

# Revised

## Fiscal Note

2023-2024 Legislative Session

### SF1009 - 1A - Integrated Community Supports Modified

Chief Author: **Omar Fateh**  
Committee: **Human Services**  
Date Completed: **3/24/2024 5:26:23 PM**  
Agency: **Human Services Dept**

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

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
General Fund	-	-	1,098	12,819	17,745
Total	-	-	1,098	12,819	17,745
Biennial Total			1,098		30,564

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

#### LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note has been revised to provide an estimate with 2024 February Forecast data.

**LBO Signature:** Kate Schiller **Date:** 3/24/2024 5:26:23 PM  
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## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>
Dollars in Thousands		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
					<b>FY2027</b>
General Fund	-	-	1,098	12,819	17,745
<b>Total</b>	-	-	<b>1,098</b>	<b>12,819</b>	<b>17,745</b>
<b>Biennial Total</b>			<b>1,098</b>		<b>30,564</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
General Fund	-	-	1,098	12,819	17,745
<b>Total</b>	-	-	<b>1,098</b>	<b>12,819</b>	<b>17,745</b>
<b>Biennial Total</b>			<b>1,098</b>		<b>30,564</b>
<b>2 - Revenues, Transfers In*</b>					
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

## Bill Description

This bill makes changes to the integrated community supports (ICS) rate framework by adding nursing hours into the shared direct staffing and individual direct staffing clause. ICS services under current law do not include a nursing component, but some other residential services such as community residential services have rates that include nursing hours.

This bill is effective January 1, 2025, or upon federal approval, whichever is later.

## Assumptions

Effective Date: Effective January 1, 2025, or upon federal approval. This analysis assumes the federal approval and implementation timeline will take about six-months.

Programs and Services Impacted: This bill impacts integrated community support (ICS) service rates, which are a part of the Disability Waiver Rate System (DWRS) provided under the BI, CAC, CADI, and DD waivers. Services with rates determined by DWRS account for approximately 64% of spending on these waiver programs. ICS services are new and still phasing in, so are projected to be a higher portion of DWRS spending each year until fully phased in:

- FY2025, 4.53% of DWRS spending
- FY2026, 5.30% of DWRS spending
- FY2027, 5.70% of DWRS spending

Projected increase to spending and interaction with inflationary updates: Once implemented, adding nursing hours into ICS services is estimated to increase rates by 15.02%. However, DWRS service components are updated every 2 years under current law to reflect updated BLS Standard Occupational Classification (SOC) code wage data and Consumer Price Index (CPI) data. Therefore, service rate components will update on January 1, 2026 and have a slight interactive effect that will increase the rate impact to 15.87%

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Payment Effect and Implementation: A 30-day payment delay is accounted for in this analysis to reflect the fact that Medicaid pays service claims retrospectively. Rate changes for ICS are implemented on a rolling basis as service agreements renew, beginning January 1, 2025.

State Share: The state share of Medicaid costs in the disability waivers is 48.75% in FY 2025 and 48.84% in FYs 2026-

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2027.

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Administrative Costs: No administrative costs are identified in this bill.

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Systems Costs:

This bill requires changes to 1 rate framework within the MnCHOICES system. The cost estimates are based on the historic cost of similar changes in this system. The state share for MnCHOICES systems work is 50%.

## Expenditure and/or Revenue Formula

Feb 24 Forecast	2025	2026	2027
<b>Total Disability Waiver Expenditures (CCB&amp;DD)</b>	5,620,590,737	6,168,656,469	6,332,742,923
State Share	2,740,037,984	3,012,771,819	3,092,911,644
State Share Disability Waivers Percentage	48.75%	48.84%	48.84%
% Affected by DWRS	64%	64%	64%
<b>Projected DWRS Expenditures</b>	<b>3,597,178,072</b>	<b>3,947,940,140</b>	<b>4,052,955,471</b>
<b>ICS with nursing service, increase to spending for rates currently in effect</b>			
Integrated Community Supports Portion of DWRS spending	4.53%	5.30%	5.70%
Rate increase attributable to additional nursing services	15.02%	15.02%	15.02%
Increase to expenditures for current DWRS rates	24,466,582	31,429,517	34,699,626
Implementation and Payment Effect	9%	74%	17%
<b>Net Cost for service agreements for current DWRS rates</b>	<b>2,201,992</b>	<b>23,257,842</b>	<b>5,898,936</b>
<b>ICS with nursing service, increase to spending for Jan. 1, 2026 rate increase</b>			
Integrated Community Supports Portion of DWRS spending	4.53%	5.30%	5.70%
Rate increase attributable to additional nursing services	0.00%	15.87%	15.87%
Increase to expenditures after Jan. 1, 2026 rate increase	-	33,210,932	36,666,391
Implementation and Payment Effect	0%	9%	83%
<b>Net Cost for service agreements after Jan. 1, 2026 rate increase</b>	<b>-</b>	<b>2,988,984</b>	<b>30,433,104</b>
<b>Total MA Cost of Nursing</b>	<b>2,201,992</b>	<b>26,246,826</b>	<b>36,332,041</b>
State Share	48.75%	48.84%	48.84%
<b>Net State MA impact</b>	<b>1,073,471</b>	<b>12,818,950</b>	<b>17,744,569</b>

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MnCHOICES	50,000	-	
State Share Percent	50%	50%	50%
State Share of MnCHOICES Systems Costs	25,000	-	-
State Cost	1,098,471	12,818,950	17,744,569

Fiscal Tracking Summary (\$000's)					
Fund	BACT	Description	2025	2026	2027
GF	33	MA LW	1,073	12,819	17,745
GF	11	MnCHOICES Systems State Share	25	0	0
GF	14	Admin			
		Total Net Fiscal Impact	1,098	12,819	17,745
		Full Time Equivalents			

## Long-Term Fiscal Considerations

This proposal has ongoing fiscal costs that are anticipated to increase with DWRS inflationary adjustments.

## Local Fiscal Impact

## References/Sources

ADSA Research & Analysis

November 2023 Forecast

### **Agency Contact:**

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