



December 7, 2021

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2113 Minnesota Senate Building
St. Paul, MN 55155

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Senate Finance Cttee.
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St. Paul, MN 55155

Chair Michelle Benson
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Chair Jim Abeler
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Chair Jennifer Schultz
House Human Services Finance & Policy Committee
473 State Office Building
St. Paul, MN 55155

Ranking Member Tony Albright
House Human Services Finance & Policy Committee
259 State Office Building
St. Paul, MN 55155

RE: American Rescue Plan Home and Community Based Care Services Expenditure and Revenue Report

Dear Finance & Human Services Chairs:

Section 9817 of the American Rescue Plan Act and the 2021 legislative session offered the state an historic opportunity to invest significant resources into strengthening, enhancing, and expanding our home and community-based service system. Estimated to be approximately \$686 million, these investments will help support Minnesotans with disabilities to live, work, and thrive in their own homes, workplaces, and communities. Through our collaborative efforts during session, Minnesota was well positioned to submit a spending plan detailing these investments to the Centers for Medicare and Medicaid Services in early July. As of today's date, this plan has been partially approved by the federal government and is currently undergoing the review process to achieve full approval.

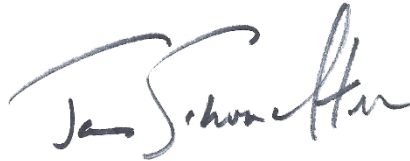
As required by Laws 2021, Special Session 1, Chapter 7, Article 16, Section 29, we are providing you with information about the progress the state of Minnesota is making towards fulfilling the requirements of the American Rescue Plan's Home and Community Based Services improvement section.

In the attached document, we provide revised revenue estimates of the enhanced federal match and projected spending on items included within the state's spending plan. These revisions are incorporated in the forecast amounts published in the regular forecast materials.

Sincerely,



Jodi Harpstead
Commissioner, Department of Human Services



Jim Schowalter
Commissioner, Management and Budget

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The cost of preparing this report was \$5,000 to the Department of Human Services and \$1,000 to Minnesota Management and Budget

Background

Section 9817 of the American Rescue Plan Act provides qualifying states with a temporary 10 percentage point increase of the federal medical assistance percentage (FMAP) on Medicaid expenditures for home and community based services (HCBS). On May 13, 2021, the Centers for Medicare and Medicaid Services (CMS) issued guidance outlining the services eligible for the enhanced FMAP and state requirements for receiving the additional funds. Participating states must submit an initial spending plan and narrative detailing the total estimated revenue from the enhanced FMAP and the corresponding state investments on activities to enhance, expand, or strengthen HCBS under the Medicaid program.

Minnesota submitted the initial spending plan to CMS on July 13, 2021. The [initial spending plan](#) outlines investments authorized by the Legislature that will strengthen and enhance HCBS programs in response to the COVID-19 Public Health Emergency.

Status of the Initial Spending Plan

On September 22, 2021, Minnesota received partial approval of the initial spending plan from CMS. States with partial approvals are approved to claim the HCBS FMAP increase retroactively to April 1, 2021. With a partial approval designation, CMS asked the state to provide additional information about some proposed activities before the state's spending plan and narrative can be approved in full.

CMS provided guidance stating that states with partial approval of their spending plans can begin implementing any activity included in the spending plan that does not require additional information submitted to CMS or has not been denied by CMS. Therefore, below is the current status of the initial spending plan initiatives:

Initiative	Assumed Status in HCBS Spending Plan (as of 12/7/21)
Disability Waiver Rate System (DWRS) Increase	Approved
Personal Care Assistance (PCA) Rate Increase	Approved
Home Health Rate Increase	Approved
Elderly Waiver (EW), Alternative Care (AC), and Essential Community Supports (ECS) Rate Increase	Approved
Rate floor for Customized Living	Approved
Adult Foster Care Residential Crisis Stabilization rate increase	Approved
Implementation of Community First Services and Supports (CFSS)	Approved
Budget Cap Adjustments for EW and AC	Approved
Enhanced Rates in PCA/CFSS and Temporary Paid Parents/Spouses	Approved
Expansion of Integrated Community Supports (ICS)	Approved
Expanding Respite and Caregiver Capacity	Approved
Subminimum Wage Phase-Out Task Force and Grants	Approved
Individual Portal Investment	Approved
Parenting with a Disability	Approved
Legislative Task Force on Background Study Standardization	Approved
Administrative Funding for HCBS FMAP	Approved
Task Force on Culturally Informed and Culturally Responsive Mental Health	Approved
PCA in Acute Care Hospitals	Approved
Reducing Reliance on Congregate Care Settings for Children	Approved
Continuity of Care for Students for Behavioral Health and Disability Support Needs	Approved

Initiative	Assumed Status in HCBS Spending Plan (as of 12/7/21)
Expanding Mobile Crisis Services	Approved
Process Mapping for Lead Agencies	Approved
Quality Improvement Grants for Customized Living	Approved
Inclusive Child Care Access for Children with Disabilities	Approved
Self-Advocacy Grants for People with Developmental Disabilities	Approved
Parent-to-Parent Program	Approved
Increased Support for SUD Services	Pending
Expansion of Telehealth	Pending
Housing Initiatives	Pending
Support for People Moving from Provider-Controlled Settings	Pending
PRTFs and CABHS Transition Unit	Pending
Technology for People receiving HCBS	Pending
Centers for Independent Living HCBS Access Grant	Pending
DHS/DOC Joint Initiative	Pending
Waiver Reimagine	Pending
MA Inpatient and Behavioral Health Services Rates Study	Pending
Research on Access to Long-term care services and financing	Pending
Case Management Redesign	Pending
Mental Health Uniform Service Standards	Pending
Regulatory Requirements for SUD Providers	Pending
Report on Safety Net Services	Pending
Supporting the Capacity of Providers Serving Underserved Communities	Pending
HCBS Workforce Grants	Pending
Loan Forgiveness for Health Professionals	Pending
Grants for CLAS Standards	Pending
RCO Grants	Pending
Adult Mental Health Initiative	Pending
Age-Friendly Minnesota	Pending
Minnesota Inclusion Initiative Grant	Pending

Minnesota submitted the requested information for items identified by CMS in the partial approval, and we are currently awaiting response for approval of the remaining initiatives.

[Changes to Estimated Expenditures and Revenues](#)

Estimated revenue from the enhanced FMAP and expenditures on spending initiatives will change over time based on changes in the forecast, implementation of the initiatives, and actual claims paid. Based on what is known at this time, revenues from the enhanced FMAP for claims paid between April 1, 2021 and March 31, 2022 are estimated to be \$686.156 million and state expenditures on spending plan initiatives are estimated to cost \$712.974 million between April 1, 2021 and March 31, 2024. Attached you will find the detailed revised revenue and expenditure estimates on all items included within the state's spending plan. These are estimates, as the enhanced match has not yet been received and spending plan initiatives have not yet been fully implemented.

Laws 2021, Special Session 1, Chapter 7, Article 16, Section 29, paragraph (c), requires that "any reduction in the projected qualified nonfederal expenditures relative to the projected amount at the end of the 2021 First Special Session shall not result in an increase in the general fund balance in a budget and economic forecast." In the November 2021 forecast, expected expenditures exceed the end of special session estimates, therefore fulfillment of this requirement is not applicable at this time.

