



## DHS & the Human Services Budget

Senate Human Services Committee

Elyse Bailey, Budget Director

# The new DHS identity is taking shape



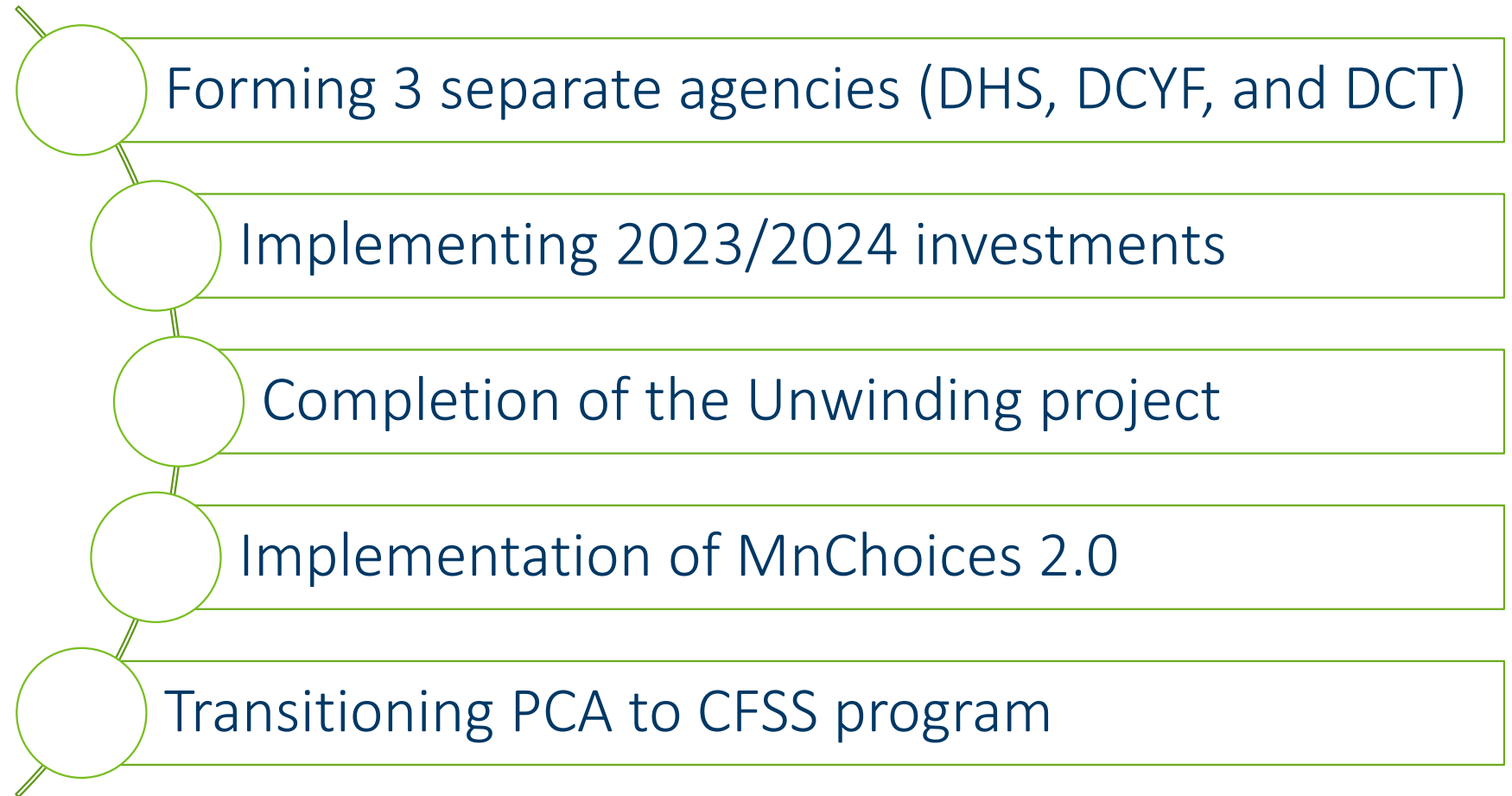
## MISSION

In collaboration with community and partners, DHS supports people to thrive in community and live their healthiest and fullest lives.

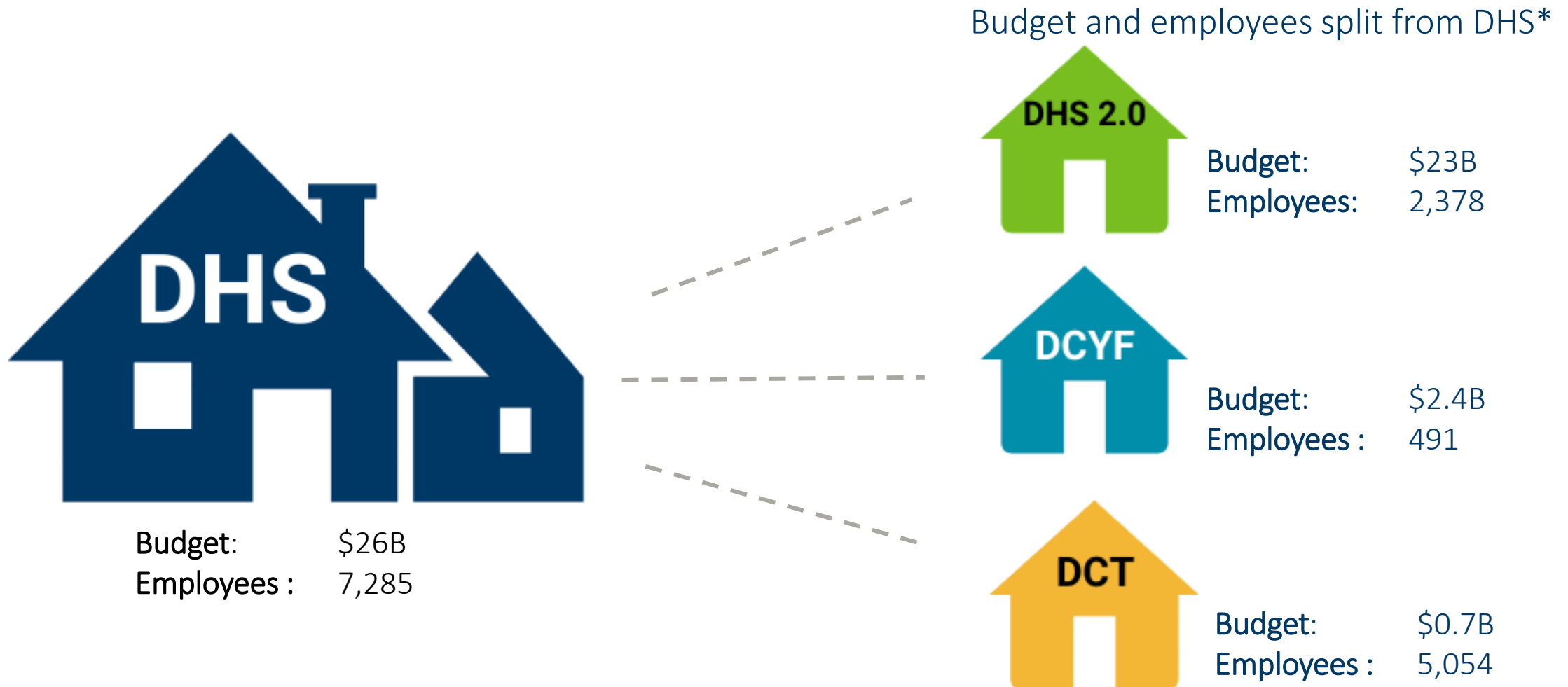
## VISION

All people in Minnesota have what they need to thrive in community with no disparities.

# DHS Updates Since 2024 Session



# Leading an impactful transformation



*\*Data as of FY2024. Includes only budget and employees coming from DHS, does not include any budget or employees coming from DOE or other agencies. Only employees at DHS immediately prior to the split were included in DHS 2.0 and DCYF counts.*

# The New DHS – DHS Administrations



Aging &  
Disability  
Services



Behavioral  
Health



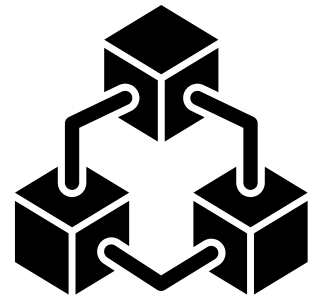
Health  
Care



Homelessness,  
Housing &  
Support Services



Office of  
Inspector  
General



Central  
Office

# DHS directly impacts more than 25% of people living in Minnesota



# Who we serve: Average Monthly People (FY24)

1.3 Million



Medicaid Enrollees

102,000



MinnesotaCare Enrollees

12,000



People receiving LTC in  
Nursing Facilities

89,000



People receiving LTC in their  
homes & communities

34,000



People receiving behavioral  
health services (BHF)\*

837,000



Families with Children  
enrollees in MA

23,000



People receiving General  
Assistance (GA)

21,000



People receiving Housing  
Support

\*Annual unduplicated recipients

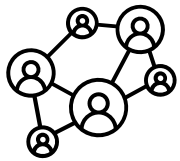
# Important Investments in 23/24 Legislative Sessions



Low Direct Care Wages  
and Workforce Shortage



Rate Increases, prioritizing the lowest wages and services serving people living in their own homes



Challenges in Navigating  
the System



Eliminating barriers such as TEFRA premiums and MA-EPD asset limits and strategies to help people transition out of the hospital



Escalating Opioid Epidemic



Investments in Substance Use Disorder services and overdose prevention



# DHS continues to be a top state in health and human services

Minnesota is the **fifth** state nationally for overall health (America's Health Rankings, 2023)



Keeping over 1.3M people in Minnesota covered by public health insurance, including 42% of children.

***"11<sup>th</sup> nationally** in health care access, quality and outcomes"*

*(The Commonwealth Fund, 2023)*



Providing quality services and supports for older adults and people with disabilities.

***"1<sup>st</sup> nationally** in services for older adults and people with disabilities"*

*(AARP, The Commonwealth Fund and the SCAN Foundation, 2024)*



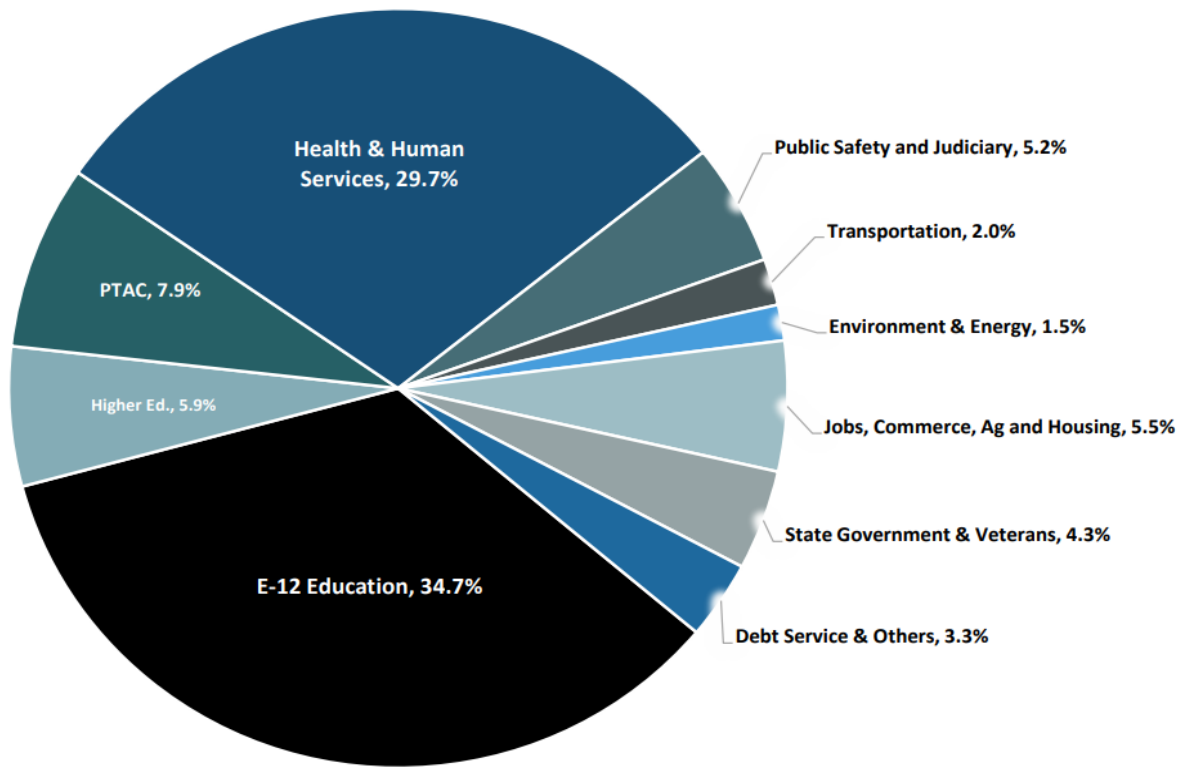
Providing high quality supports for children mental health in the appropriate setting including schools.

***"5<sup>th</sup> nationally** in child well-being"*

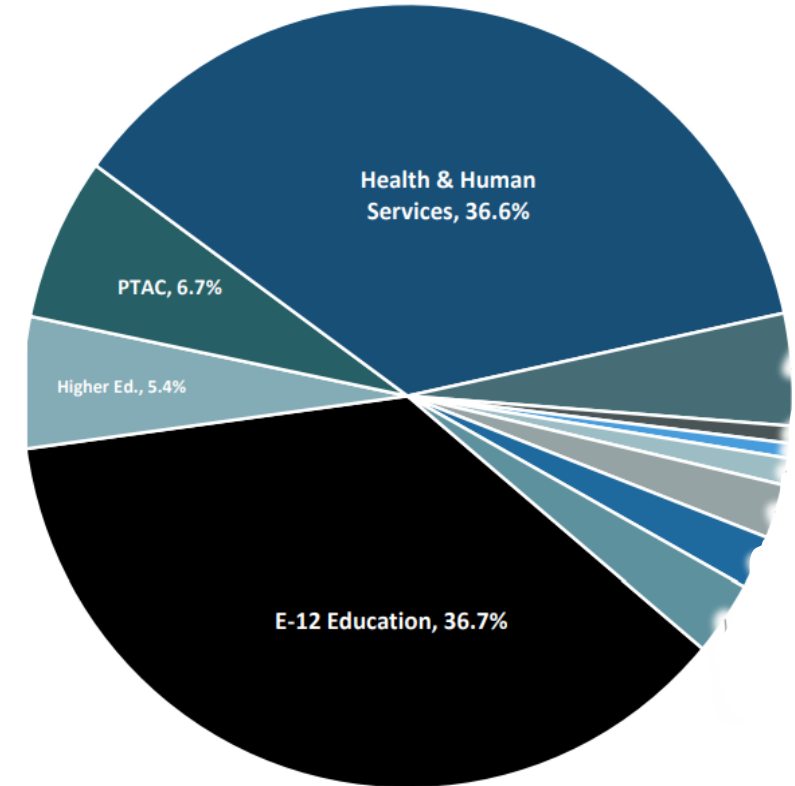
*(Annie E. Casey Foundation, 2024)*

# Health and Human Services will continue to be one of the largest expenditures in the General Fund

General Fund  
2024-2025 Biennium



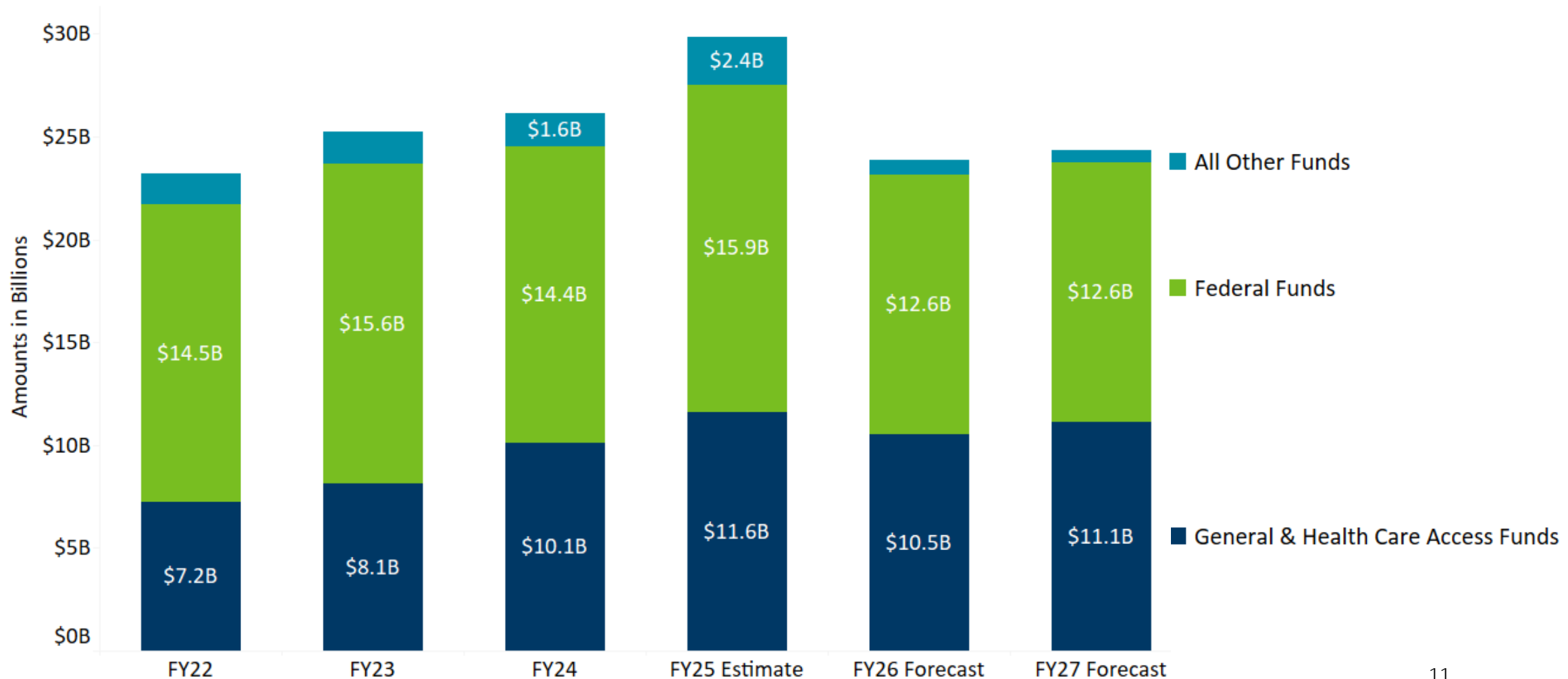
General Fund  
2028-2029 Biennium



In addition, Health and Human Services is also the largest ALL FUNDS expenditure for the state representing 46% of the FY 2024-25 Biennium budget

