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund		0	168	168	168
Total Cost <Savings> to the State		0	168	168	168

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Narrative: HF 3615/SF 3085

Bill Description

This bill provides for two 10-bed shelters that currently receive the GRH base room and board rate with a GRH Supplementary Service Rate of $700 per month. This bill also allows the Supplementary Service Rate to follow the GRH client upon relocation to an independent setting.

Assumptions

This bill will add a GRH supplementary service rate (Rate 2) to 20 GRH beds that currently only have the GRH base rate.

Expenditure and/or Revenue Formula

This bill will add a GRH supplementary service rate (Rate 2) of $700 per month to 20 beds that currently only have the GRH base rate. This is an exception to the moratorium on Rate 2 beds and adds 20 new Rate 2 beds to the system. These beds are now occupied and DHS presumably would begin paying the Rate 2 on existing clients beginning July 1, 2006. We assume a cost equal to 20 beds times $700 times 12 months ($168,000) for FY 2007 to FY 2009. In addition to the costs on these beds, each client that remains eligible for GRH and moves to another GRH setting would take the service rate of $700 with them to pay for necessary services to support them in a more independent setting.

This presents the possibility of some additional GRH costs, but we believe that this is not likely to happen very often; so we have not included any additional costs for this factor. Additionally, there is no mental health services impact, just the GRH costs, given that any mental Health services provided on site would have been provided in another setting, absent services being available in the program.

Long-term Fiscal Considerations

None

Local Government Costs

None

References/Sources

Duane Elg, DHS Community Partnerships Division
651-296-6004

Agency Contact Name: John Anderson 296-1257
FN Coord Signature: STEVE BARTA
Date: 03/22/06 Phone: 431-2916

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: DOUG GREEN
Date: 03/23/06 Phone: 286-5618

people incorporated

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Safe Haven Pilot Project

A Collaborative Project by People Incorporated and the University of Minnesota, Department of Psychiatry

- People Incorporated has provided community support to adults with mental illness in both Hennepin and Ramsey County for many years. We began serving unsheltered homeless adults in 1995.

- By the year 2000 we had relationships with several hundred adults who live without shelter in both counties. We realized that only when we established a venue which offered them housing with support, would we be able to serve these people adequately.

- After completing nationwide research on this issue, we determined that a small homelike atmosphere, attention to 24-hour safety and security of clients, and integrated mental health services would be key to assisting adults with mental illness make the transition from years of unsheltered homelessness into stability and long term housing.

- We then began a venture with the University of Minnesota Department of Psychiatry to develop a **Safe Haven** model that could be replicated throughout the United States. (The other Safe Havens we researched were hampered by a lack of collaboration between providers and psychiatrists.)

- **In 2005 People Incorporated completed a campaign which raised $1,000,000 from private funders to start this first of its kind program and opened Safe Havens in both counties.**

- Ten adults are served in each of the two separate houses; one located in Minneapolis and one in St. Paul. In three to nine months we move each client into the community providing intense one to one services for the three-year duration of the pilot project. At the end of three years we will have served approximately 120 clients.

- **The average cost of homelessness to the taxpayer is $40,500 per year in shelters, corrections, and health services** (University of Pennsylvania, 2005). If none of our clients return to homelessness, **this will be a savings to the taxpayer of approximately $4.89 million annually for 120 clients.**

- At the end of three years, faculty of the University of Minnesota and People Incorporated staff will submit presentations to regional and national meetings of organizations such as the American Psychiatric Association, the Institute of Psychiatric Services, and the National Alliance for the Mentally Ill (NAMI). Findings will also be submitted to journals for publication.

- We have secured a major portion of the funding to manage this project through a variety of federal, state, county, and private sources. However, in addition to these funds we need to receive the level 2 Group Residential Housing (GRH) rate for clients we serve in these programs who are currently only receiving the level 1 rate.

- The level 2 rate was authorized by the legislature last year for a handful of homeless shelters in Hennepin and Dakota Counties. However, this did not include funding for persons who are coming from the streets.

- **In addition to the current GRH level 1 rate we receive now to serve this population, this bill adds an additional $8,400 per individual per year, which should save an average of $32,100 per individual annually (University of Pennsylvania, 2005).**

A bill for an act

relating to insurance; conforming regulation of qualified long-term care insurance to requirements for state participation in the federal long-term care partnership program; amending state long-term care partnership program requirements; amending Minnesota Statutes 2004, sections 62S.05, by adding a subdivision; 62S.08, subdivision 3; 62S.081, subdivision 4; 62S.10, subdivision 2; 62S.13, by adding a subdivision; 62S.14, subdivision 2; 62S.15; 62S.20, subdivision 1; 62S.24, subdivisions 1, 3, 4, by adding subdivisions; 62S.25, subdivision 6, by adding a subdivision; 62S.26; 62S.266, subdivision 2; 62S.29, subdivision 1; 62S.30; Minnesota Statutes 2005 Supplement, section 256B.0571; proposing coding for new law in Minnesota Statutes, chapter 62S.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

QUALIFIED LONG-TERM CARE INSURANCE REGULATORY CHANGES

Section 1. Minnesota Statutes 2004, section 62S.05, is amended by adding a subdivision to read:

Subd. 4. **Extension of limitation periods.** The commissioner may extend the limitation periods set forth in subdivisions 1 and 2 as to specific age group categories in specific policy forms upon finding that the extension is in the best interest of the public.

Sec. 2. Minnesota Statutes 2004, section 62S.08, subdivision 3, is amended to read:

Subd. 3. **Mandatory format.** The following standard format outline of coverage must be used, unless otherwise specifically indicated:

COMPANY NAME
ADDRESS - CITY AND STATE
TELEPHONE NUMBER
LONG-TERM CARE INSURANCE
OUTLINE OF COVERAGE

Policy Number or Group Master Policy and Certificate Number

(Except for policies or certificates which are guaranteed issue, the following caution statement, or language substantially similar, must appear as follows in the outline of coverage.)

CAUTION: The issuance of this long-term care insurance (policy) (certificate) is based upon your responses to the questions on your application. A copy of your (application) (enrollment form) (is enclosed) (was retained by you when you applied). If your answers are incorrect or untrue, the company has the right to deny benefits or rescind your policy. The best time to clear up any questions is now, before a claim arises. If, for any reason, any of your answers are incorrect, contact the company at this address: (insert address).

(1) This policy is (an individual policy of insurance) (a group policy) which was issued in the (indicate jurisdiction in which group policy was issued).

(2) PURPOSE OF OUTLINE OF COVERAGE. This outline of coverage provides a very brief description of the important features of the policy. You should compare this outline of coverage to outlines of coverage for other policies available to you. This is not an insurance contract, but only a summary of coverage. Only the individual or group policy contains governing contractual provisions. This means that the policy or group policy sets forth in detail the rights and obligations of both you and the insurance company. Therefore, if you purchase this coverage, or any other coverage, it is important that you READ YOUR POLICY (OR CERTIFICATE) CAREFULLY.

(3) THIS PLAN IS INTENDED TO BE A QUALIFIED LONG-TERM CARE INSURANCE CONTRACT AS DEFINED UNDER SECTION 7702(B)(b) OF THE INTERNAL REVENUE CODE OF 1986.

(4) TERMS UNDER WHICH THE POLICY OR CERTIFICATE MAY BE CONTINUED IN FORCE OR DISCONTINUED.

(a) (For long-term care health insurance policies or certificates describe one of the following permissible policy renewability provisions:

(1) Policies and certificates that are guaranteed renewable shall contain the following statement:) RENEWABILITY: THIS POLICY (CERTIFICATE) IS GUARANTEED RENEWABLE. This means you have the right, subject to the terms of your policy, (certificate) to continue this policy as long as you pay your premiums on time. (company name) cannot change any of the terms of your policy on its own, except that, in the future, IT MAY INCREASE THE PREMIUM YOU PAY.

(2) (Policies and certificates that are noncancelable shall contain the following statement:) RENEWABILITY: THIS POLICY (CERTIFICATE) IS NONCANCELABLE.

This means that you have the right, subject to the terms of your policy, to continue this policy as long as you pay your premiums on time. (company name) cannot change any of the terms of your policy on its own and cannot change the premium you currently pay. However, if your policy contains an inflation protection feature where you choose to increase your benefits, (company name) may increase your premium at that time for those additional benefits.

(b) (For group coverage, specifically describe continuation/conversion provisions applicable to the certificate and group policy.)

(c) (Describe waiver of premium provisions or state that there are not such provisions.)

(5) TERMS UNDER WHICH THE COMPANY MAY CHANGE PREMIUMS.

(In bold type larger than the maximum type required to be used for the other provisions of the outline of coverage, state whether or not the company has a right to change the premium and, if a right exists, describe clearly and concisely each circumstance under which the premium may change.)

(6) TERMS UNDER WHICH THE POLICY OR CERTIFICATE MAY BE RETURNED AND PREMIUM REFUNDED.

(a) (Provide a brief description of the right to return – "free look" provision of the policy.)

(b) (Include a statement that the policy either does or does not contain provisions providing for a refund or partial refund of premium upon the death of an insured or surrender of the policy or certificate. If the policy contains such provisions, include a description of them.)

~~(5)~~ (7) THIS IS NOT MEDICARE SUPPLEMENT COVERAGE. If you are eligible for Medicare, review the Medicare Supplement Buyer's Guide available from the insurance company.

(a) (For agents) neither (insert company name) nor its agents represent Medicare, the federal government, or any state government.

(b) (For direct response) (insert company name) is not representing Medicare, the federal government, or any state government.

~~(6)~~ (8) LONG-TERM CARE COVERAGE. Policies of this category are designed to provide coverage for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance, or personal care services, provided in a setting other than an acute care unit of a hospital, such as in a nursing home, in the community, or in the home.

This policy provides coverage in the form of a fixed dollar indemnity benefit for covered long-term care expenses, subject to policy (limitations), (waiting periods), and (coinsurance) requirements. (Modify this paragraph if the policy is not an indemnity policy.)

~~(7)~~ (9) BENEFITS PROVIDED BY THIS POLICY.

(a) (Covered services, related deductible(s), waiting periods, elimination periods, and benefit maximums.)

(b) (Institutional benefits, by skill level.)

(c) (Noninstitutional benefits, by skill level.)

(d) (Eligibility for payment of benefits.)

(Activities of daily living and cognitive impairment shall be used to measure an insured's need for long-term care and must be defined and described as part of the outline of coverage.)

(Any benefit screens must be explained in this section. If these screens differ for different benefits, explanation of the screen should accompany each benefit description. If an attending physician or other specified person must certify a certain level of functional dependency in order to be eligible for benefits, this too must be specified. If activities of daily living (ADLs) are used to measure an insured's need for long-term care, then these qualifying criteria or screens must be explained.)

~~(8)~~ (10) LIMITATIONS AND EXCLUSIONS:

Describe:

(a) preexisting conditions;

(b) noneligible facilities/provider;

(c) noneligible levels of care (e.g., unlicensed providers, care or treatment provided by a family member, etc.);

(d) exclusions/exceptions; and

(e) limitations.

(This section should provide a brief specific description of any policy provisions which limit, exclude, restrict, reduce, delay, or in any other manner operate to qualify payment of the benefits described in paragraph ~~(6)~~ (8).)

THIS POLICY MAY NOT COVER ALL THE EXPENSES ASSOCIATED WITH YOUR LONG-TERM CARE NEEDS.

~~(9)~~ (11) RELATIONSHIP OF COST OF CARE AND BENEFITS. Because the costs of long-term care services will likely increase over time, you should consider whether and how the benefits of this plan may be adjusted. As applicable, indicate the following:

(a) that the benefit level will not increase over time;

(b) any automatic benefit adjustment provisions;

(c) whether the insured will be guaranteed the option to buy additional benefits and the basis upon which benefits will be increased over time if not by a specified amount or percentage;

(d) if there is such a guarantee, include whether additional underwriting or health screening will be required, the frequency and amounts of the upgrade options, and any significant restrictions or limitations; and

(e) whether there will be any additional premium charge imposed and how that is to be calculated.

~~(10)~~ (12) ALZHEIMER'S DISEASE AND OTHER ORGANIC BRAIN DISORDERS. (State that the policy provides coverage for insureds clinically diagnosed as having Alzheimer's disease or related degenerative and dementing illnesses. Specifically, describe each benefit screen or other policy provision which provides preconditions to the availability of policy benefits for such an insured.)

~~(11)~~ (13) PREMIUM.

(a) State the total annual premium for the policy.

(b) If the premium varies with an applicant's choice among benefit options, indicate the portion of annual premium which corresponds to each benefit option.

~~(12)~~ (14) ADDITIONAL FEATURES.

(a) Indicate if medical underwriting is used.

(b) Describe other important features.

(15) CONTACT THE STATE DEPARTMENT OF COMMERCE OR SENIOR LINKAGE LINE IF YOU HAVE GENERAL QUESTIONS REGARDING LONG-TERM CARE INSURANCE. CONTACT THE INSURANCE COMPANY IF YOU HAVE SPECIFIC QUESTIONS REGARDING YOUR LONG-TERM CARE INSURANCE POLICY OR CERTIFICATE.

Sec. 3. Minnesota Statutes 2004, section 62S.081, subdivision 4, is amended to read:

Subd. 4. **Forms.** An insurer shall use the forms in Appendices B (Personal Worksheet) and F (Potential Rate Increase Disclosure Form) of the Long-term Care Insurance Model Regulation adopted by the National Association of Insurance Commissioners to comply with the requirements of subdivisions 1 and 2.

Sec. 4. Minnesota Statutes 2004, section 62S.10, subdivision 2, is amended to read:

Subd. 2. **Contents.** The summary must include the following information:

(1) an explanation of how the long-term care benefit interacts with other components of the policy, including deductions from death benefits;

(2) an illustration of the amount of benefits, the length of benefits, and the guaranteed lifetime benefits, if any, for each covered person; ~~and~~

(3) any exclusions, reductions, and limitations on benefits of long-term care; and

(4) a statement that any long-term care inflation protection option required by section 62S.23 is not available under this policy.

