DHS-7814D-ENG 2-20

DEPARTMENT OF HUMAN SERVICES

February 2020 Forecast

Executive Summary and Trend Data

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Feb. 27, 2020

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Executive summary

The Minnesota Department of Human Services prepares a forecast of its expenditures in major programs twice annually. Forecasted programs include Medical Assistance (MA), MinnesotaCare, Minnesota Family Investment Program (MFIP), Child Care Assistance and others as described in the pages that follow. Projected expenditures are used in statewide budget forecasts that Minnesota Management and Budget releases in November and February each year. These forecasts are used to update fund balances and provide financial information to the Governor and the legislature as they work together to set budgets.

All February 2020 forecast highlights in this document represent changes from the November 2019 forecast.

Who it serves

- Over 1.4 million people a year are served through DHS forecasted programs

How much it costs

- $14.0 billion total spending
- $6.0 billion state spending

Data for FY2019

February 2020 forecast highlights

General Fund (GF) *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Increase of $5.1 million in 2020-2021 biennium (+0.0%)
- Increase of $3.1 million in 2022-2023 biennium (+0.0%)
- Overall increase of $8.2 million across the entire forecast horizon

Health Care Access Fund (HCAF) *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Decrease of $36.9 million in 2020-2021 biennium (-2.8%)
- Increase of $1.6 million in 2022-2023 biennium (+0.1%)
- Overall decrease of $35.3 million across the entire forecast horizon

Reasons: Overall, there is practically no General Fund forecast change in the February forecast. However, there are a couple noteworthy changes within the February forecast that work to offset each other.

The forecast cost increase is primarily due to a 3% increase in projected Community Access for Disability Inclusion (CADI) waiver expenditures. This is due to an upward base adjustment in both CADI caseload and average payments reflecting the updated monthly data since the previous forecast. CADI caseload now appears to be growing at an annual rate of 9.5% in FY 2020. This is lower than the growth rates observed shortly after legislative waiver caps were lifted in FY 2016, but higher than the rate observed in FY 2019.

Partially offsetting these cost increases are MA Elderly and Disabled enrollment reductions due to initial implementation of the Asset Verification System (AVS). DHS began mailing forms to current enrollees in August 2019 to request permission to verify assets. These mailings are expected to continue through March 2020. Some enrollees who received the mailing failed to return a signed form and, as a result, had their MA eligibility terminated. A subset of these enrollees subsequently returned a signed permission form and had their eligibility reinstated. Based on econometric modeling and additional data analysis, it is estimated that this process will result in a net reduction of both Elderly and Disabled enrollment by about 1%. This is based on an initial impact of about 2% with projected reinstatement for about half the enrollees who initially lose eligibility.

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The projected change in HCAF spending is the result of an upward adjustment in federal Basic Health Program (BHP) funding which, in turn, reduces the need for state HCAF funding. The upward adjustment in federal BHP funding is due to the reconciliation process for the first three quarters of 2016. Because Minnesota receives quarterly federal BHP funding based on prospective enrollment, these payments must be reconciled against actual enrollment following the end of the quarter. Reconciliation of these three quarters follows three years of negotiations with the federal government around multiple systems issues that allowed some individuals to be covered in the state's claims paying system (MMIS) who were, in fact, not program eligible at the time. While most of these issues were cleaned up by the end of the third quarter in 2016, federal reconciliation of these three quarters was especially difficult and complex. While we know there existed individuals who were covered but not eligible (and therefore not eligible for federal funding), there is no way to know exactly which MMIS covered months during this time period are the ineligible ones. As a result, the reconciliation process for these three quarters involved statistical sampling methods and other data analysis to derive ineligible member months. The final result of this process is a federal take-back of $74.8 million instead of the projected $111.4 million from the previous forecast. This additional $36.6 million of federal BHP funding directly reduces the need for HCAF funding in the February forecast, leading to the forecast savings in the 2020-2021 biennium.

Summary of forecast changes

The following is a list of the large and/or noteworthy changes in this forecast. Further detail for each change can be found on the specific budget activity pages noted below.

Forecast Increases:

- Increased CADI waiver caseloads and average payments (MA Long-Term Care: Waivers and Home Care)

Forecast Decreases:

- Lower projected enrollment of MA Elderly and Disabled due to initial implementation of the Asset Verification System (AVS) (MA Elderly and Disabled Basic Care)
- Increased federal BHP funding due to federal reconciliation (MinnesotaCare)

Other Items:

- Technical fix to include Behavioral Health county share payments which produces a one-time forecast reduction in FY2020. (Chemical Dependency Treatment Fund).
- Minnesota has negotiated a five-year waiver extension to provide federal funding for the Alternative Care program. Funds will be available subject to a budget neutrality cap. (MA Long- Term Care: Facilities).

FY2020 and FY2021 Forecasted Expenditures

	FY 2020		FY 2021	
Program	**Total Dollars**	**State Share**	**Total Dollars**	**State Share**
Medical Assistance (MA)	13,758,048,151	5,761,881,035	13,777,833,920	5,897,313,410
LTC Facilities	1,212,875,903	575,326,690	1,272,106,296	603,953,497
LTC Waivers	4,036,077,324	1,999,905,626	4,412,093,115	2,187,373,986
Elderly and Disabled Basic Care[1]	3,070,007,123	1,531,451,293	3,080,638,399	1,538,704,340
Adults without Children Basic Care	2,071,226,416	175,280,191	1,904,931,542	188,189,448
Families with Children Basic Care[2]	3,367,861,385	1,479,917,235	3,108,064,567	1,379,092,139
MinnesotaCare	466,806,683	27,097,181	490,282,865	70,623,916
Chemical Dependency Treatment Fund	207,478,024	113,747,691	235,534,931	127,788,758
Minnesota Family Investment Program (MFIP)[3]	275,315,980	96,439,513	303,811,646	90,613,273
MFIP/TY Child Care Assistance	157,790,843	77,400,139	175,532,979	93,314,460
Northstar Care for Children	227,732,962	94,647,452	251,771,886	104,263,974
General Assistance	51,070,784	51,070,784	51,726,643	51,726,643
Housing Support	176,965,473	174,965,473	180,191,224	178,191,224
Minnesota Supplemental Aid	43,521,364	43,521,364	47,797,092	47,797,092
Total	15,364,730,264	6,440,770,631	15,514,483,185	6,661,632,748

1 Includes Elderly Waiver managed care

2 Includes family planning, breast and cervical cancer coverage, pharmacy rebates, special funding items and adjustments

3 Includes cash and food assistance

Medical Assistance

Medical Assistance (MA), Minnesota's Medicaid program, provides preventive and primary health care coverage for low-income Minnesotans. MA has lower income eligibility guidelines and has no premiums, which differentiates it from the state's other health care program, MinnesotaCare. Additionally, MA can pay for nursing facility care for older adults and intermediate care facilities for people with developmental disabilities. It can also cover long term care services and supports for people with disabilities and older adults so that they can continue living in the community.

Minnesota receives federal matching funds for MA. By accepting matching funds, states are subject to federal Medicaid regulations. States have some flexibility in determining what services are covered, what groups are covered and payment rates to providers. The Minnesota Department of Human Services partners with all 87 Minnesota counties to administer the MA program and contracts with health plans and health care providers across the state to deliver basic health care to MA enrollees.

Medical Assistance is forecasted in five segments: Long-Term Care Facilities, Long-Term Care Waivers, Elderly and Disabled Basic Care, Adults without Children Basic Care and Families with Children Basic Care. Each of these segments is discussed in the following pages.

Who it serves

- 1.1 million average monthly enrollees

How much it costs

- $12.3 billion total spending
- $5.2 billion state funds

Data for FY2019

February 2020 forecast highlights

General Fund *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Increase of $28.6 million in 2020-2021 biennium (+0.2%)
- Increase of $4.5 million in 2022-2023 biennium (+0.0%)

Health Care Access Fund *Changes from the November 2019 forecast*

- There are no changes to the HCAF share of MA in the February forecast.

Reasons: Overall General Fund MA forecast adjustments are the result of increases in Long-Term Care partially offset by decreases in Basic Care.

Increases in Long-Term Care forecast primarily result from both recipient and average cost increases in the Community Access for Disability Inclusion waiver, which are partially offset by lower recipients in Personal Care Assistance.

Basic Care forecast reductions primarily result from lower enrollment of Elderly and Disabled individuals. Also contributing to the reductions are lower federal Part D clawback payments and slightly higher projected pharmacy rebate collections. These forecast reductions are partially offset by somewhat higher average payment projections across all three Basic Care eligibility subgroups.