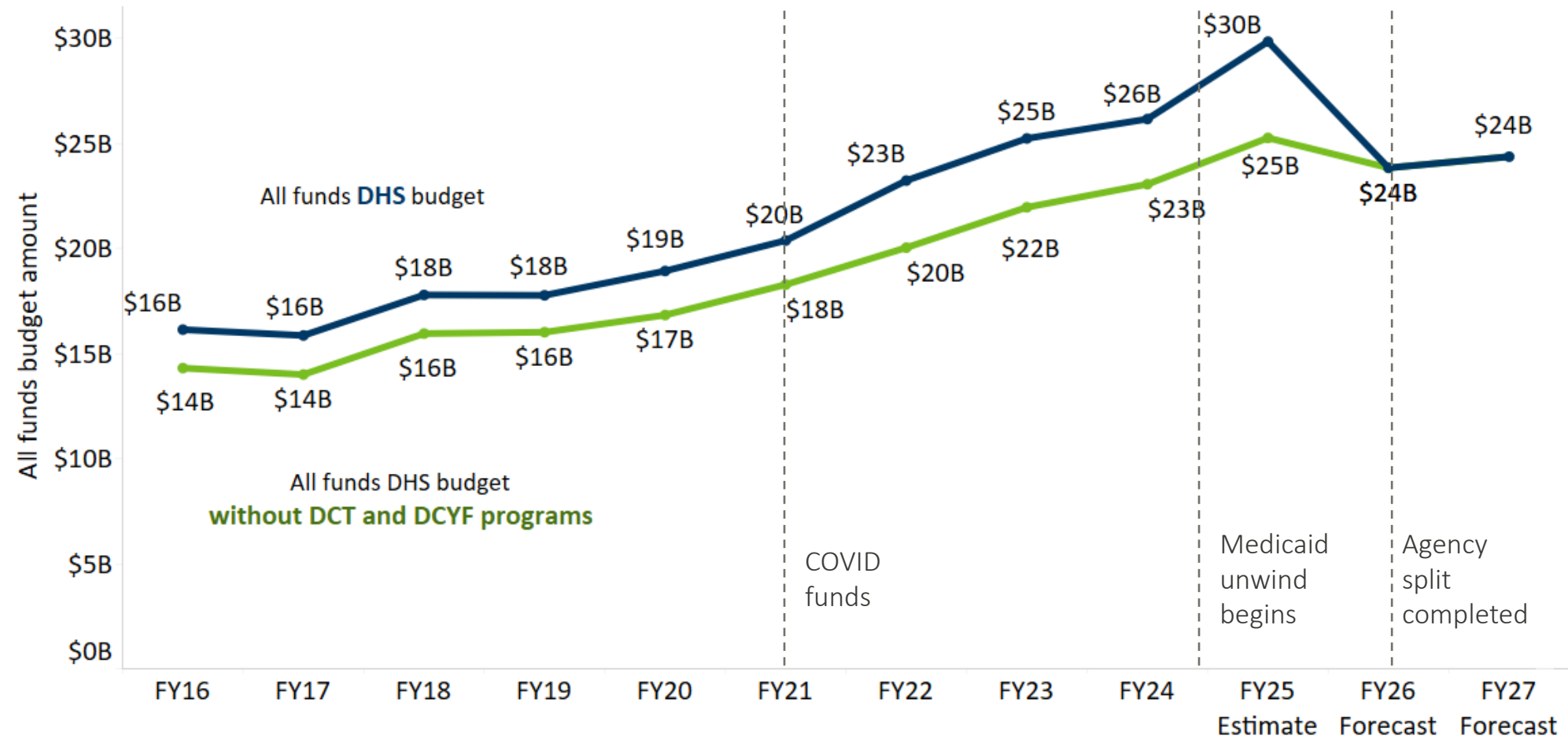
# More than half of DHS' budget comes from federal sources

**Budget by Source of Funding**

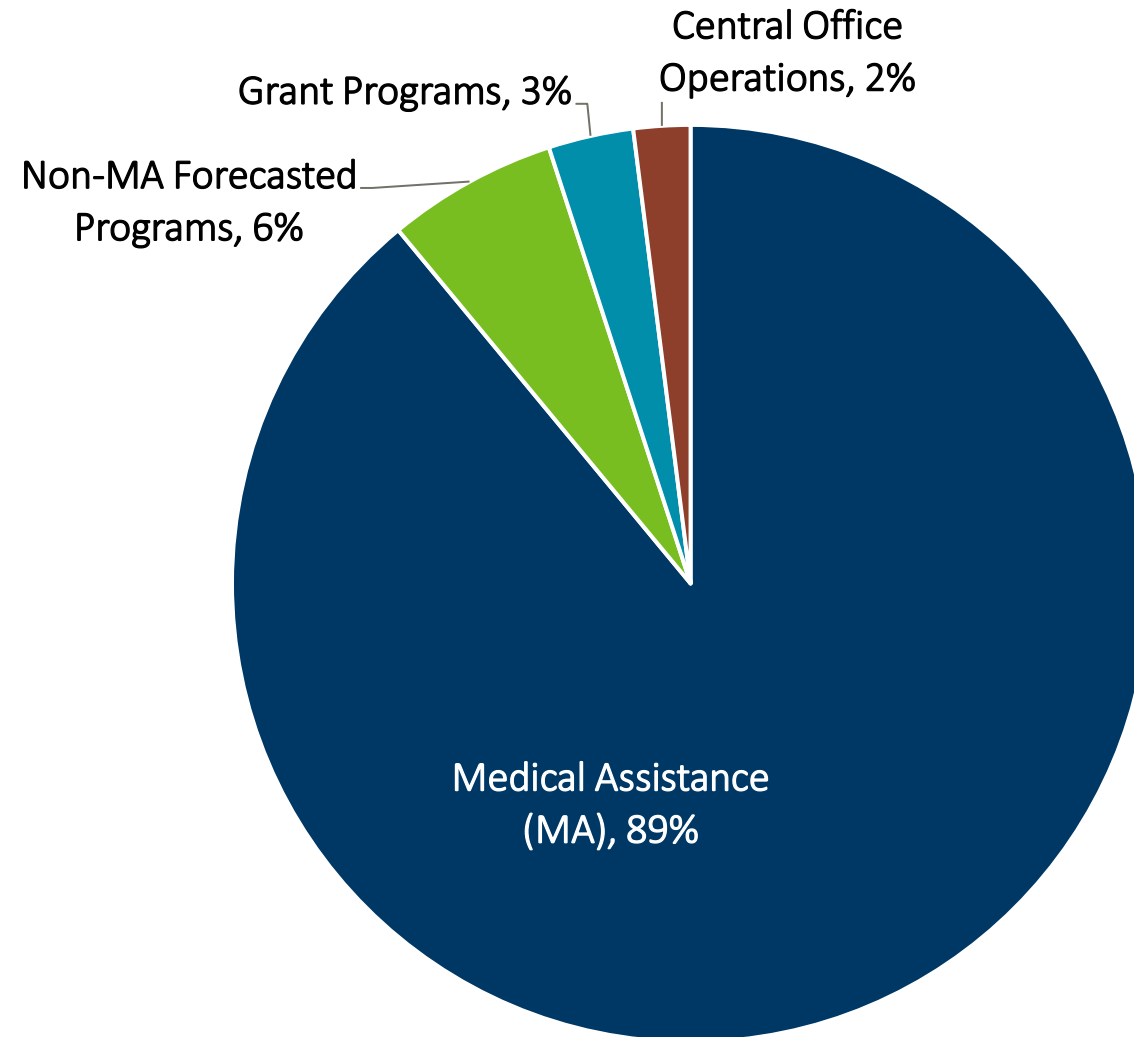


# DHS Budget Over Time

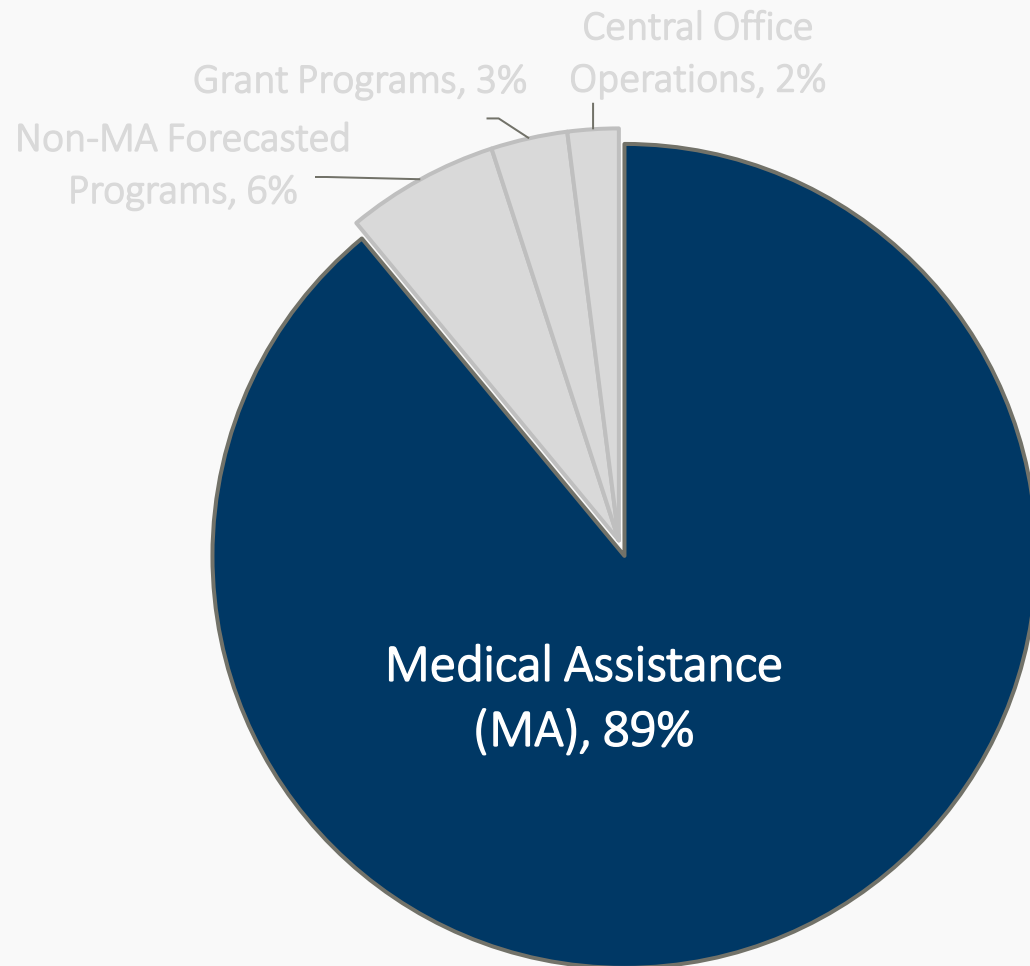
**DHS all funds budget** (with and without DCYF and DCT programs)



# DHS FY 2026 expenditures all funds



# DHS FY 2026 expenditures: Medical Assistance (MA)



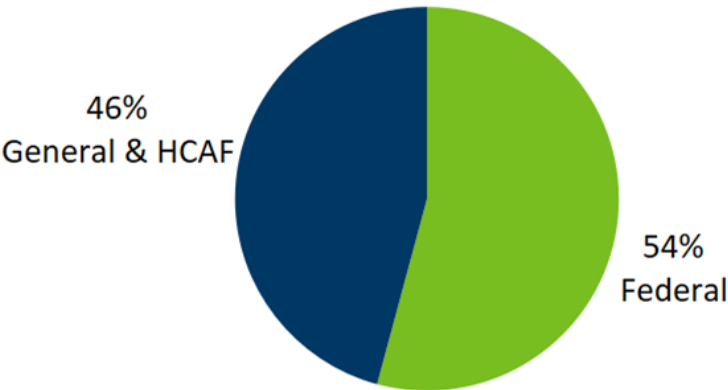
## Medical Assistance (MA)

Health insurance for low-income Minnesotans for:

- **Preventive** and primary health care
- **Behavioral Health** supports, including mental health and substance use disorder services
- **Long-term care** services and supports for people with **disabilities and older adults** so that they can **continue living in the community**
- **Nursing facility care** for older adults and **intermediate care** facilities for people with developmental disabilities

# Medical Assistance (MA) overview

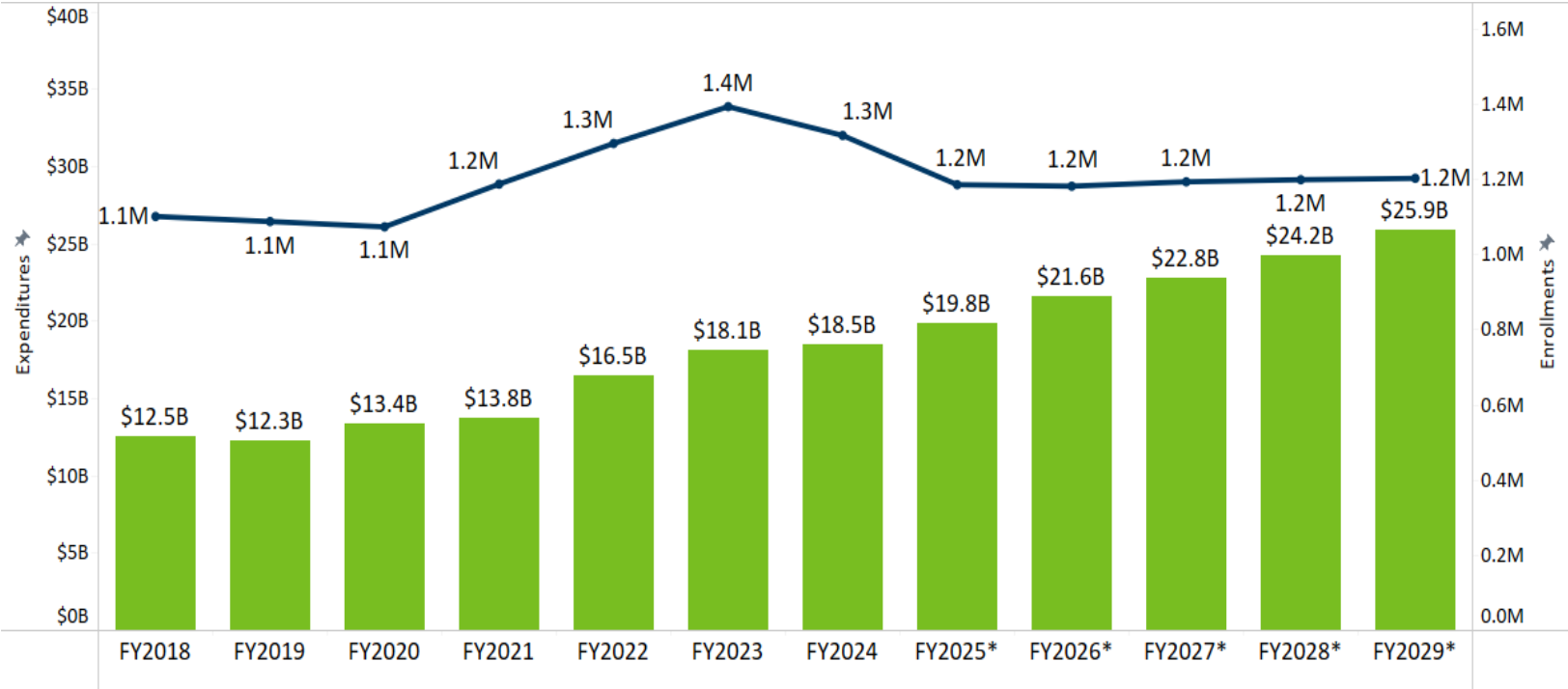
Medical Assistance Funds (FY2026)