Sec. 5. Minnesota Statutes 2004, section 62S.13, is amended by adding a subdivision to read:

Subd. 6. **Death of insured.** In the event of the death of the insured, this section shall not apply to the remaining death benefit of a life insurance policy that accelerates benefits for long-term care. In this situation, the remaining death benefits under these policies shall be governed by section 61A.03, subdivision 1, paragraph (c). In all other situations, this section shall apply to life insurance policies that accelerate benefits for long-term care.

Sec. 6. Minnesota Statutes 2004, section 62S.14, subdivision 2, is amended to read:

Subd. 2. **Terms.** The terms "guaranteed renewable" and "noncancelable" may not be used in an individual long-term care insurance policy without further explanatory language that complies with the disclosure requirements of section 62S.20. The term "level premium" may only be used when the insurer does not have the right to change the premium.

Sec. 7. Minnesota Statutes 2004, section 62S.15, is amended to read:

62S.15 AUTHORIZED LIMITATIONS AND EXCLUSIONS.

No policy may be delivered or issued for delivery in this state as long-term care insurance if the policy limits or excludes coverage by type of illness, treatment, medical condition, or accident, except as follows:

(1) preexisting conditions or diseases;

(2) mental or nervous disorders; except that the exclusion or limitation of benefits on the basis of Alzheimer's disease is prohibited;

(3) alcoholism and drug addiction;

(4) illness, treatment, or medical condition arising out of war or act of war; participation in a felony, riot, or insurrection; service in the armed forces or auxiliary units; suicide, attempted suicide, or intentionally self-inflicted injury; or non-fare-paying aviation; ~~and~~

(5) treatment provided in a government facility unless otherwise required by law, services for which benefits are available under Medicare or other government program except Medicaid, state or federal workers' compensation, employer's liability or occupational disease law, motor vehicle no-fault law; services provided by a member of the covered person's immediate family; and services for which no charge is normally made in the absence of insurance; and

(6) expenses for services or items available or paid under another long-term care insurance or health insurance policy.

This subdivision does not prohibit exclusions and limitations by type of provider or territorial limitations.

Sec. 8. Minnesota Statutes 2004, section 62S.20, subdivision 1, is amended to read:

Subdivision 1. **Renewability.** (a) Individual long-term care insurance policies must contain a renewability provision that is appropriately captioned, appears on the first page of the policy, and clearly states ~~the duration, where limited, of renewability and the duration of the term of coverage for which the policy is issued and for which it may be renewed~~ that the coverage is guaranteed renewable or noncancelable. This subdivision does not apply to policies which are part of or combined with life insurance policies which do not contain a renewability provision and under which the right to nonrenew is reserved solely to the policyholder.

(b) A long-term care insurance policy or certificate, other than one where the insurer does not have the right to change the premium, shall include a statement that premium rates may change.

Sec. 9. Minnesota Statutes 2004, section 62S.24, subdivision 1, is amended to read:

Subdivision 1. **Required questions.** An application form must include the following questions designed to elicit information as to whether, as of the date of the application, the applicant has another long-term care insurance policy or certificate in force or whether a long-term care policy or certificate is intended to replace any other accident and sickness or long-term care policy or certificate presently in force. A supplementary application or other form to be signed by the applicant and agent, except where the coverage is sold without an agent, containing the following questions may be used. If a replacement policy is issued to a group as defined under section 62S.01, subdivision 15, clause (1), the following questions may be modified only to the extent necessary to elicit information about long-term care insurance policies other than the group policy being replaced; provided, however, that the certificate holder has been notified of the replacement:

(1) do you have another long-term care insurance policy or certificate in force (including health care service contract or health maintenance organization contract)?;

(2) did you have another long-term care insurance policy or certificate in force during the last 12 months?;

(i) if so, with which company?; and

(ii) if that policy lapsed, when did it lapse?; ~~and~~

(3) are you covered by Medicaid?; and

(4) do you intend to replace any of your medical or health insurance coverage with this policy (certificate)?

Sec. 10. Minnesota Statutes 2004, section 62S.24, is amended by adding a subdivision to read:

Subd. 1a. **Other health insurance policies sold by agent.** Agents shall list all other health insurance policies they have sold to the applicant that are still in force or were sold in the past five years and are no longer in force.

Sec. 11. Minnesota Statutes 2004, section 62S.24, subdivision 3, is amended to read:

Subd. 3. **Solicitations other than direct response.** After determining that a sale will involve replacement, an insurer, other than an insurer using direct response solicitation methods or its agent, shall furnish the applicant, before issuance or delivery of the individual long-term care insurance policy, a notice regarding replacement of accident and sickness or long-term care coverage. One copy of the notice must be retained by the applicant and an additional copy signed by the applicant must be retained by the insurer. The required notice must be provided in the following manner:

NOTICE TO APPLICANT REGARDING REPLACEMENT OF INDIVIDUAL ACCIDENT AND SICKNESS OR LONG-TERM CARE INSURANCE

(Insurance company's name and address)

SAVE THIS NOTICE! IT MAY BE IMPORTANT TO YOU IN THE FUTURE.

According to (your application) (information you have furnished), you intend to lapse or otherwise terminate existing accident and sickness or long-term care insurance and replace it with an individual long-term care insurance policy to be issued by (company name) insurance company. Your new policy provides 30 days within which you may decide, without cost, whether you desire to keep the policy. For your own information and protection, you should be aware of and seriously consider certain factors which may affect the insurance protection available to you under the new policy.

You should review this new coverage carefully, comparing it with all accident and sickness or long-term care insurance coverage you now have, and terminate your present policy only if, after due consideration, you find that purchase of this long-term care coverage is a wise decision.

STATEMENT TO APPLICANT BY AGENT
(BROKER OR OTHER REPRESENTATIVE):
(Use additional sheets, as necessary.)

I have reviewed your current medical health insurance coverage. I believe the replacement of insurance involved in this transaction materially improves your position. My conclusion has taken into account the following considerations, which I call to your attention:

(a) Health conditions which you presently have (preexisting conditions) may not be immediately or fully covered under the new policy. This could result in denial or delay in payment of benefits under the new policy, whereas a similar claim might have been payable under your present policy.

(b) State law provides that your replacement policy or certificate may not contain new preexisting conditions or probationary periods. The insurer will waive any time periods applicable to preexisting conditions or probationary periods in the new policy (or coverage) for similar benefits to the extent such time was spent (depleted) under the original policy.

(c) If you are replacing existing long-term care insurance coverage, you may wish to secure the advice of your present insurer or its agent regarding the proposed replacement of your present policy. This is not only your right, but it is also in your best interest to make sure you understand all the relevant factors involved in replacing your present coverage.

(d) If, after due consideration, you still wish to terminate your present policy and replace it with new coverage, be certain to truthfully and completely answer all questions on the application concerning your medical health history. Failure to include all material medical information on an application may provide a basis for the company to deny any future claims and to refund your premium as though your policy had never been in force. After the application has been completed and before you sign it, reread it carefully to be certain that all information has been properly recorded.

.....

(Signature of Agent, Broker, or Other Representative)

(Typed Name and Address of Agency or Broker)

The above "Notice to Applicant" was delivered to me on:

.....
(Date)

.....
(Applicant's Signature)

Sec. 12. Minnesota Statutes 2004, section 62S.24, subdivision 4, is amended to read:

Subd. 4. **Direct response solicitations.** Insurers using direct response solicitation methods shall deliver a notice regarding replacement of long-term care coverage to the applicant upon issuance of the policy. The required notice must be provided in the following manner:

NOTICE TO APPLICANT REGARDING REPLACEMENT OF

ACCIDENT AND SICKNESS OR
LONG-TERM CARE INSURANCE

(Insurance company's name and address)

SAVE THIS NOTICE! IT MAY BE
IMPORTANT TO YOU IN THE FUTURE.

According to (your application) (information you have furnished), you intend to lapse or otherwise terminate existing accident and sickness or long-term care insurance and replace it with the long-term care insurance policy delivered herewith issued by (company name) insurance company.

Your new policy provides 30 days within which you may decide, without cost, whether you desire to keep the policy. For your own information and protection, you should be aware of and seriously consider certain factors which may affect the insurance protection available to you under the new policy.

You should review this new coverage carefully, comparing it with all long-term care insurance coverage you now have, and terminate your present policy only if, after due consideration, you find that purchase of this long-term care coverage is a wise decision.

(a) Health conditions which you presently have (preexisting conditions) may not be immediately or fully covered under the new policy. This could result in denial or delay in payment of benefits under the new policy, whereas a similar claim might have been payable under your present policy.

(b) State law provides that your replacement policy or certificate may not contain new preexisting conditions or probationary periods. Your insurer will waive any time periods applicable to preexisting conditions or probationary periods in the new policy (or coverage) for similar benefits to the extent such time was spent (depleted) under the original policy.

(c) If you are replacing existing long-term care insurance coverage, you may wish to secure the advice of your present insurer or its agent regarding the proposed replacement of

your present policy. This is not only your right, but it is also in your best interest to make sure you understand all the relevant factors involved in replacing your present coverage.

(d) (To be included only if the application is attached to the policy.)

If, after due consideration, you still wish to terminate your present policy and replace it with new coverage, read the copy of the application attached to your new policy and be sure that all questions are answered fully and correctly. Omissions or misstatements in the application could cause an otherwise valid claim to be denied. Carefully check the application and write to (company name and address) within 30 days if any information is not correct and complete, or if any past medical history has been left out of the application.

.....
(Company Name)

Sec. 13. Minnesota Statutes 2004, section 62S.24, is amended by adding a subdivision to read:

Subd. 7. **Life insurance policies.** Life insurance policies that accelerate benefits for long-term care shall comply with this section if the policy being replaced is a long-term care insurance policy. If the policy being replaced is a life insurance policy, the insurer shall comply with the replacement requirements of sections 61A.53 to 61A.60. If a life insurance policy that accelerates benefits for long-term care is replaced by another such policy, the replacing insurer shall comply with both the long-term care and the life insurance replacement requirements.

Sec. 14. Minnesota Statutes 2004, section 62S.25, subdivision 6, is amended to read:

Subd. 6. **Claims denied.** Each insurer shall report annually by June 30 the number of claims denied for any reason during the reporting period for each class of business, expressed as a percentage of claims denied, other than claims denied for failure to meet the waiting period or because of any applicable preexisting condition. For purposes of this subdivision, "claim" means a request for payment of benefits under an in-force policy regardless of whether the benefit claimed is covered under the policy or any terms or conditions of the policy have been met.

Sec. 15. Minnesota Statutes 2004, section 62S.25, is amended by adding a subdivision to read:

Subd. 7. **Reports.** Reports under this section shall be done on a statewide basis and filed with the commissioner. They shall include, at a minimum, the information in the format contained in Appendix E (Claim Denial Reporting Form) and in Appendix G

(Replacement and Lapse Reporting Form) of the Long-Term Care Model Regulation adopted by the National Association of Insurance Commissioners.

Sec. 16. Minnesota Statutes 2004, section 62S.26, is amended to read:

62S.26 LOSS RATIO.

Subdivision 1. **Minimum loss ratio.** ~~(a)~~ The minimum loss ratio must be at least 60 percent, calculated in a manner which provides for adequate reserving of the long-term care insurance risk. In evaluating the expected loss ratio, the commissioner shall give consideration to all relevant factors, including:

(1) statistical credibility of incurred claims experience and earned premiums;

(2) the period for which rates are computed to provide coverage;

(3) experienced and projected trends;

(4) concentration of experience within early policy duration;

(5) expected claim fluctuation;

(6) experience refunds, adjustments, or dividends;

(7) renewability features;

(8) all appropriate expense factors;

(9) interest;

(10) experimental nature of the coverage;

(11) policy reserves;

(12) mix of business by risk classification; and

(13) product features such as long elimination periods, high deductibles, and high maximum limits.

Subd. 2. **Life insurance policies.** Subdivision 1 shall not apply to life insurance policies that accelerate benefits for long-term care. A life insurance policy that funds long-term care benefits entirely by accelerating the death benefit is considered to provide reasonable benefits in relation to premiums paid, if the policy complies with all of the following provisions:

(1) the interest credited internally to determine cash value accumulations, including long-term care, if any, are guaranteed not to be less than the minimum guaranteed interest rate for cash value accumulations without long-term care set forth in the policy;

(2) the portion of the policy that provides life insurance benefits meets the nonforfeiture requirements of section 61A.24;

(3) the policy meets the disclosure requirements of sections 62S.09, 62S.10, and 62S.11; and

(4) an actuarial memorandum is filed with the commissioner that includes:

(i) a description of the basis on which the long-term care rates were determined;

(ii) a description of the basis for the reserves;

(iii) a summary of the type of policy, benefits, renewability, general marketing method, and limits on ages of issuance;

(iv) a description and a table of each actuarial assumption used. For expenses, an insurer must include percentage of premium dollars per policy and dollars per unit of benefits, if any;

(v) a description and a table of the anticipated policy reserves and additional reserves to be held in each future year for active lives;

(vi) the estimated average annual premium per policy and the average issue age;

(vii) a statement as to whether underwriting is performed at the time of application. The statement shall indicate whether underwriting is used and, if used, the statement shall include a description of the type or types of underwriting used, such as medical underwriting or functional assessment underwriting. Concerning a group policy, the statement shall indicate whether the enrollee or any dependent will be underwritten and when underwriting occurs; and

(viii) a description of the effect of the long-term care policy provision on the required premiums, nonforfeiture values, and reserves on the underlying life insurance policy, both for active lives and those in long-term care claim status.

Subd. 3. **Nonapplication.** ~~(b)~~ This section does not apply to policies or certificates that are subject to sections 62S.021, 62S.081, and 62S.265, and that comply with those sections.