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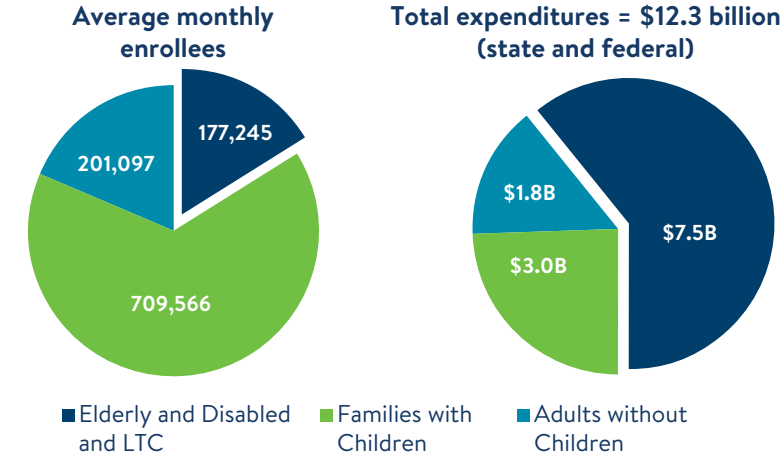
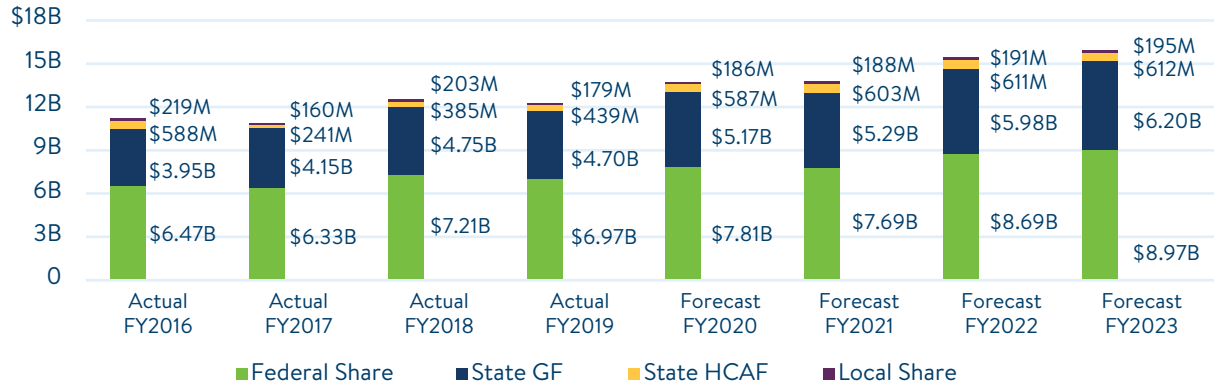
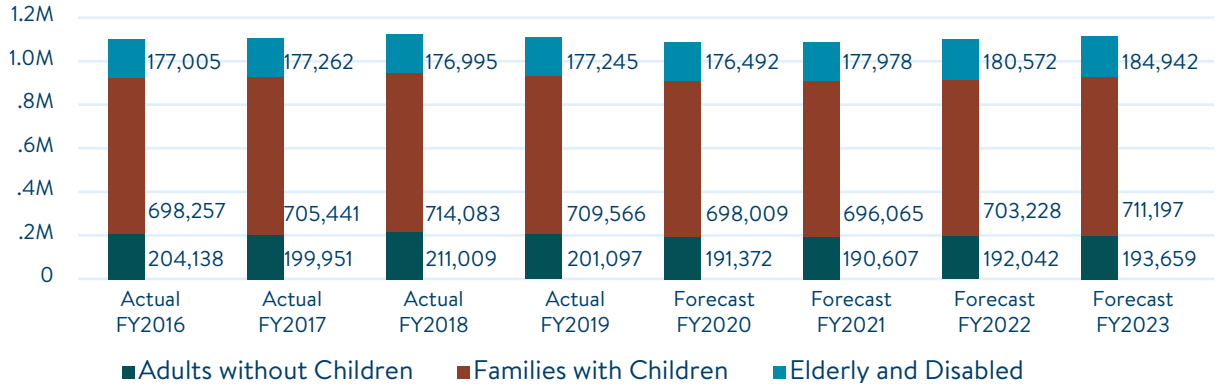
Medical Assistance Enrollment and Expenditures: FY2019



Total MA expenditures by fund



MA enrollment by eligibility category



Historical Table

	Medical Assistance Program: Total Expenditures (All Funds)	
FY	Total $	% Change
2010	$7,235,667,652	
2011	7,530,059,117	4.07%
2012	8,241,120,196	9.44%
2013	8,045,603,494	(2.37%)
2014	9,265,114,945	15.16%
2015	10,584,571,411	14.24%
2016	11,225,214,682	6.05%
2017	10,888,487,327	(3.00%)
2018	12,554,155,248	15.30%
2019	12,294,477,339	(2.07%)
2020*	13,758,048,151	11.90%
2021*	13,777,833,920	0.14%
2022*	15,468,047,109	12.27%
2023*	15,987,905,741	3.36%
Avg. Annual Increase 2010-2019		6.41%

**Projected*

Beginning in FY2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Long-Term Care:
Facilities

Medical Assistance pays for long-term care services for people who live in facilities that provide 24-hour care and supervision. Nursing facilities across Minnesota provide all-inclusive packages of services including nursing care, help with activities of daily living, medication administration, meals and housing. Care provided under this segment of MA also includes intermediate care facilities and day training and habilitation for people with developmental disabilities.

Who it serves

- 15,400 average monthly recipients

How much it costs

- $1.1 billion total spending
- $547 million state funds

Data for FY2019

Alternative Care

The Alternative Care (AC) waiver provides home and community based services for people age 65 and older at risk of Nursing Facility placement who do not currently meet financial eligibility requirements for MA, but would be expected to spend down to MA eligibility within 135 days after entering a Nursing Facility. The state share of AC is financed through a fixed appropriation with unspent funds canceling to MA.

February 2020 forecast highlights

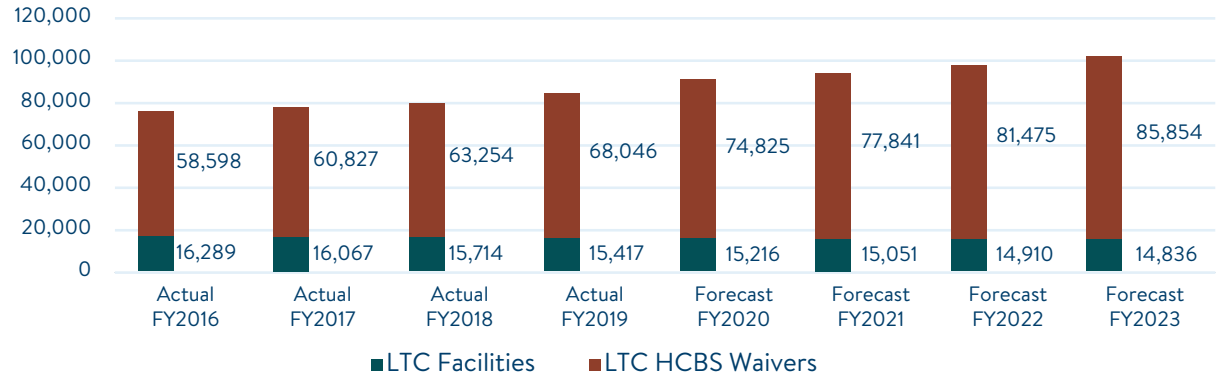
General Fund *Changes from the November 2019 forecast*

- Decrease of $0.1 million in 2018-2019 biennium (-0.0%)
- Increase of $0.7 million in 2020-2021 biennium (+0.1%)
- Increase of $0.7 million in 2022-2023 biennium (+0.1%)

Reasons: There are minor upward adjustments in the Nursing Facilities recipient forecast based on recent data, offset somewhat by lower Nursing Facilities average payments and lower Intermediate Care Facilities caseloads.

Alternative Care expenditures have been eligible for 50% federal financial participation under a federal waiver since 2013. Minnesota has negotiated a 5-year extension of this waiver effective February 2020 in which AC federal funding will be subject to an aggregate cap based on Elderly Waiver expenditures. While funding for the Elderly Waiver program will not be limited, federal funding for AC will be available only if Elderly Waiver expenditures remain below the cap. The current expenditure forecast result in a projected 50% federal match for AC throughout the forecast horizon, and so results in no forecast change.

Long-term care facilities and waivers: Average monthly recipients



Medical Assistance Long-Term Care: Waivers and Home Care

Medical Assistance also pays for people to receive long-term care waivers, long-term care services and supports, or home care services in their homes and communities. Long-Term Care waivers, also known as Home and Community-Based Services (HCBS) waivers, are an alternative for people who need long-term care services but who do not choose to live in a nursing facility, intermediate care facility or hospital. The federal government allows states to apply for long-term care waivers, which provide a variety of services that help people live in the community instead of in a facility or institution. Waivers include the Elderly Waiver (EW) and the four disability waivers: Developmental Disabilities (DD), Community Access for Disability Inclusion (CADI), Community Alternative Care (CAC) and Brain Injury (BI). Care provided under this segment of MA also includes Personal Care Assistance (PCA), Home Care Nursing and Home Health Agency.

