
FISCAL ISSUE BRIEF



Enhanced Federal Medical Assistance Percentage (FMAP) for Home and Community-Based Services

Senate Counsel, Research, and Fiscal Analysis

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Medical Assistance (MA) is Minnesota’s Medicaid program. The Medicaid program is a federal and state funded program to provide health care, long-term care provided in facilities such as nursing homes, and home and community-based services (HCBS) to eligible individuals. Each state establishes Medicaid eligibility criteria, covered services, and payment rates within federal guidelines. The federal share of funding for Medicaid is the Federal Medical Assistance Percentage, commonly referred to by its acronym “FMAP”. Each state’s FMAP is determined according to a formula primarily based on the state’s per capita income. The state’s FMAP is applied to eligible state expenditures. Beginning October 1, 2021, Minnesota’s base FMAP is 50.51%.¹

The American Rescue Plan included a provision that provides states with a one-time ten percentage point enhanced FMAP for HCBS (referred to in this document as the “enhanced FMAP.”) The state will receive the enhanced FMAP for HCBS expenditures from April 1, 2021 through March 31, 2022 and is then available for expenditures over a period of three years. The federal amount the state receives under this provision must be spent on additional HCBS to expand, strengthen, or enhance HCBS in Minnesota. The amount the state receives must be used for eligible expenditures from April 1, 2021 through March 31, 2024. The state must submit to and receive approval from the federal government a spending plan before implementing the activities the state enacts under this provision.

According to projections during the 2021 legislative session, Minnesota expects to receive \$686.1 million for eligible HCBS expenditures--\$262.8 million in FY 2021 and \$423.3 million in FY 2022. Chapter 7, the Omnibus Health and Human Services budget bill enacted in the 2021 first special session, appropriated \$123.2 million in FY 2022 and \$311.6 million in FY 2023 (with related planning estimate of \$251.2 million in FY 2024) for eligible activities to expand, strengthen or enhance HCBS in Minnesota.

Table 1 shows the amount of the available enhanced FMAP that was allocated in Chapter 7 to the expenditure categories listed. Table 2 shows the individual proposals in each expenditure

¹ Prior to October 1, 2021, Minnesota’s base FMAP rate was 50%. Since January 1, 2020 states have received a 6.2 percentage point enhanced FMAP for COVID-19, which will remain in effect until the public health emergency for COVID-19, issued by the Secretary of the U. S. Department Health and Human Services, expires.

category. For provisions that have ongoing expenditures, Table 3 shows the projected amounts that will be incorporated into the General Fund forecast when the federal resources for the enhanced FMAP are fully expended according to the state’s approved spending plan.

Table 1: Projected Expenditures for Enhanced FMAP for HCBS Proposals

Expenditure Category	Eligible Expenditures 7-1-2021 – 3-31-2024	Percent of Total	Ongoing Amount 4-1-2024 – 6-30-2025
Previously Enacted Provisions	\$188.1 million	27.4%	N/A
Rate Increases	\$267.9 million	39.1%	\$126.5 million
Expanded Services	\$33.2 million	4.8%	\$11.7 million
Services to Live in Own Home	\$70.3 million	10.3%	N/A
Reform Proposals	\$30.5 million	4.4%	(\$18.3 million) ⁱ
Strengthen HCBS System	\$96.0 million	14.0%	\$1.2 million
Total	\$686.0 million		\$121.1 million

This Issue Brief refers to the amounts allocated during the entire three years allowed to implement proposals funded with the resources available from the enhanced FMAP. The amounts for each FY are shown on the attached Table 2 and the ongoing amounts for the General Fund are shown on Table 3. The following sections describe most of the proposals in each expenditure category in Table 1 above. Table 2 contains a complete list of every enhanced FMAP proposal enacted in Chapter 7.

Previously Enacted Provisions: The Health and Human Services budget in the February 2021 forecast included four previously enacted but not yet implemented HCBS provisions, with a combined total projected expenditure of \$188.1 million during the time that the enhanced FMAP is available. The state’s spending plan for the enhanced FMAP includes this projected amount for these previously enacted provisions:

- \$154.1 million for the inflation adjustment scheduled to occur on July 1, 2022, for rates determined under the disability waiver rate system (DWRS).
- \$21.4 million for expanded services under the Community First Services and Support (CFSS) program, scheduled to be implemented on October 1, 2021.
- \$7.6 million for adjustments to the budget caps in the Elderly Waiver and Alternative Care programs.
- \$5.0 million to add Integrated Community Supports to the Developmental Disabilities and Community Alternative Care waivers.