42%

of children in the state have their health care covered by Medicaid

MA expenditures and enrollment Trend



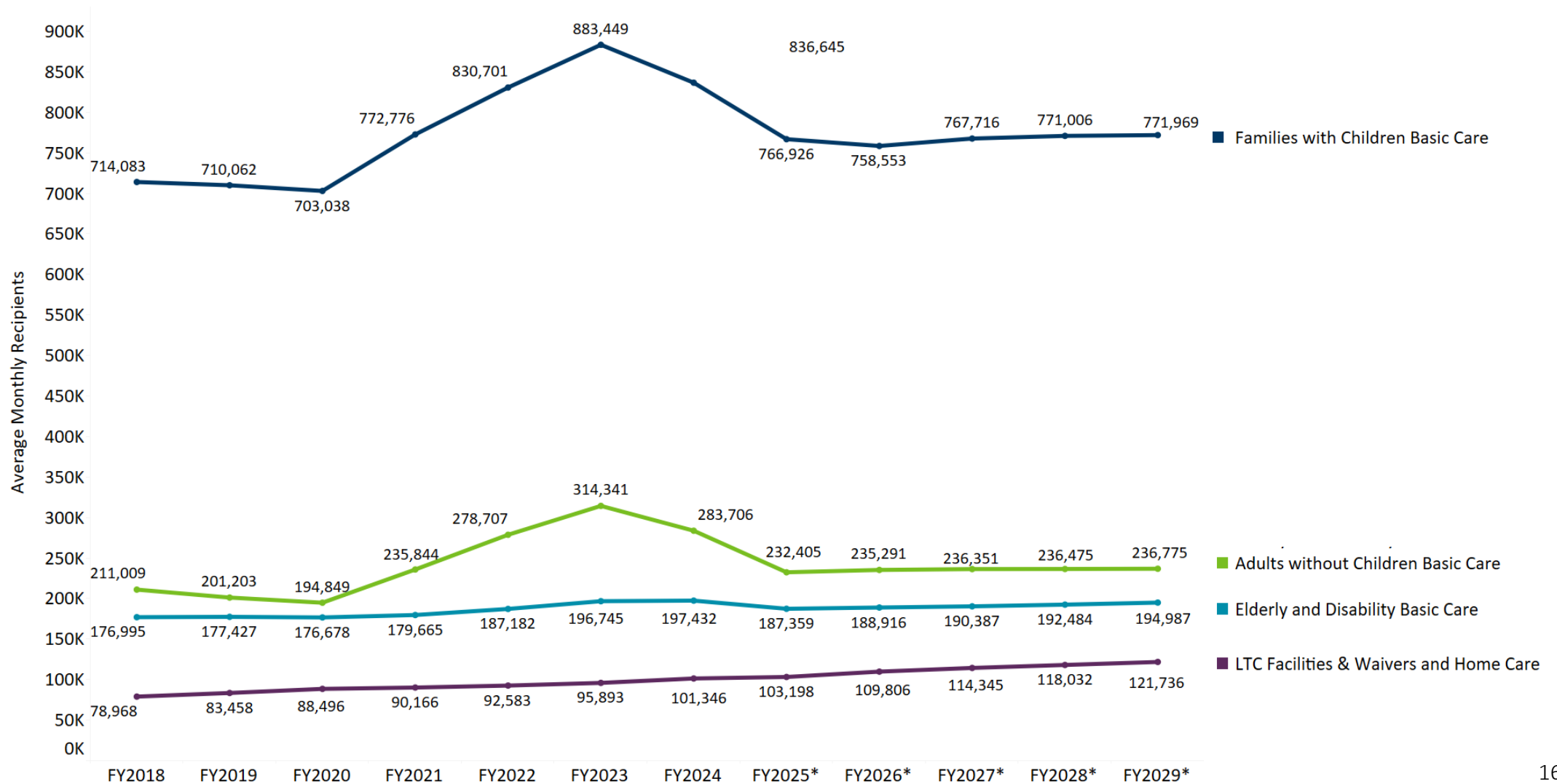
1.3 Million

Minnesotans have access to health care (2024)

\$18.9B

total MA expenditures (2024)

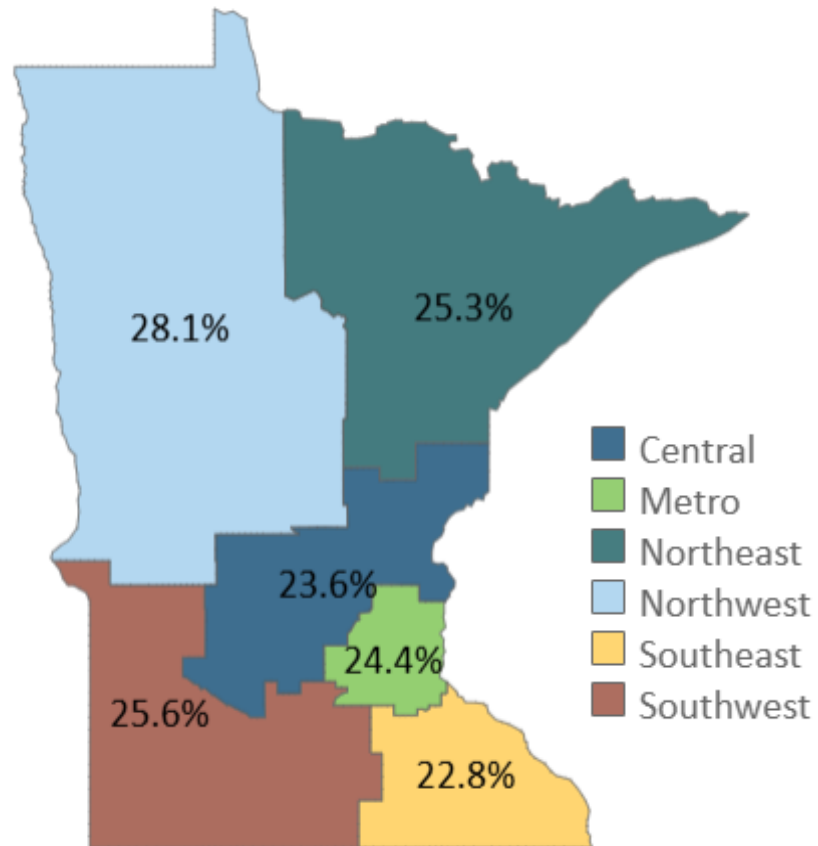
# MA average monthly recipients





# MA enrollment regional distribution

Percent of the **total population** within the region enrolled in MA (all ages)



MMIS, Data for CY 2023

## Medical Assistance (Actuals FY2024)

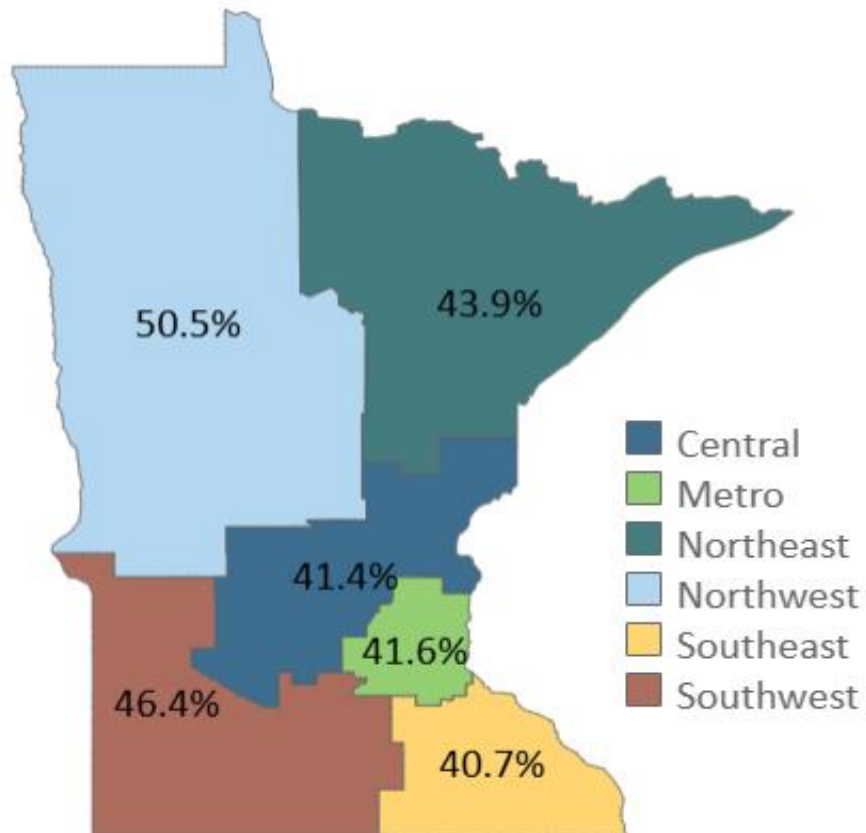
- \$18.5 billion total (\$6.9 billion state)
- 1.3 million people enrolled per month

## MinnesotaCare (Actuals FY2024)

- \$663 million total (\$80 million state)
- 102,000 people enrolled per month

# MA children enrollment distribution

Percent of **children** within the region enrolled in MA

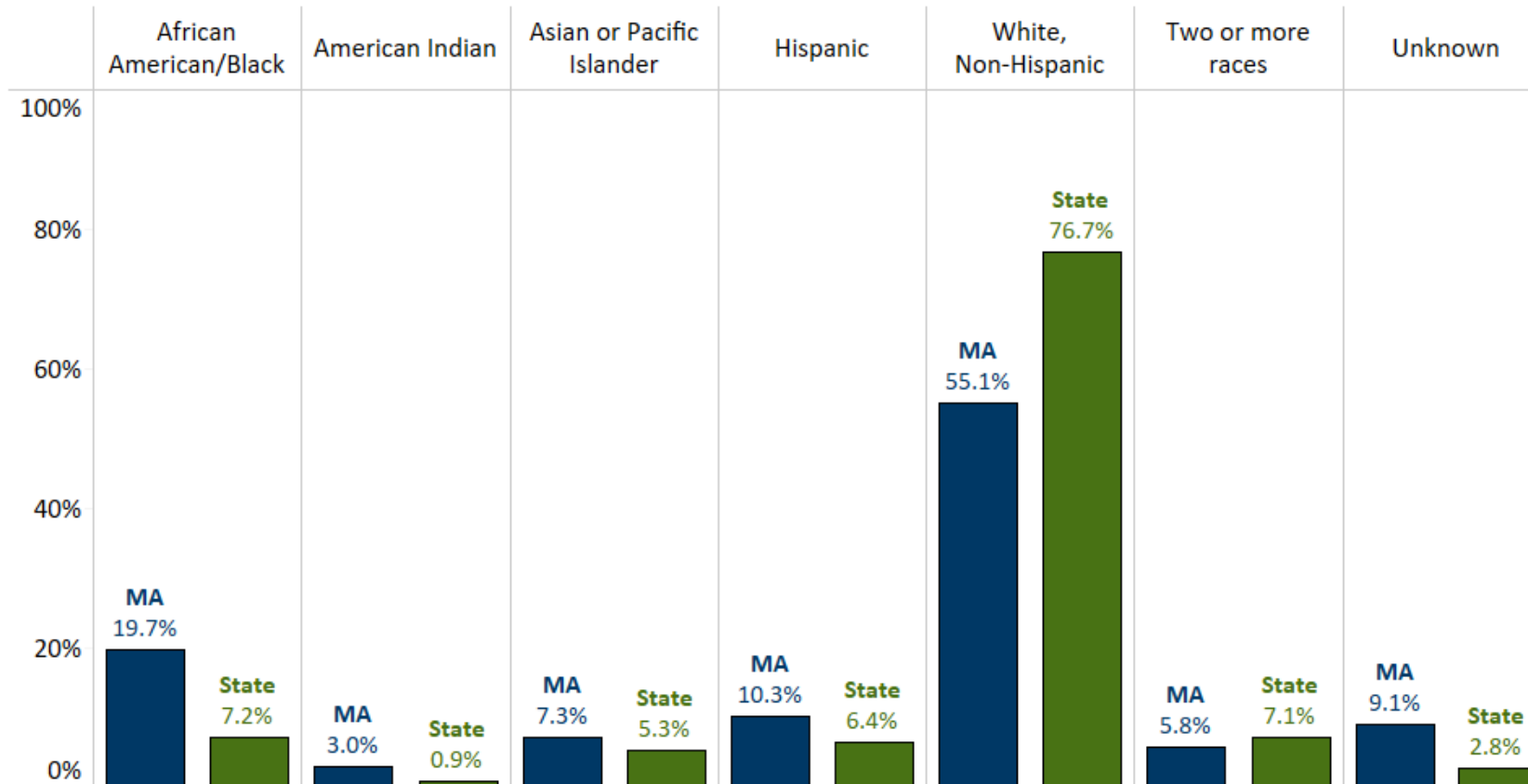


MMIS, Data for CY 2023

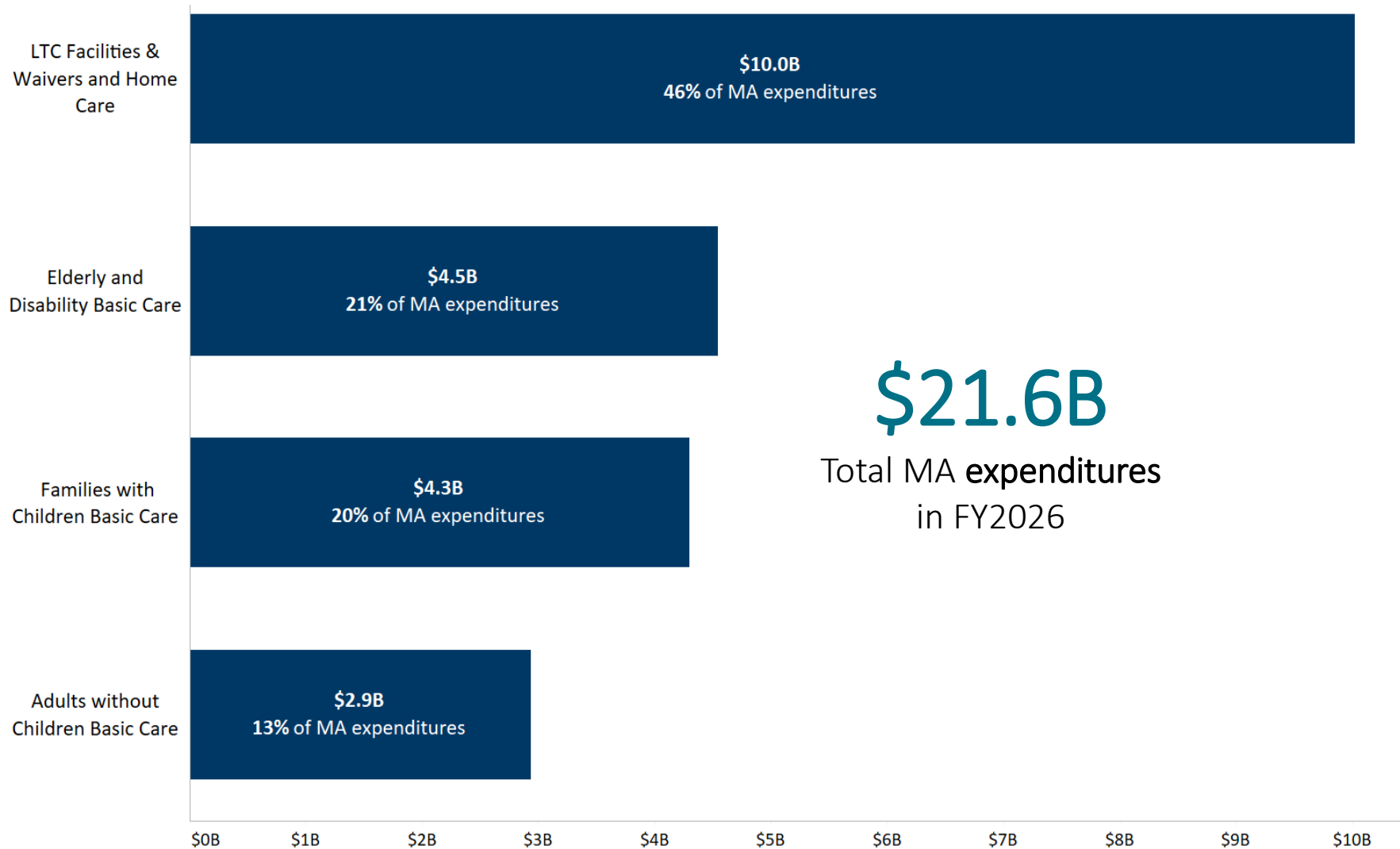


# MA race and ethnicity compared to MN (CY2023)

MA enrollee racial and ethnic representation compared to Minnesota's population as a whole



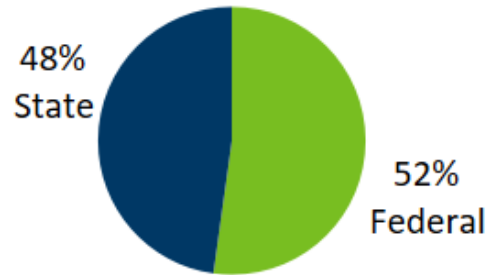
# MA total annual expenditures by category – FY 2026



# Medical Assistance expenditures by funding source

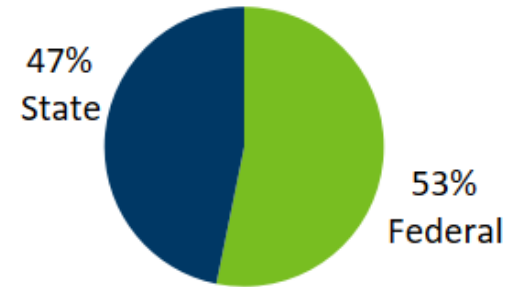
## MA LTC Facilities & LTC Waivers and Home Care

