

HEALTH & HUMAN SERVICES

2002-03
Minnesota
Biennial Budget

*Presented by
Governor Jesse Ventura
to the 82nd Legislature*

STATE OF MINNESOTA 2002-03 BIENNIAL BUDGET

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HUMAN SERVICES DEPT - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Minnesota Department of Human Services (DHS), working with many others, helps people meet their basic needs so they can live in dignity and achieve their highest potential. Every day, nearly a million Minnesotans are touched in some way by the wide variety of health care, economic assistance, child welfare, social services and other programs offered by the department and its county and community partners.

DHS works to serve its clientele guided by a set of core values. They include:

- We focus on people, not programs.
- We provide ladders up and safety nets for the people we serve.
- We work in partnership with others; we cannot do it alone.
- We are accountable for results, first to the people we serve, and ultimately to all Minnesotans.

KEY SERVICE STRATEGIES:

The Department's four main policy priorities for the biennium are based on the governor's Big Plan for Minnesota. They are:

- Health care for the next 50 years
- Self-sufficiency and independent living
- Insisting parents parent
- Care and protection of vulnerable children and adults

The governor's biennial budget for DHS makes targeted investments in these priorities while limiting the growth in state spending.

In addition to these Big Plan priorities, DHS is committed to making government work better, getting the most value for taxpayer money, reinvesting money wherever possible rather than simply asking for more, putting people first, reducing disparities in service access and in outcomes, and engaging citizens in human services public policy decision-making.

DHS delivers human services in a county-administered, state supervised system. Indian tribes also administer human services programs in Minnesota. In addition, Minnesota has a large non-profit network which provides strong support for community health and human services programs across the state.

OPERATING ENVIRONMENT:

Services provided through DHS appropriations include:

Health care and continuing care

- Basic health care (e.g. hospital and physician services, prescription drugs) for approximately 500,000 low income families with children, single adults and couples without children, elderly Minnesotans and persons with disabilities. These services are provided through a number of programs including Medical Assistance (MA or Medicaid), General Assistance Medical Care (GAMC), and MinnesotaCare.
- Prescription drug coverage through the Prescription Drug Program for approximately 4,200 low-income seniors not eligible for other publicly funded health care programs; beginning in 2002, low-income people with disabilities not eligible for other programs will be able to enroll.
- Residential-based long-term care such as nursing home and group home care for over 32,000 people (approximately 29,000 people in nursing facilities and 3,800 people in group homes).
- Community-based and at-home long-term care for approximately 27,000 persons at-risk of institutional placement.
- Community social support and health care-related social services, including meals on wheels, serving approximately 109,000 older Minnesotans.
- Treatment services for over 20,000 people annually provided through the Department's State Operated Services (SOS). State Operated Services are located around the state and provide treatment for chemically dependent and mentally ill individuals as well as services to people with developmental disabilities.
- Translator services and adaptive technology for over 40,000 Minnesotans dealing with hearing loss or deafness through eight regional offices.

Economic assistance

- Temporary cash assistance for families in crisis serving approximately 41,000 families through the Minnesota Family Investment Program (MFIP).
- Cash assistance for elderly Minnesotans and people with disabilities, serving approximately 37,000 individuals through General Assistance and Minnesota Supplemental Aid.
- Child support enforcement services for approximately 229,000 cases (families, individuals).
- Food stamps and state-funded food assistance for over 91,000 Minnesota households.

HUMAN SERVICES DEPT - EXECUTIVE SUMMARY (Continued)

Child welfare

- Child protection services including action taken on behalf of approximately 11,000 children who are abused or neglected.
- Foster care services and other out-of-home placement assistance for approximately 18,900 children.
- Adoption assistance for over 4,000 families who want to add special needs children to their families.
- Relative Custody Assistance which helps approximately 900 special-needs children under state guardianship find a home with extended family.

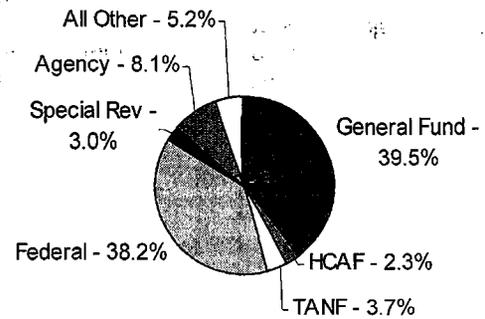
Administrative support services

- Accounting and auditing services for approximately \$13 billion in agency program dollars.
- Forecasting of future expenditures for health care and cash assistance programs.
- Guarding privacy rights and resolving over 4,000 client service/benefit appeals and over 200 provider service appeals annually.
- Licensing and quality assurance for approximately 28,000 residential and non-residential programs for children and adults across DHS programs.
- Computer system support and strategic planning. This support covers legacy systems including the MAXIS system which determines eligibility for economic assistance programs across the 87 Minnesota counties; the child support enforcement system (PRISM); the Medicaid Management Information System (MMIS) which pays medical claims for publicly funded health care programs; and the Social Service Information System (SSIS).
- Personnel services, purchasing, office space leasing and related facility management for approximately 6,000 employees.

Human Services Financing

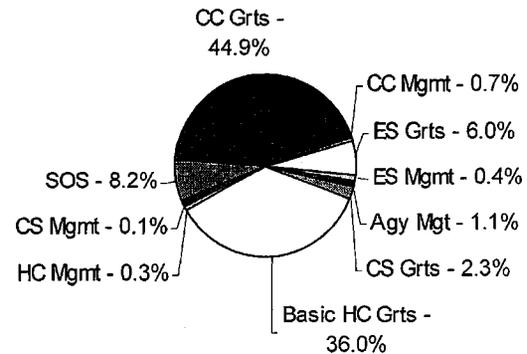
The following chart shows the 2000-01 biennium funding sources for human services expenditures.

DHS FY2000-01 Expenditures By Fund
Total = \$12,827,412,00



The following chart shows total General Fund Expenditures by program.

DHS FY 2000-01 General Fund Expenditures
Total Direct Appropriated = \$5,069,737,000



HUMAN SERVICES DEPT - EXECUTIVE SUMMARY (Continued)

Basic health care successes and pressures

Successes:

- Minnesota continues its high ranking as one of the healthiest places to live, in part due to the state's investments in health care.
- Minnesota continues to have one of the lowest rates of uninsured people in the nation.
- The availability of publicly subsidized health care continues to be a successful element in welfare reform.
- Minnesota's Medical Assistance Program—the largest health care program DHS administers—recently scored above the national average in most categories of customer satisfaction.

Pressures:

- Approximately 70,000 Minnesota children remain without health care coverage.
- Racial disparities continue in health care access and outcomes.
- Serving a more diverse population means a greater need to provide translation services and specialized outreach for people with limited English proficiency.
- Under the current forecast, the Health Care Access Fund provider tax and gross premium tax will increase to previous levels to support forecasted costs.
- As one player in a private marketplace, publicly funded health care programs are subject to the same pressures as other purchasers. For example, health care costs are growing significantly for both public and private sector purchasers.
- In addition to rising health care costs for public program clients, DHS is experiencing rising costs of employee health care coverage. Employee salary supplement funding has not kept pace with the costs of union negotiated contracts or the costs to fund employee health care.
- Complex eligibility and financing differences across public health care programs make services difficult for consumers to understand and for DHS to administer.
- Improving access to health care and economic assistance services for people with limited English skills.

Long-term care/continuing care successes and pressures

Successes:

- A declining number of nursing home beds and nursing home occupancy.
- A 33% reduction in hospital use by Adult Mental Health Initiative consumers.
- A 67% reduction in the use of regional treatment centers.

Pressures:

- High level of cost growth for care for persons with disabilities and the elderly.
- Historic over-investment in institutional care.
- Regulating non-institutional settings so that flexible services can be delivered while maintaining a level of client protection.
- Continued worker shortages and turnover in the long-term care industry.
- A growing elderly population.
- Equitable access to community-based services across rural and urban regions of the state.
- A shortage of community services for people with mental illness that supports both past and current de-institutionalization; costs of expanding community infrastructure while still paying for current services.

Economic support successes and pressures

Successes:

- An independent Minnesota Family Investment Program (MFIP) pilot evaluation found MFIP increased family income, decreased poverty, promoted marriage, decreased domestic violence, and improved school performance for children.
- 33% of one-parent families on MFIP are working; 57% of two-parent families are employed.
- Minnesota continues to rank at the top of child support collection efforts nationally.

Pressures:

- The upcoming 60-month lifetime limit on use of welfare.
- Federal reauthorization of the federal Temporary Assistance to Needy Families (TANF) block grant. While Minnesota expects the same amount of funding as in the past, there are no guarantees.

HUMAN SERVICES DEPT - EXECUTIVE SUMMARY (Continued)

- Striking the balance between personal responsibility and ensuring a safety net.
- Balancing investments across prevention, intervention, and supports.
- A disproportionate number of minorities are living in poverty.
- Sustaining policy goals in an economic downturn.
- Making welfare programs support meaningful, sustainable career-track work.
- A housing market that is limited and expensive.
- Maintaining a broader public policy prevention agenda that takes into account the needs of the working poor.

Child welfare successes and pressures

Successes:

- Minnesota continues to make significant strides in placing children in state guardianship with permanent families.
- Minnesota received its second adoption of children in foster care bonus in 2000 awarded by the federal Adoption 2002 Initiative and the Adoption and Safe Families Act of 1997. This award was bestowed because of Minnesota's positive results in getting more children in foster care adopted by permanent families.
- The Alternative Response Program partnership with the McKnight Foundation distributed \$12 million to help families who do not meet the legal threshold of abuse or neglect but who need help with appropriate parenting skills.

Pressures:

- Maintaining statewide standards when the state provides only about 15% of the funding for child welfare services.
- With local funding being such a major source of money, disparities exist between counties in their ability to fund services to meet any statewide standards. This means more pressure for local governments to consider regional efforts to meet local needs.
- Continued pressure to improve child welfare, especially to strengthen reunification efforts so that children get reunited with their families faster when that is appropriate or placed in a permanent home when a child cannot live with his/her parents.
- The need to support families with children at-risk of institutionalization.

Administrative support services successes and pressures

Successes:

- DHS successfully implemented fiscal processes and procedures for allocating, distributing, recording, and reporting federal Temporary Assistance to Needy Families (TANF) funds—the block grant that funds the largest of the state's welfare programs, the Minnesota Family Investment Program.
- The agency maintained 95% timeliness in issuance of final orders in approximately 4,000 fair hearings related to client benefit changes.
- Over 90% of citizens who were appeal/fair hearing participants gave positive approval ratings of the process and its fairness.
- DHS issued timely determinations in all long-term care rate appeals.
- A 98% compliance rate for 30-day prompt payment requirements for vendors was achieved in FY 2000 without service disruption for clients or business partners.
- DHS implemented civil service pilot projects which resulted in better and faster human resources actions for both managers and line employees.
- Agency systems successfully met the challenge of Y2K.
- Capacity was expanded to make more efficient use of the Executive Information System (EIS) which gives policy makers access to data on cash, medical and food stamp programs.

Pressures:

- Employee salary supplement funding has neither kept pace with the costs of union negotiated contracts nor with the costs of funding employee health care.
- There are inherent tensions between local control and centralized efficiencies. Some counties are experiencing declining populations while others are growing. This may mean more emphasis on regionalization and partnerships among counties.
- Expectations are growing from business partners and citizens to provide more "electronic government" services including electronic commerce and internet-oriented services.
- Cost pressures continue on major systems, often driven by the need to maintain business standards set by private sector partners such as those in health care.
- Technology continues to change relationships and increase expectations. Often technology does not reduce costs but provides a means to deliver

HUMAN SERVICES DEPT - EXECUTIVE SUMMARY (Continued)

more services for less additional cost or an entirely new service more effectively.

- Expectations for licensing and service quality control continue to grow. The number and types of providers needing licensing has increased. Additional activities like background checks were added have been added to agency responsibilities. Funding has not been increased to keep pace with these developments.
- Legal liability standards for government-licensed services are changing and increasing the potential for exposure to lawsuits.
- The need to consolidate seven leased DHS central office locations remains an issue.
- The federally mandated Health Insurance Portability and Accountability Act (HIPAA) creates new policies and procedures that have significant implementation implications on health care operations and other areas across the agency.

Commissioner
Deputy Commissioner

**Information &
Technology**

**Office for Equal
Opportunity,
Affirmative Action &
Civil Rights**

Human Resources

Communications

**Finance &
Management**

Children's Services

Health Care

**State Operated
Services
(SOS)**

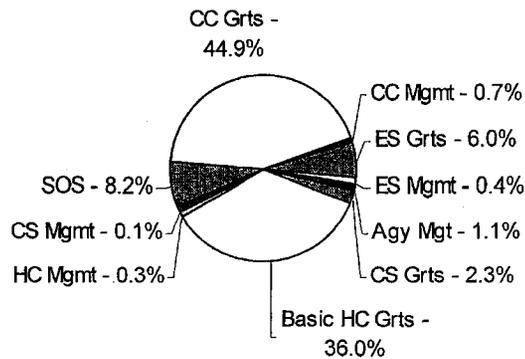
Continuing Care

Economic Support

DHS FY 2000-01 Expenditures by Fund & Program

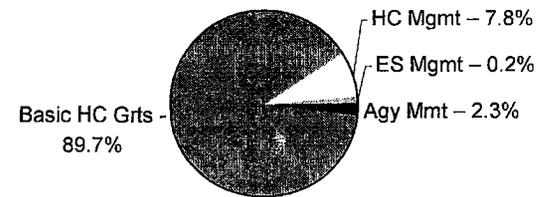
General Fund

Total Expenditures = \$5,069,737,000



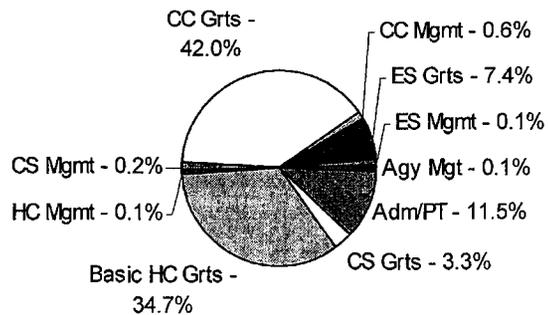
HCAF

Total Expenditures = \$296,795,000



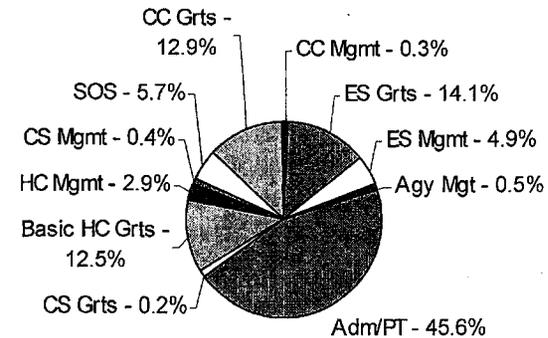
Federal Fund

Total Expenditures = \$4,903,265,000



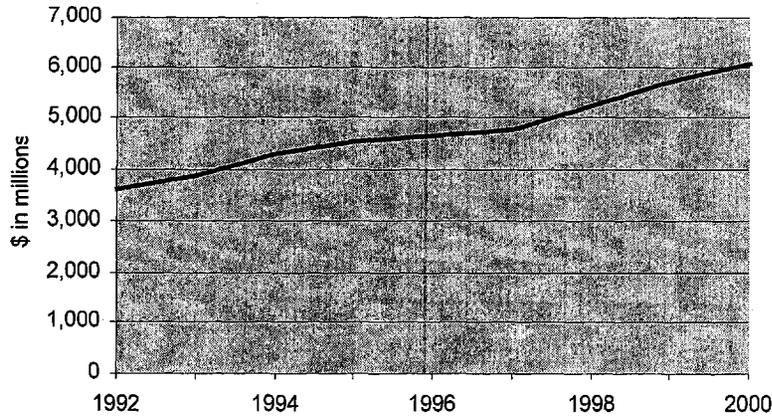
All Other Funds

Total Expenditures = \$2,557,615,000

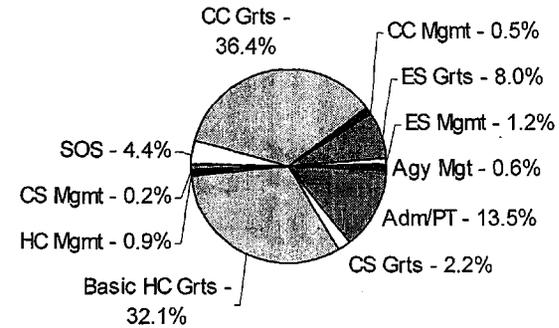


DHS Agency-wide Trends & Perspectives

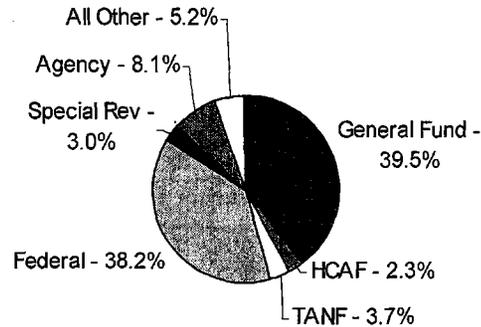
Total Expenditures - All Funds



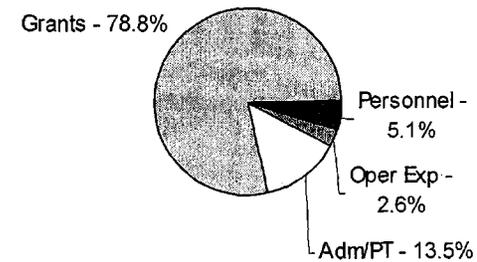
2000-01 Expenditures By Program
Total Expenditures = \$12,827,412,000



2000-01 Expenditures By Fund
Total Expenditures = \$12,827,412,000

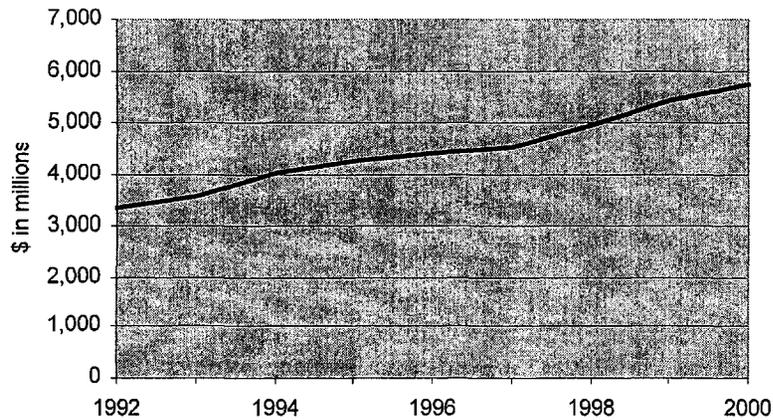


2000-01 Expenditures By Category
Total Expenditures = \$12,827,412



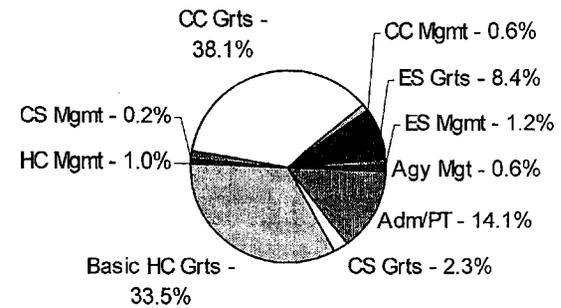
DHS Central Office Trends & Perspectives

Total Expenditures - All Funds



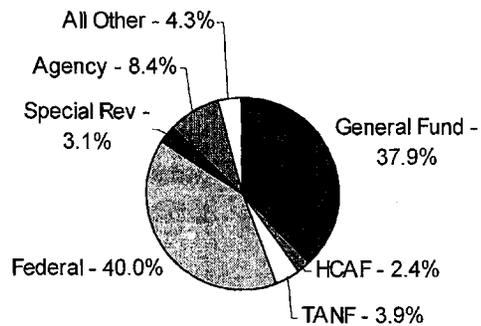
2000-01 Expenditures By Program

Total Expenditures = \$12,267,373,000



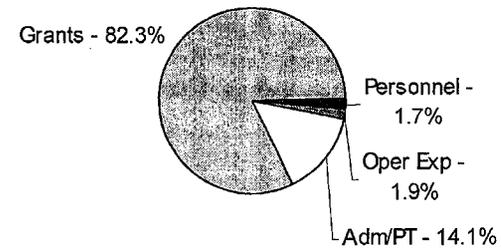
2000-01 Expenditures By Fund

Total Expenditures = \$12,267,373,000



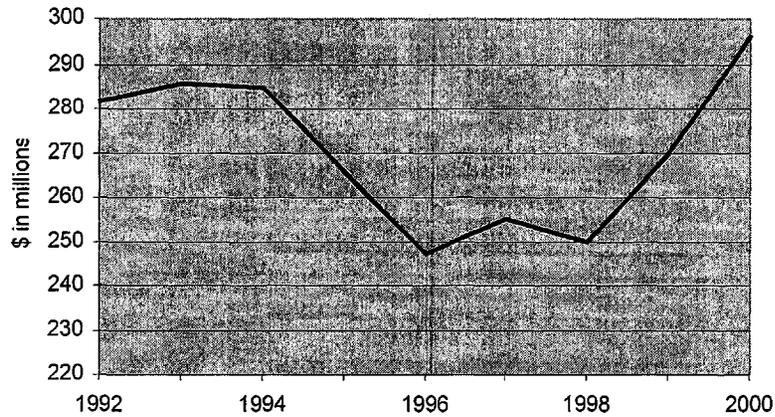
2000-01 Expenditures By Category

Total Expenditures = \$12,267,373,000



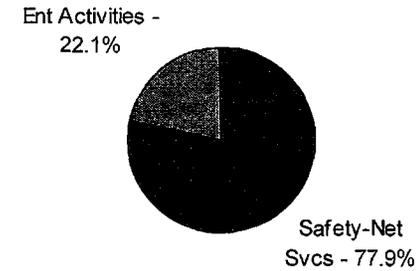
DHS State Operated Services Trends & Perspectives

Total Expenditures - All Funds



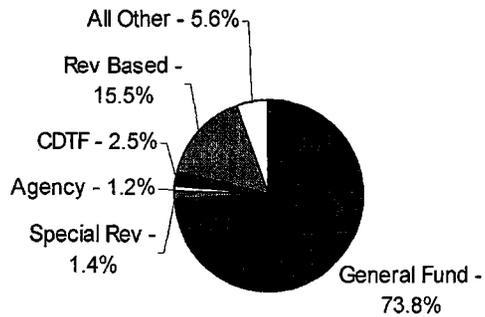
2000-01 Expenditures By Activity

Total Expenditures = \$560,039,000



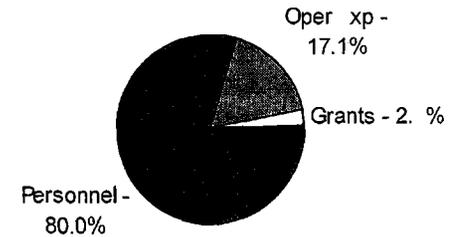
2000-01 Expenditures By Fund

Total Expenditures = \$560,039,000



2000-01 Expenditures By Category

Total Expenditures = \$560,039,000



Agency: HUMAN SERVICES DEPT

| Agency Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|--|-------------------|-------------------|---------------------|------------------|---------------------|------------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| | | | | | | | | | |
| Expenditures by Program: | | | | | | | | | |
| AGENCY MANAGEMENT | 43,537 | 37,927 | 40,168 | 41,653 | 50,532 | 42,734 | 50,164 | 22,601 | 28.9% |
| ADMIN REIMBURSE/PASS THROUGH | 813,572 | 811,576 | 918,052 | 866,444 | 866,444 | 861,205 | 861,205 | (1,979) | (0.1%) |
| CHILDREN'S SERVICES GRANTS | 107,745 | 132,975 | 153,392 | 145,842 | 159,148 | 152,715 | 238,249 | 111,030 | 38.8% |
| CHILDREN'S SERVICES MANAGEMENT | 11,072 | 11,529 | 13,501 | 11,632 | 13,663 | 11,543 | 13,553 | 2,186 | 8.7% |
| BASIC HEALTH CARE GRANTS | 1,706,731 | 1,944,639 | 2,168,878 | 2,405,827 | 2,407,232 | 2,726,455 | 2,736,659 | 1,030,374 | 25.0% |
| HEALTH CARE MANAGEMENT | 51,282 | 52,803 | 65,197 | 67,818 | 71,466 | 67,136 | 72,242 | 25,708 | 21.8% |
| STATE OPERATED SERVICES | 270,266 | 268,565 | 291,474 | 290,081 | 286,334 | 291,124 | 281,659 | 7,954 | 1.4% |
| CONTINUING CARE GRANTS | 2,092,463 | 2,162,028 | 2,506,385 | 2,509,857 | 2,512,911 | 2,622,827 | 2,627,503 | 472,001 | 10.1% |
| CONTINUING CARE MANAGEMENT | 29,843 | 31,697 | 39,687 | 39,591 | 43,778 | 39,843 | 44,742 | 17,136 | 24.0% |
| ECONOMIC SUPPORT GRANTS | 498,818 | 512,227 | 515,104 | 489,982 | 499,505 | 463,938 | 515,177 | (12,649) | (1.2%) |
| ECONOMIC SUPPORT MANAGEMENT | 75,356 | 66,360 | 83,248 | 76,643 | 112,037 | 84,341 | 94,365 | 56,794 | 38.0% |
| Total Expenditures | 5,700,685 | 6,032,326 | 6,795,086 | 6,945,370 | 7,023,050 | 7,363,861 | 7,535,518 | 1,731,156 | 13.5% |

| | | | | | | | | | |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|--|
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 2,260,367 | 2,374,814 | 2,694,923 | 2,937,787 | 2,970,899 | 3,172,826 | 3,311,611 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 473 | 477 | 514 | 520 | 520 | 534 | 534 | | |
| HEALTH CARE ACCESS | 115,289 | 123,415 | 173,380 | 207,905 | 210,583 | 241,458 | 216,824 | | |
| SPECIAL REVENUE | 624 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| FEDERAL TANF | 186,280 | 221,264 | 257,323 | 249,655 | 266,045 | 211,348 | 268,854 | | |
| LOTTERY CASH FLOW | 1,299 | 1,238 | 1,548 | 1,303 | 1,303 | 1,306 | 1,306 | | |
| Open Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 64 | 85 | 871 | 340 | 340 | 340 | 340 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 163,232 | 170,144 | 183,087 | 10,962 | 10,962 | 10,739 | 10,739 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 753 | 924 | 1,567 | 1,271 | 1,271 | 1,271 | 1,271 | | |
| HEALTH CARE ACCESS | 64,951 | 79,338 | 101,271 | 118,595 | 118,595 | 131,965 | 131,965 | | |
| SPECIAL REVENUE | 174,653 | 171,633 | 210,224 | 122,607 | 148,107 | 129,335 | 129,335 | | |
| FEDERAL | 2,148,782 | 2,326,780 | 2,576,485 | 2,702,719 | 2,702,719 | 2,868,787 | 2,868,787 | | |
| MISCELLANEOUS AGENCY | 531,545 | 507,764 | 528,320 | 526,421 | 526,421 | 528,667 | 528,667 | | |
| GIFT | 124 | 260 | 311 | 27 | 27 | 27 | 27 | | |
| LOTTERY CASH FLOW | 750 | 106 | 4 | 0 | 0 | 0 | 0 | | |
| ENDOWMENT | 7 | 2 | 4 | 4 | 4 | 4 | 4 | | |
| CHEMICAL DEPENDENCY TREATMENT | 12,884 | 14,236 | 0 | 0 | 0 | 0 | 0 | | |
| REVENUE BASED STATE OPER SERV | 38,608 | 39,846 | 46,907 | 46,907 | 46,907 | 46,907 | 46,907 | | |
| MN NEUROREHAB HOSPITAL BRAINER | 0 | 0 | 3,232 | 3,232 | 3,232 | 3,232 | 3,232 | | |
| DHS CHEMICAL DEPENDENCY SERVS | 0 | 0 | 15,115 | 15,115 | 15,115 | 15,115 | 15,115 | | |
| Total Financing | 5,700,685 | 6,032,326 | 6,795,086 | 6,945,370 | 7,023,050 | 7,363,861 | 7,535,518 | | |

Agency: HUMAN SERVICES DEPT

| Agency Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|--|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| FTE by Employment Type: | | | | | | | |
| FULL TIME | 6,138.3 | 6,196.0 | 6,021.0 | 5,913.0 | 5,927.3 | 5,913.0 | 5,926.7 |
| Total Full-Time Equivalent | 6,138.3 | 6,196.0 | 6,021.0 | 5,913.0 | 5,927.3 | 5,913.0 | 5,926.7 |

**Department of Human Services
FY 2001 FTE Summary by Program Structure & Fund**

| Program/Budget Activity | General | State Gov't | HC Access | Special Revenue | Federal | Federal TANF | Lottery | SOS Enterprise | All Funds |
|--|-----------------|--------------|---------------|-----------------|---------------|--------------|-------------|----------------|-----------------|
| Agency Management | | | | | | | | | |
| Financial Operations | 85.80 | 0.00 | 8.60 | 40.70 | 5.00 | 1.00 | 0.00 | 0.00 | 141.10 |
| Legal & Regulatory Operations | 66.90 | 34.00 | 3.00 | 0.00 | 15.20 | 0.00 | 0.00 | 0.00 | 119.10 |
| Management Operations | 119.80 | 0.00 | 8.50 | 20.00 | 0.00 | 0.00 | 0.00 | 0.00 | 148.30 |
| Subtotal – Agency Management | 272.50 | 34.00 | 20.10 | 60.70 | 20.20 | 1.00 | 0.00 | 0.00 | 408.50 |
| Children's Services Management | | | | | | | | | |
| Children's Services Management | 21.50 | 0.00 | 0.00 | 41.50 | 49.30 | 0.00 | 0.00 | 0.00 | 112.30 |
| Subtotal – Children's Services Mgmt | 21.50 | 0.00 | 0.00 | 41.50 | 49.30 | 0.00 | 0.00 | 0.00 | 112.30 |
| Health Care Management | | | | | | | | | |
| Health Care Policy Admin | 23.80 | 0.00 | 9.60 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 33.40 |
| Health Care Operations | 77.40 | 0.00 | 197.00 | 284.30 | 14.30 | 0.00 | 0.00 | 0.00 | 573.00 |
| Subtotal – Health Care Management | 101.20 | 0.00 | 206.60 | 284.30 | 14.30 | 0.00 | 0.00 | 0.00 | 606.40 |
| Continuing Care Management | | | | | | | | | |
| Continuing Care Management | 211.10 | 1.00 | 0.00 | 28.30 | 72.50 | 0.00 | 2.70 | 0.00 | 315.60 |
| Subtotal - Continuing Care Mgmt | 211.10 | 1.00 | 0.00 | 28.30 | 72.50 | 0.00 | 2.70 | 0.00 | 315.60 |
| Economic Support Management | | | | | | | | | |
| Economic Support Policy Admin | 74.70 | 0.00 | 0.00 | 0.00 | 11.00 | 0.00 | 0.00 | 0.00 | 85.70 |
| Economic Support Operations | 60.80 | 0.00 | 5.00 | 347.50 | 0.00 | 0.00 | 0.00 | 0.00 | 413.30 |
| Subtotal - Economic Support Mgmt | 135.50 | 0.00 | 5.00 | 347.50 | 11.00 | 0.00 | 0.00 | 0.00 | 499.00 |
| Central Office Total | 741.80 | 35.00 | 231.70 | 762.30 | 167.30 | 1.00 | 2.70 | 0.00 | 1,941.80 |
| State Operated Services Total | 3,103.40 | 0.00 | 0.00 | 55.90 | 1.30 | 0.00 | 0.00 | 918.60 | 4,079.20 |
| Department Total | 3,845.20 | 35.00 | 231.70 | 818.20 | 168.60 | 1.00 | 2.70 | 918.60 | 6,021.00 |

Note: Program Structure reflects the agency's key programs and services

**Department of Human Services
FY 2001 FTE Summary by Operating Structure & Fund**

| Business/Division | General | State Gov't | HC Access | Special Revenue | Federal | Federal TANF | Lottery | SOS Enterprise | All Funds |
|---|---------------|--------------|---------------|-----------------|--------------|--------------|-------------|----------------|---------------|
| Finance & Management Operations | | | | | | | | | |
| Budget Analysis Division | 13.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 13.00 |
| Financial Management Division | 63.55 | 0.00 | 6.10 | 41.20 | 5.00 | 0.00 | 0.00 | 0.00 | 115.85 |
| Licensing Division | 36.30 | 31.90 | 0.00 | 0.00 | 15.20 | 0.00 | 0.00 | 0.00 | 83.40 |
| Management Services Division | 35.00 | 0.00 | 5.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 41.00 |
| Reports & Forecasts Division | 11.30 | 0.00 | 2.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 13.80 |
| Internal Audits Office | 5.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.00 |
| Health Care Operations Division | 4.00 | 0.00 | 0.00 | 187.70 | 0.00 | 0.00 | 0.00 | 0.00 | 191.70 |
| Appeals & Regulations Division | 30.65 | 2.10 | 3.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 35.75 |
| Subtotal Finance & Mgmt Operations | 198.80 | 34.00 | 16.60 | 229.90 | 20.20 | 0.00 | 0.00 | 0.00 | 499.50 |
| Agency-wide Operations | | | | | | | | | |
| Information & Technology Strategies | 28.00 | 0.00 | 2.00 | 20.00 | 0.00 | 0.00 | 0.00 | 0.00 | 50.00 |
| Executive Office | 7.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 7.50 |
| Human Resources Division | 34.50 | 0.00 | 1.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 36.00 |
| EEO / AA Office | 9.80 | 0.00 | 0.00 | 1.50 | 0.00 | 0.00 | 0.00 | 0.00 | 11.30 |
| Subtotal Agency-wide Operations | 79.80 | 0.00 | 3.50 | 21.50 | 0.00 | 0.00 | 0.00 | 0.00 | 104.80 |
| Children's Services | | | | | | | | | |
| Family & Childrens Services Division | 10.30 | 0.00 | 0.00 | 1.00 | 45.90 | 0.00 | 0.00 | 0.00 | 57.20 |
| SSIS Development | 0.00 | 0.00 | 0.00 | 39.50 | 0.00 | 0.00 | 0.00 | 0.00 | 39.50 |
| Children's Mental Health Division | 11.20 | 0.00 | 0.00 | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 | 11.70 |
| Children's Research, Plan & Eval Division | 3.00 | 0.00 | 0.00 | 0.00 | 15.30 | 0.00 | 0.00 | 0.00 | 18.30 |
| Subtotal Children's Services | 24.50 | 0.00 | 0.00 | 41.00 | 61.20 | 0.00 | 0.00 | 0.00 | 126.70 |
| Health Care | | | | | | | | | |
| H C Eligibility & Access | 20.00 | 0.00 | 182.70 | 33.70 | 0.00 | 0.00 | 0.00 | 0.00 | 236.40 |
| Performance Measurement & Quality Improvement | 31.30 | 0.00 | 5.20 | 6.70 | 14.20 | 0.00 | 0.00 | 0.00 | 57.40 |
| Purchasing & Service Delivery | 44.80 | 0.00 | 18.70 | 56.30 | 0.00 | 0.00 | 0.00 | 0.00 | 119.80 |
| Subtotal Health Care | 96.10 | 0.00 | 206.60 | 96.70 | 14.20 | 0.00 | 0.00 | 0.00 | 413.60 |

Continued on next page

**Department of Human Services
FY 2001 FTE Summary by Operating Structure & Fund**

| Business/Division | General | State Gov't | HC Access | Special Revenue | Federal | Federal TANF | Lottery | SOS Enterprise | All Funds |
|--|-----------------|--------------|---------------|-----------------|---------------|--------------|-------------|----------------|-----------------|
| State Operated Services | | | | | | | | | |
| Residential Program Mgmt Division | 31.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 31.00 |
| Subtotal - State Operated Services | 31.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 31.00 |
| Continuing Care | | | | | | | | | |
| HIV / AIDS Division | 3.20 | 0.00 | 0.00 | 1.50 | 5.60 | 0.00 | 0.00 | 0.00 | 10.30 |
| Mental Health Division | 11.60 | 0.00 | 0.00 | 0.00 | 7.40 | 0.00 | 2.70 | 0.00 | 21.70 |
| Aging & Adult Services Division | 20.50 | 1.00 | 0.00 | 0.00 | 20.30 | 0.00 | 0.00 | 0.00 | 41.80 |
| Chemical Dependency Division | 4.50 | 0.00 | 0.00 | 0.00 | 23.00 | 0.00 | 0.00 | 0.00 | 27.50 |
| Cont Care -Persons w Disabilities Division | 62.30 | 0.00 | 0.00 | 10.00 | 4.40 | 0.00 | 0.00 | 0.00 | 76.70 |
| Continuing Care Elderly Division | 37.20 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 37.20 |
| Subtotal - Continuing Care | 139.30 | 1.00 | 0.00 | 11.50 | 60.70 | 0.00 | 2.70 | 0.00 | 215.20 |
| Economic Support | | | | | | | | | |
| Families with Children (ECSS) Division | 38.20 | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 | 39.20 |
| Child Support Enforcement Division | 31.00 | 0.00 | 0.00 | 175.00 | 0.00 | 0.00 | 0.00 | 0.00 | 206.00 |
| MAXIS Operations Division | | 0.00 | 0.00 | 162.40 | 0.00 | 0.00 | 0.00 | 0.00 | 162.40 |
| Program Assess & Integrity Division | 58.80 | 0.00 | 5.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 63.80 |
| Adult Support Division | 5.50 | 0.00 | 0.00 | 7.50 | 11.00 | 0.00 | 0.00 | 0.00 | 24.00 |
| Deaf Services Division | 38.80 | 0.00 | 0.00 | 16.80 | 0.00 | 0.00 | 0.00 | 0.00 | 55.60 |
| Subtotal - Economic Support | 172.30 | 0.00 | 5.00 | 361.70 | 11.00 | 1.00 | 0.00 | 0.00 | 551.00 |
| Central Office Total | 741.80 | 35.00 | 231.70 | 762.30 | 167.30 | 1.00 | 2.70 | 0.00 | 1,941.80 |
| State Operated Services Total | 3,103.40 | 0.00 | 0.00 | 55.90 | 1.30 | 0.00 | 0.00 | 918.60 | 4,079.20 |
| Department Total | 3,845.20 | 35.00 | 231.70 | 818.20 | 168.60 | 1.00 | 2.70 | 918.60 | 6,021.00 |

Note: Operating Structure reflects the agency's organization chart, management and accounting structure.

2000 Federal Poverty Guidelines

| Size of Family Unit | Poverty Guideline | 150% | 175% | 200% | 225% | 250% | 275% |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 1 | 8,350 | 12,525 | 14,613 | 16,700 | 18,788 | 20,875 | 22,963 |
| 2 | 11,250 | 16,875 | 19,688 | 22,500 | 25,313 | 28,125 | 30,938 |
| 3 | 14,150 | 21,225 | 24,763 | 28,300 | 31,838 | 35,375 | 38,913 |
| 4 | 17,050 | 25,575 | 29,838 | 34,100 | 38,363 | 42,625 | 46,888 |
| 5 | 19,950 | 29,925 | 34,913 | 39,900 | 44,888 | 49,875 | 54,863 |
| 6 | 22,850 | 34,275 | 39,988 | 45,700 | 51,413 | 57,125 | 62,838 |
| 7 | 25,750 | 38,625 | 45,063 | 51,500 | 57,938 | 64,375 | 70,813 |
| 8 | 28,650 | 42,975 | 50,138 | 57,300 | 64,463 | 71,625 | 78,788 |
| 9+ | Add \$2,900 Each | Add \$4,350 Each | Add \$5,075 Each | Add \$5,800 Each | Add \$6,525 Each | Add \$7,250 Each | Add \$7,975 Each |

Source : Federal Register Vol. 65, No. 31, P. 7555-7557, Feb.15, 2000.

Note:

For the purposes of determining poverty rates, the guidelines are applied to gross cash income.
The various programs using the guidelines for eligibility purposes apply them in a variety of ways.

HUMAN SERVICES DEPT - BUDGET BRIEF

Fund: GENERAL

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>Biennium</u> |
|--|--------------------|--------------------|--------------------|
| BASE YEAR (FY 2001) (\$000s) | | | |
| Appropriations | \$2,760,623 | \$2,760,623 | \$5,521,246 |
| <u>BASE ADJUSTMENT</u> | | | |
| Attorney General Costs | 60 | 122 | 182 |
| New Programs To Agency Base | 1,712 | 1,153 | 2,865 |
| Biennial Appropriations | 2,004 | 1,200 | 3,204 |
| Forecast Caseload/Enrollment Exp Change | 203,998 | 433,300 | 637,298 |
| One-Time Appropriations | (35,208) | (35,981) | (71,189) |
| Doc. Space Rental/Lease | 555 | 1,164 | 1,719 |
| 2002-03 Sal. & Ben. Base | 6,970 | 14,172 | 21,142 |
| Program/Agency Sunset | (1,757) | (1,757) | (3,514) |
| Transfer Between Agencies | (1,170) | (1,170) | (2,340) |
| <u>BASE LEVEL (for 2002 and 2003)</u> | \$2,937,787 | \$3,172,826 | \$6,110,613 |

BRIEF EXPLANATION OF BUDGET DECISIONS:

The recommendations for the Department of Human Services' (DHS) 2002-03 biennial budget are based on the Governor's priorities that speak directly to the agency's mission to "...help people meet their basic needs so they can live in dignity and meet their highest potential." These priorities include:

- A Health Care System for the Next 50 Years;
- Self Sufficiency and Independent Living; and,
- Insist Parents Parent

The Care and Protection of Vulnerable People is an added budget priority in recognition of the core human services responsibility of providing a safety net for vulnerable children and adults.

The Governor challenged agencies with an aggressive goal to address these priorities while limiting increases in spending. As a result, this budget reallocates portions of the current base budget to investments of higher priority. This is accomplished through a number of reinvestment strategies including:

- broadening the choice and availability of attractive alternatives to more costly services;
- administrative restructuring that recognizes and takes advantage of market place changes;

- increasing investments in new and existing services with statewide applicability while reducing investments that serve the interests of only selected localities;
- eliminating or reducing grants to more accurately reflect current demand;
- using federal funding increases to offset state and local investments;
- reducing reserve balances to realize one-time savings.

The Governor's budget recommendations are not simply a statement of priorities among human services investments, but also reflect the Governor's priority to limit new spending across all of state government so that greater focus is given to reforming Minnesota's tax system.

GOVERNOR'S RECOMMENDATION(S):

The sections that follow highlight the Governor's General Fund budget recommendations for each priority as well as specific reallocation strategies used to limit spending growth.

Health Care for the Next 50 Years

- *Raise the Medical Assistance (MA) program income standard for children to 185% of federal poverty guidelines (FPG) and eliminate MinnesotaCare premiums and insurance barriers for children under 185% FPG.* This will increase the number of insured children and families and reduce the frequency of interrupted health coverage. More stability in access to health services is expected to improve health outcomes.
- *Finance public health coverage for all children under 185% FPG with general fund appropriations.* With the changes recommended in the previous bullet, all MinnesotaCare children under 185% FPG will be eligible for the state plan MA program. Consolidating the financing of health coverage for these children supports the simplification and consolidation of public health coverage. This will also assist in preventing increases in taxes dedicated to the Health Care Access Fund. Under current law, these taxes are forecasted to return to the previous, higher levels.
- *Expand family planning services through MA coverage of clinical family planning services.* 90% federal match is anticipated to be available for services that are expected to result in a decline in the teen pregnancy rate, a decline in the abortion rate, and longer intervals between pregnancies for MA recipients.
- *Raise the MA income standard for elderly, blind, and disabled to 100% of FPG and revise the premium formula for MA for Employed Persons with Disabilities (MA-EPD).* Raising the income standard will allow the elderly, blind and disabled to retain more income to meet their basic needs and will

HUMAN SERVICES DEPT - BUDGET BRIEF

Fund: GENERAL (Continued)

replace much of the demand on the state-funded prescription drug program with MA prescription drug benefits. Revising the premium formula for MA-EPD will promote meaningful work effort for persons with disabilities while retaining MA for health coverage.

- *Eliminate automatic MA eligibility for families participating in the Minnesota Family Investment Plan (MFIP) program.* This will bring Minnesota into compliance with federal regulations that require the same MA eligibility standards for families regardless of whether they participate in MFIP.
- *Repeal required use of the federal immigration status verification system and immigration notification requirements.* This is expected to remove barriers that prevent undocumented parents from seeking health care for their children. It also avoids potential conflicts that the federal notification system has with MA regulations and civil rights law.
- *Implement new federal regulations for health data security and data privacy.* Federal regulations require extensive changes in how health data is managed across all sectors. The relationship of health systems with other human services systems and activities expands the effect of the new regulations across much of the department.
- *Direct Minnesota Department of Health HIV case management funding to DHS.* This consolidates existing HIV support funding at DHS to improve efficiency and effectiveness of client services.
- *Maintain Federally Qualified Health Center (FQHC) and Rural Health Center (RHC) rates.* Without this change, rates for these health centers will be automatically reduced and some health services directed to low-income families may discontinue.
- *Implement the County-Based Purchasing (CBP) or Prepaid Medical Assistance Program in all counties.* This reduces delays in implementing prepaid health care programs statewide.

Self Sufficiency and Independent Living

- *Expand community-based mental health services.* The state plan MA rehabilitation option is expanded to include psychiatric rehab services for adults with severe mental illness and others who are at risk of being institutionalized. Also expanded is the number of contracted beds for people committed to community-based inpatient care. This will reduce the likelihood of institutional placement and will significantly reduce county spending for mental health services.
- *Balance community and institutional long-term care services to better match demand.* This significantly expands the availability of community services

for seniors and provides meaningful incentives to close unneeded nursing facility beds.

- *Provide a 2% rate adjustment to long-term care providers in FY 03.*
- *Relocate and divert people with disabilities from institutional settings.* This provides greater flexibility in community-based alternatives to nursing home care for persons with disabilities who are under age 65. A targeted case management benefit is also included to enable recipients to receive information and assistance that is critical to developing community services to meet individual needs.
- *Provide consumer directed home care through an 1115 MA demonstration waiver.* Participants will receive individualized support budgets as an alternative to traditional MA home care benefits. Services and flexibility in the use of funds are similar to what is now provided under the state funded Consumer Support Grant program, but adds the benefit of federal financial participation. As a result there is a separate recommendation to limit the growth of the state-funded program.
- *Continue the community managed quality assurance initiative in Region 10.* This supports the continuation of the Region 10 initiative that focuses on individualized outcomes rather than standardized licensing procedures as the primary method for monitoring and evaluating the delivery of community-based service to persons with developmental disabilities.
- *Fund the operational costs of the new sex offender treatment units at St. Peter Regional Treatment Center and begin more intensive treatment of sex offenders while they still reside in prison.*

Insist Parents Parent

- *Provide sufficient funding to support adoption assistance and relative custody services.* This represents significant investments in supporting permanent homes for children with special needs. Without this support many of these children would remain in temporary foster care settings.
- *Improve child support performance.* Improvements are expected through efforts to increase paternity establishment rates and father involvement by fully implementing Financial Institution Data Match (FIDM) activities. FIDM allows the identification and seizure of assets held in financial institutions in order to pay child support debts.
- *Improve child support guidelines and medical supports statutes.* Guideline changes include equal consideration of the incomes of both parents, use of federal data on the costs of raising children as the basis for support, consideration of the needs of other children residing with either parent, and simplification of child support calculations.

HUMAN SERVICES DEPT - BUDGET BRIEF

Fund: GENERAL (Continued)

Care and Protection of Vulnerable People

- *Increase investments in core licensing activities.* Significant increases in the number of licensed programs, licensing complaints, maltreatment investigations, variance requests, background checks, other licensing responsibilities have occurred over the last decade.
- *Increase funding for the Department of Health contract to certify long-term care providers.* Increased funding will address workload increases due to changes in federal requirements and cover the added costs associated with negotiated contract increases for state employees.

Budget Recommendations that Broadly Support DHS Priorities

- *Improve access to human services for non-English-speaking persons.* The Limited English Proficiency (LEP) plan includes increased access to interpreter services, electronic availability of translated application forms and other vital documents, and access to 1-800 phone lines for information and referral.
- *Establish a technology foundation for electronic government services for DHS customers.* Critical infrastructure investments will allow immediate access to human services programs and information through web technologies.

Reallocation Strategies

- *Restructure administration of State Operated Services.* Consolidation and simplification of State Operated Services administration is possible as a result of decreases in bed capacity. Cost savings that result from this restructuring are recommended to offset increased costs of expanding community mental health services and offset the operational costs of the new sex offender units at St Peter Regional Treatment Center.
- *Reduce nursing home bed capacity.* Incentives to voluntarily close beds will reduce state nursing home investments. These savings will offset the costs of community-based service alternatives for seniors.
- *Limit growth in the state Consumer Support Grant Program.* Participation in this program will be limited to 200 people. Consumer Support Grant services will be replaced by a proposal discussed previously (Consumer Directed Home Care) that will provide similar services and flexibility with federal financial participation.
- *Reduce the cost of the state prescription drug program.* This is possible as a result of raising the MA standard to 100% of FPG for elderly Minnesotans and persons with disabilities. These persons would receive prescription drugs as an MA benefit rather than rely on the state-funded program.

- *Reduce state costs for prescription drugs by taking advantage of available rebates.*
- *Prevent double payments for MA surcharge costs.* Medicare now allows the cost of the MA surcharge to be included in the Medicare cost report. MA surcharge costs are currently being reimbursed through MA rates. Changes proposed will prevent double payment for these costs.
- *Reduce targeted grants.* This reduces social services supplemental grants limited to 11 counties and minor parent evaluation grants.
- *Provide state payment for the county portion of child family foster care costs.* The state takeover of child foster care costs is offset by reductions in the Homestead and Agriculture Credit Aids (HACA). HACA reductions as well as increases to the Family Preservation Aid are recommended as components of the Governor's tax proposal.
- *Limit chemical dependency vendor rate increases to 2% per year.*
- *Eliminate unused funding in the Injury Protection Program (IPP) and the Food Stamp Employment and Training (FSET) program.* This reduces appropriations to a level that reflects the expected demand.
- *Reduce one time funding and provide base increases in major information systems' special revenue accounts.* The fund balances for major systems accounts show a structural deficit with a large balance of one-time funds. This recommendation reduces the balance of one-time funds in exchange for base increases needed to support major information systems over the long term.
- *Improve collection of Alternative Care Grant premiums.* This centralizes the premium collection activities under DHS. Currently the collection of Alternative Care Grant premiums is the responsibility of counties who realize no direct benefits from collection activities. Additional collection of owed premiums will offset program costs.
- *Reduce reserves in the consolidated chemical dependency treatment fund.*

The values of each of the recommended budget change items are listed in the following table.

| CHANGE ITEMS (\$000s) | FY 2002 | FY 2003 | Biennium |
|------------------------------------|----------------|----------------|-----------------|
| Health Care Coverage For Children | -0- | 4,252 | 4,252 |
| Financing Children's Health | -0- | 36,791 | 36,791 |
| Expand Family Planning Services | 751 | 1,651 | 2,402 |
| Income Strd For Elderly & Disabled | 1,934 | (1,695) | 239 |
| Comparable Access To Health Care | -0- | (1,802) | (1,802) |
| Repeal SAVE/Reporting Requirements | 795 | 2,058 | 2,853 |
| Health Data Security | 3,811 | 2,659 | 6,470 |
| Direct HIV Case Mgmt Funds To DHS | 560 | 560 | 1,120 |

HUMAN SERVICES DEPT - BUDGET BRIEF

Fund: GENERAL (Continued)

| | | | |
|--|--------------------|--------------------|--------------------|
| FQHC & RHC Rates | 307 | 573 | 880 |
| Implement CBP Or PMAP In All Counties | 369 | 1,507 | 1,876 |
| Community-Based Mental Health Svcs | (2,486) | (6,398) | (8,884) |
| Balancing Long-Term Care Services | 10,559 | (2,887) | 7,672 |
| SFY 03 Long-Term Care COLA | -0- | 22,945 | 22,945 |
| Relocate/Divert - Under Age 65 | 661 | (72) | 589 |
| Consumer Directed Home Care (1115) | 501 | 773 | 1,274 |
| Region 10 Quality Assurance Initiative | 431 | 431 | 862 |
| Sex Offender Treatment | (68) | (122) | (190) |
| Adoption/Relative Custody Care Asst | 8,378 | 12,284 | 20,662 |
| Child Support Program Performance | 82 | 82 | 164 |
| Parental Child Support Responsibility | 400 | -0- | 400 |
| Fund Core Licensing Activities | 1,138 | 923 | 2,061 |
| Expedited Maltreatment Investigations | 359 | 277 | 636 |
| MDH Contract Funding | 463 | 475 | 938 |
| Limited English Proficiency | 2,142 | 2,142 | 4,284 |
| Electronic Government Services | 3,571 | 3,571 | 7,142 |
| Consumer Support Grant | (5,495) | (9,622) | (15,117) |
| Reduce The Cost Of Drugs | (737) | (737) | (1,474) |
| Prevent Double Pmt For Surcharge | (2,547) | (2,659) | (5,206) |
| Reduction Of Targeted Grants | (1,170) | (1,170) | (2,340) |
| Children's Family Foster Care | -0- | 67,364 | 67,364 |
| Limit CD Vendor Increase To 2.0%/Yr | (495) | (1,558) | (2,053) |
| Eliminate Unused IPP Funding | (189) | (189) | (378) |
| Eliminate Unused FSET Funding | (248) | (248) | (496) |
| PRISM, SSIS & MAXIS Financing | 8,900 | 8,900 | 17,800 |
| Improve AC Client Premium Collections | (190) | (495) | (685) |
| Post Secondary Education Up To 24 Mo | 363 | 740 | 1,103 |
| Maintain Exit Level At 120% Of FPG | 272 | 561 | 833 |
| Response To 60 Month Time Limit | (10) | (480) | (490) |
| MDH Teen Pregnancy | -0- | (2,600) | (2,600) |
| GOVERNOR'S CHANGE ITEMS | \$33,112 | \$138,785 | \$171,897 |
| TOTAL GOVERNOR'S BUDGET | \$2,970,899 | \$3,311,611 | \$6,282,510 |

In addition to these recommendations base level adjustment increases are provided to programs that reflect planned funding changes from the FY 2001 base. Base level adjustments are also provided to cover DHS documented rent increases, a portion of the expected increases to staff salaries and benefits, increases in Attorney General rates, and the cost of projected caseload and enrollment changes of forecasted services.

Base level adjustment decreases result from the recognition of one-time appropriations, the planned discontinuation of programs (sunsets), and transfers between agencies.

The Governor's recommendation for budget change items increase the DHS General Fund appropriation by \$33,112,000 in FY 2002 and \$138,785,000 in FY 2003. These costs are offset by increases in non-dedicated revenues to the General Fund as shown on the table below:

NET EFFECT OF DHS BUDGET PROPOSALS ON GENERAL FUND

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>Biennium</u> |
|------------------------------------|-----------------|------------------|------------------|
| Total Budget Change Items | \$33,112 | \$138,785 | \$171,897 |
| Net (increase)/Decrease in Revenue | <u>(32,119)</u> | <u>675</u> | <u>(31,444)</u> |
| NET EFFECT ON GENERAL FUND | \$993 | \$139,460 | \$140,453 |

HUMAN SERVICES DEPT - BUDGET BRIEF

Fund: HEALTH CARE ACCESS

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>Biennium</u> |
|--|------------------|------------------|------------------|
| BASE YEAR (FY 2001) (\$000s) | | | |
| Appropriations | \$168,362 | \$168,362 | \$336,724 |
| <u>BASE ADJUSTMENT</u> | | | |
| New Programs To Agency Base | (250) | (250) | (500) |
| Forecast Caseload/Enrollment Exp Change | 39,445 | 72,637 | 112,082 |
| DOC Space Rental/Lease | 12 | 25 | 37 |
| 2002-03 Sal. & Ben. Base | 336 | 684 | 1,020 |
| <u>BASE LEVEL (for 2002 and 2003)</u> | \$207,905 | \$241,458 | \$449,363 |
| <u>CHANGE ITEMS</u> | | | |
| Health Care Coverage For Children | 588 | 8,997 | 9,585 |
| Financing Children's Health | -0- | (36,791) | (36,791) |
| MnCare Staffing | 2,064 | 2,556 | 4,620 |
| Comparable Access To Health Care | -0- | 548 | 548 |
| Repeal SAVE/Reporting Requirement | 26 | 56 | 82 |
| GOVERNOR'S RECOMMENDATION | \$210,583 | \$216,824 | \$427,407 |

The Health Care Access Fund (HCAF) was established in 1992 as part of a comprehensive health reform. The fund supports many activities, the largest of which is the MinnesotaCare subsidized health insurance program.

This fund was expected to help reallocate money within the health care market, creating new opportunities for families to obtain health coverage, lowering the number of uninsured, and cutting the cost of uncompensated care for providers. In recent years, financing has changed somewhat as federal matching funds have become available for the MinnesotaCare subsidy program. In FY 2001, it is expected that roughly 58% of total resources will be received from health providers, 24% from federal match, and 12% from MinnesotaCare enrollees.

EXPLANATION OF BUDGET DECISIONS:

The Department of Human Services (DHS) receives appropriations from the HCAF for the operating costs of the MinnesotaCare program. These payments use roughly 85% of the fund's resources.

Persons eligible for MinnesotaCare include parents and children with family incomes less than 275% of federal poverty guidelines (FPG) and single adults and couples without children with incomes less than 175% FPG.

DHS is responsible for management and operational support of the MinnesotaCare program. These responsibilities include determining eligibility,

processing provider invoices and payments, collecting premiums, and developing policy. In nearly all cases, health services are purchased from managed care entities.

MinnesotaCare began to earn federal revenues for the costs of covering participants as a result of a federal 1115 waiver. This changed the state's Medicaid program so that some MinnesotaCare enrollees would receive matching funds—as if they were on Medical Assistance.

Through the years, changes to MinnesotaCare policy and benefits have been made in the broader context of HCAF resources. By law, MinnesotaCare spending is limited to resources available within the fund. If the program has insufficient funds, the Commissioner must take action to reduce costs. To avoid this scenario, expenditures and revenues have been balanced to ensure the fund's long-term viability.

GOVERNOR'S RECOMMENDATION(S):

The following Governor's recommendations for the Health Care Access Fund support his priority of Health Care for the Next 50 years.

- *Eliminate MinnesotaCare premiums and insurance barriers for children from families with incomes under 185% FPG and raise state plan MA income standards for children under 185% FPG. This will increase the number of insured children and families and reduce the frequency of interrupted health coverage. More stability in access to health services is expected to improve health outcomes.*
- *Transfer the financing of MinnesotaCare coverage for children under 185% FPG to the General Fund. This consolidates the financing of all children under 185% of poverty who are covered through MinnesotaCare and the state plan MA programs. Consolidating the financing of health coverage for these children supports the simplification and consolidation of public funded health care coverage.*
- *Cap the Provider Tax rate at 1.5%, eliminate the Gross Premium Tax, and eliminate the Wholesale Prescription Drug Tax. These items are included in the Governor's tax proposal. Without changes to current law, the Provider Tax and the Gross Premium Tax would revert to rates of 2% and 1% respectively within the next two years.*
- *Replace lost provider revenues with 85% of the cigarette tax receipts now deposited in the General Fund. This new revenue, along with changes noted above, will stabilize the fund and allow for deliberate review of state health programs in future years. The transfer of cigarette revenues is also included in the Governor's tax bill.*

HUMAN SERVICES DEPT - BUDGET BRIEF

Fund: HEALTH CARE ACCESS (Continued)

- *Replace the Federal Contingency Reserve with a smaller reserve based on program spending.* Tax cuts and spending requests will draw down excess one-time balances and allow the fund to run on a "pay-as-you-go" basis.
- *Increase MinnesotaCare eligibility workers to enable timely processing of applications.* The shortened and simplified application form and the continuation of outreach efforts are largely responsible for significant increases in the number of applications to the MinnesotaCare program. Without additional eligibility staff, unnecessary delays in health coverage will occur.
- *Eliminate automatic MA eligibility for families participating in the Minnesota Family Investment Plan (MFIP).* This will bring Minnesota into compliance with federal regulations that require the same MA eligibility standards for all families regardless of whether they participate in MFIP. Some MFIP families now covered by the state plan MA program will no longer be eligible and will need to participate in MinnesotaCare to continue health coverage.

Additional HCAF recommendations can be found within the Department of Health and the Department of Commerce. These investments are intended to prevent health cost growth and provide new opportunities for market reform:

- *Minnesota Center for Health Quality.* Integrates and coordinates health assessment and quality activities in the state. (Department of Health)
- *Safety net providers.* Supports community clinics, hospitals with excess charity care burdens, and rural hospital capital improvement grants. (Department of Health)
- *Minnesota Comprehensive Health Association (MCHA).* Offsets the losses of MCHA and supports actuarial study and policy analysis. (Department of Commerce)

FEDERAL TANF BUDGET BRIEF

Fund: FEDERAL TANF

| <u>BASE FUNDING BY AGENCY</u> (\$000s) | <u>FY 2002</u> | <u>FY 2003</u> | <u>Biennium</u> |
|---|------------------|------------------|------------------|
| Department of Human Services | \$249,655 | \$211,348 | \$461,003 |
| Dept. of Children, Families & Learning | 23,973 | 23,687 | 47,660 |
| Dept. of Trade & Economic Development | 750 | 750 | 1,500 |
| Department of Health | 7,000 | 7,000 | 14,000 |
| Base level TANF, All Agencies | \$281,378 | \$242,785 | \$524,163 |
| CHANGE ITEMS | | | |
| DHS | | | |
| Child Permanency And Reunification | 4,650 | 4,650 | 9,300 |
| Response To 60 Month Time Limit | 638 | 35,739 | 36,377 |
| Maintain Exit Level At 120% of FPG | 1,179 | 2,645 | 3,824 |
| Post Secondary Education Up To 24 Mo | 2,047 | 4,114 | 6,161 |
| Continue Assistance To Legal Non Citizens | 4,476 | 6,308 | 10,784 |
| Repeal SAVE/Reporting Requirement | 1,650 | 3,300 | 4,980 |
| Employment Services Tracking System | 1,750 | 750 | 2,500 |
| MDH | | | |
| Teen Pregnancy Prevention | 10,000 | 10,000 | 20,000 |
| DCFL | | | |
| Consolidated Child Care | 10,343 | (9,198) | 1,145 |
| MHFA | | | |
| Affordable Housing Initiative | 12,000 | 12,000 | 24,000 |
| Total Change Items | \$48,743 | \$70,308 | \$119,041 |
| GOVERNOR'S RECOMMENDATION | \$330,111 | \$313,093 | \$643,204 |

EXPLANATION OF BUDGET DECISIONS:

The Governor's 2002-03 biennial budget continues the pattern of recent years in focusing additional TANF resources in ways that further self-sufficiency. The package of initiatives builds upon previous investments in seeking to respond to the 60-month time limit for receiving welfare and for promoting true self-sufficiency.

While there is uncertainty about future funding levels of TANF from the federal government, the Governor's budget combines reasonable program expansions and one-time spending to manage this uncertainty. In addition to solidifying the foundation of welfare reform in Minnesota—MFIP--this package continues to invest in affordable housing, consolidates the disjointed system of child care assistance, and responds to the 60-month time limit in a way that ensures that government support is there for those who work hard and play by the rules.

GOVERNOR'S RECOMMENDATION(S):

The Governor's Federal TANF recommendations span a number of agencies in order to support the Governor's priority of Self -Sufficiency and Independent Living.

Department of Human Services

- Continue funding of concurrent permanency planning for children who are in out-of-home placement. This supports early efforts to identify other family or community members who might be potential adoptive parents if family reunification is not possible. These efforts reduce the child's stay in temporary foster care settings by shortening the timeframe for establishing a permanent home.
- Provide extensions to the Minnesota Family Investment Plan (MFIP) 60 month time limit for participants who are in compliance with employment plans and strengthen sanctions for participants who are not in compliance with program requirements.
- Maintain MFIP exit level at 120% of federal poverty guidelines (FPG). The earned income disregard will be indexed so that a working family would exit MFIP at 120% FPG. This provides an incentive for people to find and keep jobs.
- Allow post secondary education or training programs up to 24 months for MFIP participants. Currently education and training is limited to 12 months, or up to 24 months on an exception basis. This change will provide more options to MFIP participants to obtain higher paying jobs.
- Continue state-funded assistance for legal non-citizens. This will continue MFIP cash and food assistance that is scheduled to expire in July, 2001.

The federal block grant that resulted from welfare reform--known as Temporary Assistance for Needy Families (TANF)--has been utilized by Minnesota in a number of innovative ways across multiple agencies to promote self-sufficiency among low-income families. While the greatest share of TANF still goes to pay for monthly cash grants for individuals in the Minnesota Family Investment Program (MFIP), recent years have seen substantial funding directed toward child care subsidies, employment training, affordable housing, local intervention resources, and refundable tax credits.

FEDERAL TANF BUDGET BRIEF

Fund: FEDERAL TANF (Continued)

- Repeal required use of the federal immigration notification system. This will remove barriers that prevent undocumented parents from seeking health care for their children. It will also avoid potential conflicts that the federal notification system has with medical assistance regulations and civil rights law.
- Develop a new employment tracking system for MFIP participants. The tracking system will assist in meeting federal reporting requirements, support job counselors, reduce paperwork, and improve client services.

Department of Health

- Enhance efforts to prevent teenage pregnancy which will assist youths to become self-sufficient adults and reduce their need to rely on governmental assistance.

Department of Children, Families & Learning

- Consolidate the Child Care Assistance programs to better align funding with policy priorities by
 - allocating resources to highest priority families;
 - providing correct incentives to transition to self-sufficiency; and
 - treating families in similar circumstances similarly.

This initiative reallocates existing resources and adds TANF funding to support these priorities and a consolidated system.

Minnesota Housing Finance Agency

- Increase the supply of affordable housing for Minnesota's lowest income working families through a one-time investment of TANF.

PROGRAM SUMMARY

Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

Agency Management provides financial, legal, regulatory, and management services (e.g. personnel, telecommunications/facility management) for all DHS policy areas and programs.

Components

Agency Management contains the following budget activities:

- Financial Operations
- Legal and Regulatory Operations
- Management Operations

Services Provided

- Providing accounting and auditing services for approximately \$13 billion in agency program dollars for state fiscal management and federal compliance.
- Performing licensing functions for approximately 28,000 residential and non-residential programs for children and adults across DHS business areas.
- Conducting criminal background checks for approximately 170,000 individuals in facilities licensed by DHS and the Minnesota Department of Health.
- Forecasting future expenditures for health care and cash assistance programs.
- Guarding client privacy rights and resolving over 4,000 client service/benefit appeals and over 200 service provider rate appeals annually.
- Working with the Minnesota Attorney General to defend DHS in lawsuits, provide legal interpretations, and clarify data practices.
- Developing rules, bulletins, and contracts governing service delivery.
- Managing the department's information resources to assure that the planning, development, implementation, and maintenance of computer data, applications, and infrastructure are provided in a manner consistent with state and professional standards.
- Ensuring that computer information systems are stable, accessible and secure, fully support business and customer needs, and deliver value commensurate with the state's financial investment.
- Providing payroll and human resource management services for approximately 6,000 employees.

- Purchasing services and equipment for DHS.
- Managing staff office space, including leasing, staff moves, and office redesign.
- Managing mail room functions, including the distribution of material to clients and service providers.
- Maintaining video-teleconferencing technology linking DHS with counties and other service providers.
- Coordinating equal opportunity and civil rights compliance and services for approximately 6,000 DHS employees and recipients of human services in 87 counties.

People served

Because this program area supports all DHS policy areas, virtually all agency businesses and clients are served directly or indirectly.

Accomplishments

- Attained 98% compliance for the 30-day prompt payment requirement for FY 2000.
- Implemented fiscal processes and procedures for allocating, distributing, recording, and reporting federal Temporary Assistance for Needy Families (TANF) funds.
- Developed the capacity to use the Executive Information System computer system more effectively, improving access to data on cash, medical, and food stamp programs.
- Improved use of technology for automated receipts, bank encoding/endorsement, electronic payment, and fiscal reporting.
- Maintained 95% timeliness in issuance of final orders in approximately 4,000 fair hearings.
- Received over 90% approval rating from appeal/fair hearing participants.
- Issued timely determinations in all long-term care rate appeals.
- Implemented civil service pilot projects that resulted in better and faster human resources actions for both managers and line employees.
- Increased delegation of human resources functions (e.g., clerical performance testing) to all counties using the Minnesota Merit System.
- Successfully renovated and tested all computer systems for Y2K compliance.

PROGRAM SUMMARY (Continued)

Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

- Increased the percentage of minority employees in the central office workforce from 8.4% (135) to 9.6% (162) and disabled employees in the workforce from 7% (112) to 7.7% (130).

STRATEGIES AND PERFORMANCE:

The performance measures for this program area are as follows:

- DHS central office administrative costs will be equal to or less than 5% of total central office General Fund expenditures each year of the biennium.
 - At least 98% of DHS payments to vendors will be made within 30 days of receipt of invoices.
 - DHS will decrease the frequency of work-related lost time injuries and decrease the amount of time lost per work-related injury.
 - Through intensified civil rights compliance and training, DHS will increase access to human services for non-English speaking and minority recipients of services.
 - Legal and Regulatory Operations will assure due process and timely fair hearings for recipients of services and rate appeals for nursing home facilities.
 - DHS will assure the health, safety, and rights of service recipients through licensing, monitoring, and investigating programs, and conducting background studies on people who provide direct contact services in DHS and Minnesota Department of Health licensed programs.
 - DHS will increase appropriate business use of the World Wide Web, including the posting of grant information on the Internet.
- A new facility is needed to consolidate seven DHS central office locations.
 - The federally mandated Health Insurance Portability and Accountability Act (HIPAA) creates significant data handling and computer systems implementation issues for DHS. These changes affect agency management in a number of ways. For example, HIPAA affects agency legal and regulatory operations because of changes in data practices standards for handling client health care information. As well, HIPAA affects management operations because this area of the agency is charged with overall development of policy related to strategic investments in computer systems.
 - Because DHS works so closely with the private health care and insurance industry, changes in standards, such as new developments in computer systems in that sector, mean that DHS must keep pace in order to do business.
 - Consumers, business partners and DHS staff are demanding more use of electronic government services to improve program and information delivery and meet expectations for speed, efficiency, and coordination.

FINANCING INFORMATION:

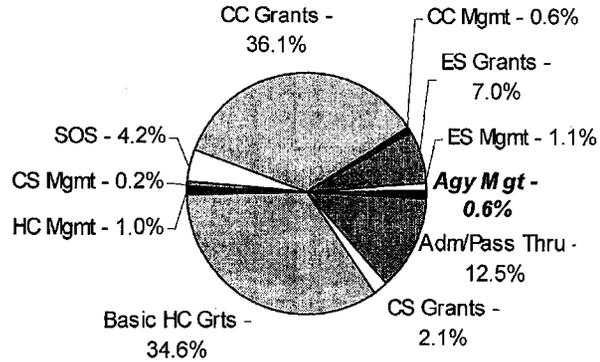
(See charts which follow narrative)

BUDGET ISSUES:

- Legal liability standards are changing for government-licensed services, meaning a potential increase in exposure to lawsuits.
- Licensing activities and responsibilities have increased without commensurate funding increases. Licensors' caseloads have increased, making timely follow-up on investigations more difficult.

Dept Of Human Services By Program

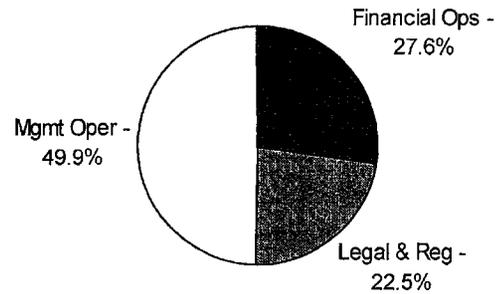
Total All Funds = \$6,945,370,000



Program Finance Summary Agency Management FY 2002 Base

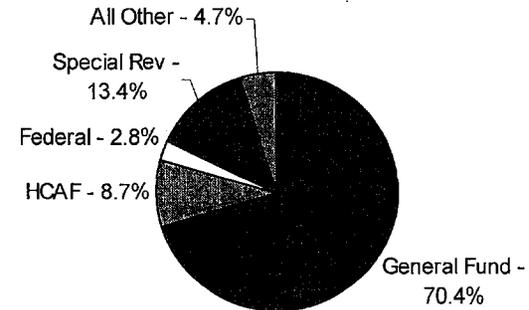
Agency Management By Activity

Total All Funds = \$41,653,000



Agency Management By Fund

Total All Funds = \$41,653,000



Program: AGENCY MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| FINANCIAL OPERATIONS | 10,821 | 9,676 | 11,358 | 11,509 | 11,509 | 11,658 | 11,658 | 2,133 | 10.1% |
| LEGAL & REGULATORY OPERATIONS | 6,826 | 6,865 | 7,786 | 9,353 | 10,850 | 9,555 | 10,755 | 6,954 | 47.5% |
| MANAGEMENT OPERATIONS | 25,890 | 21,386 | 21,024 | 20,791 | 28,173 | 21,521 | 27,751 | 13,514 | 31.9% |
| Total Expenditures | 43,537 | 37,927 | 40,168 | 41,653 | 50,532 | 42,734 | 50,164 | 22,601 | 28.9% |

| Change Items: | Fund | | | | | | |
|---|-------------|--|--|--|--------------|--|--------------|
| (B) FUND CORE LICENSING ACTIVITIES | GEN | | | | 1,138 | | 923 |
| (B) EXPEDITED MALTREATMENT INVESTIGATIONS | GEN | | | | 359 | | 277 |
| (B) HEALTH DATA SECURITY | GEN | | | | 3,811 | | 2,659 |
| (B) ELECTRONIC GOVERNMENT SERVICES | GEN | | | | 3,571 | | 3,571 |
| Total Change Items | | | | | 8,879 | | 7,430 |

| Financing by Fund: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 30,415 | 27,019 | 27,666 | 29,304 | 38,183 | 30,341 | 37,771 |
| STATE GOVERNMENT SPECIAL REVENUE | 351 | 365 | 397 | 403 | 403 | 415 | 415 |
| HEALTH CARE ACCESS | 3,569 | 3,125 | 3,591 | 3,631 | 3,631 | 3,673 | 3,673 |
| FEDERAL TANF | 17 | 0 | 165 | 165 | 165 | 165 | 165 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 2,709 | 76 | 105 | 98 | 98 | 98 | 98 |
| STATE GOVERNMENT SPECIAL REVENUE | 753 | 924 | 1,567 | 1,271 | 1,271 | 1,271 | 1,271 |
| SPECIAL REVENUE | 4,657 | 5,301 | 5,493 | 5,600 | 5,600 | 5,590 | 5,590 |
| FEDERAL | 1,066 | 1,117 | 1,183 | 1,181 | 1,181 | 1,181 | 1,181 |
| GIFT | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Total Financing | 43,537 | 37,927 | 40,168 | 41,653 | 50,532 | 42,734 | 50,164 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FULL TIME | 408.4 | 414.9 | 409.5 | 409.5 | 435.5 | 409.5 | 435.5 |
| Total Full-Time Equivalent | 408.4 | 414.9 | 409.5 | 409.5 | 435.5 | 409.5 | 435.5 |

BUDGET ACTIVITY SUMMARY

Budget Activity: FINANCIAL OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Financial Operations manages the fiscal resources of the department's health care, economic support and social service programs so that budget forecasting, accounting, collections, and accounts payable and receivable activities are managed within standard business practice, as well as within state and federal law.

Services Provided

Financial Operations work can be divided into the following functional areas:

1. Forecasting of entitlement program expenditures and reporting on all expenditures and revenue. Forecasting and reporting are critical to budgeting, estimating cost growth and fiscal implications of policy changes, and complying with federal and state laws. This function includes
 - November and February entitlement forecasts, such as those for Medical Assistance (MA) and Minnesota Family Investment Program (MFIP);
 - reports on county expenditures;
 - reports on federal funding and revenues;
 - managing and reporting federal funds;
 - reports on accounts receivable;
 - internal management reports on administration and grant expenditures;
 - ad hoc financial reports, including those requested by the legislature and other state agencies;
 - statistical reports; and
 - evaluations of policy changes and their fiscal impacts.
2. Ensuring that funds are received from all required sources and are expended within the parameters of state and federal law; making sure that private insurance policies, Medicare, or other federal benefits cover their fair share of client costs; and managing the receipt of selected fees and premiums paid by clients. This function includes
 - expanding and maintaining accounting interfaces between DHS systems and MAPS (Minnesota Accounting and Procurement System);
 - managing accounts payable – payments to grantees, counties, clients, and vendors;
 - managing accounts receivable – management, reporting, and collection of DHS receivables;
 - processing receipts – identification, deposit of receipts and interfaces of receipt records to major accounts receivable systems, including Medicaid Management Information System, MAPS and Surcharge;
 - developing scannable invoices and interfaces for the additional accounts receivable systems, including
 - Behavioral Health Information System,
 - Drug Rebate, and
 - Medicaid for Employed Persons with Disabilities;
 - preparing the annual operating budget;
 - preparing and retaining accounting records;
 - allocating state and federal grants to counties and other recipients;
 - allocating statewide, agency, and county administrative costs to programs;
 - processing federal claims; and
 - fiscally managing revenue enhancement projects.
3. Directing the development of the agency's biennial, supplemental, and capital budgets.
4. Developing fiscal policies, accounting and budget structures, methodologies, and strategies to support DHS policy objectives, meeting changing federal requirements, and ensuring appropriate fiscal accountability.
5. Providing customer service and technical assistance to internal and external customers. In addition to special efforts to increase internal fiscal support for program staff and DHS policy objectives, some specific external efforts to increase customer service are
 - walk-in receipting and automated posting operation for MinnesotaCare client premiums;
 - implementing the County Fiscal Orientation Program designed to increase staff awareness of county social service fiscal processes and issues by placing DHS staff at a county for one to two weeks;
 - partnering with counties to arrange the annual conference of the Association of Minnesota Social Service Accountants (AMSSA);

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: FINANCIAL OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

- annually publishing the Human Services Cost Report;
- providing MAPS electronic reports training seminars;
- participating in county regional fiscal meetings;
- developing and utilizing county fiscal input groups to assist in fiscal policy development;
- seeking opportunities to present information on fiscal topics at annual Association of Minnesota Social Services Administrators conferences, Minnesota Financial Workers and Case Aide Association Seminars, and Minnesota Social Services Association conferences;
- participating in the County Best Practices Workgroup; and
- extensively using interactive video capabilities to increase communication and training with outstate counties and collaboratives.

FINANCING INFORMATION:

(See charts which follow narrative)

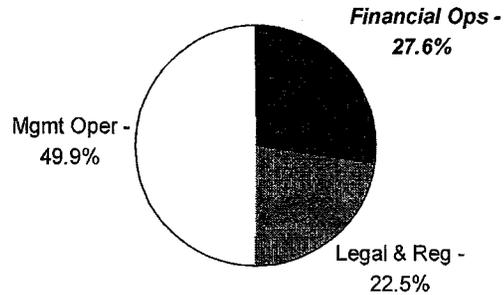
BUDGET ISSUES:

Budget issues affecting agency management include

- managing the increasing complexity and interaction of funding sources of DHS programs;
- achieving the optimal application of Temporary Assistance for Needy Families (TANF) and General Fund financing to support the self-sufficiency agenda and maximize the on-going availability of federal funds;
- providing analysis for the design of health care financing that will support simplification, quality improvements and expanded coverage for children;
- coordinating revenue maximization that supports local partners and meets DHS policy/fiscal objectives;
- disbursing administrative funds so existing dollars best support priorities;
- monitoring potential changes in federal reimbursement levels;
- building needed flexibility into computer systems to accommodate changing services and expectations without rebuilding them; and
- maximizing the use of web-based applications to improve efficiency.

Agency Management By Activity

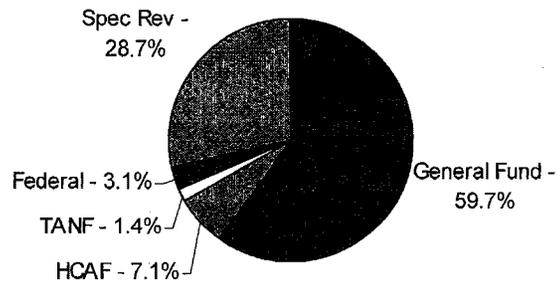
Total All Funds = \$41,653,000



**Activity Finance Summary
Financial Operations
F.Y. 2002 Base**

Financial Operations By Fund

Total All Funds = \$11,509,000



Financial Operations – FTE Count

| Division | General Fund | HCAF | Spec Rev | Federal Fund | Other Funds | Total |
|-------------------|--------------|------------|-------------|--------------|-------------|--------------|
| Budget Analysis | 11.0 | 0.0 | 0.0 | 0.0 | 0.0 | 11.0 |
| Financial Mgmt | 63.5 | 6.1 | 41.7 | 5.0 | 0.0 | 116.3 |
| Reports/Forecasts | 11.3 | 2.5 | 0.0 | 0.0 | 1.0 | 14.8 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | 85.8 | 8.6 | 41.7 | 5.0 | 1.0 | 142.1 |

Activity: FINANCIAL OPERATIONS
 Program: AGENCY MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 7,445 | 7,337 | 8,282 | 8,477 | 8,477 | 8,678 | 8,678 | 1,536 | 9.8% |
| OTHER OPERATING EXPENSES | 3,376 | 2,339 | 3,076 | 3,032 | 3,032 | 2,980 | 2,980 | 597 | 11.0% |
| Total Expenditures | 10,821 | 9,676 | 11,358 | 11,509 | 11,509 | 11,658 | 11,658 | 2,133 | 10.1% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 7,589 | 6,856 | 6,753 | 6,872 | 6,872 | 7,041 | 7,041 | | |
| HEALTH CARE ACCESS | 1,067 | 491 | 803 | 815 | 815 | 828 | 828 | | |
| FEDERAL TANF | 17 | 0 | 165 | 165 | 165 | 165 | 165 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 1,939 | 2,117 | 3,284 | 3,305 | 3,305 | 3,272 | 3,272 | | |
| FEDERAL | 209 | 212 | 353 | 352 | 352 | 352 | 352 | | |
| Total Financing | 10,821 | 9,676 | 11,358 | 11,509 | 11,509 | 11,658 | 11,658 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 154.4 | 150.2 | 142.1 | 142.1 | 142.1 | 142.1 | 142.1 | | |
| Total Full-Time Equivalent | 154.4 | 150.2 | 142.1 | 142.1 | 142.1 | 142.1 | 142.1 | | |

BUDGET ACTIVITY SUMMARY

Budget Activity: LEGAL & REGULATORY OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Legal and Regulatory Operations promotes quality standards and equal access to agency services; develops and implements licensing and other regulatory standards for agency services; and protects the health, safety, and rights of people served by the department.

Services Provided

Legal and Regulatory Operations' work can be divided into the following functional areas:

- resolving disputes with clients, license holders, and long-term care facilities, including
 - 4,000 administrative fair hearings for applicants and recipients of service whose benefits have been denied, reduced, or terminated;
 - appeals by applicants who are denied licenses or by providers whose licenses are suspended or revoked; and
 - appeals by Medical Assistance (MA) and General Assistance Medical Care service providers, principally in the area of MA long-term care rate appeals;
- providing legal support and rulemaking activities for all department programs;
- overseeing litigation in collaboration with the Attorney General's Office;
- managing grants and over 1,000 contracts for department services; and
- performing licensing services and investigating complaints, including
 - licensing, monitoring, and investigating 28,000 human services programs, including 5,000 new licenses issued per year;
 - conducting approximately 170,000 background studies per year on people who provide direct contact services in DHS and Minnesota Department of Health (MDH) licensed programs; and
 - investigating approximately 650 allegations of abuse and neglect of children and vulnerable adults in licensed programs per year.

FINANCING INFORMATION:

(See charts which follow narrative)

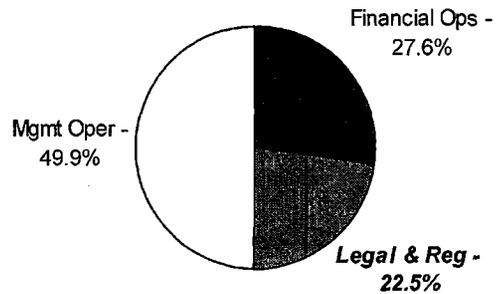
BUDGET ISSUES:

Legal and Regulatory Operations budget issues include

- increasing the use of performance-based and service contracts;
- maximizing technology use including the use of data bases, the internet, and intranet for bulletins, manuals, licensing transactions, and grant information;
- implementing dispute resolution models as long-term care facilities transition to alternative payment mechanisms;
- managing licensing functions in an environment of increasing legal liability;
- adapting quality assurance standards to service redesigns that are taking place faster than regulations can evolve;
- balancing the concept of regulatory strength with limited government, i.e., addressing licensing budget issues; and
- adapting resources to address changing legal service needs by realigning financial resources and expanding staff skills to perform tasks across different disciplines.

Agency Management By Activity

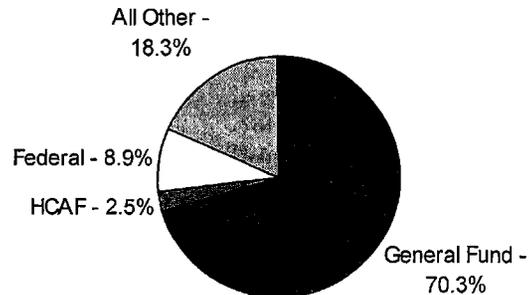
Total All Funds = \$41,653,000



**Activity Finance Summary
Legal & Regulatory Operations
FY 2002 Base**

Legal & Regulatory Operations By Fund

Total All Funds = \$9,353,000



Legal & Regulatory Operations – FTE Count

| Division | General Fund | HCAF | Spec Rev | Federal Fund | Other Funds | Total |
|--------------|--------------|------------|------------|--------------|-------------|--------------|
| Licensing | 36.3 | 0.0 | 0.0 | 15.2 | 31.9 | 83.4 |
| Appeals/Regs | 30.6 | 3.0 | 0.0 | 0.0 | 2.1 | 35.7 |
| | | | | | | |
| | | | | | | |
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| | | | | | | |
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| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | 66.9 | 3.0 | 0.0 | 15.2 | 34.0 | 119.1 |

Activity: LEGAL & REGULATORY OPERATIONS
 Program: AGENCY MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 5,428 | 5,997 | 6,351 | 6,480 | 7,363 | 6,620 | 7,503 | 2,518 | 20.4% |
| OTHER OPERATING EXPENSES | 1,398 | 868 | 1,435 | 839 | 1,453 | 839 | 1,156 | 306 | 13.3% |
| TRANSFERS | 0 | 0 | 0 | 2,034 | 2,034 | 2,096 | 2,096 | 4,130 | |
| Total Expenditures | 6,826 | 6,865 | 7,786 | 9,353 | 10,850 | 9,555 | 10,755 | 6,954 | 47.5% |

| Change Items: | Fund | | | | | | |
|---|-------------|--|--|--|--------------|--|--------------|
| (B) FUND CORE LICENSING ACTIVITIES | GEN | | | | 1,138 | | 923 |
| (B) EXPEDITED MALTREATMENT INVESTIGATIONS | GEN | | | | 359 | | 277 |
| Total Change Items | | | | | 1,497 | | 1,200 |

| Financing by Fund: | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 4,831 | 4,547 | 4,713 | 6,572 | 8,069 | 6,757 | 7,957 |
| STATE GOVERNMENT SPECIAL REVENUE | 351 | 365 | 397 | 403 | 403 | 415 | 415 |
| HEALTH CARE ACCESS | 149 | 220 | 233 | 239 | 239 | 244 | 244 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 0 | 19 | 46 | 39 | 39 | 39 | 39 |
| STATE GOVERNMENT SPECIAL REVENUE | 753 | 924 | 1,567 | 1,271 | 1,271 | 1,271 | 1,271 |
| FEDERAL | 742 | 790 | 830 | 829 | 829 | 829 | 829 |
| Total Financing | 6,826 | 6,865 | 7,786 | 9,353 | 10,850 | 9,555 | 10,755 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FULL TIME | 104.5 | 107.7 | 119.1 | 119.1 | 145.1 | 119.1 | 145.1 |
| Total Full-Time Equivalent | 104.5 | 107.7 | 119.1 | 119.1 | 145.1 | 119.1 | 145.1 |

BUDGET CHANGE ITEM (51487)

Budget Activity: LEGAL & REGULATORY OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: FUNDING CORE LICENSING ACTIVITIES

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------------------|-----------------------------|---------------------------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Legal & Regulatory Operations | \$1,138 | \$923 | \$923 | \$923 |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$501 | \$406 | \$406 | \$406 |
| Statutory Change? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | X <input checked="" type="checkbox"/> | |
| <input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$1,138,000 in FY 2002 and \$923,000 in FY 2003 to improve the performance of licensing functions.

Additional resources are required to address the need for more timely completion of licensing reviews, responses to licensing complaints, and processing of county licensing recommendations and variance requests.

RATIONALE:

Background

In FY 1990, the Licensing Division had 30 licensors overseeing 2,536 directly licensed programs with an average caseload of 85 programs. Today, the division has 20 licensors serving 3,642 directly licensed programs with an average caseload of 182 programs. As other statutory responsibilities increased without funding, the resources formerly directed toward routine licensing inspections were redirected toward background studies, administrative reconsiderations, and maltreatment investigations. As caseloads for licensors increase, the numbers of licensing complaints, variance requests, and requests for technical assistance also continue to increase. Consequently, some necessary licensing work is not being completed in a timely manner.

Approximately 23% of the 3,642 programs licensed directly by DHS are not receiving site visits at least every two years, as required by statute. Without

additional resources, the Licensing Division is unable to meet statutory requirements for licensing reviews.

County staff perform most licensing inspection duties for adult foster care, child foster care, and family child care providers and make recommendations to the Division of Licensing regarding negative licensing action. In FY 2000, the department took 319 negative licensing actions in these settings, but as the county recommendations are prioritized for attention, only the 32 recommendations for immediate suspensions of licenses due to imminent danger could be guaranteed a one-day turnaround time. In some other cases, decisions on county recommendations took months.

Approximately 37% of the 1,562 licensing complaints received took longer than 90 days to investigate. Because there is no statutory requirement for written summaries of these investigation findings, they are only written upon demand. This slow response and lack of routine communication of investigation results has left many complainants and facilities dissatisfied.

Routine site visits to follow up on corrective action that has been ordered are made very infrequently and typically only to programs that demonstrate the most serious compliance problems. Due to time constraints, the division now provides very little technical assistance that could be helpful to programs in avoiding licensing problems and even maltreatment allegations.

Proposal

DHS requests additional funding from the General Fund to support 14 new licensor positions. The licensor positions will reduce overall caseloads from 182 programs per licensor to 110 programs and will permit more timely completion of required licensing activities. This proposal includes \$72,000 in FY 2002 and \$107,000 in FY 2003 and subsequent years to cover maintenance and operational costs for the division's new computer system, which will allow the division to develop public access to our licensing information.

The consequence of not funding this proposal is continued deterioration in the timeliness of completing licensing activities. An unintended consequence of insufficient resources is the increased likelihood that the state could be brought into lawsuits involving injuries to clients where reviews or investigations have not been timely.

Administration Issues and Implementation

This funding proposal requires the hiring of 14 new licensors. Every effort will be made to hire staff with a beginning work date as close as possible to 7-1-01. However, finding workspace and purchasing equipment for these individuals will be necessary before they begin work.

BUDGET CHANGE ITEM (51487) (Continued)

Budget Activity: LEGAL & REGULATORY OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: FUNDING CORE LICENSING ACTIVITIES

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Staff & support costs (14 FTEs) | \$1,066 | \$816 | \$816 | \$816 |
| System maintenance | 72 | 107 | 107 | 107 |
| Admin reimbursement | (501) | (406) | (406) | (406) |
| Net cost | \$637 | \$517 | \$517 | \$517 |

OUTCOMES:

- Within 12-18 months, reduce the average length of time to complete investigations into licensing complaints to within 75 days.
- Complete all licensing reviews within the one-year and two-year intervals set forth in statutes.
- Complete negative licensing action decisions within 45 days of county recommendations.

BUDGET CHANGE ITEM (51485)

Budget Activity: LEGAL & REGULATORY OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT
Item Title: EXPEDITED MALTREATMENT INVESTIGATIONS

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------------------|--|----------|---------------------------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Legal & Regulatory Operations | \$359 | \$277 | \$277 | \$277 |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$158 | \$122 | \$122 | \$122 |
| Statutory Change? | Yes _____ | No _____ | X _____ | |
| <input type="checkbox"/> New Activity | <input checked="" type="checkbox"/> Supplemental Funding | | <input type="checkbox"/> Reallocation | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$359,000 in FY 2002 and \$277,000 in FY 2003 to protect vulnerable children and adults through more timely completion of maltreatment investigations and improved communication with interested parties.

RATIONALE:

Background

The DHS Licensing Division performs basic regulatory functions necessary to protect the health and safety of children and vulnerable adults receiving services in programs licensed by the agency. This division directly licenses 3,642 programs that serve children and vulnerable adults. The Licensing Division receives about 3,000 reports of alleged or suspected maltreatment of vulnerable adults or children each year. Reports are made by counties, staff of licensed programs, and family members of people receiving services. Analysis of the reports results in many being appropriately referred to other agencies or being treated as licensing violations instead of maltreatment. Approximately 650 reports receive full maltreatment investigations under the Maltreatment of Minors Act and the Vulnerable Adults Act.

Over the past 10 years, there has been a significant change in the responsibilities of the department for these maltreatment investigations. County Adult Protection and County Child Protection formerly completed these investigations, and the results were reviewed for possible action against a

facility license. In 1991, the legislature's enactment of the background study system that required disqualification of substantiated perpetrators of maltreatment required more thorough investigations. In 1995, the legislature transferred responsibility for the vulnerable adult maltreatment investigations to the department and in 1997, the legislature transferred the responsibility for the maltreatment of minors investigations to the department.

Without adequate resources, these investigations must be prioritized against other licensing activities, and as a result resources have been redirected away from more routine licensing inspections in all programs licensed by the department. But the department's response is still not adequate.

Minnesota statutes require that maltreatment investigations be completed within 60 days. Due to a lack of sufficient resources, these investigations are not completed in a timely manner. With current resources, about 70% are completed beyond 60 days, with 41% over 121 days. The average length of time to complete an investigation is about five months. Delays in completing maltreatment investigations impose unnecessary risks to minors and vulnerable adults receiving services in licensed programs. Past goals in the division include site visits within 30 days for all investigations, but now many investigations are completed without any site visit. Investigators are currently managing an average of 45 active investigations at one time.

The inadequate turnaround time for completing investigations has generated complaints from counties who depend on the investigation findings for purposes of case management, county contracts, placement decisions, and adult foster care licensing decisions. In addition to counties, this is a significant concern of families of people receiving services, providers whose staff morale can be adversely affected by an active investigation, and staff of programs themselves who often wish for more rapid closure to issues under investigation.

Proposal

DHS requests a General Fund appropriation to fund one senior investigator position, three investigator positions and one-half of a clerical position in the Licensing Division. This request for positions is based on an analysis of workloads and investigation procedures. The additional staff positions will enable the division to achieve the goals for expedited maltreatment investigations. The clerical staff position is necessary to free all levels of the investigation unit from the tasks of distributing, filing, copying, and data input related to reports so that investigations can be completed in a more timely manner.

The consequence of not funding this proposal is continued deterioration in the timeliness of completing investigations. This may result in the state being brought into lawsuits involving injuries to clients where investigations have not been timely. If additional funding is not forthcoming, there will need to be amendments to statutory timelines to bring them into conformance with licensing resources.

BUDGET CHANGE ITEM (51485) (Continued)

Budget Activity: LEGAL & REGULATORY OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: EXPEDITED MALTREATMENT INVESTIGATIONS

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Admin and Support costs: | | | | |
| Senior Investigator (1 FTE) | \$86 | \$68 | \$68 | \$68 |
| Investigators (3 FTEs) | 228 | 182 | 182 | 182 |
| Clerical (.5 FTE) | 45 | 27 | 27 | 27 |
| Admin reimbursement | (158) | (122) | (122) | (122) |
| Net Cost | \$201 | \$155 | \$155 | \$155 |

OUTCOMES:

Expediting maltreatment investigations will achieve the following outcomes:

- More timely completion of maltreatment investigations will protect children and vulnerable adults receiving treatment services in licensed programs.
- Within 12-18 months, the average length of time to complete maltreatment investigations will be reduced to 60 days.

BUDGET ACTIVITY SUMMARY

Budget Activity: MANAGEMENT OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Management Operations promotes a high performance workplace through its responsibilities for the department's physical facility, information and communication technologies, personnel and human resources activities, and internal auditing function.

Services Provided

Management Operations' work can be divided into the following areas:

- agency leadership, public policy direction, and legislative liaison activity for health care, welfare, and social services;
- communication management and technology development for interactions with clients, business partners, other state agencies, counties, tribes, and the federal government;
- human resources management, including payroll, training for the DHS central office, State Operated Services, and selected counties including
 - strategies for redeploying personnel to fit new priorities and changing business needs;
 - personnel recruitment, selection, compensation, and classification services;
 - personnel services to 76 counties through its Merit System activity;
 - labor relations, grievance arbitration, and negotiations;
 - health, safety, wellness, and workers compensation activities;
 - training packages that promote professional development, continuing education, and cultural competencies; and
 - organizational development and training activities;
- Office of Equal Opportunity including
 - equal opportunity/affirmative action plan implementation (recruiting, policy interpretation services);
 - Americans with Disabilities Act coordination;
 - diversity training, cultural competency consultation;
 - complaint investigation and mediation services; and
 - civil rights enforcement, monitoring and training;
- information and technology resource strategies including:
 - planning the evolution of current systems to meet business needs and deliver electronic government services;
 - providing access to agency services, policies, and information through web technologies;

- integrating cross-program data for analysis and better decision making;
 - maintaining computer network and hardware for approximately 6,000 employees; and
 - coordinating computer systems issues with other agencies to set standards and implement statewide technology activities;
- management services addressing the basic business needs of DHS including
 - visual communications/teleconferencing within the many communities of video conferencing users in Minnesota's human service field;
 - facility management and building security;
 - telephone systems and related interactive response technology;
 - inventory and property management;
 - purchasing of office goods;
 - mailing and printing services; and
 - information desk, graphics and publication services; and
 - internal auditing to provide management with an appraisal of the department's fiscal management and programmatic controls.

FINANCING INFORMATION:

(See charts which follow narrative)

BUDGET ISSUES:

- Successful implementation of the federally mandated Health Insurance Portability and Accountability Act (HIPPA) is critical.
- Consumers and business partners are demanding more use of electronic government services by the department as standards and expectations change for speed, efficiency, and coordination.
- Visual and voice communications need to be taken to the next level, e.g., low cost, dial up videoconferencing among adult mental health pilot projects, counties, State Operated Services/Regional Treatment Centers (RTCs), and others.
- The pre-design process for new consolidated central office facilities for the department is being coordinated with the building needs of the departments of Agriculture and Health.
- The federal Department of Health and Human Services is placing an increased emphasis on state agencies' monitoring of grantees under the Federal Single Audit Act so DHS will have to increase resources devoted to monitoring.
- DHS needs to expand investments in on-going skill updating and training for its workers. Staff training investments are critical to the department's ability to maintain and improve productivity in the face of fast-paced change.

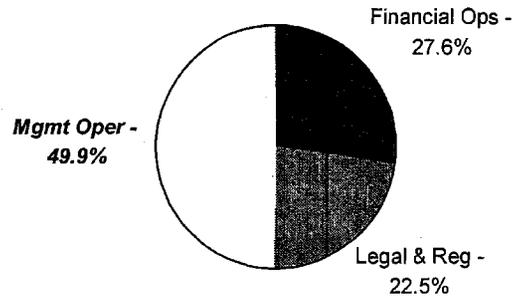
BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: MANAGEMENT OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT

- Computers and software are becoming obsolete at an increasing rate. Strategic planning is needed to make sure that DHS maintains its technology investment while adapting it sensibly to meet new needs.
- Redesign of communication networks must take advantage of converging technologies and telecommunications reform.

Agency Management By Activity

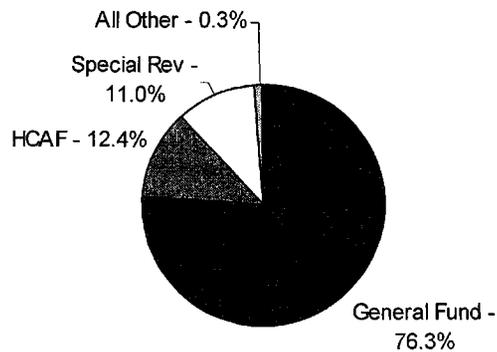
Total All Funds = \$41,653,000



**Activity Finance Summary
Management Operations
FY 2002 Base**

Management Operations By Fund

Total All Funds = \$20,791,000



Management Operations – FTE Count

| Division | General Fund | HCAF | Spec Rev | Federal Fund | Other Funds | Total |
|---------------------|--------------|------------|-------------|--------------|-------------|--------------|
| Inf/Tech Tech Strat | 28.0 | 2.0 | 20.0 | 0.0 | 0.0 | 50.0 |
| Mgmt Svcs | 35.0 | 5.0 | 0.0 | 0.0 | 0.0 | 40.0 |
| Internal Audits | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5.0 |
| Executive Office | 7.5 | 0.0 | 0.0 | 0.0 | 0.0 | 7.5 |
| Human Resources | 34.5 | 1.5 | 0.0 | 0.0 | 0.0 | 36.0 |
| EEO / AA Office | 9.8 | 0.0 | 0.0 | 0.0 | 0.0 | 9.8 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | 119.8 | 8.5 | 20.0 | 0.0 | 0.0 | 148.3 |

Activity: MANAGEMENT OPERATIONS
 Program: AGENCY MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 7,254 | 8,208 | 8,262 | 8,557 | 8,557 | 8,790 | 8,790 | 877 | 5.3% |
| OTHER OPERATING EXPENSES | 18,636 | 13,178 | 12,762 | 12,234 | 19,616 | 12,731 | 18,961 | 12,637 | 48.7% |
| Total Expenditures | 25,890 | 21,386 | 21,024 | 20,791 | 28,173 | 21,521 | 27,751 | 13,514 | 31.9% |

| Change Items: | Fund | | | | | | | | |
|------------------------------------|-------------|--|--|--|--------------|--|--------------|--|--|
| (B) ELECTRONIC GOVERNMENT SERVICES | GEN | | | | 3,571 | | 3,571 | | |
| (B) HEALTH DATA SECURITY | GEN | | | | 3,811 | | 2,659 | | |
| Total Change Items | | | | | 7,382 | | 6,230 | | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 17,995 | 15,616 | 16,200 | 15,860 | 23,242 | 16,543 | 22,773 | | |
| HEALTH CARE ACCESS | 2,353 | 2,414 | 2,555 | 2,577 | 2,577 | 2,601 | 2,601 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 2,709 | 57 | 59 | 59 | 59 | 59 | 59 | | |
| SPECIAL REVENUE | 2,718 | 3,184 | 2,209 | 2,295 | 2,295 | 2,318 | 2,318 | | |
| FEDERAL | 115 | 115 | 0 | 0 | 0 | 0 | 0 | | |
| GIFT | 0 | 0 | 1 | 0 | 0 | 0 | 0 | | |
| Total Financing | 25,890 | 21,386 | 21,024 | 20,791 | 28,173 | 21,521 | 27,751 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| FULL TIME | 149.5 | 157.0 | 148.3 | 148.3 | 148.3 | 148.3 | 148.3 | | |
| Total Full-Time Equivalent | 149.5 | 157.0 | 148.3 | 148.3 | 148.3 | 148.3 | 148.3 | | |

INFORMATION TECHNOLOGY CHANGE ITEM (51634)

Activity: MANAGEMENT OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT
IT Change Item: ELECTRONIC GOVERNMENT SERVICES

ITEM DESCRIPTION AND PURPOSE:

Establish a technology foundation for Electronic Government Services (EGS) for DHS customers. This is the foundation upon which full Internet-based EGS can be built for the department in collaboration with the statewide EGS efforts.

