Minnesota

Department of Human Services

February 2008 Forecast

St. Paul, Minnesota

February 29, 2008

THE DHS FORECAST

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

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

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

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

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

The narrative section of this document provides brief explanations of the changes in forecast expenditures in the February 2008 forecast, compared to the November 2007 forecast. Generally, these changes are treated on a biennial basis, covering the 2008-2009 biennium and the 2010-2011 biennium.

Tables One and Two provide the new and old forecasts and changes from the previous forecast for the 2008-2009 biennium and Tables Three and Four provide the same information about the 2010-2011 biennium.

CURRENT BIENNIUM SUMMARY

General Fund Costs Up Slightly

General Fund costs for DHS medical and economic support programs for the 2008-2009 biennium are projected to total $8.120 billion, $41 million (0.5 percent) more than projected in the November 2007 forecast. The net increase results from higher enrollment projections for MA families with children, GAMC, and MFIP owing to the more pessimistic economic scenario.

TANF Forecast Lower

Projected expenditures of federal TANF (Temporary Assistance for Needy Families) funds for MFIP grants are $118 million, $9 million (7.2 percent) lower than in the November forecast because federal maintenance of effort requirements call for more General Fund spending in lieu of federal TANF funds.

MinnesotaCare Forecast Lower

Forecasted Health Care Access Fund costs for the MinnesotaCare program are $668 million, $43 million (6.0 percent) lower than projected in the November forecast. This change comes from a mix of lower projected enrollment and other reasons for lower expenditures.

NEXT BIENNIUM SUMMARY

General Fund Costs Up

General Fund costs for DHS medical and economic support programs for the 2010-2011 biennium are projected to total $9.627 billion, $141 million (1.5 percent) more than projected in the November 2007 forecast. As in the current biennium, this increase comes from projections of increased participation in MA for families with children, GAMC, and MFIP.

TANF Forecast Up

Projected expenditures of federal TANF (Temporary Assistance for Needy Families) funds for MFIP grants are $149 million, $3 million (1.9 percent) higher than in the November forecast. This reflects a small share of the total increase in forecasted MFIP expenditures, most of it being treated as a General Fund increase because of maintenance of effort requirements.

MinnesotaCare Forecast Lower

Forecasted Health Care Access Fund costs for the MinnesotaCare program are $952 million, $42 million (4.2 percent) lower than projected in the end of session forecast. Lower enrollment projections are the basic reason for the change.

PROGRAM DETAIL

MEDICAL ASSISTANCE	'08-'09 Biennium	'10-'11 Biennium
Share of DHS Gen. Fund programs forecast	82.4%	83.2%
Total forecast change this item ($000)	22,881	114,270
Total forecast percentage change this item	0.3%	1.4%

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

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

MA LTC FACILITIES	'08-'09 Biennium	'10-'11 Biennium
Share of DHS Gen. Fund programs forecast	12.1%	10.4%
Total forecast change this item ($000)	2,325	3,794
Total forecast percentage change this item	0.2%	0.4%

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

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

Nursing Facilities (NF)

Projected NF expenditures are $1.9 million (0.1%) higher for the current biennium and $3.0 million (0.2%) higher for the next biennium. These increases result from a small increase in the average cost per day.

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

Combined costs for these two services are reduced by $500,000 for the current biennium and by $200,000 for the next biennium because of slightly lower caseload projections.

Minnesota Extended Treatment Options (METO)

MA reimbursements for this program are increased by $600,000 for the current biennium and by $500,000 for the next biennium because caseload is projected at 11 compared to 9 in the November forecast.

RTC MI-CD Program

Costs for MA reimbursements to the RTC-MI program are increased by $600,000 (2.3%) for the current biennium and by $900,000 (2.9%) for the next biennium because of higher caseload projections.

County Share for LTC Services

Higher projections of county share billings for ICF/MR result in increased offsets to state share costs. County share payments are projected to be approximately 1% higher, resulting in reductions of $300,000 in the current biennium and $400,000 in the next biennium.

MA LTC WAIVERS & HOME CARE	**'08-'09 Biennium**	**'10-'11 Biennium**
Share of DHS Gen. Fund programs forecast	24.8%	25.3%
Total forecast change this item ($000)	(2,875)	24,354
Total forecast percentage change this item	-0.1%	1.0%

This activity includes the following components:

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

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

The following table provides a breakdown of the forecast changes in the waivers and home care:

	'08-'09 Biennium ($000)	'10-'11 Biennium ($000)
Change in Projected Costs		
DD Waiver	(7,146)	0
EW Waiver FFS	(2,192)	(3,041)
CADI Waiver	(2,720)	0
CAC Waiver	72	0
TBI Waiver	(1,032)	0
Home Health	(213)	0
PCA/PDN	7,409	24,236
Transfer to CSG	2,947	3,158
Activity Total	(2,875)	24,354
EW Total: FFS & Managed Care	(5,128)	(6,249)
Percent Change in Projected Costs		
DD Waiver	-0.72%	0.00%
EW Waiver FFS	-2.88%	-3.99%
CADI Waiver	-0.81%	0.00%
CAC Waiver	0.44%	0.00%
TBI Waiver	-0.96%	0.00%
Home Health	-0.76%	0.00%
PCA/PDN	1.77%	4.98%
Transfer to CSG	14.12%	12.84%
Activity Total	-0.14%	1.01%
EW Total: FFS & Managed Care	-1.83%	-1.77%

DD Waiver

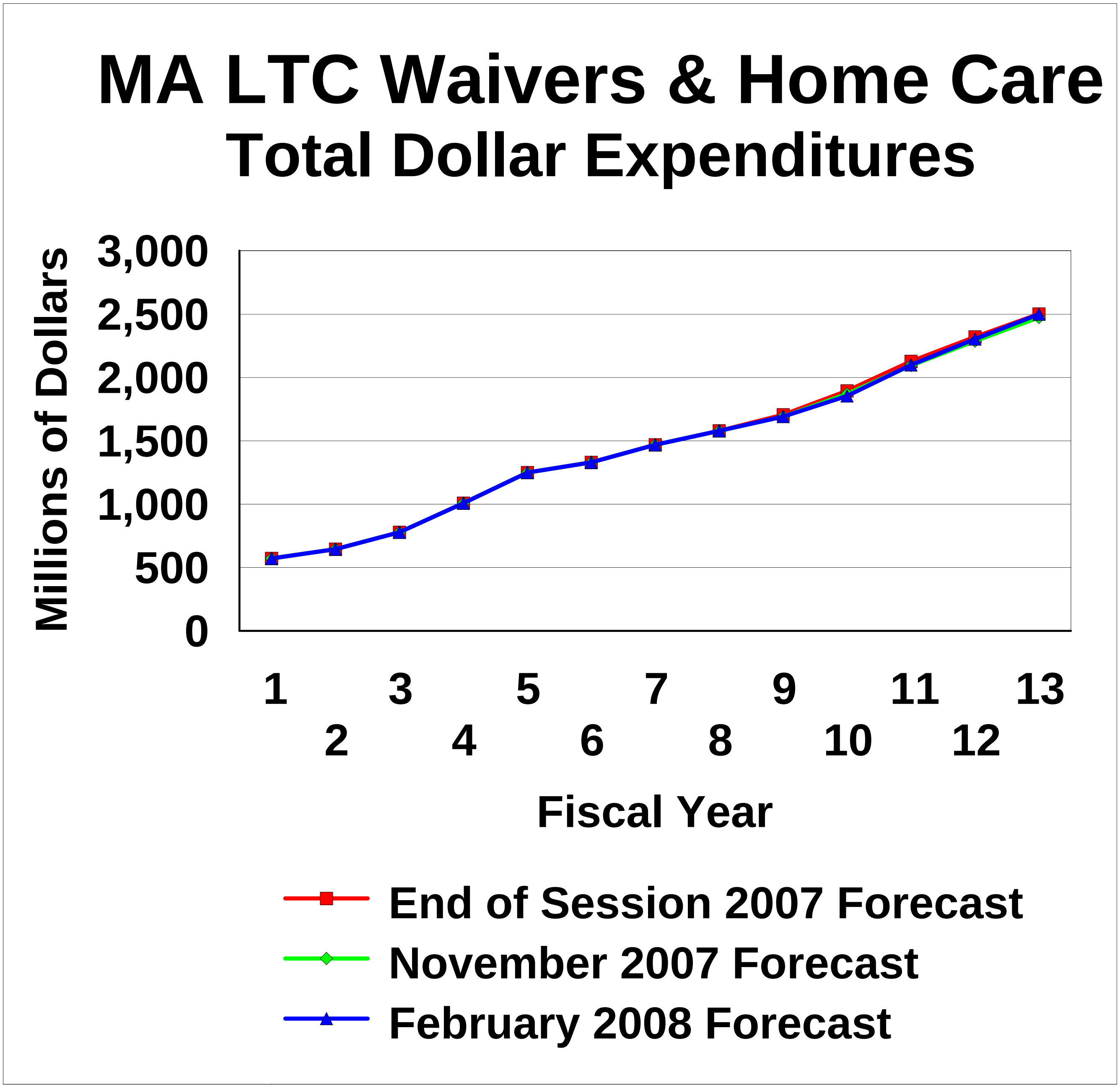
DD waiver expenditure projections are reduced for FY 2008 only, based on payment experience through December 2007.

Elderly Waiver FFS & Managed Care

Elderly waiver is forecasted in two segments, the fee-for-service segment and the managed care segment. Forecast changes are described for the total of the two segments, since changes in the two parts tend to result from differences in timing in the expected shift of many fee-for-service EW recipients to the managed care segment.