Sec. 17. Minnesota Statutes 2004, section 62S.266, subdivision 2, is amended to read:

Subd. 2. **Requirement.** (a) An insurer must offer each prospective policyholder a nonforfeiture benefit in compliance with the following requirements:

(1) a policy or certificate offered with nonforfeiture benefits must have coverage elements, eligibility, benefit triggers, and benefit length that are the same as coverage to be issued without nonforfeiture benefits. The nonforfeiture benefit included in the offer must be the benefit described in subdivision 5; and

(2) the offer must be in writing if the nonforfeiture benefit is not otherwise described in the outline of coverage or other materials given to the prospective policyholder.

(b) When a group long-term care insurance policy is issued, the offer required in paragraph (a) shall be made to the group policy holder. However, if the policy is issued as group long-term care insurance as defined in section 62S.01, subdivision 15, clause (4),

other than to a continuing care retirement community or other similar entity, the offering shall be made to each proposed certificate holder.

Sec. 18. Minnesota Statutes 2004, section 62S.29, subdivision 1, is amended to read:

Subdivision 1. **Requirements.** An insurer or other entity marketing long-term care insurance coverage in this state, directly or through its producers, shall:

(1) establish marketing procedures and agent training requirements to assure that ~~a~~ any marketing activities, including any comparison of policies by its agents or other producers, are fair and accurate;

(2) establish marketing procedures to assure excessive insurance is not sold or issued;

(3) display prominently by type, stamp, or other appropriate means, on the first page of the outline of coverage and policy, the following:

"Notice to buyer: This policy may not cover all of the costs associated with long-term care incurred by the buyer during the period of coverage. The buyer is advised to review carefully all policy limitations.";

(4) provide copies of the disclosure forms required in section 62S.081, subdivision 4, to the applicant;

(5) inquire and otherwise make every reasonable effort to identify whether a prospective applicant or enrollee for long-term care insurance already has long-term care insurance and the types and amounts of the insurance;

~~(5)~~ (6) establish auditable procedures for verifying compliance with this subdivision; ~~and~~

~~(6)~~ (7) if applicable, provide written notice to the prospective policyholder and certificate holder, at solicitation, that a senior insurance counseling program approved by the commissioner is available and the name, address, and telephone number of the program;

(8) use the terms "noncancelable" or "level premium" only when the policy or certificate conforms to section 62S.14; and

(9) provide an explanation of contingent benefit upon lapse provided for in section 62S.266.

Sec. 19. Minnesota Statutes 2004, section 62S.30, is amended to read:

62S.30 ~~APPROPRIATENESS OF RECOMMENDED PURCHASE~~ SUITABILITY.

~~In recommending the purchase or replacement of a long-term care insurance policy or certificate, an agent shall comply with section 60K.46, subdivision 4.~~

Subdivision 1. **Standards.** Every insurer or other entity marketing long-term care insurance shall:

(1) develop and use suitability standards to determine whether the purchase or replacement of long-term care insurance is appropriate for the needs of the applicant;

(2) train its agents in the use of its suitability standards; and

(3) maintain a copy of its suitability standards and make them available for inspection upon request by the commissioner.

Subd. 2. **Procedures.** (a) To determine whether the applicant meets the standards developed by the insurer or other entity marketing long-term care insurance, the agent and insurer or other entity marketing long-term care insurance shall develop procedures that take the following into consideration:

(1) the ability to pay for the proposed coverage and other pertinent financial information related to the purchase of the coverage;

(2) the applicant's goals or needs with respect to long-term care and the advantages and disadvantages of insurance to meet those goals or needs; and

(3) the values, benefits, and costs of the applicant's existing insurance, if any, when compared to the values, benefits, and costs of the recommended purchase or replacement.

(b) The insurer or other entity marketing long-term care insurance, and where an agent is involved, the agent, shall make reasonable efforts to obtain the information set forth in paragraph (a). The efforts shall include presentation to the applicant, at or prior to application, of the "Long-Term Care Insurance Personal Worksheet." The personal worksheet used by the insurer or other entity marketing long-term care insurance shall contain, at a minimum, the information in the format contained in Appendix B of the Long-Term Care Model Regulation adopted by the National Association of Insurance Commissioners, in not less than 12-point type. The insurer or other entity marketing long-term care insurance may request the applicant to provide additional information to comply with its suitability standards. The insurer or other entity marketing long-term care insurance shall file a copy of its personal worksheet with the commissioner.

(c) A completed personal worksheet shall be returned to the insurer or other entity marketing long-term care insurance prior to consideration of the applicant for coverage, except the personal worksheet need not be returned for sales of employer group long-term care insurance to employees and their spouses. The sale or dissemination by the insurer or other entity marketing long-term care insurance, or the agent, of information obtained through the personal worksheet, is prohibited.

(d) The insurer or other entity marketing long-term care insurance shall use the suitability standards it has developed under this section in determining whether issuing

long-term care insurance coverage to an applicant is appropriate. Agents shall use the suitability standards developed by the insurer or other entity marketing long-term care insurance in marketing long-term care insurance.

(e) At the same time as the personal worksheet is provided to the applicant, the disclosure form entitled "Things You Should Know Before You Buy Long-Term Care Insurance" shall be provided. The form shall be in the format contained in Appendix C of the Long-Term Care Insurance Model Regulation adopted by the National Association of Insurance Commissioners in not less than 12-point type.

(f) If the insurer or other entity marketing long-term care insurance determines that the applicant does not meet its financial suitability standards, or if the applicant has declined to provide the information, the insurer or other entity marketing long-term care insurance may reject the application. In the alternative, the insurer or other entity marketing long-term care insurance shall send the applicant a letter similar to Appendix D of the Long-Term Care Insurance Model Regulation adopted by the National Association of Insurance Commissioners. However, if the applicant has declined to provide financial information, the insurer or other entity marketing long-term care insurance may use some other method to verify the applicant's intent. The applicant's returned letter or a record of the alternative method of verification shall be made part of the applicant's file.

Subd. 3. **Reports.** The insurer or other entity marketing long-term care insurance shall report annually to the commissioner the total number of applications received from residents of this state, the number of those who declined to provide information on the personal worksheet, the number of applicants who did not meet the suitability standards, and the number of those who chose to confirm after receiving a suitability letter.

Subd. 4. **Application.** This section shall not apply to life insurance policies that accelerate benefits for long-term care.

Sec. 20. **[62S.315] PRODUCER TRAINING.**

The commissioner shall approve insurer and producer training requirements in accordance with the NAIC Long-Term Care Insurance Model Act provisions. The commissioner of human services shall provide technical assistance and information to the commissioner in accordance with Public Law 109-171, section 6021.

Sec. 21. **EFFECTIVE DATE.**

Sections 1 to 20 are effective July 1, 2006.

ARTICLE 2

LONG-TERM CARE PARTNERSHIP PROGRAM

Section 1. Minnesota Statutes 2005 Supplement, section 256B.0571, is amended to read:

256B.0571 LONG-TERM CARE PARTNERSHIP PROGRAM.

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given them.

~~Subd. 2. **Home care service.** "Home care service" means care described in section 144A.43.~~

Subd. 3. **Long-term care insurance.** "Long-term care insurance" means a policy described in section 62S.01.

Subd. 4. **Medical assistance.** "Medical assistance" means the program of medical assistance established under section 256B.01.

~~Subd. 5. **Nursing home.** "Nursing home" means a nursing home as described in section 144A.01.~~

Subd. 6. **Partnership policy.** "Partnership policy" means a long-term care insurance policy that meets the requirements under subdivision 10 ~~or 11, regardless of when the policy~~ and was ~~first~~ issued on or after the effective date of the state plan amendment.

Subd. 7. **Partnership program.** "Partnership program" means the Minnesota partnership for long-term care program established under this section.

Subd. 7a. **Protected assets.** "Protected assets" means assets or proceeds of assets that are protected from recovery under subdivisions 13 and 15.

Subd. 8. **Program established.** (a) The commissioner, in cooperation with the commissioner of commerce, shall establish the Minnesota partnership for long-term care program to provide for the financing of long-term care through a combination of private insurance and medical assistance.

(b) An individual who meets the requirements in this paragraph is eligible to participate in the partnership program. The individual must:

(1) be a Minnesota resident at the time coverage first became effective under the partnership policy;

(2) ~~purchase a partnership policy that is delivered, issued for delivery, or renewed on or after the effective date of Laws 2005, First Special Session chapter 4, article 7, section 5, and maintain the partnership policy in effect throughout the period of participation in the partnership program~~ be a beneficiary of a partnership policy issued no earlier than July 1, 2006; and

(3) ~~exhaust the minimum~~ have exhausted all of the benefits under the partnership policy as described in this section. Benefits received under a long-term care insurance policy before ~~the effective date of Laws 2005, First Special Session chapter 4, article 7, section 5~~ July 1, 2006, do not count toward the exhaustion of benefits required in this subdivision.

Subd. 9. **Medical assistance eligibility.** (a) Upon application ~~of~~ for medical assistance program payment of long-term care services by an individual who meets the requirements described in subdivision 8, the commissioner shall determine the individual's eligibility for medical assistance according to paragraphs (b) ~~and (c)~~ to (i).

(b) After ~~disregarding financial~~ determining assets ~~exempted under medical assistance eligibility requirements~~ subject to the asset limit under section 256B.056, subdivision 3 or 3c, or section 256B.057, subdivision 9 or 10, the commissioner shall ~~disregard an additional amount of financial assets equal~~ allow the individual to designate assets to be protected from recovery under subdivisions 13 and 15 of this section up to the dollar amount of ~~coverage~~ the benefits utilized under the partnership policy. Designated assets shall be disregarded for purposes of determining eligibility for payment of long-term care services.

(c) ~~The commissioner shall consider the individual's income according to medical assistance eligibility requirements.~~ The individual shall identify the designated assets and the full fair market value of those assets and designate them as assets to be protected at the time of initial application for medical assistance. The full fair market value of real property or interests in real property shall be based on the most recent full assessed value for property tax purposes for the real property, unless the individual provides a complete professional appraisal by a licensed appraiser to establish the full fair market value. The extent of a life estate in real property shall be determined using the life estate table in the health care program's manual. Ownership of any asset in joint tenancy shall be treated as ownership as tenants in common for purposes of its designation as a disregarded asset. The unprotected value of any protected asset is subject to estate recovery according to subdivisions 13 and 15.

(d) The right to designate assets to be protected is personal to the individual and ends when the individual dies, except as otherwise provided in subdivisions 13 and 15. It does not include the increase in the value of the protected asset and the income, dividends, or profits from the asset. It may be exercised by the individual or by anyone with the legal authority to do so on the individual's behalf. It shall not be sold, assigned, transferred, or given away.

(e) If the dollar amount of the benefits utilized under a partnership policy is greater than the full fair market value of all assets protected at the time of the application for medical assistance long-term care services, the individual may designate additional assets that become available during the individual's lifetime for protection under this section. The individual must make the designation in writing to the county agency no later than the last date on which the individual must report a change in circumstances to the county agency, as provided for under the medical assistance program. Any excess used for this purpose shall not be available to the individual's estate to protect assets in the estate from recovery under section 256B.15, section 524.3-1202, or otherwise.

(f) This section applies only to estate recovery under United States Code, title 42, section 1496p, subsections (a) and (b), and does not apply to recovery authorized by other provisions of federal law, including, but not limited to, recovery from trusts under United States Code, title 42, section 1396p, subsection (d)(4)(A) and (C), or to recovery from annuities, or similar legal instruments, subject to section 6012, subsections (a) and (b), of the Deficit Reduction Act of 2005, Public Law 109-171.

(g) An individual's protected assets owned by the individual's spouse who applies for payment of medical assistance long-term care services shall not be protected assets or disregarded for purposes of eligibility of the individual's spouse solely because they were protected assets of the individual.

(h) Assets designated under this subdivision shall not be subject to penalty under section 256B.0595.

(i) The commissioner shall otherwise determine the individual's eligibility for payment of long-term care services according to medical assistance eligibility requirements.

Subd. 10. ~~**Dollar-for-dollar asset protection policies**~~ **Long-term care partnership policy inflation protection.** ~~(a) A dollar-for-dollar asset protection policy must meet all of the requirements in paragraphs (b) to (e).~~

~~(b) The policy must satisfy the requirements of chapter 62S.~~

~~(c) The policy must offer an elimination period of not more than 180 days for an adjusted premium.~~

~~(d) The policy must satisfy the requirements established by the commissioner of human services under subdivision 14.~~

~~(e) Minimum daily benefits shall be $130 for nursing home care or $65 for home care, with inflation protection provided in the policy as described in section 62S.23, subdivision 1, clause (1). These minimum daily benefit amounts shall be adjusted by the commissioner on October 1 of each year by a percentage equal to the inflation protection~~

~~feature described in section 62S.23, subdivision 1, clause (1), for purposes of setting minimum requirements that a policy must meet in future years in order to initially qualify as an approved policy under this subdivision. Adjusted minimum daily benefit amounts shall be rounded to the nearest whole dollar.~~ A long-term care partnership policy must provide the inflation protection described in this subdivision. If the policy is sold to an individual who:

(1) has not attained age 61 as of the date of purchase, the policy must provide compound annual inflation protection;

(2) has attained age 61, but has not attained age 76 as of such date, the policy must provide some level of inflation protection; and

(3) has attained age 76 as of such date, the policy may, but is not required to, provide some level of inflation protection.

