DEPARTMENT OF HUMAN SERVICES

Legislative Report

Housing Support Supplementary Services Rate Study

Minnesota Department of Human Services

Homelessness, Housing, and Support Services Administration

September 2026

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Minnesota Statutes, Chapter 3.197, requires the disclosure of the cost to prepare this report. The estimated cost of preparing this report is $20,091.

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I. Executive Summary

Housing Support is a state-funded income supplement program for adults with low incomes who have a disability or are 65 or older and who are at risk of institutional placement or homelessness. Counties and Tribes administer the Housing Support program for the state by entering into Housing Support agreements with authorized providers and determining individual eligibility. Housing Support room and board payments are made to authorized providers on behalf of eligible people to help pay for eligible housing costs like rent, food, and other basic necessities. People also contribute some of their own income toward their housing costs.

Around 24,000 people receive Housing Support room and board payments each month in a variety of authorized settings. Around 7,100 recipients also receive Supplementary Services, including help with basic living and social skills, monitoring health and well-being, arranging medical and social services, tenancy supports, transportation assistance, or employment-related supports.

Since it was established in 1992, Housing Support has evolved to allow low-income older adults and people with disabilities the choice to live in a greater range of setting types while remaining grounded in evidence-based practices and maintaining the basic mission of supporting stable housing for recipients, making it one of the state's best tools to prevent and end homelessness. The flexibility of the Housing Support program allows counties and Tribal Nations to strategically respond to identified housing stability needs in their communities. And when available, Supplementary Services provide essential funding for additional supports that help people stay stably housed.

In 2023, the Minnesota Legislature directed the Department of Human Services (DHS) to evaluate whether current Supplementary Services payment rates were person-centered, equitable, and adequate to cover providers' costs. DHS partnered with the Burns & Associates division of Health Management Associates (HMA-Burns) to review statutes, analyze past reports, gather provider input, conduct a cost survey, and evaluate independent data sources.

Key findings of this rate study highlight structural issues that limit transparency, adequacy, and consistency in Supplementary Services payments. They include:

1. There is **wide variation in how Supplementary Services are delivered**. Broad statutory definitions, vague service standards, and inconsistent use of enhanced Supplementary Services rates have led to programs that differ significantly in staffing models, security needs, clinical supports, and administrative structures.
2. **Current Supplementary Services rates are not tied to documented assumptions** about costs, staffing, or expected service levels. Providers also reported rising resident acuity, staffing challenges, and financial strain due to the long-standing rate stagnation.
3. Enhanced Supplementary Services rates authorized by the Legislature for specific providers create **patchwork funding levels** and are not tied to specific service levels or expectations.

4. The Supplementary Services rate reduction applied to Housing Support recipients eligible for Housing Stabilization Services was **not based on a formal analysis** of the extent to which providers were delivering potentially duplicative services.

Based on the findings from the vendor's research, DHS recommends the following:

1. **Clarifying service standards and expectations.** This must be prioritized before new rate methodologies can be implemented, or the Supplementary Services rate will continue to be misaligned with the actual cost of providing services.
2. **Adopting standardized rate-setting methodologies.** For site-based programs, the study proposes a staffing-plan-based payment model using uniform wage, benefit, and administrative cost assumptions. For scattered-site programs, the study recommends a fixed monthly rate reflecting typical caseloads, travel, and labor costs.
3. **Using a data-driven and policy-based approach** to address duplication of services as part of any design and planning for a replacement to the now-terminated Housing Stabilization Services program.
4. **Recodifying Housing Support statute** to improve transparency, shared understanding, and program integrity.

Implementing this report's recommendations and new rate structure will require achieving a balance between more robust service standards and the flexibility that has been a defining and essential feature of the Supplementary Services rate.

II. Legislation

Laws of Minnesota 2023, chapter 70, article 11, section 12.

HOUSING SUPPORT SUPPLEMENTARY SERVICE RATE STUDY.

(a) The commissioner of human services, in consultation with residents of housing support settings, providers, and lead agencies, must analyze housing support supplementary service rates under Minnesota Statutes, section 256I.05, to recommend a rate setting methodology that is person-centered, equitable, and adequately covers the cost to provide services. The analysis must include, but is not limited to:

(1) a review of current supplemental rates;

(2) recommendations to avoid duplication of services, while ensuring informed choice; and

(3) recommendations on an updated rate setting methodology.

(b) By January 15, 2026, the commissioner must submit a report, including recommendations and draft legislative language, to the chairs and ranking minority members of the legislative committees with jurisdiction over human services policy and finance.

III. Introduction and Background

Housing Support

Housing Support[1] is a state-funded program for adults with low incomes who have a disability or are 65 or older and who are at risk of institutional placement or homelessness. Counties and Tribes administer the Housing Support program for the state by entering into Housing Support agreements with authorized providers and determining individual eligibility. Housing Support room and board payments are made to authorized providers on behalf of eligible people to help pay for eligible housing costs like rent, food, and other necessities. People also contribute some of their own income toward their housing costs.

Around 24,000 people receive Housing Support room and board payments each month in a variety of authorized settings. Around 7,100 recipients also receive Supplementary Services, which can include help with basic living and social skills, monitoring health and well-being, arranging medical and social services, tenancy supports, transportation assistance, or employment-related supports.

Housing Support Agreements and Setting Types

To receive Housing Support, a person must live in a housing setting allowed under state law and approved by the person's county or Tribal Nation through a Housing Support agreement.[2] Counties and Tribes sign agreements with providers, but the state establishes the required terms to ensure consistent program standards across Minnesota.[3]

Each Housing Support agreement also includes location-specific information that outlines what type of setting the provider operates, the required license or registration, how many people can live there, and whether Supplementary Services are available at the location.

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[1] Prior to 2017, Housing Support was known as Group Residential Housing (GRH).

[2] Housing Support settings allowed under state law are defined in 2025 Minnesota Statutes, section 256I.04, subd. 2a.

[3] Housing Support agreements and statewide terms are established under 2025 Minnesota Statutes, section 256I.04, subd. 2b.

Housing Support setting types fall into two main categories:[4]

- **Group settings** are licensed by DHS or the Minnesota Department of Health (MDH), including Adult Foster Care and Community Residential Settings, Boarding Care homes, Board and Lodging (with and without services), Hotel / Restaurant, Supervised Living Facility, Assisted Living, or locations certified under Tribal health and safety regulations. In group settings, meals are generally provided for residents.
- **Community settings** are those in which people have a lease and the option to prepare their own meals. Community settings are exempt from licensure, but each leased unit must meet habitability standards. They include all supportive housing locations, which fall into two broad categories: site-based and scattered-site programs:
    - ***Site-based supportive housing*** refers to buildings where multiple units in the same property are dedicated to supportive housing. These buildings are typically owned or operated by the provider, and supportive services are offered on-site to tenants who live in the building.
    - ***Scattered-site supportive housing*** refers to units that are privately owned or managed by typical private market property managers, not the service provider. People live and receive supportive services in individual units across the community, rather than within a single building.

Supplementary Services Eligibility

Around 30 percent of Housing Support recipients receive Supplementary Services from their Housing Support provider in addition to room and board. These services are based on a person's assessed needs and can include basic supports such as oversight, supervision (up to 24 hours a day), medication reminders, help with transportation, assistance scheduling meetings and appointments, and help connecting to medical and social services.[5]

[4] Minnesota Department of Human Services. (December 2022). Housing Support Setting Characteristics. Retrieved from https://edocs.dhs.state.mn.us/lfserver/Public/DHS-8292-ENG.

[5] 2025 Minnesota Statutes, section 256I.03, subd. 14b.

To qualify for Supplementary Services, an individual must be eligible for Housing Support and demonstrate additional support needs in at least two of the following areas, as assessed through a Professional Statement of Need: [6,7]

- **Tenancy supports**, such as finding housing, negotiating with property managers, and resolving conflicts
- **Supportive services**, including basic living and social skill development, and general supervision
- **Employment services**, such as assistance in maintaining or increasing employment, increasing earnings, moving toward self-sufficiency, and related supports
- **Health supervision**, such as assistance with non-injectable medications, taking vital signs, assistance with dressing and grooming, and related supports

Statutory Limits on Where Supplementary Services Can Be Offered

Supplementary Services are not available in every Housing Support setting due to program changes and rate limits enacted by the Legislature in 1993. As a result, Supplementary Services are most frequently provided in two Housing Support setting types:

- **Board and Lodging** facilities in group settings that operate as shelters, transitional housing, and sometimes semi-permanent housing. These facilities are licensed by MDH and typically do not require leases. MDH requires an additional "Special Services" registration when any basic supportive services (like Supplementary Services) are available.[8]
- **Supportive Housing** is a type of housing in a community setting that allows individuals to live in affordable housing in their own unit with a lease and with access to ongoing supports or services that promote housing stability. As noted above, supportive housing is generally administered through two broad models: scattered-site, where recipients have access to services in individual lease-based units throughout the community, and site-based, where individuals live in their own leased unit in a building with others who have access to services on-site.