FUNDING: (Dollars in Thousands)

| Funding Distribution | 2002-03 Biennium | | 2004-05 Biennium | | 2006-07 Biennium | |
|----------------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
| Personnel | 0 | 0 | 0 | 0 | 0 | 0 |
| Supplies | 20 | 20 | 20 | 20 | 20 | 20 |
| Hardware | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Software | 841 | 841 | 841 | 841 | 841 | 841 |
| Facilities | 60 | 60 | 60 | 60 | 60 | 60 |
| Services | 1,140 | 1,140 | 1,140 | 1,140 | 1,140 | 1,140 |
| Training | 10 | 10 | 10 | 10 | 10 | 10 |
| Grants | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 3,571 | 3,571 | 3,571 | 3,571 | 3,571 | 3,571 |

There is no existing base funding that supports this initiative. This is the first year funding has been requested. These expenditures will earn federal administrative reimbursement. As a result, the net impact on the general fund will be as follows (dollars in thousands):

FY 2002 - \$2,000

FY 2003 - \$2,000

FY 2004 - \$2,000

FY 2005 - \$2,000

This foundation includes the critical infrastructure needs for the reliable, secure, and high-speed connectivity and customer-friendly interfaces necessary for EGS. It is the first step in building a robust 7 x 24 technical infrastructure base on which DHS business divisions will build their EGS solutions.

Services that have been paper-based will be made available on the Internet. Government will be brought closer to the citizens by offering secure, direct, and immediate access to human services programs through web technologies and by reducing the disparity in access for rural Minnesotans, Minnesotans living with disabilities, and those whose work schedules make accessing government services during normal business hours difficult or impossible.

RATIONALE:

The goal of this proposal is to use technology to increase and improve access to DHS. This method of service delivery is accomplished primarily through web technologies and, in anticipation of this, DHS has invested in a web services platform. That foundation now enables DHS to design and implement the state's EGS initiative: moving beyond a static Internet site to a transaction-capable site that will allow full interactive services of E-government. This proposal initiates the technology platform to actually exchange secure EGS transactions. It will be complementary to the state's web site (North Star) to take advantage of the shared functionality of that system.

EGS will offer Minnesota citizens, human services clients, and policy makers direct, immediate and secure access to human service programs. Information about service alternatives, one-stop applications for services by multi-need families, direct on-line application for specific programs, and timely reporting of family circumstances needed to maintain ongoing services are examples of how EGS can have positive impacts on Minnesotans in need. This capability will also greatly enhance the agency's ability to communicate and effectively serve people with limited English proficiency and to improve citizen access to other programs available throughout state government.

Government and business partner access can also be improved. The scope of our programs include regular interactions with over 63,000 business partners and numerous government agencies. Using technology to facilitate electronic interactions between DHS and other organizations will save time, paper, and, over time, will avoid costs.

LIFE CYCLE ANALYSIS:

| Life Cycle Status | 2002-03 Biennium | | 2004-05 Biennium | | 2006-07 Biennium | |
|-------------------|------------------|---------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
| Development | X | X | | | | |
| Operations | X | X | X | X | X | X |
| Modification | X | X | X | X | X | X |
| Retirement | | | X | X | X | X |

Expanding Internet capability will begin with a needs assessment; following the assessment, standard information systems life cycle methodologies and project management will be applied. Business process analysis is key to carrying out projects within the overall DHS EGS initiative.

Major outcomes of this EGS proposal include

-improved service to Minnesota citizens by providing secure, immediate, and direct access to human service programs;

-a significant increase in the number of transactions initiated and completed electronically;

INFORMATION TECHNOLOGY CHANGE ITEM (51634) (Continued)

Activity: MANAGEMENT OPERATIONS

Program: AGENCY MANAGEMENT

Agency: HUMAN SERVICES DEPT

IT Change Item: ELECTRONIC GOVERNMENT SERVICES

-enhanced security of private data in an environment of increased interactions between the department and its customers; and

-more accurate measurement and tracking tools.

OFFICE OF TECHNOLOGY ANALYSIS:

Deliverables/Objectives: This initiative allows MN citizens access to DHS web based information and services. This initiative addresses the Big Plan (SNS -- Best Bang for the Buck, Electronic Government Services Initiative), EGS and infrastructure criteria. The initiative is identified as a priority in the SIRMP. Conclusion: This initiative meets information technology criteria for funding. Re-engineering of processes is required. Development needs to occur in collaboration with statewide EGS efforts.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$3,571,000 in FY 2002 and FY 2003 to establish a technology foundation for Electronic Government Services (EGS) for DHS customers.

INFORMATION TECHNOLOGY CHANGE ITEM (51632)

Activity: MANAGEMENT OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT
IT Change Item: HEALTH DATA SECURITY

ITEM DESCRIPTION AND PURPOSE:

Project to comply with the federal Health Insurance Portability and Accountability Act (HIPAA); covers new data privacy standards for all of DHS data systems.

FUNDING: (Dollars in Thousands)

| Funding Distribution | 2002-03 Biennium | | 2004-05 Biennium | | 2006-07 Biennium | |
|----------------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
| Personnel | 0 | 0 | 0 | 0 | 0 | 0 |
| Supplies | 735 | 507 | 165 | 165 | 165 | 165 |
| Hardware | 1,198 | 321 | 61 | 61 | 61 | 61 |
| Software | 150 | 95 | 15 | 15 | 15 | 15 |
| Facilities | 208 | 221 | 221 | 221 | 221 | 221 |
| Services | 1,470 | 1,470 | 1,400 | 1,400 | 1,400 | 1,400 |
| Training | 50 | 45 | 12 | 12 | 12 | 12 |
| Grants | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 3,811 | 2,659 | 1,874 | 1,874 | 1,874 | 1,874 |

There is no base funding for this project. Fiscal year 2001 is the first year for which funding has been sought. These expenditures will earn federal administrative reimbursement. As a result, the net impact on the general fund will be as follows (dollars in thousands):

FY 2002 - \$2,134

FY 2003 - \$1,489

FY 2004 - \$1,049

FY 2005 - \$1,049

This request covers the following HIPAA related initiatives:

Establishment of Integrated Technical and Manual Processes.

This involves establishing the wide range of integrated processes needed to meet HIPAA standards, including data privacy and access, physical safeguards, technological security mechanisms and services, and administrative procedures.

Implementation of Health Data Standards.

This involves the implementation of HIPAA standards on data managed by the department, and the integration of HIPAA and Minnesota Data Practices policies and procedures. These policies and procedures will be applied consistently to all data for which the department is responsible.

Administrative responsibilities include

- conducting risk assessments and setting up business continuity procedures;
- determining and implementing an appropriate security architecture to protect data in storage and transit;
- designating a HIPAA Security Official to implement safeguards and other requirements related to information security, such as establishing effective security policies, access controls, physical security, administrative procedures, business partner agreements, and security tools to ensure integrity, availability, and confidentiality of data;
- assuring electronic authentication and authorization before health data can be addressed;
- opening secure and reliable web-enabled access to protect private information as it is transmitted over the Internet;
- implementing, monitoring, and auditing physical and manual procedures to assure that data handling within DHS units and programs meets HIPAA standards;
- making adjustments to computer systems that process health and other private data on individuals;
- establishing contractual chain of trust partnerships to govern third-party handling of health data provided by the department;
- developing procedures to assure that requirements of both HIPAA and state law dealing with data privacy are met;
- designating a HIPAA Privacy Official to carry out requirements on data handling and disclosure, including handling requests for data and document disclosures, providing extensive training for DHS employees and business partners, developing sanctions, investigating complaints, and applying sanctions if employees or business partners misuse health private information;
- establishing a tracking system to provide information to consumers about requests to access their personal health information; and
- preparing instructional and informational materials to guide implementation of the HIPAA standards.

RATIONALE:

Expansion of electronic processing of medical records and billings has offered significant benefits to the health care industry, including improving health care service delivery and securing efficiencies and cost savings over manual approaches. However, this electronic processing trend has led to increasing concern that appropriate security protections are available both to protect the privacy of an individual's health information and to assure that this information is available when needed to provide high quality medical care.

INFORMATION TECHNOLOGY CHANGE ITEM (51632) (Continued)

Activity: MANAGEMENT OPERATIONS
Program: AGENCY MANAGEMENT
Agency: HUMAN SERVICES DEPT
IT Change Item: HEALTH DATA SECURITY

To address these as well as other issues, the federal government passed HIPAA in 1996. HIPAA establishes technical and manual standards for all providers and insurers of health care services, including government programs like Medicare and Medicaid. A series of federal regulations are in the process of publication, with the last of the key regulations expected by February 2001. Each set must be implemented within 26 months of publication. Entities which do not adhere to these new standards effectively cannot do business electronically within the health care industry, and inadequate implementation may lead to legal liabilities and possible federal sanctions. Research services and leading health care industry analysts report that the level of effort to implement HIPAA could be as much as three to four times that expended on Year 2000 (Y2K) renovations.

Minnesota's existing state laws governing privacy of data have historically offered its citizens protections beyond those established in federal law, but the advent of HIPAA security and access requirements will raise the bar for Minnesota as well as other states.

For DHS programs, implementation of HIPAA standards will span through FY 2003, and ongoing costs to maintain these standards will also be incurred. HIPAA will require DHS to set up increased manual and electronic protections, but it also requires each entity within the health care industry to ensure that each business partner has similar protections in place before the entity can provide them with health data on individuals. For DHS, a critical factor for the success of HIPAA implementation will be the coordination with other state and county agencies, private insurers, and medical providers to establish legal agreements and audit controls.

Consumers of health care services also have new rights to know more about how their personal information is being used, including the right to receive written reports showing who has asked for their data and to whom their data has been provided. New methods will need to be developed to provide accurate and timely information to Minnesota health care consumers.

LIFE CYCLE ANALYSIS:

| Life Cycle Status | 2002-03 Biennium | | 2004-05 Biennium | | 2006-07 Biennium | |
|-------------------|------------------|---------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
| Development | X | X | X | | | |
| Operations | X | X | X | X | X | X |
| Modification | X | X | X | X | X | X |
| Retirement | | X | X | X | X | X |

The requirements of this project are to bring existing information security and data management infrastructure and existing systems up to a set of standards specified by new federal regulations. The DHS Health Data Security project will include a range of subprojects to modify or enhance existing systems and to develop new systems. In the case of existing systems, the life cycle of the Health Data Security project will be at the stage of modification and carry forward through the retirement and replacement of each system. In the case of new development, the life cycle progression would begin with requirements definition and then move through Predesign, Planning, Operations, Maintenance, and most likely, modification over time to compliance with changes in federal regulations or state law.

The major outcomes of the Health Data Security initiative include:

- Appropriate protections are in place for personal data on individuals.
- Information will be available to providers and payors to help ensure effective and efficient service delivery to Minnesota consumers.
- Federal compliance is maintained.
- Privacy of Minnesota citizens health information will be protected.
- DHS will be able to continue to conduct electronic business with health care providers.

OFFICE OF TECHNOLOGY ANALYSIS:

Deliverables/Objectives: This initiative enables and ensures state compliance with the federally mandated Health Insurance Portability and Accountability Act (HIPAA). HIPAA will require DHS to set up increased manual and electronic protections concerning health data on individuals. This initiative is identified in the agency SIRMP. It supports collaboration and infrastructure principals. Conclusion: This initiative meets information technology criteria for funding. Re-engineering of processes is required. Compliance with federal requirements will help to avoid possible federal sanctions.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$3,811,000 in FY 2002 and \$2,659,000 in FY 2003 to implement the requirements of the federal Health Insurance Portability and Accountability Act (HIPAA).

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PROGRAM SUMMARY

Program: ADMIN REIMBURSEMENT / PASS THROUGH
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

This program is a consolidation of the department's revenue and related pass through expenditures. Department administrative reimbursement is included in this program. These activities involve complex, inter-fund accounting transactions. By isolating them within the Administrative Reimbursement/Pass Through Program, the fiscal pages for the department's other programs and budget activities are simplified.

Revenue

DHS will collect or process revenue of approximately \$4.2 billion in FY 2001.

Beginning in October 2001, a reduction in the Federal Medical assistance Percentage (FMAP) rate from 51.11% to 50.00% is projected to cost the state approximately \$50 million in lost revenue per year. This change was recognized in the November 2000 state economic forecast. With the exception of the FMAP change and the potential impact of the Governor's budget initiatives, the department's overall revenue picture is not expected to change from significantly from the past.

State law determines whether a revenue source is *non-dedicated revenue* to the state or *dedicated revenue* to the department (i.e. earmarked for specific programs).

Non-dedicated revenue

The department's non-dedicated revenue budget across all funds for FY 2001 is approximately \$625 million. A breakdown of FY 2001 non-dedicated revenue is provided in the table below (000's):

| | |
|--|------------------|
| Surcharge on health care providers | \$126,543 |
| Recoveries and refunds | 23,053 |
| SOS cost of care billings, appropriation-based | 67,975 |
| Federal TANF | 325,965 |
| Working Family Credit (TANF) | 50,424 |
| Licensing fees | 700 |
| Revenue enhancement projects | 1,000 |
| Central Office administrative reimbursement | 28,713 |
| Miscellaneous other | 675 |
| Total | \$625,048 |

Dedicated revenue

The department's dedicated revenue budget across all funds for FY 2001 is approximately \$3.6 billion. A breakdown of FY 2001 dedicated revenue is provided in the table below (000's):

| | |
|---|--------------------|
| Federal grants | 2,587,173 |
| Private grants | 1,244 |
| Gifts | 498 |
| MnCare Grant premiums | 32,181 |
| Alternative Care Grant premiums | 1,750 |
| SOS cost of care billings, revenue-based | 64,901 |
| Licensing fees | 234 |
| Background study fees | 50 |
| Intergovernmental – county | 193,607 |
| Intergovernmental – state | 5,064 |
| Child Support recoveries | 523,941 |
| Other recoveries and refunds | 28,822 |
| Federal TANF (Title XX related) | 30,185 |
| CD Block Grant to CCDTF | 9,000 |
| Shared services | 5,315 |
| Investment income | 2,459 |
| SOS resident deposits | 3,141 |
| Central Office administrative reimbursement | 72,044 |
| Miscellaneous other | 12,865 |
| Total | \$3,574,474 |

Administrative Reimbursement

The department maintains a federally approved cost allocation plan that draws reimbursement for the federal (and private) grant share of state administrative expenditures. In this case, state administrative expenditures are defined broadly to include state costs as well as county costs.

Eligible state administrative costs are reimbursed from federal grants at various percentages, known as the federal financial participation percentage (FFP) rates. Not all state administrative costs are eligible for federal reimbursement. For example, expenditures that support state-only programs do not earn FFP.

The department's central office administrative reimbursement budget for FY 2001 is approximately \$101 million: \$29 million is non-dedicated revenue, \$72 million dedicated revenue. Unless otherwise required in state law, administrative reimbursement earned on General Fund and Health Care Access Fund costs is non-dedicated revenue to the state. State law dedicates federal administrative reimbursement earned on major systems costs to the department.

PROGRAM SUMMARY (Continued)

Program: ADMIN REIMBURSEMENT / PASS THROUGH
Agency: HUMAN SERVICES DEPT

Historically, DHS has earned the following average FFP rates, based on cost allocation within the state fund in which the administrative expenditure is incurred:

| | |
|-------------------------|-----|
| General Fund | 44% |
| Health Care Access Fund | 33% |
| Major Systems – PRISM | 66% |
| Major Systems – SSIS | 50% |
| Major Systems – MAXIS | 35% |
| Major Systems – MMIS | 65% |

For simplicity and consistency, DHS budget initiatives and Fiscal Note estimates are based on these historic average FFP rates

Pass Through Expenditures

Generally, pass through expenditures are the result of payments between funds. The department's pass through budget across all funds for FY 2001 is approximately \$918 million. A breakdown of the FY 2001 budget is provided in the table below (000's):

| | |
|--|------------------|
| DHS Central Office admin reimbursement | \$100,757 |
| Statewide Indirect admin reimbursement | 2,175 |
| Supreme Court admin reimbursement | 3,206 |
| County and local admin reimbursement | 216,905 |
| Federal CD Block Grant to CCDTF | 9,000 |
| Working Family Credit (TANF) | 50,424 |
| Federal TANF to Federal Title XX | 30,185 |
| Revenue enhancement projects | 1,000 |
| Child Support to custodial parents | 504,400 |
| Total | <u>\$918,052</u> |

Activity: ADMIN REIMBURSE/ PASS THROUGH
 Program: ADMIN REIMBURSE/PASS THROUGH
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 87,108 | 96,890 | 102,932 | 107,018 | 107,018 | 110,321 | 110,321 | 17,517 | 8.8% |
| OTHER FINANCIAL TRANSACTIONS | 454,130 | 480,161 | 505,400 | 505,400 | 505,400 | 505,400 | 505,400 | 25,239 | 2.6% |
| Subtotal State Operations | 541,238 | 577,051 | 608,332 | 612,418 | 612,418 | 615,721 | 615,721 | 42,756 | 3.6% |
| PAYMENTS TO INDIVIDUALS | 76,860 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LOCAL ASSISTANCE | 195,474 | 234,525 | 309,720 | 254,026 | 254,026 | 245,484 | 245,484 | (44,735) | (8.2%) |
| Total Expenditures | 813,572 | 811,576 | 918,052 | 866,444 | 866,444 | 861,205 | 861,205 | (1,979) | (0.1%) |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| FEDERAL TANF | 37,614 | 70,431 | 109,117 | 65,333 | 65,333 | 56,791 | 56,791 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 2,993 | 3,093 | 1,302 | 1,299 | 1,299 | 1,299 | 1,299 | | |
| FEDERAL | 244,875 | 260,661 | 303,233 | 295,412 | 295,412 | 298,715 | 298,715 | | |
| MISCELLANEOUS AGENCY | 528,090 | 477,391 | 504,400 | 504,400 | 504,400 | 504,400 | 504,400 | | |
| Total Financing | 813,572 | 811,576 | 918,052 | 866,444 | 866,444 | 861,205 | 861,205 | | |

Activity: ADMIN REIMBURSE/ PASS THROUGH
 Program: ADMIN REIMBURSE/PASS THROUGH
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|------------------|---------------------|------------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| Revenue Collected: | | | | | | | |
| Dedicated | | | | | | | |
| GENERAL | 162,761 | 165,010 | 184,736 | 10,953 | 10,953 | 10,730 | 10,730 |
| STATE GOVERNMENT SPECIAL REVENUE | 625 | 1,171 | 1,271 | 1,271 | 1,271 | 1,271 | 1,271 |
| HEALTH CARE ACCESS | 67,202 | 79,503 | 101,271 | 118,595 | 118,595 | 131,965 | 131,965 |
| SPECIAL REVENUE | 92,304 | 102,821 | 116,050 | 121,017 | 121,017 | 124,219 | 124,219 |
| FEDERAL | 2,152,921 | 2,325,482 | 2,574,342 | 2,702,315 | 2,702,315 | 2,868,483 | 2,868,483 |
| MISCELLANEOUS AGENCY | 538,920 | 503,905 | 528,322 | 526,422 | 526,422 | 528,668 | 528,668 |
| GIFT | 132 | 155 | 68 | 30 | 30 | 30 | 30 |
| ENDOWMENT | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| CHEMICAL DEPENDENCY TREATMENT | 13,232 | 14,112 | 0 | 0 | 0 | 0 | 0 |
| REVENUE BASED STATE OPER SERV | 41,585 | 38,877 | 48,768 | 48,768 | 48,768 | 48,768 | 48,768 |
| MN NEUROREHAB HOSPITAL BRAINER | 0 | 0 | 3,525 | 3,237 | 3,237 | 3,237 | 3,237 |
| DHS CHEMICAL DEPENDENCY SERVS | 0 | 0 | 15,798 | 15,798 | 15,798 | 15,798 | 15,798 |
| Nondedicated | | | | | | | |
| GENERAL | 187,065 | 174,671 | 237,332 | 260,915 | 293,034 | 262,523 | 261,848 |
| HEALTH CARE ACCESS | 3,287 | 3,245 | 3,112 | 2,847 | 3,670 | 2,912 | 4,215 |
| CAMBRIDGE DEPOSIT FUND | 77,033 | 44,545 | 48,639 | 0 | 0 | 0 | 0 |
| FEDERAL TANF | 187,071 | 265,546 | 325,965 | 281,378 | 281,378 | 242,785 | 242,785 |
| MISCELLANEOUS AGENCY | 10,961 | 9,870 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| LOTTERY CASH FLOW | 0 | 109 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues Collected | 3,535,110 | 3,729,033 | 4,199,210 | 4,103,557 | 4,136,499 | 4,251,400 | 4,252,028 |

PROGRAM SUMMARY

Program: CHILDREN'S GRANTS
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

Children's Grants pay for child welfare services and community-based children's mental health services. In addition to the specific interventions purchased below, the staff in this area work to ensure the safety and best interests of children in all agency policies and to evaluate the impact of policy changes on the well-being of children and families.

The administrative component of Children's Grants is contained in Children's Management.

Services Provided

Essentially four types of grants are funded in Children's Grants

- early intervention grants reducing child abuse or neglect;
- protection grants providing services to families and children in crisis;
- grants ensuring permanency of children who cannot live with their birth parents because of abuse or neglect; and
- children's mental health grants providing community-based treatment and supportive services to children with serious emotional disturbances.

Child welfare services include

- child protection services, including assessments, investigations, referrals for prosecution;
- crisis nurseries;
- respite care;
- foster care grants, recruitment, and training;
- permanency planning for children not able to return to their biological parents;
- adoption assistance for children with special needs who were under state guardianship and since adopted;
- relative custody assistance for children with special needs who were under state guardianship and placed with relatives;
- Indian child welfare services;
- child abuse prevention activities; and

- training regarding child abuse/neglect interventions.

Children's community-based mental health services include

- case management;
- assessments and counseling, including family and individual therapy;
- day treatment;
- therapeutic foster care;
- respite care;
- in-home, family-based mental health services;
- screening and assessment of mental health problems of children in the juvenile court system and those who struggle with homelessness; and
- life skills development for children with severe emotional disturbance, including adolescents who are aggressive or violent.

People Served

- In 1999, counties determined 11,113 children were abused or neglected out of 24,855 allegations. Children between the ages of one and nine were victims most often. 87% of all offenders were the children's parents (birth, adoptive, or stepparents).
- During 1999, approximately 18,500 children were placed in out-of-home settings, such as foster care, shelters, group homes, and children's mental health residential facilities. Fifty-five percent of the children were placed due to abuse or neglect, parental substance abuse, or parental illness, disability, or death. Forty-five percent were placed as a result of their own conduct or condition, such as delinquency behaviors, or the need for special care for disabilities or mental health issues.
- The Public/Private Adoption Initiative served 770 children since its inception in February of 1998. 439 children have been placed in pre-adoptive homes and 214 have experienced finalized adoptions.

As of 6-30-2000 or the most recently available estimate

- approximately 4,000 children with special needs and under state guardianship were adopted with the help of adoption assistance, which assists families with the extra expenses associated with a special needs child;

PROGRAM SUMMARY (Continued)

Program: CHILDREN'S GRANTS
Agency: HUMAN SERVICES DEPT

- 874 children with special needs were placed with extended family members with assistance through the Relative Custody Assistance Program;
- 1,685 youth in foster care received training for independent living and preparation for adulthood;
- 600 homeless youth received street outreach, transitional housing, case management, independent living skills training, employment assistance and pregnancy prevention services;
- over 1,252 families with approximately 2,410 children were served in crisis nurseries in 18 sites throughout Minnesota;
- 3,830 children received mental health case management services;
- 20,800 children received publicly supported children's mental health services;
- adolescents with severe emotional disturbance and violent behavior received specialized services in 19 counties;
- approximately 5,000 youth in or at risk of involvement in the juvenile court system received mental health screenings, with 1,157 of them referred for mental health treatment.

Accomplishments

- Reduced placement rate of children in out-of-home care.
- Reunified foster children with their families through the "Family Group Decision Making" process in 23 counties and with participating tribes.
- Increased adoptions of children under state guardianship by 248% between SFY 1995 and SFY 2000.
- Increased the pool of potential foster and adoptive families.
- Supported families who adopt children from the child welfare system by linking them with experienced "parent liaisons."
- Created 200 regional facilitators with skills in "Relative Care Conferencing," a method of resolving child protection matters using extended family members and concerned family friends.
- Improved county process in which families receive assessments and service plans by promoting empirically based "Structured Decision Making" model in seven metro and seven non-metro counties.

- Trained 3,139 professionals and 442 potential or actual foster or adoptive parents on core child welfare competencies through the Minnesota Child Welfare Training System curriculum.
- Contributed to reducing recidivism in the juvenile justice system by screening and serving children who needed mental health services (40% reduction in felony level offenses, 69% in misdemeanors, and 77% in petty offenses).
- Reduced violent behavior, increasing school attendance, and stabilizing severe emotional disturbance for emotionally disturbed youth with violent or aggressive behavior through an adolescent services program extended to 19 counties.
- Achieved a 19% reduction in reliance on out-of-home care for children with severe emotional disturbance using respite care grants in six counties.

STRATEGIES AND PERFORMANCE:

- Reduce the percentage of child protection cases having a new maltreatment finding while the case is open for child protection services and the percentage having a new maltreatment finding within 12 months of case closure.
- Reduce the number of deaths and near deaths resulting from child abuse or neglect.
- Increase the percentage of children who are residing in a permanent home within 12 months of initial out-of-home placement.
- Increase the proportion of children with severe emotional disturbance who improve their level of functioning.
- Reduce the severity of symptoms of children with emotional disturbance.
- Increase family satisfaction with children's mental health treatment and supportive services.
- Reduce reliance on restrictive settings for treatment of children with severe emotional disturbance.

FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

- Applying statewide standards is difficult. Child welfare practices vary across counties based on their local ability to fund these activities. The state directly provides 15% of targeted child welfare funding. An additional 50% of child

PROGRAM SUMMARY (Continued)

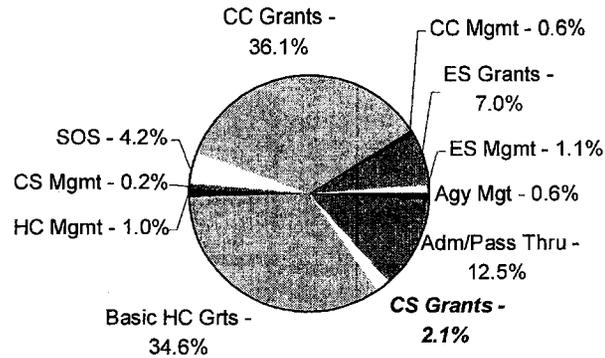
Program: CHILDREN'S GRANTS
Agency: HUMAN SERVICES DEPT

welfare funding comes from local property taxes and various state aids and credits, 30% from the federal government, and 5% from local fees.

- Paying special attention to the effects of welfare-to-work programs on children as time limits approach.
- Building local capacity outside the child welfare system to protect children and support families.
- Increasing the number of adoptions of children under state guardianship so that permanent, stable families can raise these children into responsible adults.
- Creating more accountability in child welfare decisions and performance.
- Developing a continuum of community-based children's mental health services.
- Recognizing that service systems are struggling to serve children with more challenging problems, including severe emotional disturbance and co-occurring disorders, and those involved in multiple systems (e.g., child welfare, juvenile justice, special education).
- Recognizing that children of color are over-represented in treatment settings and that the number of treatment providers of color are under-represented.
- Reducing local out-of-home placement costs of children with severe emotional disturbance through the use of effective crisis interventions and respite care services.

Dept Of Human Services By Program

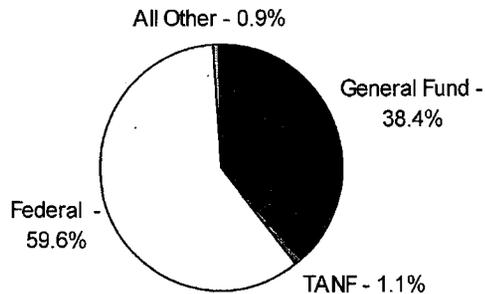
Total All Funds = \$6,945,370,000



**Program Finance Summary
Children's Services Grants
FY 2002 Base**

Children's Grants By Fund

Total All Funds = \$145,842,000



See Grant Detail

Activity: CHILDREN'S SERVICES GRANTS
 Program: CHILDREN'S SERVICES GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 641 | 151 | 1,123 | 1,123 | 1,123 | 1,123 | 1,123 | 972 | 76.3% |
| Subtotal State Operations | 641 | 151 | 1,123 | 1,123 | 1,123 | 1,123 | 1,123 | 972 | 76.3% |
| PAYMENTS TO INDIVIDUALS | 15,042 | 18,692 | 24,941 | 29,042 | 37,698 | 35,956 | 49,058 | 43,123 | 98.8% |
| LOCAL ASSISTANCE | 92,062 | 114,132 | 127,328 | 115,677 | 120,327 | 115,636 | 188,068 | 66,935 | 27.7% |
| Total Expenditures | 107,745 | 132,975 | 153,392 | 145,842 | 159,148 | 152,715 | 238,249 | 111,030 | 38.8% |

| Change Items: | Fund | | | | | | |
|---|-------------|--|--|--|---------------|--|---------------|
| (B) CHILD PERMANENCY AND REUNIFICATION | TANF | | | | 4,650 | | 4,650 |
| (B) ADOPTION/RELATIVE CUSTODY CARE ASST | GEN | | | | 8,656 | | 13,102 |
| (B) CHILDREN'S FAMILY FOSTER CARE | GEN | | | | | | 67,364 |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | 418 |
| Total Change Items | | | | | 13,306 | | 85,534 |

| Financing by Fund: | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 47,929 | 54,917 | 61,694 | 56,027 | 64,683 | 55,941 | 136,825 |
| FEDERAL TANF | 0 | 300 | 1,975 | 1,640 | 6,290 | 1,640 | 6,290 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 0 | 291 | 1,276 | 1,276 | 1,276 | 1,276 | 1,276 |
| FEDERAL | 59,780 | 77,462 | 88,442 | 86,899 | 86,899 | 93,858 | 93,858 |
| GIFT | 36 | 5 | 5 | 0 | 0 | 0 | 0 |
| Total Financing | 107,745 | 132,975 | 153,392 | 145,842 | 159,148 | 152,715 | 238,249 |

Grant Detail

Children's Services Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|---|-------------------|---------------------|---------------|---------------|---------------|----------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| DIRECT APPROPRIATIONS | | | | | | | |
| General Fund | | 54,917 | 61,694 | 56,027 | 64,683 | 55,941 | 136,825 |
| Family Preservation | Grants to counties to provide a continuum of services to strengthen families and reunify children safely with their family. (approx. served FY98 – 22,086) | 15,685 | 15,739 | 15,702 | 15,702 | 15,702 | 15,702 |
| Child Abuse & Neglect Protection Substance Abuse | Grants to counties, tribes and health organization to provide child protection services to women convicted of a drug related offense and who have children; address prenatal exposure effects by providing services to families with children who have drug or alcohol related disabilities. (approx. served FY00 – 745 Families; 2,088 Children) | 1,336 | 1,350 | 1,350 | 1,350 | 1,350 | 1,350 |
| Crisis Nursery | Grants to counties and providers for temporary short term care for children when the family is in crisis. (approx. served FY00 – 3,233 Families; 5,170 Children) | 771 | 800 | 800 | 800 | 800 | 800 |
| Homeless | Grants to providers for housing, counseling, emergency shelter and short term transitional housing for homeless youth. (approx. served FY00 – 818) | 708 | 708 | 708 | 708 | 708 | 708 |
| Miscellaneous | Grants to counties, providers and educational organizations for assistance to teen parents, child welfare reform pilots, and other statewide services, including child abuse professional hotline, training of criminal justice system. (approx. served FY00 – 656 Families, 476 Trainees; 1,314 Calls) | 923 | 951 | 951 | 951 | 951 | 951 |
| Permanency Grants for Special Needs Children | Provide financial assistance for special needs children who are adopted or placed permanently with relatives who are below certain financial standards; includes state share of adoption assistance. (approx. served FY00 – 4,710 Children) | 12,788 | 16,275 | 13,692 | 22,348 | 13,606 | 26,708 |

Grant Detail

Children's Services Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|---|-------------------|---------------------|-------------------------------|-----------|-------------------------------|-----------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| Privatized Adoption for Special Children and Recruitment | Grants to providers for recruitment of foster and adoptive families; fund child placement agencies' efforts to place children committed to the guardianship of the commissioner in adoptive homes. (approx. served FY00 – 1,421 Children) | 2,760 | 4,103 | 3,339 | 3,339 | 3,339 | 3,339 |
| Children's Family Foster Care | Grants to counties to reimburse for non-federal costs of children placed in child family foster care settings. (approx. served FY00 – 14,410 Placements) | -0- | -0- | -0- | -0- | -0- | 67,364 |
| Children's MH Combined Grant CMH Community Based (Rule 78) | Grants to counties and collaboratives for the provision of basic family community support services for SED children and their families. (approx. served CY99 – 7,724 served w/FCSS, case and day treatment services) | 8,191 | 8,683 | 8,752 | 8,752 | 8,752 | 9,170 |
| CMH-TCM Local Share Grants | Grants to counties to offset county takeover of local share of MA / MnCare children's mental health case management. Adjusted annually based on numbers served. | 1,704 | 2,352 | Included in MA Forecast | -0- | Included in MA Forecast | -0- |
| Respite Care Grants | Grants to counties and collaboratives for the provision of respite care services to families of SED children – also includes recruitment and training of respite providers. (served in CY99 – families of 129 children) | 208 | 220 | 220 | 220 | 220 | 220 |
| MH Adolescent Services | Grants to collaboratives for the provision of intensive MH services for SED youth with violent behavior. (served CY99 – 722) | 5,892 | 6,376 | 6,376 | 6,376 | 6,376 | 6,376 |
| CMH Collaboratives | Grants to collaboratives for implementation and wrap-around services for children's mental health. (approx. served CY99 – 4,485) | 2,049 | 2,128 | 2,128 | 2,128 | 2,128 | 2,128 |
| MH Screening of Children in Court | Grants to counties for screening, assessment, and MH services for children in the court system. (approx.served-97-4,942 screen 1,157 served) | 1,040 | 1,102 | 1,102 | 1,102 | 1,102 | 1,102 |

Grant Detail

Children's Services Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|--|------------------------------------|------------------------------------|---------------|------------------------------|---------------|------------------------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| MH Screening Homeless Children | Grants to counties for outreach, screening and service coordination for homeless children. (approx. served CY99 – 813) | 754 | 799 | 799 | 799 | 799 | 799 |
| CMH Collaborative Interagency | Interagency agreements which support collaborative liaison positions within the departments of Health, Corrections, and Children, Families & Learning | 108 | 108 | 108 | 108 | 108 | 108 |
| Federal TANF | | 300 | 1,975 | 1,640 | 6,290 | 1,640 | 6,290 |
| Permanency Planning (Transfer to Title XX) | Grants to counties for the continuation of concurrent permanency planning and external review of agencies. (approx. served FY00 – 1,750) | Included in Federal Below | Included in Federal Below | -0- | 4,650 | -0- | 4,650 |
| Miscellaneous | Grants to providers for assistance to teen parents and to at risk youth in preventing teen pregnancy and prostitution. | 300 | 1,975 | 1,640 | 1,640 | 1,640 | 1,640 |
| STATUTORY APPROPRIATIONS | | | | | | | |
| Misc. Special Revenue Fund | | 291 | 1,276 | 1,276 | 1,276 | 1,276 | 1,276 |
| Child Welfare Reform | Grants to counties to support efforts to provide child welfare best practices. | 291 | 1,276 | 1,276 | 1,276 | 1,276 | 1,276 |
| Federal Fund | | 77,462 | 88,442 | 86,899 | 86,899 | 93,858 | 93,858 |
| Family Preservation (Title IV-B) | Grants to counties and tribes to support a continuum of services to strengthen families and to reunite children safely with their family. Funds to counties and private agencies to prepare older adolescents in obtaining independent living skills. Miscellaneous targeted grants for family preservation. (approx. served FY98 – 1,067 Fam; FY00 – 14,170 Ind.) | 5,341 | 5,361 | 5,084 | 5,084 | 5,043 | 5,043 |
| Concurrent Permanency Planning | Grants to counties to fund efforts to shorten the timeframe for establishing a permanent home or family reunification. (approx. served FY 00 – 1,750 children) | 8,066 | 4,650 | -0- | Included in TANF Above | -0- | Included in TANF Above |

Grant Detail

Children's Services Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|--|-------------------|---------------------|----------|-----------|----------|-----------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| Child Abuse & Neglect – Federal Children's Justice Act | Training to law enforcement, county attorney, and child protection professionals, including equipment and training on the use of videotape and closed circuit testimony of child abuse victims. (approx. served FY00 – 727 Trainees; 25 Counties) | 161 | 229 | 229 | 229 | 229 | 229 |
| Foster Care – Federal Title IV-E Foster Care | Grants to counties, tribes, providers, and educational organizations providing assistance to Title IV-E children in foster care programs. (approx. served FY98 – 7,918 Child) | 33,503 | 38,301 | 37,400 | 37,400 | 37,400 | 37,400 |
| Adoption – Federal | Grants to counties, providers, and individuals providing assistance to Title IV-E children in adoption assistance programs. (approx. served FY00 – 3,296) | 10,662 | 15,830 | 20,155 | 20,155 | 27,155 | 27,155 |
| Independent Living | Grants to counties, providers, and individuals providing assistance to Independent Living Programs. | 1,036 | 1,912 | 1,912 | 1,912 | 1,912 | 1,912 |
| Miscellaneous | Grants to counties and providers for child protection services to impact the cycle of child abuse and neglect and federal IV-E reimbursement to counties for administrative activities.. (approx. served FY00 – 2 Trainings for judges; 12 Counties) | 18,693 | 22,159 | 22,119 | 22,119 | 22,119 | 22,119 |
| Gift Fund | | 5 | 5 | 0 | 0 | 0 | 0 |
| Forgotten Children's Fund | | 5 | 5 | 0 | 0 | 0 | 0 |

BUDGET CHANGE ITEM (51442)

Budget Activity: CHILDREN'S GRANTS
Program: CHILDREN'S GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: SHORTEN TIMEFRAME FOR CHILD PERMANENCY AND REUNIFICATION

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| Federal TANF | | | | |
| Children's Grants | \$4,650 | \$4,650 | \$4,650 | \$4,650 |

Statutory Change? Yes ___ No x

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the federal Temporary Assistance to Needy Families (TANF) budget of \$4,650,000 in FY 2002 and \$4,650,000 in FY 2003 to continue efforts to shorten the timeframe for establishing a permanent home or family reunification for approximately 1,750 abused and neglected Minnesota children a year.

RATIONALE:

Concurrent permanency planning focuses on assuring children are in safe, permanent homes where responsible adults will care for them as soon as possible. If children are removed from their homes because of abuse or neglect, county staff work with birth parents to assure parents change their behavior while at the same time work to find a safe, permanent home for children if their parents are unable to care for them safely.

Continued funding is needed for counties to implement state and federal family reunification and permanency requirements and provides the best protection available for vulnerable children in foster care. This activity reduces the amount of time children spend in foster care and reduces the number of moves children experience while in foster care. Early findings from an evaluation of this effort indicated a reduction on average of 30 days per episode of placement in out of home care per child. As a result of establishing a permanent home, such children develop into healthier, self-sufficient, functioning adults and the state saves money as the children become less "system" dependent.

Background

Both federal and state law mandate timely decision-making to place children in foster care in a permanent home. Children who "drift in foster care" without a permanent home develop predictable problems in adolescence and adulthood which greatly impair their functioning and increase their risk of delinquent or criminal behavior and impaired functioning in employment and their own parenting. State law requires a permanency hearing in juvenile court for all Minnesota children under age eight who have been in foster care for six months. To give the court an idea of the likelihood children will be able to return home within a short period of time or to propose an alternative permanent placement, the county agency must use concurrent permanency planning. While the existing statutory framework requires that reasonable efforts be made to reunify children with their parents, it does not require concurrent permanency planning unless there is state funding available. Concurrent permanency planning has been financed with TANF funds at \$10,000,000 in FY 1999 and for FY 2000 and FY 2001 at \$4,650,000 each year. There is no base for this activity beginning FY 2002.

Proposal

The state's concurrent permanency planning program requires counties to target children under age eight and their siblings in foster care for both reunification with their parents and for permanent placement away from the parents, if reunification is not possible. The program requires intensive assessment of the needs of parents and children beyond what is now required in statute and rule, to maximize the chances for successful reunification and to enable county staff to identify those cases where it appears likely that children will not return home in a timely manner. The funds pay for the additional assessments, supervision of parents' progress with services, reporting and reviews, increased supervised visitations between the parents and the child, and increased court time by county staff. All of the requirements are aimed at reunifying children and parents when that is safe or to document that reunification efforts will not succeed. Proof of the latter must be established in juvenile court by clear and convincing evidence and may be required as early as six months after placement. The level of effort the county agency makes in a short period of time is extremely important to returning children to safe homes or legally establishing alternative permanent homes for them.

Part of the implementation of concurrent permanency planning requires significant coordination with other players in the child welfare system, particularly the state court system. The department and counties have responsibility to work with the court system to ensure the court system is addressing the need for timely decision-making for children through its rules and processes. These efforts are ongoing throughout the state at both the county and state levels.

Administration Issues and Implementation

The department and the Minnesota Supreme Court have developed a coordinated implementation plan for statutory requirements regarding children in foster care, including concurrent permanency planning. Staff from both the department and

BUDGET CHANGE ITEM (51442) (Continued)

Budget Activity: CHILDREN'S GRANTS
Program: CHILDREN'S GRANTS
Agency: HUMAN SERVICES DEPT

**Item Title: SHORTEN TIMEFRAME FOR CHILD PERMANENCY
AND REUNIFICATION**

the court will continue to work on coordinated implementation, including working with individual counties and judicial districts to implement a process of continuous review and improvement of the handling of foster care cases in the court system. The department also continually seeks input from counties and from community stakeholders about the program, its implementation, and its outcomes. The funding will be passed through to counties who must provide the program activities for children.

Preliminary results from the evaluation show the following in the first year of implementation

- an average reduction of 30 days in foster care per child;
- a slight reduction from 2.0 to 1.8 in the number of moves a child experiences during foster care; and
- an increase of 5.8% in the number of children achieving a permanent home.

All of the results represent measures of child-oriented outcomes anticipated as a result of concurrent permanency planning. The department will continue to monitor child-oriented performance measures by counties.

FINANCING:

Federal TANF funds will be transferred to the Federal Title XX Social Services Block Grant to finance this initiative.

OUTCOMES:

- Reduce the length of time that approximately 1,750 Minnesota children spend in foster care.
- Reduce the number of moves Minnesota children experience from one foster home to another.
- County staff will be more proficient at timely and effective family reunification where appropriate and also in establishing permanency for children who must be permanently removed from their parental home.

BUDGET CHANGE ITEM (51470)

Budget Activity: CHILDREN'S GRANTS
Program: CHILDREN'S GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: ADOPTION ASSISTANCE AND RELATIVE CUSTODY CARE ASSISTANCE

counties would continue to pay their foster care costs if not for the efforts of new families willing to make these children one of their own.

Background

Permanent homes must be found for children whom the juvenile court determines cannot return to their birth parents' home. Over 1,600 children are under state guardianship each year. Close to 600 children per year experience a termination of parental rights and are in need of adoption. Another 400 children per year experience a transfer of permanent legal and physical custody to a relative or person significant to them.

Adoption Assistance

The adoption assistance program provides monthly financial assistance to purchase necessary services and reimbursements for specialized services integral to addressing the children's special needs. A 1995 evaluation of the program indicated that families primarily use the funds to purchase assistance in the following areas: medical/physical, educational, social/recreational, psychological/psychiatric, and for food/clothes/rent. Parents reported in the study that these services were essential for being able to purchase a range of services that were necessary in helping them meet the child's special needs.

Adoptive parents of 4,169 Minnesota children with special needs were receiving adoption assistance on 9-30-00.

Adoption assistance costs are driven by three factors:

- **Caseload-related issues.** Caseload growth is primarily a function of the number of children with special needs committed to state guardianship, and the state's and counties' success in finding and supporting adoptive families. In CY 1999, 630 children under state guardianship were adopted, but 584 new children were committed to state guardianship during that same time period.
- **Level of disability.** The adoption assistance program uses level of care criteria to determine the amount of monthly financial assistance for families. Based on age and severity of the child's disability, the monthly maintenance may include one of four supplemental levels. The maximum monthly support is 40% to 60% less than a comparably disabled child receives in foster care.
- **Federal formula changes.** For 82% of the children, who are Title IV-E eligible, the federal government matches the state funds at the same percentage as the federal Medicaid rate for Minnesota. The federal government has made slight reductions in its match for adoption assistance over time.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------|------------------|----------|------------------|----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Children's Grants | \$8,656 | \$13,102 | \$15,086 | \$15,125 |
| Children's Services Mgmt. | 231 | 210 | 210 | 210 |
| MA Basic Health Care: F&C | (509) | (1,028) | (1,028) | (1,028) |
| Total | \$8,378 | \$12,284 | \$14,268 | \$14,307 |

| | | | | |
|---------------------|-------|------|------|------|
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$102 | \$92 | \$92 | \$92 |

Statutory Change? Yes No X

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor requests an increase in the General Fund budget of \$8,378,000 for FY 2002 and \$12,284,000 for FY 2003 to provide permanency for over 1,200 children with special needs a year through adoption and assistance to relatives. These are children with special needs whom the juvenile court determines cannot return to their parental home and who are now wards of the state.

RATIONALE:

Adoption assistance and relative custody assistance provide monthly support for adoptive parents and legal custodians who assume parenting responsibility for children who have experienced serious neglect and often emotional or physical abuse. Many of these children have additional neurological or medical issues. Commitment to parenting these children quite often requires psychological, medical, educational, and social services. Many parents adopting such children simply cannot meet their obligation to be good parents if they do not have the necessary financial and other supports to address the special needs. These children would continue to be wards of the state, and

BUDGET CHANGE ITEM (Continued)

Budget Activity: CHILDREN'S GRANTS
Program: CHILDREN'S GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: ADOPTION ASSISTANCE AND RELATIVE CUSTODY
CARE ASSISTANCE

Relative Custody Assistance (RCA)

RCA is a needs-based program providing a similar level of monthly financial assistance to relatives or people significant to children who accept permanent legal and physical custody as for adoptive parents under the adoption assistance program. The juvenile court must first determine that it is in children's best interests to transfer permanent legal and physical custody rather than terminate parental rights and allow children to be adopted.

Created in 1997, RCA's caseload has risen rapidly. Two hundred children were receiving RCA on 6-30-98; 431 on 6-30-99; and 874 on 6-30-00. RCA payments are typically less costly than adoption assistance because they supplement TANF payments and they do not include reimbursements for special needs items.

Proposal

- Adds additional funding to the base for adoption assistance and relative custody assistance supplemental funding granted only for one year by the 2000 legislature.
- Funds growth projections for FY 2002 and FY 2003 based on projected demand: approximately 700 children to adoption assistance and 520 to RCA each year and annualizes these costs in the second biennium.
- Funds three staff positions to assist in administering the adoption assistance program.

There is a high degree of interactivity among foster care, adoption assistance and relative custody assistance. Children reside in foster care and other residential treatment facilities during family reunification efforts. The primary permanency options for children who cannot return home are adoption or transfer of permanent legal and physical custody. At least 55% were adopted by their foster parents or relatives in 1999. Minnesota juvenile courts determined that 984 children could not return to their parental home in 1999. Parental rights were terminated on 584 children and 400 experienced a transfer of permanent legal and physical custody to a relative or person significant to them. Failure to fund this proposal will also result in severe reductions in ongoing assistance to approximately 480 children in need of and currently receiving adoption assistance and approximately 780 children receiving RCA or

a significant ratable reduction to all families receiving assistance. The ability to find permanent homes may be adversely impacted and increasing numbers of children may be raised in foster care at greater expense to the counties.

Ensuring permanency and stability by loving families for vulnerable children reduces children's later dependencies and decreases the likelihood of greater expenditures in special education, corrections, health care, and cash assistance programs as adults.

Administration Issues and Implementation

Three full-time positions and funds for their support are requested to assist in administering the projected growth in the adoption assistance program. Currently, three positions support the program administration of over 4,169 children adopted by over 2,589 families receiving adoption assistance for these children. The program is experiencing a net increase of approximately 700 children annually. Administration of the program includes reviewing and approving all agreements, ensuring continuing eligibility, executing amendments to the adoption assistance agreements, reviewing and approving special non-medical needs requests, ensuring accuracy of documents, establishing initial monthly payments, and ensuring timely and accurate monthly payments. The current staff receives in excess of 150 telephone calls daily from adoptive parents seeking assistance to address the needs of their children. Often the parents are highly stressed and require considerable support while staff identify and establish a referral source. The success of efforts, within strictly defined timelines, to secure adoptive families combined with the time-consuming nature of serving an expanding clientele requires additional staff.

FINANCING:

Child foster care expenditures currently total \$84 million a year (\$49 million of local county dollars, \$17 million of federal dollars, \$6 million of state dollars, and \$11 million in miscellaneous fees) and average about \$8,500 per child per year. Counties will see direct local savings of approximately \$5,000 per child per year as a result of placing a child from foster care into a family receiving adoption assistance. For the 1,200 additional children placed each year via adoption assistance or RCA, counties would lower their local costs by approximately \$6 million. In addition, a portion of children moved from foster care to adoption become covered by their adoptive parents' health plan, which results in savings to the Medical Assistance program.

Base level funding: Adoption Assistance \$11,948,000; RCA \$ 1,050,000
This proposal does not fund growth in FY 2004 or FY 2005.

BUDGET CHANGE ITEM (51470) (Continued)

Budget Activity: CHILDREN'S GRANTS
Program: CHILDREN'S GRANTS
Agency: HUMAN SERVICES DEPT

**Item Title: ADOPTION ASSISTANCE AND RELATIVE CUSTODY
 CARE ASSISTANCE**

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------------------|------------------|-----------------|------------------|-----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Adoption Assistance | | | | |
| FY 2000 supplement to base | \$1,800 | \$1,800 | \$1,800 | \$1,800 |
| Growth projections | 2,577 | 5,332 | 6,470 | 6,510 |
| MA Effect | (509) | (1,028) | (1,028) | (1,028) |
| 3 FTE and support costs | 231 | 210 | 210 | 210 |
| Admin Reimbursement | (102) | (92) | (92) | (92) |
| Net Cost | 3,997 | 6,222 | 7,360 | 7,400 |
| Relative Custody Assistance | | | | |
| FY 2000 supplement to base | 912 | 912 | 912 | 912 |
| Growth projections | 3,367 | 5,058 | 5,903 | 5,903 |
| Net Cost | 4,279 | 5,970 | 6,815 | 6,815 |
| Total Net Cost | \$8,276 | \$12,192 | \$14,175 | \$14,215 |

OUTCOMES:

- Over 1,200 children a year whom the court determines cannot return to their birth parents' home have permanent stable homes with parents and families committed to their health and welfare. Such children have better success in becoming productive Minnesota citizens.
- Adopted children have a higher incidence of high school and post secondary education than their counterparts raised in foster care and pay more taxes as adults based on a 1989 study.

BUDGET CHANGE ITEM (64158)

Budget Activity: CHILDREN'S SERVICES GRANTS
Program: CHILDREN'S SERVICES GRANTS
Agency: HUMAN SERVICES DEPT
Item Title: CHILDREN'S FAMILY FOSTER CARE

also excludes placements in Rule 8 child group homes, Rule 5 child residential treatment settings, and correctional facilities.

Based on social service cost and revenue reports, child family foster care is currently paid through several sources

- 59% county funds (property taxes, state aids and credits)
- 20% federal funds (primarily Title IV-E)
- 13% miscellaneous sources (parental fees, gifts, and donations)
- 9% state funds (CSSA and other discretionary grants).

The breakout of child foster care funding over calendar years has been as follows:

| | Federal | Non-federal | Total |
|-------|--------------|--------------|--------------|
| 1993: | \$11,283,164 | \$50,388,900 | \$61,672,064 |
| 1994: | \$11,448,720 | \$59,414,343 | \$70,863,063 |
| 1995: | \$10,851,784 | \$62,001,849 | \$72,853,633 |
| 1996: | \$13,045,453 | \$59,731,570 | \$72,777,023 |
| 1997: | \$14,972,358 | \$62,540,608 | \$77,512,966 |
| 1998: | \$13,493,743 | \$67,302,719 | \$80,796,462 |
| 1999: | \$16,446,899 | \$67,363,680 | \$83,810,579 |

Total statewide number of child placements and days of care in family foster homes over the past few years:

Child Placements:

| | |
|-------|----------------------|
| 1996: | 14,019 |
| 1997: | 13,727 |
| 1998: | 14,139 |
| 1999: | 13,700 (preliminary) |

Days of care :

| | |
|-------|-------------------------|
| 1996: | 2,566,765 |
| 1997: | 2,443,888 |
| 1998: | 2,479,655 |
| 1999: | 2,135,088 (preliminary) |

Proposal

The state will forecast child family foster care costs and reimburse counties 100% of the non-federal share provided that counties meet federal and state permanency timeframe requirements for children removed from their parent's home due to abuse and neglect.

This proposal includes performance requirements that counties meet state and federal timeframes for finding permanency for children placed in foster care settings.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------|------------------|-----------|------------------|-----------|
| | F.Y. 2002 | F.Y. 2003 | F.Y. 2004 | F.Y. 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Children's Grants | \$-0- | \$67,364 | \$67,364 | \$67,364 |

Statutory Change? Yes No

If yes, statutes affected: M.S. 260C

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$67,364,000 in FY 2003 to take over the county portion of costs associated with child family foster care and reduce the reliance on property taxes to fund services for abused and neglected children. It is part of a broader effort to change the nature of state and local financing.

RATIONALE:

Background

Family foster homes provide the majority of placements for children who have been removed from their homes due to abuse and neglect from their parents. These homes are often the only source of stability during the period of time in which the courts determine whether to reunify the child with their family or find another permanent custody arrangement for the child. Child family foster care for purposes of this proposal is defined as the provision of licensed substitute 24-hour family foster care for a child placed out of his or her home due to parental conduct. This proposal also covers those instances when family foster care is also needed to address a child's conduct or condition. Facilities include family and group family foster homes licensed under Rule 1 as residential facilities for children. This service includes foster care maintenance, special needs costs, and initial clothing allowance.

The proposal does not include child shelter (short-term stay which is generally 30 days or under) in a family foster home and respite care in a foster home. It

BUDGET CHANGE ITEM (64158) (Continued)

Budget Activity: CHILDREN'S SERVICES GRANTS
Program: CHILDREN'S SERVICES GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: CHILDREN'S FAMILY FOSTER CARE

This proposal is part of a larger state effort to change the nature of state and local financing by targeting undesignated aids (Homestead and Agricultural Credit Aid – HACA) through new state appropriations for services and a strong state interest in access and outcomes. In addition to a reduction of HACA aids that are offset by this request, the larger package includes an increase of \$10 million to Family Preservation Aid to assist county efforts to support families before child protection matters occur.

Administration Issues and Implementation

This proposal does not change current county administration of child family foster care. Counties will continue to contract with and pay foster care providers. Federal Title IV-E eligibility determinations and parental fee determination and collection activities will continue through current county processes in order for counties to be fully reimbursed. The department's county costs and revenues reports will be the basis of the state's reimbursement to counties. Reimbursement to each county will be made with an advance and an end-of-year settlement of actual costs adjusted by the county performance in meeting timeframe requirements for permanency of children placed in family foster care settings as well as meeting child safety standards.

FINANCING:

One of the state shared revenue sources currently used by counties to cover costs of out-of-home placements is the Homestead Agricultural and Credit Aid (HACA). A separate Governor's Biennial Budget page for the Department of Revenue reduces HACA by a similar amount.

Cost estimates for this proposal are based on calendar year 1999 total non-federal expenditures for child family foster care, which have remained relatively stable over the past two years.

OUTCOMES:

- Greater state financing of out-of-home placements costs of children provides less reliance on local property tax financing for a state mandated service.
- Financial incentives for finding permanency for children in foster care settings.

PROGRAM SUMMARY

Program: CHILDREN'S SERVICES MANAGEMENT
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

Children's Services Management is the administrative component of Children's Grants. The program's primary responsibility is to ensure that the state child welfare and children's mental health policies work for children and families. To provide county oversight and support county administrative efforts, the department maintains a computer system (the Social Services Information System) that provides administrative and service eligibility support to child welfare and social services programs for children.

Services Provided/People Served

Children's Services Management

- supports 87 county human services agencies which administer children and family services programs;
- administers a variety of statewide and targeted programs for at-risk children and their families;
- supports local children's mental health collaboratives in 45 counties;
- provides training and technical assistance to counties, collaboratives, and providers of child welfare and children's mental health services;
- administers the Adoption Assistance and the Relative Custody Assistance programs for children with special needs;
- maintains computer systems on services to children and their families;
- assures compliance with state and federal laws;
- develops policy and procedures for child welfare statewide standards;
- provides grant reviews, selection, and monitoring; and
- conducts external reviews of county practices.

Accomplishments

- Incorporated child welfare performance measurements into the Social Services Information System to better track performance by counties on specific measures of child safety, permanency, and system responsiveness.
- Increased accountability of grant recipients by developing and implementing a new reporting system that measures specific performance outcomes.

- Identified specific areas of improvement in 31 counties' child protection systems through an external review process that includes findings and plans to address deficiencies.
- Increased local capacity to monitor county child protection systems by establishing citizen review panels in three counties.
- Implemented the Public/Private Adoption Initiative to get children into permanent homes more quickly.
- Developed "alternative response" guidelines and training county staff in 20 selected counties in a new best-practices model where targeted families received assessments and services before reaching a crisis and which focuses on family strengths.
- Raised awareness in communities about child abuse and neglect prevention through public information and training efforts.
- Improved coordination of children's mental health services through formation of 39 children's mental health collaboratives serving families in 45 Minnesota counties.
- Increased access to culturally competent children's mental health services by supporting 36 "providers of color" and seven counties through training and technical assistance.
- Increased staff's cultural competency skills related to children's mental health services in seven counties through training and technical assistance.
- Facilitated a parent leadership conference to improve parent involvement in the design and delivery of mental health services.
- Adopting new mental health screening tools for Early Periodic Child and Teen Checkup Screening and Diagnostic Testing.

STRATEGIES AND PERFORMANCE:

The performance measures for this program include

- maintaining children in safe and permanent homes, free from abuse and neglect;
- increasing the percentage of children who are adopted within 12 months of coming under state guardianship;
- increasing the percentage of children with mental health needs served in community-based settings;
- increasing the number of children with mental health needs who succeed in school; and
- reducing the number of children with mental health issues involved in the juvenile justice system.

PROGRAM SUMMARY (Continued)

Program: CHILDREN'S SERVICES MANAGEMENT
Agency: HUMAN SERVICES DEPT

FINANCING INFORMATION:

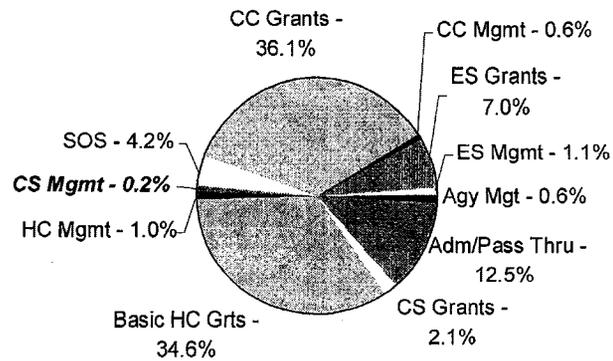
(See charts which follow narrative.)

BUDGET ISSUES:

- Developing statewide guidelines and implementing statewide standards when service funding is mostly provided at the local level.
- Existing disparities among counties in their ability to fund services. This means more pressure for local governments to consider regional efforts to meet statewide standards and provide for local needs.
- Improving data reporting, client tracking and payment systems while minimizing county staff effort so that more time is available to serve families.
- Administering adoption assistance and relative custody programs as these services have experienced significant growth.

Dept Of Human Services By Program

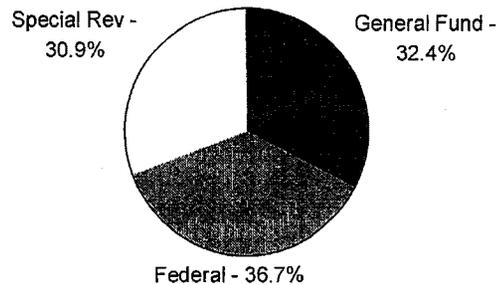
Total All Funds = \$6,945,370,000



**Program Finance Summary
Children's Services Management
FY 2002 Base**

Children's Services Mgmt. By Fund

Total All Funds = \$11,632,000



Children's Services Mgmt – FTE Count

| Division | General Fund | HCAF | Spec Rev | Federal Fund | Other Funds | Total |
|---------------------|--------------|------------|-------------|--------------|-------------|--------------|
| Family & Children's | 10.3 | 0.0 | 1.0 | 49.3 | 0.0 | 60.6 |
| SSIS Development | 0.0 | 0.0 | 39.5 | 0.0 | 0.0 | 39.5 |
| Children's MH | 11.2 | 0.0 | 0.0 | 0.0 | 0.0 | 11.2 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | 21.5 | 0.0 | 40.5 | 49.3 | 0.0 | 111.3 |

Activity: CHILDREN'S SERVICES MANAGEMENT
 Program: CHILDREN'S SERVICES MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 5,303 | 6,040 | 7,201 | 5,444 | 5,639 | 5,489 | 5,684 | (1,918) | (14.5%) |
| OTHER OPERATING EXPENSES | 5,769 | 5,489 | 6,300 | 6,188 | 8,024 | 6,054 | 7,869 | 4,104 | 34.8% |
| Total Expenditures | 11,072 | 11,529 | 13,501 | 11,632 | 13,663 | 11,543 | 13,553 | 2,186 | 8.7% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) ADOPTION/RELATIVE CUSTODY CARE ASST | GEN | | | | 231 | | 210 | | |
| (B) PRISM SSIS AND MAXIS FINANCING | GEN | | | | 1,800 | | 1,800 | | |
| Total Change Items | | | | | 2,031 | | 2,010 | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 2,526 | 2,225 | 2,300 | 3,770 | 5,801 | 3,849 | 5,859 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 5,963 | 5,375 | 6,454 | 3,597 | 3,597 | 3,429 | 3,429 | | |
| FEDERAL | 2,583 | 3,929 | 4,747 | 4,265 | 4,265 | 4,265 | 4,265 | | |
| Total Financing | 11,072 | 11,529 | 13,501 | 11,632 | 13,663 | 11,543 | 13,553 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 110.0 | 111.3 | 111.3 | 111.3 | 114.3 | 111.3 | 114.3 | | |
| Total Full-Time Equivalent | 110.0 | 111.3 | 111.3 | 111.3 | 114.3 | 111.3 | 114.3 | | |

PROGRAM SUMMARY

Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

Basic Health Care Grants purchase medical services for lower income families with children, elderly Minnesotans, and persons with disabilities. Three publicly funded DHS programs fall under this activity—Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare.

The administrative component of Basic Health Care Grants is contained in Basic Health Care Management.

Components

Basic Health Care Grants contains the following budget activities:

- MinnesotaCare Grants;
- Medical Assistance Basic Health Care Grants for Families and Children;
- Medical Assistance Basic Health Care Grants for Elderly and Disabled Individuals;
- General Assistance Medical Care Grants; and
- Health Care Grants – Other Assistance.

Services Provided

Basic health care services are purchased through managed care contracts or on a fee-for-service basis for enrollees. These services include

- physician visits;
- inpatient and outpatient hospital care;
- eyeglasses and eye care;
- medications;
- chiropractic services;
- dental care;
- immunizations;
- rehabilitative therapy;
- mental health services; and
- medical equipment and supplies.

Long-term care services, such as nursing home services, are found in the Continuing Care Program activity.

People Served

In FY 2000, nearly 500,000 Minnesotans were served in these three programs:

| Average Enrollment | MA | GAMC | MNCare | Total |
|---------------------------------|----------------|---------------|----------------|----------------|
| Children & Parents | 244,000 | 2,000 | 90,000 | 336,000 |
| Single Adults | 0 | 21,000 | 19,000 | 40,000 |
| Elderly & Disabled | 119,000 | 0 | 0 | 119,000 |
| Total Average Enrollment | 363,000 | 23,000 | 109,000 | 495,000 |
| | | | | |
| Managed Care Enrollment | 157,000 | 12,000 | 109,000 | 278,000 |
| Fee For Service Enrollment | 206,000 | 11,000 | 0 | 217,000 |
| Total Average Enrollment | 363,000 | 23,000 | 109,000 | 495,000 |
| | | | | |
| Unduplicated Enrollment | 475,000 | 46,000 | 144,000 | 665,000 |

Each program has different eligibility criteria, with MA paying for basic care for the largest number of enrollees (families, children, elderly, and blind and disabled individuals). The MinnesotaCare benefit package is the most selectively defined and has premiums and co-payments for adults. Specific eligibility criteria are described in the budget activity narratives.

MA is a federal-state funded program; the state pays approximately 50%, the federal government pays approximately 50%. GAMC is a state funded program. MinnesotaCare is funded through the Health Care Access Fund, which includes enrollee premiums and provider taxes, and through federal reimbursement.

Accomplishments

- Minnesota was named one of the "healthiest states" by Reliastar—in part because of its commitment to publicly funded health care.
- The estimated number of uninsured children under age 19 declined by 15% between 1995 and 1999.
- Since its inception, MinnesotaCare is estimated to have reduced the number of families on welfare by between 4,000 and 5,000. MinnesotaCare continues today to support families moving from welfare to work.

STRATEGIES AND PERFORMANCE:

DHS's overall health care strategy includes obtaining needed coverage for enrollees at the best price for taxpayers, while not replacing private or employer-based health care benefits.

The performance measures for this program area are as follows:

- reduce the number of people who are uninsured;

PROGRAM SUMMARY (Continued)

Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

- increase access to health care for families with children at incomes below 275% of poverty; and
- discourage ongoing reliance on publicly funded health care systems by encouraging work.

FINANCING INFORMATION:

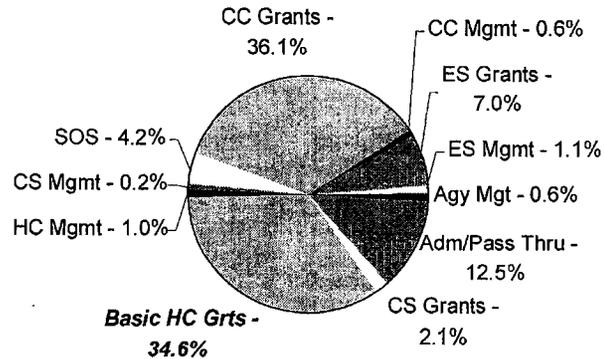
(See charts which follow narrative)

BUDGET ISSUES:

- In basic health care, DHS is one purchaser of services in a private marketplace. It uses private market plans to deliver most of the basic health care purchased. Like many other purchasers, it is therefore subject to marketplace pressures over which it has little control. Health care costs have been rising steadily in recent years for all purchasers—public and private sector.
- Fewer numbers of service providers remain in rural Minnesota making it difficult for DHS to reap the benefits of competition seen in a more robust marketplace.
- During the past few years, counties have been given the opportunity to develop proposals to purchase health care for public clients served in their areas. Implementing county based purchasing strategies and coordinating these programs with the state's other prepaid health care programs continues to pose challenges.
- DHS has been looking at different purchasing strategies in addition to overall rate increases so that clients continue to get quality service. This has been particularly true for services enrollees have had a difficult time finding, such as dental care.
- Federal funding for Medical Assistance (MA) has changed. Medical Assistance is funded with both state and federal dollars. The federal share is based on a formula that takes into account the economic health of a state and moves up for states doing poorly and down for states that are better off. In the most recent calculation of this rate for Minnesota, the federal share percentage fell from 51.11 to 48.40%. The result is Minnesota's federal share rate effective October 2001 will be 50%, which is the minimum guaranteed to states under federal law. \$79 million will be added to the state's biennial costs for basic health care for families with children, elderly and persons with disabilities and continuing care services to make up for the loss in federal share.
- The relatively new federal Children's Health Insurance Program (CHIP) does not allow states to use the money allotted to them to replace state funding already being spent for low-income children's health insurance. Since Minnesota already has made significant investments in insuring low-income children through the MinnesotaCare program, it has not been able to access this federal money. DHS continues to look for solutions to this problem so that the state is not penalized for its early investment on behalf of children.
- Despite the fact that Minnesota has one of the lowest rates of uninsured children in the country, approximately 70,000 are still without health coverage. DHS continues to look for ways to reach out to the families of these children especially given that an estimated 35,000 of the uninsured children are from families with incomes below 275% of FPG and some may be eligible for public benefits.
- Disparities in the health status of whites and that of people of color in Minnesota continues to be an issue. DHS has a special obligation to find ways to reduce these disparities in its health care programs.
- While the federal Health Insurance Portability and Accountability Act (HIPAA) will mean major impacts on the operations side of health care, health care data privacy issues identified in the act have ramifications on data handling across a number of DHS policy areas.

Dept Of Human Services By Program

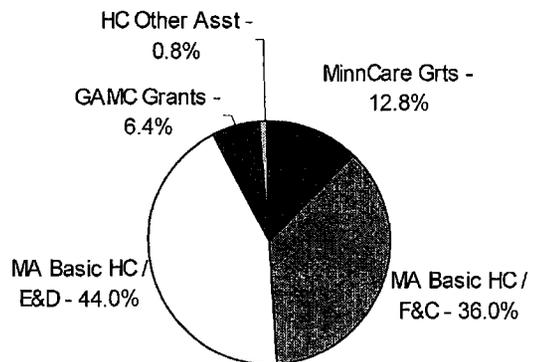
Total All Funds = \$6,945,370,000



**Program Finance Summary
Basic Health Care Grants
FY 2002 Base**

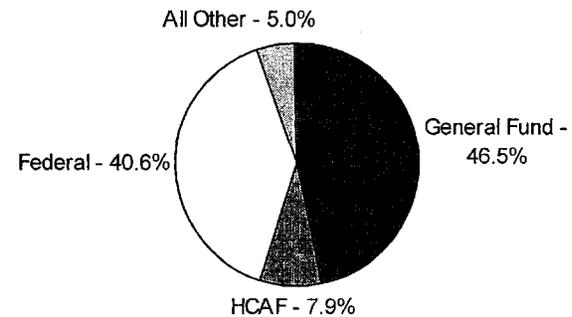
Basic Health Care Grants By Activity

Total All Funds = \$2,405,827,000



Basic Health Care Grants By Fund

Total All Funds = \$2,405,827,000



Program: BASIC HEALTH CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------------|---------------------|------------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| MINNESOTACARE GRANTS | 164,493 | 187,104 | 256,880 | 306,662 | 306,688 | 353,224 | 324,634 | 187,338 | 42.2% |
| MA BASIC HEALTH CARE GRANT-F&C | 679,587 | 799,036 | 785,153 | 865,756 | 863,169 | 963,995 | 998,621 | 277,601 | 17.5% |
| MA BASIC HEALTH CARE GRANT-E&D | 725,767 | 822,042 | 965,690 | 1,059,505 | 1,067,063 | 1,210,788 | 1,221,955 | 501,286 | 28.0% |
| GAMC GRANTS | 132,305 | 127,742 | 136,631 | 154,103 | 155,043 | 175,360 | 177,601 | 68,271 | 25.8% |
| HEALTH CARE - OTHER ASSISTANCE | 4,579 | 8,715 | 24,524 | 19,801 | 15,269 | 23,088 | 13,848 | (4,122) | (12.4%) |
| Total Expenditures | 1,706,731 | 1,944,639 | 2,168,878 | 2,405,827 | 2,407,232 | 2,726,455 | 2,736,659 | 1,030,374 | 25.0% |

| Change Items: | Fund | | | | |
|---|------|--|--|--------------|---------------|
| (B) HEALTH CARE COVERAGE FOR CHILDREN | HCA | | | | 7,597 |
| (B) FINANCING CHILDREN'S HEALTH | HCA | | | | (36,791) |
| (B) COMPARABLE ACCESS TO HEALTH CARE | HCA | | | | 548 |
| (B) REPEAL SAVE/REPORTING REQUIREMENT | HCA | | | 26 | 56 |
| (B) FQHC AND RHC RATES | GEN | | | 307 | 573 |
| (B) EXPAND FAMILY PLANNING SERVICES | GEN | | | | 691 |
| (B) PREVENT DOUBLE PMT FOR SURCHARGE | GEN | | | (2,547) | (2,659) |
| (B) IMPLEMENT CBP OR PMAP IN ALL COUNTIES | GEN | | | 369 | 1,507 |
| (B) ADOPTION/RELATIVE CUSTODY CARE ASST | GEN | | | (509) | (1,028) |
| (B) MAINTAIN EXIT LEVEL AT 120% OF FPG | GEN | | | 272 | 561 |
| (B) POST SECONDARY EDUCATION UP TO 24 MO | GEN | | | 363 | 740 |
| (B) MDH TEEN PREGNANCY | GEN | | | | (2,600) |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | 7 |
| (B) HEALTH CARE COVERAGE FOR CHILDREN | GEN | | | | 4,252 |
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | (675) | (1,725) |
| (B) FINANCING CHILDREN'S HEALTH | GEN | | | | 36,791 |
| (B) COMPARABLE ACCESS TO HEALTH CARE | GEN | | | | (1,802) |
| (B) INCOME STRD FOR ELDERLY AND DISABLED | GEN | | | 1,934 | (1,695) |
| (B) REDUCE THE COST OF DRUGS | GEN | | | (750) | (750) |
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | 1,220 | 3,294 |
| (B) RELOCATE/DIVERT - UNDER AGE 65 | GEN | | | (60) | 19 |
| (B) REPEAL SAVE/REPORTING REQUIREMENT | GEN | | | 895 | 2,058 |
| (B) REDIRECT MDH HIV CASE MGMT TO DHS | GEN | | | 560 | 560 |
| Total Change Items | | | | 1,405 | 10,204 |

Program: BASIC HEALTH CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|------------------|---------------------|------------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| Financing by Fund: | | | | | | | |
| Direct Appropriations: | | | | | | | |
| GENERAL | 752,228 | 862,277 | 965,360 | 1,119,025 | 1,120,404 | 1,276,760 | 1,315,554 |
| HEALTH CARE ACCESS | 100,607 | 109,104 | 157,184 | 189,065 | 189,091 | 222,257 | 193,667 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 51,287 | 60,226 | 77,825 | 2,508 | 2,508 | 2,508 | 2,508 |
| HEALTH CARE ACCESS | 64,951 | 79,038 | 101,271 | 118,595 | 118,595 | 131,965 | 131,965 |
| SPECIAL REVENUE | 0 | 0 | 250 | 250 | 250 | 250 | 250 |
| FEDERAL | 737,658 | 833,994 | 866,988 | 976,384 | 976,384 | 1,092,715 | 1,092,715 |
| Total Financing | 1,706,731 | 1,944,639 | 2,168,878 | 2,405,827 | 2,407,232 | 2,726,455 | 2,736,659 |

BUDGET ACTIVITY SUMMARY

Budget Activity: MINNESOTACARE GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

MinnesotaCare Grants pay for medical services for Minnesota's families with children, couples without children, and single adults whose incomes extend beyond the Medical Assistance (MA) or General Assistance Medical Care (GAMC) income standards, but who are still uninsured. There are no health condition barriers, but applicants must meet income and program guidelines to qualify. Enrollees pay a premium based on income and number of people covered. MinnesotaCare, created in 1992, has the distinction of being the most comprehensive state-subsidized health care program for children in the country.

MinnesotaCare continues to be an important element in helping families make the transition from welfare to the workplace.

Services Provided

MinnesotaCare pays for many basic health care services. Services are purchased by the department through health care plans. Services include

- ambulance (emergency use only, for non-pregnant adults);
- chemical dependency treatment;
- chiropractic care;
- doctor and health clinic visits;
- dental services for children to age 21 and pregnant women; preventive dental care (teeth cleaning, X-rays, oral exams) for others; extended dental in some cases;
- emergency room;
- eye checkups and prescription eyeglasses (some restrictions apply);
- home care such as a nurse visit or home health aide;
- hospice care;
- immunizations;
- laboratory and X-ray services;
- medical equipment and supplies;
- mental health services;
- most prescription drugs;

- rehabilitative therapy; and
- hospitalization
 - No dollar limit for children under 21 and pregnant women
 - No dollar limit for adults who have a child under 21 in their home whose income is equal to or less than 175% of the federal poverty guideline.
 - All other adults have a \$10,000 limit per year, per health plan.

Except for children under 21 and pregnant women, services not covered include

- non-preventive dental services for adults with income greater than 175% of the federal poverty guidelines;
- personal care attendant services;
- nursing home or intermediate care facilities;
- private duty nursing;
- non-emergency medical transportation; and
- case management services.

People Served

- Children, parents with children under 21, and pregnant women at or below 275% of the federal poverty guidelines (FPG). In FY 2000, 90,000 people in these categories were enrolled.
- Adults without children (over 21) and couples without children at or below 175% FPG. In FY 2000, 19,000 people in these categories were enrolled.
- In addition to income guidelines, eligibility criteria include Minnesota residency. Except for certain instances for some low-income children, applicants are not eligible if they currently have other health insurance (including Medicare) or have had other insurance within the past four months.

| Income as percent of federal poverty guidelines (FPG) | Approximate percent of MinnesotaCare households — June 2000 |
|---|---|
| <100% | 32% |
| 101%-150% | 34% |
| 151%-200% | 21% |
| 201% and over | 13% |
| Total | 100% |

Premium Costs

- Enrollees pay a monthly premium based on family size, number of people covered, and income.
- Some low-income children pay as little as \$4 per month.
- The average premium for FY 2000 was \$22 per person per month.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: MINNESOTACARE GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Co-payments

- Children and pregnant women make no co-payments.
- After 1-1-01, parents and relative caretakers above 175% of the federal poverty guidelines will no longer have a 10% co-payment for inpatient hospital benefits.
- All non-pregnant adults have co-payments for vision, drugs, and dental costs.

FINANCING INFORMATION:

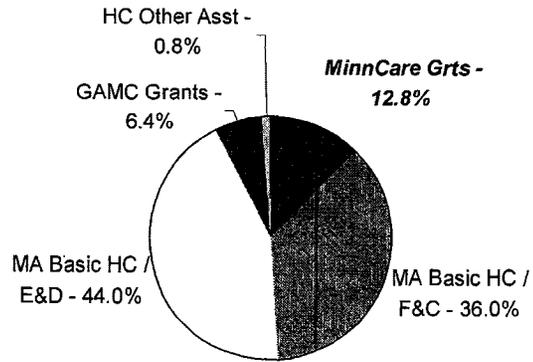
(See charts which follow narratives)

BUDGET ISSUES:

- The MinnesotaCare program was implemented in 1992 and enrollment has grown from approximately 23,000 enrollees to approximately 109,000 in 2000.
- An ongoing budget issue continues to be finding options for accessing the federal Children's Health Insurance Program (CHIP) dollars set aside for serving many of the same children in MinnesotaCare. Federal rules prohibit Minnesota from using these funds to serve children already in MinnesotaCare.
- Projected cost increases for MinnesotaCare cannot be supported by the Health Care Access Fund (HCAF) without increasing the provider tax and gross premium tax to previous levels.
- Getting coverage for the approximately 70,000 uninsured children who do not have health insurance remains an issue. Since some of these children may already be eligible for public programs like MinnesotaCare, recent emphasis has been placed by the department on outreach to parents and program simplification.

Basic Health Care Grants By Activity

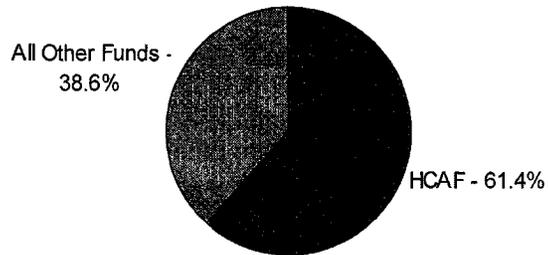
Total All Funds = \$2,405,827,000



**Activity Finance Summary
MinnesotaCare Grants
FY 2002 Base**

MinnesotaCare Grants By Fund

Total All Funds = \$306,662,000



**See Grant Detail
(forecast)**

Activity: MINNESOTACARE GRANTS
 Program: BASIC HEALTH CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| PAYMENTS TO INDIVIDUALS | 164,493 | 187,104 | 256,880 | 306,662 | 306,688 | 353,224 | 324,634 | 187,338 | 42.2% |
| Total Expenditures | 164,493 | 187,104 | 256,880 | 306,662 | 306,688 | 353,224 | 324,634 | 187,338 | 42.2% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) HEALTH CARE COVERAGE FOR CHILDREN | HCA | | | | | | 7,597 | | |
| (B) FINANCING CHILDREN'S HEALTH | HCA | | | | | | (36,791) | | |
| (B) COMPARABLE ACCESS TO HEALTH CARE | HCA | | | | | | 548 | | |
| (B) REPEAL SAVE/REPORTING REQUIREMENT | HCA | | | | 26 | | 56 | | |
| Total Change Items | | | | | 26 | | (28,590) | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| HEALTH CARE ACCESS | 99,542 | 108,373 | 156,059 | 188,315 | 188,341 | 221,507 | 192,917 | | |
| Statutory Appropriations: | | | | | | | | | |
| HEALTH CARE ACCESS | 64,951 | 78,731 | 100,821 | 118,347 | 118,347 | 131,717 | 131,717 | | |
| Total Financing | 164,493 | 187,104 | 256,880 | 306,662 | 306,688 | 353,224 | 324,634 | | |

Grants Detail

Minnesota Care Grants

| Services | Funding State / Federal | FY 2000 Average Monthly Enrollees | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|-------------------------------------|--------------------------------|--|------------------------|-----------------------|---------------------|---------------------|
| Families With Children | State/Federal | 90,364 | 127,157 | 173,390 | 203,215 | 227,775 |
| Pregnant Women & Children Under Two | State/Federal | 4,322 | MA F&C | MA F&C | MA F&C | MA F&C |
| Adult Only | State | 18,732 | 59,947 | 83,490 | 103,447 | 125,449 |
| Total | | 113,418 | 187,104 | 256,880 | 306,662 | 353,224 |

Budget Activity: MINNESOTACARE GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

BUDGET CHANGE ITEM (51617)

Item Title: EXPAND HEALTH CARE COVERAGE FOR LOW INCOME CHILDREN

In 2000, retroactive coverage and a 20-day reinstatement period for enrollees whose coverage ended because of non-payment of premiums were implemented to reduce gaps in coverage. A reduction in the size of the health care application (from 24 pages to 4) and a greater reduction in the size of the form used to renew coverage (from 24 pages to 1) have resulted in a significant increase in the number of applicants to health care programs. New policy implemented in 2000 allows health care applicants to gain eligibility while verification of eligibility factors is occurring. This has significantly reduced the time it takes to enroll people in health care programs.

In addition to policy changes, projects are underway to improve access through technology and community involvement. For example, the MinnesotaCare outreach grant program has facilitated state partnerships with community agencies in more than 60 percent of the state. These grantees help people understand health care programs and assist applicants with the application process. The department is also developing E(electronic)-Government solutions to leverage technology in automating health care eligibility determinations. Furthermore, new on-line training of eligibility workers will increase training efficiency and an electronic eligibility-prescreening tool will improve outreach grantees' ability to determine potential health care eligibility on-line.

These changes improve access and expedite enrollment in health care programs for low-income families. While the number of children without health care coverage in Minnesota has remained flat, there is still a significant number of children without health care coverage:

| Uninsured Kids | 18 & under | 19 & 20 | Total under 21 |
|----------------------------------|---------------|---------------|----------------|
| Eligible for public programs | 35,041 | 12,552 | 47,593 |
| Not eligible for public programs | 13,102 | 9,998 | 23,100 |
| Total | 48,143 | 22,550 | 70,693 |

Current program structures, while much improved, still contain significant barriers to access and efficient enrollment. For example, the complexity of applying different income standards to children of different ages within the same family often results in enrollment in more than one program and case management by more than one eligibility worker located at two different sites. Very young children are more likely to be enrolled because there are fewer barriers and higher income standards. Older siblings are less likely to qualify for coverage without a premium requirement and are, therefore, more likely to be enrolled for a brief period or not at all.

An analysis of the income level necessary to meet basic necessities in the metro area shows that a family of three requires gross income of 211% of poverty or \$30,000 per year unless they receive child care assistance. Enrolling children who qualify for other means-tested programs such as the National School Lunch Program and the Supplemental Nutrition Program for Women Infants and Children

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|----------------|------------------|-----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic H C - F&C | \$-0- | \$4,252 | \$9,499 | \$10,620 |
| Health Care Access Fund | | | | |
| MinnesotaCare Grants | \$-0- | \$7,597 | \$11,705 | \$13,141 |
| Health Care Policy Operations | 588 | 1,400 | 1,200 | 1,200 |
| Total | \$588 | \$8,997 | \$12,905 | \$14,341 |
| Revenues: (\$000) | | | | |
| Health Care Access Fund | | | | |
| Admin Reimbursement | \$142 | \$460 | \$400 | \$400 |
| Statutory Change? | Yes | X No | | |

If yes, statutes affected: M.S. 256B., 256L

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$4,252,000 in FY 2003 and an increase in the Health Care Access Fund budget of \$588,000 in FY 2002 and \$8,997,000 in FY 2003 to provide health coverage to more low-income children by simplifying health care programs.

RATIONALE:

Background

Minnesota has led the nation in providing access to quality health care coverage for its residents. In particular, the effort to reduce the number of uninsured children has been paramount. Incremental policy changes to remove barriers to health care program enrollment, prevent gaps in health care coverage, and increase access to health care have all been undertaken over the past decade. In the late 1990s, the MinnesotaCare program was modified to assure that coverage for infants continues until age two and to permit children to apply for coverage without regard to the income of grandparents, foster parents, and relative caretakers.

BUDGET CHANGE ITEM (51617) (Continued)

Budget Activity: MINNESOTACARE GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: EXPAND HEALTH CARE COVERAGE FOR LOW INCOME CHILDREN

program would improve health outcomes for children in low income families and significantly reduce administrative barriers and expense. Many of the children enrolled in these programs are uninsured and could be easily enrolled in health care without a separate application process if health care programs were simplified.

To assure that children who are enrolled in Minnesota's health care programs have access to preventive care, the department has refined contract incentives for managed health care plans to increase the number of well-child visits for enrollees, ensure that new enrollees get a well-child check-up, increase the number of lead screenings, and increase the number of children receiving dental services. In addition, the department will focus on establishing ongoing relationships between participant families and their local clinics to increase the likelihood that children will receive consistent preventive care.

The governor's goals for health care for children include

- improving access to information and assistance;
- removing eligibility barriers;
- expediting enrollment;
- maintaining continuous coverage until affordable private coverage is available; and
- improving health outcomes.

Proposal

This proposal will

- provide more affordable health coverage for low income children;
- improve access to programs, information and assistance; and
- simplify program administration and eligibility determinations.

Specific Recommendations

- Establish a gross income test at 185% of the federal poverty guideline (FPG) to determine Medical Assistance (MA) eligibility for children ages 2 through 18 allowing a deduction for child-care expenses and court-ordered child support. This proposal expands eligibility for and supports the

elimination of multiple age-based standards for children ages 2 through 18 in MA. It encourages enrollment and supports self-sufficiency by allowing low-income parents to keep a greater portion of their monthly income for other necessary household expenses like food, shelter, day care, and transportation. It aligns program standards with those of other means-tested programs to facilitate expedited enrollment.

- Enroll children under age 19 in MinnesotaCare at or below 185% FPG without cost sharing. This proposal encourages families that were unable to afford the premiums to enroll their children in MinnesotaCare. It aligns MinnesotaCare with other means-tested programs and eliminates most inequities between low-income families in MinnesotaCare and MA.
- Enroll children under age 19 in MinnesotaCare with income under 185% FPG who have or had other health care coverage. This proposal will support efforts to enroll families in employer-based coverage, give low-income children and their families better access to health care services, and more closely align MinnesotaCare and MA.
- Eliminate a barrier to re-enrollment, unintended debt, and confusion over the billing process by requiring prepayment of health care premiums. This proposal will eliminate the MinnesotaCare grace month.
- Expedite enrollment for thousands of uninsured children already enrolled in other income-comparable publicly funded programs such as Head Start, the National School Lunch Program, and the Supplemental Nutrition Program for Women Infants and Children (WIC). Children who have met the income test for these programs should not need to provide duplicative information to qualify for health care. Streamlining and coordinating the application process will allow families to prove their need for assistance just once, improving the likelihood that parents will not be deterred from accessing health care coverage for their children because of burdensome and repetitive paperwork. The Urban Institute estimates that there are nearly 25,000 uninsured children in the Minnesota School Lunch Program alone.
- Expand outreach efforts in communities with high rates of uninsured and concentrations of people with limited English proficiency (LEP). Market and publicize the availability of coverage through a media campaign utilizing radio, television, and print. The department's experience with the MinnesotaCare outreach grant program and other targeted outreach efforts has shown that successfully informing and enrolling harder-to-serve populations and providing adequate, culturally appropriate assistance requires labor-intensive outreach. The effort must focus on supporting community organizations that can provide information and assistance with the application and enrollment process. This proposal will reintroduce MinnesotaCare to the public on a statewide basis and enable the department to concentrate outreach efforts in the harder to serve and LEP communities.
- Reinvest administrative spending in a more efficient enrollment system. Investigate the feasibility of a new enrollment model. The new model will

BUDGET CHANGE ITEM (51617) (Continued)

Budget Activity: MINNESOTACARE GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: EXPAND HEALTH CARE COVERAGE FOR LOW INCOME CHILDREN

allow staff to spend more time educating and assisting enrollees as they work toward self-sufficiency and improve access statewide to information and assistance in general.

- Track the average number of consecutive months of health care program enrollment.
- Evaluate the improvement in health outcomes of low-income children, including any impact on health disparities.
- Track the reduction in uninsured children using data collected by the Minnesota Department of Health, the University of Minnesota, and national organizations.
- Evaluate the reduction in uncompensated care and the impact it has on providers.

Administration Issues and Implementation

This proposal will require MAXIS and MMIS system changes and extensive training of county staff and MinnesotaCare enrollment representatives. It also requires significant preparation for the influx of new enrollees. The department will seek federal approval of amendments to the 1115 Medicaid waiver protocol and the Medicaid state plan.

FINANCING:

| | 2002-03 Biennium | | 2004-2005 Biennium | |
|---|------------------|----------------|--------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Staff and support costs: | | | | |
| Eligibility (15 FTEs) | \$-0- | \$530 | \$495 | \$470 |
| Policy, Training & Federal Relations (2 FTEs) | 182 | 273 | 182 | 91 |
| Postage | -0- | 56 | 52 | 48 |
| Enrollment System | 150 | 200 | 200 | 200 |
| Outreach | 100 | 341 | 271 | 391 |
| MMIS costs (state share) | 156 | -0- | -0- | -0- |
| Total | \$588 | \$1,400 | \$1,200 | \$1,200 |

OUTCOMES :

- Increase the number of low-income children with health care coverage. Under this proposal, the department expects to enroll 4,436 additional children in FY 2003. By FY 2004-2005, the department expects to add a total of 9,654 children to state health programs.
- Increase the utilization of private insurance as the primary payer of medical expenses.
- Increase the number of low -income families that become self-sufficient and remain self-sufficient.

Outcome measurements:

- Measure the increase in utilization of preventive health care services to low -income children.

BUDGET CHANGE ITEM (65123)

Budget Activity: MINNESOTA CARE GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT
Item Title: CONSOLIDATED FINANCING OF CHILDREN'S HEALTH COVERAGE

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------------|------------------|------------|------------------|------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic HC Grants -- F & C | \$-0- | \$36,791 | \$42,338 | \$46,978 |
| Health Care Access Fund | | | | |
| MinnesotaCare Grants | \$-0- | (\$36,791) | (\$42,338) | (\$46,978) |

Statutory Change? Yes X No _____

If yes, statutes affected: MS 256L

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$36,791,000 in FY 2003 and a decrease in the Health Care Access Fund budget of \$36,791,000 in FY 2003 to consolidate the funding of health care for children of families under 185% of federal poverty guidelines.

RATIONALE:

Background

There are currently four sources of funding for children enrolled in Medical Assistance and MinnesotaCare: General Fund, Health Care Access Fund (HCAF), federal Medicaid funding, and enrollee premium revenue. The legislature appropriates funding from the General Fund for all children enrolled in Medical Assistance (MA) and children under age two enrolled in MinnesotaCare. HCAF is the source of funding for all other children enrolled in MinnesotaCare. In addition, federal Medicaid match is generated for expenditures for nearly all children enrolled in MA and MinnesotaCare.

In FY 2000, the State accessed \$50 million in federal Medicaid funding for MinnesotaCare expenditures, requiring that the MinnesotaCare program meet many federal Medicaid program requirements, including covering the Medicaid

benefit set. However, distinctions remain in how MA and MinnesotaCare treat children in similar situations, including differing income standards, income deeming requirements, cost-sharing, and ways of addressing access to employer-subsidized insurance. To improve access and government efficiency and to facilitate public health care program simplification and coordination, the Governor proposes (with a separate budget change item) to make the MA and MinnesotaCare eligibility requirements more similar for children with family income at or below 185% of FPG.

Under this proposal, all children of families below 185% of poverty who are eligible for MinnesotaCare would also be eligible for MA. With little distinction between MinnesotaCare and MA for these children, it is no longer necessary to use two different sources of state funding for purchasing this health coverage. The proposed financing structure supports future efforts to simplify and consolidate children's health care programs. In addition, the proposal assists in avoiding increases to provider taxes and the reinstatement of premium taxes.

Proposal

Effective 7-1-02, the Governor proposes to fund health care for children under age 19 who have family income at or below 185% of FPG and who enroll in MA or MinnesotaCare from the general fund.

Administration Issues and Implementation

This proposal will require MMIS system changes.

OUTCOMES :

- Consolidate funding source for health coverage of children below 185% of FPG.
- Assist in avoiding increases to health taxes dedicated to the Health Care Access Fund.
- Remove funding sources as a barrier to program improvements.

BUDGET CHANGE ITEM (64344)

Budget Activity: MINNESOTA CARE GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: COMPARABLE ACCESS TO HEALTH CARE – FEDERAL COMPLIANCE

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------|------------------|-----------|------------------|-----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic H C - F&C | \$-0- | \$(1,802) | \$(2,496) | \$(2,593) |
| Health Care Access Fund | | | | |
| MinnesotaCare Grants | \$-0- | \$548 | \$1,185 | \$1,279 |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 256J, 256B, 256L

New Activity Supplemental Funding Reallocation

GOVERNORS RECOMMENDATION:

The Governor recommends a decrease in the General Fund budget of \$1,802,000 in FY 2003 and an increase in the Health Care Access Fund of \$548,000 in FY 2003 in order to achieve federal compliance by providing Medical Assistance (MA) coverage for low-income families with children without regard to Minnesota Family Investment Program (MFIP) participation.

RATIONALE:

Background

Prior to the passage of the federal welfare reform law known as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, all Aid to Families with Dependent Children (AFDC) recipients received automatic MA coverage plus an additional 6 to 12 months of extended MA after termination from AFDC due to increased earnings or increased child or spousal support. Under the federal welfare reform law, the AFDC program was eliminated and replaced by the Temporary Assistance for Needy Families (TANF) cash assistance program, which Minnesota calls MFIP. This ended the federal requirement that everyone receiving cash assistance also receive

automatic MA. However, the 1997 Legislature maintained MA coverage for MFIP participants, just as Minnesota had done for AFDC recipients in the past.

In January 1999, the Health Care Financing Administration (HCFA) formally disapproved of Minnesota's approach as a violation of federal law because it did not treat non-MFIP families with the same income in the same manner. For federal compliance, MA eligibility criteria and income standards must be the same for MFIP and non-MFIP families.

Proposal

Effective 7-1-02, this proposal would apply more restrictive MA income eligibility requirements for ongoing and extended MA to all low income families without consideration of MFIP participation, as follows.

- MA eligibility for MFIP parents would be determined by applying the current medically needy income standard of 137 1/3rd % of the old AFDC standard.
- MA eligibility for MFIP children would be determined by applying the appropriate MA income standard.
- Eligibility for extended MA would be determined by applying a threshold of 103% of the old AFDC standard.

The information provided for MFIP eligibility would be used to determine MA eligibility. If ineligible for ongoing or extended MA, MFIP participants would be referred to MinnesotaCare.

Administrative Issues and Implementation

The department has current funding and an initiative underway to establish an automated health care eligibility system. With statutory provisions in place, the system can be designed correctly from its inception and avoid costly, inefficient re-programming. The effective date is 7-1-02, pending HCFA approval.

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--------------------------|------------------|-----------|------------------|-----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| General Fund | | | | |
| De-link MFIP & MA | \$-0- | \$(604) | \$(1,298) | \$(1,395) |
| Offset MA FFP Adjustment | -0- | (1,198) | (1,198) | (1,198) |
| Total | \$-0- | \$(1,802) | \$(2,496) | \$(2,593) |
| Health Care Access Fund | | | | |
| MFIP Participants | \$-0- | \$548 | \$1,185 | \$1,279 |

OUTCOMES:

- Bring MA program into compliance with federal law.
- Provide equal consideration of MA eligibility without regard to MFIP participation.

BUDGET CHANGE ITEM (64344) (Continued)

Budget Activity: MINNESOTA CARE GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

**Item Title: COMPARABLE ACCESS TO HEALTH CARE –
FEDERAL COMPLIANCE**

- Improve the integrity of case handling so that MFIP participants approaching the 60-month time limit will be assured access to ongoing health care coverage.
- Eliminate the incentive to remain on MFIP in order to retain health care coverage.
- Eliminate automatic MA eligibility for MFIP families.
- Eliminate automatic extended MA eligibility for MFIP families.
- Decrease the number of MFIP participants eligible for extended MA.

Application of MA income standards and extended MA requirements to MFIP participants would result in MA ineligibility for about 2% of MFIP adults or 400 people in FY 2003 and 800 in FY 2004 and FY 2005. The department estimates that of the number losing MA eligibility, half will have MinnesotaCare eligibility.

BUDGET CHANGE ITEM

Budget Activity: HEALTH CARE OPERATIONS
Program: HEALTH CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: MINNESOTACARE STAFFING

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| Health Care Access Fund | | | | |
| Health Care Policy Operations | \$2,064 | \$2,556 | \$-0- | \$-0- |
| Revenues: (\$000) | | | | |
| Health Care Access Fund | | | | |
| Admin Reimbursement | \$681 | \$843 | \$-0- | \$-0- |

Statutory Change? Yes ___ No X

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the Health Care Access Fund budget of \$2,064,000 in FY 2002 and \$2,556,000 in FY 2003 to reduce MinnesotaCare eligibility worker caseload sizes that result from increased enrollment.

RATIONALE:

Background

Restraining growth in the number of uninsured Minnesotans has been due in large part to the state's establishment of the MinnesotaCare program. Enrollment in the MinnesotaCare program has grown tremendously in recent years. MinnesotaCare enrollment has grown from 99,416 individuals in October 1997 to 123,365 individuals in October 2000.

In October 1999, the Department received 3,456 new applications, in addition to 2,869 eligibility renewal forms. A year later, the Department received 25 percent more (4,332) new applications and 40 percent more (4,031) renewal forms. This increase in new applications and renewal forms was experienced by the Department despite the fact that counties began to process and manage some MinnesotaCare cases. At the current rate of growth, the number of new applications submitted will increase to 6,700 per month and renewal forms will increase to 7,900 by October 2002. These increases are attributable in great part to outreach efforts and the simplified MinnesotaCare application form.

MinnesotaCare eligibility worker caseload sizes currently exceed 1000 cases for each case management worker and roughly 230 for each intake worker. About half of the households applying for MinnesotaCare are determined eligible *and* enroll in the program. This means that two applications are processed by an intake worker for each household enrolled. Not only is the program experiencing increased worker caseload because of growth in enrollment, the administrative burden to the program is also increasing because of the number of people who apply and can't or don't follow through on verifications or premium payments or who simply don't meet eligibility requirements.

Many people apply for health care when they or their child have an immediate health need. Applicants now wait nearly a month for a MinnesotaCare application to be processed. Processing cases in a more timely manner will not only improve customer services, but will also reduce uncompensated care.

As the department moves forward with program simplification, program consolidation, and E-Government solutions, greater efficiencies in the enrollment and management of cases are expected. As a result the additional staff requested in this proposal may not be needed after the FY 2002-03 biennium.

Proposal

Effective 7-01-01, the Governor proposes that sufficient resources be appropriated to support current MinnesotaCare operations and a reduction in caseload sizes to assure timely application processing.

Administration Issues and Implementation

For FY 2002, 38 additional workers are required for MinnesotaCare. In FY 2003 an additional 7 workers are needed. These staffing requirements are calculated based on 950 applications per eligibility worker per year.

| | 2002-03 Biennium | |
|--|------------------|-----------|
| | FY 2002 | FY 2003 |
| Cases applying annually | | |
| Based on average of 3,700 per month Jan -Aug 2000 | 45,000 | 45,000 |
| Eligibility workers for apps- 1 per 950 apps | 47.37 | 47.37 |
| Current caseload | | |
| FY 2002 as of 12/01/00, FY 03-05 at 5% annual growth | 55,310 | 58,076 |
| Eligibility workers for ongoing cases - 1 per 600 cases | 92.18 | 96.79 |
| Total workers needed for current workload | 139.55 | 144.16 |
| Current number of workers | 111.00 | 111.00 |
| Additional workers needed | 28.55 | 33.16 |
| Additional support staff needed- each worker- .1supervisor, .07 clerical support, .05 trainer, .12 data entry = .34 | 9.71 | 11.27 |
| Total FTEs (rounded) | 38 | 45 |

BUDGET CHANGE ITEM (65127) (Continued)

Budget Activity: HEALTH CARE OPERATIONS
Program: HEALTH CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT
Item Title: MINNESOTACARE STAFFING

OUTCOMES:

- Reduction in uncompensated care.
- Reduction in caseloads and improved customer service.
- Supports increased administrative demand due to successful outreach.

BUDGET ACTIVITY SUMMARY

Budget Activity: MA BASIC HEALTH CARE GRANT-F&C
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Medical Assistance (MA) Basic Health Care Grants – Families and Children pay for medical services for low-income families, children, and pregnant women. Medical Assistance (MA), also known as Medicaid, is the state's largest publicly funded health care safety net program. It is both state and federally funded.

This activity funds basic medical care for Minnesota Family Investment Program (MFIP) recipients, including those with MA transition year coverage, for other families with children who are eligible for Medical Assistance, for pregnant women and children under age two enrolled in MinnesotaCare, and for non-citizens who are ineligible for federal matching dollars.

Services Provided:

MA basic health care services include

- physician services;
- ambulance and emergency-room services;
- lab and X-ray;
- rural health clinics;
- chiropractic services;
- early periodic screening, diagnosis, treatment;
- alcohol and drug treatment;
- mental health treatment;
- inpatient and outpatient hospital care;
- eyeglasses and eye care;
- immunizations;
- medical supplies and equipment;
- prescription medications;
- dental care;
- chiropractic care; and
- medical transportation.

People Served:

- In FY 2000, 244,000 families with children were enrolled in the portion of MA affected by this budget activity.
- During FY 2000, the average monthly cost for parents and children was approximately \$220 per person.

Eligibility:

The following people are eligible for MA basic health care grants to families and children:

- pregnant women and infants under age two with income at or under 280% of the FPG;
- children between the ages of two and five at 133% of the FPG;
- children who are age six or older, born on or after 10-1-93 at 100% of FPG;
- children born before 10-1-93 at 133 1/3% of the Aid to Families with Dependent Children (AFDC) standard in effect on 7-16-96;
- recipients of Minnesota Family Investment Program (MFIP);
- parents and relative caretakers at 133 1/3% of the AFDC standard in effect on 7-16-96; and
- recipients terminating MFIP or MA because of increased earned income or child/spousal maintenance are eligible for transitional MA for four to twelve months.

If individuals have income above the AFDC-related MA guidelines, they may be eligible if their medical bills exceed the difference between their income and the MA income limit. This difference is known as a spend-down. Families and children with income over the MA limits may also qualify through a spend-down provision if incurred medical bills exceed the difference between income and 133 1/3% of the AFDC standard. MA has retroactive coverage for medical bills incurred up to three months before the date of application.

There are asset limits for MA. A single person can own up to \$3,000 in assets. A married couple or family of two or more may own \$6,000 in assets plus \$200 for each additional person. Some assets, like homestead property and burial funds, are not counted.

FINANCING INFORMATION:

(See charts which follow narrative)

BUDGET ACTIVITY SUMMARY (Continued)

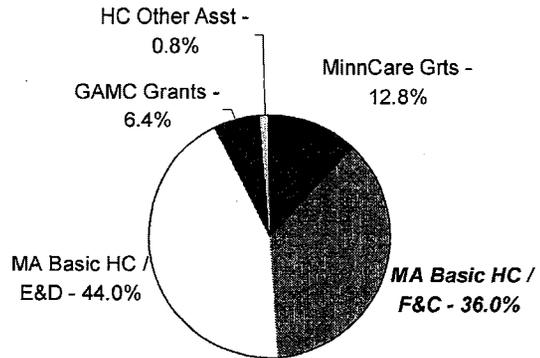
Budget Activity: MA BASIC HEALTH CARE GRANT-F&C
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

BUDGET ISSUES:

- Enrollment in MA by families and children has generally declined since 1995. One factor is a strong economy that has moved families off welfare with its MA benefit package into the workforce with possible employer-based benefits or with MinnesotaCare.
- Overall, there is an interrelationship between health care and welfare policy including MFIP exit levels and MA eligibility. Health care is an important element in moving families to self-sufficiency.
- Current eligibility requirements are complex and confusing. Children from the same family may have different eligibility status based on age.
- The federal government is requiring Minnesota to change MA current eligibility requirements for families so that all families are treated similarly. As a result, automatic MA eligibility for MFIP families must be eliminated or eligibility for other MA families must be raised to the MFIP exit level.

