

Minnesota

Department of Human Services

February 2012 Forecast

St. Paul, Minnesota

February 29, 2012

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 Minnesota Management & Budget 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 (MSA). Changes in SSI eligibility may leave numbers of people eligible for General Assistance (GA) instead of SSI.

The narrative section of this document provides brief explanations of the changes in forecast expenditures in the February 2012 forecast, compared to the November 2011 forecast. The 2012-2013 biennium is referred to as "the current biennium", and the 2014-2015 biennium as "the next biennium."

Tables One and Two provide the new and old forecasts and changes from the previous forecast for the 2012-2013 biennium, and Tables Three and Four provide the same information about the 2014-2015 biennium.

CURRENT BIENNIUM SUMMARY

General Fund Costs Lower

General Fund costs for DHS medical and economic support programs for the 2012-2013 biennium are projected to total \$9.416 billion, down \$180 million (1.9%) from the November forecast. All of the net change comes from a lower MA forecast, more than 50% of the change resulting from lower enrollment and cost projections for the new MA eligibility for adults with no children.

TANF Forecast Lower

Projected expenditures of federal TANF (Temporary Assistance for Needy Families) funds for MFIP grants are \$146 million, \$10 million (6.4 percent) below November estimates. This results mainly from a lower MFIP cash forecast.

MinnesotaCare Forecast Lower

Forecasted Health Care Access Fund costs for the MinnesotaCare program are \$594 million, \$16.0 million (2.6 percent) lower than in the November forecast. The reductions come from lower enrollment projections for families with children and lower average cost projections for adults with no children.

NEXT BIENNIUM SUMMARY

General Fund Costs Lower

General Fund costs for DHS medical and economic support programs for the 2014-2015 biennium are projected to total \$10.163 billion, down \$142 million (1.4%) from the November forecast. As in the current biennium, all of the net change comes from a lower MA forecast. Lower enrollment projections for adults with no children and families with children account for more than half of the MA forecast change.

TANF Forecast Lower

Projected expenditures of federal TANF (Temporary Assistance for Needy Families) funds for MFIP grants are \$121 million, \$9.2 million (7 percent) lower than the November forecast. This results mainly from a lower MFIP cash forecast.

MinnesotaCare Forecast Lower

Forecasted Health Care Access Fund costs for the MinnesotaCare program are \$698 million, \$18 million (2.5 percent) lower than in the November forecast. Lower enrollment projections for families with children account for most of the reduction.

PROGRAM DETAIL

MEDICAL ASSISTANCE

	'12-'13 Biennium	'14-'15 Biennium
Total forecast change for MA (\$000)	(188,300)	(152,860)
Total forecast percentage change this item	-2.2%	-1.6%

The following sections explain the forecast change for each of five component activities of the Medical Assistance program:

CVX

	'12-'13 Biennium	'14-'15 Biennium
Total forecast change this item (\$000)	(18,310)	(13,182)
Total forecast percentage change this item	-2.0%	-1.4%

This activity includes payments to nursing facilities, to community ICF/DD facilities, for day training and habilitation services for community ICF/DD residents, and for the State Operated Services RTC programs for the mentally ill (SOS). (In the RTC programs, Medical Assistance covers only those residents who are under age 21 or age 65 or over.)

The net cost of this activity is also affected by the amount of Alternative Care (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.

	'12-'13 Biennium (\$000)	'14-'15 Biennium (\$000)
Change in Projected Costs		
Alternative Care offset	(1,363)	(1,362)
NF caseload	(13,527)	(10,595)
ICF/DD & DTH	(3,514)	(1,261)
SOS	(240)	(240)
County share	334	276
Activity Total	(18,310)	(13,182)

Alternative Care Offset

The new forecast has AC expenditures is 2.4% lower for the current biennium and 2.3% lower for the next biennium. the changes come from a reduction of about 2.5% in the projected number of recipients.

Nursing Facilities (NF)

NF projected payments are reduced by 1.7% for the current biennium and by 1.3% for the next biennium. Reductions of approximately 3% in the number of paid days are partially offset by slightly higher projections of the average cost per day.

The average number of NF recipients has dropped steadily since FY 1993. In the last five years it has decreased at a rate of 3% to 4% annually. The forecast assumes that decline will slow to about 1% in FY 2014 and FY 2015 as growth in the elderly population starts to slowly increase the demand for long term care services.

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

Most of the forecast change comes from a technical correction to the ICF/DD forecast. The November forecast accidentally failed to apply the 1.67% reduction which is in effect from July 2012 to December 2013 to this service; this has been corrected.

SOS RTC MI Program

MA billings for SOS MI programs on RTC campuses have nearly ceased. The newer programs in 16-bed facilities do not bill as RTC programs, which fall under Medicaid coverage limitations for IMDs.

County Share of LTC Facility Services

Reduced county-share projections result from the reduction in the NF forecast.

MA LTC WAIVERS & HOME CARE

	'12-'13 Biennium	'14-'15 Biennium
Total forecast change this item (\$000)	8,434	(4,641)
Total forecast percentage change this item	0.4%	-0.2%

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 Assistance (PCA) and Private Duty Nursing (PDN) Services
- 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/DD, or acute care hospital).

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

	'12-'13 Biennium (\$000)	'14-'15 Biennium (\$000)
Change in Projected Costs		
DD Waiver	2,309	(148)
EW Waiver FFS	171	0
CADI Waiver	19	0
CAC Waiver	1,464	2,138
TBI Waiver	(3,686)	(6,053)
Home Health	(661)	(543)
Private Duty Nursing	(386)	7
Personal Care Assistance	9,204	(42)
Transfer to CSG	0	0
Activity Total	8,434	(4,641)
EW Total:		
FFS & Managed Care	29	0

Percent Change in Projected Costs	'12-'13 Biennium	'14-'15 Biennium
DD Waiver	0.2%	-0.0%
EW Waiver FFS	0.4%	0.0%
CADI Waiver	0.0%	0.0%
CAC Waiver	6.8%	8.5%
TBI Waiver	-3.5%	-4.8%
Home Health	-2.6%	-1.9%
Private Duty Nursing	-0.4%	0.0%
Personal Care Assistance	2.1%	-0.0%
Transfer to CSG	0.0%	0.0%
Activity Total	0.4%	-0.2%
EW Total: FFS & Managed Care	0.0%	0.0%

DD Waiver

DD waiver recipient projections are practically unchanged. Recipient projections are about 1.4% higher for the current biennium and 2.9% higher for the next biennium, but because of waiver budget constraints these increases are substantially offset by lower average cost projections.