In 2015, the Legislature passed an exception to the previously imposed limits that allows people living in supportive housing to receive Supplementary Services if they have experienced long-term

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[6] According to the current Professional Statement of Need (PSN), qualified professionals who may complete the PSN must be licensed or credentialed through a Minnesota licensing board or Tribal credentialing entity. A County or Tribal Designee may also function as a qualified professional.

[7] 2025 Minnesota Statutes, section 256I.03, subd. 12.

[8] Minnesota Housing Benefits 101. (Updated October 7, 2025). Board and Lodge.

homelessness. This significantly expanded access to services supporting housing stability and positioned Housing Support as one of Minnesota's most important tools for promoting housing stability for people with disabilities experiencing homelessness.

94 percent of the locations where Supplementary Services are available are supportive housing settings, serving almost 70 percent of all Supplementary Services recipients. Nearly all the remaining Supplementary Services locations are Board and Lodging with Special Services settings, serving 28 percent of Supplementary Services recipients.

People living in Board and Lodging with Special Services and people living in site-based supportive housing models both reside in buildings where multiple tenants may receive Housing Support room and board and, when available, Supplementary Services. For clarity, this report uses the term "site-based housing" to refer to both site-based supportive housing and Board and Lodging with Special Services settings.

Origin of the Supplementary Services Rate

Prior to 1993, Housing Support providers were paid a single monthly amount intended to cover both room and board and services. These payments varied across the state, but the highest Housing Support payment at that time was $966.37. That amount functioned as the program's effective ceiling, although only some providers received the full amount. In 1993, the Minnesota Legislature split this payment into separate room and board and Supplementary Services components to allow some providers to access federal Medicaid waiver funding, which cannot pay for housing costs. The $966.37 maximum rate at that time was divided into a maximum $540 room and board rate (aligned with Minnesota Supplemental Aid) for each eligible individual, and a $426.37 Supplementary Services rate for individuals not otherwise eligible for Medicaid waiver services. This approach helped ensure providers did not lose funding during the transition.[9]

The original Supplementary Services rate does not appear to have been based on staffing needs, service expectations, or cost analysis but rather was the result of a restructuring of how Housing Support was paid to allow the state to better leverage federal funding for services. And unlike the room and board rate, which is increased annually based on cost-of-living adjustments, the standard Supplementary Services rate is set as a flat amount, with no automatic adjustments for inflation or changes in service needs.

Absent substantial adjustments to the Supplementary Services rate, multiple providers have sought legislative authority to receive an enhanced Supplementary Services rate for specific Housing Support

[9] Minnesota Senate Family Services Committee, 78th Legislature. (1993, March 9). *Committee hearing audio archives*. Minnesota Legislative Reference Library.

programs. At the time of this report, there are 19 statutory exceptions (see Appendix A) that exceed the standard rate. Most programs with an enhanced Supplementary Services rate support individuals with substance use disorders or behavioral health needs.

Recent Landscape of Housing Support

The Housing Support program operates within a broader landscape of housing-related services that has shifted substantially in recent years, including the development and subsequent termination of the Housing Stabilization Services program, a Medicaid-funded benefit providing tenancy transition services and sustaining support services.

Substantial Housing Support changes started in 2015. The Legislature enacted a set of reforms recommended by the Governor to strengthen program integrity, including requirements for standardized agreements, uniform room and board standards, minimum staff qualifications and background study standards, and habitability requirements for supportive housing. As noted earlier, the Legislature also authorized an exception to the Supplementary Services moratorium, allowing people in supportive housing who experienced long-term homelessness to access services in supportive housing.

Specific to Supplementary Services, 2015 reforms clarified individual eligibility standards using a Professional Statement of Need (PSN) and required providers to enroll and submit reimbursement claims for services separate from room and board payments. Subsequent Supplementary Services reforms added service connection and documentation requirements for providers.

In 2017, parallel to ongoing Housing Support program reforms, the Legislature directed DHS to explore opportunities to leverage federal Medicaid funding to address housing instability in Minnesota. In 2020, DHS proposed a new MA benefit to help people find and maintain housing. This benefit was called Housing Stabilization Services (HSS). Statute requires a 50 percent reduction to the Supplementary Services rate, effective July 1, 2021, for people determined eligible for HSS and living in supportive housing with Supplementary Services.[10]

Over the past several years, the Legislature has introduced bills and explored policy changes intended to increase access to Housing Support room and board opportunities for people and providers in community-based settings. Ensuring increased access to Housing Support for eligible individuals is important for demarcating Medicaid funding from room and board, minimizing federal compliance risks, and supporting housing stability. In the 2025 legislative session, for example, the Legislature enacted a Governor's recommendation to allow providers from one type of program, certified recovery residences, to enter into agreements directly with the state to obtain Housing Support room and board.

[10] 2025 Minnesota Statutes, section 256B.051, subd. 7.

This approach increases the number of Housing Support opportunities for eligible individuals who need recovery supports, while ensuring providers do not engage in illegal remunerations.

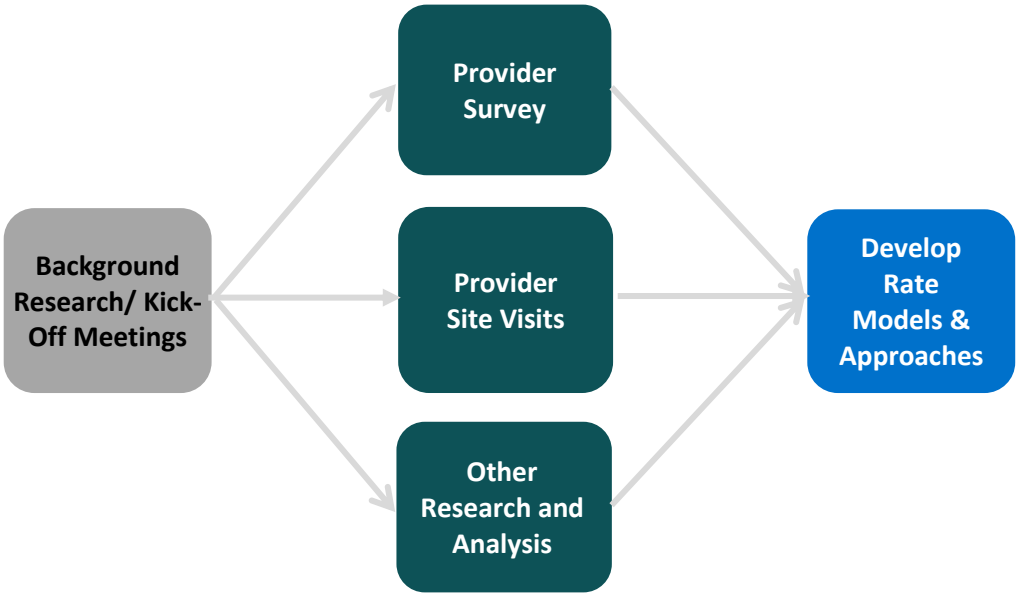
Several other factors also generated renewed interest in Housing Support and Supplementary Services, including: (1) the termination of Housing Stabilization Services on November 1, 2025; (2) the discretionary moratorium on new DHS Home and Community-Based Services (HCBS) licenses enacted by the 2025 Legislature; and (3) increased provider oversight and credible allegations of Medicaid fraud, which have led to housing instability for individuals in residential programs.

IV. Rate Study Methodology

DHS partnered with the Burns & Associates division of Health Management Associates (HMA-Burns) to complete this Supplementary Services rate study. To develop payment models, the vendor relied on multiple sources of primary and secondary data, including data collected from service providers, feedback from community partners, and analysis of systems data and independent market data (such as wage and cost information). Using multiple sources was especially important for Supplementary Services given that the rate has changed very little over the past three decades. Provider-reported cost data helps show how programs operate today, but market-based data is needed to develop a forward-looking rate model.