Basic Health Care Grants By Activity

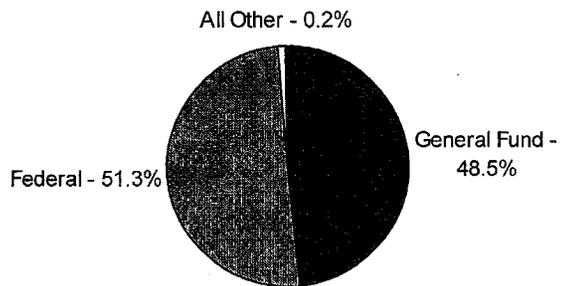
Total All Funds = \$2,405,827,000



**Activity Finance Summary
MA Basic Health Care Grants –
Families & Children
FY 2002 Base**

MA Basic Health Care Grants - F&C By Fund

Total All Funds = \$865,756,000



**See Grant Detail
(forecast)**

Activity: MA BASIC HEALTH CARE GRANT-F&C
 Program: BASIC HEALTH CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 0 | 0 | 0 | 0 | 0 | 0 | 36,791 | 36,791 | |
| Subtotal State Operations | 0 | 0 | 0 | 0 | 0 | 0 | 36,791 | 36,791 | |
| PAYMENTS TO INDIVIDUALS | 660,748 | 773,137 | 750,941 | 865,756 | 863,169 | 963,995 | 961,830 | 300,921 | 19.7% |
| LOCAL ASSISTANCE | 18,839 | 25,899 | 34,212 | 0 | 0 | 0 | 0 | (60,111) | (100.0%) |
| Total Expenditures | 679,587 | 799,036 | 785,153 | 865,756 | 863,169 | 963,995 | 998,621 | 277,601 | 17.5% |

| Change Items: | Fund | | | | | | |
|---|-------------|--|--|--|----------------|--|---------------|
| (B) FQHC AND RHC RATES | GEN | | | | 307 | | 573 |
| (B) EXPAND FAMILY PLANNING SERVICES | GEN | | | | | | 691 |
| (B) PREVENT DOUBLE PMT FOR SURCHARGE | GEN | | | | (2,547) | | (2,659) |
| (B) IMPLEMENT CBP OR PMAP IN ALL COUNTIES | GEN | | | | 202 | | 825 |
| (B) ADOPTION/RELATIVE CUSTODY CARE ASST | GEN | | | | (509) | | (1,028) |
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | | (675) | | (1,725) |
| (B) MDH TEEN PREGNANCY | GEN | | | | | | (2,600) |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | 7 |
| (B) POST SECONDARY EDUCATION UP TO 24 MO | GEN | | | | 363 | | 740 |
| (B) MAINTAIN EXIT LEVEL AT 120% OF FPG | GEN | | | | 272 | | 561 |
| (B) HEALTH CARE COVERAGE FOR CHILDREN | GEN | | | | | | 4,252 |
| (B) FINANCING CHILDREN'S HEALTH | GEN | | | | | | 36,791 |
| (B) COMPARABLE ACCESS TO HEALTH CARE | GEN | | | | | | (1,802) |
| Total Change Items | | | | | (2,587) | | 34,626 |

| Financing by Fund: | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 282,706 | 346,389 | 359,745 | 420,349 | 417,762 | 474,477 | 509,103 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 17,935 | 22,396 | 31,606 | 1,589 | 1,589 | 1,589 | 1,589 |
| FEDERAL | 378,946 | 430,251 | 393,802 | 443,818 | 443,818 | 487,929 | 487,929 |
| Total Financing | 679,587 | 799,036 | 785,153 | 865,756 | 863,169 | 963,995 | 998,621 |

Grants Detail

MA Basic Health Care Grants – F & C

| Services | Funding State / Federal | FY 2000 Monthly Average Eligibles | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|--------------------------------|--------------------------------|--|------------------------|-----------------------|---------------------|---------------------|
| Inpatient Hospital | State/Federal | (See Total Below) | 112,876 | 125,304 | 126,175 | 124,122 |
| Outpatient Hospital | State/Federal | | 11,539 | 13,131 | 12,862 | 12,041 |
| Public Hospitals | State/Federal | | 24,240 | 12,120 | 12,120 | 12,120 |
| Ambulatory Surgery | State/Federal | | 4,776 | 5,206 | 5,346 | 5,128 |
| Mental Health Services | State/Federal | | 15,991 | 17,004 | 16,357 | 10,208 |
| Physicians | State/Federal | | 28,397 | 31,254 | 28,934 | 27,817 |
| Dental | State/Federal | | 5,249 | 5,676 | 5,306 | 5,067 |
| Laboratory & Radiology | State/Federal | | 10,709 | 11,459 | 10,846 | 10,425 |
| Rehabilitation Services | State/Federal | | 1,168 | 939 | 1,128 | 1,140 |
| Prescription Drugs | State/Federal | | 24,849 | 27,492 | 27,168 | 27,199 |
| Medical Supplies & Prosthetics | State/Federal | | 2,874 | 3,115 | 3,028 | 3,009 |
| Medical Transportation | State/Federal | | 2,215 | 2,591 | 2,460 | 2,368 |
| Managed Care (HMO) | State/Federal | | 426,402 | 455,502 | 568,479 | 665,900 |
| Other Practitioners | State/Federal | | 3,379 | 5,388 | 3,495 | 3,345 |
| Other Services | State/Federal | | 6,921 | 7,232 | 6,688 | 6,253 |
| Medicare & Insurance Buy-In | State/Federal | | 2,575 | 3,131 | 3,713 | 3,820 |
| CD Treatment Fund | CCDTF/Federal | | 4,249 | 4,246 | 4,248 | 4,248 |
| Special Funding Items | State/Federal | | 75,638 | 55,968 | 62,982 | 71,193 |
| <i>Continued Next Page</i> | | | | | | |

Grants Detail

MA Basic Health Care Grants – F & C

| Services | Funding State / Federal | FY 2000 Monthly Average Eligibles | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|----------------------------|------------------------------------|--|----------------------------|---------------------------|-------------------------|-------------------------|
| County Share Reimbursement | State | | 25,541 | 34,212 | -0- | -0- |
| Non-Citizen Coverage | State | | 18,833 | 19,543 | 26,824 | 36,426 |
| Adjustments | State/Federal | | (9,385) | (55,360) | (62,403) | (67,834) |
| Total | | | 246,659 | 799,036 | 865,756 | 963,995 |

BUDGET CHANGE ITEM (51539)

Budget Activity: MA BASIC HEALTH CARE GRANT-F&C
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: FEDERALLY QUALIFIED HEALTH CENTER (FQHC)
 RATES AND RURAL HEALTH CENTER (RHC) RATES

Proposal

This proposal will allow the state to continue to pay FQHCs and RHCs based on submitted costs. This would reflect a 5% increase in the base for these services in FY 2002 and a 8.75% increase in FY 2003.

OUTCOMES:

- Maintain access to medically necessary services for low income people.
- Preserve the current payment method based on costs with no disruption by service providers who take on a significant share of poor and low income working people.
- Maintain the current reimbursement methodology and promote the maintenance of the safety net in under-served areas of Minnesota.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic HC – F&C | \$307 | \$573 | \$918 | \$918 |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 256D.06

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$307,000 in FY 2002 and \$573,000 in FY 2003 to maintain the current payment level to Rural Health Centers (RHCs) and Federally Qualified Health Centers (FQHCs) to ensure continued access to health care for public enrollees.

RATIONALE:

Background

Federally Qualified Health Care Centers (FQHCs) and Rural Health Centers (RHCs) are designations given to providers whose facilities are located in medically under-served areas of Minnesota and whose caseload of public program enrollees and uninsured people is approximately 65% of their business. FQHCs and RHCs provide care to approximately 32,400 Medical Assistance (MA) recipients and 3,600 MinnesotaCare recipients. These facilities are important safety nets in their communities and have historically received higher payment because of their high level of uncompensated care and public program enrollees.

FQHCs and RHCs are currently paid on a cost basis tied to federal payment methodology. In 1996, federal law changed to allow states to phase out the cost based reimbursement. Without a change in state law the FQHC and RHC payments will automatically be reduced.

BUDGET CHANGE ITEM (51462)

Budget Activity: MA BASIC HEALTH CARE GRANT-F&C
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: ENHANCED FEDERAL FUNDING FOR EXPANDED ELIGIBILITY FOR FAMILY PLANNING SERVICES

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---|------------------|----------------|------------------|------------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic HC – F&C | \$-0- | \$691 | \$(1,717) | \$(6,280) |
| Health Care Operations | 751 | 960 | 920 | 920 |
| Total | \$751 | \$1,651 | \$(797) | \$(5,360) |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$330 | \$422 | \$405 | \$405 |
| Statutory Change? Yes <u> X </u> No _____ | | | | |
| If yes, statutes affected: M.S. 256B | | | | |

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund appropriation of \$751,000 in FY 2002 and \$1,651,000 in FY 2003 for a Medical Assistance (MA) expansion of eligibility for pre-pregnancy family planning coverage.

RATIONALE:

Background

- National studies show that for every dollar spent on subsidized family planning services, an average of \$4.40 will be saved in public dollars as a result of averting short-term expenditures on medical, welfare, and nutritional services. Reducing unintended pregnancy will ease many contemporary problems. Teenage pregnancy, non-marital childbearing, and abortions will decline.
- The Minnesota Department of Human Services covers family planning services for people that meet the income, asset, and insurance-related requirements of MA, General Assistance Medical Care (GAMC), and MinnesotaCare.

- The federal MA match rate is 90% for expenditures for family planning services provided to MA recipients. This funding incentive, in addition to the research showing benefits of access to family planning services, has led many states to seek federal waiver authority, under Section 1115 of the Social Security Act, to extend or expand eligibility for family planning services.

For example, Rhode Island obtained federal authority to provide family planning services to women who lose Medicaid coverage at the end of the post-partum period. Their program has lengthened the intervals between pregnancies for many women enrolled in Medicaid. In 1993, before they implemented their program, 20% of women having Medicaid-funded deliveries in the state had become pregnant within nine months of a previous birth. In 1997, after the program was implemented, that percentage was cut almost in half to 11%.ⁱⁱ Longer intervals between births have been shown to improve birth outcomes.

Oregon has implemented a waiver to provide family planning services for women and men with income at or below 185% of the federal poverty level. California covers people below 200% of the federal poverty level. Washington is currently negotiating approval for a waiver to cover family planning services for women and men below 200% of the federal poverty level.

Proposal

The governor proposes to fund an MA eligibility expansion for coverage of clinical family planning services. Federal Medicaid funding at a matching rate of 90% would be available upon receipt of federal waiver approval.

The waiver would permit the state to provide two years of automatic MA family planning coverage to anyone who loses MA or MinnesotaCare and to people with income at or below 275% of the federal poverty level (FPL).

Clinical family planning coverage includes the provision of counseling and education (including abstinence and natural family planning methods), supplies, and procedures. In addition, screening, testing, counseling, and treatment of sexually transmitted diseases would be covered. Family planning coverage would *not* include the provision of abortions.

Administration Issues and Implementation

Effective implementation will require the following

- federal approval of a 1115 waiver;ⁱⁱⁱ
- coordination among the department of Health, Human Services, and Children, Families and Learning;
- eligibility, coverage, and payment policy and procedures;
- public notice and publicity campaign;

BUDGET CHANGE ITEM (51462) (Continued)

Budget Activity: MA BASIC HEALTH CARE GRANT-F&C
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: ENHANCED FEDERAL FUNDING FOR EXPANDED
 ELIGIBILITY FOR FAMILY PLANNING SERVICES

- claims payment and eligibility systems changes;
- provider notice and training (with regard to presumptive eligibility and any program requirements that differ from traditional MA); and
- one FTE per 3,750 cases per year for enrollment activities.

This proposal is expected to be fully implemented by 7-01-02.

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|----------------------------------|------------------|---------|------------------|-----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Family Planning Services | \$-0- | \$691 | \$(1,717) | \$(6,280) |
| Staff and support | | | | |
| Federally-required evaluation | 100 | 125 | 125 | 125 |
| Media campaign | 500 | 500 | 500 | 500 |
| Enrollment (4 FTEs) | -0- | 200 | 160 | 160 |
| Policy & federal waiver (2 FTEs) | 151 | 135 | 135 | 135 |
| Admin reimbursement | (330) | (422) | (405) | (405) |
| Net Cost | \$421 | \$1,229 | \$(1,202) | \$(5,765) |

OUTCOMES:

- Affordable family planning services to approximately 30,000 Minnesotans who are not currently being served.
- Reduction in the rate of unintended pregnancies and improved birth outcomes by lengthening the interval between pregnancies.
- Reduction in state and federal costs for health care, including avoiding over 1,000 births to MA recipients by the third year. It is also expected to reduce the need for welfare, nutritional, and educational services.
- Savings of \$6,967,000 in the FY 2004-05 biennium.

Outcomes Measurement:

- Decline in teenage pregnancy rate
- Decline in abortion rate

- Longer intervals between pregnancies for MA recipients

ⁱ *Healthy Minnesotans, Public Health Improvement Goals 2004*, Minnesota Department of Health, September 1998, p. 79.

ⁱⁱ Gold, Rachel Benson, "State Efforts to Expand Medicaid-Funded Family Planning Show Promise", *The Guttmacher Report on Public Policy*, April 1999, p.8-11.

ⁱⁱⁱ It is reasonable to assume federal approval of such a waiver because the federal Health Care Financing Administration has approved such waivers for more than 10 other states and has not indicated a reluctance to approve additional waivers.

BUDGET CHANGE ITEM (51554)

Budget Activity: MA BASIC HEALTH CARE GRANT-F&C
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: PREVENT DOUBLE PAYMENT FOR SURCHARGE COSTS

Prior to the hospitals winning their appeal, the surcharge was a non-allowable cost under Medicare cost reporting rules. The result of winning the appeal will be that MA rates will increase due to the inclusion of the surcharge cost on the cost report.

It is preferable to continue to disallow the surcharge (as was the case prior to the appeal) than to reduce the disproportionate share payments to hospitals as a way of avoiding the double payment. This is because of how the hospitals would be affected by eliminating the disproportionate share payment and because of federal law governing upper limits on rates, of which disproportionate share payments are exempt.

Proposal

This proposal would maintain the status quo by disallowing the surcharge as a cost that is directly built into the MA hospital payment rates.

OUTCOMES:

The proposal would maintain the current hospital payment rate methodology and avoid double payments to hospitals for the surcharge in the amount of \$2.5 million.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--------------------------|------------------|------------|------------------|------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic HC Grants – F&C | \$ (2,547) | \$ (2,659) | \$ (2,659) | \$ (2,659) |

Statutory Change? Yes No

If yes, statutes affected: M.S. 256.9657

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the General Fund budget of \$2,547,000 in FY 2002 and \$2,659,000 in FY 2003 to avoid double payments that would otherwise occur as a result of a recent Medicare policy change.

RATIONALE:

Hospitals recently won a Medicare appeal that would allow the cost of the Medical Assistance (MA) surcharge to be included on a hospital's Medicare cost report. Since MA follows Medicare cost report methodology in setting MA rates, and already pays hospitals back for their surcharge assessment via a disproportionate share payment, double payment would result.

Background

Hospitals pay a surcharge to DHS that is based on hospital revenues. Because of this surcharge, hospitals receive disproportionate share rates (rates above and beyond their normal rates) to offset the cost of the surcharge imposed on them. MA rates are based on costs that are reported through a cost report as defined by Medicare law. The hospitals recently won a Medicare appeal that makes the surcharge an allowable cost on a Medicare report. Without a change in state law, hospitals will be paid twice for the same surcharge cost, once via the disproportionate share rate increase they receive to cover their surcharge assessment and once via the regular hospital payment rate, now that the surcharge cost is an allowable cost report item.

BUDGET CHANGE ITEM (51545)

Budget Activity: MA BASIC HEALTH CARE GRANT-F&C
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: IMPLEMENTATION OF COUNTY BASED
PURCHASING (CBP) OR PREPAID MEDICAL
ASSISTANCE (PMAP) IN ALL COUNTIES

are currently 15 counties with 25,000 potential PMAP recipients who are awaiting federal approval of their County Based Purchasing projects.

Proposal

This proposal clarifies that DHS will implement PMAP in all counties, unless the federal government has approved a County Based Purchasing proposal for that area by 9-2-01.

FINANCING:

This proposal has an initial cash flow cost resulting from converting a fee-for-service payment methodology to the prepayment of health care services. This cost is offset by future reductions in general fund payments due to managed care savings.

OUTCOMES:

- Better coordinated care for 25,000 recipients in 15 counties.
- Reductions in the cost of health care.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------|------------------|----------------|------------------|------------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic HC – F&C | \$202 | \$825 | \$(435) | \$(572) |
| MA Basic HC – E&D | 122 | 499 | (296) | (384) |
| GAMC | 45 | 183 | (107) | (142) |
| Total | \$369 | \$1,507 | \$(838) | \$(1,098) |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. Sec 256B.69 subd. 3a

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$369,000 in FY 2002 and \$1,507,000 in FY 2003 to fund a requirement that the Department of Human Services either implement County Based Purchasing or the Prepaid Medical Assistance Program (PMAP) in all counties by January 2002.

RATIONALE:

Background

Prepaid health care programs allow people enrolled in Medical Assistance and General Assistance Medical Care to receive the highest quality care while reducing costs to the taxpayers. This proposal would ensure that these programs are implemented statewide by January 2002.

Current law allows counties to implement County Based Purchasing Programs instead of PMAP. Counties have been working on these proposals since 1996. In 1998, the law was changed to allow counties to delay implementation of PMAP until federal approval is obtained for their projects. The law is unclear as to what action should be taken if the federal government does not approve a county's proposal. While waiting for federal approval, the benefits of coordinated care and reduced costs attributable to PMAP are being lost. There

BUDGET ACTIVITY SUMMARY

Budget Activity: MA BASIC HEALTH CARE GRANT-E&D
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Medical Assistance (MA) Basic Health Care Grants – Elderly and Disabled pay for medical services for Minnesota's low-income elderly (65 years or older), blind individuals and persons with disabilities. Medical Assistance, also called Medicaid, is Minnesota's largest publicly funded health care program and is an important health care safety net program for many Minnesotans.

For almost all of the elderly and about 40% of the persons with disabilities who have Medicare coverage in this budget activity, MA acts as a Medicare supplement. For those who are not eligible for Medicare, MA pays for all of their medical care.

Services Provided

MA-basic health care services include

- physician services;
- ambulance and emergency room services;
- lab and X-ray;
- rural health clinics;
- chiropractic services;
- early periodic screening, diagnosis, treatment;
- alcohol and drug treatment;
- mental health treatment;
- inpatient and outpatient hospital care;
- eyeglasses and eye care;
- immunizations;
- medical supplies and equipment;
- prescription medications;
- dental care;
- chiropractic care; and
- medical transportation.

Long term care services such as nursing home and home care services are housed in the Continuing Care portion of the budget.

People Served

- In FY 2000, approximately 119,000 elderly and persons with disabilities were covered by MA basic health care grants; approximately 48,000 were elderly, and 71,000 were disabled.
- Of the total, approximately 29,000 elderly persons were enrolled in managed care. The remaining 19,000 elderly people received health care on a fee-for-service basis. Most persons with disabilities are served in the fee-for-service system.

Eligibility

- Elderly and disabled individuals who have income at or under 133 1/3% of the Aid to Families with Dependent Children standard in effect on 7-16-96 may qualify.
- Elderly and also disabled individuals with income over the MA income eligibility limits may qualify if incurred medical bills exceed the difference between income and the income standard.
- The asset limit is \$3,000 for a single person and \$6,000 for a couple. Some assets like homestead property and burial funds are not counted.
- MA has retroactive coverage for medical bills incurred up to three months before application.

FINANCING INFORMATION:

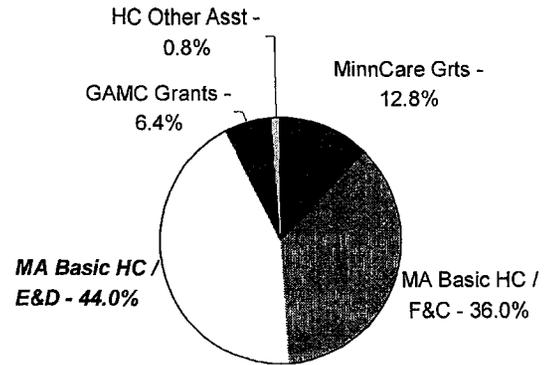
(See charts which follow narrative)

BUDGET ISSUES:

- The segment of persons with disabilities accounts for 60% of the enrollees and 68% of the costs in this activity, with the elderly segment accounting for the remainder.
- Better coordination is needed between basic health care services and long-term care to improve care and efficiency of service delivery. Many of these enrollees need services from both acute health care providers and long-term care providers. Projects are underway to improve health care quality and stem cost-shifting on behalf of these clients.

Basic Health Care Grants By Activity

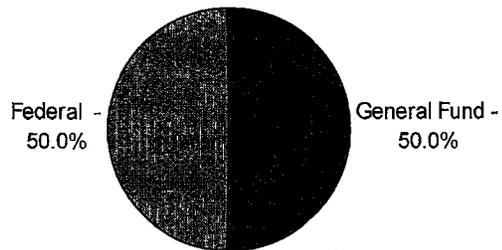
Total All Funds = \$2,405,827,000



**Activity Finance Summary
MA Basic Health Care Grants –
Elderly & Disabled
FY 2002 Base**

MA Basic Health Care Grants - E&D By Fund

Total All Funds = \$1,059,505,000



**See Grant Detail
(forecast)**

Activity: MA BASIC HEALTH CARE GRANT-E&D
 Program: BASIC HEALTH CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------------|---------------------|------------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| PAYMENTS TO INDIVIDUALS | 691,244 | 785,305 | 918,106 | 1,059,505 | 1,067,063 | 1,210,788 | 1,221,955 | 585,607 | 34.4% |
| LOCAL ASSISTANCE | 34,523 | 36,737 | 47,584 | 0 | 0 | 0 | 0 | (84,321) | (100.0%) |
| Total Expenditures | 725,767 | 822,042 | 965,690 | 1,059,505 | 1,067,063 | 1,210,788 | 1,221,955 | 501,286 | 28.0% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) INCOME STRD FOR ELDERLY AND DISABLED | GEN | | | | 7,026 | | 8,105 | | |
| (B) REDUCE THE COST OF DRUGS | GEN | | | | (750) | | (750) | | |
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | | 1,220 | | 3,294 | | |
| (B) RELOCATE/DIVERT - UNDER AGE 65 | GEN | | | | (60) | | 19 | | |
| (B) IMPLEMENT CBP OR PMAP IN ALL COUNTIES | GEN | | | | 122 | | 499 | | |
| Total Change Items | | | | | 7,558 | | 11,167 | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 334,691 | 381,376 | 450,243 | 529,418 | 536,976 | 608,481 | 619,648 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 33,352 | 37,830 | 44,740 | 0 | 0 | 0 | 0 | | |
| FEDERAL | 357,724 | 402,836 | 470,707 | 530,087 | 530,087 | 602,307 | 602,307 | | |
| Total Financing | 725,767 | 822,042 | 965,690 | 1,059,505 | 1,067,063 | 1,210,788 | 1,221,955 | | |

Grants Detail

MA Basic Health Care Grants – E & D

| Services | Funding State / Federal | FY 2000 Monthly Average Eligibles | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|--------------------------------|--------------------------------|--|------------------------|-----------------------|---------------------|---------------------|
| Inpatient Hospital | State/Federal | (See Total Below) | 161,798 | 187,362 | 206,336 | 235,726 |
| Outpatient Hospital | State/Federal | | 9,108 | 10,433 | 12,205 | 13,780 |
| Public Hospitals | State/Federal | | -0- | 12,120 | 12,120 | 12,120 |
| Ambulatory Surgery | State/Federal | | 6,664 | 7,715 | 9,055 | 10,356 |
| Mental Health Services | State/Federal | | 36,929 | 42,739 | 49,616 | 57,380 |
| Physicians | State/Federal | | 45,792 | 46,648 | 49,941 | 56,824 |
| Dental | State/Federal | | 8,754 | 10,838 | 11,427 | 12,819 |
| Laboratory & Radiology | State/Federal | | 18,876 | 19,626 | 21,084 | 24,028 |
| Rehabilitation Services | State/Federal | | 10,473 | 10,925 | 11,262 | 13,150 |
| Prescription Drugs | State/Federal | | 197,110 | 243,405 | 261,672 | 301,957 |
| Medical Supplies & Prosthetics | State/Federal | | 32,069 | 35,079 | 38,944 | 45,894 |
| Medical Transportation | State/Federal | | 25,762 | 30,764 | 32,004 | 35,931 |
| Managed Care (HMO) | State/Federal | | 146,218 | 191,219 | 258,554 | 297,830 |
| Other Practitioners | State/Federal | | 5,118 | 5,694 | 5,964 | 6,647 |
| Other Services | State/Federal | | 16,094 | 17,655 | 17,776 | 19,090 |
| Medicare & Insurance Buy-In | State/Federal | | 55,327 | 44,580 | 53,755 | 58,530 |
| CD Treatment Fund | CCDTF/Federal | | 2,527 | 2,549 | 2,555 | 2,551 |
| County Share Reimbursement | State | | 36,737 | 47,584 | -0- | -0- |
| CD Transfer | State | | -0- | (1,244) | (1,270) | (1,276) |
| MH Case Management | State | | 4,173 | -0- | 6,505 | 7,451 |
| Adjustments | State/Federal | | 2,513 | -0- | -0- | -0- |
| Total | | | 119,242 | 822,042 | 965,691 | 1,059,505 |
| | | | | | 1,210,788 | |

BUDGET CHANGE ITEM (51499)

Budget Activity: MA BASIC HEALTH CARE GRANT-E&D
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: RAISE INCOME STANDARD AND SUPPORT WORK FOR PERSONS WHO ARE DISABLED, ELDERLY OR BLIND

allow states like Minnesota, with more restrictive Medicaid eligibility rules than the federal SSI program, to raise income limits for Medicaid to 100% FPG for elderly, blind or disabled individuals and continue to receive Federal Financial Participation (FFP). This translates in current FPG figures to \$696 per month for a family of size one and \$938 per month for a family of size two. Raising the MA income standard to 100% FPG would allow an improved standard of living for MA enrollees who are elderly, blind or disabled and often on fixed incomes. This would also allow the MA income standard for these individuals to rise automatically when the FPG increases.

- People with disabilities have continually identified the loss of MA coverage as one of the major obstacles that they face as they return to work. Employer health insurance does not typically cover personal care services and other long term supports needed by persons with disabilities and Medicare does not cover long term supports or prescription drugs.
- To address this obstacle, the 1999 legislature authorized a new, optional categorically needy MA eligibility group for working people with disabilities who, because of earnings, could not qualify for MA under other categories. This option, called MA for Employed Persons with Disabilities (MA-EPD), was effective 7-1-99 and allows more liberal income and asset limits than standard MA. Enrollment and costs for this option have exceeded expectations.
- The Health Care Financing Administration (HCFA) has said that states may not set a minimum hours worked or earnings requirement to qualify for this group. Therefore, even a nominal work effort can qualify. States can, however, require premiums or other cost sharing and these may be used to encourage individuals to engage in a greater work activity. Currently, a premium is required for MA-EPD only when an individual's gross earned and unearned income exceeds 200% FPG for the applicable family size. The required premium is 10% of the individual's income that is above 200% FPG. (Of the 4,172 individuals with MA-EPD eligibility in the month of April 2000, only 376 were required to pay a premium and the average premium billed was \$35 per month.) The premium formula should be revised to require a greater percentage of unearned income to be paid as a premium, thus promoting work activity and earnings.
- Effective 7-1-02, the state-funded Prescription Drug Program will expand to include persons with disabilities up to 100% FPG. If the MA income standard for the elderly, blind and disabled was raised to 100% FPG, some people with disabilities who would otherwise enroll in the Prescription Drug Program and some elderly persons already on the Prescription Drug Program could instead receive full MA coverage including complete prescription drug coverage. The state would receive FFP for those moving to MA.

Proposal

- Raise the MA income standard to 100% FPG for individuals who are elderly, blind or disabled. Transfer MA-EPD enrollees with net countable incomes

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------------|------------------|-----------|------------------|----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic HC - E&D | \$7,026 | \$8,105 | \$9,364 | \$10,791 |
| HC Grants - Other Assistance | (5,092) | (9,800) | (9,028) | (8,484) |
| Total | \$1,934 | \$(1,695) | \$336 | \$2,307 |

Statutory Change? Yes No

If yes, statutes affected: M.S. 256B.056, 256B.057

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$1,934,000 in FY 2002 and a decrease of \$1,695,000 in FY 2003. This results from raising the Medical Assistance (MA) incomes standard for elderly, blind, and disabled individuals and revising the premium formula for the MA employed persons with disabilities program.

RATIONALE:

Background

- The MA income standard for persons who are elderly, blind or disabled (except those receiving Supplemental Security Income) is based on 133-1/3% of the Aid to Families with Dependent Children (AFDC) income standard in effect on 7-16-96. Currently, the MA income standard is \$482 per month for a family size of one [69.3% of the federal poverty guidelines (FPG)] and \$602 per month for a family size of two (64.2% FPG). Individuals are not able to meet their basic needs for food, clothing and housing at these income levels. In addition, the MA income standard does not provide annual cost of living increases. This forces people with monthly medical expenses to apply the entire amount of any increase in income toward their medical bills to remain on MA. Federal regulations

BUDGET CHANGE ITEM (51499) (Continued)

Budget Activity: MA BASIC HEALTH CARE GRANT-E&D
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: RAISE INCOME STANDARD AND SUPPORT WORK FOR PERSONS WHO ARE DISABLED, ELDERLY OR BLIND

equal to, or less than, 100% FPG and whose assets do not exceed the MA asset limit, to MA. This change allows persons who were formerly eligible for the Prescription Drug Program to now be eligible for MA.

- Revise the MA-EPD premium formula to require a premium based only on an individual's unearned income and then only if gross unearned income exceeds the MA standard for the applicable family size. If unearned income, less a \$20 standard disregard, exceeds the MA income standard, all unearned income above the MA standard would be the recipient's premium.

- Revise the MA-EPD premium formula to promote increased work activity and earnings of MA-EPD enrollees.
- Increase the number of MA enrollees.
- Reduce the number of Prescription Drug Program enrollees by providing MA benefits.
- Discourage nominal work effort of MA-EPD enrollees.
- Promote work efforts of persons with disabilities by assuring access to MA for necessary health care services when they work.

Administration Issues and Implementation

Revised MA-EPD premium formula and increased MA income limit would be effective 7-1-01, or upon receipt of federal approval of a State Plan amendment, whichever is later.

This proposal requires statutory language to be changed. MA-EPD premium determination materials would need to be revised. Instructions to counties on these changes would need to be issued. Program brochures and manual material would need to be revised. Counties would need to be trained on these changes.

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|------------------|------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Revise MA-EPD | | | | |
| MA Basic HC - E&D (MA-EPD) | \$(1,000) | \$(2,000) | \$(2,000) | \$(2,000) |
| Raise MA Income Standard | | | | |
| MA Basic HC - E&D (100% FPG) | 8,026 | 10,105 | 11,364 | 12,791 |
| HC Grants -- Other Assistance | (5,092) | (9,800) | (9,028) | (8,484) |
| Total | \$1,934 | \$(1,695) | \$336 | \$2,307 |

OUTCOMES:

- Enable MA enrollees who are elderly, blind, or disabled to retain more income to meet basic needs.
- Reduce or eliminate the spenddown for some current MA enrollees.

BUDGET CHANGE ITEM (51549)

Budget Activity: MA BASIC HEALTH CARE GRANT-E&D
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT
Item Title: REDUCING THE COST OF DRUGS

were established by M.S. 256B.0625. A quorum of members has been present at only half of the meetings scheduled during the last four years. Also, it has been difficult recruiting physicians and pharmacists to serve on the boards. It has been easier to recruit professionals for the DUR board, the members of which are paid a \$50 honorarium. The boards meet four times per year in St. Paul, for a total cost of \$13,000 per year.

Proposal

DHS proposes to begin collecting rebates on those drugs administered in outpatient facilities. DHS also proposes that reimbursement for these drugs be reduced from AWP to AWP - 5%.

DHS proposes that an honorarium of \$100 per meeting be paid to each member of the DFC or DUR Board, as well as round trip mileage to St. Paul.

OUTCOMES:

- Increase our drug rebate collections from manufacturers by \$500,000 per year.
- Increase participation of DFC and DUR members.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--------------------------|------------------|-----------------|------------------|-----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic HC – E & D | \$ (750) | \$ (750) | \$ (800) | \$ (800) |
| HC Policy Administration | 13 | 13 | 13 | 13 |
| Total | \$ (737) | \$ (737) | \$ (787) | \$ (787) |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 256B.0625

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the General Fund budget of \$737,000 in FY 2002 and \$737,000 in FY 2003. The Governor recommends collecting rebates from pharmaceutical manufacturers for drugs administered in outpatient facilities and recommends providing honoraria and mileage reimbursement for members of the Drug Utilization Review Board and the Drug Formulary Committee.

RATIONALE:

Background

Currently, DHS only collects rebates on drugs dispensed by pharmacies. Several states also collect rebates on drugs administered in outpatient facilities. This is permitted under the federal rebate program. DHS reimburses providers for drugs administered in outpatient facilities at the average wholesale price (AWP) of the drug. Medicare reimburses for the same drugs at AWP - 5%. The AWP for most of these drugs is much higher than providers usually pay to purchase them. Cutting reimbursement by 5% will not have a significant adverse effect on providers.

The Drug Utilization Review Board (DUR) and the Drug Formulary Committee (DFC) advise the Commissioner of DHS on a variety of issues relating to pharmaceutical products. The functions performed by these two boards are required by Omnibus Budget Reconciliation Act (OBRA) 1990, and the boards

BUDGET ACTIVITY SUMMARY

Budget Activity: GAMC GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

General Assistance Medical Care (GAMC) Grants pay for medical care for low-income Minnesotans who are ineligible for Medical Assistance (MA) or other state or federal health care programs – primarily low-income adults between the ages of 21 and 64 who do not have dependent children. GAMC is state funded.

Services Provided

Services provided under GAMC include

- inpatient and outpatient hospital care;
- drugs and medical supplies;
- physician services;
- immunizations;
- hearing aids;
- alcohol and drug treatment;
- medical equipment and supplies;
- prosthetics;
- emergency-room services;
- dental care;
- chiropractic services;
- medical transportation;
- eye exams and eyeglasses; and
- public health nursing services.

GAMC does not cover

- artificial or in-vitro insemination, fertility drugs;
- cosmetic surgery;
- missed appointments;
- nursing homes, hospice care, or home health care;
- physical, occupational, or speech therapy, audiology; or
- pregnancy or related services.

People Served

- In FY 2000, approximately 23,000 Minnesotans were enrolled in GAMC.
- In the same year, 12,000 recipients received coverage through a managed care plan and 11,000 recipients received care on a fee-for-services basis.
- GAMC serves:
 - primarily single adults with no earned income between ages 21 and 64 who do not have dependent children;
 - recipients of General Assistance (GA) cash grants;
 - some residents of facilities, such as Institutions for Mental Diseases (IMDs), treatment facilities and adult foster care homes; and
 - undocumented individuals who are under 18, over 65, blind, or disabled.

Eligibility

- Individuals with income at or under 133 1/3% of the Aid to Families with Dependent Children (AFDC) standard in effect on 7-16-96 are eligible for GAMC.
- GAMC allows up to \$1,000 in assets. Some assets like homestead property and burial funds are not counted.
- If individuals have income above the GAMC guidelines, they may be eligible if their medical bills exceed the difference between their income and the GAMC income limit.
- Retroactive coverage is available for medical bills incurred one month prior to application.
- Individuals on GAMC with earned income whose total income is between 75% and 275% of the federal poverty guidelines must enroll in MinnesotaCare if eligible.

FINANCING INFORMATION:

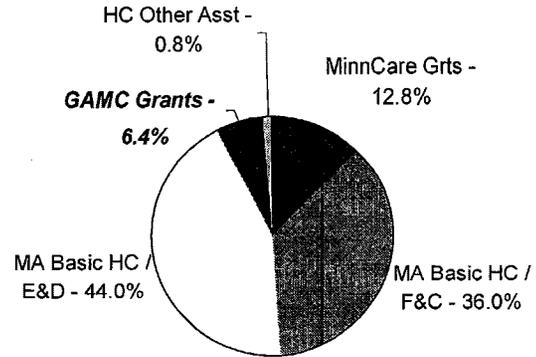
(See charts which follow narrative.)

BUDGET ISSUES:

- Enrollment in GAMC has declined from approximately 55,000 in 1992 to approximately 23,000 in 2000. This has been due to a number of factors including people using MinnesotaCare instead of GAMC, reductions in the number of people on General Assistance, policy changes that shifted parents into Medical Assistance, and a strong economy.
- In many cases, the GAMC program functions as a retroactive uncompensated care fund, paying bills for individuals who received care while uninsured, but who later apply for GAMC and meet eligibility guidelines.

Basic Health Care Grants By Activity

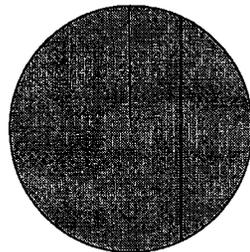
Total All Funds = \$2,405,827,000



Activity Finance Summary General Assistance Medical FY 2002 Base

GAMC Grants By Fund

Total All Funds = \$154,103,000



General Fund -
100%

See Grant Detail
(forecast)

Activity: GAMC GRANTS
 Program: BASIC HEALTH CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| PAYMENTS TO INDIVIDUALS | 132,305 | 127,742 | 136,631 | 154,103 | 155,043 | 175,360 | 177,601 | 68,271 | 25.8% |
| Total Expenditures | 132,305 | 127,742 | 136,631 | 154,103 | 155,043 | 175,360 | 177,601 | 68,271 | 25.8% |

| Change Items: | Fund | | | | | | |
|---|-------------|--|--|--|------------|--|--------------|
| (B) REPEAL SAVE/REPORTING REQUIREMENT | GEN | | | | 895 | | 2,058 |
| (B) IMPLEMENT CBP OR PMAP IN ALL COUNTIES | GEN | | | | 45 | | 183 |
| Total Change Items | | | | | 940 | | 2,241 |

| Financing by Fund: | | | | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 132,305 | 127,742 | 136,631 | 154,103 | 155,043 | 175,360 | 177,601 |
| Total Financing | 132,305 | 127,742 | 136,631 | 154,103 | 155,043 | 175,360 | 177,601 |

Grants Detail

GAMC Grants

| Services | Funding State / Federal | FY 2000 Monthly Average Eligibles | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|---|-------------------------|-----------------------------------|-----------------|----------------|----------------|----------------|
| Inpatient Hospital | State | (See Total Below) | 38,993 | 41,398 | 43,563 | 49,239 |
| Outpatient Hospital | State | | 1,671 | 1,955 | 2,237 | 2,388 |
| Ambulatory Surgery | State | | 2,031 | 2,208 | 2,547 | 2,717 |
| Physicians | State | | 10,309 | 11,154 | 10,937 | 11,666 |
| Dental | State | | 1,489 | 1,580 | 1,582 | 1,690 |
| Laboratory & Radiology | State | | 4,361 | 4,595 | 4,591 | 4,900 |
| Prescription Drugs | State | | 10,063 | 10,742 | 11,058 | 12,176 |
| Visioncare | State | | 420 | 448 | 449 | 480 |
| Mental Health | State | | 1,970 | 2,035 | 2,039 | 2,178 |
| Case Management | State | | -0- | 61 | 61 | 66 |
| Supplies & Prosthetics | State | | 708 | 757 | 811 | 901 |
| Medical Transportation | State | | 1,481 | 1,532 | 1,526 | 1,627 |
| Other Practitioners | State | | 234 | 346 | 347 | 370 |
| Managed Care (HMO) | State | | 51,209 | 55,259 | 69,798 | 82,301 |
| Other Services | State | | 1,979 | 1,561 | 1,557 | 1,661 |
| Non-System Payments & Other Adjustments | State | | 823 | 1,000 | 1,000 | 1,000 |
| Total | | | 23,347 | 127,741 | 136,631 | 154,103 |

BUDGET CHANGE ITEM (51623)

Budget Activity: GAMC GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: REPEAL SAVE/REPORTING REQUIREMENTS

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|---|---------------------------------------|------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Economic Supp Operations | \$(100) | \$-0- | \$-0- | \$-0- |
| GAMC Grants | 895 | 2,058 | 2,367 | 2,722 |
| Total | \$795 | \$2,058 | \$2,367 | \$2,722 |
| Health Care Access Fund | | | | |
| MnCare Grants | \$26 | \$56 | \$61 | \$65 |
| Federal TANF | | | | |
| MFIP Grants | \$1,650 | \$3,300 | \$3,300 | \$3,300 |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$(44) | \$-0- | \$-0- | \$-0- |
| Statutory Change? | Yes | <u>X</u> No | | |
| If yes, statutes affected: M.S. 256.01, 256J.32 | | | | |
| <input checked="" type="checkbox"/> New Activity | <input type="checkbox"/> Supplemental Funding | <input type="checkbox"/> Reallocation | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the federal Temporary Assistance for Needy Families (TANF) budget of \$1,650,000 in FY 2002 and \$3,300,000 in FY 2003; an increase in the General Fund budget of \$795,000 in FY 2002 and \$2,058,000 in FY 2003; and an increase in the Health Care Access Fund budget of \$26,000 in FY 2002 and \$56,000 in FY 2003 to repeal the required use of the federal immigration status verification system and immigration authority notification requirements that are barriers for public assistance applicants who are eligible citizens and non-citizens in immigrant families.

RATIONALE:

Background

Legislation passed in the 2000 session, to be effective 7-01-01, requires the use of the federal Systematic Alien Verification for Entitlements (SAVE) system to verify the immigration status of applicants for many of the state's health care, cash and food assistance programs. A second component, also effective 7-01-01, requires that the commissioner notify the Immigration and Naturalization

Service (INS) of all undocumented persons who have been identified either through the application process or by an applicant's self-admission.

Several circumstances have changed since the beginning of the 2000 session that resulted in this proposal. Early in the session, the department testified that it did not object to replacing its federally approved verification system waiver with SAVE because it appeared that it would soon be federally mandated. Instead, the proposed federal regulations requiring SAVE were withdrawn, in part due to civil rights concerns. A date for re-publication of proposed regulations for public comment is not scheduled and once the comment period is closed, it is not known how long it will be before issuance of final regulations providing the state with any definitive requirements. The department could be prematurely investing in set up and training for a system whose requirements could be changed at a later date. Moreover, the department is confident that checks currently in place prevent ineligible people from receiving benefits.

There are also implementation concerns regarding INS notification provisions. Independent of the state notification law, the department must report to the INS when it knows a non-citizen is not lawfully present in the U.S. in the administration of the Minnesota Family Investment Program (MFIP). Recently issued federal guidelines, affecting federal benefits including MFIP and Medical Assistance (MA), are inconsistent with the standard in the state's INS notification law. The federal guidelines clearly limit reporting of undocumented persons to the INS to cases in which a person's illegal presence is supported by a final determination by the Executive Office of Immigration Review. Moreover, reporting is only to take place when immigration status was necessary in order to determine whether the applicant was eligible for the benefit involved. The state law requirement that extends to self-admission could violate this federal standard.

Although federal law prohibits INS from using information obtained through SAVE for enforcement purposes, immigrant communities have no trust that confidentiality will be honored. Community health care clinics are anxious that their efforts to assist eligible applicants in accessing health care coverage, if linked in any way to the INS, will erode the trusting relationships they've developed that are vital to their success in serving immigrant communities. They report that the prospect of the state's adoption of SAVE, inextricably linked in the minds of the public to the INS notification provisions, is already having an effect.

Members of Minnesota's congressional delegation recently held a public forum to air concerns that these laws create a significant barrier to immigrants' access to health care. Further, some county officials are concerned about uncompensated cost shifting that occurs when immigrants who fear applying for health care programs visit local hospital emergency rooms. Public health concerns continue to grow that immigrants will be sicker by the time they seek care, requiring costlier care and contributing to the spread of communicable diseases such as tuberculosis.

BUDGET CHANGE ITEM (51623) (Continued)

Budget Activity: GAMC GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT
Item Title: REPEAL SAVE/REPORTING REQUIREMENTS

OUTCOMES:

- Prevent barriers to necessary health, food, and cash assistance to citizen and non-citizen children in immigrant families, potentially impacting 1566 children on MFIP, 74 children on MinnesotaCare, and 275 children on General Assistance Medical Care (GAMC).
- Advance the state's commitment to cover uninsured children. An additional 800 children are estimated to receive health care coverage under this proposal.
- Avoid potential civil rights violations associated with the INS reporting requirements.
- Prevent serious public health consequences resulting from eligible citizens' and immigrants' failure to seek subsidized health care for treatment of communicable diseases.
- Avoid cost shifting to counties with large immigrant populations impacting county hospitals, food shelves, and emergency resources.

The impact of the anticipated deterrent effect is hardest on eligible children, whether it is the Minnesota Family Investment Program or health care program benefits that will not be sought. The laws will affect U.S. citizens as well as legal and undocumented immigrants. Legal immigrants who have undocumented family members living with them may not apply for benefits for fear their relatives will be discovered. Moreover, undocumented immigrants who have children who are citizens will not seek benefits for fear of being identified.

Policy guidelines were recently issued by the federal departments of Health and Human Services and Agriculture on when states may pose questions regarding immigration status and citizenship. They warn against the inadvertent violation of federal civil rights laws resulting from requirements that have the effect of discouraging enrollment of eligible program participants. The Title VI prohibition of discrimination on the basis of national origin could arguably be violated by the department's implementation of the INS notification law, intended only to enforce federal immigration laws rather than to advance public assistance program purposes.

Medical Assistance (MA) has strict federal privacy protections requiring state authorities to safeguard information about MA clients and prohibiting the disclosure of information to any outside entity unless it relates directly to the administration of the MA state plan.

The savings budgeted in the 2000 session associated with these requirements were based on the assumption that the requirement for the department to report to INS would deter some applications by otherwise eligible individuals. The costs shown on this budget page are for the reversal of those budgeted savings.

Proposal

This proposal would repeal the provisions requiring the use of SAVE and the INS notification requirements.

Administration Issues and Implementation

In the first year, there will be administrative savings reflecting a reversal of an appropriation for systems and training costs to set up SAVE.

BUDGET ACTIVITY SUMMARY

Budget Activity: HEALTH CARE - OTHER ASSISTANCE
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

This activity provides targeted grants that prevent individuals from needing to go on broader publicly-funded programs. The programs within this activity are not entitlements. Assistance is provided as long as money is available. The two grant categories within this activity are

- HIV/AIDS grants; and the
- Prescription Drug Program.

HIV/AIDS Programs

Services Provided

HIV/AIDS Programs help people living with HIV who have income under 300% of the federal poverty guideline (FPG) and cash assets under \$25,000.

Services provided include

- the patient's portion of the cost of HIV-related medications;
- premiums to keep individuals enrolled in their private insurance;
- counseling about options available for third-party coverage;
- dental services;
- up to \$50 a month of the cost of enteral nutrition; and
- case management through community-based vendors at a number of locations.

People Served

HIV/AIDS programs served the following number of people in FY 2000:

| | People Served | Avg. Cost Per Person |
|-------------------------------|---------------|----------------------|
| Assistance with cost of drugs | 750 | \$1,500 / yr. |
| Assistance with insurance | 766 | \$187 / mo. |
| Dental Services | 583 | \$107 / yr. |
| Nutritional Services | 815 | \$76 / yr. |
| Case management services | 981 | \$1,863 / yr. |

There is a constantly changing amount of overlap across these five groups of people since people go in and out of the various services, depending on need.

Prescription Drug Program

Services Provided

The Prescription Drug Program began in January 1999 and pays for prescription drugs. Drugs provided through this program are also eligible for rebates.

People Served

As of 9-1-2000, the Prescription Drug Program had 5,077 enrollees. These enrollees meet the following criteria:

- age 65 or over;
- eligible for Qualified Medicare Beneficiary only or Specified Low-Income Medicare Beneficiary only;
- Minnesota resident for six months;
- not currently receiving MA without a spend-down;
- assets less than \$10,000 individual or \$18,000 couple (some assets such as a homestead or burial fund are not counted);
- income less than 120% FPG;
- have no current or prior (last four months) prescription drug coverage or current or prior (last four months) Medigap coverage that includes a prescription drug benefit. (Prescription drug discount programs offered by health plans are not considered prescription drug coverage); and
- pay the monthly deductible of \$35.

Effective 7-1-02, persons with disabilities may also enroll if they meet all of the above criteria.

BUDGET ISSUES:

HIV/AIDS Programs

- Promising treatments of HIV with new combinations of drugs have resulted in a dramatic decline in the mortality and morbidity of the disease.
- Access and adherence to life-extending but expensive and complicated drug regimens is a potential challenge.
- A shift in service patterns is occurring with more needs associated with poverty, such as housing and emergency assistance, than with end-stage HIV disease needs like hospice care.
- The demographic of HIV/AIDS is changing too, with the disease more widely spread among women, people of color, and youth.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: HEALTH CARE - OTHER ASSISTANCE
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Prescription Drug Program

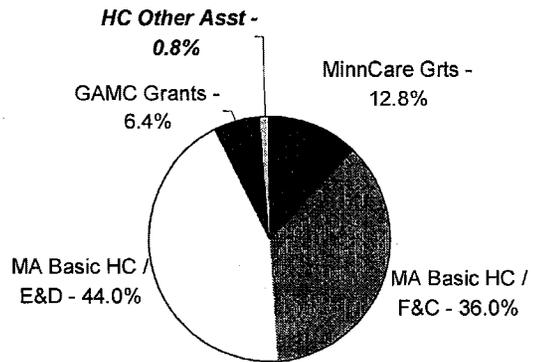
- Minnesota is one of 14 states addressing the need to provide seniors prescription drug coverage that is lacking under Medicare. A number of studies have addressed the problems encountered by low-income people who lack drug coverage:
 - A study of economic issues relating to access to medications found that millions of uninsured, low-income people are financially unable to obtain prescription drugs. As a result, funds spent to diagnose their underlying conditions may be wasted, and they are likely to suffer complications that require much more costly care.
 - Studies suggest that there is a positive relationship between drug use and income and insurance status. Those individuals with lower incomes are less likely to take their medications and thereby increase their risk of more serious ailments.

FINANCING INFORMATION:

(See charts which follow narrative.)

Basic Health Care Grants By Activity

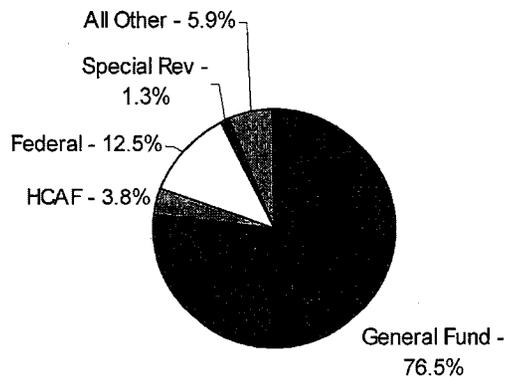
Total All Funds = \$2,405,827,000



Activity Finance Summary Health Care Grants – Other Assistance FY 2002 Base

Health Care Grants - Other Asst By Fund

Total All Funds = \$19,801,000



See Grant Detail

Activity: HEALTH CARE - OTHER ASSISTANCE
 Program: BASIC HEALTH CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|----------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 74 | 772 | 789 | 789 | 789 | 789 | 789 | 17 | 1.1% |
| Subtotal State Operations | 74 | 772 | 789 | 789 | 789 | 789 | 789 | 17 | 1.1% |
| PAYMENTS TO INDIVIDUALS | 543 | 2,731 | 17,094 | 13,508 | 8,416 | 16,795 | 6,995 | (4,414) | (22.3%) |
| LOCAL ASSISTANCE | 3,962 | 5,212 | 6,641 | 5,504 | 6,064 | 5,504 | 6,064 | 275 | 2.3% |
| Total Expenditures | 4,579 | 8,715 | 24,524 | 19,801 | 15,269 | 23,088 | 13,848 | (4,122) | (12.4%) |

| Change Items: | Fund | | | | | | |
|--|-------------|--|--|--|----------------|--|----------------|
| (B) REDIRECT MDH HIV CASE MGMT TO DHS | GEN | | | | 560 | | 560 |
| (B) INCOME STRD FOR ELDERLY AND DISABLED | GEN | | | | (5,092) | | (9,800) |
| Total Change Items | | | | | (4,532) | | (9,240) |

| Financing by Fund: | | | | | | | |
|----------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 2,526 | 6,770 | 18,741 | 15,155 | 10,623 | 18,442 | 9,202 |
| HEALTH CARE ACCESS | 1,065 | 731 | 1,125 | 750 | 750 | 750 | 750 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 0 | 0 | 1,479 | 919 | 919 | 919 | 919 |
| HEALTH CARE ACCESS | 0 | 307 | 450 | 248 | 248 | 248 | 248 |
| SPECIAL REVENUE | 0 | 0 | 250 | 250 | 250 | 250 | 250 |
| FEDERAL | 988 | 907 | 2,479 | 2,479 | 2,479 | 2,479 | 2,479 |
| Total Financing | 4,579 | 8,715 | 24,524 | 19,801 | 15,269 | 23,088 | 13,848 |

Grant Detail

Health Care Other Assistance

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|--|-------------------|---------------------|---------------|---------------|---------------|--------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATION</u> General Fund | | 6,770 | 18,741 | 15,155 | 10,623 | 18,442 | 9,202 |
| HIV / AIDS Grants and Services | Funding to clinics and community based organizations for the provision of case management services to persons living with HIV as well as payments to purchase insurance coverage for eligible individuals (approx. served FY 00 – 1,000) | 1,539 | 1,725 | 1,725 | 2,285 | 1,725 | 2,285 |
| Prescription Drug Program | Payments through MMIS to help low income senior citizens pay for prescription drugs (approx. served FY 00- 5,100) | 2,237 | 14,342 | 10,756 | 5,664 | 14,043 | 4,243 |
| PASS-ARR Transfer LTC Grant | Funding to reimburse counties for the cost of federally required pre-admission screening for people being considered for nursing facility admission and annual resident review for certain nursing facility residents | 23 | 115 | 115 | 115 | 115 | 115 |
| County PMAP Grants | Provides reimbursement to counties for the state share of Medical Assistance administrative costs related to health plan enrollment, education, and advocacy | 2,387 | 2,559 | 2,559 | 2,159 | 2,559 | 2,159 |
| LEP Grants | MA fee-for-service interpreter costs related to LEP budget initiative. | -0- | -0- | -0- | 400 | -0- | 400 |
| Community Dental Clinics | | 584 | -0- | -0- | -0- | -0- | -0- |
| Health Care Access Fund | | 731 | 1,125 | 750 | 750 | 750 | 750 |
| MNCare Outreach Grants | Grants to local community agencies to provide education about insurance, outreach to uninsured populations, and assistance in the Minnesota application process | 731 | 1,125 | 750 | 750 | 750 | 750 |

Grant Detail

Health Care Other Assistance

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|-----------------------------------|---|-------------------|---------------------|--------------|--------------|--------------|--------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| STATUTORY APPROPRIATION | | | | | | | |
| General Fund | | -0- | 1,479 | 919 | 919 | 919 | 919 |
| HIV / AIDS Grants & Services | Funding to help individuals with HIV / AIDS access cost-effective health care, case management and social services that treat HIV disease, prevent serious deterioration of health, or increase self sufficiency. Funding comes to DHS via interagency agreement (approx. served FY 00 – 1,000) | -0- | 1,479 | 919 | 919 | 919 | 919 |
| Health Care Access Fund | | 307 | 450 | 248 | 248 | 248 | 248 |
| MNCare Outreach Grants | Federal share of Outreach Grants to local community agencies to provide education about insurance, outreach to uninsured populations, and assistance in the Minnesota application process | 307 | 450 | 248 | 248 | 248 | 248 |
| Misc. Special Revenue Fund | | 0 | 250 | 250 | 250 | 250 | 250 |
| HIV / AIDS Grants and Services | Funding to community based providers that provide outreach to under served populations, assist people with HIV access drug assistance programs or support adherence to complex drug regimens. Funding comes from ADAP drug rebates. | 0 | 250 | 250 | 250 | 250 | 250 |
| Federal Funds | | 907 | 2,479 | 2,479 | 2,479 | 2,479 | 2,479 |
| HIV / AIDS Grants and Services | Dedicated Federal funding to help individuals with HIV / AIDS obtain medical care, drug therapies, nutritional supplements and or dental services.(approx. served FY 00 – 970) | 907 | 2,479 | 2,479 | 2,479 | 2,479 | 2,479 |

BUDGET CHANGE ITEM (51626)

Budget Activity: HEALTH CARE - OTHER ASSISTANCE
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: REDIRECT MDH HIV CASE MGMT TO DHS

Minnesota health care programs. State stakeholders agree that housing the administration of HIV case management services at DHS will be the most effective arrangement.

The number of people living with HIV in Minnesota has increased as new people are infected and those already infected are living longer. Epidemiological studies show that people contracting HIV are increasingly likely to be poor, women, people of color, and people with more complex needs and fewer resources who require more assistance.

Continually evolving treatments and research make HIV an ever-changing and complex disease to manage. This requires intensive direct client services.

Disparities in service utilization exist with African Americans and persons in rural areas being less likely to access needed services. Further developing the HIV case management system and integrating this system with other programs will enable the state to better meet people's needs.

Proposal

Transfer \$560,000 from the Minnesota Department of Health into the DHS Health Care Grants base for the provision of HIV case management.

Administration Issues and Implementation

This proposal will result in a more efficient use of available resources targeted to address the HIV epidemic at both the Department of Human Services and the Department of Health. The proposed transfer will allow state funds appropriated for HIV case management to be directly allocated to the lead state agency in this policy area (DHS), instead of through an interagency agreement with the Department of Health.

OUTCOMES:

- Elimination of interagency administrative activities that add no value to services received by consumers.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MDH Appropriation | \$(560) | \$(560) | \$(560) | \$(560) |
| MA Basic HC- Other Assist | 560 | 560 | 560 | 560 |
| Total | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 256B.431

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends directing \$560,000 in FY 2002 and FY 2003 currently appropriated to the Department of Health to the Department of Human Services for the provision of case management services to persons living with HIV. This transfer will not result in any change in General Fund expenditures.

RATIONALE:

HIV case management services in Minnesota are funded through a combination of state and federal funds requiring a complex series of interagency agreements and administrative activities. This transfer will streamline these activities.

In an effort to improve statewide access, ensure consistent standards of service, and most efficiently utilize available state resources, DHS is taking over lead responsibility for the administration of HIV case management. The Department of Health is supportive of this change in agency responsibilities and the requested appropriation transfer.

Background

The DHS HIV/AIDS Programs Unit operates a number of programs which help Minnesotans with HIV gain access to needed medical and social services. The programs are an integral part of a statewide system of care and services for persons living with HIV, which includes Medical Assistance and other

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PROGRAM SUMMARY

Program: HEALTH CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

Health Care Management is the administrative component of Basic Health Care Grants, including management of the Medicaid Management Information System (MMIS) computer system. Health Care Management's role is to provide effective, efficient, and appropriate purchasing, policy development, payments, and quality assurance for health care purchased through Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare.

Components

Health Care Management contains the following budget activities:

- Health Care Policy Administration; and
- Health Care Operations.

Services Provided

Health Care Management provides a wide range of services for MA, GAMC, and MinnesotaCare, including

- administering a centralized payment system;
- developing eligibility and health care delivery policy and practice;
- monitoring service providers to assure quality and prevent fraud;
- providing intergovernmental relations including federal waiver development;
- developing policy and benefit packages;
- processing 2,500 new applications and 3,500 renewals for Minnesota each month;
- providing training related to billing policy and procedure for approximately 30,000 providers;
- conducting quality of care reviews and customer satisfaction surveys and monitoring quality improvements in the performance of health care plans under contract;
- collecting, analyzing, and reporting service utilization on managed care claims data; and
- negotiating and managing contracts with health care plans to serve public enrollees.

People served

In addition to the nearly 500,000 Minnesotans receiving services through MA, GAMC, and MinnesotaCare, Health Care Management works directly with

- approximately 30,000 health care service providers, including inpatient and outpatient hospitals, dentists, physicians, mental health professionals, home care providers, and pharmacists;
- health care provider professional organizations;
- 87 Minnesota counties;
- Health Maintenance Organizations and other insurers; and
- the federal Health Care Financing Administration.

Accomplishments

- Ensured Y2K compliance without interrupted services to clients or providers.
- Used more federal waivers to coordinate services for enrollees who move between state and federally funded programs with different eligibility and benefits. These waivers make the programs work better for enrollees and allow DHS to maximize use of financial resources.
- Maintained health care purchasing systems that manage costs and deliver integrated and coordinated care.
- Developed new strategies to gather data from service providers and managed care plans to make sure enrollees are getting access to services and that those services are of high quality.
- Maintained good response times for processing medical claims so providers get paid, and implemented electronic government service strategies so enrollees get information quickly and providers get eligibility and coverage information immediately.
- Implemented technology solutions for program eligibility and information processing that can handle increasing program demands and can provide data for executive decision making.
- Paid 98% of all medical claims within 30 days in FY 2000.
- Maintained mission critical computer systems tied to medical claim processing--Eligibility Verification, Information Transfer System, Point of Sale, are optimally available.
- Planned for the implementation of the Health Insurance Portability and Accountability Act (HIPAA) which will involve implementing national standard transaction codes, unique identifiers, data privacy standards and new data security standards.
- Increased electronic transmission of medical claims from providers to DHS for payment to approximately 92% in FY 2000.

PROGRAM SUMMARY (Continued)

Program: HEALTH CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

- Processed over 17 million fee-for-service claims in FY 2000. Interest for delayed processing was paid on only 70 claims. Since FY 1997 DHS has processed 69.4 million claims, paying interest on only 3,127 claims.
- Handled between 900-1,200 calls a day in the MinnesotaCare program.
- Responded to 2,500 new applications and 3,500 renewals per month for MinnesotaCare.
- Expanded managed care for Prepaid Medical Assistance (PMAP) and Prepaid General Assistance Medical Care (PGAMC) from 17 to 52 counties between FY 1998-99.
- Managed the state drug rebate program and produced \$32 million in savings during FY 2000.
- Conducted fraud and abuse investigations, recovering approximately \$3 to \$4 million per year.
- Shortened the MinnesotaCare application form and improved outreach efforts.
- Identified strategies to more efficiently process MinnesotaCare applications.

STRATEGIES AND PERFORMANCE:

The goal of Health Care Management is to purchase quality health care service for enrollees while keeping costs affordable for taxpayers.

The performance measures for this program area are to

- purchase effective, coordinated and efficient health care services at the lowest possible price;
- ensure that providers understand how to work with public programs;
- ensure that quality care is provided to public clients;
- increase the efficiency of application and enrollment processes in health care;
- increase the percent of children who receive preventive health services;
- increase the percent of recipients who receive an appropriate level of service; and
- maintain compliance with provisions of the federal Health Insurance Portability and Accountability Act (HIPAA).

FINANCING INFORMATION:

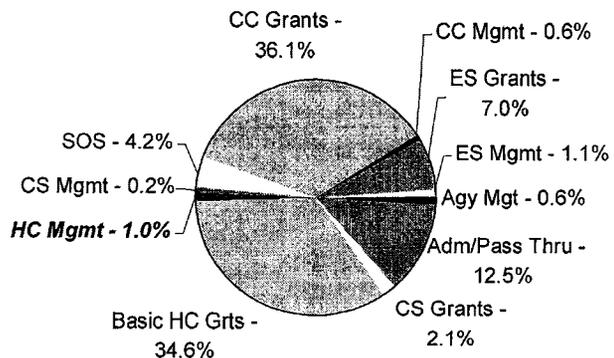
(See charts which follow narrative.)

BUDGET ISSUES:

- The federal Health Insurance Portability and Accountability Act (HIPAA) mandates standards for electronic transactions, security, and data privacy. Compliance with this national standard setting law is required for all health care payers and providers.
- DHS purchases health care in a competitive private marketplace and therefore is subject to the same pressures that face other purchasers in both the public and private sectors.
- Because DHS is so tied to the larger health care marketplace, it needs to keep its computer systems updated to communicate with other business partners. An important element in systems costs, in addition to policy changes, is maintaining business standards that are largely defined by the private sector.
- With greater use of managed care contracts to purchase services, staff work has changed. More staff are needed for contract management, oversight, and analysis than ever before.
- Service providers and enrollees expect and deserve prompt service. This expectation requires greater investments in technology to make data easily available and to automate information for direct access by providers where appropriate.
- Complexity in program eligibility requirements has required more time for application processing.

Dept Of Human Services By Program

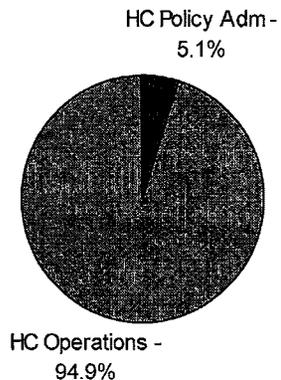
Total All Funds = \$6,945,370,000



**Program Finance Summary
Health Care Management
FY 2002 Base**

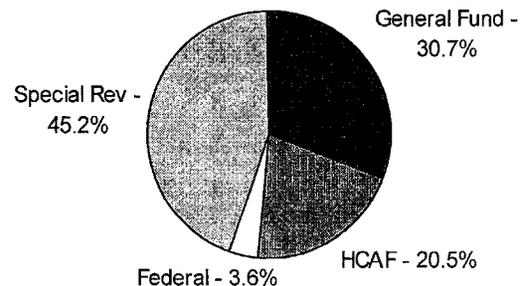
Health Care Management By Activity

Total All Funds = \$67,818,000



Health Care Operations By Fund

Total All Funds = \$67,818,000



Program: HEALTH CARE MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| HEALTH CARE POLICY ADMIN | 3,395 | 3,553 | 3,529 | 3,447 | 3,460 | 3,459 | 3,472 | (150) | (2.1%) |
| HEALTH CARE OPERATIONS | 47,887 | 49,250 | 61,668 | 64,371 | 68,006 | 63,677 | 68,770 | 25,858 | 23.3% |
| Total Expenditures | 51,282 | 52,803 | 65,197 | 67,818 | 71,466 | 67,136 | 72,242 | 25,708 | 21.8% |

| Change Items: | Fund | | | | | | | | |
|---|-------------|--|--|--|--------------|--|--|--------------|--|
| (B) REDUCE THE COST OF DRUGS | GEN | | | | 13 | | | 13 | |
| (B) IMPROVE AC CLIENT PREMIUM COLLECTIONS | GEN | | | | 60 | | | 5 | |
| (B) MNCARE STAFFING | HCA | | | | 2,064 | | | 2,556 | |
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | | 32 | | | 32 | |
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | | 140 | | | 140 | |
| (B) EXPAND FAMILY PLANNING SERVICES | GEN | | | | 751 | | | 960 | |
| (B) HEALTH CARE COVERAGE FOR CHILDREN | HCA | | | | 588 | | | 1,400 | |
| Total Change Items | | | | | 3,648 | | | 5,106 | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 10,261 | 8,487 | 8,947 | 20,825 | 21,821 | 21,201 | 22,351 | | |
| HEALTH CARE ACCESS | 10,909 | 10,925 | 12,371 | 13,876 | 16,528 | 14,179 | 18,135 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 0 | 435 | 55 | 55 | 55 | 55 | 55 | | |
| HEALTH CARE ACCESS | 0 | 300 | 0 | 0 | 0 | 0 | 0 | | |
| SPECIAL REVENUE | 28,831 | 31,785 | 41,247 | 30,622 | 30,622 | 29,306 | 29,306 | | |
| FEDERAL | 1,281 | 871 | 2,577 | 2,440 | 2,440 | 2,395 | 2,395 | | |
| Total Financing | 51,282 | 52,803 | 65,197 | 67,818 | 71,466 | 67,136 | 72,242 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| FULL TIME | 567.5 | 580.8 | 606.4 | 606.4 | 655.4 | 606.4 | 679.4 | | |
| Total Full-Time Equivalent | 567.5 | 580.8 | 606.4 | 606.4 | 655.4 | 606.4 | 679.4 | | |

BUDGET ACTIVITY SUMMARY

Budget Activity: HEALTH CARE POLICY ADMIN
Program: HEALTH CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

- Ensuring that eligibility criteria create the right incentives for people to work and access basic health care administrative support remains a concern. Policies and procedures used in the administration of these policies must not be unnecessarily complex or burdensome.

ACTIVITY PROFILE:

Purpose

Health Care Policy Administration is responsible for developing and implementing health care policy related to the Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare programs.

Services Provided

- Establish health care policy and leading implementation of policy initiatives.
- Develop payment policies, including fee-for-service and managed care rates that promote efficient delivery of MA, GAMC, and MinnesotaCare services.
- Monitor health plans to ensure contract compliance, value, access.

People Served

In addition to the nearly 500,000 Minnesotans enrolled in Minnesota's public health care programs in FY 2000, health care administration works with other entities including

- 30,000 medical services providers;
- over 24 state health care professional organizations;
- the federal Health Care Financing Administration and its Medicare program and intermediaries; and
- 87 counties.

FINANCING INFORMATION:

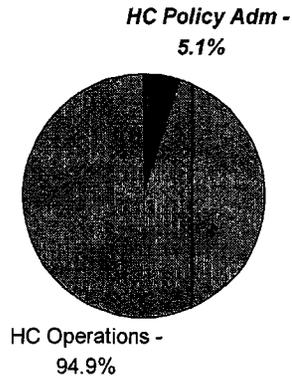
(See charts which follow narrative.)

BUDGET ISSUES:

- Maintaining sufficient resources to develop creative policies for delivering health care in a climate of rising costs and continued demand, while maintaining a high level of quality and reducing program complexity, remains an issue.
- Continued changes at the federal level in Medicare and Medicaid, patient protections, children's health insurance, and welfare reform place additional pressures on state programs to remain flexible.

Health Care Management By Activity

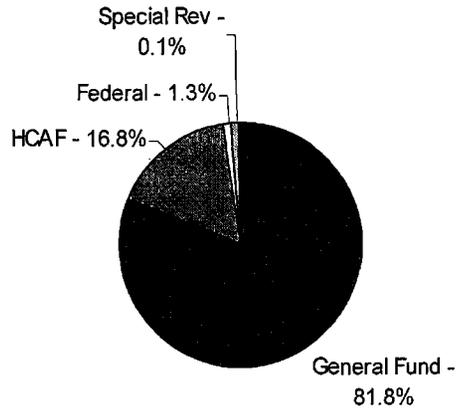
Total All Funds = \$67,818,000



**Activity Finance Summary
Health Care Policy Administration
FY 2002 Base**

Health Care Policy Admin By Fund

Total All Funds = \$3,447,000



Health Care Policy Admin – FTE Count

| Division | General Fund | HCAF | Spec Rev | Federal Fund | Other Funds | Total |
|--------------------|--------------|------------|------------|--------------|-------------|-------------|
| PMQI | 9.7 | 0.0 | 0.0 | 0.0 | 0.0 | 9.7 |
| Purch/Svc Delivery | 14.1 | 9.6 | 0.0 | 0.0 | 0.0 | 23.7 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | 23.8 | 9.6 | 0.0 | 0.0 | 0.0 | 33.4 |

Activity: HEALTH CARE POLICY ADMIN
 Program: HEALTH CARE MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 2,014 | 2,178 | 2,032 | 2,057 | 2,057 | 2,099 | 2,099 | (54) | (1.3%) |
| OTHER OPERATING EXPENSES | 1,381 | 1,375 | 1,497 | 1,390 | 1,403 | 1,360 | 1,373 | (96) | (3.3%) |
| Total Expenditures | 3,395 | 3,553 | 3,529 | 3,447 | 3,460 | 3,459 | 3,472 | (150) | (2.1%) |

| Change Items: | Fund | | | | | | |
|------------------------------|-------------|--|--|--|-----------|--|-----------|
| (B) REDUCE THE COST OF DRUGS | GEN | | | | 13 | | 13 |
| Total Change Items | | | | | 13 | | 13 |

| Financing by Fund: | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 2,744 | 2,835 | 2,781 | 2,820 | 2,833 | 2,860 | 2,873 |
| HEALTH CARE ACCESS | 648 | 706 | 562 | 578 | 578 | 595 | 595 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 3 | 0 | 4 | 4 | 4 | 4 | 4 |
| FEDERAL | 0 | 12 | 182 | 45 | 45 | 0 | 0 |
| Total Financing | 3,395 | 3,553 | 3,529 | 3,447 | 3,460 | 3,459 | 3,472 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| FULL TIME | 33.5 | 34.1 | 33.4 | 33.4 | 33.4 | 33.4 | 33.4 |
| Total Full-Time Equivalent | 33.5 | 34.1 | 33.4 | 33.4 | 33.4 | 33.4 | 33.4 |

BUDGET ACTIVITY SUMMARY

Budget Activity: HEALTH CARE OPERATIONS
Program: HEALTH CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Health Care Operations provides the operations infrastructure necessary for effective and efficient health care purchasing and delivery for Medical Assistance (MA), MinnesotaCare and General Assistance Medical Care (GAMC). This includes administering centralized medical payment systems such as the Medicaid Management Information System (MMIS), administering managed care contracts, conducting eligibility determinations, and conducting quality improvement and data analysis program management.

Services Provided

- Operating centralized payment systems (MMIS) for MA, MinnesotaCare, and GAMC. This means processing over 21 million medical claims annually, to include capitation payments for enrollees in managed care.
- Maintaining health care provider enrollment agreements.
- Negotiating and administering managed care contracts for the Prepaid Medical Assistance Program (PMAP), Prepaid General Assistance Medical Care (PGAMC), and prepaid MinnesotaCare.
- Supporting client communication and outreach including benefit statements, renewal notices, and informational materials.
- Maintaining on-line system availability for claims operation, customer services, and eligibility verification for 30,000 providers.
- Supporting enhanced electronic claim activity to increase processing efficiency and decrease administrative costs. This includes maintaining a viable point of sale system for pharmacy.
- Supporting the collection of MinnesotaCare premiums and the development of financial control programs capable of supporting additional premium-based health care purchasing concepts.
- Identifying all liable third parties required to pay for medical expenses before expenditure of state funds and recovering costs from other insurers, which includes maximizing Medicare participation in the cost of all services for dually-eligible clients, with emphasis on Long-Term Care and Home Health Services.
- Seeking and administering federal waivers that increase federal financial participation and/or improve flexibility for more efficient operations and greater access.

- Administering the medical care surcharge to ensure maximum receipt of surcharge funds from nursing care facilities and inpatient hospitals in compliance with federal laws and regulations.
- Processing MinnesotaCare applications and renewals and providing customer services to applicants and enrollees.

People Served

In addition to the nearly 500,000 Minnesotans receiving services through MA, GAMC, and MinnesotaCare, health care operations work directly with

- approximately 30,000 health care service providers, including inpatient and outpatient hospitals, dentists, physicians, mental health professionals, home care providers and pharmacists;
- approximately 24 health care provider professional organizations;
- financial and waived services staff in 87 Minnesota counties;
- health maintenance organizations and other insurers; and
- Medicare--both through the federal Health Care Financing Administration and its Medicare intermediaries.

FINANCING INFORMATION:

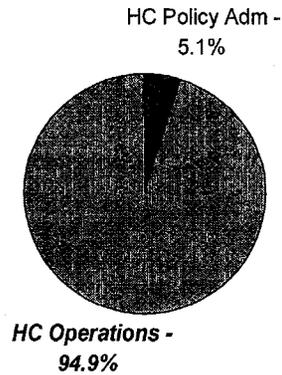
(See charts which follow narrative.)

BUDGET ISSUES:

- The Health Insurance Portability and Accountability Act (HIPAA) mandates new national standards for electronic transactions, security, and data privacy. This act affects both public sector and private sector health purchasers and represents major changes in policy and computer systems in order to comply.
- Enrollment in public health care programs has increased significantly in recent years, both in terms of number of clients and program complexity. Transitioning away from major categorical eligibility groups with standard benefit sets, to very focused eligibility criteria with an array of benefit sets and funding sources, creates significant complications in computer programming and managed care contracting.
- Particularly in the purchasing of health care, service providers, DHS business partners, and applicants/enrollees themselves are expecting greater use of web-based technology by DHS to disseminate and exchange information. DHS policy and operations staff are also identifying ways to improve services but need additional electronic government services technical infrastructure in order to fully implement them.

Health Care Management By Activity

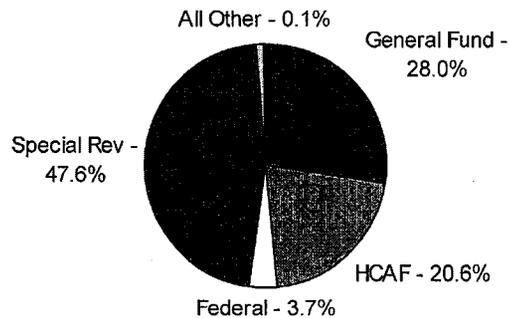
Total All Funds = \$67,818,000



Activity Finance Summary Health Care Operations FY 2002 Base

Health Care Operations By Fund

Total All Funds = \$64,371,000



Health Care Operations – FTE Count

| Division | General Fund | HCAF | Spec Rev | Federal Fund | Other Funds | Total |
|--------------------|--------------|--------------|--------------|--------------|-------------|--------------|
| HIV / AIDs | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| HC Elig/Access | 16.1 | 185.0 | 30.6 | 0.0 | 0.0 | 231.7 |
| HC Operations | 4.5 | 0.0 | 197.4 | 0.0 | 0.0 | 201.9 |
| PMQI | 22.0 | 4.0 | 2.0 | 14.3 | 0.0 | 42.3 |
| Purch/Svc Delivery | 33.8 | 8.0 | 54.3 | 0.0 | 0.0 | 96.1 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | 77.4 | 197.0 | 284.3 | 14.3 | 0.0 | 573.0 |

Activity: HEALTH CARE OPERATIONS
 Program: HEALTH CARE MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 23,727 | 26,324 | 30,829 | 31,770 | 33,362 | 32,601 | 35,829 | 12,038 | 21.1% |
| OTHER OPERATING EXPENSES | 24,160 | 22,926 | 30,839 | 32,601 | 34,644 | 31,076 | 32,941 | 13,820 | 25.7% |
| Total Expenditures | 47,887 | 49,250 | 61,668 | 64,371 | 68,006 | 63,677 | 68,770 | 25,858 | 23.3% |

| <u>Change Items:</u> | <u>Fund</u> | | | | | | | | |
|---|-------------|--|--|--|--------------|--|--------------|--|--|
| (B) IMPROVE AC CLIENT PREMIUM COLLECTIONS | GEN | | | | 60 | | 5 | | |
| (B) MNCARE STAFFING | HCA | | | | 2,064 | | 2,556 | | |
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | | 32 | | 32 | | |
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | | 140 | | 140 | | |
| (B) EXPAND FAMILY PLANNING SERVICES | GEN | | | | 751 | | 960 | | |
| (B) HEALTH CARE COVERAGE FOR CHILDREN | HCA | | | | 588 | | 1,400 | | |
| Total Change Items | | | | | 3,635 | | 5,093 | | |

| <u>Financing by Fund:</u> | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 7,517 | 5,652 | 6,166 | 18,005 | 18,988 | 18,341 | 19,478 | | |
| HEALTH CARE ACCESS | 10,261 | 10,219 | 11,809 | 13,298 | 15,950 | 13,584 | 17,540 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 0 | 435 | 55 | 55 | 55 | 55 | 55 | | |
| HEALTH CARE ACCESS | 0 | 300 | 0 | 0 | 0 | 0 | 0 | | |
| SPECIAL REVENUE | 28,828 | 31,785 | 41,243 | 30,618 | 30,618 | 29,302 | 29,302 | | |
| FEDERAL | 1,281 | 859 | 2,395 | 2,395 | 2,395 | 2,395 | 2,395 | | |
| Total Financing | 47,887 | 49,250 | 61,668 | 64,371 | 68,006 | 63,677 | 68,770 | | |

| <u>FTE by Employment Type:</u> | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| FULL TIME | 534.0 | 546.7 | 573.0 | 573.0 | 622.0 | 573.0 | 646.0 | | |
| Total Full-Time Equivalent | 534.0 | 546.7 | 573.0 | 573.0 | 622.0 | 573.0 | 646.0 | | |

BUDGET CHANGE ITEM (51541)

Budget Activity: HEALTH CARE OPERATIONS
Program: HEALTH CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

**Item Title: IMPROVING COLLECTION AND REPORTING OF
 ALTERNATIVE CARE PROGRAM CLIENT PREMIUMS
 THROUGH STATE INVOICING**

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------|------------------|----------------|------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Health Care Operations | \$60 | \$5 | \$5 | \$5 |
| Alternative Care Grants | (250) | (500) | (500) | (500) |
| Total | \$(190) | \$(495) | \$(495) | \$(495) |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 256B.0913 subd. 12

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the General Fund budget of \$190,000 in FY 2002 and \$495,000 in FY 2003 attributable to increased Alternative Care (AC) premium collections that will result from state-centralized billing and collection.

RATIONALE:

Background

Each county currently handles the billing and maintains the client premium amount owed according to their office policies and with resources available to them, which vary from county to county. All premiums collected by the county are to be recorded in MMIS and then paid to DHS after a monthly billing by DHS in the Minnesota Accounting and Procurement System (MAPS). DHS is unable to report Alternative Care premium debt comprehensively to the commissioner of Finance as required in M.S. 16D.03, subd. 2.

Alternative Care premiums, for qualified persons, are 25% of the cost of alternative care services. By sharing this Alternative Care premium information with the state, the business of billing for and collecting premiums can be handled in a cost-effective manner through the use of technology and economies of scale.

Proposal

The state will assume the responsibility of billing and collecting Alternative Care premiums, saving the county the effort and expense and allowing for consistent program administration in collection of this revenue item. This change will permit the counties to use existing resources to improve client services rather than the billing and collection efforts currently undertaken.

Administration Issues and Implementation

MMIS changes will be required and need to be coordinated with other MMIS program changes. It will take approximately six months to plan, develop, and implement centralized billing and receipting of Alternative Care premiums using MMIS. Full implementation of this change is proposed to begin 1-1-02.

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------------|------------------|----------------|------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| AC savings / increased premiums | \$(250) | \$(500) | \$(500) | \$(500) |
| MMIS costs (state share) | 60 | 5 | 5 | 5 |
| Total | \$(190) | \$(495) | \$(495) | \$(495) |

OUTCOMES:

- The county will continue to determine the initial billed amount and any adjustments due to changes in income.
- The state expects to see an increase in the amount of collections from \$2 million to \$2.5 million and in the speed of collections, after centralization of billing and collecting.
- After implementation, the state will be able to provide more accurate data required for the accounts receivable reports to the Department of Finance as required in M.S. 16D.03, subd. 2. This data will be used to evaluate our outcomes.
- This proposal puts the state in a role of billing and collecting and allows counties to focus on providing services not collections.

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PROGRAM SUMMARY

Program: STATE OPERATED SERVICES
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

State Operated Services furthers DHS's mission by providing direct care safety net services for persons with disabilities. These services are provided to clients by DHS at campus-based Regional Treatment Centers (RTCs), and state operated programs and residences located in community sites. Also included is the Minnesota Sex Offender Program treating individuals committed as sexual psychopaths and/or sexually dangerous persons. Collectively, these are called State Operated Services (SOS). Over 4,000 full-time employees (FTEs) work within SOS.

Components

State Operated Services contains the following budget activities.

- Safety-Net Services, that receive General Fund appropriations to assure their availability
- Enterprise Services, that operate in the marketplace off revenues collected for client services

People Served

SOS provides services to approximately 18,400 people annually. Clients of SOS include people with chemical dependency, mental illness, developmental disabilities, traumatic brain injuries, psychopathic personalities and elderly with severe behavioral problems.

Services provided

SOS provides the full range of services required of licensed psychiatric hospitals, chemical dependency treatment programs, nursing homes, intermediate care facilities for the mentally retarded, adult foster homes, day training and habilitation services, community support and crisis services, and consultant services for private providers.

DHS Functions

The State Operated Services Support Division (SOSSD) within DHS Central Office serves as liaison between service sites and other state agencies. The division's role is to establish consistent operational policies and criteria to monitor quality and compliance with federal and state laws and regulations. In addition SOSSD maintains the standardized accounting and reimbursement systems to assure maximum collection from third party resources for covered client services.

Accomplishments

Minnesota's SOS have yielded many recent successes. These include

- successful return of all clients with developmental disabilities to community residential options;
- greater citizen participation and oversight of SOS through the creation of a citizen governing board;
- development of a collaboration with the Department of Corrections to assure a consistent strategy to manage sex offender treatment in the state of Minnesota;
- expansion of enterprise activities to decrease reliance on the state general fund;
- creation of specialized programs for clients in short-term crisis such as the Minnesota Extended Treatment Options program;
- continued partnering between SOS, counties and local mental health providers under the Adult Mental Health Initiatives to offer needed mental health services in the community;
- development of a nationally recognized sex offender treatment program in response to public concerns;
- completion of new hospital building on the Anoka Metro Regional Treatment Center campus; and
- transfer of surplus buildings at Anoka, Brainerd and Fergus Falls to other public agencies.

STRATEGIES AND PERFORMANCE:

Since 1995, SOS has implemented a strategic direction that focuses on improved person-centered care to clients, expanded partnering with communities and elimination of redundant administrative and support services as the system changes. Based on analysis of utilization trends over the past 10 years and expansion of community service alternatives, it is expected that SOS will continue to

- evolve from a system of bed-based services on regional treatment center campuses to an array of services including inpatient, transition services, community consultation/liason and crisis intervention;
- consolidate and simplify administrative and support services and dispose of surplus space in order to keep SOS cost efficient and competitive in the marketplace;
- respond to increased demand for forensic mental health services (serving persons who are mentally ill and dangerous, sex offenders, and complicated

PROGRAM SUMMARY (Continued)

Program: STATE OPERATED SERVICES
Agency: HUMAN SERVICES DEPT

juvenile cases) by focusing on community and interagency consultation, outpatient evaluations, post-discharge follow-up and early intervention in order to manage referrals and control growth; and

- maintain current market share or expand enterprise operations with careful consideration of the appropriate service site and level of care based on client needs.

In response to external changes in the health care environment, SOS will

- develop and implement models of person-centered treatment and support across all venues;
- redirect resources to expand community-based services for disabled populations and to provide incentives for needed changes in service delivery;
- collaborate with other state departments and county agencies to develop uniform and/or integrated services for shared client populations; and
- simplify and reduce the administrative structure of SOS to maximize cost efficiency and competitiveness in the marketplace.

FINANCING INFORMATION:

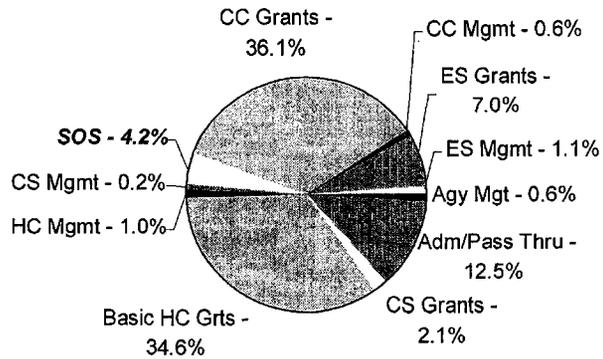
(See charts which follow narrative.)

BUDGET ISSUES:

- Growing number of individuals committed under sexual psychopath statutes. The overall goal of the DOC/DHS collaboration is to: 1) safeguard the public; 2) increase personal accountability for offenders; 3) provide appropriate treatment for offenders willing to engage in treatment; and 4) house treatment "refusers" in the most cost efficient manner possible. At this point, it is preliminary to predict the financial impact of these changes; however the intent of the collaboration is to reduce the need to increase the number of MSOP beds by working with the DOC to best use resources for the treatment and secure confinement of sex offenders.
- Trend toward serving more persons with serious and persistent mental illness in their home communities while avoiding or reducing inpatient hospital stays through our Mental Health Initiatives.

Dept Of Human Services By Program

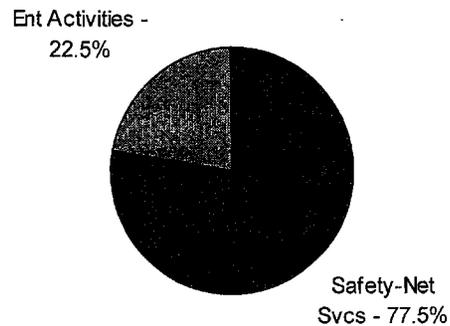
Total All Funds = \$6,945,370,000



**Program Finance Summary
State Operated Services
FY 2002 Base**

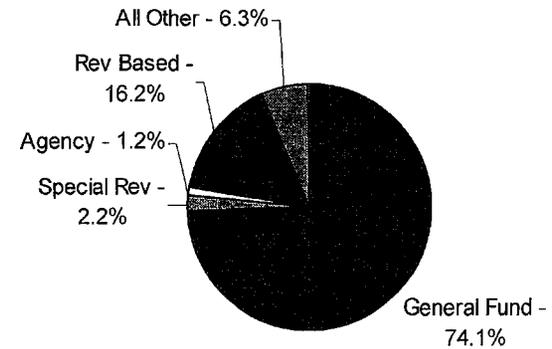
State Operated Services By Activity

Total All Funds = \$290,081,000



State Operated Services By Fund

Total All Funds = \$290,081,000



Program: STATE OPERATED SERVICES
 Agency: HUMAN SERVICES DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| SOS - SAFETY NET | 216,342 | 212,004 | 224,463 | 224,827 | 221,080 | 225,870 | 216,405 | 1,018 | 0.2% |
| SOS - ENTERPRISE ACTIVITIES | 53,924 | 56,561 | 67,011 | 65,254 | 65,254 | 65,254 | 65,254 | 6,936 | 5.6% |
| Total Expenditures | 270,266 | 268,565 | 291,474 | 290,081 | 286,334 | 291,124 | 281,659 | 7,954 | 1.4% |

| Change Items: | Fund | | | | | | |
|--|------|--|--|--|----------------|--|----------------|
| (B) SEX OFFENDER TREATMENT | GEN | | | | (3) | | (4) |
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | | (3,744) | | (9,461) |
| Total Change Items | | | | | (3,747) | | (9,465) |

| Financing by Fund: | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 204,522 | 197,517 | 215,664 | 214,887 | 211,140 | 215,930 | 206,465 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 9,851 | 12,595 | 51 | 51 | 51 | 51 | 51 |
| SPECIAL REVENUE | 868 | 888 | 6,929 | 6,324 | 6,324 | 6,324 | 6,324 |
| FEDERAL | 119 | 99 | 121 | 110 | 110 | 110 | 110 |
| MISCELLANEOUS AGENCY | 3,389 | 3,360 | 3,429 | 3,429 | 3,429 | 3,429 | 3,429 |
| GIFT | 18 | 22 | 22 | 22 | 22 | 22 | 22 |
| ENDOWMENT | 7 | 2 | 4 | 4 | 4 | 4 | 4 |
| CHEMICAL DEPENDENCY TREATMENT | 12,884 | 14,236 | 0 | 0 | 0 | 0 | 0 |
| REVENUE BASED STATE OPER SERV | 38,608 | 39,846 | 46,907 | 46,907 | 46,907 | 46,907 | 46,907 |
| MN NEUROREHAB HOSPITAL BRAINER | 0 | 0 | 3,232 | 3,232 | 3,232 | 3,232 | 3,232 |
| DHS CHEMICAL DEPENDENCY SERVS | 0 | 0 | 15,115 | 15,115 | 15,115 | 15,115 | 15,115 |
| Total Financing | 270,266 | 268,565 | 291,474 | 290,081 | 286,334 | 291,124 | 281,659 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| FULL TIME | 4,285.6 | 4,297.7 | 4,079.2 | 3,971.2 | 3,889.5 | 3,971.2 | 3,869.9 |
| Total Full-Time Equivalent | 4,285.6 | 4,297.7 | 4,079.2 | 3,971.2 | 3,889.5 | 3,971.2 | 3,869.9 |

BUDGET ACTIVITY SUMMARY

Budget Activity: SOS – SAFETY NET
Program: STATE OPERATED SERVICES
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

The primary mission of State Operated Services (SOS) safety net services is to provide specialized treatment and related supports for persons with disabilities who cannot otherwise access needed services in community settings. These services are provided in campus-based programs, community facilities and group homes and through direct outreach services to individuals.

People Served and Services Provided

SOS safety net services consist of inpatient and community-based services for persons with mental illness; specialized treatment programs for persons with developmental disabilities who pose a public safety risk; specialized forensic services for persons who are committed mentally ill and dangerous or who are serious sex offenders; and nursing care for individuals who are referred from other SOS programs or have significant behavior problems. A description of each safety net service is summarized below.

Clients are referred to SOS safety net programs by the courts, physicians, county and community social service agencies, family members or as client self-referrals. In order to assure the availability of service when clients present in need, the SOS safety net services are prospectively funded through a general fund allocation. Reimbursement is sought from Medicare, Medical Assistance, private insurance, and client personal funds. Collections are returned to the General Fund.

Each year approximately 5,000 individuals are admitted to SOS campus-based safety net services. New psychotropic medications and other treatment advances have reduced the average lengths of stay for inpatient clients. As a result, the average daily population for many campus-based programs has declined over the past five fiscal years.

| | <u>FY 1996</u> | <u>FY 1997</u> | <u>FY 1998</u> | <u>FY 1999</u> | <u>FY 2000</u> |
|----------------------|----------------|----------------|----------------|----------------|----------------|
| MH (adult) | 786 | 727 | 619 | 612 | 587 |
| MH (adolescent) | 52 | 52 | 48 | 46 | 41 |
| MN Security Hospital | 178 | 181 | 174 | 168 | 170 |
| DD | 419 | 280 | 194 | 102 | 59 |
| NF | 257 | 247 | 222 | 198 | 176 |
| PP | <u>85</u> | <u>91</u> | <u>122</u> | <u>142</u> | <u>159</u> |
| TOTAL | 1,787 | 1,578 | 1,379 | 1,268 | 1,192 |

Client contacts within community-based services are approximately 9,000 per year.

■ **Mental Health (MH) Services**

Inpatient psychiatric services are provided to persons with mental illness at the Regional Treatment Centers (RTCs) in Anoka, Brainerd, Fergus Falls, St. Peter and Willmar. The closure of the Moose Lake Regional Treatment Center in 1995 provided the opportunity for the development of an array of creative community-based services delivered in partnership with counties and other community service providers. These cooperative relationships have been replicated in other parts of Minnesota. Mental Health safety net services also include a 15 bed psychiatric facility in Eveleth, two transitional programs based on the social-rehabilitation treatment model in the Twin Cities and consultation and aftercare services across the state. In addition, there are 225 SOS staff who are assigned to work in community settings under the direction of the local mental health authority through the Adult Mental Health Initiatives Program, which is a collaboration between the state and local mental health agencies providing needed services in the community.

■ **Forensic Services**

Statewide forensic safety net services include two major program areas. The Minnesota Security Hospital (MHS), a 200-bed facility located in St. Peter, provides multi-disciplinary forensic treatment services for individuals who are under civil commitment as mentally ill and dangerous. This facility serves male and female adults from all 87 Minnesota counties; all are admitted pursuant to judicial or other lawful orders for assessment and/or treatment of acute and chronic major mental disorders. MSH also provides comprehensive court-ordered forensic evaluations, including competency to stand trial and pre-sentence mental health evaluations.

Minnesota's second forensic program is the Minnesota Sex Offender Program (MSOP). This program consists of the 150 bed Minnesota Psychopathic Personality Treatment Center in Moose Lake and 2 evaluation and transition units of 25-beds each located on the St. Peter RTC campus. Individuals are referred to the sex offender program through the civil commitment process following completion of their sentence in the Department of Corrections (DOC). During the past 6 months, DHS and DOC have collaborated to establish a uniform process for managing sex offenders. Changes to procedures are described elsewhere in this budget.

■ **Developmental Disabilities (DD) Services**

The only campus-based program operated by SOS for people with developmental disabilities is the Minnesota Extended Treatment Option (METO) program. This is a 48 bed specialized service for individuals whose behaviors present a public safety risk. The focus of treatment in this program

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: SOS – SAFETY NET
Program: STATE OPERATED SERVICES
Agency: HUMAN SERVICES DEPT

is on changing client behavior that will permit them to return to the community. Typical lengths of stay at METO are slightly over one year. Since no large ICF/MR programs are operated at the RTCs, the state has redefined its safety net obligations to include community support services. These staff are available to work in the community to provide technical assistance, staff training and education, crisis intervention, and direct staff support to families and providers. When a client must be removed from the residential setting, SOS can also arrange for placement in crisis beds located in community residences.

Also included among SOS safety net services are 15 intermediate care facilities for the mentally retarded located in community settings and two community health clinics that provide psychiatric and dental services to people with developmental disabilities who are unable to obtain these services in the community.

- Nursing Facility (NF) Services
SOS operates the Ah-Gwah-Ching Center and Woodhaven Senior Community Center on the Brainerd RTC campus as nursing homes for elderly clients referred from other parts of state operated services. These facilities also accept referrals from community nursing homes for clients who have severe and challenging behavior problems.

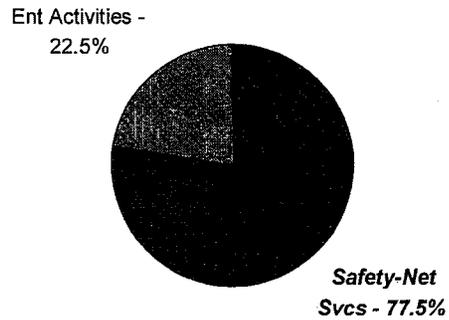
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

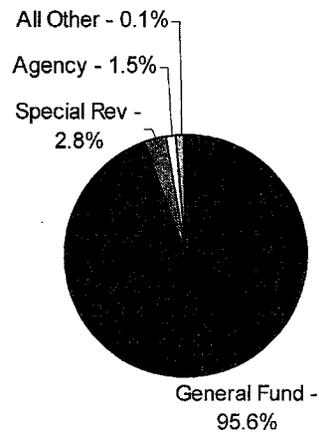
- Significant increases in the cost of fuel combined with severe weather conditions have strained the SOS Safety Net appropriation for FY 2001.
- Pharmaceutical costs have increased significantly over the past five years. New drugs are being patented that treat mental illness with less side effects. These are becoming first line drugs. Generic drugs are not available until the patent expires. The average cost of these new drugs per client ranges between \$2,000 and \$8,000 annually. As a result, more appropriated funds have been dedicated to cover the cost of pharmaceuticals.

State Operated Services By Activity
Total All Funds = \$290,081,000



Activity Finance Summary
Safety-Net Services
FY 2002 Base

Safety-Net Services By Fund
Total All Funds = \$224,827,000



Activity: SOS - SAFETY NET
 Program: STATE OPERATED SERVICES
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 171,996 | 173,617 | 177,284 | 180,106 | 176,359 | 181,963 | 172,498 | (2,044) | (0.6%) |
| OTHER OPERATING EXPENSES | 36,592 | 31,392 | 40,504 | 38,046 | 38,046 | 37,232 | 37,232 | 3,382 | 4.7% |
| OTHER FINANCIAL TRANSACTIONS | 21 | 16 | 18 | 18 | 18 | 18 | 18 | 2 | 5.9% |
| Subtotal State Operations | 208,609 | 205,025 | 217,806 | 218,170 | 214,423 | 219,213 | 209,748 | 1,340 | 0.3% |
| CAPITAL OUTLAY & REAL PROPERTY | 1,313 | 434 | 0 | 0 | 0 | 0 | 0 | (434) | (100.0%) |
| PAYMENTS TO INDIVIDUALS | 4,089 | 4,144 | 4,184 | 4,184 | 4,184 | 4,184 | 4,184 | 40 | 0.5% |
| LOCAL ASSISTANCE | 2,331 | 2,401 | 2,473 | 2,473 | 2,473 | 2,473 | 2,473 | 72 | 1.5% |
| Total Expenditures | 216,342 | 212,004 | 224,463 | 224,827 | 221,080 | 225,870 | 216,405 | 1,018 | 0.2% |

| <u>Change Items:</u> | <u>Fund</u> | | | | | | | | |
|--|-------------|--|--|--|----------------|--|--|----------------|--|
| (B) SEX OFFENDER TREATMENT | GEN | | | | (3) | | | (4) | |
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | | (3,744) | | | (9,461) | |
| Total Change Items | | | | | (3,747) | | | (9,465) | |

| <u>Financing by Fund:</u> | | | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 204,462 | 197,517 | 213,907 | 214,887 | 211,140 | 215,930 | 206,465 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 7,540 | 10,121 | 51 | 51 | 51 | 51 | 51 | | |
| SPECIAL REVENUE | 808 | 888 | 6,929 | 6,324 | 6,324 | 6,324 | 6,324 | | |
| FEDERAL | 119 | 99 | 121 | 110 | 110 | 110 | 110 | | |
| MISCELLANEOUS AGENCY | 3,389 | 3,360 | 3,429 | 3,429 | 3,429 | 3,429 | 3,429 | | |
| GIFT | 17 | 17 | 22 | 22 | 22 | 22 | 22 | | |
| ENDOWMENT | 7 | 2 | 4 | 4 | 4 | 4 | 4 | | |
| Total Financing | 216,342 | 212,004 | 224,463 | 224,827 | 221,080 | 225,870 | 216,405 | | |

| <u>Revenue Collected:</u> | | | | | | | | | |
|---------------------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|--|--|
| Dedicated | | | | | | | | | |
| SPECIAL REVENUE | 0 | 0 | 58 | 58 | 58 | 58 | 58 | | |
| Total Revenues Collected | 0 | 0 | 58 | 58 | 58 | 58 | 58 | | |

| <u>FTE by Employment Type:</u> | | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|--|
| FULL TIME | 3,372.4 | 3,340.5 | 3,160.6 | 3,052.6 | 2,970.9 | 3,052.6 | 2,951.3 | | |
| Total Full-Time Equivalent | 3,372.4 | 3,340.5 | 3,160.6 | 3,052.6 | 2,970.9 | 3,052.6 | 2,951.3 | | |

BUDGET CHANGE ITEM (51560)

Budget Activity: SOS - SAFETY NET
Program: STATE OPERATED SERVICES
Agency: HUMAN SERVICES DEPT

Item Title: REFOCUS AND STABILIZE SEX OFFENDER TREATMENT

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|-----------------|------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| SOS Safety-Net Services | \$ (3) | \$ (4) | \$ 1 | \$ -0- |
| MA LTC Facilities | (65) | (118) | (19) | (20) |
| Total | \$ (68) | \$ (122) | \$ (18) | \$ (20) |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| SOS Lost/ Add'l Collections | \$ (68) | \$ (122) | \$ (18) | \$ (20) |
| Statutory Change? Yes ___ No <u> x </u> | | | | |
| <input checked="" type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends reallocating savings due to State Operated Services (SOS) administrative simplification/restructuring efforts to fund operating costs associated with the expansion of the Minnesota Sex Offenders Program and to fund the Department of Human Services and the Department of Corrections collaboration on treating Sex Offenders.

RATIONALE:

Background

Utilization trends of Regional Treatment Centers (RTCs) over the past 10 years for persons with mental illness, developmental disabilities, chemical dependency and other disabling conditions has slowly decreased and it is expected that the trend will continue as the community infrastructure is developed and expanded. The total average daily census in SOS campus-based system could drop from 1,179 as of June 2000 to approximately 750 by 2005. SOS has taken the steps to consolidate and simplify administrative and support services to keep SOS cost efficient and competitive in the marketplace.

At the same time, the rate of growth of the Minnesota Sex Offender Program (MSOP) has continued. The MSOP admits approximately 20 offenders each

year who are of high risk and unlikely to participate in treatment. The average daily population as of June 2000 was 167. As a result of this increasing demand for services, the 2000 Legislature approved funding to remodel residential and program areas at the St. Peter facility. Upon completion of the remodeling, the new building complex will provide residential and program space for approximately 100 additional secure beds for the Minnesota Sex Offenders Program to meet short and long term need.