Who it serves

- 68,900 average monthly recipients

How much it costs

- $3.6 billion total spending
- $1.8 billion state funds

Data for FY2019

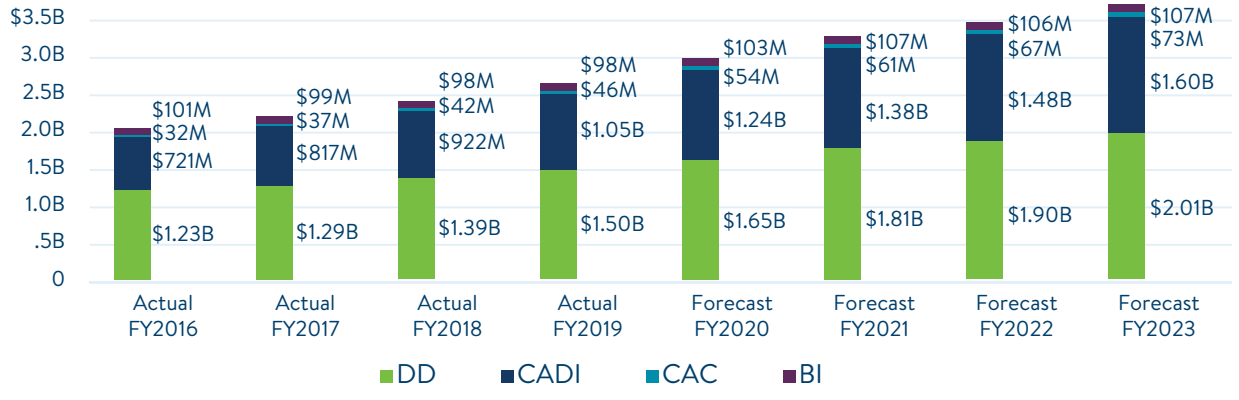
February 2020 forecast highlights

General Fund *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Increase of $49.2 million in 2020-2021 biennium (+1.2%)
- Increase of $40.5 million in 2022-2023 biennium (+0.9%)

Reasons: Most of the LTC Home and Community Based Services forecast change is due to increased expenditures of about 3% in the CADI waiver, based on recent program data and split almost equally between recipient and average payment forecast increases. CADI caseload now appears to be growing at an annual rate of 9.5% in FY 2020. This is lower than the growth rates observed shortly after legislative waiver caps were lifted in FY 2016, but higher than the rate observed in FY 2019. In addition to the 1.5% increase in CADI average cost, there are also average cost increases of smaller value in the other disability waivers (DD (0.2%), CAC (1%), and BI (2%)). These average cost increases are all reflective of recent expenditure data. These LTC forecast increases are partially offset by a 2% reduction in the PCA Fee for Service recipient forecast due to lower projected growth in PCA use by the MA Disabled population.

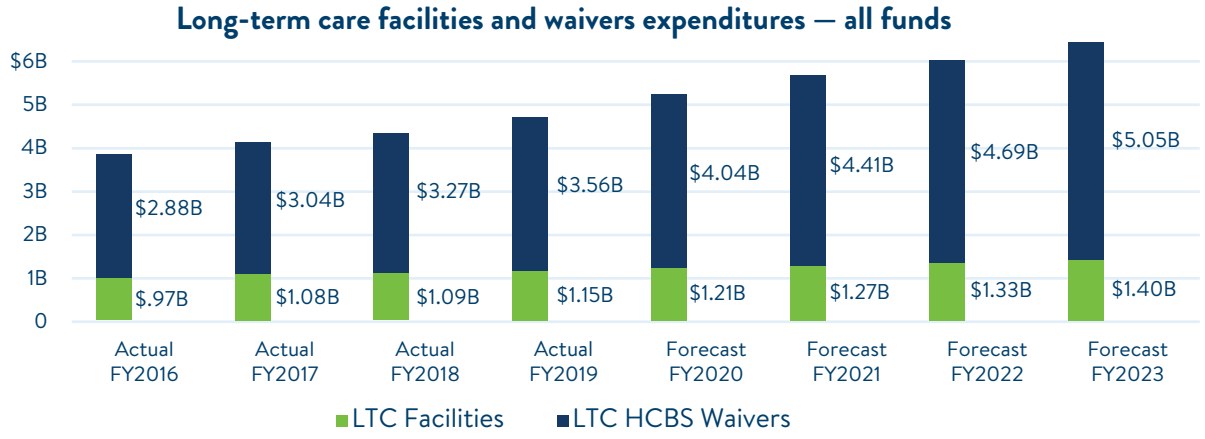
Disability waivers expenditures — all funds



Historical table

	A: Long Term Care (LTC) Facilities		B: LTC Waivers (Home & Community Based Services)		A + B = Total LTC	
FY	Total $	% Change	Total $	% Change	Total $	% Change
2010	$1,000,836,209		$2,053,318,327		$3,054,154,537	
2011	964,666,727	(3.61%)	2,179,651,151	6.15%	3,144,317,878	2.95%
2012	945,566,280	(1.98%)	2,223,655,096	2.02%	3,169,221,376	0.79%
2013	920,580,121	(2.64%)	2,260,064,090	1.64%	3,180,644,211	0.36%
2014	928,436,824	0.85%	2,446,905,605	8.27%	3,375,342,429	6.12%
2015	924,087,037	(0.47%)	2,797,274,346	14.32%	3,721,361,383	10.25%
2016	974,634,622	5.47%	2,878,037,420	2.89%	3,852,672,043	3.53%
2017	1,078,833,590	10.69%	3,040,609,756	5.65%	4,119,443,345	6.92%
2018	1,087,985,308	0.85%	3,270,556,814	7.56%	4,358,542,122	5.80%
2019	1,154,228,650	6.09%	3,558,835,259	8.81%	4,713,063,909	8.13%
2020*	1,212,875,903	5.08%	4,036,077,324	13.41%	5,248,953,227	11.37%
2021*	1,272,106,296	4.88%	4,412,093,115	9.32%	5,684,199,411	8.29%
2022*	1,333,693,061	4.84%	4,693,540,489	6.38%	6,027,233,550	6.03%
2023*	1,398,798,269	4.88%	5,049,533,756	7.58%	6,448,332,025	6.99%
Avg. Annual Increase 2010-2019		1.60%		6.30%		4.94%

**Projected*



Medical Assistance Basic Care:
Elderly and Disabled

This program covers general medical care for elderly and disabled Medical Assistance enrollees. People eligible to receive basic care services are 65 years or older, blind or have a disability. Their income and assets must also fall below allowable limits. For almost all of the elderly and for about 50 percent of the disabled who have Medicare coverage, Medical Assistance acts as a Medicare supplement paying premiums and cost sharing. For those who are not eligible for Medicare, Medical Assistance pays for all their medical care. Also included in this segment are MA enrollees who are residents in an Institute for Mental Disease (IMD). Covered services for these individuals would be eligible for federally-matched MA if they did not reside in a facility which is designated by federal regulations as an IMD. Being a resident in an IMD makes covered services for these individuals ineligible for federal matching. Elderly Waiver managed care is also included in this section because it is paid as an add-on to the Elderly Basic Care capitation payment.

Who it serves

- 177,200 average monthly enrollees

How much it costs

- $2.8 billion total spending
- $1.4 billion state funds

Data for FY2019

February 2020 forecast highlights

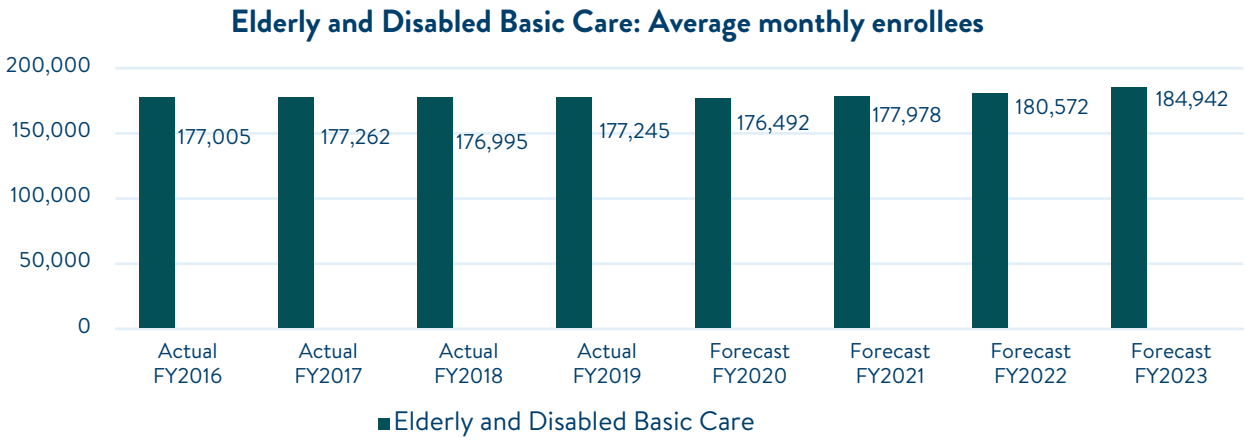
General Fund *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Decrease of $20.6 million in 2020-2021 biennium (-0.6%)
- Decrease of $25.3 million in 2022-2023 biennium (-0.6%)

Reasons: Virtually the entire reduction in the Elderly and Disabled Basic Care forecast is from lower projected enrollment of both Elderly and Disabled individuals. This enrollment reduction is due to initial implementation of the Asset Verification System (AVS). Federal law requires DHS to implement an AVS and authorizes states to use the AVS as a condition of Medicaid eligibility. DHS began mailing forms to current enrollees in August 2019 to request permission to verify assets through the AVS later in 2020. Some of these enrollees failed to return a signed form within the designated timeframe and, as a result, had their MA eligibility terminated. A subset of enrollees who lost MA eligibility subsequently returned a signed form and had their eligibility reinstated. To request permission from all current MA Elderly and Disabled enrollees, these mailings are expected to continue through March 2020 with potential eligibility impacts through May 2020. Based on econometric modeling and additional data analysis, it is estimated that this process will ultimately reduce both Elderly and Disabled enrollment by about 1%. This is based on an initial impact of about 2% with projected reinstatement for about half the enrollees who initially lose eligibility.