Funding sources FY2026



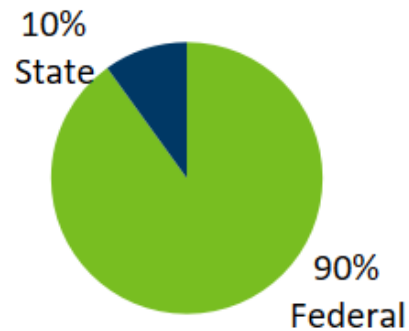
## MA Families with Children Basic Care

Funding sources FY2026



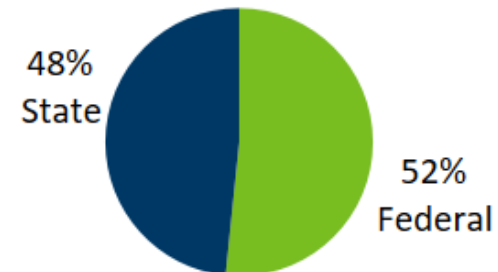
## MA Adults without Children Basic Care

Funding sources FY2026



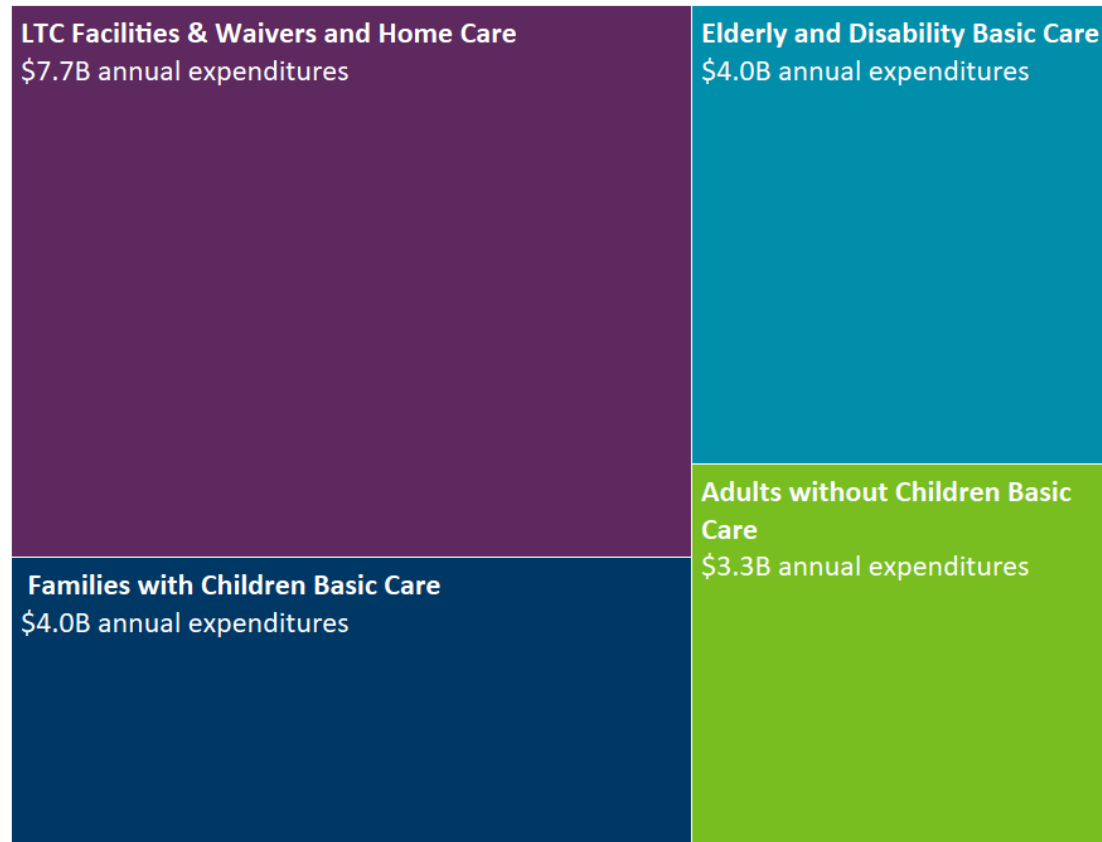
## MA Elderly and Disabled Basic Care

Funding sources FY2026

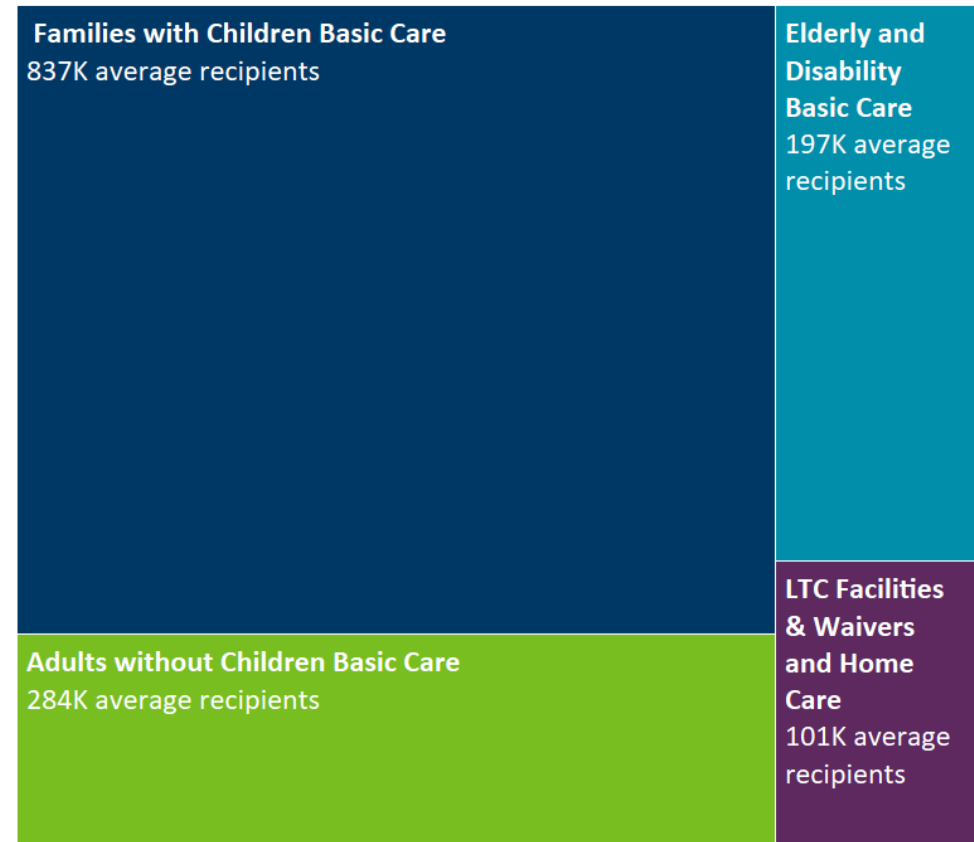


# MA current expenditures vs recipients

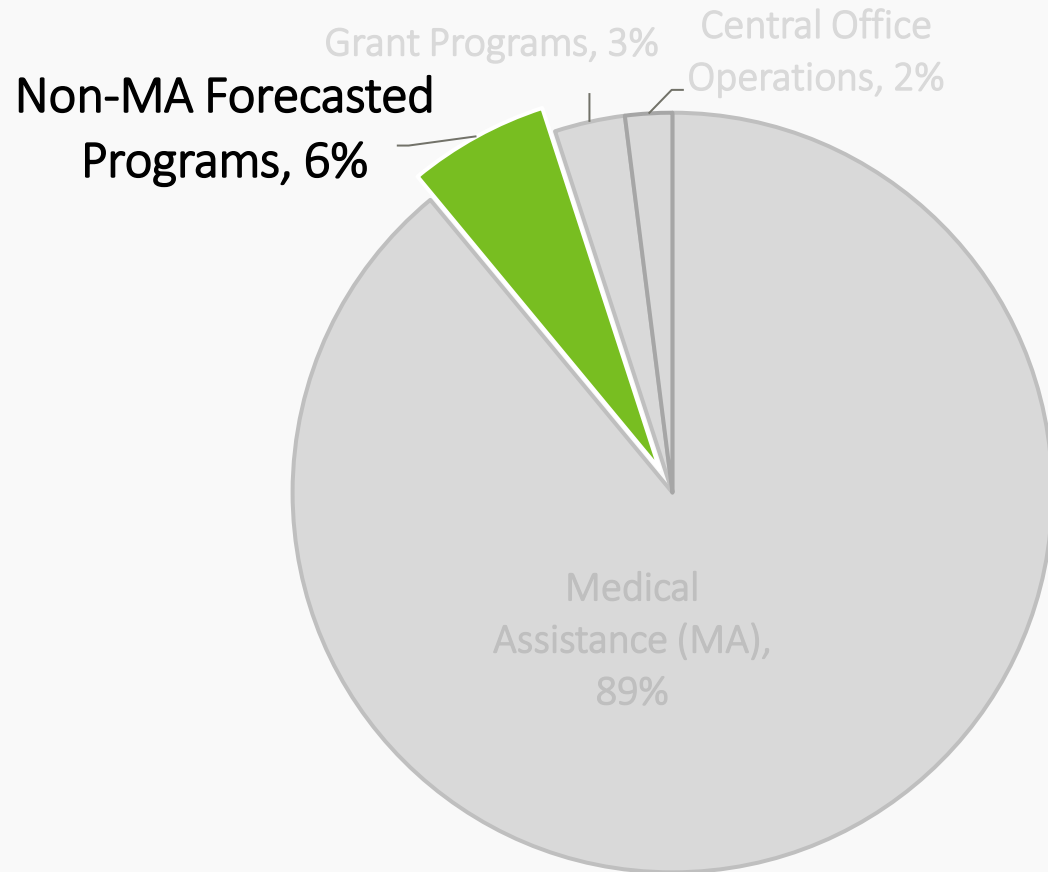
## MA annual expenditures



## MA average monthly recipients



# DHS FY 2026 expenditures: Non-MA forecasted programs



Data Source: BPAS

## Non-MA forecasted programs

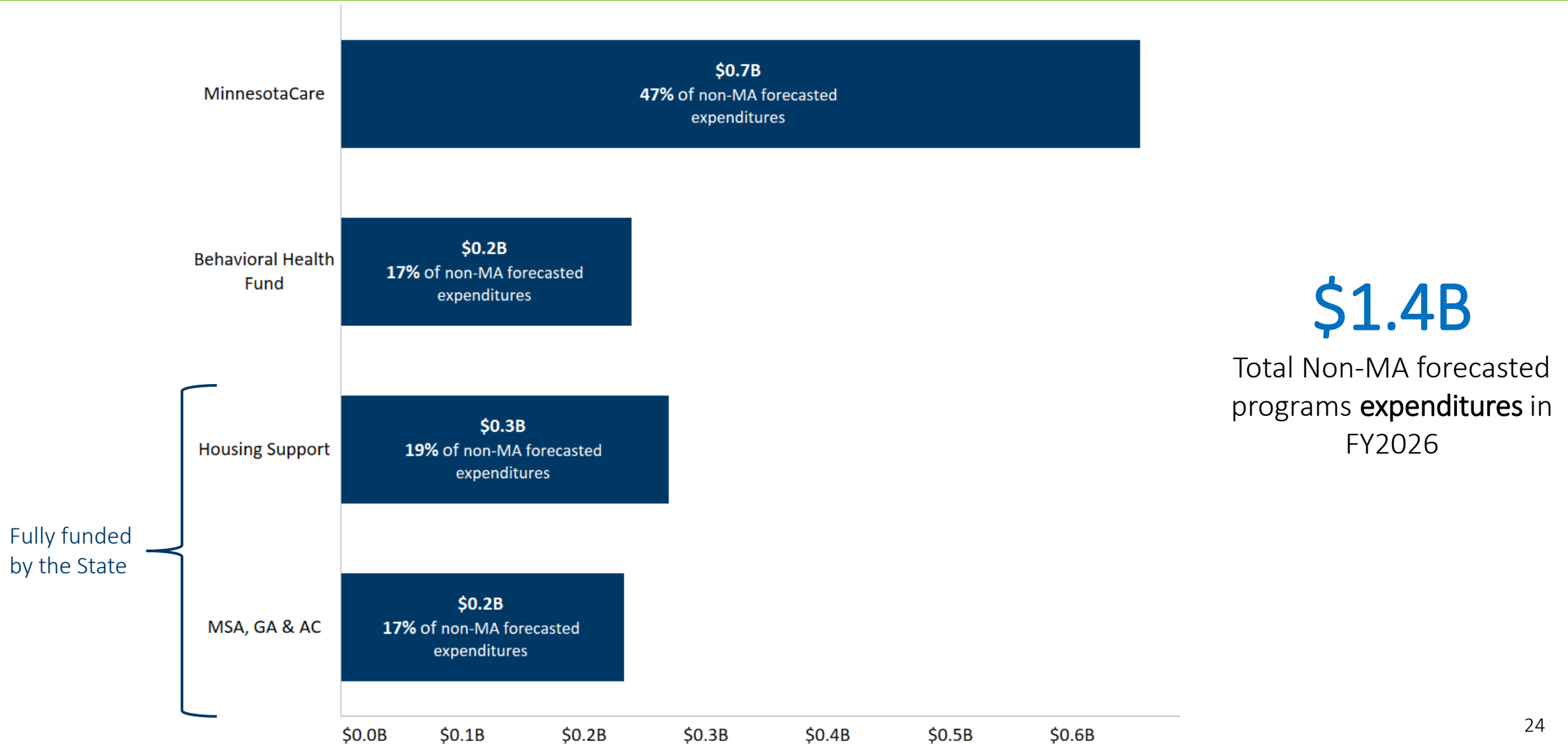
The Behavioral Health Fund pays for mental health and residential and outpatient substance use disorder services

MinnesotaCare provides health care for low-income recipients who don't qualify for MA

Housing Support (HS) pays for housing and some services for individuals placed by the local agencies in a variety of residential settings

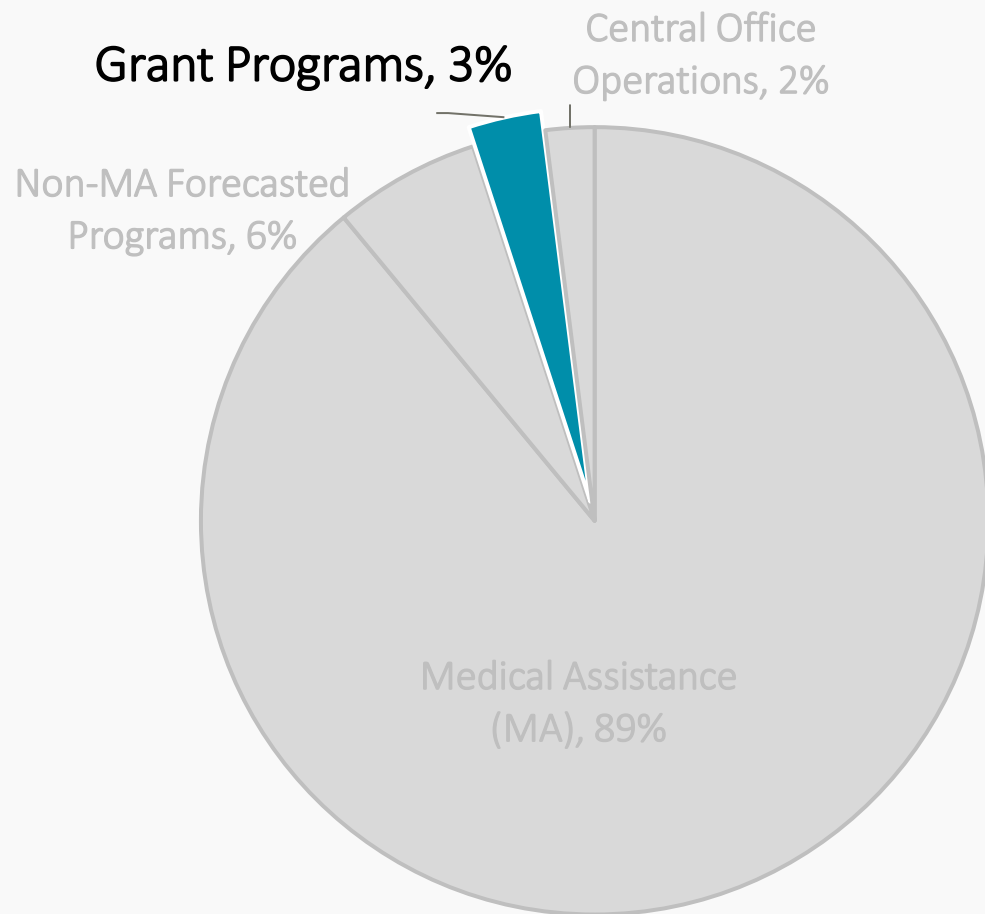
This category also includes Minnesota Supplemental Aid (MSA) and General Assistance (GA)