Since the growth rate of the sex offenders program is not sustainable, the Department of Human Services (DHS) and the Department of Corrections (DOC) began a collaboration to define a more effective and efficient way to manage Minnesota's sex offender population. The current structure of the sex offender system does not provide adequate incentive or treatment resources for high risk offenders to engage in treatment during their incarceration resulting in individuals being committed to the Minnesota Sex Offender Program operated by DHS.

Proposal

SOS Administrative Simplification

Additional efforts to consolidate administrative and support functions will occur as the system evolves during the FY 2002-03 biennium. Resulting savings will be used to fund the operational costs of opening the new sex offender treatment units at St. Peter Regional Treatment Center as well as the DOC/DHS collaboration.

DOC/DHS Collaboration

- Implement a single treatment program for sex offenders across agencies including DHS level of treatment in the DOC.
- Screen offenders upon admission to the DOC and offer appropriate level of treatment.
- Revoke the conditional release and return to prison offenders who are in the DHS treatment setting and who refuse treatment.
- Put in place program evaluation tools to assess the performance and efficiency of the sex offender management between both departments.
- Delay, and possibly decrease, admissions to the MSOP program.

Administration Issues and Implementation

The DOC/DHS collaboration process will begin in the fall of 2000 with the screening of approximately 1,300 sex offenders currently in the DOC. Those identified by the screening process as high risk will be required to complete MSOP level sex offender treatment during their incarceration. Offenders who refuse or fail to complete treatment successfully will be subject to extended incarceration through disciplinary confinement and/or conditional release.

BUDGET CHANGE ITEM (51560) (Continued)

Budget Activity: SOS - SAFETY NET
Program: STATE OPERATED SERVICES
Agency: HUMAN SERVICES DEPT

- House offenders who refuse treatment in the most cost effective manner possible.

Item Title: REFOCUS AND STABILIZE SEX OFFENDER TREATMENT

The MSOP level sex offender treatment will become available in the DOC in July of 2001. It will begin with 20 treatment beds with additional beds added each of the next two years for a total of 60 treatment beds by the end of FY2003.

Although the DOC/DHS collaborative will lessen or delay admissions in the future to the MSOP program, operating funds are still needed to staff an additional 25-bed unit for ¾ of a year during FY2004 with full funding of the unit in FY2005 (based on 18 admissions in FY2002, 16 admissions in FY2003, 14 admission in FY2004 and 12 admissions in FY2005).

FINANCING:

| | 2002-03 Biennium | | 2004-2005 Biennium | |
|----------------------------------|------------------|---------|--------------------|-----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| SOS Administrative Restructuring | | | | |
| SOS Safety Net | \$(458) | \$(637) | \$(2,287) | \$(2,780) |
| MA LTC Facilities | (65) | (118) | (19) | (20) |
| Total Savings | (523) | (755) | (2,306) | (2,800) |
| Lost SOS Collections | (68) | (122) | (166) | (217) |
| Net Savings | (455) | (633) | (2,140) | (2,583) |
| DOC/DHS Collaborative | | | | |
| SOS Safety Net | 455 | 633 | 812 | 812 |
| MSOP Expansion | | | | |
| SOS Safety Net | -0- | -0- | 1,476 | 1,968 |
| SOS Collections | -0- | -0- | 148 | 197 |
| Net Expense | -0- | -0- | 1,328 | 1,771 |
| Impact to General Fund | | | | |
| Total Expenditures | 455 | 633 | 2,140 | 2,583 |
| Total Savings | (455) | (633) | (2,140) | (2,583) |
| Net Impact | -0- | -0- | -0- | -0- |

OUTCOMES:

- Reduction in general and administrative overheads through greater operating efficiencies throughout SOS.
- Assure safety of public in treatment of convicted sex offenders.
- Provide appropriate levels of treatment for offenders willing to engage in treatment.

BUDGET ACTIVITY SUMMARY

Budget Activity: SOS - ENTERPRISE ACTIVITIES
Program: STATE OPERATED SERVICES
Agency: HUMAN SERVICES DEPT

FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

- Enterprise activities have been operating within generated revenues. Continued labor shortages for direct service personnel may create impediments to future growth.

ACTIVITY PROFILE:

Purpose

This activity provides services to disabled people while competing in the marketplace with other providers. These services are funded solely through revenues collected from a variety of third party payment sources.

Services Provided

The services provided within this activity include

- chemical dependency treatment;
- waiver residential and day training and habilitation (DT&H) services for people with developmental disabilities; and
- rehabilitation service for people with traumatic brain injuries.

People Served

State Operated Chemical Dependency (CD) programs provide inpatient and outpatient treatment to persons with chemical dependencies and substance abuse problems. Programs are operated in Anoka, Brainerd, Cloquet, Fergus Falls, St. Peter and Willmar. Approximately 3,500 individuals are treated annually. Each CD program negotiates a host county contract that establishes the parameters of the services offered. Rates differ by program and type of services provided.

Waiver residential services for people with developmental disabilities typically are four-bed homes. Individual service agreements are negotiated with the counties for each client based on his/her needs. Clients take advantage of and are integrated into the daily flow of their community. Approximately 325 people reside in community residential sites across Minnesota operated under the auspices of State Operated Services.

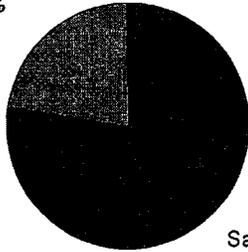
Day Training and Habilitation (DT&H) programs provide vocational support services to people with DD and include evaluation, training, and supported employment. Individual service agreements are negotiated for each client. Approximately 550 people with DD are served by SOS in these settings.

The Minnesota Neurorehabilitation Hospital (MNH), located on the Brainerd Regional Human Services campus, provides intensive rehabilitation services to individuals with acquired brain injury who have challenging behaviors. This 12-bed program serves between 15 and 20 clients annually.

Activity Finance Summary Enterprise Services FY 2002 Base

State Operated Services By Activity Total All Funds = \$290,081,000

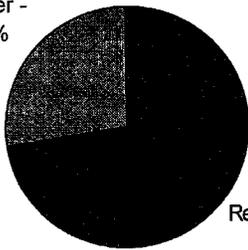
Ent Activities -
22.5%



Safety-Net
Svcs - 77.5%

Enterprise Services By Fund Total All Funds = \$65,254,000

All Other -
28.1%



Rev Based -
71.9%

Activity: SOS - ENTERPRISE ACTIVITIES
 Program: STATE OPERATED SERVICES
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 41,248 | 46,085 | 51,249 | 49,860 | 49,860 | 49,860 | 49,860 | 2,386 | 2.5% |
| OTHER OPERATING EXPENSES | 10,916 | 9,488 | 13,893 | 13,525 | 13,525 | 13,525 | 13,525 | 3,669 | 15.7% |
| OTHER FINANCIAL TRANSACTIONS | 854 | 428 | 526 | 526 | 526 | 526 | 526 | 98 | 10.3% |
| NON-CASH TRANSACTIONS | 434 | 0 | 802 | 802 | 802 | 802 | 802 | 802 | 100.0% |
| Subtotal State Operations | 53,452 | 56,001 | 66,470 | 64,713 | 64,713 | 64,713 | 64,713 | 6,955 | 5.7% |
| CAPITAL OUTLAY & REAL PROPERTY | 52 | 8 | 0 | 0 | 0 | 0 | 0 | (8) | (100.0%) |
| PAYMENTS TO INDIVIDUALS | 420 | 552 | 541 | 541 | 541 | 541 | 541 | (11) | (1.0%) |
| Total Expenditures | 53,924 | 56,561 | 67,011 | 65,254 | 65,254 | 65,254 | 65,254 | 6,936 | 5.6% |

| | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 60 | 0 | 1,757 | 0 | 0 | 0 | 0 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 2,311 | 2,474 | 0 | 0 | 0 | 0 | 0 | | |
| SPECIAL REVENUE | 60 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| GIFT | 1 | 5 | 0 | 0 | 0 | 0 | 0 | | |
| CHEMICAL DEPENDENCY TREATMENT | 12,884 | 14,236 | 0 | 0 | 0 | 0 | 0 | | |
| REVENUE BASED STATE OPER SERV | 38,608 | 39,846 | 46,907 | 46,907 | 46,907 | 46,907 | 46,907 | | |
| MN NEUROREHAB HOSPITAL BRAINER | 0 | 0 | 3,232 | 3,232 | 3,232 | 3,232 | 3,232 | | |
| DHS CHEMICAL DEPENDENCY SERVS | 0 | 0 | 15,115 | 15,115 | 15,115 | 15,115 | 15,115 | | |
| Total Financing | 53,924 | 56,561 | 67,011 | 65,254 | 65,254 | 65,254 | 65,254 | | |

| | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 913.2 | 957.2 | 918.6 | 918.6 | 918.6 | 918.6 | 918.6 | | |
| Total Full-Time Equivalent | 913.2 | 957.2 | 918.6 | 918.6 | 918.6 | 918.6 | 918.6 | | |

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PROGRAM SUMMARY

Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

Continuing Care Grants pay for chronic health care services, long-term care in residential settings, at-home care, and social services for elderly Minnesotans and people with disabilities. Continuing Care Grants provide an important health care safety net for some of Minnesota's most vulnerable people.

The administrative component of Continuing Care Grants is contained in Continuing Care Management.

Services Provided

Grant monies are made available to clients in a number of ways. In some cases resources are provided to counties to purchase services for clients. In other cases payment is made directly by the state to service providers. There are also some grants provided directly to individuals to buy the services they need.

Services or benefits provided through this area include

- congregate dining and other nutritional services;
- community services for the elderly;
- home care and skilled nursing services;
- nursing facility services;
- residential services for individuals with developmental disabilities;
- community support and residential treatment for adults with serious and persistent mental illness;
- chemical dependency treatment and aftercare;
- group residential housing;
- community and family support, independent living, mental health and interpreter referral services for people who are deaf, deafblind, and hard of hearing;
- social services, adult and child foster care services; and
- ombudsman services for the elderly and disabled.

People Served

Over 250,000 people receive some form of assistance provided through this program activity. This includes the following

- 27,000 persons at risk of institutional placement receive supports to live in the community through home care and other health care-related services;
- 34,000 persons receive publicly-funded institutional care;
- 25,000 persons with serious mental illness receive community-based services that support their recovery and self-sufficiency;
- 23,700 persons with chemical abuse or dependency problems receive appropriate treatment;
- 102,200 older persons receive a variety of community social support services;
- 1,200 families with children challenged by a developmental disability receive grants to purchase needed supplies, supports, home modifications, or vehicle modifications; and
- 54,600 persons dealing with issues related to hearing loss, being deaf or having a combined vision and hearing loss. These individuals receive specialized mental health, interpreter referral, family support and independent living services.

Components

Continuing Care Grants contains the following budget activities

- Community Social Services Block Grant;
- Aging and Adult Services Grants;
- Deaf and Hard of Hearing Grants;
- Mental Health Grants;
- Community Support Grants;
- Medical Assistance (MA) Long-Term Care Waivers and Home Care;
- MA Long-Term Care Facilities ;
- Alternative Care Grants;
- Group Residential Housing ;
- Chemical Dependency Entitlement Grants; and
- Chemical Dependency Non-Entitlement Grants.

Accomplishments

- The Aging Initiative and Community Supports for Minnesotans with Disabilities continue to reduce the utilization and growth of institutional services by developing cost-effective options within the community.

PROGRAM SUMMARY (Continued)

Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

- Minnesota was one of the first states in the nation to receive federal approval for funding consumer-directed support using a Medicaid waiver.
- Individuals with mental illness received more comprehensive services by shifting funding and regional treatment center staffing toward community-based care.
- Minnesota is one of a handful of states allowed by the federal government to integrate Medicare and MA funds to coordinate services for the elderly more effectively.
- Minnesota has significantly shifted its long-term care purchasing strategy for the elderly and for people with disabilities by developing performance-based contracting in nursing facilities and group homes as a way to more actively shape quality services that produce specific outcomes for consumers.
- Minnesotans who are deaf, deafblind, or hard of hearing have been able to sustain their independence and become part of their communities through the provision of linguistically and culturally appropriate mental health services and support services of interpreters and intervenors.

STRATEGIES AND PERFORMANCE:

The performance measures for this program area are as follows

- decreased average length of stay in institutions;
- increased proportion of Minnesotans receiving public funding for continuing care who reside in the community rather than an institution;
- increased average need level of persons residing in nursing facilities;
- increased availability of self-determination and family support options;
- increased client participation in integrated service delivery models that are locally or regionally designed and delivered; and
- maintained or increased post treatment abstinence rates for adults receiving chemical dependency treatment.

FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

- Since 1993, nursing facility monthly average MA caseload has decreased by more than 12 percent. This decrease reflects a change in demand for nursing facility services. People at risk of nursing facility placement increasingly are choosing to use publicly-funded and privately-funded community service alternatives. Other factors contributing to decreased nursing facility use and costs include:
 - increased wealth generated by rising stock values
 - a temporary slow down in the growth of the "at-risk" population
 - slowly declining dependency rates in the "at-risk" population
 - fewer set up and staffed beds due to market shifts and workforce shortages, which are affecting availability of beds in certain areas, resulting in more people opting for community service options.
- A Long-Term Care Task Force, composed of legislators and commissioners, met during the summer and fall to determine how to balance long-term care services to better match demand. Their recommendations will be considered by the legislature this session.
- Even with the above trends, Minnesota still ranks high nationally in its use of nursing facilities. There is an increased need for information and assistance to educate people about continuing care support options.
- There are long range concerns related to the aging baby boom generation and the large number of elderly Minnesotans who, by 2030, may need long-term care. The state's challenge is to promote independent living and personal responsibility for people to plan for their future, while preparing to meet the long-term care needs of those who will need assistance.
- There is increasing competition, both within the health care and social service industries, and from other types of employers, for workers in an extremely tight labor market. Wages, benefits, and working conditions are key issues.
- Long-term care service administrative processes and structures are complex. There is growing demand to find ways to simplify these structures and reduce paperwork.
- There is a need for additional, affordable supportive housing options for people who are elderly or disabled.

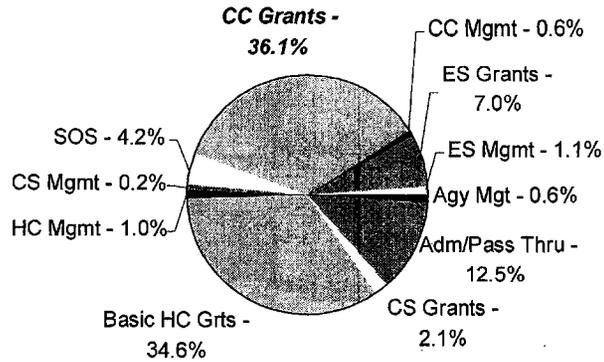
PROGRAM SUMMARY (Continued)

Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

-) There is a need to assure that technical advances, that help individuals to sustain their independence, are available and accessible to elderly and disabled persons with hearing loss or other disabilities.

Dept Of Human Services By Program

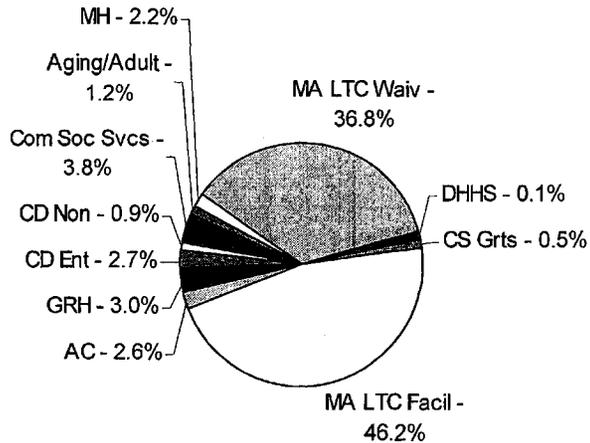
Total All Funds = \$6,945,370,000



**Program Finance Summary
Continuing Care Grants
FY 2002 Base**

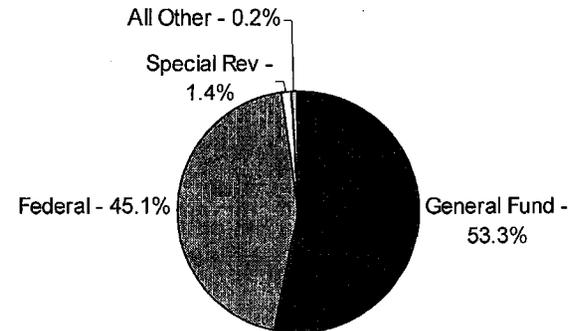
Continuing Care Grants By Activity

Total All Funds = \$2,509,857,000



Continuing Care Grants By Fund

Total All Funds \$2,509,857,000



Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------------|---------------------|------------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| COMMUNITY SOCIAL SERVICE GRANT | 89,615 | 93,559 | 96,823 | 95,418 | 94,248 | 91,602 | 91,052 | (5,082) | (2.7%) |
| AGING ADULT SERVICES GRANTS | 25,104 | 24,654 | 27,674 | 29,466 | 36,330 | 29,081 | 36,062 | 20,064 | 38.3% |
| DEAF & HARD OF HEARING GRANTS | 1,670 | 1,754 | 1,881 | 1,801 | 1,801 | 1,681 | 1,696 | (138) | (3.8%) |
| MENTAL HEALTH GRANTS | 51,766 | 54,073 | 59,174 | 55,206 | 55,356 | 55,206 | 56,415 | (1,476) | (1.3%) |
| COMMUNITY SUPPORT GRANTS | 7,952 | 10,582 | 12,941 | 12,957 | 13,318 | 13,174 | 13,679 | 3,474 | 14.8% |
| MA LTC WAIVERS & HOME CARE | 600,805 | 675,192 | 882,249 | 924,142 | 920,902 | 1,028,926 | 1,038,204 | 401,665 | 25.8% |
| MA LONG TERM CARE FACILITIES | 1,127,143 | 1,107,706 | 1,203,209 | 1,158,367 | 1,138,807 | 1,159,946 | 1,107,892 | (64,216) | (2.8%) |
| ALTERNATIVE CARE GRANTS | 51,462 | 49,781 | 63,364 | 64,064 | 82,473 | 64,110 | 103,526 | 72,854 | 64.4% |
| GROUP RESIDENTIAL HOUSING | 59,878 | 63,834 | 70,762 | 76,707 | 76,942 | 83,718 | 85,152 | 27,498 | 20.4% |
| CD ENTITLEMENT GRANTS | 57,726 | 60,939 | 64,545 | 68,491 | 67,996 | 72,646 | 71,088 | 13,600 | 10.8% |
| CD NON-ENTITLEMENT GRANTS | 19,342 | 19,954 | 23,763 | 23,238 | 24,738 | 22,737 | 22,737 | 3,758 | 8.6% |
| Total Expenditures | 2,092,463 | 2,162,028 | 2,506,385 | 2,509,857 | 2,512,911 | 2,622,827 | 2,627,503 | 472,001 | 10.1% |

| Change Items: | Fund | | | | |
|--|-------------|--|--|--------------|--------------|
| (B) REDUCTION OF TARGETED GRANTS | GEN | | | (1,170) | (1,170) |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | 22,520 |
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | 9,586 | (2,787) |
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | (282) | (575) |
| (B) REGION 10 QUALITY ASSURANCE INITIATIVE | GEN | | | 361 | 361 |
| (B) RELOCATE/DIVERT - UNDER AGE 65 | GEN | | | 1 | (891) |
| (B) CONSUMER DIRECTED HOME CARE (1115) | GEN | | | (637) | (984) |
| (B) CONSUMER SUPPORT GRANT REDUCTION | GEN | | | (5,495) | (9,622) |
| (B) SEX OFFENDER TREATMENT | GEN | | | (65) | (118) |
| (B) IMPROVE AC CLIENT PREMIUM COLLECTIONS | GEN | | | (250) | (500) |
| (B) LIMIT CD VENDOR INCREASES TO 2.0%/YR | GEN | | | (495) | (1,558) |
| (B) REDUCE CCDTF RESERVE BALANCE | SR | | | 1,500 | |
| Total Change Items | | | | 3,054 | 4,676 |

Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|------------------|---------------------|------------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| Financing by Fund: | | | | | | | |
| Direct Appropriations: | | | | | | | |
| GENERAL | 1,028,377 | 1,048,459 | 1,226,578 | 1,340,408 | 1,341,962 | 1,412,007 | 1,416,683 |
| LOTTERY CASH FLOW | 1,194 | 1,125 | 1,406 | 1,158 | 1,158 | 1,158 | 1,158 |
| Open Appropriations: | | | | | | | |
| SPECIAL REVENUE | 64 | 85 | 871 | 340 | 340 | 340 | 340 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 82,831 | 85,963 | 99,931 | 3,407 | 3,407 | 3,414 | 3,414 |
| SPECIAL REVENUE | 65,741 | 68,401 | 73,644 | 33,432 | 34,932 | 34,770 | 34,770 |
| FEDERAL | 913,506 | 957,889 | 1,103,951 | 1,131,112 | 1,131,112 | 1,171,138 | 1,171,138 |
| LOTTERY CASH FLOW | 750 | 106 | 4 | 0 | 0 | 0 | 0 |
| Total Financing | 2,092,463 | 2,162,028 | 2,506,385 | 2,509,857 | 2,512,911 | 2,622,827 | 2,627,503 |

BUDGET ACTIVITY SUMMARY

Budget Activity: COMMUNITY SOCIAL SERVICE GRANT
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Community Social Services Grants is funding given to counties to purchase or provide services that they believe are necessary to serve nine targeted populations of over 308,000 clients including children in need of protective services and individuals with disabilities. It is up to counties to determine how best to use community social services money to tailor interventions to their particular client needs and complement services provided under other entitlement and non-entitlement human services programs.

Services Provided

- Adoption services - counseling for the biological parent(s), recruitment of adoptive homes, and pre- and post-placement training and/or counseling.
- Case management services - individual service plan development; counseling; monitoring, developing, securing, and coordinating services; monitoring and evaluating client progress; and assuring that clients' rights are protected.
- Counseling services - therapeutic help to resolve personal, family, situational, or occupational problems.
- Foster care services for adults and children - arranging substitute care and alternative living situations. Individuals may need such services because of social, physical, or mental disabilities, or as a consequence of abuse or neglect.
- Protective services for adults and children - services designed to prevent or remedy abuse, neglect, or exploitation of persons who are unable to protect their own interests.
- Residential treatment services - short-term residential care and comprehensive treatment and services for children or adults whose problems are so severe or are such that they cannot be cared for at home or in foster care and need services provided by specialized facilities.
- Special services for persons with developmental, emotional, or physical disabilities - personal and family counseling, respite care, family support, recreation, transportation, assistance tied to independent functioning in the community, training in mobility, communication skills, special aids and alliances, and self-sufficiency skills.
- Substance abuse services - a comprehensive range of personal and family counseling, methadone treatment for opiate abusers, or detoxification

treatment for substance abusers. Services may be provided in institutional settings, community-based halfway houses, and out-patient facilities.

- Transportation services - help to access services or obtain medical care or employment.
- Public guardianship - assuring the emotional, health, vocational, and educational needs of these individuals and an 18-month review of the physical, mental, and social circumstances of each ward of the commissioner of Human Services.

People Served

There are nine groups of persons served

- children in need of protection, pregnant adolescents, adolescent parents, and their children;
- dependent and neglected wards under the commissioner of Human Services;
- adults who are vulnerable and in need of protection;
- persons over age 60 who need help living independently;
- children and adolescents with emotional disturbance, and adults with mental illness;
- developmentally disabled individuals;
- chemically dependent and intoxicated persons;
- child care services to parents with incomes below 70% of state median income; and
- children and adolescents at risk of involvement with criminal activity.

Counties use the biggest percentage of community services funds for families and children services. Community social services funding includes state Community Social Services Act (CSSA) dollars and federal Title XX monies that are provided as a block grant to counties. Each county is required to levy an amount for social services at least equal to its CSSA allocation.

FINANCING INFORMATION:

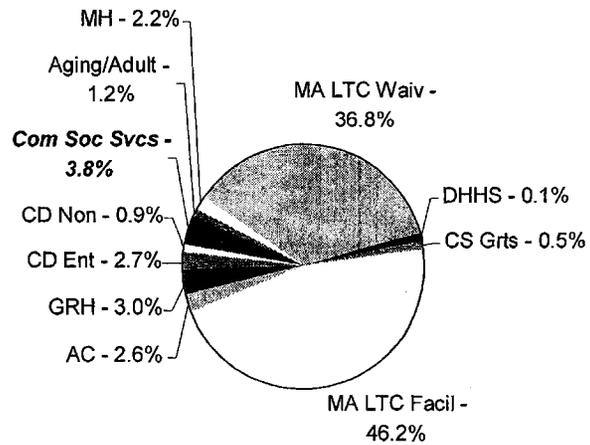
(See charts which follow narrative.)

BUDGET ISSUES

- Uncertainty continues about the amount of federal Social Services Block Grant (Title XX) funding Minnesota can expect since significant decreases have occurred since 1995.

Continuing Care Grants By Activity

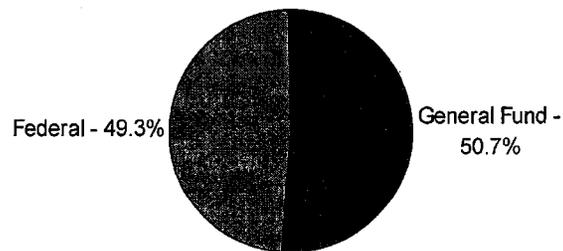
Total All Funds = \$2,509,857,000



Activity Finance Summary Community Social Services Grants FY 2002 Base

Community Social Services Grants By Fund

Total All Funds = \$95,418,000



See Grant Detail

Activity: COMMUNITY SOCIAL SERVICE GRANT
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| LOCAL ASSISTANCE | 89,615 | 93,559 | 96,823 | 95,418 | 94,248 | 91,602 | 91,052 | (5,082) | (2.7%) |
| Total Expenditures | 89,615 | 93,559 | 96,823 | 95,418 | 94,248 | 91,602 | 91,052 | (5,082) | (2.7%) |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) REDUCTION OF TARGETED GRANTS | GEN | | | | (1,170) | | (1,170) | | |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | 620 | | |
| Total Change Items | | | | | (1,170) | | (550) | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 56,027 | 42,266 | 44,399 | 48,399 | 47,229 | 48,399 | 47,849 | | |
| Statutory Appropriations: | | | | | | | | | |
| FEDERAL | 33,588 | 51,293 | 52,424 | 47,019 | 47,019 | 43,203 | 43,203 | | |
| Total Financing | 89,615 | 93,559 | 96,823 | 95,418 | 94,248 | 91,602 | 91,052 | | |

Grant Detail

Community Social Services Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---------------------------------------|--|-------------------|---------------------|---------------|---------------|---------------|---------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATION</u> | | | | | | | |
| General Fund | | 42,266 | 44,399 | 48,399 | 47,229 | 48,399 | 47,849 |
| CSSA Block Grant | | | | | | | |
| -Traditional Allocation | Grants to counties to support county- | 40,648 | 42,733 | 46,733 | 46,733 | 46,733 | 47,353 |
| -Social Service Supplemental Grant | administered social service programs | 792 | 840 | 840 | 0 | 840 | 0 |
| -Minor Parent Evaluation | | 330 | 330 | 330 | 0 | 330 | 0 |
| Red Lake Band Grants | Grants to Clearwater and Beltrami Counties for costs of social services for members of the Red Lake Band residing on the Red Lake Reservation.(approx. cases FY 98- 1,664) | 496 | 496 | 496 | 496 | 496 | 496 |
| <u>STATUTORY APPROPRIATION</u> | | | | | | | |
| Federal Fund | | 51,293 | 52,424 | 47,019 | 47,019 | 43,203 | 43,203 |
| Title XX Block Grant | Grants to counties to support county- | 36,073 | 36,462 | 35,057 | 35,057 | 31,241 | 31,241 |
| | administered social service programs | | | | | | |
| Urban Enterprise Grant | Grants to St. Paul and Minneapolis for social services development | 220 | 962 | 962 | 962 | 962 | 962 |
| CSSA Block Grant | | | | | | | |
| -Traditional Allocation | Title XX funds, via TANF transfers, that supplement General Fund CSSA traditional allocation. | 15,000 | 15,000 | 11,000 | 11,000 | 11,000 | 11,000 |

BUDGET CHANGE ITEM (51587)

Budget Activity: COMMUNITY SOCIAL SERVICE GRANT
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT
Item Title: BASE REDUCTION OF TARGETED GRANTS

to be made in a licensed setting. These supplemental grants were provided to reimburse the room and board or supplemental support costs of 128 persons in affected family foster care settings or semi-independent living situations. They allowed people to remain in their current setting following the legislative change. These grant dollars are appropriated to the 11 counties with their Community Social Services allocation.

Minor Parent Evaluation Grants: \$330,000 per year
 The 1995 Legislature passed a Welfare Reform Bill that included a provision to require applicant minor parents to live with a parent, legal guardian, other adult relative, or in an adult-supervised supportive living arrangement in order to receive Aid to Families with Dependent Children. Funds were appropriated for counties to cover their costs of evaluating whether a minor parent needs to live independently because of risks to themselves or their child. This past year, 1,350 evaluations occurred. Minor Parent Evaluation grant dollars are distributed in proportion to the Community Social Services allocation.

FINANCING:

Affected counties would need to dedicate existing state or local funds, such as Community Social Services funds, if necessary, to continue these specific supports. However, there are other Governor's budget proposals that may make additional funds available to counties to cover costs such as these.

OUTCOMES:

Eliminating these two programs will allow over \$1,000,000 per year to be spent on other state priorities.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------------|------------------|-----------|------------------|-----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Community Social Svcs Grnts | \$(1,170) | \$(1,170) | \$(1,170) | \$(1,170) |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 256E.06

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in the General Fund budget of \$1,170,000 in FY 2002 and \$1,170,000 in FY 2003 resulting from the elimination of narrowly focused grants in the Children's Services area. This reduction is an effort to re-evaluate current expenditures and ensure that state spending reflects critical obligations and priorities. Proposed reductions are in Social Services Supplemental Grants and Minor Parent Evaluation Grants.

RATIONALE:

Background

The following grant program reductions reflect a re-evaluation of priorities for state funding. Criteria for identifying areas of reduction included:

- narrowly-focused expenditures
- lower priority expenditures
- duplicative expenditures

Proposal

The following grant programs are proposed for reduction as follows:

Social Services Supplemental Grants: \$840,000 per year
 These grants are limited to 11 counties affected by 1995 legislative changes in Group Residential Housing (GRH) eligibility, which only allowed GRH payments

BUDGET ACTIVITY SUMMARY

Budget Activity: AGING ADULT SERVICES GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Aging and Adult Services Grants pay for non-medical social services and provide funding for communities to develop informal services to keep older people engaged in their communities. These services are targeted at those with the greatest social and economic need.

Services Provided

- nutritional services: meals, grocery delivery, and nutritional counseling;
- transportation, chore services, and other social support services;
- diabetes, blood pressure screening, and other health promotion services;
- mentoring of families and children, volunteer community services projects;
- care and one-on-one attention for special needs children (through the Foster Grandparents Program);
- assistance with daily activities for frail elderly;
- information and counseling about Medicare and supplemental insurance choices;
- caregiver respite support;
- development of housing alternatives; and
- development of non-public support services.

People Served

This activity covers a wide variety of community services and serves approximately

- 74,120 people in congregate dining and 16,700 people who received home-delivered meals;
- 102,200 people through a variety of social support services and 6,250 through health care promotion services;
- 18,750 volunteers who provide over 2.1 million volunteer hours in the Retired and Senior Volunteer Program (RSVP);
- 700 volunteers who served 6,150 persons in the Foster Grandparents Program;

- 415 volunteers who served 2,000 persons in the Senior Companion Program;
- 11,500 people who received one-to-one information and counseling in selecting a Medicare supplemental policy from Health Insurance Counseling;
- 1,600 families served through Caregiver Support;
- 4,200 seniors have been assisted through Living at Home/Block Nurse (LAH/BN);
- 380 people in the Home Sharing program; and
- 16 people through the Epilepsy Grant.

All of the services purchased through this activity are by grant or contract through area agencies on aging, private nonprofit organizations, and public agencies.

To be eligible for most of these services, persons must be age 60 or older. Although not means tested, services are targeted to persons with the greatest social and economic needs. This conforms to eligibility criteria under the federal Older Americans Act (OAA), which provides funding for a number of these services.

FINANCING INFORMATION:

(See charts which follow narrative.)

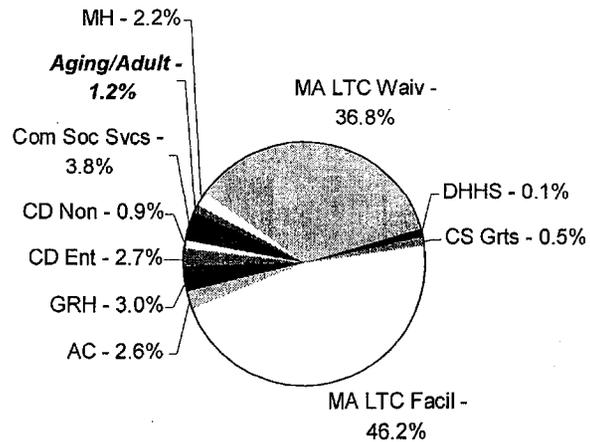
BUDGET ISSUES:

- The demand for community-based services is increasing. As more people seek community alternatives to nursing facility care, it is important that community services are developed to keep up with the growing demand.
- To assist people to live independently in their own homes longer, accurate information and assistance about services must be available. This will provide people with the information needed to make informed choices.
- Most services to elderly Minnesotans are provided by informal caregivers (family and friends), not a paid agency. It is essential that our community-based services complement and support the informal care that friends and family already provide, filling in the gaps.
- The existing programs and their funding streams are complex. Efforts must be made to streamline and standardize service choices (and their definitions) across programs. Programs must be made more flexible, culturally responsive, and understandable to allow more consumer control and access.

Activity Finance Summary Aging & Adult Services Grants FY 2002 Base

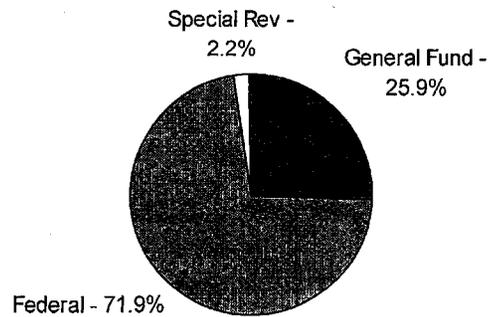
Continuing Care Grants By Activity

Total All Funds = \$2,509,857,000



Aging and Adult Services Grants By Fund

Total All Funds = \$29,466,000



See Grant Detail

Activity: AGING ADULT SERVICES GRANTS
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 0 | 0.0% |
| Subtotal State Operations | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 0 | 0.0% |
| LOCAL ASSISTANCE | 25,102 | 24,650 | 27,670 | 29,462 | 36,326 | 29,077 | 36,058 | 20,064 | 38.3% |
| Total Expenditures | 25,104 | 24,654 | 27,674 | 29,466 | 36,330 | 29,081 | 36,062 | 20,064 | 38.3% |

| Change Items: | Fund | | | | | | |
|---------------------------------------|-------------|--|--|--|--------------|--|--------------|
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | | 6,864 | | 6,976 |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | 5 |
| Total Change Items | | | | | 6,864 | | 6,981 |

| Financing by Fund: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 7,706 | 7,847 | 7,972 | 7,647 | 14,511 | 7,472 | 14,453 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 230 | 233 | 634 | 634 | 634 | 424 | 424 |
| FEDERAL | 17,168 | 16,574 | 19,068 | 21,185 | 21,185 | 21,185 | 21,185 |
| Total Financing | 25,104 | 24,654 | 27,674 | 29,466 | 36,330 | 29,081 | 36,062 |

Grant Detail

Aging And Adult Services Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---------------------------------------|---|-------------------|---------------------|--------------|---------------|--------------|---------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATION</u> | | | | | | | |
| General Fund | | 7,847 | 7,972 | 7,647 | 15,134 | 7,472 | 15,364 |
| Information and Assistance Grants | Grants to non-profit and community organizations and area agencies on aging to meet the increasing demand for information regarding home-based and community-based services. | -0- | -0- | -0- | 1,423 | -0- | 1,423 |
| Access Demonstration Grants | Grants to non profits and community organizations and area agencies on aging to reflect increasing community oriented services and decrease in demand for long-term care in nursing facilities. | -0- | -0- | -0- | 984 | -0- | 984 |
| Community Resource Development Grants | Grants to certain counties and area agencies to integrate, coordinate, and enhance informal, quasi formal, and formal services for seniors. | 2,036 | 2,117 | 2,117 | 6,317 | 2,117 | 6,717 |
| Epilepsy Demo Project | Grant to a non profit organization for independent living skills training to adults with intractable epilepsy. (approx. served FY 99 – 16) | 230 | 237 | 237 | 237 | 237 | 242 |
| Senior Nutrition Grants | Grants to area agencies on aging to provide nutritious meals and related services such as meal delivery and nutrition counseling for homebound seniors. (approx. served FY 99 – 90,800) | 2,727 | 2,740 | 2,740 | 2,740 | 2,740 | 2,740 |
| Senior Volunteer Grants | Grants to counties and non profit organizations to provide volunteer opportunities in the Foster Grandparent, Senior Companion, and the Retired and Senior Volunteer Programs. More than twenty thousand volunteers provide a total of over two million hours of volunteer service. (approx. served FY99-8,100) | 2,093 | 2,093 | 2,093 | 2,093 | 2,093 | 2,093 |
| Home Share Grants | Grants to non profit organizations to assist homeowners stay in their homes longer by pairing them with home seekers willing to share the rent or provide services in exchange for sharing the home. (approx. served FY 99-380) | 376 | 400 | 175 | 175 | -0- | -0- |

Grant Detail

Aging And Adult Services Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|-----------------------------------|--|-------------------|---------------------|---------------|---------------|---------------|---------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| Health Insurance Counsel Grants | Grants to non profit organizations to provide information and counseling about Medicare bills and payments and supplemental insurance options. (approx. served FY 99 11,500) | 300 | 300 | 200 | 1,080 | 200 | 1,080 |
| Home Care Ombudsman | Grant to non profit organization to provide ombudsman services regarding in home health care services. | 85 | 85 | 85 | 85 | 85 | 85 |
| STATUTORY APPROPRIATIONS | | | | | | | |
| Misc. Special Revenue Fund | | 233 | 634 | 634 | 634 | 424 | 424 |
| Nursing Home Advisory Council | Grants to nursing home resident councils for on going education, training and information dissemination. | 233 | 634 | 634 | 634 | 424 | 424 |
| Federal Fund | | 16,574 | 19,068 | 21,185 | 21,185 | 21,185 | 21,185 |
| Older American Act Grants | Grants to area agencies on aging and local providers to provide a variety of community based social and nutritional services targeted at seniors in the greatest social or economic need and to assist them in living independently.(approx. served FY 99 – 108,400) | 16,574 | 19,068 | 21,185 | 21,185 | 21,185 | 21,185 |

BUDGET ACTIVITY SUMMARY

Budget Activity: DEAF & HARD OF HEARING GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Deaf and Hard of Hearing Grants provide multiple services and equipment to help Minnesotans who are deaf, deafblind, and hard of hearing, or have multiple disabilities, including deafness, remain independent and part of their communities.

Services Provided

- *Interpreter referral services.* Interpreter referral grants are awarded to community-based vendors in both greater Minnesota and in the Twin Cities area under the 1980 Deaf and Hard of Hearing Services Act (DHHSA). DHS has responsibility to coordinate and monitor interpreter referral grants statewide, which include placement of qualified interpreters and technical assistance to teach agencies and consumers how to work effectively with interpreters.
- *Services to persons with deafblindness.* Statewide grants are awarded to specialized community-based providers. This allocation goes to direct service providers and community agencies to provide independent living and family support services. Community-based vendors provide services such as assessment and determination of client need; advocacy for clients; independent living skills; training, intervenors, and support service providers for deafblind children and adults, allowing individual access to the community-at-large.
- *Specialized Mental Health Services.* Specialized mental health services for deaf, deafblind, and hard of hearing individuals and their families are provided by community based agencies. Services provided include psychological therapy for individuals and families, assessment and diagnostic testing, community support in group homes, in-home support, and one drop-in center.

People served

Approximately 470,000 Minnesotans have some degree of hearing loss and are eligible to receive assistance through this grant activity. Services are delivered by working with and supporting the private sector, community-based marketplace to ensure adequate specialized service delivery to deaf, deafblind, and hard of hearing people statewide.

- An estimated 54,000 people received services through state funded interpreter referral service providers during FY 2000.

- Over 250 adults with both hearing and vision loss received assistance from support service providers, which allow them to maintain independence and self-sufficiency.
- Nearly 180 children who are deaf, deafblind, or hard of hearing and their families received services designed to strengthen family relationships, enhance communication and interaction between disabled and non-disabled family members and identify the unique needs of the individual child.
- More than 190 adults with mental health issues received services and support to maximize their capacity to live as independently as possible.

All grant allocations are put out on competitive bid to recruit and maintain the few specialized services providers that exist.

FINANCING INFORMATION:

(See charts which follow narrative.)

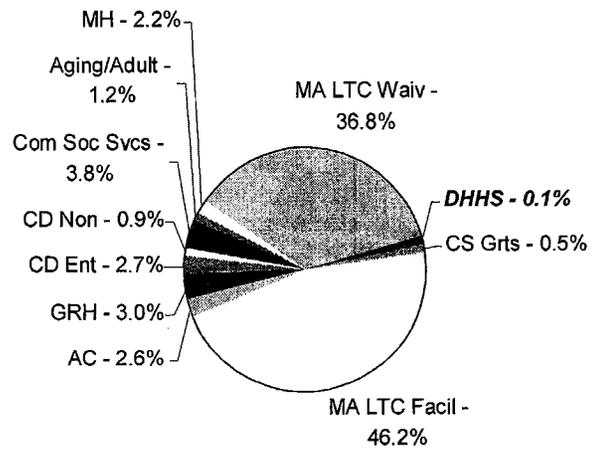
BUDGET ISSUES:

- Increased requests in greater Minnesota for specialized mental health services for deaf, deafblind, and hard of hearing persons.
- Increased numbers of aging persons needing assistance with hearing and vision loss.
- Increased numbers of infants identified at birth with hearing and vision loss in need of early intervention services.
- Marketplace changes, including the concentration of specialized service delivery in metropolitan areas.
- Increased need for minimum, performance-based standards and guidelines for sign language interpreters.

Activity Finance Summary Deaf & Hard Of Hearing Grants FY 2002 Base

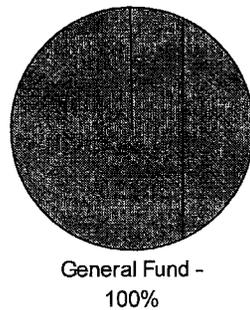
Continuing Care Grants By Activity

Total All Funds = \$2,509,857,000



Deaf & Hard of Hearing Grants By Fund

Total All Funds = \$1,801,000



Activity: DEAF & HARD OF HEARING GRANTS
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 195 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Subtotal State Operations | 195 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LOCAL ASSISTANCE | 1,475 | 1,754 | 1,881 | 1,801 | 1,801 | 1,681 | 1,696 | (138) | (3.8%) |
| Total Expenditures | 1,670 | 1,754 | 1,881 | 1,801 | 1,801 | 1,681 | 1,696 | (138) | (3.8%) |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | | | 15 |
| Total Change Items | | | | | | | | | 15 |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 1,670 | 1,754 | 1,881 | 1,801 | 1,801 | 1,681 | 1,696 | | |
| Total Financing | 1,670 | 1,754 | 1,881 | 1,801 | 1,801 | 1,681 | 1,696 | | |

BUDGET ACTIVITY SUMMARY

Budget Activity: MENTAL HEALTH GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Mental Health Grants includes a number of grants, almost all of which go to counties, for community-based services which help people with serious mental illness to be as self-sufficient as possible.

This area's purpose is to serve Minnesotans with mental illness, to set overall policy related to best practices in mental health services received by enrollees in publicly funded programs, to spur development of non-institutional treatment options, and to pay for mental health services for people when they cannot afford to pay. It supports the overall objective of promoting assistance for people to live independently, when possible, and when not, to live in treatment settings that are clean, safe, caring, and effective.

Services Provided

- *Adult Mental Health Initiative/Integrated Fund.* This statewide activity supports local planning and development to expand community-based services and to develop alternative service delivery models to reduce reliance on facility-based care. As part of this initiative, Regional Treatment Centers staff are being integrated into the community mental health delivery system. In most of the state, this also includes integration of the separate grants listed below. Integration of grants at the county level allows administration to be more effective and efficient. These grants have proven to be effective in reducing the number of clients needing hospitalization. A recent evaluation of the Adult MH Initiatives found that clients of the Initiative reduced their use of community hospitals by 33% and state hospitals by 77%.
- *Former State Share of Medical Assistance (MA) Case Management.* In the 1998 session, the department obtained legislative approval for a proposal designed to increase federal funding for mental health case management by about \$3 million per year for adults and about \$1 million for children, effective 7-1-99. In order to obtain this additional federal funding, MA financing for this service was changed to give counties the opportunity to obtain full federal match for each county's actual cost of providing mental health case management. Previously, MA case management was based on a flat hourly rate for all counties and included state matching funds up to that flat statewide rate. Under the change, the former state share of MA case management was transferred to the counties and counties became responsible for funding the non-federal share of MA for this service. Counties can use this part of their mental health grant to pay for the non-federal share of MA case management, or they can use it for expanded mental health services. Under the 1998 law, this grant will be adjusted annually based on the number of people receiving MA mental health case management from each county. These changes have enabled counties to assist more individuals with mental illness to live as independently as possible in the community. In 1999, about 14,000 adults received mental health case management.
- *Grants for Community Support Services for Adults with Serious and Persistent Mental Illness (Adult Rule 78).* These grants to counties provide client outreach, medication monitoring, independent living skills development, employability skills development, and psychosocial rehabilitation. Additionally, these grants support day treatment or case management if MA is inadequate or not available. These funds are allocated by formula, primarily based on a county's population. During 1999, approximately 12,000 people received community support services.
- *Adult Residential Grants (Rule 12).* This grant primarily pays for residential facilities staff to provide treatment to people with mental illness. County boards apply for Rule 12 funds on behalf of local residential facilities to assist in meeting program licensing standards. During 1999, approximately 2,500 people received adult residential treatment.
- *Crisis Housing.* This grant provides financial help when an individual is hospitalized and needs help to maintain their current housing. Eligible individuals need to be in inpatient care for up to 90 days and have no other help to pay housing costs. In 1999, this program served approximately 300 individuals.
- *Moose Lake Regional Treatment Center Alternatives.* This grant pays for expanded community mental health services close to the person's home and reduces the need for extended inpatient hospital care in the area formerly served by the Moose Lake RTC (which closed in 1995). This includes funding for contract beds in community hospitals up to 45 days per admission for people who are committed, or who would be committed if these community services were not available.
- *Federal Mental Health Block Grant Services.* These funds are generally used to demonstrate innovative projects based on best practices and that, based on evaluation results, could be implemented statewide. Of the federal block grant, Minnesota has allocated about 53% for children's mental health. By law, at least 25% is used for Indian mental health services, not more than 15% for planning and evaluation, and not more than 5% for statewide administration. DHS has kept its administrative costs below 4% to free up more money for services. Grants provided for Indian mental health services fund nine projects on reservations and two in the metro area.
- *Projects for the Homeless (PATH).* Under the federal McKinney Act, monies are provided to counties to address mental illness among the homeless.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: MENTAL HEALTH GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Grants to counties are made in combination with Rule 78/Community Support Program funds. In 1999, PATH providers served 8,230 people who are homeless and have a serious mental illness.

- *Mental Health Services for People Affected by Natural Disasters.* The Mental Health Division has obtained federal grants for crisis counseling for people affected by the April 1997 floods, the April 1998 tornadoes and the July 2000 tornado. These services assist individuals to restore self-sufficiency after the damage created by a natural disaster.
- *Compulsive Gambling Treatment and Education.* This service area was created in 1990 to address concerns about the social consequences of large scale gambling expansion. Minnesota ranks third nationally in spending on gambling. A 1997 evaluation of treatment programs in Minnesota indicated that treatment is effective both short and long term. This area funds a statewide 24-hour toll-free hotline providing information and referral services for problem gamblers, public awareness, education and prevention programs, and a combination of site-based and fee-for-service treatment programs. Any resident of Minnesota is eligible to have all or part of the cost paid from state funds if the resident meets the clinical diagnosis for pathological gambling and meets the financial need criteria. Given the nature of compulsive gambling, consideration of individual debt to income ratio is considered in determining financial need. All third party reimbursement sources must be explored prior to accessing state funds. In FY 2000, 712 people received state-funded compulsive gambling treatment. In addition, the compulsive gambling hotline received about 4,000 calls for information and assistance during FY 2000.

People Served

Using federally-recognized statistical measures, approximately 89,000 Minnesota adults have serious and persistent mental illness (SPMI). However, because private insurance exists for some of these individuals and covers some, if not all, of their needs, 67,000 adults with SPMI in Minnesota are estimated to need publicly- subsidized mental health services. This compares to about 25,000 people who actually received these services in 1999.

This grant area primarily covers adults with SPMI. This definition does not include people with developmental disabilities or chemical dependency unless these conditions co-exist with mental illness. This grant area includes a few grants that serve both adults and children. Grants that serve children only are in the Children's Grants budget activity.

FINANCING INFORMATION:

(See charts which follow narrative.)

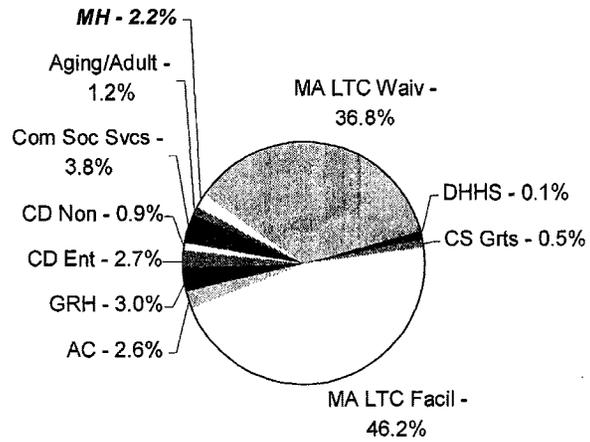
BUDGET ISSUES:

- The Adult Mental Health Initiatives are successfully integrating state-operated, county and private services to provide more effective supports to enable more adults with serious and persistent mental illness to remain and function in the community. Initial evaluation findings indicate a dramatic reduction in hospital bed days.
- In recent years, the department's key initiatives affecting mental health services, such as the Adult Mental Health Initiatives, have focused on system redesign and more efficient use of existing funds.
- A report discussing ways to maximize federal funding for mental health services will be presented to the 2001 Legislature.
- The Minnesota departments of Human Services and Health have begun a multi-faceted joint effort called "Toward Better Mental Health in Minnesota: A Community Approach" - with the goals of
 - increasing the understanding of mental health needs and the formal and informal community infrastructures to meet those needs; and
 - strengthening partnerships with stakeholders to better serve persons with mental illness.

This two year project will assist DHS in examining how best to deliver services to adults and children with mental illness in the community. Improved community-based service strategies are needed to further reduce reliance on inpatient hospitalization in community hospitals and state regional treatment centers.

Continuing Care Grants By Activity

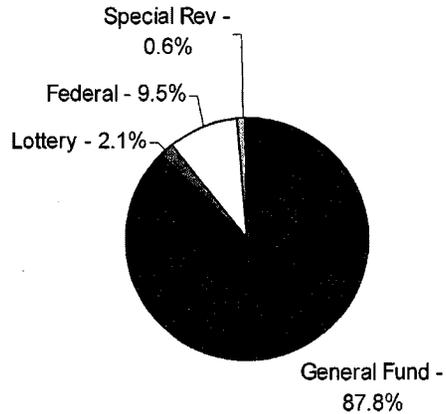
Total All Funds = \$2,509,857,000



Activity Finance Summary Mental Health Grants FY 2002 Base

Mental Health Grants By Fund

Total All Funds = \$55,206,000



See Grant Detail

Activity: MENTAL HEALTH GRANTS
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 62 | 70 | 71 | 71 | 71 | 71 | 71 | 1 | 0.7% |
| Subtotal State Operations | 62 | 70 | 71 | 71 | 71 | 71 | 71 | 1 | 0.7% |
| LOCAL ASSISTANCE | 51,704 | 54,003 | 59,103 | 55,135 | 55,285 | 55,135 | 56,344 | (1,477) | (1.3%) |
| Total Expenditures | 51,766 | 54,073 | 59,174 | 55,206 | 55,356 | 55,206 | 56,415 | (1,476) | (1.3%) |

| <u>Change Items:</u> | <u>Fund</u> | | | | | | | | |
|--|-------------|--|--|--|------------|--|--|--------------|--|
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | | 150 | | | 200 | |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | | 1,009 | |
| Total Change Items | | | | | 150 | | | 1,209 | |

| <u>Financing by Fund:</u> | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 44,627 | 47,948 | 51,599 | 48,445 | 48,595 | 48,445 | 49,654 | | |
| LOTTERY CASH FLOW | 1,194 | 1,125 | 1,406 | 1,158 | 1,158 | 1,158 | 1,158 | | |
| Open Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 64 | 85 | 871 | 340 | 340 | 340 | 340 | | |
| Statutory Appropriations: | | | | | | | | | |
| FEDERAL | 5,131 | 4,809 | 5,294 | 5,263 | 5,263 | 5,263 | 5,263 | | |
| LOTTERY CASH FLOW | 750 | 106 | 4 | 0 | 0 | 0 | 0 | | |
| Total Financing | 51,766 | 54,073 | 59,174 | 55,206 | 55,356 | 55,206 | 56,415 | | |

Grant Detail

Mental Health Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|-------------------------------------|---|-------------------|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATIONS</u> | | | | | | | |
| General Fund | | 47,948 | 51,599 | 48,445 | 48,595 | 48,445 | 49,654 |
| Adult Mental Health Integrated Fund | Grants to counties: | | | | | | |
| AMHI Implementation Grants | Implement Adult MH Initiatives incl. MLRTC county grants | 6,741 | 7,146 | 7,146 | 7,146 | 7,146 | 7,146 |
| Integration of Categorical Grants | As part of AMHI, counties can apply for integrated administration of most of the grants listed below. | 24,894 | 25,841 | 25,841 | 25,841 | 25,841 | 26,850 |
| Former State Share of MA Case Mgmt | Can be used to pay the county share of MA case management or for expanded mental health services; the amount is adjusted annually based on number of clients served by each county. | 2,469 | 3,154 | Included in MA forecast |
| Community Support | Grants to counties for community support services to adults with serious and persistent mental illness. | 6,236 | 7,681 | 7,681 | 7,681 | 7,681 | 7,681 |
| Adult Residential | Grants to counties for residential facilities staff who provide care and treatment for people with mental illness. | 6,520 | 6,622 | 6,622 | 6,622 | 6,622 | 6,622 |
| Crisis Housing | Grant to nonprofit agency for the provision of financial assistance to hospitalized clients needing help to pay for their housing. | 173 | 224 | 224 | 374 | 224 | 424 |
| MLRTC Alternatives | Grants to community hospitals to provide alternatives to the former Moose Lake RTC. | 900 | 916 | 916 | 916 | 916 | 916 |
| MH Special Projects – Camping Grant | Appropriation rider directs funds to a non-profit camping program for people with mental illness. | 15 | 15 | 15 | 15 | 15 | 15 |
| Lottery Cash Flow | | 1,125 | 1,406 | 1,158 | 1,158 | 1,158 | 1,158 |
| Compulsive Gambling | Funds transferred from the Minnesota State Lottery to DHS for compulsive gambling prevention and treatment. (approx. served FY00 – 4,000 hotline contacts; 700 treated) | 1,125 | 1,406 | 1,158 | 1,158 | 1,158 | 1,158 |

Grant Detail

Mental Health Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|--|---|-------------------|---------------------|--------------|--------------|--------------|--------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>STATUTORY APPROPRIATIONS</u> | | | | | | | |
| Federal Fund | | 4,809 | 5,294 | 5,263 | 5,263 | 5,263 | 5,263 |
| Federal MH Block Grant – Indian Mental Health Services | As required by state law, 25% of the Federal MH Block Grant is used for grants to American Indian Tribes and non-profit agencies to provide mental health services, particularly community-support services, to American Indians. | 1,181 | 1,476 | 1,476 | 1,476 | 1,476 | 1,476 |
| Federal MH Block Grant – Demonstration Projects | Grants to counties and non-profit agencies for innovative projects based on best practices. Projects include children's mental health collaboratives, crisis services for children and adults, adult mental health initiatives and self-help projects for consumers and their families. | 3,306 | 3,351 | 3,351 | 3,351 | 3,351 | 3,351 |
| Projects for Homeless | Grants to counties for outreach and mental health services for people who are homeless. (approx. served FY99 – 8,000) | 300 | 363 | 436 | 436 | 436 | 436 |
| Mental Health Disaster Services | Grants to counties and non-profit agencies to provide mental health services for people in Presidentially declared disaster areas. | 22 | 104 | 0 | 0 | 0 | 0 |
| Lottery Cash Flow | | 106 | 4 | 0 | 0 | 0 | 0 |
| Project Turnabout | One-time funds for a treatment center for compulsive gamblers. | 106 | 4 | 0 | 0 | 0 | 0 |
| <u>OPEN AND STANDING</u> | | 85 | 871 | 340 | 340 | 340 | 340 |
| Compulsive Gambling | Statute requires additional lottery transfer of \$340,000 per year to a dedicated account for compulsive gambling treatment and prevention. | 85 | 871 | 340 | 340 | 340 | 340 |

BUDGET CHANGE ITEM (51503)

Budget Activity: MENTAL HEALTH GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: SUPPORTING THE SELF SUFFICIENCY OF PEOPLE WITH MENTAL ILLNESS BY STRENGTHENING COMMUNITY-BASED MENTAL HEALTH SERVICES

severe and chronic conditions. The efficacy of mental health treatment is well documented as a way to assist people to become more self-sufficient. A range of treatment options is needed to match services with individual needs.

The public mental health system in Minnesota currently serves about 25,000 adults with serious and persistent mental illness. It is estimated that, due to funding limitations, the public mental health system reaches only half the people who need these services, and many of those who are served receive inadequate or inappropriate services. As a result, many of these people wind up in other public settings (hospital emergency rooms, homeless shelters, jails) which are not designed to treat mental health issues.

Community Services:

At the national level, the Supreme Court ruled in *Olmstead vs L.C.* that states are required to take reasonable steps to ensure that people are not kept in institutions if they could be served in the community.

DHS, in cooperation with other state agencies, has committed to a community discussion process over the next year about mental health in Minnesota communities and steps for improving the mental health of its citizens. This proposal represents short term steps towards the more comprehensive, long-range approach expected to come out of the community discussion process.

Community support programs (CSPs) are a key type of mental health treatment that has been demonstrated to be effective in helping adults with serious and persistent mental illness to function in the community. Counties now spend about \$40 million per year for CSPs. Counties receive state grants for about half of that cost, with the balance coming from county funds. Minnesota lags behind other Midwest states in the use of Medical Assistance (MA) for CSPs. As required by the legislature, DHS has been working with counties during the past two years to develop a plan for expanded use of MA for these services.

In the metro area and the former Moose Lake RTC catchment area, MA is being used to contract with community hospitals for up to 45 days of post-commitment inpatient care. These "contract beds" have been successful in shortening lengths of stay and maintaining people closer to home, but funds have not been available to expand these services to the rest of the state.

State-Operated Services:

The need for a state-operated services (SOS) safety net bed capacity continues to decrease as investments are made to develop and expand the community infrastructure. As the SOS campus-based system becomes smaller and more dispersed, significant administrative consolidations and simplification must occur to keep SOS cost efficient and competitive in the marketplace.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------------|------------------|------------------|------------------|------------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA Basic HC-- E&D | \$1,220 | \$3,294 | \$5,039 | \$7,393 |
| Health Care Operations | 140 | 140 | 140 | 140 |
| Mental Health Grants | 150 | 200 | 200 | 200 |
| Continuing Care Mgmt | 180 | 204 | 204 | 204 |
| SOS Safety Net Services | (3,744) | (9,461) | (7,976) | (8,919) |
| MA LTC Facilities | (432) | (775) | (1,420) | (1,642) |
| Total | \$(2,486) | \$(6,398) | \$(3,813) | \$(2,624) |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$141 | \$151 | \$151 | \$151 |
| RTC Collections | (427) | (3,293) | (1,298) | (1,477) |

Statutory Change? Yes No
 If yes, statutes affected: M.S. 256B.0625

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the General Fund budget of \$2,486,000 in FY 2002 and \$6,398,000 in FY 2003 as well as reallocation of existing spending to strengthen community-based services which enable people with mental illness to be as self-sufficient as possible. The decreased state funding will be offset by increased federal funding which will result from this proposal.

RATIONALE:

Background

Mental health is a community issue that affects the overall quality of community and family life. Mental health and mental illness may be thought of as points on a continuum. Mental illness may range from short-term acute episodes to

BUDGET CHANGE ITEM (51503) (Continued)

Budget Activity: MENTAL HEALTH GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: SUPPORTING THE SELF SUFFICIENCY OF PEOPLE WITH MENTAL ILLNESS BY STRENGTHENING COMMUNITY-BASED MENTAL HEALTH SERVICES

The 2000 Legislature approved the shift of SOS adolescent and physician services from state appropriations funding to an enterprise operation which operates in the marketplace with third party collections. This transition has progressed ahead of schedule.

Proposal

This proposal is directed toward the following goals:

- strengthening the capacity of local communities to appropriately respond to the needs of people with mental illness;
- improving access to needed services and supports;
- enhancing consumer choice and control; and
- improving the quality and appropriateness of services.

To address the cyclical nature of many types of mental illness, this proposal includes a range of service options. During times of stability for individuals, services will focus on maintaining or improving mental health status. When instability occurs, prompt and efficient treatment will be provided, with a return to stability as quickly as possible. All of these services work together in this proposal to enable people with mental illness to be as self-sufficient as possible.

This proposal has the following inter-connected fiscal components.

Community Services:

- Expansion of community-based services
 - Expansion of the MA rehabilitation option to include psychiatric rehab services for adults with serious mental illness effective 1-1-02, and for other people who would be at increased risk of institutionalization if they did not receive these services, effective 7-1-02. This will include
 - crisis services, medication monitoring and independent living skills training; and
 - payment for staff travel time to allow existing MA services such as medication management and psychotherapy to be provided in non-clinic based settings for people who would otherwise not attend treatment.

- Expansion of MA fee-for-service contracts for hospitalization of people who are committed to community-based inpatient care for up to 45 days, and inclusion of parallel responsibility in PMAP contracts.
- Increase in DHS crisis housing assistance to allow more people to keep their housing during a psychiatric hospitalization of up to 90 days.
- Reduction in existing spending as a result of the above expansion
 - Reduced spending for traditional MA services, including
 - reduced admissions to emergency rooms and inpatient psychiatric units of community hospitals; and
 - reduced utilization of day treatment.
 - Reduced local share for county social service costs as a result of increased federal reimbursement for existing county expenditures.
- Administration of the above initiatives

By FY 2005, this proposal will result in total new MA payments (including federal share) of over \$20 million per year for rehab services. Counties and providers will be required to improve service access and quality to comply with federal Medicaid standards for rehab services. As a result, more people will be served (both MA-eligible as well as non-MA) and counties will have to pay more for improved services for both MA and non-MA clients. These increases will represent about 60% of the new MA payments for rehab services, leaving about 40% for local tax relief.

State-Operated Services:

- Simplification of the SOS administrative structure to keep it cost efficient and competitive in the market place by
 - reorganizing SOS from nine individual service areas to three diverse service networks serving northern Minnesota, southern Minnesota and the metro area, each operating under a single administration;
 - continuing consolidation of administrative, support services and other functions to minimize overhead; and
 - reorganizing existing and proposed new forensic programs into a statewide service under a single administration.
- Earlier implementation of the shift of appropriated SOS adolescent and physician services to enterprise, resulting in less reliance on general fund appropriations.

Under this proposal, the non-federal match for expanded MA coverage will come from state funds that will be reallocated from existing resources, including existing MA coverage for inpatient and day treatment, and state SOS appropriations. SOS, in turn, may bid on the new MA services through development of state-operated community services and may operate those services on an enterprise basis. This will be in addition to state staff currently assigned to community

BUDGET CHANGE ITEM (51503) (Continued)

Budget Activity: MENTAL HEALTH GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

| 2002-03 Biennium | | 2004-05 Biennium | |
|------------------|---------|------------------|---------|
| FY 2002 | FY 2003 | FY 2004 | FY 2005 |

Item Title: SUPPORTING THE SELF SUFFICIENCY OF PEOPLE WITH MENTAL ILLNESS BY STRENGTHENING COMMUNITY-BASED MENTAL HEALTH SERVICES

| | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|
| Revenues | | | | |
| Admin reimbursement | 141 | 151 | 151 | 151 |
| Reduced RTC collections | (427) | (3,293) | (1,298) | (1,477) |
| Total General Fund Revenues | <u>\$(286)</u> | <u>\$(3,142)</u> | <u>\$(1,147)</u> | <u>\$(1,326)</u> |
| Net Expenditures and Revenues | <u>\$(2,200)</u> | <u>\$(3,256)</u> | <u>\$(2,666)</u> | <u>\$(1,298)</u> |

services as part of the Adult Mental Health Initiatives, which will continue to operate under current agreements. It is estimated that the Initiatives will claim about \$1.7 million in increased federal funding in FY 2002-03 for rehab services provided by state staff assigned to the initiatives. This money will be used for expanded community mental health services, particularly for people who would otherwise have been served in SOS inpatient units.

Administrative Issues and Implementation

Implementation of these changes will require two positions in Continuing Care for administration of performance indicators and outcomes-based contract management, on-going utilization review of contract beds, and evaluation of service outcomes; and two positions in Health Care Operations for provider training, enrollment, and on-going provider relations.

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---|------------------|-----------------|------------------|-----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expanded community based services | | | | |
| MA rehab | \$1,652 | \$4,540 | \$7,933 | \$11,863 |
| Contract beds | -0- | 582 | 1,311 | 2,462 |
| Crisis housing assistance | 150 | 200 | 200 | 200 |
| Sub-total comm-based expansion | <u>1,802</u> | <u>5,322</u> | <u>9,444</u> | <u>14,525</u> |
| Reduction in existing MA services | (432) | (1,828) | (4,205) | (6,932) |
| Administration: | | | | |
| HCops provider relations (2 FTEs) | 140 | 140 | 140 | 140 |
| CC Mgmt utilization reviews and data processing (2FTEs) | 180 | 204 | 204 | 204 |
| Sub-total admin | <u>320</u> | <u>344</u> | <u>344</u> | <u>344</u> |
| Total Comm-based expenditures | <u>\$1,690</u> | <u>\$3,838</u> | <u>\$5,583</u> | <u>\$7,937</u> |
| SOS Safety Net Services (Exps): | | | | |
| Administrative Simplification | (2,744) | (5,111) | (6,976) | (7,919) |
| Shift to Enterprise Services | (1,000) | (4,350) | (1,000) | (1,000) |
| MA LTC Facilities (SOS) | (432) | (775) | (1,420) | (1,642) |
| Sub-total SOS expenditures | <u>(4,176)</u> | <u>(10,236)</u> | <u>(9,396)</u> | <u>(10,561)</u> |
| Total Exps – SOS & Comm based | <u>(2,486)</u> | <u>(6,398)</u> | <u>(3,813)</u> | <u>(2,624)</u> |

OUTCOMES:

Legislative funding of this proposal will result in people with mental illness receiving support in the community to be as self-sufficient as possible. Specifically, 15,000 existing clients will receive improved services and 5,000 new clients will receive needed community-based MH services. As a result of the increased community support, there will be less need for hospitals and institutions.

This proposal includes funding to enhance current evaluation efforts in order to monitor the following outcomes:

- improved access to services, as measured by increases in numbers of people served;
- improved client health and quality of life outcomes as reported by consumers and provider agencies;
- improved consumer satisfaction as indicated by consumer surveys;
- reduced number of hospital and institutional bed days;
- increased capacity of local communities to appropriately respond to the needs of people with mental illness; and
- reduced county costs for community mental health services.

BUDGET ACTIVITY SUMMARY

Budget Activity: COMMUNITY SUPPORT GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Community Support Grants pay for health care and social services to help families and individuals with disabilities live independently. Programs are funded under this budget activity typically are not available under Medical Assistance:

- The Consumer Support Grant (CSG) Program was established in 1995 in response to a growing interest in service alternatives that promoted consumer control and accountability. The CSG Program assists individuals with functional limitations and their families in directly purchasing and securing supports needed to live as independently and productively as possible in the community. CSG enables consumers to receive a support grant as an alternative to the home care services benefits they received through Medical Assistance, the Alternative Care (AC) Program or the Family Support Grant (FSG) Program. With a CSG grant, consumers receive a portion of the state share of the amount of their service costs. The program is administered by counties, however, county participation is not mandatory.
- Family Support Grants (FSG) provide families funds to offset the higher-than-average cost of raising a child with a disability. Families whose annual adjusted gross income is less than \$72,446 are eligible for FSG. Annual adjustments have been made to reflect changes in the consumer price index since 1994. FSG funds enable children with disabilities to be supported in the most normal and least-restrictive environment possible - their family home.
- Semi-Independent Living Skills (SILS) Grants assist adults with mental retardation or a related condition to maintain or increase their independence in activities of daily living and to live as independently as possible in the community. SILS recipients must be 18 years old, require a level of support that is not at a level that would put them at risk of institutionalization, and require systematic instruction or assistance to manage activities of daily living.

Services Provided

- Persons participating in the CSG Program have more flexibility in purchasing services and can purchase home care, adaptive aids, home modifications, respite care, and other assistance with the tasks of daily living. Recipients receive a grant amount less than or equal to the state share of the amount of certain long-term care services they have received under other programs.

- FSG provides cash grants to families who have children with mental retardation or a related condition. Families purchase such things as supplies, home modifications, vehicle adaptations, respite care or other services not available to the family from other sources. The maximum grant per family is \$3,000 per year.
- SILS Grants fund services that train and assist adults with disabilities seeking to live independently in their own home and make meaningful contributions to their community. SILS Grants are used to purchase instruction or assistance to the person in the following areas: nutrition education, meal planning and preparation, shopping, first aid, money management, personal care and hygiene, self-administration of medications, use of emergency resources, social skill development, home maintenance and upkeep, and transportation skills. The average cost per individual is approximately \$5,200 per year.

People Served

Approximately 1,200 persons with developmental disabilities are served by the Family Support Grant each year; 1,584 by SILS grants; and 109 people by CSG.

FINANCING INFORMATION:

(See charts that follow narrative.)

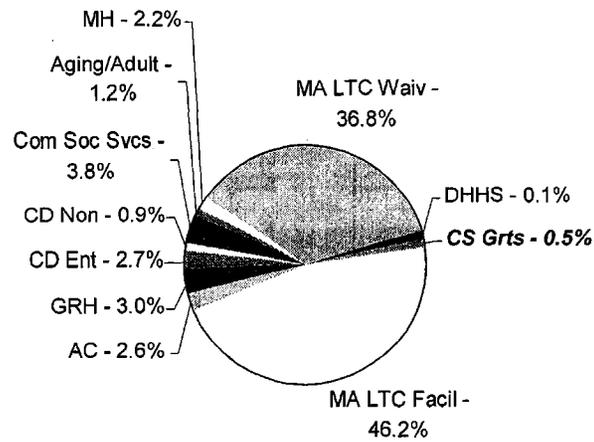
BUDGET ISSUES:

- Children with disabilities are more likely to survive because of the medical interventions that are now available.
- Labor market conditions have resulted in the reduced availability of direct care providers and in turn a higher reliance by persons with disabilities and their families on informal supports.
- People with disabilities and their families have an increased interest in flexible supports and consumer-managed services.
- Adults with disabilities do not always need 24-hour supervision and training. Less intensive supports are adequate, appropriate, and more cost-effective for many people who receive SILS services.
- Consumer driven support options require investments in training and education for consumers as well as building local administrative capacity.
- The state has a strong interest in obtaining federal authority to use both state and federal funds for consumer-directed support grants. Growth of the Consumer Support Grant Program is expected to drive growth in the Medical Assistance forecast. DHS has requested a waiver that, if approved, would provide flexibility with federal match on expenditures.

Activity Finance Summary Community Support Grants FY 2002 Base

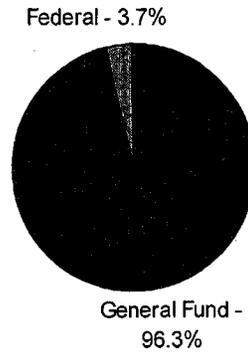
Continuing Care Grants By Activity

Total All Funds = \$2,509,857,000



Community Support Grants By Fund

Total All Funds = \$12,957,000



See Grant Detail

Activity: COMMUNITY SUPPORT GRANTS
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|----------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 81 | 0 | 184 | 77 | 77 | 77 | 77 | (30) | (16.3%) |
| Subtotal State Operations | 81 | 0 | 184 | 77 | 77 | 77 | 77 | (30) | (16.3%) |
| PAYMENTS TO INDIVIDUALS | 0 | 0 | 0 | 0 | 361 | 0 | 361 | 722 | |
| LOCAL ASSISTANCE | 7,871 | 10,582 | 12,757 | 12,880 | 12,880 | 13,097 | 13,241 | 2,782 | 11.9% |
| Total Expenditures | 7,952 | 10,582 | 12,941 | 12,957 | 13,318 | 13,174 | 13,679 | 3,474 | 14.8% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) REGION 10 QUALITY ASSURANCE INITIATIVE | GEN | | | | 361 | | 361 | | |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | 144 | | |
| Total Change Items | | | | | 361 | | 505 | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 7,709 | 10,420 | 12,799 | 12,482 | 12,843 | 12,482 | 12,987 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 243 | 162 | 0 | 0 | 0 | 0 | 0 | | |
| FEDERAL | 0 | 0 | 142 | 475 | 475 | 692 | 692 | | |
| Total Financing | 7,952 | 10,582 | 12,941 | 12,957 | 13,318 | 13,174 | 13,679 | | |

Grant Detail

Community Support Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|--|---|-------------------|---------------------|---------------|---------------|---------------|---------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATION</u> | | | | | | | |
| General Fund | | 10,420 | 12,799 | 12,482 | 12,843 | 12,482 | 12,987 |
| Consumer Support Grants | Grants to participating counties that enable the elderly and persons with disabilities who are at risk of institutionalization to purchase services, assistance, and / or adaptive aids related to their functional limitations. (approx. number people served – 109) | 715 | 998 | 998 | 998 | 998 | 998 |
| DD SILS Program | Grants to counties to assist adults with mental retardation or a related condition to maintain or increase independence in activities of daily living and to live as independently as possible. (approx. number of people served – 1,585) | 6,809 | 7,188 | 7,188 | 7,188 | 7,188 | 7,332 |
| Disability Project Grants | Grants to projects applying managed care principles or providing local crisis intervention service options to better serve persons with disabilities. (approx. number of people served – 300) | 87 | 304 | 197 | 197 | 197 | 197 |
| Family Support Grants | Grants to families to offset the higher than average cost of raising a child with a disability. Allows children to stay in their family home. (approx. number of people served – 1,188) | 2,599 | 4,099 | 4,099 | 4,099 | 4,099 | 4,099 |
| Quality Assurance Initiative | Grant to regional quality assurance project that implements an alternative system to evaluate and license services for persons with developmental disabilities. (approx. number of people served – 1,500) | 210 | 210 | 0 | 361 | 0 | 361 |
| <u>STATUTORY APPROPRIATIONS</u> | | | | | | | |
| Special Revenue Fund | | 162 | 0 | 0 | 0 | 0 | 0 |
| RJW Grant for Self- Determination Projects | Grants to selected counties to analyze their capacity to meet the needs of their citizens and to increase options that promote individualized supports built on local community resources. | 162 | 0 | 0 | 0 | 0 | 0 |
| Federal Fund | | 0 | 142 | 475 | 475 | 692 | 692 |
| Ticket to Work Grants | Grants to local agencies and businesses to increase their capacity to support and employ persons with disabilities | 0 | 142 | 475 | 475 | 692 | 692 |

BUDGET CHANGE ITEM (51497)

Budget Activity: COMMUNITY SUPPORT GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: CONTINUING A COMMUNITY MANAGED QUALITY ASSURANCE INITIATIVE IN REGION 10

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------|------------------|--------------|------------------|--------------|
| | F Y 2002 | F Y 2003 | F Y 2004 | F Y 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Community Supp Grants | \$361 | \$361 | \$-0- | \$-0- |
| Continuing Care Mgmt | 70 | 70 | -0- | -0- |
| Total | \$431 | \$431 | \$-0- | \$-0- |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$140 | \$140 | \$-0- | \$-0- |

Statutory Change? Yes X No _____

If yes, statutes affected: MS 256B.095 – 256B.0955

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$431,000 in FY 2002 and \$431,000 in FY 2003 to continue the implementation of the Region 10 Quality Assurance Initiative for persons with developmental disabilities. This initiative implements an alternative system to evaluate and license services that also determines the degree to which the services enhance the lives of persons with developmental disabilities.

RATIONALE:

Background

In 1995, stakeholders from Region 10 began to discuss their local concerns about how community-based service delivery impacted the quality of the lives of persons with developmental disabilities. Consumers and their advocates have argued that regulatory and procedural requirements intended to assure program-wide standards for safe and effective service provision are overly prescriptive, lack the flexibility to meet consumer needs, and have limited relationship to the quality of life of people receiving services. As a result, there has been a growing interest in outcome-based quality assurance systems which emphasize consumer-oriented evaluation structures, provide more opportunities

for consumers to effect service improvements, and increase the service delivery system's ability to respond to the individual preferences and needs of the consumers it supports. These discussions led to legislative authority and funding in 1997 to establish an alternative licensing system for services to persons with developmental disabilities.

Participating counties, under the advisement of the Region 10 Quality Assurance Commission, have developed written standards and processes under the alternative quality assurance system that are in compliance with or provide alternative equivalent measures to the requirements governing federal certification and state licensure of services to people with developmental disabilities. These alternative standards and procedures will replace intermediate care facility for people with mental retardation (ICF/MR) certification reviews currently performed by the Minnesota Department of Health and state licensing reviews currently performed by the Minnesota departments of Health and Human Services. Licensure and certification reviews under the alternative quality assurance system will be completed at least every 24 months.

In January 1999, the Department of Human Services Licensing Division transferred certain licensing review responsibilities to Region 10. In August 2000, the Region 10 alternative standards became effective for license holders. Region 10 in partnership with DHS has developed an application for an 1115 demonstration waiver to take this effort to the next level. Federal approval of this waiver will allow the Region 10 alternative standards and licensing review process to replace existing federal and state regulations.

Proposal

The proposal supports the continuation of the Region 10 Quality Assurance Initiative. The Region 10 quality assurance system will focus on individualized consumer outcomes rather than the exclusive use of standardized procedures as the primary method for monitoring and evaluating service quality. The system's integrated review methodology is intended to streamline existing monitoring efforts and provide a more holistic approach to the evaluation of service quality as experienced by the consumer. The process is designed to enable quality assurance monitoring agents to focus on situations where improvement is needed and to identify best practices that may warrant replication throughout the service delivery system.

The 11 counties that make up Region 10 include Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona. Participation in the project is at the option of the county. Participating county agencies will evaluate and make recommendations for the continued state licensure and federal certification of service providers. The alternative quality assurance process will also include an evaluation of a random sample of program consumers. State statute requires that 5% of the individuals served by a facility, or

BUDGET CHANGE ITEM (51497) (Continued)

Budget Activity: COMMUNITY SUPPORT GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Funding is recommended only for the FY 2002-03 biennium to coincide with the interest in evaluating the project. After that time, DHS will seek to determine whether to continue this project or expand it statewide.

Item Title: CONTINUING A COMMUNITY MANAGED QUALITY ASSURANCE INITIATIVE IN REGION 10

OUTCOMES:

a minimum of three residents, will be interviewed as part of each facility's performance evaluation under the alternative quality assurance system. The departments of Human Services and Health will provide technical assistance and training to local monitoring agents as necessary for the delegation of licensing functions. The state will continue to perform certain authorizing functions identified within the interagency agreements. While monitoring functions will be delegated to local county agencies, final certification and licensing authority will be maintained through the Minnesota departments of Health and Human Services.

- Local Quality Assurance Initiative will be maintained that
 - promotes consumer driven services
 - is comprehensive in that it looks at the person's entire life,
 - promotes coordination of services
 - focuses on what the consumer views as being most important
 - assures continuous improvement.
- 75 licensed service providers in Region 10 will increase their focus on the achievement of outcomes that the person receiving services values in his/her life.
- 1,500 persons with developmental disabilities receiving services in the Region 10 area will have an enhanced quality of life.
- DHS will receive information to support further development of the statewide quality assurance plan, as well as how alternative standards and licensing review processes may replace existing federal and state regulations and review processes for ICFs/MR.

The Region 10 Quality Assurance Commission will continue to oversee project development at the local level. The Region 10 Quality Assurance Commission is made up of stakeholders with an interest in improving the support and services provided to people with developmental disabilities in the eleven counties of Region 10.

Administration Issues and Implementation

DHS staff are involved in many aspects of this proposal. Specifically, state level staff are needed to:

- maintain on-going communications with Health Care Financing Administration (HCFA) regarding waiver approval on implementation;
- provide technical assistance to Region 10 project staff implementing the local alternative system;
- provide the state representation on the Region 10 QA Commission; and
- support evaluation required by HCFA for the 1115 waiver.

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|--------------|------------------|------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Region 10 - Personnel | \$51 | \$51 | \$-0- | \$-0- |
| Local Operations | 30 | 30 | -0- | -0- |
| Commission | 15 | 15 | -0- | -0- |
| QA Teams | 26 | 26 | -0- | -0- |
| County Grants | 127 | 127 | -0- | -0- |
| Project Evaluation | 37 | 37 | -0- | -0- |
| DHS staff (1 FTE) | 70 | 70 | -0- | -0- |
| 1115 Waiver Evaluation | 75 | 75 | -0- | -0- |
| Total | \$431 | \$431 | -0- | -0- |

BUDGET ACTIVITY SUMMARY

Budget Activity: MA LTC WAIVERS & HOME CARE
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Medical Assistance-long term care waivers and home care grants pay for a collection of medical and health care-related support services that enable low-income Minnesotans who are elderly or who have disabilities to live as independently as possible in their communities.

Services Provided

Home care provides care for people recovering from major illness or making a transition from a hospital or nursing facility back to their home. It also provides long-term care to people with on-going assistance needs to prevent institutionalization. MA home care services are authorized based on their medical necessity and an order by a licensed physician. MA home care services include

- assessments by public health nurses;
- home health aide visits;
- nurse visits;
- private duty nursing services;
- personal care services;
- occupational, physical, speech, and respiratory therapies; and
- medical supplies and equipment.

Long Term Care Waivers, which are also known commonly as home and community-based waiver programs, provide a variety of support services that in addition to in-home medical care assist people to live in the community instead of going into or staying in an institutional setting. Waiver eligibility is linked to a person's need for a 24-hour plan of care that places them at risk of placement in an institutional setting. The available support services include

- caregiver training and education;
- respite care;
- case management;
- independent living skills training;
- consumer-directed community supports;
- homemaking and chore services;

- home delivered meals;
- day activity, day habilitation, and vocational supports;
- supplies and equipment;
- home and environmental modifications;
- transportation;
- supportive services in foster care, assisted living, and residential settings;
- behavioral interventions; and
- extended MA home care services including therapies.

People Served

Home Care and LTC Waivers, including infants and the frail elderly, serve persons of all ages, from infants to the frail elderly. These programs served the following number of people in FY 2000:

| | <u>People Served</u> | <u>Average Cost per</u> |
|--|----------------------|-------------------------|
| MA Home Care Services | | |
| - Personal Care Assistance (PCA) Services | 7,112 | \$16,299 |
| - Private Duty Nursing (PDN) Services | 519 | \$42,463 |
| Home Health Care Services | | |
| -Home health aide services | 4,677 | \$2,518 |
| -Skilled nursing services | 13,686 | \$756 |
| -Therapies | 1,199 | \$8,624 |
| Long-Term Care Waivers | | |
| Community Alternative Care Waiver (CAC) | 118 | \$45,502 |
| Community Alternative for Disabled Individuals Waiver (CADI) | 3,791 | \$5,868 |
| Elderly waiver (EW) | 9,716 | \$4,199 |
| Mental Retardation/Related Conditions Waiver (MR/RC) | 8,086 | \$49,614 |
| Traumatic Brain Injury Waiver (TBI) | 443 | \$30,315 |

FINANCING INFORMATION:

(See charts that follow narrative.)

BUDGET ISSUES:

- The use of institutional services to support the elderly and persons with disabilities is continuing to decline. MA Home Care and LTC Waivered

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: MA LTC WAIVERS & HOME CARE
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

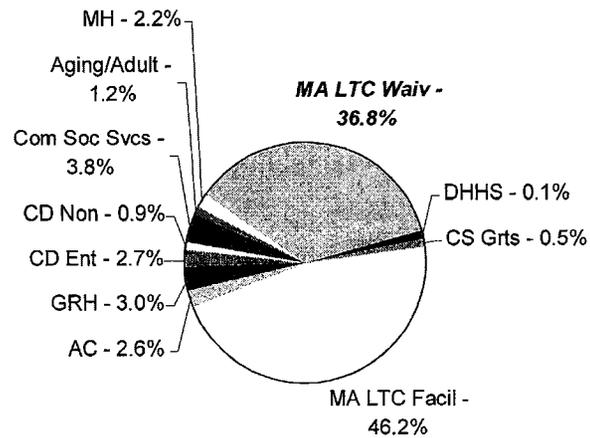
services provide an alternative means of assuring people are appropriately supported in their homes and communities.

- In June of 1999, the United States Supreme Court held in *Olmstead v. L.C.* that the unnecessary segregation of individuals with disabilities in institutions may constitute discrimination based on disability. The court ruled that the Americans with Disabilities Act requires states to provide community-based services rather than institutional placements for individuals with disabilities who have needs that can appropriately be met in the community.
- A moratorium on the development and certification of new beds in nursing facilities and intermediate care facilities for the mentally retarded continues.
- Recent changes in state and federal law allow people with disabilities seeking to work to do so without losing MA benefits/supports. Support/service options will need to be flexible enough to meet people's needs both at home and work.
- MA Home Care and LTC Waiver spending for persons with disabilities is projected to increase at an average annual rate of 18% over the next four years. Of this increase 53% is related to caseload growth and 47% is due to an increase in the cost per person.
- Specific services vary by waiver program and individual eligibility. There is a need to streamline the complexity of the service system so that consumer access is not hampered and an informed choice can more easily be made.
- There is a continued commitment to streamline the administration of services and to move decision-making authority as close as possible to the consumer.
- Minnesota's tight labor market affects the availability of home care and long-term care waived service providers. Recruitment and retention of trained, qualified staff is a significant challenge.
- There is a continuing commitment to giving consumers more choice and direct control over their services.
- The state is growing more culturally and ethnically diverse. As the proportion of people of color who are elderly or disabled grows, so does the demand for culturally appropriate, competent, and sensitive services.
- The current quality assurance system was designed when institutional services were the norm. New strategies are needed as services become increasingly dispersed in our communities and delivered in individual homes and/or small settings.

- There is a continued desire by the Department of Human Services and its community partners to explore how the use of capitated managed health care models, which integrate acute and long term for the elderly and persons with disabilities.

Continuing Care Grants By Activity

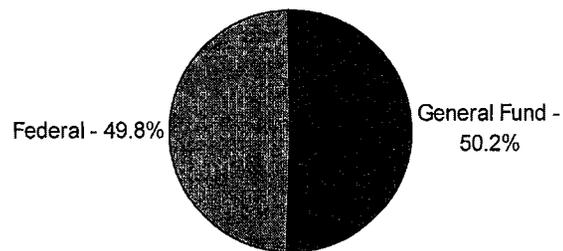
Total All Funds = \$2,509,857,000



**Activity Finance Summary
MA LTC Waivers & Home Care
Grants
FY 2002 Base**

MALTC Waivers & Home Care By Fund

Total All Funds = \$924,142,000



**See Grant Detail
(forecast)**

Activity: MA LTC WAIVERS & HOME CARE
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|------------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| PAYMENTS TO INDIVIDUALS | 572,175 | 644,815 | 838,929 | 924,142 | 920,902 | 1,028,926 | 1,038,204 | 475,362 | 32.0% |
| LOCAL ASSISTANCE | 28,630 | 30,377 | 43,320 | 0 | 0 | 0 | 0 | (73,697) | (100.0%) |
| Total Expenditures | 600,805 | 675,192 | 882,249 | 924,142 | 920,902 | 1,028,926 | 1,038,204 | 401,665 | 25.8% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) RELOCATE/DIVERT - UNDER AGE 65 | GEN | | | | 774 | | 4,818 | | |
| (B) CONSUMER DIRECTED HOME CARE (1115) | GEN | | | | (637) | | (984) | | |
| (B) CONSUMER SUPPORT GRANT REDUCTION | GEN | | | | (5,495) | | (9,622) | | |
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | | 2,118 | | 6,509 | | |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | 8,557 | | |
| Total Change Items | | | | | (3,240) | | 9,278 | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 277,560 | 311,897 | 414,180 | 464,305 | 461,065 | 521,990 | 531,268 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 27,659 | 31,280 | 40,731 | 0 | 0 | 0 | 0 | | |
| FEDERAL | 295,586 | 332,015 | 427,338 | 459,837 | 459,837 | 506,936 | 506,936 | | |
| Total Financing | 600,805 | 675,192 | 882,249 | 924,142 | 920,902 | 1,028,926 | 1,038,204 | | |

Grants Detail

MA LTC Waivers & Home Care

| Services | Funding State / Federal | FY 2000 Monthly Average Served | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|-------------------------------------|--------------------------------|---------------------------------------|------------------------|-----------------------|---------------------|---------------------|
| MR/RC Waivers | State/Federal | 7,557 | 401,193 | 526,612 | 573,434 | 650,504 |
| Elderly Waiver | State/Federal | 6,940 | 40,800 | 57,529 | 64,708 | 71,239 |
| Disabled Waiver (CADI) | State/Federal | 2,747 | 22,245 | 28,572 | 32,009 | 36,231 |
| Chronically Ill Waiver (CAC) | State/Federal | 98 | 5,367 | 5,844 | 6,707 | 7,342 |
| Traumatic Brain Injury Waiver (TBI) | State/Federal | 353 | 13,433 | 18,186 | 22,040 | 26,196 |
| Home Health Agencies | State/Federal | 5,125 | 23,627 | 31,959 | 35,352 | 36,210 |
| Personal Care / PD Nursing | State/Federal | 5,543 | 138,150 | 165,942 | 180,302 | 186,150 |
| Consumer Support Transfer | State | | -0- | 4,285 | 9,590 | 15,054 |
| County Share Reimbursement | State | | 30,377 | 43,320 | -0- | -0- |
| Total | | * 26,946 | 675,192 | 882,249 | 924,142 | 1,028,926 |

* Unduplicated Total

BUDGET CHANGE ITEM (51507)

Budget Activity: MA LTC WAIVERS & HOME CARE
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: RELOCATING AND DIVERTING PEOPLE WITH DISABILITIES UNDER THE AGE OF 65 FROM INSTITUTIONAL SETTINGS

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------------|------------------|---------------|------------------|------------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA LTC Facilities | \$(925) | \$(6,874) | \$(13,541) | \$(22,134) |
| MA LTC Waivers/Home Care | 774 | 4,818 | 9,673 | 14,367 |
| MA Basic HC – E&D | (60) | 19 | 129 | 246 |
| Group Residential Housing | 152 | 1,165 | 2,476 | 4,041 |
| Continuing Care Mgmt | 720 | 800 | 625 | 450 |
| Total | \$661 | \$(72) | \$(638) | \$(3,030) |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$317 | \$352 | \$275 | \$198 |

Statutory Change? Yes X No _____

If yes, statutes affected: MS 256B

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$661,000 in FY 2002, and a decrease of \$72,000 in FY 2003 to relocate 1,300 people with disabilities under the age of 65 who are currently in nursing facilities to their communities and to divert additional people at risk of institutional placement.

RATIONALE:

Background

Minnesota has demonstrated a strong commitment to providing home and community-based support to people with disabilities and to moving individuals with disabilities from institutional to community settings. Our state's experience over the past two decades has demonstrated that most of the individuals who are currently institutionalized can be served appropriately in home and community based settings at a cost that is reasonable to the state. Numerous state and national studies have documented the benefits of community-based services for persons with disabilities.

Last year, the United States Supreme Court ruled in *Olmsted vs L.C.* that states have an obligation to insure that people with disabilities are not forced to remain institutionalized when a more integrated setting is appropriate and the affected individuals do not object to the community placement. The court further indicated that states should have comprehensive, effectively working plans for placing qualified persons in less restrictive settings. This ruling has prompted states, including Minnesota, to review their current policies and practices and to determine whether they most effectively support the relocation and diversion of people from institutional settings.

At this time, approximately 2,600 Minnesotans with disabilities under the age of 65 are residents of nursing facilities. These people are primarily challenged by a mental illness, traumatic or acquired brain injury, or physical disability. Recently, the number of people under the age of 65 residing in nursing facilities began to increase. These recipients become long-term residents with an average length of stay of 340 days per year. The current annual cost to serve these individuals in nursing facilities is about \$100 million (state and federal).

Frequently, persons with disabilities in nursing facilities do not have the necessary information, planning assistance, or access to program accommodations to facilitate their move back into the community. Additionally, the lack of program flexibility has been determined to increase the likelihood of persons with disabilities residing in the community to be institutionalized.

Proposal:

- Reduce the use of nursing facilities by people with disabilities (under the age of 65) by 50% over a four year period.
- Simplify and strengthen home and community based service options to reduce risk factors leading to institutionalization, as well as, to assure appropriate and high quality community care.
- Provide a targeted case management benefit to enable eligible recipients to receive the necessary information, assistance, and support to facilitate their support needs being met in the community.
- Create the flexible use of available housing subsidies that enable individuals relocating from NFs to access community-based housing alternatives.

Specifically, the department has identified policy and program changes that will improve access to and utilization of existing home and community based service options for individuals with disabilities who are in, or are at risk of going into, institutions.

Two areas of the state's Medical Assistance (MA) program are designed to support people with disabilities in their homes and communities: MA Home and

BUDGET CHANGE ITEM (51507) (Continued)

Budget Activity: MA LTC WAIVERS & HOME CARE
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: RELOCATING AND DIVERTING PEOPLE WITH
**DISABILITIES UNDER THE AGE OF 65 FROM
 INSTITUTIONAL SETTINGS**

Community Based Waivered Services (HCBS) and Home Care Services. These changes will eliminate access barriers for the targeted group and strengthen the capacity of Minnesota's communities to appropriately respond to the needs of their members with disabilities

Specific Proposal Components Include

- establishment of a discharge initiative to facilitate 1,300 people with disabilities leaving nursing facilities in the next four years;
- redesign of pre-admission screening protocols to improve consumer information and timely access to viable HCBS options;
- establishment of a targeted case management benefit for persons with disabilities residing in nursing facilities or receiving MA Home Care to assure they receive the information, support, and assistance needed to access community based supports;
- establishment of an Aggregate Allocation Methodology in all disability HCBS waiver programs to maximize existing state investments and create flexibility in the allocation and use of these HCBS resources;
- establishment of a common service menu and rates across the HCBS Waiver programs to simplify program administration and to improve program accessibility to consumers (including persons needing private duty nursing); and
- improvement of the capacity of our existing MA Home Health Services to flexibly meet the needs of persons with disabilities.

Administration Issues and Implementation

Administrative resources to implement the proposal will be utilized to provide

- consumer Information/outreach – specific outreach focused to persons in nursing facilities and their families and a Disability "Link" line for persons with disabilities;
- systems development costs, including MMIS;
- training for local agencies;
- quality assurance efforts.

FINANCING: (summarized by key activity)

| | 2002-03 Biennium | | 2004-2005 Biennium | |
|--|------------------|--------------|--------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Nursing Home Discharge Initiative | 547 | (702) | (2,645) | (5,146) |
| Additional Home Care & Waiver Costs | 443 | 3,503 | 7,252 | 11,836 |
| Additional GRH Cost | 152 | 1,136 | 2,476 | 4,041 |
| Waiver Accommodations | 500 | 1,110 | 1,458 | 1,783 |
| Targeted CM for Relocators (180 days) | 84 | 260 | 370 | 487 |
| Preadmission Changes | 293 | 196 | 196 | 196 |
| Nursing Facility Savings | (925) | (6,962) | (14,397) | (23,489) |
| Aggregate Averaging for Disability HCBS Waivers | 0 | 0 | 0 | 0 |
| Common Menu & Rates for Disability HCBS Waivers | 0 | 750 | 2127 | 2271 |
| TCM for Home Care Recipients | 0 | 49 | 467 | 713 |
| Cost of New Service | 0 | 88 | 856 | 1,355 |
| Home Care Efficiency Savings | 0 | (39) | (389) | (642) |
| Home Care Flexibility Provisions | (605) | (970) | (1,212) | (1,318) |
| Reduced professional Supervision of PCAs | (244) | (504) | (676) | (696) |
| Lift of Skilled Nursing Visit Limit | 185 | 149 | 155 | 155 |
| Use of PT/OT Assistants | (65) | (86) | (62) | (42) |
| Telehome Care – Impact on Basic Care | (44) | (92) | (192) | (298) |
| Streamline CAC Reassessments | (77) | (77) | (77) | (77) |
| Refinance of PCA Assessments as Skilled Medical Professional | (360) | (360) | (360) | (360) |
| Administrative Costs | 720 | 800 | 625 | 450 |
| Consumer Information/Outreach | 160 | 200 | 200 | 200 |
| System cost including MMIS changes | 140 | 175 | 50 | 0 |
| Training & TA – Local Agencies | 220 | 210 | 160 | 160 |
| Redesign of assessment and allocation methods | 110 | 125 | 125 | 0 |
| Quality Monitoring Initiative | 90 | 90 | 90 | 90 |
| TOTAL STATE COSTS | 661 | (72) | (638) | (3,030) |

OUTCOMES:

- Increased consumer access to information and support needed to relocate from nursing facilities.

BUDGET CHANGE ITEM (51507) (Continued)

Budget Activity: MA LTC WAIVERS & HOME CARE

Program: CONTINUING CARE GRANTS

Agency: HUMAN SERVICES DEPT

**Item Title: RELOCATING AND DIVERTING PEOPLE WITH
DISABILITIES UNDER THE AGE OF 65 FROM
INSTITUTIONAL SETTINGS**

- Establishment of a Targeted Case Management (TCM) option to relocate persons with disabilities under the age of 65 in institutions and for MA Home care recipients.
- Relocation of 1,300 persons with disabilities from nursing facilities over a four year period.
- Diversion of at least 350 persons currently in the community who would otherwise have been institutionalized.
- More flexible use of existing funding for community based housing.
- Simplification of MA Home Care and HCBS Waiver program administration.
- Strengthening of the existing MA Home Health and HCBS Waiver Programs.
- Redirection of institutional and hospital spending to cover costs of community services.

The department will continue to utilize state-wide data collection systems that identify people with disabilities at risk of institutional placements, their demographic and personal characteristics, and their service needs to monitor the effectiveness of this initiative and whether any modifications are needed.

BUDGET CHANGE ITEM (51511)

Budget Activity: MA LTC WAIVERS & HOME CARE
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: PROMOTING INDEPENDENCE WITH THE
 CONSUMER DIRECTED HOME CARE 1115
 DEMONSTRATION PROJECT

authorized medically necessary Medical Assistance services and supports are underutilized due to the limited numbers of available staff.

Finally, consumers have grown more capable and willing to voice their preferences about choice of living situation and choice of caregiver. Increasingly, consumers have shared their belief that existing long-term care systems are unnecessarily paternalistic and restrictive.

In accordance with state law, an 1115 Waiver has been submitted to the Health Care Financing Agency (HCFA) to allow selected MA recipients to receive support grants as an alternative to certain Medicaid home care services. This option will further the state's continuing efforts to enhance purchasing efficiencies, quality of care, and consumer choice and control.

Implementation of the 1115 CDHC demonstration waiver will improve access, increase consumer control and accountability over available resources, and enhance the quality of care by enabling consumers to individualize services and supports that effectively meet their needs.

Proposal

The CDHC 1115 demonstration waiver will allow participants to receive individualized support budgets as an alternative to certain MA home care benefits they receive under the traditional fee-for-service system. It will enable Minnesota to assess the benefits of allowing selected MA consumers to arrange and purchase their own long-term care services. The proposal has gone through an extensive development and public comment period before submission to the federal government.

CDHC grants will be made available to up to 1,500 recipients receiving, or approved to receive, personal care, home health aide, or private duty nursing service costs that would otherwise have been paid under MA fee-for-service. Recipients will be allowed to utilize up to 90% of the available funds to purchase individualized supports. This model allows the consumer to purchase less formal, less traditional forms of support and assistance. The remaining 10% will be available to fund the cost of project management, monitoring, and independent evaluation.

Administration Issues and Implementation

Requested funds will be dedicated to federally required demonstration project implementation activities including

- project evaluation
- technical assistance
- training, independent monitoring and oversight
- state and local administrative costs.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------------------|---|--|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA LTC Waivers/ Home Care | \$(637) | \$(984) | \$(987) | \$(990) |
| Continuing Care Mgmt | 1,138 | 1,757 | 1,762 | 1,767 |
| Total | \$501 | \$773 | \$775 | \$777 |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$501 | \$773 | \$775 | \$777 |
| Statutory Change? | Yes | X | No | _____ |
| If yes, statutes affected: | M.S. 256B.0627 | | | |
| <input type="checkbox"/> New Activity | <input type="checkbox"/> Supplemental Funding | <input checked="" type="checkbox"/> Reallocation | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends redirecting the use of \$9,656,000 in FY 2002 and \$20,586,000 in FY 2003 of Medical Assistance (MA) grant funds to implement the Consumer-Directed Home Care (CDHC) 1115 Demonstration Waiver. This redirection allows consumers to take more responsibility for arranging, directing, and purchasing some of their own home care services. It does not result in an increase in the general fund budget nor a loss of federal financial participation.

RATIONALE:

Background

Consumers and their advocates have indicated that regulatory and procedural requirements, that are intended to assure program-wide standards for safe and effective service provision, often serve to promote over-dependence and prevent potential efficiencies that could be realized through more individualized support arrangements.

In addition, counties and home care provider agencies have encountered difficulties in recruitment and retention of staff. In some areas of the state,

BUDGET CHANGE ITEM (51511) (Continued)

Budget Activity: MA LTC WAIVERS & HOME CARE
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: PROMOTING INDEPENDENCE WITH THE
 CONSUMER DIRECTED HOME CARE 1115
 DEMONSTRATION PROJECT

OUTCOMES:

The CDHC 1115 demonstration project is intended to demonstrate that a consumer directed approach in the provision of MA home care services will

- enhance the independence, dignity and individual well-being of consumers;
- increase consumer choice and satisfaction with service outcomes;
- enable 1,500 consumers to purchase more individualized supports, care and services than would be possible through the traditional state and county service procurement systems;
- provide these 1,500 consumers more control, flexibility, and responsibility for needed supports;
- promote local program management and decision making that is more responsive to individual consumers and local health care economy; and
- encourage the use of informal and community supports.

An independent vendor selected through a competitive bidding process will conduct a comprehensive evaluation of the CDHC Demonstration Project. The independent evaluation will be designed to determine whether the CDHC option improves quality of care and customer satisfaction and results in cost savings. These variables will be assessed to determine whether there are any variations among enrollees based on their age, type and severity of disability, as well as whether they direct their own care or have a legal guardian directing their care, and whether they utilize a fiscal intermediary or do their own bookkeeping.

The state will enter into a contract with local project administrators to assure consistency in project administration. The roles local project administrators will include

- determining project eligibility;
- informing consumers of their rights and responsibilities;
- assisting consumers and legal representatives in the completion of their CDHC budget and service agreements;
- establishing and maintaining purchasing and payment mechanisms on behalf of consumers;
- providing consumers information on how to coordinate services and supports with other available options;
- submitting financial and program reports to DHS as required;
- ensuring appropriate utilization of consumer funds; and
- providing assistance in securing and maintaining supports.

The projected date of the CDHC 1115 demonstration implementation is 7-1-01.