EW FFS projections are lower mainly in anticipation of a shift of about 300 average recipients to managed care in January 2008 because of expansion of the MSC+ capitation product, which includes EW services, to four additional counties. The net effect of this change on the overall EW forecast is close to zero.

Overall EW expenditure projections are about 1.8% lower. Most of this decrease comes from EW capitation rates effective January 2008 being 2.9% lower than projected in the previous forecast. A delay in the expected implementation of the "common waiver menu," which was adopted in the 2001 Session and subsequently delayed, contributes $2.7 million to the current biennium reduction.



Personal Care Changes

PCA and Private duty nursing projections are about 1.8% higher for the current biennium and 5.0% higher for the next biennium because of continued strong growth in the number of PCA recipients at about 10% per year. The previous forecast projected that this growth, having slowed from 13% in FY 2006 to 9% in FY 2007, would slow to 7% in FY 2008. The new forecast has growth at 10% in FY 2008, followed by growth at 6% to 7% in the following years.

CADI Waiver

The CADI reduction in the current biennium, as in EW, results from the delay of the "common waiver menu."

Other Changes

CAC and TBI waivers, and Home Health expenditure projections are all adjusted by less than 1.0% for the current biennium based on payment experience through December 2007.

Transfer to Consumer Support Grants

The Consumer Support Grant (CSG) program offers an alternative to PCA services with a reduced level of support in recognition of the fact that no federal matching is available for this service. This program is funded mainly by transfers from the State MA account. These transfers are included in the MA forecast.

In FY 2007, CSG transferred $700,000 more than anticipated in the previous forecast. We have increased the anticipated transfers by about $1.5 million per year. In the new forecast, projected transfers are $11.5 million for FY 2008 and $12.3 million for FY 2009.

MA ELD. & DISABLED BASIC CARE	**'08-'09 Biennium**	**'10-'11 Biennium**
Share of DHS Gen. Fund programs forecast	26.2%	27.8%
Total forecast change this item ($000)	(19,270)	(18,746)
Total forecast percentage change this item	-0.9%	-0.7%

This activity funds general medical care for elderly and disabled Medical Assistance enrollees. For almost all of the elderly and for about 45 percent of the disabled who have Medicare coverage, Medical Assistance acts as a Medicare supplement. For those who are not eligible for Medicare, Medical Assistance pays for all their medical care. Also included in this activity is the IMD group, which was part of GAMC until October 2003 and is funded without federal match. Enrollees in this group are individuals who would be eligible as MA disabled but for the fact of residence in a facility which is designated by federal regulations as an "Institute for Mental Diseases." Residents of such facilities are barred from MA eligibility unless they are under age 21 or age 65 or older.

The disabled segment accounts for about two-thirds of enrollees in this activity.

This activity also pays the federal agency the "clawback" payments which are required by federal law to return most of the MA pharmacy savings resulting from implementation of Medicare Part D in January 2006. The federal agency bills the state monthly for each Medicare-MA dual eligible who is enrolled in a Part D plan. The proportion of estimated savings which the state is required to pay decreases by 1.67 percentage points each year until it reaches 75% in CY 2015. For CY 2008, it is 86.67%, and the amount billed per dual eligible each month is $121.75.

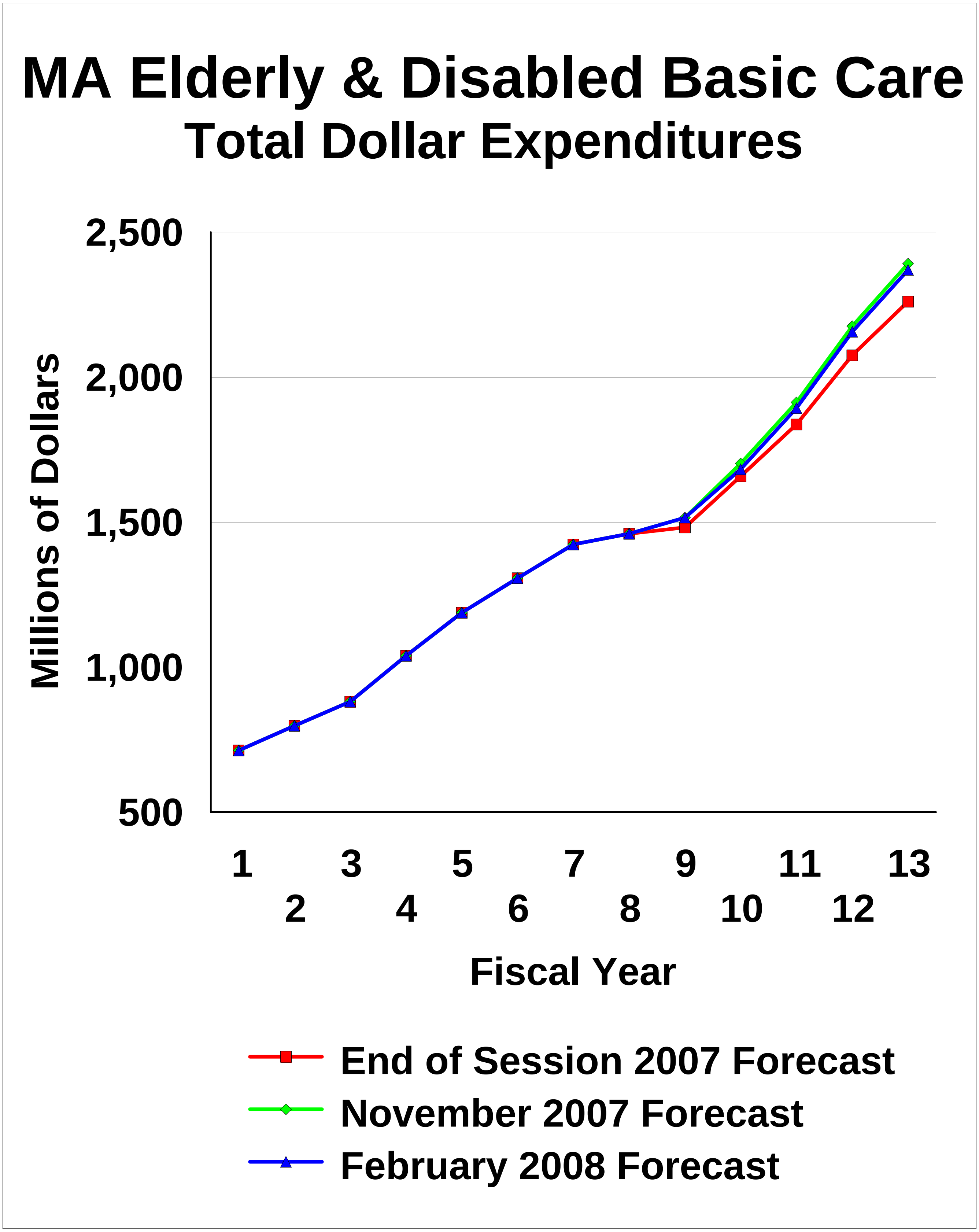
The following table summarizes the areas of forecast changes in this activity:

	'08-'09 Biennium ($000)	**'10-'11 Biennium ($000)**
Elderly Waiver Managed Care	(2,937)	(3,208)
Elderly Basic Avg. Cost: Shift to HMO	(1,150)	(2,069)
Elderly Basic Avg. Cost: pmts thru Dec. 2007	(2,200)	0
Disabled Basic Caseload	1,957	2,238
Disabled Basic Avg. Cost	(10,142)	(5,025)
Disabled basic: MNDHO	(5,358)	(12,466)
Medicare Part D clawback payments	1,092	470
DMIE	(1,025)	839
IMD Program	432	451
Chemical Dependency Fund share	61	24
Total	(19,270)	(18,746)

Elderly Basic Changes

As explained above under Elderly Waiver, the EW managed care reductions come from lower capitation rates effective in January 2008 and a delay in the implementation of the "common waiver menu" in Elderly Waiver.

The other adjustments to Elderly Basic projections result from the shift of about 800 additional recipients into managed care with the expansion in January 2008 of Minnesota Senior Care Plus (MSC+) to four additional counties, and from slightly lower actual payments in the first half of FY 2008.


MA Elderly & Disabled Basic Care
Total Dollar Expenditures
Millions of Dollars
2,500
2,000
1,500
1,000
500
1
2
3
4
5
6
7
8
9
10
11
12
13
Fiscal Year
End of Session 2007 Forecast
November 2007 Forecast
February 2008 Forecast

Disabled Basic Changes

Disabled basic enrollment projections are increased by 0.2%. Average cost projections are 0.9% lower for the current biennium and 0.4% lower for the next biennium, resulting in small net decreases.

Projected MNDHO expenditures are reduced by 5% for the current biennium and by 7% for the next biennium. These reductions result equally from slightly lower enrollment projections and a minimal change in capitation rates effective January 2008.

Medicare Part D Clawback Change

Projections of clawback payments to the federal government are slightly (less than 1%) higher because of small changes in forecast methodology.

Demonstration to Maintain Independence and Employment (DMIE)

Projections for the current biennium are reduced by 13% because enrollment in the Demo has been lower than expected. The change for the next biennium is a technical correction.

IMD Program

Projected IMD payments are increased by 2% for both the current biennium and the next biennium.

CD Fund Share

Increases in MA-funded services covered by the CD Fund produce corresponding reductions in state share costs funded from the MA account, because the state share of these costs comes from the CD Fund.