Related to this lower enrollment is a reduction in projected federal Part D clawback payments. Beginning in 2006, the Medicare benefit set was expanded to include prescription drug coverage. For dual eligibles (i.e. elderly or disabled individuals enrolled in both Medicaid and Medicare), prescription drug coverage had previously been provided through Medicaid with federal and state shares. To help pay for this expanded Medicare coverage, the federal government bills each state an amount roughly equal to what the state would have paid if prescription drug coverage were still provided through Medicaid for dual eligibles. These payments from states to the federal government are known as Part D clawback payments. With a reduction in the number of projected MA dual eligibles due to the AVS implementation, there is a corresponding reduction in projected federal clawback payments in the February forecast.

Partially offsetting these reductions are projected average payment increases for both the Elderly and Disabled populations. These average payment increases are base adjustments reflecting the past three months of actual payments data.

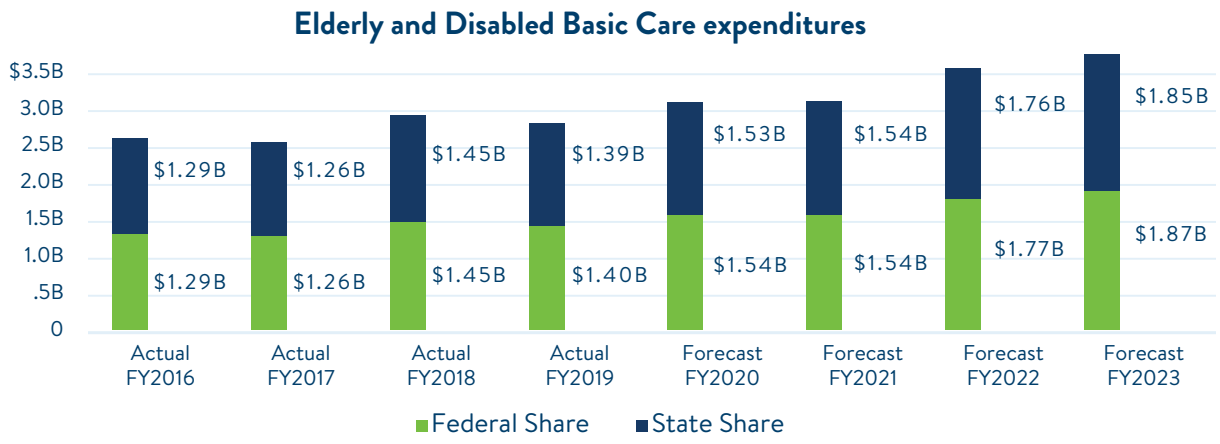


Historical Table

	Elderly & Disabled Basic Care	
FY	Total $	% Change
2010	$2,002,677,746	
2011	2,010,217,822	0.38%
2012	2,118,181,376	5.37%
2013	2,087,793,116	(1.43%)
2014	2,500,339,126	19.76%
2015	2,343,980,418	(6.25%)
2016	2,580,811,749	10.10%
2017	2,525,666,619	(2.14%)
2018	2,896,454,495	14.68%
2019	2,784,883,900	(3.85%)
2020*	3,070,007,123	10.24%
2021*	3,080,638,399	0.35%
2022*	3,528,211,518	14.53%
2023*	3,716,234,652	5.33%
Avg. Annual Increase 2010-2019		3.95%

**Projected*

Beginning in FY2011 there are managed care payment delays from odd years to even years which impact the annual percent change.


Elderly and Disabled Basic Care expenditures
$3.5B
3.0B
2.5B
2.0B
1.5B
1.0B
.5B
0
$1.29B
$1.29B
$1.26B
$1.26B
$1.45B
$1.45B
$1.39B
$1.40B
$1.53B
$1.54B
$1.54B
$1.54B
$1.76B
$1.77B
$1.85B
$1.87B
Actual FY2016
Actual FY2017
Actual FY2018
Actual FY2019
Forecast FY2020
Forecast FY2021
Forecast FY2022
Forecast FY2023
Federal Share
State Share

Medical Assistance Basic Care:
Adults without Children

In March 2011, Minnesota elected to implement the early expansion of MA eligibility for Adults without Children with income up to 75% of the federal poverty level under the Affordable Care Act. In January 2014, Minnesota implemented full expansion of MA eligibility up to 138% of the federal poverty level for this population. Currently, at 138% federal poverty levels, the income eligibility limit for a single adult to be covered under this program is $17,236 per year.

As Minnesota's newly eligible expansion population under the Affordable Care Act, this segment of MA received 100% federal match from Calendar Year (CY) 2014 through CY2016. Beginning in CY2017, the federal match rate stepped down each year until it hit 90% in CY2020. This now becomes the ongoing fixed federal match rate for this expansion population.

Who it serves

- 201,000 average monthly enrollees

How much it costs

- $1.8 billion total spending
- $116 million state funds

Data for FY2019

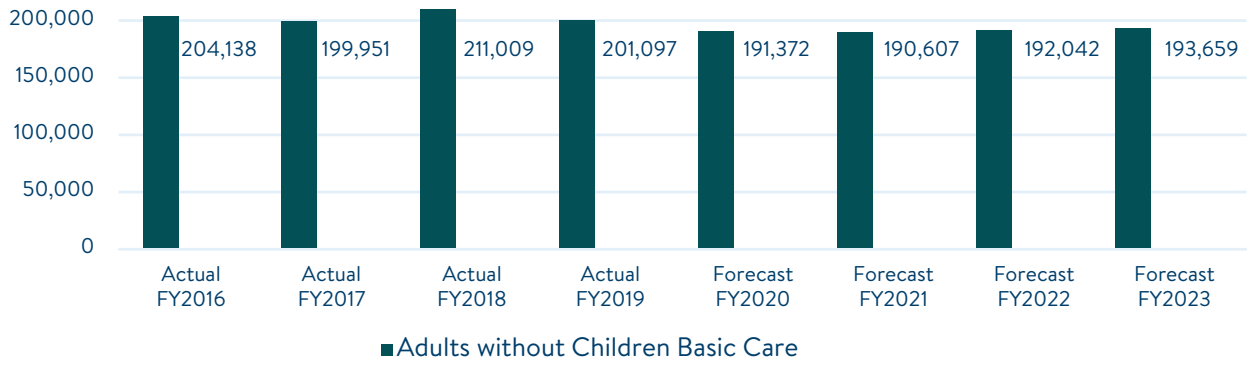
February 2020 forecast highlights

General Fund *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Increase of $6.3 million in 2020-2021 biennium (+1.8%)
- Increase of $2.2 million in 2022-2023 biennium (+0.5%)

Reasons: General Fund projections for MA Adults without Children Basic Care are relatively unchanged in the February forecast, with only slight increases in each biennium. The bulk of these upward adjustments are due to projected average payment increases. These average payment increases are base adjustments reflecting the past three months of actual payments data.

Adults without Children Basic Care: Average monthly enrollees



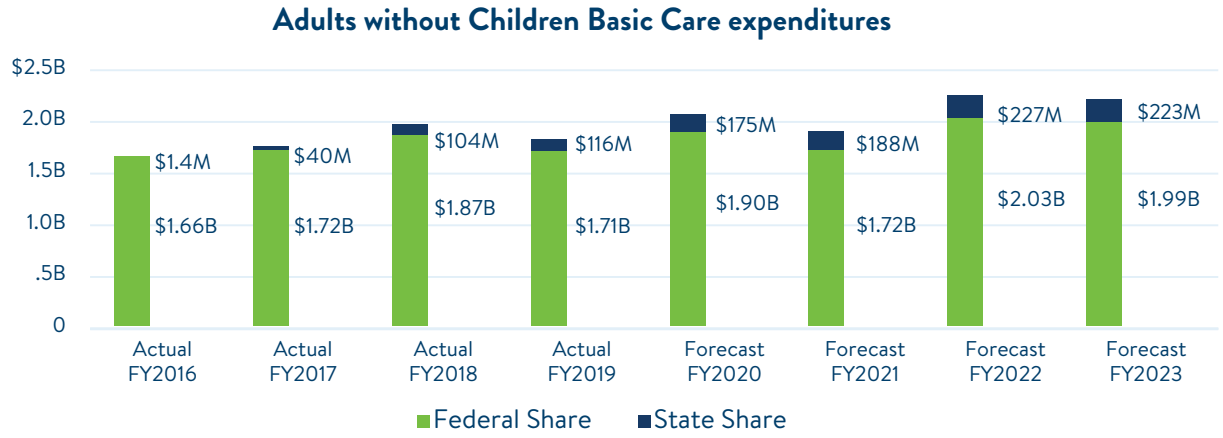
Historical table

	Adults without Children Basic Care	
FY	Total $	% Change
2011	$106,865,468	
2012	819,539,240	666.89%
2013	792,232,465	(3.33%)
2014[1]	1,063,752,126	34.27%
2015	1,694,519,567	59.30%
2016	1,658,897,539	(2.10%)
2017	1,756,135,556	5.86%
2018	1,971,255,023	12.25%
2019	1,825,471,894	(7.40%)
2020*	2,071,226,416	13.46%
2021*	1,904,931,542	(8.03%)
2022*	2,254,383,554	18.34%
2023*	2,215,104,195	(1.74%)
Avg. Annual Increase 2012-2019		13.16%

**Projected*

1 2014 and 2015 reflect increases due to implementation of full expansion for this population

Beginning in FY2011 there are managed care payment delays from odd years to even years which impact the annual percent change.