# Non-MA Forecasted Programs Expenditures – FY 2026





# DHS FY 2026 expenditures: Grant Programs



Data Source: BPAS

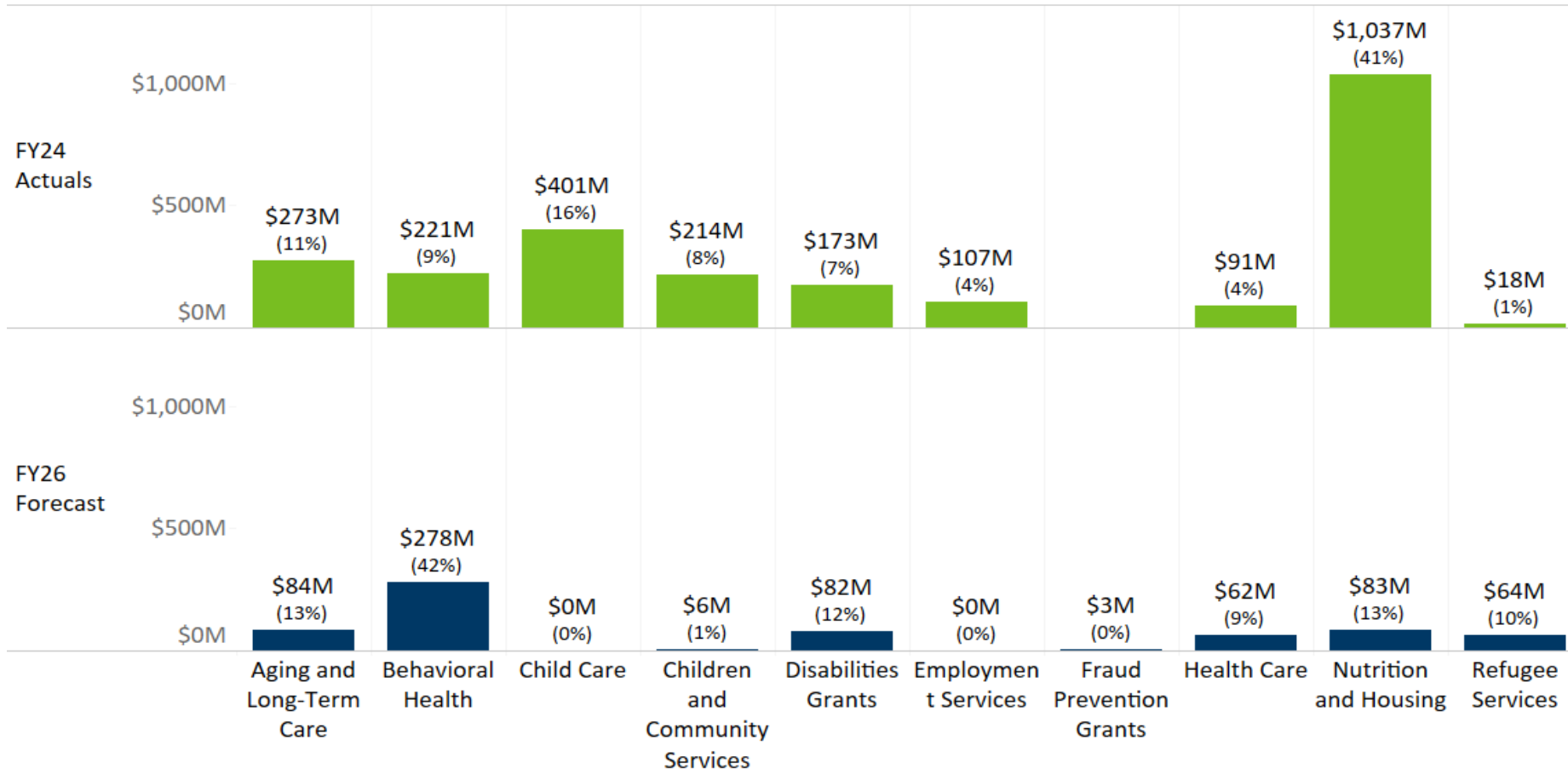
## Grant Programs

Provides supports for local providers, community, counties, Tribes, and families in areas related to:

- Safety services for vulnerable adults and children
- Health care quality and access projects
- Services in community-based settings
- Non-medical social services for older adults
- Services and support for deaf, deafblind and hard of hearing
- Support housing for low-income Minnesotans with disabilities
- State-wide support services for people with alcohol, or drug addiction
- And many more....

# Grant expenditures all funds FY2024 vs FY2026

Grant Expenditures by Category



Before DCYF separation

**\$2.5B**

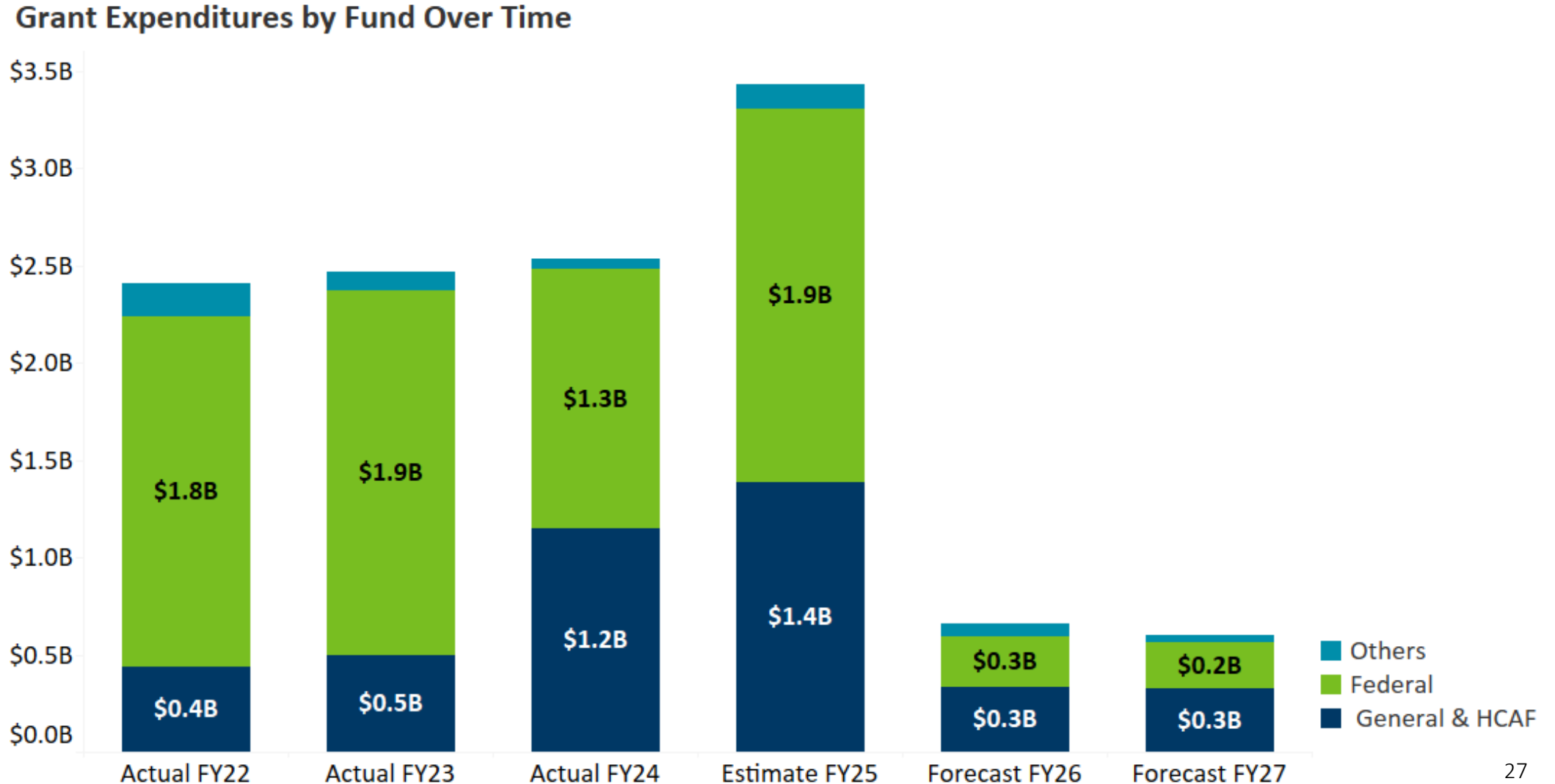
Grant expenditures in FY2024

After DCYF separation

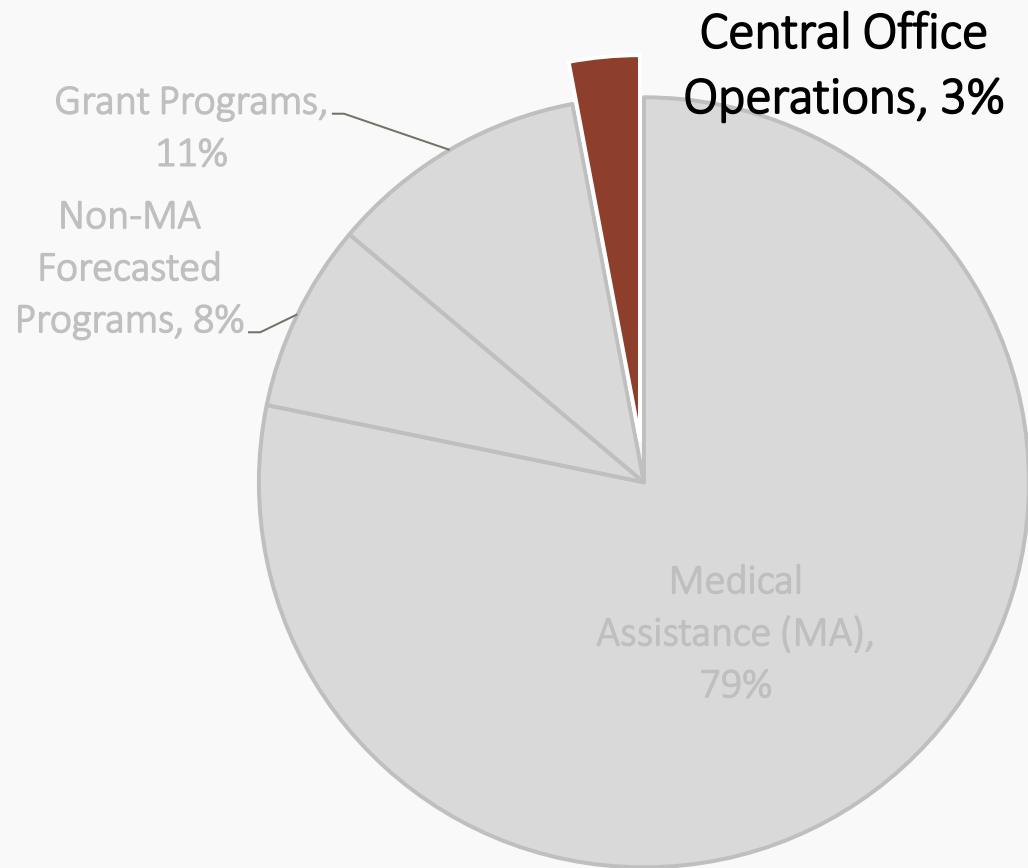
**\$0.6B**

Grant Forecasted expenditures in FY2026

# DHS Grant Expenditures Over Time



# DHS FY 2026 expenditures: Central Office Operations



Data Source: BPAS

## Central Office Operations

License service providers and conduct background studies to protect our most vulnerable citizens

Ensures integrity in spending of public resources

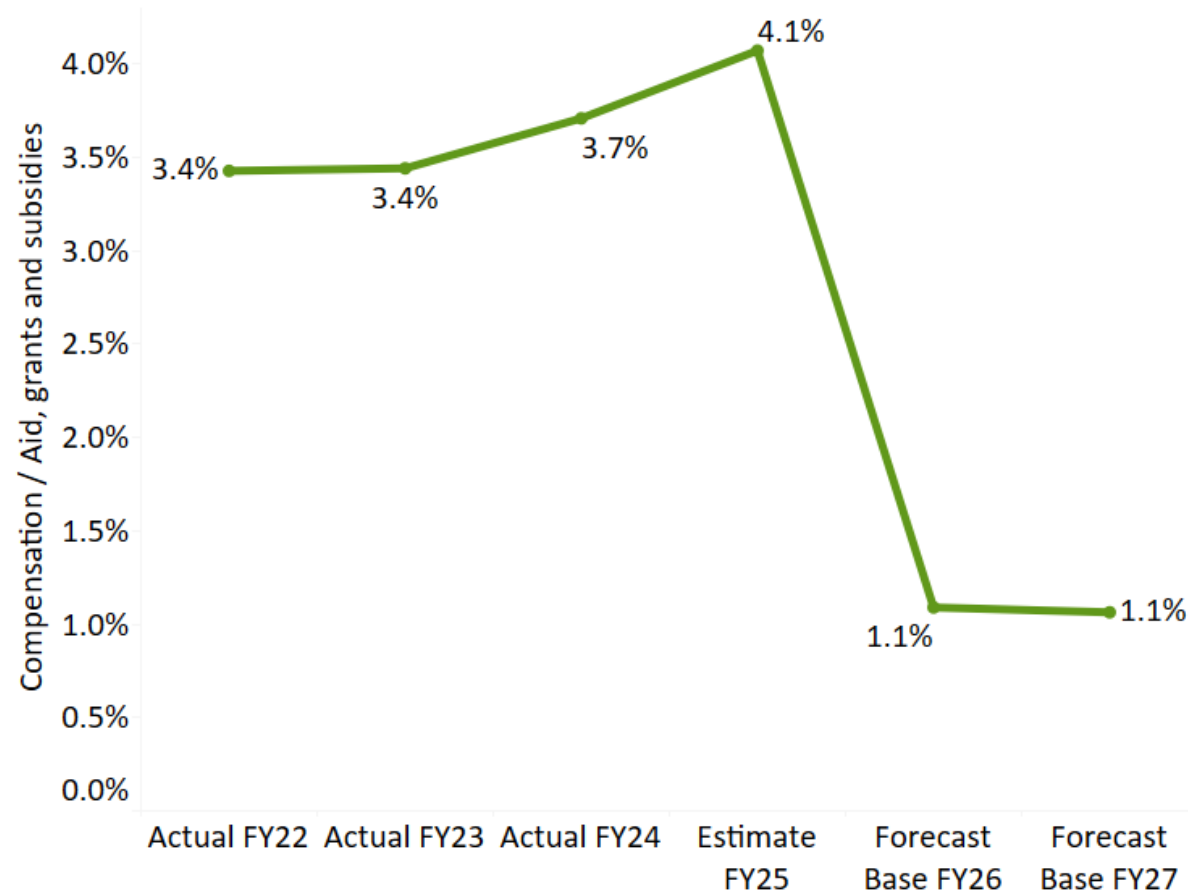
Oversees and provides administrative support to counties, Tribal Nations, and social service agencies

Administers publicly funded programs and oversee services delivery systems

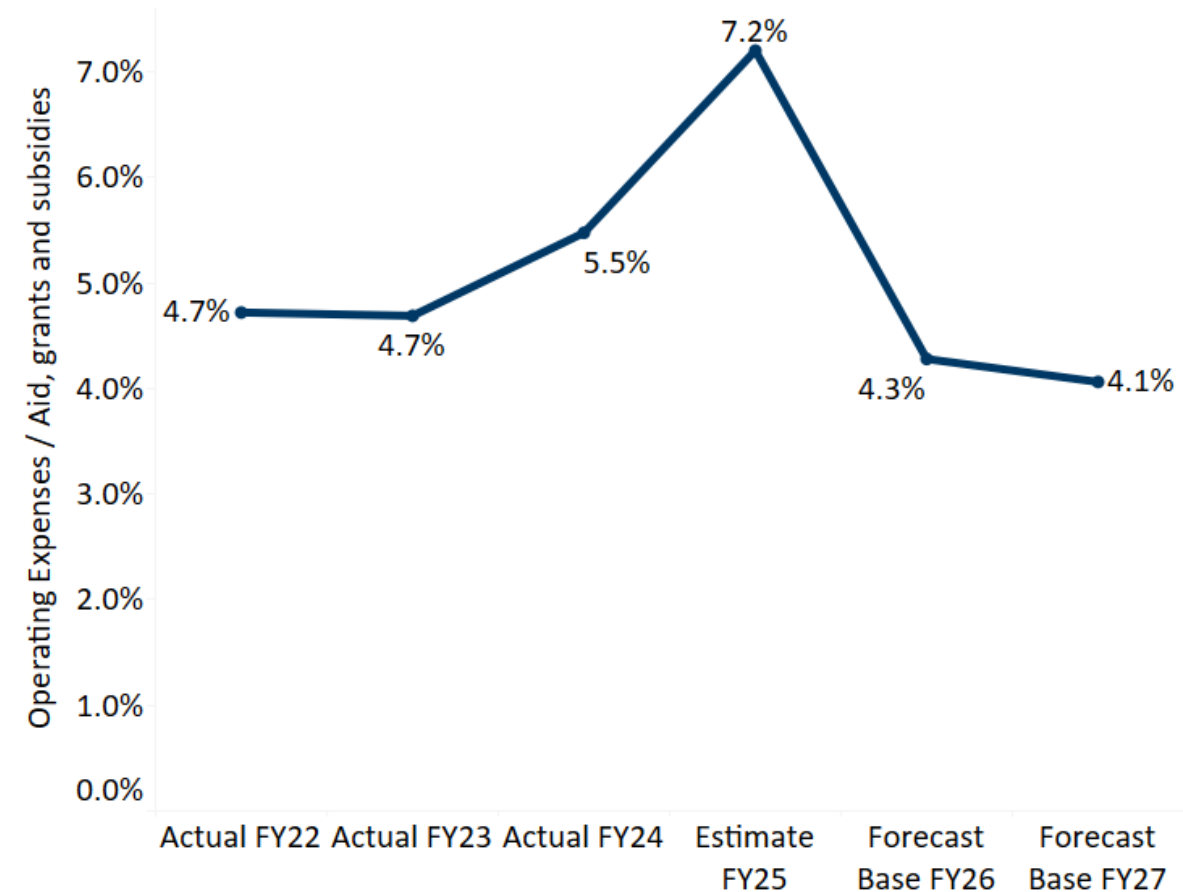
Provide human resources services, financial management, legal services, technology planning and facilities management for employees