Elderly Waiver and CADI Waiver

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 distribution between fee-for-service EW and the managed care EW.

The EW and CADI waiver forecast are affected only by actual data for October to December, 2011.

CAC Waiver

CAC expenditure projections are increased 7% and 9% through the forecast period because the accrual data used as a basis for the forecast was found to understate actual costs. Correction of the base data results in the higher forecast.

TBI Waiver

TBI expenditure projections are reduced 3.5% for the current biennium and 4.8% for the next biennium. Average recipients counts in this waiver have remained nearly flat since FY 2008, following a period of dramatic growth. The forecast has a resumption of modest growth after FY 2012.

Home Health Agency

Home health expenditure projections are reduced by about 2% because of lower average payments.

Private Duty Nursing (PDN)

Beginning with this forecast we publish a separate table for PDN, which was previously combined in one table with PCA (although the forecasts were separate.)

The PDN forecast is practically unchanged.

Personal Care Assistance (PCA)

Projected expenditures for PCA are increased by 2.1% for the current biennium because of the pending lawsuit concerning the rate of payments to certain relatives of PCA recipients. Implementation of this change has been enjoined. Pending settlement of this issue, our default assumption is that the State will prevail; but we assume that the earliest likely date by which that would happen is January 2013. Therefore the forecast assumes implementation of this change resumes in January 2013.

Had this change taken effect in January 2012, as assumed in the November forecast, projected PCA costs for this biennium would be approximately \$10.4 million lower.

MA ELD. & DISABLED BASIC CARE

	'12-'13 Biennium	'14-'15 Biennium
Total forecast change this item (\$000)	(39,664)	(19,773)
Total forecast percentage change this item	-1.6%	-0.6%

This activity funds general medical care for elderly and disabled Medical Assistance enrollees. For almost all of the elderly and for about 48 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 2012 it is 80.0%, and the amount billed per dual eligible each month is \$134.30.

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

	'12-'13 Biennium (\$000)	'14-'15 Biennium (\$000)
Elderly Waiver Managed Care	(142)	0
Elderly Basic Enrollment	(671)	(2,267)
Elderly Basic Avg. Cost	1,329	4,909
Disabled Basic Enrollment	(1,173)	0
Disabled Basic FFS Avg. Cost	(32,249)	(14,659)
Chemical Dependency Fund share	(820)	(768)
IMD Program: MA adult with no kids expansion	(4,366)	(4,483)
Medicare Part D clawback payments	(1,572)	(2,505)
Total	(39,664)	(19,773)

Elderly Waiver Managed Care

Projected expenditures for EW managed care are practically unchanged.

Elderly Basic Changes

Elderly basic enrollment and average cost projections each changed by less than 1%, with enrollment slightly lower and average cost slightly higher. The net change for each biennium was less than 0.25%.

Disabled Basic Changes

Disabled basic enrollment projections are unchanged except for a small change based on actual enrollment data for October to December 2011.

Lower than expected FFS payments in September to December 2011 and a consequent reduction in the forecasted FFS average payment reduce projected disabled basic payments by 2.5% for the current biennium and by 1.2% for the next biennium. The effect for the next biennium is halved because the FFS expenditure is reduced by half by the expansion of managed care for MA disabled individuals.

Projected managed care costs for the expansion of managed care remain unchanged from the November forecast.

CD Fund Share

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

IMD Program

This segment covers people eligible for MA but for residence in an IMD facility. The new MA eligibility for adults with no children has added enrollment of approximately 900 to this segment. The forecast for the new adult with no kids subgroup of IMD is reduced by about 30% based on new data and corrections to older data.

Medicare Part D Clawback

Projected payments to the federal government are reduced by approximately 0.5%.

ADULTS WITHOUT CHILDREN

	'12-'13 Biennium	'14-'15 Biennium
Total forecast change this item (\$000)	(108,096)	(40,853)
Total forecast percentage change this item	-11.8%	-11.4%

Federal law mandates MA eligibility to be expanded to cover adults with no children with income up to 133% FPG effective January 2014. We assume a 100% federal share for federally eligible costs under the mandatory expansion from CY 2014 to CY 2016, but the law on this share is not clear and a lower initial federal share is possible (75% for CY 2014; 80% for CY 2015).

Federal law provides an option to states to expand coverage for adults with no children earlier than January 2014, at income levels up to 133% FPG. Optional expansions get federal funding at the regular FMAP, which is 50% for Minnesota. Minnesota law provides for an optional expansion, up to 75% FPG, which was triggered by the Governor effective March 1, 2011.

The following table summarizes changes from the November 2011 forecast:

	'12-'13 Biennium (\$000)	'14-'15 Biennium (\$000)
Adults enrollment	(87,427)	(32,320)
Adults avg. cost	(24,107)	(9,283)
Change in CD fund share	3,438	750
Total	(108,096)	(40,853)

Enrollment Changes

Enrollment in the MA coverage for adults with no children peaked at 84,700 in June 2011, toward the end of the transition from GAMC and MinnesotaCare. By December it had fallen 5.4% to approximately 80,200 -- contrary to our forecast projections. Enrollment has fallen because of the large numbers falling off the program each month: an average of 4,600 for September to December 2011 who exited MA and did not transfer directly to other medical eligibility. We believe this is a result of the income limit at 75% FPG and the 6-month income review which is a normal part of MA eligibility. In MinnesotaCare, eligibility is reviewed at 12 months, and higher income would usually lead to a change in premium rather than termination of eligibility.

Enrollment projections are reduced by about 9% for the current biennium and through December 2013, when we assume eligibility is expanded to 133% FPG and 100% federal funding begins. We continue to anticipate enrollment slowly increasing from the reduced base: from 80,200 in December 2011 to 91,500 in December 2013.

Average Cost Changes

Overall cost projections are reduced by 2.5% because of reduced FFS cost projections. As with other MA segments with mostly managed care coverage, new enrollees usually have a period of two to three months of FFS coverage at the beginning of their program eligibility. We now have sufficient data subsequent to the period of transition from GAMC and MinnesotaCare to have a reasonable fix on expected FFS costs.

Change in CD Fund Share

As in other segments of MA, FFS CD treatment is provided by the CD Fund and billed to MA. The CD Fund receives the federal share of the MA payment as revenue, but the state share is paid from the CD Fund account. If CD treatment is received while the MA enrollee is covered by managed care, the cost is covered under the capitation contract--and the MA account in effect pays for the state share of the cost of treatment.

This forecast shows the effect of a decrease in the proportion of FFS payments with the state share projected to be covered by the CD Fund, resulting in an increase in MA state share costs.