Medical Assistance Basic Care:
Families with Children

This activity funds general medical care for children, parents and pregnant women, including families receiving Minnesota Family Investment Program (MFIP) and those with transition coverage after exiting MFIP. This segment also includes funding for Family Planning Services and for Breast and Cervical Cancer coverage. This segment also includes non-citizens who are ineligible for federal Medicaid match, but almost all of whom are eligible for enhanced federal Children's Health Insurance Program (CHIP) funding.

Enhanced federal CHIP funding is also available for children with family income over 133% of the federal poverty level. This funding supplements the regular 50% Medicaid match with an additional enhanced federal match, within the limits of Minnesota's CHIP allocation from the federal government.

Who it serves

- 709,600 average monthly enrollees

How much it costs

- $3.0 billion total spending
- $1.4 billion state funds

Data for FY2019

February 2020 forecast highlights

General Fund *Changes from the November 2019 forecast*

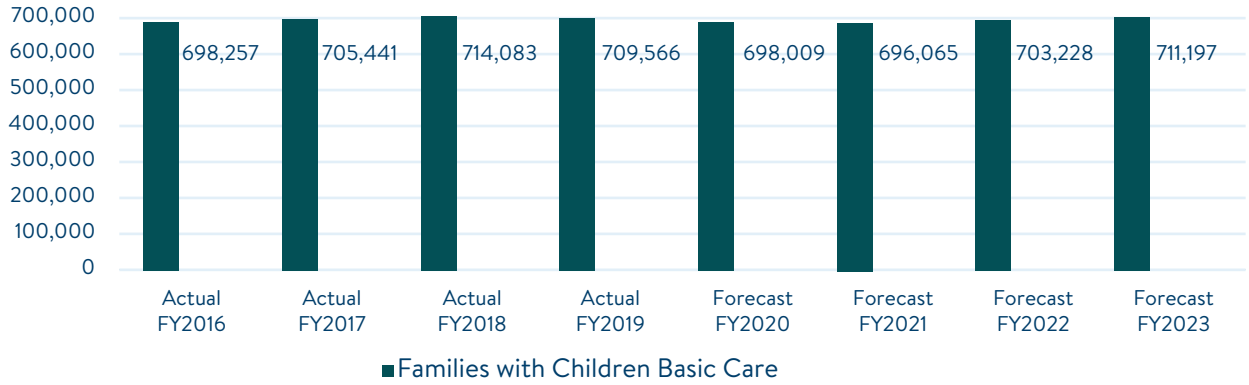
- Increase of $0.1 million in 2018-2019 biennium (+0.0%)
- Decrease of $6.9 million in 2020-2021 biennium (-0.2%)
- Decrease of $13.6 million in 2022-2023 biennium (-0.4%)

Reasons: General Fund projections for MA Families with Children Basic Care are relatively unchanged in the February forecast, with only slight reductions in both the 2020-2021 and 2022-2023 biennium.

The primary driver of the reduction in the 2020-2021 biennium is a 1.5% increase in projected pharmacy rebates due to higher than expected collections in the three months of updated data since the previous forecast.

Most of the forecast reduction in the 2022-2023 biennium is due to a 0.3% reduction in projected enrollment. This is likely due to the continued strength of the labor market which is now having a slight impact on the long-term enrollment trend in this population.

Families with Children Basic Care: Average monthly enrollees



Historical Table

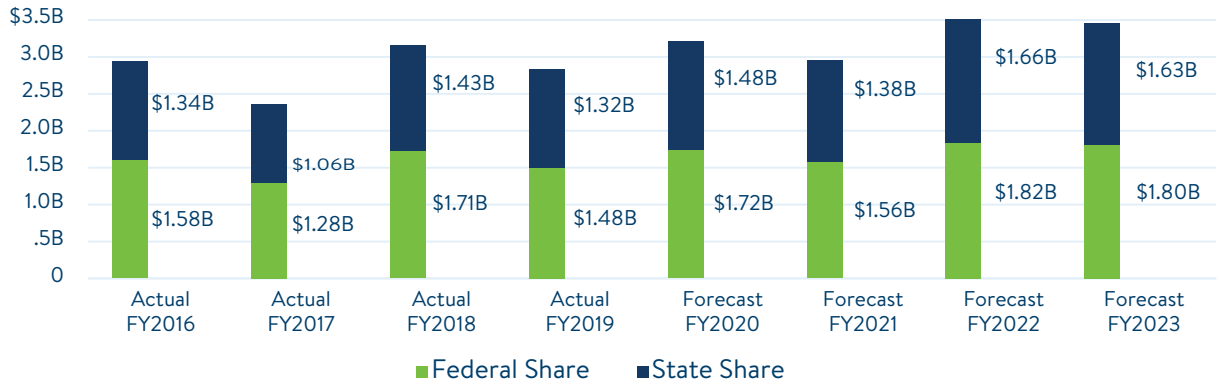
	Families with Children Basic Care	
FY	Total $	% Change
2010	$2,178,835,369	
2011	2,268,657,949	4.12%
2012	2,134,178,204	(5.93%)
2013	1,984,933,703	(6.99%)
2014	2,325,681,264	17.17%
2015	2,824,710,042	21.46%
2016	3,132,833,352	10.91%
2017	2,487,241,806	(20.61%)
2018	3,327,903,608	33.80%
2019	2,971,057,636	(10.72%)
2020*	3,367,861,385	13.36%
2021*	3,108,064,567	(7.71%)
2022*	3,658,218,488	17.70%
2023*	3,608,234,869	(1.37%)
Avg. Annual Increase 2010-2019		4.20%

**Projected*

Includes family planning, breast and cervical cancer coverage, pharmacy rebates, special funding items and adjustments

Beginning in FY2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

Families with Children Basic Care expenditures



MinnesotaCare

MinnesotaCare provides health care coverage for low-income parents and adults without children who have higher income than those served on the Medical Assistance program as well as legal noncitizens who are ineligible for MA. Unlike MA, MinnesotaCare requires enrollee premiums and does not include coverage for long-term care services or supports.

Effective January 2015, MinnesotaCare operates as the state's Basic Health Program (BHP). As a BHP, MinnesotaCare no longer receives federal funding in the form of a percentage expenditure match. Instead, the state receives a per person subsidy equal to 95% of the premium tax credits each BHP enrollee would have received through MNsure had the state opted against running a BHP.

Who it serves

- 81,000 average monthly enrollees

How much it costs

- $438 million total spending
- $22 million state funds

Data for FY2019

MinnesotaCare also provides state-only funded coverage for people with DACA status and certain elderly individuals who do not qualify for Medicare and are not MA or BHP eligible. Overall, MinnesotaCare is funded with a mix of enrollee premiums, Health Care Access Fund (HCAF) appropriations, and federal BHP funds (for the BHP eligible population).

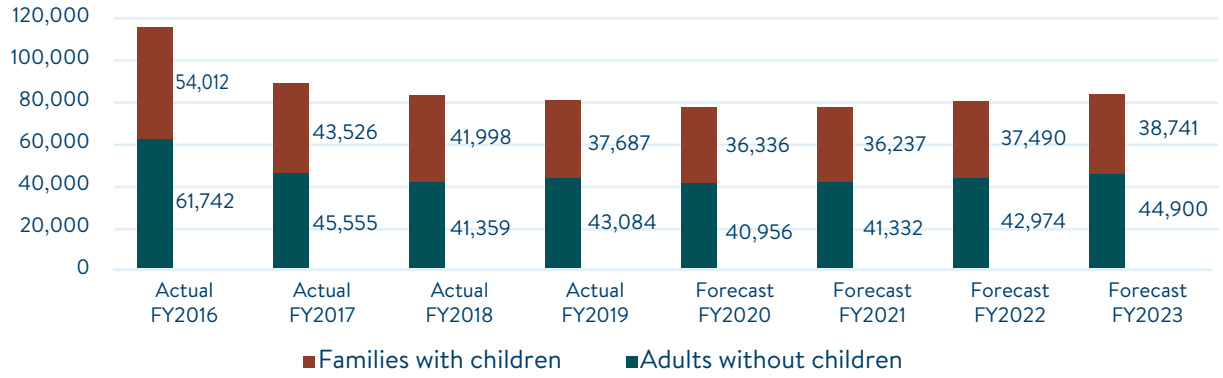
February 2020 forecast highlights

Health Care Access Fund *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Decrease of $36.9 million in 2020-2021 biennium (-27.4%)
- Increase of $1.6 million in 2022-2023 biennium (+0.4%)

Reasons: The HCAF forecast savings in the 2020-2021 biennium is the result of an unexpected increase in federal BHP funding which, in turn, reduces the need for state HCAF funding. The upward adjustment in federal BHP funding reflected in this forecast is due to the reconciliation process for the first three quarters of 2016. Because Minnesota receives quarterly federal BHP funding based on prospective enrollment, these payments must be reconciled against actual enrollment following the end of the quarter. Reconciliation of these three quarters follows three years of negotiations with the federal government around multiple systems issues that allowed some individuals to be covered in the state's claims paying system (MMIS) who were, in fact, not program eligible at the time. While most of these systems deficiencies were cleaned up by the end of the third quarter in 2016, reconciliation of these three quarters was especially difficult and complex. While we know there existed individuals who were covered but not eligible (and therefore not eligible for federal funding), there is no way to know exactly which MMIS covered months during this time period are ineligible for federal funding. As a result, in addition to the forecast variance around comparing prospective to actual enrollment, the reconciliation process for these three quarters involved statistical sampling methods and other data analysis to derive ineligible member months. The final result of this process is a federal take-back of $74.8 million instead of the projected $111.4 million from the previous forecast. This additional $36.6 million of federal BHP funding directly reduces the need for HCAF funding in the February forecast, leading to the forecast savings in the 2020-2021 biennium.