~~Subd. 11. **Total asset protection policies.** (a) A total asset protection policy must meet all of the requirements in subdivision 10, paragraphs (b) to (d), and this subdivision.~~

~~(b) Minimum coverage shall be for a period of not less than three years and for a dollar amount equal to 36 months of nursing home care at the minimum daily benefit rate determined and adjusted under paragraph (c).~~

~~(c) Minimum daily benefits shall be $150 for nursing home care or $75 for home care, with inflation protection provided in the policy as described in section 62S.23, subdivision 1, clause (1). These minimum daily benefit amounts shall also be adjusted by the commissioner on October 1 of each year by a percentage equal to the inflation protection feature described in section 62S.23, subdivision 1, clause (1), for purposes of setting minimum requirements that a policy must meet in future years in order to initially qualify as an approved policy under this subdivision. Adjusted minimum daily benefit amounts shall be rounded to the nearest whole dollar.~~

~~(d) The policy must cover all of the following services:~~

~~(1) nursing home stay;~~

~~(2) home care service; and~~

~~(3) care management.~~

Subd. 12. **Compliance with federal law.** An issuer of a partnership policy must comply with ~~any federal law authorizing partnership policies in Minnesota~~ Public Law 109-171, section 6021, including any federal regulations, as amended, adopted under that law. ~~This subdivision does not require compliance with any provision of this federal law until the date upon which the law requires compliance with the provision. The commissioner has authority to enforce this subdivision.~~

Subd. 13. **Limitations on estate recovery.** (a) ~~For an individual who exhausts the minimum benefits of a dollar-for-dollar asset protection policy under subdivision 10, and is determined eligible for medical assistance under subdivision 9, the state shall limit recovery under the provisions of section 256B.15 against the estate of the individual or individual's spouse for medical assistance benefits received by that individual to an amount that exceeds the dollar amount of coverage utilized under the partnership policy.~~ Protected assets of the individual shall not be subject to recovery under section 256B.15 or section 524.3-1201 for medical assistance or alternative care paid on behalf of the individual. Protected assets of the individual in the estate of the individual's surviving spouse shall not be liable to pay a claim for recovery of medical assistance paid for the predeceased individual that is filed in the estate of the surviving spouse under section 256B.15. Protected assets of the individual shall not be protected assets in the surviving spouse's estate by reason of the preceding sentence and shall be subject to recovery under section 256B.15 or section 524.3-1201 for medical assistance paid on behalf of the surviving spouse.

(b) ~~For an individual who exhausts the minimum benefits of a total asset protection policy under subdivision 11, and is determined eligible for medical assistance under subdivision 9, the state shall not seek recovery under the provisions of section 256B.15 against the estate of the individual or individual's spouse for medical assistance benefits received by that individual.~~ The personal representative may protect the full fair market value of an individual's unprotected assets in the individual's estate in an amount equal to the unused amount of asset protection the individual had on the date of death. The personal representative shall apply the asset protection so that the full fair market value of any unprotected asset in the estate is protected. When or if the asset protection available to the personal representative is or becomes less than the full fair market value of any remaining unprotected asset, it shall be applied to partially protect one unprotected asset.

(c) The asset protection described in paragraph (a) terminates with respect to an asset includable in the individual's estate under chapter 524 or section 256B.15:

(1) when the estate distributes the asset; or

(2) if the estate of the individual has not been probated within one year from the date of death.

(d) If an individual owns a protected asset on the date of death and the estate is opened for probate more than one year after death, the state or a county agency may file and collect claims in the estate under section 256B.15, and no statute of limitations in chapter 524 that would otherwise limit or bar the claim shall apply.

(e) Except as otherwise provided, nothing in this section shall limit or prevent recovery of medical assistance.

Subd. 14. **Implementation.** ~~(a) If federal law is amended or a federal waiver is granted to permit implementation of this section, the commissioner, in consultation with the commissioner of commerce, may alter the requirements of subdivisions 10 and 11, and may establish additional requirements for approved policies in order to conform with federal law or waiver authority. In establishing these requirements, the commissioner shall seek to maximize purchase of qualifying policies by Minnesota residents while controlling medical assistance costs.~~

~~(b) The commissioner is authorized to suspend implementation of this section until the next session of the legislature if the commissioner, in consultation with the commissioner of commerce, determines that the federal legislation or federal waiver authorizing a partnership program in Minnesota is likely to impose substantial unforeseen costs on the state budget.~~

~~(c) The commissioner must take action under paragraph (a) or (b) within 45 days of final federal action authorizing a partnership policy in Minnesota.~~

~~(d) The commissioner must notify the appropriate legislative committees of action taken under this subdivision within 50 days of final federal action authorizing a partnership policy in Minnesota.~~

~~(e) The commissioner must publish a notice in the State Register of implementation decisions made under this subdivision as soon as practicable.~~ The commissioner shall submit a state plan amendment to the federal government to implement the long-term care partnership program in accordance with this section.

Subd. 15. **Limitations on liens.** (a) If the interest of an individual in real property is designated as protected under subdivision 9 or is protected property in the estate of the individual and is subject to a medical assistance lien under sections 514.980 to 514.985, or a lien arising under section 256B.15, the gross proceeds from the gross sale price of any sale of the property by that individual or the individual's estate that are allocable to the protected interest are not subject to recovery of medical assistance under the lien.

(b) Paragraph (a) applies to protected real property to the extent an heir or devisee of the estate of the individual owns the protected property or an interest in the protected property in the individual's own name when the individual sells it. Paragraph (a) does not apply to any of the heirs, successors, assigns, or transferees of those individuals.

Subd. 16. **Burden of proof.** Any individual or the personal representative of the individual's estate who asserts that an asset is a disregarded or protected asset under this section in connection with any determination of eligibility for benefits under the

medical assistance program or any appeal, case, controversy, or other proceedings, shall have the initial burden of:

(1) documenting and proving by convincing evidence that the asset or source of funds for the asset in question was designated as disregarded or protected;

(2) tracing the asset and the proceeds of the asset from that time forward; and

(3) documenting that the asset or proceeds of the asset remained disregarded or protected at all relevant times.

EFFECTIVE DATE. This section is effective July 1, 2006.

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State of Minnesota

S.F. No. 2898 - Long-Term Care Partnership Program (second engrossment)

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Christopher B. Stango, Senate Counsel (296-0539)

Date: April 3, 2006

S.F. No. 2898 modifies state law as required by recent federal legislation in order to allow implementation of a Long-Term Care Partnership Program under which persons who exhaust the benefits of a qualifying long-term care insurance policy are permitted, when applying for Medical Assistance (MA) payment of long-term care services, to protect from MA recovery an amount of assets equal to the policy benefits utilized.

Article 1
Qualified Long-Term Care Insurance Regulatory Changes

This article modifies Chapter 62S, which regulates long-term care insurance in Minnesota. All of the changes are mandated by federal law in order to permit the state to implement the long-term care partnership program. The most significant changes are to (1) increase consumer disclosures; (2) require development of product suitability standards; and (3) require new insurance agent training. Numerous technical regulatory changes are made to reflect the current National Association of Insurance Commissioners (NAIC) model law.

Section 1 (62S.05, subdivision 4) allows the Commissioner of Commerce to extend the six-month pre-existing condition limitations period as to specific age group categories upon finding the extension is in the best interest of the public.

Section 2 (62S.08, subdivision 3) adds language to the standard format outline of coverage related to policy renewability provisions and terms under which the company may change premiums. Also gives resources for consumer questions.

Section 3 (62S.081, subdivision 4) names the referenced forms.

Section 4 (62S.10, subdivision 2) specifies that a summary for an individual life insurance policy that provides long-term care benefits by rider must include a statement that the long-term care inflation protection option required by section 62S.23 is not available under that policy.

Section 5 (62S.13, subdivision 6) provides that the contestability provisions of this section shall not apply to the remaining death benefit of a life insurance policy that accelerates benefits for long-term care. In that situation, the remaining death benefits are governed by the contestability provisions of the life insurance statutes.

Section 6 (62S.14, subdivision 2) provides that the term "level premium" may only be used when the insurer does not have the right to change the premium.

Section 7 (62S.15) specifies that a policy may exclude coverage for expenses for services or items available or paid under another long-term care insurance policy or health insurance policy.

Section 8 (62S.20, subdivision 1) requires a long-term care insurance policy to include a statement that coverage is guaranteed renewable or noncancelable and a statement that premium rates may change if the insurer has the right to change the premium.

Section 9 (62S.24, subdivision 1) modifies required questions on the application form.

Section 10 (62S.24, subdivision 1a) requires agents to list on the application form all other health insurance policies they have sold to the applicant that are still in force or were sold in the past five years and are no longer in force.

Sections 11 (62S.24, subdivision 3) and 12 (62S.24, subdivision 4) modify language in the notice required if replacement coverage is involved in a sale of long-term care insurance.

Section 13 (62S.24, subdivision 7) requires that life insurance policies that accelerate benefits for long-term care comply with the section related to application forms and replacement coverage if the policy being replaced is a long-term care insurance policy. If the policy being replaced is a life insurance policy, the insurer shall comply with replacement requirements of the life insurance statutes. If a life insurance policy that accelerates benefits for long-term care is replaced by another policy, the insurer must comply with both the long-term care and the life insurance replacement requirements.

Section 14 (62S.25, subdivision 6) provides a definition of "claim" for purposes of insurer reporting.

Section 15 (62S.25, subdivision 7) specifies the form of required reports on claim denial and replacement and lapse.

Section 16 (62S.26) provides that minimum loss ratio requirements do not apply to life insurance policies that accelerate benefits for long-term care if the policy complies with specified provisions, including the filing of an actuarial memorandum with the commissioner.

Section 17 (62S.266, subdivision 2) specifies nonforfeiture benefit offer requirements for group long-term care policies.

Section 18 (62S.29, subdivision 1) requires insurers to establish agent training requirements to assure that marketing activities are fair and accurate. Requires copies of specified disclosure forms be provided to the applicant along with an explanation of contingent benefit upon lapse.

Section 19 (62S.30) requires every insurer marketing long-term care insurance to develop and use suitability standards to determine whether the purchase of long-term care insurance is appropriate for the needs of the applicant and to train its agents in the use of the standards. Requires the agent to obtain detailed information from the applicant and fill out a long-term care insurance personal worksheet. Requires insurer reporting.

Section 20 (62S.315) requires the Commissioner of Commerce to approve insurer and producer training requirements in accordance with the NAIC Model Act.

Section 21 makes article 1 effective July 1, 2006.

Article 2
Long-Term Care Partnership Program

Section 1 (256B.0571) modifies the Partnership Program adopted last year in order to comply with recent federal law.

> **Subdivisions 1 to 7a** delete several unneeded definitions; clarify that a Partnership Policy must be issued on or after the effective date of the state plan amendment, and add a definition of "protected assets."
>
> **Subdivision 8** clarifies that in order to participate in the Partnership Program, a person must be a Minnesota resident at the time coverage first becomes effective under a partnership policy and that the policy must be issued no earlier than July 1, 2006. This subdivision deletes a reference to minimum policy benefits, which are removed later in this section, and requires a person to exhaust all policy benefits in order to receive asset protection under the MA program.
>
> **Subdivision 9** establishes procedures for allowing qualifying individuals, when applying for MA payment of long-term care services, to designate protected assets, including the determination of market value, valuation of life estates and joint tenancies, and the extent of and limits on the right to protect assets. Protection does not apply to recovery from trusts or annuities and similar legal instruments.

Subdivision 10 deletes policy requirements not allowed under federal law and establishes inflation protection required by federal law.

Subdivision 11 is stricken. It authorized "total asset protection policies," which are not permitted under federal law.

Subdivision 12 updates a reference to applicable federal law.

Subdivision 13 modifies the language placing limits on MA estate recovery. It states that protected assets are not subject to MA estate claims nor to the collection procedure for small claims under the uniform probate code. However, protected assets do not continue to be protected in the surviving spouse's estate if the surviving spouse also receives MA benefits. This subdivision requires personal representatives to use the value of available asset protection to protect the full value of each protected asset to the extent possible, rather than partially protecting a larger number of assets. The asset protection expires when the estate distributes an asset or if the estate is not probated within one year of death.

Subdivision 14 requires DHS to submit a state plan amendment to the federal government to implement the Partnership Program in accordance with this section.

Subdivision 15 exempts protected assets from the MA lien law to the extent the heir owns the property in the heir's own name. This protection does not apply once the heir disposes of the property or dies.

Subdivision 16 places the burden of proof on the individual or the individual's estate to document that an asset has been protected and remains protected.

DG/CBS:rdr/cs

Consolidated Fiscal Note – 2005-06 Session

Bill #: S2898-1A **Complete Date:** 04/03/06

Chief Author: BERGLIN, LINDA

Title: LONG-TERM CARE INS & PARTNERSHIP

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agencies: Human Services Dept (04/03/06) Commerce (03/24/06)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
General Fund		0	2,051	177	177
Human Services Dept		0	2,051	177	177
Revenues					
General Fund		0	67	64	64
Human Services Dept		0	67	64	64
Net Cost <Savings>					
General Fund		0	1,984	113	113
Human Services Dept		0	1,984	113	113
Total Cost <Savings> to the State		0	1,984	113	113

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
General Fund		0.00	2.50	2.50	2.50
Human Services Dept		0.00	2.50	2.50	2.50
Total FTE		0.00	2.50	2.50	2.50

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: DOUG GREEN
Date: 04/03/06 Phone: 286-5618

Fiscal Note – 2005-06 Session

Bill #: S2898-1A **Complete Date:** 04/03/06

Chief Author: BERGLIN, LINDA

Title: LONG-TERM CARE INS & PARTNERSHIP

Agency Name: Human Services Dept

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund		0	2,051	177	177
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund		0	2,051	177	177
Revenues					
General Fund		0	67	64	64
Net Cost <Savings>					
General Fund		0	1,984	113	113
Total Cost <Savings> to the State		0	1,984	113	113

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
General Fund		0.00	2.50	2.50	2.50
Total FTE		0.00	2.50	2.50	2.50

Narrative: SF 2898-1A

Bill Description

This bill provides conforming regulations in §62S for long-term care insurance to requirements for state participation in the federal long-term care (LTC) partnership program and amends the state long-term care partnership program requirements in §256B.0571 to conform to federal requirements under Public Law 109-171. The LTC partnership program allows an individual to disregard assets in an amount equal to the benefits utilized under a qualified LTC insurance policy from consideration at the time they request Medical Assistance (MA) payment of LTC services. The same assets disregarded from consideration for purposes of eligibility for MA payment of LTC services is also disregarded for estate recovery purposes.

Section 1, Subd. 14 is amended to delete all previous instructions related to implementation of a partnership program upon federal approval and substitutes the requirement that the commissioner submit a state plan amendment by September 30, 2006.