# Compensation operating expenses as a percent of aid, grants and subsidies

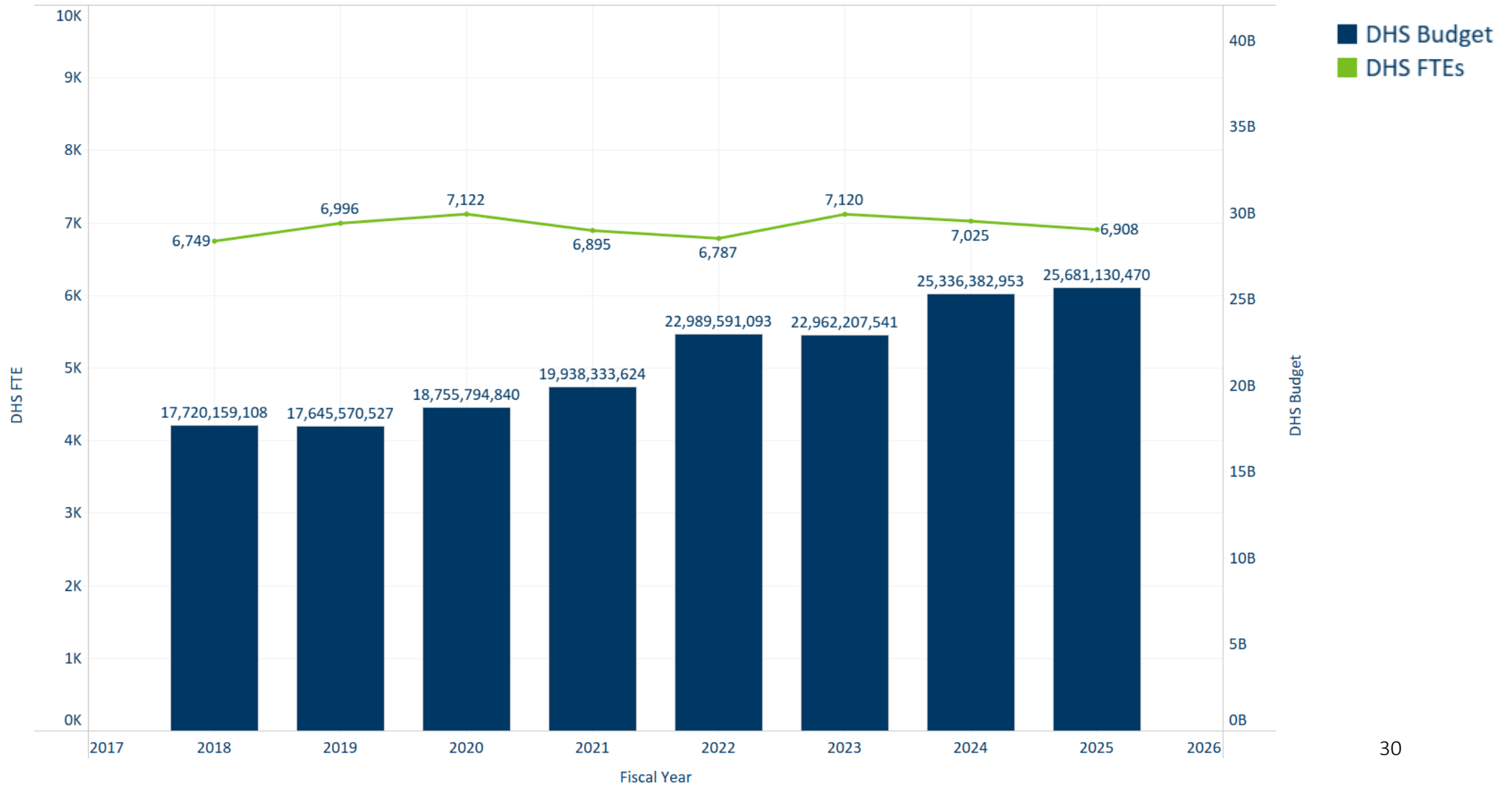
**Compensation** as a percent of aid, grants and subsidies

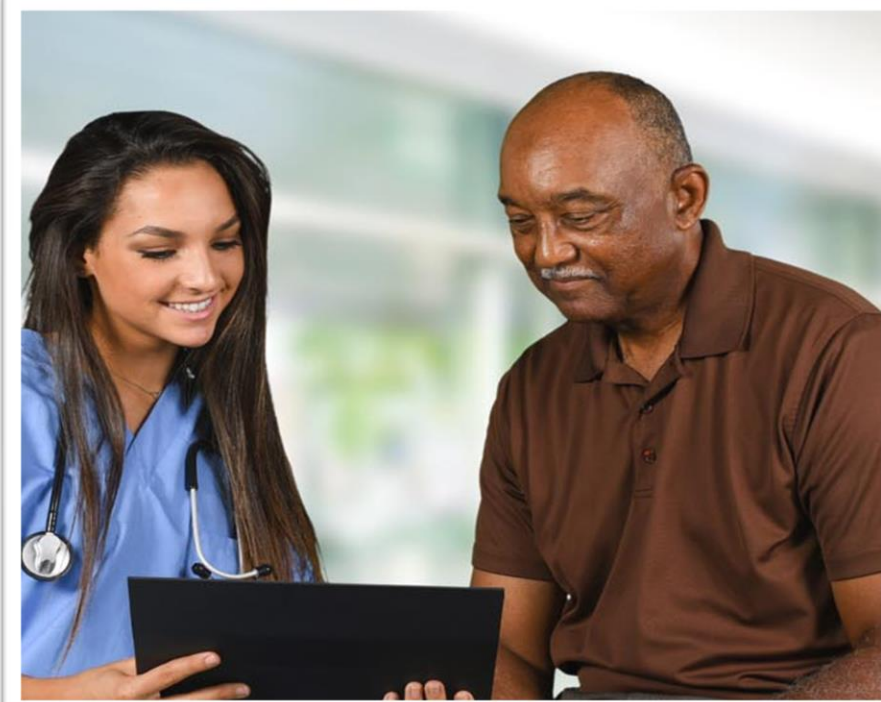


**Operating expenses** as a percent of aid, grants and subsidies (Includes IT)



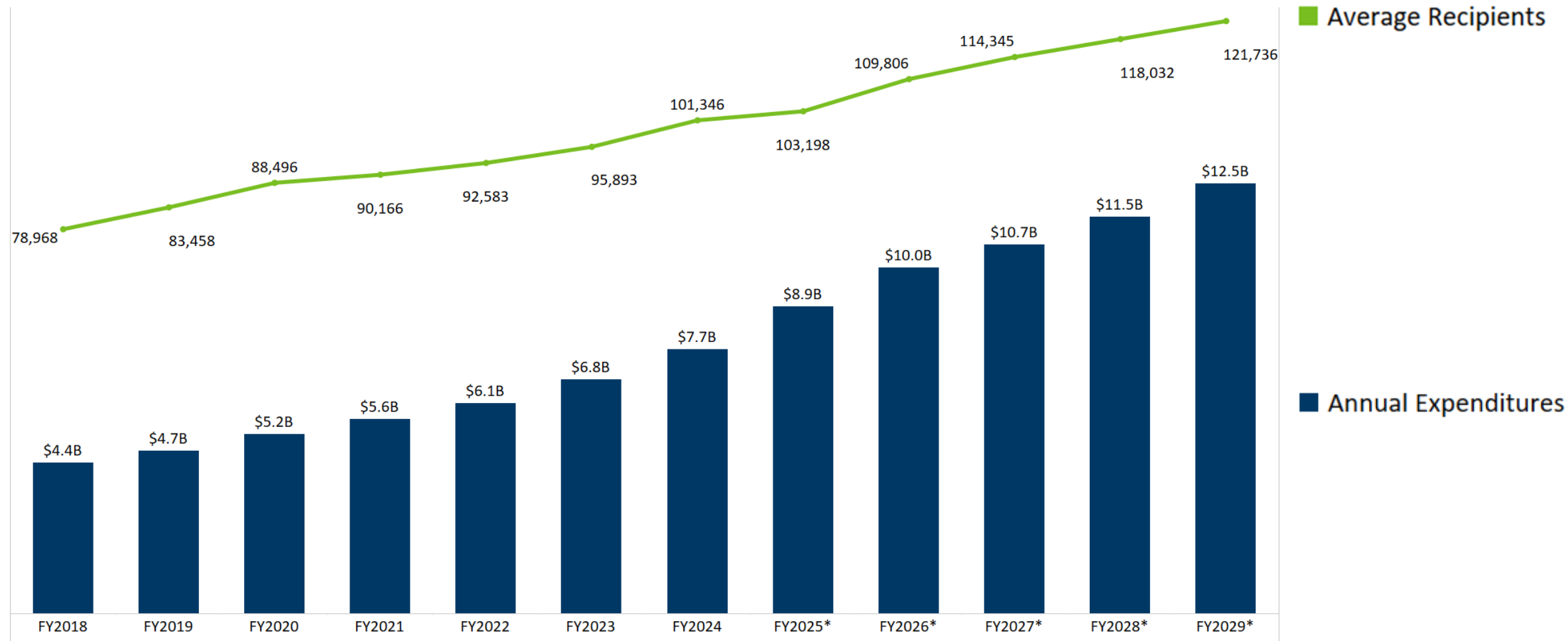
# FY Increase in DHS FTEs and DHS Budget





## Long Term Services & Supports

# Long Term Care Recipients and Expenditures



\*Forecasted

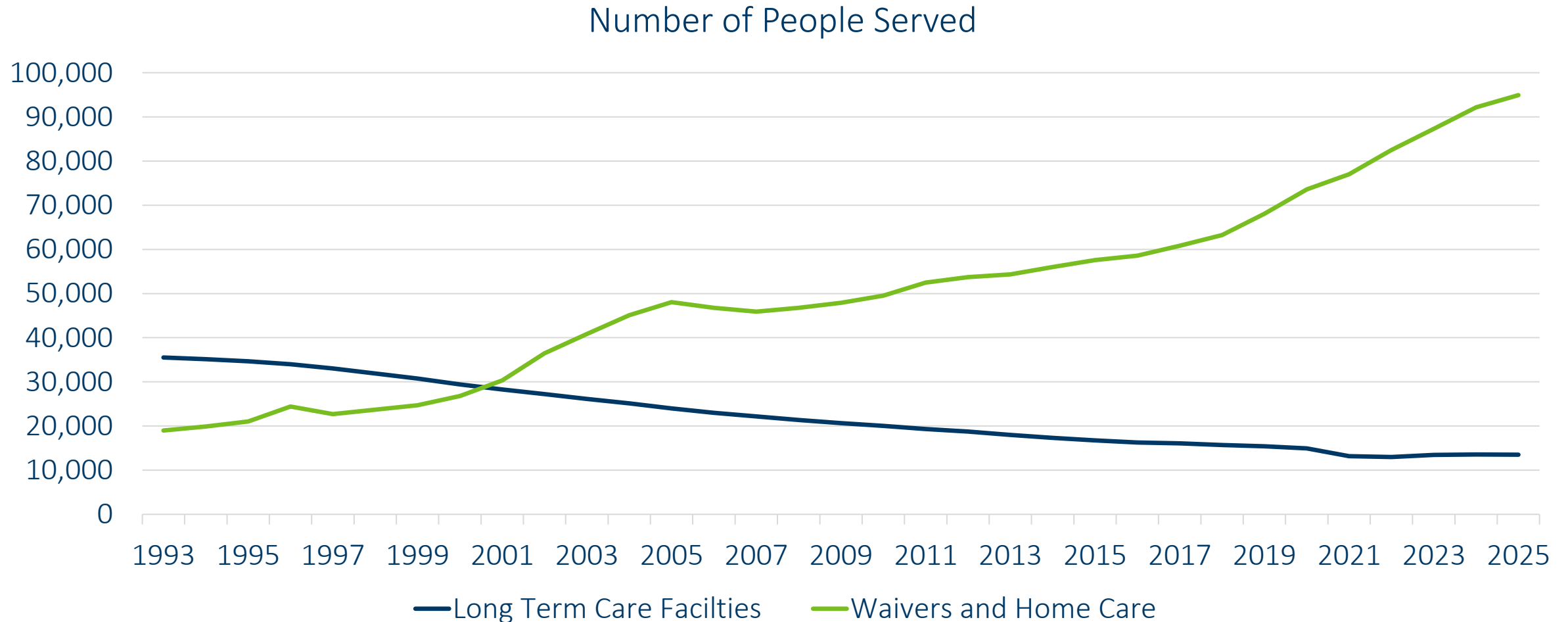


# LTC average monthly payment per recipient



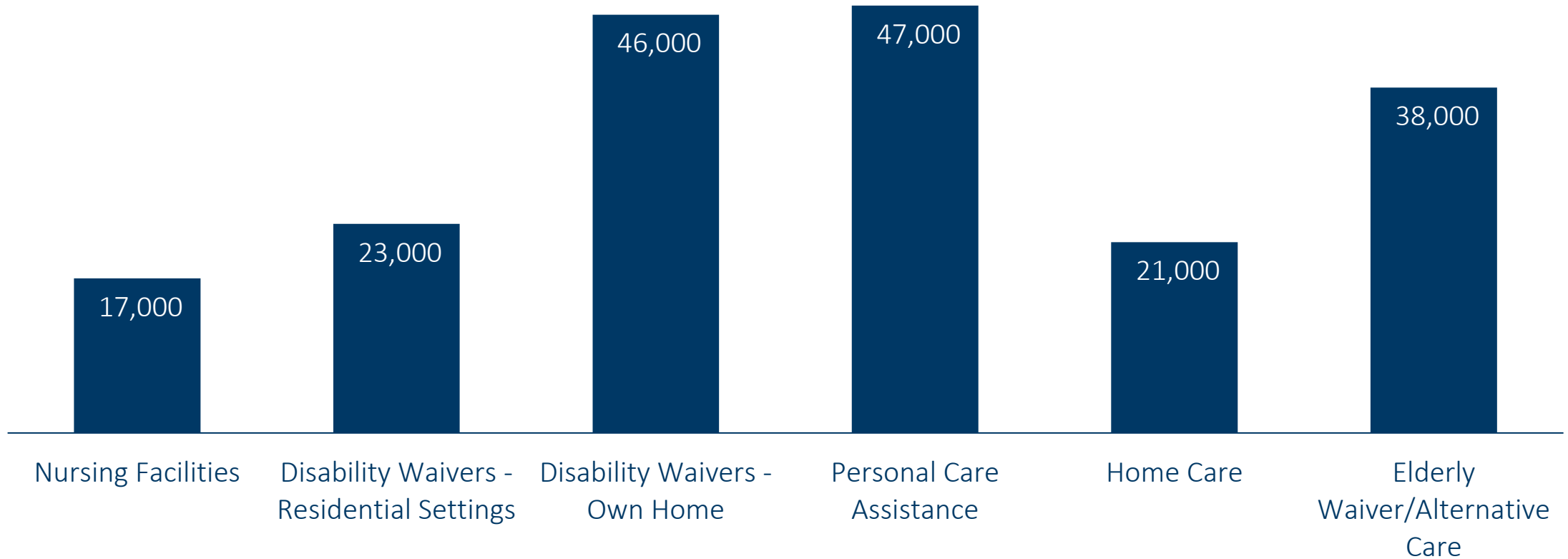
\*Forecasted year

# Changes in how long-term care services are delivered

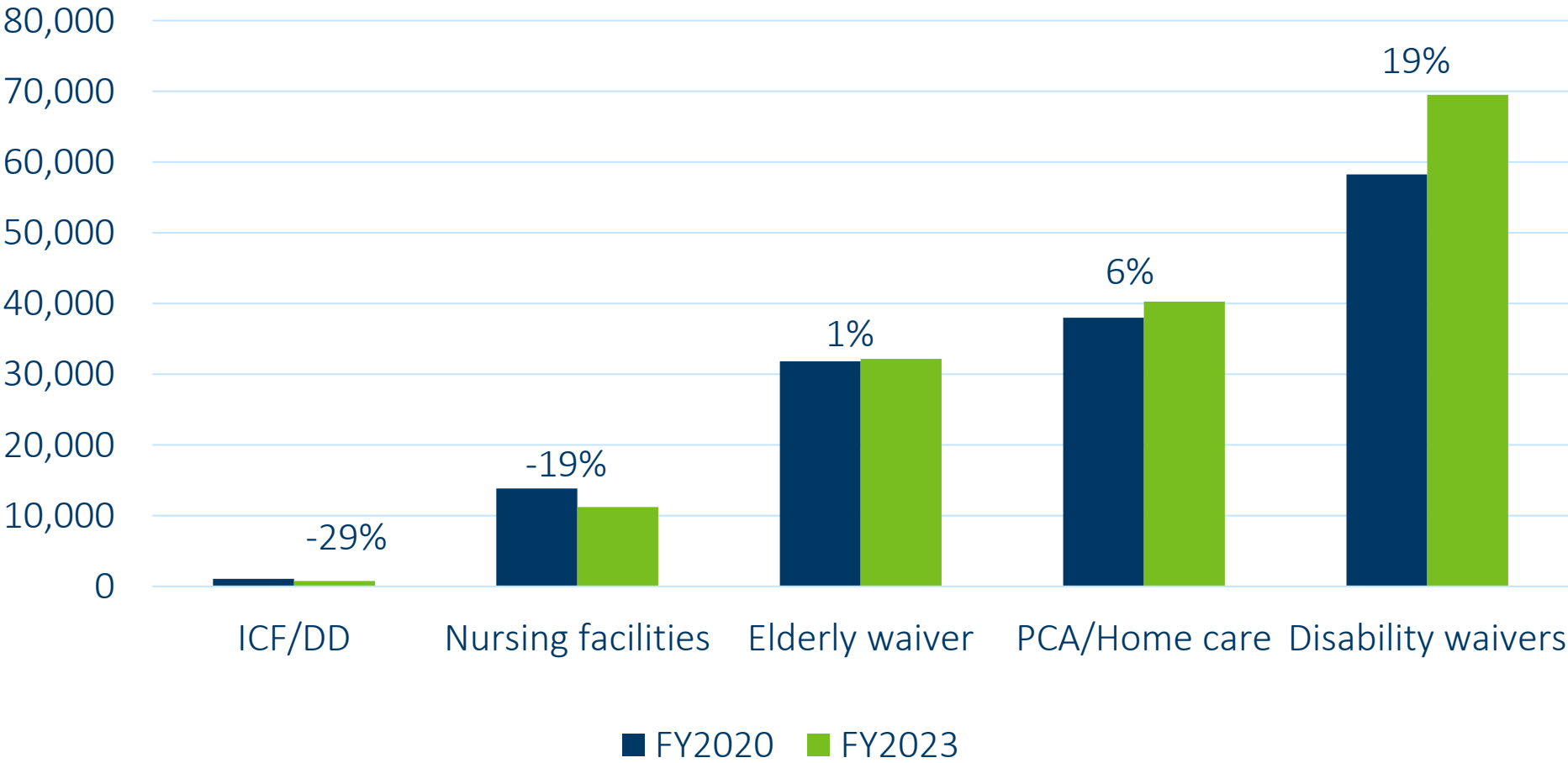


# How people choose to receive long term care support

Number of People, by program and setting (FY2023)

