



December 3, 2020

Senator Jim Abeler  
3215 Minnesota Senate Building  
St. Paul, MN 55155

Representative Tina Liebling  
477 State Office Building  
St. Paul, MN 55155

Senator Michelle Benson  
3109 Minnesota Senate Building  
St. Paul, MN 55155

Representative Joe Schomacker  
575 State Office Building  
St. Paul, MN 55155

Senator John Marty  
2104 Minnesota Senate Building  
St. Paul, MN 55155

Re: November 2020 Forecast Administrative Adjustments

Dear Health & Human Services Chairs:

In the fall of 2019, you requested that we highlight certain forecast adjustments in conjunction with the release of our November and February *Budget and Economic Forecasts*. In your letter, you requested information regarding administrative errors and corrections. We have developed a list of noteworthy adjustments to the forecast that are not driven by program use, underlying economic change, or external factors such as federal approvals. The list includes items beyond errors and corrections. Additional detail on each item is provided in the attached document.

In addition, as we do with all forecasts, we have identified significant forecast changes in narrative documents, which are posted on MMB's and DHS's websites. The MMB forecast narrative is posted here: <https://mn.gov/mmb/forecast/>. The DHS forecast narrative, which is more detailed, is posted here: <https://mn.gov/dhs/general-public/publications-forms-resources/reports/financial-reports-and-forecasts.jsp>.

If you have questions about this, please contact Dave Greeman (DHS) at [dave.greeman@state.mn.us](mailto:dave.greeman@state.mn.us) or Travis Bunch (MMB) at [travis.bunch@state.mn.us](mailto:travis.bunch@state.mn.us).

Sincerely,

Handwritten signature of Jodi Harpstead in black ink.

Jodi Harpstead  
Commissioner, Department of Human Services

Handwritten signature of Jim Schowalter in black ink.

Jim Schowalter  
Commissioner, Management and Budget

## November 2020 Forecast Administrative Adjustments

The following is a list of administrative adjustments in the November 2020 forecast. Administrative adjustments are defined as changes to the forecast that are not driven by updated base data, econometric and/or statistical modelling, the economy or any other external factors. The state share value of these adjustments include all fiscal years in the forecast horizon.

	State Share (\$ millions)		Budget Activity	Fund
	FY2020-21	FY2022-23		
<b>Electronic Visit Verification (EVV) Delay</b>				
The November forecast recognizes an expected delay in the implementation of Electronic Visit Verification (EVV) for PCA and similar services. Implementation is delayed 9 months and will begin January 2022, with full phase-in by the end of CY2022. This results in increased program costs and also extends an expected Federal Medical Assistance Percentage (FMAP) penalty on PCA payments which will be in effect until EVV is fully implemented. The FMAP penalty is 0.5% in CY2021 and 0.75% in CY2022.	0.1	14.8	BACT 33	General Fund
<b>Pharmacy Rebates</b>				
In working with the federal Office of the Inspector General (OIG), the department identified a universe of claims that had not been billed to the drug manufacturers but were eligible for rebates. In the first half of FY2020, the department resolved the issue that prevented these claims from going through the rebating process and invoiced the drug manufacturers for the outstanding drug rebates. The rebates on these additional claims were primarily received during the second half of FY2020.	(74.2)	0.0	BACT 26	General Fund
<b>Premium Adjustment Factor (PAF) in BHP Payment Methodology</b>				
In the November forecast, the PAF is added to the federal BHP funding formula for CY2021 and CY2022. The PAF resulted from a 2018 federal administrative order following a lawsuit over CMS' decision to stop funding the Cost Sharing Reduction (CSR) formula in the federal BHP Payment Methodology. At the time, this administrative order specifically did not address what factors would be included in the funding formula in future years. Due to ongoing uncertainty around this new factor, the forecast has only assumed federal funding from the PAF once CMS has published a BHP Payment Methodology that includes it in the funding formula. Since the previous forecast, both the final CY2021 and proposed CY2022 BHP Payment Methodologies have appeared in the Federal Register and both years contain the PAF. The additional federal funding from the PAF reduces state HCAF funding in MinnesotaCare.	(76.4)	(78.4)	BACT 31	HCAF
<b>Minnesota Family Investment Program (MFIP) Funding</b>				
In order to stabilize MFIP benefits during the pandemic and Public Health Emergency, the state stopped directing new MFIP applicants to the Diversionary Work Program (DWP) and instead directed new applicants to Family Stabilization Services (FSS), a state-only funded status within MFIP. Beginning in early CY2021, these cases will be moved to regular MFIP, which is funded by a mixture of Temporary Assistance for Needy Families (TANF) federal funds and state funds. This forecast recognizes the impact of the state-only funding for new cases in CY2020 as well as the transfer to federal-state funding in CY2021.	24.0	(0.6)	BACT 21	General Fund
<b>Child Care and Development Block Grant (CCDBG) Funding</b>				
Congress increased CCDBG appropriations beginning in FFY2018. This increase in appropriations continued in FFY2019-2020, and is included in resolutions thus far in FFY2021. As a result, this forecast assumes that the enhanced federal funding is permanent, which increases revenue to the CCDBG by about \$30 million per year. This has no effect on the forecasted CCAP program.	0.0	0.0	BACT 22	General Fund