DHS-7814G-ENG 12-21

DEPARTMENT OF HUMAN SERVICES

November 2021 Forecast

Executive Summary and Trend Data

Prepared by Reports and Forecasts Division
Shawn Welch, Director
Susan Snyder, Assistant Director

Dec. 7, 2021

Table of content

Executive summary

The Minnesota Department of Human Services (DHS) prepares a forecast of its expenditures in major programs twice annually. Forecasted programs include Medical Assistance (MA), MinnesotaCare, Minnesota Family Investment Program (MFIP), Child Care Assistance and others as described in the pages that follow. Projected expenditures are used in statewide budget forecasts that Minnesota Management and Budget releases in November and February each year. These forecasts are used to update fund balances and provide financial information to the Governor and the legislature as they work together to set budgets.

All November 2021 forecast highlights in this document represent changes from the End-of-Session 2021 forecast.

November 2021 forecast highlights

General Fund (GF)

Changes from the End-of-Session 2021 forecast

- Decrease of $33.2 million in 2020-2021 biennium (-0.3%)
- Decrease of $113.5 million in 2022-2023 biennium (-0.8%)
- Increase of $62.1 million in 2024-2025 biennium (+0.4%)
- Overall decrease of $84.6 million across the entire forecast horizon

Health Care Access Fund (HCAF)

Changes from the End-of-Session 2021 forecast

- Decrease of $1.0 million in 2020-2021 biennium (-0.1%)
- Decrease of $44.7 million in 2022-2023 biennium (-3.4%)
- Decrease of $160.8 million in 2024-2025 biennium (-8.3%)
- Overall decrease of $206.5 million across the entire forecast horizon

Who it serves

- Over 1.4 million people a year are served through DHS forecasted programs

How much it costs

- $15.4 billion total spending in DHS forecasted programs
- $6.0 billion state spending in DHS forecasted programs

Data for FY 2021

Reasons: The November forecast produces a projected General Fund reduction in the 2022-2023 biennium and a General Fund increase in the 2024-2025 biennium. The main drivers of forecast savings in the 2022-2023 biennium are additional federal funding (which directly reduces state spending), lower nursing facility caseload, and lower child care utilization. These reductions are partially offset by higher MA enrollment and higher average cost and caseload in the MA disability waivers. The forecast increase in the 2024-2025 biennium is the result of higher caseload and average costs in the MA disability waivers and higher MA enrollment of families and childless adults partially offset by lower nursing facility caseload.

The General Fund forecast reduction in the 2022-2023 biennium is primarily the result of a recent extension in the federal Public Health Emergency (PHE) to mid-January 2022. States are eligible for additional federal funding through a 6.2 percentage point increase in the state's Federal Medical Assistance Percentage (FMAP) throughout the quarter that includes the final day of the PHE. Since the PHE now officially extends into January, the state is eligible for this enhanced federal funding through March 2022. This additional quarter of enhanced federal funding directly replaces state spending and provides $241 million in General Fund savings in the November forecast.

Two other notable forecast reductions in the 2022-2023 biennium are lower MA nursing facility caseload and lower child care caseload. Both of these caseload reductions are due to lower than expected utilization during the ongoing COVID pandemic, and together they result in a reduction of $172 million in projected General Fund spending.

Partially offsetting these forecast savings in the 2022-2023 biennium are upward adjustments in MA disability waivers and increased MA enrollment. The November forecast includes average cost increases of 2.7% and caseload increases of 2.3% in the MA disability waivers relative to End-of-Session forecast projections. These changes are driven by recent data on the two largest waivers, the Developmental Disability (DD) and Community Access for Disability Inclusion (CADI) waivers. The November forecast also reflects higher

Continued on next page

Continued from previous page

enrollment of MA Adults without Children and Families with Children. Actual enrollment for these two populations jumped above prior projections resulting in an upward base adjustment. Additional enrollment adjustments were made to reflect an updated understanding of the administrative requirements around the resumption of annual renewals following the end of the PHE. These adjustments represent a delay in the impact of annual renewals on MA eligibility relative to previous forecast assumptions, resulting in higher MA enrollment in FY 2022 and FY 2023. Higher average cost and caseload in the MA disability waivers results in a projected forecast increase of $173 million, and higher enrollment of MA Adults and Families results in a projected forecast increase of $221 million in the 2022-2023 biennium.

The overall General Fund forecast increase in the 2024-2025 biennium is primarily the result of a continuation of the upward cost and recipient adjustments in MA disability waivers and increased MA enrollment partially offset by reductions in the nursing facility caseload. The average cost impact in the disability waivers continues at about the same level as the current biennium, while higher caseload trends in the DD and CADI waivers result in a 3.6% increase relative to the End-of-Session forecast in the 2024-2025 biennium. The upward base adjustment of MA Adults without Children and Families with Children enrollment also continues into the 2024-2025 biennium. However, given that the caseload increases under the PHE are projected to be fully phased-out prior to 2024, overall MA enrollment increases are relatively small in 2024 and 2025. Partially offsetting these forecast increases is a continued reduction in the nursing facility caseload due to pandemic impacts. Higher average cost and caseload in the MA disability waivers result in a projected forecast increase of $271 million, and higher MA enrollment results in a projected forecast increase of $81 million in the 2024-2025 biennium. Lower nursing facility caseload results in a projected decrease of $79 million in the 2024-2025 biennium.

Finally, the November forecast produces a reduction in HCAF spending in both the 2022-2023 and 2024-2025 biennia. This projected HCAF reduction is the result of two primary drivers. The first is the creation and implementation of the METS Data Mart which has allowed DHS to identify and include more eligible Basic Health Program (BHP) enrollees in the process to settle-up prospective BHP Trust Fund awards. Including more enrollees in the settle-up process provides the state with additional federal BHP funding which directly reduces the need for state funding. The second driver of the HCAF savings is an adjustment to the federal BHP funding formula. The Premium Adjustment Factor (PAF) was initially added to the federal BHP payment methodology on a year-to-year basis following a 2018 lawsuit around Cost Sharing Reductions (CSR). The forecast now recognizes this factor as a permanent addition to the payment methodology, which effectively adds the PAF to the funding formula in CY 2023, CY 2024, and CY 2025. The overall reduction in projected HCAF spending in the forecast horizon is $207 million. The METS Data Mart accounts for $99 million while the rest of the savings is due to the federal BHP funding formula adjustment.

Summary of forecast changes

The following is a list of the large and/or noteworthy changes in this forecast. Further detail for each change can be found on the specific budget activity pages noted below.

Forecast Decreases:

- Enhanced federal match from January through March 2022. (All MA budget activity pages; Chemical Dependency Treatment Fund; Northstar Care)
- Lower caseload in MA nursing facilities. (Medical Assistance Long-Term Care: Facilities)
- Lower utilization of child-care services. (Child Care Assistance Program)
- Implementation of METS Data Mart increases federal BHP funding. (MinnesotaCare)
- Federal BHP funding formula adjustment increases federal BHP funding. (MinnesotaCare)

Forecast Increases:

- Disability waiver average cost and caseload increases. (MA Long-Term Care: Waivers and Home Care)
- Enrollment increases for MA families and MA adults without children. (MA Basic Care: Adults without Children; MA Basic Care: Families with Children)

FY 2022 and FY 2023 Forecasted Expenditures

	FY 2022		FY 2023	
Program	**Total Dollars**	**State Share**	**Total Dollars**	**State Share**
Medical Assistance (MA)	17,028,535,209	5,576,369,203	17,694,020,861	7,296,250,529
LTC Facilities	1,172,349,457	497,785,682	1,274,809,614	591,873,176
LTC Waivers	5,061,065,104	1,773,827,250	5,669,876,732	2,742,284,242
Elderly and Disabled Basic Care[1]	3,450,275,013	1,396,719,870	3,698,130,697	1,825,192,230
Adults without Children Basic Care	3,275,747,247	315,577,732	3,036,659,083	304,805,549
Families with Children Basic Care[2]	4,069,098,389	1,592,458,669	4,014,544,735	1,832,095,332
MinnesotaCare	661,882,934	130,127,113	668,085,982	187,387,085
Chemical Dependency Treatment Fund	161,593,391	83,034,188	195,093,290	93,807,717
Minnesota Family Investment Program (MFIP)[3]	359,571,604	170,540,228	351,802,566	96,183,258
MFIP/TY Child Care Assistance	147,470,837	0	247,279,383	77,115,090
Northstar Care for Children	256,051,785	105,790,405	273,958,098	114,380,646
General Assistance	50,956,709	50,956,709	51,296,863	51,296,863
Housing Support	184,206,324	182,206,324	198,562,474	196,562,474
Minnesota Supplemental Aid	50,775,862	50,775,862	52,754,689	52,754,689
Total	18,901,044,655	6,349,800,032	19,732,854,206	8,165,738,351

1 Includes Elderly Waiver managed care

2 Includes family planning, breast and cervical cancer coverage, pharmacy rebates, special funding items and adjustments

3 Includes cash and food assistance

Medical Assistance

Medical Assistance (MA), Minnesota's Medicaid program, provides preventive and primary health care coverage for low-income Minnesotans. MA has lower income eligibility guidelines and has no premiums, which differentiates it from the state's other health care program, MinnesotaCare. Additionally, MA can pay for nursing facility care for older adults and intermediate care facilities for people with developmental disabilities. It can also cover long-term care services and supports for people with disabilities and older adults so that they can continue living in the community.

Minnesota receives federal matching funds for MA. By accepting matching funds, states are subject to federal Medicaid regulations. States have some flexibility in determining what services are covered, what groups are covered and payment rates to providers. The Minnesota Department of Human Services partners with all 87 Minnesota counties to administer the MA program and contracts with health plans and health care providers across the state to deliver basic health care to MA enrollees.

Medical Assistance is forecasted in five segments: Long-Term Care Facilities, Long-Term Care Waivers, Elderly and Disabled Basic Care, Adults without Children Basic Care and Families with Children Basic Care. Each of these segments is discussed in the following pages.

Who it serves

- 1.2 million average monthly enrollees

How much it costs

- $13.7 billion total spending
- $5.2 billion state funds

Data for FY 2021

November 2021 forecast highlights

General Fund

Changes from the End-of-Session 2021 forecast

- Decrease of $12.0 million in 2020-2021 biennium (-0.1%)
- Increase of $3.3 million in 2022-2023 biennium (+0.0%)
- Increase of $149.1 million in 2024-2025 biennium (+1.0%)

Health Care Access Fund

Changes from the End-of-Session 2021 forecast

- There are no changes to the HCAF share of MA in the November forecast.

Reasons: The November forecast produces a small MA General Fund increase in the 2022-2023 biennium and a larger increase in the 2024-2025 biennium. These net increases are a mix of numerous relatively large changes that partially offset each other. Primary cost drivers include higher recipients and average cost for disability waivers, and higher enrollment and average cost for Adults without Children and Families with Children. These projected costs are offset by increased federal funding (which directly reduces the need for state spending), lower nursing facility recipients, and lower average cost for Elderly and Disabled Basic Care.