FAMILIES WITH CHILDREN BASIC CARE

	'12-'13 Biennium	'14-'15 Biennium
Total forecast change this item (\$000)	(30,664)	(74,411)
Total forecast percentage change this item	-1.6%	-3.3%

This activity funds general medical care for children, parents, and pregnant women, including families receiving MFIP and those with transition coverage after exiting MFIP. It also includes 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:

	'12-'13 Biennium (\$000)	'14-'15 Biennium (\$000)
Families with Children		
Enrollment:	(28,456)	(57,657)
Change in value of cap on HMO pmt delay in '13 and '15	(407)	1,259
Avg. cost: FFS avg. cost changes	5,365	(2,748)
CD Fund share	(1,051)	(1,509)
CHIP enh. match for kids over 133% FPG	330	(4,083)
Rx rebates	916	2,139
Non-citizen MA segment	736	(510)
Services w special funding	(5,507)	(7,343)
Family planning waiver	(407)	(555)
Breast & cerv. cancer	(2,183)	(3,404)
Total	(30,664)	(74,411)

**Families with Children Basic Care
Enrollment Effects of Federal Health Care Requirements
Previously Included in the Forecast**

These effects have been included in the forecast since February 2011:

- (1) enrollment projections increased by about 7% for FY 2014 and about 15% for FY 2015 to allow for the effects of the coverage mandate effective January 2014 (this effect was already included in the November 2010 forecast);
- (2) additional enrollment of MA caretakers based on the federal mandate to expand coverage of this group to 133% FPG. This increases overall enrollment by about 2.9% or 12,500 average enrollees in FY 2015.

Enrollment Changes from the November Forecast

Enrollment of families with children has continued to run slightly under the November forecast probably because of continuing modest improvement in Minnesota's labor market. Enrollment projections for families with children are 1.7% lower for the current biennium and 2.4% lower for the next biennium.

Cap on HMO Payment Delay

Legislation in 2011 delayed capitation payments for May 2013 and May 2015 until the following July. For managed care for the disabled, which already had May and June payments delayed in law, payments for April 2013 and April 2015 were delayed until the following July. The value of each year's delay was capped at \$135 million of state funds for MA and MinnesotaCare combined. In the end of session 2011 estimates, the state share value of the delay in MA, which was also treated as a cap on the fiscal effect of the delay, was \$107,429,000. The MinnesotaCare share was \$27,571,000. In the November forecast we increased the MA delay to \$113 million, and reduced the MinnesotaCare share to \$22 million, because MinnesotaCare state share expenditures no longer permit the full original value to be delayed. This is unchanged in the February forecast, but the net effects of the caps on payments are slightly different.

Change in Average Cost of Coverage

Various small adjustment to FFS average cost projections increase overall projected costs by 0.25% in the current biennium and decrease costs by 0.11% in the next biennium.

CHIP Enhanced Funding for MA Children Over 133% FPG

Minnesota is able to claim federal CHIP funds as enhanced matching on costs for children with family income over 133% FPG, in both MA and MinnesotaCare. The enhancement is the difference between the 65% federal CHIP share and the current

Because of a lower enrollment projection for non-citizen pregnant women covered by federal CHIP funding, additional CHIP funding is projected to be available for the next biennium, resulting in a decrease of \$4.1 million in projected state share costs.

Pharmacy Rebates

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

Projected state share rebate collections are slightly lower than in the November forecast because lower enrollment projections for families with children and adults with no children reduce projected Rx expenditures, on which rebates are based.

Non-Citizen MA

The Non-Citizen segment of MA includes federal Children's Health Insurance Program (CHIP) coverage for pregnant women through the month in which they give birth. Two months of post-partum coverage were at 100% state cost until July 2009, when CHIP coverage of those months became available.

The increase in the current biennium results from correction of a technical error in the projected HMO costs in FY 2012. The decrease in the next biennium reflects a lower enrollment projection for non-citizen pregnant women.

The MinnesotaCare forecast assumes that most of the non-citizens losing eligibility for this state-funded MA coverage will migrate to the MinnesotaCare program, in most cases with a less comprehensive benefit set.

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. Some services have state and federal funding, but are administrative costs from the federal perspective and so have federal matching at a fixed 50%, rather than funding at the Federal Medical Assistance Percentage (FMAP) which applies to medical services and can vary from 50%, as was recently the case with enhanced FMAP rates. Services which have state funding are access services (transportation to medical care), child and teen checkup outreach, and DD waiver screenings.

Projected costs for Access Services have been reduced by 15% for the current biennium and by 17% for the next biennium based on recent data and lower enrollment projections for adults with no children.

Family Planning Waiver

Most of the services provided under this waiver have 90% federal funding.

Enrollment in the FP waiver peaked about June 2010 and remained at a slightly lower level through August 2011. Between August and December 2011 enrollment fell by 8%. We attribute this decline partly to improvement in the economy (fewer women intent on avoiding pregnancy) and partly to diversion to eligibility in the new MA coverage for adults with no children. The forecast projects a slow continued decline, leveling off after about one year. Projected expenditures are reduced by about 13% for the current biennium and 17% for the next biennium.

Breast & Cervical Cancer

This coverage applies on average to between 400 and 500 women.

The November forecast projected a marked escalation of the cost of coverage based on earlier trends in the cost of coverage. That cost appears to have leveled off, and the revised forecast is 25% to 30% lower.

GENERAL ASSISTANCE MED. CARE

(Old GAMC program only)

	'12-'13 Biennium	'14-'15 Biennium
Forecast change this item (\$000)	(1,879)	0
Forecast percentage change this item	-46.35%	0.0%

During the 2010 legislative session, GAMC's entitlement nature was eliminated effective June 1, 2010, and dramatic payment reductions were put into effect for services provided in April and May 2010. Beginning June 2010, GAMC was transformed into a capped appropriation program administered by four hospitals referred to as Coordinated Care Delivery Systems (CCDS). Additionally, the Transitional MinnesotaCare program, within which FFS coverage was paid through GAMC, was eliminated for new enrollees effective April 1, 2010.

This section of the forecast pertains to the tail of financial obligations of the "old" GAMC program, including FFS claims, managed care withhold payments, and negative adjustments resulting from the delayed conversion of GAMC eligibility to MA eligibility.

A technical error in tracking FFS negative adjustments in the forecast was corrected which reduces anticipated net expenditures by about \$1.9 million in FY 2012.