MinnesotaCare Enrollment

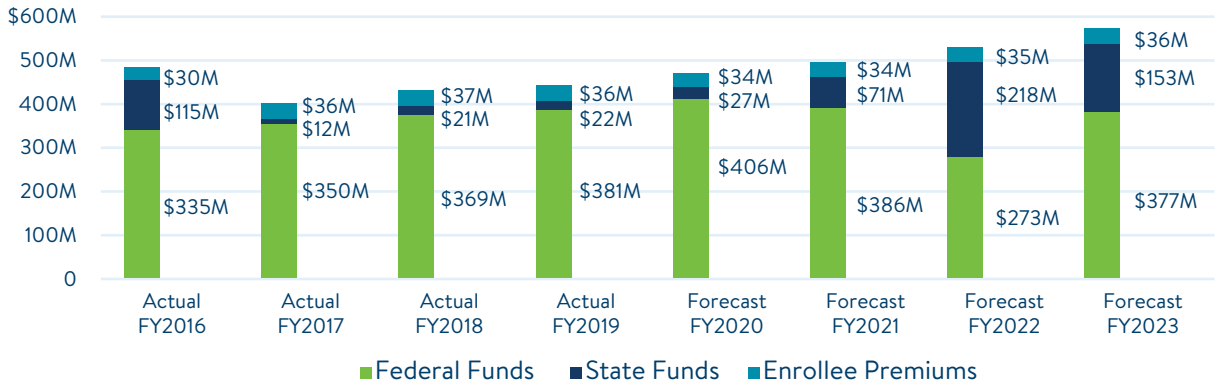


Historical table

	MinnesotaCare Total Expenditures	
FY	Total $	% Change
2010	$665,498,191	
2011	737,952,071	10.89%
2012	551,090,615	(25.32%)
2013	569,928,239	3.42%
2014	520,005,344	(8.76%)
2015	509,709,341	(1.98%)
2016	479,909,046	(5.85%)
2017	397,211,084	(17.23%)
2018	426,581,871	7.39%
2019	438,234,552	2.73%
2020*	466,806,683	6.52%
2021*	490,282,865	5.03%
2022*	525,575,354	7.20%
2023*	566,342,803	7.76%
Avg. Annual Decrease 2010-2019		(4.54%)

**Projected*

MinnesotaCare/BHP funding by source



Chemical Dependency Treatment Fund

The Chemical Dependency (CD) Treatment Fund pays for residential and outpatient substance use disorder treatment services for eligible low-income Minnesotans. To access treatment services paid by the fund, individuals must first be assessed for treatment need and meet financial eligibility guidelines similar to those for Medical Assistance. As part of substance use disorder reform efforts passed in the 2017 legislature, the State is currently transitioning from the previous system of counties and tribes providing "Rule 25" assessments and authorizing treatment, to offering "direct access to treatment," where qualified treatment providers provide comprehensive assessments to determine medical necessity.

Who it serves

- 7,800 average monthly recipients

How much it costs

- $216 million total spending
- $122 million state funds

Data for FY2019

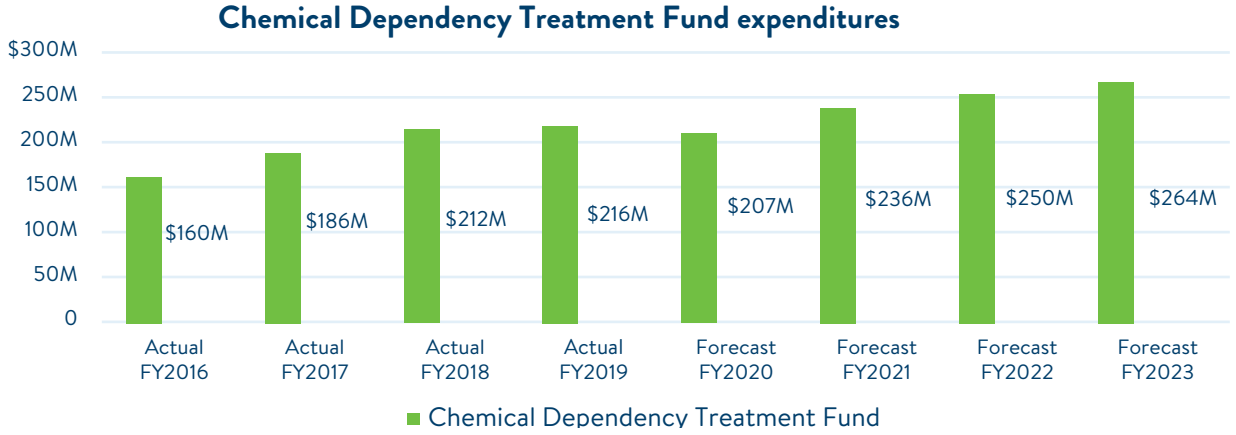
February 2020 forecast highlights

General Fund *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Decrease of $19.2 million in 2020-2021 biennium (-7.3%)
- Increase of $2.0 million in 2022-2023 biennium (+0.8%)

Reasons: There are two primary reasons for the CD Fund forecast reduction in the 2020-2021 biennium. The first is a projected increase in federal revenue to the CD Fund. This increase represents a refinement of earlier projections based on new, more detailed claims data, which allows more precise federal revenue projections using different effective matching rates for different services. Note that this projected increase in federal revenue is essentially offset in the 2022-2023 biennium by a lower base forecast and future trend for residential services which leads to reduced Substance Use Disorder (SUD) waiver savings and a corresponding cost to the CD Fund.

The second reason for the forecast adjustment in the current biennium is a technical fix to county share payments which produces a one-time forecast reduction in FY2020. This forecast adjustment assumes county share obligations remain unchanged in FY2020 since language to eliminate the county share of room and board and federally-matched treatment in this fiscal year was not included in the enacted bill from the 2019 legislative session. The value of this one- time forecast reduction is $7.8 million.



Historical table

	Chemical Dependency Treatment Fund Total Expenditures	
FY	Total $	% Change
2011	$143,499,246	
2012	132,221,922	(7.86%)
2013	138,539,414	4.78%
2014	138,744,237	0.15%
2015	169,583,060	22.23%
2016	159,611,752	(5.88%)
2017	186,287,061	16.71%
2018	211,925,848	13.76%
2019	215,706,572	1.78%
2020*	207,478,024	(3.81%)
2021*	235,534,931	13.52%
2022*	250,362,849	6.30%
2023*	263,837,499	5.38%
Avg. Annual Increase 2011-2019		5.23%

**Projected*

Minnesota Family Investment Program

The Minnesota Family Investment Program (MFIP) provides cash and food assistance for low-income families with children. MFIP operates as Minnesota's federal Temporary Assistance for Needy Families (TANF) program. As such, MFIP cash assistance is funded with a mixture of federal TANF Block Grant and state General Fund dollars determined primarily by the federally mandated Maintenance of Effort (MOE) requirement for state spending on its TANF program.

Who it serves

- 82,000 average monthly recipients

How much it costs

- $267 million total spending
- $81 million state funds

Data for FY2019

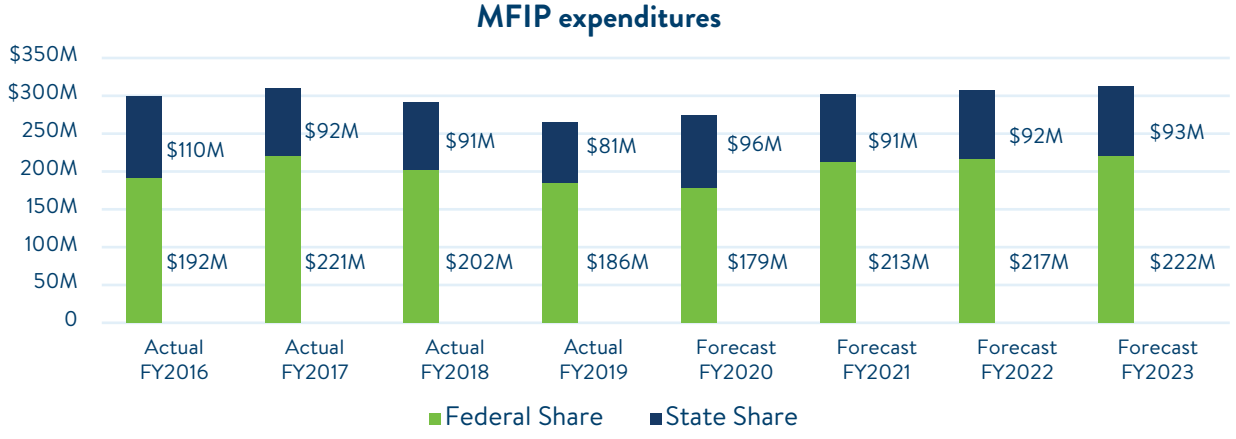
February 2020 forecast highlights

General Fund *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Increase of $2.6 million in 2020-2021 biennium (+1.5%)
- Decrease of $0.9 million in 2022-2023 biennium (-0.5%)

Reasons: Overall, the MFIP program forecast is down about 1% in the 2020-2021 biennium and about 0.5% in the 2022-2023 biennium. This forecast decrease is primarily driven by 0.2% to 1.6% reductions in average caseload, which is likely due to the continued strength of the overall economy and the labor market in particular. Despite the overall program forecast reduction, there is a General Fund forecast increase in the 2020-2021 biennium due to increased MOE needs created by less state spending in the Child Care Assistance Program.