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---|------------------|----------|------------------|----------|
| | F Y 2002 | F Y 2003 | F Y 2004 | F Y 2005 |
| Consumer-Directed Home Care Grants Administration | \$9,019 | \$19,602 | \$20,835 | \$22,141 |
| State Administration | 114 | 21 | 27 | 32 |
| Technical Assistance | 125 | 200 | 200 | 200 |
| Local Administration | 579 | 1,158 | 1,158 | 1,158 |
| Independent Monitoring | 75 | 150 | 150 | 150 |
| Project Evaluation | 244 | 227 | 227 | 227 |
| Total Administration | 1,138 | 1,757 | 1,762 | 1,767 |
| Medicaid Grants to 1115 Waiver | (9,656) | (20,586) | (21,821) | (23,130) |
| Total | 501 | 773 | 775 | 777 |
| Admin reimbursement | (501) | (773) | (775) | (777) |
| Net Impact | \$-0- | \$-0- | \$-0- | \$-0- |

BUDGET CHANGE ITEM (64369)

Budget Activity: MA LTC WAIVERS & HOME CARE
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT
Item Title: LIMITING THE GROWTH OF THE CONSUMER SUPPORT GRANT PROGRAM

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------|------------------|------------|------------------|-------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA LTC Waivers/ Home Care | \$ (5,495) | \$ (9,622) | \$ (13,921) | \$ (18,389) |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Recoveries | \$-0- | \$ (2,383) | \$ (4,179) | \$ (6,047) |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S 256.476

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease of \$5,495,000 in FY 2002 and \$9,622,000 in FY 2003 of the Medical Assistance (MA) grant funds that are projected to be transferred to the Consumer Support Grant (CSG) program. This decrease results from limiting the number of persons served on the CSG program to 200. A federal Consumer Directed Home Care (CDHC) 1115 demonstration waiver that will provide similar benefits is proposed (in a separate decision item) to replace the services that would have otherwise been available through the Consumer Support Grants programs.

RATIONALE:

The Consumer Support Grant program allows recipients of three existing long term service programs to directly receive a portion of the state share of costs of their services. This option allows consumers more control and accountability over available resources and enables them to use supports that may be more individualized and cost effective. People can receive the services and supports they need without many of the administrative requirements for MA-funded services. Additionally, they can purchase services from family, friends, and neighbors who are not part of the workforce employed by home care agencies. The CSG program is projected to grow significantly in the coming years.

The department is requesting an 1115 demonstration waiver from the federal government to allow eligible recipients to receive resources in a manner similar to the CSG program. The 1115 demonstration will allow the grant funds available to the consumer to include the federal share. The availability of the 1115 Consumer-Directed Home Care (CDHC) waiver will allow the Department to limit the growth of the CSG Program without reducing the availability of consumer-directed grants. Even with the 1115 federal waiver, certain recipients will need to continue participating in the Consumer Support Grant program because it offers some flexibility that will not be available under the federal option.

Background

The 1995 Legislature established the state-funded Consumer Support Grant (CSG) program in response to a growing interest in service alternatives that promote consumer control and accountability, as well as provide access to supports that were difficult to find through traditional long-term care programs because of labor shortages. The CSG Program enabled consumers to receive a support grant as an alternative to the benefits they received through MA funding for some home care services, the Alternative Care (AC) Program, or the Family Support Grant (FSG) Program. Currently there are under 150 participants.

Although persons in the Consumer Grant program have more flexibility in purchasing services, they can only receive a grant amount less than or equal to the state share of the amount of long term care services they would receive. To better meet the needs of consumers requiring long term care supports, the department is applying for an 1115 demonstration waiver which will allow consumers also to receive the federal share of the same MA services.

Proposal

The number of consumers able to participate in the Consumer Support Grant program will be limited to 200. This change will be made in anticipation of the availability of a Consumer Directed Home Care 1115 waiver option being available to consumers which maximizes federal participation in state sponsored consumer directed support options.

Administration Issues and Implementation

Administrative changes will be made to the Consumer Support Grant that allow the state to closely track the numbers of consumers participating in the program and assure that the necessary controls are in place to limit state spending.

OUTCOMES:

- Maximization of federal participation in consumer directed support options.
- Limit on the growth of the state funded Consumer Support Grant program.
- Limited impact on consumers because of their ability to participate in the CDHC 1115 waiver option to obtain necessary services and supports.

BUDGET ACTIVITY SUMMARY

Budget Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Medical Assistance (MA) Long-Term Care Facilities grants pay for funding for nursing facility care, intermediate care facilities for persons with mental retardation (ICF/MR), and day training and habilitation (DT&H) for persons with mental retardation or related conditions who are ICF/MR residents. Medical Assistance (MA) is used to fund these services.

Services Provided

Nursing facilities provide 24-hour care and supervision in a residential-based setting. Housing and all other services are provided as a comprehensive package, including, but not limited to:

- nursing and nursing assistant services
- help with activities of daily living and other care needs
- housing
- meals
- medication administration
- therapy services (at an extra cost)
- activities and social services
- supplies and equipment
- housekeeping, linen, and personal laundry

ICFs/MR provide 24-hour care, habitation, training, and supervision to persons with mental retardation or related conditions. Most ICFs/MR are less medically oriented than nursing facilities and focus on teaching independent living skills. Like nursing facilities, they provide a package of services which include housing and food.

DT&H vendors provide training and activities related to work, self care, communication skills, socialization, community orientation, transportation needs, emotional development, development of adaptive behavior, cognitive development, and physical mobility. DT&H services assist people with developmental disabilities to prepare for, find, and retain employment.

People Served

There are nearly 1,000 long-term care (LTC) facilities that serve about 34,000 people in this budget activity whose payment rates are established annually by the Department of Human Services. The following data is from FY 2000

Nursing facilities:

- 424 MA-certified nursing facilities (NFs) and boarding care homes
- MA-certified NFs and boarding care homes served approximately 26,700 persons per month receiving MA at a monthly average payment of \$2,650 per person

ICFs/MR:

- 276 MA-certified ICFs/MR
- ICFs/MR served approximately 2,900 persons per month receiving MA at a monthly average payment of \$4,289 per person

DT & H:

- 259 Day training and habilitation service (DT&H) vendors
- This budget activity funds DT&H services for ICF/MR recipients only. Approximately 2,700 ICF/MR recipients per month receive DT&H services at a monthly average MA payment of \$1,188 per person. DT&H funding is also contained in the LTC Waiver and Home Care budget activity (for those on the MR/RC waiver) and in Community Social Service Grants (for all others). In total, DT&H programs serve approximately 10,500 people

FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

- *Wage and Workforce Issues.* Long-term care facility providers are having difficulty hiring and retaining qualified employees. The state is experiencing low unemployment rates, which means there are fewer people looking for jobs. Facilities cannot simply increase wages or enhance benefits to attract workers and pass on these costs through higher rates because the state, as the primary purchaser of long-term care services, controls both the rates it pays to facilities and the rates paid by privately paying residents. Other factors affecting a facility's ability to attract and retain staff include the working conditions and employee benefits. DHS is interested in promoting quality improvement and is working with NFs to develop continuous quality improvement plans as part of the Alternative Payment System (APS). Quality

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

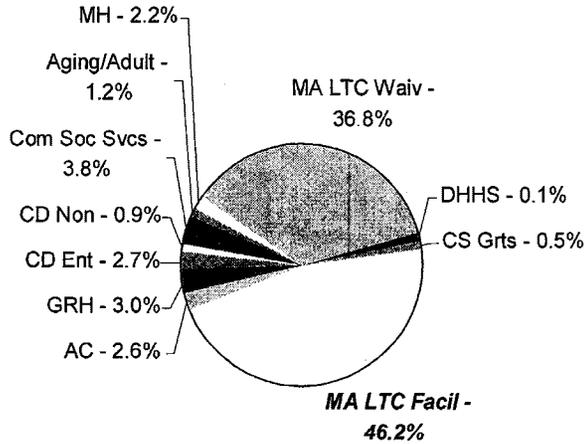
improvement is also central to the new rate setting system, which will begin in 7-2001.

- *Number of ICF/MR facilities are declining.* For ICFs/MR, the number of facilities continues to decrease, as some providers close facilities and provide alternative services to people in their own homes or in small group home settings funded by the home and community-based waivers. There has been a 10% reduction in ICF/MR facilities since the last biennium.
- *New ICF/MR Reimbursement System.* In 1998, legislation was passed to sunset the cost-based payment system (Rule 53) for ICFs/MR. In October of 2000, the department began the implementation of a new payment system for ICFs/MR that utilizes performance-based contracting components and variable rate mechanisms.
- *Number of NF beds and occupancy are declining.* In the past few years, there have been changes in nursing home utilization. Since February 2000, ten NFs closed, resulting in a decrease of 720 beds. In addition, a bed layaway provision, passed last session, has resulted in the lay away of an additional 1,321 beds. Despite this accelerating decline in the number of NF beds, Minnesota still ranks 6th nationally in the number of NF beds per 1,000 people age 65 or over and 15th in the number of NF beds per 1,000 people age 85 or over.
- *NF Performance-based Contracting and Sunset of Cost-based Payment Systems.* In 1998, legislation was passed to sunset the cost-based payment systems for nursing facilities (Rules 50). A new contracting system will be implemented to replace the current methods of setting rates. The new contracting system also will replace the APS contracting demonstration.
- *NF Rate Disparities.* There are significant disparities in rates paid to NFs for serving similar residents. These disparities are, in part, the result of historic spending patterns over many years, which have resulted in differences in what NFs can pay to employees for wages and benefits.
- *Health Insurance costs.* Facilities are contending with the rising costs of providing health insurance benefits to employees.
- The Governor's budget does not include recommendations for moratorium exception funding, as suggested in M.S. 144A.073, subd. 9, because other funding proposals are considered higher priorities. The Governor's recommendation for planned closures of NFs, however, would allow for a limited number of total replacements as part of a closure arrangement.

Activity Finance Summary MA LTC Facilities Grants FY 2002 Base

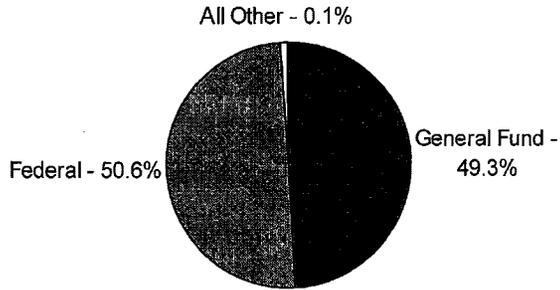
Continuing Care Grants By Activity

Total All Funds = \$2,509,857,000



MALTC Facilities By Fund

Total All Funds = \$1,158,367,000



**See Grant Detail
(forecast)**

Activity: MA LONG TERM CARE FACILITIES
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|---------------------|---------------------|---------------------|------------------|---------------------|------------------|---------------------|--|------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| PAYMENTS TO INDIVIDUALS LOCAL ASSISTANCE | 1,072,544 54,599 | 1,057,033 50,673 | 1,142,638 60,571 | 1,158,367 0 | 1,138,872 (65) | 1,159,946 0 | 1,108,010 (118) | 47,211 (111,427) | 2.1% (100.2%) |
| Total Expenditures | 1,127,143 | 1,107,706 | 1,203,209 | 1,158,367 | 1,138,807 | 1,159,946 | 1,107,892 | (64,216) | (2.8%) |

| Change Items: | Fund | | | | | | |
|--|-------------|--|--|--|-----------------|--|-----------------|
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | | (18,138) | | (54,889) |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | 10,602 |
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | | (432) | | (775) |
| (B) RELOCATE/DIVERT - UNDER AGE 65 | GEN | | | | (925) | | (6,874) |
| (B) SEX OFFENDER TREATMENT | GEN | | | | (65) | | (118) |
| Total Change Items | | | | | (19,560) | | (52,054) |

| Financing by Fund: | | | | | | | |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 520,320 | 511,260 | 558,279 | 570,582 | 551,022 | 574,628 | 522,574 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 52,747 | 52,180 | 56,950 | 1,157 | 1,157 | 1,164 | 1,164 |
| FEDERAL | 554,076 | 544,266 | 587,980 | 586,628 | 586,628 | 584,154 | 584,154 |
| Total Financing | 1,127,143 | 1,107,706 | 1,203,209 | 1,158,367 | 1,138,807 | 1,159,946 | 1,107,892 |

Grants Detail

MA Long Term Care Facilities

| Services | Funding State / Federal | FY 2000 Monthly Average Served | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|------------------------------------|--------------------------------|---------------------------------------|------------------------|-----------------------|---------------------|---------------------|
| Nursing Facilities | State/Federal | 26,653 | 847,658 | 910,145 | 928,402 | 931,060 |
| County Nursing Facilities | State/Federal | | 9,338 | 9,338 | 9,338 | 9,338 |
| ICF/MR | State/Federal | 2,926 | 150,603 | 158,553 | 162,707 | 162,383 |
| Day Training & Habilitation | State/Federal | 2,556 | 39,920 | 41,963 | 43,322 | 42,573 |
| State Regional Treatment Center DD | State/Federal | 4 | 1,238 | 8,763 | 9,000 | 9,000 |
| State Regional Treatment Center MI | State/Federal | 33 | 8,276 | 19,636 | 13,954 | 13,954 |
| County Share Reimbursement | State | | 50,673 | 60,571 | 0 | 0 |
| Alternative Care Cancellation | State | | 0 | (5,760) | (8,356) | (8,362) |
| Total | | * 29,616 | 1,107,706 | 1,203,209 | 1,158,367 | 1,159,946 |

* Unduplicated Total

BUDGET CHANGE ITEM (51598)

Budget Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

**Item Title: BALANCING COMMUNITY AND INSTITUTIONAL
LONG-TERM CARE SERVICES TO BETTER MATCH
DEMAND**

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------------|------------------|------------------|-------------------|-------------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| MA LTC Facilities | \$(18,138) | \$(54,889) | \$(72,198) | \$(71,560) |
| Aging & Adult Service Grants | 6,864 | 6,976 | 6,976 | 6,976 |
| MA LTC Home Care/ Waivers | 2,118 | 6,509 | 9,443 | 9,846 |
| Alternative Care Grants | 18,659 | 38,348 | 42,197 | 42,587 |
| MA Basic Health Care Grants | (675) | (1,725) | (1,969) | (1,935) |
| Health Care Operations | 32 | 32 | -0- | -0- |
| Continuing Care Management | 1,616 | 1,593 | 1,504 | 1,484 |
| Group Residential Housing | 83 | 269 | 389 | 405 |
| Total | \$10,833 | \$(2,486) | \$(13,257) | \$(11,796) |

| | | | | |
|---------------------|---------|---------|---------|---------|
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$1,471 | \$1,411 | \$1,543 | \$1,587 |
| MA Surcharge | (825) | (2,429) | (3,211) | (3,211) |

Statutory Change? Yes X No _____
If yes, statutes affected: M.S. 256.975, 256B.0911, 256B.0913, 256B.0915, 256B.435, 256B.0917, 256B.436, 144A.16, 144A.31 and new coding in chapters 256B and 144.

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$10,559,000 in FY 2002 and a decrease of \$2,887,000 in FY 2003 to balance the capacity and distribution of long-term care services in Minnesota to meet the increasing demand for information and community-oriented services that help people stay independent longer and to reflect decreasing demand for nursing home care.

RATIONALE:

Background

Elderly Minnesotans want to live in their own homes as long as possible, to be independent and self-sufficient. Minnesota has developed many home and community-based service choices and informal community "supports" that have enabled thousands of elderly to live more independent and self-sufficient lives.

This has affected demand for institutional long-term care services.

- The culture is changing.
- The marketplace for nursing facility services is changing .
- The size of the nursing facility industry is changing.

Even with these trends, nursing facility utilization remains high, when compared to other states.

- Minnesota is still ranked 6th nationally in the number of nursing facility beds per 1,000 people age 65 or over and 15th in the number of nursing facility beds per 1,000 people age 85 or over.
- About 85 percent of all public dollars targeted to long-term care services for elderly Minnesotans is spent on nursing facility care.

One problem is that people don't always know about the supports available to them. "Burned-out" families who are caring for elderly members and need respite may not know about resources. Elderly people are discharged from the hospital with little time to consider their options. Some people permanently move to nursing facilities because they do not know whom to call or how to arrange for help in their homes.

Therefore, it is essential that any efforts to balance community and institutional services must recognize the unfulfilled demand for community-based services that exists in our state, so that a reasonable alignment of the long-term care system can be achieved.

Minnesota must take bold action to redesign its long-term care strategy to respond to peoples' desire to live independently in their own homes and to maximize self-sufficiency. Not only is this more affordable, it is what people want.

Proposal

Multiple strategies are needed to align long-term care services with consumer demands. Strategies are proposed in four key areas:

1. **Elderly individuals and their families will have the information needed to make informed choices.**
 - **Ensuring informed choices through information and assistance.** This initiative will provide information to the public and professionals through online (internet) tools, expanded assistance and consultation. It includes expanding the Senior LinkAge Line® (a telephone information and assistance line) to add evening and weekend coverage, increasing the number of Health Insurance Counseling volunteers who provide consultation services; and further developing the assessment and service activities included in the preadmission screening program. By building

BUDGET CHANGE ITEM (51598) (Continued)

Budget Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
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LONG-TERM CARE SERVICES TO BETTER MATCH
DEMAND

upon these already successful resources, more people can get the information and assistance they need.

- **Targeting help to the critical points when decisions about long-term care services are made.** An "Access Demonstration Project" will provide assessment and discharge planning for people who are at the critical stage of returning to the community from the hospital or nursing facility and need help obtaining services to return home. This project will improve access to and availability of long-term care consultation services. It will serve all elderly, not just those who are low income. It will build upon discharge planning resources already available in the demonstration areas. Each site will be managed by a county or partnership of counties. This demonstration is proposed first as a limited project so that its effectiveness can be demonstrated and evaluated.

As a related, but separate aspect of this project, the department will explore and report to the legislature by 1-15-02 on the on the viability of implementing "integrated" service access for both publicly subsidized and non-subsidized long-term care services and housing options. This proposed model will integrate community-based funding streams at the local level and allow privately-paying consumers to purchased services through a sliding fee scale.

2. Community partners will be empowered to develop long-term care services that meet the unique needs of their community.

- **Bringing community partners together to plan and develop elderly services that fit their community's needs.** Communities must have a way to plan and develop services that meet their needs and to facilitate the transition from nursing facility to home and community-based care. This can be accomplished most equitably through a regional long-term care planning approach.

This proposal will make funding available, through a request for proposals and contracts, to **regional long-term care planning and development groups**. Preference for funding will be given to regions that do not already have Seniors Agenda for Independent Living (SAIL) projects. Each group will include county health and social

services agencies, local or regional housing agencies, consumers, representatives of nursing facilities and home and community-based services, Regional Development Commissions and the Area Agency on Aging. These groups will provide the planning and development work needed to adjust the capacity and distribution of long-term care services in the region.

Combining and expanding Community Service Grants targeted to communities. This provision builds upon the strengths and unique resources already in communities to meet the needs of their elderly citizens. This proposal will streamline and build existing Community Service Grants by combining these funds so that grantees can apply through one entity for funding. Existing grantees would continue to receive their grants through the combined fund and can submit proposals for additional funding.

Examples of services that could receive funding include on-site coordinators in senior congregate housing, "seed money" for local investment in senior housing development, additional block nurse services, or expanded informal caregiver support.

To ensure equitable distribution of service grants, funds will be allocated based on elderly population within specified areas, then awarded based on a competitive "request for proposals" process. Preference for awarding funding will be given to regions that are reducing nursing facility capacity. Regional long-term care planning groups will be instrumental in working with communities to identify what services are most needed.

3. Long-term care services will be available to meet the needs of low-income elderly citizens.

- **Equalizing payment limits for elderly home and community-based services to eliminate rate disparities.** Some counties have lower payment limits in the Alternative Care program (AC) and the Elderly Waiver (EW) than other counties, so they pay less for the same services. Some home care providers have stopped serving clients because they said the rates were too low.

In addition, AC pays less than EW for some services because AC has lower payment limits. As part of this comprehensive long-term care reform proposal, these disparities should be corrected to provide sufficient access to AC and EW services in all counties.

- **Simplifying Programs.** By implementing a **common menu** of services across the Elderly Waiver, Alternative Care program, and disabilities waivers, service choices (and their definitions) will be more standardized across programs and more flexible, culturally responsive, and

BUDGET CHANGE ITEM (51598) (Continued)

Budget Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: BALANCING COMMUNITY AND INSTITUTIONAL
LONG-TERM CARE SERVICES TO BETTER MATCH
DEMAND

understandable. This will allow more consumer control and access. It will also make the programs easier for counties to operate.

- **Increasing Alternative Care Program funding to cover projected caseload growth.** This proposal requests sufficient funding to meet the increased case load growth projected in the AC program. The additional funding requested is sufficient to permit the average number of people receiving AC services to increase by about 1,200 each year of the biennium, from a projected base of an average of 7,600 receiving services in FY 2001.

4. **Nursing facilities will be smaller, better places in which to live.** Minnesota doesn't need as many facilities or as many beds as before because more people are remaining longer in their own homes, supported by community service alternatives and help from family and friends. Still, nursing facility services are an essential service option and the best alternative for some people.

This proposal preserves access to nursing facility services and promotes quality by helping the industry to adjust to changes in demand for their services.

- **Becoming a smaller industry.**
 - Permit nursing facilities to initiate voluntary **planned closures or partial closures** through a competitive process that reinvests a portion of the savings (approximately 15% of the savings from planned closure) into increased rates or capital funding for total facility replacements. Under this proposal, up to 4,700 beds will be closed over the next biennium.

For example, if an organization with two, 100 bed nursing facilities closed one facility and used its share of the savings for a rate adjustment, the remaining facility would receive a rate increase of about \$6 per resident day.

- enhance downsizing activity by **eliminating, through attrition, 3rd and 4th beds.** Under this proposal, approximately 500 more beds will be de-licensed so that each room will house one or two people.

- **Simplifying rates and regulations so that facilities and staff can better focus on resident care.**
 - enact rate setting changes that sunset the old rules and implement a new method of setting rates;
 - implement nursing facility case mix revisions that consolidate assessment processes using the federally-mandated Minimum Data Set Assessment.
- **Evaluating Consumer Satisfaction and Quality of Care.**
 - to evaluate quality of care and improve information for consumers, develop and implement an annual **consumer satisfaction survey** of nursing facility residents and their families.
 - make key findings public so that consumers will have information with which to make informed choices about where to go for nursing facility care.
 - use this survey as a first step toward developing consumer satisfaction information for all long-term care services. Development of a home and community-based services consumer satisfaction survey will begin in FY 2004.

These changes will help nursing facilities to become better places in which to live.

Administration Issues and Implementation

- **Community Planning.** As this initiative is implemented, community involvement, input, and support are necessary throughout the planning process to ensure that elderly people have access to the long-term care services they need.

Planning and service development will be most crucial in communities where a nursing facility closure is under consideration. Community Service Grants will be targeted to communities that have developed a comprehensive proposal to adjust use of nursing facility services and increase community-based services.

- **Regional Planning.** Regional planning and development groups will be instrumental in balancing the capacity and distribution of long-term care services while providing a broader, regional purview.
- **State Agency Role.** The Department of Human Service's role includes providing data on the number of nursing facility beds and community-based services, information about services, best practices, available grants, grant management, and program administration. The department will support planning and development efforts by providing technical assistance to groups who are developing closure proposals and long-term care transition plans.

BUDGET CHANGE ITEM (51598) (Continued)

Budget Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

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The state agency, through the Interagency Long-Term Care Planning Committee (INTERCOM), will oversee the closure proposal selection process.

- There will be costs associated with implementing a new case mix system that is based on the federally mandated Minimum Data Set (MDS) assessment. These costs include computer systems work to program the payment system to use the new case mix classification system and administrative costs to train providers, residents, and other stakeholders to use the new assessment and classification system.
- There will be county resident relocation costs resulting from nursing facility planned closures.
- There are costs associated with liability insurance for adult foster care homes. While the number of adult foster care homes has increased, administrative funding to pay for this insurance has remained flat. This proposal includes funding to cover the rising cost of liability insurance due to growth in the number of adult foster care homes.

Advisory groups whose input has contributed to the development of this initiative include:

- Long-Term Care Task force: stakeholder meetings, citizen forums, and strategy work groups
- Case Mix Work Group
- Long-Term Care Advisory committee

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| 1. Providing information needed to make informed choices: | | | | |
| - Expand Senior Linkage Line | \$1,423 | \$1,423 | \$1,423 | \$1,423 |
| - Health Insurance Counseling | 880 | 880 | 880 | 880 |
| - Access Demonstration Grants | 361 | 73 | 73 | 73 |
| - Access Demo PAS Pass Through | 349 | 510 | 510 | 510 |
| - Staff and support (3 FTEs) | 240 | 240 | 240 | 240 |

2. Developing long-term care services that meet the unique needs in communities:

| | | | | |
|--|-------|-------|-------|-------|
| - Regional Planning and Development Groups | 1,200 | 1,600 | 1,600 | 1,600 |
| - Community Service Grants | 3,000 | 3,000 | 3,000 | 3,000 |

3. Making community long-term care services available to meet the needs of low-income elderly:

| | | | | |
|-------------------------------|--------|--------|--------|--------|
| - EW/AC Rate Equalization: EW | 388 | 628 | 647 | 672 |
| - AC/EW rate equalization: AC | 760 | 1,166 | 1,159 | 1,133 |
| - EW common waiver menu | 25 | 252 | 613 | 645 |
| - AC common waiver menu | 0 | 367 | 959 | 927 |
| - AC Caseload Growth | 15,639 | 29,469 | 29,469 | 29,469 |

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|----------|------------------|----------|
| | F Y 2002 | F Y 2003 | F Y 2004 | F Y 2005 |
| - MA LTC savings that result from funding AC Caseload Growth | (7,915) | (20,774) | (22,492) | (19,743) |
| - MA Basic Health Care savings that results from funding AC Case Load Growth | (675) | (1,725) | (1,969) | (1,935) |
| Adult Foster Care liability Insurance--increased # of homes | 122 | 126 | 131 | 136 |

4. Making nursing facilities smaller, better places in which to live:

| | | | | |
|---|-----------------|------------------|-------------------|-------------------|
| -Enhanced NF downsizing through de-licensure of 3 rd and 4 th beds | (1,756) | (3,512) | (3,512) | (3,512) |
| -NF transition through planned closures and reinvestment | (8,816) | (31,113) | (46,704) | (48,815) |
| -increased EW use due to 3 rd and 4 th bed de-licensure | 282 | 565 | 565 | 565 |
| -Increased AC use due to 3 rd and 4 th bed de-licensure | 374 | 749 | 749 | 749 |
| -increased EW case load resulting from planned closures | 1,423 | 5,064 | 7,618 | 7,964 |
| -increased AC case load resulting from planned closures | 1,886 | 6,597 | 9,861 | 10,309 |
| -Increased GRH case load through de-licensure of 3 rd and 4 th beds | 14 | 27 | 27 | 27 |
| -Increased GRH case load through planned closures | 69 | 242 | 362 | 378 |
| -County involvement NF closures | 329 | 485 | 125 | -0- |
| -Case Mix implementation-MDH | 485 | 152 | 118 | 118 |
| -MMIS Case Mix (state share) | 32 | 32 | -0- | -0- |
| -Consumer Satisfaction/Survey | 200 | 350 | 650 | 750 |
| - Staff & support (3 FTEs) | 240 | 240 | 240 | 240 |
| Total Expenditures | \$10,559 | \$(2,887) | \$(13,658) | \$(12,197) |

BUDGET CHANGE ITEM (51598) (Continued)

Budget Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

**Item Title: BALANCING COMMUNITY AND INSTITUTIONAL
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Revenues

| | | | | |
|--|--------------|------------------|------------------|------------------|
| Loss of Surcharge Revenue due to NF bed closures | (825) | (2,429) | (3,211) | (3,211) |
| Admin reimbursement | 1,471 | 1,411 | 1,543 | 1,587 |
| Total Revenues | \$646 | \$(1,018) | \$(1,668) | \$(1,624) |

OUTCOMES:

- Elderly people will be supported in their efforts to live independently in their own homes as long as they desire and to maximize self sufficiency.
- Elderly people and their families will have the information needed to make informed choices.
- Long-term care services will be available to meet the needs of low-income elderly.
- Community partners will be empowered to develop services that meet the unique needs of elderly in their communities.
- The percentage of elderly people who are residing in nursing facilities will decrease.
- Nursing facilities will be smaller, better places in which to live.
- People will have increased satisfaction with the services they receive.
- Thousands more elderly people will live independently longer in their own communities (supported by lower-cost, community-based services) and fewer people will reside in nursing facilities.
- About 5,100 nursing facility beds over a two year period will close.
- By 6-30-2005, there will be about 4,800 fewer people (on average, per month) living in nursing facilities.
- More than 3,100 people instead will receive community-based services through Elderly Waiver or Alternative Care.
- Because a greater emphasis is placed on lower-cost, community-based services, more people will be able to pay privately for their community care rather than "spending down" to MA eligibility in a nursing facility.

- Thousands more people will benefit from more accessible information and assistance and low-cost community-based services developed at the local level.
- In addition to the figures above, by funding the AC projected case load growth, an average of 1,200 additional people each year will have access to the AC program and have more options about where they live. This will divert 400 people from nursing home placement.
- Approximately 400 people each year will be diverted from nursing facility placement and will instead receive services in their own homes.

Evaluation tools include

- customer satisfaction surveys;
- regional planning and development goals and outcomes: Each region or SAIL project, in its contract with the state, will establish goals and measurable outcomes for their region; and
- statistical data that is collected by the department on utilization of programs and services for elderly Minnesotans.

BUDGET CHANGE ITEM (51517)

Budget Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: SFY 03 LONG-TERM CARE RATE ADJUSTMENTS

The following table shows increases in the Consumer Price Index and the Employment Cost Index for the past four years and compares them to legislatively approved increases for the provider categories that are included in this budget proposal. This table does not include increases intended for service expansion. Some of the increases shown were actually effective mid-year, e.g. ICF-MR increases were all effective Oct 1st of each year.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------------|------------------|-----------------|------------------|-----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| MA LTC Waivers/ Home Care | \$-0- | \$8,557 | \$11,125 | \$12,167 |
| MA LTC Facilities | -0- | 10,602 | 12,307 | 12,511 |
| MA Basic HC-F&C | -0- | 7 | 10 | 11 |
| Alternative Care Grants | -0- | 1,568 | 1,734 | 1,704 |
| Adult Mental Health Grants | -0- | 1,009 | 1,009 | 1,009 |
| Children's Mental Health Grants | -0- | 418 | 418 | 418 |
| DD Comm Supp Grants | -0- | 144 | 144 | 144 |
| Comm Soc Svc Grants | -0- | 620 | 620 | 620 |
| Deaf & Hard of Hearing Grants | -0- | 15 | 15 | 15 |
| Aging & Adult Services Grants | -0- | 5 | 5 | 5 |
| Total | \$-0- | \$22,945 | \$27,387 | \$28,604 |

| | FY 1998 | FY 1999 | FY 2000 | FY 2001 | Cumulative |
|---|---------|---------|---------|---------|------------|
| Consumer Price Index (CPI-U, all items) * | 1.8% | 1.7% | 2.8% | 3.1% | 9.7% |
| Employment Cost Index – Compensation, Private * | 3.4% | 3.4% | 3.9% | 5.2% | 16.9% |
| DD Waiver | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| EW, CAC, CADI, TBI Waivers | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| Home Health Agencies | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| Personal Care and PDN | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| DT&H for ICF-MR | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| Nursing Facilities (incl all rate adj) | 2.4% | 4.5% | 4.5% | 5.3% | 17.8% |
| ICF-MR (incl all rate adj) | 4.5% | 3.5% | 4.6% | 5.5% | 19.4% |
| Alternative Care Grants | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| Adult Mental Health Grants | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| Children's Mental Health Grants | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| Community Supp Grants SILS | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| Community Soc Svc Grants – Non-MA DT&H | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| MH Svcs for Deaf | 5.0% | 3.0% | 4.0% | 6.0% | 19.2% |
| Epilepsy Skills Training | n/a | n/a | n/a | 3.0% | 3.0% |

Statutory Change? Yes X No _____
 If yes, statutes affected: M.S. 256B.431, 256B.501

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$22,945,000 in FY 2003 to provide rate increases for continuing care providers.

RATIONALE:

Background

Minnesota is facing unprecedented labor shortages across all industries. These labor shortages are driven by a growing economy, high labor force participation rates for both males and females, and historically low unemployment. The number of new jobs continues to grow.

The long-term care industry is being hit especially hard by these trends. Direct support work in the long-term care industry is characterized by low social status, insufficient training, limited educational and career opportunities, and poor wages. For these reasons, it is difficult to recruit and retain workers in this industry.

* CPI-U and Employment Index numbers are from the DRI October 2000 forecast.

Proposal

This proposal provides a FY 03 rate increase of 2% for continuing care providers.

BUDGET CHANGE ITEM (51517) (Continued)

Budget Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT
Item Title: SFY 03 LONG-TERM CARE COLA

FINANCING:

The cost of a 2% rate increase for FY 03 is shown for each provider category on the table that follows.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|-----------------|------------------|-----------------|
| | FY2002 | FY2003 | FY2004 | FY2005 |
| MA LTC Waivers and Home Care | | | | |
| Developmental Disabilities Waiver | \$-0- | \$5,421 | \$7,131 | \$7,916 |
| Elderly Waiver | -0- | 594 | 764 | 828 |
| EW decision page (Bal Comm/Inst) | -0- | 108 | 179 | 195 |
| CADI | -0- | 302 | 399 | 446 |
| CAC | -0- | 61 | 80 | 87 |
| TBI | -0- | 218 | 299 | 347 |
| Home Health Agencies | -0- | 302 | 368 | 376 |
| Personal Care & PDN | -0- | 1,551 | 1,905 | 1,972 |
| MA LTC Waiv & Home Care Subtotal | -0- | 8,557 | 11,125 | 12,167 |
| MA LTC Facilities | | | | |
| DT&H for ICF-MR | -0- | 355 | 417 | 404 |
| NF decision page (Bal Comm/Inst) | -0- | (635) | (978) | (1,043) |
| NF decision page (AC caseload) | -0- | (381) | (447) | (399) |
| Nursing Facilities | -0- | 10,531 | 11,629 | 11,935 |
| ICF-MR | -0- | 732 | 1,686 | 1,614 |
| MA LTC Facilities Subtotal | -0- | 10,602 | 12,307 | 12,511 |
| MA Basic F&C- Non-citizens w/out FFP | -0- | 7 | 10 | 11 |
| Alternative Care Grants | -0- | 929 | 1,115 | 1,115 |
| AC decision pg (Bal Comm/Inst) | -0- | 148 | 30 | -0- |
| AC decision pg (Caseload growth) | -0- | 491 | 589 | 589 |
| Alternative Care Grants Subtotal | -0- | 1,568 | 1,734 | 1,704 |
| Adult Mental Health Grants | -0- | 1,009 | 1,009 | 1,009 |
| Children's Mental Health Grants | -0- | 418 | 418 | 418 |
| DD Comm Supp Grants SILS | -0- | 144 | 144 | 144 |
| Comm Soc Svc Grants, non-MA DT&H | -0- | 620 | 620 | 620 |
| Deaf and Hard of Hearing Grants | -0- | 15 | 15 | 15 |
| Aging and Adult Srvs Grants - Epilepsy | -0- | 5 | 5 | 5 |
| Total General Fund | \$-0- | \$22,945 | \$27,387 | \$28,604 |

BUDGET ACTIVITY SUMMARY

Budget Activity: ALTERNATIVE CARE GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Alternative Care Grants (AC) pay for at-home health and long-term care services for low-income elderly Minnesotans who are at risk of going on Medical Assistance (MA) and potentially into a nursing facility. It is a state-funded program that gives eligible low-income elderly Minnesotans community-based service choices similar to services that are available in MA.

Services Provided

- respite care, both in-home and at approved facilities, to provide a break for caregivers
- case management to ensure that care provided is appropriate
- adult day care
- home health aide services and personal care services to assist with activities of daily living
- homemaker services
- companion service to enhance quality of life
- assisted living for those in greater need of assistance
- caregiver training and education to provide caregivers with the knowledge and support necessary to adequately care for an elderly person
- chore services to provide assistance with heavy household tasks such as snow shoveling
- home health nursing
- transportation to medically-related appointments
- nutrition services
- residential care services for people living in a board and lodging setting
- adult foster care for people living in licensed foster care
- medically necessary supplies and equipment
- telemedicine devices to monitor the health status of people in their own homes as an alternative to hospital care, nursing home care, or home visits

People Served

- To be eligible for AC, a person must be age 65 or older, be assessed as needing a nursing facility level of care and have income and assets inadequate to fund a nursing facility stay for more than 180 days
- In FY 2000, AC funded services for an average of approximately 7,700 elderly persons per month at an average monthly cost of approximately \$573 per person

FINANCING INFORMATION:

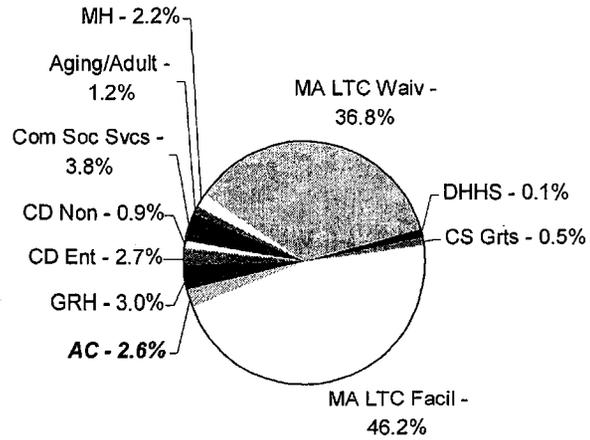
(See charts which follow narrative.)

BUDGET ISSUES:

- AC provides cost-effective consumer choices in long-term care. Because AC pays for services that are less expensive than nursing home care, and delays or shortens the eventual need for nursing home services, overall costs are reduced.
- Over the years, AC caseload has increased as funding has been provided to meet the need for AC services.
- Effective 7-1-99, eligibility for the Elderly Waiver (EW) was expanded and many people who received services under AC became eligible for EW. This explains why the number of people using AC suddenly decreased between FY 1999 and FY 2000. The EW expansion has been a great benefit to qualifying recipients because EW includes the full MA benefit set (e.g., prescription drugs).
- AC and EW generally fund the same services for a population with comparable needs, though rates may vary by county or be less in AC compared to EW. This has resulted in challenges in maintaining access to services.
- The department is exploring legislative and administrative options to simplify and standardize community-based services across AC and long term care waivers so these programs will be easier for recipients to understand and easier for counties to administer.

Continuing Care Grants By Activity

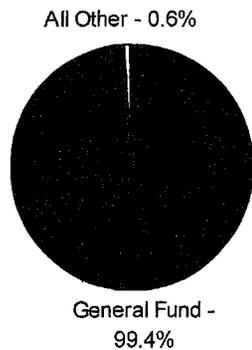
Total All Funds = \$2,509,857,000



Activity Finance Summary Alternative Care Grants FY 2002 Base

Alternative Care Grants By Fund

Total All Funds = \$76,707,000



Activity: ALTERNATIVE CARE GRANTS
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| PAYMENTS TO INDIVIDUALS | 51,430 | 49,781 | 63,364 | 64,064 | 77,972 | 64,110 | 90,320 | 55,147 | 48.7% |
| LOCAL ASSISTANCE | 32 | 0 | 0 | 0 | 4,501 | 0 | 13,206 | 17,707 | |
| Total Expenditures | 51,462 | 49,781 | 63,364 | 64,064 | 82,473 | 64,110 | 103,526 | 72,854 | 64.4% |

| Change Items: | Fund | | | | | | |
|---|-------------|--|--|--|---------------|--|---------------|
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | | 18,659 | | 38,348 |
| (B) IMPROVE AC CLIENT PREMIUM COLLECTIONS | GEN | | | | (250) | | (500) |
| (B) SFY03 LONG-TERM CARE COLA | GEN | | | | | | 1,568 |
| Total Change Items | | | | | 18,409 | | 39,416 |

| Financing by Fund: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 49,593 | 47,999 | 61,614 | 62,314 | 80,723 | 62,360 | 101,776 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 1,869 | 1,782 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 |
| Total Financing | 51,462 | 49,781 | 63,364 | 64,064 | 82,473 | 64,110 | 103,526 |

BUDGET ACTIVITY SUMMARY

Budget Activity: GROUP RESIDENTIAL HOUSING
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Group Residential Housing (GRH) Grants pay for room and board and other related housing services for individuals whose illness or disability prevents them from living independently. In order for its residents to be eligible for GRH payments, a setting must be licensed by the Department of Human Services (DHS) as an adult foster home, or by the Department of Health as a boarding and lodging establishment, a supervised living facility, a board and care home, or registered as a housing with services establishment.

Services Provided

GRH separately identifies housing costs from services and provides a standard payment rate for housing for aged, blind and disabled persons in certain congregate settings.

- GRH is a supplement to a client's income to pay for the costs of room and board in specified licensed or registered settings.
- Currently, the basic GRH room and board rate is \$633 per month, which is based on a statutory formula. The maximum GRH payment rate for settings that provide services in addition to room and board, such as difficulty of care in adult foster care, is \$1,059 per month. In limited cases, and upon county and state approval, GRH will also fund up to \$1,059 per month (based on documented costs) for persons whose needs require specialized housing arrangements.
- Although GRH is 100% state-funded, these rates are offset by the recipients own income contribution (usually Supplemental Security Income or Social Security Retirement or Disability Insurance contributions of at least \$512).
- GRH also pays for basic support services such as oversight and supervision, medication reminders, and appointment arrangement for persons who are ineligible for other service funding mechanisms such as home and community-based waivers or home care.

People Served

- There are over 3,800 GRH settings serving about 11,000 average monthly recipients who are unable to live independently in the community due to illness or incapacity.

- GRH settings serve a variety of dependent persons, including persons with mental retardation, mental illness, chemical dependency, physical disabilities, advanced age, or brain injuries.
- Persons receiving GRH often also receive personal care services through MA Home Care or a home and community-based waiver under Title XIX of the Social Security Act. In these cases, the GRH rate is restricted to the room and board rate only. The combination of GRH room and board supports and Medical Assistance services enables people to live in the community at a cost that is generally less than the cost in a facility.

FINANCING INFORMATION:

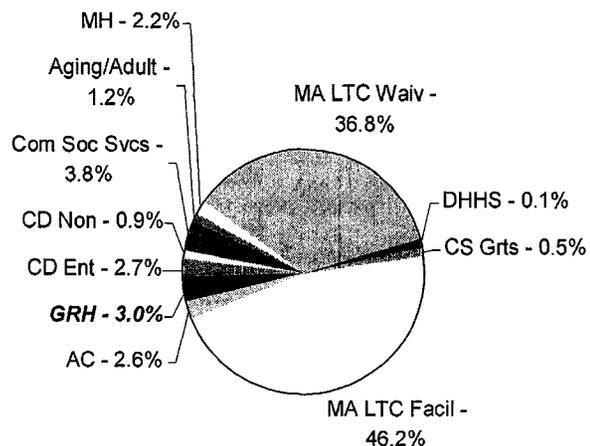
(See charts which follow narrative.)

BUDGET ISSUES:

- Increases to the GRH program are budgeted as a result of forecasted caseload increases.
- Some of the growth in GRH caseload is driven by the need and desire for community-based alternatives to Regional Treatment Centers and intermediate care facilities for persons with mental retardation (ICFs/MR).
- 1999 legislation limits the GRH supplementary room and board rates for corporate foster homes to the 1-1-00 county average, which some counties and providers believe is too restrictive.
- The GRH statute provides for payments to be capitated and transferred to county agencies or other DHS funding programs for beds permanently removed from the GRH census. This funding becomes part of the base of the program to which it is transferred. This provision enables counties to provide the ongoing alternatives to the eliminated GRH beds. In FY 1999, there were transfers under this provision of \$394,000 to Ramsey county. In FY 2000 there were no additional transfers.

Continuing Care Grants By Activity

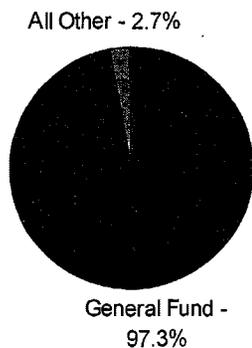
Total All Funds = \$2,509,857,000



Activity Finance Summary Group Residential Housing Grants FY 2002 Base

Group Residential Housing Grants By Fund

Total All Funds = \$64,064,000



**See Grant Detail
(forecast)**

Activity: GROUP RESIDENTIAL HOUSING
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| PAYMENTS TO INDIVIDUALS | 59,878 | 63,834 | 70,762 | 76,707 | 76,942 | 83,718 | 85,152 | 27,498 | 20.4% |
| Total Expenditures | 59,878 | 63,834 | 70,762 | 76,707 | 76,942 | 83,718 | 85,152 | 27,498 | 20.4% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | | 83 | | 269 | | |
| (B) RELOCATE/DIVERT - UNDER AGE 65 | GEN | | | | 152 | | 1,165 | | |
| Total Change Items | | | | | 235 | | 1,434 | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 59,843 | 63,557 | 70,262 | 76,207 | 76,442 | 83,218 | 84,652 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 35 | 277 | 500 | 500 | 500 | 500 | 500 | | |
| Total Financing | 59,878 | 63,834 | 70,762 | 76,707 | 76,942 | 83,718 | 85,152 | | |

Grants Detail

Group Residential Housing

| Services | Funding State / Federal | FY 2000 Monthly Average Recipients | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|-----------------------|--------------------------------|---|------------------------|-----------------------|---------------------|---------------------|
| MSA Segment | State | 9,737 | 49,324 | 53,021 | 55,943 | 59,811 |
| GA Segment | State | 1,777 | 14,563 | 17,241 | 20,264 | 23,407 |
| Recoveries | State | | 277 | 500 | 500 | 500 |
| Technical Adjustments | State | | (330) | 0 | 0 | 0 |
| Total | | 11,514 | 63,834 | 70,762 | 76,707 | 83,718 |

BUDGET ACTIVITY SUMMARY

Budget Activity: CD ENTITLEMENT GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

The Consolidated Chemical Dependency Treatment Fund (CCDTF) was created in 1988 to fund cost-effective chemical dependency treatment services for low-income, chemically dependent Minnesota residents. The CCDTF combines previously separated funding sources - Medical Assistance (MA), General Assistance Medical Care (GAMC), General Assistance (GA), state appropriations, and federal block grants - into a single fund with a common set of eligibility criteria. Counties pay at least 15% of treatment costs to maintain a local maintenance of effort.

Services Provided

- inpatient chemical dependency treatment
- outpatient chemical dependency treatment
- halfway house services
- extended care treatment

Approximately 50% of all state treatment admissions for Minnesota residents are paid for through the Consolidated Fund. A person's need for CD treatment is assessed by the local county social service agency or American Indian tribal entity. Based on uniform statewide assessment and placement criteria outlined in DHS Rule 25 a treatment authorization is made. Most treatment providers in the state accept Consolidated Fund clients.

Primary inpatient treatment typically lasts three to four weeks, extended care programs six to seven weeks, and halfway house stays seven weeks. Outpatient programs vary greatly, with stays typically ranging from four to 12 weeks.

People Served

In FY 2000, 18,437 treatment admissions occurred at an average cost of \$3,142.

The Consolidated Fund has three tiers of eligibility. This budget activity covers only Tier I.

- Tier I is the entitlement portion, eligible individuals are persons who are enrolled in MA, GAMC, receive MSA, or meet the MA, GAMC or MSA income limits.

- Tier II includes those individuals not eligible for MA whose income does not exceed 60% of Minnesota's median income (covered in the non-entitlement grants activity page).
- Tier III includes individuals with incomes between 60% and 115% of Minnesota's median income. (This tier has not been funded in recent years.)
- CD treatment services are provided to anyone who is financially eligible and is found by an assessment to be in need of care, unless the needed services are to be provided by a managed care organization in which the person is enrolled.
- Under Prepaid Medical Assistance Program (PMAP) primary chemical dependency treatment is a covered service. For PMAP recipients, CCDTF payments are limited to treatment services, such as halfway house placements and extended care treatment, that are not included in managed care contracts.

FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

- The most recent Drug and Alcohol Abuse Normative Evaluation System (DAANES) indicates that alcohol is the primary drug of abuse leading to treatment for the majority (62%) of admissions. However, most persons entering treatment use more than one substance and there are some important differences by age and by race/ethnicity. Among adolescents (under age 18), marijuana is the primary drug of abuse for 71% of the patients. Among African Americans, cocaine (primarily crack cocaine) accounts for approximately the same proportion of admissions (37%) as alcohol (36%).
- The percentage of the total of treatment admissions of persons of color have risen steadily over the past 10 years.
- Admissions for adolescents (under age 18) have risen significantly from a low of 1,026 in 1993 to 2,174 in 1999. Admissions are also up 51% for adults age 45 to 59 during the same period.
- Men have consistently made up 70-72% of treatment admissions.
- There has been a 7.6% reduction in the use of primary inpatient treatment placements since 1997. In FY 2000, 51.4% of treatment admissions were in residential settings compared to a 59% rate in 1997.
- There was a 5.2% increase in outpatient treatment placements in FY 2000 when compared with FY 1997.

BUDGET ACTIVITY SUMMARY (Continued)

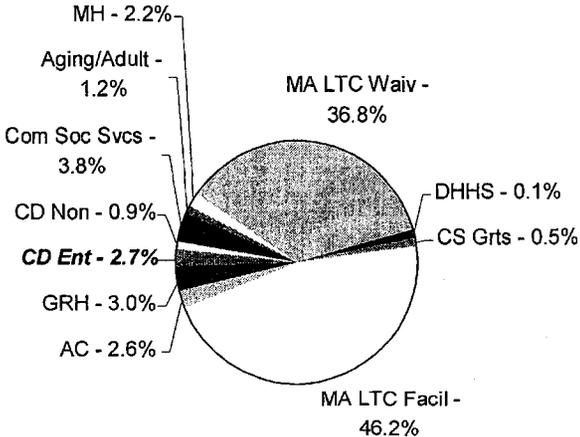
Budget Activity: CD ENTITLEMENT GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

- Results from the statewide treatment outcomes monitoring system showed that 2/3 of adults treated in primary inpatient and outpatient programs remained alcohol and drug free for 6 months following treatment.
- Poorer treatment outcomes were associated with a younger age, severity of the alcohol problem, multiple drug use, family instability and conflict, psychological distress, low education and job level, and engaging in illegal activities for profit. Only 21% of adolescents remained alcohol or drug free for 6 months following treatment.
- Housing continues to be an issue for a significant percentage of CCDTF recipients. Determining the best ways to fund housing and services continues to be explored.

Activity Finance Summary CD Entitlement Grants FY 2002 Base

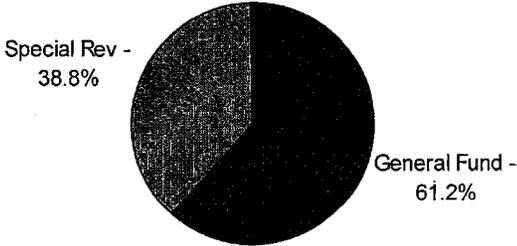
Continuing Care Grants By Activity

Total All Funds = \$2,509,857,000



CD Entitlement Grants By Fund

Total All Funds = \$68,491,000



Activity: CD ENTITLEMENT GRANTS
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| PAYMENTS TO INDIVIDUALS | 56,389 | 59,474 | 62,942 | 66,790 | 66,295 | 70,841 | 69,283 | 13,162 | 10.8% |
| LOCAL ASSISTANCE | 1,337 | 1,465 | 1,603 | 1,701 | 1,701 | 1,805 | 1,805 | 438 | 14.3% |
| Total Expenditures | 57,726 | 60,939 | 64,545 | 68,491 | 67,996 | 72,646 | 71,088 | 13,600 | 10.8% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) LIMIT CD VENDOR INCREASES TO 2.0%/YR | GEN | | | | (495) | | (1,558) | | |
| Total Change Items | | | | | (495) | | (1,558) | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 0 | 0 | 0 | 41,898 | 41,403 | 45,004 | 43,446 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 57,726 | 60,939 | 64,545 | 26,593 | 26,593 | 27,642 | 27,642 | | |
| Total Financing | 57,726 | 60,939 | 64,545 | 68,491 | 67,996 | 72,646 | 71,088 | | |

BUDGET CHANGE ITEM (51593)

Budget Activity: CD ENTITLEMENT GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: LIMITING CHEMICAL DEPENDENCY TREATMENT
 VENDOR INCREASES TO 2.0% PER YEAR

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------|------------------|------------|------------------|------------|
| | F Y 2002 | F Y 2003 | F Y 2004 | F Y 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| CD Entitlement Grants | \$ (495) | \$ (1,558) | \$ (2,182) | \$ (2,320) |

Statutory Change? Yes No

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the General Fund budget of \$495,000 in FY 2002 and \$1,558,000 in FY 2003 by limiting the rate at which Chemical Dependency (CD) Treatment provider rates grow to 2%.

RATIONALE:

Background

This proposal treats CD treatment vendors similar to other continuing care providers. Under current law, CD rates are negotiated by counties and are currently forecasted to grow at 4% per year. This proposal also results in savings to the state General Fund that are reinvested in other priorities within the Governor's FY 2002-03 biennial budget.

Proposal

This proposal limits chemical dependency treatment rate increases to 2% per year, which is the approximate current projected rate for the Consumer Price Index (CPI).

Administration Issues and Implementation

Allowable CD treatment rate increase limits will be communicated to local county agencies and chemical dependency treatment providers.

OUTCOMES:

- FY 2002 and FY 2003 rate increases based on projected CPI.

BUDGET ACTIVITY SUMMARY

Budget Activity: CD NON-ENTITLEMENT GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Chemical Dependency Non-entitlement Grants pay for chemical dependency treatment provided to low-income individuals ineligible for entitlement-based treatment, statewide prevention efforts, and culturally appropriate services and support. A combination of state and federal dollars supports this activity.

Services Provided.

- chemical dependency treatment for non-entitled recipients
- community drug and alcohol abuse prevention for American Indians, African Americans, Asian-Americans, and Hispanic populations
- women's treatment program grants which include subsidized housing, transportation, child care, and parenting education
- counseling
- case management for persons with chronic alcohol and drug abuse conditions
- assistance to counties and providers in meeting licensing requirements, and improving services
- a statewide prevention resource center that assists Minnesota counties, local communities, and organizations by providing alcohol and other drug abuse education, information, and training
- research and evaluation projects identified by the division's statutory advisory councils, policy makers, and chemical dependency professionals
- data collection and analysis on drug and alcohol abuse trends
- detox transportation

Additional activities include the dissemination of approximately 350,000 pieces of prevention material, 3,750 messages on a drug talk line, 47,000 hits on the state resource center's information web page, training 60 professionals in strategic prevention planning, and reaching directly 450 students across the state.

People Served

People served in FY 1999 include approximately

- 2,816 who received treatment through Tier II and federal block grant funds;
- 38,400 detox admissions;
- 4,000 school-age children through a statewide prevention resource center funded by this activity;
- 350 pregnant women/women with children who received intervention and case management services; and
- over 800 chemical dependency professionals who received training and information from seminars.

Eligibility for treatment is as follows:

- Tier II of the Consolidated Chemical Dependency Treatment Fund (CCDTF), includes those individuals not eligible for MA whose income does not exceed 60% of Minnesota's median income.
- Tier III includes people with incomes between 60% and 115% of Minnesota's median income who are not eligible for MA. (This tier has not been funded in recent years.)

FINANCING INFORMATION:

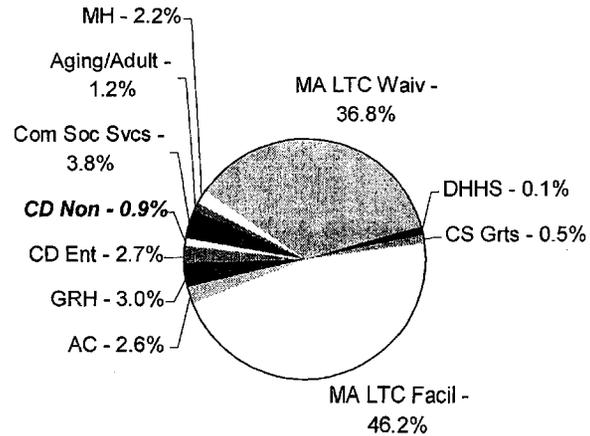
(See charts which follow narrative.)

BUDGET ISSUES:

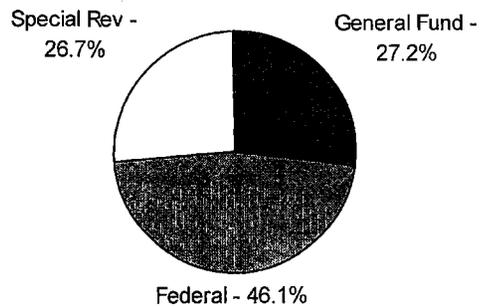
- Treatment evaluations show that services are more likely to be successful when tailored to the gender, cultural, and/or religious standards of individuals being served. Funding to create start-up models for these programs has come from this activity, and as a result, programs are serving a variety of special populations.
- Evaluation results for low-income women show that the additional services provided in tailored programs are increasing the likelihood of treatment completion and post-treatment abstinence. Treatment was also associated with increased full-time employment, fewer arrests, and improved parenting skills.
- State appropriations specific to non-entitlement Tier II services are sufficient to cover only about 50% of the demand. Unspent C.D. entitlement appropriations have been used to address the remaining need. In the event that excess CD entitlement appropriations are not available, services would be discontinued once Tier II appropriations are spent.

Activity Finance Summary CD Non-Entitlement Grants FY 2002 Base

Continuing Care Grants By Activity
Total All Funds = \$2,509,857,000



CD Non-Entitlement Grants By Fund
Total All Funds = \$23,238,000



See Grant Detail

Activity: CD NON-ENTITLEMENT GRANTS
 Program: CONTINUING CARE GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 27 | 132 | 341 | 341 | 341 | 341 | 341 | 209 | 44.2% |
| TRANSFERS | 0 | 0 | 0 | 0 | 1,500 | 0 | 0 | 1,500 | |
| Subtotal State Operations | 27 | 132 | 341 | 341 | 1,841 | 341 | 341 | 1,709 | 361.3% |
| PAYMENTS TO INDIVIDUALS | 7,542 | 7,067 | 8,465 | 8,940 | 8,940 | 9,439 | 9,439 | 2,847 | 18.3% |
| LOCAL ASSISTANCE | 11,773 | 12,755 | 14,957 | 13,957 | 13,957 | 12,957 | 12,957 | (798) | (2.9%) |
| Total Expenditures | 19,342 | 19,954 | 23,763 | 23,238 | 24,738 | 22,737 | 22,737 | 3,758 | 8.6% |

| Change Items: | Fund | | | | |
|----------------------------------|-------------|--|--|--|--------------|
| (B) REDUCE CCDTF RESERVE BALANCE | SR | | | | 1,500 |
| Total Change Items | | | | | 1,500 |

| Financing by Fund: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 3,322 | 3,511 | 3,593 | 6,328 | 6,328 | 6,328 | 6,328 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 521 | 444 | 0 | 0 | 0 | 0 | 0 |
| SPECIAL REVENUE | 7,542 | 7,067 | 8,465 | 6,205 | 7,705 | 6,704 | 6,704 |
| FEDERAL | 7,957 | 8,932 | 11,705 | 10,705 | 10,705 | 9,705 | 9,705 |
| Total Financing | 19,342 | 19,954 | 23,763 | 23,238 | 24,738 | 22,737 | 22,737 |

Grant Detail

CD Non-Entitlement Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|---|----------------------------------|----------------------------------|--------------|--------------|--------------|--------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATIONS</u> | | | | | | | |
| General Fund | | 3,511 | 3,593 | 6,328 | 6,328 | 6,328 | 6,328 |
| American Indian Programs | Provides funds to American Indian tribes, organizations, and community groups to provide culturally appropriate alcohol and drug abuse prevention, education, community awareness, residential, and aftercare services. (approx. served FY00 – 16,250) | 1,055 | 1,055 | 1,055 | 1,055 | 1,055 | 1,055 |
| Ancillary Supports to Pregnant Women & Mothers Needing CD Treatment | Grants to counties, American Indian tribes, and community agencies to deliver ancillary services to pregnant women and women with children who have chemical dependency problems. Programs provide needed services to ensure successful treatment such as prenatal care, fetal alcohol syndrome, child care, housing assistance, transportation, and parenting education. (approx. served FY00 – 1,250) | 2,188 | 2,270 | 2,270 | 2,270 | 2,270 | 2,270 |
| CCDTF Non-Entitled | Reimburses providers through the Consolidated Fund for the provision of chemical dependency treatment services to persons whose income is up to 60% of the state's median income on a sliding fee basis. (approx. served FY00 – 2,700) | 0 (See also statutory grants) | 0 (See also statutory grants) | 2,735 | 2,735 | 2,735 | 2,735 |
| Court-Ordered Juvenile Assessments and CD Detox Transportation | Reimburses counties and American Indian tribes, non-profit agencies, and local detox programs for portion of costs associated with providing court ordered juvenile assessments or transporting intoxicated persons to detox centers or shelters. (approx. served FY00 – 10,200) | 268 | 268 | 268 | 268 | 268 | 268 |

Grant Detail

CD Non-Entitlement Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|--|--|-------------------|---------------------|---------------|---------------|--------------|--------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>STATUTORY APPROPRIATIONS</u> | | | | | | | |
| General Fund | | 444 | 0 | 0 | 0 | 0 | 0 |
| Fetal Alcohol Syndrome Treatment Grants (Funded by MDH Interagency Agreement) | Grants to counties and community-based agencies to provide transitional chemical intervention and dependency services for pregnant women or women with children who abuse alcohol during pregnancy utilizing collaborative case management and halfway house strategies. (approx. persons served FY00 – 362) | 444 | 0 | 0 | 0 | 0 | 0 |
| Misc. Special Revenue Fund | | 7,067 | 8,465 | 6,205 | 6,205 | 6,704 | 6,704 |
| CCDTF Non-Entitled | Reimburses providers through the Consolidated Fund for the provision of chemical dependency treatment services to persons whose income is up to 60% of the state's median income on a sliding fee basis. (approx. served FY00 – 2,700) | 6,451 | 7,849 | 5,589 | 5,589 | 6,088 | 6,088 |
| CCDTF – 100% County Pay | Reimburses providers through the Consolidated Fund for the provision of chemical dependency treatment services to persons not eligible for CCDTF. The county uses the state CCDTF reimbursement system to pay vendors and pays 100% of placement costs to state. | 616 | 616 | 616 | 616 | 616 | 616 |
| Federal Fund | | 8,932 | 11,705 | 10,705 | 10,705 | 9,705 | 9,705 |
| American Indian Programs Substance Abuse Prevention and Treatment (SAPT) Block Grant | Grants to community agencies for prevention services, crisis intervention, workshops for parents & children, HIV/AIDS prevention, and training focused on the special needs of American Indians. (approx. served FY00 – 23,645) | 1,112 | 1,252 | 1,252 | 1,252 | 1,252 | 1,252 |
| Continuing Care and Rehabilitative Services SAPT Block Grant | Grants to agencies that provide care for chronically chemically dependent persons, services to the elderly, transitional services for persons in the criminal justice system, peer review efforts, and housing supports. (approx. served FY 00 – 700) | 1,634 | 2,169 | 1,919 | 1,919 | 1,669 | 1,669 |

Grant Detail

CD Non-Entitlement Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|--|---|-------------------|---------------------|---------|-----------|---------|-----------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| Coordination & Evaluation SAPT Block Grant | Funds for planning, technical assistance, and evaluation activities related to the effective state utilization SAPT Block Grant including state Synar related activities | 136 | 195 | 195 | 195 | 195 | 195 |
| Early Intervention & Prevention SAPT Block Grant | Grants to agencies that expose Minnesotans to appropriate chemical health messages from multiple sources utilizing prevention strategies which include info dissemination, education, problem identification & referral, and community mobilization projects. Also assists funding efforts. (approx. served FY00 – 547,000) | 2,964 | 2,976 | 2,976 | 2,976 | 2,976 | 2,976 |
| Specialized Integrated Treatment Services SAPT Block Grant | Grants to community based providers for specialized, integrated treatment for persons from communities of color and persons who are diagnosed with both mental health and chemical dependency issues. (approx. served FY00 – 130) | 282 | 903 | 653 | 653 | 403 | 403 |
| Specialized Women Services SAPT Block Grant | Grants to community based providers to improve the delivery of CD treatment services to pregnant women and women with children by providing ancillary services such as safe housing, day care, parenting training, education, social support, financial assistance, work training, etc. (approx. served FY00 – 551) | 2,237 | 2,888 | 2,638 | 2,638 | 2,388 | 2,388 |
| Targeted Prevention Efforts SAPT Block Grant | Grants to community based organizations to provide culturally sensitive prevention strategies to African American, Hispanic, Asian American, and Deaf and Hard of Hearing communities. (approx. served FY00 – 70,970) | 567 | 1,322 | 1,072 | 1,072 | 822 | 822 |

BUDGET CHANGE ITEM (51589)

Budget Activity: CD NON-ENTITLEMENT GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Proposal

This proposal is a one-time \$1,500,000 reduction to the balance of the CCDTF

Item Title: REDUCING THE CONSOLIDATED CHEMICAL
 DEPENDENCY TREATMENT FUND (CCDTF)
 RESERVE BALANCE

Administration Issues and Implementation

Department staff track CCDTF utilization patterns in order to project effectively the use of CCDTF Reserve Funds. This is an on-going administrative process requiring the collaborative efforts of a number of DHS Divisions. These projections form the basis for a CCDTF Fund Balance statement that is submitted to the Chairs of the Health and Human Services Committees in accordance with the M.S.245, 1,sec 2, subd. 1.

OUTCOMES:

- Based on current projections, this reduction is not expected to affect availability of CD treatment for clients who qualify under Tier I or Tier II of the CCDTF during the coming FY 2002-03 biennium.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Transfer from CCDTF | \$1,500 | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes No X

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time \$1,500,000 reduction in the Consolidated Chemical Dependency Treatment Fund (CCDTF) Reserve account in FY 2002. Based on current projections, these funds will not be needed to meet demand for CCDTF Tier I or Tier II clients during the coming biennium.

RATIONALE:

Background

This proposal provides savings that are to be invested in other priorities within the Governor's FY 2002-03 biennial budget recommendations.

The CCDTF Reserve Account was established when the fund was created. It serves two main purposes - first, to fund services provided by counties that have met or exceeded their state allocation and their local maintenance of effort obligation for eligible chemical dependency services and second, as a repository for federal financial participation and other sources of revenue. Funds accrue in the CCDTF Reserve when the revenues exceed the uses.

CCDTF reserve funds have been used since FY 98 to fund services provided by counties and reservations that had met or exceeded their state allocation and local maintenance of effort obligations. This included funding services to recipients who met Tier I or Tier II eligibility criteria

PROGRAM SUMMARY

Program: CONTINUING CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

Continuing Care Management is the administrative component for service areas funded by Continuing Care Grants. It also provides central office support to State Operated Services programs.

Services Provided

- performs statewide human services planning;
- develops and implements policy;
- obtains, allocates, and manages resources;
- manages contracts and grants;
- sets standards for service development and delivery;
- provides technical assistance and training to local county agencies;
- monitors for compliance/evaluation;
- supports local innovation and quality improvement efforts; and
- assures a statewide safety net capacity.

In addition to the above functions, which apply to all individuals served, Continuing Care Management performs unique specialized activities:

- *Direct Constituent Service*
 - statewide regional service centers which help deaf, deafblind, and hard-of-hearing individuals access community resources and the human services system;
 - the Equipment Distribution Program, which helps people access the telephone system with specialized equipment;
 - HIV/AIDs programs which helps people with HIV/AIDs obtain or maintain health care coverage;
 - ombudsman services for older Minnesotans which assist consumers in resolving complaints and preserving access to services.
- *Citizen/Consumer Feedback*

Staff assistance and administrative support are provided to a number of legislatively-required councils including:

 - The Minnesota Commission serving Deaf and Hard of Hearing People
 - The Minnesota Board on Aging
 - The State Advisory Council on Mental Health
 - Alcohol and Other Drug Abuse Advisory Council
 - American Indian Advisory Council on Alcohol and other Drug Abuse

- Traumatic Brain Injury Service Integration Advisory Committee
- Long-term Care Advisory Committee

- *Collaborative Efforts with Local Partners and Other State Agencies*

To ensure that state resources are effectively targeted to meet the continuing care needs of Minnesotans, partnerships with citizens and allies in other agencies are often developed. Recent examples include:

 - *The Long-Term Care Task Force.* This past summer and fall, key legislative and executive branch leaders explored changes needed in the long-term care system. This effort included extensive input from stakeholders and focus groups
 - *Toward Better Mental Health in Minnesota.* Working with community partners including the Citizen's League, Consumer Survivor's Network, the State Mental Advisory Councils, and MDH, we are striving to increase the public's understanding of Minnesota's mental health needs and how to satisfy those demands with informal and formal services.
 - *American Indian Symposium.* This joint effort with American Indian tribes defined desired outcomes of culturally appropriate substance abuse and mental health services.
 - *Minnesota Housing Finance Administration Partnership.* This partnership was formed to explore supportive, affordable housing options for the elderly and for persons with disabilities.
 - *Interagency Efforts with the Dept of Children, Families, and Learning and the Department of Health.* Developing a common service planning tool for families of children with disabilities is the goal of this partnership.
 - *Interagency Efforts with Department of Employment Security.* A priority of this effort is to develop employment supports for persons with disabilities.
 - *County Partnership Projects.* DHS continues to create partnerships with counties to improve service access and support local management.
- *Special Projects and Responsibilities*

Oversight, implementation support, and technical assistance are provided to the following special projects

 - The Adult Mental Health Initiatives to strengthen local provider networks for persons with serious and persistent mental illness;
 - Seniors Agenda for Independent Living designed to expand independent, affordable living options for seniors throughout Minnesota;
 - The Minnesota Senior Health Options that combine Medicare and Medical Assistance financing with managed care for elderly recipients including those requiring chronic/long-term care;
 - Robert Wood Johnson Self-determination Project for Persons with Disabilities that shifts control of resources and choices to the consumer in three Minnesota counties; and
 - Project 2030 which analyzes the impact of Minnesota's aging population on all sectors.

PROGRAM SUMMARY (Continued)

Program: CONTINUING CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

People Served

This program serves elderly Minnesotans and citizens with disabilities including persons with physical and cognitive disabilities, deafness or hard of hearing, emotional disturbances, mental illness, HIV/AIDS, and chemical dependency.

Accomplishments

- The state Long-Term Care Task Force provided a forum for citizens and stakeholders to articulate their concerns and suggestions for how long-term care can be improved. Over 800 Minnesotans attended public meetings and stressed their strong desire for home and community-based options and less reliance on nursing homes.
- Adult Mental Health Initiatives are successfully integrating state-operated, county, and private services to provide more effective supports to enable adults with serious and persistent mental illness to remain and function in the community. All 87 counties are participating in the initiative.
- State operated service safety net functions are being integrated into the community services system. Public/private partnerships are being built.
- Community Supports for Minnesotans with Disabilities successfully transferred the administration of Family Support Grants to local county agencies allowing decisions to be made closer to the person and family.
- Building on the lessons learned from a self-determination project, DHS implemented a comprehensive approach to increase consumer choice and control over their supports.
- The HIV/AIDS programs assisted 766 persons living with HIV/AIDS to obtain or maintain health care coverage through the HIV Insurance program.
- Project 2030 has raised state and community awareness of service and workforce issues resulting from an aging population. Thousands of Minnesotans have participated in individual and community planning efforts.
- All persons with developmental disabilities have been relocated from larger institutional settings in state-run regional centers to more home-like settings in the community.

STRATEGIES AND PERFORMANCE:

Minnesota has a strong history of providing support to its elderly and disabled citizens. Encouraging and funding alternatives to institutional care that are accountable and cost-effective remains a priority.

Performance measures for this program area place an emphasis on the development of services and supports that accomplish the following

- have decisions made at a level that is closest to the person;
- promote best interest decision-making for the over 4,000 persons with mental retardation under public guardianship;
- promote self-determination and self-reliance;
- build informal supports from family, friends, and community;
- allow flexible purchasing to meet individual needs;
- purchase supports on a performance rather than a cost basis;
- coordinate long-term and acute care services;
- encourage local innovation, efficiency, and accountability;
- provide quality assurance monitoring strategies in an increasingly dispersed, community-based service system; and
- assure a statewide safety net.

FINANCING INFORMATION:

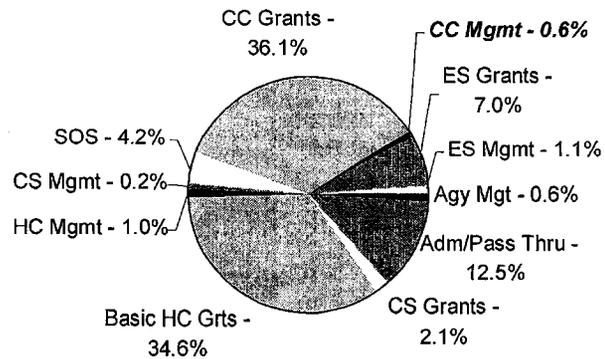
(See charts which follow narrative.)

BUDGET ISSUES:

- By 2030 a large number of Minnesotans may need long-term care. DHS is helping individuals, families, and communities plan ahead so the safety net will not be overwhelmed and so that people can reduce or avoid altogether reliance on publicly-funded programs.
- There is growing demand by consumers for greater choice and control over the supports they receive. As a result DHS must develop more consumer-focused support options; amend federal waivers and pursue program changes; and provide extensive training and technical assistance to consumers, counties, communities and providers.
- Interest in delivering continuing care services tailored to meet the unique needs of regions around Minnesota requires on-going efforts to develop and maintain partnerships between state and local agencies.
- Increased use of performance-based outcome measures demands that consumers and families are more actively engaged in evaluating services. Administrative efforts include developing better ways to measure outcomes and making more quality information available to consumers.

Dept Of Human Services By Program

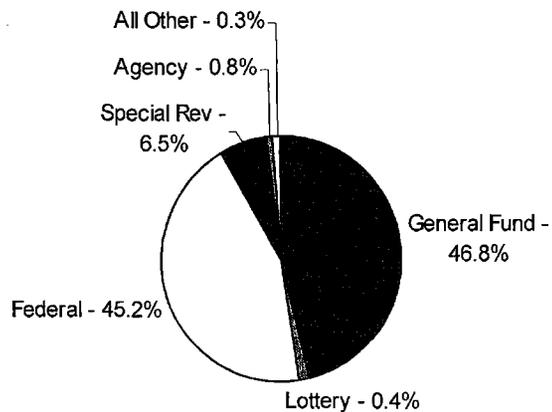
Total All Funds = \$6,945,370,000



**Program Finance Summary
Continuing Care Management
FY 2002 Base**

Continuing Care Management By Fund

Total All Funds - \$39,591,000



Continuing Care Management – FTE Count

| Division | General Fund | HCAF | Spec Rev | Federal Fund | Other Funds | Total |
|--------------------|--------------|------------|-------------|--------------|-------------|--------------|
| HIV / AIDs | 2.2 | 0.0 | 1.5 | 5.5 | 0.0 | 9.2 |
| Mental Health | 11.6 | 0.0 | 0.0 | 7.4 | 2.7 | 21.7 |
| Aging/Adult Svcs | 20.5 | 0.0 | 0.0 | 20.3 | 1.0 | 41.8 |
| Chem Dependency | 4.5 | 0.0 | 0.0 | 23.0 | 0.0 | 27.5 |
| CC Disabled | 62.3 | 0.0 | 10.0 | 1.0 | 0.0 | 73.3 |
| CC Elderly | 37.2 | 0.0 | 0.0 | 0.0 | 0.0 | 37.2 |
| Res Prog Mgmt | 31.0 | 0.0 | 0.0 | 0.0 | 0.0 | 31.0 |
| Child Res/Plan/Eva | 3.0 | 0.0 | 0.0 | 15.3 | 0.0 | 18.3 |
| Deaf Svcs | 38.8 | 0.0 | 16.8 | 0.0 | 0.0 | 55.6 |
| | | | | | | |
| Total | 211.1 | 0.0 | 28.3 | 72.5 | 3.7 | 315.6 |

Activity: CONTINUING CARE MANAGEMENT
 Program: CONTINUING CARE MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 14,812 | 16,488 | 18,993 | 19,456 | 20,110 | 19,818 | 20,472 | 5,101 | 14.4% |
| OTHER OPERATING EXPENSES | 15,031 | 15,209 | 20,694 | 20,135 | 23,089 | 20,025 | 23,111 | 10,297 | 28.7% |
| Subtotal State Operations | 29,843 | 31,697 | 39,687 | 39,591 | 43,199 | 39,843 | 43,583 | 15,398 | 21.6% |
| LOCAL ASSISTANCE | 0 | 0 | 0 | 0 | 579 | 0 | 1,159 | 1,738 | |
| Total Expenditures | 29,843 | 31,697 | 39,687 | 39,591 | 43,778 | 39,843 | 44,742 | 17,136 | 24.0% |

| Change Items: | Fund | | | | | | | | |
|--|-------------|--|--|--|--------------|--|--------------|--|--|
| (B) MDH CONTRACT FUNDING | GEN | | | | 463 | | 475 | | |
| (B) BALANCING LONG-TERM CARE SERVICES | GEN | | | | 1,616 | | 1,593 | | |
| (B) COMMUNITY-BASED MENTAL HEALTH SVCS | GEN | | | | 180 | | 204 | | |
| (B) RELOCATE/DIVERT - UNDER AGE 65 | GEN | | | | 720 | | 800 | | |
| (B) REGION 10 QUALITY ASSURANCE INITIATIVE | GEN | | | | 70 | | 70 | | |
| (B) CONSUMER DIRECTED HOME CARE (1115) | GEN | | | | 1,138 | | 1,757 | | |
| Total Change Items | | | | | 4,187 | | 4,899 | | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 16,095 | 16,270 | 18,525 | 18,537 | 22,724 | 18,916 | 23,815 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 122 | 112 | 117 | 117 | 117 | 119 | 119 | | |
| LOTTERY CASH FLOW | 105 | 113 | 142 | 145 | 145 | 148 | 148 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 23 | 18 | 47 | 0 | 0 | 0 | 0 | | |
| SPECIAL REVENUE | 2,278 | 2,546 | 3,080 | 2,582 | 2,582 | 2,540 | 2,540 | | |
| FEDERAL | 11,149 | 12,608 | 17,439 | 17,905 | 17,905 | 17,815 | 17,815 | | |
| MISCELLANEOUS AGENCY | 66 | 0 | 300 | 300 | 300 | 300 | 300 | | |
| GIFT | 5 | 30 | 37 | 5 | 5 | 5 | 5 | | |
| Total Financing | 29,843 | 31,697 | 39,687 | 39,591 | 43,778 | 39,843 | 44,742 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| FULL TIME | 291.1 | 304.1 | 315.6 | 315.6 | 323.6 | 315.6 | 323.6 | | |
| Total Full-Time Equivalent | 291.1 | 304.1 | 315.6 | 315.6 | 323.6 | 315.6 | 323.6 | | |

BUDGET CHANGE ITEM (51568)

Budget Activity: CONTINUING CARE MANAGEMENT
Program: CONTINUING CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: MINNESOTA DEPARTMENT OF HEALTH CONTRACT FUNDING TO IMPLEMENT NEW FEDERALLY MANDATED PERFORMANCE STANDARDS

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Continuing Care Mgmt | \$463 | \$475 | \$475 | \$475 |

Statutory Change? Yes No

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$463,000 in FY 2002 and \$475,000 in FY 2003 for state matching funds necessary to implement new federally-mandated performance standards and protocols for state survey and certification activities for nursing facilities and to meet new federal regulations in Intermediate Care Facility for Persons with Developmental Disabilities (ICF/MR).

RATIONALE:

Background

The Department of Human Services, for purposes of Medicaid participation, provides the state matching share of the costs for the Minnesota Department of Health (MDH) survey and certification activities and for the Case Mix Review Program assessments and audits. As the federal program requirements increase and implementation of new activities occurs the state must provide funds to match these activities.

Without an increase to fund these activities, DHS and MDH will be unable to meet the federal requirement that states provide matching dollars for these Medicaid administrative expenses. Same level funding will jeopardize the state's ability to conduct timely surveys and complaint investigations that are required under new performance standards of the federal government for survey and certification programs. Federal fiscal sanctions may be imposed for not meeting the federal performance standards.

DHS and the MDH have a contract that identifies MDH's responsibilities relating to the survey and certification of nursing facilities, ICF/MR, nursing facilities/institutions for mental diseases; the quality and/or medical review of each MA resident; the classification for the reimbursement of all residents in MA certified nursing facilities; and the nursing assistant registry.

Under this agreement, DHS contracts with MDH to determine whether facilities meet the requirements for participation in Medical Assistance and to determine resident reimbursement classifications under the case mix program. In order to protect the health and safety of patients and residents receiving services, unannounced surveys of facilities are conducted annually. Complaints are investigated and necessary actions are taken to assure that those responsible for abuse and neglect are no longer eligible to work in a health care facility.

Funding for this activity is primarily from the federal Health Care Financing Administration for surveys of Medicare providers and with DHS for federal Medicaid funding, including state matching funds. The total cost of the survey activities are funded by Medicare, Medical Assistance and state licensure fees. The state matching funds support approximately 30% of the total cost of the survey and certification costs. Federal regulations govern the distribution of costs and federal financial participation (FFP).

Proposal

This is a request for funding to implement the new, federally-mandated performance standards and protocols for state survey and certification activities. It includes an increase to fund cost of living salary increases for MDH staff.

Administration Issues and Implementation

The timing of this request is essential to the continued ability to perform surveys and case mix assessments.

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|--------------|------------------|--------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| New federal program activities | \$400 | \$410 | \$410 | \$410 |
| Base adjustment for general salary increases | 63 | 65 | 65 | 65 |
| Total | \$463 | \$475 | \$475 | \$475 |

Currently, the base state funding for survey and certification activities is \$3 million per year.

BUDGET CHANGE ITEM (51568) (Continued)

Budget Activity: CONTINUING CARE MANAGEMENT
Program: CONTINUING CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

**Item Title: MINNESOTA DEPARTMENT OF HEALTH CONTRACT
FUNDING TO IMPLEMENT NEW FEDERALLY
MANDATED PERFORMANCE STANDARDS**

OUTCOMES:

- to safeguard and promote the health and safety of the individuals receiving services from nursing facility and ICF/MR providers;
- to assure health care expenditures reflect the services needed and provided through the case mix program; and
- to work in collaborative partnerships with provider associations, residents of long term care facilities, and family members to address issues of concern.

MDH state survey and certification activities ensure that facilities serving over 46,000 people (average per month) meet certain standards for health, safety and care. This funding will enable MDH to implement new performance standards and protocols for state survey and certification activities, which will result in greater accountability for facilities and improved care for people residing in those facilities.

Evaluation Plan:

Annually, the federal government will measure Minnesota's compliance in meeting the new performance standards. This evaluation includes:

- determining compliance with federal turnaround standards for conducting surveys;
- determining the number of surveys performed;
- scrutinizing the survey process to ensure federal protocols are utilized;
- reviewing findings and recommendations made by state survey staff;
- evaluating the overall education and training provided to survey staff;
- reviewing the compliance history of the state agency.

PROGRAM SUMMARY

Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

Economic Support Grants provide cash, food assistance, job training, and work related services to increase the ability of families and individuals to move out of poverty and support themselves financially, while also providing a safety net for people who cannot fully support themselves.

Components

Economic Support Grants contains the following budget activities

- Minnesota Family Investment Program
- Work Grants
- Child Support Enforcement
- General Assistance
- Minnesota Supplemental Assistance
- Refugee Services
- Economic Support Grants – Other Assistance

Services provided

- cash and food assistance
- emergency assistance
- employment and training services
- child support services
- special services for refugees

These services are provided through several programs with different eligibility criteria:

- Minnesota Family Investment Program (MFIP) is Minnesota's welfare program for families with children. MFIP helps families work their way out of poverty by expecting, supporting, and rewarding work. MFIP is funded with state and federal money under the Temporary Assistance to Needy Families (TANF) block grant.
- General Assistance (GA) is a "safety net" program to help individuals and couples without children who cannot fully support themselves. GA is a state-funded program.

- Work Grants support MFIP and the federal food stamp program and provide employment and training services to help low-income families and individuals find and keep jobs.
- Minnesota Supplemental Aid (MSA) provides cash assistance to aged, blind, and disabled individuals who are in financial need. MSA is a state-funded program that is required by the federal government to supplement the federal Supplemental Security Income (SSI) program.
- Child Support Enforcement recognizes that many children live in poverty and rely on public assistance when child support is not paid. Child support enforcement services are provided by the state and counties to maximize families' receipt of child support and, when necessary, track down parents who are not supporting their children.
- Refugee Services are a collection of services designed to meet the special self-sufficiency and resettlement needs of refugees. Refugees are persons who have had to flee their country of origin and are unable to return because of a well-founded fear of persecution.

People served

| <u>Grant Program</u> | <u>FY 2000 Average Monthly Cases</u> |
|----------------------|--------------------------------------|
| MFIP | 41,724 |
| GA | 8,376 |
| Refugee Services | 595 |
| MSA | 26,143 |

Accomplishments

- Final results from an independent, comprehensive evaluation of the MFIP pilot showed that the program brought substantial improvements in the lives of single parents who were long-term welfare recipients. The program increased these parents' employment, and also reduced their poverty, decreased their levels of domestic abuse, and improved their children's behavior and school performance.
- MFIP is the first program of its kind found to increase marriage and marital stability.
- The MFIP Longitudinal Study, which is following 2,000 families for five years, has found consistent progress in families moving off welfare, going to work, and increasing their income.
- Minnesota ranks first among the states (and collects more than twice the national average) in the amount of child support collected for each child support case.
- \$492 million in child support was collected in FY 2000, an 11% increase from FY 1999.

PROGRAM SUMMARY (Continued)

Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

- In 2000, Minnesota received an award from the U. S. Department of Agriculture for having the most accurate system for determining food stamp benefits in the region.

STRATEGIES AND PERFORMANCE:

MFIP goals of reducing both welfare dependency and child poverty are addressed through a few key strategies

- Parents are expected to take the most direct path toward a job to support their family;
- Families are allowed to keep some public assistance as an income supplement as they work their way out of poverty; and
- Supports outside of the welfare system, such as subsidized child care, child support, tax credits, and affordable health care, are available to working families.

The performance measures for this program area are as follows

- increase in the percentage of MFIP families with reported earnings;
- increase in the percentage of MFIP families who receive food assistance only; and
- increase in the average collection of open child support cases each year.

FINANCING INFORMATION:

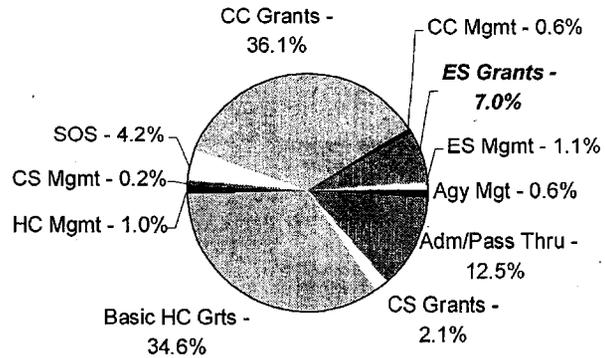
(See charts which follow narrative.)

BUDGET ISSUES:

- There is a 60-month lifetime limit on MFIP cash assistance that will take effect in FY 2003. 5,600 families are expected to reach their 60-month time limit by 7-1-03.
- The availability, affordability, and quality of child care continues to be an issue as families move from welfare to work.
- The availability of affordable housing continues to have an impact on the ability of low-income families to obtain and retain employment.

Dept Of Human Services By Program

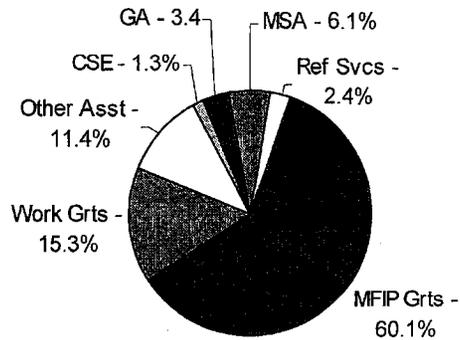
Total All Funds = \$6,945,370,000



**Program Finance Summary
Economic Support Grants
FY 2002 Base**

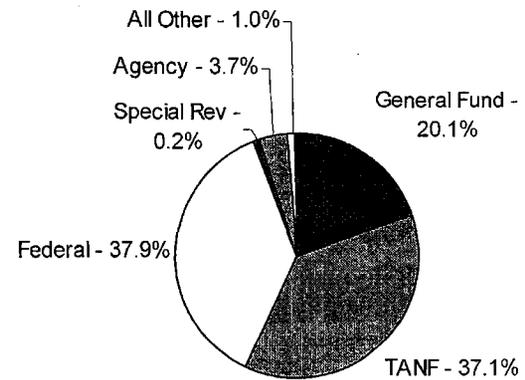
Economic Support Grants By Activity

Total All Funds = \$489,982,000



Economic Support Grants By Fund

Total All Funds = \$489,982,000



Program: ECONOMIC SUPPORT GRANTS
 Agency: HUMAN SERVICES DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| MFIP GRANTS | 330,410 | 328,812 | 319,122 | 294,048 | 301,294 | 268,979 | 300,603 | (46,037) | (7.1%) |
| WORK GRANTS | 40,565 | 51,262 | 74,401 | 75,180 | 74,743 | 75,180 | 74,743 | 23,823 | 19.0% |
| ECON SUPPORT- OTHER ASSISTANCE | 53,872 | 52,459 | 56,642 | 56,050 | 58,714 | 55,195 | 75,197 | 24,810 | 22.7% |
| CHILD SUPPORT ENFORCEMENT | 5,949 | 6,324 | 7,848 | 6,677 | 6,727 | 6,231 | 6,281 | (1,164) | (8.2%) |
| GENERAL ASSISTANCE | 35,964 | 38,621 | 16,640 | 16,650 | 16,650 | 15,485 | 15,485 | (23,126) | (41.8%) |
| MINNESOTA SUPPLEMENTAL AID | 25,202 | 26,146 | 28,216 | 29,722 | 29,722 | 31,213 | 31,213 | 6,573 | 12.1% |
| REFUGEE SERVICES | 6,856 | 8,603 | 12,235 | 11,655 | 11,655 | 11,655 | 11,655 | 2,472 | 11.9% |
| Total Expenditures | 498,818 | 512,227 | 515,104 | 489,982 | 499,505 | 463,938 | 515,177 | (12,649) | (1.2%) |

| Change Items: | Fund | | | | | | |
|---|------|--|--|--|--------------|--|---------------|
| (B) RESPONSE TO 60 MONTH TIME LIMIT | GEN | | | | (10) | | (480) |
| (B) RESPONSE TO 60 MONTH TIME LIMIT | TANF | | | | 568 | | 35,739 |
| (B) MAINTAIN EXIT LEVEL AT 120% OF FPG | TANF | | | | 1,179 | | 2,645 |
| (B) POST SECONDARY EDUCATION UP TO 24 MO | TANF | | | | 2,047 | | 4,114 |
| (B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS | TANF | | | | 4,476 | | 6,308 |
| (B) REPEAL SAVE/REPORTING REQUIREMENT | TANF | | | | 1,650 | | 3,300 |
| (B) ELIMINATE UNUSED IPP FUNDING | GEN | | | | (189) | | (189) |
| (B) ELIMINATE UNUSED FSET FUNDING | GEN | | | | (248) | | (248) |
| (B) CHILD SUPPORT PROGRAM PERFORMANCE | GEN | | | | 50 | | 50 |
| Total Change Items | | | | | 9,523 | | 51,239 |

| Financing by Fund: | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 157,993 | 147,852 | 156,826 | 98,235 | 97,838 | 100,490 | 99,623 |
| SPECIAL REVENUE | 624 | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL TANF | 148,382 | 150,213 | 145,323 | 181,774 | 191,694 | 152,009 | 204,115 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 16,531 | 10,774 | 5,036 | 4,806 | 4,806 | 4,576 | 4,576 |
| SPECIAL REVENUE | 0 | 85 | 1,483 | 1,253 | 1,253 | 869 | 869 |
| FEDERAL | 175,262 | 176,290 | 186,245 | 185,622 | 185,622 | 185,456 | 185,456 |
| MISCELLANEOUS AGENCY | 0 | 27,013 | 20,191 | 18,292 | 18,292 | 20,538 | 20,538 |
| GIFT | 26 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Financing | 498,818 | 512,227 | 515,104 | 489,982 | 499,505 | 463,938 | 515,177 |

BUDGET ACTIVITY SUMMARY

Budget Activity: MFIP GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Minnesota Family Investment Program (MFIP) grants pay for a cash grant, food assistance, and targeted employment and training services. MFIP helps families work their way out of poverty by expecting, supporting, and rewarding work. MFIP is funded jointly by the General Fund and through the federal Temporary Assistance to Needy Families (TANF) block grant, which replaced Aid to Families with Dependent Children (AFDC) in 1996.

Services Provided

This activity funds the cash and food assistance grants of the MFIP program.

People Served

- In FY 2000, approximately 41,700 families were participating in MFIP.
- During FY 2000, 57% of two-parent MFIP families and 33% of one-parent MFIP families were employed.
- MFIP is aimed at moving parents quickly into jobs and out of poverty. Parents receive help with health care, child care, and employment services while being required to work.
- To be eligible for MFIP, a family must include a minor child or a pregnant woman and meet citizenship, income, and asset requirements.
- Working families receive earning supplements, leaving MFIP when their income is approximately 20% above the federal poverty level.
- Parents must meet work rules or their MFIP grant will be reduced.
- Parents who fail to work or follow through with activities to support their families have their assistance cut by 10% and then 30% and have shelter costs and/or utilities paid directly to landlords, mortgage companies, or utility companies.
- Some families are exempt from work rules, including
 - the parent of a newborn child who may use all or part of a one-time 12 month exemption from work requirements;
 - those 60 years or older;
 - those who are sick or disabled;
 - those caring for family members with disabilities;
 - those experiencing a crisis;
 - domestic abuse victims following a safety plan.

- Most parents with minor children are eligible to receive cash assistance for a total of 60 months.

FINANCING INFORMATION:

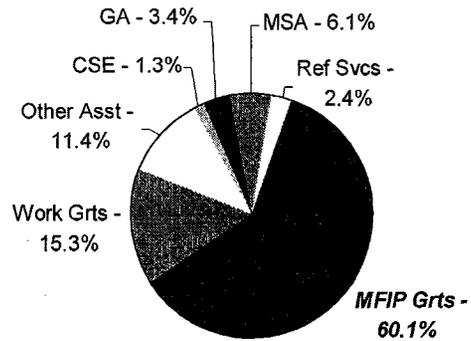
(See charts which follow narrative.)

BUDGET ISSUES:

- MFIP provides cash assistance for a limited time to families with children and to pregnant women. The lifetime limit for cash assistance is 60 months.
- Welfare use in Minnesota decreased from a monthly average of 64,000 families in 1994 to approximately 42,000 families in 2000. The overall drop in welfare caseload size has resulted in an employment services caseload which is disproportionately composed of participants facing serious and multiple barriers to employment.
- The cash portion of MFIP is not automatically adjusted for cost-of-living changes. Over time, the static grant standards lose ground in comparison to the federal poverty guidelines.
- Non-citizens residing in Minnesota continue to be affected by the 1996 federal government change that made people ineligible for federally-funded programs because of their non-citizen status.
- Supports outside the welfare system, such as health care, child care, child support enforcement, and tax credits, continue to be important components to Minnesota's welfare reform approach.
- Reauthorization of the Temporary Assistance to Needy Families (TANF) block grant will occur after FFY 2002.

Economic Support Grants By Activity

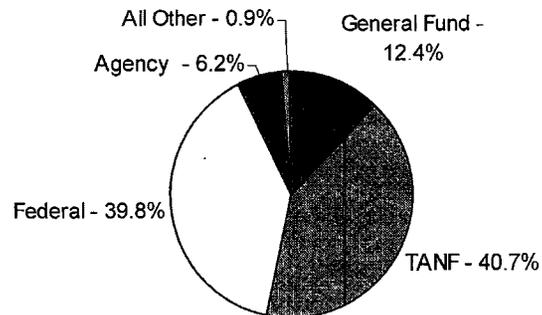
Total All Funds = \$489,982,000



Activity Finance Summary Minnesota Family Investment Program FY 2002 Base

Minnesota Family Investment Prog. By Fund

Total All Funds = \$294,048,000



**See Grant Detail
(forecast)**

Activity: MFIP GRANTS
 Program: ECONOMIC SUPPORT GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|----------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER FINANCIAL TRANSACTIONS | 8,730 | 29,898 | 22,955 | 20,826 | 20,826 | 22,842 | 22,842 | (9,185) | (17.4%) |
| Subtotal State Operations | 8,730 | 29,898 | 22,955 | 20,826 | 20,826 | 22,842 | 22,842 | (9,185) | (17.4%) |
| PAYMENTS TO INDIVIDUALS | 321,680 | 298,914 | 291,896 | 264,895 | 272,151 | 238,994 | 271,098 | (47,561) | (8.1%) |
| LOCAL ASSISTANCE | 0 | 0 | 4,271 | 8,327 | 8,317 | 7,143 | 6,663 | 10,709 | 250.7% |
| Total Expenditures | 330,410 | 328,812 | 319,122 | 294,048 | 301,294 | 268,979 | 300,603 | (46,037) | (7.1%) |

| Change Items: | Fund | | | | | | | | |
|---|-------------|--|--|--|--------------|--|--|---------------|--|
| (B) RESPONSE TO 60 MONTH TIME LIMIT | GEN | | | | (10) | | | (480) | |
| (B) RESPONSE TO 60 MONTH TIME LIMIT | TANF | | | | 256 | | | 20,981 | |
| (B) MAINTAIN EXIT LEVEL AT 120% OF FPG | TANF | | | | 791 | | | 1,795 | |
| (B) POST SECONDARY EDUCATION UP TO 24 MO | TANF | | | | 1,263 | | | 2,422 | |
| (B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS | GEN | | | | | | | (1,145) | |
| (B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS | TANF | | | | 3,296 | | | 4,751 | |
| (B) REPEAL SAVE/REPORTING REQUIREMENT | TANF | | | | 1,650 | | | 3,300 | |
| Total Change Items | | | | | 7,246 | | | 31,624 | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 81,454 | 69,092 | 94,319 | 36,611 | 36,601 | 39,291 | 37,666 | | |
| FEDERAL TANF | 119,127 | 109,257 | 84,848 | 119,611 | 126,867 | 89,846 | 123,095 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 13,007 | 8,066 | 2,764 | 2,534 | 2,534 | 2,304 | 2,304 | | |
| FEDERAL | 116,822 | 115,384 | 117,000 | 117,000 | 117,000 | 117,000 | 117,000 | | |
| MISCELLANEOUS AGENCY | 0 | 27,013 | 20,191 | 18,292 | 18,292 | 20,538 | 20,538 | | |
| Total Financing | 330,410 | 328,812 | 319,122 | 294,048 | 301,294 | 268,979 | 300,603 | | |

Grants Detail

MFIP Grants

| Services | Funding State / Federal | FY 2000 Monthly Average Recipients | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|----------------------------------|--------------------------------|---|------------------------|-----------------------|---------------------|---------------------|
| MFIP Cash & Food Assistance | State/Federal | 126,004 | 311,508 | 293,460 | 263,585 | 224,384 |
| MFIP Emergency Assistance | State/Federal | 4,731 | 14,288 | 14,353 | 16,075 | 16,897 |
| County Share of Recoveries | State | | 2,937 | 3,638 | 2,550 | 2,675 |
| Federal TANF Recoveries | Federal | | -0- | (3,700) | (4,700) | (5,700) |
| IV-D Pass Through | State | | -0- | 4,271 | 8,327 | 7,143 |
| Technical Adjustment/Food Stamps | Federal | | 79 | 7,100 | 8,211 | 23,580 |
| Total | | * 128,370 | 328,812 | 319,122 | 294,048 | 268,979 |

* Unduplicated

BUDGET CHANGE ITEM (51605)

Budget Activity: MFIP GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: RESPONDING TO THE MFIP 60 MONTH TIME LIMIT

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------------|------------------|-----------------|------------------|-----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| Federal TANF | | | | |
| MFIP Grants | \$256 | \$20,981 | \$26,171 | \$28,602 |
| Econ Support Operations | 70 | -0- | -0- | -0- |
| Econ Support - Other Assist | 312 | 14,758 | 19,332 | 22,162 |
| Total | \$638 | \$35,739 | \$45,503 | \$50,764 |
| General Fund | | | | |
| MFIP Grants | \$(10) | \$(480) | \$(661) | \$(791) |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 256J

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the federal Temporary Assistance for Needy Families (TANF) budget of \$638,000 in FY 2002 and \$35,739,000 in FY 2003 to increase the accountability of Minnesota Family Investment Program (MFIP) participants by strengthening the consequences for not complying with program requirements and to continue to support families that are complying and are working or engaged in activities that lead to work.

RATIONALE:

Background

The federal Personal Responsibility and Work Opportunity Act (PRWORA) of 1996 restricts states from using federal TANF funds to provide assistance to a family if it includes an adult or minor caregiver who has received assistance for more than 60 months.

Unique, individual family circumstances, and outside forces that are difficult to control, such as the economy, will prevent even some families receiving intensive services from becoming totally self-supporting at the end of 60 months.

Approximately 42,000 families are served by MFIP in an average month. Of these, about 8,000 are child-only cases that are not subject to the 60-month time limit. MFIP families will begin to reach their 60-month time limit in July 2002. 5,600 families are expected to reach their 60-month limit by 7-1-03. Stakeholders have been working with DHS to determine the best strategy for insuring that families continue to move towards self-sufficiency while recognizing that for some, 60 months may not be sufficient to achieve that goal.

Proposal

- Extend assistance at the end of the 60 month time limit to participants who are in compliance with program requirements. Cases in which the participant has been in sanction more than 30 of the 60 months and is out of compliance in the 60th month would be permanently closed. About 4,500 families in an average month would be extended beyond 60 months in FY 2003. This represents 11.5% of the total caseload.
- Modify MFIP sanction policies to remove automatic vendoring and increase sanctions to 50% when a participant has been at the 30% sanction level for more than 5 cumulative months.
- Modify eligibility for the Emergency Assistance program and MFIP employment services so participants whose cases have been closed after 60 months may be eligible for targeted assistance. Include participants whose cases have been closed as a target population for services provided with Local Intervention Grants.

This proposal encourages people to become as self-sufficient as possible and provides an appropriate safety net for individuals who are complying with program requirements but are unable to become fully self-supporting.

Administration Issues and Implementation

- MAXIS system changes are necessary to implement a modified sanction policy and to allow for the extension of cash assistance beyond 60 months.

FINANCING:

States may use federal TANF funds to extend assistance beyond 60 months for a maximum of 20% of their average monthly number of cases. States may also choose to use state funds to support families that have exhausted their 60 months of TANF-funded assistance.

Continuing assistance beyond 60 months for certain families means some will gain eligibility for child care.

BUDGET CHANGE ITEM (51605) (Continued)

Budget Activity: MFIP GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: RESPONDING TO THE MFIP 60 MONTH TIME LIMIT

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------------|------------------|----------|------------------|----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Federal TANF | | | | |
| MFIP Grants | | | | |
| Modified sanction policy 60 mos | \$(253) | \$(396) | \$(396) | \$(392) |
| Emergency assistance | 8 | 237 | 347 | 361 |
| Extension of assistance | 501 | 21,140 | 26,220 | 28,633 |
| Economic Support - Other Assist | | | | |
| Child Care costs | 312 | 14,758 | 19,332 | 22,162 |
| Economic Support Operations | | | | |
| MAXIS costs | 70 | -0- | -0- | -0- |
| Federal TANF Total | \$638 | \$35,739 | \$45,503 | \$50,764 |
| General Fund | | | | |
| Child Support Recoveries | (10) | (480) | (661) | (791) |
| Total - All Funds | \$628 | \$35,259 | \$44,482 | \$49,973 |

OUTCOMES:

This proposal will:

- Maintain or increase work participation rates by continuing assistance to families that are working or engaged in activities that lead to work. Work participation rates are tracked through a quarterly County Performance Measures Report.
- Reduce the number of MFIP families expected to reach their 60-month time limit by stressing personal responsibility and strengthening consequences for participants that are not complying with program requirements. The quarterly County Performance Measures Report tracks accumulated months of assistance that count toward 60-month time limit.

BUDGET CHANGE ITEM (51602)

Budget Activity: MFIP GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: MAINTAIN MFIP EXIT LEVEL AT 120% OF FEDERAL POVERTY GUIDELINES

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| Federal TANF | | | | |
| MFIP | \$791 | \$1,795 | \$2,596 | \$3,356 |
| Econ Support - Other Asst | 388 | 850 | 1,151 | 1,452 |
| Total | \$1,179 | \$2,645 | \$3,747 | \$4,808 |
| General Fund | | | | |
| MA Basic HC - F & C | \$272 | \$561 | \$765 | \$979 |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 256J.24, Subdivision 10

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the federal Temporary Assistance for Needy Families (TANF) budget of \$1,179,000 in FY 2002 and \$2,645,000 in FY 2003; and a corresponding increase in the General Fund Budget of \$272,000 in FY 2002 and \$561,000 in FY 2003 to index the Minnesota Family Investment Program (MFIP) exit level at 120% of the federal poverty guideline (FPG) to maintain a strong incentive for parents to go to work.