Rate Increases: The MA payment rates for several HCBS were increased with the enhanced FMAP funding, with a total of \$267.8 million of the available resources for the following:

- Personal Care Assistance (PCA) Services rates increased, on average, 10.1 percent beginning October 1, 2021, with projected expenditures of \$105.6 million for rates under the existing payment structure and \$44.9 million for increases under a new rate framework enacted in Chapter 7.

- Home Health Services rates increased 5 percent beginning January 1, 2022 and a new inflation adjustment was added for these services with a combined total from the enhanced FMAP of \$19.7 million.
- Elderly Waiver, Alternative Care, and Essential Community Supports Services programs received, on average, a 3.15 percent increase for services under these programs beginning January 1, 2022, with projected enhanced FMAP expenditures of \$14.7 million. Also, \$6.2 million of the enhanced FMAP was directed to establish a rate floor for customized living services provided under the elderly waiver and in a “disproportionate share facility,” which is a facility in which at least 80 percent of service recipients are elderly waiver participants.
- The scheduled inflation adjustment for services with rates determined under DWRS was advanced by six months to January 1, 2022 with \$69.5 million of the enhanced FMAP.
- As part of a comprehensive reform of substance use disorder services, providers of these services received a 25 percent rate increase for residential services and a 20 percent increase for outpatient services. The \$7.2 million allocated from the enhanced FMAP to Substance Use Disorder Services also increased rates for culturally-specific programming, culturally responsive programs, disability responsive programs, and programs that provide child care.

The rate increases enacted in Chapter 7 are permanent and have ongoing projected expenditures in the General Fund. The amounts described above are the amounts attributable from the enhanced FMAP to these rate increases. Beginning April 1, 2024, the projected amounts for these rate increases will be incorporated into the General Fund forecast. As shown in Table 3, the planning estimates for the General Fund for FY 2024-25 include \$126.5 million for these rate increases for HCBS.

Expanded Services: \$33.2 million of the enhanced FMAP was used to continue some provisions implemented during the COVID-19 pandemic and to pay for new services in the PCA program, including the following:

- \$21 million to extend permanently the authority to deliver some HCBS using telehealth services and to continue temporarily the authority to deliver some HCBS using “audio-only” services.
- \$2.5 million to temporarily pay for PCA services provided by legally responsible persons (parents and spouses) for the duration of the federal public health emergency for COVID-19 and for an ongoing enhanced payment rate for PCA recipients who require 10 or more hours per day of PCA services.
- \$9.7 million to allow CFSS support workers to provide and bill for transportation time to drive CFSS recipients to and from appointments.

Some of the service and payment changes in this expenditure category are ongoing. Beginning April 1, 2024, the projected amounts for these provisions will be incorporated into the General Fund forecast. As shown in Table 3, the planning estimates for the General Fund for FY 2024-25 include \$11.7 million for these expanded service provisions.

Services to Support Recipients Living in Their Own Home: \$70.4 million of the enhanced FMAP was used to provide a variety of services to help individuals stay in their own home or to successfully transition from institutional or provider-controlled settings to their own home. Generally, these funds provide a flexible resource to pay for expenses that would not otherwise be reimbursable expenditures to address barriers to an individual finding permanent, stable housing. Among the proposals in this category are:

- \$14.8 million for a temporary Housing Stabilization Services benefit that permits payment of housing transitional costs, such as rent deposits and furnishings, for individuals who do not have other sources of funding for these expenses.
- \$16.9 million of additional funding for the Community Living Infrastructure Grant program that is available to counties and tribes to help people with disabilities find stable, permanent housing. Part of this funding can be used for the newly permitted purpose of seeking expungement for individuals for whom a criminal record is a barrier to finding housing.
- \$16.4 million for activities that make it possible for individuals residing in institutional or provider-controlled settings to move to their own home.
- \$6.9 million for mobile teams that provide services to families to successfully transition children from institutional settings to community-based living.
- \$6.8 million for respite care and caregiver supports, which are essential services to ensure that caregivers can continue to support family members in their own home, rather than the person needing care moving to an institutional setting.
- \$4.5 million to provide access to technology services and solutions that make it possible for individuals who need HCBS to remain in their own home.