CHEMICAL DEPENDENCY FUND

	'12-'13 Biennium	'14-'15 Biennium
Forecast change this item (\$000)	5,595	3,525
Forecast percentage change this item	3.5%	2.2%

CD Fund expenditures in the second quarter of FY 2012 were 21% higher than expected in the November forecast, because of higher numbers of recipients. We believe this represents a slower than expected impact on CD Fund expenditures of the new MA eligibility for adults with no children. For this reason, the February forecast allows for higher placement costs in FY 2012, approximately in the amount of the actual additional payments in the second quarter of FY 2012. This change accounts for practically all of the forecast change for the current biennium.

Projected costs for room and board payments to health plans, which are made on behalf of recipients whose treatment costs are paid for under managed care capitation contracts, are increased by 4.6% for the next biennium. This increase is based on the the most recent payment data and an assessment of average monthly payment for this during CY 2011. This change accounts for two-thirds of the forecast change for the next biennium. The remainder of the change results from a small adjustment to the expected MA revenue to the CD Fund in the next biennium.

MFIP NET CASH (STATE AND FEDERAL)

	'12-'13 Biennium	'14-'15 Biennium
Forecast change this item (\$000)	(6,054)	(6,083)
Forecast percentage change this item	-1.8%	-1.9%

GENERAL FUND SHARE OF MFIP

Forecast change this item (\$000)	3,982	3,108
Forecast percentage change this item	2.3%	1.65%

FEDERAL TANF FUNDS FOR MFIP

Forecast change this item (\$000)	(10,036)	(9,191)
Forecast percentage change this item	-6.4%	-7.03%

This activity provides cash and food for families with children until they reach approximately 115% 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.

The following table summarizes the changes in MFIP cash expenditures by source, relative to the November forecast.

Summary of Forecast Changes

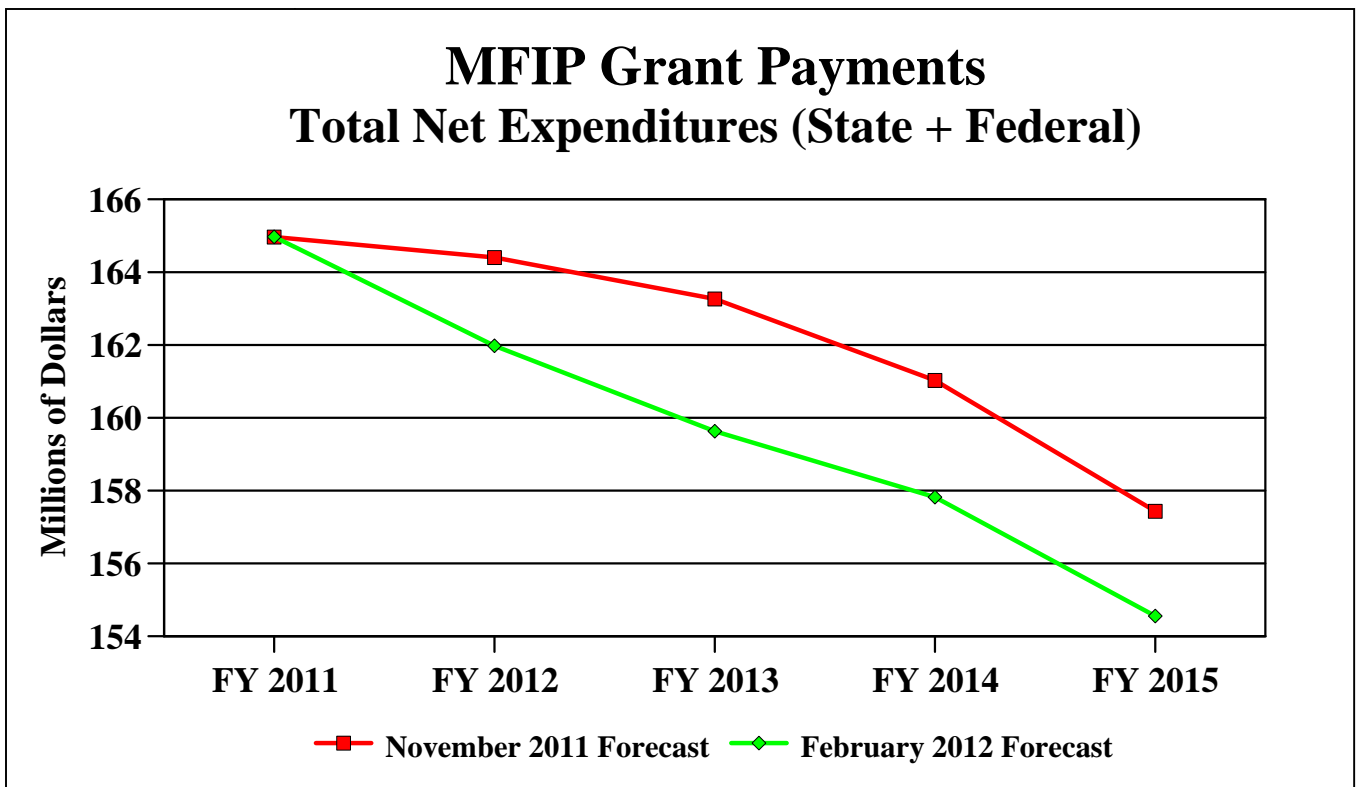
	'12-'13 Biennium (\$000)	'14-'15 Biennium (\$000)
Gross MFIP cash grant forecast change	(7,364)	(7,689)
Gross General Fund forecast change	2,672	1,502
Child Support/recoveries offset	1,310	1,606
Net General Fund forecast change	3,982	3,108
Gross TANF forecast change	(10,036)	(9,191)
Child Support pass-through/recoveries offset	0	0
Net TANF forecast change	(10,036)	(9,191)