The vendor's independent rate setting process includes three phases, as shown in Figure 1 and described below.

Figure 1: Rate-Setting Process



Phase 1: Background Research and Kick-off Meetings

During the first phase, which began in March 2025 and ended in May 2025, the vendor reviewed statutes, prior system reports, and other public documents describing Supplementary Services standards and rates. In April 2025, the vendor and the DHS project team held a kick-off meeting to discuss the current service landscape and DHS's goals for the project.

To capture community partner input, DHS established a rate study advisory group composed primarily of providers and agency representatives. Providers were selected on the basis of key characteristics to ensure representation included providers in different regions throughout the state (including metro and

rural areas) and represented an array of models, including both site-based and scattered-site programs. In total, 26 representatives of 23 provider organizations and agencies, including counties and Tribal Nations, participated in the advisory group.

Figure 2 lists the organizations and agencies that participated and notates the type of Supplementary Services delivery model (if applicable) to each participating organization.

Figure 2: Rate Study Advisory Group Participants

Organization	Site-Based	Scattered-Site	Agency
Avivo	✓		
Beyond Brink	✓		
Blue Earth County		✓	✓
Catholic Charities Twin Cities	✓	✓	
Center City	✓	✓	
Cronin Homes	✓		
Hennepin County			✓
Housing Matters		✓	
Missions, Inc.	✓		
Minnesota Adult Teen Challenge	✓		
Spero (formerly South Central Human Relations Center)		✓	
St. Louis County			✓
White Earth Nation		✓	✓
Youngdahl Living	✓		
Zumbro Valley		✓	

The vendor facilitated a kick-off meeting in May 2025 with the advisory group to provide an overview of the project, including the group's role. Participants were asked for their perspectives regarding current Supplementary Services rates and policies. Providers reported a broad range of concerns regarding the current Supplementary Services rate and operating cost drivers:

- **Rising acuity.** Providers are seeing increased acuity in terms of support needs, as many individuals coming into Housing Support have behavioral and/or mental health issues, acute physical health issues, and substance use disorders, and they often lack services and resources

to address these issues. Providers noted that a structural improvement that could be tied to future reimbursement methodologies would be the adoption of a person-centered assessment instrument that better describes an individual's acuity and level of need.

- **Stagnant reimbursement.** The lack of increases in the Supplementary Services rate has required providers to pare back programs to ensure revenues cover expenses. They have done so through limiting staffing, offering lower staff wages, increasing caseloads, and taking other cost-cutting measures.
- **Workforce instability.** The current rate does not support a tenured, well-qualified workforce.
- **High-need settings.** Programs that serve higher-needs individuals in larger site-based settings often require building security and 24/7 staffing to ensure the safety of residents and staff.

Feedback from the advisory group helped to frame subsequent engagement with providers through a provider survey and a series of site visits conducted by the team. As described below, the advisory group was convened again in June 2025 during Phase 2 to review a draft of the provider survey and provide feedback. The advisory group was convened for a third time in Phase 3 to provide feedback about key rate study findings and recommendations.

Phase 2: Data Collection

Primary data collection from providers through a provider survey and a series of site visits occurred between June 2025 and November 2025 to better understand the scope of services being delivered and the related costs of those services. Additionally, the vendor gathered and evaluated independent data to inform cost assumptions in the recommended rate methodology.

Provider site visits. The vendor met with several providers to observe program delivery models. The vendor worked with DHS to plan site visits that included different provider types, including site-based supportive housing, Board and Lodging facilities, and scattered-site supportive housing. A total of six on-site visits were conducted in June 2025, and a seventh visit was conducted as a virtual meeting due to scheduling issues. Insights from the provider site visits reinforced the input from the rate study advisory group, and included the following:

- ***Diverse program models.*** Providers operate a wide range of service models in terms of staffing levels, operating hours, and ancillary supports.
- ***Financial Strain.*** Some providers reported operating at a deficit.
- ***Workforce challenges.*** The low Supplementary Services rate hinders providers' ability to hire and retain high-quality staff, invest in more robust staffing, or employ or contract specialized staff such as registered nurses. Rural providers face additional difficulties due to smaller local workforces.
- ***Policy disincentives.*** Providers objected to the 50 percent reduction in their Supplementary Services rate when an individual was eligible for Housing Stabilization Services (HSS), regardless

of the person's receipt of services or whether another provider delivered the HSS. As a result, some providers limited enrollment of HSS recipients in their programs.

- ***Higher acuity populations.*** The population served has an increased incidence of mental health issues and substance use disorders, especially since the COVID-19 pandemic.
- ***Coordination barriers.*** Providers experience difficulty in working with other service providers (for example, providers may experience difficulty in obtaining follow-up details and signatures for Professional Statements of Need).
- ***Transportation barriers*.** Transportation is a challenge for many individuals who require assistance to get to medical appointments, the grocery store or food shelf, court hearings, etc. Barriers are greater in rural areas due to fewer available public transportation options.

Provider survey. The vendor developed a provider survey to collect data from Supplementary Services providers regarding their programs' operations and expenses. The survey included several forms that assessed the following:

- Site-level details, including the type of license(s) it holds, recipient counts, and occupancy rates;
- Site-level revenues and expenses;
- Detailed direct care and program staff wage and benefit costs; and
- The activities in which direct care and program staff are engaged (that is, the types of supports they provide).

Key results from the provider survey and analysis include:

- Providers most commonly employed case managers, housing support specialists, and front desk receptionists as part of their Supplementary Services staffing. Among these key positions, hourly wages ranged from about $18 per hour for front desk receptionists to $23–$24 per hour for case managers and housing support specialists.
- Among full-time workers, a large majority (90 percent) are offered health insurance through their employer, and nearly all full-time staff have access to paid time off and paid holidays. About a third of the Supplementary Services workforce are part-time workers and do not generally have access to health insurance through their employer.
- Site-based programs had a relatively higher proportion of revenues from sources outside of Supplementary Services, ranging from 20 percent of revenues for site-based supportive housing to 25 percent for Board and Lodge with Special Services, compared to only 13 percent of revenues for scattered-site supportive housing providers.

- As Figure 3 illustrates, most providers do not staff for 24-hour services (which would minimally require 168 hours per week), though Board and Lodging with Special Services locations were more likely to report weekly staffing hours that suggest 24-hour staffing.[11]

Figure 3: Average Weekly Staff Hours for Site-Based Programs Reported in Provider Survey, by Site Capacity

Housing Type	Measure	5 or Fewer Beds	6–15 Beds	16–30 Beds	31–45 Beds	46–60 Beds
Supportive Housing	Count of Reported Sites	4	11	9	6	2
Supportive Housing	Average Staff Hours	19	35	50	236	74
Board and Lodge with Special Services	Count of Reported Sites	2	2	5	3	Not reported
Board and Lodge with Special Services	Average Staff Hours	118	181	185	396	Not reported

Independent data sources. To inform its rate methodology recommendations, the vendor identified data from independent sources to supplement information gathered from providers. Data sources included:

- Minnesota-specific wage data from the most recent data release from the Bureau of Labor Statistics (May 2024 estimates published in April 2025);
- Wage inflation data published by the Bureau of Economic Analysis for Minnesota for the most recent 10-year period (as of November 2025);
- Workers' compensation classification codes published by the Minnesota Workers' Compensation Insurers Association;
- Minnesota-specific health insurance costs published by the U.S. Department of Health and Human Services through the Medical Expenditure Panel Survey (MEPS) for 2023 (most recent available publication);

[11] The provider survey requested the total paid hours per year by employee type, which was converted to a weekly site average. However, the survey did not request providers to report their typical staffing schedule, so it is not possible to determine if weekly hours at (or in excess of) 168 always suggests 24 hours staffing (when more intensive daytime staffing hours are another explanation).

- Recent office-space lease costs from a large commercial real estate brokerage reporting Minnesota-specific costs as of 2025; and
- Select assumptions from the DHS Disability Waiver Rate System (DWRS) for benchmarking assumptions within cost models proposed for Supplementary Services.

Phase 3: Development of Rate Methodologies

Using data from phases one and two, the vendor developed a rate methodology for Supplementary Services that first considers whether an individual is receiving services in a site-based or scattered-site program. The proposed rate methodology is outlined in more detail in section VI of this report.