FAMILIES WITH CHILDREN BASIC CARE	**'08-'09 Biennium**	**'10-'11 Biennium**
Share of DHS Gen. Fund programs forecast	19.3%	19.7%
Total forecast change this item ($000)	42,701	104,868
Total forecast percentage change this item	2.7%	5.6%

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

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

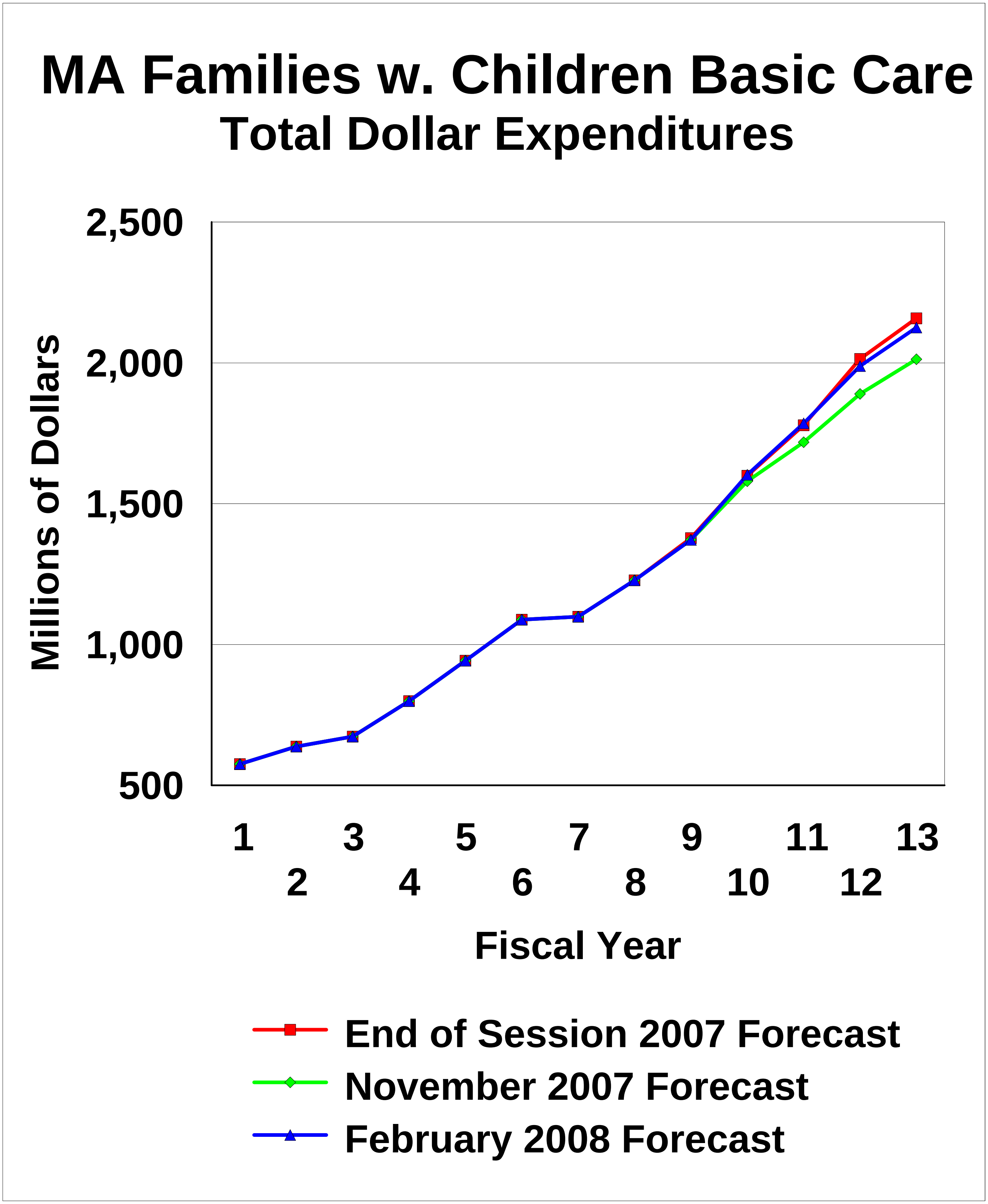
	'08-'09 Biennium ($000)	'10-'11 Biennium ($000)
Families with Children		
Caseload: Economic scenario	46,413	99,052
Caseload: Start of outreach delayed	(3,954)	148
Avg. cost: FFS & HMO	1,944	6,553
CD Fund share	(466)	(925)
Contingent DSH payments	(1,175)	(2,535)
CPE DSH dedicated revenue	668	1,815
Non-citizen MA segment	(1,813)	(3,147)
Services w special funding	2,335	2,175
Family planning waiver & impact	1,033	1,330
Breast & cerv. cancer	516	1,026
Rx rebates	(3,210)	(1,280)
Federal disallowances	410	656
Total	42,701	104,868

Families with Children Basic Care

Nearly all of the net increase in this activity results from a worse economic scenario, resulting in higher projections of enrollment of children and parents. The new enrollment projections are 2.8% higher for the current biennium and 5.0% higher for the next biennium. The increase in the current biennium is slightly offset by a caseload adjustment reflecting a later start for the outreach effort authorized by the 2007 Legislature.

Average cost projections for both HMO payments and FFS average costs are increased by 0.1% for the current biennium and 0.3% for the next biennium.

A slightly higher projection of the share of payments made to the CD Fund results in a small cost reduction because payments to the CD Fund draw no state share from the MA account.


MA Families w. Children Basic Care
Total Dollar Expenditures
2,500
2,000
1,500
1,000
500
Millions of Dollars
1
2
3
4
5
6
7
8
9
10
11
12
13
Fiscal Year
End of Session 2007 Forecast
November 2007 Forecast
February 2008 Forecast

CPE DSH Dedicated Revenue and Contingent Hospital Payments

Legislation from the 2005 Session directs DHS to seek Medicaid Disproportionate Share Hospital (DSH) matching for Certified Public Expenditures (CPE) during the FY 2008-2009 biennium. The same legislation required the CPE DSH revenue to be used for MA DSH hospital payments, after offsetting the cost of reducing hospital payments by 4 percentage points less (6% ratable reduction rather than 10% ratable reduction: a budget decision made in the 2005 Session).

Changes in the 2007 Session extended this requirement to the FY 2010-2011 biennium. GAMC FFS hospital payments and losses certified by Hennepin County Medical Center constitute the Certified Public Expenditures.

The relatively small changes in these forecasts come from the increase in the MA forecast for families with children, which leaves less DSH funding to be claimed through this process and increases the projected offset for the 4% hospital reduction.

	CPE DSH Dedicated Revenue	Offset 4% Hospital Reduction (State Share)	Net = Contingent Hospital Payments (State Share)
November 2007 Forecast			
FY 2008	36,335,000	(18,146,000)	18,189,000
FY 2009	37,385,000	(20,320,500)	17,064,500
Biennium	73,720,000	(38,466,500)	35,253,500
FY 2010	32,463,000	(17,786,500)	14,676,500
FY 2011	32,918,000	(18,977,000)	13,941,000
Biennium	65,381,000	(36,763,500)	28,617,500

	CPE DSH Dedicated Revenue	Offset 4% Hospital Reduction (State Share)	Net = Contingent Hospital Payments (State Share)
February 2008 Forecast			
FY 2008	36,221,000	(18,236,000)	17,985,000
FY 2009	36,831,000	(20,738,000)	16,093,000
Biennium	73,052,000	(38,974,000)	34,078,000
FY 2010	31,623,000	(18,259,000)	13,364,000
FY 2011	31,943,000	(19,225,000)	12,718,000
Biennium	63,566,000	(37,484,000)	26,082,000

Difference: November 2007 vs. February 2008

FY 2008	(114,000)	(90,000)	(204,000)
FY 2009	(554,000)	(417,500)	(971,500)
Biennium	**(668,000)**		**(1,175,500)**
FY 2010	(840,000)	(472,500)	(1,312,500)
FY 2011	(975,000)	(248,000)	(1,223,000)
Biennium	**(1,815,000)**		**(2,535,500)**

Non-Citizen MA

The Non-Citizen segment of MA includes federal State Childrens' Health Insurance (SCHIP) coverage for pregnant women through the month in which they give birth. Two months of post-partum coverage are at 100% state cost.

Decreases of about 3.5% for the current biennium and 4.5% for the next biennium result from lower projections of HMO rates and a slightly higher proportion of costs projected to draw a 65% SCHIP match.

Services with Special Funding

This is a forecast category which includes several services which have only federal and county share funding, such as child welfare targeted case management. Services which have state funding are access services (transportation to medical care), child and teen checkup outreach, and DD waiver screenings.

Projected expenditures in this category are increased by 4.5% for the current biennium and by 3.7% for the next biennium because of higher costs for access services.

Family Planning Waiver

Cost increases are the net of two changes: (1) increases because projected savings of the FP waiver are less because average costs used to project the savings were updated and revised downward; and (2) decreases because the average service cost for waiver enrollees has been reduced by about 30%.

Breast & Cervical Cancer

The average service cost projected for this coverage is increased by about 12% for the current biennium and about 16% for the next biennium.

