



February 28, 2022

Chair Julie Rosen
Senate Finance Cttee.
2113 Minnesota Senate Building
St. Paul, MN 55155

Ranking Member John Marty
Senate Finance Cttee.
2301 Minnesota Senate Building
St. Paul, MN 55155

Chair Paul Utke
Senate Human Services Finance & Policy Cttee.
3403 Minnesota Senate Building
St. Paul, MN 55155

Ranking Member Melissa Wiklund
Senate Human Services Finance & Policy Cttee.
2227 Minnesota Senate Building
St. Paul, MN 55155

Chair Jim Abeler
Sen. Human Services Reform Finance & Policy Cttee.
3215 Minnesota Senate Building
St. Paul, MN 55155

Ranking Member John Hoffman
Sen. Human Services Reform Finance & Policy Cttee.
2235 Minnesota Senate Building
St. Paul, MN 55155

Chair Rena Moran
House Ways & Means Cttee.
449 State Office Building
St. Paul, MN 55155

Ranking Member Pat Garafalo
House Ways & Means Cttee.
295 State Office Building
St. Paul, MN 55155

Chair Tina Liebling
House Health Finance & Policy Cttee.
477 State Office Building
St. Paul, MN 55155

Ranking Member Joe Schomacker
House Health Finance & Policy Cttee.
209 State Office Building
St. Paul, MN 55155

Chair Jennifer Schultz
House Human Services Finance & Policy Cttee.
473 State Office Building
St. Paul, MN 55155

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

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

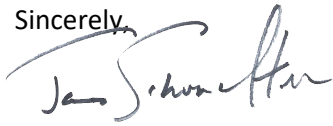
Dear Finance & Human Services Chairs,

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 \$681 million, these investments will help support Minnesotans with disabilities to live, work, and thrive in their own homes, workplaces, and communities.

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.

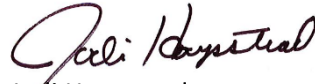
In the attached document, we provide revised revenue estimates of the enhanced federal match and projected spending on items included within the state's spending plan. These revisions are incorporated in the forecast amounts published in the regular forecast materials.

Sincerely,

A handwritten signature in black ink that reads "Jim Schowalter". The signature is written in a cursive style with a large, sweeping initial "J".

Jim Schowalter

Commissioner, Management and Budget

A handwritten signature in black ink that reads "Jodi Harpstead". The signature is written in a cursive style with a large, sweeping initial "J".

Jodi Harpstead

Commissioner, Department of Human Services

Page 2- Cost of Report

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

Cite: [3.197](#)

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, which provided approval for a portion of the items in the plan and required additional information to be sent to CMS for approval of the full plan. The State responded to this request, and on January 24, 2022, Minnesota received conditional approval of the HCBS initial spending plan. Conditional approval allows the state to begin implementing the activities in the spending plan based on the conditions prescribed by CMS. This conditional approval also qualifies the state to receive the temporary 10 percentage point increase in the FMAP for certain Medicaid expenditures for home and community-based services.

The conditions put forth in the approval stipulated that CMS conditional approval of the spending plan solely addresses the state's compliance with the applicable requirements set forth under section 9817 and fulfillment of CMS's spending plan requirements. States are also required to follow applicable rules and processes for section 1915(c) waivers, other Medicaid HCBS authorities, including state plan amendments and section 1115 demonstrations, and other managed care authorities. While approval was received for each activities' inclusion within the initial spending plan, some activities are still pending approval through those additional processes.

The conditional approval also specified that the activity "Increased Support for Substance Use Disorder (SUD) Services" is approved, however payments provided to Institutions for Mental Diseases (IMDs) would not be a permissible use of funds "unless the state can demonstrate that the payments support intuitional diversion or community transition or otherwise support the intent of ARP section 9817." This activity within the plan includes rate increases for providers participating in the 1115 SUD demonstration waiver who agree to meet nationally recognized, evidence-based SUD program standards as well as enhanced rates for SUD providers that include culturally responsive programming, disability responsive programming, and programs providing childcare. Both of these provisions include rate increases for services that take place in IMDs.

Excluding rate increases paid to IMDs as eligible expenses in the plan would reduce total expenditures in the spending plan by approximately \$2 million. However, as of the date of this letter, the state is assessing the CMS conditional approval language and next steps related to federal approval of this activity, as well as the reallocation authority in state law specific to federal approval of the initial spending plan. Therefore, the February forecast maintains the previous assumption that all items within the spending plan will be approved and implemented. This assumption will be maintained until more is known about full inclusion of this spending activity.

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 \$681.5 million and state expenditures on spending plan initiatives are estimated to cost \$709.6 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 February 2022 forecast, expected expenditures exceed the end of special session estimates, therefore fulfillment of this requirement is not applicable at this time.