V. Key Findings

1. Broad Statutory Definition Limits Consistency and Accountability, which Leads to Wide Variation in Services

Supplementary Services providers submit claims against authorized service agreements for the services they provide for each recipient. In turn, providers receive a monthly payment and are expected to use it to help Housing Support recipients maintain stable housing. However, statutes do not set minimum service expectations, maximum caseload sizes, or required staffing levels. Because statute is broad and the payment is not tied to a defined level of service, programs have developed very different models across the state. Feedback from the rate study advisory group, site visits, and the provider survey shows wide variation in several areas:

- **Living arrangements.** Many programs are site-based, including about half of the sites reported through the provider survey. In some of these settings, individuals have a room or apartment to themselves, while at others, individuals share a room with one or two other people. Other programs are scattered sites, where people who live in their own apartments in the community receive intermittent support. These individuals typically have their own leases with private property owners.
- **Staffing coverage.** At some sites, on-site awake staff are available around the clock, while other programs have staff who are on-site but may sleep overnight, and still other programs do not have on-site staff available 24 hours per day.
- **Security.** Some sites employ or contract with building security to patrol the building while others do not. Based on provider survey results, only about one percent of reported staff hours in site-based programs were for building security.
- **Clinical staff.** Some programs employ licensed counselors to assist with behavioral and substance use health needs and medication support; however, most programs do not have these staff. Less than one percent of all reported staff hours in the provider survey was for clinical staff.
- **Other staff.** Some sites, primarily larger ones, employ staff for building maintenance and food preparation. These positions accounted for about eight percent of reported staff hours in site-based programs.

While the broad statutory definition and current payment structure offers providers substantial flexibility to meet the needs of the individuals they serve, this lack of specificity also prevents a detailed accounting of what a provider should deliver, in terms of both program oversight and funding. Implementing this report's recommendations will require achieving a balance between more robust

service standards and the flexibility that has been a defining and essential feature of Supplementary Services up to now.

2. Supplementary Services Rates Are Not Based on a Cost-Based Methodology, and Standard Rates Have Seen Minimal Increases Since 1993

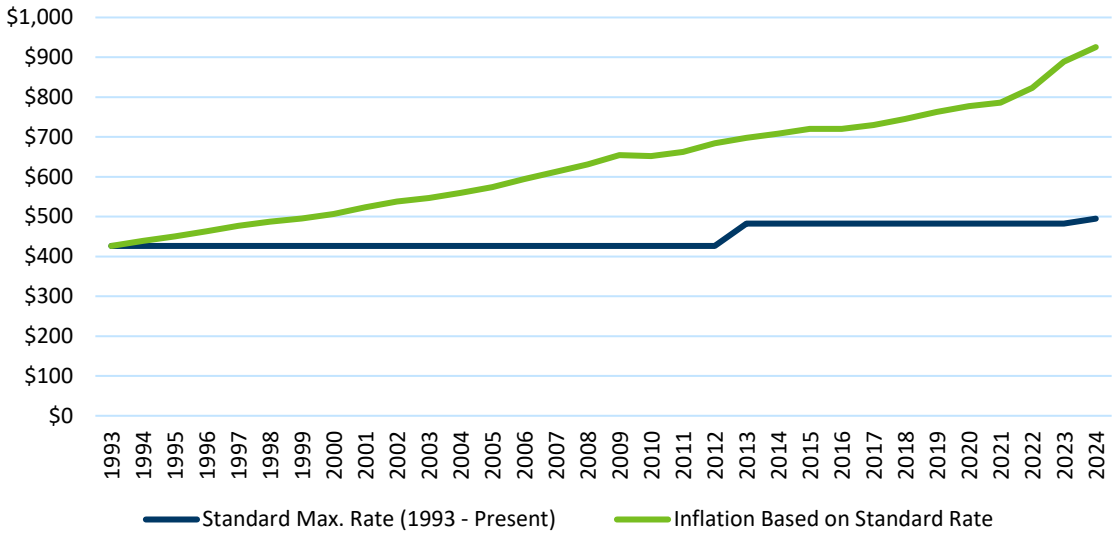
The current Supplementary Services rate of $494.91 is only 16 percent higher than when it was first established in 1993; meanwhile, general inflation has totaled 121 percent during this time frame, [12] nearly eight times greater than the rate of increase to the standard maximum Supplementary Services rate.[13] Figure 4 illustrates the historical growth in the standard maximum Supplementary Services rate compared to inflation since 1993.[14]

[12] Federal Reserve Bank of Minneapolis. (As of November 12, 2025). Inflation Calculator ($1.00 in 1993 would be equivalent to $2.23 at the time of query). Retrieved from https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator.

[13] General inflation, as measured through the Consumer Price Index (CPI) is not a valid basis for rate setting or tying specific rate increases. The CPI calculation includes a variety of goods and services that are unrelated to Supplementary Services (such as the cost of clothing, the cost of coffee, or park and museum admissions, all elements of the CPI).[13] Additionally, the original Supplementary Services rate was not set based on a cost-based rate methodology, and therefore layering increases based on the CPI or similar index would fail to account for the true costs of services.

[14] Federal Reserve Bank of Minneapolis. Consumer Price Index, 1913 – 2024. Retrieved from https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator/consumer-price-index-1913-.

Figure 4: Historical Supplementary Services Rate Compared to Inflation, 1993 - 2024



Simply adjusting the rate for inflation would not provide long-term resolution, however, as the original Supplementary Services rate and subsequent rate increases do not appear to have been based on an assessment of provider costs, staffing needs, or explicit service requirements. The current rates, including legislatively authorized enhanced Supplementary Services rates, also continue to lack documented alignment with actual provider costs. Still, the fact that the rate has not kept up with inflation leaves a gap that has forced many providers to reduce the level and intensity of services they are able to offer, including limiting staffing, lowering wages, and scaling back program investments. Several providers engaged in this study reported that they would prefer to offer more robust staffing models, but current funding levels do not make this feasible.

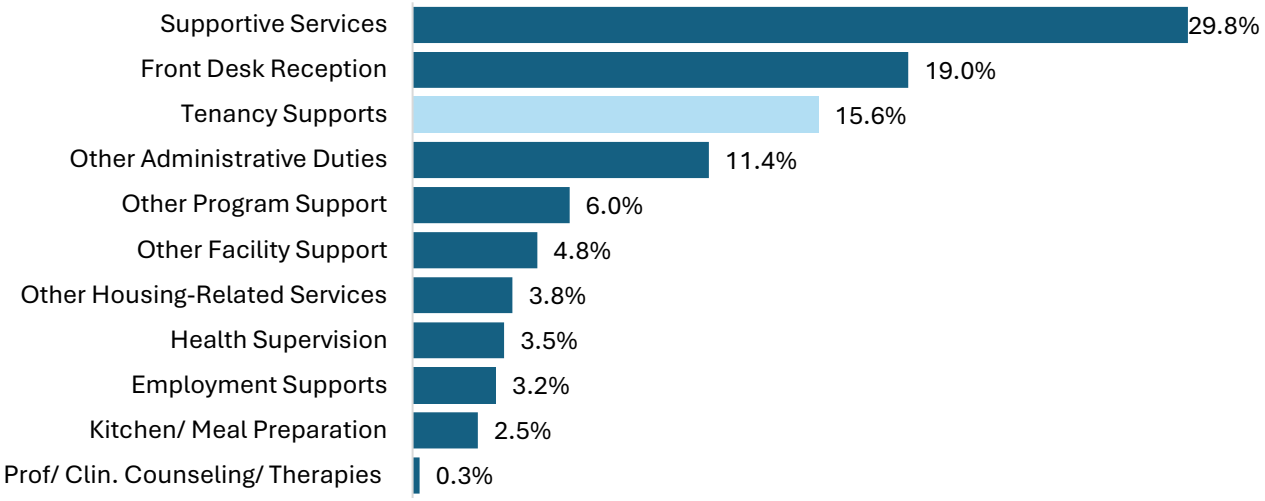
3. Enhanced Supplementary Services Rates Create Patchwork Funding Levels and Are Not Tied to Specific Service Levels or Expectations

A majority of the legislatively authorized enhanced Supplementary Services rates are for programs supporting individuals with substance use disorders or behavioral health needs. Nearly all the exceptions establish a maximum monthly rate of $700 to $750, though one exception allows a rate as high as $975 per month. Providers consulted for this study noted that, in practice, programs receiving enhanced Supplementary Services rates do not always operate differently from those receiving the standard Supplementary Services rate. While most statutes authorizing enhanced Supplementary Services rates require 24-hour supervision, they offer little to no guidance on other service expectations, such as staffing qualifications, ratios, or program requirements.