Assumptions

Based on the fact that an individual must first purchase, exhaust benefits, and then apply for MA, there are unlikely to be consequential effects by FY 2009, the latest year of the fiscal note horizon. This view appears to be held at the federal level as well as the CBO showed this legislation as cost neutral.

Effective date is assumed to be July 1, 2006. Therefore, a four month HealthMatch delay is assumed as part of the fiscal note cost. Each month of delay is costed at $1,327,000 total or $464,000 state share. The assumption of showing a HealthMatch delay on bills effective before Healthmatch implementation will be the DHS policy per the March 16 memo to the Chairs. That memo also provided that an alternative administrative cost could be determined as an alternative to the HealthMatch delay, if the provisions become part of the committee's package.

Long Term Care Partnership is also a part of the DEFRA related provisions in the Governor's budget bill. To avoid delaying HealthMatch implementation beyond the current timeline, the Department has proposed to conduct a non-systems work-around for all of the federally mandated changes until after HealthMatch implementation. The portion of costs associated with the LTC Partnership provision includes costs of:
2 FTE's – FY'07: $150,000; FY'08: $166,000; FY '09: $77,000
Following statewide implementation of the HealthMatch system, this provision would then be incorporated into HealthMatch at a cost of $11,000.

Expenditure and/or Revenue Formula

General Fund

BACT	Description	FY07	FY08	FY09
36-Children & Econ. Asst.	MAXIS (state SH)	6	0	0
50-HC Admin.	1 FTE for Eligibility Policy *	75	77	77
51-HC Operations	.50 FTE for Benefit Recovery (state SH)	19	17	17
51-HC Operations	HealthMatch-4 month delay (state SH)	1,858	0	0
85-Cont. Care Mang.	1 FTE for Cont. Care Policy	93	83	83
General Fund Totals		2,051	177	177
Non-Dedicated FFP @ 40%		67	64	64
Net Cost to General Fund:		1,984	113	113

*This is the number reflected in the Governor's budget bill. We estimate that at least 50% of the work of this position will be related solely to the LTC partnership program.

Long-Term Fiscal Considerations

Local Government Costs

References/Sources

Agency Contact Name: Steve Nelson 651-431-2202
FN Coord Signature: STEVE BARTA
Date: 03/22/06 Phone: 431-2916

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: DOUG GREEN
Date: 04/03/06 Phone: 286-5618

Fiscal Note – 2005-06 Session

Bill #: S2898-1A **Complete Date:** 03/24/06

Chief Author: BERGLIN, LINDA

Title: LONG-TERM CARE INS & PARTNERSHIP

Agency Name: Commerce

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

ARTICLE 1 - QUALIFIED LONG TERM CARE INSURANCE REGULATORY CHANGES

Authorizes the commissioner of commerce to extend the limitation periods relating to specific age categories in specific policy forms upon finding extensions are in the best interest of the public. This bill modifies the mandatory format; providing for the death of the insured; providing for the use of level premium; providing an exception for authorized limitations and exclusions for expenses for services or items available or paid to another long term care insurance or health insurance policy. This bill also modifies certain required question provisions; requiring agents to list all other health insurance polices sold to applicants and still in force or sold within a certain period of time and no longer in force; requiring life insurance policies; defining claim; modifying reporting requirements; excluding life insurance policies from minimum loss ratio; providing for the nonforfeiture benefit requirement for group long-term care insurance policy; modifying standards for marketing requirements; requiring and providing for the development and use of suitability standards, specifying procedures, requiring annual reports to the commissioner of commerce; requiring insurers and entities providing long term care insurance to complete certain training requirements.

ARTICLE 2 - LONG TERM CARE PARTNERSHIP PROGRAM

Modifying provisions relating to the long term care partnership program; providing for a long term care partnership policy; requiring the commissioner of human services to submit a state plan amendment to the federal government by a certain date to implement the long term care partnership program.

SF2898 and HF3283 are known as the LTC Partnership Program bills.
They permit MN residents who purchase a Qualified Long-Term Care Partnership Program policy to be able to keep certain assets when they apply for Medical Assistance (MA). For example, individual purchases policy with $250,000 of coverage, exhausts policy's benefits, applies for MA, MA will permit individual to keep $250,000 of certain assets and be eligible for MA.

Article 1 of bill updates MN LTC statutes (Chapter 62S) to conform to the federal LTC Partnership Program requirements (NAIC LTC Model Act and Regulations). We only updated the minimum changes the partnership program required, and did not update Chapter 62S to all other current NAIC model act and regulations requirements. An additional bill will be drafted in 2007 to do the remaining updates.

Article 2 describes the type of assets that will be excluded by MA.

Minnesota has to pass this legislation. Then the commissioner of Commerce will certify with the Secretary of Health and Human Services (HHS) that our LTC policies meet applicable federal requirements. DHS and Commerce have to ensure that agents marketing these products receive the necessary training about the Partnership program and MN MA benefits. DHS & Commerce are currently working with insurers, agent associations and NAIC to achieve this assurance, but current bill requires the LTC insurer to provide this training. Local agent associations will also do this.

Once we receive approval from the secretary of HHS and agents have been trained, products can be marketed in Minnesota.

Assumptions

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Government Costs

References/Sources

Agency Contact Name: John Gross 651-297-2319
FN Coord Signature: DENNIS MUNKWITZ
Date: 03/24/06 Phone: 297-1335

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KEITH BOGUT
Date: 03/24/06 Phone: 296-7642

ATTACHMENT "C"

Senator ..... moves to amend S.F. No. 2898 as follows:

Page 17, line 34, delete "issued no earlier than"

Page 17, line 35, delete "July 1, 2006" and insert "that (i) is issued on or after the effective date of the state plan amendment implementing the partnership program in Minnesota, or (ii) qualifies as a partnership policy under the provisions of subdivision 8a"

Page 18, after line 5, insert:

"Subd. 8a. **Exchange for long-term care partnership policy; addition of policy rider.** (a) If federal law is amended or federal approval is granted with respect to the partnership program established in this section, a long-term care insurance policy that was issued before the effective date of the state plan amendment implementing the partnership program in Minnesota that was exchanged after the effective date of the state plan amendment for a long-term care partnership policy that meets the requirements of Public Law 109-171, section 6021, qualifies as a long-term care partnership policy under this section.

(b) If federal law is amended or federal approval is granted with respect to the partnership program established in this section, a long-term care insurance policy that was issued before the effective date of the state plan amendment implementing the partnership program in Minnesota that has a rider added after the effective date of the state plan amendment that meets the requirements of Public Law 109-171, section 6021, qualifies as a long-term care partnership policy under this section."

Page 19, line 11, delete "1496p" and insert "1396p"

Page 22, delete lines 24 to 33 and insert:

"Subd. 15. **Limitation on liens.** (a) An individual's interest in real property shall not be subject to a medical assistance lien or a notice of potential claim while it is protected under subdivision 9 to the extent it is protected.

(b) Medical assistance liens or liens arising under notices of potential claims against an individual's interests in real property in the individual's estate that are designated as protected under subdivision 13, paragraph (b), shall be released to the extent of the dollar value of the protection applied to the interest.

(c) If an interest in real property is protected from a lien for recovery of medical assistance paid on behalf of the individual under paragraph (a) or (b), no lien for recovery of medical assistance paid on behalf of that individual shall be filed against the protected interest in real property after it is distributed to the individual's heirs of devisees."

Amend the title accordingly

To: Senator Cohen, Chair

Committee on Finance

Senator Berglin,

Chair of the Health and Human Services Budget Division, to which was referred

S.F. No. 2898: A bill for an act relating to insurance; conforming regulation of qualified long-term care insurance to requirements for state participation in the federal long-term care partnership program; amending state long-term care partnership program requirements; amending Minnesota Statutes 2004, sections 62S.05, by adding a subdivision; 62S.08, subdivision 3; 62S.081, subdivision 4; 62S.10, subdivision 2; 62S.13, by adding a subdivision; 62S.14, subdivision 2; 62S.15; 62S.20, subdivision 1; 62S.24, subdivisions 1, 3, 4, by adding subdivisions; 62S.25, subdivision 6, by adding a subdivision; 62S.26; 62S.266, subdivision 2; 62S.29, subdivision 1; 62S.30; Minnesota Statutes 2005 Supplement, section 256B.0571; proposing coding for new law in Minnesota Statutes, chapter 62S.

Reports the same back with the recommendation that the bill be amended as follows:

Page 17, line 34, delete "issued no earlier than"

Page 17, line 35, delete "July 1, 2006" and insert "that (i) is issued on or after the effective date of the state plan amendment implementing the partnership program in Minnesota, or (ii) qualifies as a partnership policy under the provisions of subdivision 8a"

Page 18, after line 5, insert:

"Subd. 8a. **Exchange for long-term care partnership policy; addition of policy rider.** (a) If federal law is amended or federal approval is granted with respect to the partnership program established in this section, a long-term care insurance policy that was issued before the effective date of the state plan amendment implementing the partnership program in Minnesota that was exchanged after the effective date of the state plan amendment for a long-term care partnership policy that meets the requirements of Public Law 109-171, section 6021, qualifies as a long-term care partnership policy under this section.

(b) If federal law is amended or federal approval is granted with respect to the partnership program established in this section, a long-term care insurance policy that was issued before the effective date of the state plan amendment implementing the partnership program in Minnesota that has a rider added after the effective date of the state plan amendment that meets the requirements of Public Law 109-171, section 6021, qualifies as a long-term care partnership policy under this section."

Page 19, line 11, delete "1496p" and insert "1396p"

Page 22, delete subdivision 15 and insert:

"Subd. 15. **Limitation on liens.** (a) An individual's interest in real property shall not be subject to a medical assistance lien or a notice of potential claim while it is protected under subdivision 9 to the extent it is protected.

(b) Medical assistance liens or liens arising under notices of potential claims against an individual's interests in real property in the individual's estate that are designated as protected under subdivision 13, paragraph (b), shall be released to the extent of the dollar value of the protection applied to the interest.

(c) If an interest in real property is protected from a lien for recovery of medical assistance paid on behalf of the individual under paragraph (a) or (b), no lien for recovery of medical assistance paid on behalf of that individual shall be filed against the protected interest in real property after it is distributed to the individual's heirs or devisees."

Amend the title accordingly

And when so amended that the bill be recommended to pass and be referred to the full committee.

Linda Berglin
(Division Chair)

April 5, 2006
(Date of Division action)

A bill for an act

relating to health; changing provisions in the Lead Poisoning Prevention Act; requiring screening of children at age 12 months and 24 months for elevated blood lead levels; prohibiting the sale of jewelry containing lead; amending Minnesota Statutes 2004, sections 144.9501, subdivisions 1, 2, by adding a subdivision; 144.9502, subdivision 1; 144.9503, subdivision 3; 256B.0625, subdivision 14; proposing coding for new law in Minnesota Statutes, chapters 144; 325E; repealing Minnesota Statutes 2004, section 119A.46, subdivisions 4, 5, 6, 7, 9, 10; Minnesota Statutes 2005 Supplement, section 119A.46, subdivisions 1, 2, 3, 8.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 144.9501, subdivision 1, is amended to read:

Subdivision 1. **Citation.** Sections 144.9501 to ~~144.9509~~ 144.9513 may be cited as the "Lead Poisoning Prevention Act."

Sec. 2. Minnesota Statutes 2004, section 144.9501, subdivision 2, is amended to read:

Subd. 2. **Applicability.** The definitions in this section apply to sections 144.9501 to ~~144.9509~~ 144.9513.

Sec. 3. Minnesota Statutes 2004, section 144.9501, is amended by adding a subdivision to read:

Subd. 9a. **Eligible organization.** "Eligible organization" means a city, board of health, community health department, community action agency, nonprofit organization, or community development corporation.

Sec. 4. Minnesota Statutes 2004, section 144.9502, subdivision 1, is amended to read:

Subdivision 1. **Surveillance.** The commissioner of health shall establish a statewide lead surveillance system. The purpose of this system is to:

(a) monitor blood lead levels in children and adults to identify trends and populations at high risk for elevated blood lead levels;

(b) ensure that children are screened as required under section 144.9513;

~~(b)~~ (c) ensure that screening services are provided to populations at high risk for elevated blood lead levels;

~~(c)~~ (d) ensure that medical and environmental follow-up services for children with elevated blood lead levels are provided; and

~~(d)~~ (e) provide accurate and complete data for planning and implementing primary prevention programs that focus on the populations at high risk for elevated blood lead levels.

Sec. 5. Minnesota Statutes 2004, section 144.9503, subdivision 3, is amended to read:

Subd. 3. **Primary prevention lead education strategy.** The commissioner of health shall develop and maintain a primary prevention lead education strategy to prevent lead exposure. The strategy includes:

(1) lead education materials that describe the health effects of lead exposure, safety measures, and methods to be used in the lead hazard reduction process;

(2) providing lead education materials to the general public including, but not limited to, information on the dangers and hazards of jewelry containing lead;

(3) providing lead education materials to property owners, landlords, and tenants by swab team workers and public health professionals, such as nurses, sanitarians, health educators, nonprofit organizations working on lead issues, and other public health professionals in areas at high risk for toxic lead exposure; and

(4) promoting awareness of community, legal, and housing resources.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. **[144.9512] LEAD ABATEMENT PROGRAM.**

Subdivision 1. **Grants; administration.** Within the limits of the available appropriation, the commissioner may make grants to eligible organizations to train workers to provide swab team services for residential property. Grants may be awarded to eligible organizations to provide technical assistance and training to ensure quality and consistency within the statewide program.

Subd. 2. **Applicants.** (a) Interested eligible organizations may apply to the commissioner for grants under this section. Two or more eligible organizations may

jointly apply for a grant. Priority shall be given to community action agencies in greater Minnesota and to either community action agencies or neighborhood based nonprofit organizations in cities of the first class. Of the total annual appropriation, 12.5 percent may be used for administrative purposes. The commissioner may deviate from this percentage if a grantee can justify the need for a larger administrative allowance. Of this amount, up to five percent may be used by the commissioner for state administrative purposes. Applications must provide information requested by the commissioner, including at least the information required to assess the factors listed in paragraph (d).