RATIONALE:

Background

MFIP is the primary tool in Minnesota's welfare to work strategy, providing both temporary assistance to families in crisis and the services families need to get themselves out of poverty. Approximately 42,000 families are served by MFIP. During FY 2000, 57% of two-parent MFIP families and 33% of one-parent MFIP families were employed.

The evaluation of the MFIP field trials by Manpower Demonstration Research Corporation (MDRC) found strong positive economic impacts for families (increased employment/earnings and decreased poverty) and dramatic increases in child and family well-being. Most of these positive impacts were

produced by the strong "work incentives" present in the MFIP field trial model. These work incentives are the family wage standard and the earned income disregard, which during the field trials provided continued financial support until family income reached 140% of the FPG.

MFIP was implemented statewide in January 1998. The statewide program provided continued financial support until family income reached approximately 120% of the FPG. Federal poverty guidelines are published every year and reflect inflationary changes. If no adjustment is made to MFIP, the exit level will decrease each year relative to the poverty level. 1999 state law adjusted the earned income disregard to maintain an exit level of 120% for FY 2000 and FY 2001.

Proposal

This proposal would index the earned income disregard so that a working family would exit MFIP at 120 % of the FPG. To reward work, MFIP disregards part of families' earned income when calculating the families' grant amount. In FY 2002, the earned income disregard for working families will increase from 38% to 39%.

This budget initiative maintains an incentive for people to find and keep jobs, and recognizes that many jobs are either less than full time or pay low wages resulting in continued dependence on public support. This initiative provides an appropriate level of public support until families are able to move out of poverty through their own work effort.

FINANCING:

An increase in the earned income disregard results in more MFIP families continuing to be eligible for the food portion of the MFIP grant. Families would maintain eligibility for Medical Assistance and child care as a result of their MFIP eligibility.

OUTCOMES:

This proposal will

- maintain or increase income and reduce poverty for working MFIP families.
- improve job retention by stabilizing income for low-income working families.

BUDGET CHANGE ITEM (51534)

Budget Activity: MFIP GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: ALLOW POST SECONDARY EDUCATION OR TRAINING PROGRAMS UP TO 24 MONTHS FOR MFIP PARTICIPANTS

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------|------------------|----------------|------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| TANF | | | | |
| MFIP Grants | \$1,263 | \$2,422 | \$2,389 | \$2,318 |
| Econ Support - Other Asst | 784 | 1,692 | 1,766 | 1,785 |
| Total | \$2,047 | \$4,114 | \$4,155 | \$4,103 |
| General Fund | | | | |
| MA Basic HC - F & C | \$363 | \$740 | \$782 | \$807 |

Statutory Change? Yes No

If yes, statutes affected: M.S. 256J

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the federal Temporary Assistance to Needy Families (TANF) budget of \$2,047,000 in FY 2002 and \$4,114,000 in FY 2003 and a corresponding increase in the General Fund budget of \$363,000 in FY 2002 and \$740,000 in FY 2003, to allow Minnesota Family Investment Program (MFIP) participants to enroll in post-secondary education or training programs lasting up to 24 months if certain criteria are met.

RATIONALE:

Background

Current policy allows for approval of post-secondary education and training programs lasting up to 12 months, or up to 24 months on an exception basis. The current policy governing the 24-month exception has resulted in many questions and a lack of clarity and uniformity statewide. This proposal would allow post-secondary education or training programs lasting up to 24 months for those participants who meet criteria set out in statute. The criteria job counselors must consider prior to approving an education or training plan are

- The MFIP participant's employment goal can only be met with additional training;

- Employment opportunities that require the training exist in the area the participant lives or would relocate to;
- The training will result in significantly higher wages than the participant could earn without the training;
- The participant can meet the requirements for admission to the program; and
- There is a reasonable expectation that the participant will complete the training based on such factors as the assessment, previous education, current motivation, changes in circumstances.

In addition, job counselors must consider both what occupations are in shortage, and where those shortages exist geographically within the state, when approving post-secondary education for MFIP participants. Currently there are 20 occupations that are predicted to grow by 50% or more by 2006. These occupations include many computer programming and support professions that are located primarily in the metropolitan area as well as many health care and human service worker positions that are either open or anticipated to be open through the entire state.

Proposal

This proposal would allow MFIP participants to enroll in post-secondary education or training programs lasting up to 24 months if the criteria listed in the background section are met.

In June of 2000, 848 MFIP cases were engaged in training or education of 12 months or less. In the same time period, 389 cases were engaged in training or education of 13 to 24 months. These cases included both employed and unemployed participants. This proposal projects 535 additional MFIP participants in FY 2002 and 513 in FY 2003 will engage in longer education and training programs leading to better jobs and higher wages.

The initiative helps low-income families become truly independent by providing more options for MFIP participants to obtain higher paying jobs that in many instances are only available to persons who have completed certain courses of study.

OUTCOMES:

More MFIP participants are expected to enter post-secondary education programs lasting up to 24 months. In the short run, participants will stay on MFIP longer. In the long run, participants will be better educated and better prepared to accept jobs that will pay them higher wages, which will reduce the rate of recidivism.

BUDGET CHANGE ITEM (51523)

Budget Activity: MFIP GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: CONTINUE STATE FUNDED ASSISTANCE TO LEGAL NON-CITIZENS

addition, there are families who are permitted to remain in the United States for humanitarian or other public policy reasons.

Participants in MFAP are legal non-citizens who are immigrants or refugees arriving in the United States seven or more years ago, who are not disabled nor 65 years of age. They often have little education, have limited English proficiency, and struggle with cultural adaptation, making it difficult for them to become a citizen or find a well paying job.

Families who currently receive state funded MFIP cash and food will no longer have a source of income to meet their basic needs if state funding for MFIP ends. Families and individuals will no longer qualify for food assistance if MFAP is eliminated.

The current funding for state MFIP sunsets 6-30-01. MFAP, which provides state funded food assistance to legal non-citizens not eligible for the federal Food Stamp Program, sunsets 6-30-02.

Proposal

This proposal would continue assistance to legal non-citizens by eliminating the sunset dates. Based on current caseload data, it is estimated that about 400 non-citizen MFIP cases in an average month would be eligible to receive state-funded cash benefits and about 1,775 cases would be eligible to receive state-funded food benefits in FY 2002. It is further estimated that the number of cases eligible to receive state-funded cash and food benefits will increase by about 70 cases per year.

In considering non-citizens who are ineligible for MFIP and no longer eligible for federal food stamp benefits because of their non-citizen status, it is estimated that about 700 cases in an average month would be shifted to the state-funded food assistance program MFAP in FY 2002 and that the number of MFAP cases will increase by about 100 per year.

FINANCING:

This proposal will be financed by reducing the MFIP grant state funding claimed as TANF maintenance of effort (MOE) by \$577,000 in FY 2002 and \$1,826,000 in FY 2003. This reduction will be made possible by the consolidation of child care financing.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------------|------------------|----------------|------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Econ Support – Other Assist | \$-0- | \$1,145 | \$1,289 | \$1,433 |
| MFIP | -0- | (1,145) | (1,289) | (1,433) |
| Total | \$-0- | \$-0- | \$-0- | \$-0- |
| Federal TANF | | | | |
| MFIP | \$3,296 | \$4,751 | \$5,205 | \$5,660 |
| Econ Support – Other Assist | 1,180 | 1,557 | 1,900 | 2,257 |
| Total | \$4,476 | \$6,308 | \$7,105 | \$7,917 |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 256J

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the federal Temporary Assistance for Needy Families (TANF) budget of \$4,476,000 in FY 2002 and \$6,308,000 in FY 2003 to continue funding MFIP cash and food assistance to legal non-citizen families. Funding for this population is scheduled to expire in July of 2001. The Governor also recommends funding the Minnesota Food Assistance Program (MFAP) in FY 2003 out of the federal TANF budget.

RATIONALE:

Background

State funding was authorized in 1997 to provide a safety net for legal non-citizens who lost eligibility for cash and/or food assistance due to federal welfare changes. Non-citizen families who currently receive state funded MFIP are often two parent families with minor children who, because of refugee or asylee status, are ineligible for other federal or state funded assistance. In

BUDGET CHANGE ITEM (51523) (Continued)

Budget Activity: MFIP GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

**Item Title: CONTINUE STATE FUNDED ASSISTANCE TO LEGAL
NON-CITIZENS**

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------|------------------|-----------|------------------|-----------|
| | F Y 2002 | F Y 2003 | F Y 2004 | F Y 2005 |
| MFAP | | | | |
| General Fund – MFIP | \$-0- | \$(1,145) | \$(1,289) | \$(1,433) |
| General Fund – MFAP | -0- | 1,145 | 1,289 | 1,433 |
| TANF – MFIP | -0- | 1,145 | 1,289 | 1,433 |
| SubTotal | \$-0- | \$1,145 | \$1,289 | \$1,433 |
| TANF – MFIP Cash Benefits | \$1,274 | \$1,502 | \$1,730 | \$1,959 |
| TANF – MFIP Food Benefits | 2,022 | 2,104 | 2,186 | 2,268 |
| Child Care Costs | 1,180 | 1,557 | 1,900 | 2,257 |
| SubTotal | \$4,476 | \$5,163 | \$5,816 | \$6,484 |
| Cash MOE Reduction | | | | |
| General Fund | \$(577) | \$(1,826) | \$(2,073) | \$(2,321) |

OUTCOMES:

This will provide an appropriate safety net to assist legal non-citizens as they work to become self-supporting. Legal non-citizens participating in MFIP are expected to meet MFIP work rules or their grant will be reduced. The quarterly County Performance Measures report tracks the number of families that are working or engaged in activities that lead to work.

People receiving assistance through MFAP are expected to participate in employment and training services, similar to the federal Food Stamp program.

BUDGET ACTIVITY SUMMARY

Budget Activity: WORK GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Work Grants provide employment, education, and training services to help low-income families and individuals avoid or end public assistance dependency. This activity contains two core services: those which help Minnesota Family Investment Program (MFIP) participants and those which are provided as part of a federal requirement to certain recipients of food stamps through the Food Stamp Employment and Training (FSET) program.

Services Provided

Grants for work programs are co-managed by DHS and the Minnesota Department of Economic Security (DES). DES has a statewide network of employment service providers, who work with county agencies to meet the needs of recipients. Counties and employment service providers evaluate the needs of each recipient and work together to develop an employment plan. Local employment service providers and counties provide and pay for a number of services including

- job counseling;
- skills development;
- training services;
- educational planning and payment for educational services;
- job interview skills;
- General Equivalency Diploma (GED)/high school equivalency coaching;
- English proficiency training;
- assistance and referral to other services such as child care, medical benefits programs, and chemical dependency and mental health services; and
- small business development (for a small group of recipients who may be good candidates to become self-employed).

People Served

In FY 2000, 49,534 individuals were served by MFIP employment services.

Services provided include

- Job Search Services
- English as Second Language:
- Adult Basic Education
- Intensive Work Literacy
- High School Completion Classes
- GED Training:
- Training, 12 months or less:
- Training, 13 to 24 months:

In FY 2000, 6,970 individuals were served by FSET. Food Stamp recipients who receive no cash benefits from other public assistance programs are required to participate in FSET. However, a person with a disability, a person who is responsible for the care of young children, or a person who has other special situations is excused from participation.

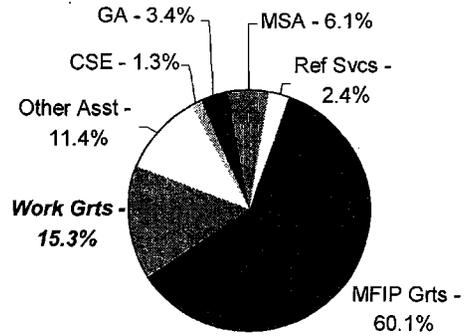
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

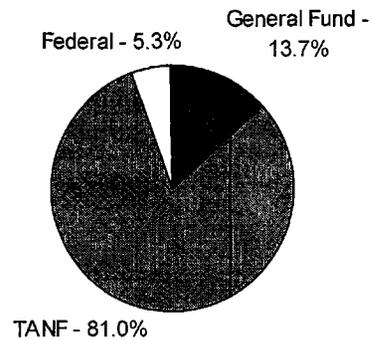
- Variation in local economic conditions impacts caseload trends and how quickly counties and employment services providers can help recipients get into the job market.
- Those who will remain on MFIP or food stamps for the longest time are expected to be the most difficult to employ. Many need very basic skills training, have learning disabilities, have chemical dependency or mental health problems. To meet work goals, jobs counselors have to invest more time and resources to help these individuals.
- MFIP employment services funds are distributed to county human service agencies through an allocation formula set in state statute. The federal funding is no longer on a "match" basis and is distributed through a federal block grant for MFIP. The block grant must be expended in TANF-related activities.

Economic Support Grants By Activity
 Total All Funds = \$489,982,000



Activity Finance Summary
Work Grants
 FY 2002 Base

Work Grants By Fund
 Total All Funds = \$75,180,000



See Grant Detail

Activity: WORK GRANTS
 Program: ECONOMIC SUPPORT GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|----------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 131 | 166 | 1,452 | 452 | 452 | 452 | 452 | (714) | (44.1%) |
| Subtotal State Operations | 131 | 166 | 1,452 | 452 | 452 | 452 | 452 | (714) | (44.1%) |
| PAYMENTS TO INDIVIDUALS | 1 | 3 | 0 | 0 | (437) | 0 | (437) | (877) | (29,233.3%) |
| LOCAL ASSISTANCE | 40,433 | 51,093 | 72,949 | 74,728 | 74,728 | 74,728 | 74,728 | 25,414 | 20.5% |
| Total Expenditures | 40,565 | 51,262 | 74,401 | 75,180 | 74,743 | 75,180 | 74,743 | 23,823 | 19.0% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) ELIMINATE UNUSED IPP FUNDING | GEN | | | | (189) | | (189) | | |
| (B) ELIMINATE UNUSED FSET FUNDING | GEN | | | | (248) | | (248) | | |
| Total Change Items | | | | | (437) | | (437) | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 9,502 | 8,861 | 11,190 | 10,281 | 9,844 | 10,281 | 9,844 | | |
| FEDERAL TANF | 29,255 | 40,732 | 59,215 | 60,903 | 60,903 | 60,903 | 60,903 | | |
| Statutory Appropriations: | | | | | | | | | |
| FEDERAL | 1,808 | 1,669 | 3,996 | 3,996 | 3,996 | 3,996 | 3,996 | | |
| Total Financing | 40,565 | 51,262 | 74,401 | 75,180 | 74,743 | 75,180 | 74,743 | | |

Grant Detail

Work Grants

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|--|--|-------------------|---------------------|---------------|---------------|---------------|---------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATIONS</u> | | | | | | | |
| General Fund | | 8,861 | 11,190 | 10,281 | 9,844 | 10,281 | 9,844 |
| MFIP Employment Training Grant | Grants to counties for the provision of case management and employment & training services to eligible MFIP recipients. (approx. served FY99 – 50,000) | 7,200 | 8,617 | 7,908 | 7,908 | 7,908 | 7,908 |
| MFIP Refugee Case Management | Grants to counties with a significant refugee population. Funds enable the county's MFIP employment services provider to offer bilingual/bicultural case management services so that clients that require such services may effectively participate in employment services activities. | 175 | 175 | 175 | 175 | 175 | 175 |
| Injury Protection Program | Payments to medical providers for the treatment of injuries suffered by persons injured while participating in a county or tribal community work experience program. | 3 | 199 | 199 | 10 | 199 | 10 |
| Work First Grants | Grants to Carver and Clay counties to provide employment services to first-time MFIP applicants and fund evaluation of program. (approx. served FY99 – 300) | 357 | 404 | 404 | 404 | 404 | 404 |
| Food Stamp Employment and Training (FSET) Grants | Grants to counties for the provision of employment services to help Food Stamp participants prepare for and accept employment. (approx. served FY99 – 9,103) | 1,126 | 1,795 | 1,595 | 1,347 | 1,595 | 1,347 |
| Federal TANF | | 40,732 | 59,215 | 60,903 | 60,903 | 60,903 | 60,903 |
| MFIP Employment & Training | Grants to counties for the provision of case management and employment & training services to eligible MFIP recipients. (approx. served FY99 – 50,000) | 40,732 | 59,215 | 60,903 | 60,903 | 60,903 | 60,903 |
| <u>STATUTORY APPROPRIATIONS</u> | | | | | | | |
| Federal Fund | | 1,669 | 3,996 | 3,996 | 3,996 | 3,996 | 3,996 |
| FSET Grants | Grants to counties for the provision of employment services to help Food Stamp participants prepare for and accept employment. (approx. served FY99 – 9,103) | 1,669 | 3,996 | 3,996 | 3,996 | 3,996 | 3,996 |

BUDGET CHANGE ITEM (51562)

Budget Activity: WORK GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

OUTCOMES:

Services and claims provided under the IPP will not change. This proposal allows funds to be redirected to other initiatives and governor's priorities.

Item Title: ELIMINATE UNUSED FUNDING IN THE INJURY PROTECTION PROGRAM (IPP)

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------|------------------|----------|------------------|----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Work Grants | \$ (189) | \$ (189) | \$ (189) | \$ (189) |

Statutory Change? Yes No X

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in the General Fund budget of \$189,000 in FY 2002 and \$189,000 in FY 2003 by eliminating unused funds in the Injury Protection Program (IPP).

RATIONALE:

Background

The Injury Protection Program (IPP) is intended to replace the need for counties and service providers to secure worker's compensation insurance coverage for community service work program participants. The IPP covers the following community service work programs:

- Parent's Fair Share;
- Child Support Obligor Community Services Work Experience Program;
- Work First/Work Focus Work Experience Programs; and
- approved county community investment programs work programs.

Base funding for the IPP is \$199,000 per year. Claims totaling less than \$1000 are processed through the department. Claims exceeding this amount are brought to the attention of the Claims Committee at the legislature. Due to the decreasing number and amount of claims, funds are not used to capacity.

Proposal

Reduce funding for the Injury Protection Program.

BUDGET CHANGE ITEM (51564)

Budget Activity: WORK GRANTS
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: ELIMINATE UNUSED FUNDING IN THE FOOD STAMP
 EMPLOYMENT AND TRAINING (FSET) PROGRAM
 SUPPORTIVE SERVICES

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Work Grants | | | | |
| Start Work Grants | \$(150) | \$(150) | \$(150) | \$(150) |
| Literacy Training Funds | (48) | (48) | (48) | (48) |
| Literacy Transportation Funds | (50) | (50) | (50) | (50) |
| Total | \$(248) | \$(248) | \$(248) | \$(248) |

OUTCOMES:

Services to FSET participants will not be affected. The savings that are achieved through this proposal will be targeted to other initiatives and governor's priorities.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Work Grants | \$(248) | \$(248) | \$(248) | \$(248) |

Statutory Change? Yes No

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in the General Fund budget of \$248,000 in FY 2002 and FY 2003 to eliminate unused funds in Start Work Grants, Literacy Transportation, and Literacy Training to Food Stamp Employment and Training (FSET) participants.

RATIONALE:

Background

Due to declining caseloads, county agencies have been unable to use all of the funding appropriated for Start Work Grants and for transporting FSET participants to literacy training for the past several years. Additionally, none of the state appropriation for literacy training of FSET participants has been spent in the past several years. The Department of Children, Families and Learning reports that literacy training is readily available across the state without the need for a special appropriation for FSET participants. The average length of participation in FSET services is approximately 11 weeks. During this relatively short time frame, participants report that they prefer to find employment rather than participate in longer-term literacy training.

Proposal

This proposal reduces the base funding level for Start Work Grants from \$250,000 to \$100,000, and reduces the base funding level for transporting FSET participants to literacy training from \$71,000 to \$21,000. It also eliminates the annual appropriation of \$48,000 for literacy training of FSET participants.

BUDGET ACTIVITY SUMMARY

Budget Activity: ECON SUPPORT- OTHER ASSISTANCE
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

This activity contains Temporary Assistance for Needy Families (TANF) services and programs that do not fall under the program structure of the Minnesota Family Investment Program (MFIP). This activity contains non-MFIP food assistance programs, including the Minnesota Food Assistance Program (MFAP) and federal Food Stamps for non-MFIP households.

Services Provided

This activity funds food assistance grants and other TANF assistance not included under MFIP. Programs and services include

- TANF - Supportive Housing/Managed Care. This is a pilot project in two counties to determine whether the integrated delivery of employment services, supportive services, housing, and health care will increase employment rates for people who are homeless and reduce public expenditures on homeless families and other homeless individuals.
- TANF-Transitional Housing. This program is administered by the Minnesota Department of Children, Families and Learning and it provides grants for programs that provide transitional housing and supportive services to people until they can find stable, permanent housing.
- Food Stamp Expedited Benefits. Food Stamp Expedited Benefits are grants to individuals in accordance with federal regulations ensuring the immediate distribution of food stamp benefits to individuals in crisis situations.
- Food Stamp Cashout Supplemental Security Income (SSI). This activity is a federally approved demonstration project that authorizes the cashout of food stamp benefits to certain elderly and disabled people who also receive SSI.
- Electronic Benefit Transfer (EBT) Federal Food Stamps. This activity provides federal food stamp funding for non-MFIP participants.
- Minnesota Food Assistance Program. This program provides state-funded grants to legal non-citizens who are no longer eligible for federal food stamps.

People Served

- In FY 2000 a monthly average of 500 legal non-citizens participated in the Minnesota Food Assistance Program
- In FY 2000 a monthly average of 100,000 households participated in the Federal Food Stamp program.
- A pilot in two counties has been established for integrating the delivery of housing, supportive services, and health care into a single, flexible program for reducing public expenditures for the homeless population.
- A rental assistance program operates in 30% of Minnesota counties with the highest average housing costs.

FINANCING INFORMATION:

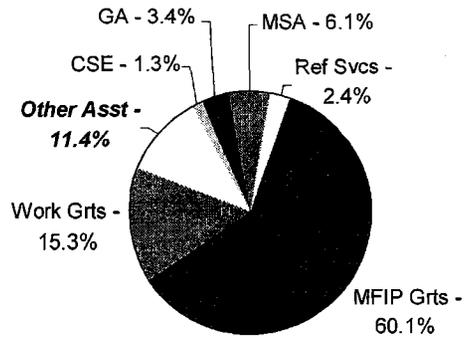
(See chart that follows narrative)

BUDGET ISSUES:

- The sunset of state funded assistance for legal non-citizens occurs this biennium which would affect individuals served in this budget activity area.

Economic Support Grants By Activity

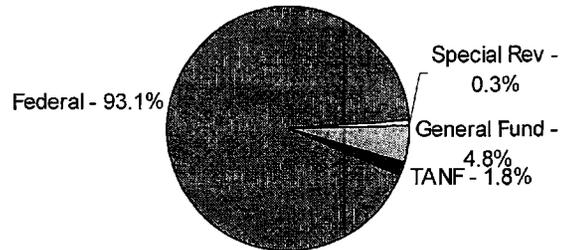
Total All Funds = \$489,982,000



Activity Finance Summary
Economic Support Grants – Other Assistance
FY 2002 Base

Econ. Support Grants - Other Asst. By Fund

Total All Funds = \$56,050,000



See Grant Detail

Activity: ECON SUPPORT- OTHER ASSISTANCE
 Program: ECONOMIC SUPPORT GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 100.0% |
| Subtotal State Operations | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 100.0% |
| PAYMENTS TO INDIVIDUALS | 51,216 | 51,262 | 53,214 | 53,352 | 53,352 | 52,681 | 53,826 | 2,702 | 2.6% |
| LOCAL ASSISTANCE | 2,656 | 1,197 | 2,428 | 1,698 | 4,362 | 1,514 | 20,371 | 21,108 | 582.3% |
| Total Expenditures | 53,872 | 52,459 | 56,642 | 56,050 | 58,714 | 55,195 | 75,197 | 24,810 | 22.7% |

| Change Items: | Fund | | | | | | | | |
|---|-------------|--|--|--|--------------|--|--|---------------|--|
| (B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS | GEN | | | | | | | 1,145 | |
| (B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS | TANF | | | | 1,180 | | | 1,557 | |
| (B) MAINTAIN EXIT LEVEL AT 120% OF FPG | TANF | | | | 388 | | | 850 | |
| (B) POST SECONDARY EDUCATION UP TO 24 MO | TANF | | | | 784 | | | 1,692 | |
| (B) RESPONSE TO 60 MONTH TIME LIMIT | TANF | | | | 312 | | | 14,758 | |
| Total Change Items | | | | | 2,664 | | | 20,002 | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 2,649 | 2,241 | 2,972 | 2,682 | 2,682 | 1,931 | 3,076 | | |
| SPECIAL REVENUE | 624 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| FEDERAL TANF | 0 | 0 | 1,000 | 1,000 | 3,664 | 1,000 | 19,857 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 23 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| SPECIAL REVENUE | 0 | 0 | 564 | 184 | 184 | 0 | 0 | | |
| FEDERAL | 50,576 | 50,218 | 52,106 | 52,184 | 52,184 | 52,264 | 52,264 | | |
| Total Financing | 53,872 | 52,459 | 56,642 | 56,050 | 58,714 | 55,195 | 75,197 | | |

Grant Detail

Economic Support Other Assistance

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|--|---|-------------------|---------------------|---------------|---------------|---------------|---------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATIONS</u> | | | | | | | |
| General Fund | | 2,241 | 2,972 | 2,682 | 2,682 | 1,931 | 3,076 |
| Minnesota Food Assistance Program | Grants to counties that utilize state funds to replace federal food stamp benefits for legal non-citizens who have lost federal benefits. | 1,067 | 1,108 | 1,168 | 1,168 | 417 | 1,562 |
| Fraud Prevention Grants | Grants to counties for the Fraud Prevention Investigation Program, enabling early fraud detection and collection efforts. | 1,174 | 1,864 | 1,514 | 1,514 | 1,514 | 1,514 |
| Federal TANF | | -0- | 1,000 | 1,000 | 4,164 | 1,000 | 20,357 |
| Managed Care Supportive Housing | Grants to pilot counties for the purpose of testing the effectiveness of integrating supportive services, housing, and managed care. | -0- | 1,000 | 1,000 | 4,164 | 1,000 | 1,000 |
| Child Care | Child Care costs related to MFIP budget initiatives | -0- | -0- | -0- | 3,164 | -0- | 19,357 |
| <u>STATUTORY APPROPRIATIONS</u> | | | | | | | |
| Misc. Special Revenue Fund | | -0- | 564 | 184 | 184 | -0- | -0- |
| Food Stamp Outreach Grants | Grants to counties and other community agencies for targeted low income populations in out reach activities. | -0- | 564 | 184 | 184 | -0- | -0- |
| Federal Fund | | 50,218 | 52,106 | 52,184 | 52,184 | 52,264 | 52,264 |
| Food Stamps (non-MFIP) | Grants to low income households to improve nutrition and achieve good security | 50,195 | 51,931 | 52,009 | 52,009 | 52,089 | 52,089 |
| Fraud Prevention Grants | Grants to counties for the Fraud Prevention Investigation Program, enabling early fraud detection and collection efforts. | 23 | 175 | 175 | 175 | 175 | 175 |

BUDGET ACTIVITY SUMMARY

Budget Activity: CHILD SUPPORT ENFORCEMENT
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Child Support Enforcement Grants help families receive child support by assisting in the establishment and enforcement of child support orders and collecting and distributing money owed. Child support is an important component in helping many families become self-sufficient and stay off welfare.

Services Provided

A mixture of services are provided by the state and counties to help families in Minnesota receive child support:

- establishment of paternity;
- establishment of support orders;
- modification of child support orders;
- centralized, state-wide collection of support from wage withholding from employers or by check from individuals who are self-employed;
- interception of income tax refunds and lottery winnings when child support is not paid;
- investigation of income sources of non-paying parents;
- location of non-paying parents and using various tools to get them to pay including
 - suspension of various state occupational licenses for non-payment;
 - suspension of driver's licenses;
 - new hire reporting by employers;
 - working with financial institutions to move money directly from bank accounts; and
- establishment of medical support for children.

People Served

- 58,860 public assistance cases in FY 2000
- 167,872 non-public assistance cases in FY 2000.

In addition to those served, child support enforcement works closely with county child support workers and attorneys, numerous child support task forces and work groups, county financial workers, local hospitals, child support magistrates and the judicial system, and state businesses to improve collections. \$492 million in child support was collected in FY 2000.

FINANCING INFORMATION:

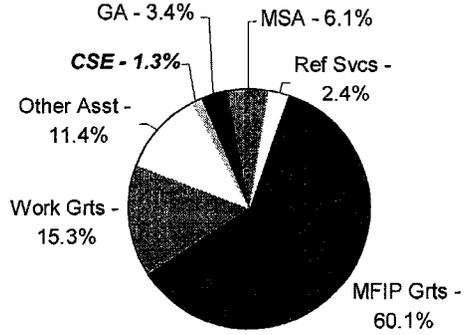
(See charts which follow narrative.)

BUDGET ISSUES:

- There are a growing number of requests for help from people who are not on public assistance but require services for the enforcement of support orders.
- The development of new, improved tools to intercept child support owed has improved connections with employers, financial institutions, and the Internal Revenue Service.
- The federal government has set standards for automated child support programs that states must comply with or face financial penalties.

Economic Support Grants By Activity

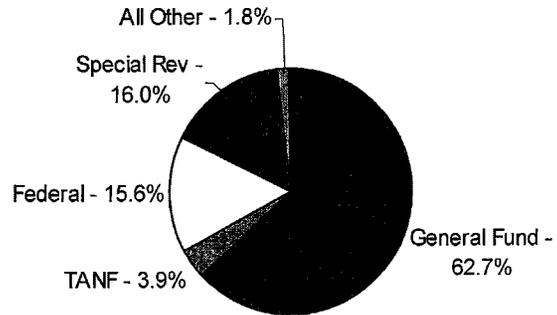
Total All Funds = \$489,982,000



**Activity Finance Summary
Child Support Enforcement
Grants
FY 2002 Base**

Child Support Enforcement Grants By Fund

Total All Funds = \$6,677,000



See Grant Detail

Activity: CHILD SUPPORT ENFORCEMENT
 Program: ECONOMIC SUPPORT GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 313 | 427 | 954 | 877 | 877 | 631 | 631 | 127 | 9.2% |
| Subtotal State Operations | 313 | 427 | 954 | 877 | 877 | 631 | 631 | 127 | 9.2% |
| PAYMENTS TO INDIVIDUALS | 0 | 0 | 50 | 250 | 250 | 50 | 50 | 250 | 500.0% |
| LOCAL ASSISTANCE | 5,636 | 5,897 | 6,844 | 5,550 | 5,600 | 5,550 | 5,600 | (1,541) | (12.1%) |
| Total Expenditures | 5,949 | 6,324 | 7,848 | 6,677 | 6,727 | 6,231 | 6,281 | (1,164) | (8.2%) |

| Change Items: | Fund | | | | | | |
|---------------------------------------|-------------|--|--|--|-----------|--|-----------|
| (B) CHILD SUPPORT PROGRAM PERFORMANCE | GEN | | | | 50 | | 50 |
| Total Change Items | | | | | 50 | | 50 |

| Financing by Fund: | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 5,427 | 5,149 | 5,309 | 4,189 | 4,239 | 4,189 | 4,239 |
| FEDERAL TANF | 0 | 224 | 260 | 260 | 260 | 260 | 260 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| SPECIAL REVENUE | 0 | 85 | 919 | 1,069 | 1,069 | 869 | 869 |
| FEDERAL | 376 | 746 | 1,240 | 1,039 | 1,039 | 793 | 793 |
| GIFT | 26 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Financing | 5,949 | 6,324 | 7,848 | 6,677 | 6,727 | 6,231 | 6,281 |

Grant Detail

Child Support Enforcement

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|--|---|-------------------|---------------------|--------------|--------------|--------------|--------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATIONS</u> | | | | | | | |
| General Fund | | 5,149 | 5,309 | 4,189 | 4,239 | 4,189 | 4,239 |
| Child Support Enforcement (CSE) County Grants | Outcome based performance incentives paid to county IV-D agencies who provide direct child support enforcement services. | 3,636 | 3,789 | 3,789 | 3,789 | 3,789 | 3,789 |
| CSE Medical Provider Bonus | Grants to hospitals for notarized paternity acknowledgement submitted to MDH. | 243 | 250 | 250 | 300 | 300 | 300 |
| Cooperation for Children Program | Funds transferred to State Court Administration for two pilot programs administered by the courts. | 100 | 100 | 100 | 100 | 100 | 100 |
| CSE Admin. Process | Transfer (FY 2002) to State Court Administration. | 1,170 | 1,170 | -0- | -0- | -0- | -0- |
| CSE Recoupment Account | Grants to cover NSF checks and payment errors which allow child support checks to go out to families without delay. | -0- | -0- | 50 | 50 | 50 | 50 |
| FIDM Fees | Fees paid for financial institution data match. | -0- | -0- | -0- | -0- | -0- | -0- |
| Federal TANF Fund | | 224 | 260 | 260 | 260 | 260 | 260 |
| Parents Fair Share | Grants to counties to assist unemployed non-custodial parents with job search and parenting. | 224 | 260 | 260 | 260 | 260 | 260 |
| <u>STATUTORY APPROPRIATIONS</u> | | | | | | | |
| General Fund | | 120 | 120 | 120 | 120 | 120 | 120 |
| Dads Make A Difference | Inter-agency agreement with the U of M to fund a mentor program that provides services to teens by discouraging pregnancy and promoting responsibility. | 120 | 120 | 120 | 120 | 120 | 120 |
| Misc. Special Revenue Fund | | 85 | 919 | 1,069 | 1,069 | 869 | 869 |
| CSPC Recoupment Account | Grants to cover NSF checks and payment errors. | -0- | 50 | 200 | 200 | -0- | -0- |
| Fathers Project Ford Foundation Grant | To provide tools and services to low income fathers. | 0 | 869 | 869 | 869 | 869 | 869 |

Grant Detail

Child Support Enforcement

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---------------------------|--|-------------------|---------------------|--------------|--------------|------------|------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| Federal Fund | | 746 | 1,240 | 1,039 | 1,039 | 793 | 793 |
| IV-D Incentive Settlement | Federal incentive program based on collections and outcomes. | 173 | 265 | 214 | 214 | 214 | 214 |
| Family Education | Federal grant transferred to state Supreme Court as directed by the legislature. | 243 | 264 | 162 | 162 | 162 | 162 |
| Evaluations | Federal grants for studies and evaluations. | 330 | 711 | 663 | 663 | 417 | 417 |

BUDGET CHANGE ITEM (51532)

Budget Activity: CHILD SUPPORT ENFORCEMENT
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: IMPROVING CHILD SUPPORT PROGRAM PERFORMANCE

Minnesota is one of the last states to implement this fee, and the department risks not meeting the deadline.

Proposal

This proposal would improve the performance of Minnesota's child support enforcement system through the following initiatives

- Improve paternity establishment rates, a key federal performance measure, by funding the Child Support Medical Provider Bonus. The Medical Provider Bonus provides a \$25 incentive payment to hospitals for each signed Recognition of Paternity. The request to increase funds available for this program reflects an increase in the need for bonus payments, which will result in increased parental acknowledgment of their responsibility to care for and support their child.
- Establish a fee payable to financial institutions for performing FIDM activities. This is necessary for a full implementation of FIDM and compliance with federal law.
- Accommodate necessary technical changes in the child support statutes.

Child support payments affect both custodial and non-custodial parent abilities to be self-sufficient. Improving the performance of the child support program will ensure that child support payments are established, enforced, collected, and distributed appropriately, in a timely and effective manner.

FINANCING:

Demand has increased for the Medical Provider Bonus and additional funding will enable the department to keep up with current participation levels.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|----------------------------|------------------|-------------|------------------|-------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Child Support Grants | | | | |
| CSE Medical Provider Bonus | \$50 | \$50 | \$50 | \$50 |
| PRISM costs | | | | |
| FIDM Fees | 60 | 60 | 60 | 60 |
| Contract Management Staff | 35 | 35 | 35 | 35 |
| Dedicated Admin Reimb | (63) | (63) | (63) | (63) |
| PRISM (state share) | 32 | 32 | 32 | 32 |
| Total Net Cost | \$82 | \$82 | \$82 | \$82 |

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-----------------------------|------------------|-------------|------------------|-------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Child Support Grants | \$50 | \$50 | \$50 | \$50 |
| Economic Support Operations | 32 | 32 | 32 | 32 |
| Total | \$82 | \$82 | \$82 | \$82 |

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$82,000 in FY 2002 and \$82,000 in FY 2003 to improve the performance of Minnesota's child support system by increasing paternity establishment rates and father involvement and fully implementing Financial Institution Data Match (FIDM) activities.

RATIONALE:

In 1997, the Minnesota legislature required the Department of Human Services to study the delivery of child support services and make recommendations for maintaining and improving Minnesota's high program performance. A number of recommendations were made for improving services for children and families, and published in the Child Support Delivery Study (1999). This proposal would implement those recommendations.

The Delivery Study focused on ways Minnesota could meet federal performance standards. Federal incentive funding in the future will be based solely on state achievement in a number of key performance areas, such as child support order establishment, paternity establishment, child support payments, and others. State and county performance must continue to improve in order to maximize this federal funding.

Federal law allows states to pay a reasonable cost to financial institutions for carrying out FIDM activities. FIDM allows the identification and seizure of assets held in financial institutions in order to pay child support debts.

BUDGET CHANGE ITEM (51532) (Continued)

Budget Activity: CHILD SUPPORT ENFORCEMENT
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

**Item Title: IMPROVING CHILD SUPPORT PROGRAM
PERFORMANCE**

OUTCOMES:

- During FY 2000 Child Support Enforcement issued 9,700 bonus payments to hospitals for facilitating the signing of Recognition of Parentage forms. This proposal will fund the signing of an additional 4000 forms over the next biennium, with the expected result of a 21% increase in parental acknowledgment of paternity. Results will be measured through existing tracking systems.
- A fee payable to financial institutions for performing Financial Institution Data Match (FIDM) activities will be established for a full implementation of FIDM and compliance with federal law.

BUDGET ACTIVITY SUMMARY

Budget Activity: GENERAL ASSISTANCE
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

General Assistance (GA) Grants provide monthly cash grants for individuals who cannot fully support themselves to meet some of their monthly maintenance and emergency needs. GA is a state funded program and an important safety net for low income Minnesotans.

Services Provided

- Cash assistance in the amount of \$203 for single people and \$260 for married couples. Special funding is available for emergency situations where the person or family lacks basic need items, which threatens the person/family's health or safety.
- GA is temporary for some recipients while an individual overcomes an emergency situation, a temporary problem, or is waiting for approval for other forms of assistance. For others with more intractable barriers to self-support, assistance is needed for a longer term.
- Recipients are usually eligible for payment of medical costs through the General Assistance Medical Care program or the Medical Assistance program.

People Served

On average in FY 2000, there were 8,376 GA cases (10,364 persons) receiving support per month. Support is provided based on these categories of GA eligibility

- permanent illness or incapacity;
- temporary illness or incapacity;
- residents of group residential housing;
- unemployable persons;
- medically certified as having mental retardation or mental illness;
- have an application or an appeal pending for Social Security Disability or Supplemental Security Income (SSI);
- advanced age;
- displaced homemakers enrolled as full-time students;
- excessive travel time to job;

- learning disabled;
- high school students over age 18 whose primary language is not English;
- children under age 18 and not living with parent, stepparent, or legal guardian;
- persons required to be in the home to care for a disabled person; and
- persons under protective or court-ordered services that prevent working.

Eligibility

GA program participants must fit at least one of the categories of eligibility specified in state statutes. Eligibility categories are primarily defined in terms of inability to work and disability. Applicants or recipients are generally required to apply for benefits from federally-funded disability programs for which they may qualify. In addition, the person or couple must have income and resources less than program limits. After subtracting certain income disregards, a single person must have net income less than \$203 per month and a couple must have net income less than \$260 per month.

FINANCING INFORMATION:

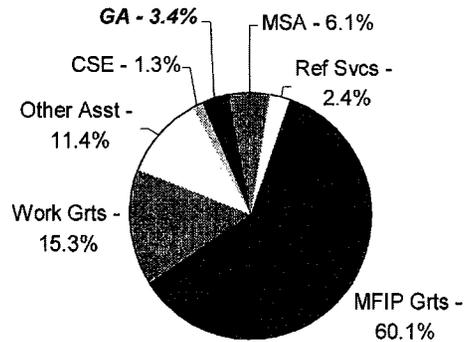
(See charts which follow narrative.)

BUDGET ISSUES:

- There has been no increase to the GA grant amount since 1986. The value of the grant has declined from equaling approximately 50% of the federal poverty guidelines in FY 1986 to 30% in FY 2000.
- The GA caseload has declined over time from approximately 22,000 individuals in FY 1986 to 10,000 in FY 2000, primarily because of changes in the program.
- Housing affordability is a significant issue for many individuals on GA.

Economic Support Grants By Activity

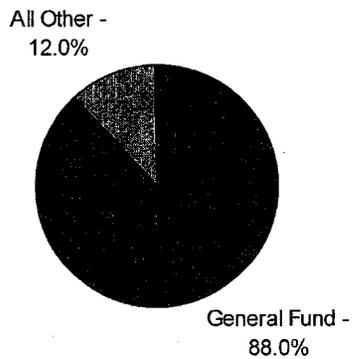
Total All Funds = \$489,982,000



**Activity Finance Summary
General Assistance Grants
FY 2002 Base**

General Assistance Grants By Fund

Total All Funds = \$16,650,000



**See Grant Detail
(forecast)**

Activity: GENERAL ASSISTANCE
 Program: ECONOMIC SUPPORT GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|----------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 577 | 487 | 500 | 500 | 500 | 500 | 500 | 13 | 1.3% |
| Subtotal State Operations | 577 | 487 | 500 | 500 | 500 | 500 | 500 | 13 | 1.3% |
| PAYMENTS TO INDIVIDUALS | 35,387 | 38,134 | 16,140 | 16,150 | 16,150 | 14,985 | 14,985 | (23,139) | (42.6%) |
| Total Expenditures | 35,964 | 38,621 | 16,640 | 16,650 | 16,650 | 15,485 | 15,485 | (23,126) | (41.8%) |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 33,080 | 36,131 | 14,640 | 14,650 | 14,650 | 13,485 | 13,485 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 2,884 | 2,490 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | | |
| Total Financing | 35,964 | 38,621 | 16,640 | 16,650 | 16,650 | 15,485 | 15,485 | | |

Grants Detail

General Assistance

| Services | Funding State / Federal | FY 2000 Monthly Average Cases | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|--|--------------------------------|--------------------------------------|------------------------|-----------------------|---------------------|---------------------|
| Individual GA, Including Emergency Needs | State | 5,011 | 12,745 | 11,853 | 11,760 | 10,483 |
| GRH Facility Residents | State | 2,311 | 2,367 | 2,787 | 2,890 | 3,002 |
| Battered Women's Shelters | State | 449 | 21,019 | 0 | 0 | 0 |
| Recoveries | State | | 2,490 | 2,000 | 2,000 | 2,000 |
| Total | | 7,771 | 38,621 | 16,640 | 16,650 | 15,485 |

BUDGET ACTIVITY SUMMARY

Budget Activity: MINNESOTA SUPPLEMENTAL AID
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Minnesota Supplemental Aid (MSA) provides a state-funded cash supplement to aged, blind, and disabled persons eligible for Supplemental Security Income (SSI) benefits. Federal law requires states to make supplemental payments to persons who are eligible for SSI and to persons who are eligible for SSI except for excess income and whose net income is less than MSA standards.

Services Provided

The MSA monthly grant standards are \$573 each month for individuals and \$860 each month for couples. Payment amounts vary depending upon a number of factors including

- whether living arrangement is shared or not shared;
- eligibility for Medical Assistance waived services;
- eligibility for a representative payee;
- eligibility for special diets;
- eligibility for conservator or guardian; and
- eligibility for restaurant meals.

People Served/Eligibility

Approximately 26,143 Minnesotans received MSA each month in FY 2000. MSA is available to individuals with assets up to \$2,000 and couples with assets up to \$3,000.

To receive MSA benefits, a person must either be

- age 65 or older;
- blind or have severely impaired vision; or
- disabled according to the criteria used for Retirement and Survivors Disability Insurance and SSI and between the ages of 18 and 65. Disability for non-SSI recipients is determined by the State Medical Review Team.

FINANCING INFORMATION:

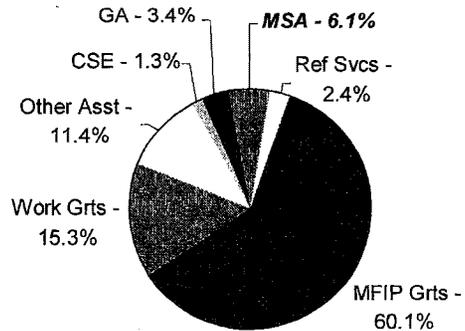
(See charts which follow narrative.)

BUDGET ISSUES:

- Grant standards are required to be adjusted annually by the amount of the cost-of-living adjustment in SSI.

Economic Support Grants By Activity

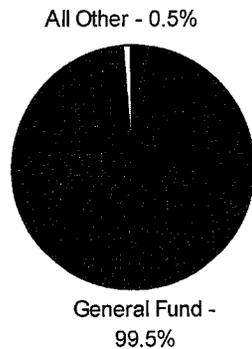
Total All Funds = \$489,982,000



**Activity Finance Summary
Minnesota Supplemental Aid
Grants
FY 2002 Base**

Minnesota Supplemental Aid Grants By Fund

Total All Funds = \$29,722,000



**See Grant Detail
(forecast)**

Activity: MINNESOTA SUPPLEMENTAL AID
 Program: ECONOMIC SUPPORT GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| PAYMENTS TO INDIVIDUALS | 25,202 | 26,146 | 28,216 | 29,722 | 29,722 | 31,213 | 31,213 | 6,573 | 12.1% |
| Total Expenditures | 25,202 | 26,146 | 28,216 | 29,722 | 29,722 | 31,213 | 31,213 | 6,573 | 12.1% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 24,710 | 26,049 | 28,066 | 29,572 | 29,572 | 31,063 | 31,063 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 492 | 97 | 150 | 150 | 150 | 150 | 150 | | |
| Total Financing | 25,202 | 26,146 | 28,216 | 29,722 | 29,722 | 31,213 | 31,213 | | |

Grants Detail

Minnesota Supplemental Aid

| Services | Funding State / Federal | FY 2000 Monthly Average Recipients | FY 2000 Actuals | FY 2001 Budget | FY 2002 Base | FY 2003 Base |
|---------------------------------------|--------------------------------|---|------------------------|-----------------------|---------------------|---------------------|
| Recipients In MA Certified Facilities | State | 1,759 | 829 | 769 | 743 | 715 |
| Other Recipients In Community | State | 24,355 | 25,220 | 27,297 | 28,829 | 30,348 |
| Recoveries | State | | 97 | 150 | 150 | 150 |
| Total | | 26,114 | 26,146 | 28,216 | 29,722 | 31,213 |

BUDGET ACTIVITY SUMMARY

Budget Activity: REFUGEE SERVICES
Program: ECONOMIC SUPPORT GRANTS
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Refugee Services grants provide for the effective resettlement and economic self-sufficiency of refugees in Minnesota. Refugees are people lawfully admitted to the United States who are unable to return to their own home because of a well-founded fear of persecution.

Services Provided

The primary refugee services are the following

- *Refugee Cash Assistance/Refugee Medical Assistance (RCA/RMA).* Federal funding is available for cash and medical assistance for needy refugees who do not qualify for the Minnesota Family Investment Program (MFIP) or Medical Assistance (MA);
- *Social services for refugees.* Culturally appropriate and bilingual employment services are provided to refugees through contracts with community organizations. Contract outcomes for the vendors are based on enabling families and individuals to become independent from cash assistance. Services include orientation to work in the United States, job seeking skills, job development, short-term training, job placement, and follow-up to facilitate job retention. Services are generally limited to refugees within their first five years in this country, with priority given to those within their first year;
- *Services for Asian youth.* Child welfare services to Asian youth are provided through contracts with community organizations. Services include ongoing support for adjustment to their new country, career planning, and strengthening the parent-child relationship; and
- *Other services.* A wide range of services are provided to help refugees adjust to life in the United States. Examples of these services are referral and information, translation and interpreter services, family literacy and English language instruction, and preparation for citizenship.

People Served

Refugees may be from any country; however, refugees from Africa, the former Yugoslavia, and the former Soviet Union have dominated recent arrivals.

- During FY 2000 3,596 refugees from 23 countries of origin resettled in Minnesota. This represents approximately 4% of the total number of

refugees admitted to the United States during the year. The largest group of refugees was from Somalia, who were joining family members already in Minnesota. Similar numbers are expected through the next biennium.

- The number of refugees in Minnesota who have arrived in this country within the past five years is estimated to be over 20,000. The exact number of new arrivals is difficult to verify, as there tends to be movement between states.

Persons served by these grants:
(Average persons per month)

| | |
|------------------------------|------|
| ■ Refugee Cash Assistance | 774 |
| ■ Refugee Medical Assistance | 673 |
| ■ Social Services | 1423 |
| ■ Asian Youth | 140 |

FINANCING INFORMATION:

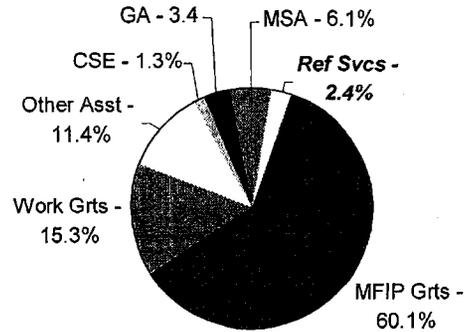
(See charts which follow narrative.)

BUDGET ISSUES:

- Federal funding formulas take into account growth in refugee populations.

Economic Support Grants By Activity

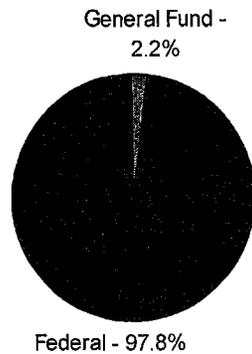
Total All Funds = \$489,982,000



**Activity Finance Summary
Refugee Services Grants
FY 2002 Base**

Refugee Services Grants By Fund

Total All Funds = \$11,655,000



See Grant Detail

Activity: REFUGEE SERVICES
 Program: ECONOMIC SUPPORT GRANTS
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| OTHER OPERATING EXPENSES | 547 | 295 | 300 | 300 | 300 | 300 | 300 | 5 | 0.8% |
| Subtotal State Operations | 547 | 295 | 300 | 300 | 300 | 300 | 300 | 5 | 0.8% |
| PAYMENTS TO INDIVIDUALS | 1,885 | 3,859 | 4,302 | 4,302 | 4,302 | 4,302 | 4,302 | 443 | 5.4% |
| LOCAL ASSISTANCE | 4,424 | 4,449 | 7,633 | 7,053 | 7,053 | 7,053 | 7,053 | 2,024 | 16.8% |
| Total Expenditures | 6,856 | 8,603 | 12,235 | 11,655 | 11,655 | 11,655 | 11,655 | 2,472 | 11.9% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 1,171 | 329 | 330 | 250 | 250 | 250 | 250 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 5 | 1 | 2 | 2 | 2 | 2 | 2 | | |
| FEDERAL | 5,680 | 8,273 | 11,903 | 11,403 | 11,403 | 11,403 | 11,403 | | |
| Total Financing | 6,856 | 8,603 | 12,235 | 11,655 | 11,655 | 11,655 | 11,655 | | |

Grant Detail

Refugee Services

| Grant / Activity | Purpose / People Served | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---------------------------------------|--|-------------------|---------------------|---------------|---------------|---------------|---------------|
| | | | | Base | Gov's Rec | Base | Gov's Rec |
| <u>DIRECT APPROPRIATION</u> | | | | | | | |
| General Fund | | 329 | 330 | 250 | 250 | 250 | 250 |
| Asian Child Welfare | Grants to non profit agencies for the provision of cultural, family based, social adjustment services to Asian youth ages 9-21 residing in Minnesota. (approx. served – 140 per month) | 79 | 80 | 0 | 0 | 0 | 0 |
| Refugee Language Grants | Grants to counties to provide intensive work focused ESL instruction to MFIP recipients who lack proficiency in English. | 250 | 250 | 250 | 250 | 250 | 250 |
| <u>STATUTORY APPROPRIATION</u> | | | | | | | |
| Federal Funds | | 8,273 | 11,903 | 11,403 | 11,403 | 11,403 | 11,403 |
| Refugee Temporary Assistance | Grants to refugees emergency assistance. | 1,049 | 2,403 | 2,403 | 2,403 | 2,403 | 2,403 |
| Refugee Cash Assistance | Cash grants to needy refugees who do have children in the home. (approx. served – 321 per month) | 2,168 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Refugee Social Services | Grants to non profit agencies to help refugees who encounter difficulties adjusting to life in the United States. (approx. served – 134 per month) | 2,565 | 4,400 | 3,900 | 3,900 | 3,900 | 3,900 |
| Refugee Medical Assistance | Grants to medical providers for medical care received by needy refugees with minor children in the home. (approx. served – 321 per month) | 1,690 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| Discretionary Admin. | Grants to non profit agencies available for certain geographic areas with refugee populations. | 801 | 800 | 800 | 800 | 800 | 800 |

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PROGRAM SUMMARY

Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

PROGRAM PROFILE:

Purpose

Economic Support Management is the administrative component for Economic Support Grants, including management of the MAXIS and PRISM computer systems. MAXIS determines eligibility and aid levels for public assistance and issues cash benefits and food stamps. PRISM is a computer system that supports child support operations including centralized receipting and disbursement of child support payments.

Components

Economic Support Management contains the following budget activities

- Economic Support Policy Administration
- Economic Support Operations

Services provided

- welfare fraud prevention, control, and recoupment
- maintenance of the MAXIS and PRISM computer systems
- centralized benefit payment
- policy development for welfare programs
- instructional manual, bulletins, and technical assistance to counties
- evaluation of programs
- policy help desk support for counties and other client service providers
- refugee services administration
- telephone Assistance Plan administration
- management for contracts that help recipients apply for federal benefits

People Served

- 162,500 people determined to be eligible for MFIP, GA or MSA.
- 87 counties, including 1,845 financial workers who determine benefits
- statewide jobs and training providers
- refugee associations
- tribal governments

Accomplishments

- Minnesota Family Investment Program (MFIP) longitudinal study yielded important results, received national attention and praise, and, most importantly, answered questions needed for continued successful program management.
- In FY 2000, training was provided to 554 county staff regarding policy and system issues for public assistance programs. In addition, DHS and the Department of Economic Security (DES) provided training on special topics related to welfare reform, including mental health, chemical dependency, domestic violence, and learning disabilities.
- DHS has successfully implemented Local Intervention funds appropriated in 2000, moving targeted funding out to counties, tribes, and community agencies to address the needs of families at risk of reaching the 60 month time limit. DHS also worked with partner agencies to implement other initiatives such as Public Health Home Visiting and housing initiatives.
- Child Support Enforcement successfully implemented electronic funds transfer and direct deposit to increase efficiency in child support payment and receipt.
- Minnesota continues to be recognized by the federal government as having one of the best managed welfare systems in the country. In 2000 Minnesota received a federal award for having the most accurate system for determining food stamp benefits in the region.
- With the advent of reform, DHS's help desk functions were expanded to help counties work through changes. The help desk staff resolved over 31,000 questions during FY 2000.

STRATEGIES AND PERFORMANCE:

The performance measures for this program area are as follows

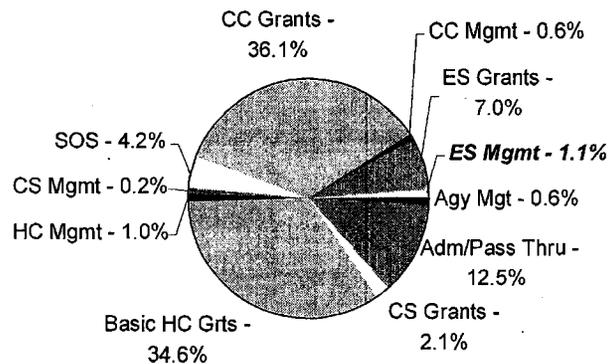
- increase in the percentage of MFIP families with reported earnings;
- increase in the percentage of MFIP families who receive food assistance only;
- increase in the average collection of open child support cases each year; and
- payment accuracy and administrative performance for each program reviewed or evaluated will be within the federal and state tolerance levels.

FINANCING INFORMATION:

(See charts which follow narrative.)

Dept Of Human Services By Program

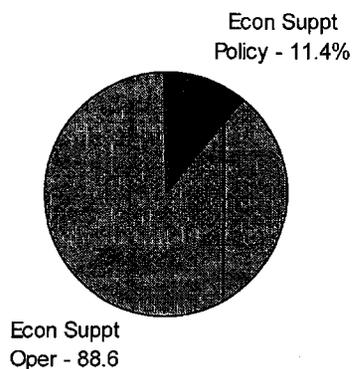
Total All Funds = \$6,945,370,000



Program Finance Summary Economic Support Management FY 2002 Base

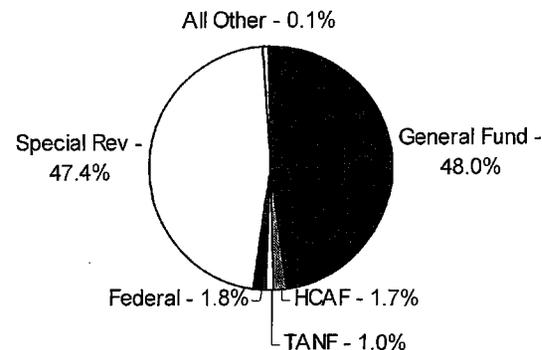
Economic Support Management By Activity

Total All Funds = \$76,643,000



Economic Support Management By Fund

Total All Funds = \$76,643,000



Program: ECONOMIC SUPPORT MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| ECONOMIC SUPPORT POLICY ADMIN | 7,803 | 8,267 | 9,097 | 8,811 | 13,003 | 8,529 | 11,421 | 7,060 | 40.7% |
| ECONOMIC SUPPORT OPERATIONS | 67,553 | 58,093 | 74,151 | 67,832 | 99,034 | 75,812 | 82,944 | 49,734 | 37.6% |
| Total Expenditures | 75,356 | 66,360 | 83,248 | 76,643 | 112,037 | 84,341 | 94,365 | 56,794 | 38.0% |

| Change Items: | Fund | | | | | | |
|---|-------------|--|--|--|---------------|---------------|--|
| (B) PARENTAL CHILD SUPPORT RESPONSIBILITY | GEN | | | | 400 | | |
| (B) EMPLOYMENT SERVICES TRACKING SYSTEM | TANF | | | | 1,750 | 750 | |
| (B) LIMITED ENGLISH PROFICIENCY | GEN | | | | 2,142 | 2,142 | |
| (B) PRISM SSIS AND MAXIS FINANCING | GEN | | | | 7,100 | 7,100 | |
| (B) PRISM SSIS AND MAXIS FINANCING | SR | | | | 24,000 | | |
| (B) CHILD SUPPORT PROGRAM PERFORMANCE | GEN | | | | 32 | 32 | |
| (B) REPEAL SAVE/REPORTING REQUIREMENT | GEN | | | | (100) | | |
| (B) RESPONSE TO 60 MONTH TIME LIMIT | TANF | | | | 70 | | |
| Total Change Items | | | | | 35,394 | 10,024 | |

| Financing by Fund: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 10,021 | 9,791 | 11,363 | 36,769 | 46,343 | 37,391 | 46,665 |
| HEALTH CARE ACCESS | 204 | 261 | 234 | 1,333 | 1,333 | 1,349 | 1,349 |
| FEDERAL TANF | 267 | 320 | 743 | 743 | 2,563 | 743 | 1,493 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 0 | 57 | 37 | 37 | 37 | 37 | 37 |
| SPECIAL REVENUE | 63,322 | 53,868 | 69,066 | 36,372 | 60,372 | 43,682 | 43,682 |
| FEDERAL | 1,503 | 1,860 | 1,559 | 1,389 | 1,389 | 1,139 | 1,139 |
| GIFT | 39 | 203 | 246 | 0 | 0 | 0 | 0 |
| Total Financing | 75,356 | 66,360 | 83,248 | 76,643 | 112,037 | 84,341 | 94,365 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FULL TIME | 475.7 | 487.2 | 499.0 | 499.0 | 509.0 | 499.0 | 504.0 |
| Total Full-Time Equivalent | 475.7 | 487.2 | 499.0 | 499.0 | 509.0 | 499.0 | 504.0 |

BUDGET ACTIVITY SUMMARY

Budget Activity: ECONOMIC SUPPORT POLICY ADMIN
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

FINANCING INFORMATION:

(See charts which follows Narrative.)

BUDGET ISSUES:

- With the advent of welfare reform and the Temporary Assistance to Needy Families (TANF) block grant, there has been an increased demand for data development, research, and results evaluation. Demand for technical assistance and information sharing about promising best practices has also increased, especially as counties are intensifying efforts to help MFIP participants with the most difficult employment barriers. This has meant significant reprioritizing of staff time and administrative dollars.
- Implementing the department's Limited English Proficiency (LEP) Plan to provide access to non-English speaking recipients of human services has budget implications this session.

ACTIVITY PROFILE:

Purpose

Economic Support Policy Administration provides policy development and administrative support for programs funded through economic support grants. Responsibilities include developing welfare policy and analyzing data, evaluating programs, supervising the management of human services programs, administering county child support enforcement efforts, supervising fraud prevention and control efforts, conducting quality control reviews, and managing intergovernmental relations.

Services provided

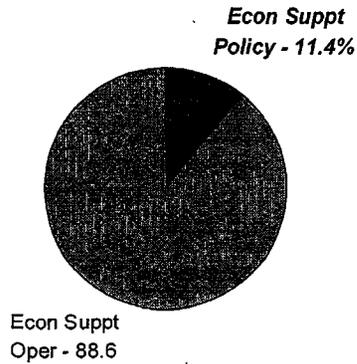
- supporting county agency delivery of services through training, instructional manuals, policy assistance, and system support help desks;
- assisting with case management;
- implementing and monitoring of state funded grant projects;
- conducting pilot programs to improve service delivery and outcomes;
- implementing policy changes and developing and analyzing legislation;
- participating with other state and county agencies and community organizations to identify and address welfare reform issues;
- administering social services, cash assistance and employment services to refugees; and
- administering the Telephone Assistance Plan (TAP), which provides telephone subsidies to low-income elderly and disabled Minnesotans.

People Served

- 162,500 people determined to be eligible for the Minnesota Family Investment Program (MFIP), General Assistance (GA) or Minnesota Supplemental Aid (MSA)
- 58,860 cases who receive child support enforcement services because they receive public assistance
- 167,872 cases not on assistance who seek child support enforcement services
- 87 counties

Economic Support Management By Activity

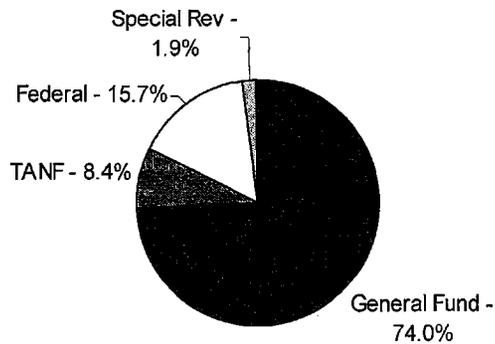
Total All Funds = \$76,643,000



**Activity Finance Summary
Economic Support Policy
Administration
FY 2002 Base**

Economic Support Policy Admin By Fund

Total All Funds \$8,811,000



Economic Support Policy Admin – FTE Count

| Division | General Fund | HCAF | Spec Rev | Federal Fund | Other Funds | Total |
|----------------------|--------------|------------|------------|--------------|-------------|-------------|
| Families w/ Children | 38.2 | 0.0 | 0.0 | 0.0 | 0.0 | 38.2 |
| Child Support Enf | 31.0 | 0.0 | 0.0 | 0.0 | 0.0 | 31.0 |
| Adult Support | 5.5 | 0.0 | 0.0 | 11.0 | 0.0 | 16.5 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | 74.7 | 0.0 | 0.0 | 11.0 | 0.0 | 85.7 |

Activity: ECONOMIC SUPPORT POLICY ADMIN
 Program: ECONOMIC SUPPORT MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 3,865 | 4,707 | 5,058 | 5,305 | 5,805 | 5,413 | 5,763 | 1,803 | 18.5% |
| OTHER OPERATING EXPENSES | 3,938 | 3,560 | 4,039 | 3,506 | 7,198 | 3,116 | 5,658 | 5,257 | 69.2% |
| Total Expenditures | 7,803 | 8,267 | 9,097 | 8,811 | 13,003 | 8,529 | 11,421 | 7,060 | 40.7% |

| Change Items: | Fund | | | | | | | | |
|---|-------------|--|--|--|--------------|--|--------------|--|--|
| (B) PARENTAL CHILD SUPPORT RESPONSIBILITY | GEN | | | | 300 | | | | |
| (B) EMPLOYMENT SERVICES TRACKING SYSTEM | TANF | | | | 1,750 | | 750 | | |
| (B) LIMITED ENGLISH PROFICIENCY | GEN | | | | 2,142 | | 2,142 | | |
| Total Change Items | | | | | 4,192 | | 2,892 | | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 5,996 | 5,884 | 6,284 | 6,513 | 8,955 | 6,647 | 8,789 | | |
| FEDERAL TANF | 267 | 320 | 743 | 743 | 2,493 | 743 | 1,493 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 0 | 0 | 265 | 166 | 166 | 0 | 0 | | |
| FEDERAL | 1,503 | 1,860 | 1,559 | 1,389 | 1,389 | 1,139 | 1,139 | | |
| GIFT | 37 | 203 | 246 | 0 | 0 | 0 | 0 | | |
| Total Financing | 7,803 | 8,267 | 9,097 | 8,811 | 13,003 | 8,529 | 11,421 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--|
| FULL TIME | 72.2 | 78.7 | 85.7 | 85.7 | 93.7 | 85.7 | 90.7 | | |
| Total Full-Time Equivalent | 72.2 | 78.7 | 85.7 | 85.7 | 93.7 | 85.7 | 90.7 | | |

BUDGET CHANGE ITEM (51458)

Budget Activity: ECONOMIC SUPPORT POLICY ADMIN
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: ALLOCATING PARENTAL CHILD SUPPORT RESPONSIBILITY

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------------|------------------|--------------|------------------|--------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Economic Support Admin | \$300 | \$-0- | \$-0- | \$-0- |
| Economic Support Operations | 100 | -0- | -0- | -0- |
| Total | \$400 | \$-0- | \$-0- | \$-0- |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$132 | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes X No _____

If yes, statutes affected: M.S. 518

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$400,000 in FY 2002 to implement an income-shares-based child support guideline model and improvements to the medical support statutes, so that an appropriate and consistent formula will be used to determine the amount of child support and medical support orders.

RATIONALE:

Background

Child support guidelines provide a formula for judges to use in determining the amount of child support orders. Minnesota is required by state and federal law to review its child support guidelines every four years to determine whether the guidelines result in child support orders that meet the needs of children. Over the past two years, the Child Support Enforcement Division (CSED) has examined economic literature on the costs of raising children, conducted an analysis of a set of randomly-selected Minnesota child support cases to determine how the guidelines are applied by the courts, examined relevant case law, and studied guidelines used in other states. An advisory task force of stakeholders has helped guide this work, providing input on the research and

development of a new method for calculating child support, called the "Shared Responsibility Model."

In developing this new model, CSED has attempted to address many of the issues or problems with the current Minnesota child support guidelines. For example, the current guidelines appear arbitrary to many parents. The percentages used to determine basic support orders are not clearly tied to recent or actual research on what it actually costs to raise children. Second, the current guidelines do not consistently take the obligee's income into account. The largest portion of the child support order is based only on the income of the obligor. Third, the current guidelines do not result in consistent orders for low-income obligors. The court exercises discretion in setting support for obligors with low incomes. Some low-income obligors pay nothing, while others do not have enough income left to meet their own basic needs after paying support. These and other issues are addressed in the proposed model.

The Minnesota legislature has directed DHS to prepare recommendations for improving the medical support statutes by 1-15-01 (2000 Session Laws, Ch. 372). CSED has convened a stakeholder workgroup to develop these recommendations. Guiding values of the workgroup include the intent to maximize the number of children that have the best medical coverage possible, implement an equitable and rational method for parents to share medical costs, and to the extent possible, minimize public costs in providing medical coverage for children.

Proposal

Revisions to the child support guidelines include the following

- Shared Responsibility takes the incomes of both parents into account in the same way for all three parts of a child support order and shows the contributions both parents make to supporting their children;
- Basic support is based on federal data on the costs of raising children, adapted to Minnesota income data;
- Support is based on gross income instead of net income for consistency with the research basis of the model and to streamline guidelines calculations;
- A presumptive minimum obligation is established for low-income obligors;
- The support calculation factors in the basic needs of other children residing with either parent; and
- Child care support calculations are simplified – the 25% cost reduction is eliminated and the re-calculation of each parent's share of income after transferring basic support to the obligee is eliminated.

The department anticipates that the Medical Support Workgroup's recommendations will be consistent with the National Medical Support Working Group's recommendations, including definitions for affordable, accessible, and

BUDGET CHANGE ITEM (51458) (Continued)

Budget Activity: ECONOMIC SUPPORT POLICY ADMIN
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

- Precise and appropriate determinations of parental responsibility for child and medical support.

Item Title: ALLOCATING PARENTAL CHILD SUPPORT RESPONSIBILITY

adequate medical coverage, means for apportioning medical costs between parents, and ways in which the child support agency can be more proactive in increasing access to medical coverage for children.

Administration Issues and Implementation

A significant effort and commitment of resources will be required to implement a new guidelines model, and a one-time appropriation will be necessary to meet the costs associated with implementation. The requested funds will support the development of forms and instructional policy materials, legal research and analysis, PRISM system analysis and programmatic changes, system testing, evaluation, training, and outreach. CSED will provide extensive training opportunities for county child support officers, the private bar, judiciary, and other interested parties. The Guidelines Review Advisory Task Force and Medical Support Workgroup will help assess the appropriate forums and constituencies for training, as well as provide guidance as implementation questions arise. This proposal will be implemented by 7-1-02.

FINANCING:

| | 2002-03 Biennium | | 2004-05 Biennium | |
|----------------------------------|------------------|----------|------------------|----------|
| | F Y 2002 | F Y 2003 | F Y 2004 | F Y 2005 |
| CSED staff and support (3 FTEs) | \$300 | -0- | -0- | -0- |
| Admin reimbursement | (132) | -0- | -0- | -0- |
| Net cost | 168 | -0- | -0- | -0- |
| PRISM costs | | | | |
| Staff and support, contractors | 295 | | | |
| Dedicated Admin Reimb | (195) | -0- | -0- | -0- |
| PRISM costs (state share) | 100 | | | |
| Total net cost | \$268 | -0- | -0- | -0- |

OUTCOMES:

- Improved consistency in child support orders through provisions delineating application of the guidelines for family situations currently not addressed in child support orders (e.g. low-income non-custodial parents, multiple families or other dependents).
- Child support orders that better reflect parents' abilities to contribute to the needs of their children.

BUDGET CHANGE ITEM (51543)

Budget Activity: ECONOMIC SUPPORT POLICY ADMIN
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: MFIP EMPLOYMENT SERVICES TRACKING SYSTEMS

that will lead to employment and enhance workforce development efforts of the agencies and the Governor's Workforce Development Council.

This is a request for one-time funding for system acquisition and implementation. The request will help fund the design, construction, testing, training, operation of two pilot offices, and statewide implementation of the system.

Administration Issues and Implementation

Implementation will be a phased-in process that will implement system modules starting in October 2001 and will continue until the system is fully implemented in July 2002. Maintenance of early implemented system modules will start in October of 2001.

FINANCING:

Two state agencies are involved in the project: The departments of Human Services and Economic Security.

The DHS contribution of \$2,500,000 will be expended during the 2002-2003 biennium through an interagency agreement between DHS and DES. Because of the phased-in implementation, on-going maintenance of the system will begin in October of 2001.

OUTCOMES:

The primary outcome of this proposal is to build a workforce development delivery system that will support the delivery of services to employers as well as job seeking clients. By investing in this system, the department, DES, and employment services providers will be able to share program information across agencies. This approach will allow service providers to focus on customer needs rather than eligibility criteria. Also provided through this system investment, information will be available that will provide automated accountability, tracking, and reporting.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| Federal TANF | | | | |
| Econ Support Policy Admin | \$1,750 | \$750 | \$-0- | \$-0- |

Statutory Change? Yes No X

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in expenditures from TANF of \$1,750,000 in FY 2002 and \$750,000 in FY 2003 to share the cost of a new Employment Services Tracking System for MFIP participants with the Department of Economic Security (DES).

RATIONALE:

Background

The existing Management Information System (MIS) is over 10 years old and was not designed to meet the current tracking, reporting, and accountability needs of the MFIP program. To continue to use the existing system will jeopardize our ability to meet strict federal reporting requirements and could result in inaccurate outcome tracking for MFIP recipients. A new system would provide day-to-day support to job counselors in doing their jobs, reduce paperwork, and improve client services. The Department of Human Services (DHS) and DES have worked together with other stakeholders to explore all options and are in agreement that the proposed system is the best option available to us.

Proposal

This proposal is for the DHS share of funding for a collaborative effort between the department and DES to develop an accurate Employment Services tracking system. The activities of approximately 49,000 MFIP participants involved in employment services activities will be tracked each year. The proposal is the result of policy and program decisions to share information across agencies. The proposed tracking system will help ensure client participation in activities

BUDGET CHANGE ITEM (51572)

Budget Activity: ECONOMIC SUPPORT POLICY ADMIN
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT
Item Title: LIMITED ENGLISH PROFICIENCY – ACCESS AND CLIENT OUTCOMES

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Econ Supp Policy Admin | \$2,142 | \$2,142 | \$1,384 | \$1,384 |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Admin Reimbursement | \$942 | \$942 | \$609 | \$609 |

Statutory Change? Yes No

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$2,142,000 in FY 2002 and FY 2003 to implement the agency's Limited English Proficiency Plan for providing access to non-English-speaking recipients of human services. Implementation of the plan will improve client outcomes and comply with federal requirements for equal access to services.

RATIONALE:

Background

Minnesota's population is changing. According to the State Demographer, between 1990 and 1998, the state's population grew by 338,220 people, a 7.7% increase in population. During the same period, the minority population in the state grew by 124,285 people, a 45.4% increase. This increase among minority group members represented 36.7% of the increase in the state's population. In 1998, minority groups comprised 8.4% of the state's population.

New Americans face serious language and cultural barriers as they seek to become independent and productive. Without effective communication, such persons are less able to understand and participate in their own treatment or develop skills to become healthy and self-sufficient Minnesotans. This issue cuts across all DHS program areas and impacts the entire range of health and human services provided by the state and counties. Two major factors are at the foundation of this proposal.

- As is true for all persons eligible for government assistance to become self-sufficient, persons with limited English proficiency (LEP) must be able to access services. Services must be culturally and linguistically accessible in order to achieve positive client outcomes.
- Federal civil rights guidance prohibiting national origin discrimination requires that human services programs
 - conduct an assessment of client language needs and identify potentially eligible clients;
 - establish policies and procedures to ensure language services for clients free of charge;
 - conduct training of staff who have contact with LEP persons; and
 - conduct on-going, vigilant monitoring of these efforts.

DHS has identified a set of initiatives and partnerships that will bridge language and cultural barriers, resulting in positive outcomes for these clients.

Proposal

Language Services:

- DHS will contract for 1-800 phone lines to provide access to information regarding services and notices to LEP clients.
- DHS will provide access to LEP persons needing to communicate with staff through the AT&T Language Line service.
- DHS will translate vital documents in accordance with federal civil rights requirements and will make these documents available electronically. This will be done in conjunction with the DHS Electronic Government Services Project.
- Funding will be available for fee-for-service health care providers to receive reimbursement for oral language interpretation services needed to provide MA fee-for-service medical care. Prepaid Medical Assistance Plan providers already receive funding for this function.

Assessment and Training:

- DHS will conduct an assessment of all its points of contact with LEP persons and will work with all 87 counties to establish policies and procedures for effective communication with limited English-speaking persons and will provide training and technical assistance on best practices. A training curriculum will be developed and delivered, combined with technical assistance on best practices.
- DHS will update its client information systems to accurately track client language needs, identify barriers, and measure client outcomes.

BUDGET CHANGE ITEM (51572) (Continued)

Budget Activity: ECONOMIC SUPPORT POLICY ADMIN
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: LIMITED ENGLISH PROFICIENCY – ACCESS AND CLIENT OUTCOMES

| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|--|----------------|----------------|--------------|--------------|
| Reallocation of enrollment funds | \$(400) | \$(400) | \$(400) | \$(400) |
| MA fee-for-service interpreters | 400 | 400 | 400 | 400 |
| 5 FTE's in ES, EO and MS | \$350 | \$350 | \$350 | \$350 |
| Non salary administration | 64 | 52 | 52 | 52 |
| Professional/Technical Services | 22 | -0- | -0- | -0- |
| E-forms | 625 | 625 | 625 | 625 |
| AT&T Language Line service | 10 | 10 | 10 | 10 |
| Assessment of LEP access points | 70 | 50 | 50 | 50 |
| LEP standards training, skills building & best practices | 70 | 70 | 70 | 70 |
| Update DHS client data collection systems | 40 | -0- | -0- | -0- |
| Translate vital documents | 891 | 985 | 227 | 227 |
| Admin reimbursement | (942) | (942) | (609) | (609) |
| Net Cost | \$1,200 | \$1,200 | \$775 | \$775 |

- DHS will form partnerships with LEP communities to provide information and obtain feedback from consumers to ensure effective access and outcomes at all points of client contact.
- DHS must implement these actions in order to comply with state and federal law and to provide equal quality of access to services.

Administration Issues and Implementation

The plan will be implemented over the next biennium through agency-wide coordination by the New Americans Section in Economic and Community Support Services, Management Services, and the Office for Equal Opportunity. On going functions will be incorporated into the work of these areas. Community and county advisory groups will be involved throughout implementation. Five positions will provide overall administrative coordination and support. Staff will meet with counties, communities, and each DHS business area to analyze practices and outcome data, identify effective strategies, develop guidelines, conduct provider training, and ensure uniform implementation.

Ensuring access of LEP persons to health, support, and social service programs administered by DHS may increase the services provided and the costs of some programs. The fiscal impact of increased participation of LEP persons in those programs for which they are eligible will have to be monitored.

OUTCOMES:

The Limited English Proficiency program will achieve the following outcomes:

- By the end of FY 2002, DHS client information systems will be able to accurately track client language needs.
- The Department of Human Services will meet all time lines of the LEP settlement agreement.
- Minnesota's human services programs will comply with both the letter and spirit of federal requirements to ensure meaningful access to persons who have limited English proficiency.

FINANCING:

2002-03 Biennium

2004-05 Biennium

BUDGET ACTIVITY SUMMARY

Budget Activity: ECONOMIC SUPPORT OPERATIONS
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

ACTIVITY PROFILE:

Purpose

Economic Support Operations provides operating and systems support for programs funded through economic support grants. Responsibilities include operating and maintaining the statewide computer system used by state and county staff to determine eligibility for cash, food, and medical assistance and operating and maintaining the statewide computer system for child support enforcement.

Services provided

- Operating and maintaining the eligibility and delivery systems critical to Minnesota's low-income families and individuals for their monthly subsistence and medical needs;
- Determining eligibility for economic support grants including Food Stamps, General Assistance (GA), Minnesota Supplemental Aid (MSA), Minnesota Family Investment Program (MFIP), Medical Assistance (MA), General Assistance Medical Care (GAMC), Telephone Assistance Program (TAP) and Emergency Assistance (EA);
- Collecting and distributing child support payments, locating absent parents, establishing paternity, and enforcing of court orders;
- Conducting federally mandated quality control reviews, payment accuracy assessment and administrative evaluation for MFIP, Food Stamps, MA, Child Support, and MinnesotaCare;
- Maintaining the day-to-day operations of the MAXIS computer system which determines program eligibility in 87 counties;
- Administering the Electronic Benefit Distribution System;
- Managing Program Integrity (fraud prevention) and control functions;
- Collecting and analyzing data trends and activities that determine program effectiveness and establish program error levels to prevent recipient fraud and to support long-range planning; and
- Managing claims and recoveries of overpayments for the cash public assistance program, including the Treasury Offset Program (TOP).

People Served

- 162,500 people determined to be eligible for the Minnesota Family Investment Program (MFIP), General Assistance (GA) or Minnesota Supplemental Aid (MSA)
- 58,860 cases who receive child support enforcement services related to receiving public assistance
- 167,872 cases not on assistance who seek child support enforcement services
- 87 counties

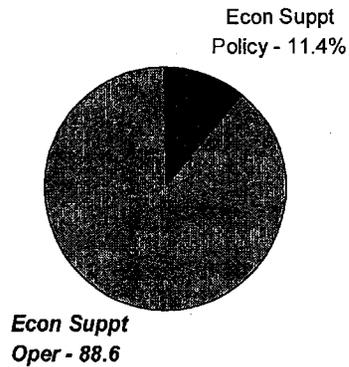
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

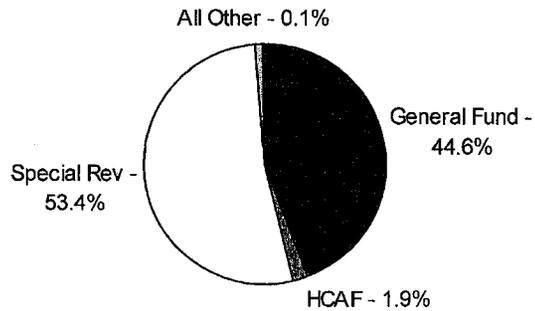
- Increased use of electronic commerce, such as electronic benefit distribution increases the need for more connections with banks and financial institutions where recipients have accounts.
- Operation of an automated child support system is necessary to maintain compliance with federal requirements and to meet public expectations for service delivery.
- Operation of an automated eligibility system for economic assistance and health care programs is necessary for determining program eligibility for more than half a million Minnesotans.

Economic Support Management By Activity
 Total All Funds = \$76,643,000



Activity Finance Summary
Economic Support Operations
 FY 2002 Base

Economic Support Operations By Fund
 Total All Funds = \$67,832,000



Economic Support Operations – FTE Count

| Division | General Fund | HCAF | Spec Rev | Federal Fund | Other Funds | Total |
|-------------------|--------------|------------|--------------|--------------|-------------|--------------|
| Child Support Enf | 0.0 | 0.0 | 175.0 | 0.0 | 0.0 | 175.0 |
| MAXIS Operations | 0.0 | 0.0 | 162.5 | 0.0 | 0.0 | 162.5 |
| Prog Assess/Integ | 58.8 | 5.0 | 0.0 | 0.0 | 0.0 | 63.8 |
| Adult Support | 0.0 | 0.0 | 7.5 | 0.0 | 0.0 | 7.5 |
| Budget Analysis | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 |
| Mgmt Svcs | 0.0 | 0.0 | 1.0 | 0.0 | 0.0 | 1.0 |
| EEO / AA | 0.0 | 0.0 | 1.5 | 0.0 | 0.0 | 1.5 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | 60.8 | 5.0 | 347.5 | 0.0 | 0.0 | 413.3 |

Activity: ECONOMIC SUPPORT OPERATIONS
 Program: ECONOMIC SUPPORT MANAGEMENT
 Agency: HUMAN SERVICES DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 19,541 | 20,725 | 23,413 | 17,445 | 17,445 | 18,574 | 18,574 | (8,119) | (18.4%) |
| OTHER OPERATING EXPENSES | 48,012 | 37,368 | 50,738 | 50,387 | 57,589 | 57,238 | 64,370 | 33,853 | 38.4% |
| TRANSFERS | 0 | 0 | 0 | 0 | 24,000 | 0 | 0 | 24,000 | |
| Total Expenditures | 67,553 | 58,093 | 74,151 | 67,832 | 99,034 | 75,812 | 82,944 | 49,734 | 37.6% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (B) PRISM SSIS AND MAXIS FINANCING | GEN | | | | 7,100 | | 7,100 | | |
| (B) PRISM SSIS AND MAXIS FINANCING | SR | | | | 24,000 | | | | |
| (B) CHILD SUPPORT PROGRAM PERFORMANCE | GEN | | | | 32 | | 32 | | |
| (B) RESPONSE TO 60 MONTH TIME LIMIT | TANF | | | | 70 | | | | |
| (B) REPEAL SAVE/REPORTING REQUIREMENT | GEN | | | | (100) | | | | |
| (B) PARENTAL CHILD SUPPORT RESPONSIBILITY | GEN | | | | 100 | | | | |
| Total Change Items | | | | | 31,202 | | 7,132 | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 4,025 | 3,907 | 5,079 | 30,256 | 37,388 | 30,744 | 37,876 | | |
| HEALTH CARE ACCESS | 204 | 261 | 234 | 1,333 | 1,333 | 1,349 | 1,349 | | |
| FEDERAL TANF | 0 | 0 | 0 | 0 | 70 | 0 | 0 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 0 | 57 | 37 | 37 | 37 | 37 | 37 | | |
| SPECIAL REVENUE | 63,322 | 53,868 | 68,801 | 36,206 | 60,206 | 43,682 | 43,682 | | |
| GIFT | 2 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Total Financing | 67,553 | 58,093 | 74,151 | 67,832 | 99,034 | 75,812 | 82,944 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 403.5 | 408.5 | 413.3 | 413.3 | 415.3 | 413.3 | 413.3 | | |
| Total Full-Time Equivalent | 403.5 | 408.5 | 413.3 | 413.3 | 415.3 | 413.3 | 413.3 | | |

BUDGET CHANGE ITEM (51628)

Budget Activity: ECONOMIC SUPPORT OPERATIONS
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: PRISM, SOCIAL SERVICES INFORMATION SYSTEM (SSIS) AND MAXIS FINANCING

and disbursing of child support payments, enforcing child support orders, and interfacing with the federal government and other states. PRISM maintains 226,732 child support cases and supports the work of over 1,200 county users. Child support collections amounted to \$492 million in FY 2000.

Through PRISM, the state has assumed the cost of many direct services to child support customers historically born by counties. Automation of many program functions has proven to be an efficient and effective way of managing an increasingly large caseload.

The costs of operating a statewide computer system include the cost of equipment. The state is in the process of updating county equipment so that all counties will have the right tools to take full advantage of PRISM's capabilities.

SSIS

The SSIS is a county-based system that supports the delivery of child welfare services and collects data needed to assess the level of services provided and outcomes achieved through those services. It increases worker productivity of over 3,000 social workers through electronic case management, reporting and tracking systems. The system was successfully implemented in 1999 and is now in operational status. This system monitors child welfare indicator performance in nineteen areas, including the timeframes for placement, permanency, and family reunification efforts in the child welfare system and provides such information at the specific county level and at the statewide level, and maintains our compliance with federal child welfare reporting requirements.

MAXIS

The MAXIS system supports eligibility determination and benefit issuance for Minnesota Family Investment Program (MFIP), Food Stamps, General Assistance (GA), Minnesota Supplemental Aid (MSA), Group Residential Housing (GRH) as well as other non-medical programs. MAXIS also supports eligibility for various state and federal medical programs, including Medical Assistance and General Assistance Medical Care. Information is passed to the MMIS system so that client medical bills are paid and to the PRISM system so that child support can be collected from non-custodial parents.

MAXIS links all 87 Minnesota counties so that benefits are uniform throughout the state. MAXIS issues over 200,000 notices every month. MAXIS processes over one million on-line transactions and up to 60,000 "background" (non on-line) transactions each day. MAXIS contains over 886 million records that use over 281 gigabytes of disk storage.

MAXIS is used by state staff, but the primary users are approximately 2,000 county financial workers who make eligibility determinations and are assigned over 100 different levels of security access. There are also a number of other users with inquiry-only (non-update) access. Welfare reform has created increased

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------------------|--|--|------------------|----------------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000) | | | | |
| General Fund | | | | |
| Children's Services Mgmt | \$1,800 | \$1,800 | \$1,800 | \$1,800 |
| Econ Support Operations | 7,100 | 7,100 | 7,100 | 7,100 |
| Total | \$8,900 | \$8,900 | \$8,900 | \$8,900 |
| Revenues: (\$000) | | | | |
| General Fund | | | | |
| Transfer from Spec Revenue | \$24,000 | \$-0- | \$-0- | \$-0- |
| Statutory Change? Yes No X | | | | |
| <input type="checkbox"/> New Activity | <input checked="" type="checkbox"/> Supplemental Funding | <input checked="" type="checkbox"/> Reallocation | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of \$8,900,000 in FY 2002 and FY 2003, offset by a one-time \$24,000,000 transfer of funds from the special revenue fund to the General Fund. This proposal will correct the projected structural base deficits in PRISM, the Social Services Information System (SSIS), and MAXIS.

RATIONALE:

Background

Major systems affected by this request include:

PRISM

The Family Support Act of 1988 established the federal requirement that all states implement automated child support systems and authorized the federal government to assess penalties ranging from 1% to 5% of a state's TANF block grant if states do not maintain certified systems. In addition, PRISM generates the information necessary to determine federal incentives for performance, amounting to \$10 million per year in Minnesota.

PRISM functions include locating information about missing parents, implementing income withholding with employers, centralizing the receipting

BUDGET CHANGE ITEM (51628) (Continued)

Budget Activity: ECONOMIC SUPPORT OPERATIONS
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: PRISM, SOCIAL SERVICES INFORMATION SYSTEM (SSIS) AND MAXIS FINANCING

demands on MAXIS particularly from employment service providers who need information to better serve MFIP participants, from county managers who want better data to assess the outcome of local welfare reform efforts, and federal and state officials who require extensive reporting on TANF outcomes. In addition, MAXIS is a ten year old system which requires ongoing maintenance to remain current and to protect Minnesota's investment.

Background on One-Time Reserves Balances

One-time carry forward reserves are projected to be available at the end of FY 2001 from the major systems of PRISM and MAXIS.

Several factors lead to carry forward reserves.

- *Managing resources prudently.*
- *Deliberately maximizing federal resources for development projects.* DHS has aggressively pursued enhanced federal funding for planned projects any time this has been made available.
- *Balancing priorities driven by the legislature, federal government, and advances in technology.* Balancing priorities sometimes requires delays in some longer-term projects to meet the immediate demands of new state or federal law.
- *Purposefully setting aside funds for future needs that have already been identified.* For example, a portion of the carry forward reserve will be used for upgrading the technology infrastructure that supports the existing major system's on-going operational activities.
- *Purposefully setting aside funds for unanticipated needs.* Nearly all human services stakeholders and beneficiaries rely heavily on the capacity of our eligibility, payments, and collection systems. Responsible management of these systems acknowledges this reliance in part by reserving funds so the unanticipated needs can be addressed as quickly as possible.

Background on Structural Deficits in the Base Appropriation for Major Systems

Structural base deficits are projected for the upcoming biennium in the major systems of PRISM, SSIS and MAXIS. Structural deficits occur when ongoing expenditures exceed ongoing revenues.

Several factors lead to structural deficits.

- *Reductions in federal financial participation (FFP) when moving from the development phase to ongoing operations.* The federal government provides most of its incentive funds during the development phase of technology projects. When the project transitions to ongoing operations the FFP is significantly reduced. Development costs will be funded at up to 90% FFP while ongoing operations often receive FFP at 50% and 0% for those portions of each system (such as General Assistance) that are not federally funded. Also, the Agriculture Research Act of 1998 reduced MAXIS FFP by \$950,000/year beginning in FY 1999.
- *Costs of operations that are not necessarily less than the costs of development.* Once a project has moved to operations, state costs may go up due to reductions in FFP, but in addition, the operations phase requires significant ongoing management of the developed system. Ongoing investments are also necessary to ensure that the systems hardware infrastructure is maintained and updated to meet the demands of our programs and of changing market standards.
- *Adapting systems to changing state and federal policy demands.* DHS often has to make changes to existing software to address changes in federal policy or compliance demands. Welfare reform and continual expansion of child support enforcement requirements are good examples.
- *Legislative action to sunset or reduce appropriations for the ongoing operations of major systems.* These reductions increased reliance on one-time funds for ongoing needs.

Proposal

This proposal is for an increase of \$8.9 million to the major systems base appropriations offset by a one-time transfer from the special revenue fund to the general fund of \$24 million. This will affect the PRISM, SSIS, and MAXIS accounts as shown in the financing section for this narrative. This proposal moves the reliance of ongoing systems operations from one-time funds to base appropriations. The funding of the structural deficit in the systems accounts allows for the proposed reductions in one-time reserves.

Administration Issues and Implementation

This proposal will correct the projected structural base deficits in the major systems of PRISM, SSIS and MAXIS.

BUDGET CHANGE ITEM (51628) (Continued)

Budget Activity: ECONOMIC SUPPORT OPERATIONS
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

**Item Title: PRISM, SOCIAL SERVICES INFORMATION SYSTEM
(SSIS) AND MAXIS FINANCING**

FINANCING:

The following table shows the financing effect of this proposal on each system.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--------------------------|-------------------|----------------|------------------|----------------|
| | F Y 2002 | F Y 2003 | F Y 2004 | F Y 2005 |
| PRISM | \$3,800 | \$3,800 | \$3,800 | \$3,800 |
| MAXIS | 3,300 | 3,300 | 3,300 | 3,300 |
| SSIS | 1,800 | 1,800 | 1,800 | 1,800 |
| Transfer to General Fund | (24,000) | -0- | -0- | -0 |
| Total | \$(15,100) | \$8,900 | \$8,900 | \$8,900 |

OUTCOMES:

Ongoing operations of major systems accounts will be explicitly funded.

PRISM

This funding request is necessary in order for Child Support Enforcement to maintain the operation of PRISM for compliance with federal mandates and to meet public expectations for service delivery.

SSIS

Funding the proposal will result in

- maximizing client contact while minimizing paperwork through a fully functioning case management system upon which more than 3,000 social workers, across all 87 counties, can depend;
- statewide and county specific indicators on the welfare of children; and
- improved data accuracy.

MAXIS

Funding the proposal will allow MAXIS to provide needed access, information, and flexibility to counties.

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HEALTH DEPT - EXECUTIVE SUMMARY Continued

AGENCY MISSION AND VISION:

To Protect, Maintain, and Improve the Health of All Minnesotans.

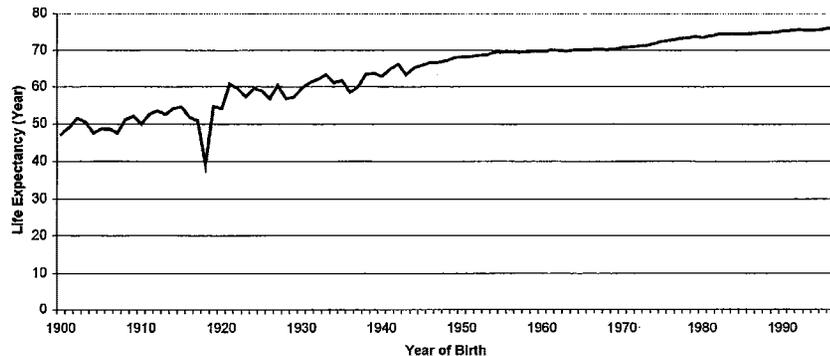
STRATEGIES AND PERFORMANCE:

The Minnesota Department of Health (MDH) is the state's primary public health agency. Public Health is usually defined as "the science and practice of protecting and improving the health of a community, as by preventive medicine, health education, and sanitary measures." These efforts are also referred to as population-based prevention services.

What has public health accomplished?

Over the past 100 years, public health has made major contributions to improving both the health status and quality of life of the American public. As a result, average life expectancy increased by 30 years between 1900 and 2000. Twenty-five of these years (80+%) are attributed to public health efforts versus clinical medical care. As the state's lead public health agency—and one of the nation's premiere public health agencies—MDH programs and activities have significantly improved life for Minnesotans.

**Life Expectancy at Birth
United States, 1900 - 1996**



Public health interventions have saved lives, lessened suffering, and averted health care expenditures. Some interventions and their results include the following:

- Immunizations have eliminated 97% of all vaccine-preventable diseases.
- Better prenatal care for mothers and babies has reduced infant mortality from 140 per 1,000 live births in 1900 to 6.3 today.
- Improved regulation and better education about food handling and storage have led to a safer domestic food supply.
- Quality testing and fluoridation of public drinking water have led to safer drinking water and a 50% reduction of dental cavities among children.
- Improved sanitation and the use of antibiotics have controlled infectious diseases.
- Health promotion strategies and better treatment have reduced death from heart disease by 51% between 1972 and 1992 alone.
- A combination of health promotion strategies has reduced adult smoking rates. Current efforts aim for similar reductions in youth smoking.
- Education, safety belts, air bags, and drunk driving enforcement saved an estimated 243,400 lives in the United States between 1966 and 1990.

Because most public health programs are aimed at prevention, the public and public policymakers frequently underestimate the magnitude and importance of public health accomplishments. It's far easier to appreciate the importance of the problem one sees than it is to grasp the importance of avoiding a problem in the first place. For example, public health prevents many disease outbreaks and lessens the severity of those that occur, thereby reducing suffering and saving private and public resources at local, state, and national levels. However, this health protection and cost avoidance is generally unrecognized because it isn't understood and not easily measured.

What are the major issues today and how will we measure success? Understanding what factors influence individual and community health is central to understanding how improvement efforts should be directed and prioritized. Thirty years of research has identified four key factors that greatly influence health. It is informative to compare the general magnitude of these factors with the way in which we as a society currently spend our health resources.

As the following chart shows, personal health behaviors and the environment play a much larger role in influencing the health of a population than access to medical care. However, the vast majority of the nation's health expenditures are invested in access to care. It is clear that greater social investments in creating a healthier environment and promoting health choices – two key concerns of public health – will yield significant results in improving health and containing costs.

HEALTH DEPT - EXECUTIVE SUMMARY Continued

National scientific estimates indicate that population-based strategies have the potential to prevent 70% of all early deaths by targeting underlying behavioral and environmental risk factors. By contrast, only 10% of all early deaths can be prevented by clinical diagnosis and treatment.

As we enter the 21st Century, society faces many new threats to its health and well being. Chief among these risks are the global emergence of drug-resistant diseases, complex environmental exposures, and the expansion of national and international terrorism. These emerging threats and persistent underfunding of prevention efforts challenge state and local health departments to meet their responsibilities. In 1993, the Minnesota Health

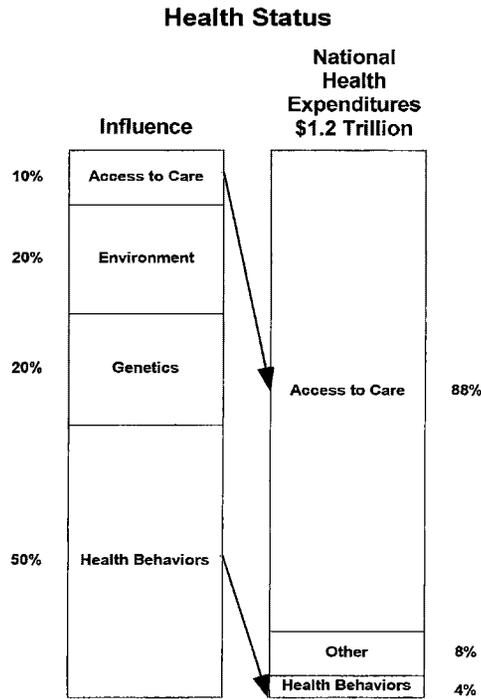
Care Commission estimated that only 3% of the state's health care resources were directed towards prevention, and that substantial savings could be realized by investing in public health priorities and strategies. Unfortunately, many health care purchasers, providers, policymakers, and consumers still do not understand or champion the science-based strategies that public health uses in maintaining a healthy environment and safeguarding the health of all people.

MDH is committed to demonstrating the effectiveness of prevention-based programs. We firmly believe that public health approaches hold the key not only to improving health for all Minnesotans, but also to assuring the long-term affordability of the health system.

The federal Department of Health and Human Services (DHHS) is also results oriented and has adopted ten health priorities for the nation (Healthy People 2010):

Access to health care
Injury and violence
Mental health
Physical activity
Substance abuse

Environmental quality
Immunizations
Overweight and obesity
Responsible sexual behavior
Tobacco use



Sources: Centers for Disease Control & Prevention, University of California at San Francisco, Institute for the Future

Leading health Indicators will be measured for the nation's "health report card." State health departments have been encouraged to adopt these indicators and align state efforts to achieve results in these areas.

In 1997, anticipating these national priorities, MDH began a comprehensive process to identify health improvement goals for Minnesota. An intensive, statewide, community-based planning process led to the development of 18 statewide health improvement goals (Healthy Minnesotans 2004). Each Healthy Minnesotans 2004 improvement goal has measurable objectives, and each are aligned to the new national health priorities.

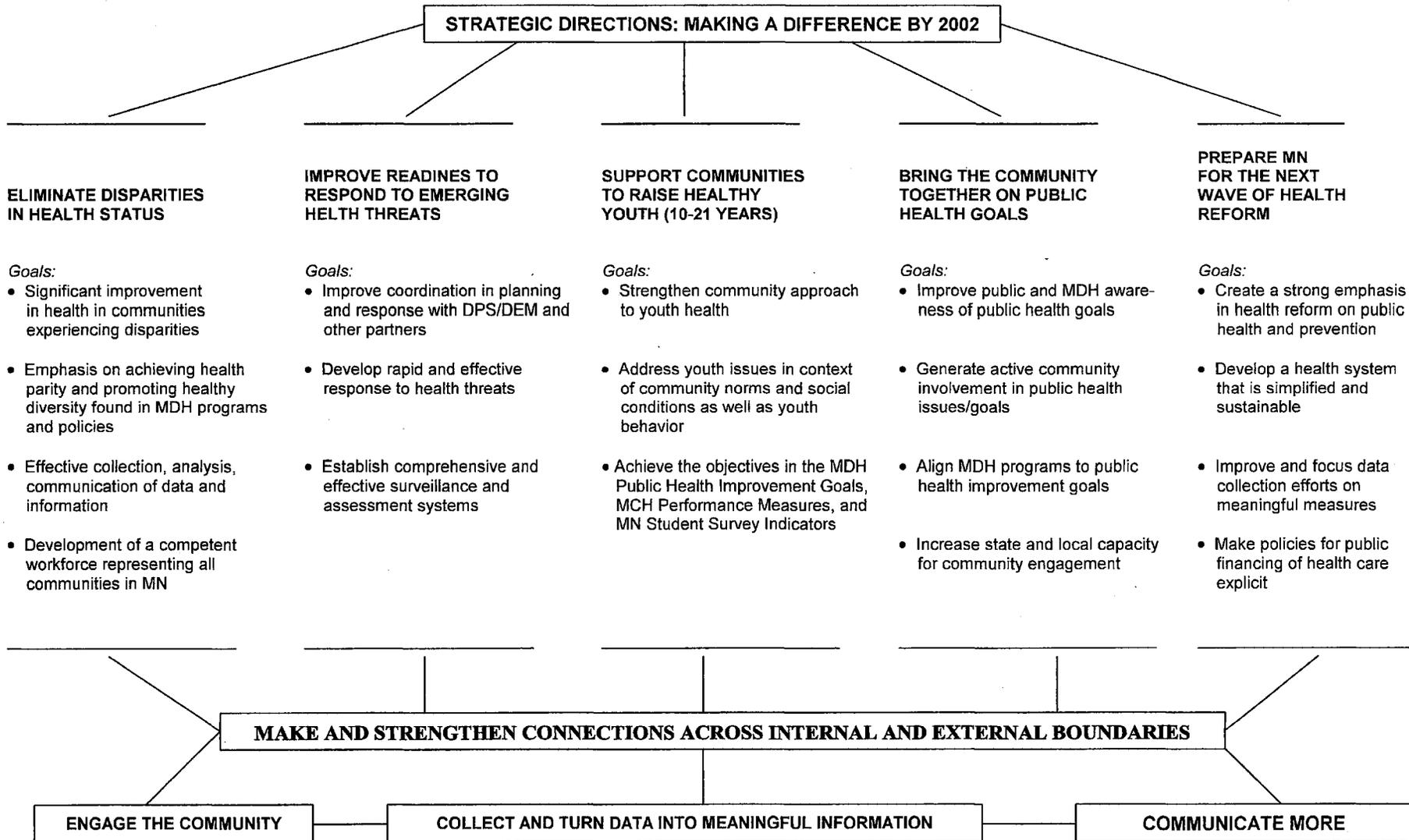
What is the MDH strategy for improving public health?