Decreased Expenditures Due to Lower MFIP Caseload

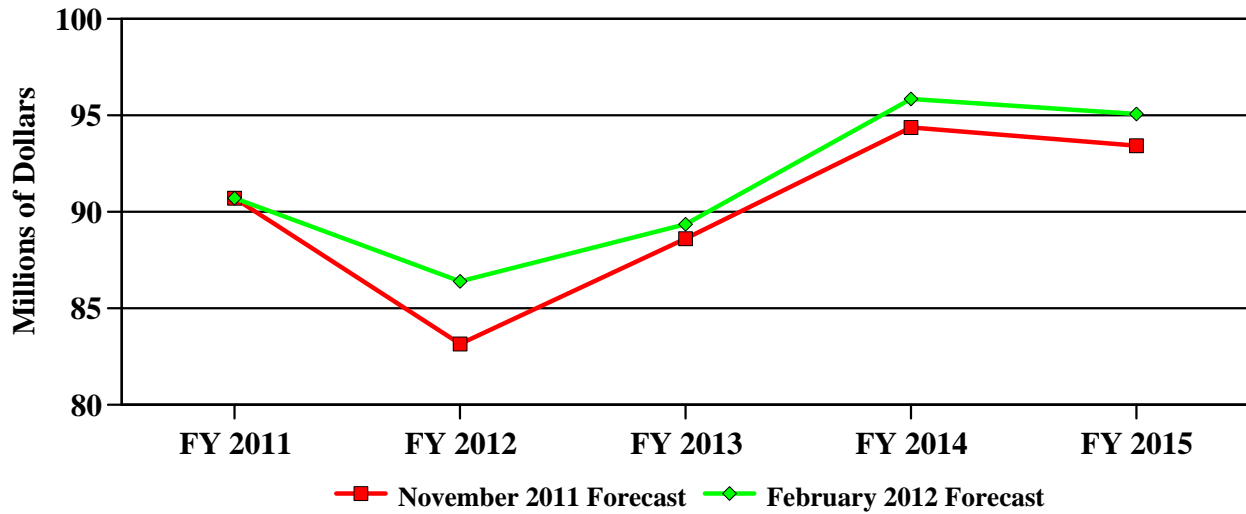
Based on recent data and a more optimistic economic scenario, the forecasted MFIP caseload has been adjusted downward. This results in decreases in forecasted expenditures of \$7.4 million (2.1%) in the current biennium, and \$7.7 million (2.3%) in the 2014-2015 biennium.

Increases in General Fund and Decreases in TANF expenditures in MFIP

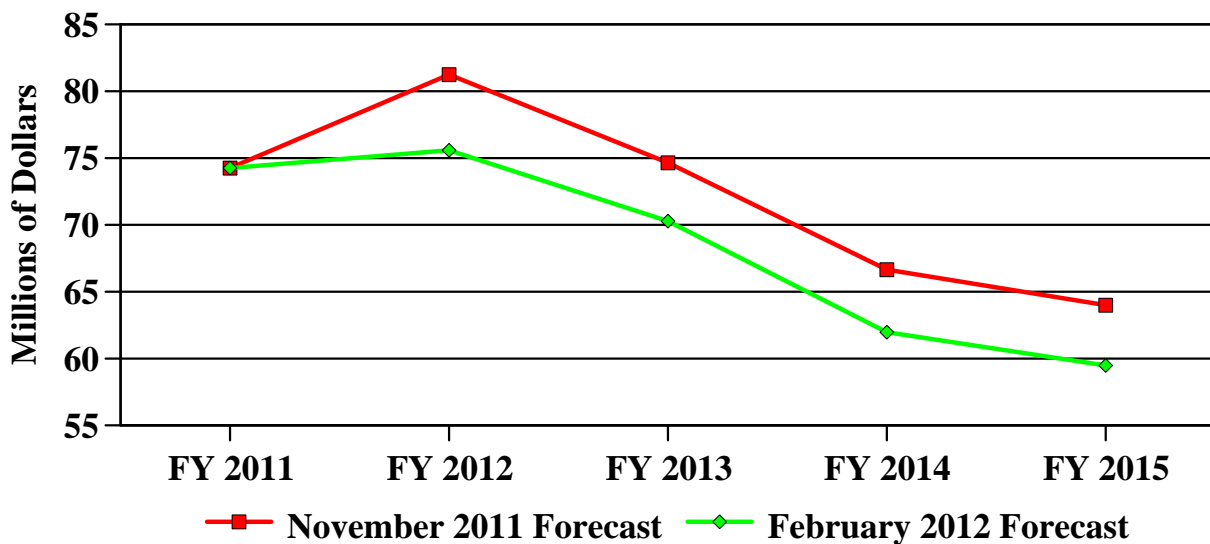
Most of the MFIP caseload is funded with a mixture of state and federal block grant funds. The amount of state funds in this mixture is determined by the federally mandated Maintenance of Effort (MOE) requirement for state (i.e., General Fund) spending on its TANF program. The state must meet this minimum 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, though it must be at least 16% of the MOE requirement. In addition, if there are not enough TANF funds available to pay the portion of expenditures which do not have to be paid from the General Fund, then General Fund is used to make up the difference. The General Fund must also fund "non-MOE" cases: cases with two parents and cases eligible for Family Stabilization Services. These expenditures cannot be used as MOE and cannot be funded with federal funds. Net General Fund expenditures are adjusted for child support collections and the counties' share of recoveries.



MFIP Grant Payments Net State General Fund Expenditures



MFIP Grant Payments Net Federal TANF Expenditures



Gross General Fund expenditures are increased by \$2.7 million in the current biennium and \$1.5 million in the next biennium, due mostly to less MOE available from Child Care Assistance Program and administrative expenditures. Based on recent data, publicly assigned child support collections are reduced in this forecast, resulting in increases in net General Fund MFIP cash expenditures of \$4.0 million (2.3%) in the current biennium, and \$3.1 million (1.7%) in the next biennium.

Increased gross General Fund expenditures in the current biennium of \$2.7 million, together with the decreased cash forecast of \$7.4 million, lead to a decrease in gross TANF expenditures of \$10 million. There are no other offsetting changes, so net TANF expenditures are projected to be \$10 million less than the November forecast, a 6.4% decrease.

Increased gross General Fund expenditures in the next biennium of \$1.5 million, together with the decreased cash forecast of \$7.7 million, lead to a decrease in gross TANF expenditures of \$9.2 million. There are no other offsetting changes, so net TANF expenditures are projected to be \$9.2 million less than the November forecast, a 7% decrease.

MFIP / TY CHILD CARE ASSISTANCE

	'12-'13 Biennium	'14-'15 Biennium
Forecast change this item (\$000)	(954)	269
Forecast percentage change this item	-1.1%	0.3%

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).

MFIP child care expenditures are expected to be lower than the November forecast due mostly to the reduced MFIP cash caseload. Offsetting this, the more optimistic economic scenario leads to higher TY expenditures, especially in the next biennium.

In the current biennium projected child care expenditures are decreased by \$954 thousand (0.4% of federal and state expenditures) and are increased by \$268 thousand (0.1%) relative to the November forecast. Federal funds used for MFIP Child Care are unchanged in this forecast; therefore, all changes are General Fund changes.

GENERAL ASSISTANCE

	'12-'13 Biennium	'14-'15 Biennium
Forecast change this item (\$000)	506	1,233
Forecast percentage change this item	0.5%	1.2%

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.