The projected MA forecast increases in both the 2022-2023 and 2024-2025 biennia are primarily driven by increases in disability waiver payments resulting from recent data on the two largest waivers, the Developmental Disability (DD) and Community Access for Disability Inclusion (CADI) waivers. Average costs are increased by about 2.6% across both biennia, and recipients increase by 2.3% in this biennium and 3.6% in the next biennium. These CADI and DD increases result in projected costs of $173 million in the 2022-2023 biennium and $271 million in the 2024-2025 biennium. Adding to these projected waiver costs are increased enrollment and average costs for Adults and Families Basic Care. The enrollment increases are due to higher-than-expected actual enrollment and forecast updates to the administrative requirements around the resumption of annual renewals following the end of the PHE. Higher-than-expected actual enrollment results in a projected base increase that extends across both biennia. The PHE adjustments cause a delay in

Continued on next page

Continued from previous page

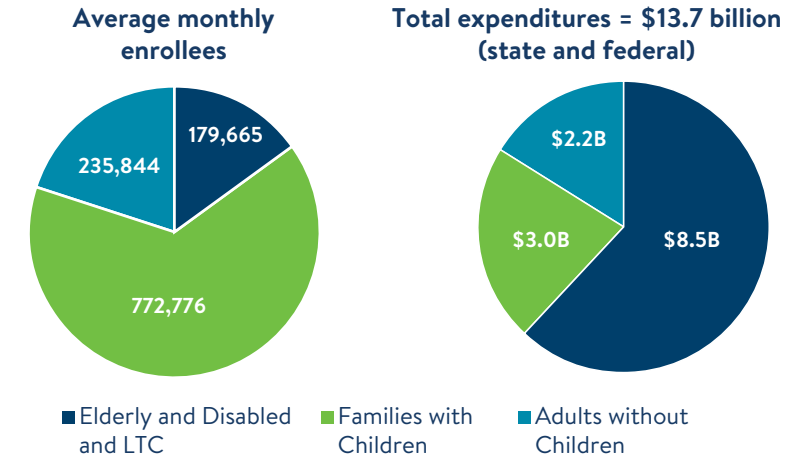
the assumed first month of impacted eligibility due to restarting the annual renewals process, which results in an additional enrollment increase in the 2022-2023 biennium. Since the impact of restarting renewals is expected to be fully realized prior to FY 2024, only the relatively small base increase remains in the 2024-2025 biennium. The basic care average cost increases appear to be a bounce-back following relatively low utilization levels in 2020. The enrollment and average cost increases in Adults and Families Basic Care have a projected cost of $302 million in the 2022-2023 biennium and $193 million in the 2024-2025 biennium.

These MA forecast costs are partially offset by three different sources of additional federal funding, which provides forecast savings by directly replacing state spending. First, due to the recent PHE extension into mid-January, the state is now eligible for a 6.2 percentage point increase in the state's FMAP through March 2022. Prior forecasts assumed this enhanced FMAP ended December 31, 2021, so this change represents an additional quarter of enhanced federal funding. The added quarter of enhanced FMAP is projected to provide $241 million in MA General Fund savings in the 2022-2023 biennium. Second, the state's regular FMAP rate is now scheduled to increase from 50.51% to 50.79% effective October 2022. This results from a calculation of the state's per capita income relative to the rest of the nation with relatively low income resulting in a higher federal share. The higher regular FMAP is projected to provide MA General Fund savings of $27 million in the 2022-2023 biennium and $87 million in the 2024-2025 biennium. Third, this forecast includes additional federal Children's Health Insurance Program (CHIP) funding for certain MA children. The creation and implementation of the METS Data Mart has allowed DHS to identify a higher percentage of MA children who are income eligible for the CHIP enhanced federal match, which results in increased federal funding to the state. Additional federal CHIP funding results in General Fund forecast savings of $20 million in the 2022-2023 biennium and $33 million in the 2024-2025 biennium.

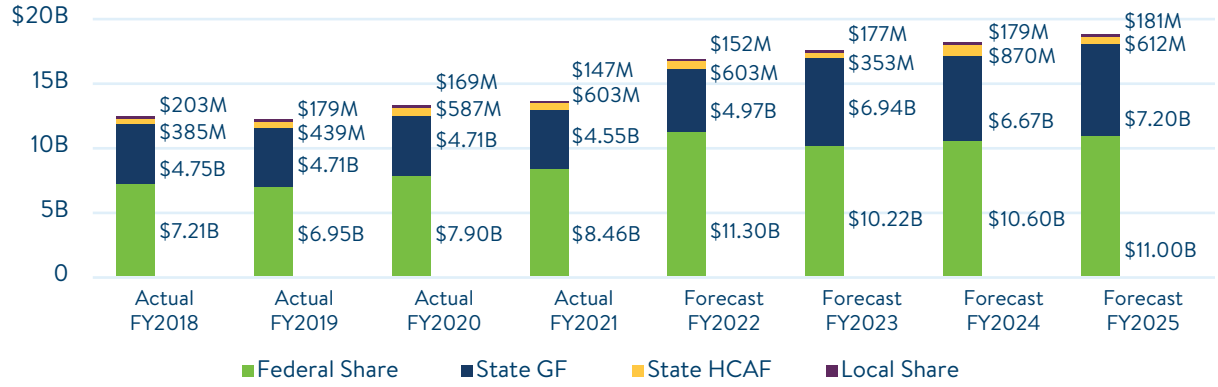
The overall MA forecast increases in both biennia are also partially offset by lower nursing facility caseload and lower average cost in MA Elderly and Disabled Basic Care. Lower nursing facility caseload results in a forecast reduction of $92 million in the 2022-2023 biennium and $79 million in the 2024-2025 biennium. Forecast savings also result from lower average cost for Elderly and Disabled, including both FFS and managed care. These average cost reductions reflect a FFS base reduction due to lower-than-expected actual spending and a lower-than-expected base trend used in developing 2022 managed care rates. Overall, lower projected average cost for Elderly and Disabled results in a $70 million forecast decrease in the 2022-2023 biennium and a $101 million decrease in the 2024-2025 biennium.

Finally, a new directed payment to Hennepin County has been added to MA managed care rates in the 2022 contract. However, this directed payment is cost neutral to the state budget because the state cost of the directed payment in the rates is offset by dedicated revenue from Hennepin County.

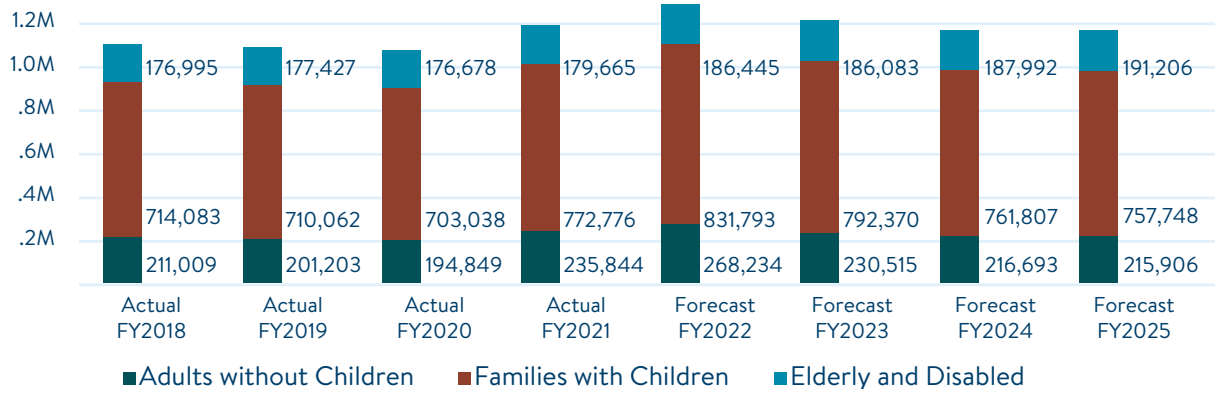
Medical Assistance Enrollment and Expenditures: FY2021



Total MA expenditures by fund



MA enrollment by eligibility category



Historical table

	Medical Assistance Program: Total Expenditures (All Funds)	
FY	Total $	% Change
2010	$7,235,667,652	
2011	7,530,059,117	4.07%
2012	8,241,120,196	9.44%
2013	8,045,603,494	(2.37%)
2014	9,265,114,945	15.16%
2015	10,584,571,411	14.24%
2016	11,225,214,682	6.05%
2017	10,888,487,327	(3.00%)
2018	12,548,729,798	15.25%
2019	12,280,201,965	(2.14%)
2020	13,368,736,350	8.86%
2021	13,763,155,263	2.95%
2022*	17,028,535,209	23.73%
2023*	17,694,020,861	3.91%
2024*	18,326,395,683	3.57%
2025*	18,997,701,687	3.66%
Avg. Annual Increase 2010-2021		6.37%

**Projected*

Beginning in FY 2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Long-Term Care:
Facilities

Medical Assistance pays for long-term care services for people who live in facilities that provide 24-hour care and supervision. Nursing facilities across Minnesota provide all-inclusive packages of services including nursing care, help with activities of daily living, medication administration, meals and housing. Care provided under this segment of MA also includes intermediate care facilities and day training and habilitation for people with developmental disabilities.

Who it serves

- 13,200 average monthly recipients

How much it costs

- $1.1 billion total spending
- $460 million state funds

Data for FY 2021

Alternative Care

The Alternative Care (AC) waiver provides home and community based services for people age 65 and older at risk of Nursing Facility placement who do not currently meet financial eligibility requirements for MA, but would be expected to spend down to MA eligibility within 135 days after entering a Nursing Facility. The state share of AC is financed through a fixed appropriation with unspent funds canceling to MA.

November 2021 forecast highlights

General Fund

Changes from the End-of-Session 2021 forecast

- Decrease of $20.8 million in 2020-2021 biennium (-2.2%)
- Decrease of $126.0 million in 2022-2023 biennium (-10.8%)
- Decrease of $99.1 million in 2024-2025 biennium (-7.6%)

Reasons: The largest fiscal impact in this segment of the forecast comes from a reduction in the nursing facility fee-for-service (FFS) recipient forecast. With this forecast we have more complete data from early 2021 that show that the COVID wave that affected Minnesota last winter had an even bigger impact on the MA nursing facility caseload than the initial spring 2020 wave. In FY 2021, the year most impacted by the pandemic, the average number of nursing facility recipients served through MA FFS fell 11.7% from the previous year. To place that in some context, the pre-pandemic nursing facility caseload had previously been quite stable for several years, slightly declining at an annual rate of 1.1%. There have been moderate caseload increases in recent months. However, with the pandemic effects persisting, together with continuing pressures contributing to long-run declines in nursing facility use, there is little reason to expect a sharp rebound in the caseload. The November forecast expects only slow recovery in the nursing facility caseload through the forecast horizon, still remaining well below previous forecast levels (-7.8% this biennium, -6.7% next biennium). This results in General Fund forecast reductions of $92 million in the 2022-2023 biennium and $79 million in the 2024-2025 biennium.

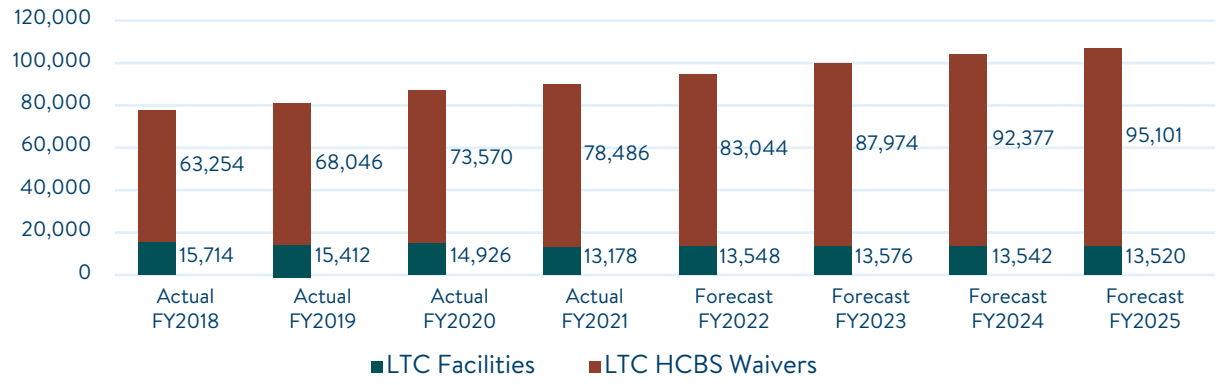
Continued on next page

Continued from previous page

Further decreases in the forecast result from the Intermediate Care Facilities (ICF) caseload, adjusted downward about 11.1% due to recent data and resulting in $11 million forecast savings in both biennia. The ICF recipient caseload has experienced a strong downward trend since 2017. The previous forecast had expected that trend to moderate, but the FY 2021 caseload showed a 12% year-to-year decrease.