4. Broad Application of Supplementary Services Rate Reduction

Due to concerns about potential overlap between tenancy-related services available through Supplementary Services and Housing Stabilization Services (HSS),[15] the standard Supplementary Services rate was reduced by half for certain individuals eligible for HSS.[16] However, the policy establishing the reduced rate was not based on a formal analysis of the extent to which Supplementary Services providers were delivering tenancy supports. To better analyze duplication of services and inform recommendations, this rate study administered a survey asking providers to report the proportion of staff time spent delivering various supports, including tenancy services.[17] Results show that tenancy supports represented only 15.6 percent of the total reported service hours provided under Supplementary Services across all providers (see Figure 5).

Figure 5: Distribution of Supplementary Services Staff Hours by Activity Type, Based on Provider Survey Results



[15] Minnesota Department of Human Services. (n.d.). Housing Stabilization Services. Retrieved from https://mn.gov/dhs/partners-and-providers/policies-procedures/housing-and-homelessness/housing-stabilization-services/housing-stabilization-services.jsp.

[16] Housing Stabilization Services (HSS) began in July 2020. The reduction in the Housing Support Supplementary Services rate was implemented in July 2021. The HSS program terminated in October 2025; upon its termination, the full Supplementary Services rate was reinstated for impacted individuals.

[17] Where appropriate, the provider survey defined supports using language drawn from the service categories in the Professional Statement of Need form (DHS-7122), available at: https://edocs.dhs.state.mn.us/lfserver/Public/DHS-7122-ENG

Although 15.6 percent of the overall reported hours were allocated by providers to tenancy supports, reported hours varied by the type of site:

- Board and Lodge with Special Services: 7.7%
- Mixed Sites: 14.2%
- Supportive Housing (site-based): 14.8%
- Supportive Housing (scattered-site): 21.8%

As this data indicates, Board and Lodge with Special Services reported a lower proportion of time dedicated to tenancy supports than supportive housing programs. Further, scattered-site programs reported that more than one-fifth of their staff hours were devoted to tenancy services, suggesting differing program focuses with respect to tenancy-related services depending on setting type.

VI. Proposed Rate Structure

This rate study finds that rate methodologies should differ for site-based programs (where people receive services on-site at one central location managed by a provider) and scattered-site programs (where supportive services are de-centralized and often provided in individual housing units throughout the community). As noted previously, this report uses the term "site-based housing" to refer to both site-based supportive housing and Board and Lodging with Special Services settings. The remainder of this section describes both methodologies in detail.

Rate Methodology for Site-Based Programs: A Staffing Plan Rate

Because of the wide variation of site-based programs, DHS and the vendor determined that a single statewide rate reflecting actual costs was not feasible. Depending on the size of a program and the acuity of residents' needs, some locations only need a single staff person during daytime hours. Others operate 24 hours a day and may need additional staff, such as nurses or behavioral health specialists. To address this variation, the vendor recommended a site-specific rate-setting approach based on an approved staffing plan.

Overview of the Staffing Plan Model

Under this approach, each site-based program would receive a customized rate reflecting its approved staffing design, rather than a standardized per-person rate. The methodology draws on core principles used in Minnesota's Disability Waiver Rate System (DWRS), which Minnesota already uses to set rates for group homes. DWRS also uses statewide wage and benefit assumptions, standardized cost factors, and a transparent formula. The proposed Supplementary Services methodology adapts these ideas but applies them at the site level rather than the individual level, since many services, such as front desk reception, support groups, etc., are coordinated centrally rather than customized to each recipient.

The process would work as follows:

- **Staffing plan submission.** Providers would submit a staffing plan to their authorizing agency and DHS showing the positions and hours needed to safely support the people living at that site.
- **Review and approval**. DHS, in partnership with the authorizing agency, would review and approve the staffing plan.
- **Rate calculation.** The approved staffing plan would then be used to calculate a Supplementary Service rate using standard statewide assumptions for wages, benefits, and basic operating costs.
- **Single site-wide rate.** The result would be one rate applied to each eligible individual at the site.

Appendix B provides additional detail regarding assumptions about wages, benefits, program administration, and other cost factors. The model, included for reference in Appendix C, uses a standardized calculation tool that captures:

- The number of residents served at a site; and
- Weekly staffing hours by position, based on the site's service design.

Each site-based program receiving Housing Support Supplementary Services funding would complete the model to determine its rate. DHS would need to establish additional policies to determine how often rates are updated (for example, annually or when a significant operational change occurs). Because the model accounts for staffing needs and site size, enhanced Supplementary Services rates currently set through a statutory exception should be re-evaluated using this framework to improve equity and consistency.

Benefits of the Staffing Plan Model

- **Flexibility.** Because statutes defining Supplementary Services do not currently specify service expectations, programs operate with wide variation in staffing levels, staff qualifications, and hours of support. A site-based staffing model allows rates to reflect each program's unique design based on the needs of the target population.
- **Transparency.** The framework documents the specific cost assumptions used to determine the overall rate, ensuring a shared understanding of the basis for the rate and the ability to evaluate its adequacy over time.
- **Consistency.** Although the rate would be tailored to each program site, the cost assumptions would be standardized across providers. For example, for any given staff type, the number of funded hours would vary by site-based program based on its design, but the same wage assumption would be applied to each approved hour.

Implementation Considerations

Before the proposed rate methodology for site-based programs can be implemented, service standards and expectations must be clarified. There are several issues that should be considered as part of conversations with community partners as these standards and expectations are set, as they could necessitate changes to elements of the rate model. For example, the model will need to account for programs that serve individuals both with and without Supplementary Services funding to ensure that costs are fairly allocated across residents. Additionally, adjustments may be needed to accommodate programs that may employ strategies to stretch their staffing, such as live-in or sleep staff or the use of remote monitoring.

Rate Methodology for Scattered-Site Programs: A Standard Monthly Rate

Unlike site-based programs, scattered-site programs function more like a caseworker model, in which a Housing Support Specialist works with a caseload of participants living in their own apartments throughout the community. Supplementary Services are provided through home visits, phone calls, appointment scheduling, and other indirect help. For these programs, the vendor recommended a standard monthly rate. The rate would be built from:

- Standard wage and benefit assumptions for a housing support specialist;
- Typical operating costs (such as mileage and administrative support); and
- An assumed average caseload size.

This approach recognizes that scattered-site services generally follow a consistent pattern of engagement and service provision even though participants live in different places. The proposed rate model for scattered-site programs, which is also found in Appendix C, incorporates the following key assumptions:

- A standard wage assumption based on the inflation-adjusted median wage for the housing support specialist position described in Appendix B, Figure B1 ($27.20 per hour);
- The same benefit package incorporated in the site-based model;

Office space for the housing support specialist, priced at $30.00 per square foot and assuming 100 square feet of office space;[18]

- An average of 250 weekly miles driven by a housing support specialist, priced at the standard IRS mileage rate (currently $0.70 per mile); in comparison, provider survey respondents reported that housing support specialists drive an average of 210 miles per week; and
- The same program support and administration rate factors as reflected in the site-based model.

The resultant costs are spread over an assumed caseload of 20 recipients per housing support specialist for modeling purposes, but actual caseload assumptions would be based on clarified service standards and expectations, since caseloads are a function of these requirements. The modeled caseload of 20 recipients allows for an average of at least one weekly hour of direct service per recipient (whether

[18] Based on Cushman & Wakefield's 2025 (Quarter 3) estimated overall average rent per square foot for all facility classes (A, B, and C) in the Minneapolis area (inclusive of Minneapolis, St. Paul CBD, Northeast, Northwest, South/Airport, Southwest, and West regions). Retrieved from https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/minneapolis-marketbeats.

performed face-to-face or remotely) and at least 15–20 additional hours for the housing support specialist to engage in other activities, including travel between appointments, performing services and outreach on behalf of individuals, participating in training, taking paid time off, etc. To ensure that service delivery reflects payment levels, providers would have to maintain staffing levels that allow for an average of no more than 24 cases per housing support specialist.