Increased GA expenditures are based on higher caseload growth than previously projected.

GROUP RESIDENTIAL HOUSING

	'12-'13 Biennium	'14-'15 Biennium
Forecast change this item (\$000)	1,213	2,771
Forecast percentage change this item	0.5%	1.0%

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.

Increased GRH expenditures are driven mainly by higher GA-type caseload projections.

MINNESOTA SUPPLEMENTAL AID

	'12-'13 Biennium	'14-'15 Biennium
Forecast change this item (\$000)	(305)	(308)
Forecast percentage change this item	-0.4%	-0.4%

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

Based on recent data, MSA projected average payments and caseload are decreased slightly.

MINNESOTACARE

	'12-'13 Biennium	'14-'15 Biennium
Forecast change this item (\$000)	(15,803)	(17,934)
Forecast percentage change this item	-2.6%	-2.5%

Summary of Forecast Changes	'12-'13 Biennium (\$000)	'14-'15 Biennium (\$000)
<i>Families with Children</i>		
Enrollment changes	(9,953)	(14,409)
Average payment changes	2,747	2,017
CHIPRA changes	0	(6,342)
Families with Children Subtotal	(7,206)	(18,734)
<i>Adults without Children</i>		
Enrollment changes	2,977	14,400
Average payment changes	(7,137)	(7,237)
Adults without Children Subtotal	(4,160)	7,163
Legal Noncitizens	(4,437)	(6,363)
Defined Benefit Program	0	0
Total Program	(15,803)	(17,934)

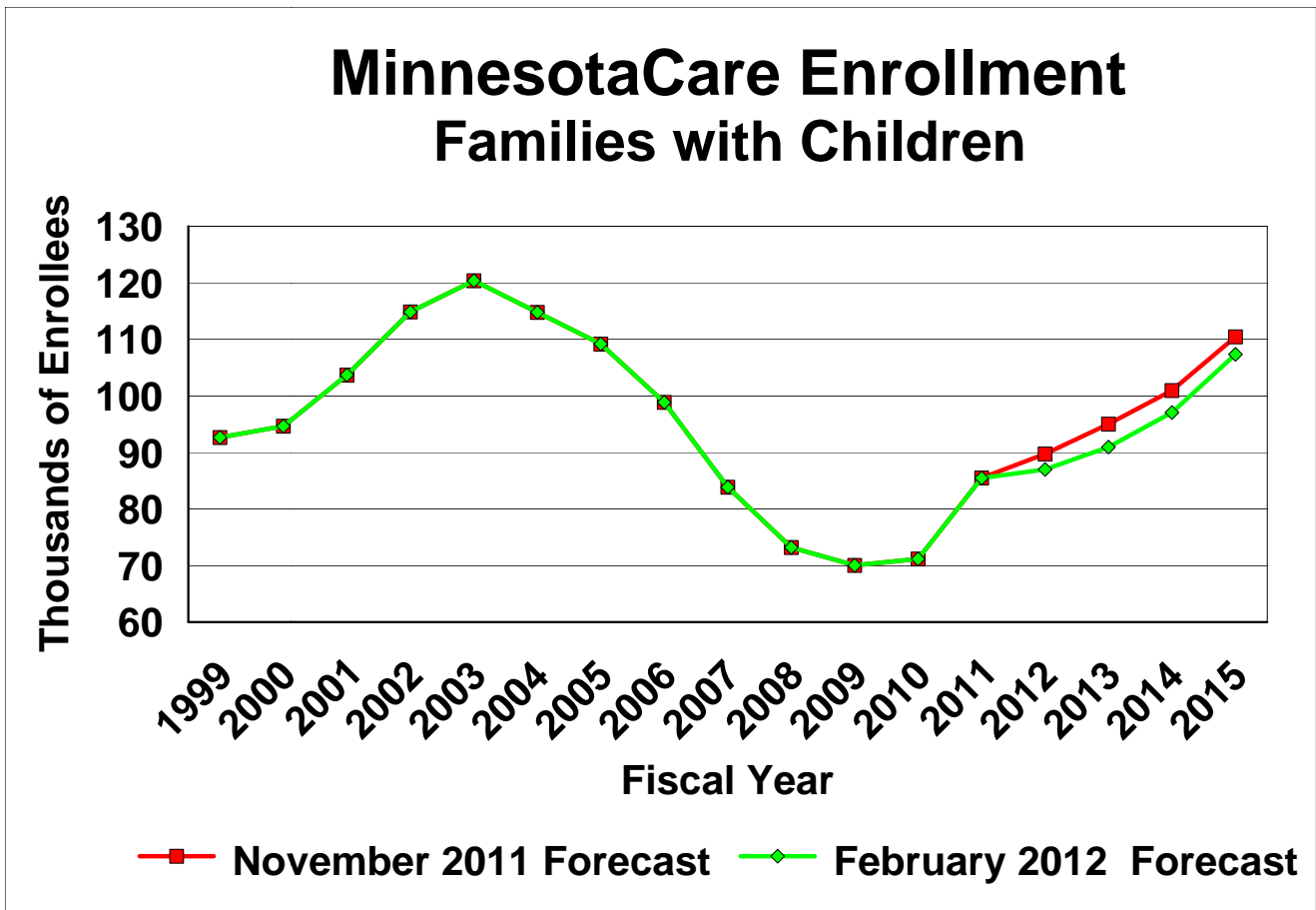
Families with Children

Relative to the November forecast, new actual enrollment data for children and parents are 5% below forecast in December 2011. As a result, base enrollment projections for children and parents in the February forecast are approximately 4% below November levels in each year of the forecast period (or about 4,000 average monthly enrollees below November projections in a given year). This results in projected expenditure reductions of \$10.0 million (about 3.5%) in the current biennium and \$14.4 million (about 4%) in the next biennium.

Managed care rates for MinnesotaCare parents and children for the CY 2012 contract year are about 1% higher than expected in the November forecast due to a 1st quarter risk adjustment.

Under CHIPRA, Minnesota is able to claim federal CHIP funds as enhanced matching on costs for children with family income over 133% FPG, in both MA and MinnesotaCare. The enhancement is the difference between the 65% federal CHIP share and the current federal matching rate for Minnesota (which is 50%). CHIP funds are available to the state in the form of a fixed allotment which is used first to claim federal match on children with incomes between 275-280% FPG (our expansion group) and noncitizen pregnant women.

The CHIPRA changes in the February forecast reflect a reduction in forecasted enrollment of noncitizen pregnant women which increases the amount of CHIP funds available to be claimed as enhanced match on costs for MinnesotaCare children. This additional enhanced federal match in MinnesotaCare results in a forecast reduction of about 1.5% in the next biennium.