Increased federal funding from three different sources also contributes to the overall MA facilities forecast reductions. First, the share of nursing facility recipients who receive the higher FMAP (90%) as MA Adults without Children continues to increase. The most recent data showed a 4.4% share of nursing facility FFS payments went to MA Adults. The November forecast increases the projected share from 4.0% to 4.5%, resulting in additional federal funding and corresponding General Fund savings of $4 million in the 2022-2023 biennium and $5 million in the 2024-2025 biennium. Second, a recent 90-day extension in the federal PHE means that it now officially extends into mid-January 2022. As a result, the state is now eligible for the 6.2 percentage point enhanced federal funding through March 2022. The additional quarter of enhanced federal match accounts for $19 million of the General Fund reduction in the 2022-2023 biennium. Finally, the increase in regular FMAP from 50.51% to 50.79% beginning October 2022 accounts for General Fund reductions of $3 million in the 2022-2023 biennium and $8 million in the 2024-2025 biennium.

Long-term care facilities and waivers: Average monthly recipients



Medical Assistance Long-Term Care: Waivers and Home Care

Medical Assistance also pays for people to receive long-term care waivers, long-term care services and supports, or home care services in their homes and communities. Long-Term Care waivers, also known as Home and Community-Based Services (HCBS) waivers, are an alternative for people who need long-term care services but who do not choose to live in a nursing facility, intermediate care facility or hospital. The federal government allows states to apply for long-term care waivers, which provide a variety of services that help people live in the community instead of in a facility or institution. Waivers include the Elderly Waiver (EW) and the four disability waivers: Developmental Disabilities (DD), Community Access for Disability Inclusion (CADI), Community Alternative Care (CAC) and Brain Injury (BI). Care provided under this segment of MA also includes Personal Care Assistance (PCA), Home Care Nursing, Housing Stabilization Services and Home Health Agency.

Who it serves

- 78,500 average monthly recipients

How much it costs

- $4.5 billion total spending
- $2.0 billion state funds

Data for FY 2021

November 2021 forecast highlights

General Fund

Changes from the End-of-Session 2021 forecast

- Increase of $17.9 million in 2020-2021 biennium (+0.5%)
- Increase of $94.4 million in 2022-2023 biennium (+2.1%)
- Increase of $225.3 million in 2024-2025 biennium (+4.0%)

Reasons: The forecast increase for MA Waivers and Home Care is primarily driven by increases to the base CADI and DD waiver recipient and average payment forecasts. Jointly, the average payment impact is $91 million in the 2022-2023 biennium, two-thirds of which comes from CADI. Actual CADI average payments were about 3.5% higher than previously forecast by the end of FY 2021. This is mostly attributable to higher-than-expected Customized Living Services payments. DD average payments were also higher than previously forecast. Part of that difference is short-term as it relates to day services reductions built into the forecast during the pandemic which, by the end of FY 2021, appear to have been largely offset by other services. The rest of the increase is related to a technical change recognizing that DD has a higher proportion of payments paid at Disability Waiver Rate System (DWRS) rates than other waivers.

Caseload increases in CADI and DD account for $82 million of forecast increase in the 2022-2023 biennium. Previous forecasts had assumed a short-term bubble in disability waiver caseloads during the pandemic as federal rules placed additional restrictions on disenrolling individuals from the waivers during the PHE. Actual FY 2021 caseload data came in very close to forecast. The indirect data we have on waiver use, however, indicates that it is unlikely the PHE rules had much impact. A more appropriate interpretation of the FY 2021 data appears to be that there was more base caseload growth than had been previously expected, and it is likely to persist. Therefore the November forecast replaces the previously expected short-term growth with longer-term growth. The forecasted caseload trend is increased in both CADI (2.8% in this biennium and 3.7% in the next biennium) and DD (1.7% this biennium and 4.0% in the next biennium).

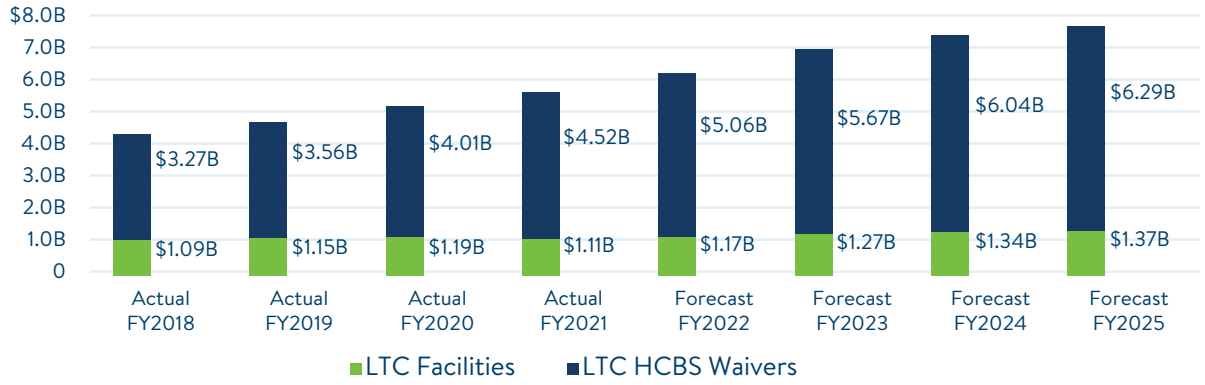
Additional forecast increases result from a delay in implementation of Community First Services and Supports (CFSS), which will replace PCA in the 2022-2023 biennium. Under CFSS, a large portion of PCA services will receive an additional 6% federal share. The November forecast recognizes a delay in implementation to June 2022, resulting in an estimated $45 million General Fund increase in FY 2022-FY 2024. Most of this cost ($33 million) is in MA Waivers and Home Care, with the remainder in MA Elderly and Disabled Basic Care.

Continued on next page

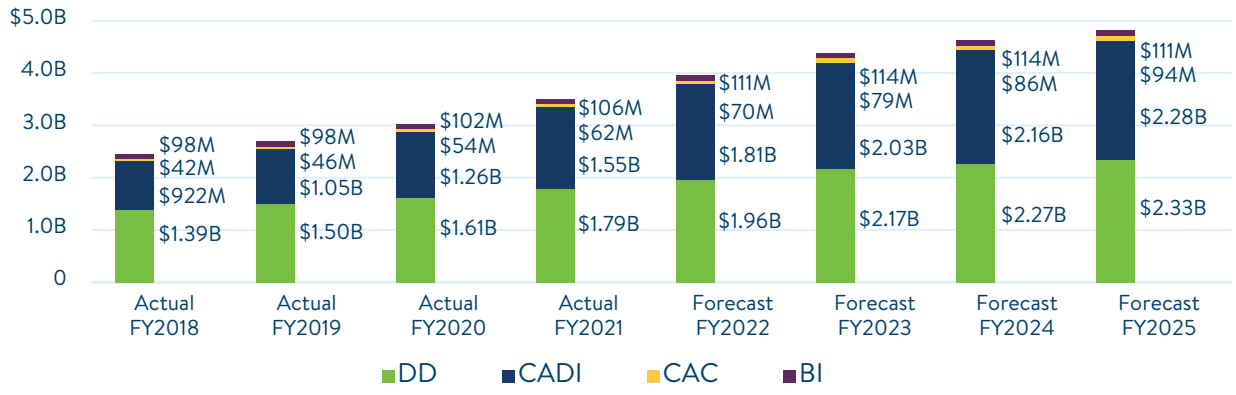
Continued from previous page

Partially offsetting these increases are an 11% reduction in the Home Care Nursing forecast, based on FY 2021 recipient and average cost data that were lower than expected. Additional reductions result from increased federal funding. A recent 90-day extension in the federal PHE means that it now officially extends into mid-January 2022. As a result, the state is now eligible for the 6.2 percentage point enhanced federal funding through March 2022. The additional quarter of enhanced federal match accounts for $82 million of the General Fund reduction in the 2022-2023 biennium. The increase in regular FMAP from 50.51% to 50.79% beginning October 2022 accounts for General Fund reductions of $12 million in the 2022-2023 biennium and $34 million in the 2024-2025 biennium.

Long-term care facilities and waivers expenditures — all funds



Disability waivers expenditures — all funds



Historical Table

	A: Long Term Care (LTC) Facilities		B: LTC Waivers (Home & Community Based Services)		A + B = Total LTC	
FY	Total $	% Change	Total $	% Change	Total $	% Change
2010	$1,000,836,209		$2,053,318,327		$3,054,154,537	
2011	964,666,727	(3.61%)	2,179,651,151	6.15%	3,144,317,878	2.95%
2012	945,566,280	(1.98%)	2,223,655,096	2.02%	3,169,221,376	0.79%
2013	920,580,121	(2.64%)	2,260,064,090	1.64%	3,180,644,211	0.36%
2014	928,436,824	0.85%	2,446,905,605	8.27%	3,375,342,429	6.12%
2015	924,087,037	(0.47%)	2,797,274,346	14.32%	3,721,361,383	10.25%
2016	974,634,622	5.47%	2,878,037,420	2.89%	3,852,672,043	3.53%
2017	1,078,833,590	10.69%	3,040,609,756	5.65%	4,119,443,345	6.92%
2018	1,087,985,308	0.85%	3,270,556,814	7.56%	4,358,542,122	5.80%
2019	1,154,228,650	6.09%	3,558,835,259	8.81%	4,713,063,909	8.13%
2020	1,190,569,963	3.15%	4,009,994,313	12.68%	5,200,564,275	10.34%
2021	1,110,015,824	(6.77%)	4,518,911,142	12.69%	5,628,926,967	8.24%
2022*	1,172,349,457	5.62%	5,061,065,104	12.00%	6,233,414,561	10.74%
2023*	1,274,809,614	8.74%	5,669,876,732	12.03%	6,944,686,346	11.41%
2024*	1,340,974,682	5.19%	6,039,111,549	6.51%	7,380,086,231	6.27%
2025*	1,367,037,041	1.94%	6,292,438,089	4.19%	7,659,475,130	3.79%
Avg. Annual Increase 2010-2021		0.95%		7.43%		5.72%

**Projected*

Medical Assistance Basic Care:
Elderly and Disabled

This program covers general medical care for elderly and disabled Medical Assistance enrollees. People eligible to receive basic care services are 65 years or older, blind or have a disability. Their income and assets must also fall below allowable limits. For almost all of the elderly and for about 50 percent of the disabled who have Medicare coverage, Medical Assistance acts as a Medicare supplement paying premiums and cost sharing. For those who are not eligible for Medicare, Medical Assistance pays for all their medical care. Also included in this segment are MA enrollees who are residents in an Institute for Mental Disease (IMD). Covered services for these individuals would be eligible for federally-matched MA if they did not reside in a facility which is designated by federal regulations as an IMD. Being a resident in an IMD makes covered services for these individuals ineligible for federal matching. Elderly Waiver managed care is also included in this section because it is paid as an add-on to the Elderly Basic Care capitation payment.

Who it serves

- 179,700 average monthly enrollees

How much it costs

- $2.9 billion total spending
- $1.3 billion state funds

Data for FY 2021

November 2021 forecast highlights

General Fund

Changes from the End-of-Session 2021 forecast

- Decrease of $29.2 million in 2020-2021 biennium (-0.9%)
- Decrease of $89.0 million in 2022-2023 biennium (-2.3%)
- Decrease of $18.9 million in 2024-2025 biennium (-0.4%)

Reasons: The November forecast reductions for MA Elderly and Disabled Basic Care are the result of additional federal funding and lower average cost projections partially offset by higher federal Part D clawback payments.