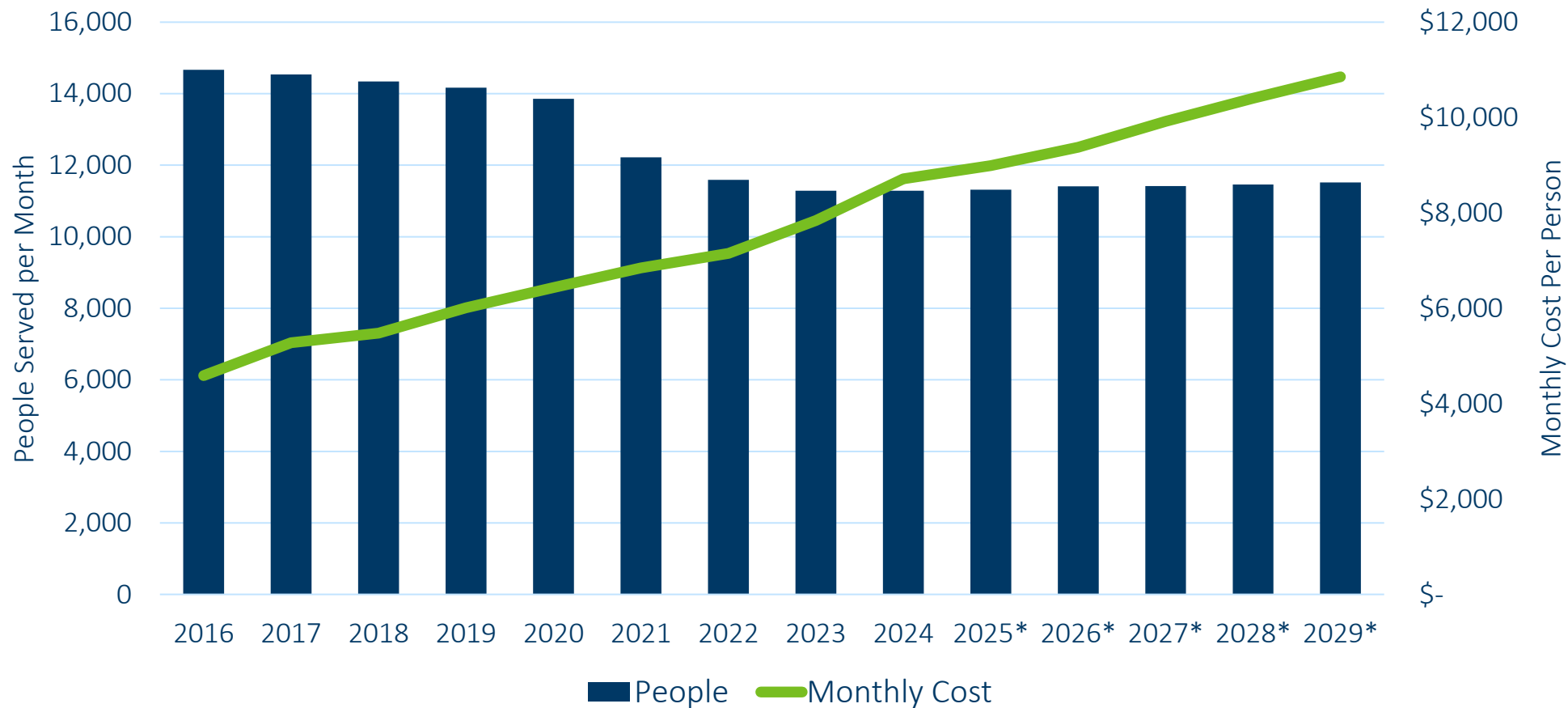


# Changes in the Number of People Served



November Forecast:  
25% of the increase  
in disability waivers  
is from caseload  
growth higher than  
previous  
projections.

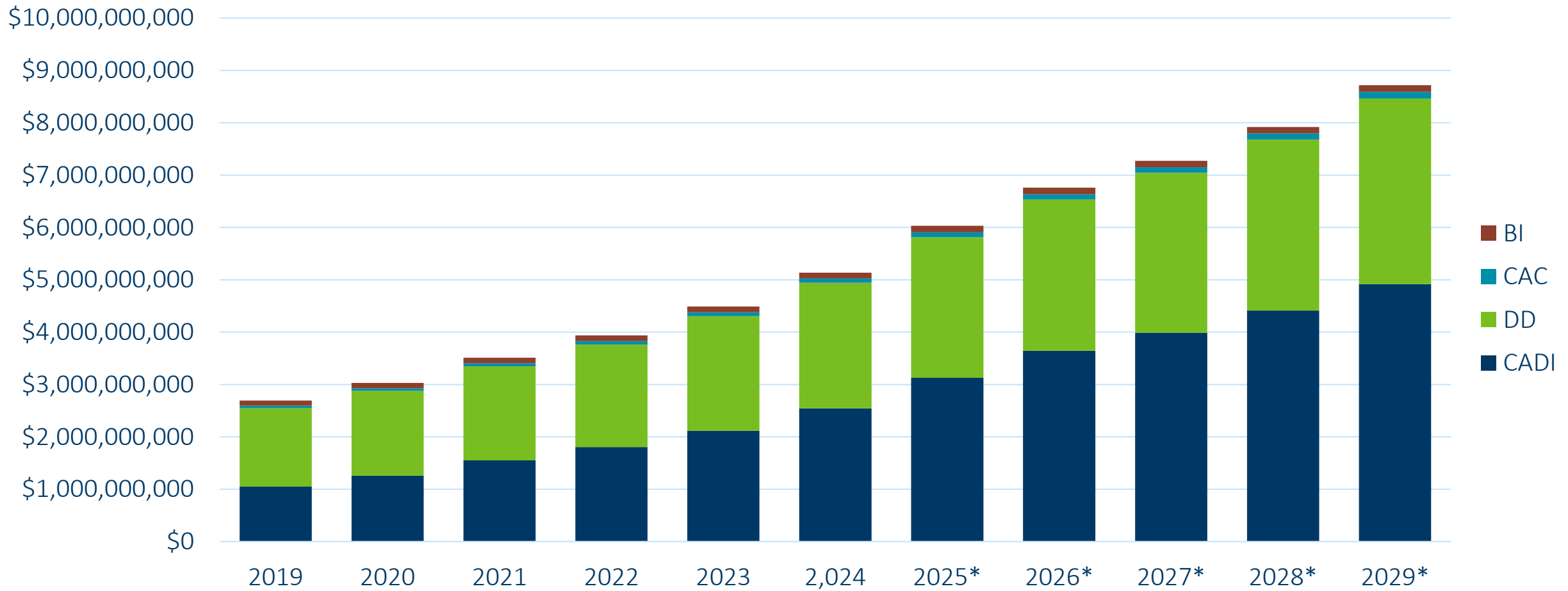
# Nursing Facilities



Nursing Home rates have increased over 100% since 2017

\* Projected

# Disability Waiver Spending Over Time



\*forecasted

# Disability Waiver Increases



## People

- More people are accessing the waivers
- Increases in younger people and older people accessing waiver services
- Increases in racial diversity
- Increases in the prevalence of disability or diagnoses of disability nationally



## Services

- Increases in the number/type of services authorized
- Increases in the volume of units authorized and subsequently billed
- Increases in non-residential (individualized home supports, night supervision, crisis respite, transportation)
- Residential services continue to be a large cost driver in the waiver programs



## Payments

- Increases in payment rates
- DWRS rate increases are projected to be higher than previously anticipated
- Increases in use of rate exceptions, especially in residential services

# More older adults are being served

## Older Adults Trends in MN

Baby boomer demographic shifts are expected to have a **significant trend impact on Nursing Facility and Elderly Waiver program projections.**

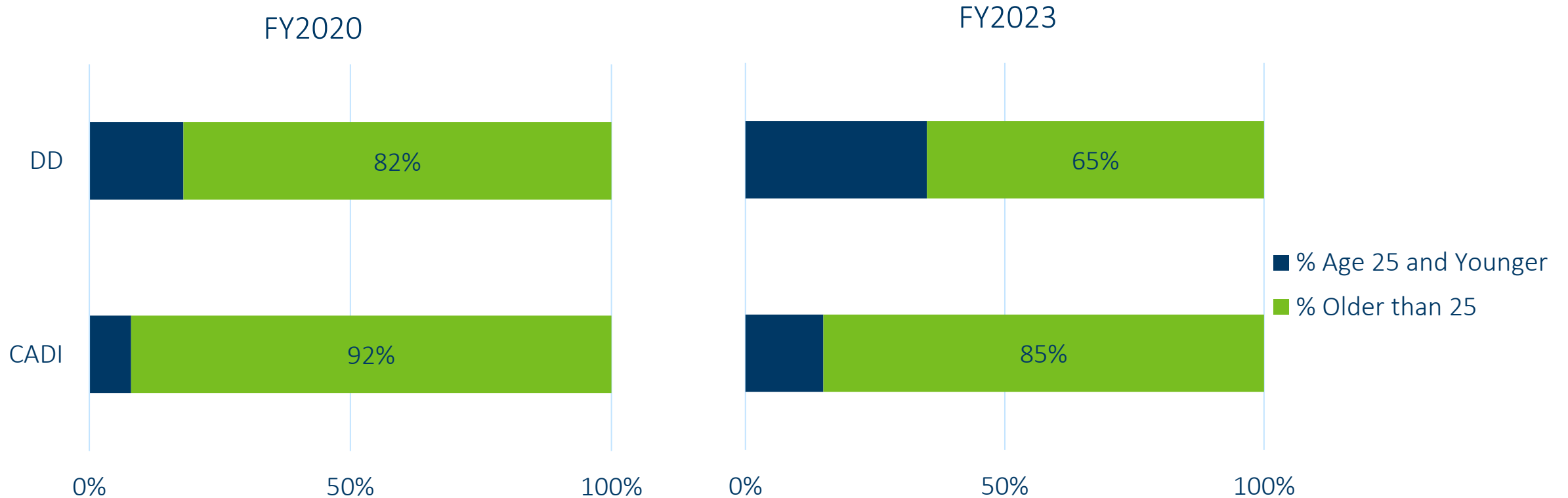
The number of Minnesotans turning 65 in this decade (about 285,000) **will be greater than the past four decades combined.**

The total number of **older adults** (65+) is anticipated to **double** between 2010 and 2030.

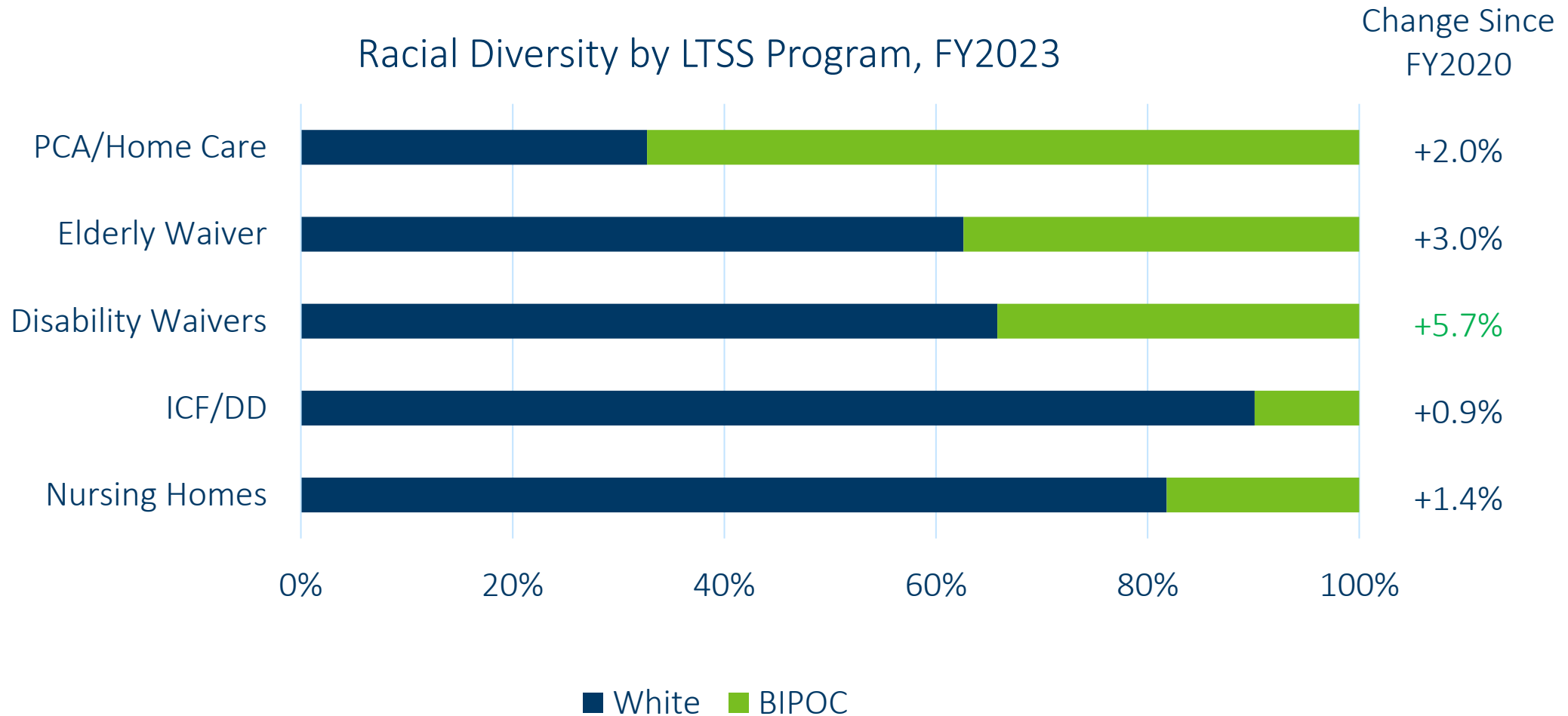
- While we're still early in this demographic shift, it has been notable that so far we've seen less growth in the nursing facility and elderly waiver caseloads than expected.
- CADI use explains some of the difference for the elderly in the age 65-75 bracket.
- In January 2023, there were almost as many CADI enrollees in the age 65-70 age group as there were in EW (both about 3,700).
- Among all people age 65-70 receiving long-term care services through Medicaid (NF, EW or CADI):
  - In 2015, 23% were enrolled in CADI
  - In 2023, 43% were enrolled in CADI