(b) The commissioner must consult with boards of health to provide swab team services for purposes of secondary prevention. The priority for swab teams created by grants to eligible organizations under this section must be work assigned by the commissioner, or by a board of health if so designated by the commissioner, to provide secondary prevention swab team services to fulfill the requirements of section 144.9504, subdivision 6, in response to a lead order. Swab teams assigned work under this section by the commissioner, that are not engaged daily in fulfilling the requirements of section 144.9504, subdivision 6, must deliver swab team services in response to elevated blood lead levels as defined in section 144.9501, subdivision 9, where lead orders were not issued, and for purposes of primary prevention in census tracts known to be in areas at high risk for toxic lead exposure as described in section 144.9503, subdivision 2.

(c) Any additional money must be used for grants to establish swab teams for primary prevention under section 144.9503, in census tracts in areas at high risk for toxic lead exposure as determined under section 144.9503, subdivision 2.

(d) In evaluating grant applications, the commissioner must consider the following criteria:

(1) plans for the provision of swab team services for primary and secondary prevention;

(2) plans for resident and property owner education on lead safety;

(3) measures of program effectiveness;

(4) coordination of program activities with other federal, state, and local public health and housing renovation programs; and

(5) prior experience in providing swab team services.

Subd. 3. **Eligible grant activities.** An eligible organization receiving a grant under this section must ensure that all participating lead supervisors or certified firms are licensed and that all swab team workers are certified by the Department of Health under section 144.9505. Eligible organizations may participate in the program by:

(1) providing on-the-job training for swab team workers;

(2) providing swab team services to meet the requirements of sections 144.9503, subdivision 4, and 144.9504, subdivision 6;

(3) providing lead hazard reduction to meet the requirements of section 144.9501, subdivision 17;

(4) providing lead dust clean-up equipment and materials, as described in section 144.9503, subdivision 1, to residents; or

(5) having a swab team worker instruct residents and property owners on appropriate lead control techniques, including the lead-safe directives developed by the commissioner.

Subd. 4. **Swab team workers.** Each worker engaged in swab team services established under this section must have blood lead concentrations below 15 micrograms of lead per deciliter of whole blood as determined by a baseline blood lead screening. Any organization receiving a grant under this section is responsible for lead screening and must assure that all swab team workers meet the standards established in this subdivision. Grantees must use appropriate workplace procedures including following the lead-safe directives developed by the commissioner to reduce risk of elevated blood lead levels. Grantees and participating contractors must report all employee blood lead levels that exceed 15 micrograms of lead per deciliter of whole blood to the commissioner.

Subd. 5. **Program benefits.** As a condition of providing swab team services under this section, an organization may require a property owner to not increase rents on a property solely as a result of a substantial improvement made with public funds under the programs in this section.

Subd. 6. **Requirements of organizations receiving grants.** An eligible organization that is awarded a grant under this section must prepare and submit a quarterly progress report to the commissioner beginning three months after receipt of the grant.

Sec. 7. **[144.9513] REQUIRED LEAD SCREENING OF CHILDREN.**

A health care provider providing primary health care services to children shall screen, or refer for screening, all children at age 12 months and 24 months for elevated blood lead levels. If a child who is screened under this section has a blood lead level of at least ten micrograms per deciliter of whole blood, the health care provider shall follow the follow-up care guidelines for children with elevated blood lead levels established by the Centers for Disease Control and Prevention.

Sec. 8. Minnesota Statutes 2004, section 256B.0625, subdivision 14, is amended to read:

Subd. 14. **Diagnostic, screening, and preventive services.** (a) Medical assistance covers diagnostic, screening, and preventive services.

(b) "Preventive services" include services related to pregnancy, including:

(1) services for those conditions which may complicate a pregnancy and which may be available to a pregnant woman determined to be at risk of poor pregnancy outcome;

(2) prenatal HIV risk assessment, education, counseling, and testing; and

(3) alcohol abuse assessment, education, and counseling on the effects of alcohol usage while pregnant. Preventive services available to a woman at risk of poor pregnancy outcome may differ in an amount, duration, or scope from those available to other individuals eligible for medical assistance.

(c) "Screening services" include, but are not limited to, blood lead tests. Screening services also include, for children with blood lead levels equal to or greater than ten micrograms of lead per deciliter of whole blood, environmental investigations to determine the source of lead exposure. Reimbursement is limited to a health professional's time and activities during an on-site investigation of a child's home or primary residence.

Sec. 9. **[325E.385] SALE OF JEWELRY CONTAINING LEAD PROHIBITED.**

Subdivision 1. **Definition.** For the purposes of this section "jewelry" means: (1) an ornament worn by a person on the body or on clothing, including, but not limited to, a necklace, bracelet, anklet, earring, locket, pendant, charm bracelet, ring, pinky ring, chain, broach, pin, lapel pin, headband, watchband; or (2) any pendant, bead, chain, link, or other component of such an ornament.

Subd. 2. **Sale prohibited.** (a) On or after July 1, 2006, no person in this state shall sell, offer for sale, or distribute free of charge any jewelry that contains more than 600 parts per million of lead.

(b) On or after January 1, 2008, no person in this state shall sell, offer for sale, or distribute free of charge any jewelry that contains more than 200 parts per million of lead.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall change the range reference "144.9501 to 144.9509" to "144.9501 to 144.9513" wherever the reference appears in Minnesota Statutes and Minnesota Rules.

Sec. 11. **REPEALER.**

Minnesota Statutes 2004, section 119A.46, subdivisions 4, 5, 6, 7, 9, and 10, and Minnesota Statutes 2005 Supplement, section 119A.46, subdivisions 1, 2, 3, and 8, are repealed.

119A.46 LEAD ABATEMENT PROGRAM.

Subdivision 1. **Definitions.** (a) The definitions in section 144.9501 and in this subdivision apply to this section.

(b) "Eligible organization" means a lead contractor, city, board of health, community health department, community action agency as defined in section 256E.30, or community development corporation.

(c) "Commissioner" means the commissioner of health, or the commissioner of the Minnesota Housing Finance Agency as authorized by section 462A.05, subdivision 15c.

Subd. 2. **Grants; administration.** Within the limits of the available appropriation, the commissioner must develop a swab team services program which may make demonstration and training grants to eligible organizations to train workers to provide swab team services and swab team services for residential property. Grants may be awarded to nonprofit organizations to provide technical assistance and training to ensure quality and consistency within the statewide program. Grants must be awarded to help ensure full-time employment to workers providing swab team services and must be awarded for a two-year period.

Grants awarded under this section must be made in consultation with the commissioner of the Housing Finance Agency and representatives of neighborhood groups from areas at high risk for toxic lead exposure, a labor organization, the lead coalition, community action agencies, and the legal aid society. The consulting team must review grant applications and recommend awards to eligible organizations that meet requirements for receiving a grant under this section.

Subd. 3. **Applicants.** (a) Interested eligible organizations may apply to the commissioner for grants under this section. Two or more eligible organizations may jointly apply for a grant. Priority shall be given to community action agencies in greater Minnesota and to either community action agencies or neighborhood based nonprofit organizations in cities of the first class. Of the total annual appropriation, 12.5 percent may be used for administrative purposes. The commissioner may deviate from this percentage if a grantee can justify the need for a larger administrative allowance. Of this amount, up to five percent may be used by the commissioner for state administrative purposes. Applications must provide information requested by the commissioner, including at least the information required to assess the factors listed in paragraph (d).

(b) The commissioner must consult with boards of health to provide swab team services for purposes of secondary prevention. The priority for swab teams created by grants to eligible organizations under this section must be work assigned by the commissioner of health, or by a board of health if so designated by the commissioner of health, to provide secondary prevention swab team services to fulfill the requirements of section 144.9504, subdivision 6, in response to a lead order. Swab teams assigned work under this section by the commissioner, that are not engaged daily in fulfilling the requirements of section 144.9504, subdivision 6, must deliver swab team services in response to elevated blood lead levels as defined in section 144.9501, subdivision 9, where lead orders were not issued, and for purposes of primary prevention in census tracts known to be in areas at high risk for toxic lead exposure as described in section 144.9503, subdivision 2.

(c) Any additional money must be used for grants to establish swab teams for primary prevention under section 144.9503, in census tracts in areas at high risk for toxic lead exposure as determined under section 144.9503, subdivision 2.

(d) In evaluating grant applications, the commissioner must consider the following criteria:

(1) the use of lead contractors and lead workers for residential swab team services;

(2) the participation of neighborhood groups and individuals, as swab team workers, in areas at high risk for toxic lead exposure;

(3) plans for the provision of swab team services for primary and secondary prevention as required under subdivision 4;

(4) plans for supervision, training, career development, and postprogram placement of swab team members;

(5) plans for resident and property owner education on lead safety;

(6) plans for distributing cleaning supplies to area residents and educating residents and property owners on cleaning techniques;

(7) sources of other funding and cost estimates for training, lead inspections, swab team services, equipment, monitoring, testing, and administration;

(8) measures of program effectiveness;

(9) coordination of program activities with other federal, state, and local public health, job training, apprenticeship, and housing renovation programs including programs under sections 116L.86 to 116L.881; and

(10) prior experience in providing swab team services.

Subd. 4. **Lead supervisor or certified firm.** (a) Eligible organizations and lead supervisors or certified firms may participate in the swab team program. An eligible organization receiving a grant under this section must assure that all participating lead supervisors or certified firms are licensed and that all swab team workers are certified by the Department of Health under section 144.9505. Eligible organizations and lead supervisors or certified firms may distinguish between interior and exterior services in assigning duties and may participate in the program by:

(1) providing on-the-job training for swab team workers;

(2) providing swab team services to meet the requirements of sections 144.9503, subdivision 4, and 144.9504, subdivision 6;

(3) providing a removal and replacement component using skilled craft workers under subdivision 7;

(4) providing lead testing according to subdivision 8;

(5) providing lead dust cleaning supplies, as described in section 144.9507, subdivision 4, paragraph (c), to residents; or

(6) having a swab team worker instruct residents and property owners on appropriate lead control techniques, including the lead-safe directives developed by the commissioner of health.

(b) Participating lead supervisors or certified firms must:

(1) demonstrate proof of workers' compensation and general liability insurance coverage;

(2) be knowledgeable about lead abatement requirements established by the Department of Housing and Urban Development and the Occupational Safety and Health Administration and lead hazard reduction requirements and lead-safe directives of the commissioner of health;

(3) demonstrate experience with on-the-job training programs;

(4) demonstrate an ability to recruit employees from areas at high risk for toxic lead exposure; and

(5) demonstrate experience in working with low-income clients.

Subd. 5. **Swab team workers.** Each worker engaged in swab team services established under this section must have blood lead concentrations below 15 micrograms of lead per deciliter of whole blood as determined by a baseline blood lead screening. Any organization receiving a grant under this section is responsible for lead screening and must assure that all swab team workers meet the standards established in this subdivision. Grantees must use appropriate workplace procedures including following the lead-safe directives developed by the commissioner of health to reduce risk of elevated blood lead levels. Grantees and participating contractors must report all employee blood lead levels that exceed 15 micrograms of lead per deciliter of whole blood to the commissioner of health.

Subd. 6. **On-the-job training component.** (a) Programs established under this section must provide on-the-job training for swab team workers.

(b) Swab team workers must receive monetary compensation equal to the prevailing wage as defined in section 177.42, subdivision 6, for comparable jobs in the licensed contractor's principal business.

Subd. 7. **Removal and replacement component.** (a) Within the limits of the available appropriation and if a need is identified by a lead inspector, the commissioner may establish a component for removal and replacement of deteriorated paint in residential properties according to the following criteria:

(1) components within a residence must have both deteriorated lead-based paint and substrate damage beyond repair or rotting wooden framework to be eligible for removal and replacement;

(2) all removal and replacement must be done using least-cost methods and following lead-safe directives;

(3) whenever windows and doors or other components covered with deteriorated lead-based paint have sound substrate or are not rotting, those components should be repaired, sent out for stripping, planed down to remove deteriorated lead-based paint, or covered with protective guards instead of being replaced, provided that such an activity is the least-cost method of providing the swab team service;

(4) removal and replacement or repair must be done by lead contractors using skilled craft workers or trained swab team members; and

(5) all craft work that requires a state license must be supervised by a person with a state license in the craft work being supervised. The grant recipient may contract for this supervision.

(b) The program design must:

(1) identify the need for on-the-job training of swab team workers to be removal and replacement workers; and

(2) describe plans to involve appropriate groups in designing methods to meet the need for training swab team workers.

Subd. 8. **Testing and evaluation.** (a) Testing of the environment is not necessary by swab teams whose work is assigned by the commissioner of health or a designated board of health under section 144.9504. The commissioner of health or designated board of health must share the analytical testing data collected on each residence for purposes of secondary prevention under section 144.9504 with the swab team workers in order to provide constructive feedback on their work and to the commissioner for the purposes set forth in paragraph (c).

(b) For purposes of primary prevention evaluation, the following samples must be collected: pretesting and posttesting of one noncarpeted floor dust lead sample and a notation of the extent and location of bare soil and of deteriorated lead-based paint. The analytical testing data collected on each residence for purposes of primary prevention under section 144.9503 must be shared with the swab team workers in order to provide constructive feedback on their work and to the commissioner for the purposes set forth in paragraph (c).

(c) The commissioner of health must establish a program to collect appropriate data as required under paragraphs (a) and (b), in order to conduct an ongoing evaluation of swab team services for primary and secondary prevention. Within the limits of available appropriations, the commissioner of health must conduct on up to 1,000 residences which have received primary or secondary prevention swab team services, a postremediation evaluation, on at least a quarterly basis for a period of at least two years for each residence. The evaluation must note the condition of the paint within the residence, the extent of bare soil on the grounds, and collect and analyze one noncarpeted floor dust lead sample. The data collected must be evaluated to determine the efficacy of providing swab team services as a method of reducing lead exposure in young children. In evaluating this data, the commissioner of health must consider city size, community location, historic traffic flow, soil lead level of the property by area or census tract, distance to industrial point sources that emit lead, season of the year, age of the housing, age and number of children living at the residence, the presence of pets that move in and out of the residence, and other relevant factors as the commissioner of health may determine.