This forecast continues to assume claiming of the Working Family Tax Credit for MOE despite the omission of the claiming authority in the 2019 session. It is anticipated that claiming authority will be re-established during the 2020 session.



Historical table

	Minnesota Family Investment Program (MFIP)	
FY	Total $	% Change
2010	$329,544,523	
2011	340,792,915	3.41%
2012	333,591,354	(2.11%)
2013	322,457,424	(3.34%)
2014	297,431,102	(7.76%)
2015	279,723,824	(5.95%)
2016	301,750,210	7.87%
2017	312,674,443	3.62%
2018	293,095,053	(6.26%)
2019	266,620,941	(9.03%)
2020*	275,315,980	3.26%
2021*	303,811,646	10.35%
2022*	309,085,565	1.74%
2023*	314,466,716	1.74%
Avg. Annual Decrease 2010-2019		(2.33%)

**Projected*

Child Care Assistance

This program 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). The forecast does not include the Basic Sliding Fee child care program.

February 2020 forecast highlights

General Fund *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Decrease of $5.3 million in 2020-2021 biennium (-3.0%)
- Decrease of $2.9 million in 2022-2023 biennium (-1.3%)

Reasons: Child Care Assistance forecast reductions are primarily driven by downward adjustments to both caseload (0.8%-1.5%) and average payment (0.8%) projections. This is likely due to the continued strength of the overall economy and the labor market in particular.

Who it serves

MFIP/TY Child Care

- 8,100 average monthly families served

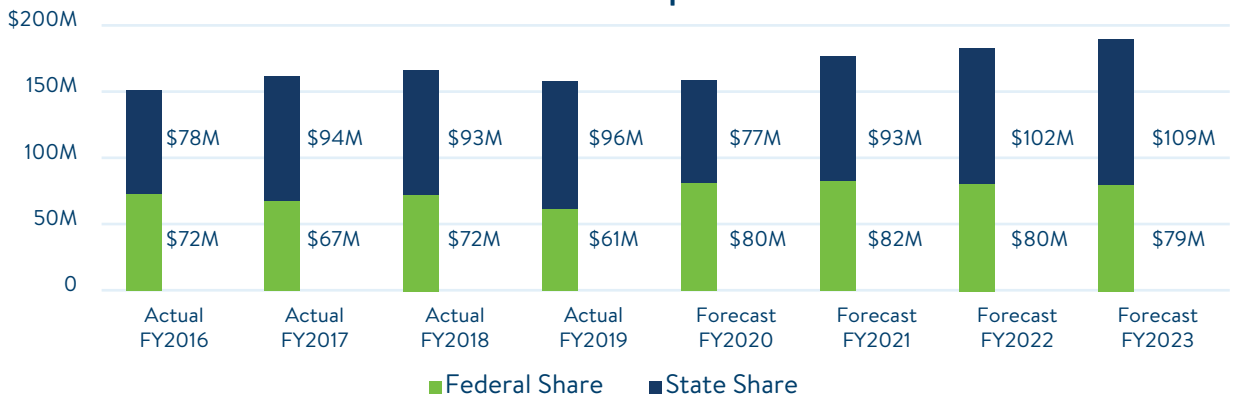
How much it costs

MFIP/TY Child Care

- $157 million in total spending
- $96 million state funds

Data for FY2019

MFIP/TY Child Care expenditures



Historical table

	MFIP/TY Child Care Assistance	
FY	Total $	% Change
2010	$113,435,302	
2011	118,621,823	4.57%
2012	116,728,218	(1.60%)
2013	118,035,920	1.12%
2014	128,982,296	9.27%
2015	141,994,040	10.09%
2016	150,602,122	6.06%
2017	161,122,098	6.99%
2018	165,175,205	2.52%
2019	157,475,004	(4.66%)
2020*	157,790,843	0.20%
2021*	175,532,979	11.24%
2022*	181,782,014	3.56%
2023*	188,144,857	3.50%
Avg. Annual Increase 2010-2019		3.71%

**Projected*

Northstar Care for Children

Northstar Care for Children is designed to help children who are removed from their homes and supports permanency through adoption or transfer of custody to a relative if the child cannot be safely reunified with parents. Financial support is provided to adoptive and foster parents to encourage permanent placement of children in safe homes. Northstar Care for Children consolidates and simplifies administration of three existing programs: Family Foster Care, Kinship Assistance and Adoption Assistance.

Who it serves

- 18.300 average monthly recipients

How much it costs

- $211 million total spending
- $84 million state funds

Data for FY2019

February 2020 forecast highlights

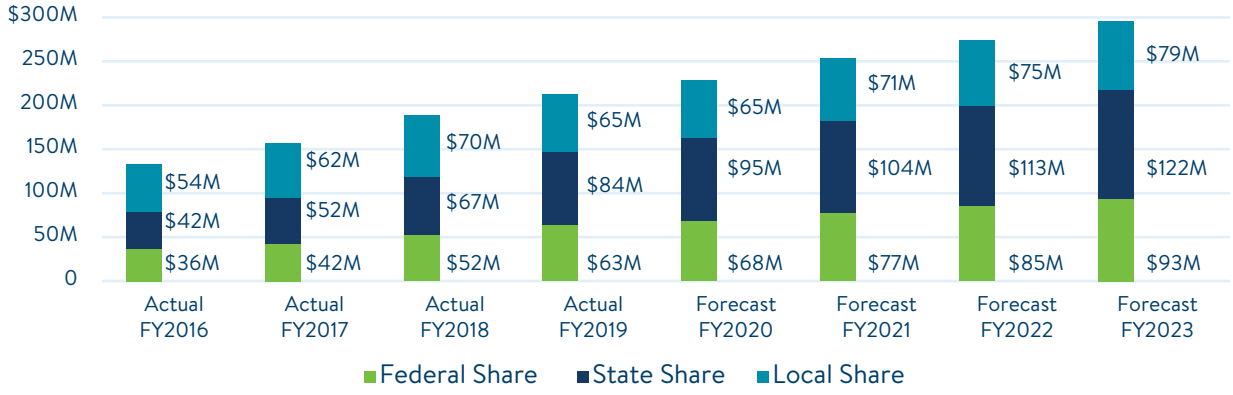
General Fund *Changes from the November 2019 forecast*

- No change in 2018-2019 biennium (0.0%)
- Decrease of $2.0 million in 2020-2021 biennium (-1.0%)
- Decrease of $0.3 million in 2022-2023 biennium (-0.1%)

Reasons: The forecast reduction in Northstar Care is driven by an average 4% caseload reduction in Foster Care. This forecast reduction is partially offset by an average 3% increase from higher Kinship Assistance caseload. The caseload forecast adjustments are based on data from recent experience.

Further, to conform with Federal requirements, the state will no longer offset certain income sources against Northstar Care grants effective July 2019. This results in an average payment increase of between 1.5% and 2.2% in Kinship and Adoption Assistance.

Northstar expenditures



Historical table

	Northstar Care for Children	
FY	Total $	% Change
2016	$132,201,226	
2017	155,510,705	17.63%
2018	187,750,651	20.73%
2019	211,165,176	12.47%
2020*	227,732,962	7.85%
2021*	251,771,886	10.56%
2022*	272,220,599	8.12%
2023*	294,104,992	8.04%
Avg. Annual Increase 2016-2019		16.89%

**Projected*

The program began being forecasted in 2016.

General Assistance, Housing Support and Minnesota Supplemental Aid

General Assistance (GA) provides state-funded cash assistance for single adults and couples without children, provided they meet one of the specific GA eligibility criteria. The most common reason people are GA eligible is illness or incapacity. The program is the primary safety net for very low income people and helps meet some of their basic and emergency needs. Housing Support (HS) pays for housing and some services for individuals placed by the local agencies in a variety of residential settings. The program, formerly called Group Residential Housing, is a state-funded income supplement program that pays for room and board in approved locations. Two types of eligibility are distinguished: MSA-type recipients are elderly or disabled, with the same definitions as used for MA eligibility, while GA-type recipients include all other adults. Minnesota Supplemental Aid (MSA) supplements the incomes of Minnesotans who are eligible for the federal Supplemental Security Income program. MSA benefits cover basic daily or special needs.