VII. Recommendations

Based on this report's findings, DHS is making the following recommendations to support a more sustainable program for providers, recipients, and the state by increasing transparency, ensuring value and quality services for individuals, and strengthening program integrity. However, because Supplementary Services rates support a critical provider network, it is essential to ensure that proposed rate structures and accompanying rates fully account for cost-drivers related to clarified service standards. Doing so will decrease the risk of unintended service disruption for recipients.

1. Clarify Service Standards

Payment rates should reflect service requirements. As discussed in "Key Findings" (Section V) of this report, existing statute broadly defines the types of supports that may be provided under Supplementary Services but lacks specifics regarding expectations for service delivery. The Legislature, in collaboration with DHS, should clarify service standards to reflect community and system needs and to create a foundation from which provider costs are relational to provider reimbursement rates.

DHS should work with community partners, including Supplementary Services providers, counties, Tribal Nations, individuals with lived experience, current service recipient representatives, and other partners to develop proposed service standards for scattered-site and site-based program settings. This process should consider how service costs are impacted by the standards, including:

- **Maximum caseloads for scattered-site programs**, and whether maximum caseloads should vary by region (for example, providers in rural areas may incur longer travel times between recipient visits);
- **Recipient contact requirements** (for example, the frequency of contacts, increased contacts based on recipient acuity, the objectives of recipient contacts, how recipient contacts must be documented, etc.);
- **Qualification requirements for staff delivering Supplementary Services**, including any specific requirements based on the nature of support being delivered (for example, differences in qualifications for staff delivering employment services compared to staff primarily providing health-related services); and
- **Criteria for site-based program staffing**, identifying instances when 24-hour staffing or specialized staffing (such as an on-site nurse or building security) would be approved through the proposed staffing model for site-based programs.

2. Implement Proposed Rate Methodologies, Based on Clarified Service Standards

This rate study finds that rate methodologies should differ for site-based programs (where people receive services on-site at one central location) and scattered-site programs (where supportive services are de-centralized), as described in Section VI. Once service standards are clarified based on Recommendation 1, DHS should adjust the proposed rate structure framework to align with what services are being delivered and the cost to provide those services. Finally, DHS should work with the Legislature to introduce statutory and system changes that reflect proposed service standards and support recommended rate structures.

3. Address Duplication of Services

The state has an interest in avoiding duplicate payments for the same services. While current statute prohibits individuals receiving waiver services or Community First Services and Supports (a Medical Assistance Program that pays for in-home support services for people with disabilities) from also receiving Supplementary Services,[19] the potential for overlap between Supplementary Services and Housing Stabilization Services raised concerns. Both programs include similar tenancy supports, such as help finding housing, working with landlords, securing household items, understanding tenant responsibilities, and resolving conflicts. This study sought to examine the relationship between these programs and services more closely, but that work was interrupted by the termination of the HSS program.

As DHS explores a successor to Housing Stabilization Services (HSS), it must consider ways to avoid duplication of services with Housing Support and Supplementary Services, including but not limited to service options, definitions, and eligibility, as well as the fiscal and system-based solutions needed to implement programmatic decisions with integrity. DHS will also need to work with providers and partners to propose any necessary updates to Housing Support program definitions, requirements, and supporting IT systems, should a successor to HSS be pursued.

4. Recodify and Clarify Housing Support Statue

This study's review of Housing Support statute found that past reforms, including but not limited to the creation of enhanced Supplementary Services rates, have complicated existing statute through inconsistent use of terms, definitions, and overall structure. To improve transparency, shared

[19] 2025 Minnesota Statutes, section 256I.05, subd. 1a

understanding, and program integrity, DHS recommends recodifying the Housing Support statute, alongside the efforts to clarify service standards and modernize how rates are set.

VIII. Limitations

To help readers better understand this report, its scope, and how to interpret its findings, the limitations are outlined below. By acknowledging these limitations, DHS and the vendor aim to provide transparency and important context for understanding the report's conclusions.

Survey results may not be representative of all providers or adequate funding levels. Thirty percent of providers responded to the survey, representing 34.4 percent of the overall Supplementary Services payments made in fiscal year 2024. Since participation in the survey was voluntary, it is unknown whether these respondents are representative of the broader provider community. While provider survey results are presented throughout this report as a comparison to proposed rate framework cost assumptions, survey results may not be representative of all providers. Even if they are, they may not reflect the level of support appropriate to effectively meet the needs of the individuals served. As a result of stagnant payment rates described elsewhere in this report, providers' program designs and cost structures may be driven more by current funding levels than market-based costs. The provider survey sought to document existing operations, but the recommended rate frameworks primarily rely on other independent data sources to inform cost assumptions.

Limited number of site visits. The rate study team conducted in-person site visits with Supplementary Services providers in parts of Minneapolis–St. Paul and in Duluth, and a virtual site visit with another rural county. Information gathered through the site visits has limitations, as the details shared represent only the operations of those sites. There may be additional program modalities, cultural considerations, and service models that exist outside of what was observed through the relatively small sampling of providers compared to the much larger provider network across Minnesota.

Mixed funding streams. Many providers operate multiple programs using multiple funding sources. The rate methodologies proposed here do not differentiate between programs that rely solely on Housing Support and Supplementary Services revenues to support operations, and those that rely on these sources in addition to other potential sources (e.g., funding through local, state, and federal grants, private donations and endowments, waiver services funding, etc.).

IX. Implementation language

Section 1. **REVISOR INSTRUCTION.** The revisor of statutes, in consultation with the Office of Senate Counsel, Research and Fiscal Analysis, the Office of the House Research Department, and the commissioner of human services, must prepare legislation for the 2027 legislative session to codify and modernize Minnesota Statutes, chapter 256I.

Sec 2. **Housing Support Supplementary Services Standards.** (a) The commissioner of human services must review Housing Support supplementary services requirements and provide recommendations for clarifying standards and strengthening service quality. At a minimum, the review must include:

(1) An examination of best practices for housing support supplementary services;

(2) An environmental scan of service standards for programs similar to housing support in other states; and

(3) Consideration of health and safety needs for housing support residents with varying acuity of service needs.

(b) The commissioner must consult with interested partners, including housing support supplementary services providers, counties, Minnesota Tribal governments, and recipients of supportive housing services when developing recommendations.

(c) By January 15, 2028, the commissioner must present recommendations for supplementary services standards and proposed draft legislation to the chairs and ranking minority members of the legislative committees with jurisdiction over human services policy and finance.

X. Summary

This report recommends essential reforms in the context of the changing housing and services landscape. It proposes a new rate structure framework, utilizing standardized methodologies for site-based and scattered-site programs, and identifies next steps to support implementation. It also makes clear that the next step that must be prioritized is the clarification of service standards. Without clear and consistent service standards, Supplementary Services rates will continue to be misaligned with the cost of providing services.

Appendix A

Figure A1 describes the key characteristics of Supplementary Services rates authorized to exceed the standard maximum rate of $494.91, as of January 2026.

Figure A1: Summary of Current Statutory Rate Exceptions

Minnesota Statute	Individuals Served	Targeted Provider	Start Date	Services	Rate
Minn. Stat. 256I.04, subd. 3, paragraph a(2)	People with substance use disorder who are repetitive users of detox centers and have been refused entry into shelters	Specialized facility in Hennepin County for which planning started prior to July 1, 1991, in anticipation of a grant from Minnesota Housing Finance Agency	7/1/1993	Not specified	$687.87
Minn. Stat. 256I.05, subd. 1c, paragraph e	Not specified	For licensed boarding care homes not certified for Medical Assistance	7/1/1992	Not specified	Not to exceed 65% of 1991 nursing home resident class A Medical Assistance reimbursement rate
Minn. Stat. 256I.05, subd. 1d	People with mental illness or substance use disorder	For Board and Lodging facilities licensed prior to December 31, 1996, if it meets all criteria	Varies	24-hour, on-site support from qualified staff; medication monitoring and reminders, assistance with developing a support plan, assistance with scheduling and transportation, etc.	Varies

