



February 26, 2021

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

Senator Michelle Benson
Senate Health & Human Services Finance & Policy Cttee.
3109 Minnesota Senate Building
St. Paul, MN 55155

Senator John Hoffman, Ranking Minority Member
Senate Human Services Reform Finance & Policy Cttee.
2235 Minnesota Senate Building
St. Paul, MN 55155-1206

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

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

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

Representative Jennifer Schultz, Chair
House Human Services Finance and Policy Cttee.
473 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Representative Tony Albright
Ranking Minority Member
House Human Services Finance and Policy Cttee.
473 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Re: November 2020 Forecast Administrative Adjustments

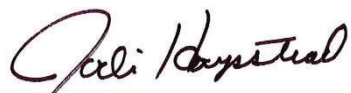
Dear Health & Human Services Chairs:

In the fall of 2019, Senator Benson requested that we highlight certain forecast adjustments in conjunction with the release of our November and February *Budget and Economic Forecasts*. In her letter, Senator Benson 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.

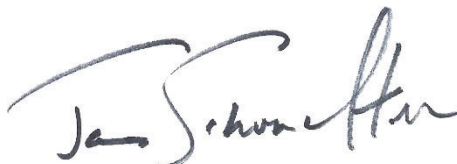
In addition, as we do with all forecasts, we have identified significant forecast changes in narrative documents, which are posted on MMB's and DHS's websites. The MMB forecast narrative is posted here: <https://mn.gov/mmb/forecast/>. The DHS forecast narrative, which is more detailed, is posted here: <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 or Travis Bunch (MMB) at travis.bunch@state.mn.us.

Sincerely,



Jodi Harpstead
Commissioner, Department of Human Services



Jim Schowalter
Commissioner, Management and Budget

February 2021 Forecast Administrative Adjustments

The following is a list of administrative adjustments in the February 2021 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	FY2024-25		
CFSS Implementation Delay					
Implementation of Community First Services and Supports (CFSS) is delayed from June 23, 2021 to October 1, 2021. The delay is required to align the CFSS rollout with the MnCHOICES Revision Project.	0.0	14.6	1.2	BACT 33	General Fund
Minnesota Family Investment Program (MFIP) Funding					
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. The November forecast recognized a department decision to move these cases to regular MFIP, which is funded by a mixture of Temporary Assistance for Needy Families (TANF) federal funds and state funds, beginning February 2021. The department was able to begin moving these families to regular MFIP four months earlier than expected, resulting in additional general fund savings.	(10.3)	0.0	0.0	BACT 21	General Fund
Systems Defect Affecting Case Mix in MinnesotaCare					
In March 2020, a defect was found in the interface between the eligibility system (METS) and the claims payment system (MMIS). This defect assigned incorrect eligibility categories for certain enrollees in the Basic Health Program (BHP). Specifically, some parents were being incorrectly identified as adults without children. Since the average capitation for adults is greater than the average capitation for parents, this defect resulted in an artificially high-cost case mix. A systems fix was made in September, but the incorrect case mix was erroneously built into the November forecast leading to inflated cost projections. Given three months of updated enrollment data since the systems fix, the February forecast reflects the appropriate (lower-cost) case mix in the current BHP enrollment projections. Note that the FY 2021 impact is shown in the FY2022-2023 biennium because the initial savings accrues to the BHP Trust Fund in FY 2021 and impacts the HCAF with a one-year lag.	0.0	(54.2)	(50.9)	BACT 31	HCAF
Updated Timing for Future Federal BHP Reconciliation					
The February forecast update of the timing for future federal BHP reconciliation aligns with a recent agreement with CMS. Federal BHP reconciliation is a final settle-up of our prospective quarterly federal awards based on the demographics of actual enrollment in each quarter. We have currently reconciled federal BHP funding through CY 2017, and have been waiting for the rollout of a new METS Data Mart to submit 2018 reconciliation data. The new Data Mart became operational earlier this month. The updated schedule for future reconciliation results in the state timely reconciling the most recently completed quarter by the end of FY 2024. This adjustment introduces additional quarters of historical reconciliation into the forecast horizon, and, with each additional quarter, projects a reduction in federal BHP funding. The reason is that, given current data sources and methods, we are only able to generate a full reconciliation record for about 95% of our eligible BHP population due to mismatches between METS and MMIS. For each quarter of projected reconciliation, this missing 5% results in a reduction of future federal BHP funding and a corresponding HCAF cost. We are cautiously optimistic that the new METS Data Mart will enable the state to improve on the current 95% match rate going forward.	0.0	65.6	27.3	BACT 31	HCAF