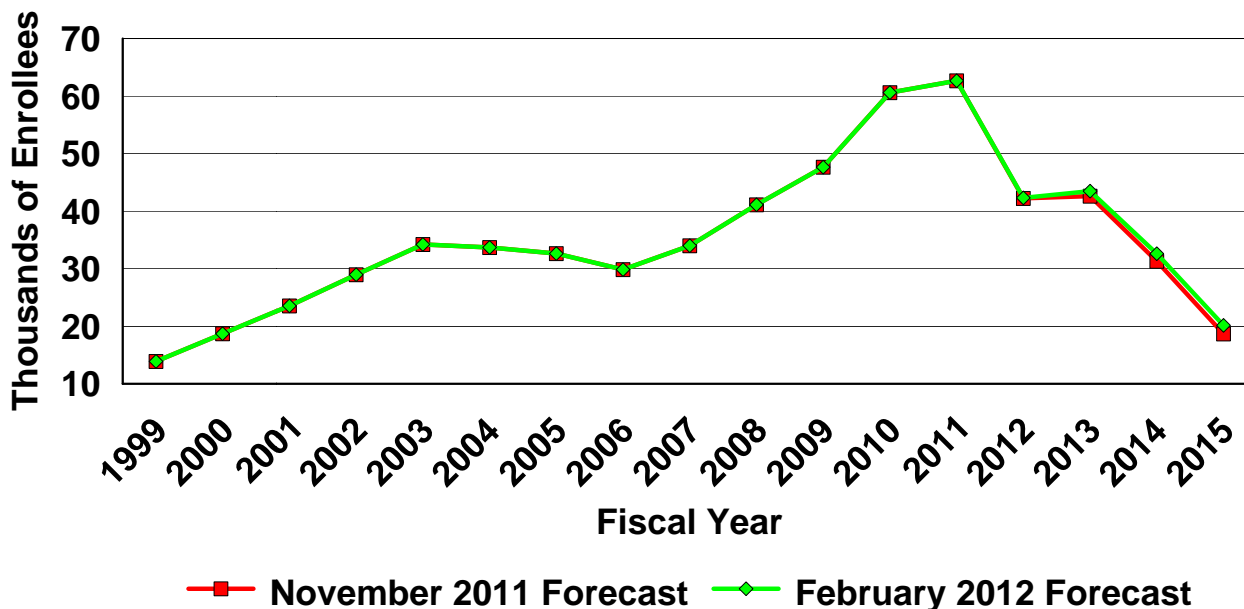


Adults without Children

Effective March 2011, MinnesotaCare adults without children under 75% FPG were transitioned to the MA program. Following this transition, enrollment of MinnesotaCare adults without children has continued to increase from month to month. New actual enrollment data for adults without children is within 0.25% of the November forecast level for December 2011. However, due to retroactive eligibility changes associated with the shift to MA, adults without children enrollment is growing faster than previously anticipated. As a result, enrollment projections for adults without children are about 1% higher than the November forecast in the current biennium and about 5.5% higher in the next biennium. This implies a projected increase in expenditures of about \$3.0 million in the current biennium and about \$14.4 million in the next biennium.

Managed care rates for MinnesotaCare adults without children are essentially unchanged from the November forecast projections. The February forecast reduction in average payments for adults without children is due to lower projected FFS payments. Effective July 2011, inpatient hospital costs are "carved out" of the managed care rates and paid on a FFS basis. Based on six months of actual experience with these FFS inpatient hospital costs, per member per month expenditures are reduced in the February forecast relative to November projections. This results in a projected expenditure reduction of about \$7.2 million (about 2.5%) in both the current biennium and the next biennium.

MinnesotaCare Enrollment Adults with No Children



Legal Noncitizens

Legislation in 2011 eliminated state-only MA eligibility for legal noncitizens who are ineligible for federal funding in MA because of their immigration status (arrival in the US in the last five years). These legal noncitizens include parents, adults without children, and elderly or disabled individuals. Potential MinnesotaCare eligibility for these noncitizens remains unchanged, and we assume that nearly all of them will transition to MinnesotaCare.

Because of time required to make system changes, the February forecast continues to assume that MA eligibility will end and the movement to MinnesotaCare will take place effective March 1, 2012. Relative to the November forecast, expenditure reductions in the February forecast for legal noncitizens result from two changes: 1) noncitizens who are victims of torture will not in fact shift to MinnesotaCare from Non-Citizen MA, and 2) a reduction in projected capitation rates for these populations. These changes result in forecast reductions of about \$4.4 million in the current biennium and about \$6.4 million in the next biennium.

Defined Benefit Program

Legislation in 2011 created a defined benefit program for MinnesotaCare adults without children above 200% FPG effective July 2012. Under the new defined benefit program, adults above 200% FPG will receive a monthly defined contribution from the state with which to purchase health coverage from the individual private market.

There is no change in this part of the forecast.

**TABLE ONE
CURRENT BIENNIUM SUMMARY**

	November 2011 Forecast FY 2012 - FY 2013 Biennium			February 2012 Forecast FY 2012 - FY 2013 Biennium		
	(\$ in thousands)			(\$ in thousands)		
GENERAL FUND	FY 2012	FY 2013	Biennium	FY 2012	FY 2013	Biennium
Medical Assistance						
LTC Facilities	450,282	460,134	910,416	441,512	450,594	892,106
LTC Waivers	1,140,487	1,196,505	2,336,992	1,144,349	1,201,077	2,345,426
Elderly & Disabled Basic	1,301,925	1,251,874	2,553,799	1,273,266	1,240,869	2,514,135
Adults with No Children	451,623	465,714	917,337	404,224	405,017	809,241
Families w. Children Basic	993,773	929,850	1,923,623	984,539	908,420	1,892,959
MA Total without Optional Expansion	4,338,090	4,304,077	8,642,167	4,247,890	4,205,977	8,453,867
Alternative Care Program	46,421	46,035	92,456	46,421	46,035	92,456
Old GAMC Program	4,054	0	4,054	2,175	0	2,175
Chemical Dependency Fund	79,503	81,957	161,460	83,527	83,528	167,055
Minnesota Family Inv. Program	83,157	88,613	171,770	86,398	89,354	175,752
Child Care Assistance	56,136	33,097	89,233	54,643	33,636	88,279
General Assistance	49,811	49,542	99,353	49,722	50,137	99,859
Group Residential Housing	124,891	134,804	259,695	124,961	135,947	260,908
Minnesota Supplemental Aid	37,608	38,524	76,132	37,457	38,370	75,827
Total General Fund	4,819,671	4,776,649	9,596,320	4,733,194	4,682,984	9,416,178
TANF funds for MFIP Grants	81,244	74,650	155,894	75,581	70,277	145,858
MinnesotaCare	294,667	314,690	609,357	288,181	305,373	593,554