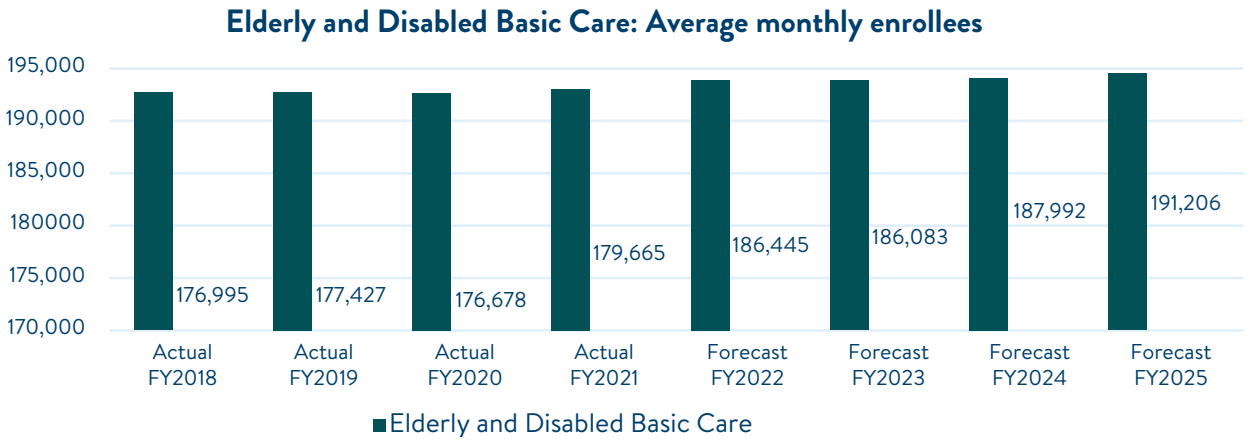
The November forecast includes two different sources of additional federal funding for MA Elderly and Disabled. States are eligible for a 6.2 percentage point increase in the state's FMAP throughout the quarter which includes the final day of the PHE. A recent 90-day extension in the federal PHE means that it now officially extends into mid-January 2022. As a result, the state is now eligible for the 6.2 percentage point enhanced federal funding, which directly replaces General Fund spending, through March 2022. This additional quarter of enhanced federal funding accounts for $64 million in General Fund savings in the 2022-2023 biennium. Also, the state's regular FMAP rate is now scheduled to increase from 50.51% to 50.79% effective October 2022. This results from a calculation of the state's per capita income relative to the rest of the nation with relatively low income resulting in a higher federal share. This higher FMAP rate is projected to provide $6 million in General Fund savings in the 2022-2023 biennium and $23 million in the 2024-2025 biennium.

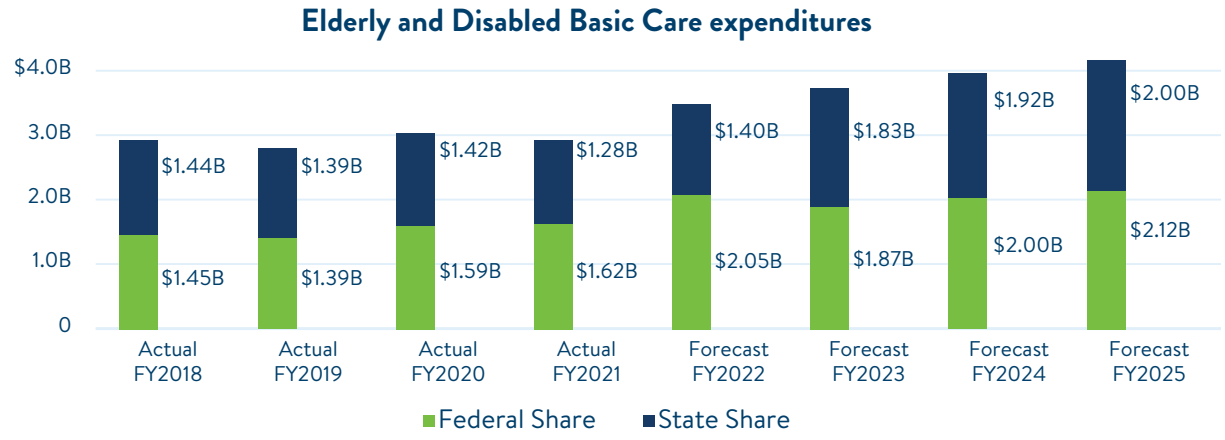
Average cost projections for MA Elderly and Disabled are lower in the November forecast, including both FFS and managed care. Roughly one-quarter of this decrease is FFS with the remaining three-quarters being managed care. This population didn't experience the same level of utilization reductions as families or single adults in 2020. The average cost reductions for Elderly and Disabled reflect a FFS base reduction due to lower-than-expected actual spending and a lower-than-expected base trend used in developing 2022 managed care rates. Overall, lower average cost for this population results in forecast reductions of $70 million in the 2022-2023 biennium and $101 million in the 2024-2025 biennium.

Continued on next page

Continued from previous page

These projected savings are partially offset by higher federal Part D clawback payments in the November forecast. Beginning in 2006, the Medicare benefit set expanded to include prescription drug coverage. For dual eligibles (i.e. individuals enrolled in both Medicaid and Medicare), prescription drug coverage had previously been provided through Medicaid with federal and state shares. To help pay for this expanded Medicare coverage, the federal government bills each state an amount roughly equal to what the state would have paid if prescription drug coverage were still provided through Medicaid for dual eligibles. These payments from states to the federal government are known as Part D clawback payments. The federal per-person Part D clawback charge rate is expected to increase by 7% in CY 2022. This results in increased federal clawback payments of $29 million in the 2022-2023 biennium and $36 million in the 2024-2025 biennium.





Historical Table

	Elderly & Disabled Basic Care	
FY	Total $	% Change
2010	$2,002,677,746	
2011	2,010,217,822	0.38%
2012	2,118,181,376	5.37%
2013	2,087,793,116	(1.43%)
2014	2,500,339,126	19.76%
2015	2,343,980,418	(6.25%)
2016	2,580,811,749	10.10%
2017	2,525,666,619	(2.14%)
2018	2,894,549,433	14.61%
2019	2,780,093,762	(3.95%)
2020	3,011,306,799	8.32%
2021	2,903,228,285	(3.59%)
2022*	3,450,275,013	18.84%
2023*	3,698,130,697	7.18%
2024*	3,924,449,532	6.12%
2025*	4,118,226,595	4.94%
Avg. Annual Increase 2010-2021		3.64%

**Projected*

Beginning in FY 2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Basic Care:
Adults without Children

In March 2011, Minnesota elected to implement the early expansion of MA eligibility for Adults without Children with income up to 75% of the federal poverty level under the Affordable Care Act. In January 2014, Minnesota implemented full expansion of MA eligibility up to 138% of the federal poverty level for this population. Currently, at 138% federal poverty levels, the income eligibility limit for a single adult to be covered under this program is $17,774 per year.

As Minnesota's newly eligible expansion population under the Affordable Care Act, this segment of MA received 100% federal match from Calendar Year (CY) 2014 through CY 2016. Beginning in CY 2017, the federal match rate stepped down each year until it hit 90% in CY 2020. This now becomes the ongoing fixed federal match rate for this expansion population.

Who it serves

- 235,800 average monthly enrollees

How much it costs

- $2.2 billion total spending
- $217 million state funds

Data for FY 2021

November 2021 forecast highlights

General Fund

Changes from the End-of-Session 2021 forecast

- Decrease of $3.7 million in 2020-2021 biennium (-1.0%)
- Increase of $89.1 million in 2022-2023 biennium (+17.0%)
- Increase of $76.3 million in 2024-2025 biennium (+14.6%)

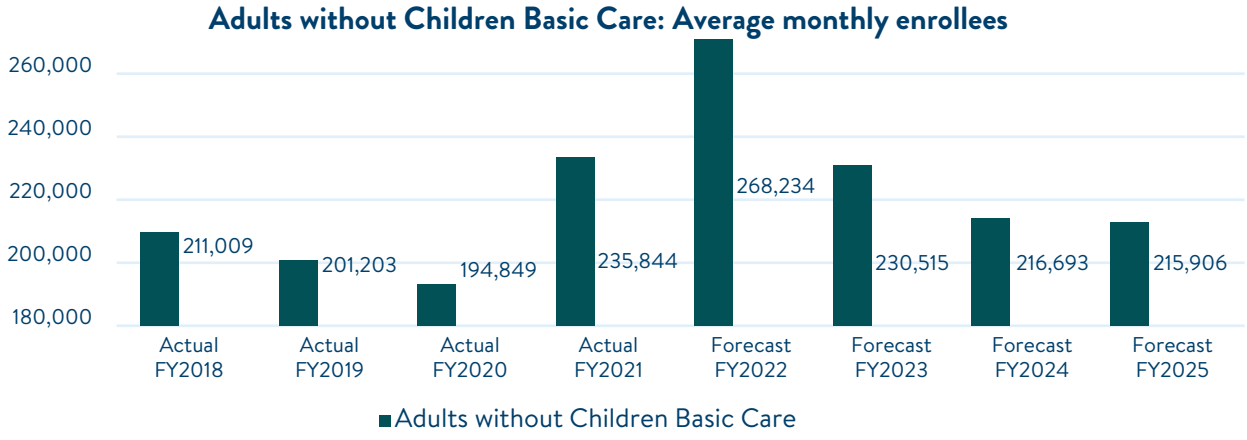
Reasons: The November forecast increases for MA Adults without Children Basic Care are the result of upward adjustments to both enrollment and average cost. Note that, since federal funding for this expansion group is fixed at 90% of total costs, there is no enhanced federal match for this population from the PHE extension.

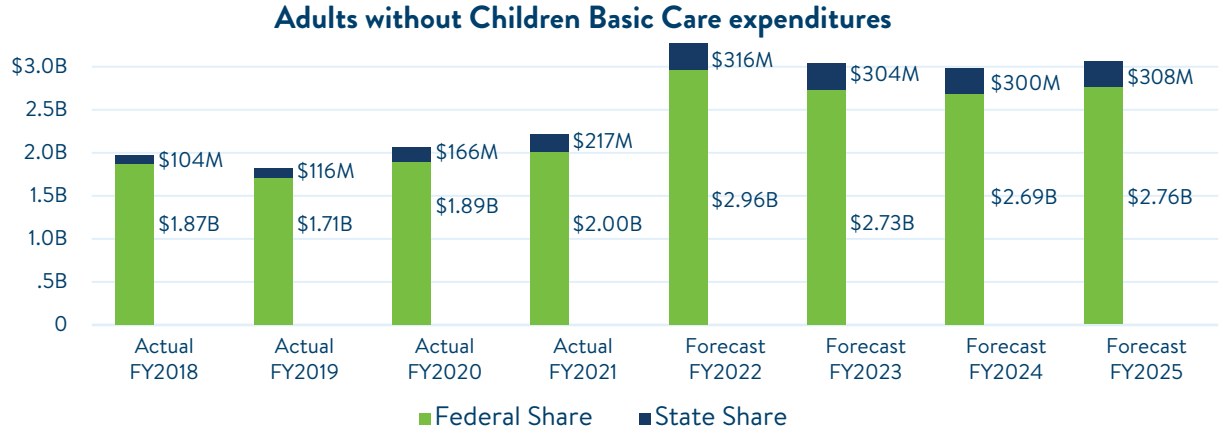
Actual enrollment data from the past few months are higher than prior projections resulting in a base increase affecting both the 2022-2023 and 2024-2025 biennia. There are a couple possible contributing factors for higher-than-expected actual enrollment. First, there is some empirical evidence that suggests the federal continuous coverage requirements under the PHE are contributing to higher enrollment levels than previously projected. Second, despite lower levels of unemployment, labor force participation has fallen in 2021 as some people have stopped actively looking for jobs. Labor force participation rates have been historically steady and the forecast models don't fully account for relatively large changes. So, while lower levels of unemployment lead to lower enrollment projections, significantly lower participation rates could be contributing to higher-than-expected enrollment since those who leave the labor force may qualify for MA coverage but aren't generally picked up in the forecast models. Enrollment adjustments were also made to reflect updates to the administrative requirements around the resumption of annual renewals following the end of the PHE. Prior forecasts assumed that the PHE would end December 31, 2021, and that the first month eligibility would be impacted by restarting annual renewals would be January 2022. Based on an updated understanding of recent federal guidance and proper notice requirements, the November forecast assumes that the first month that eligibility will be impacted is April 2022. This represents a delay in the eligibility impact of resuming annual renewals, resulting in higher enrollment in FY 2022 and FY 2023. Since the impact of restarting renewals is expected to be fully realized prior to FY 2024, only the relatively small base increase remains in the 2024-2025 biennium. Higher enrollment results in a projected $46 million forecast increase in the 2022-2023 biennium and $5 million in the 2024-2025 biennium.