# More children are being served

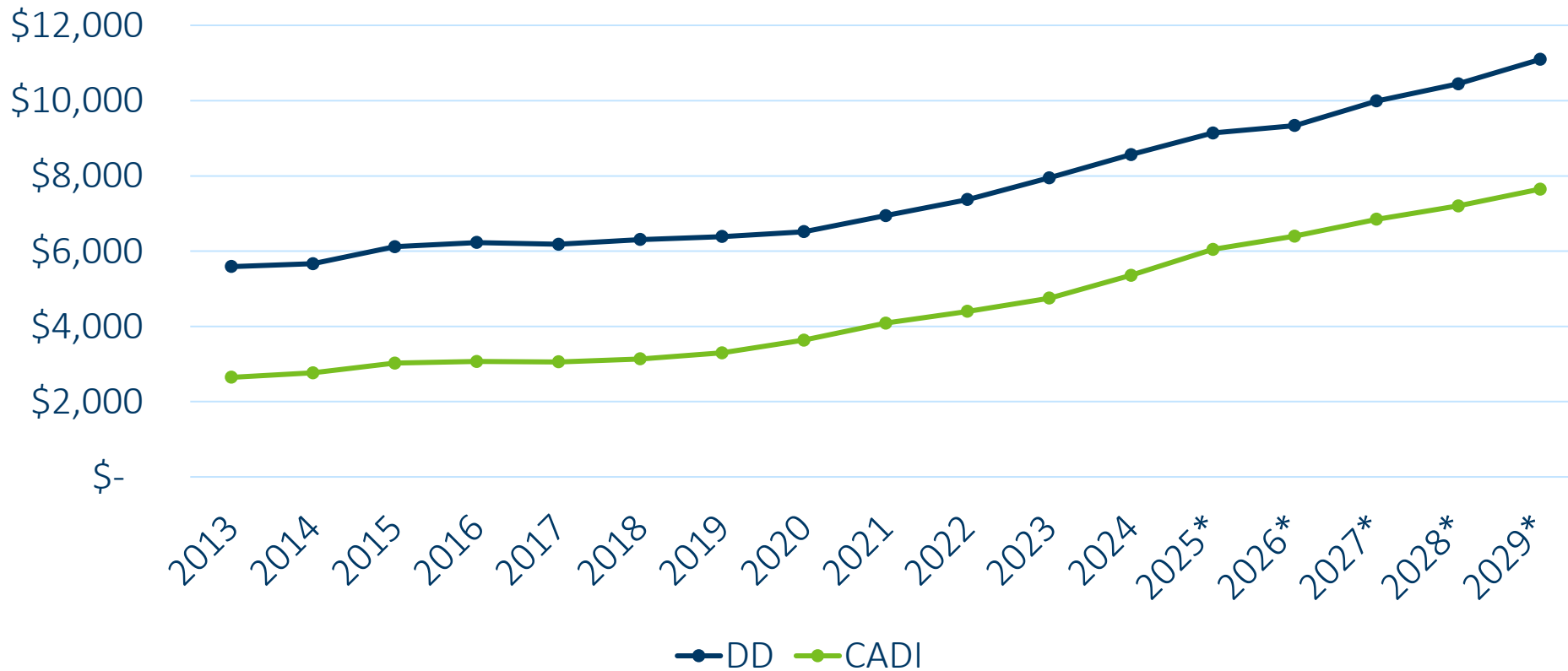


# Waiver programs are serving more diverse populations



# Changes in Costs Over Time

Average Monthly Costs Per Person



November Forecast:  
75% of the increase  
in disability waivers  
is from average  
monthly costs  
increasing.

# Changes in Costs Over Time

## **More services are being authorized**

- On CADI and DD, 167% more units were billed per person in FY24 than FY21
- Authorized to billed ratio relatively unchanged (83%)

## **Different services are being authorized; residential services still the highest cost**

- Growth in non-residential services (ie. individualized home support, night supervision, crisis respite, and transportation)
- Residential services costs 3-4 times more than non-residential services
- Decreases in the percentage of DD recipients receiving residential; unchanged percentage of CADI recipients receiving residential, which means there is growth in total amount given increases in the number of CADI recipients

## **Decreasing use of lower-cost MA state plan services**

- Since FY21, 10% fewer people are using HCBS services through the state plan, while CADI is serving 27% more people

## **Rates are increasing**

- DWRS inflationary adjustments higher than previously anticipated
- Exception rates increasing – Exceptions now make up 22.5% of all DWRS spending; 90% in residential services

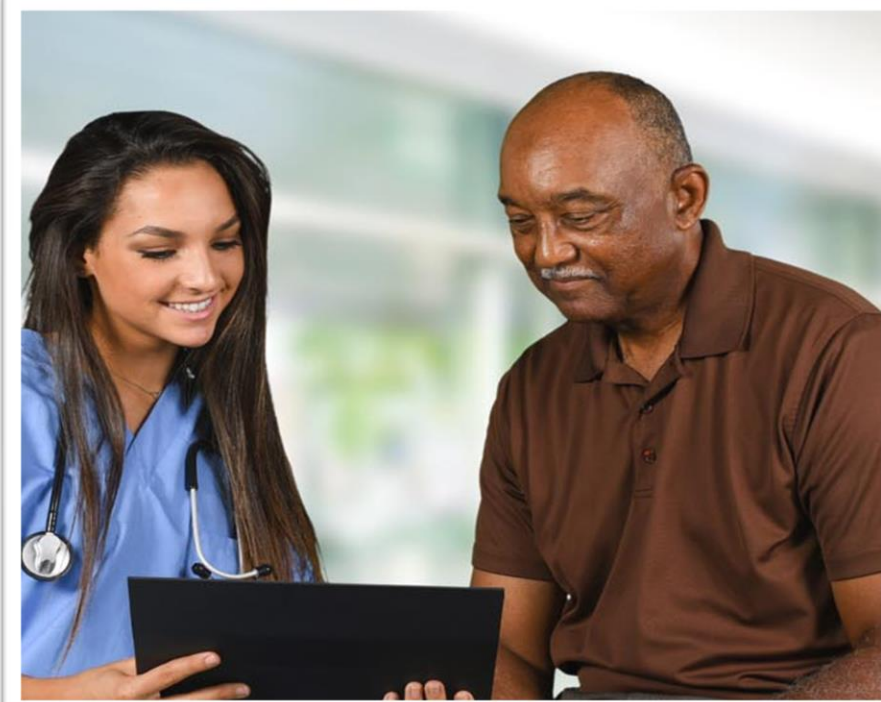
# Growth in Waiver Service Rates

Changes in the Most Used Services from FY202 to FY2023

| Waiver Service                          | Average rate FY20 | Average rate FY23 | Percent Change |
|---|-------------------|-------------------|----------------|
| Community Residential Services          | \$305.47          | \$388.07          | 27%            |
| Family Residential Services             | \$256.72          | \$358.45          | 40%            |
| Customized Living Services              | \$213.28          | \$287.89          | 35%            |
| Independent Living Skills with Training | \$11.48           | \$11.99           | 4%             |

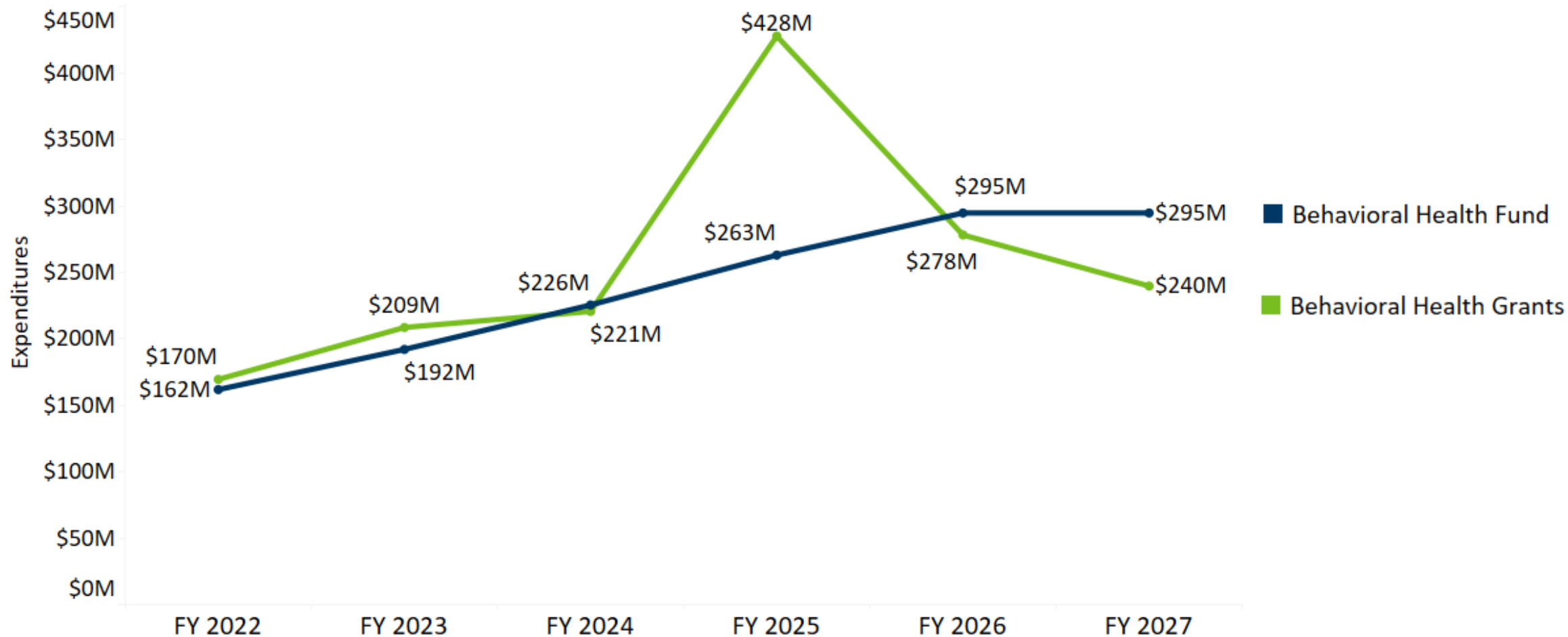
# Supporting Direct Care Workers: CY2023

|                         | Reference group<br>↓ |                   |                    |                   |
|-------------------------|----------------------|-------------------|--------------------|-------------------|
|                         | Personal Care Aides  | Home Health Aides | Nursing Assistants | Registered Nurses |
| % BIPOC                 | 39%                  | 42%               | 47%                | 17%               |
| % Female                | 79%                  | 72%               | 83%                | 93%               |
| % On Medical Assistance | 32%                  | 52%               | 31%                | 6%                |
| % On SNAP               | 24%                  | 15%               | 18%                | 3%                |
| % with kids under 17    | 40%                  | 38%               | 43%                | 44%               |



# Behavioral Health

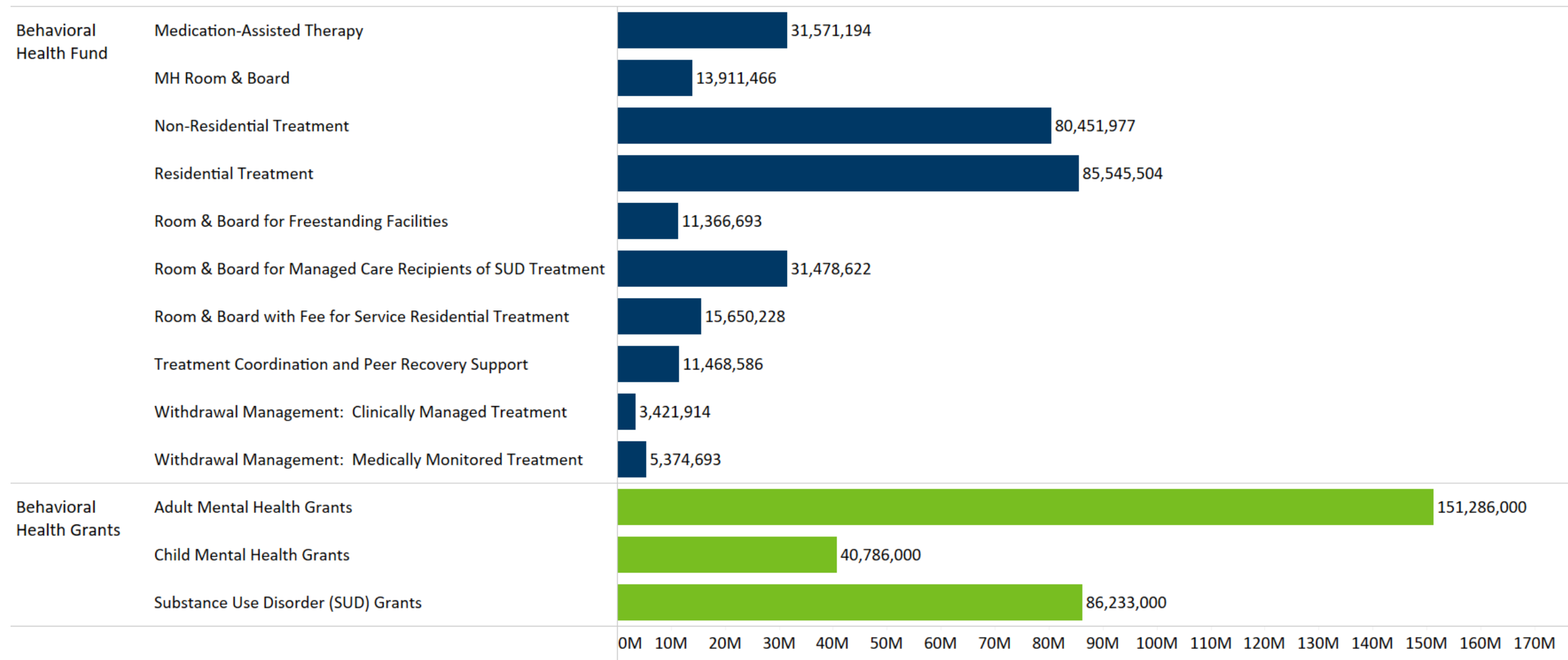
# Behavioral health expenditures (excludes MA)



\*Does not include mental health or SUD expenditures through Medical Assistance Basic Care



# Behavioral health expenditures (excludes MA)

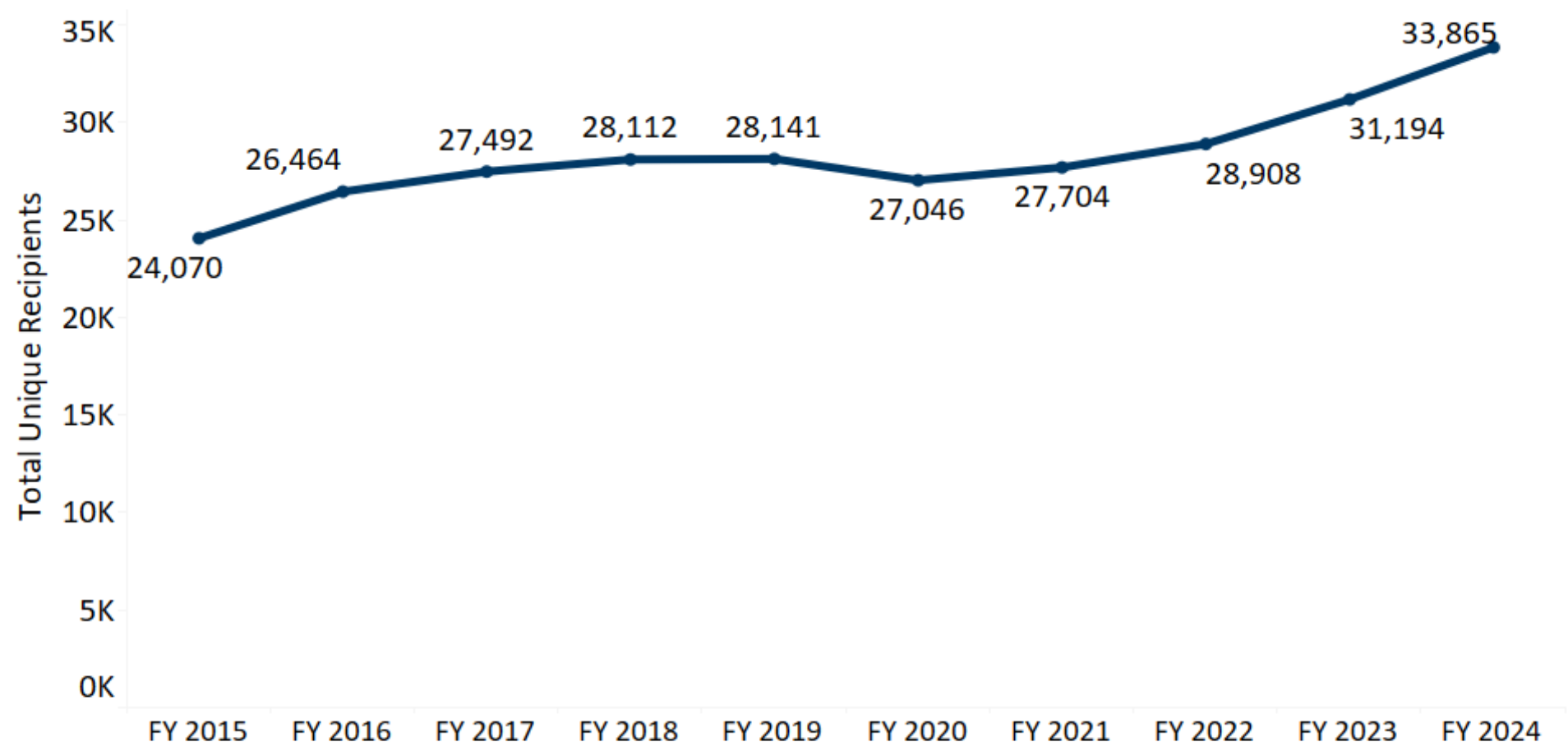


# Behavioral health fund recipients

Forecasted Program

## Behavioral Health Fund Only

Total unique recipients



\*Only includes Behavioral Health Fund expenditures

- [Department of Human Services November 2024 Forecast](#)
- [Department of Human Services FY26-27 Biennium Budget Book](#)
- [DHS Fiscal Reports & Forecasts](#)
- [DHS Legislative Information](#)