Pharmacy Rebates

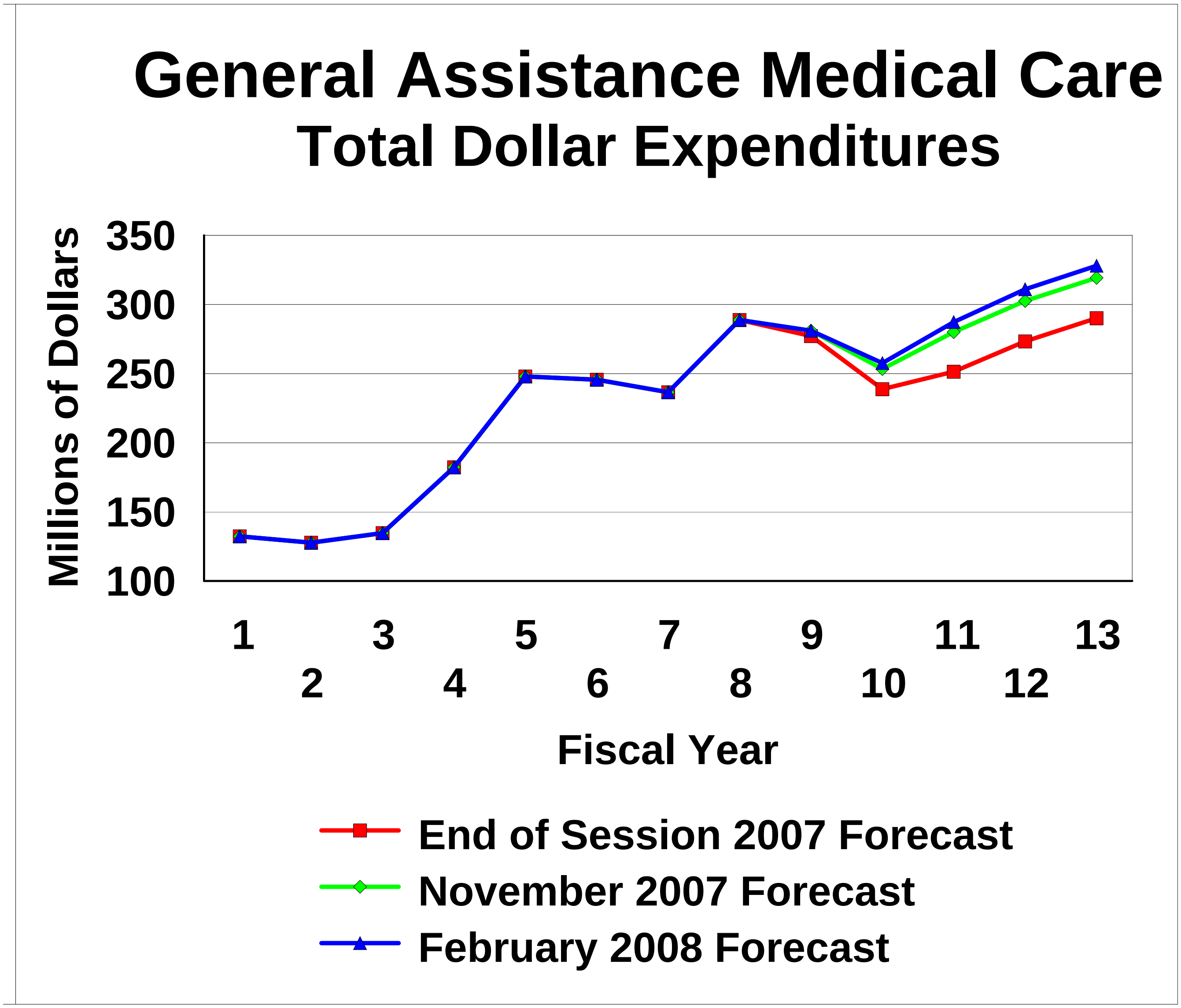
(Higher rebates reduce MA cost projections; lower rebates increase net costs.)

Based largely on actual receipts in the first half of FY 2008, projected rebates are 4.2% higher for the current biennium and 1.3% higher for the next biennium.

Federal Disallowances

This forecast recognizes disallowances of 40% of the cost of relocation case management based on limits in new federal regulations.

GENERAL ASSISTANCE MED. CARE	'08-'09 Biennium	'10-'11 Biennium
Share of DHS Gen. Fund programs forecast	6.6%	6.6%
Forecast change this item ($000)	11,463	17,120
Forecast percentage change this item	2.1%	2.8%



Summary of Forecast Changes	'08-'09 Biennium ($000)	'10-'11 Biennium ($000)
Higher caseload	11,512	17,550
Average cost	(340)	(656)
Change in FFS Transitional MinnesotaCare	291	226
Total changes	11,463	17,120

GAMC caseload for FY 2007 was only 0.3% under the end of session forecast. However, in the first half of FY 2008 caseload in the GA segment of GAMC was almost 4% over forecast. This diverging GA-GAMC caseload drives a projected GAMC caseload increase of about 3% in the February forecast. This GA-GAMC caseload increase is a direct result of the worsening economic outlook and is the primary reason for the 2-3% forecast increase in GAMC. Average monthly cost is essentially unchanged from the November forecast.

The 2005 Legislature adopted a requirement to shift most GAMC-only enrollees to MinnesotaCare after their initial months of GAMC enrollment. This new policy took effect in September 2006 and is referred to as Transitional MinnesotaCare. The GAMC forecast accounts, on average, for the first two months of Transitional MinnesotaCare, when these enrollees are in FFS. They are subsequently shifted to MinnesotaCare when they are enrolled in an HMO plan. FFS cost projections for Transitional MinnesotaCare enrollees in GAMC are virtually unchanged from the November forecast.

CHEMICAL DEPENDENCY FUND	'08-'09 Biennium	'10-'11 Biennium
Share of DHS Gen. Fund programs forecast	2.4%	2.5%
Forecast change this item ($000)	0	0
Forecast percentage change this item	0.0%	0.0%

No change has been made in this forecast.

GENERAL FUND SHARE OF MFIP	'08-'09 Biennium	'10-'11 Biennium
Share of DHS Gen. Fund programs forecast	1.8%	1.5%
Forecast change this item ($000)	14,202	10,836
Forecast percentage change this item	9.7%	7.6%
FEDERAL TANF FUNDS FOR MFIP		
Forecast change this item ($000)	(9,122)	2,851
Forecast percentage change this item	-7.2%	1.9%
MFIP TOTAL (NET CASH / STATE AND FEDERAL)		
Forecast change this item ($000)	5,080	13,687
Forecast percentage change this item	1.9%	4.7%

This activity provides cash and food for families with children until they reach approximately 115 percent of the federal poverty guidelines (FPG). The MFIP program is Minnesota's TANF program. MFIP cash is therefore funded with a mixture of federal TANF Block Grant and state General Fund dollars.

Gross Cash MFIP Forecast Changes	'08-'09 Biennium	'10-'11 Biennium
Gross MFIP cash grant forecast change	4,686	13,097
Forecast percent change	1.6%	4.2%

Increases in MFIP caseload due to more pessimistic economic scenario

The increases in gross MFIP cash grant expenditures in the current biennium and the next biennium are caused mainly by higher forecasted caseloads. After four years of steady decreases, the MFIP/DWP caseload has been almost flat in the first half of FY 2008. Due to the worsening economic outlook, the MFIP/DWP caseload is projected to begin increasing in second half of FY 2008, with a year-to-year increase of 2% in FY 2009, followed by smaller year-to-year increases in the next biennium. Relative to the November 2007 forecast, this is a 2% increase in the MFIP/DWP caseload in the current biennium, and a 4% increase in the next biennium.

The following table summarizes the changes in MFIP expenditures by fund, relative to the November 2007 forecast:

TANF and General Fund MFIP Changes	**'08-'09 Biennium**	**'10-'11 Biennium**
Gross General Fund forecast change	14,042	10,709
Child Support/recoveries offset	160	127
Net General Fund forecast change	14,202	10,836
Gross TANF forecast change	(9,357)	2,388
Child Support pass-through/recoveries offset	235	463
Net TANF forecast change	(9,122)	2,851

Maintenance of Effort Requirement Increases Forecasted General Fund Expenditures in MFIP

The mixture of state and federal block grant funds used to finance MFIP is determined by a federally mandated Maintenance of Effort (MOE) requirement for state (i.e. General Fund) spending on its TANF program. The state must meet this minimum MOE requirement to draw its entire federal TANF block grant allotment. Certain components of the overall MOE requirement are forecasted separately from MFIP (child care is the primary example). Required gross General Fund spending in the MFIP forecast will vary with the forecasted expenditure levels in these external MOE components. Net General Fund expenditures are adjusted for recoveries, child support collections and the counties' share of recoveries.