Reform Activities to Expand, Enhanced, or Strengthen HCBS System: \$30.4 million of the enhanced FMAP is for grants and administrative funding for initiatives to plan for and build an HCBS system that better serves recipients and ensures that the full spectrum of services and opportunities to live independently are available to individuals throughout the state. These proposals include:

- \$8.1 million for the next phase of Minnesota’s “Waiver Reimagine” initiative that will consolidate the current four waivers into two and implement a new budgeting model so that HCBS recipients have more control over decisions about the HCBS they receive. This includes development of a web-based individual portal that HCBS recipients can use to access information about their service plan.
- \$15.7 million for grants to providers to develop business transformation plans to phase out subminimum wage employment for people with disabilities. The proposal does not eliminate subminimum wage employment but includes funding for a task force to make recommendations to the Legislature to phase out subminimum wage employment for people with disabilities.
- \$1.1 million for a study and demonstration program to incorporate assistance with parenting duties into the PCA benefit for people with disabilities who are parents.
- Funding to establish a statewide rate methodology for and redesign of case management services to meet federal requirements.

- Development of uniform standards for mental health services and uniform licensing requirements for providers of these services. These changes will reduce the administrative burden for providers and promote quality services that are available throughout the state.

These HCBS reform activities also include:

- A study of outpatient and behavioral health services rates to provide information relating to development of cost-based rate reform.
- Analysis of access to HCBS and an actuarial analysis of strategies to increase access to HCBS in all areas of the state.
- Review and development of recommendations to add as an authorized service PCA services provided in an acute care hospital.
- A comprehensive analysis of use and efficacy of current treatment options for children to identify ways to reduce reliance on congregate care settings. The study will identify obstacles in systems that involve children that may result in missed opportunities to keep children in the community or help to transition children from congregate care settings to living with their families.

In addition to the subminimum wage task force described above, the following task forces will review complex HCBS issues to provide the Legislature with information needed to continue to expand, enhance, and strengthen Minnesota's HCBS system.

- The Legislative Task Force on Background Studies Standardization will examine the laws regarding disqualification for employment in areas such as providing HCBS that require a background study. The task force will identify and analyze laws or policies that may have unintended consequences, are ineffective in promoting better outcomes for people with disabilities or are an unnecessary barrier to becoming an HCBS provider.
- The Task Force on Culturally Informed and Culturally Responsive mental health services will review and provide recommendations to the Legislature relating to incorporating cultural awareness into the delivery of mental health services in Minnesota.

Strengthening Minnesota's HCBS System: These proposals use \$95.6 million of the enhanced FMAP to enhance the HCBS provider network, workforce, and available services to ensure that all areas of the state have sufficient capacity to serve the eligible residents of their communities. Expenditures for these initiatives are intended to promote the development of a diverse and inclusive HCBS provider community so that there is a greater opportunity for an individual to receive services from providers with a similar background, language, and culture as the recipient. These initiatives include:

- \$24.7 million for provider capacity grants for rural and underserved communities to establish or expand businesses that provide HCBS, including helping providers meet the requirements to receive payment through the MA program.

- \$11.7 million to provide HCBS workforce grants that will be awarded after consulting with provider and community stakeholders on the uses of the funding that will best promote efforts to recruit and retain a diverse and competent HCBS workforce.
- \$20.5 million in additional grants for providers of mobile crisis services so that this service is available throughout in the state 24 hours per day.
- \$6.5 million for a new grant program available to providers to adopt culturally and linguistically appropriate service standards for HCBS.
- \$6.0 million for grants to establish recovery community organizations based in and led by individuals in local communities to promote long-term recovery from alcohol and drug addiction.
- \$10.5 million of new funding for the health professionals loan forgiveness program for mental health professionals and alcohol and drug counselors to increase the workforce providing these services.
- \$3.9 million for grants to local communities to become “Age Friendly Communities” that have the characteristics necessary for people to age well and thrive in vital and supportive communities.
- Grants for self-advocacy programs, the Minnesota inclusion initiative, inclusive child care, and quality improvement grants for providers of HCBS.