Subd. 9. **Program benefits.** As a condition of providing swab team services under this section, an organization may require a property owner to not increase rents on a property solely as a result of a substantial improvement made with public funds under the programs in this section.

Subd. 10. **Requirements of organizations receiving grants.** An eligible organization that is awarded a training and demonstration grant under this section must prepare and submit a quarterly progress report to the commissioner beginning three months after receipt of the grant.

Senate Counsel, Research, and Fiscal Analysis

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Senate

State of Minnesota

S.F. No. 3221 - Lead Abatement (Delete-Everything Amendment (SCS3221A-4)

Author: Senator Linda Higgins

Prepared by: Katie Cavanor, Senate Counsel (651/296-3801) KTC

Date: April 5, 2006

S.F. No. 3221 prohibits the sale or distribution of lead jewelry; transfers the authority for the lead abatement program from the Department of Education to the Department of Health; requires medical assistance to cover lead risk assessments for some children; and requires the Commissioner of Health to conduct a lead reduction study.

Sections 1 and 2 (144.9501) make technical changes.

Section 3 (144.9501, subdivision 9a) defines an "eligible organization" in the Lead Poisoning Prevention Act.

Section 4 (144.9502, subdivision1) adds to the purpose of the lead surveillance system to ensure that children are screened.

Section 5 (144.9503, subdivision 3) requires the primary prevention lead education strategy to provide lead education material to the general public that includes information on the dangers and hazards of jewelry containing lead.

Section 6 (144.9507) clarifies that medical assistance reimbursement for lead risk assessments is not to replace or decrease existing state or local funding for lead services and activities.

Section 7 (144.9512) transfers the lead abatement program to the Department of Health's statutes.

Section 8 (256B.0625, subdivision 49) requires medical assistance to cover lead risk assessments of a recipient's home to determine the existence of lead if the recipient is under the age of two with blood levels equal to or greater than ten micrograms of lead per deciliter of whole blood.

Section 9 (325F.385) prohibits the sale or distribution of jewelry that contains more than 600 parts per million of lead on or after July 1, 2006, and requires a warning label that is clearly visible to the buyer. Defines "jewelry."

Section 10 requires the Commissioner of Health to develop and evaluate the best strategies to reduce the number of children endangered by lead paint.

Section 11 instructs the Revisor of Statutes to change references.

Section 12 repeals the lead abatement program in the Department of Education statutes.

KC:ph

Preliminary

Consolidated Fiscal Note – 2005-06 Session

Bill #: S3221-1A **Complete Date:**

Chief Author: HIGGINS, LINDA

Title: MODIFY LEAD ABATEMENT PROGRAM

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

Agencies: Health Dept Human Services Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
General Fund			544	482	482
Health Dept			544	482	482
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund			544	482	482
Health Dept			544	482	482
Total Cost <Savings> to the State			544	482	482

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
General Fund			7.00	7.00	7.00
Health Dept			7.00	7.00	7.00
Total FTE			7.00	7.00	7.00

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S3221-1A **Complete Date:**

Chief Author: HIGGINS, LINDA

Title: MODIFY LEAD ABATEMENT PROGRAM

Agency Name: Health Dept

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund			544	482	482
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund			544	482	482
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund			544	482	482
Total Cost <Savings> to the State			544	482	482

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
General Fund			7.00	7.00	7.00
Total FTE			7.00	7.00	7.00

Preliminary

Bill Description

The first part of this bill (Sections 1-4, 7,12, and 13) contains the original housekeeping bill language that transfers existing swab team grant language from M.S. 199A to M.S.144 and simplifies the language. This portion of the bill has no fiscal impact.

Section 6 adds language directing MDH to include hazards of lead-containing jewelry to its lead education materials. This section has no fiscal impact.

Section 9 requires blood lead screening of all children at 12 months and 24 months. Although the bill copy does not reflect it, the language about the affirmative determination was deleted from the bill (lines 5.15-5.16). Senate Counsel confirmed this on 3/30/06. This section accounts for the fiscal impact of the bill.

Section 10 prohibits the sale of jewelry containing lead, initially at the level of 600 ppm in 2006; down to 200 ppm in 2008. This section has a fiscal impact on local government for enforcement of this prohibition.

SF2055 was amended onto SF3221-A and requires medical assistance to reimburse for environmental investigations to determine the source of lead when an elevated blood lead level is detected. The fiscal impact would be on federal Medicaid funds reimbursed through the Department of Human Services. This language will go into effect if the Federal DHHS approves this additional expense reimbursement for Minnesota. When risk assessments become eligible for reimbursement, both state and county risk assessors may be reimbursed for their time at the site.

Assumptions

If all children at ages 12 and 24 months are required to have a blood lead test, the annual number of blood lead reports will increase from 80,000 to 180,000 (an additional 100,000 per year). In order to process and to enter these reports in the Blood Lead Information System (BLIS), MDH would need 3 additional full-time data entry operators. This number of additional screenings will amount to approximately 1,000 additional lead risk assessments per year. MDH currently performs one-third of these in the state; the other two-thirds are performed by local assessing agencies. The increased work load for MDH risk assessors (industrial hygienists) and public health nurses who carry out case management would be approximately 300 more cases/year for MDH and 600 more for local public health. Two additional industrial hygienists and one additional public health nurse would carry out this work of risk assessments and case management for MDH. Finally, in order to promote compliance with this new mandate, one health educator would be necessary to work with health care providers.

This fiscal note assumes that current federal and state funding for the lead program is maintained, and that federal HUD funding for remediation of homes continues.

Expenditure and/or Revenue Formula

EXPENDITURES	SFY07	SFY08	SFY09
Salaries 7.0 FTE	388,180	388,180	388,180
Operating costs	107,720	45,720	45,720
Administrative Support	48,102	48,102	48,102
TOTAL EXPENSES	544,002	482,002	482,002

Long-Term Fiscal Considerations

Federal resources from the Environmental Protection Agency and the Centers for Disease Control fund over 85% of the state program. The balance is funded with General Funds and State Government Special Revenue Funds. If federal funding for these activities is reduced in the future, the department will not be able to meet the requirements of this bill without additional state resources.

Local Government Costs

Equivalent costs would be born by the local assessing agencies of Minneapolis, Hennepin County, St. Paul/Ramsey, Duluth/St. Louis County, the cities of Richfield and Bloomington, Stearns County and Dakota County for dealing with the increase number of elevated blood lead level (EBLL) cases.

References/Sources

Minnesota's Lead Poisoning Prevention Programs Biennial Report to the Legislature, Minnesota Department of Health, February 2005. (http://www.health.state.mn.us/divs/eh/lead/reports/legislative/2005legreport.pdf)

Agency Contact Name: John Stine (651-201-4675)
FN Coord Signature: MARGARET KELLY
Date: 04/04/06 Phone: 201-5812

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S3221-1A **Complete Date:**

Chief Author: HIGGINS, LINDA

Title: MODIFY LEAD ABATEMENT PROGRAM

Fiscal Impact	Yes	No
State		
Local		
Fee/Departmental Earnings		
Tax Revenue		

Agency Name: Human Services Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Senator ..... moves to amend S.F. No. 3221 as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 144.9501, subdivision 1, is amended to read:

Subdivision 1. **Citation.** Sections 144.9501 to ~~144.9509~~ 144.9513 may be cited as the "Lead Poisoning Prevention Act."

Sec. 2. Minnesota Statutes 2004, section 144.9501, subdivision 2, is amended to read:

Subd. 2. **Applicability.** The definitions in this section apply to sections 144.9501 to ~~144.9509~~ 144.9513.

Sec. 3. Minnesota Statutes 2004, section 144.9501, is amended by adding a subdivision to read:

Subd. 9a. **Eligible organization.** "Eligible organization" means a city, board of health, community health department, community action agency, nonprofit organization, or community development corporation.

Sec. 4. Minnesota Statutes 2004, section 144.9502, subdivision 1, is amended to read:

Subdivision 1. **Surveillance.** The commissioner of health shall establish a statewide lead surveillance system. The purpose of this system is to:

(a) monitor blood lead levels in children and adults to identify trends and populations at high risk for elevated blood lead levels;

(b) ensure that children are screened as required under section 144.9513;

~~(b)~~ (c) ensure that screening services are provided to populations at high risk for elevated blood lead levels;

~~(c)~~ (d) ensure that medical and environmental follow-up services for children with elevated blood lead levels are provided; and

~~(d)~~ (e) provide accurate and complete data for planning and implementing primary prevention programs that focus on the populations at high risk for elevated blood lead levels.

Sec. 5. Minnesota Statutes 2004, section 144.9503, subdivision 3, is amended to read:

Subd. 3. **Primary prevention lead education strategy.** The commissioner of health shall develop and maintain a primary prevention lead education strategy to prevent lead exposure. The strategy includes:

(1) lead education materials that describe the health effects of lead exposure, safety measures, and methods to be used in the lead hazard reduction process;

(2) providing lead education materials to the general public including, but not limited to, information on the dangers and hazards of jewelry containing lead;

(3) providing lead education materials to property owners, landlords, and tenants by swab team workers and public health professionals, such as nurses, sanitarians, health educators, nonprofit organizations working on lead issues, and other public health professionals in areas at high risk for toxic lead exposure; and

(4) promoting awareness of community, legal, and housing resources.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2004, section 144.9507, is amended by adding a subdivision to read:

Subd. 6. **Medical assistance.** Medical assistance reimbursement for lead risk assessment services under section 256B.0625, subdivision 49, shall not be used to replace or decrease existing state or local funding for lead services and lead-related activities.

Sec. 7. **[144.9512] LEAD ABATEMENT PROGRAM.**

Subdivision 1. **Grants; administration.** Within the limits of the available appropriation, the commissioner may make grants to eligible organizations to train workers to provide swab team services for residential property. Grants may be awarded to eligible organizations to provide technical assistance and training to ensure quality and consistency within the statewide program.

Subd. 2. **Applicants.** (a) Interested eligible organizations may apply to the commissioner for grants under this section. Two or more eligible organizations may jointly apply for a grant. Priority shall be given to community action agencies in greater Minnesota and to either community action agencies or neighborhood based nonprofit organizations in cities of the first class. Of the total annual appropriation, 12.5 percent may be used for administrative purposes. The commissioner may deviate from this percentage if a grantee can justify the need for a larger administrative allowance. Of this amount, up to five percent may be used by the commissioner for state administrative purposes. Applications must provide information requested by the commissioner, including at least the information required to assess the factors listed in paragraph (d).

(b) The commissioner must consult with boards of health to provide swab team services for purposes of secondary prevention. The priority for swab teams created by grants to eligible organizations under this section must be work assigned by the commissioner, or by a board of health if so designated by the commissioner, to provide secondary prevention swab team services to fulfill the requirements of section 144.9504, subdivision 6, in response to a lead order. Swab teams assigned work under this section by the commissioner, that are not engaged daily in fulfilling the requirements of section 144.9504, subdivision 6, must deliver swab team services in response to elevated blood

lead levels as defined in section 144.9501, subdivision 9, where lead orders were not issued, and for purposes of primary prevention in census tracts known to be in areas at high risk for toxic lead exposure as described in section 144.9503, subdivision 2.

(c) Any additional money must be used for grants to establish swab teams for primary prevention under section 144.9503, in census tracts in areas at high risk for toxic lead exposure as determined under section 144.9503, subdivision 2.

(d) In evaluating grant applications, the commissioner must consider the following criteria:

(1) plans for the provision of swab team services for primary and secondary prevention;

(2) plans for resident and property owner education on lead safety;

(3) measures of program effectiveness;

(4) coordination of program activities with other federal, state, and local public health and housing renovation programs; and

(5) prior experience in providing swab team services.

Subd. 3. **Eligible grant activities.** An eligible organization receiving a grant under this section must ensure that all participating lead supervisors or certified firms are licensed and that all swab team workers are certified by the Department of Health under section 144.9505. Eligible organizations may participate in the program by:

(1) providing on-the-job training for swab team workers;

(2) providing swab team services to meet the requirements of sections 144.9503, subdivision 4, and 144.9504, subdivision 6;

(3) providing lead hazard reduction to meet the requirements of section 144.9501, subdivision 17;

(4) providing lead dust clean-up equipment and materials, as described in section 144.9503, subdivision 1, to residents; or

(5) having a swab team worker instruct residents and property owners on appropriate lead control techniques, including the lead-safe directives developed by the commissioner.

Subd. 4. **Swab team workers.** Each worker engaged in swab team services established under this section must have blood lead concentrations below 15 micrograms of lead per deciliter of whole blood as determined by a baseline blood lead screening. Any organization receiving a grant under this section is responsible for lead screening and must assure that all swab team workers meet the standards established in this subdivision. Grantees must use appropriate workplace procedures including following the lead-safe directives developed by the commissioner to reduce risk of elevated blood lead levels.

Grantees and participating contractors must report all employee blood lead levels that exceed 15 micrograms of lead per deciliter of whole blood to the commissioner.

Subd. 5. **Program benefits.** As a condition of providing swab team services under this section, an organization may require a property owner to not increase rents on a property solely as a result of a substantial improvement made with public funds under the programs in this section.

Subd. 6. **Requirements of organizations receiving grants.** An eligible organization that is awarded a grant under this section must prepare and submit a quarterly progress report to the commissioner beginning three months after receipt of the grant.

Sec. 8. Minnesota Statutes 2004, section 256B.0625, is amended by adding a subdivision to read:

Subd. 49. **Lead risk assessments.** (a) Effective October 1, 2006, or six months after federal approval, whichever is later, medical assistance covers lead risk assessments provided by a lead risk assessor who is licensed by the commissioner of health under section 144.9505 and employed by an assessing agency as defined in section 144.9501. Medical assistance covers a onetime on-site investigation of a recipient's home or primary residence to determine the existence of lead so long as the recipient is under the age of 21 and has a venous blood lead level as set forth in section 144.9504, subdivision 2, paragraph (a).