Continued on next page

Continued from previous page

Average cost projections for MA Adults without Children are also higher in the November forecast, including both FFS and managed care. About two-thirds of this increase is FFS with the remaining one-third being managed care. This appears to be a bounce-back in average cost following relatively low utilization levels in 2020. Higher average cost for this population results in a projected $34 million forecast increase in the 2022-2023 biennium and a $53 million increase in the 2024-2025 biennium.





Historical table

	Adults without Children Basic Care	
FY	Total $	% Change
2011	$106,865,468	
2012	819,539,240	666.89%
2013	792,232,465	(3.33%)
2014[1]	1,063,752,126	34.27%
2015	1,694,519,567	59.30%
2016	1,658,897,539	(2.10%)
2017	1,756,135,556	5.86%
2018	1,970,490,317	12.21%
2019	1,823,780,554	(7.45%)
2020	2,060,499,313	12.98%
2021	2,221,469,075	7.81%
2022*	3,275,747,247	47.46%
2023*	3,036,659,083	(7.30%)
2024*	2,986,158,724	(1.66%)
2025*	3,068,884,060	2.77%
Avg. Annual Increase 2012-2021		12.76%

**Projected*

1 2014 and 2015 reflect increases due to implementation of full expansion for this population

Beginning in FY 2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Basic Care:
Families with Children

This activity funds general medical care for children, parents and pregnant women, including families receiving Minnesota Family Investment Program (MFIP) and those with transition coverage after exiting MFIP. This segment also includes funding for Family Planning Services and for Breast and Cervical Cancer coverage. This segment also includes non-citizens who are ineligible for federal Medicaid match, but almost all of whom are eligible for enhanced federal Children's Health Insurance Program (CHIP) funding.

Enhanced federal CHIP funding is also available for children with family income over 133% of the federal poverty level. This funding supplements the regular 50% Medicaid match with an additional enhanced federal match, within the limits of Minnesota's CHIP allocation from the federal government.

Who it serves

- 772,800 average monthly enrollees

How much it costs

- $3.0 billion total spending
- $1.2 billion state funds

Data for FY 2021

November 2021 forecast highlights

General Fund

Changes from the End-of-Session 2021 forecast

- Increase of $23.8 million in 2020-2021 biennium (+1.0%)
- Increase of $34.6 million in 2022-2023 biennium (+1.1%)
- Decrease of $34.4 million in 2024-2025 biennium (-1.0%)

Reasons: The November forecast increase for MA Families with Children Basic Care in the 2022-2023 biennium is the result of upward adjustments to both enrollment and average cost partially offset by increased federal funding, higher pharmacy rebate collections, and a higher amount of dedicated revenue allocated to this budget activity. These areas of projected savings more than offset the enrollment and average cost increases in the 2024-2025 biennium resulting in a net forecast reduction.

Actual enrollment data from the past few months are higher than prior projections resulting in a base increase affecting both the 2022-2023 and 2024-2025 biennia. There are a couple possible contributing factors for higher-than-expected actual enrollment. First, there is some empirical evidence that suggests the federal continuous coverage requirements under the PHE are contributing to higher enrollment levels than previously projected. Second, despite lower levels of unemployment, labor force participation has fallen in 2021 as some people have stopped actively looking for jobs. Labor force participation rates have been historically steady and the forecast models don't fully account for relatively large changes. So, while lower levels of unemployment lead to lower enrollment projections, significantly lower participation rates could be contributing to higher-than-expected enrollment since those who leave the labor force may qualify for MA coverage but aren't generally picked up in the forecast models. Enrollment adjustments were also made to reflect updates to the administrative requirements around the resumption of annual renewals following the end of the PHE. Prior forecasts assumed that the PHE would end December 31, 2021, and that the first month eligibility would be impacted by restarting annual renewals would be January 2022. Based on an updated understanding of recent federal guidance and proper notice requirements, the November forecast assumes that the first month that eligibility will be impacted is April 2022. This represents a delay in the eligibility impact of resuming annual renewals, resulting in higher enrollment in FY 2022 and FY 2023. Since the impact of restarting renewals is expected to be fully realized prior to FY 2024, only the relatively small base increase remains in the 2024-2025 biennium. Higher enrollment results in a projected $175 million forecast increase in the 2022-2023 biennium and $75 million in the 2024-2025 biennium.

Continued on next page

Continued from previous page

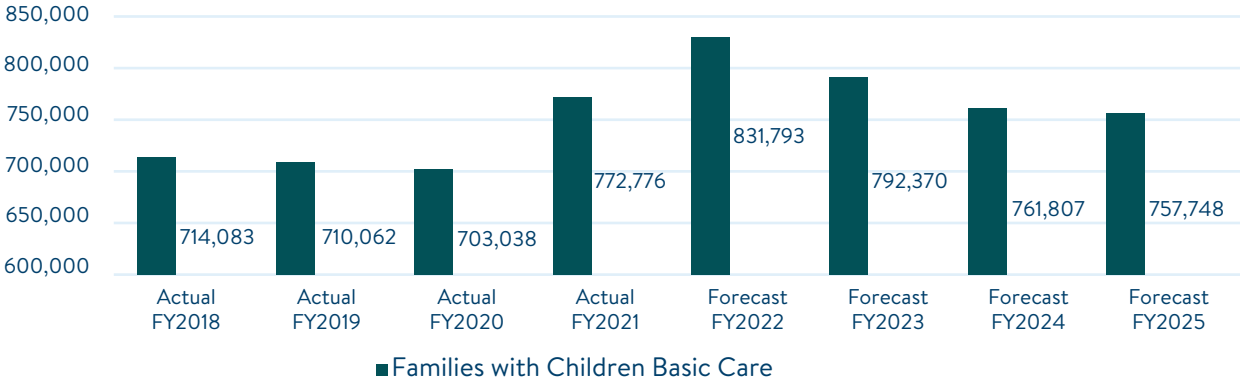
Average cost projections for MA Families with Children are also higher in the November forecast, including both FFS and managed care. About three-quarters of this increase is FFS with the remaining one-quarter being managed care. As with MA Adults, this appears to be a bounce-back in average cost following relatively low utilization levels in 2020. Higher average cost for this population results in a $47 million forecast increase in the 2022-2023 biennium and a $59 million increase in the 2024-2025 biennium.

A recent extension in the federal PHE results in additional federal funding in the November forecast. States are eligible for a 6.2 percentage point increase in the state's FMAP throughout the quarter which includes the final day of the PHE. Since the PHE now officially extends into mid-January 2022, the state is now eligible for this enhanced federal funding, which directly replaces General Fund spending, through March 2022. The additional quarter of enhanced federal funding is projected to provide $73 million in savings for MA Families with Children in the 2022-2023 biennium. Further, the state's regular FMAP rate is now scheduled to increase from 50.51% to 50.79% effective October 2022. This results from a calculation of the state's per capita income relative to the rest of the nation with relatively low income resulting in a higher federal share. This higher FMAP rate is projected to provide forecast savings for MA Families with Children of $7 million in the 2022-2023 biennium and $23 million in the 2024-2025 biennium.

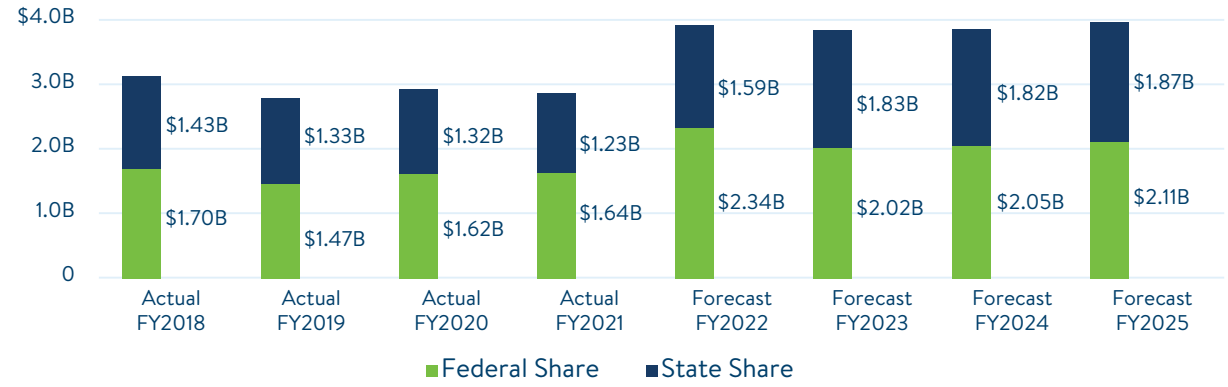
Increased federal funding through the Children's Health Insurance Program (CHIP) for certain MA children also results in forecast savings. Higher enrollment projections lead to increased numbers of MA children eligible for CHIP enhanced federal match, which directly replaces General Fund spending on these children. Further, the creation and implementation of the METS Data Mart has allowed DHS to identify a higher percentage of MA children who are income eligible for the CHIP enhanced match, which results in increased

Continued on next page

Families with Children Basic Care: Average monthly enrollees



Families with Children Basic Care expenditures



Continued from previous page

federal funding to the state. Higher federal CHIP funding in the November forecast results in state forecast reductions of $20 million in the 2022-2023 biennium and $33 million in the 2024-2025 biennium.

Additional pharmacy rebates, due to higher projected enrollment, also provide state forecast savings. Pharmacy rebate collections directly reduce the need for General Fund spending on program costs. The projected increase in pharmacy rebates result forecast reductions of $24 million in the 2022-2023 biennium and $20 million in the 2024- 2025 biennium.

Historical Table

	Families with Children Basic Care	
FY	Total $	% Change
2010	$2,178,835,369	
2011	2,268,657,949	4.12%
2012	2,134,178,204	(5.93%)
2013	1,984,933,703	(6.99%)
2014	2,325,681,264	17.17%
2015	2,824,710,042	21.46%
2016	3,132,833,352	10.91%
2017	2,487,241,806	(20.61%)
2018	3,325,147,926	33.69%
2019	2,963,263,740	(10.88%)
2020	3,096,365,963	4.49%
2021	3,009,530,937	(2.80%)
2022*	4,069,098,389	35.21%
2023*	4,014,544,735	(1.34%)
2024*	4,035,701,197	0.53%
2025*	4,151,115,902	2.86%
Avg. Annual Increase 2010-2021		3.72%

**Projected*

Includes family planning, breast and cervical cancer coverage, pharmacy rebates, special funding items and adjustments

Beginning in FY 2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

MinnesotaCare

MinnesotaCare provides health care coverage for low-income parents and adults without children who have higher income than those served on the Medical Assistance program as well as legal noncitizens who are ineligible for MA. Unlike MA, MinnesotaCare requires enrollee premiums and does not include coverage for long-term care services or supports.

Effective January 2015, MinnesotaCare operates as the state's Basic Health Program (BHP). As a BHP, MinnesotaCare no longer receives federal funding in the form of a percentage expenditure match. Instead, the state receives a per person subsidy equal to 95% of the premium tax credits each BHP enrollee would have received through MNsure had the state opted against running a BHP.

MinnesotaCare also provides state-only funded coverage for people with Deferred Action for Childhood Arrivals (DACA) status and certain elderly individuals who do not qualify for Medicare and are not MA or BHP eligible. Overall, MinnesotaCare is funded with a mix of enrollee premiums, Health Care Access Fund (HCAF) appropriations, and federal BHP funds (for the BHP eligible population).