For the past two years, the commissioner has reviewed and evaluated all activities carried out by the department to determine which efforts were producing results and which could be more effectively targeted or realigned. The result has been the identification of five *Strategic Directions* that represent the highest priorities for the department and serve to guide our planning and operations. These *Strategic Directions* were selected after internal and external debate, data analysis, trend analysis, and the weighing of potential benefits against investments required.

While all are important, efforts to *Eliminate Disparities in Health Status* are most critical. Though Minnesota ranks very high nationally in overall health status, these high marks plummet upon further examination. Populations of color, children with special needs, and foreign-born populations simply do not enjoy the same health status as other Minnesotans. In too many cases, their rates are far below national average.

It is also important to recognize that more than one Strategic Direction may impact specific issues or groups. For example, health care in Greater Minnesota is under great stress. Rural communities suffer from their own unique disparities related to access and client age. In many cases, a rural hospital or clinic may be the only professional care provider for large geographic areas, yet the economic base supporting that facility can be very fragile and in danger of failure. The state has a responsibility to address these kinds of issues, and MDH will seek to do so through its disparities, community development, and health system reform strategies.

HEALTH DEPT - EXECUTIVE SUMMARY Continued

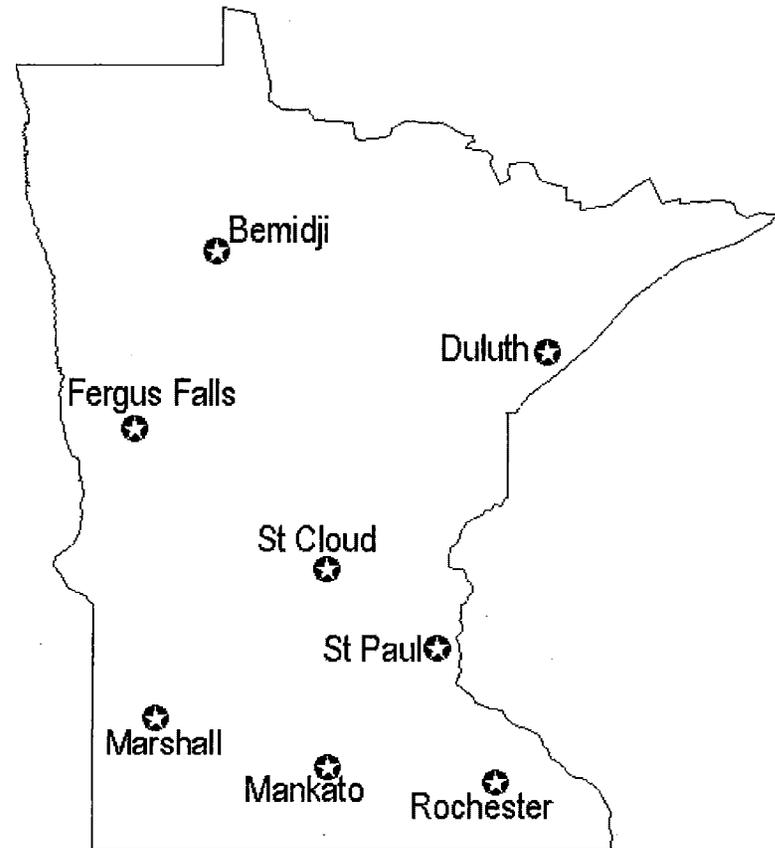


HEALTH DEPT - EXECUTIVE SUMMARY Continued

The MDH budget is organized into four programs that work together to provide services and achieve the kind of results noted above.

ORGANIZATION/PROGRAM STRUCTURE:

| Minnesota Department of Health | FTE |
|---|----------------|
| Family and Community Health | 297.5 |
| Community Health Services | 127.1 |
| Family Health | 166.9 |
| Minority Health | 3.5 |
| Health Protection | 560.0 |
| Environmental Health | 250.2 |
| Infectious Disease Prevention and Control | 137.0 |
| Public Health Laboratories | 91.5 |
| Chronic Disease Prevention and Control | 81.3 |
| Access and Quality Improvement | 306.6 |
| Health Policy and Systems Compliance | 77.5 |
| Facility and Provider Compliance | 229.1 |
| Management and Support Services | 135.6 |
| Finance and Administrative Management | 111.6 |
| Executive Office and Communications | 24.0 |
| Total FTEs (FY 2001) | 1,299.7 |



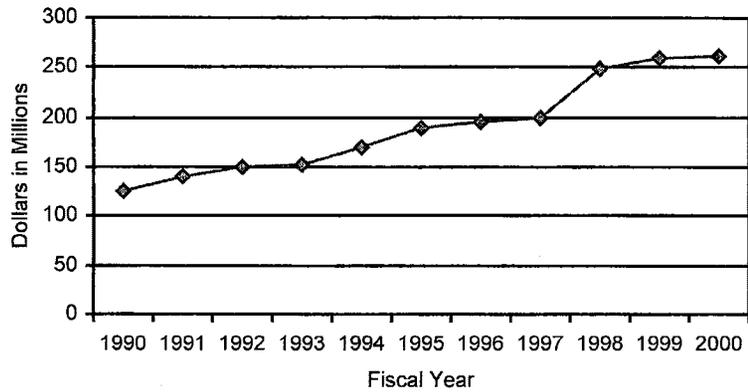
Greater Minnesota Office Locations

Five out of seven of the department's activities have staff in seven district offices in greater Minnesota. The department works with all local boards of health and many counties and cities, in addition to advisory groups, task forces, work groups, and citizen and provider groups in the completion of its work.

HEALTH DEPT - EXECUTIVE SUMMARY

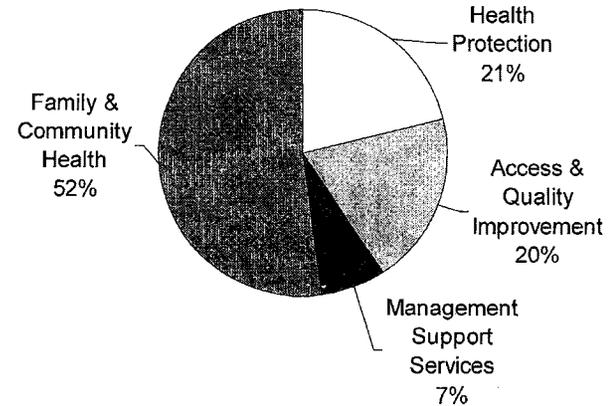
TRENDS AND PERSPECTIVE:

Total Budget -All Funds



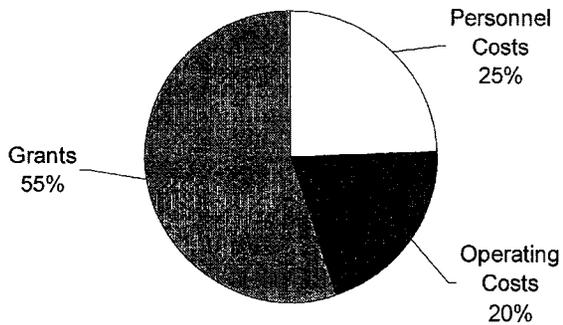
2000 - 01 Expenditures by Program

Total: \$589,493 (In 000's)



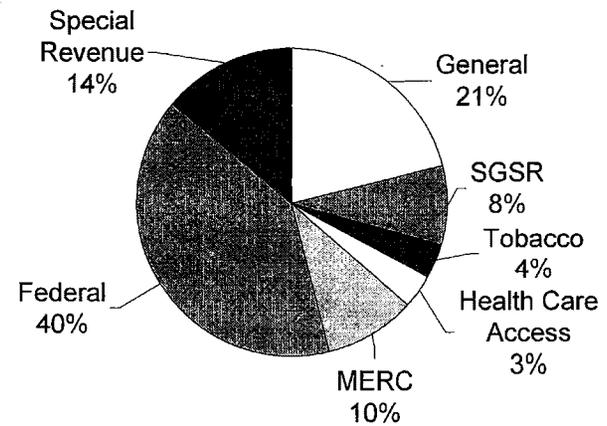
2000 - 01 Expenditures by Category

Total: \$589,493 (In 000's)



2000 - 01 Expenditures by Fund

Total: \$589,493 (In 000's)



Agency: HEALTH DEPT

| Agency Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|--|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Program: | | | | | | | | | |
| FAMILY & COMMUNITY HEALTH | 138,025 | 141,655 | 166,052 | 161,767 | 182,823 | 168,763 | 195,783 | 70,899 | 23.0% |
| ACCESS & QUALITY IMPROVEMENT | 45,242 | 39,448 | 75,772 | 60,012 | 84,296 | 60,620 | 82,154 | 51,230 | 44.5% |
| HEALTH PROTECTION | 58,177 | 59,321 | 65,247 | 60,861 | 63,998 | 60,764 | 64,399 | 3,829 | 3.1% |
| MANAGEMENT & SUPPORT SERVICES | 17,737 | 20,077 | 22,226 | 20,784 | 20,734 | 21,150 | 21,100 | (469) | (1.1%) |
| Total Expenditures | 259,181 | 260,501 | 329,297 | 303,424 | 351,851 | 311,297 | 363,436 | 125,489 | 21.3% |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|--|
| Carry Forward: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 0 | 0 | 600 | 600 | 0 | 0 | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 58,641 | 54,989 | 69,623 | 62,995 | 76,366 | 63,708 | 78,718 | | |
| MINNESOTA RESOURCES | 19 | 66 | 134 | 0 | 0 | 0 | 0 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 20,851 | 22,669 | 25,991 | 24,346 | 24,402 | 25,165 | 26,294 | | |
| HEALTH CARE ACCESS | 12,616 | 8,944 | 11,479 | 6,907 | 31,907 | 6,989 | 21,989 | | |
| FEDERAL TANF | 0 | 0 | 7,000 | 7,000 | 17,000 | 7,000 | 17,000 | | |
| METRO LANDFILL CONTINGENCY | 101 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| SOLID WASTE | 0 | 118 | 278 | 0 | 0 | 0 | 0 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 0 | 0 | 261 | 261 | 261 | 261 | | |
| HEALTH CARE ACCESS | 0 | 0 | 0 | 79 | 79 | 79 | 79 | | |
| MEDICAL EDUCATION & RESEARCH | 20,619 | 15,001 | 41,584 | 28,784 | 28,784 | 29,665 | 37,665 | | |
| TOBACCO USE PREVENTION | 0 | 6,083 | 15,446 | 21,061 | 21,061 | 28,784 | 28,784 | | |
| HEALTHY KIDS ENDOWMENT | 0 | 0 | 0 | 0 | 0 | 0 | 3,000 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 0 | 0 | 0 | 40 | 40 | 40 | 40 | | |
| SPECIAL REVENUE | 36,249 | 39,154 | 40,509 | 31,530 | 31,530 | 31,580 | 31,580 | | |
| FEDERAL | 108,940 | 112,925 | 116,689 | 119,565 | 119,565 | 117,770 | 117,770 | | |
| MISCELLANEOUS AGENCY | 599 | 278 | 110 | 0 | 0 | 0 | 0 | | |
| GIFT | 546 | 274 | 454 | 256 | 256 | 256 | 256 | | |
| Total Financing | 259,181 | 260,501 | 329,297 | 303,424 | 351,851 | 311,297 | 363,436 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|--|
| FULL TIME | 1,130.3 | 1,153.9 | 1,226.4 | 1,191.0 | 1,261.0 | 1,177.4 | 1,231.4 | | |
| PART-TIME, SEASONAL, LABOR SER | 73.1 | 72.5 | 69.9 | 64.4 | 63.9 | 63.0 | 62.5 | | |
| OVERTIME PAY | 3.2 | 1.9 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | | |
| Total Full-Time Equivalent | 1,206.6 | 1,228.3 | 1,299.7 | 1,258.8 | 1,328.3 | 1,243.8 | 1,297.3 | | |

HEALTH DEPT - BUDGET BRIEF

Fund: GENERAL

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>Biennium</u> |
|--|-----------------|-----------------|------------------|
| BASE YEAR (FY 2001) (\$000s) | | | |
| Budgeted Appropriations (FY 2001 – Resource Load) | \$64,605 | \$64,605 | \$129,210 |
| <u>BASE ADJUSTMENTS</u> | | | |
| Attorney General Costs | \$3 | \$6 | \$9 |
| New Programs to Agency Base | 95 | 55 | 150 |
| Fund Change/Consolidation | (1,100) | (1,100) | (2,200) |
| One-Time Appropriations | (1,040) | (1,040) | (2,080) |
| DOC Space Rental/Lease | 453 | 831 | 1,284 |
| 2002-03 Sal. & Ben. Base | 359 | 731 | 1,090 |
| Program/Agency Sunset | (380) | (380) | (760) |
| <u>BASE LEVEL (for 2002 and 2003)</u> | \$62,995 | \$63,708 | \$126,703 |
| <u>CHANGE ITEMS</u> | | | |
| Emerging Health Threats | \$2,200 | \$2,600 | \$4,800 |
| Poison Information System | 1,360 | 1,360 | 2,720 |
| Eliminating Health Disparities | 6,450 | 7,450 | 13,900 |
| Suicide Prevention | 1,100 | 1,100 | 2,200 |
| Restructure of Case Management Services | (560) | (560) | (1,120) |
| Bone Marrow | (30) | (30) | (60) |
| MN ENABL | (342) | (342) | (684) |
| Field Services Reduction | (50) | (50) | (100) |
| Grant Streamlining | (200) | (200) | (400) |
| Healthy Kids Learn | 1,000 | 1,000 | 2,000 |
| Health Workforce Development Initiative | 1,718 | 2,682 | 4,400 |
| Health Plan Regulatory Reform | 725 | -0- | 725 |
| GOVERNOR'S RECOMMENDATION | \$76,366 | \$78,718 | \$155,084 |

BRIEF EXPLANATION OF BUDGET DECISIONS:

The department will spend approximately \$40 million annually, almost 63% of the base budget, for grants to counties, non-profit organizations, and providers in the health care market. The state has increasingly turned to local agencies to customize public health services as appropriate for individual communities.

The remaining 37% for state operations funding pays for the core function of assessment, policy development and planning, and assurance that the department performs to address state public health goals.

Base adjustments include reductions to the base budget for one-time appropriations during the previous biennium. The Poison Information Center

(\$790,000), Funeral/Pre-need Complaints (\$75,000), and STD Screenings (\$175,000) all received one-time appropriations during the 2000 legislative session. In addition, base funding for the Poison Information Center (\$380,000) was sunset, and base funding Tobacco Prevention activities (\$1.1 million) was shifted to the Tobacco Use Prevention Endowment. Program annualization adjustments for the Unlicensed and Alternative Health Care program were anticipated costs associated with legislation enacted during the 2000 legislative session.

Budget guidelines also provided for increases to current services funding for leases, and a 3% increase to current services funding for Attorney General costs, and salary and benefit compensation.

GOVERNOR'S RECOMMENDATIONS:

In addition to the agency's base funding, the Governor recommends:

- \$13.9 million to close gaps in health status, particularly those experienced by Minnesota's American Indians and racial and ethnic minority populations;
- \$4.8 million to strengthen the state's preparedness to rapidly identify and respond to emerging health threats and to refinance core public laboratory services that benefit all Minnesotans;
- \$2.72 million to provide a stable funding source for the Poison Information Center;
- \$2.2 million for Suicide Prevention activities;
- \$2 million for the development of a regional immunization information service to ensure children start school healthy;
- \$4.4 million to address pressing health workforce needs;
- \$725,000 to facilitate a comprehensive reform of health plan regulation by creating consistent regulation of all managed care plans, eliminating unnecessary requirements and increasing product flexibility to enable more affordable options for consumers;
- Redirecting case management services for persons living with HIV to the Department of Human Services to better meet people's needs; and
- \$1.244 million of reductions in various programs.

HEALTH DEPT - BUDGET BRIEF

Fund: STATE GOVERNMENT MISCELLANEOUS

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>Biennium</u> |
|--|-----------------|-----------------|-----------------|
| BASE YEAR (FY 2001) (\$000s) | | | |
| Budgeted Appropriations (FY 2001 – Resource Load) | \$25,020 | \$25,020 | \$50,040 |
| <u>BASE ADJUSTMENT</u> | | | |
| Attorney General Costs | \$14 | \$29 | \$43 |
| New Programs to Agency Base | (23) | 352 | 329 |
| 2002-03 Sal. & Ben. Base | 416 | 845 | 1,261 |
| System Development Cost | (1,081) | (1,081) | (2,162) |
| <u>BASE LEVEL (for 2002 and 2003)</u> | \$24,346 | \$25,165 | \$49,511 |
| <u>CHANGE ITEMS</u> | | | |
| Emerging Health Threats (Exp) | \$(367) | \$(367) | \$(1,094) |
| Vital Records System (Exp) | -0- | 1,000 | 1,000 |
| Drinking Water Protection (Exp) | 460 | 460 | 920 |
| Food, Beverage & Lodging (Exp) | 650 | 650 | 1,300 |
| Water Well Management (Exp) | 454 | 582 | 1,036 |
| Home Care Quality Assurance (Exp) | 410 | 410 | 820 |
| Laboratory Certification Program (Exp) | 90 | 60 | 150 |
| OT-SLP-A Deregulation/Eliminate Surcharge (Exp) | (401) | (409) | (810) |
| Health Care Facility Fee Increase (Exp) | -0- | -0- | -0- |
| School Food Safety Inspections (Exp) | 210 | 210 | 420 |
| Health Plan Regulatory Reform (Exp) | (1,450) | (1,467) | (2,917) |
| GOVERNOR'S RECOMMENDATION | \$24,402 | \$26,294 | \$50,696 |

BRIEF EXPLANATION OF BUDGET DECISIONS:

Base adjustments include reductions to the base budget for one-time appropriations during the previous biennia. The Vital Records Redesign project (\$1.08 million) received one-time systems development funding during the 1997 legislative session. Program annualization adjustments for the Food Manager Certification program and the State Radiation Protection program were anticipated costs associated with legislation enacted during the 1999 legislative session.

Budget guidelines also provided for increases to current services funding for leases, and a 3% increase to current services funding for Attorney General costs, and salary and benefit compensation.

GOVERNOR'S RECOMMENDATIONS:

In addition to the agency's base level funding, the Governor recommends adjustments to the department's fee programs be made to ensure these activities are meeting their statutory responsibilities and are fully recovering their costs.

This recommendation includes adjustment to a number of fee-supported programs needing only an additional appropriation to maintain or increase current services without increasing fees. Programs and dollars amounts for the biennium include:

- Home Care Quality Assurance \$810,000
- Drinking Water Protection 920,000
- Laboratory Certification 150,000

The recommendation also includes adjustments to appropriations where new or increased fees will also be charged. Program and dollar amounts for the biennium include:

- Vital Records Systems \$2.0 million
- Food, Beverage, and Lodging 1.3 million
- Water Well Management 1.036 million
- School Food Safety Inspections 420,000

The recommendation also includes the reduction of appropriations and fees where programs are deregulated or transferred. Programs and dollar amounts for the biennium include:

- Occupational Therapists/Speech Language Pathologists (\$810,000)
- Health Maintenance Organizations (2.917) million

HEALTH DEPT - BUDGET BRIEF

Fund: HEALTH CARE ACCESS

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>Biennium</u> |
|--|-----------------|-----------------|-----------------|
| BASE YEAR (FY 2001) (\$000s) | | | |
| Budgeted Appropriations (FY 2001 – Resource Load) | \$10,056 | \$10,056 | \$20,112 |
| <u>BASE ADJUSTMENT</u> | | | |
| Attorney General Costs | \$1 | \$2 | \$3 |
| One-Time Appropriations | (2,900) | (2,900) | (5,800) |
| 2002-03 Sal. & Ben. Base | 78 | 159 | 237 |
| Program/Agency Sunset | (328) | (328) | (656) |
| <u>BASE LEVEL (for 2002 and 2003)</u> | \$6,907 | \$6,989 | \$13,896 |
| <u>CHANGE ITEMS</u> | | | |
| MN Center for Health Quality | 10,000 | -0- | 10,000 |
| Supporting MN's Health Care Safety Net | 15,000 | 15,000 | 30,000 |
| GOVERNOR'S RECOMMENDATION | \$31,907 | \$21,989 | \$53,896 |

BRIEF EXPLANATION OF BUDGET DECISIONS:

Base adjustments include reductions to the base budget for one-time appropriations during the previous biennium. The Rural Hospital Capital Improvement Grants (\$2.8 million) and the Health Care Purchasing Alliance (\$200,000) both received one-time appropriations during the 1999 legislative session. In addition, base funding for the Health Care Technical Advisory Committee (\$656,000) was sunset.

Budget guidelines also provided for increases to current services funding for leases, and a 3% increase to current services funding for Attorney General costs, and salary and benefit compensation.

GOVERNOR'S RECOMMENDATIONS:

In addition to the agency's base funding, the Governor recommends the following one-time appropriations from the Health Care Access Fund

- \$10 million to create the Minnesota Center for Health Quality to integrate, coordinate, and focus health assessment and quality activities in the state in order to achieve measurable health improvement for Minnesotans.
- \$30 million to support Minnesota's health care safety net providers. In each year, \$5 million is for safety net community clinics, \$5 million is for hospitals with excess charity care burdens, and \$5 million is for rural hospital capital improvement grants.

HEALTH DEPT - BUDGET BRIEF

Fund: FEDERAL TANF

GOVERNOR'S RECOMMENDATION:

The Governor's Federal TANF recommendations include the Department of Human Services, the Department of Children, Families & Learning, the Housing Finance Agency, and the Department of Health, in order to support the Governor's priority of Self-Sufficiency and Independent Living.

For the Department of Health specifically, the Governor recommends \$10 million each fiscal year to enhance efforts to prevent teenage pregnancy, which will assist youths to become self-sufficient adults and reduce their need to rely on governmental assistance.

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>Biennium</u> |
|--|-----------------|-----------------|-----------------|
| BASE YEAR (FY 2001) (\$000s) | | | |
| Appropriations | \$7,000 | \$7,000 | \$14,000 |
| <u>BASE ADJUSTMENT</u> | | | |
| | -0- | -0- | -0- |
| <u>BASE LEVEL (for 2002 and 2003)</u> | \$7,000 | \$7,000 | \$14,000 |
| <u>CHANGE ITEMS</u> | | | |
| Teen Pregnancy Prevention | \$10,000 | \$10,000 | \$20,000 |
| GOVERNOR'S RECOMMENDATION | \$17,000 | \$17,000 | \$34,000 |

The federal block grant that resulted from welfare reform--known as Temporary Assistance for Needy Families (TANF)--has been utilized by Minnesota in a number of innovative ways across multiple agencies to promote self-sufficiency among low-income families. While the greatest share of TANF still goes to pay for monthly cash grants for individuals in the Minnesota Family Investment Program (MFIP), recent years have seen substantial funding directed toward child care subsidies, employment training, affordable housing, local intervention resources, and refundable tax credits.

BRIEF EXPLANATION OF BUDGET DECISIONS:

The Governor's 2002-03 biennial budget continues the pattern of recent years in focusing additional TANF resources in ways that further self-sufficiency. The package of initiatives builds upon previous investments in seeking to respond to the 60-month time limit for receiving welfare and for promoting true self-sufficiency.

While there is uncertainty about future funding levels of TANF from the federal government, the Governor's budget combines reasonable program expansions and one-time spending to manage this uncertainty. In addition to solidifying the foundation of welfare reform in Minnesota--MFIP--the Governor's TANF package continues to invest in affordable housing, consolidates the disjointed system of child care assistance, and responds to the 60-month time limit in a way that ensures that government support is there for those who work hard and play by the rules.

HEALTH DEPT - REVENUE SUMMARY

REVENUE SOURCES:

The department receives

- non-dedicated revenue
- dedicated revenue
- federal revenue.

Non-dedicated revenue is generated through service and license fees charged by the department to various occupational groups, individuals, and businesses. Funds collected are deposited in the State Government Special Revenue (SGSR) fund and are estimated to be \$21 million for FY 2002.

Dedicated revenue is generated through interagency agreements with state agencies, local governmental agencies, and private organizations. The total amount of revenue generated through these agreements for FY 2001 is approximately \$31 million, or about 16% of the revenue received by the department. These dollars are deposited into the Special Revenue fund.

A significant portion of the department's revenue comes from the federal government. The department actively seeks federal funding, and as a result, it is estimated the department will receive 72 grant awards equaling \$116 million which represents approximately 70% of the total department's revenue. Federal revenues fund roughly 30% of the department's positions and account for 70 programs, the largest of which is the Women, Infants, and Children (WIC) Nutrition Program, which represents 53% of the department's federal revenues.

FEE STRUCTURE:

State statutes that require MDH to regulate occupational groups, individuals, and businesses in order to protect the health of the citizens of Minnesota, also require the department to license or register entities, enforce rules, and provide education. Fees are established to recover the cost of providing these services to various clients, such as nursing homes, restaurants, or occupational therapists. The department has 28 separate fee programs of which 14 are related to occupations, nine are service-fee related, and five are business regulated.

There are many federal programs that require the department to be the recipient agency, or the department is often designated the recipient agency by Executive Order. The department carries out the provision of services required by the federal statute, rules, or guidelines, or the provision of services is determined at the discretion of the state. MDH often relies on advisory groups to recommend spending priorities such as the Maternal and Child Health Task Force.

RECENT CHANGES:

The revenue streams into MDH have been constant over the past few years.

FORECAST BASIS:

The department is forecasting a less than 2% increase in federal dollars in FY 2002-04 due primarily to the elimination of project grants that have one-to-three years of funding and less carryover dollars from prior federal fiscal years. However, new projects grants could replace the ones ending in the next two years, but that is unknown at this time. Dedicated special revenue will remain relatively constant through the biennium, with only an increase in fees necessary to recover expenses.

CHANGE ITEMS:

The department is requesting adjustments to fee revenues, resulting in increased non-dedicated revenue to the SGSR fund by \$2.4 million for FY 2002 and \$4.7 million for FY 2003. The department is also requesting to charge for certain training services, resulting in non-dedicated revenue for the General Fund of \$300,000 each fiscal year.

Agency: HEALTH DEPT

| Summary of Agency Revenues (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|--|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|---------------|
| | | | | Forecast | Governor Recomm. | Forecast | Governor Recomm. | Dollars | Percent |
| Non-Dedicated Revenue: | | | | | | | | | |
| Departmental Earnings: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 20,912 | 21,195 | 20,816 | 21,038 | 23,421 | 20,843 | 25,763 | 7,173 | 17.1% |
| Other Revenues: | | | | | | | | | |
| GENERAL | 3 | 3 | 3 | 3 | 303 | 3 | 303 | 600 | 10,000.0% |
| Total Non-Dedicated Receipts | 20,915 | 21,198 | 20,819 | 21,041 | 23,724 | 20,846 | 26,066 | 7,773 | 18.5% |
| Dedicated Receipts: | | | | | | | | | |
| Departmental Earnings (Inter-Agency): | | | | | | | | | |
| SPECIAL REVENUE | 10,462 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Departmental Earnings: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 265 | 0 | 0 | 0 | 0 | 0 | (265) | (100.0%) |
| SPECIAL REVENUE | 0 | 1 | 0 | 0 | 0 | 0 | 0 | (1) | (100.0%) |
| Grants: | | | | | | | | | |
| SPECIAL REVENUE | 1,734 | 8,129 | 7,166 | 7,085 | 7,085 | 7,085 | 7,085 | (1,125) | (7.4%) |
| FEDERAL | 109,406 | 119,339 | 116,582 | 118,993 | 118,993 | 117,198 | 117,198 | 270 | 0.1% |
| GIFT | 225 | 0 | 8 | 0 | 0 | 0 | 0 | (8) | (100.0%) |
| Other Revenues: | | | | | | | | | |
| GENERAL | 37 | 32 | 40 | 40 | 40 | 40 | 40 | 8 | 11.1% |
| STATE GOVERNMENT SPECIAL REVENUE | 50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| SPECIAL REVENUE | 20,878 | 22,930 | 23,955 | 23,864 | 23,864 | 23,928 | 23,928 | 907 | 1.9% |
| FEDERAL | 628 | 549 | 567 | 572 | 572 | 572 | 572 | 28 | 2.5% |
| MEDICAL EDUCATION & RESEARCH | 20,619 | 15,150 | 33,078 | 18,000 | 18,000 | 18,000 | 18,000 | (12,228) | (25.4%) |
| MISCELLANEOUS AGENCY | 169 | 160 | 175 | 175 | 175 | 175 | 175 | 15 | 4.5% |
| GIFT | 329 | 289 | 256 | 256 | 256 | 256 | 256 | (33) | (6.1%) |
| Other Sources: | | | | | | | | | |
| SPECIAL REVENUE | (1,205) | 21 | 0 | 0 | 0 | 0 | 0 | (21) | (100.0%) |
| MISCELLANEOUS AGENCY | 0 | 378 | 0 | 0 | 0 | 0 | 0 | (378) | (100.0%) |
| Total Dedicated Receipts | 163,332 | 167,243 | 181,827 | 168,985 | 168,985 | 167,254 | 167,254 | (12,831) | (3.7%) |
| Agency Total Revenues | 184,247 | 188,441 | 202,646 | 190,026 | 192,709 | 188,100 | 193,320 | (5,058) | (1.3%) |

HEALTH DEPT - FEDERAL FUNDS SUMMARY
(\$ in Thousands)

| Name of Federal Program | Related SFY 2001 Spending | Primary Purpose | SFY 2000 Revenues | SFY 2001 Revenues | Estimated SFY 2002 Revenues | Estimated SFY 2003 Revenues |
|--|---------------------------|-----------------|-------------------|-------------------|-----------------------------|-----------------------------|
| 5 A Day Power Plus | 0 | SO | 857 | 653 | 653 | 653 |
| Abstinence Education | 0 | SO, GPS, GCBO | 759 | 614 | 614 | 614 |
| Addressing Asthma | 0 | SO | 24 | 326 | 200 | 50 |
| Adult Blood Lead Poisoning | 0 | SO | 45 | 0 | 0 | 0 |
| Americans Stop Smoking Intervention Study | 0 | SO, GPS, GCB | 236 | 0 | 0 | 0 |
| Behavioral Risk Factor Surveillance | 0 | SO | 188 | 184 | 172 | 172 |
| Bioterrorism | 0 | SO | 762 | 1,212 | 1,161 | 1,161 |
| Breast & Cervical Cancer Control Program | 1,246 | SO, GPS | 2,932 | 3,564 | 3,079 | 3,079 |
| Cancer Registries | 0 | SO | 567 | 404 | 404 | 404 |
| Cardiovascular Disease Prevention | 0 | SO | | 235 | 313 | 313 |
| Center of Excellence in Health Statistics | 0 | SO | 243 | 379 | 355 | 88 |
| Certification of Title XVIII Health Care Providers | 0 | SO | 5,152 | 5,152 | 5,152 | 5,152 |
| Childhood Accident Trauma Evaluation System | 0 | SO | | 183 | 250 | 250 |
| Childhood Agricultural Safety & Health | 0 | SO | 172 | 188 | 0 | 0 |
| Childhood Lead Poisoning | 0 | SO | 671 | 603 | 603 | 0 |
| Clinical Lab Improvement Act | 0 | SO | 199 | 180 | 190 | 190 |
| Commodity Supplemental Food Program | 0 | SO, GCOB | 482 | 483 | 483 | 483 |
| Community Integrated Services System | 0 | SO | 60 | 28 | 0 | 0 |
| Comprehensive STD Prevention Systems | 175 | SO, GPS | 907 | 903 | 1,028 | 1,028 |
| Cooperative Agreement to Support Assessment | 0 | SO | 218 | 230 | 230 | 58 |
| Comprehensive School Health Program | 0 | SO | 125 | 172 | 126 | 126 |
| Crash Outcome Data Evaluation System | 0 | SO | 82 | 141 | 141 | 141 |
| Diabetes Control Program | 167 | SO | 795 | 748 | 865 | 865 |
| Drinking Water Protection Program | 232 | SO | 3,076 | 2,686 | 2,836 | 2,836 |
| Drinking Water Revolving Loan Program | 0 | SO | 1,744 | 1,715 | 3,015 | 3,215 |
| Early Childhood Tracking | 0 | SO, GPS | 536 | 0 | 0 | 0 |
| Early Hearing Detection and Intervention | 0 | SO | 0 | 113 | 150 | 150 |
| Emergency Hazardous Substance Response | 0 | SO | 77 | 80 | 85 | 85 |
| Emerging Infections | 583 | SO | 1,871 | 1,873 | 1,973 | 1,973 |
| Enhanced Follow Up at Risk Kids | 0 | SO | 337 | 118 | 0 | 0 |
| EPA Indoor Radon | 0 | SO | 824 | 491 | 491 | 491 |

HEALTH DEPT - FEDERAL FUNDS SUMMARY
(\$ in Thousands)

| Name of Federal Program | Related SFY 2001 Spending | Primary Purpose | SFY 2000 Revenues | SFY 2001 Revenues | Estimated SFY 2002 Revenues | Estimated SFY 2003 Revenues |
|---|---------------------------|-----------------|-------------------|-------------------|-----------------------------|-----------------------------|
| EPA Lead Cooperative Agreement | 529 | SO | 271 | 247 | 246 | 246 |
| Fatality Assessment and Control Evaluation | 0 | SO | 131 | 147 | 119 | 114 |
| Fire & Fall Injury Prevention for Older Persons | 0 | SO | 0 | 53 | 70 | 70 |
| Fire Injury Prevention Program | 0 | SO | 187 | 187 | 187 | 187 |
| Fish Consumption Advisory | 0 | SO | 0 | 74 | 0 | 0 |
| Ground Water Disinfection Program | 0 | SO | 66 | 0 | 0 | 0 |
| HIV Prevention Cooperative Agreement | 2,027 | SO, GPS, GCOB | 3,076 | 2,686 | 2,836 | 2,836 |
| HIV Prevention Indicators | 0 | SO | 54 | 0 | 0 | 0 |
| HIV Surveillance | 120 | SO | 229 | 174 | 170 | 170 |
| Home Visiting | 0 | SO | 86 | 0 | 0 | 0 |
| Immunization Cooperative Agreement | 720 | SO, GPS | 2,743 | 2,639 | 2,639 | 2,639 |
| Injury Surveillance Program | 0 | SO | 282 | 59 | 0 | 0 |
| KIDS Initiative | 0 | SO | 71 | 0 | 0 | 0 |
| Lead Abatement In Private Homes | 25 | SO, GPS | 706 | 100 | 0 | 0 |
| Lyme Disease | 0 | SO | 136 | 116 | 114 | 114 |
| Maternal & Child Health Block Grant | 9,837 | SO, GPS | 9,482 | 9,941 | 9,941 | 9,941 |
| Medical Assistance for Health Plans | 0 | SO | 156 | 172 | 172 | 172 |
| National Risk Communication Conference | 0 | SO | 0 | 493 | 47 | 0 |
| National Tobacco Control Program | 1,239 | SO, GPS, GCOB | 771 | 1,272 | 1,226 | 1,226 |
| Newborn Hearing and Screening | 0 | SO | 0 | 201 | 201 | 201 |
| NHSC Loan Repayment Program | 120 | GI | 75 | 120 | 120 | 120 |
| Office of Rural Health | 0 | SO | 235 | 59 | 59 | 59 |
| Part C Education State Plan | 0 | SO | 453 | 400 | 400 | 400 |
| Partners for Farming | 0 | SO | 121 | 0 | 0 | 0 |
| Population-Based Increase Mammography Use | 0 | SO | 473 | 253 | 117 | 108 |
| Pregnancy and Pediatric Nutrition Surveillance | 0 | SO | 101 | 0 | 0 | 0 |
| Preventive Health & Health Services Block Grant | 0 | SO, GPS | 4,131 | 4,412 | 3,846 | 3,745 |
| Primary Care Cooperative Agreement | 0 | SO | 237 | 199 | 192 | 192 |
| Public Health Nursing Practices for the 21 st Cent | 0 | SO | 309 | 215 | 215 | 215 |
| Reducing the Burden of Arthritis | 0 | SO | 26 | 450 | 272 | 272 |
| Refugee Health Services | 111 | SO, GPS | 117 | 370 | 361 | 361 |

HEALTH DEPT - FEDERAL FUNDS SUMMARY
(\$ in Thousands)

| Name of Federal Program | Related SFY 2001 Spending | Primary Purpose | SFY 2000 Revenues | SFY 2001 Revenues | Estimated SFY 2002 Revenues | Estimated SFY 2003 Revenues |
|--|---------------------------|-----------------|-------------------|-------------------|-----------------------------|-----------------------------|
| Rural Hospital Flexibility Program | 0 | SO, GPS | 429 | 750 | 720 | 720 |
| Ryan White Care Act | 560 | SO, GPS | 3,047 | 1,754 | 1,600 | 1,600 |
| S.A.F.E. at Home | 0 | SO | 194 | 175 | 175 | 175 |
| Sentinel Event Notification for Occupational Risks | 0 | SO | 170 | 0 | 0 | 0 |
| Source Water Assessment | 0 | SO | 60 | 0 | 0 | 0 |
| State Plan Grant for Access to Insurance | 0 | SO | 0 | 1,631 | 0 | 0 |
| State System for Development Initiative | 0 | SO | 87 | 111 | 0 | 0 |
| Supplemental Nutrition Program for Women, Infants and Children (WIC) | 5,352 | SO, GPS, GI | 48,292 | 48,950 | 48,950 | 48,950 |
| Surveillance of Intimate Partners Violence | 0 | SO | 0 | 225 | 300 | 300 |
| Surveillance of Serious Trauma | 0 | SO | 16 | 393 | 234 | 59 |
| SYNAR (Tobacco Compliance) | 0 | SO | 114 | 112 | 112 | 112 |
| TANF- PHN Home Visiting | 0 | SO, GPS | | 7,000 | 7,000 | 7,000 |
| TB Cooperative Agreement | 725 | SO, GPS | 540 | 640 | 679 | 679 |
| Title X Family Planning | 0 | SO | 0 | 141 | 188 | 188 |
| Tools for Schools | 0 | SO | 0 | 30 | 40 | 40 |
| Toxic Substance and Disease Registry | 916 | SO | 589 | 597 | 545 | 545 |
| Traumatic Brain Injury Surveillance | 0 | SO | 145 | 145 | 17 | 0 |
| Viral Hepatitis Prevention Services | 0 | SO | 0 | 86 | 114 | 114 |
| Well Head Protection Program | 0 | SO | 72 | 67 | 67 | 67 |
| WIC Infant Formula Rebate | 0 | GI | 16,461 | 17,232 | 17,232 | 17,234 |
| Wood Dust Intervention | 0 | SO | 89 | 0 | 0 | 0 |
| Work Safe, Work Smart | 0 | SO | 0 | 207 | 300 | 300 |
| Agency Total | 24,464 | | 119,239 | 128,943 | 126,392 | 125,048 |

KEY:

SO – State Operations

GPS – Grants to Political Subdivisions

GI – Grants to Individuals

GCBO – Grants to Community-Based Organizations

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PROGRAM SUMMARY

Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

PROGRAM PROFILE:

The Family and Community Health program builds on positive conditions supporting the health and well-being of individuals, families, and communities throughout Minnesota with attentiveness to those most negatively affected by health disparities. We do this by

- assessing communities' health status and supporting programs promoting conditions in which people can be healthy;
- bringing together diverse expertise from a variety of disciplines and health related entities;
- engaging citizens, community organizations, and systems in efforts to improve health;
- supporting programs, policies, and systems that effectively build individual and community health; and
- managing financial assistance that supports local and statewide public health activities and access to health care in rural and underserved communities.

This program area has a core responsibility to assure the strength of the statewide public health system with its shared public health responsibilities. The state-local public health partnership with the 50 community health boards provides the foundation for carrying out public health responsibilities. The program activities include the following:

- Community Health Services, which includes: The Center for Health Statistics, the Office of Rural Health and Primary Care, Tobacco Prevention and Control, Community Development, Health Systems Development, and Public Health Nursing.
- Family Health, which includes: Maternal and Child Health, Minnesota Children with Special Health Needs, Supplemental Nutrition Programs (WIC/CSFP), and the Center for Health Promotion.
- Office of Minority Health.

This program ensures that these activities complement each other and operate in a coordinated fashion. Each budget activity summary identifies specific strategies and performance measures, providing further specifics to those being developed as part of the department's strategic directions. Key responsibilities include:

Eliminating Health Disparities

- Build the capacity and affirm the role of all staff in achieving health parity.
- Expand the capacity of Minnesota communities to take leadership in achieving health parity.
- Broaden the department and community commitment to addressing the social conditions that affect health status.
- Implement department and statewide workforce development strategies.

Support Communities to Raise Healthy Youth

- Continue implementing Tobacco and Youth Risk Behavior programs.
- Support youth-led organizations in guiding and implementing programs (examples: Kick Ash Bash and Target Market).
- Implement the state's adolescent health action plan, including fostering health care system improvements to better provide support and services specific to adolescents.
- Strengthen public health strategies for mental health.

Bring the Community Together on Public Health Goals

- Strengthen public and private health-related partnerships, including those in rural areas, to implement specific strategies to achieve health improvement goals.
- Examine the support (programmatic and budget) we provide for relevance to achieving public health improvement goals.
- Engage community groups -- especially those not commonly "at the table" -- in discussions about their views of what makes "healthy outcomes" in their communities and how those outcomes might be achieved.

FINANCING INFORMATION:

This program represents 52% of the department's budget. The program is funded by a combination of federal grants, state appropriations, and fees. A substantial portion of the bureau's funding (79%) supports grants to community health and rural and primary care activities that are complementary to state activities. Further specifics can be found in the budget activity narratives.

Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| COMMUNITY HEALTH SERVICES | 36,797 | 42,719 | 52,226 | 52,283 | 54,001 | 59,185 | 62,867 | 21,923 | 23.1% |
| FAMILY HEALTH | 101,007 | 98,617 | 113,236 | 109,189 | 128,527 | 109,276 | 132,614 | 49,288 | 23.3% |
| MINORITY HEALTH | 221 | 319 | 590 | 295 | 295 | 302 | 302 | (312) | (34.3%) |
| Total Expenditures | 138,025 | 141,655 | 166,052 | 161,767 | 182,823 | 168,763 | 195,783 | 70,899 | 23.0% |

| Change Items: | Fund | | | | |
|--|-------------|--|--|---------------|---------------|
| (B) VITAL RECORDS SYSTEM | SGS | | | | 1,000 |
| (B) HEALTH WORKFORCE DEVELOPMENT INITIATIVE | GEN | | | 1,718 | 2,682 |
| (B) BONE MARROW | GEN | | | (30) | (30) |
| (B) MN ENABL | GEN | | | (342) | (342) |
| (B) POISON INFORMATION SYSTEM | GEN | | | 1,360 | 1,360 |
| (B) ELIMINATING HEALTH DISPARITIES | GEN | | | 6,450 | 7,450 |
| (B) GRANT STREAMLINING | GEN | | | (200) | (200) |
| (B) HEALTHY KIDS LEARN | GEN | | | 1,000 | 1,000 |
| (B) HEALTHY KIDS LEARN | HKE | | | | 3,000 |
| (B) SUICIDE PREVENTION | GEN | | | 1,100 | 1,100 |
| (B) TEEN PREGNANCY PREVENTION | TANF | | | 10,000 | 10,000 |
| Total Change Items | | | | 21,056 | 27,020 |

Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| Financing by Fund: | | | | | | | |
| Carry Forward: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 0 | 0 | 600 | 600 | 0 | 0 |
| Direct Appropriations: | | | | | | | |
| GENERAL | 43,045 | 38,841 | 44,613 | 39,805 | 50,861 | 39,941 | 52,961 |
| STATE GOVERNMENT SPECIAL REVENUE | 1,836 | 3,381 | 1,989 | 961 | 961 | 987 | 1,987 |
| HEALTH CARE ACCESS | 8,912 | 6,170 | 7,347 | 3,682 | 3,682 | 3,712 | 3,712 |
| FEDERAL TANF | 0 | 0 | 7,000 | 7,000 | 17,000 | 7,000 | 17,000 |
| Open Appropriations: | | | | | | | |
| TOBACCO USE PREVENTION | 0 | 6,083 | 15,446 | 21,061 | 21,061 | 28,784 | 28,784 |
| HEALTHY KIDS ENDOWMENT | 0 | 0 | 0 | 0 | 0 | 0 | 3,000 |
| Statutory Appropriations: | | | | | | | |
| GENERAL | 0 | 0 | 0 | 40 | 40 | 40 | 40 |
| SPECIAL REVENUE | 2,052 | 2,058 | 1,668 | 1,219 | 1,219 | 1,292 | 1,292 |
| FEDERAL | 82,164 | 85,122 | 87,952 | 87,399 | 87,399 | 87,007 | 87,007 |
| GIFT | 16 | 0 | 37 | 0 | 0 | 0 | 0 |
| Total Financing | 138,025 | 141,655 | 166,052 | 161,767 | 182,823 | 168,763 | 195,783 |
| FTE by Employment Type: | | | | | | | |
| FULL TIME | 252.7 | 251.4 | 272.9 | 266.4 | 289.2 | 264.6 | 287.1 |
| PART-TIME, SEASONAL, LABOR SER | 23.6 | 24.1 | 23.6 | 21.0 | 20.5 | 21.0 | 20.5 |
| OVERTIME PAY | 1.2 | 0.3 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Total Full-Time Equivalent | 277.5 | 275.8 | 297.5 | 288.4 | 310.7 | 286.6 | 308.6 |

BUDGET ACTIVITY SUMMARY

Budget Activity: COMMUNITY HEALTH SERVICES
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

ACTIVITY PROFILE:

This activity promotes public health improvement by developing and supporting cooperative partnerships among state and local governments, health related organizations, communities, and individuals. The activity includes six units: Community Development, Public Health Nursing, Tobacco Prevention and Control, the Center for Health Statistics, Health System Development, and the Office of Rural Health and Primary Care. This activity will

- help communities meet their public health responsibilities and improve the skills of the local public health workforce;
- reduce the use of tobacco by Minnesota's youth;
- manage statewide vital records and other health data;
- provide leadership in establishing an agenda for health improvement; and
- promote access to quality health care for rural and under-served Minnesotans.

STRATEGIES AND PERFORMANCE:

Because the state depends on local agencies as partners in public health, it has an interest in helping them meet their health responsibilities. This activity will

- administer the Community Health Services (CHS) subsidy program;
- provide support to the State Community Health Services Advisory Committee (SCHSAC), our primary source of policy advice from local government;
- coordinate communication and technical assistance among agencies; and
- provide basic public health intervention and other training opportunities to local public health staff.

In Minnesota and the United States, tobacco use is by far the leading cause of preventable death. Reducing tobacco use will reduce premature deaths, tobacco-related illness, and costs to the state associated with tobacco. This activity will

- implement a comprehensive tobacco control program including community-based interventions, youth development activities, counter-marketing campaigns, program policy and evaluation, surveillance, and evaluation;
- create and integrate school, community, and media programs; and

- reduce youth access to tobacco products, reduce exposure to environmental tobacco smoke, and promote school-based prevention initiatives.

Accurate population-based data is important to providing a scientific basis for allocating resources and measuring progress in achieving public health goals. This activity will

- maintain a permanent file of birth and death certificates;
- conduct the Behavioral Risk Factor Surveillance Survey which monitors trends in health behaviors and status; and
- conduct research and publish reports on health status and trends for use by local public health researchers, the general public, and others.

MDH will provide leadership to establish a health agenda that will promote broader "ownership" in health, focus attention on results, and promote complementary efforts of public, private, and non-profit sectors. This activity will

- develop specific strategies to address public health goals;
- support public and private sectors as they prepare legislatively mandated collaboration plans (M.S. 62Q.075); and
- support regional health improvement priorities and goals.

The Office of Rural Health and Primary Care works with communities and providers to address disparities in access to health care. This activity will

- identify areas and groups of people with inadequate access to health care;
- target assistance to those communities most in need; and
- support the Rural Health Advisory Committee.

PERFORMANCE:

The entire state is served by community health boards formed under M.S. 145A. Seventy-five percent of these boards have participated in a national field test of public health performance measures and identified benchmarks to measure how they carry out essential public health services.

Since 1995, over 200 primary care physicians and other practitioners have chosen to practice in rural or underserved urban communities with assistance from the office's loan repayment programs. A 1999 independent evaluation indicated retention of these professionals at nearly 100%.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: COMMUNITY HEALTH SERVICES
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

FINANCING INFORMATION:

Over 77% of the division's General Fund expenditures support community activities through grants.

Minnesota Youth Tobacco Prevention Initiative Endowment: During the 2000-01 biennium, almost \$15 million was distributed to statewide and local projects to reduce tobacco use among youth. Youth around the state have been mobilized through a youth development initiative (Target Market). Local projects have been awarded to 27 collaborative groups covering the state to work on reducing youth access to tobacco, environmental tobacco smoke, school-based prevention initiatives, and linking to cessation services for youth. Evaluation is a key component of the Minnesota Youth Tobacco Prevention Initiative.

BUDGET ISSUES:

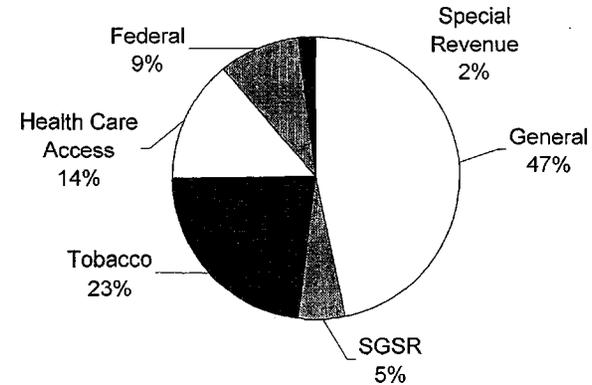
A major redesign of Minnesota's vital statistics system—to bring Minnesota from a paper-based to an electronic birth and death records system—is moving from its pilot-testing phase into its implementation phase. The system needs an ongoing source of funding for long-term maintenance, ongoing upgrades, and needed expansion.

Maintaining stable, adequate, and sufficient funding of core public health functions and services is critical to Minnesota's public health system. Since its inception, the CHS subsidy has not kept pace with inflation, much less with increasing public health demands caused by the changing make-up of our communities, the emergence of new diseases, and the re-emergence of old ones. This presents a serious challenge for local CHS agencies.

Minnesota's health system in the rural areas is under economic and social stresses substantially more serious than those in the rest of the state. Critical rural health needs that require attention include maintaining an adequate skilled health care work force and improving health facilities.

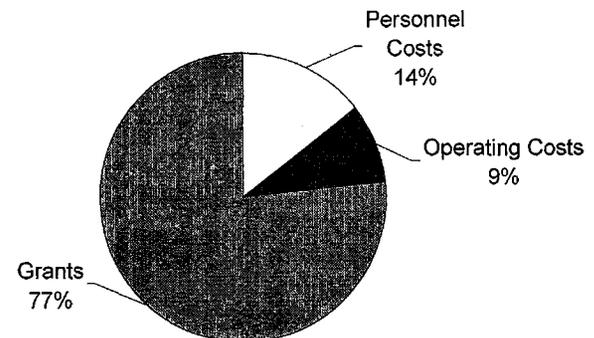
2000 - 01 Expenditures by Fund

Total = \$94,945 (In 000's)



2000 - 01 Expenditures by Category

Total = \$94,945 (In 000's)



Activity: COMMUNITY HEALTH SERVICES
 Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 6,205 | 6,410 | 7,328 | 7,093 | 7,329 | 6,970 | 7,633 | 1,224 | 8.9% |
| OTHER OPERATING EXPENSES | 3,559 | 4,479 | 3,847 | 2,729 | 2,803 | 2,365 | 3,012 | (2,511) | (30.2%) |
| TRANSFERS | 0 | 0 | 0 | (79) | (79) | (79) | (79) | (158) | |
| Subtotal State Operations | 9,764 | 10,889 | 11,175 | 9,743 | 10,053 | 9,256 | 10,566 | (1,445) | (6.5%) |
| PAYMENTS TO INDIVIDUALS | 800 | 815 | 1,500 | 1,056 | 2,019 | 1,056 | 2,983 | 2,687 | 116.1% |
| LOCAL ASSISTANCE | 26,233 | 31,015 | 39,551 | 41,484 | 41,929 | 48,873 | 49,318 | 20,681 | 29.3% |
| Total Expenditures | 36,797 | 42,719 | 52,226 | 52,283 | 54,001 | 59,185 | 62,867 | 21,923 | 23.1% |

| Change Items: | Fund | | | | | | |
|--|-------------|--|--|--|--------------|--|--------------|
| (B) VITAL RECORDS SYSTEM | SGS | | | | | | 1,000 |
| (B) HEALTH WORKFORCE DEVELOPMENT INITIATIVE | GEN | | | | 1,718 | | 2,682 |
| Total Change Items | | | | | 1,718 | | 3,682 |

| Financing by Fund: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Carry Forward: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 0 | 0 | 600 | 600 | 0 | 0 |
| Direct Appropriations: | | | | | | | |
| GENERAL | 22,229 | 22,136 | 22,128 | 20,945 | 22,663 | 20,998 | 23,680 |
| STATE GOVERNMENT SPECIAL REVENUE | 1,656 | 3,263 | 1,871 | 835 | 835 | 859 | 1,859 |
| HEALTH CARE ACCESS | 8,912 | 6,170 | 7,347 | 3,682 | 3,682 | 3,712 | 3,712 |
| Open Appropriations: | | | | | | | |
| TOBACCO USE PREVENTION | 0 | 6,083 | 15,446 | 21,061 | 21,061 | 28,784 | 28,784 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 770 | 979 | 807 | 612 | 612 | 676 | 676 |
| FEDERAL | 3,214 | 4,088 | 4,622 | 4,548 | 4,548 | 4,156 | 4,156 |
| GIFT | 16 | 0 | 5 | 0 | 0 | 0 | 0 |
| Total Financing | 36,797 | 42,719 | 52,226 | 52,283 | 54,001 | 59,185 | 62,867 |

Activity: COMMUNITY HEALTH SERVICES
 Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| Revenue Collected: | | | | | | | |
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 1,142 | 803 | 613 | 427 | 427 | 491 | 491 |
| FEDERAL | 4,852 | 5,254 | 6,175 | 6,025 | 6,025 | 5,657 | 5,657 |
| GIFT | 11 | 1 | 1 | 1 | 1 | 1 | 1 |
| Nondedicated | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 839 | 818 | 689 | 733 | 733 | 673 | 1,673 |
| Total Revenues Collected | 6,844 | 6,876 | 7,478 | 7,186 | 7,186 | 6,822 | 7,822 |
| FTE by Employment Type: | | | | | | | |
| FULL TIME | 115.0 | 112.0 | 119.3 | 118.8 | 122.8 | 118.8 | 122.8 |
| PART-TIME, SEASONAL, LABOR SER | 10.5 | 11.7 | 6.8 | 5.5 | 5.5 | 5.5 | 5.5 |
| OVERTIME PAY | 0.1 | 0.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Total Full-Time Equivalent | 125.6 | 123.8 | 127.1 | 125.3 | 129.3 | 125.3 | 129.3 |

Budget Activity: COMMUNITY HEALTH SERVICES
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Pass Through Grants Administered by the Division of Community Health Services

| Program Name Federal or State or Both (notation) | Purpose | Recipient Type (\$) Eligibility Criteria | 2001 State Appropriation | Most Recent Federal Award (cite year) |
|---|--|--|-----------------------------|---|
| Indian Health Grants (State) M.S. 145A.14, Subd. 2 | Provides assistance to support health services for Native Americans who reside off reservations | Community health boards (four grantees) | \$177,000/year | N/a |
| Migrant Grants (State) M.S. 145A.14, Subd. 1 | Subsidizes health services, including mobile, to migrant workers and their families | Cities, counties, groups of cities or counties, or non-profit corporations (one grantee) | \$104,000/year | N/a |
| Community Health Services Subsidy (State) M.S. 145A.13 | Develop and maintain an integrated system of community health services | Community health boards (50 grantees county, multi-county, and city Community Health Boards) | \$19.1 million/year | N/a |
| Tobacco-Free Communities for Children (State) M.S. 144.697, Subd. 1 | Reduce youth tobacco use | All community health boards; funding formula (50 grantees) | \$500,000/year | N/a |
| Tobacco Use Prevention (State) M.S. 144.395-396 | Reduce youth tobacco use | Government, non-profit, and for-profit entities; competitive (64 grantees) | \$11,784,924 (2001) | N/a |
| HCAF-Summer Health Care Internships (State) M.S. 144.1464 | Summer internship program for high school and college students | Statewide non-profit organization representing health facilities (one grantee/multiple subgrantees) | \$100,000/year | N/a |
| HCAF-Sole Community Hospital (State) M.S. 144.1484, Subd. 1 | Preserve hospitals that are geographically isolated (at least 25 miles from another) | Rural hospitals with 50 or fewer beds, 25 or more miles from another hospital, with financial losses (five grantees) | \$200,000/year | N/a |
| HCAF-Community Health Grants (State) M.S. 144.1486 | Increase access to primary and preventive care | Rural non-profit or local government organizations in designated shortage areas (seven grantees) | \$250,000/year | N/a |
| HCAF-Rural Hospital Planning & Transition Grant (State) M.S. 144.147 | Assist with strategic planning; transition projects | Rural hospitals with 50 or fewer beds (12 grantees) | \$250,000/year | N/a |
| HCAF-Rural Continuing Education Grants (State) M.S. 144.1497 | Interdisciplinary training for advanced practice nursing students | Colleges or schools of nursing training students for rural practice (one grantee/five subgrantees) | \$250,000/year | N/a |
| HCAF-Rural Physician Loan Repayment (State) M.S. 144.1494 | Medical school loan repayment to physicians in rural and urban underserved areas | Physicians (16 grantees per year) | \$675,000/year | N/a |
| National Health Service Corp (Federal) HCAF-(State 1/1 match) M.S. 144.1487 | Medical school loan repayment to physicians in rural and urban underserved areas | Physicians (six grantees per year) | \$96,000/year | \$100,000 (1998) |
| HCAF-Mid-level Practitioners Loan Repayment (State) M.S. 144.1495 | Medical school loan repayment to nurse practitioners and physician assistants in rural and urban underserved areas | Mid-level providers (eight grantees per year) | \$105,000/year | N/a |
| HCAF-Nurses Loan Repayment M.S. 144.1496 | Medical school loan repayment to nurses in rural and urban underserved areas | Nurses practicing in nursing homes (10 grantees per year) | \$60,000/year | N/a |

BUDGET CHANGE ITEM (49200)

Budget Activity: COMMUNITY HEALTH SERVICES
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: VITAL RECORDS SYSTEM

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| State Government | \$-0- | \$1,000 | \$1,000 | \$1,000 |
| Special Revenue Fund | | | | |
| Revenues: (\$000s) | | | | |
| State Government | \$-0- | \$1,000 | \$1,000 | \$1,000 |
| Special Revenue Fund | | | | |

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 144.226, subd. 3 and 4

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a state Government Special Revenue Fund appropriation of \$1 million in FY 2003 for ongoing maintenance and administration of the vital records computerized birth and death records system.

RATIONALE:

The MDH Office of the State Registrar has statutory responsibility to maintain the official record of each birth and death within the state's borders. Citizens request information or copies of these records for legal documentation of their identity and that of deceased individuals. MDH also uses the information to monitor trends as a core public health assessment function. In 1997, the legislature authorized the development of a comprehensive computer system for collection, issuance, and permanent filing of birth and death certificates for the state. Implementation will be complete in June 2001 as scheduled and within its original budget.

As one of the most extensive statewide computer systems in state government, the system's focus is on the use of electronic technology for customer service, efficiency, and fraud protection in a manner that protects privacy and makes government more accessible to the public. This new system and the data in it are available to all 87 counties. In addition, more than 400 hospitals and

funeral homes will input birth and death record information directly from their facilities.

FINANCING:

The 1997 legislature supported the development and implementation of the system with a \$3.00 surcharge on birth and death certificates that will sunset on 7-1-02. It was understood at that time that there would be continuing cost once the new system was operational to cover administration, maintenance, and upgrades.

The Governor proposes to reduce the original \$3.00 surcharge to an ongoing \$2.00 increase in the fee on each birth and death record issued. Local registrars collect this fee at time of issuance. These resources will be used to maintain and operate the system.

OUTCOMES:

Improved customer service, better fraud protection, increased accessibility of public data, better protections of non-public data, and more efficient system administration are outcomes of the use of this centralized statewide computer system. An electronic system operating effectively, with multiple access points for citizens to transact business, and better data integrity utilizing new and emerging technologies will also result. This system allows Minnesotans to go to a county office anywhere within the state no matter where in the state the person was born or died to obtain copies of the birth and death records. It also provides a basis on which to build other similar centralized systems.

The state has made a major financial investment in developing this statewide-computerized birth and death records system. Without ongoing operating funds, the state will be unable to support this system.

BUDGET CHANGE ITEM (59393)

Budget Activity: COMMUNITY HEALTH SERVICES DIVISION
Program: FAMILY AND COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: HEALTH WORKFORCE DEVELOPMENT INITIATIVE

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|------------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - State Operations | \$309 | \$309 | \$309 | \$309 |
| - Grants | \$1,409 | \$2,373 | \$2,683 | \$2,999 |
| Total | \$1,718 | \$2,682 | \$2,992 | \$3,308 |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes No

If yes, statute(s) affected: MS 144.1494, 144.1496, and creates a new section in MS 144

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$1.718 million in FY 2002 and \$2.682 million in FY 2003 to address pressing health workforce needs.

RATIONALE:

To prevent erosion in Minnesotans' access to and quality of health services, it is necessary to make targeted investments in Minnesota's human resources serving the health of the public. The Health Workforce Development initiative seeks to respond to this critical area of need in Minnesota's communities and health delivery system.

Health worker shortages exist in many Minnesota communities and across many disciplines, including nursing, home health care, pharmacy, mental health, dental, and allied fields such as radiology and lab technicians. Shortages in the health workforce are part of a larger, long-term trend in the workforce as a whole. For the foreseeable future, health employers will increasingly compete against other fields for the same workers, while the total number of new workers dwindles. Access to health care will be affected as staff shortages force providers to either turn patients away or close facility doors.

Community/Regional Health Workforce Grants. In order to effectively address health worker shortages, coordinated state, regional, and community level strategies must be pursued. Community/regional health workforce grants will allow at least 15 communities or regions to identify and implement local strategies to meet their workforce needs. As part of addressing local needs, communities and regions receiving grants through this program will be expected to employ strategies designed to attract and retain members of minority communities in the health workforce. Community/regional health workforce grants will be awarded in consultation with the Minnesota State Colleges and Universities' Regional Centers of Excellence Grants program recommended in the Governor's Higher Education budget.

Health Professions Loan Repayment Expansion. Educational loan forgiveness has proven to be an effective means of attracting and retaining necessary health providers in rural communities. This initiative would build upon that effective approach.

FINANCING:

Funding to address pressing health workforce needs will be allocated as follows:

| | <u>FY 2002</u> | <u>FY2003</u> | <u>FY2004</u> | <u>FY2005</u> |
|--------------------------|----------------|----------------|----------------|----------------|
| Workforce Grants Program | \$ 600 | \$ 600 | \$ 600 | \$ 600 |
| Loan Repayment Program | 1,118 | 2,082 | 2,392 | 2,708 |
| Total | \$1,718 | \$2,682 | \$2,992 | \$3,308 |

Minnesota state loan forgiveness programs have a base budget of \$936,000 (\$675,000 for physician loan forgiveness, \$105,000 for midlevel provider loan forgiveness, \$60,000 for nurses loan forgiveness, and \$96,000 state match to the federal National Health Service Corps loan forgiveness program.)

OUTCOMES:

Base funding and program statutes support the placement each year of 16 physicians, eight midlevel providers, and 10 nurses in nursing homes or ICFMRs, for a total of 34 slots per year. This change item will expand state loan forgiveness programs by adding 247 additional placements per year as follows: 177 nurses in nursing homes, 10 rural physicians, 14 dentists, 14 rural pharmacists, 12 rural mental health providers, and 30 rural health care technicians.

BUDGET ACTIVITY SUMMARY

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

PERFORMANCE:

| | FY 2000 | FY 2001 | FY 2002 | FY 2003 |
|--|-----------|-----------|-----------|-----------|
| Perinatal mortality rate (per 1,000 live births) | 5.9 | 5.6 | 5.3 | 5.0 |
| Rate of births (per 1,000) for teenagers aged 15 through 17 years | 16 | 15.5 | 15 | 14.3 |
| Percentage of newborns who have been screened for hearing impairment before hospital discharge | 45.0 | 50.0 | 85.0 | 90.0 |
| Rate of traumatic brain injuries and rate of spinal cord injuries (per 100,000 population) | 79 4.8 | 79 4.7 | 77 4.6 | 75 4.5 |

FINANCING INFORMATION:

This activity represents approximately 46% of the total MDH budget. Funding for this activity is primarily from federal categorical grants. Other sources of revenue include the general fund, the Tobacco Endowment Fund, TANF, contracts with other state agencies, an infant formula rebate contract, third-party reimbursements for clinic services, newborn metabolic screening fees, and drivers license reinstatement fees.

Local Public Health Promotion and Protection Grants. This activity received \$2 million in July 2000 as part of the Tobacco Use Prevention and Local Public Health Endowment fund. The funds are available to all 50 Community Health Services agencies based on a non-competitive formula. The goals of the initiative are to 1) reduce youth risk behaviors among 12-18 year old adolescents, including alcohol and other drug use, sexual behaviors that may result in pregnancy or sexually transmitted infections, violence, suicide, physical inactivity, and unhealthy dietary behaviors; and 2) increase the capacity of youth, adults, communities, and systems to effectively support youth health and healthy youth development. CHS agencies are working with local community partners to achieve program goals.

ACTIVITY PROFILE:

This activity promotes the health of all Minnesotans throughout the life cycle by providing leadership in systems development and performance of the core functions of public health: assessment, policy development and program planning, and assurance. Issues are addressed through partnerships with community health boards and other local, regional, state, and national entities.

STRATEGIES AND PERFORMANCE:

- Improve the health status of children, youth, women, and their families, with particular attention placed to those who experience disparities. This is accomplished through assessment of needs, collaborative planning, technical consultation, professional education and training, public information, and provision of grant funds to community health boards and other community-based and statewide organizations.
- Provide leadership in collaborative planning activities and provide technical assistance to public and private partners to enhance development of and access to local support and systems of care for children with special health needs that are family-centered, coordinated, and culturally aware; and provide outreach, identification, diagnosis, and treatment of children who have chronic conditions or disabilities, or who are suspected of having disabling conditions.
- Improve the health and nutrition status of women, infants, and elderly persons through program planning, technical consultation, professional education, grant funds, and provision of supplemental foods.
- Build capacity for individual, community, and system change to improve health and prevent chronic disease and injury through: establishing effective collaborations and partnerships; convening forums to identify common interests and foster action; translating health research into practice; disseminating innovative and effective health promotion and risk reduction tools and strategies; focusing on populations, public health monitoring and assessment, professional education and training, public information, and technical assistance; and providing grant funds to community health boards and other community-based organizations.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

TANF-PHN Home Visiting Program. This activity received \$7 million a year for FY 2001-03 to implement home visiting services to families at or below 200% of federal poverty guidelines. Funding is from the federal TANF block grant and is available to all counties. A steering committee comprised of public health and human services has been formed to guide the development of the program. Goals of the program are 1) to promote family self-sufficiency; and 2) to improve the health and well being of children and families. These funds will allow counties to expand and enhance current Public Health Nursing (PHN) home visiting programs and/or to focus on certain high-risk populations such as adolescent parents, families who have been on MFIP for an extended time period, or families who may be at risk for needing welfare assistance in the future.

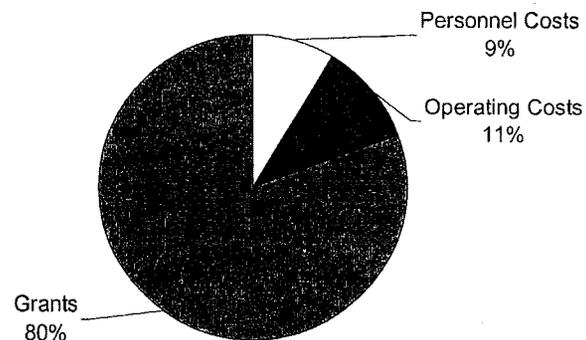
BUDGET ISSUES:

This activity provides a unique focus in state government for protecting and promoting the health of the state's maternal and child population, as well as for health promotion and primary prevention efforts for all Minnesotans directed at chronic diseases, unintentional injuries, and violence. Continued funding for this activity is essential to assure the health and well-being of Minnesotans.

The 2000 legislature removed all base funding to support the statewide poison control system. Failure to restore funding for this system will result in delayed service, less appropriate case management, and increased death and disability, particularly among youth.

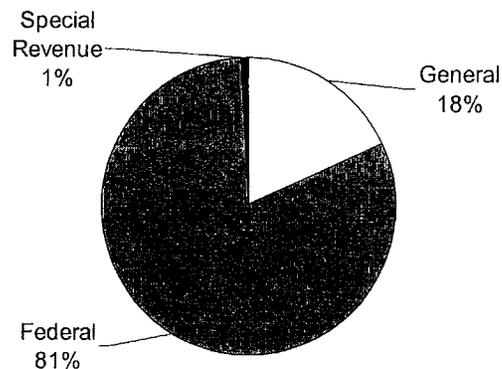
2000 - 01 Expenditures by Category

Total: \$211,853 (In 000's)



2000 - 01 Expenditures by Fund

Total: \$211,853 (In 000's)



Activity: FAMILY HEALTH
 Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 8,098 | 8,515 | 9,919 | 9,701 | 10,865 | 9,788 | 12,121 | 4,552 | 24.7% |
| OTHER OPERATING EXPENSES | 12,811 | 10,412 | 12,483 | 11,649 | 14,988 | 11,649 | 15,969 | 8,062 | 35.2% |
| Subtotal State Operations | 20,909 | 18,927 | 22,402 | 21,350 | 25,853 | 21,437 | 28,090 | 12,614 | 30.5% |
| PAYMENTS TO INDIVIDUALS | 51,430 | 51,705 | 52,891 | 52,915 | 52,915 | 52,915 | 52,915 | 1,234 | 1.2% |
| LOCAL ASSISTANCE | 28,668 | 27,985 | 37,943 | 34,924 | 49,759 | 34,924 | 51,609 | 35,440 | 53.8% |
| Total Expenditures | 101,007 | 98,617 | 113,236 | 109,189 | 128,527 | 109,276 | 132,614 | 49,288 | 23.3% |

| <u>Change Items:</u> | <u>Fund</u> | | | | | | | | |
|------------------------------------|-------------|--|--|--|---------------|--|--|---------------|--|
| (B) BONE MARROW | GEN | | | | (30) | | | (30) | |
| (B) MN ENABL | GEN | | | | (342) | | | (342) | |
| (B) POISON INFORMATION SYSTEM | GEN | | | | 1,360 | | | 1,360 | |
| (B) ELIMINATING HEALTH DISPARITIES | GEN | | | | 6,450 | | | 7,450 | |
| (B) GRANT STREAMLINING | GEN | | | | (200) | | | (200) | |
| (B) HEALTHY KIDS LEARN | GEN | | | | 1,000 | | | 1,000 | |
| (B) HEALTHY KIDS LEARN | HKE | | | | | | | 3,000 | |
| (B) SUICIDE PREVENTION | GEN | | | | 1,100 | | | 1,100 | |
| (B) TEEN PREGNANCY PREVENTION | TANF | | | | 10,000 | | | 10,000 | |
| Total Change Items | | | | | 19,338 | | | 23,338 | |

| <u>Financing by Fund:</u> | | | | | | | | | |
|----------------------------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 20,715 | 16,405 | 21,985 | 18,656 | 27,994 | 18,735 | 29,073 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 180 | 118 | 118 | 126 | 126 | 128 | 128 | | |
| FEDERAL TANF | 0 | 0 | 7,000 | 7,000 | 17,000 | 7,000 | 17,000 | | |
| Open Appropriations: | | | | | | | | | |
| HEALTHY KIDS ENDOWMENT | 0 | 0 | 0 | 0 | 0 | 0 | 3,000 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 0 | 0 | 0 | 40 | 40 | 40 | 40 | | |
| SPECIAL REVENUE | 1,162 | 1,075 | 844 | 592 | 592 | 601 | 601 | | |
| FEDERAL | 78,950 | 81,019 | 83,257 | 82,775 | 82,775 | 82,772 | 82,772 | | |
| GIFT | 0 | 0 | 32 | 0 | 0 | 0 | 0 | | |
| Total Financing | 101,007 | 98,617 | 113,236 | 109,189 | 128,527 | 109,276 | 132,614 | | |

Activity: FAMILY HEALTH
 Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| Revenue Collected: | | | | | | | |
| Dedicated | | | | | | | |
| GENERAL | 37 | 32 | 40 | 40 | 40 | 40 | 40 |
| STATE GOVERNMENT SPECIAL REVENUE | 50 | 0 | 0 | 0 | 0 | 0 | 0 |
| SPECIAL REVENUE | 713 | 1,019 | 864 | 776 | 776 | 776 | 776 |
| FEDERAL | 74,643 | 81,957 | 77,203 | 81,420 | 81,420 | 81,396 | 81,396 |
| GIFT | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues Collected | 75,444 | 83,008 | 78,107 | 82,236 | 82,236 | 82,212 | 82,212 |
| FTE by Employment Type: | | | | | | | |
| FULL TIME | 135.4 | 137.4 | 150.6 | 144.6 | 163.4 | 142.8 | 161.3 |
| PART-TIME, SEASONAL, LABOR SER | 12.7 | 11.9 | 16.3 | 15.0 | 14.5 | 15.0 | 14.5 |
| OVERTIME PAY | 1.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Full-Time Equivalent | 149.2 | 149.5 | 166.9 | 159.6 | 177.9 | 157.8 | 175.8 |

Budget Activity: FAMILY HEALTH
 Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

Pass Through Grants Administered by the Division of Family Health

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (S) Eligibility Criteria | 2001 State Appropriation | Most Recent Federal Award (fisc year) |
|--|--|--|---|---|
| 5 A Day Power Plus M.S. 144.697, Subd. 1 | Increase fruit and vegetable consumption among elementary school students | Government organizations; non-competitive (two grantees) | \$-0- | \$334,000 FFY 2001 |
| Abstinence Education Title V, SSA | Promote sexual abstinence in young teens | Government and non-profit organizations; competitive (14 grantees) | \$-0- | \$350,000 FFY 2000 |
| Burn Prevention M.S. 144.697, Subd. 1 | Install smoke detectors | Government and non-profit organizations; competitive (eight grantees) | \$-0- | \$38,000 FFY 2001 |
| Commodity Supplemental Food Program (CSFP) Agriculture Appropriations Act | Provide nutrition information and supplemental foods | Government and non-profit organizations; competitive (two grantees) | \$-0- | \$417,000 FFY 2000 |
| Diabetes Control M.S. 144.697, Subd. 1 | Develop and implement comprehensive diabetes control programs | Government and non-profit organizations; competitive (five grantees) | \$-0- | \$142,000 FFY 2001 |
| Family Planning Special Projects M.S. 145.925 | Provide pre-pregnancy family planning services for persons in need | Government and non-profit organizations; competitive (61 grantees) | \$4.930 million | \$-0- |
| Fetal Alcohol Syndrome (FAS) Community Grants M.S. 145.9266, Subd. 4 | Collaborate on FAS prevention and intervention strategies and activities | Community organizations and coalitions; competitive (10 grantees) | \$850,000 | \$-0- |
| Fire/Fall Injuries in Older Adults M.S. 144.697, Subd. 1 | Reduce fire and fall injuries for seniors by eliminating home and community hazards | Government organizations; competitive (three grantees) | \$-0- | \$18,000 FFY 2001 |
| Infant Mortality Reduction M.S. 145.90 | Reduce preventable infant deaths | Government, non-profit and for-profit organizations; non-competitive (13 grantees) | \$100,000 | \$-0- |
| Maternal and Child Health Special Projects Title V, SSA and M.S. 145.88-145.889 | Support public health infrastructure and services to low-income, high-risk mothers and children | All community health boards; funding formula (50 grantees) | \$1 million | \$6,473,959 FFY 2000 |
| Minnesota Education Now and Babies Later (MN-ENABL) M.S. 145.9255 | Promote sexual abstinence in young teens | Government and non-profit organizations; competitive (24 grantees) | \$493,000 | \$-0- |
| Minnesota Healthy Beginnings M.S. 145A.16 | Provide health and social support home visits to all families during pregnancy and the first year of life | Government and non-profit organizations; competitive (four grantees) | \$666,000 | \$-0- |
| Organ Donor Vehicle Laws of MN 2000, Chapter 492, Art. 1, Sec. 18 | Purchase a mobile learning center to provide interactive education about organ, tissue, and eye donation | Organ procurement organization certified by HCFA; non-competitive (one grantee) | \$135,000 (one time funding) | \$-0- |
| Poison Control M.S. 145.93 | Identify appropriate home management or referral of cases of human poisoning; provide statewide information and education services | Government, non-profit, and for-profit organizations; competitive (two grantees) | \$1.220 million (base funding eliminated in 2002-03) | \$137,700 |
| SAFE at Home M.S. 144.697, Subd. 1 | Develop medical homes for children with special health care needs | Managed care organizations; non-competitive (two grantees) | \$-0- | \$120,000 FFY 2000 |

Budget Activity: FAMILY HEALTH
 Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

Pass Through Grants Administered by the Division of Family Health (Continued)

| Program Name Federal or State or Both (citation) | Purpose | Resident Type (s) Eligibility Criteria | 2001 State Appropriation | Most Recent Federal Award (cite year) |
|--|--|--|-------------------------------|---|
| Sexual Assault Prevention M.S. 144.697, Subd. 1 | Prevent sexual assault, provide services to victims of sexual assault, provide public education regarding sexual assault | Interagency agreement; one grantee with competitive subgrants to government organizations, schools, non-profit organizations | \$-0- | \$300,000 FFY 2001 |
| Supplemental Nutrition Program for Women, Infants, and Children (WIC) Child Nutrition Act | Provide nutrition education and vouchers for supplemental foods | Government and non-profit organizations; competitive (69 grantees) | \$3.690 million | \$8.017 million FFY 2000 |
| TANF Home Visiting Laws of MN 2000, Chapter 488, Art. 8, Sec. 2, Subd. 6 | Serve families with incomes at or below 200% of federal poverty guidelines | All county boards; funding formula (87 grantees) | \$7 million/year through 2003 | \$-0- |
| Targeted Home Visiting M.S. 145A.15 | Prevent child abuse and neglect and strengthen families | Community health boards; competitive (15 grantees) | \$378,000 | \$-0- |
| Title X Social Security Act | Family planning services | Non-profit organization; non-competitive (one grantee) | \$-0- | \$163,000 FFY 2001 |
| Traumatic Brain Injury (TBI) M.S. 144.697, Subd. 1 | Provide information and resources to persons with TBI and their families | Non-profit organization; competitive (one grantee) | \$130,000 | \$-0- |
| Youth Risk Behavior M.S. 144.396, Subd. 7 | Reduce youth risk behaviors through health promotion and protection activities | All community health boards; funding formula (50 grantees) | \$2,269,476 | \$-0- |

BUDGET CHANGE ITEM (49796)

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: BONE MARROW

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - State Operations | \$ (30) | \$ (30) | \$ (30) | \$ (30) |
| Revenues: (\$000s) | | | | |
| General Fund | \$ -0- | \$ -0- | \$ -0- | \$ -0- |

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 145.927

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends eliminating the Bone Marrow Program (\$30,000), which develops and disseminates educational materials to recruit persons of color as volunteer bone marrow donors.

RATIONALE:

The limited amount of resources available for this program does not allow the program to be effective and limits its scope. In addition, the non-profit sector of the community already has programming in this area. Savings from this proposal are reinvested in other priorities within the Governor's FY 2002-03 biennial budget.

OUTCOMES:

It is expected that the non-profit sector will carry on activities in this area without funding from the state.

BUDGET CHANGE ITEM

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: MN ENABL

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - State Operations | \$(142) | \$(142) | \$(142) | \$(142) |
| - Grants | \$(200) | \$(200) | \$(200) | \$(200) |
| Total | \$(342) | \$(342) | \$(342) | \$(342) |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity _____ Supplemental Funding X Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in the MN ENABL program of \$342,000 each fiscal year.

RATIONALE:

The proposed TANF funded expansion of teen pregnancy prevention activities will compliment and enhance the MN ENABL program as well as the federally funded Abstinence Education program available through Title V, Section 510. Additional TANF funding targeting teen pregnancy prevention will allow for a reduction in state general funds for MN ENABL and an expansion of programs that include abstinence messages. Savings from this proposal are reinvested in other priorities within the Governor's FY 2002-03 biennial budget.

FINANCING:

Base funding for MN ENABL is \$804,000 in FY 2002.

OUTCOMES:

A more coordinated approach to teen pregnancy prevention.

BUDGET CHANGE ITEM (49212)

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT
Item Title: POISON INFORMATION SYSTEM

It is essential that the system have a stable source of funding over an extended period of time. This initiative would fund the Minnesota Poison Control System at the 1997 national average for certified poison control centers. Currently, the system's services are provided by a hospital (Hennepin County Medical Center) and a private, for-profit company (PROSAR).

A national study in 1997 documented that every dollar spent on poison centers saves an estimated \$6.50 in medical spending, mainly by eliminating the need for emergency department care for cases that can be managed safely at home. Not funding this request would result in increased costs for Minnesota health plans, purchasers, and risk-bearing providers of almost \$9 million each year. About \$1.3 million of the increased costs would be incurred by Medical Assistance, Minnesota Care, or the health plans with which those programs contract for coverage.

If this request is not funded, Minnesota will not have a poison control system after June 30, 2001, treatment costs for poison exposures will increase, and there will be no centralized access to specialized expertise regarding poison control. Delays in service result in preventable death and disability.

FINANCING:

The Minnesota Poison Control System is financed in FY 2001 by the General Fund (\$1.17 million), the 911 fund (\$50,000), and a federal block grant (\$137,700). Although the 2000 legislature increased FY 2001 funding for the system, it also removed all General Fund support for the system as of the end of the 2000-01 biennium. The federal funds will not be available after federal fiscal year 2001.

OUTCOMES:

Health outcomes related to this request include:

- all Minnesotans will have access to specialized and efficient poison control services;
- use of emergency treatment services for poison exposures will be avoided; and
- the Minnesota health care system will save almost \$9 million per year.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - Grants | \$1,360 | \$1,360 | \$1,360 | \$1,360 |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

 X New Activity _____ Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1.360 million each year to provide a stable funding source for the statewide Minnesota Poison Control System.

RATIONALE:

The Minnesota Poison Control System operates statewide 24 hours a day, 365 days a year, and provides immediate information and treatment advice about poisonings and toxic exposures to the general public. It also provides information to Minnesota health professionals who care for poisoned patients and provides a variety of public education activities around the state that inform the public about when and how to call the poison center, how to prevent poisonings, and how to provide first aid in a poisoning situation. The system responds to requests from the general public and health care professionals at no cost to the caller. The Minnesota Poison Control System receives approximately 45,000 poisoning exposure calls and 20,000 information calls each year, the majority of which involve children and youth.

BUDGET CHANGE ITEM

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: ELIMINATING HEALTH DISPARITIES

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - State Operations | \$1,400 | \$1,550 | \$1,550 | \$1,550 |
| - Grants | \$5,050 | \$5,900 | \$5,900 | \$5,900 |
| Total | \$6,450 | \$7,450 | \$7,450 | \$7,450 |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes No

If yes, statute(s) affected: New section in M.S. 144

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$6.45 million in FY 2002 and \$7.45 million in FY 2003 to close gaps in health status, particularly those experienced by Minnesota's American Indians and racial and ethnic minority populations.

RATIONALE:

While Minnesota continues to rank as one of the healthiest states in the nation, it also has some of the widest gaps in health status between white and racial and ethnic populations of any state.

- The infant mortality rates in the African American and American Indian populations are two to four times as high as for any other racial/ethnic group in the state, and the infant mortality rate among American Indians is increasing.
- On a national level, rates of diabetes among populations of color range from 70% to 130% higher than whites. A recent population-based study indicates that the rate of diabetes of American Indians in Minnesota and Wisconsin is 600% higher than whites.

- African American males between the ages of 15 and 25 are 25 times more likely to die as a result of firearms than whites of the same age.
- Nationally, breast cancer death rates in 1997 were 34% higher among African American women than white women, and African American women have a larger percentage of breast cancer diagnosed at a later, less treatable stage than do white women. The same patterns exist in Minnesota.
- More than 90% of births to hepatitis B positive women occur among non-white mothers each year in Minnesota. Without intervention, these infants are at higher risk for chronic hepatitis B infection.
- Adults from communities of color are more likely to be under immunized than their white counterparts.
- Foreign-born individuals with tuberculosis in Minnesota are more than twice as likely as U.S.-born cases to have drug-resistant tuberculosis.

Research is just beginning to identify strategies that will be the most effective in improving the health of the nation's racial and ethnic minority populations. The Centers for Disease Control is working with Minnesota in identifying the most promising strategies. This partnership significantly improves Minnesota's likelihood of closing health gaps and assuring that American Indians, populations of color, and immigrants experience parity in health status. Reducing health disparities will both create greater opportunities for self-sufficiency and reduce intervention costs in many areas of public and private spending. This will be achieved by:

- Building on the Nation's health disparities objectives for 2010, this initiative will support local communities in the use of evidence based or promising strategies to improve disparities in one or more of the following areas: *Infant Mortality; Breast and Cervical Cancer Screening; Cardiovascular Disease; Diabetes; HIV/AIDS/STDs; Immunizations; and Violence and Injury Prevention*. For example, the *Back to Sleep* campaign has helped reduce SIDS deaths by over 40% nationwide. However, surveys reveal that the *Back to Sleep* campaign has not been as effective with African American communities and they continue to have SIDS death rates twice that of whites. A collaboration of national organizations has developed a culturally specific resource kit to help providers and community-based programs more effectively get this message to families. This initiative could help support Minnesota communities implement more culturally specific messages and programs.
- Engaging the communities experiencing the disparities in the selection of priorities and the development of solutions. Externally imposed identification of problems and solutions has not been successful in the past. Communities want and need to have the responsibility and the resources to solve problems. Working differently with communities also means adopting strategies that can

BUDGET CHANGE ITEM (49266) (Continued)

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: ELIMINATING HEALTH DISPARITIES

deal simultaneously with multiple issues, rather than continuing to approach each problem in isolation.

- Providing timely, culturally-sensitive health care to reduce prolonged infectiousness and drug-resistant disease. Strengthening public health detection and follow-up services to protect the health of both the migrant/refugee/immigrant populations and the communities where they live is part of this process.
- Increasing the ability of the public health system to more effectively serve a diverse constituency.

FINANCING:

\$2.2 million in FY 2002 and \$2.8 million in FY 2003 for local and statewide competitive projects that focus on the most effective prevention services. Services will be targeted to those populations most adversely affected by health disparities and will be provided through culturally-based community organizations in partnership with others in the community including local public health.

\$2.15 million in FY 2002 and \$2.35 million in FY 2003 to Community Health Boards to support local public health efforts to eliminate local health disparities through effective community-level interventions. These efforts will include partnerships with those affected by disparities, based on racial and ethnic status. Funding will be allocated using the MCH Block Grant formula.

\$500,000 in FY 2002 and \$500,000 in FY 2003 for formula-based grants to Tribal Governments to support efforts in identifying and implementing culturally-based community interventions that reduce health disparities for American Indians.

\$100,000 in FY 2002 and \$100,000 in FY 2003 to support a Health Disparities Advisory Council which will provide recommendations to the Commissioner on the most effective strategies to eliminate Minnesota's health disparities with particular attention to racial and ethnic disparities.

\$800,000 in FY 2002 and \$1,000,000 in FY 2003 to provide state support necessary for implementation and to assure accountability of outcomes. This funding will support six FTEs, as well as training and evaluation contracts to support state and community efforts.

\$500,000 in FY 2002 and \$500,000 in FY 2003 for immigrant/refugee/migrant health and tuberculosis control activities. This component includes \$300,000 in FY 2002 and \$250,000 in FY 2003 for state staff to provide surveillance and early identification of disease problems, health care provider education, production and translation of culturally and linguistically appropriate communicable disease education materials, and coordination with community organizations. \$200,000 in FY 2002 and \$250,000 in FY 2003 are for grants to local public health to fund access to health screenings and follow-up services.

\$200,000 in FY 2002 and \$200,000 in FY 2003 to attract and retain a more diverse public health workforce and to support enhanced design and utilization of culturally and linguistically appropriate public health communications.

OUTCOMES:

The department, in partnership with local public health, tribal governments, and community-based organizations, will make significant progress in reducing the health disparities, particularly among American Indians and populations of color. Based on health priorities selected by communities, the goal is to reduce gaps in related health disparities by 20% over the next five years in those designated communities.

A statewide public health assessment of health care needs and health disparities for foreign-born individuals will be completed by July 2004.

Increased percentage of refugees who will receive initial refugee health screenings within the first eight months from the current 60% to 80% by 1-1-03.

By enhancing or refocusing federal MCH Block Grant activities, local public health will improve their analytic capacity to better define health needs of minorities and engage community partners in interventions to reduce maternal and child health disparities between whites, American Indians, and populations of color. The MCH Block Grant areas of focus include improved pregnancy outcomes, family planning, children with special health care needs, and/or childhood injury prevention.

BUDGET CHANGE ITEM (50258)

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: GRANT STREAMLINING

OUTCOMES:

A more streamlined process of awarding, monitoring, and distributing grants to local government and non-profit organizations.

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|--|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - State Operations | \$ (200) | \$ (200) | \$ (200) | \$ (200) |
| Revenues: (\$000s) | | | | |
| General Fund | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Statutory Change? Yes _____ No <u> X </u> | | | | |
| If yes, statute(s) affected: | | | | |
| _____ New Activity _____ Supplemental Funding <u> X </u> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends the reduction of \$200,000 each year from the department's operating budget to reflect administrative efficiencies the department will achieve by streamlining its processes of awarding grants to local governmental agencies and non-profit organizations.

RATIONALE:

The department awards about \$167 million of grants each year through approximately 50 different grants programs (many of which are federally funded). The grants support specific program activities and each is typically part of a focused individual MDH program with other activities. Because of this need for program-specific expertise, the reviewing, awarding, administering, and monitoring of grants are widely dispersed in the department and generally constitute only a small portion of a large number of individuals' responsibilities. All grant awards (state-funded and others) currently follow department and state processes and the department believes that there are changes that can be made in these processes that could cumulatively lead to department-wide systems savings. These changes will occur in the method of distributing funds, grant applications, payments, formulas, and grantees. The department will conduct a thorough review of these processes, and will identify areas that can be streamlined and savings generated as a result.

BUDGET CHANGE ITEM (59003)

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: HEALTHY KIDS LEARN

helping children stay healthy and schools with their priority of academic achievement, are in unique positions to help assure that all children are healthy and ready to learn. However, to meet today's challenges, we need to look to new ways of doing business. Partnerships that actively involve parents and the larger community including businesses, nonprofit organizations, and others will be necessary for success in helping children and youth maintain their health, achieve academically, and become productive citizens.

This initiative enhances and builds on the natural partnership between schools and public health by involving students, parents, and the community in developing innovative community-directed strategies. This initiative will augment current efforts of the Coordinated School Health Program, a joint activity between the Department of Health and the Department of Children, Families and Learning that expands and strengthens the capacity of the state health and education agencies and local public health and school districts to plan, implement, and evaluate a coordinated approach to school health.

Building Partnerships: Replicating the successful partnership between the Minneapolis School District and its Healthy Learners Board, this initiative will be guided by a Healthy Kids Learn Steering Committee. The steering committee will be charged with developing a multi-faceted plan that addresses some of Minnesota's most pressing school health problems. Funding will be available in FY 2004 to begin implementation of innovative and promising intervention strategies. Steering committee membership will include representation from public and private entities that have a vested interest in the well-being and academic achievement of youth.

This steering committee will begin by tackling three challenging issues currently facing schools – asthma, autism, and immunizations. Asthma is the most common cause of school days missed, significantly influencing academic achievement. Autism has an incidence rate that has increased an average of 32% each of the last nine years and is one of the fastest growing disabilities in Minnesota with correspondingly high health and special education costs. Immunization rates in Minnesota are lagging behind national goals. Many children come to school not fully immunized against vaccine-preventable diseases, putting themselves and other children at serious risk.

Enhancing Community Practices: Providing expert technical assistance and best practices, regional school health consultants will be a resource to schools to help them address issues such as medication management, medically fragile students, and behavioral and mental health concerns. Staff will also be charged with disseminating best practices, providing training and technical assistance to school districts and local public health agencies on school health related issues, assisting schools and communities in coordinating health activities, acting as a catalyst for school and community collaboration, and linking school personnel with state, regional, and local resources.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|-----------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| Tobacco Settlement Fund | \$60,792 | \$113,126 | \$-0- | \$-0- |
| General Fund | | | | |
| - Grants | \$1,000 | \$1,000 | \$-0- | \$-0- |
| Healthy Kids Endowment | | | | |
| - State Operations | \$-0- | \$2,000 | \$2,000 | \$2,000 |
| - Grants | \$-0- | \$1,000 | \$6,700 | \$6,700 |
| Total | | \$3,000 | \$8,700 | \$8,700 |
| Revenues: (\$000s) | | | | |
| Healthy Kids Endowment | \$-0- | \$3,000 | \$8,700 | \$8,700 |
| Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | |
| If yes, statute(s) affected: M.S. 16A.87, and a new section in M.S. 144 | | | | |
| <input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends the creation of the Healthy Kids Endowment with an appropriation of \$60,792 million in FY 2002 and \$113,126 million in FY2003 from the Tobacco Settlement Fund. Income generated from the endowment, beginning with \$3 million in FY 2003, and \$8.7 million in FY 2004, will be used to improve the health of school aged students and their learning environment. In addition, the Governor recommends \$2 million from the General Fund in the first biennium to begin the development of regional immunization information services, which will be supported by the endowment beginning in FY2003.

RATIONALE:

Good health is a necessary foundation for students to be able to learn. This requires that students' health needs be met and that school environments are healthy and safe. Minnesota has approximately 360 school districts, including 1,700 public school buildings. More than one million children attend school in Minnesota, bringing with them increasingly more unique and serious health needs such as autism, diabetes, asthma, obesity, depression, as well as other mental health conditions. Public health, with its knowledge and expertise in

BUDGET CHANGE ITEM (59003) (Continued)

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: HEALTHY KIDS LEARN

Improving School Environments: During a school week, Minnesota youth spend at a minimum one-third of their time in a school building. Many of these schools are filled with mold, dust, and air pollutants. The environmental aspects of asthma have become a significant health threat for a growing number of students. Prevalence of asthma among school-aged children in core city neighborhood schools is approaching 30%. Efforts will be directed at assuring that schools have access to up-to-date information on potential environmental health risks and that indoor air quality management plans are completed and updated as necessary.

Improving Immunization Status: A secure immunization information service is essential to reducing vaccine-preventable diseases and to reach and sustain the goal of 90% of children immunized on time. It is becoming more difficult for parents, health care and childcare providers, and school health to assure compliance with state immunization requirements and record keeping. National studies show that at least 20% of children receive an extra immunization they didn't need because of inadequate information. Managing paper immunization records has become very costly (1998 estimate of \$5 million annually for Minnesota schools and at least \$20 million for Minnesota health care providers). By contrast, a computerized system of regional immunization information services for all ages would cost an estimated \$7.3 million annually. This proposal supports the continued growth of the current regional immunization information services and a linkage into a seamless, but highly secure, information service. State funds will be leveraged to secure additional federal and private funds.

FINANCNG:

\$174 million of the unallocated one-time tobacco settlement payments will be used to create the Healthy Kids Endowment, which will sunset after 15 years. 5% of the fair market value of the fund will be appropriated each year for the following purposes.

- \$1 million in FY 2002 and \$2 million in FY 2003, 2004, and 2005 for grants to Community Health Boards to support the development and maintenance of a seamless statewide immunization information service.
- \$1 million in FY 2003 and \$1 million in FY 2004 and FY 2005 to support eight regional school health specialists, training and technical assistance opportunities, and to develop an interactive website.

- \$900,000 in FY 2003 and \$900,000 in FY 2004 and FY 2005 to support nine FTEs to provide environmental health and public health expert consultation and planning, administrative coordination across agencies, data collection and analysis, and communication and clerical support. Funding will also support an evaluation contract to monitor Healthy Kids Learn initiatives.
- \$100,000 in FY 2003 and \$100,000 in FY 2004 and FY 2005 to support a Healthy Kids Learn Steering Committee, which will identify innovative and most promising strategies to improve the health of Minnesota students.
- \$4.7 million in FY 2004 and \$4.7 million FY 2005 for matching funds for public-private Healthy Kids Learn initiatives to implement strategies defined by the Healthy Kids Learn Steering Committee. These initiatives may be local, regional, or statewide and must have at least 25% matching from non-governmental sources. These initiatives must demonstrate coordination with the appropriate school districts, Community Health Boards, Family Services Collaboratives, Mental Health Collaboratives, and Service Cooperatives.

OUTCOMES:

- By 12-30-03, 75% of schools will have implemented an indoor air quality management plan and educational kits for mitigating asthma triggers will be provided to all schools.
- By 7-1-05, decrease by 15% hospitalizations and emergency room care for children due to asthma.
- By 2005, at least 90% of children will be immunized on time, no matter their race-ethnicity, family income level, or residence.
- By 2005, all preschool and school age children will be in a secure immunization information service.
- By 7-1-02, an interactive web page with health related materials for school nurses, teachers, students, and parents will be available to support health promotion linking public health and school activities in local communities.
- By 12-30-03, MDH will assess toxicity for the 10 most commonly used chemicals in schools and determine less toxic alternatives. By 9-30-04, a plan will be in place to promote the use of less toxic substances by Minnesota school districts.
- By 12-30-05, 75% of school districts will be active participants in a Healthy Kids Learn partnership along with parents, local business, public health, and health provider representatives.
- By 7-1-05, increase the number of children ages three-five screened for autism spectrum disorders and referred to appropriate resources based on needs identified at the time of screening.

BUDGET CHANGE ITEM

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: SUICIDE PREVENTION

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|------------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - State Operations | \$275 | \$275 | \$275 | \$275 |
| - Grants | \$825 | \$825 | \$825 | \$825 |
| Total | \$1,100 | \$1,100 | \$1,100 | \$1,100 |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

X New Activity _____ Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$1.1 million annually to address suicide prevention and mental health promotion efforts.

RATIONALE:

Approximately 500 Minnesotans die each year from suicide (three times as many as from homicide). Suicide is the second leading cause of death for Minnesotans ages 10 to 34. The majority of people who attempt suicide have underlying mental health disorders, most frequently depression, which is treatable. When mental health is compromised, the impact on Minnesotans is staggering. Twelve percent of children suffer from a mental health disorder (1994 Institute of Medicine report, "Reducing Risks for Mental Disorders: Frontiers for Preventive Intervention Research). Only about 10-30% of Minnesotans in need of mental health services receive appropriate treatment resulting, in part, in an unyielding annual number of suicides statewide.

Minnesota has not had a coordinated dedication of resources or efforts to address increasing concerns with suicide and broader mental health issues. However, recent statewide developments are encouraging, including increased inter-agency discussion and planning around mental health and the development of a state suicide prevention plan. This plan, developed with the

engagement of citizens statewide, promotes an integrated public health approach. The United States Air Force has proven that just such an approach has resulted in a 75% reduction in suicides.

Based on the Surgeon General's Call to Action to Prevent Suicide, this proposal creates capacity to implement some of the priorities in Minnesota's suicide prevention plan. It also begins to address the broader issue of mental health promotion as a means to intervene early with those mental disorders that can be prevented and successfully treated. Treatment and recovery are strengthened through an informed and supportive community, expediting one's return to full participation in school, work, and family life. This proposal includes:

- strengthening the capacity of the state and local public health system and of communities to address suicide prevention and mental health promotion;
- reducing the stigma associated with both mental illness and help-seeking behaviors through statewide education; and
- promoting employee assistance and workforce programs.

FINANCING:

\$275,000 annually for state support necessary to begin implementation of the suicide prevention plan. Three FTEs would provide the following: coordination of planning across interagency public partners and with private employee assistance programs and workforce sector; technical assistance and training throughout the public health system and community partners; and enhanced data collection and analysis to inform evaluation, program, and policy development

\$825,000 annually for non-competitive, community-based planning and implementation grants for suicide prevention and mental health improvement strategies targeted to populations at highest risk, including teenagers and young adults.

There is no base funding in the department's budget for these activities.

OUTCOMES:

- Decrease the rate of suicides by 10% by 2004.
- Increase awareness of symptoms of mental disorders, suicide warning signs, and intervention strategies, leading to earlier identification, treatment, and enhanced community-based systems of response.
- Enhance state and county capacity to collect and analyze data to provide service providers and policymakers with necessary information for more comprehensive needs assessment and to develop and evaluate effective prevention and intervention strategies.

BUDGET CHANGE ITEM

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: TEEN PREGNANCY PREVENTION

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|-----------|------------------|-----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| TANF | | | | |
| - State Operations | \$800 | \$800 | \$800 | \$800 |
| - Grants | \$9,200 | \$9,200 | \$9,200 | \$9,200 |
| Total | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| General Fund | | | | |
| - DHS-MA Savings | \$-0- | \$(2,600) | \$(2,200) | \$(2,200) |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes No

If yes, statute(s) affected: New section in M.S. 144

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$10 million in TANF funds each fiscal year to enhance teen pregnancy prevention efforts.

RATIONALE:

The negative consequences of unintended pregnancies, especially to teens, can be overwhelming. Teenagers who become pregnant are less likely to graduate from high school and are more likely to be single parents, to live in poverty, to have experienced sexual abuse, and to depend on welfare programs than women who wait to give birth beyond their teen years. Children of adolescent parents have poorer health, lower cognitive development, worse educational outcomes, and higher rates of behavioral problems than do children born to older mothers.

While Minnesota's teen pregnancy rate among whites is one of the lowest in the nation, the rate among African American teens is one of the highest. Just as

alarming is the fact that while the pregnancy rate for white teenagers is decreasing, the pregnancy rates for Asian and Hispanic teens is increasing. The high rates of poverty and segregation in Minnesota's racial minority communities pose significant additional risk factors for youth.

Data from the Department of Human Services indicates that approximately 48% of Minnesota families who received MFIP (Minnesota Family Investment Program) in December 1999 began with a teen birth. Based on the average cost per MFIP case, more than \$12 million was spent that month alone on families that began with a teen giving birth. It is estimated that 80% of all adolescent mothers will at sometime receive government assistance during the 10 years following the birth of their first child. Significant potential is lost and challenges increase greatly when youth become parents. Decreasing teen pregnancy is one of the most significant steps that can be taken to increase self-sufficiency by reducing the need to rely on governmental assistance.

It is anticipated that this initiative will reduce the number of births to teens by 10% in the second year of the biennium resulting in savings in the state Medicaid share of \$2.6 million. It is anticipated that in the subsequent two years births to teens will be reduced by 8%. This will result in Medicaid savings of \$2.2 million in FY 2004 and in FY 2005

Teen pregnancy is a complex problem requiring multiple reinforcing or diverse interventions. No single intervention will work for all teens. Research suggests that to be successful, teen pregnancy prevention efforts need to focus on teens' motivations and on social norms, that they need to include sex and abstinence education, and incorporate services such as youth development programs and programs to reduce repeat pregnancies by teens. This multifaceted initiative fills in the gaps and enhances Minnesota's current activities around teen pregnancy prevention, and is built on the framework of past Minnesota teen pregnancy prevention plans and the one currently being completed. This initiative is designed to help youth successfully move into a responsible and self-sufficient adulthood by postponing parenthood until they are ready and able to parent.

FINANCING:

- \$2.4 million annually for 20 to 25 grants to community-based organizations. These grants will focus on reducing disparities in teen pregnancy rates between whites, American Indians, and populations of color. Services will be targeted to those populations most adversely affected by health disparities and will be provided through culturally-based community organizations in collaboration or partnership with others in the community.
- \$1.4 million annually for 10 to 15 non-competitive grants to Community Health Boards or tribal governments that currently have culturally appropriate youth development programs in place, who are interested in adding or enhancing

BUDGET CHANGE ITEM (Continued)

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: TEEN PREGNANCY PREVENTION

current programming based on successful teen pregnancy prevention activities, and who have the greatest need and highest numbers or rates of teen pregnancies.