(b) Medical assistance reimbursement covers the lead risk assessor's time to complete the following activities:

(1) gathering samples;

(2) interviewing family members;

(3) gathering data, including meter readings; and

(4) providing a report with the results of the investigation and options for reducing lead-based paint hazards.

Medical assistance coverage of lead risk assessment does not include testing of environmental substances such as water, paint, or soil or any other laboratory services. Medical assistance coverage of lead risk assessments is not included in the capitated services for children enrolled in health plans through the prepaid medical assistance program and the MinnesotaCare program.

(c) Payment for lead risk assessment must be cost-based and must meet the criteria for federal financial participation under the medical assistance program. The rate must be based on allowable expenditures from statewide cost information gathered. Under section 144.9507, subdivision 5, federal medical assistance funds may not replace existing

funding for lead-related activities. The nonfederal share of costs for services provided under this subdivision must be from state or local funds and is the responsibility of the agency providing the risk assessment. Eligible expenditures for the nonfederal share of costs may not be made from federal funds or funds used to match other federal funds, except as allowed for Indian tribes under federal law. Any federal disallowances are the responsibility of the agency providing risk assessment services.

Sec. 9. **[325E.385] ITEMS CONTAINING LEAD PROHIBITED.**

Subdivision 1. **Definition.** For the purposes of this section "jewelry" means: (1) an ornament worn by a person on the body or on clothing, including, but not limited to, a necklace, bracelet, anklet, earring, locket, pendant, charm bracelet, ring, pinky ring, chain, broach, pin, lapel pin, headband, watchband; or (2) any pendant, bead, chain, link, or other component of such an ornament.

Subd. 2. **Warning.** (a) No person shall offer for sale, sell, or distribute free of charge any jewelry or item of personal decoration that contains more than 600 parts per million of lead unless it bears a warning label clearly visible to the buyer indicating that the item contains lead.

(b) The obligation to test for lead content and label accurately lies with the producer or packager of the item and not with the retail seller. Retailers may not sell unlabeled items without first verifying that the items were tested by the producer or packager.

Subd. 3. **Sale prohibited.** Effective July 1, 2006, no person shall sell, offer for sale, or distribute free of charge any trinket, jewelry, items of personal decoration, toy, or clothing containing more than 600 parts per million of lead that is intended for use by a child under the age of 12.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. **LEAD REDUCTION STUDY.**

The commissioner of health, in consultation with the Department of Employment and Economic Development, the Minnesota Housing Finance Agency, and the Department of Human Services, shall develop and evaluate the best strategies to reduce the number of children endangered by lead paint. The study shall make recommendations on:

(1) how to promote and encourage primary prevention;

(2) how to ensure that all children at risk are tested; and

(3) how to provide a lead prevention program to assist families and protect children with blood lead levels more than five micrograms of lead per deciliter of whole blood from reaching levels of ten micrograms or greater.

The commissioner shall submit the results of the study and any recommendations, including any necessary legislative changes to the legislature by January 15, 2007.

Sec. 11. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall change the range reference "144.9501 to 144.9509" to "144.9501 to 144.9513" wherever the reference appears in Minnesota Statutes and Minnesota Rules.

Sec. 12. **REPEALER.**

Minnesota Statutes 2004, section 119A.46, subdivisions 4, 5, 6, 7, 9, and 10, and Minnesota Statutes 2005 Supplement, section 119A.46, subdivisions 1, 2, 3, and 8, are repealed."

Amend the title accordingly

To: Senator Cohen, Chair

Committee on Finance

Senator Berglin,

Chair of the Health and Human Services Budget Division, to which was referred

S.F. No. 3221: A bill for an act relating to health; changing provisions in the Lead Poisoning Prevention Act; requiring screening of children at age 12 months and 24 months for elevated blood lead levels; prohibiting the sale of jewelry containing lead; amending Minnesota Statutes 2004, sections 144.9501, subdivisions 1, 2, by adding a subdivision; 144.9502, subdivision 1; 144.9503, subdivision 3; 256B.0625, subdivision 14; proposing coding for new law in Minnesota Statutes, chapters 144; 325E; repealing Minnesota Statutes 2004, section 119A.46, subdivisions 4, 5, 6, 7, 9, 10; Minnesota Statutes 2005 Supplement, section 119A.46, subdivisions 1, 2, 3, 8.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 144.9501, subdivision 1, is amended to read:

Subdivision 1. **Citation.** Sections 144.9501 to ~~144.9509~~ 144.9512 may be cited as the "Lead Poisoning Prevention Act."

Sec. 2. Minnesota Statutes 2004, section 144.9501, subdivision 2, is amended to read:

Subd. 2. **Applicability.** The definitions in this section apply to sections 144.9501 to ~~144.9509~~ 144.9512.

Sec. 3. Minnesota Statutes 2004, section 144.9501, is amended by adding a subdivision to read:

Subd. 9a. **Eligible organization.** "Eligible organization" means a city, board of health, community health department, community action agency, nonprofit organization, or community development corporation.

Sec. 4. Minnesota Statutes 2004, section 144.9503, subdivision 3, is amended to read:

Subd. 3. **Primary prevention lead education strategy.** The commissioner of health shall develop and maintain a primary prevention lead education strategy to prevent lead exposure. The strategy includes:

(1) lead education materials that describe the health effects of lead exposure, safety measures, and methods to be used in the lead hazard reduction process;

(2) providing lead education materials to the general public including, but not limited to, information on the dangers and hazards of jewelry containing lead;

(3) providing lead education materials to property owners, landlords, and tenants by swab team workers and public health professionals, such as nurses, sanitarians, health educators, nonprofit organizations working on lead issues, and other public health professionals in areas at high risk for toxic lead exposure; and

(4) promoting awareness of community, legal, and housing resources.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 144.9507, is amended by adding a subdivision to read:

Subd. 6. **Medical assistance.** Medical assistance reimbursement for lead risk assessment services under section 256B.0625, subdivision 49, shall not be used to replace or decrease existing state or local funding for lead services and lead-related activities.

Sec. 6. **[144.9512] LEAD ABATEMENT PROGRAM.**

Subdivision 1. **Grants; administration.** Within the limits of the available appropriation, the commissioner may make grants to eligible organizations to train workers to provide swab team services for residential property. Grants may be awarded to eligible organizations to provide technical assistance and training to ensure quality and consistency within the statewide program.

Subd. 2. **Applicants.** (a) Interested eligible organizations may apply to the commissioner for grants under this section. Two or more eligible organizations may jointly apply for a grant. Priority shall be given to community action agencies in greater Minnesota and to either community action agencies or neighborhood based nonprofit organizations in cities of the first class. Of the total annual appropriation, 12.5 percent may be used for administrative purposes. The commissioner may deviate from this percentage if a grantee can justify the need for a larger administrative allowance. Of this amount, up to five percent may be used by the commissioner for state administrative purposes. Applications must provide information requested by the commissioner, including at least the information required to assess the factors listed in paragraph (d).

(b) The commissioner must consult with boards of health to provide swab team services for purposes of secondary prevention. The priority for swab teams created by grants to eligible organizations under this section must be work assigned by the commissioner, or by a board of health if so designated by the commissioner, to provide secondary prevention swab team services to fulfill the requirements of section 144.9504, subdivision 6, in response to a lead order. Swab teams assigned work under this section by the commissioner, that are not engaged daily in fulfilling the requirements of section 144.9504, subdivision 6, must deliver swab team services in response to elevated blood lead levels as defined in section 144.9501, subdivision 9, where lead orders were not issued, and for purposes of primary prevention in census tracts known to be in areas at high risk for toxic lead exposure as described in section 144.9503, subdivision 2.

(c) Any additional money must be used for grants to establish swab teams for primary prevention under section 144.9503, in census tracts in areas at high risk for toxic lead exposure as determined under section 144.9503, subdivision 2.

(d) In evaluating grant applications, the commissioner must consider the following criteria:

(1) plans for the provision of swab team services for primary and secondary prevention;

(2) plans for resident and property owner education on lead safety;

(3) measures of program effectiveness;

(4) coordination of program activities with other federal, state, and local public health and housing renovation programs; and

(5) prior experience in providing swab team services.

Subd. 3. **Eligible grant activities.** An eligible organization receiving a grant under this section must ensure that all participating lead supervisors or certified firms are licensed and that all swab team workers are certified by the Department of Health under section 144.9505. Eligible organizations may participate in the program by:

(1) providing on-the-job training for swab team workers;

(2) providing swab team services to meet the requirements of sections 144.9503, subdivision 4, and 144.9504, subdivision 6;

(3) providing lead hazard reduction to meet the requirements of section 144.9501, subdivision 17;

(4) providing lead dust clean-up equipment and materials, as described in section 144.9503, subdivision 1, to residents; or

(5) having a swab team worker instruct residents and property owners on appropriate lead control techniques, including the lead-safe directives developed by the commissioner.

Subd. 4. **Swab team workers.** Each worker engaged in swab team services established under this section must have blood lead concentrations below 15 micrograms of lead per deciliter of whole blood as determined by a baseline blood lead screening. Any organization receiving a grant under this section is responsible for lead screening and must assure that all swab team workers meet the standards established in this subdivision. Grantees must use appropriate workplace procedures including following the lead-safe directives developed by the commissioner to reduce risk of elevated blood lead levels. Grantees and participating contractors must report all employee blood lead levels that exceed 15 micrograms of lead per deciliter of whole blood to the commissioner.

Subd. 5. **Program benefits.** As a condition of providing swab team services under this section, an organization may require a property owner to not increase rents on a

property solely as a result of a substantial improvement made with public funds under the programs in this section.

Subd. 6. **Requirements of organizations receiving grants.** An eligible organization that is awarded a grant under this section must prepare and submit a quarterly progress report to the commissioner beginning three months after receipt of the grant.

Sec. 7. Minnesota Statutes 2004, section 256B.0625, is amended by adding a subdivision to read:

Subd. 49. **Lead risk assessments.** (a) Effective October 1, 2006, or six months after federal approval, whichever is later, medical assistance covers lead risk assessments provided by a lead risk assessor who is licensed by the commissioner of health under section 144.9505 and employed by an assessing agency as defined in section 144.9501. Medical assistance covers a onetime on-site investigation of a recipient's home or primary residence to determine the existence of lead so long as the recipient is under the age of 21 and has a venous blood lead level as set forth in section 144.9504, subdivision 2, paragraph (a).

(b) Medical assistance reimbursement covers the lead risk assessor's time to complete the following activities:

(1) gathering samples;

(2) interviewing family members;

(3) gathering data, including meter readings; and

(4) providing a report with the results of the investigation and options for reducing lead-based paint hazards.

Medical assistance coverage of lead risk assessment does not include testing of environmental substances such as water, paint, or soil or any other laboratory services. Medical assistance coverage of lead risk assessments is not included in the capitated services for children enrolled in health plans through the prepaid medical assistance program and the MinnesotaCare program.

(c) Payment for lead risk assessment must be cost-based and must meet the criteria for federal financial participation under the medical assistance program. The rate must be based on allowable expenditures from statewide cost information gathered. Under section 144.9507, subdivision 5, federal medical assistance funds may not replace existing funding for lead-related activities. The nonfederal share of costs for services provided under this subdivision must be from state or local funds and is the responsibility of the agency providing the risk assessment. Eligible expenditures for the nonfederal share of costs may not be made from federal funds or funds used to match other federal funds,

except as allowed for Indian tribes under federal law. Any federal disallowances are the responsibility of the agency providing risk assessment services.

Sec. 8. **[325E.385] ITEMS CONTAINING LEAD PROHIBITED.**

Subdivision 1. **Definition.** For the purposes of this section "jewelry" means: (1) an ornament worn by a person on the body or on clothing, including, but not limited to, a necklace, bracelet, anklet, earring, locket, pendant, charm bracelet, ring, pinky ring, chain, broach, pin, lapel pin, headband, watchband; or (2) any pendant, bead, chain, link, or other component of such an ornament.

Subd. 2. **Warning.** (a) No person shall offer for sale, sell, or distribute free of charge any jewelry or item of personal decoration that contains more than 600 parts per million of lead unless it bears a warning label clearly visible to the buyer indicating that the item contains lead.

(b) The obligation to test for lead content and label accurately lies with the producer or packager of the item and not with the retail seller. Retailers may not sell unlabeled items without first verifying that the items were tested by the producer or packager.

Subd. 3. **Sale prohibited.** Effective July 1, 2006, no person shall sell, offer for sale, or distribute free of charge any trinket, jewelry, items of personal decoration, toy, or clothing containing more than 600 parts per million of lead that is intended for use by a child under the age of 12.

Subd. 4. **Exemption.** This section does not apply to consumer-to-consumer transactions.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 9. **LEAD REDUCTION STUDY.**

The commissioner of health, in consultation with the Department of Employment and Economic Development, the Minnesota Housing Finance Agency, and the Department of Human Services, shall develop and evaluate the best strategies to reduce the number of children endangered by lead paint. The study shall make recommendations on:

(1) how to promote and encourage primary prevention;

(2) how to ensure that all children at risk are tested; and

(3) how to provide a lead prevention program to assist families and protect children with blood lead levels more than five micrograms of lead per deciliter of whole blood from reaching levels of ten micrograms or greater.

The commissioner shall submit the results of the study and any recommendations, including any necessary legislative changes to the legislature by January 15, 2007.

Sec. 10. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall change the range reference "144.9501 to 144.9509" to "144.9501 to 144.9512" wherever the reference appears in Minnesota Statutes and Minnesota Rules.

Sec. 11. **REPEALER.**

Minnesota Statutes 2004, section 119A.46, subdivisions 4, 5, 6, 7, 9, and 10, and Minnesota Statutes 2005 Supplement, section 119A.46, subdivisions 1, 2, 3, and 8, are repealed."

Amend the title accordingly

And when so amended that the bill be recommended to pass and be referred to the full committee.

Linda Berglin
(Division Chair)

April 5, 2006
(Date of Division action)