Who it serves

- 92,900 average monthly enrollees

How much it costs

- $536 million total spending
- $33 million state funds

Data for FY 2021

November 2021 forecast highlights

Health Care Access Fund

Changes from the End-of-Session 2021 forecast

- Decrease of $1.0 million in 2020-2021 biennium (-1.6%)
- Decrease of $44.7 million in 2022-2023 biennium (-12.3%)
- Decrease of $160.8 million in 2024-2025 biennium (-36.2%)

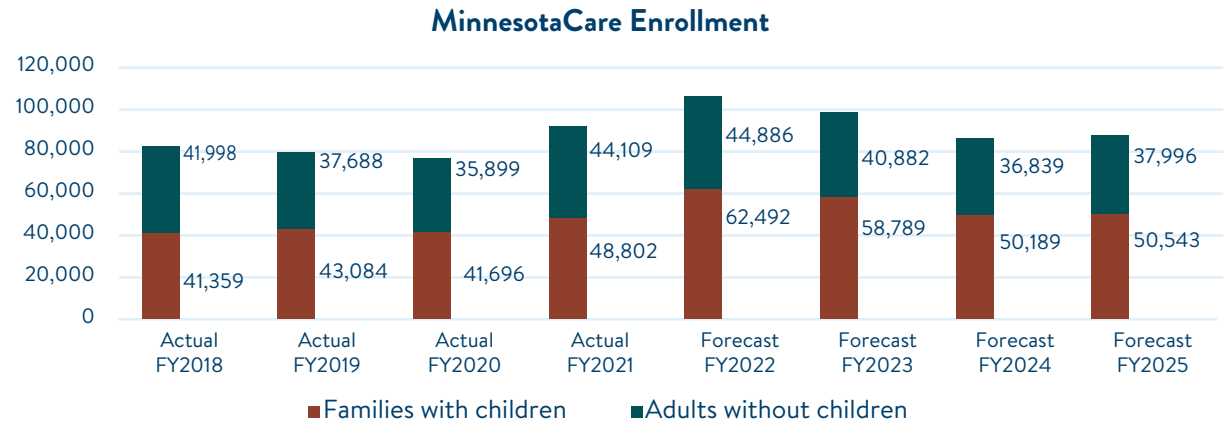
Reasons: The November forecast reduction in projected HCAF spending in the 2022-2023 and 2024-2025 biennia result from two primary drivers within the BHP.

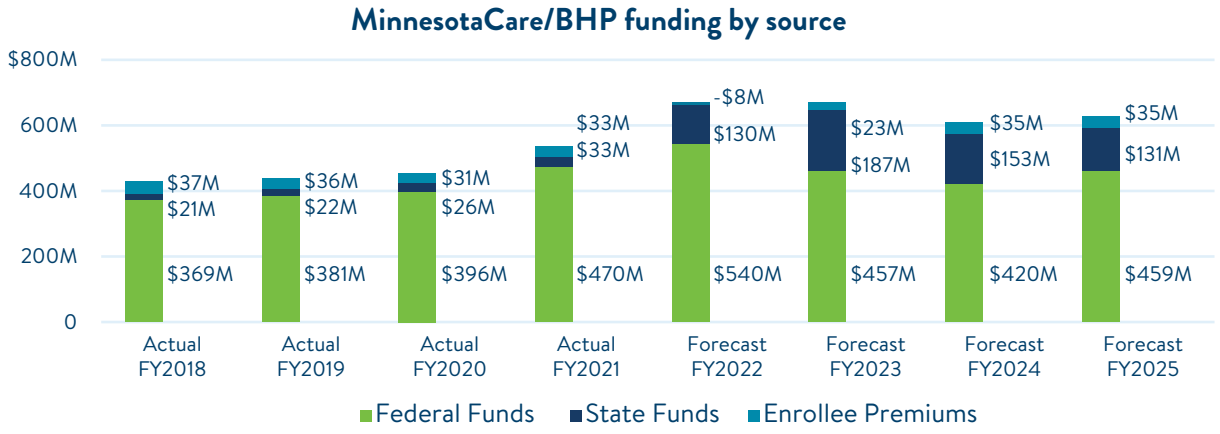
The first is the creation and implementation of the METS Data Mart, which allows DHS to identify and include more eligible enrollees in the federal BHP reconciliation process. Federal BHP reconciliation is a final settle-up of our prospective quarterly federal awards based on the demographics of actual enrollment in each quarter. Prior to the METS Data Mart, DHS was only able to generate a full reconciliation record for about 95% of our eligible BHP population due to mismatches between the eligibility system (METS) and the claims payment system (MMIS). The new METS Data Mart configures BHP program data into a normalized relational model, which makes detailed information on enrollees in the source system more readily available for back-end reporting and results in more complete and accurate reconciliation records. The METS Data Mart became operational in February 2021 following a year of development and immediately increased the average match rate by 3 percentage points, from 95% to 98%. In some historical quarters, the match rate using the METS Data Mart approaches 100%. DHS' ability to include more eligible BHP enrollees in the settle-up process provides the state with additional federal BHP funding which directly reduces the need for state HCAF funding. Since its implementation, DHS has already used the METS Data Mart to reconcile federal BHP funding for CY 2018 and is currently in the process of reconciling quarters in CY 2019. The November forecast includes the impact of the METS Data Mart in the reconciliation process which results in a projected $99 million state HCAF savings during the current forecast horizon.

Continued on next page

Continued from previous page

The second driver of HCAF savings is an adjustment to the federal BHP funding formula beginning in CY 2023. The Premium Adjustment Factor (PAF) was added to the federal BHP payment methodology in the settlement of the 2018 lawsuit, which was prompted by the federal government ceasing to fund the Cost Sharing Reduction (CSR) equation in the BHP funding formula. However, at the time, the Centers for Medicare and Medicaid Services (CMS) was clear that the PAF would be reconsidered in future payment methodologies. Since then, there have been four years of proposed and final payment methodologies that have all included the PAF, so the November forecast now recognizes this factor as a permanent addition to the federal BHP payment methodology. This effectively adds the PAF to the projected federal BHP funding formula in CY 2023, CY 2024, and CY 2025, and accounts for the remaining projected HCAF savings in the November forecast.





Historical table

	MinnesotaCare Total Expenditures	
FY	Total $	% Change
2010	$665,498,191	
2011	737,952,071	10.89%
2012	551,090,615	(25.32%)
2013	569,928,239	3.42%
2014	520,005,344	(8.76%)
2015	509,709,341	(1.98%)
2016	479,909,046	(5.85%)
2017	397,211,084	(17.23%)
2018	426,581,871	7.39%
2019	438,234,552	2.73%
2020	452,643,878	3.29%
2021	536,099,023	18.44%
2022*	661,882,934	23.46%
2023*	668,085,982	0.94%
2024*	606,862,022	(9.16%)
2025*	625,054,810	3.00%
Avg. Annual Decrease 2010-2021		(1.95%)

**Projected*

Chemical Dependency Treatment Fund

The Chemical Dependency (CD) Treatment Fund pays for residential and outpatient substance use disorder treatment services for eligible low-income Minnesotans. To access treatment services paid by the fund, individuals must first be assessed for treatment need and meet financial eligibility guidelines similar to those for Medical Assistance. As part of substance use disorder reform efforts passed in the 2017 legislature, the State is currently transitioning from the previous system of counties and tribes providing "Rule 25" assessments and authorizing treatment, to offering "direct access to treatment," where qualified treatment providers provide comprehensive assessments to determine medical necessity.

Who it serves

- 26,700 unique recipients

How much it costs

- $150 million total spending
- $107 million state funds

Data for FY 2021

November 2021 forecast highlights

General Fund

Changes from the End-of-Session 2021 forecast

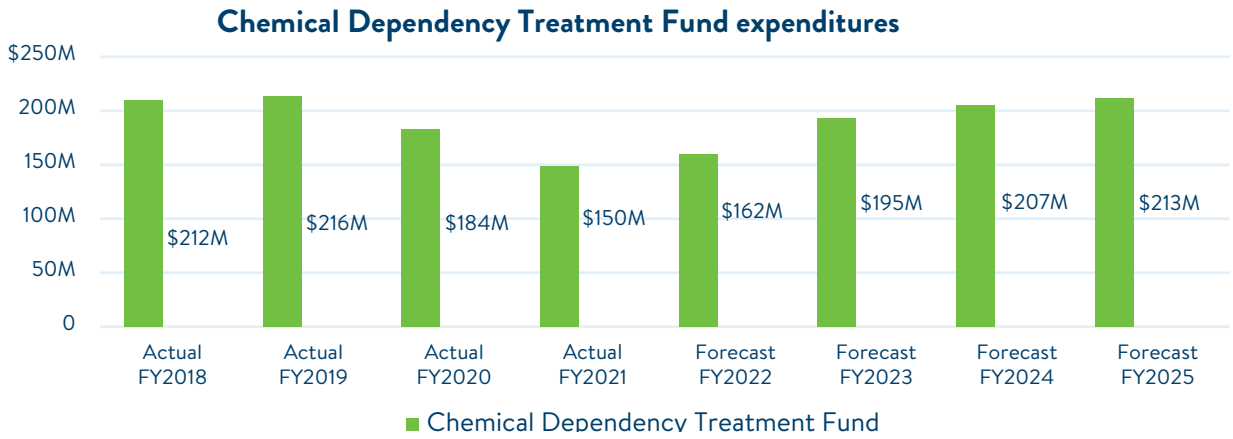
- Decrease of $0.2 million in 2020-2021 biennium (-0.1%)
- Decrease of $38.2 million in 2022-2023 biennium (-17.8%)
- Decrease of $50.0 million in 2024-2025 biennium (-20.7%)

Reasons: The forecast reductions in the CD Fund result from two primary drivers. First, there are fewer projected recipients of the FFS CD treatment services covered by the CD Fund, owing to large increases in the population enrolled in MA managed care. The second is a substantially lower forecast for Withdrawal Management. These two factors account for 89% of the forecast reduction in the 2022-2023 biennium and 81% in the 2024-2025 biennium.

Projected costs of residential and non-residential CD treatment services are reduced by 21% in the 2022-2023 biennium and 22% in the 2024-2025 biennium. The resulting forecast reductions are $24 million for the 2022-2023 biennium and $28 million for the 2024-2025 biennium. These reductions represent a shift of FFS treatment costs to Medical Assistance managed care, where managed care enrollment of adults without children (the primary users of CD treatment services) has increased dramatically due to continuous coverage requirements under the PHE.

Coverage of Withdrawal Management was authorized in the 2017 Session. The original projections for the new service assumed that it would replace approximately 75% of county-funded Detox services. The new service was implemented early in CY 2020, but the growth of utilization has been much slower than originally expected. Accordingly, using FY 2021 data on Detox admissions, utilization projections for Withdrawal Management have been rebased 38% lower than the CY 2015 admissions used in the original projections. Further, the November forecast now assumes only gradual growth to 50% of the revised Detox base by FY 2026. These forecast adjustments for Withdrawal Management result in cost reductions of 72% in the 2022-2023 biennium and 67% in the 2024-2025 biennium. The resulting state share forecast reductions are $11 million in the 2022-2023 biennium and $12 million in the 2024-2025 biennium.

Finally, the additional federal matching made available due to the extension of the federal PHE provides an additional reduction of $0.2 million in General Fund spending in the 2022-2023 biennium.



Historical table

	Chemical Dependency Treatment Fund Total Expenditures	
FY	Total $	% Change
2011	$143,499,246	
2012	132,221,922	(7.86%)
2013	138,539,414	4.78%
2014	138,744,237	0.15%
2015	169,583,060	22.23%
2016	159,611,752	(5.88%)
2017	186,287,061	16.71%
2018	211,925,848	13.76%
2019	215,706,572	1.78%
2020	184,310,877	(14.55%)
2021	149,925,383	(18.66%)
2022*	161,593,391	7.78%
2023*	195,093,290	20.73%
2024*	207,027,164	6.12%
2025*	213,183,553	2.97%
Avg. Annual Increase 2011-2021		0.44%

**Projected*

Minnesota Family Investment Program

The Minnesota Family Investment Program (MFIP) provides cash and food assistance for low-income families with children. MFIP operates as Minnesota's federal Temporary Assistance for Needy Families (TANF) program. As such, MFIP cash assistance is funded with a mixture of federal TANF Block Grant and state General Fund dollars determined primarily by the federally mandated Maintenance of Effort (MOE) requirement for state spending on its TANF program.