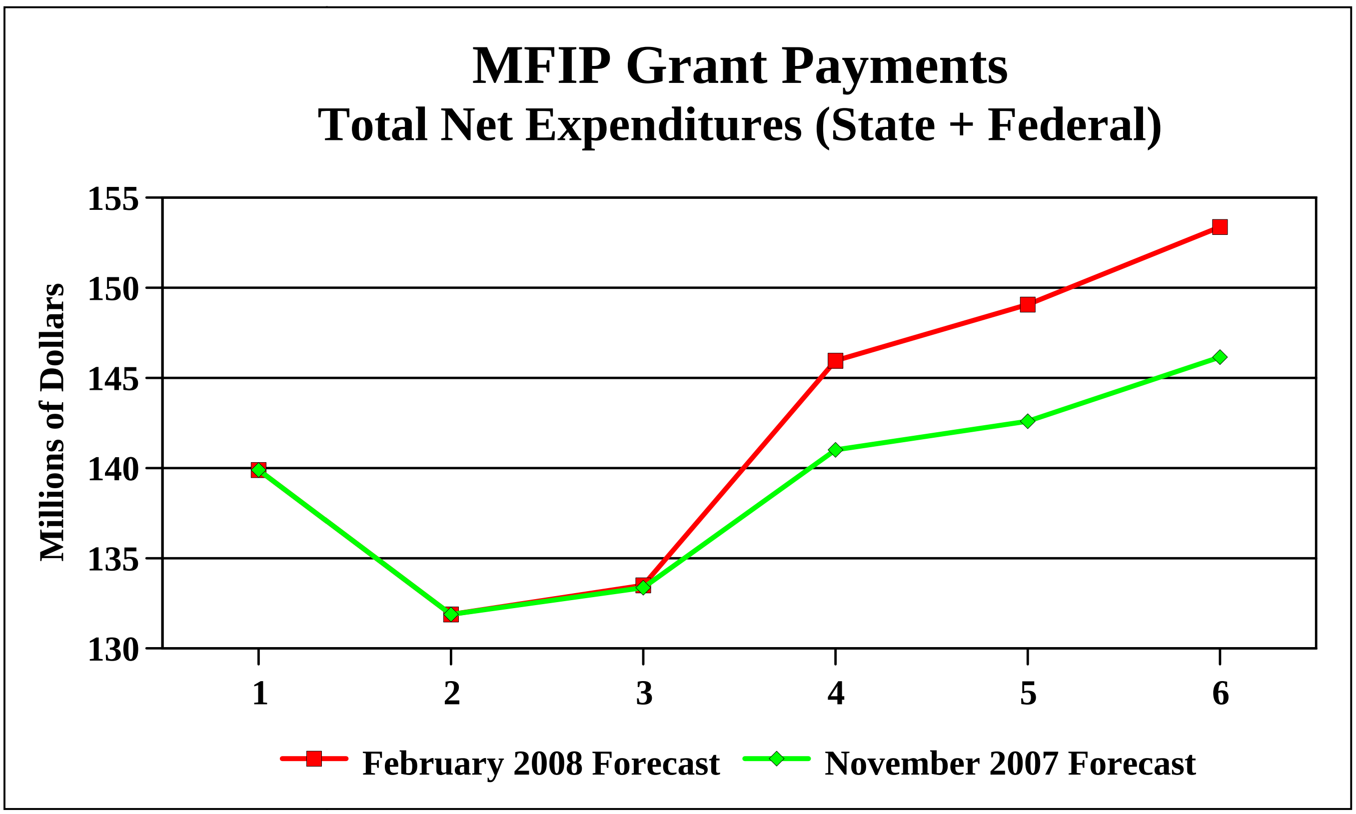
For the current biennium, the General Fund gross cash forecast increases by $14.0 million to maintain minimum MOE expenditures. This is due mostly to lower MOE from the child care program than had been projected in the November 2007 forecast. Recoveries and child support collections used to offset General Fund expenditures are projected to decrease by $0.2 million. The net General Fund change for the current biennium is an increase of $14.2 million, a 9.7% increase over the November 2007 forecast.

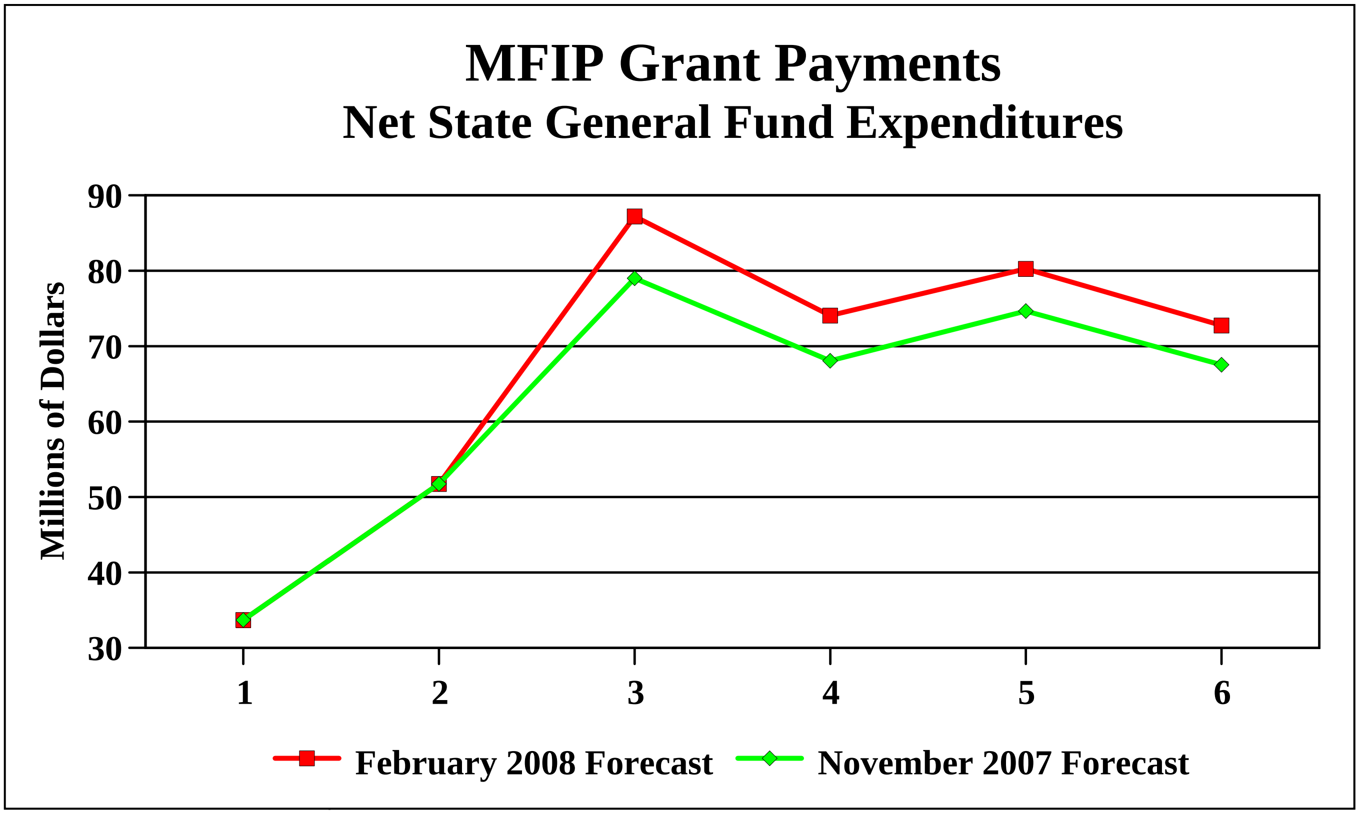
In the next biennium, the gross General Fund forecast increases by $10.7 million to maintain minimum MOE expenditures. This is again due mostly to lower MOE from the child care program. Recoveries and child support collections are projected to decrease by $0.1 million, for a net General Fund change of $10.8 million, a 7.6% increase over the November 2007 forecast.

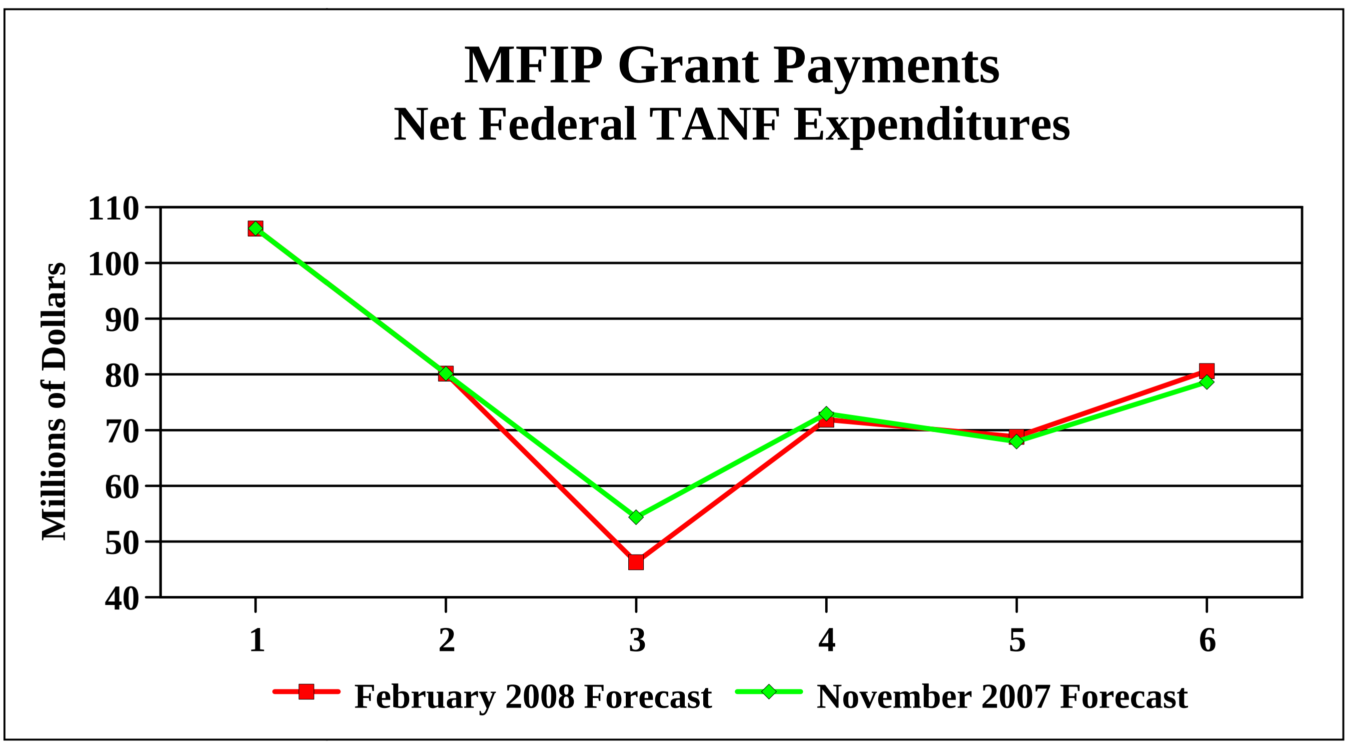
Decreases in TANF Expenditures

For the current biennium, the gross MFIP cash grant forecast increases $4.7 million. Together with the increased gross General Fund expenditures of $14.0 million and a slight projected net increase in TANF expenditures for Child Support pass-through, there is a forecast decrease for federal TANF fund expenditures of $9.1 million. This change represents an 7.2% decrease from the end of session forecast.