February 2020 forecast highlights

General Assistance, General Fund

Changes from the November 2019 forecast

- No change in 2018-2019 biennium (0.0%)
- Decrease of $0.1 million in 2020-2021 biennium (-0.1%)
- No change in 2022-2023 biennium (0.0%)

Reasons: The minor downward adjustments in the General Assistance forecast are driven by a 0.1% decrease in average payment based on recent data.

Housing Support, General Fund

Changes from the November 2019 forecast

- No change in 2018-2019 biennium (0.0%)
- Increase of $0.4 million in 2020-2021 biennium (+0.1%)
- Increase of $0.7 million in 2022-2023 biennium (+0.2%)

Reasons: The Housing Support forecast increases are driven by higher average payment (0.1%-0.3%) due to updated projections of the proportion of room and board costs that will be paid out of the CD Fund beginning FY 2021.

Minnesota Supplemental Aid, General Fund

Changes from the November 2019 forecast

- No change in 2018-2019 biennium (0.0%)
- No change in 2020-2021 biennium (0.0%)
- No change in 2022-2023 biennium (0.0%)

Reasons: There is no change in the MSA forecast.

Who it serves

GA

- 23,200 average monthly cases

HS

- 20,500 average monthly recipients

MSA

- 31,800 average monthly recipients

How much it costs

GA

- $50 million total spending, all state funds

HS

- $167 million total spending
- $165 million state funds

MSA

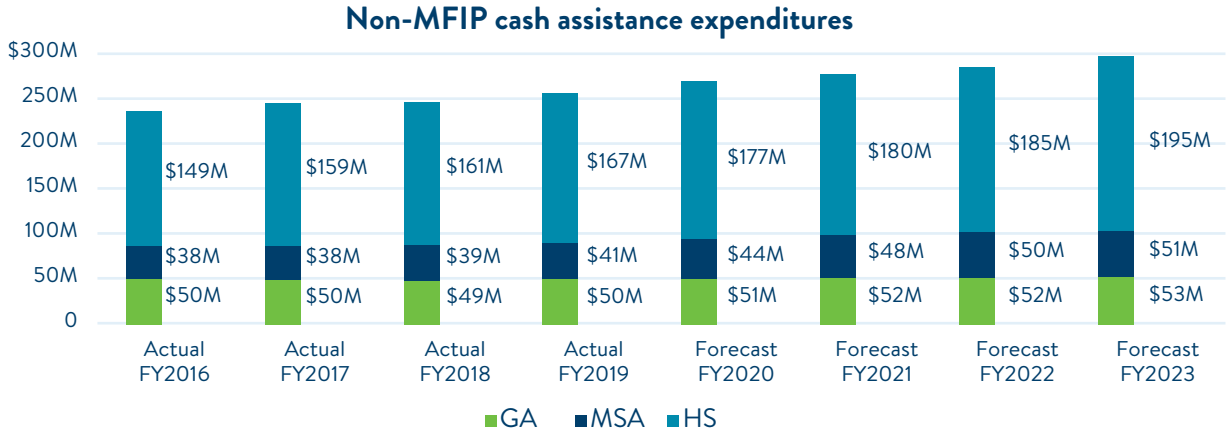
- $41 million total spending, all state funds

Data for FY2019

Historical table

	General Assistance (GA)		Minnesota Supplemental Aid (MSA)		Housing Support (HS)	
FY	Total $	% Change	Total $	% Change	Total $	% Change
2010	$42,712,048		$33,296,630		$112,922,066	
2011	48,045,075	12.49%	35,748,140	7.36%	117,140,667	3.74%
2012	49,552,612	3.14%	35,767,568	0.05%	121,678,773	3.87%
2013	51,620,198	4.17%	36,038,980	0.76%	130,187,929	6.99%
2014	51,124,719	(0.96%)	36,478,561	1.22%	138,708,619	6.54%
2015	51,435,727	0.61%	37,066,951	1.61%	141,396,622	1.94%
2016	50,443,730	(1.93%)	37,735,036	1.80%	149,460,915	5.70%
2017	49,556,022	(1.76%)	38,309,226	1.52%	159,456,706	6.69%
2018	48,883,093	(1.36%)	39,065,624	1.97%	160,535,838	0.68%
2019	50,301,759	2.90%	41,128,443	5.28%	166,972,636	4.01%
2020*	51,070,784	1.53%	43,521,364	5.82%	176,965,473	5.98%
2021*	51,726,643	1.28%	47,797,092	9.82%	180,191,224	1.82%
2022*	52,352,317	1.21%	50,368,881	5.38%	184,742,681	2.53%
2023*	52,980,438	1.20%	51,262,351	1.77%	194,884,150	5.49%
Avg. Annual Increase 2010-2019		1.83%		2.37%		4.44%

**Projected*



February 2020 forecast changes: In a nutshell

Millions of dollars

	2018-2019 Biennium	2020-2021 Biennium	2022-2023 Biennium
General Fund Total Change	$0.0	$5.1	$3.1
General Fund Percent Change	0.0%	0.0%	0.0%
MA LTC Facilities:	($0.1)	$0.7	$0.7
NF: recipients 0.5% higher	$0.0	$5.7	$6.3
NF: avg cost 0.3% lower	$0.0	($2.7)	($3.8)
ICF& DTH: recipients 1.3% lower	$0.0	($2.1)	($1.6)
Other	($0.1)	($0.2)	($0.2)
MA LTC Waivers:	$0.0	$49.2	$40.5
CADI: recipients 1.6% higher	$0.0	$19.0	$25.1
CADI: avg cost 1.5% higher	$0.0	$23.5	$22.5
DD, CAC, BI: avg cost higher	$0.0	$9.5	$8.4
PCA/CFSS: recipients 2% lower	$0.0	($5.2)	($19.0)
MHM: federal funding extended	$0.0	$1.4	$2.9
Other	$0.0	$0.9	$0.6
MA Elderly and Disabled Basic:	$0.0	($20.6)	($25.3)
Elderly basic: enroll 1.0% lower	$0.0	($11.2)	($13.5)
Elderly basic: avg cost 0.3% higher	$0.0	$3.0	$2.8
Disabled basic: enroll 1.1% lower	$0.0	($13.7)	($19.6)
Disabled basic: avg cost 0.4% higher	$0.0	$6.8	$6.4
IMD program: update SUD waiver trends	$0.0	$2.8	$9.9
Federal clawback payments	$0.0	($4.8)	($5.5)
Other	$0.0	($3.4)	($5.7)
MA Adults with No Children	$0.0	$6.3	$2.2
Enroll 0.7% higher; 0.2% lower	$0.0	$2.5	($1.0)
Avg cost 0.7% higher	$0.0	$3.2	$4.4
Other	$0.0	$0.6	($1.2)
MA Families with Children Basic:	$0.1	($6.9)	($13.6)
Enrollment 0.3% lower	$0.0	($1.0)	($18.1)
Average cost 0.1% higher	$0.0	$2.1	$3.5
Pharmacy rebates: 1.5% higher	$0.0	($4.9)	($6.0)
Other	$0.1	($3.1)	$6.9

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	2018-2019 Biennium	2020-2021 Biennium	2022-2023 Biennium
February 2020 Forecast Changes			
Chemical Dependency Fund	$0.0	($19.2)	$2.0
Cost projections for services	$0.0	($5.6)	$3.4
Federal revenue projections higher	$0.0	($10.4)	($11.0)
SUD waiver projections updated	$0.0	$3.6	$12.0
Effective date correction for county share	$0.0	($7.8)	$0.0
Other	$0.0	$1.0	($2.4)
Minnesota Family Investment Program	$0.0	$2.6	($0.9)
Avg caseload: 0.2% to 1.6% lower	$0.0	($1.3)	($0.9)
Increase GF is used to meet MOE requirements	$0.0	$3.9	$0.0
Child Care Assistance	$0.0	($5.3)	($2.9)
Avg caseload: .08%-1.5% lower; avg pmt: 0.8%lower			
Northstar Care for Children	$0.0	($2.0)	($0.3)
FC caseload: 3.5% to 4.8% lower	$0.0	($4.3)	($4.0)
KA caseload: 2.4% to 3.7% higher;	$0.0	$1.2	$1.6
AA/KA avg pmt: 0.1% to 2.2% higher	$0.0	$1.1	$2.1
General Assistance	$0.0	($0.1)	$0.0
Avg pmt: 0.1% lower			
Housing Support	$0.0	$0.4	$0.7
Avg pmt: 0.1% to 0.3% higher			
Minnesota Supplemental Aid	$0.0	$0.0	$0.0
Health Care Access Fund Total Change	$0.0	($36.9)	$1.6
Health Care Access Fund Percent Change	0.0%	(2.8%)	0.1%
MinnesotaCare	$0.0	($36.9)	$1.6
MA Funding	$0.0	$0.0	$0.0
TANF			
Lower MFIP forecast	$0.0	($5.8)	($0.5)
TANF Percent Change	0.0%	(3.5%)	(0.2%)

Note: Represents the change from the November 2019 forecast.

Contacts and additional resources

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Resources

Minnesota Department of Human Services Reports and Forecasts Division
https://mn.gov/dhs/reports-and-forecasts/

Minnesota Department of Human Services current biennium budget activities
https://mn.gov/dhs/budget-activities/

State of Minnesota forecast
https://mn.gov/mmb/forecast/

DEPARTMENT OF HUMAN SERVICES