Minnesota Statute	Individuals Served	Targeted Provider	Start Date	Services	Rate
Minn. Stat. 256I.05, subd. 1f	Not specified	For licensed boarding care homes not certified for Medical Assistance	7/1/2001	Not specified	Not to exceed non-federal share of the statewide weighted average monthly medical assistance nursing facility payment rate for case mix A in effect on January 1, 2001
Minn. Stat. 256I.05, subd. 1e, paragraph (a)	People with substance use disorder	For a provider located in Hennepin County that has had a contract with the county since June 1996 and operates a 75-bed, a 50-bed, and a 26-bed facility	7/1/2005	24-hour supervision and limiting maximum length of stay of 13 months out of 24	Up to $700
Minn. Stat. 256I.05, subd. 1e, paragraph (b)	Adult males with substance use disorder	For a provider located in St. Louis County that has had a contract with the county since 2006 and operates a 62-bed facility	7/1/2005	24-hour supervision and limiting maximum length of stay of 13 months out of 24	Up to $700
Minn. Stat. 256I.05, subd. 1e, paragraph (c)	Not specified	Up to an additional 115 beds for the provider identified in paragraph (a) and (b)	7/1/2013	Not specified	Up to $700

Minnesota Statute	Individuals Served	Targeted Provider	Start Date	Services	Rate
Minn. Stat. 256I.05, subd. 1h	Males with or recovering from substance use disorder	For a provider that has had a contract since 1982 and licensed as a board and lodge since 1979	7/1/2007	24-hour supervision	Up to $737.87
Minn. Stat. 256I.05, subd. 1i	Not specified	For a facility located in Hennepin County with 48 bed capacity licensed as a board and lodging facility since 1978 and operated as a licensed substance use disorder treatment program until August 1, 2007	Not specified	Not specified	Up to $700
Minn. Stat. 256I.05, subd. 1j	People with substance use disorder	For a new 65-bed facility in Crow Wing County operated by a provider that also operates 304-bed facility in Minneapolis and a 44-bed facility in Duluth which opened in January of 2006	7/1/2007	Not specified	Up to $700

Minnesota Statute	Individuals Served	Targeted Provider	Start Date	Services	Rate
Minn. Stat. 256I.05, subd. 1k	People with substance use disorder	For a provider located in Stearns, Sherburne, or Benton County that operates a 40-bed facility financed through Minnesota Housing Finance Agency Ending Long-Term Homelessness Initiative	7/1/2009	24-hour supervision	Up to $700
Minn. Stat. 256I.05, subd. 1l	People with substance use disorder	For a provider located in St Louis County operating a 30-bed facility financed through Minnesota Housing Finance Agency Ending Long-Term Homelessness Initiative	7/1/2007	24-hour supervision	Up to $700
Minn. Stat. 256I.05, subd. 1n	Individuals who are homeless, disabled, mentally ill, chronically homeless, or have a substance use disorder	For a provider operating a 28-bed facility located in Mahnomen County.	7/1/2010	24-hour care	Up to $753

Minnesota Statute	Individuals Served	Targeted Provider	Start Date	Services	Rate
Minn. Stat. 256I.05, subd. 1p	Women who have substance use disorder, mental illness or both	For a provider located in St. Louis County and has had a Housing Support contract with the county since July 2016 and operates a 35-bed facility	7/1/2017	24-hour supervision on-site support with skilled professionals, including a licensed practical nurse, registered nurses, peer specialists, and resident counselors; and independent living skills training and assistance with family reunification	Up to $700
Minn. Stat. 256I.05, subd. 1q	Individuals with substance use disorder	For a provider located in Olmsted County operating long term residential facilities with a total of 104 beds	7/1/2017	24-hour supervision "other support services"	Up to $750
Minn. Stat. 256I.05, subd. 1s	Chemically dependent men	For a 74-bed long-term residential facility in Blue Earth County.	7/1/2023	24-hour supervision "other support services"	Up to $750
Minn. Stat. 256I.05, subd. 1t	Chemically dependent men and women	For a 90-bed long-term residential facility in Crow Wing County	7/1/2023	24-hour supervision and "other support services"	Up to $750

Minnesota Statute	Individuals Served	Targeted Provider	Start Date	Services	Rate
Minn. Stat. 256I.05, subd. 1v	Individuals experiencing unsheltered homelessness with complex health needs including substance use disorder, serious mental illness, and physical health conditions	For a 100-bed facility in Twin Cities area operating since 2020 and a 48-bed facility in central Minnesota opening after 2025	7/1/2026	24-hour supervision with on-site support services	Up to $975
Minn. Stat. 256I.05, subd. 1w	Chemically dependent women	For a 20-bed facility that opened in 2007 in Blue Earth County	7/1/2025	24-hour supervision and “other support services"	Up to $750

Appendix B

The proposed Supplementary Services rate methodology for site-based programs utilizes a formula that accounts for the number of residents served at a site and weekly staffing hours by position, based on the site's service design. The formula includes wage assumptions, benefits factors, and program support and administration costs. These factors are described in additional detail in the sections below.

Wage Assumptions

Consistent with DWRS, staff wages in the site-based program model are based on Minnesota-specific data from the Bureau of Labor Statistics (BLS). The proposed framework uses May 2024 BLS Occupational Employment and Wage Statistics,[20] adjusted for inflation.

Using inflation-adjusted BLS wages offers several advantages:

- Provider wages often reflect long-standing rate constraints rather than competitive labor market conditions.
- BLS data reflects the broader labor market, not a single service sector.
- Inflation-adjusted wages are forward-looking, supporting rate adequacy over time.

DHS should include regional wage adjustments when finalizing rate methodologies to account for geographic differences in labor costs using strategies like DWRS regional variance factors. In the current DWRS frameworks, these factors range from 95.4 percent to 102.6 percent of the calculated rate.[21] Figure B1 summarizes the modeled positions, corresponding BLS occupational classifications, and wage assumptions, with provider-reported wages shown for comparison.

[20] Bureau of Labor Statistics. (Published April 2025). May 2024 Occupational Employment and Wage Statistics (OEWS) Tables. Retrieved from https://www.bls.gov/oes/tables.htm.

[21] Minnesota Department of Human Services. (July 1, 2022). 2022 Regional Variance Factors.

Figure B1: Rate Model Wage Assumptions by Position (Based on Inflated May 2024 BLS Estimates)

Rate Model Position	BLS Standard Occupational Classification(s)	Avg. Wage from Provider Survey	Median Wage (Inflated) [22]
Supportive Services Staff	21-1093 Social and Human Service Asst. (20%) 21-1094 Community Health Worker (10%) 31-1120 Home Health/ Personal Care Aide (50%) 35-2021 Food Preparation Workers (10%) 53-3031 Driver/ sales worker (10%)	$19.27[23]	$20.70
Housing Support Specialist	21-1099 Community/ Social Services Specialists (all other)	$23.02 - $23.69[24]	$27.20
Registered Nurse	29-1141 Registered Nurse	$33.85	$53.02
Licensed Practical Nurse	29-2061 Licensed Practical Nurse	$30.85	$31.99
Drug and Alcohol Counselor	21-1018 Substance Abuse, Behavioral Disorder, and Mental Health Counselor	$35.29	$30.86
Behavioral Support Professional	21-1018 Substance Abuse, Behavioral Disorder, and Mental Health Counselor	None Reported	$30.86
Front Desk Staff	43-4171 Receptionists and Information Clerks	$17.95	$19.40
Kitchen Staff	35-2012 Cook (institutions and cafeterias)	$15.67	$22.17
Building Security	33-9032 Security Guards	None Reported[25]	$24.18

[22] The median wage level for each occupational classification has been inflated by a factor of 9.32 percent, accounting for a 4.2 percent compound annual growth rate as reported for Minnesota by the Bureau of Economic Analysis applied for 26 months (accounting for the time between May 2024 and a modeled implementation date of July 2026). See compound annual growth rate for net earnings in Minnesota (2014 – 2024) at https://apps.bea.gov/regional/bearfacts/.

[23] Based on the reported weighted average (without outliers) wage for personal care assistants.

[24] The provider survey included a case manager role with a reported weighted average (without outliers) wage of $23.02, and a separate housing support specialist role with a weighted average (without outliers) wage of $23.69 per hour.

[25] Average wages reflect employee compensation reported in the provider survey. Building security positions were not reported as employee roles. Although two providers reported contracted building

As shown in Figure B1, the proposed rate methodology uses wage assumptions that are higher than those reported in the provider survey for all but one position. Using inflation-adjusted Bureau of Labor Statistics (BLS) wage data instead of provider-reported wages offers several advantages:

- **Provider wages reflect constrained rates.** Provider-reported wages largely reflect the reimbursement rates available to them, rather than the true cost of recruiting and retaining staff. Because Supplementary Services rates have received few increases in more than 30 years, provider wages are generally not competitive with the broader labor market.
- **BLS data reflects the overall labor market.** BLS wage estimates are cross-industry and therefore better represent market conditions for comparable occupations.
- **BLS wages support future rate adequacy.** Provider survey data is backward-looking, while inflation-adjusted BLS wages are intended to support rates that remain appropriate over time.