For the next biennium, the gross MFIP cash grant forecast increases $13.1 million while gross General Fund expenditures increase $10.7 million. With a slight projected increase in TANF expenditures for Child Support pass-through, net TANF funds are projected to increase $2.9 million. This change is a 1.9% increase from the end of session forecast.




MFIP Grant Payments
Net State General Fund Expenditures
Millions of Dollars
90
80
70
60
50
40
30
1
2
3
4
5
6
February 2008 Forecast
November 2007 Forecast


MFIP Grant Payments
Net Federal TANF Expenditures
Millions of Dollars
110
100
90
80
70
60
50
40
1
2
3
4
5
6
February 2008 Forecast
November 2007 Forecast

CHILD CARE ASSISTANCE PROGRAM
GENERAL FUND SHARE OF MFIP/TY

	'08-'09 Biennium	'10-'11 Biennium
Share of DHS Gen. Fund programs forecast	1.5%	1.4%
Forecast change this item ($000)	(11,219)	(7,090)
Forecast percentage change this item	-9.3%	-5.5%

MFIP/TY TOTAL CHILD CARE (STATE AND FEDERAL)

	'08-'09 Biennium	'10-'11 Biennium
Forecast change this item ($000)	(11,219)	(7,090)
Forecast percentage change this item	-5.1%	-3.1%

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

All changes in this forecast are in General Fund spending. Federal spending is unchanged from the November 2007 forecast.

Declines in MFIP/TY Forecasted Caseload

The decreases in forecasted MFIP/TY CCAP expenditures are mainly due to decreased forecasted MFIP/TY caseloads. Despite a forecasted increase in MFIP caseloads, the MFIP CCAP caseload is projected to decrease relative to the November 2007 forecast. This is due to lower projected participation rates in CCAP by MFIP families, based on data from the first half of FY 2008, which show a lower percent of MFIP families using child care. In addition, the forecasted TY caseload is decreased for FY 2008-2011 due to higher unemployment projections. In total, the MFIP/TY caseload is projected to be 5% lower in the current biennium and 3% lower in the next biennium, relative to the November 2007 forecast. This results in a reduction of total forecasted expenditures of 5.1% in the current biennium and 3.1% in the next biennium. The percentage changes in General Fund expenditures, to which the entire reduction is assigned, are larger because the base is smaller: 9.3% in the current biennium and 5.5% in the next biennium.

GENERAL ASSISTANCE

	'08-'09 Biennium	'10-'11 Biennium
Share of DHS Gen. Fund programs forecast	1.0%	0.9%
Forecast change this item ($000)	4,592	4,429
Forecast percentage change this item	5.7%	5.1%

This activity provides state-funded cash assistance for single adults and couples without children, provided they meet one of the specific General Assistance (GA) eligibility criteria. Typically, meeting one or more of the GA eligibility criteria indicates that the individual is mentally or physically unable to participate long-term in the labor market.

The following table summarizes the changes in GA expenditures:

General Assistance expenditures changes	**'08-'09 Biennium**	**'10-'11 Biennium**
Gross General Assistance forecast change ($000)	2,792	4,429
Recoveries offset	1,800	0
Net General Assistance forecast change	4,592	4,429

Increases in GA caseload projected in forecast period

The changes in gross GA expenditures are caused by increases in the caseload forecast. Based on data from the first half of FY 2008 and the worsening economic scenario, GA caseloads are increased 4% in the current biennium and 5% in the next biennium, relative to the November 2007 forecast. Projected gross GA expenditures are increased by $2.7 million (3.3%) in the current biennium and $4.4 million (5.1%) in the next biennium, compared to the November 2007 forecast.

Changes in Recoveries

Recoveries will be used to offset GA program payments until FY 2009, when they will become non-dedicated revenue to the General Fund. In the first half of FY 2008, it became clear that proportionally more recoveries were going to GRH and less to GA than projected in the November forecast. The forecast change affecting recoveries merely shifts $1.8 million of projected recoveries from GA to GRH.

GROUP RESIDENTIAL HOUSING

	'08-'09 Biennium	'10-'11 Biennium
Share of DHS Gen. Fund programs forecast	2.3%	2.3%
Forecast change this item ($000)	(996)	412
Forecast percentage change this item	-0.5%	0.2%

This activity pays for housing and some services for individuals placed by the local agencies in a variety of residential settings. Two types of eligibility are distinguished, reflecting the fact that prior to FY 1995 this benefit used to be part of the MSA and GA programs. MSA-type recipients are elderly or disabled, with the same definitions as used for MA eligibility. GA-type recipients are other adults.

The following table summarizes the changes in GRH expenditures:

GRH expenditures changes	'08-'09 Biennium	'10-'11 Biennium
Gross GRH forecast change ($000)	804	412
Recoveries & adjustments change	(1,800)	0
Net GRH forecast change	(996)	412

Very small net increases in gross GRH expenditures result from slightly higher average costs.

Projected recoveries in FY 2008 are increased by $1.8 million, resulting in a corresponding decrease in net GRH expenditures. This change results from a revision in the expected distribution of projected recoveries between GA and GRH. An offsetting change is made in the GA forecast.

MINNESOTA SUPPLEMENTAL AID

	'08-'09 Biennium	'10-'11 Biennium
Share of DHS Gen. Fund programs forecast	0.8%	0.7%
Forecast change this item ($000)	26	1,161
Forecast percentage change this item	0.0%	1.8%

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

MSA expenditure changes	**'08-'09 Biennium**	**'10-'11 Biennium**
Gross MSA forecast change ($000)	26	1,161
Net MSA forecast change	26	1,161

The increase in the next biennium results from an increase of approximately 2% in average payment projections.

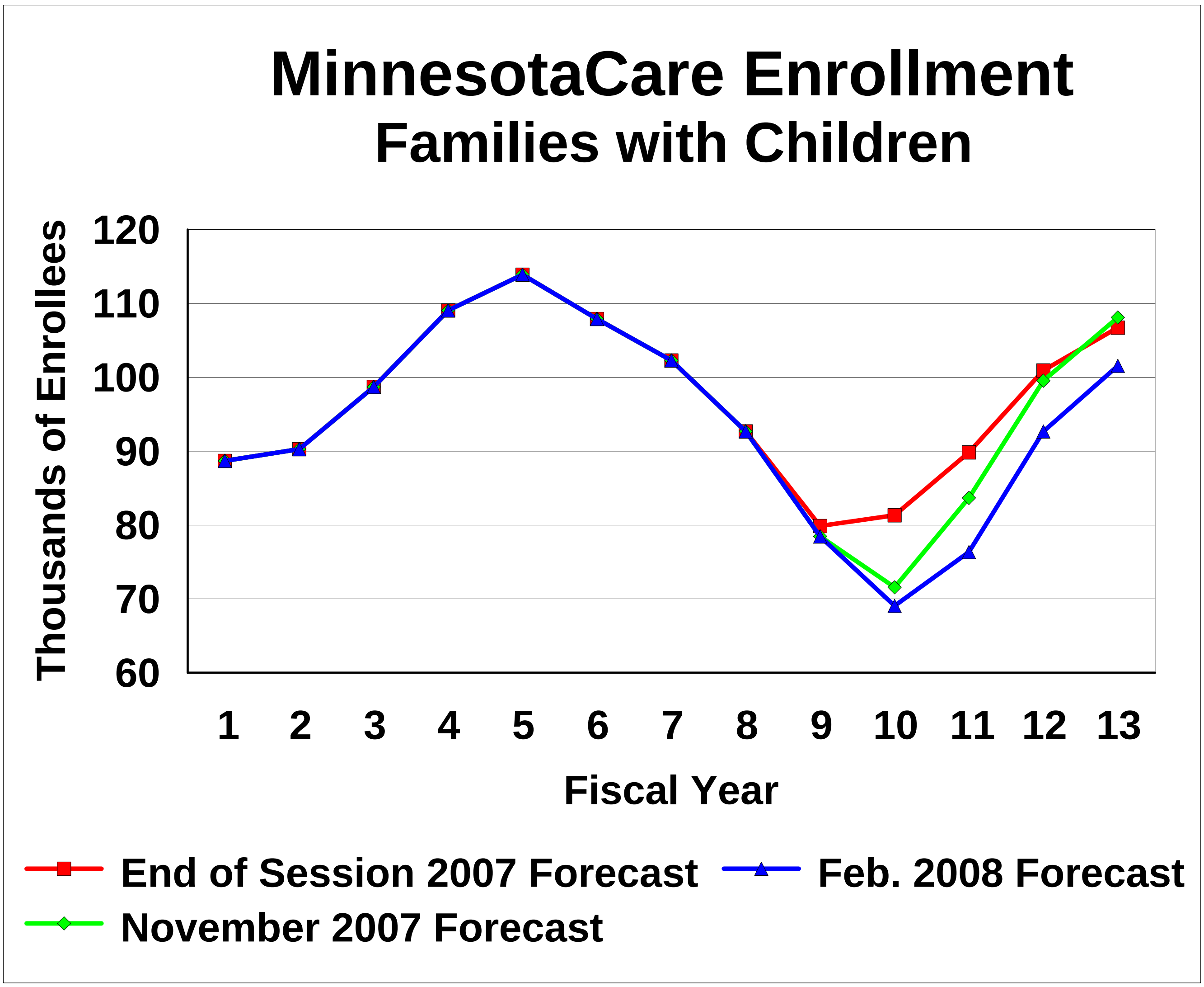
MINNESOTACARE	**'08-'09 Biennium**	**'10-'11 Biennium**
Forecast change this item ($000)	(42,908)	(41,917)
Forecast percentage change this item	-6.0%	-4.2%