Who it serves

- 91,500 average monthly recipients

How much it costs

- $384 million total spending
- $139 million state funds

Data for FY 2021

November 2021 forecast highlights

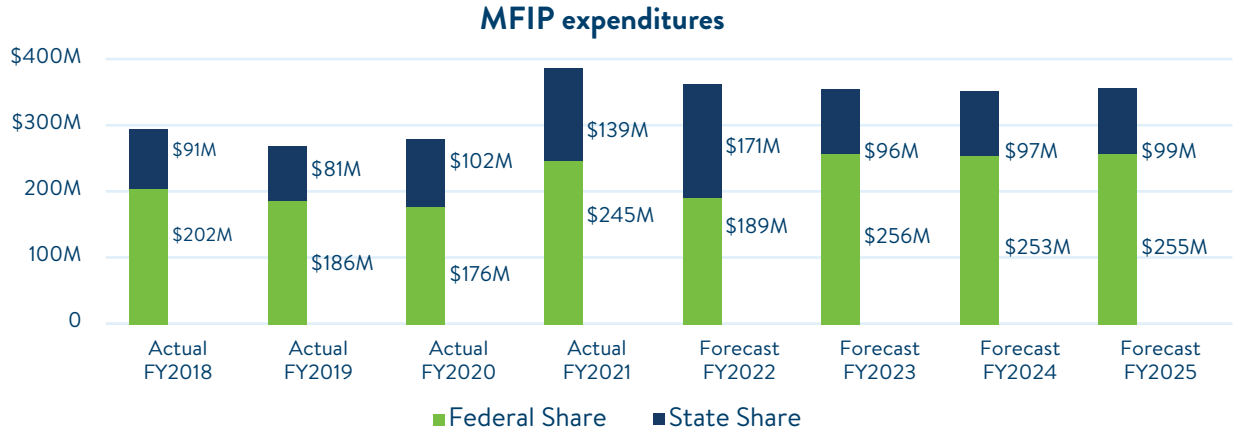
General Fund

Changes from the End-of-Session 2021 forecast

- Decrease of $11.6 million in 2020-2021 biennium (-4.9%)
- Increase of $71.9 million in 2022-2023 biennium (+39.1%)
- Increase of $0.6 million in 2024-2025 biennium (+0.3%)

Reasons: Overall, the November MFIP forecast is down 6.1% in the 2022-2023 biennium and 1.1% in the 2024-2025 biennium, due primarily to lower caseload projections. This is due to updated actual recipient caseloads below prior projections, primarily due to stopping a pandemic-related policy to suspend the renewal process at the end of FY 2021. The suspension of renewals had inflated caseloads as some cases stayed open longer than they would have otherwise.

While lower caseload projections produce a General Fund decrease, the overall MFIP forecast changes reflect an increase due to federal Maintenance of Effort (MOE) requirements. This is especially true for the 2022-2023 biennium in which a $78 million increase in MOE results from significantly lower state spending in the Child Care Assistance Program.



Historical table

	Minnesota Family Investment Program (MFIP)	
FY	Total $	% Change
2010	$329,544,523	
2011	340,792,915	3.41%
2012	333,591,354	(2.11%)
2013	322,457,424	(3.34%)
2014	297,431,102	(7.76%)
2015	279,723,824	(5.95%)
2016	301,750,210	7.87%
2017	312,674,443	3.62%
2018	293,095,053	(6.26%)
2019	266,620,941	(9.03%)
2020	277,577,083	4.11%
2021	383,876,457	38.30%
2022*	359,571,604	(6.33%)
2023*	351,802,566	(2.16%)
2024*	350,148,855	(0.47%)
2025*	354,486,557	1.24%
Avg. Annual Increase 2010-2021		1.40%

**Projected*

Child Care Assistance

This program provides child care assistance to MFIP families who are employed or are engaged in other work activities or education as part of their MFIP employment plan. This activity also provides transition year (TY) child care assistance for former MFIP families. As with the MFIP grant program, child care assistance is funded with a mixture of federal and state General Fund dollars. The federal child care funding comes from the Child Care Development Fund (CCDF). The forecast does not include the Basic Sliding Fee child care program.

Who it serves

MFIP/TY Child Care

- 5,200 average monthly families served

How much it costs

MFIP/TY Child Care

- $114 million in total spending
- $39 million state funds

Data for FY 2021

November 2021 forecast highlights

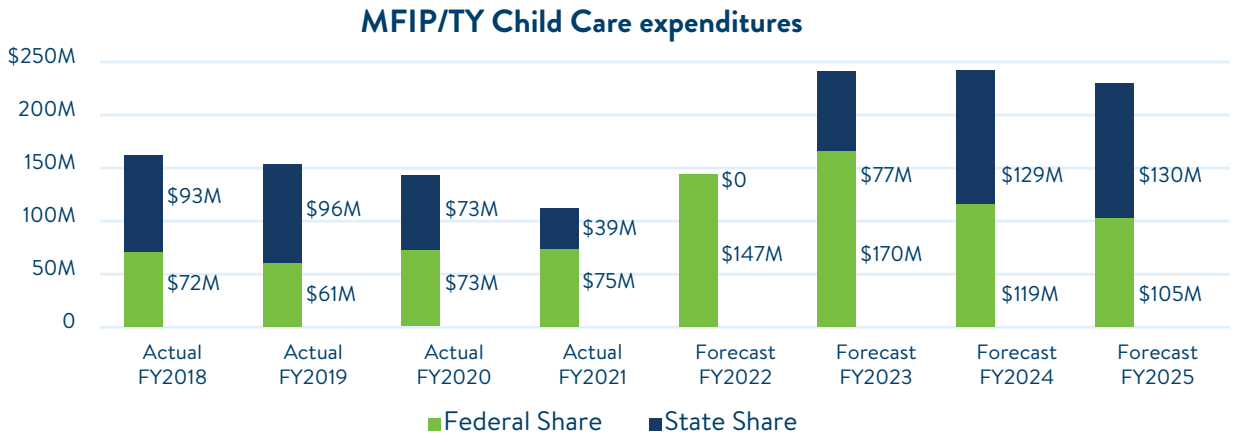
General Fund

Changes from the End-of-Session 2021 forecast

- No change in 2020-2021 biennium (+0.0%)
- Decrease of $136.9 million in 2022-2023 biennium (-64.0%)
- Decrease of $37.5 million in 2024-2025 biennium (-12.7%)

Reasons: The November forecast reduction in Child Care Assistance is primarily driven by continued caseload decline due to lower-than-expected utilization during the COVID pandemic. Utilization of child care services is expected to revert back to normal levels in FY 2023. The General Fund reduction in the 2022-2023 biennium is due primarily to a utilization reduction of $80 million and a downward adjustment in projected average cost worth $24 million. In addition, underspending in FY 2021 has freed up $32 million in federal funds which can be used to replace projected General Fund spending in 2022-2023 biennium. Relative to FY 2022-FY 2023, both average cost and utilization are expected to slightly increase, resulting in a smaller General Fund reduction in the 2024-2025 biennium.

Finally, the November forecast fixed a legislative tracking error which erroneously assigned federal child care development funds to the Basic Sliding Fee (BSF) program rather than the forecasted Child Care Assistance program. This forecast adds these federal funds to the Child Care Assistance program, which results in additional federal funding of $37 million in the 2022-2023 biennium and $21 million in the 2024-2025 biennium.



Historical table

	MFIP/TY Child Care Assistance	
FY	Total $	% Change
2010	$113,435,302	
2011	118,621,823	4.57%
2012	116,728,218	(1.60%)
2013	118,035,920	1.12%
2014	128,982,296	9.27%
2015	141,994,040	10.09%
2016	150,602,122	6.06%
2017	161,122,098	6.99%
2018	165,175,205	2.52%
2019	157,475,004	(4.66%)
2020	146,909,847	(6.71%)
2021	114,044,955	(22.37%)
2022*	147,470,837	29.31%
2023*	247,279,383	67.68%
2024*	247,515,984	0.10%
2025*	234,884,335	(5.10%)
Avg. Annual Increase 2010-2021		0.05%

**Projected*

Northstar Care for Children

Northstar Care for Children is designed to help children who are removed from their homes and supports permanency through adoption or transfer of custody to a relative if the child cannot be safely reunified with parents. Financial support is provided to adoptive and foster parents to encourage permanent placement of children in safe homes. Northstar Care for Children consolidates and simplifies administration of three existing programs: Family Foster Care, Kinship Assistance and Adoption Assistance.

Who it serves

- 18,900 average monthly recipients

How much it costs

- $235 million total spending
- $88 million state funds

Data for FY 2021

November 2021 forecast highlights

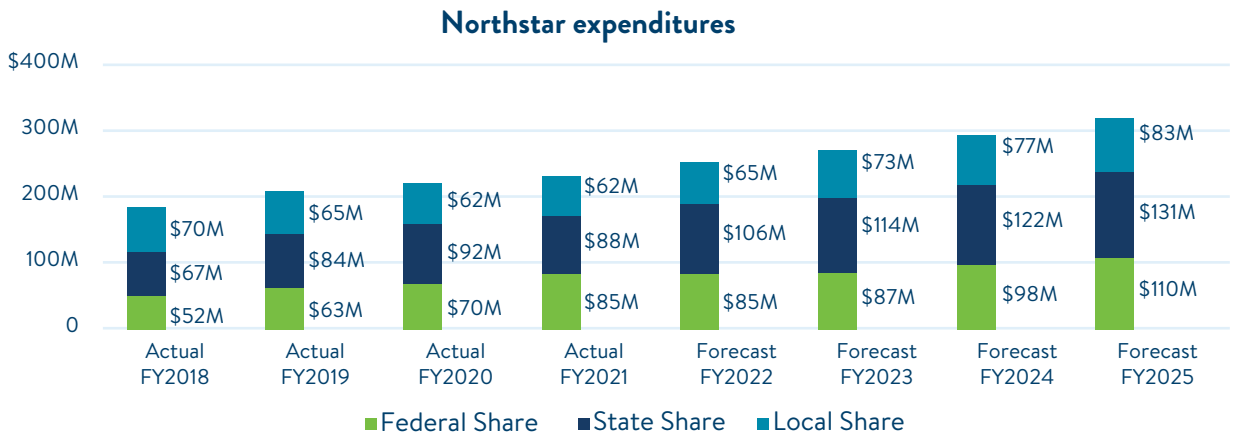
General Fund

Changes from the End-of-Session 2021 forecast

- Decrease of $7.8 million in 2020-2021 biennium (-4.2%)
- Decrease of $11.7 million in 2022-2023 biennium (-5.0%)
- Decrease of $11.1 million in 2024-2025 biennium (-4.2%)

Reasons: The November forecast reductions in the Northstar Care program are due to a lower incidence of child protection cases. This decreases Foster Care recipients which, in turn, reduces Adoption Assistance cases resulting in Northstar Care forecast reductions in both the 2022-2023 and 2024-2025 biennia.

Further, the extension of the federal PHE into mid-January provides an additional quarter of enhanced federal funding in the Northstar Care program. This results in a projected $2 million General Fund reduction in the 2022-2023 biennium.



Historical table

	Northstar Care for Children	
FY	Total $	% Change
2016	$132,201,226	
2017	155,510,705	17.63%
2018	187,750,651	20.73%
2019	211,165,176	12.47%
2020	223,705,208	5.94%
2021	235,489,829	5.27%
2022*	256,051,785	8.73%
2023*	273,958,098	6.99%
2024*	297,715,266	8.67%
2025*	323,052,719	8.51%
Avg. Annual Increase 2016-2021		12.24%

**Projected*

The program began being forecasted in 2016.

General Assistance, Housing Support and Minnesota Supplemental Aid

General Assistance (GA) provides state-funded cash assistance for single adults and couples without children, provided they meet one of the specific GA eligibility criteria. The most common reason people are GA eligible is illness or incapacity. The program is the primary safety net for very low income people and helps meet some of their basic and emergency needs. Housing Support (HS) pays for housing and some services for individuals placed by the local agencies in a variety of residential settings. The program, formerly called Group Residential Housing, is a state-funded income supplement program that pays for room and board in approved locations. Two types of eligibility are distinguished: MSA-type recipients are elderly or disabled, with the same definitions as used for MA eligibility, while GA-type recipients include all other adults. Minnesota Supplemental Aid (MSA) supplements the incomes of Minnesotans who are eligible for the federal Supplemental Security Income program. MSA benefits cover basic daily or special needs.