Revenue	End of Session 2021 Forecast		November 2021 Forecast		Change
	FY 22	Total	FY 22	Total	
Estimates of Enhanced FMAP	686,091	\$ 686,091	686,156	\$ 686,156	\$ 65

Expenditures	End of Session 2021 Forecast				November 2021 Forecast				Change
	FY22	FY23	FY24 (through March)	Total FY22-March 2024	FY22	FY23	FY24 (through March)	Total FY22-March 2024	
Forecast program expenditures (GF 33,34,35)	57,726	237,131	192,999	\$ 487,856	65,135	232,406	217,697	\$ 515,237	\$ 27,381
Adult Foster Care Residential Crisis Stabilization	12	25	20	57	10	25	20	55	(2)
Home Health Services Rate Modifications	2,963	8,365	8,381	19,709	2,245	8,003	9,008	19,255	(454)
PCA - Service Rate Increase/Rate Framework	27,817	68,121	52,296	148,234	33,040	67,856	56,068	156,964	8,730
CFSS Providers Allowed to Drive Recipient To Appointments	450	4,971	4,029	9,450	-	2,859	4,751	7,610	(1,840)
DWRS Inflation Jan 1 2022	12,290	115,815	95,521	223,626	11,211	118,991	113,239	243,441	19,815
Enhanced Rates for PCA Recipients 10+ Hours/Day and Tempora	405	1,038	967	2,410	621	821	817	2,259	(151)
EW Rate Increase	1,436	6,863	6,403	14,702	870	6,685	7,397	14,951	249
CL Rate Floor	-	2,853	3,044	5,897	-	2,300	2,893	5,193	(704)
SUD Culturally Appropriate Add-on	191	537	416	1,144	191	537	416	1,144	-
SUD Provider Payment Modifications	651	2,357	1,978	4,986	945	3,293	2,483	6,721	1,735
Expansion of Telehealth Services	7,643	10,098	2,424	20,164	7,643	10,098	2,424	20,164	-
Housing Transitional Costs	682	1,637	1,227	3,546	585	1,630	1,220	3,435	(111)
ICS expansion to DD/CAC	-	1,158	3,876	5,034	-	1,291	4,046	5,337	303
CFSS Implementation	2,188	10,611	8,561	21,360	-	5,906	9,642	15,548	(5,811)
EW/AC Budget caps	999	2,683	3,857	7,538	463	2,111	3,274	5,847	(1,691)
Value of ARPA 10% on expenditure items	-	-	-	-	7,312	-	-	7,312	7,312
Admin/Grants	65,223	74,231	58,283	197,737	65,223	74,231	58,283	197,737	-
Case Management Redesign Initial Reform	476	136	-	612	476	136	-	612	-
Mental Health Uniform Service Standards	241	257	193	691	241	257	193	691	-
Culturally Informed and Culturally Responsive Mental Health Tas	116	106	194	416	116	106	194	416	-
Substance Use Disorder Provider Reduction in Regulatory Requir	159	137	-	296	159	137	-	296	-
Customized Living Quality Improvement Grants - Additional Func	582	586	440	1,608	582	586	440	1,608	-
Adult Mental Health Initiative Grants	1,750	1,750	1,750	5,250	1,750	1,750	1,750	5,250	-
Recovery Community Organization Grants	2,000	2,000	2,000	6,000	2,000	2,000	2,000	6,000	-
Waiver Reimagine Phase II	1,494	841	894	3,229	1,494	841	894	3,229	-
Homelessness Grants and Projects	5,862	5,904	5,741	17,507	5,862	5,904	5,741	17,507	-
PCA Service Rate Increase (admin/grants portion only)	1,068	51	-	1,119	1,068	51	-	1,119	-
PCA Rate Framework (admin/grants portion only)	566	297	264	1,127	566	297	264	1,127	-
CFSS Providers Allowed to Drive Recipients to Appointments (ad	82	86	65	233	82	86	65	233	-
Enhanced Rates for PCA Recipients 10+ Hours/Day and Tempora	96	20	15	131	96	20	15	131	-
Develop New Service for PCA Services in Acute Care Hospital	88	94	-	182	88	94	-	182	-
Administrative Funding for Enhanced FMAP for HCBS	442	-	-	442	442	-	-	442	-
Sober Housing Oversight Study	61	-	-	61	61	-	-	61	-
Statewide Parent-to-Parent Program for Families with a Child wi	125	125	94	344	125	125	94	344	-