Summary of Forecast Changes	**'08-'09 Biennium** ($000)	**'10-'11 Biennium** ($000)
Families with Children		
Enrollment changes	(4,366)	(10,275)
Average payment changes	(2,621)	0
SCHIP supplemental funding	(8,072)	(900)
ESI verification policy	(5,481)	(14,195)
Outreach implementation delay	(2,510)	(567)
Technical adjustments	(5,855)	(1,771)
Families with Children Subtotal	(28,905)	(27,708)
Adults without Children		
Enrollment changes	(101)	4,940
Average payment changes	(3,954)	0
ESI verification policy	(7,974)	(18,687)
Outreach implementation delay	(1,974)	(462)
Adults without Children Subtotal	(14,003)	(14,209)
Total Program	(42,908)	(41,917)

Families with Children

Enrollment of children and parents fell by 15% in FY 2007 compared with the previous fiscal year. Since the November forecast, enrollment of children and parents declined by another 1500 enrollees. As a result, the year-to-year decline of families with children enrollment for FY 2008 is revised to 12% in the February forecast (from 9% in November). Enrollment is then projected to increase on average 13% year-on-year beginning FY 2009 due to a variety of factors. The first of these factors is a number of policy changes from the 2007 Session that have yet to be implemented but are expected to increase caseload. Additionally, a significantly shorter health care application (from 24 to 8 pages) which began to be used in February 2008 is expected to result in increased enrollment. Relative to the November forecast, the February forecast's enrollment projections are about 2.5% lower for the current biennium and about 3% lower for the next biennium due mainly to the reduction in base caseload. It is worth noting that this projected enrollment decline would have been more significant were it not for the generally pessimistic outlook for Minnesota's labor market.

Average monthly costs in the first half of FY 2008 for families with children were slightly below expected cost. These lower costs are recognized in FY 2008 projections but do not signal a need to adjust long-term average payment projections.



The federal Medicare, Medicaid, and SCHIP Extension Act of 2007 (enacted December 29, 2007) provided Minnesota with about $35.5 million in additional SCHIP funding for FFY 2008. This results in a forecast savings of about $8 million due to the enhanced federal matching rate for SCHIP funds.

The 2005 Legislature passed legislation mandating the verification of employer subsidized insurance (ESI) on all MinnesotaCare applications and renewals. Subsequent to implementation of mandatory verification of ESI, MinnesotaCare enrollment of families with children declined significantly. The 2007 Legislature eliminated this mandate. The fiscal note for the repeal of mandatory ESI verification anticipated an enrollment increase roughly equal in size to the estimated decline due to the mandate. However, rather than revert to the verification process in place prior to the mandate, under which workers verified ESI only if they felt there was a reason to do so, DHS reduced the frequency of ESI verification but retained routine verification for new applications and changes of employment. We expect much less enrollment impact from this change than we anticipated from a return to the earlier policy of occasional verification, so the February forecast reduces the expected enrollment effect of the repeal of the ESI verification requirement by 75%. This results in a $5 million forecast reduction in the current biennium and a $14 million reduction in the next biennium for families with children.

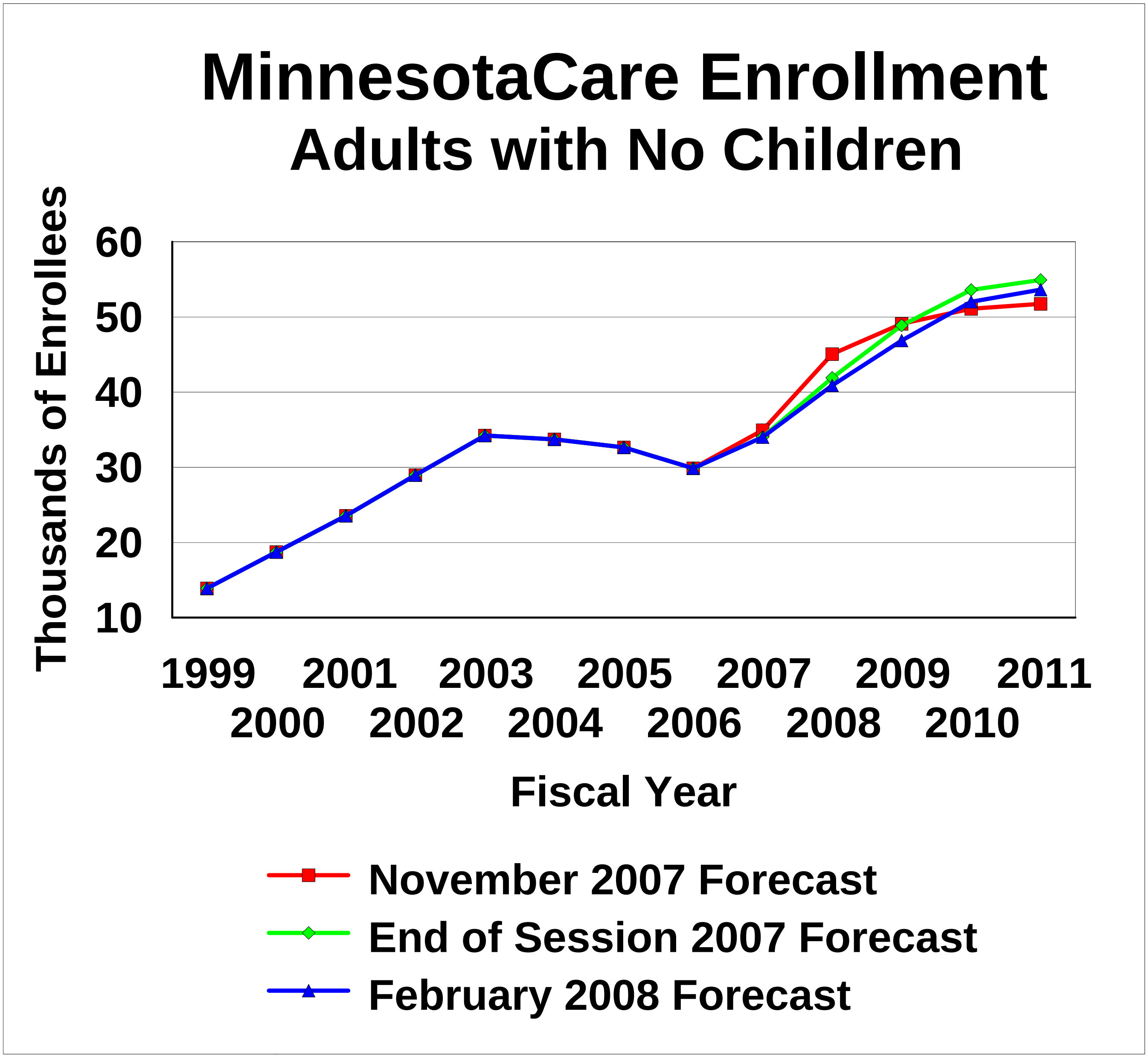
The 2007 Legislature appropriated outreach funding to assist with MinnesotaCare applications. This outreach effort was expected to begin January 2008. It is now expected to be implemented in March with the first impact on MinnesotaCare caseload occurring in May. This delay in outreach implementation is projected to result in savings of about $2.5 million in the current biennium and about $0.5 million in the next biennium.

Finally, technical adjustments to the families with children forecast resulted in average payment reductions for some enrollees, leading to about $5 million savings in the current biennium and about $2 million savings in the next biennium.

Adults without Children

The 2005 Legislature adopted a requirement to shift most GAMC-only enrollees to MinnesotaCare after their initial months of GAMC enrollment. This new policy took effect in September 2006 and is referred to as Transitional MinnesotaCare. Transitional MinnesotaCare enrollees receive six months of eligibility, of which on average two months of FFS coverage are funded by GAMC and four months of managed care coverage are covered by MinnesotaCare. (The term "Transitional MinnesotaCare" is used in this section for the months of MinnesotaCare coverage.)

Excluding Transitional MinnesotaCare enrollment, average monthly enrollment of adults without children fell by 9% in FY 2007 as compared with the previous fiscal year. However, adults without children enrollment levelled off in FY 2007 and began to slightly increase in the first half of FY2008. This can be attributed primarily to additional enrollees who have remained on MinnesotaCare following six months in Transitional MinnesotaCare. (We refer to these enrollees as "graduates" of Transitional MinnesotaCare.)