November 2021 forecast highlights

General Assistance, General Fund

Changes from the End-of-Session 2021 forecast

- Increase of $0.4 million in 2020-2021 biennium (+0.3%)
- Decrease of $4.1 million in 2022-2023 biennium (-3.9%)
- Decrease of $1.0 million in 2024-2025 biennium (-1.0%)

Reasons: The November forecast decrease in General Assistance is driven by lower-than-expected actual caseload due to the resumption of the recertification process at the end of FY 2021..

Housing Support, General Fund

Changes from the End-of-Session 2021 forecast

- Decrease of $0.4 million in 2020-2021 biennium (-0.1%)
- Increase of $3.0 million in 2022-2023 biennium (+0.8%)
- Increase of $9.5 million in 2024-2025 biennium (+2.3%)

Reasons: The November forecast increase in Housing Support is due to higher average payment projections. This results from lower supplemental rate savings due to a longer phase-in of the MA Housing Stabilization policy than originally anticipated. These forecast increases impact both the 2022-2023 and 2024-2025 biennia.

Continued on next page

Who it serves

GA

- 25,500 average monthly cases

HS

- 20,800 average monthly recipients

MSA

- 32,500 average monthly recipients

How much it costs

GA

- $56 million total spending, all state funds

HS

- $181 million total spending
- $181 million state funds

MSA

- $50 million total spending, all state funds

Data for FY 2021

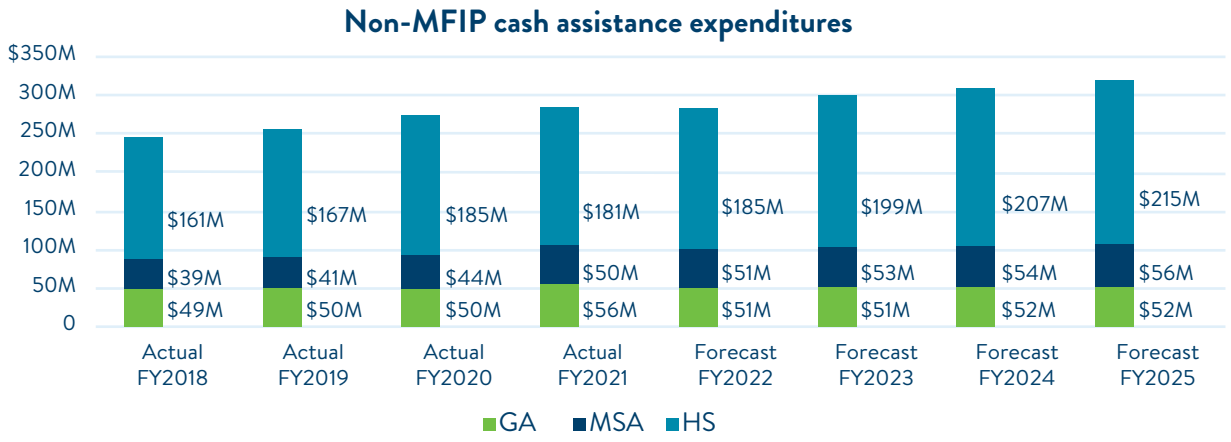
Continued from previous page

Minnesota Supplemental Aid, General Fund

Changes from the End-of-Session 2021 forecast

- Decrease of $1.6 million in 2020-2021 biennium (-1.7%)
- Decrease of $0.7 million in 2022-2023 biennium (-0.7%)
- Increase of $2.4 million in 2024-2025 biennium (+2.3%)

Reasons: The November forecast reduction in the 2022-2023 biennium is driven by lower-than-expected actual caseload due to the resumption of the recertification process at the end of FY 2021. The projected increase in the 2024-2025 biennium results from continued increases in average cost mostly due to the higher standard adopted a few years ago.



Historical Table

	General Assistance (GA)		Minnesota Supplemental Aid (MSA)		Housing Support (HS)	
FY	Total $	% Change	Total $	% Change	Total $	% Change
2010	$42,712,048		$33,296,630		$112,922,066	
2011	48,045,075	12.49%	35,748,140	7.36%	117,140,667	3.74%
2012	49,552,612	3.14%	35,767,568	0.05%	121,678,773	3.87%
2013	51,620,198	4.17%	36,038,980	0.76%	130,187,929	6.99%
2014	51,124,719	(0.96%)	36,478,561	1.22%	138,708,619	6.54%
2015	51,435,727	0.61%	37,066,951	1.61%	141,396,622	1.94%
2016	50,443,730	(1.93%)	37,735,036	1.80%	149,460,915	5.70%
2017	49,556,022	(1.76%)	38,309,226	1.52%	159,456,706	6.69%
2018	48,883,093	(1.36%)	39,065,624	1.97%	160,535,838	0.68%
2019	50,301,759	2.90%	41,128,443	5.28%	166,972,636	4.01%
2020	49,778,343	(1.04%)	43,502,787	5.77%	184,631,491	10.58%
2021	56,011,116	12.52%	50,075,641	15.11%	180,881,960	(2.03%)
2022*	50,956,709	(9.02%)	50,775,862	1.40%	184,206,324	1.84%
2023*	51,296,863	0.67%	52,754,689	3.90%	198,562,474	7.79%
2024*	51,637,907	0.66%	54,300,511	2.93%	206,666,795	4.08%
2025*	51,963,796	0.63%	55,879,014	2.91%	214,545,387	3.81%
Avg. Annual Increase 2010-2021		2.49%		3.78%		4.38%

**Projected*

November 2021 forecast changes: In a nutshell

Millions of dollars

	2020-2021 Biennium	2022-2023 Biennium	2024-2025 Biennium
General Fund Total Change	(33.2)	(113.5)	62.1
General Fund Percent Change	(0.3%)	(0.8%)	0.4%
Summary Changes Across All Budget Activities			
COVID Enhanced Federal Match (QE March 2022)	0.0	(240.6)	0.0
Other changes	(33.2)	127.1	62.1
Detail Changes By Budget Activity			
MA LTC Facilities:	(20.8)	(126.0)	(99.1)
COVID Enhanced Federal Match (QE March 2022)	0.0	(19.3)	0.0
Increased regular FMAP (begin October 2022)	0.0	(2.7)	(7.6)
Nursing Facilities: lower recipients -7.2%	(23.7)	(91.5)	(78.9)
Nursing Facilities: higher MA-Adult share 0.5%	(1.3)	(4.0)	(4.9)
ICF/DTH: lower recipients -11.1%	(1.2)	(11.3)	(11.2)
Other changes	5.3	2.8	3.4
MA LTC Waivers:	17.9	94.4	225.3
COVID Enhanced Federal Match (QE March 2022)	0.0	(82.4)	0.0
Increased regular FMAP (begin October 2022)	0.0	(11.8)	(34.1)
DD: higher recipients +1.7%; 4.0%	(7.3)	34.7	86.6
CADI: higher recipients +2.8%; 3.7%	0.6	47.1	75.2
DD: higher avg cost 2%	25.9	32.3	40.3
CADI: higher avg cost 3.7%	8.3	58.7	69.0
PCA/CFSS: CFSS delay 8 months	0.0	33.0	0.0
HCN: lower recipients -6.0%; lower avg cost -4.1%	(2.6)	(13.1)	(15.6)
Other changes	(6.9)	(4.2)	3.9
MA Elderly and Disabled Basic:	(29.2)	(89.0)	(18.9)
COVID Enhanced Federal Match (QE March 2022)	0.0	(63.9)	0.0
Increased regular FMAP (begin October 2022)	0.0	(6.0)	(22.5)
Elderly Waiver HMO: lower recipients - 4.4%; -2.2%	(8.3)	(20.7)	(13.3)
Average cost for basic care (FFS)	0.7	(21.3)	(15.0)
Average cost for basic care (HMO)	0.0	(48.1)	(86.1)
HMO directed payment - Hennepin	0.0	44.0	78.2
Federal Part D clawback payments	(0.1)	28.7	35.9
Other changes	(21.4)	(1.5)	4.0
MA Adults with No Children	(3.7)	89.1	76.3
Enrollment: +8.5%; +1.0%	(3.8)	46.1	5.4
Average cost for basic care (FFS)	2.0	23.2	36.8
Average cost for basic care (HMO)	0.0	10.4	16.6
HMO directed payment - Hennepin	0.0	10.6	16.8
Other changes	(1.8)	(1.1)	0.7
MA Families with Children Basic:	23.8	34.6	(34.4)
COVID Enhanced Federal Match (QE March 2022)	0.0	(72.7)	0.0
Increased regular FMAP (begin October 2022)	0.0	(6.8)	(23.3)
Enrollment: +4.5%; +2.0%	(22.3)	175.2	75.2
Average cost for basic care (FFS)	29.0	35.1	40.1
Average cost for basic care (HMO)	0.0	11.7	18.7
HMO directed payment - Hennepin	0.0	38.1	60.7
Hennepin IGT revenue (offsets HMO directed pmts)	0.0	(92.6)	(155.8)
CHIP enhanced match	18.1	(20.0)	(32.7)
Other changes	(1.1)	(33.4)	(17.3)

Continued on next page

Continued from previous page

	2020-2021 Biennium	2022-2023 Biennium	2024-2025 Biennium
November 2021 Forecast Changes			
Chemical Dependency Fund	(0.2)	(38.2)	(50.0)
COVID Enhanced Federal Match (QE March 2022)	0.0	(0.2)	0.0
Basic treatment costs offset by MA HMO expansion	(0.1)	(23.5)	(28.4)
Withdrawal Management forecast rebased lower	(1.1)	(10.6)	(12.4)
Other changes	1.0	(3.9)	(9.3)
Minnesota Family Investment Program	(11.6)	71.9	0.6
TANF MOE requirements	(7.4)	78.0	0.3
Other changes	(4.2)	(6.0)	0.3
Child Care Assistance	0.0	(136.9)	(37.5)
Lower utilization due to COVID	0.0	(80.4)	(13.6)
Average cost	0.0	(24.3)	(24.0)
Unspent federal funding carryforward	0.0	(32.2)	0.0
Northstar Care for Children	(7.8)	(11.7)	(11.1)
COVID Enhanced Federal Match (QE March 2022)	0.0	(2.0)	0.0
Other changes	(7.8)	(9.7)	(11.1)
General Assistance	0.4	(4.1)	(1.0)
Housing Support	(0.4)	3.0	9.5
Minnesota Supplemental Aid	(1.6)	(0.7)	2.4
Health Care Access Fund Total Change	(1.0)	(44.7)	(160.8)
Health Care Access Fund Percent Change	(0.1%)	(3.4%)	(8.3%)
MinnesotaCare HCAF Funding	(1.00	(44.7)	(160.8)
METS Data Mart impact on federal reconciliation	0.0	(55.6)	(43.7)
Other (incl. federal BHP funding formula adjustment)	(1.0)	10.9	(117.1)
MA HCAF Funding	0.0	0.0	0.0
TANF Total Change	(5.4)	(94.0)	(4.7)
TANF Percentage Change	(4.5%)	(46.5%)	(2.3%)
Minnesota Family Investment Program	(5.4)	(94.0)	(4.7)

Note: Represents the change from the End-of-Session 2021 forecast.

Contacts and additional resources

Dave Greeman Chief Financial Officer
Minnesota Department of Human Services
651-431-2582
dave.greeman@state.mn.us

Shawn Welch Director, Reports and Forecasts Division
Minnesota Department of Human Services
651-431-2939
shawn.m.welch@state.mn.us

Susan Snyder Assistant Director, Reports and Forecasts Division
Minnesota Department of Human Services
651-431-2947
susan.k.snyder@state.mn.us

Resources

Minnesota Department of Human Services Reports and Forecasts Division
https://mn.gov/dhs/reports-and-forecasts/

Minnesota Department of Human Services current biennium budget activities
https://mn.gov/dhs/budget-activities/

State of Minnesota forecast
https://mn.gov/mmb/forecast/

DEPARTMENT OF HUMAN SERVICES