**TABLE TWO
CURRENT BIENNIUM SUMMARY**

	February 2012 Forecast Change from November 2011 Forecast FY 2012 - FY 2013 Biennium (\$ in thousands)			February 2012 Forecast Change from November 2011 Forecast FY 2012 - FY 2013 Biennium (Percent Change)		
	FY 2012	FY 2013	Biennium	FY 2012	FY 2013	Biennium
GENERAL FUND						
Medical Assistance						
LTC Facilities	(8,770)	(9,540)	(18,310)	-1.9%	-2.1%	-2.0%
LTC Waivers	3,862	4,572	8,434	0.3%	0.4%	0.4%
Elderly & Disabled Basic	(28,659)	(11,005)	(39,664)	-2.2%	-0.9%	-1.6%
Adults with No Children	(47,399)	(60,697)	(108,096)	-10.5%	-13.0%	-11.8%
Families w. Children Basic	(9,234)	(21,430)	(30,664)	-0.9%	-2.3%	-1.6%
MA Total	(90,200)	(98,100)	(188,300)	-2.1%	-2.3%	-2.2%
Alternative Care Program	0	0	0	0.0%	0.0%	0.0%
Old GAMC Program	(1,879)	0	(1,879)	-46.3%		-46.3%
Chemical Dependency Fund	4,024	1,571	5,595	5.1%	1.9%	3.5%
Minnesota Family Inv. Program	3,241	741	3,982	3.9%	0.8%	2.3%
Child Care Assistance	(1,493)	539	(954)	-2.7%	1.6%	-1.1%
General Assistance	(89)	595	506	-0.2%	1.2%	0.5%
Group Residential Housing	70	1,143	1,213	0.1%	0.8%	0.5%
Minnesota Supplemental Aid	(151)	(154)	(305)	-0.4%	-0.4%	-0.4%
Total General Fund	(86,477)	(93,665)	(180,142)	-1.8%	-2.0%	-1.9%
TANF funds for MFIP Grants	(5,663)	(4,373)	(10,036)	-7.0%	-5.9%	-6.4%
MinnesotaCare	(6,486)	(9,317)	(15,803)	-2.2%	-3.0%	-2.6%

**TABLE THREE
NEXT BIENNIUM SUMMARY**

	November 2011 Forecast FY 2014 - FY 2015 Biennium			February 2012 Forecast FY 2014 - FY 2015 Biennium		
	(\$ in thousands)			(\$ in thousands)		
GENERAL FUND	FY 2014	FY 2015	Biennium	FY 2014	FY 2015	Biennium
Medical Assistance						
LTC Facilities	462,500	454,456	916,956	454,139	449,635	903,774
LTC Waivers	1,287,951	1,416,489	2,704,440	1,285,703	1,414,096	2,699,799
Elderly & Disabled Basic	1,532,111	1,527,975	3,060,086	1,522,990	1,517,323	3,040,313
Adults with No Children	359,157	0	359,157	318,304	0	318,304
Families w. Children Basic	1,069,532	1,192,232	2,261,764	1,034,286	1,153,067	2,187,353
MA Total	4,711,251	4,591,152	9,302,403	4,615,422	4,534,121	9,149,543
Alternative Care Program	45,893	44,311	90,204	45,893	44,311	90,204
Old GAMC Program	0	0	0	0	0	0
Chemical Dependency Fund	83,296	80,035	163,331	84,496	82,360	166,856
Minnesota Family Inv. Program	94,378	93,432	187,810	95,846	95,072	190,918
Child Care Assistance	46,632	45,981	92,613	46,749	46,133	92,882
General Assistance	49,612	49,446	99,058	50,225	50,066	100,291
Group Residential Housing	141,208	149,545	290,753	142,472	151,052	293,524
Minnesota Supplemental Aid	39,200	40,099	79,299	39,046	39,945	78,991
Total General Fund	5,211,470	5,094,001	10,305,471	5,120,149	5,043,060	10,163,209
TANF funds for MFIP Grants	66,650	64,000	130,650	61,976	59,483	121,459
MinnesotaCare	373,628	341,988	715,616	361,850	335,832	697,682

**TABLE FOUR
NEXT BIENNIUM SUMMARY**

GENERAL FUND	February 2012 Forecast Change from November 2011 Forecast FY 2014 - FY 2015 Biennium (\$ in thousands)			February 2012 Forecast Change from November 2011 Forecast FY 2014 - FY 2015 Biennium (Percent Change)		
	FY 2014	FY 2015	Biennium	FY 2014	FY 2015	Biennium
Medical Assistance						
LTC Facilities	(8,361)	(4,821)	(13,182)	-1.8%	-1.1%	-1.4%
LTC Waivers	(2,248)	(2,393)	(4,641)	-0.2%	-0.2%	-0.2%
Elderly & Disabled Basic	(9,121)	(10,652)	(19,773)	-0.6%	-0.7%	-0.6%
Adults with No Children	(40,853)	0	(40,853)	-11.4%		-11.4%
Families w. Children Basic	(35,246)	(39,165)	(74,411)	-3.3%	-3.3%	-3.3%
MA Total	(95,829)	(57,031)	(152,860)	-2.0%	-1.2%	-1.6%
Alternative Care Program	0	0	0	0.0%	0.0%	0.0%
Old GAMC Program	0	0	0	0.0%	0.0%	0.0%
Chemical Dependency Fund	1,200	2,325	3,525	1.4%	2.9%	2.2%
Minnesota Family Inv. Program	1,468	1,640	3,108	1.6%	1.8%	1.7%
Child Care Assistance	117	152	269	0.3%	0.3%	0.3%
General Assistance	613	620	1,233	1.2%	1.3%	1.2%
Group Residential Housing	1,264	1,507	2,771	0.9%	1.0%	1.0%
Minnesota Supplemental Aid	(154)	(154)	(308)	-0.4%	-0.4%	-0.4%
Total General Fund	(91,321)	(50,941)	(142,262)	-1.8%	-1.0%	-1.4%
TANF funds for MFIP Grants	(4,674)	(4,517)	(9,191)	-7.0%	-7.1%	-7.0%
MinnesotaCare	(11,778)	(6,156)	(17,934)	-3.2%	-1.8%	-2.5%