Based on data through December 2007, fewer eligibles are now projected to be in Transitional MinnesotaCare status in an average month. However, this reduction is nearly offset by an enrollment increase in adults without children due to the increasingly pessimistic outlook for Minnesota's labor market. The net impact of these caseload movements on forecasted payments is virtually no change in the current biennium and an increase of about $5 million (or 1%) in the next biennium.

As with children and parents, average monthly costs in the first half of FY 2008 for adults without children were slightly below expected cost. These lower costs are recognized in FY 2008 projections but do not signal a need to adjust long-term average payment projections.

As discussed in the families with children section, implementation of targeted ESI verification is expected to reduce the projected caseload impact of the 2007 legislative repeal of ESI verification for adults without children by 75%. This enrollment reduction is reflected in the February forecast, and results in an $8 million reduction in the current biennium and a $18.7 million reduction in the next biennium for adults without children.

Finally, as discussed in the families with children section, the delay in outreach implementation is projected to result in savings of about $2 million in the current biennium and about $0.5 million in the next biennium for adults without children.

TABLE ONE
CURRENT BIENNIUM SUMMARY

GENERAL FUND	November 2007 Forecast FY 2008 - FY 2009 Biennium ($ in thousands)			February 2008 Forecast FY 2008 - FY 2009 Biennium ($ in thousands)		
	FY 2008	FY 2009	Biennium	FY 2008	FY 2009	Biennium
Medical Assistance						
LTC Facilities	485,071	495,946	981,017	485,934	497,408	983,342
LTC Waivers	944,877	1,058,010	2,002,887	938,536	1,061,476	2,000,012
Elderly & Disabled Basic	1,002,974	1,116,433	2,119,407	993,268	1,106,869	2,100,137
Families w. Children Basic	744,956	811,704	1,556,660	753,482	845,879	1,599,361
Total	3,177,878	3,482,093	6,659,971	3,171,220	3,511,632	6,682,852
Alternative Care Program	49,858	51,758	101,616	49,858	51,758	101,616
General Assistance Medical Care	253,416	280,102	533,518	257,664	287,317	544,981
Chemical Dependency Fund	89,319	101,920	191,239	89,319	101,920	191,239
Subtotal: Health Care	3,570,471	3,915,873	7,486,344	3,568,061	3,952,627	7,520,688
Minnesota Family Inv. Program	78,999	68,077	147,076	87,208	74,070	161,278
Child Care Assistance	55,527	65,446	120,973	48,513	61,241	109,754
General Assistance	37,636	42,463	80,099	40,405	44,286	84,691
Group Residential Housing	85,450	96,937	182,387	84,283	97,108	181,391
Minnesota Supplemental Aid	30,876	31,214	62,090	30,804	31,312	62,116
Subtotal: Economic Support	288,488	304,137	592,625	291,213	308,017	599,230
Total General Fund	3,858,959	4,220,010	8,078,969	3,859,274	4,260,644	8,119,918
TANF funds for MFIP Grants	54,370	72,935	127,305	46,290	71,893	118,183
MinnesotaCare	318,786	392,108	710,894	305,604	362,382	667,986

TABLE TWO
CURRENT BIENNIUM SUMMARY

GENERAL FUND	February 2008 Forecast Change from November 2007 Forecast FY 2008 - FY 2009 Biennium ($ in thousands)			February 2008 Forecast Change from November 2007 Forecast FY 2008 - FY 2009 Biennium (Percent Change)		
	FY 2008	FY 2009	Biennium	FY 2008	FY 2009	Biennium
Medical Assistance						
LTC Facilities	863	1,462	2,325	0.2%	0.3%	0.2%
LTC Waivers	(6,341)	3,466	(2,875)	-0.7%	0.3%	-0.1%
Elderly & Disabled Basic	(9,706)	(9,564)	(19,270)	-1.0%	-0.9%	-0.9%
Families w. Children Basic	8,526	34,175	42,701	1.1%	4.2%	2.7%
Total	(6,658)	29,539	22,881	-0.2%	0.8%	0.3%
Alternative Care program	0	0	0	0.0%	0.0%	0.0%
General Assistance Medical Care	4,248	7,215	11,463	1.7%	2.6%	2.1%
Chemical Dependency Fund	0	0	0	0.0%	0.0%	0.0%
Subtotal: Health Care	(2,410)	36,754	34,344	-0.1%	0.9%	0.5%
Minnesota Family Inv. Program	8,209	5,993	14,202	10.4%	8.8%	9.7%
Child Care Assistance	(7,014)	(4,205)	(11,219)	-12.6%	-6.4%	-9.3%
General Assistance	2,769	1,823	4,592	7.4%	4.3%	5.7%
Group Residential Housing	(1,167)	171	(996)	-1.4%	0.2%	-0.5%
Minnesota Supplemental Aid	(72)	98	26	-0.2%	0.3%	0.0%
Subtotal: Economic Support	2,725	3,880	6,605	0.9%	1.3%	1.1%
Total General Fund	315	40,634	40,949	0.0%	1.0%	0.5%
TANF funds for MFIP Grants	(8,080)	(1,042)	(9,122)	-14.9%	-1.4%	-7.2%
MinnesotaCare	(13,182)	(29,726)	(42,908)	-4.1%	-7.6%	-6.0%

TABLE THREE
NEXT BIENNIUM SUMMARY

GENERAL FUND	November 2007 Forecast FY 2010 - FY 2011 Biennium ($ in thousands)			February 2008 Forecast FY 2010 - FY 2011 Biennium ($ in thousands)		
	FY 2010	FY 2011	Biennium	FY 2010	FY 2011	Biennium
Medical Assistance						
LTC Facilities	496,395	490,938	987,333	498,261	492,866	991,127
LTC Waivers	1,155,133	1,249,214	2,404,347	1,164,988	1,263,713	2,428,701
Elderly & Disabled Basic	1,254,957	1,377,408	2,632,365	1,246,845	1,366,774	2,613,619
Families w. Children Basic	902,156	962,841	1,864,997	951,449	1,018,416	1,969,865
Total	3,808,641	4,080,401	7,889,042	3,861,543	4,141,769	8,003,312
Alternative Care Program	52,120	52,277	104,397	52,120	52,277	104,397
General Assistance Medical Care	302,586	319,305	621,891	311,006	328,005	639,011
Chemical Dependency Fund	112,922	123,066	235,988	112,922	123,066	235,988
Subtotal: Health Care	4,276,269	4,575,049	8,851,318	4,337,591	4,645,117	8,982,708
Minnesota Family Inv. Program	74,653	67,535	142,188	80,261	72,763	153,024
Child Care Assistance	64,218	63,955	128,173	60,476	60,607	121,083
General Assistance	42,975	43,270	86,245	45,322	45,352	90,674
Group Residential Housing	103,831	110,998	214,829	104,096	111,145	215,241
Minnesota Supplemental Aid	31,371	31,544	62,915	31,789	32,287	64,076
Subtotal: Economic Support	317,048	317,302	634,350	321,944	322,154	644,098
Total General Fund	4,593,317	4,892,351	9,485,668	4,659,535	4,967,271	9,626,806
TANF funds for MFIP Grants	67,947	78,620	146,567	68,812	80,606	149,418
MinnesotaCare	469,754	523,892	993,646	444,923	506,806	951,729

TABLE FOUR
NEXT BIENNIUM SUMMARY

GENERAL FUND	February 2008 Forecast Change from November 2007 Forecast FY 2010 - FY 2011 Biennium ($ in thousands)			February 2008 Forecast Change from November 2007 Forecast FY 2010 - FY 2011 Biennium (Percent Change)		
	FY 2010	FY 2011	Biennium	FY 2010	FY 2011	Biennium
Medical Assistance						
LTC Facilities	1,866	1,928	3,794	0.4%	0.4%	0.4%
LTC Waivers	9,855	14,499	24,354	0.9%	1.2%	1.0%
Elderly & Disabled Basic	(8,112)	(10,634)	(18,746)	-0.6%	-0.8%	-0.7%
Families w. Children Basic	49,293	55,575	104,868	5.5%	5.8%	5.6%
Total	52,902	61,368	114,270	1.4%	1.5%	1.4%
Alternative Care program	0	0	0	0.0%	0.0%	0.0%
General Assistance Medical Care	8,420	8,700	17,120	2.8%	2.7%	2.8%
Chemical Dependency Fund	0	0	0	0.0%	0.0%	0.0%
Subtotal: Health Care	61,322	70,068	131,390	1.4%	1.5%	1.5%
Minnesota Family Inv. Program	5,608	5,228	10,836	7.5%	7.7%	7.6%
Child Care Assistance	(3,742)	(3,348)	(7,090)	-5.8%	-5.2%	-5.5%
General Assistance	2,347	2,082	4,429	5.5%	4.8%	5.1%
Group Residential Housing	265	147	412	0.3%	0.1%	0.2%
Minnesota Supplemental Aid	418	743	1,161	1.3%	2.4%	1.8%
Subtotal: Economic Support	4,896	4,852	9,748	1.5%	1.5%	1.5%
Total General Fund	66,218	74,920	141,138	1.4%	1.5%	1.5%
TANF funds for MFIP Grants	865	1,986	2,851	1.3%	2.5%	1.9%
MinnesotaCare	(24,831)	(17,086)	(41,917)	-5.3%	-3.3%	-4.2%