Table 2: Proposals and Projected Expenditures for Enhanced FMAP for HCBS

Proposal	FY 2022	FY 2023	FY 2022-23	FY 2024	FY 2025	FY 2024-25	FMAP Total
<u>Previously Enacted Provisions</u>							
CFSS Expanded Services 10-1-2021	2,188	10,611	12,799	8,561	-	8,561	21,360
EW/AC Budget Cap Adjustments 1-1-2022	999	2,683	3,682	3,857	-	3,857	7,539
ICS in the DD & CAC Waiver	0	1,158	1,158	3,876	-	3,876	5,034
DWRS Inflation Adjustment 7-1-2022	0	58,605	58,605	95,521	-	95,521	154,126
Total-Previously Enacted Provisions	3,187	73,057	76,244	111,815	-	111,815	188,059
<u>Rate Increases</u>							
MA Rate Adult Foster Care Residential Crisis Stabilization	12	25	37	20	-	20	57
Home Health Services Rate Modifications	970	3,555	4,525	4,730	-	4,730	9,255
Rate Increase for Home Care Providers	1,993	4,810	6,803	3,651	-	3,651	10,454
PCA Service Rate Increase	19,626	47,934	67,560	38,062	-	38,062	105,622
PCA Rate Framework	9,825	20,535	30,360	14,498	-	14,498	44,858
Advance DWRS Inflation Adjustment to January 1, 2022	12,290	57,210	69,500	-	-	-	69,500
Increase SUD Add-On rates 5% for Cultural/Disability/Childcare	276	621	897	479	-	479	1,376
Elderly Waiver Rate Increase	1,436	6,863	8,299	6,403	-	6,403	14,702
Customized Living Rate Floor	107	2,944	3,051	3,113	-	3,113	6,164
Substance Use Disorder Payment Methodology Reform	1,083	2,727	3,810	2,109	-	2,109	5,919

Proposal	FY 2022	FY 2023	FY 2022-23	FY 2024	FY 2025	FY 2024-25	FMAP Total
Total-Rate Increases	47,618	147,224	194,842	73,065	-	73,065	267,907
<u>Expanded Services</u>							
PCAs Allowed to Drive Recipients to Appointments	532	5,057	5,589	4,093	-	4,093	9,682
PCA Enhanced Rates 10+ Hours/Temp Rate Parents and Spouses	501	1,058	1,559	982	-	982	2,541
Expansion of Telehealth Services	7,992	10,491	18,483	2,529	-	2,529	21,012
Total-Expended Services	9,025	16,606	18,483	7,604	-	18,483	33,235
<u>Services to Live in Own Home</u>							
Community Living Infrastructure Grants	5,638	5,638	11,276	5,638	-	5,638	16,914
Mobile PRTF and CABHS Transition Unit	2,500	2,500	5,000	1,875	-	1,875	6,875
Respite and Caregiver Capacity	2,419	2,302	4,721	2,124	-	2,124	6,845
DOC/DHS Joint Initiative	137	156	293	117	-	117	410
Housing Transitional Costs	4,755	5,716	10,471	4,286	-	4,286	14,757
Housing Stabilization Administrative Costs	412	467	879	350	-	350	1,229
Technology for people receiving HCBS	663	2,171	2,834	1,628	-	1,628	4,462
MCILs Disability Access Grant	1,237	1,239	2,476	-	-	-	2,476
Help Move People from Provider-Controlled Settings	5,912	5,967	11,879	4,475	-	4,475	16,354
Total-Services to Live in Own Home	23,673	26,156	49,829	20,493	-	20,493	70,322
<u>Reform Proposals</u>							
Mental Health Uniform Service Standards Culturally Informed and Culturally Responsive MH Task Force	241	257	498	193	-	193	691
SUD Provider Reduction in Regulatory Requirements	116	106	222	146	-	146	368
New Service- PCA Services in Acute Care Hospitals	159	137	296	-	-	-	296
Sober Home Oversight Study	88	94	182	-	-	-	182
Parenting with a Disability Study	61	-	61	-	-	-	61
Parenting with a Disability Implementation	51	51	102	-	-	-	102
Safety Net Services Report	-	-	-	1,000	-	1,000	1,000
Individual Portal Investment	174	103	277	-	-	-	277
Continuity of Care for Students with Behavioral Health and Disability Support Needs	2,500	2,500	5,000	-	-	-	5,000
Reducing Reliance on Children's Congregate Care Settings	48	-	48	-	-	-	48
Research on Access to Long Term Care Services and Financing	136	-	136	-	-	-	136
	480	383	863	-	-	-	863