Parenting with a Disability Pilot Project	51	51	1,000	1,102	51	51	1,000	1,102	-
Self Advocacy Grants for People with Developmental Disabilities	248	248	186	682	248	248	186	682	-
Grants for Child Care Providers to Serve Children with Disabilities	349	353	43	745	349	353	43	745	-
MN Inclusion Initiative Grant	150	150	112	412	150	150	112	412	-
Culturally and Linguistically Appropriate Services Grants	2,367	2,372	1,779	6,518	2,367	2,372	1,779	6,518	-
Customized Living Rate Floor for Disproportionate Share Facilities	107	91	68	266	107	91	68	266	-
Substance Use Disorder Provider Rate Add-On for Culturally Appropriate	85	84	63	232	85	84	63	232	-
Substance Use Disorder Provider Payment Modifications (administrative)	329	336	190	855	329	336	190	855	-
Safety Net Services Report	174	103	-	277	174	103	-	277	-
Expansion of Telehealth Services (administrative/grants portion only)	349	393	105	847	349	393	105	847	-
Grants for Technology for HCBS Recipients	663	2,171	1,628	4,462	663	2,171	1,628	4,462	-
Development of Individual HCBS Portal for Recipients	2,500	2,500	-	5,000	2,500	2,500	-	5,000	-
Housing Transitional Costs (administrative/grants portion only)	4,073	4,079	3,059	11,211	4,073	4,079	3,059	11,211	-
Transition to Community Initiative	5,912	5,967	4,475	16,354	5,912	5,967	4,475	16,354	-
Lead Agency Process Mapping	838	1,271	789	2,898	838	1,271	789	2,898	-
"Age Friendly" Minnesota Grants	293	1,838	1,792	3,923	293	1,838	1,792	3,923	-
Housing Stabilization Administrative Costs	412	467	350	1,229	412	467	350	1,229	-
Continuity of Care for Students with Behavioral Health and Disabilities	48	-	-	48	48	-	-	48	-
Provider Capacity Grants for Rural and Underserved Communities	6,934	8,962	8,828	24,724	6,934	8,962	8,828	24,724	-
Expand Mobile Crisis Service	8,273	8,156	4,117	20,546	8,273	8,156	4,117	20,546	-
Mobile PRTF and Child and Adolescent Mobile Transition Unit	2,500	2,500	1,875	6,875	2,500	2,500	1,875	6,875	-
Reducing Reliance on Children's Congregate Care Settings	136	-	-	136	136	-	-	136	-
Moving to Independence: Subminimum Wage Phaseout	4,950	5,965	4,831	15,746	4,950	5,965	4,831	15,746	-
Research on Access to Long Term Care Services and Financing	480	383	-	863	480	383	-	863	-
Additional Funding for Respite Care Grants and Own Your Own Family	2,419	2,302	2,124	6,845	2,419	2,302	2,124	6,845	-
MA Outpatient and Behavioral Health Services Rates Study	330	473	407	1,210	330	473	407	1,210	-
MCIL HCBS Access Grant	1,237	1,239	-	2,476	1,237	1,239	-	2,476	-
Department of Corrections and DHS Joint Initiative	137	156	117	410	137	156	117	410	-
HCBS Workforce Development Grants	73	5,763	5,836	11,672	73	5,763	5,836	11,672	-
Legislative Task Force on Human Services Background Studies	286	156	-	442	286	156	-	442	-
Health Professionals Loan Forgiveness	3,312	3,312	2,859	9,483	3,312	3,312	2,859	9,483	-
Total Expenditures	122,949	311,362	251,282	\$ 685,593	130,358	306,637	275,980	\$ 712,974	27,381
Net ARPA Balance (Revenues - Expenditures)				\$ 498				\$ (26,818)	(27,316)