Benefits and Additional Cost Factors

The recommended rate model for site-based programs assumes a standardized benefits package across staff. While benefits are applied as a percentage of wages, the effective benefit rate varies by wage level because some benefit costs are fixed.

Employer-paid payroll taxes included in the model

The proposed rate model includes the following standard employer-paid payroll taxes:

- Social Security: 6.20% of total wages
- Medicare: 1.45% of total wages
- Federal unemployment insurance: 0.60% on the first $7,000 in wages paid
- Employment security insurance: 1.00% on the first $43,000 in wages paid
- Workers' Compensation: 1.63% of total wages
- Minnesota Paid Leave Program premium: 0.44% of total wages

Fringe benefits included in the model

The rate models also incorporate the following fringe benefits:

- **Paid time off.** The rate models include 25 days of paid time off, including 10 holidays and 15 days of paid time off (vacation and sick days). In comparison, providers participating in the

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security services, contractor rates are not directly comparable to employee wages and are excluded from this analysis.

provider survey reported offering an average of about 24 paid days off per year for staff who qualify.

- **Health insurance.** An employer-paid premium of $738 per employee per month, based on Minnesota data from the 2023 Medical Expenditure Panel Survey.[26] The model assumes universal access to coverage and a 65 percent participation rate.
- **Other benefits.** $100 additional per month for other benefits, such as dental or vision insurance, disability insurance, contributions to a retirement plan, and other discretionary benefits. Providers participating in the provider survey reported offering an effective benefit level of $101 per month.

Program Support and Administration

Finally, the rate model for site-based programs incorporates two additional factors as a percentage of the total rate:

- **Program support (10%)** covers supervision, internal coordination activities, quality oversight, training, and other program activities.
- **Administration (13.25%)** covers core administrative functions such as finance, management, information technology, and human resources, consistent with DWRS assumptions.

[26] Agency for Healthcare Research and Quality (AHRQ), *Medical Expenditure Panel Survey—Insurance Component (MEPS-IC) Data Tools*, https://datatools.ahrq.gov/meps-ic/

Appendix C

Proposed Rate Models for Supplementary Services

Scattered-Site (Community) Proposed Rate Model

	Unit of Service	Month
	Caseload	20
Housing Support Specialist	- Hourly Wage	$27.20
	- Employee Benefit Rate (as a percent of wages)	27.9%
	Hourly Staff Cost (wages + benefits)	$34.79
	Staff Cost per Month	$6,030.27
	Staff Cost per Resident per Month Case	**$301.51**
Office Space	- Square Feet of Office Space	100
	- Cost per Square Foot	$30.00
	Annual Cost of Office Space	$3,000.00
	Office Cost per Month	$250.00
	Monthly Facility Cost per Case	**$12.50**
Mileage	- Number of Miles Traveled per Week per Housing Support Specialist	250
	- Amount per Mile	$0.700
	Mileage Cost per Month	$758.33
	Monthly Mileage Cost per Case	**$37.92**
Admin. and Program Support	Monthly Cost Before Admin. and Program Support	$351.93
	- Program Support Percent	10.0%
	Program Support Cost per Month per Case	**$45.85**
	- Administration Percent	13.25%
	Monthly Administration Cost per Case	**$60.76**
	Rate per Month per Case	**$458.54**

Site-Based (Group) Proposed Rate Model

	Unit of Service	Month
	Number of Residents for Rate Calculation	
Supportive Services Staff	- Staff Hours per Site per Week	
	- Number of Supportive Services Staff FTEs	0.00
	- Hourly Wage	$20.70
	- Employee Benefit Rate (as a percent of wages)	33.7%
	Hourly Staff Cost (wages + benefits)	$27.68
	Productivity Assumptions	
	Total Hours	40.00
	- Paid Time Off	3.85
	- Time Away From Home (Coverage Needed)	5.00
	Available Hours	31.15
	Productivity Adjustment	1.28
	Staff Cost After Productivity Adjustment	$35.43
	Weekly Cost of Supportive Services Staff for the Site	$0.00
	Weekly Supportive Services Staff Cost per Resident	**$0.00**
Housing Support Specialist	- Weekly Housing Support Specialist Hours	
	- Number of Housing Support Specialist FTEs	0.00
	- Hourly Wage	$27.20
	- Employee Benefit Rate (as a percent of wages)	27.9%
	Hourly Staff Cost (wages + benefits)	$34.79
	Weekly Cost of Housing Support Specialist Staff for the Site	$0.00
	Weekly Housing Support Specialist Cost per Resident	**$0.00**
Registered Nurse	- Weekly Registered Nurse Hours	
	- Number of Registered Nurse FTEs	0.00
	- Hourly Wage	$53.02
	- Employee Benefit Rate (as a percent of wages)	18.8%
	Hourly Staff Cost (wages + benefits)	$62.99
	Weekly Cost of Registered Nurses for the Site	$0.00
	Weekly Registered Nurse Cost per Resident	**$0.00**
Licensed Practical Nurse	- Weekly Licensed Practical Nurse Hours	
	- Number of Licensed Practical Nurse FTEs	0.00
	- Hourly Wage	$31.99
	- Employee Benefit Rate (as a percent of wages)	25.1%
	Hourly Staff Cost (wages + benefits)	$40.02
	Weekly Cost of Licensed Practical Nurses for the Site	$0.00
	Weekly Licensed Practical Nurse Cost per Resident	**$0.00**

	Unit of Service	Month
Drug and Alcohol Counselor	- Weekly Drug and Alcohol Counselor Hours	
	- Number of Drug and Alcohol Counselor FTEs	0.00
	- Hourly Wage	$30.86
	- Employee Benefit Rate (as a percent of wages)	25.7%
	Hourly Staff Cost (wages + benefits)	$38.79
	Weekly Cost of Drug and Alcohol Counselor for the Site	$0.00
	Weekly Drug and Alcohol Counselor Cost per Resident	**$0.00**
Behavioral Support Professional	- Weekly Behavioral Support Professional Hours	
	- Number of Behavioral Support Professional FTEs	0.00
	- Hourly Wage	$30.86
	- Employee Benefit Rate (as a percent of wages)	25.7%
	Hourly Staff Cost (wages + benefits)	$38.79
	Weekly Cost of Behavioral Support Professional	$0.00
	Weekly Behavioral Support Professional Cost per Resident	**$0.00**
Front Desk Staff	- Weekly Front Desk Staff Hours	
	- Number of Front Desk Staff FTEs	0.00
	- Hourly Wage	$19.40
	- Employee Benefit Rate (as a percent of wages)	35.4%
	Hourly Staff Cost (wages + benefits)	$26.27
	Weekly Cost of Front Desk Staff	$0.00
	Weekly Front Desk Staff Cost per Resident	**$0.00**
Kitchen Staff	- Weekly Kitchen Staff Hours	
	- Number of Kitchen Staff FTEs	0.00
	- Hourly Wage	$22.17
	- Employee Benefit Rate (as a percent of wages)	32.1%
	Hourly Staff Cost (wages + benefits)	$29.29
	Weekly Cost of Kitchen Staff	$0.00
	Weekly Kitchen Staff Cost per Resident	**$0.00**
Building Security	- Weekly Building Security Hours	
	- Number of Building Security FTEs	0.00
	- Hourly Wage	$24.18
	- Employee Benefit Rate (as a percent of wages)	30.2%
	Hourly Staff Cost (wages + benefits)	$31.48
	Weekly Cost of Building Security	$0.00
	Weekly Building Security Cost per Resident	**$0.00**
Mileage	- Number of Miles Traveled per Week per Home	
	- Amount per Mile	$0.700
	Mileage Cost per Week	$0.00
	Weekly Mileage Cost per Resident	**$0.00**

	Unit of Service	Month
Admin. and Program Support	Weekly Cost Before Admin. and Program Support	$0.00
	- Program Support Percent	10.0%
	Program Support Cost per Week	**$0.00**
	- Administration Percent	13.25%
	Weekly Administration Cost per Resident	**$0.00**
	Rate per Week per Resident	$0.00
	Rate per Resident per Month	**$0.00**