Proposal	FY 2022	FY 2023	FY 2022-23	FY 2024	FY 2025	FY 2024-25	FMAP Total
MA Outpatient and Behavioral Health Services Rates Study	228	439	667	407	-	407	1,074
Legislative Task Force on Background Study Standardization	154	80	234	-	-	-	234
LCC-Background Studies Task Force	132	76	208	-	-	-	208
Case Management Redesign Initial Reform FC	476	136	612	-	-	-	612
Waiver Reimagine Phase II	1,247	488	1,735	634	-	634	2,369
Waiver Reimagine Informed Choice-Stakeholder	247	353	600	194	-	194	794
Moving to Independence: Phase Subminimum Wage	4,950	5,965	10,915	4,831	-	4,831	15,746
Administrative Funding for Enhanced FMAP	442	0	442	0	-	0	442
Total-Reform Proposals	11,930	11,168	23,098	7,405	-	7,405	30,503
<u>Strengthen HCBS System</u>							
Adult Mental Health Initiative	1,750	1,750	3,500	1,750	-	1,750	5,250
Supporting Underserved and Rural Provider Capacity	6,934	8,962	15,896	8,828	-	8,828	24,724
Expand Mobile Crisis	8,273	8,156	16,429	4,117	-	4,117	20,546
HCBS Workforce Grants	73	5,763	5,836	5,836	-	5,836	11,672
Health Professionals Loan Forgiveness	3,812	3,812	7,624	2,859	-	2,859	10,483
Customized Living Quality Improvement Grants	582	586	1,168	586	-	586	1,754
Recovery Community Organization Grants	2,000	2,000	4,000	2,000	-	2,000	6,000
Parent-to-Parent Program for Families with a Child with Disability	125	125	250	94	-	94	344
Self-Advocacy Grants for People with DD	248	248	496	186	-	186	682
Grants for Child care providers Serving Children with Disabilities	349	353	702	43	-	43	745
MN Inclusion Initiative Grant	150	150	300	112	-	112	412
CLAS Standards Training Grants	2,367	2,372	4,739	1,779	-	1,779	6,518
Process-Mapping for Lead Agencies	838	1,271	2,109	789	-	789	2,898
Age Friendly MN	293	1,838	2,131	1,792	-	1,792	3,923
Total-Strengthen HCBS System	27,794	37,386	65,180	30,771	-	30,771	95,951
Total-All Expenditure Categories	123,227	311,597	434,824	251,153	-	251,153	685,977

Table 3: General Fund Planning Estimates for Proposals with Ongoing Expenditures

Proposal	FY 2022	FY 2023	FY 2022-23	FY 2024	FY 2025	FY 2024-25
<u>Rate Increases</u>						
MA Rate Adult Foster care Residential Crisis Stabilization	-	-	-	6	26	32
Home Health Services Rate Modifications	-	-	-	1,577	9,432	11,009
Rate Increase for Home Care Providers	-	-	-	1,217	4,944	6,161
PCA Service Rate Increase	-	-	-	12,687	53,138	65,825
PCA Rate Framework	-	-	-	4,833	20,228	25,061
Increase SUD add-on rates 5% for Cultural/Disability/Childcare	-	-	-	160	637	797
Elderly Waiver Rate Increase	-	-	-	2,134	9,362	11,496
Customized Living Rate Floor	-	-	-	1,037	5,107	6,144
Total-Rate Increases	-	-	-	23,651	102,874	126,525
<u>Expanded Services</u>						
PCAs Allowed to Drive Recipients to Appointments	-	-	-	1,365	5,698	7,063
PCA Enhanced Rates 10+ Hours/Temp Rate Parents and Spouses	-	-	-	327	1,372	1,699
Expansion of Telehealth Services	-	-	-	842	2,100	2,942
Total-Expended Services	-	-	-	2,534	9,170	11,704
<u>Reform Proposals</u>						
Mental Health Uniform Service Standards	-	-	-	64	174	238
Culturally Informed & Culturally Responsive MH Task Force	-	-	-	48	-	48
Waiver Reimagine Phase II	-	-	-	211	(7,944)	(7,733)
Waiver Reimagine Informed Choice- Stakeholder	-	-	-	86	(11,055)	(10,969)
Total-Reform Proposals	-	-	-	409	(18,825)	(18,416)
<u>Strengthen HCBS System</u>						
Customized Living Quality Improvement Grants	-	-	-	-	586	586
Parent-to-Parent Program for Families with a Child with Disability	-	-	-	31	125	156
Self-Advocacy Grants for People with DD	-	-	-	62	248	310
MN Inclusion Initiative Grant	-	-	-	38	150	188
Total-Strengthen HCBS System	-	-	-	131	1,109	1,240
Total for All Expenditure Categories	-	-	-	26,725	94,328	121,053

Questions: For questions about this document, contact Dennis Albrecht, Fiscal Analyst, Health and Human Services. 651.296.3817 • dennis.albrecht@senate.mn

ⁱ Chapter 7 includes reform provisions that have projected ongoing general fund reductions and are effective when the enhanced FMAP maintenance of effort requirements end.