- \$2.5 million annually to tribal governments and Community Health Boards to support local public health efforts, in partnership with others, to mobilize the community to come together to address the issue of teen pregnancy prevention. Funding to Community Health Boards will be allocated using the MCH block grant formula.
- \$1.4 million annually for a grant for the development of statewide media campaigns that are culturally appropriate and designed with a focus on using positive approaches to the prevention of teen pregnancy, including abstinence education messages; that promote parental awareness about the importance of talking with their children about sex; and about the issues of date rape and sexual violence. Campaigns would be coordinated with other statewide and local activities. Funding would also support a 1-800 number and a website for teens.
- \$500,000 annually for a grant to the Department of Children, Families and Learning for expansion of the teen parent program, which supports preventing or delaying secondary births and supports teen parents to stay in school.
- \$600,000 annually for a grant for statewide capacity building activities which would include: implementation of train-the-trainer parent/child communication programs which includes information on sexual abuse awareness; training that addresses sexual harassment in the community; the dissemination and training of youth serving professionals on sexuality education curricula that have been evaluated and are shown to be successful; and training of professionals who work with children and youth on the identification and referral of children who have experienced sexual abuse.
- \$800,000 annually for the implementation and monitoring of teen pregnancy prevention activities under the guidance of an interagency coordinating committee. Eight FTEs will coordinate and link new activities with existing programs, provide technical assistance on promising or best practices, coordination of state and local activities including media, training of professionals on how to work with adolescents, grant monitoring, and data analysis.

- \$400,000 annually for a grant for ongoing process and outcome evaluation to determine the success of initiative activities in meeting identified outcomes.

OUTCOMES:

- Reduce the teen pregnancy rates by 24% over the next four years.
- Reduce the percent of 9th graders by 20% and 12th graders by 10% who report on the 2004 Minnesota Student Survey that they have engaged in sexual intercourse.
- Increase the percent of sexually active 9th and 12th graders who report on the 2004 Minnesota Student Survey that they or their partner used a condom the last time they had sexual intercourse by 10%.
- Reduce by 10% the number of subsequent births to youth over the next four years.
- By the end of FY 2005, scientifically reliable information on the teen population will be available concerning risk behaviors and protective factors so that resources can be targeted most effectively.
- Reduced demand for childcare assistance by teen parents would result in costs averted to the DCFL childcare assistance fund by almost a \$1 million by FY 2005.

BUDGET ACTIVITY SUMMARY

Budget Activity: MINORITY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

ACTIVITY PROFILE:

The Office of Minority Health exists to champion the improvement of health quality and reduce the burden of preventable disease and illness for American Indians and populations of color in Minnesota. The focus of the activity is to build capacity through cooperative and collaborative efforts within MDH and externally with other state agencies, local public health agencies, health service providers, and community-based health organizations. The activity

- encourages and supports ongoing research and studies regarding the health status and concerns of American Indians and populations of color;
- builds relationships between MDH and state agency advisory committees, work groups, and community based organizations; and
- serves as a focal point and resource to individuals and organizations seeking information on the health of American Indians and people of color and as a point of contact to express concerns, questions, and comments on the health status of American Indians and populations of color.

STRATEGIES AND PERFORMANCE:

MDH has prepared, and is implementing a system-wide strategic minority health action plan committed to

- developing of a comprehensive minority health information database;
- improving the appropriate sharing of race/ethnicity information within the state data practices framework;
- integrating of minority health activities into all existing MDH policies, programs, and practices;
- targeting existing department grant programs to impact minority health disparities, particularly a teen pregnancy initiative addressing the high rates of unintended pregnancy among young African American women;
- promoting a cultural competency in health care workplaces; and
- convening local community meetings regarding minority health issues.

FINANCING INFORMATION:

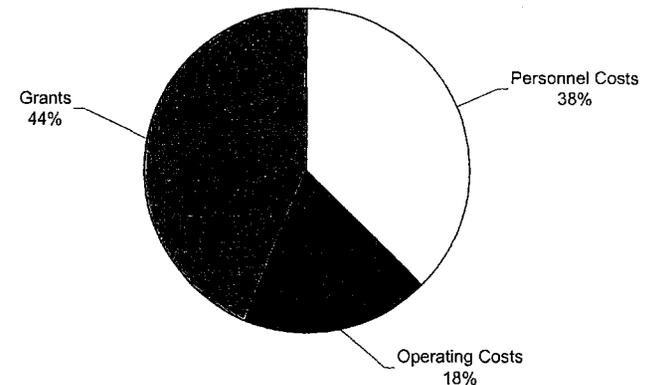
The Minority Health activity is funded by a combination of state appropriations and federal funds. The activity receives federal funds through contracts for a portion of the cultural competency initiative and Preventive Block Grant funding for the African American teen pregnancy initiative.

BUDGET ISSUES:

Dedication of additional resources to closing the gaps in health status experienced by Minnesota's racial and ethnic minority populations is critical.

2000 - 01 Expenditures by Category

Total: \$909 (In 000's)



Activity: MINORITY HEALTH
 Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|----------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 138 | 131 | 210 | 217 | 217 | 224 | 224 | 100 | 29.3% |
| OTHER OPERATING EXPENSES | 83 | 47 | 121 | 78 | 78 | 78 | 78 | (12) | (7.1%) |
| Subtotal State Operations | 221 | 178 | 331 | 295 | 295 | 302 | 302 | 88 | 17.3% |
| LOCAL ASSISTANCE | 0 | 141 | 259 | 0 | 0 | 0 | 0 | (400) | (100.0%) |
| Total Expenditures | 221 | 319 | 590 | 295 | 295 | 302 | 302 | (312) | (34.3%) |

| | | | | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|--|--|
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 101 | 300 | 500 | 204 | 204 | 208 | 208 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 120 | 4 | 17 | 15 | 15 | 15 | 15 | | |
| FEDERAL | 0 | 15 | 73 | 76 | 76 | 79 | 79 | | |
| Total Financing | 221 | 319 | 590 | 295 | 295 | 302 | 302 | | |

| | | | | | | | | | |
|---------------------------------|------------|----------|-----------|-----------|-----------|-----------|-----------|--|--|
| Revenue Collected: | | | | | | | | | |
| Dedicated | | | | | | | | | |
| SPECIAL REVENUE | 124 | 5 | 15 | 15 | 15 | 15 | 15 | | |
| Total Revenues Collected | 124 | 5 | 15 | 15 | 15 | 15 | 15 | | |

| | | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|--|--|
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 2.3 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | | |
| Total Full-Time Equivalent | 2.7 | 2.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | | |

Budget Activity: MINORITY HEALTH
 Program: FAMILY & COMMUNITY HEALTH
 Agency: HEALTH DEPT

Pass Through Grants Administered By The Office Of Minority Health

| Program Name Federal or State or Both (if applicable) | Purpose | Recipient Type (s) Eligibility Criteria | 2000-2001 State Appropriation | Most Recent Federal Award (one year) |
|---|--|--|----------------------------------|--|
| Minority Health Needs Assessment Grants | The Minority Health needs assessment grants was established to provide grants to local/county public health agencies to conduct a health needs assessment specific to populations of color | Eligible applicants are local/county public health agencies, with the additional criteria for application, and ad hoc advisory committee reflecting people of color; use of CHS planning guidelines (8 grantees) | \$400,000/bienium | |

PROGRAM SUMMARY

Program: ACCESS AND QUALITY IMPROVEMENT
Agency: HEALTH DEPT

PROGRAM PROFILE:

This program works to promote health for all Minnesotans through access to affordable, quality health care. The program also carries out the state's health provider regulation activities in order to assure that health care delivery systems comply with minimal standards designed to safeguard and promote the health and safety of consumers by regulating allied health occupations, mortuaries and cemeteries, health care facilities, and managed care organizations.

STRATEGIES AND PERFORMANCE:

Health Policy and Systems Compliance activities protect the health of the public through credentialing and regulation of health service occupations and by providing unbiased data analysis and information.

Key strategies include:

- Protect consumers from inappropriate actions by credentialing speech therapists and audiologists, hearing instrument dispensers, and occupational therapists, and licensing alcohol and drug counselors, funeral directors, funeral establishments, crematories, HMOs, and complaint investigation and resolution.
- Analyze of Minnesota health data, national health data, etc., to create information on trends in costs, quality, and access to health care, and provide unbiased and statistically sound information to consumers and policymakers.

Facility and Provider Compliance activities protect the health of the public by assuring quality of care provided for patients and residents by health care organizations, and assures health care expenditures reflect the services needed and provided. This activity regulates both facility-based and non-facility-based providers. The providers include nursing homes, hospitals, certified Intermediate Care Facilities for the Mentally Retarded (ICF/MR), Regional Treatment Centers, home care, laboratories, renal dialysis centers, and physical therapists.

Key strategies include:

- Case mix review assures that the quality and quantity of services provided to nursing home residents are appropriate to each individual's needs.
- Engineering services assures that health care facilities provide a comfortable, sanitary, and safe environment by assuring compliance with physical plant rules for state licensure and National Fire Protection Association Life Safety Code standards for federal certification of these facilities.
- Licensing and certification assures quality care through provider and

consumer education, on-site inspections, initiation of enforcement actions, coordination of compliant referrals with the Office of Health Facility Complaints, processing applications for licensure and Medicare and/or Medicaid federal certification, and administration of the nursing assistant registry.

- Investigation of complaints filed against health care facilities and providers by the Office of Health Facility Complaints (OHFC). OHFC works in conjunction with law enforcement agencies involving complaints of abuse or neglect of vulnerable adults occurring in health care settings.

FINANCING INFORMATION:

This program represents 20% of the department's budget. Activities in this program are funded through the State Government Special Revenue Fund (fee revenue), General Fund, and Health Care Access Fund. There are also several large contracts with the Department of Human Services to inspect and regulate long-term care facilities and managed care organizations serving public populations.

BUDGET ISSUES:

Regulatory programs continue to need increases in both appropriations and fees to maintain the level of activity required by law and to meet state matching requirements for Medicare and Medicaid activities.

Program: ACCESS & QUALITY IMPROVEMENT
 Agency: HEALTH DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|--|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| HEALTH POLICY & SYSTEMS COMPLI FACILITY AND PROVIDER CMLPNC | 26,978 | 20,498 | 55,774 | 40,857 | 64,731 | 41,399 | 62,523 | 50,982 | 66.8% |
| | 18,264 | 18,950 | 19,998 | 19,155 | 19,565 | 19,221 | 19,631 | 248 | 0.6% |
| Total Expenditures | 45,242 | 39,448 | 75,772 | 60,012 | 84,296 | 60,620 | 82,154 | 51,230 | 44.5% |

| Change Items: | Fund | | | | | | | | |
|---|-------------|--|--|--|---------------|--|---------------|--|--|
| (B) OT-SLP-A DEREGULATION/ELIMINATE SURCHAGE | SGS | | | | (401) | | (409) | | |
| (B) HEALTH PLAN REGULATORY REFORM | GEN | | | | 725 | | | | |
| (B) HEALTH PLAN REGULATORY REFORM | SGS | | | | (1,450) | | (1,467) | | |
| (B) MN CENTER FOR HEALTH QUALITY | HCA | | | | 10,000 | | | | |
| (B) ACADEMIC HEALTH CENTER FUNDING | MEE | | | | | | 8,000 | | |
| (B) SUPPORTING MN'S HEALTH CARE SAFETY NET | HCA | | | | 15,000 | | 15,000 | | |
| (B) HOME CARE QUALITY ASSURANCE | SGS | | | | 410 | | 410 | | |
| Total Change Items | | | | | 24,284 | | 21,534 | | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 213 | 309 | 5,498 | 5,581 | 6,306 | 5,549 | 5,549 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 4,967 | 5,208 | 7,071 | 7,843 | 6,402 | 7,958 | 6,492 | | |
| HEALTH CARE ACCESS | 3,651 | 2,774 | 4,132 | 3,225 | 28,225 | 3,277 | 18,277 | | |
| Open Appropriations: | | | | | | | | | |
| MEDICAL EDUCATION & RESEARCH | 20,619 | 15,001 | 41,584 | 28,784 | 28,784 | 29,665 | 37,665 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 15,203 | 15,752 | 15,897 | 8,657 | 8,657 | 8,657 | 8,657 | | |
| FEDERAL | 407 | 355 | 1,575 | 5,922 | 5,922 | 5,514 | 5,514 | | |
| GIFT | 182 | 49 | 15 | 0 | 0 | 0 | 0 | | |
| Total Financing | 45,242 | 39,448 | 75,772 | 60,012 | 84,296 | 60,620 | 82,154 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| FULL TIME | 250.3 | 259.4 | 297.9 | 289.5 | 313.0 | 289.5 | 289.5 | | |
| PART-TIME, SEASONAL, LABOR SER | 5.3 | 7.3 | 7.6 | 7.5 | 7.5 | 7.5 | 7.5 | | |
| OVERTIME PAY | 0.3 | 0.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | | |
| Total Full-Time Equivalent | 255.9 | 266.8 | 306.6 | 298.1 | 321.6 | 298.1 | 298.1 | | |

BUDGET ACTIVITY SUMMARY

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS AND QUALITY IMPROVEMENT
Agency: HEALTH DEPT

ACTIVITY PROFILE:

This activity strives to assure high-quality, affordable health care for all Minnesotans at reasonable cost for Minnesotans through data collection and analysis, policy development, education, and regulation.

STRATEGIES AND PERFORMANCE:

Consumer Protection: Protecting consumers from inappropriate actions by credentialing allied health practitioners, mortuaries and crematories, and licensing HMOs. Complaint investigation and resolution has led to many enforcement actions and policy changes.

- Complaint resolution and enforcement actions by the Managed Care Section (MCS) have resulted in the revision of HMO claims processing to ensure proper payment, changing a health plan's criteria to properly authorize and pay for mental health services, and resolution of consumers' payment issues. In FY 2000, MCS handled 2,000 consumer calls, investigated 545 complaints, performed 11 audits and 214 compliance reviews, and took nine formal regulatory actions.
- Conducted 204 investigations in 1999-2000 of fraud by hearing instrument dispensers, misrepresentation of credentials by practitioners, alcohol and drug counselor substance abuse relapses, and sexual misconduct by mental health practitioners involving their client through the Health Occupations (HOP) Section complaint investigation and enforcement activities. Credentialed 5,820 individuals involved in six allied occupations and 36 disciplinary actions were taken.
- Oversight of mortuaries, crematories, and cemeteries. Currently, there are 106 deaths per day and, in 1999, an estimated \$73.5 million in pre-need accounts in Minnesota. Mortuary science complaints and investigations have revealed violations related to unlawful and fraudulent maintenance of over \$3 million pre-need funds, nondisclosure of fees, and other fraud on elderly individuals during very vulnerable times. Licensed 1,600 morticians, 550 funeral establishments, and 40 crematories, and investigated 36 complaints and completed four enforcement actions in 1999.

Analysis and Policy Development: With increasing health care costs and concerns about the cost of and access to quality health care, the analysis of Minnesota health data is more and more important for consumers and policymakers. By analyzing surveys, national health data, and limited

Minnesota health data, information is created on trends in costs and access of health care both nationally and in Minnesota. Issues such as rising premium costs, uninsurance, senior drugs, uncompensated care, funding for medical education and research, risk adjustment, medical errors, and Minnesota's hospital moratorium have major constituencies on all sides, making fact finding difficult for policymakers and consumers. This activity provides unbiased and statistically sound information to use when faced with decisions. Benefits of this activity include:

- Improved collection of hospital financial, services, and utilization information gives us a better look at the state of Minnesota hospitals.
- HEDIS data on HMOs allows Minnesotans to evaluate HMOs' performance on indicators including childhood immunizations, cervical cancer screening, and eye exams for people with diabetes.
- New data collection efforts supported by a \$1.6 million Health Resources and Service Administration (HRSA) grant will help understand the uninsured population through a large household survey, an employer survey, focus groups, etc.
- Health plan data, including claims and enrollment, is being used to better assess the delivery system's performance and health outcomes.

Education and Consumer Assistance responded to over 4,200 consumer calls received by the Information Clearinghouse. Consumers were provided with direct information and directed to other appropriate sources of information on MinnesotaCare, Medicaid, Medicare, private insurance, and HMO's.

During FY 2000, over 2,700 medical professionals were assisted with their medical educational costs through the distribution of \$15 million of state and federal appropriations and tobacco endowment proceeds by the Medical Education and Research Costs (MERC) program.

FINANCING INFORMATION:

Primary sources of funding for this activity are the Health Care Access fund for policy and research activities, the State Government Special Revenue fund for the regulatory activities, and tobacco endowment earnings for MERC.

BUDGET ISSUES:

The 2000 legislature transferred cemetery regulation to MDH. However, no funding was provided at that time and is not included in our and base budget for 2002-2003.

BUDGET ACTIVITY SUMMARY (Continued)

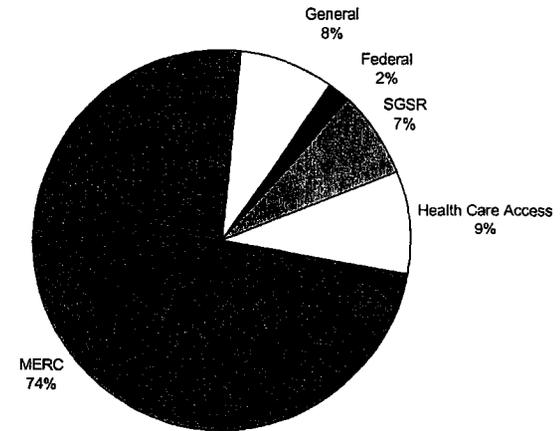
Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS AND QUALITY IMPROVEMENT
Agency: HEALTH DEPT

GRANTS:

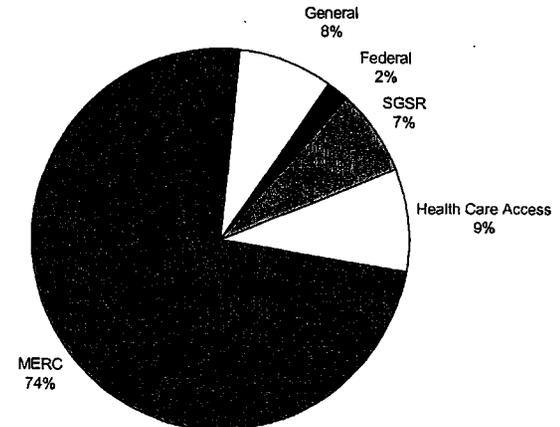
MERC Trust Fund Programs: The MERC trust fund provides funding to patient care settings that provide clinical training to medical students and residents, advanced practice nursing students, dental students and residents, physician assistant students, and PharmD students and residents. All Minnesotans benefit from medical education activities because medical professionals-in-training provide direct patient care, often in medically under-served areas, and more than 50% of these trainees continue to practice in Minnesota after their training.

HRSA Grant for Survey on Uninsured Minnesotans: MDH was awarded \$1.630 million from the Health Resources Services Administration to do an in-depth analysis of the uninsured population in Minnesota. The Health Economic Section will conduct a large-scale household survey to collect better information to understand disparities in health coverage for populations of color, rural Minnesotans, and lower-income Minnesotans. In addition, an employer survey and a MinnesotaCare disenrollment survey will supplement our knowledge of the private and public sectors. The grant is being done in cooperation with the departments of Human Services, Economic Security, University of Minnesota Schools of Public Health, Education and Development and Statistics, the Amherst H. Wilder Research Center, the Center for Cross Cultural Health, the Institute for the Future, several Minnesota counties, and several Minnesota health plans. Work began in FY 2001 and will be completed in FY 2002.

2000-01 Expenditures by Fund
 Total: \$76,272 (in 000's)



2000-01 Expenditures by Fund
 Total: \$76,272 (in 000's)



Activity: HEALTH POLICY & SYSTEMS COMPLI
 Program: ACCESS & QUALITY IMPROVEMENT
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 3,966 | 3,897 | 4,704 | 4,729 | 8,768 | 4,738 | 3,173 | 3,340 | 38.8% |
| OTHER OPERATING EXPENSES | 2,128 | 1,515 | 4,551 | 2,559 | 7,394 | 2,211 | 1,900 | 3,228 | 53.2% |
| Subtotal State Operations | 6,094 | 5,412 | 9,255 | 7,288 | 16,162 | 6,949 | 5,073 | 6,568 | 44.8% |
| LOCAL ASSISTANCE | 20,884 | 15,086 | 46,519 | 33,569 | 48,569 | 34,450 | 57,450 | 44,414 | 72.1% |
| Total Expenditures | 26,978 | 20,498 | 55,774 | 40,857 | 64,731 | 41,399 | 62,523 | 50,982 | 66.8% |

| Change Items: | Fund | | | | | | | | |
|---|-------------|--|--|--|---------------|--|--|---------------|--|
| (B) OT-SLP-A DEREGULATION/ELIMINATE SURCHARGE | SGS | | | | (401) | | | (409) | |
| (B) HEALTH PLAN REGULATORY REFORM | GEN | | | | 725 | | | | |
| (B) HEALTH PLAN REGULATORY REFORM | SGS | | | | (1,450) | | | (1,467) | |
| (B) MN CENTER FOR HEALTH QUALITY | HCA | | | | 10,000 | | | | |
| (B) ACADEMIC HEALTH CENTER FUNDING | MEE | | | | | | | 8,000 | |
| (B) SUPPORTING MN'S HEALTH CARE SAFETY NET | HCA | | | | 15,000 | | | 15,000 | |
| Total Change Items | | | | | 23,874 | | | 21,124 | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 213 | 309 | 5,498 | 5,522 | 6,247 | 5,490 | 5,490 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 2,070 | 2,135 | 3,067 | 2,664 | 813 | 2,713 | 837 | | |
| HEALTH CARE ACCESS | 3,651 | 2,774 | 4,132 | 3,225 | 28,225 | 3,277 | 18,277 | | |
| Open Appropriations: | | | | | | | | | |
| MEDICAL EDUCATION & RESEARCH | 20,619 | 15,001 | 41,584 | 28,784 | 28,784 | 29,665 | 37,665 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 69 | 74 | 83 | 82 | 82 | 82 | 82 | | |
| FEDERAL | 174 | 156 | 1,395 | 580 | 580 | 172 | 172 | | |
| GIFT | 182 | 49 | 15 | 0 | 0 | 0 | 0 | | |
| Total Financing | 26,978 | 20,498 | 55,774 | 40,857 | 64,731 | 41,399 | 62,523 | | |

Activity: HEALTH POLICY & SYSTEMS COMPLI
 Program: ACCESS & QUALITY IMPROVEMENT
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| Revenue Collected: | | | | | | | |
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 2 | 1 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL | 174 | 156 | 1,395 | 580 | 580 | 172 | 172 |
| MEDICAL EDUCATION & RESEARCH | 20,619 | 15,150 | 33,078 | 18,000 | 18,000 | 18,000 | 18,000 |
| GIFT | 217 | 2 | 8 | 0 | 0 | 0 | 0 |
| Nondedicated | | | | | | | |
| GENERAL | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| STATE GOVERNMENT SPECIAL REVENUE | 2,193 | 2,503 | 2,549 | 2,623 | 719 | 2,568 | 719 |
| Total Revenues Collected | 23,208 | 17,815 | 37,033 | 21,206 | 19,302 | 20,743 | 18,894 |
| FTE by Employment Type: | | | | | | | |
| FULL TIME | 61.3 | 65.4 | 74.9 | 66.0 | 89.5 | 66.0 | 66.0 |
| PART-TIME, SEASONAL, LABOR SER | 2.6 | 3.6 | 2.6 | 2.5 | 2.5 | 2.5 | 2.5 |
| Total Full-Time Equivalent | 63.9 | 69.0 | 77.5 | 68.5 | 92.0 | 68.5 | 68.5 |

Budget Activity: HEALTH POLICY & SYSTEMS COMPLIANCE
 Program: ACCESS AND QUALITY IMPROVEMENT
 Agency: HEALTH DEPT

Grant and Loan Programs Administered by Health Policy & Systems Compliance

| Program Name | Purpose | Recipient Type (s) Eligibility Criteria | 2001 State Appropriation | Most Recent Federal Award (one year) |
|---|--|--|---|--|
| Medical Education and Research Cost (MERC) Trust Fund | The MERC trust fund was established to address the increasing financial difficulties of Minnesota's medical education and medical research organizations. | Eligible applicants are accredited medical education teaching institutions, consortia, and programs operating in Minnesota (17 grantees) | \$5.0 million General Fund \$7.3 million Medical Education Endowment | \$7.8 million (FY 2000) |
| Minnesota Health Data Institute | The Minnesota Health Data Institute is a public-private partnership established to provide purchasers and consumers with comparative information on the cost and quality of health care. | This grant is a sole source grant to the Minnesota Health Data Institute. | \$85,000 | |

BUDGET CHANGE ITEM (54496)

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: OCCUPATIONAL THERAPIST, SPEECH LANGUAGE PATHOLOGIST AND AUDIOLOGIST DEREGULATION

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|----------|------------------|----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - State Operations | \$ (401) | \$ (409) | \$ (409) | \$ (409) |
| Revenues: (\$000s) | | | | |
| State Government | | | | |
| Special Revenue | \$ (454) | \$ (382) | \$ (382) | \$ (382) |

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 148.6401-148.6450

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends the deregulation of occupational therapists and speech language pathologists and audiologists. Currently, MDH licenses approximately 3,000 occupational therapists and 1,100 speech language pathologists and audiologists. The deregulation of these occupations will result in a savings of \$810,000 for the FY 2002-03 biennium.

RATIONALE:

The Department of Health spends over \$290,000 each year in the regulation of occupational therapists, and \$115,000 each year in the regulation of speech language pathologists and audiologists. The department has determined that there is little public health protection in the licensing of these occupations as the vast majority of complaints and investigations involve the misuse of the titles rather than patient safety. In 1999, there were 92 investigations and 32 enforcement actions taken and, with one exception related to insufficient continuing education, all were for title use violations.

Minnesota Statutes, Section 214.001, subd. 2 clearly defines the criteria for regulation of any occupation and states that no regulation shall be imposed on

any occupation unless required for the safety and well being of the citizens of the state. The factors to determine regulation include:

- Whether the unregulated practice of an occupation may harm or endanger the health, safety, and welfare of citizens of the state and whether the potential for harm is recognizable and not remote.
- Whether the practice of an occupation requires specialized skill or training and whether the public needs and will benefit by assurances of initial and continuing occupational ability.
- Whether the citizens of this state are or may be effectively protected by other means.
- Whether the overall cost effectiveness and economic impact would be positive for citizens of the state.

MDH believes that the regulation of occupational therapists and speech language pathologists and audiologists does not meet these criteria. Therefore, the department recommends the regulation of these health occupations be discontinued.

FINANCING:

The regulation of these occupations is financed through licensing fees collected from practitioners and deposited in the State Government Special Revenue fund (SGSR). Savings identified in this initiative reflect appropriations from the SGSR fund allocated to these activities. Corresponding reductions in anticipated revenues to the fund will also occur.

This budget initiative includes the elimination of the surcharge for occupational therapists that was due to expire in 2002. The revenue to cover the start-up costs has been collected sooner than originally expected because of a higher than expected number of applicants, resulting in the costs being paid off over a shorter period of time.

Savings from this proposal are reinvested within the Governor's FY 2002-03 biennial budget.

OUTCOMES:

MDH believes that the deregulation of these occupations will reduce the cost of services for consumers because the licensing fees are included as part of practitioners' business costs.

BUDGET CHANGE ITEM

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: HEALTH PLAN REGULATORY REFORM

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|-----------|------------------|-----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - MDH | \$725 | \$-0- | \$-0- | \$-0- |
| - DOC Financial Exam | \$138 | \$277 | \$277 | \$277 |
| - DOC Enforcmnt Compl | \$587 | \$1,190 | \$1,190 | \$1,190 |
| Total | \$1,450 | \$1,467 | \$1,467 | \$1,467 |
| State Government Special Revenue Fund | | | | |
| - MDH | \$(1,450) | \$(1,467) | \$(1,467) | \$(1,467) |
| Revenues: (\$000s) | | | | |
| General Fund | \$1,450 | \$1,467 | \$1,467 | \$1,467 |
| State Government Special Revenue Fund | \$(1,450) | \$(1,467) | \$(1,467) | \$(1,467) |

Statutory Change? Yes No

If yes, statute(s) affected: Creates a new Chapter 62U and amends or repeals portions of the following chapters: 13, 61B, 62A, 62C, 62D, 62E, 62J, 62L, 62M, 62N, 62Q, 62R, 62T, 256B, 257, 317A, 471, and 501B.

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends comprehensive reform of health plan regulation by creating consistent regulation of all managed care plans. This proposal will eliminate unnecessary requirements and add product flexibility enabling more affordable options for consumers. As a result of the reform, it is appropriate to consolidate enforcement of consistent standards within one state agency. The Governor therefore recommends transfer of the budget for health maintenance organization regulation from the Minnesota Department of Health (MDH) to the Department of Commerce (DOC) effective 1-1-2002.

RATIONALE:

Comprehensive health plan regulatory reform will

- improve consumer protection using consistent application of a single set of

- standards for benefits, quality assessment, and network adequacy;
- increase consumer choice and competition by allowing all types of health plan companies to offer managed care plans;
- create the potential for health plan products with lower premiums;
- eliminate administrative requirements that have little value in the current marketplace; and
- improve regulatory efficiency by applying a consistent set of standards within a single state agency.

FINANCING:

Currently, HMO regulation is a fee-based activity at MDH that operates out of the State Government Special Revenue Fund (SGSR). After implementation of this change, HMO regulation will be a fee-based activity in DOC, which operates out of the General Fund.

To better match the financing for this activity with the timing of the transfer, HMO-related regulatory activity for both MDH and DOC for FY 2002 and DOC for FY 2003 and beyond will be funded by an appropriation from the General Fund. Fee revenues collected in FY 2002 and beyond will be deposited to the General Fund as well.

OUTCOMES:

This proposal will improve consumer protection by consistent application of a single set of standards. With a level playing field for all types of managed care plans, consumers and purchasers will benefit from more clarity and fairness in health plan regulation.

The comprehensive reform proposal will help to ensure that all Minnesotans will have access to affordable, high quality health care.

After this proposal is implemented, MDH will continue to be heavily involved in monitoring the quality and cost of, and access to health care. This proposal requires all health plan companies offering managed care products to file an annual report with the commissioner of health with specific measures that relate to outcomes of care, effectiveness of care, use of services, access to care, and patient satisfaction. This information, along with other data and research, will be used to monitor the health care industry and assist in the development of public health care policy in Minnesota.

In DOC, consistent application of a single set of standards will enable both improved consumer protections and more efficiency in regulatory program operations.

BUDGET CHANGE ITEM

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: MN CENTER FOR HEALTH QUALITY

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| Health Care Access Fund | \$10,000 | \$-0- | \$-0- | \$-0- |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |
| Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | |
| If yes, statute(s) affected: M.S. 62J.01, 62J.015, 62J.017, 62J.04, 62J.152, 62J.212, 62J.451, 62J.81 | | | | |
| <input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time \$10 million appropriation from the Health Care Access Fund to create the Minnesota Center for Health Quality. The Center will integrate, coordinate, and focus health assessment and quality activities in the state in order to achieve measurable health improvement for Minnesotans.

RATIONALE:

Reforming the health care system relies on individuals having unbiased information available on access, effectiveness, cost, and quality to guide their choices. In the health care marketplace today, consumers lack access to information about the cost or quality of the services they use. Consumers routinely make choices about health care products and services, but they make these choices without objective public data that enables them to know which practitioners, clinics, hospitals, or health plans consistently create the best results. They have limited information on the effectiveness of treatments or new technologies. If Minnesota wants a functional health care market, it must provide easy access to information in the public domain.

Assuring the accountability of the health care system is a key function of public health agencies. Although U.S. citizens have access to some of the most advanced medical treatment in the world, health care in the United States is

characterized by underuse, overuse, misuse, and variation in use of medical services. Variations in the quality of our health care have serious implications for all of us. While once a leader, Minnesota lags far behind other states in making data on the health care system publicly available. We lack a mechanism for analyzing trends in health quality and providing feedback to providers in order to promote accountability and health quality improvements.

To hold the health care system responsible for the care it delivers, the state needs to take a leadership role in providing objective information about health care utilization and health care quality. Furthermore, state government agencies, in their roles as purchasers of health care, can lead the way in using information about the quality of health care to reward better performance and improve overall accountability for the services they have purchased.

Finally, making sure that we have a health system in place that can meet the changing needs of our population requires an understanding of not only the health status of Minnesotans, but also the health care infrastructure as it affects the quality, availability, and cost of health care. An integrated framework for assessment and evaluation is essential for providing policymakers with information to assure a fair and robust health system that results in a healthy Minnesota.

The Center for Health Quality will bring unbiased health quality information into the public domain so that individuals, communities, health care practitioners, and businesses can work together to meet the public health goals and health care needs of our state. The Center will

- engage consumers in using health care cost and quality information to guide their choices by identifying needs and developing useful, accessible public information;
- increase the accountability of the health care delivery system by monitoring and publicly reporting comparative measures of care delivery and health outcomes; and
- assure quality health care and health improvement by measuring results and prioritizing health services and programs that make a difference in health status.

These three objectives will promote health care system accountability, enable Minnesotans to make value-based health care decisions, allow for the purchasing of high-quality health care services, and refocus the health care system on prevention and interventions that improve the health of Minnesotans.

BUDGET CHANGE ITEM (Continued)

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT
Item Title: MN CENTER FOR HEALTH QUALITY

FINANCING:

A one-time, \$10 million appropriation from the Health Care Access Fund would provide funding to enable MDH to develop and establish the activities of the Center for Health Quality. The activities would be funded as follows:

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
|----------------------------------|----------------|----------------|----------------|----------------|
| Quality Improvement & Evaluation | \$1,000 | \$3,000 | \$3,000 | \$3,000 |

ACTIVITIES:

- \$5 million over FY 2002-2005 to measure, analyze, and produce a series of reports on the overall state of health and health quality in Minnesota. This includes a review of quality at hospitals, health plans or care systems, physician clinics, and long-term care facilities, as well as health cost trends and detailed cost information.

These reports will be developed, based on standard national measures, and consumer and purchaser information needs. The data will be used to enable value-based purchasing, as well as to enable the state to monitor cost and quality, and give feedback that can help providers target improvements in their practices.

- \$2 million dollars over FY 2002-2005 to determine key information needs and uses of Minnesota consumers; assess effectiveness of technologies and treatments and evaluate their associated costs; develop consumer-friendly web-based access to quality information and reports; and evaluate the results of the health quality initiative.
- \$3 million dollars over FY 2002 – 2005 to identify priority health conditions that are costly and preventable and focus the quality improvement efforts of purchasers, providers, health care delivery systems, and public health in these areas; and develop a method to better track the health care use and access for priority conditions to identify changes in the delivery of health care and the impact on health status.

Although the activities appear to require ongoing funding, state dollars will be used for start-up funds and alternative-funding sources during these four years will be explored. The degree to which purchasers and the private sector can contribute to maintaining activities of value to those parties will also be evaluated.

OUTCOMES:

The creation of the Minnesota Center for Health Quality will allow Minnesota to return to the forefront of quality measurement and health care delivery for our citizens. The success of the Center for Health Quality will be measured in the following ways.

- Engaging consumers in using cost and quality information for making choices. MDH will evaluate the level and types of consumer use of new, custom-designed, web-based quality information (via numbers of hits on the web site/reports sent out and by focus groups and surveys).
- Enabling value-based purchasing. MDH will track whether additional Minnesota purchasers are developing incentives for consumers to use high-quality, low-cost providers, based on publicly available data. (For example, some purchasers are developing incentives such as lower co-pays for consumers who choose to use quality providers.)
- Promoting best practices and improved feedback to providers on health outcomes. MDH will track whether providers are using health quality data to improve practices in their organizations. (For example, MDH can track whether hospitals adopt specific best practices in response to comparative data and feedback on risk-adjusted quality.) MDH will evaluate level & type of provider use of comparative outcome information.
- Improving health outcomes for priority conditions. MDH will measure whether the provision of preventive services increases for the priority conditions. MDH will also measure reductions in adverse health outcomes for the priority health conditions. (For example, this funding would allow MDH to identify priority health conditions such as diabetes, measure changes in the delivery of comprehensive diabetes preventive care, and measure changes in avoidable hospitalizations due to short-term complications of diabetes.)

Creation of the Center for Health Quality will require minimal changes in the type and level of data collected from health providers and plans. The Center will allow the information currently collected to be fully utilized and allow for more feedback to providers, plans and the public.

BUDGET CHANGE ITEM

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: ACADEMIC HEALTH CENTER FUNDING

Medical School faculty, the patient care revenues available for education have declined.

Minnesota, according to the US Health Index, is the healthiest state in the nation, and while no one factor can be solely credited with this accomplishment, Minnesota's longstanding commitment to provide its citizens with access to quality health care has surely played a significant role. As the state's primary source for physicians, the University's Medical School is a statewide asset. Changes in health care financing, however, are eroding the Medical School's core funding, and threatening the University's ability to maintain current enrollment levels in core programs.

A decline in the patient care revenues available for education lies at the heart of the financial problem. In 1995, the Medical School supported 54% of the direct cost of medical education with patient care revenues and other non-state dollars. Despite an increase in the number of patients seen by the Medical School faculty, patient care revenues declined as insurance companies, government agencies, and other health care payers reduced their reimbursement rates. By 1999, only 43% of the direct cost of medical education was supported with patient care revenues and other non-state dollars.

At the same time, Minnesota's health care workforce is facing a critical shortage. As the population ages and the demand for health care services continues to grow, the size of the workforce has not kept pace. Educational institutions are competing against each other for students. Employers within the health care industry are competing against each other for workers. And communities around the state are competing against each other for graduates. Many believe we are faced with a worker shortage so critical that we cannot train our way out of it.

Given the key role the AHC plays in ensuring an appropriately trained workforce for Minnesota, state funding for medical education needs to include with it the expectation that the training provided is in line with the needs of the state.

FINANCING:

The existing Medical Education Endowment supports the AHC in two ways. 1) A portion of the income is appropriated directly to the AHC. Appropriations for the FY 2002-03 biennium are anticipated to be \$16.2 million. 2) The balance of the income is allocated to medical education training sites, such as hospitals, around the state through the Medical Education and Research Costs (MERC) formula. While these funds do not benefit the University directly, they help to stabilize funding for the AHC by paying for costs at training sites to reduce the likelihood of these costs shifting to the University's budget.

The Governor's recommendation for higher education includes an \$8 million General Fund appropriation for FY 2002 for the AHC. The Governor recommends

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|--|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| Tobacco Settlement Fund | \$160,270 | \$-0- | \$-0- | \$-0- |
| Medical Educ Endowment | | | | |
| -Grants | \$-0- | \$8,000 | \$8,000 | \$8,000 |
| Revenues: (\$000s) | | | | |
| Medical Educ Endowment | \$-0- | \$8,000 | \$8,000 | \$8,000 |
| Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | |
| If yes, statute(s) affected: M.S. 16A.87, 62J.694 | | | | |
| <input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Medical Education Endowment be increased by \$160 million in FY 2002 and that the additional income from the fund—\$8 million each fiscal year beginning in FY 2003—be appropriated to the Department of Health to support medical education activities at the University of Minnesota's Academic Health Center (AHC). The Governor recommends that the appropriation be made available to the AHC once selected outcomes that further state health policy have been achieved.

Included in the Governor's Higher Education budget recommendations is a one-time, General Fund appropriation to the University of Minnesota of \$8 million for FY 2002 to support the AHC.

RATIONALE:

Major forces continue to reshape American health care, significantly affecting the ability of universities to offer high quality health professional education. Cost saving measures by all health care payers, private and public, have reduced patient care reimbursement rates and in the process eroded what has traditionally been a primary source of medical education funding. Despite an increase in the number of patients seen annually by University of Minnesota

BUDGET CHANGE ITEM (Continued)

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: ACADEMIC HEALTH CENTER FUNDING

ongoing funding of \$8 million each year from the Medical Education Endowment contingent upon selected outcomes. MDH and the AHC will enter into an agreement each year that clearly articulates the expected outcomes for the next year's funding.

The endowment will sunset after 15 years and the remaining funds will return to the Tobacco Settlement Fund.

OUTCOMES:

The University's AHC and the Department of Health will lead the development and implementation of a strategy to redefine and redeploy the health workforce of the state to meet the needs of Minnesota's growing, aging, and more diverse population.

Funding for the AHC for FY2003 will be contingent on the following outcomes.

- A plan to fundamentally redesign health care delivery and professional training. The plan will recognize the need for significant change to meet future needs in addition to increased training capacity. This plan is to be developed through a community consensus-building approach.
- Recruitment for all schools to increase enrollment among racial and ethnic minority populations in order to increase the diversity of the state's health professional workforce.
- Improving academic and clinical programming to better teach health professional students the skills to care for and promote the health of individuals from diverse ethnic, cultural, and racial backgrounds.
- Three community health training and practice sites.

Funding for the AHC for FY 2004 and beyond will be contingent on the following long-term outcomes.

- The academic health center, in partnership with other stakeholders and commissioners, will undertake a systematic process over the next eight years to meet Minnesota's evolving health workforce needs by redesigning training processes as well as by working to reduce demand through research on prevention and quality improvements. Annual benchmarks and reporting requirements will be established.

- Two databases will be established jointly by the Academic Health Center and the Minnesota Department of Health to guide future policy development and resource allocations. By June 1, 2004, operational design will be complete and data acquisition will begin for an integrated health status database and a health occupations database.

BUDGET CHANGE ITEM (64278)

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: SUPPORTING MN'S HEALTH CARE SAFETY NET

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|----------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| Health Care Access Fund | | | | |
| - Grants | \$15,000 | \$15,000 | \$-0- | \$-0- |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |
| Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | |
| If yes, statute(s) affected: M.S. 144.18 and 62J.85 | | | | |
| <input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$15 million each year in FY 2002 and FY 2003 from the Health Care Access Fund to support Minnesota's health care safety net providers. In each year, \$5 million is for safety net community clinics, \$5 million is for hospitals with excess charity care burdens, and \$5 million is for rural hospital capital improvement grants.

RATIONALE:

Minnesota has been a leader in providing health insurance coverage to its citizens, both through private-sector employer-based offerings as well as public-sector health insurance programs. As a result, Minnesota has one of the nation's lowest rates of uninsurance. In spite of these efforts, however, approximately 250,000 Minnesotans still lack health insurance coverage. Others have coverage, but with high co-pays and deductibles, which can be difficult to pay for some lower-income Minnesotans. As a result, safety net providers in Minnesota, such as community clinics and hospitals, provide over \$200 million in uncompensated care services.

Safety net health care providers in Minnesota serve a variety of populations whose access to health care depends on the existence of the safety net. These populations include the uninsured, refugee and immigrant populations, and rural populations for whom geographic access to health care would be threatened

without the safety net. Traditionally, these services have been paid for indirectly through cost shifting. However, as cost containment has become more widespread, the ability of these safety net facilities to continue to finance care has become more limited. As a result, this initiative proposes to explicitly finance the charity care and safety net services provided at community clinics and hospitals.

This proposal would provide funding for three different groups of safety net providers: \$5 million per year for support of safety net community clinics, \$5 million per year for hospitals that currently have excess charity care burdens, and \$5 million per year for capital improvement grants in rural Minnesota.

For community clinics, this proposal will fund a grant program that would improve the ability of community clinics to provide care to the vulnerable populations they serve. There would be four eligible purposes for which the grants could be used, with priority given to those grants that focus on improving the self-sustainability and care delivery at the clinics. First, priority will be given for grants to be used to invest in information systems that would allow clinics to better serve their patients by improving their ability to manage patient care. Improved information systems would also enhance community clinics' ability to bill private insurers and receive payment for services they are currently providing as charity care, thereby offsetting future needs for charity care funding. Second, grants could be used for investments in primary care delivery equipment and infrastructure. Third, the grants could be used to provide services that would enhance community clinics' ability to serve vulnerable populations, such as interpreter or translation services. Fourth and finally, the grants could be used to directly offset the cost of providing uncompensated care to patients. However, grants for direct offsets of uncompensated care would be given a lower priority than those that support the self-sustainability of the clinics.

Hospitals are the largest single provider of charity care services in Minnesota. The burden of providing charity care at hospitals, however, is unevenly and disproportionately distributed across hospitals in the state, with a relatively few hospitals seeing the bulk of charity care patients. This proposal would provide \$5 million in each year of the biennium to help offset the cost of uncompensated care for hospitals that provide excess burdens of charity care. MDH is currently implementing a new and uniform definition of charity care, and this definition will govern any future funding distributions. For this distribution, uncompensated care (charity care and bad debt) will proxy for charity care. Under this proposal, hospitals whose uncompensated care levels as a percent of expenses exceed the statewide average will be eligible for funding. The funds would be distributed based on each hospital's share of uncompensated care in relation to the total amount of uncompensated care provided by hospitals eligible to receive funds under this proposal.

Finally, Minnesota's rural hospitals, in response to changes in services delivery over the last 15 years, have evolved from mainly acute inpatient care facilities to

BUDGET CHANGE ITEM (64278) (Continued)

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: SUPPORTING MN'S HEALTH CARE SAFETY NET

hubs of local primary and emergency care, post-acute rehab, and outpatient services, representing critical access and safety net point for aging rural populations. These hospitals are re-inventing themselves as essential centers of community health. Many facilities, built with Hill Burton funds in the 1950s and 60s, have not had the resources to make needed repairs, modernize or keep equipment current with advances in technology and health care delivery to ensure a strong and vital safety net for rural Minnesotans. A Rural Hospital Capital Improvement grant program, begun in 1998, made a modest beginning in modernization, but current needs for these safety net facilities far outweigh resources available to rural communities. Reauthorization for Rural Hospital Capital Improvement grants program will help additional Minnesota communities bring their aging facilities up to date with current technology in order to deliver essential services.

FINANCING:

This is a one-time appropriation of \$30 million over the biennium from the Health Care Access Fund.

OUTCOMES:

Community clinics' ability to serve vulnerable populations will be enhanced. Improved ability to manage patient care would improve health outcomes, reduce health disparities, and reduce the amount of charity care provided.

The financial viability of hospitals that currently provide a disproportionately high share of uncompensated care would be maintained, ensuring continued access to services by populations that lack other means of accessing the health care system.

The availability of rural health care safety net services will be enhanced as 16 to 30 hospitals each year will modernize facilities and equipment as part of an overall coordinated strategy of health care service delivery in their area. The ability of these hospitals to offer quality health care services to community residents will be improved.

Through both the clinic, excess charity care hospital, and rural capital improvement program proposals, vulnerable populations' access to health care services would be maintained through stabilizing the financial viability of these safety net health care providers.

BUDGET ACTIVITY SUMMARY

Budget Activity: FACILITY AND PROVIDER CMLNC
Program: ACCESS AND QUALITY IMPROVEMENT
Agency: HEALTH DEPT

ACTIVITY PROFILE:

This activity seeks to safeguard the health and safety of those individuals receiving services from health care providers in regulated settings such as nursing homes, certified Intermediate Care Facilities for the Mentally Retarded (ICF/MR), and Regional Treatment Centers, and to assure health care expenditures reflect the services needed and provided. The activity works with advocacy and consumer organizations, residents of long-term care facilities, and family members regarding quality of care issues.

STRATEGIES AND PERFORMANCE:

This activity protects the health and safety of vulnerable persons by ensuring they conduct their activities in compliance with state and federal regulations reflecting best practice standards, by investigating complaints, performing background study checks, and taking necessary actions to assure that those responsible for instances of abuse and neglect are no longer eligible to work in a health care facility.

Key strategies will:

- Improve the quality of care received by residents in long-term care facilities through technical consultation, professional education and training.
- Reduce the potential for abuse and maltreatment of residents by conducting background studies on most staff in health care facilities.
- Provide leadership in planning activities with provider associations to enhance development and understanding of federal enforcement activities.
- Provide technical computer support and clinical nurse support to home care agencies and nursing homes to ensure their understanding of electronic transmission requirements and clinical aspects for federally required assessment data.
- Increase capacity to address complaints, conduct surveys, and provide consultative assistance to home care agencies. In FY 2000, the federal 10-day complaint initiative resulted in 42% of the cases of abuse and neglect completed within the 10-day time frames. Federal funding was provided for the hiring of additional investigative staff. Federal funding will continue to be requested for this activity.
- Continue to utilize the internet to provide reference materials related to regulations, informational bulletins, and survey related data for both consumers and providers.

Performance Indicators:

- In FY 2000, the number of providers in substantial compliance with federal certification requirements was 18.8%. Emphasis will be placed on improving the percentage to 33% in FY 2003, as there is a direct relationship between compliance and the care received in nursing homes.
- In federal FY 2000, 840 complaints were received and 74% were completed in accordance with standards for timeliness set in federal regulations and state law. Emphasis will be placed on improving the number of cases completed timely to 85% in FY 2003. There are an increased number of sexual assault cases including rape, neglect resulting in deaths and loss of limbs, and lack of medical attention which results in the need for more aggressive intervention measures and increased medical attention. Financial exploitation creates significant emotional distress for vulnerable individuals. The numbers of abuse cases that have lead to criminal convictions of facility staff are increasing.
- In FY 2000, 2,241 recommendations for improving resident care in nursing facilities were provided. The recommendations result from Case Mix Reviews of individual residents to ensure that the care required is the care received by each resident in a nursing home. The recommendations result in improved care for nursing home residents. The number of recommendations will be increased to 2,500 in FY 2003.
- Increase information available on the Facility and Provider Compliance Division's portion of the department's website by 50% for consumers and providers, including information regarding the results of surveys and complaints as well as making data files available which can be used for analysis. Health care associations, individual providers, news organizations, and the public continue to request this data.

FINANCING INFORMATION:

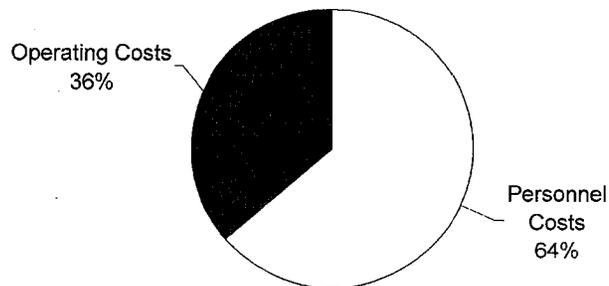
Continuation of this activity is dependent on federal funding, Medicaid contracts, and the collection of state licensure fees. This program is approximately 80% Medicare and Medicaid funded, which includes the state match to federal Medicaid funds and approximately 20% from the State Government Special Revenue Fund where state license fees are deposited.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: FACILITY AND PROVIDER CMLNC
Program: ACCESS AND QUALITY IMPROVEMENT
Agency: HEALTH DEPT

2000 - 01 Expenditures by Category

Total = \$38,948 (In 000's)

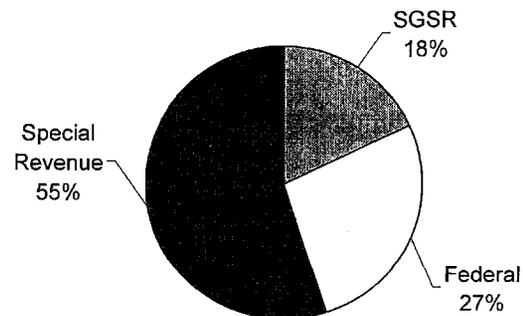


BUDGET ISSUES:

- Assisted Living Home Care Providers are the fastest growing group of health care providers. These relatively new health care providers are in need of technical assistance and support as their programs develop, but demand for this assistance outstrips agency resources.
- Transition from the Case Mix Review assessment system to a nursing home reimbursement system based on the Federal Minimum Data Set will reduce paperwork for nursing homes, but will represent a challenge to develop and implement in an accurate and timely manner.

2000 - 01 Expenditures by Fund

Total = \$38,948 (In 000's)



Activity: FACILITY AND PROVIDER CMLNC
 Program: ACCESS & QUALITY IMPROVEMENT
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 11,433 | 12,303 | 12,459 | 12,390 | 12,732 | 12,449 | 12,791 | 761 | 3.1% |
| OTHER OPERATING EXPENSES | 6,831 | 6,647 | 7,539 | 6,765 | 6,833 | 6,772 | 6,840 | (513) | (3.6%) |
| Total Expenditures | 18,264 | 18,950 | 19,998 | 19,155 | 19,565 | 19,221 | 19,631 | 248 | 0.6% |

| Change Items: | Fund | | | | | | |
|---------------------------------|-------------|--|--|--|------------|--|------------|
| (B) HOME CARE QUALITY ASSURANCE | SGS | | | | 410 | | 410 |
| Total Change Items | | | | | 410 | | 410 |

| Financing by Fund: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 0 | 0 | 0 | 59 | 59 | 59 | 59 |
| STATE GOVERNMENT SPECIAL REVENUE | 2,897 | 3,073 | 4,004 | 5,179 | 5,589 | 5,245 | 5,655 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 15,134 | 15,678 | 15,814 | 8,575 | 8,575 | 8,575 | 8,575 |
| FEDERAL | 233 | 199 | 180 | 5,342 | 5,342 | 5,342 | 5,342 |
| Total Financing | 18,264 | 18,950 | 19,998 | 19,155 | 19,565 | 19,221 | 19,631 |

| Revenue Collected: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Dedicated | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 265 | 0 | 0 | 0 | 0 | 0 |
| SPECIAL REVENUE | 10,462 | 8,638 | 8,638 | 8,638 | 8,638 | 8,638 | 8,638 |
| FEDERAL | 4,230 | 5,146 | 5,329 | 5,342 | 5,342 | 5,342 | 5,342 |
| Nondedicated | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 3,595 | 3,325 | 3,312 | 3,346 | 6,598 | 3,280 | 6,434 |
| Total Revenues Collected | 18,287 | 17,374 | 17,279 | 17,326 | 20,578 | 17,260 | 20,414 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FULL TIME | 189.0 | 194.0 | 223.0 | 223.5 | 223.5 | 223.5 | 223.5 |
| PART-TIME, SEASONAL, LABOR SER | 2.7 | 3.7 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| OVERTIME PAY | 0.3 | 0.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Total Full-Time Equivalent | 192.0 | 197.8 | 229.1 | 229.6 | 229.6 | 229.6 | 229.6 |

BUDGET CHANGE ITEM (54880)

Budget Activity: FACILITY AND PROVIDER CMLNC
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: HEALTH CARE FACILITY FEE INCREASE

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|------------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| State Government | \$-0- | \$-0- | \$-0- | \$-0- |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| State Government | \$3,252 | \$3,154 | \$3,060 | \$2,968 |
| Special Revenue | | | | |

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 144.53 and M.S. 144A.07

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the health care facility fees for nursing homes, hospitals, boarding care homes, supervised living facilities, and ambulatory surgical centers to support this activity. Increased fees will generate additional revenues of \$3.252 million in FY 2002 and \$3.154 million in FY 2003. This increase will ensure that the department's fees fully recover program costs.

RATIONALE:

The Facility and Provider Compliance Division protects the health of the public by assuring state and federal quality standards are met by the various health care providers. These providers include nursing homes, hospitals, boarding care homes, supervised living facilities, and ambulatory surgical centers. 1,081 providers are issued state licenses, and 1,512 providers are certified to participate in the Medicare and Medicaid programs.

Through on-site inspections, complaint investigations, background studies and reconsiderations, and physical plant reviews the division assures that appropriate services are provided which meet the health and safety needs of residents and consumers of health care services.

States are required to match Medicare and Medicaid funds used for activities such as survey and complaint functions with state funds. The rate at which activities are matched from the various funding sources is negotiated on an annual basis. At 9.50%, Minnesota has the lowest state licensure match for nursing home surveys in our region. Elimination of state nursing home licensure requirements would not eliminate the requirement for state match dollars. With no state licensure program, federal law would require that costs be divided equally among Medicare (33%), Medicaid (33%), and the state (33%).

Without a fee increase to generate the state match, MDH will be unable to meet the federal requirement that states provide matching dollars for Medicare and Medicaid activities. Federal fiscal sanctions may be imposed for not meeting the federal performance standards.

FINANCING:

Current licensing and certification fees will generate \$2.420 million in non-dedicated revenues in FY 2002. Program expenditures in FY 2002 will be \$4.862 million. Program expenditures have exceeded revenues since 1996 when the provider fees were reduced to allow excess revenues collected in prior years to be spent down. At the time, it was anticipated that the fees would not need to be adjusted until FY 2001. Had we not reduced the fees in 1996, MDH would currently have surplus revenues of approximately \$6 million.

The excess revenues were actually depleted early in FY 2001 and the program has begun to accumulate a deficit. The fee adjustment will recover the existing deficit and program expenditures over the next five years.

OUTCOMES:

- MDH state survey and certification activities ensure that facilities serving over 46,000 residents meet standards for quality of care and safety. This increase in fees will enable MDH to implement new federal performance standards and protocols for state survey and certification activities, which will result in greater accountability for facilities and improved care for residents in health care facilities.
- The state will not be in jeopardy of federal fiscal sanctions for not complying with federal performance standards.
- MDH will continue the criminal background study process to ensure protection of recipients of care.

BUDGET CHANGE ITEM (49229)

Budget Activity: FACILITY AND PROVIDER CMLNC
Program: ACCESS AND QUALITY IMPROVEMENT
Agency: HEALTH DEPT
Item Title: HOME CARE QUALITY ASSURANCE

This new industry would benefit from more training and individual consultation to improve the quality of the health services they deliver. The emphasis of this activity will be consultation and education on how to deliver quality care and provider support. Enforcement action will only be taken when a provider is consistently non-responsive to department suggestions for improvement. The current appropriation is only adequate to cover the cost of approximately 30 complaint investigations per year along with educational visits to less than 10% of providers per year.

The state is increasingly looking to assisted living as a way to hold down long-term care costs and to provide consumers with choice. Public confidence in this new provider type could be eroded by poor providers. It is important to provide assistance to all providers to enable them to be successful. Assisted living providers are developing statewide, which enables people to remain close to home when they need residential and health care services.

An increased appropriation will be used primarily to create educational and consultative programs for assisted living home care providers and help assure that the citizens living in these facilities receive the care they need.

FINANCING:

Expenditures for training, consultation, and investigation of home care providers is \$504,000 in FY 2002. No increase in fees is necessary to support this initiative. Current fees collected are greater than the dollars appropriated and a surplus is developing.

The increased appropriation will fund four nurse positions: three for training activities and one to supplement the survey and complaint activities. The three clinical training staff will work with the health care association, individual providers, and other appropriate parties to ensure consistency in health care delivery.

OUTCOMES:

With increased attention on providing training and consultation, the quality of health care provided will improve with a 50% decrease in correction orders cited by the end of FY 2003. Quality in the provision of services by assisted living home care providers will allow Minnesotan's to have confidence in the services chosen while ensuring that quality of care is achieved. By FY 2003 the survey schedule will go from a 10-year schedule to a seven-year cycle; training will be integrated into the home care application process to ensure an understanding of licensure requirements; and investigative staff will be available to respond to complaints.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|----------------|------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| State Government | | | | |
| Special Revenue | | | | |
| - State Operations | \$410 | \$410 | \$410 | \$410 |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends the appropriation of \$410,000 each year from the State Government Special Revenue Fund to provide training and consultation to home care providers, especially to assisted living home care providers. This increased appropriation will be made from funds already collected and can be made without raising fees.

RATIONALE:

There are 905 Home Care providers in Minnesota. The Home Care licensure program is comprised of several licensure categories. The majority of the appropriation for these activities is spent as match to the federal Medicare program for the inspection of certified providers. This leaves few funds available for provider training and consultation to licensed-only providers. Of this group of providers, those who would benefit from the increased appropriation for education and training are the assisted living home care providers (ALHCP).

Home care providers, especially assisted living home care providers, are the division's fastest growing licensure category with growth far exceeding projections. There are now 250 assisted living providers, an increase of 31.4% over the 170 identified in initial projections.

PROGRAM SUMMARY

Program: HEALTH PROTECTION
Agency: HEALTH DEPT

PROGRAM PROFILE:

This program protects the public from dangerous diseases and events through assessment of health threats; planning intervention strategies to combat diseases, injuries, and exposures; monitoring and inspection; and providing scientific laboratory and epidemiological capacity.

STRATEGIES AND PERFORMANCE:

Public Health Assessment

Assessment of tuberculosis, sexually transmitted diseases, measles, foodborne disease, and other infectious agents protects the public from disease spread. The public health laboratory can "fingerprint" a pathogen so that cases of disease can be linked and outbreaks stopped. For instance, cases of shigella (a food-borne disease causing high fevers, nausea, and diarrhea) from two Minnesota restaurants were linked to parsley from a field in Mexico. Rapid detection prevented more cases of disease across the nation.

Public health monitoring of chronic diseases -- those that develop many years after an exposure or an unhealthy lifestyle -- is in place for cancer and is being developed for occupationally-related respiratory diseases. The urgency for respiratory diseases is well illustrated by the asbestos exposure in northeast Minneapolis and the ongoing higher rates of certain cancers in northern Minnesota.

Developing Intervention Strategies

Solving public health problems requires accurate information about the causes of disease or exposures, the impact of the disease, and effective prevention or early intervention strategies. This approach brings partners together to determine how to prevent or reduce public health problems and design effective programs. Examples of health protection actions include:

- Childhood diseases common just a few decades ago are now controlled by *immunizations*. Polio, measles, mumps, small pox, and tetanus are either eliminated or extremely rare in Minnesota due to immunizations. As the immunization schedule becomes more complex, a community-based/statewide system of immunization registries is being developed to help parents assure children receive timely immunizations. This will eliminate the current estimate of 20% of children who receive at least one immunization they don't need.
- Treating our *drinking water* to prevent diseases has saved countless lives. Water-borne disease is now a relatively rare illness. However, as the cryptosporidium outbreak in Milwaukee, and the 11 deaths from improperly

treated water in Ontario demonstrates, continued vigilance is required. We must remain attentive to currently-controlled diseases and prepare for new problems that are emerging due to global influences, urban sprawl, waste disposal, and increased ability to detect chemicals in water.

- Identifying *emerging threats* has taken on new importance. The relatively easy availability of biological and chemical weapons of mass destruction has spurred planning efforts across the state to improve capacity to deal with the unthinkable. An infectious disease outbreak or a chemical exposure, whether it occurs naturally or as the result of *terrorism*, requires rapid detection, identification of the problem, a safe laboratory environment with staff trained in a growing number of agents and testing approaches, and coordination of public health actions with other parts of the emergency response system.

Prevention of disease, environmental exposures, and injuries requires an *educated public* to take action to protect their health. It also requires that *health care workers* have current information.

FINANCING INFORMATION:

This program represents 21% of the department's budget. This program is funded by a combination of federal grants, state appropriations and fees.

BUDGET ISSUES:

- Capacity to rapidly identify and effectively respond to health threats is an important challenge for the future. Laboratory capacity and employee safety needs attention to assure hazardous materials can be analyzed rapidly and safely to protect the public's health.
- School health issues to assure children spend a large part of their day in a healthy environment requires attention to environmental exposures and health problems not seen in the past.
- Community based immunization registries will not be available to all children without ongoing, stable funding.

Program: HEALTH PROTECTION
 Agency: HEALTH DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| ENVIRONMENTAL HEALTH | 24,230 | 24,492 | 27,445 | 26,238 | 27,645 | 26,422 | 27,957 | 3,665 | 7.1% |
| INFECTIOUS DISEASE PREV CNTRL | 19,406 | 19,673 | 19,821 | 18,843 | 18,283 | 18,903 | 18,343 | (2,868) | (7.3%) |
| CHRONIC DISEASE PREV & CONTROL | 7,839 | 8,008 | 9,249 | 8,219 | 8,219 | 7,919 | 7,919 | (1,119) | (6.5%) |
| PUBLIC HEALTH LABORATORIES | 6,702 | 7,148 | 8,732 | 7,561 | 9,851 | 7,520 | 10,180 | 4,151 | 26.1% |
| Total Expenditures | 58,177 | 59,321 | 65,247 | 60,861 | 63,998 | 60,764 | 64,399 | 3,829 | 3.1% |

| Change Items: | Fund | | | | | | | | |
|---------------------------------------|-------------|--|--|--|--------------|--|--------------|--|--|
| (B) DRINKING WATER PROTECTION | SGS | | | | 460 | | 460 | | |
| (B) FOOD, BEVERAGE & LODGING | SGS | | | | 650 | | 650 | | |
| (B) WATER WELL MANAGEMENT | SGS | | | | 454 | | 582 | | |
| (B) SCHOOL FOOD SAFETY INSPECTIONS | SGS | | | | 210 | | 210 | | |
| (B) EMERGING HEALTH THREATS | SGS | | | | (367) | | (367) | | |
| (B) REDIRECT MDH HIV CASE MGMT TO DHS | GEN | | | | (560) | | (560) | | |
| (B) LABORATORY CERTIFICATION PROGRAM | SGS | | | | 90 | | 60 | | |
| (B) EMERGING HEALTH THREATS | GEN | | | | 2,200 | | 2,600 | | |
| Total Change Items | | | | | 3,137 | | 3,635 | | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 11,835 | 10,402 | 12,880 | 12,255 | 13,895 | 12,456 | 14,496 | | |
| MINNESOTA RESOURCES | 19 | 66 | 134 | 0 | 0 | 0 | 0 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 13,761 | 14,054 | 16,662 | 15,391 | 16,888 | 16,065 | 17,660 | | |
| METRO LANDFILL CONTINGENCY | 101 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| SOLID WASTE | 0 | 118 | 278 | 0 | 0 | 0 | 0 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 6,347 | 7,553 | 8,233 | 7,121 | 7,121 | 7,098 | 7,098 | | |
| FEDERAL | 25,767 | 26,904 | 26,664 | 25,838 | 25,838 | 24,889 | 24,889 | | |
| GIFT | 347 | 224 | 396 | 256 | 256 | 256 | 256 | | |
| Total Financing | 58,177 | 59,321 | 65,247 | 60,861 | 63,998 | 60,764 | 64,399 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| FULL TIME | 490.7 | 506.9 | 521.8 | 504.3 | 529.0 | 492.5 | 525.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 40.1 | 37.5 | 37.6 | 34.8 | 34.8 | 33.4 | 33.4 | | |
| OVERTIME PAY | 1.0 | 0.8 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | | |
| Total Full-Time Equivalent | 531.8 | 545.2 | 560.0 | 539.7 | 564.4 | 526.5 | 559.0 | | |

BUDGET ACTIVITY SUMMARY

Budget Activity: ENVIRONMENTAL HEALTH
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

ACTIVITY PROFILE:

The Environmental Health (EHD) activity protects Minnesota residents and visitors from exposures to environmental hazards in water, air and land. It assures that Minnesotans have safe drinking water and food, and are protected from hazardous materials in the home and the environment. EHD also identifies emerging environmental health issues and proposes methods for minimizing exposure. It works cooperatively with federal, state, and local agencies to coordinate program activities and improve operational efficiencies.

EHD activities also respond to emerging health threats.

STRATEGIES AND PERFORMANCE:

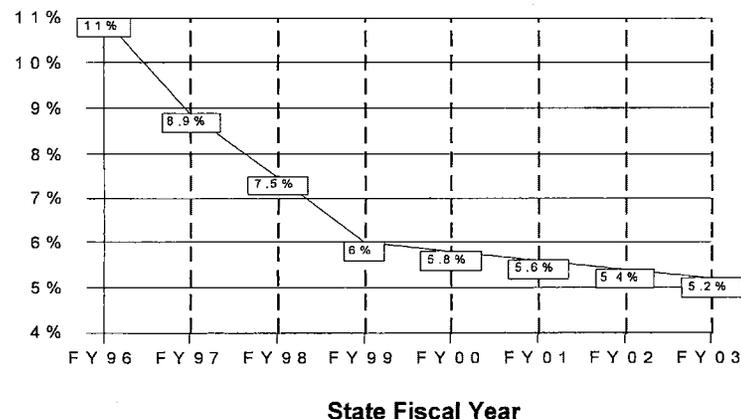
Prevention, surveillance, and monitoring activities prevent most future problems. When problems are identified through the laboratory analyses of environmental samples, the risk is assessed and managed to reduce or eliminate harmful exposures to the public.

Performance measures of compliance in the last year include:

- 9,000 public water supply systems provide drinking water to 75% of the population. We collect and analyze samples of this water for up to 120 chemicals. In 1999, only 40 systems had chemicals at a level that caused concern.
- In FY 2000, we had a 99% compliance rate for community water systems to provide consumer confidence reports to their customers. This was one of the highest in the nation.
- We oversaw the sealing of approximately 13,500 abandoned wells last year; 140,000 have been sealed since 1990. Sealing wells prevents groundwater contamination from surface runoff and protects the drinking water supply.
- EHD inspects 25% of the registered pieces of x-ray equipment annually. Twenty percent of those inspected have deficiencies and need repair.
- The asbestos program's compliance rate for contractors is currently 96%.
- Inspection of restaurants has been refocused to highlight critical food handling activities. Inspection data collected since 1999 show a compliance rate in these areas to be consistently over 80%. No significant upward or downward trend is apparent. Implementation of the Food Manager Certification program should help improve compliance.

- There has been a decline in the number of children with elevated blood lead levels.

Percentage of tested children (0-6 years) with blood lead levels of at least 10 micrograms of lead per deciliter



FINANCING INFORMATION:

About 52% of the EHD budget is derived from fees on users of regulatory services. Federal funds provide 29% of our budget to implement all or portions of the radon, lead, drinking water, and site assessment programs. About 9% of our budget is from the General Fund and is used to support environmental risk assessment, environmental review, and education for local public health officials. The balance (10%) is from other funds.

BUDGET ISSUES:

This activity is severely constrained in its ability to respond to emerging issues because of its funding structure. Assessing risks to human health from contaminants in the environment, developing standards that are protective of children, assuring that schools do not have environmental hazards (mold, indoor air quality problems, etc.) that cause illness in children, and having the technical capacity to respond to emergency situations are all areas where we need additional resources. Furthermore, public awareness of such things as endocrine disrupters and pharmaceuticals in drinking water, pesticides, and pathogens in food, and the illegal production of methamphetamine which leaves a hazardous waste site have all placed demands upon the same staff that are needed to do the technical work for risk assessment and standard setting. There is a widening gap between demand and resources available.

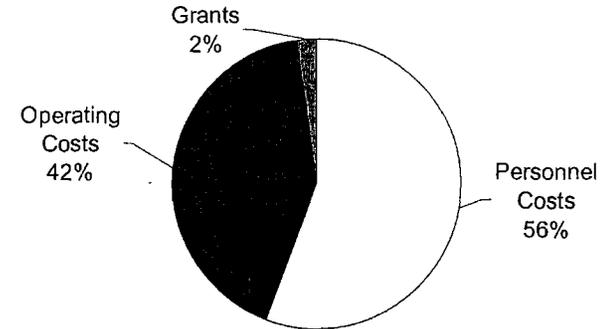
BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: ENVIRONMENTAL HEALTH
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

Minnesota statutes direct MDH to collect sufficient fees to cover a reasonable cost of administering our regulatory programs. Typically, a fee structure is developed to generate sufficient revenues to cover the costs over a specific period of time (up to five years). This process allows the program to maintain the same level of activity without having to increase the fees every other year to cover increased costs. The actual fee is not increased until such time as revenues generated do not cover program costs.

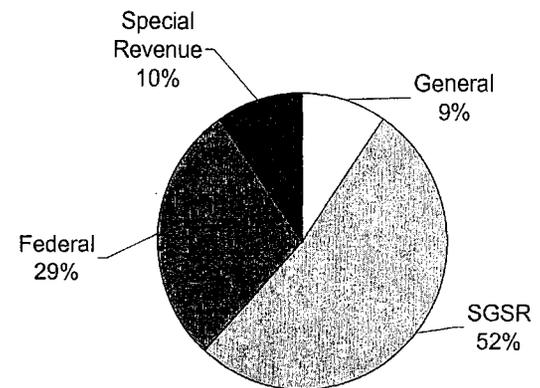
2000 - 01 Expenditures by Category

Total: \$51,632 (In 000's)



2000 - 01 Expenditures by Fund

Total: \$51,632 (In 000's)



Activity: ENVIRONMENTAL HEALTH
 Program: HEALTH PROTECTION
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 12,919 | 14,111 | 14,545 | 15,605 | 16,207 | 15,946 | 16,655 | 4,206 | 14.7% |
| OTHER OPERATING EXPENSES | 10,747 | 9,604 | 12,576 | 10,831 | 11,636 | 10,729 | 11,555 | 1,011 | 4.6% |
| TRANSFERS | 0 | 0 | 0 | (461) | (461) | (461) | (461) | (922) | |
| Subtotal State Operations | 23,666 | 23,715 | 27,121 | 25,975 | 27,382 | 26,214 | 27,749 | 4,295 | 8.4% |
| PAYMENTS TO INDIVIDUALS | 0 | 0 | 60 | 0 | 0 | 0 | 0 | (60) | (100.0%) |
| LOCAL ASSISTANCE | 564 | 777 | 264 | 263 | 263 | 208 | 208 | (570) | (54.8%) |
| Total Expenditures | 24,230 | 24,492 | 27,445 | 26,238 | 27,645 | 26,422 | 27,957 | 3,665 | 7.1% |

| Change Items: | Fund | | | | | | | | |
|------------------------------------|-------------|--|--|--|--------------|--|--------------|--|--|
| (B) DRINKING WATER PROTECTION | SGS | | | | 460 | | 460 | | |
| (B) FOOD, BEVERAGE & LODGING | SGS | | | | 650 | | 650 | | |
| (B) WATER WELL MANAGEMENT | SGS | | | | 454 | | 582 | | |
| (B) SCHOOL FOOD SAFETY INSPECTIONS | SGS | | | | 210 | | 210 | | |
| (B) EMERGING HEALTH THREATS | SGS | | | | (367) | | (367) | | |
| Total Change Items | | | | | 1,407 | | 1,535 | | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 2,721 | 2,081 | 2,551 | 2,454 | 2,454 | 2,508 | 2,508 | | |
| MINNESOTA RESOURCES | 19 | 66 | 134 | 0 | 0 | 0 | 0 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 12,301 | 12,353 | 14,623 | 13,622 | 15,029 | 14,272 | 15,807 | | |
| METRO LANDFILL CONTINGENCY | 101 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| SOLID WASTE | 0 | 118 | 278 | 0 | 0 | 0 | 0 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 2,052 | 2,199 | 2,476 | 2,421 | 2,421 | 2,407 | 2,407 | | |
| FEDERAL | 7,035 | 7,675 | 7,381 | 7,741 | 7,741 | 7,235 | 7,235 | | |
| GIFT | 1 | 0 | 2 | 0 | 0 | 0 | 0 | | |
| Total Financing | 24,230 | 24,492 | 27,445 | 26,238 | 27,645 | 26,422 | 27,957 | | |

Activity: ENVIRONMENTAL HEALTH
 Program: HEALTH PROTECTION
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| Revenue Collected: | | | | | | | |
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 2,032 | 2,213 | 2,197 | 2,169 | 2,169 | 2,169 | 2,169 |
| FEDERAL | 8,094 | 8,665 | 8,305 | 8,393 | 8,393 | 7,804 | 7,804 |
| GIFT | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Nondedicated | | | | | | | |
| GENERAL | 0 | 0 | 0 | 0 | 300 | 0 | 300 |
| STATE GOVERNMENT SPECIAL REVENUE | 12,603 | 12,924 | 12,661 | 12,731 | 13,506 | 12,717 | 15,102 |
| Total Revenues Collected | 22,729 | 23,802 | 23,164 | 23,294 | 24,369 | 22,691 | 25,376 |
| FTE by Employment Type: | | | | | | | |
| FULL TIME | 237.8 | 247.8 | 248.6 | 243.9 | 245.4 | 235.7 | 238.7 |
| PART-TIME, SEASONAL, LABOR SER | 9.5 | 5.4 | 1.6 | 1.5 | 1.5 | 1.4 | 1.4 |
| OVERTIME PAY | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Full-Time Equivalent | 247.7 | 253.3 | 250.2 | 245.4 | 246.9 | 237.1 | 240.1 |

Budget Activity: ENVIRONMENTAL HEALTH
 Program: HEALTH PROTECTION
 Agency: HEALTH DEPT

Pass Through Grants Administered by the Division of Environmental Health

| Program Name Federal or State or Both relation | Purpose | Recipient Type (s) Eligibility Criteria | 2001 State Appropriation | Most Recent Federal Award (fisc year) |
|--|---|---|-----------------------------|---|
| Federal Centers for Disease Control Lead Poisoning Prevention Grant/Contract | Increase prevention, detection and case of children exposed to lead | Local Public Health Agencies performing lead prevention and/or surveillance (one grantee) | \$-0- | \$75,148 FY 2000 |
| State Lead Safe Housing Grant M.S. 144.9507, Subd. 3 | For costs related to relocation of families needing lead safe housing | Local Public Health Agencies (two grantees) | \$25,000/year | \$-0- |
| Federal Environmental Protection Agency Indoor Radon Grant | For public education and targeted outreach on radon testing, mitigation, and radon resistant new construction | Priority is given to Local Public Health Agencies that have received EPA radon training (14 grantees) | \$-0- | \$340,000 FY 2001 |

BUDGET CHANGE ITEM (49203)

Budget Activity: ENVIRONMENTAL HEALTH
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

Item Title: DRINKING WATER PROTECTION

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| State Government | \$460 | \$460 | \$460 | \$460 |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| State Government | \$-0- | \$-0- | \$-0- | \$-0- |
| Special Revenue | | | | |
| Statutory Change? Yes _____ No <u> X </u> | | | | |
| If yes, statute(s) affected: | | | | |
| _____ New Activity <u> X </u> Supplemental Funding _____ Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the appropriation for the Drinking Water Protection Program by \$460,000 in FY 2002 and \$460,000 in FY 2003 to ensure safe drinking water for Minnesotans by increasing the testing of our public water supplies for contaminants affecting public health and to meet federal Safe Drinking Water Act (SDWA) standards.

RATIONALE:

Amendments to the federal SDWA in 1996 targeted a number of new contaminants affecting public health for regulation. These contaminants include: arsenic, radionuclides, radon, unregulated contaminants (e.g. the gasoline additive methyl tertiary butyl ether [MTBE]), and contaminants associated with the groundwater rule (e.g. E. coli). Aggressive initial laboratory analyses for these contaminants will start during the period FY 2001-04 and will significantly increase costs for the program. These new laboratory analyses will be funded by the \$5.21 service connection fee MDH already collects from public water systems.

The purpose of these new analyses and of our program is to protect the health of Minnesotans by ensuring a safe and adequate supply of drinking water at public water supply systems. We accomplish this through administration and enforcement of the provisions of the SDWA, a federal act for which Minnesota

has accepted primary enforcement responsibility. It is important to note that if MDH fails to do these laboratory analyses, the U.S. Environmental Protection Agency will require each of the 9,000 individual public water supply systems across the state to perform and pay for the analyses. It is much more cost effective and efficient for MDH to perform these analysis activities centrally, especially for small systems that do not have full time staff.

FINANCING:

This program is supported by fees -- public health protection is paid for by the users of public water supply systems. The customers of this program have a voice in the rates and the program results. MDH is not requesting a fee increase.

The increase in appropriation represents a 7.2% increase over base funding for this portion of the Drinking Water Protection Program. This increase is needed to pay for the additional laboratory analyses required by the federal Safe Drinking Water Program.

OUTCOMES:

Our measures of success for this activity include:

- An absence of public health outbreaks associated with drinking water.
- Safe drinking water across Minnesota as measured by extremely high compliance rates with SDWA requirements.
- Sampling and data quality and analytical turnaround times will be assured by following established methodologies and standard operating procedures in our quality management plan.
- On an ongoing basis, we will gather samples and analyze the results. We will then work with our partners and citizens to determine any public health risks and to take the actions needed to prevent public exposure to waterborne environmental health hazards.

BUDGET CHANGE ITEM (49218)

Budget Activity: ENVIRONMENTAL HEALTH
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

Item Title: FOOD, BEVERAGE & LODGING

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| State Government | \$650 | \$650 | \$650 | \$650 |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| State Government | \$565 | \$625 | \$650 | \$650 |
| Special Revenue | | | | |
| Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | |
| If yes, statute(s) affected: M.S., Chapter 157.16 | | | | |
| <input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in license fees for food and beverage establishments and an increased appropriation from the State Government Special Revenue Fund of \$650,000 in FY 2002 and \$650,000 in FY 2003 to: 1) maintain the Food, Beverage, and Lodging (FB&L) inspection services throughout the state; and 2) provide FB&L inspection services for Cook County.

RATIONALE:

The MDH has direct responsibility for the regulation of 7,000 food, beverage, and lodging establishments across the state. We are evolving our inspection program to achieve statutory requirements for inspection frequency. To do so, it is necessary for inspectors to spend more time in the facility with the manager doing one-on-one consultation and training. At current funding, each inspector is limited to approximately three hours in each facility per year. With the additional appropriation, inspection workloads would be reduced and more time would be available for consultation and training. An additional appropriation is needed because the MDH is assuming responsibility for the Cook County FB&L program on 1-1-2001.

The FB&L program is committed to providing quality service to the licensees and to the general public. In 2000, the FB&L program completed 3,909 inspections that resulted in 16,175 correction orders (violations). There were 40

foodborne outbreaks in Minnesota in FY 1999, 27 of which were associated with restaurants or catering facilities.

FINANCING:

Current state base level funding for this activity is \$1.6 million from State Government Special Revenue Fund. FB&L establishments in Cook County will be assessed the license fee provided for in M.S., section 157.16. This state license fee replaces the county license fee because jurisdiction has been returned to the state. Cook County establishments account for \$52,000 in additional revenue and expenditures.

Increased license fees and the increased appropriation will provide funding to meet the statutory requirements for inspection frequency. Fees have not been increased since 1994. This increase will provide solvency for the program through 2007.

OUTCOMES:

- The additional staffing provides inspection and compliance support services for Cook County.
- High-risk establishments (e.g. full-service restaurants) will be inspected at least once a year.
- Medium-risk establishments (e.g. most fast food restaurants) will be inspected at least once every 18 months.
- Low-risk establishments (e.g. bars serving pizza) will be inspected at least once every two years.

BUDGET CHANGE ITEM (49223)

Budget Activity: ENVIRONMENTAL HEALTH
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

Item Title: WATER WELL MANAGEMENT

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| State Government | \$454 | \$582 | \$582 | \$582 |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| State Government | \$-0- | \$950 | \$950 | \$950 |
| Special Revenue | | | | |

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 103.1

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$454,000 in FY 2002 and \$582,000 in FY 2003 to support the continuation of the state Well Program at current levels. In addition, the Governor recommends that fees supporting this program be increased in FY 2003 to recover program costs.

RATIONALE:

Clean, reliable water supplies are essential for public health protection. Helping assure that drinking water is safe is a fundamental part of the department's mission to protect public health and prevent disease. The Well Program, which is totally fee supported, exists to: 1) protect the safety of well water used by three-fourths of all Minnesotans, most rural cities, and most tourist locations; and 2) to protect Minnesota's priceless groundwater resource. These are both longstanding priorities of the department. The program is directly implemented in 78 counties.

The Well Program protects drinking water safety by licensing and training well drillers, and inspecting well construction, so that now only 3% of new wells are found to have any deficiencies, either in sanitary construction, or in placement too close to sewers, septic systems, or other contamination sources. More than 3,000 new wells are inspected each year.

Minnesota's ample groundwater resource is one of our most valuable economic assets, but it is fragile. Unsealed abandoned wells act as permanent conduits for contamination to drain into our deep, geologically protected groundwater. There are an estimated 750,000 abandoned wells in Minnesota, some of which are buried or bulldozed every year and then forgotten. Groundwater that becomes contaminated can remain contaminated for generations and is seldom completely restored. The Well Program works with many industries, local and state agencies, and private citizens to assure that abandoned wells are properly sealed, especially at the time of property transfer. During the past ten years, the Well Program has overseen the permanent sealing of more than 140,000 abandoned wells in the state.

The program also provides assistance when flooding or tornadoes threaten to contaminate wells. For example, during spring flooding in 1997, the program analyzed over 1,200 water samples in 49 counties to assist flood victims.

During the FY 2000-01 biennium, program costs exceeded projections, and the program operated with a deficit. Reasons included increases in salary/fringe costs, a low staff vacancy rate, increases in charges to the program for services, both internal and external, and increased requests for assistance from citizens, especially after floods. Without additional resources, the program will have to eliminate at least half of its 15 field staff, violations will increase at least five fold, and many abandoned wells won't get sealed.

FINANCING:

This proposal recommends increased funding to maintain the well program at current levels of performance. The current base funding for the program is \$2.820 million. No additional positions are requested. No other funding exists to accomplish these tasks. Because this program is funded entirely by fees, some fees will need to be increased in FY 2003, including an increase in the one-time fee for a new well from \$120 to \$150, and an increase in the fee for a well sealing from \$20 to \$30.

OUTCOMES:

- 25,000 more abandoned wells will be properly sealed during the biennium, improving groundwater protection.
- Through well inspections, a compliance rate of at least 97% will be maintained, assuring safe drinking water and preventing disease.
- Minnesota's 400,000+ households with private wells will continue to receive assistance, especially during disasters.

BUDGET CHANGE ITEM (53910)

Budget Activity: ENVIRONMENTAL HEALTH
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

Item Title: RADIOACTIVE MATERIALS FEES

FINANCING:

Startup funding for program development in FY 2001 is \$120,000 and in FY 2002, \$114,000. The new fee will recover these start-up costs as well as support the new program activity. The revenue generated will equal \$600,000 per year starting in FY 2003.

Five FTEs will be required to license and to conduct inspections of by-product, source, and special nuclear materials, and the assumption of regulatory authority and emergency response activities for these materials. There are currently 165 federal licenses in the state.

OUTCOMES:

The new fees will allow the program to:

- Initiate state licensing of radioactive and radiation sources in an orderly transfer of the program from the Nuclear Regulatory Commission and have a fully functional program by FY 2003.
- Establish the inspection cycle for these newly licensed sources and determine the baseline for future compliance requirements.
- Respond to emergencies in order to protect the public health.

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|--|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |
| Revenues: (\$000s) | | | | |
| State Government | \$-0- | \$600 | \$600 | \$600 |
| Special Revenue Fund | | | | |
| Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | |
| If yes, statute(s) affected: M.S. 144.1205 | | | | |
| <input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends the adoption of radioactive materials licensing fees to support the activity delegated to the state by the Federal Nuclear Regulatory Commission.

RATIONALE:

The MDH is identified in statute as the lead agency to take over the regulation of radioactive materials licensing through negotiation and agreement with the U.S. Nuclear Regulatory Commission (NRC). Transferring these activities to the state will improve response times for incidents and will consolidate the regulation of most radioactive materials within the state. Fees adopted and collected by the state will replace fees currently paid to the federal government. This change is needed to continue the changes initiated by the legislature.

If this new fee is not approved the department will not be able to spend the current appropriation. As a result, regulation will remain with the federal government. The MDH will also have to either request a statutory change for an extension of the deadline to become an Agreement State or, by default, remain an NRC-regulated state.

BUDGET CHANGE ITEM (62116)

Budget Activity: ENVIRONMENTAL HEALTH
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

Item Title: SCHOOL FOOD SAFETY INSPECTIONS

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| State Government | \$210 | \$210 | \$210 | \$210 |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| State Government | \$210 | \$210 | \$210 | \$210 |
| Special Revenue | | | | |

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 157.16

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends the appropriation of \$210,000 in each fiscal year to provide food safety inspections for public and private schools and that fees be assessed to recover program costs.

RATIONALE:

According to MDH estimates, at least 300 public and private schools around the state do not receive any food safety inspections, even though they serve thousands of children daily. Food safety training for school staff is not required. We have no guarantees that school kitchen staff know how to safely handle and cook food. An uninspected private school food service was in part responsible for a March 2000 foodborne outbreak of *e.coli* H7:0157 bacteria that infected 11 children, two of whom had to be hospitalized.

The 1998 amendments to the National School Lunch Act and the Child Nutrition Act require public and private schools in the federal school lunch program have a food safety inspection by a state or local government agency. Future federal funding for school lunch programs is tied to the performance of these inspections.

Currently, M.S. 157.16 exempts schools from the MDH food and beverage establishment license fee. The result of this exemption is that some school kitchens are being inspected while others are not. Here's why:

- MDH's food safety inspection program is funded on a fee-for-services basis as required by M.S. 144.122(a) and M.S. 16A.1285(2). Since MDH is not collecting the fee, it's not able to provide food safety inspections to those schools.
- MDH is inspecting public and private schools who contract their lunch services to private companies. The private food service is the license holder for the school kitchen and pays the fee.
- MDH is inspecting approximately 300 school kitchens in private and public schools who have contracted with the state to perform food safety inspections.
- Local government agencies with delegated food and beverage programs are charging a fee and inspecting school kitchens.

FINANCING:

With the removal of the exemption, schools will be licensed and charged a fee averaging \$350 as required by M.S. 157.16. The amount of the fee is based on the health risk and size of the school kitchen.

OUTCOMES:

- A more consistent approach to school food safety.
- License and inspect approximately 600 public and private schools.
- The need for complicated contracts for services between schools and MDH for food safety inspections will be eliminated.
- MDH will work with schools, DCFL, and local public health agencies to ensure all schools in the state have food safety inspections and are therefore able to continue to receive federal funding for their school lunch programs.

BUDGET ACTIVITY SUMMARY

Budget Activity: INFECTIOUS DISEASE PREV & CONT
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

ACTIVITY PROFILE:

The Infectious Disease Prevention and Control (IDPC) activity provides leadership in the prevention and control of acute and communicable diseases in Minnesota, conducts surveillance to detect the occurrence of diseases, and develops and implements disease prevention and control programs.

Examples of acute and communicable diseases include tuberculosis, HIV and other sexually transmitted diseases, measles, pertussis, influenza and other vaccine-preventable diseases, viral hepatitis A, B, and C, giardiasis, and *E. coli* 0157:H7. These diseases are caused by an infectious agent and many are spread from one person to another or by food, water, animals, or insects. Infectious agents include bacteria, viruses, parasites, molds, and fungi.

The IDPC activity conducts the following activities.

Monitor trends in persons affected by disease.

- Analyze information from hospitals, laboratories, physicians, and others.
- Prepare summary reports for health care providers, policymakers, and the public that includes recommendations for decreasing disease occurrence.

Identify disease outbreaks and changes in populations affected by disease.

- Document changes in disease incidence that indicate changes in how a disease is being transmitted or who is being affected.
- Compare current disease reports with historical information.
- Keep current with information from other states, countries, and scientific research literature to compare Minnesota with trends.

Develop policy guidelines for infectious disease prevention and control.

- Modify and distribute national disease prevention and control guidelines.
- Make recommendations to health-care providers about interpreting test results, describing treatment recommendations, etc.
- Develop programs for reaching populations at risk.

Coordinate health care provider and public education about identifying, preventing transmission, and treating persons at risk or affected by disease.

- Furnish information for providers that clarifies and supports up-to-date

medical care.

- Provide information for the public to describe testing, treatment and prevention methods, and to alert them to disease outbreak.

Support to local public health agencies.

- Provide guidelines and technical assistance in developing local programs;
- Provide funds for local program activities; and
- Provide medications for individuals with or exposed to tuberculosis.

STRATEGIES AND PERFORMANCE:

- Immunizations are the most effective public health benefit to modern society. Protective levels of vaccine coverage in Minnesota are threatened by five years of reductions in federal support for immunization programs and vaccines, an increasingly complicated childhood schedule, and the growing number of vaccines and vaccine combinations. Currently, 20 immunizations are needed by age two and additional vaccines are being added.
- The number of TB cases and the threat posed by drug-resistant disease is growing. Seventy-eight percent of new TB cases in 1999 occurred among foreign-born persons.
- Increasing refugee resettlement to Minnesota, as well as secondary migration, has resulted in an increasingly diverse ethnic and cultural landscape in the state. As a result, state and local public health agencies are struggling to address global health issues (e.g., TB, malaria) and establish culturally appropriate programs.
- The MDH Food Safety Center provides better coordination of food safety activities, and will be critical to improve food safety.

FINANCING INFORMATION:

- Approximately two-thirds of this activity is supported with federal funding. While MDH has successfully leveraged federal resources, the state is at risk of federal funding changes. Currently, over 95% of the funds to support immunization programs at the MDH are federal funds. Cutbacks in federal assistance to the states in the last five years have reduced our immunization grant award by more than 50%. This funding has helped provide free vaccines to needy children and adults throughout the state.
- MDH has given more than \$9 million in federal funds to local health departments in the last six years for immunization activities. With federal grant reduction, there will be only \$200,000 available in 2001 for local public health grants.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: INFECTIOUS DISEASE PREV & CONT
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

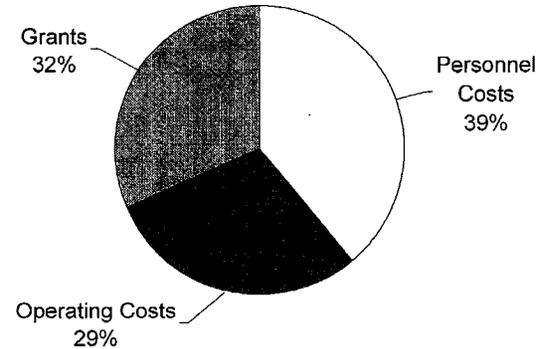
- Federal dollars are used to provide nearly all of the state's TB programmatic activities. In 1999, the legislature appropriated funds to ensure all Minnesota TB cases would receive needed medications.
- Federal funding for Lyme disease and other diseases transmitted by mosquitoes and ticks is ending in April 2001. The state has not provided funding for this important set of diseases.

BUDGET ISSUES:

- New vaccines for illnesses such as meningitis, ear infections, and other diseases can reduce costs to the health care system. A sustainable system to efficiently deliver and document immunizations is needed.
- Funds are needed to assist local public health agencies in providing TB prevention and central control activities increasingly complicated by the diverse cultural issues surrounding foreign-born TB cases.
- Preparing for emerging health threats is central to the activities of this program. Stable, ongoing funding is needed to assure a foundation of services is in place.

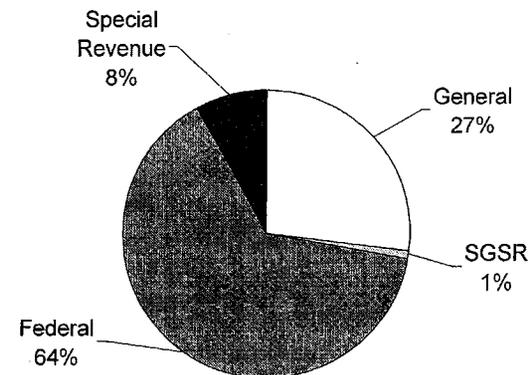
2000 - 01 Expenditures by Category

Total = \$39,494 (In 000's)



2000 - 01 Expenditures by Fund

Total = \$39,494 (In 000's)



Activity: INFECTIOUS DISEASE PREV CNTRL
 Program: HEALTH PROTECTION
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 6,917 | 7,311 | 8,084 | 7,921 | 7,921 | 7,978 | 7,978 | 504 | 3.3% |
| OTHER OPERATING EXPENSES | 4,448 | 4,827 | 6,724 | 6,058 | 6,058 | 6,061 | 6,061 | 568 | 4.9% |
| Subtotal State Operations | 11,365 | 12,138 | 14,808 | 13,979 | 13,979 | 14,039 | 14,039 | 1,072 | 4.0% |
| LOCAL ASSISTANCE | 8,041 | 7,535 | 5,013 | 4,864 | 4,304 | 4,864 | 4,304 | (3,940) | (31.4%) |
| Total Expenditures | 19,406 | 19,673 | 19,821 | 18,843 | 18,283 | 18,903 | 18,343 | (2,868) | (7.3%) |

| Change Items: | Fund | | | | | | |
|---------------------------------------|-------------|--|--|--|--------------|--|--------------|
| (B) REDIRECT MDH HIV CASE MGMT TO DHS | GEN | | | | (560) | | (560) |
| Total Change Items | | | | | (560) | | (560) |

| Financing by Fund: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 4,927 | 4,505 | 6,085 | 5,403 | 4,843 | 5,467 | 4,907 |
| STATE GOVERNMENT SPECIAL REVENUE | 84 | 78 | 181 | 154 | 154 | 157 | 157 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 1,311 | 1,927 | 1,295 | 996 | 996 | 987 | 987 |
| FEDERAL | 12,970 | 13,147 | 12,095 | 12,239 | 12,239 | 12,241 | 12,241 |
| GIFT | 114 | 16 | 165 | 51 | 51 | 51 | 51 |
| Total Financing | 19,406 | 19,673 | 19,821 | 18,843 | 18,283 | 18,903 | 18,343 |

| Revenue Collected: | | | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 1,644 | 1,820 | 939 | 920 | 920 | 920 | 920 |
| FEDERAL | 12,482 | 13,008 | 11,998 | 12,137 | 12,137 | 12,137 | 12,137 |
| GIFT | 41 | 92 | 31 | 31 | 31 | 31 | 31 |
| Total Revenues Collected | 14,167 | 14,920 | 12,968 | 13,088 | 13,088 | 13,088 | 13,088 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FULL TIME | 116.7 | 118.6 | 123.1 | 120.3 | 120.3 | 120.3 | 120.3 |
| PART-TIME, SEASONAL, LABOR SER | 11.5 | 12.3 | 13.9 | 13.9 | 13.9 | 13.9 | 13.9 |
| OVERTIME PAY | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Full-Time Equivalent | 128.3 | 130.9 | 137.0 | 134.2 | 134.2 | 134.2 | 134.2 |

Budget Activity: INFECTIOUS DISEASE PREV & CONT
 Program: HEALTH PROTECTION
 Agency: HEALTH DEPT

Pass Through Grants Administered by the Division of Infectious Disease Prevention and Control

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | 2000-2001 State Appropriation | Most Recent Federal Award (cite year) |
|--|---|--|----------------------------------|---|
| Refugee Health | Coordination of Refugee Health Assessments | Counties resettling the largest number of refugees (five grantees) | \$-0- | \$167,265 (2000) |
| Immunization Registries | To establish/maintain immunization registries | Community-based registries (four grantees) | \$-0- | \$100,000 (2000) |
| Hepatitis Prevention Program | Hepatitis A & B vaccine; staffing; lab tests | Sexually Transmitted Disease (STD) clinics (two grantees) | \$-0- | \$45,000 (2000) |
| Perinatal Hepatitis B | Screening services for perinatal hepatitis B | St. Paul/Ramsey, Hennepin counties (two grantees) | \$-0- | \$155,000 (2000) |
| Tuberculosis Program | Tuberculosis outreach services | Local public health agencies (three grantees) | \$-0- | \$85,000 (2000) |
| Tuberculosis Program | Tuberculosis medications | Patients who receive care at Hennepin County's public tuberculosis clinic (two grantees) | \$-0- | \$160,000 (2000) |
| Infertility Prevention (Chlamydia Screening) Program | To prevent infertility due to chlamydial infection | STD/family planning clinics (two grantees) | \$-0- | \$134,410 (2000) |
| Care and Support Services – Programs for Persons Living with HIV/AIDS M.S. 145.9245 | Basic health and supportive services for people living with HIV/AIDS | Community-based organizations, clinics (11 grantees) | \$560,000/year | \$3,271,896 (2000) |
| STD Screening/Testing M.S. 144.065 | Test high risk individuals for STDs | Community-based organizations, clinics (two grantees) | \$121,935 (2001 only) | \$320,381 (2000) |
| HIV/STD Prevention Programs M.S. 145.924 | Health education/risk reduction and HIV testing for high-risk individuals | Community-based organizations, clinics (24 grantees) | \$1.304 million/year | \$1,295,590 (2000) |

BUDGET CHANGE ITEM (49658)

Budget Activity: INFECTIOUS DISEASE PREV CNTRL
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

Item Title: REDIRECT MDH HIV CASE MGMT TO DHS

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------------------|---|--|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - MDH Grants | \$(560) | \$(560) | \$(560) | \$(560) |
| - DHS Other Assistance | \$560 | \$560 | \$560 | \$560 |
| Total | \$-0- | \$-0- | \$-0- | \$-0- |
| Revenues: (\$000s) | \$-0- | \$-0- | \$-0- | \$-0- |
| Statutory Change? | Yes | <u>X</u> No | | |
| If yes, statutes affected: | M.S. 256B.431 | | | |
| <input type="checkbox"/> New Activity | <input type="checkbox"/> Supplemental Funding | <input checked="" type="checkbox"/> Reallocation | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends directing \$560,000 in FY 2002 and FY 2003 currently appropriated to MDH to the Department of Human Services (DHS) for the provision of case management services to persons living with HIV. This transfer will not result in any change in General Fund expenditures.

RATIONALE:

HIV case management services in Minnesota are funded through a combination of state and federal funds requiring a complex series of interagency agreements and administrative activities. This transfer will streamline these activities.

In an effort to improve statewide access, ensure consistent standards of service, and most efficiently utilize available state resources, DHS is taking over lead responsibility for the administration of HIV case management. MDH is supportive of this change in agency responsibilities and the requested appropriation transfer.

Background:

The DHS HIV/AIDS Programs Unit operates a number of programs that help Minnesotans with HIV gain access to needed medical and social services. The programs are an integral part of a statewide system of care and services for persons living with HIV, which includes MA and other Minnesota health care

programs. It is the consensus of state stakeholders that housing the administration of HIV case management services at DHS will be the most effective arrangement.

The number of people living with HIV in Minnesota has increased, as new people are infected and those already infected are living longer. Epidemiological studies show that people contracting HIV are increasingly likely to be poorer, women, people of color, and people with more complex needs and less resources that require more assistance.

Continually evolving treatments and research make HIV an ever-changing and complex disease to manage. This requires intensive direct client services.

Currently in the state, disparities in service utilization exist, with African Americans and persons in rural areas being less likely to access needed services. Further, developing the HIV case management system and integrating with other programs will enable the state to better meet people's needs.

FINANCING:

Transfer \$560,000 from MDH into the DHS Health Care Grants base for the provision of HIV case management.

OUTCOMES:

Elimination of interagency administrative activities that add no value to services received by consumers.

BUDGET ACTIVITY SUMMARY

Budget Activity: CHRONIC DISEASE PREV & CONTROL
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

ACTIVITY PROFILE:

Most chronic, non-infectious diseases are caused by lifestyle factors, genetic background, and injuries. The Chronic Disease Prevention and Control (CDPC) activity provides leadership in the prevention and control of chronic diseases in Minnesota, conducts surveillance to detect the occurrence of such diseases, and develops and implements disease prevention and control programs.

The CDPC activity conducts the following activities:

Monitor trends in persons affected by disease.

- Analyze information from hospitals, laboratories, physicians, and others who are required to report persons with certain diseases.
- Prepare summary reports for health care providers, policymakers, and the public that includes recommendations for decreasing disease occurrence.

Develop policy guidelines for finding or assisting individuals with the disease.

- Modify and distribute national disease prevention and control guidelines as needed for use by Minnesota communities and health care systems.
- Make recommendations to health care providers about interpreting test results, describe treatment recommendations, and issues of infection control.
- Develop programs for reaching populations at risk and define eligibility criteria for screening and testing programs.

Coordinate health care provider and public education about identifying, preventing transmission, and treating persons at risk or affected by disease.

- Furnish information for providers that clarifies and supports up-to-date medical care.
- Provide information for the public to describe prevention, testing, and treatment for particular diseases and to alert them to disease outbreaks.

Support local public health agencies.

- Provide guidelines and technical assistance in developing local programs.
- Provide funds for programs such as breast and cervical cancer screening.
- Coordinate for statewide or regional disease prevention and control issues.

STRATEGIES AND PERFORMANCE:

- Cancer is the leading cause of death in the state for persons age 35-74. Early detection through screening can prevent hundreds of cancer deaths each year, but a large proportion of Minnesotans do not undergo recommended screening tests. The state's screening program targets breast and cervical cancer screening for low-income women without adequate health insurance. Over 65,000 women have been screened through this program at 330 clinics across the state. The program has detected 501 cases of cancer and over 1,500 pre-cancerous cervical lesions.
- Close to 20,000 cases of cancer are reported each year, with information about stage and treatment provided for each individual. Only 1.2% of cancers were identified by review of death certificates. National standards are between 1 and 3%. Data management strategies resulted in the Gold Standard Award to the Cancer Surveillance System from the National Cancer Registry Association.
- Surveillance activities for the Center for Occupational Safety and Health include work-related fatalities (20 site investigations per year), work-related amputations (400 incidents per year), childhood agricultural trauma (52 injuries in three-county pilot), childhood asthma, and serious work-related trauma. The Occupational Respiratory Disease Information System (ORDIS) works with an advisory group in NE Minnesota to study mesothelioma, silicosis, asbestosis, and asthma occurrence, with the intent of establishing a surveillance system for work-related respiratory disease.
- An intervention study worked successfully with over 48 shops to decrease workers' dust exposure. A curriculum was designed to give rural high school students an understanding of diverse agricultural and occupational health and safety issues in a variety of settings. Summary information from current research is also used nationally to assist with policy development and to prevent work-related disease and trauma.

FINANCING INFORMATION:

- The Breast and Cervical Cancer Screening Program has been federally funded since 1991 and state funded since 1998. In August 2000, federal funding was reduced by approximately 10% as a result of changes in federal policy for what was considered allowable under federal guidelines for patient recruitment and services to assure appropriate follow-up of patients with abnormal screening tests. The program continues to receive an annual contribution from Race for the Cure to support breast cancer diagnostic tests for program-eligible women and mammograms for women ages 40-49. With existing resources, the free screening program serves 5-10% of the eligible women in the state.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: CHRONIC DISEASE PREV & CONTROL
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

BUDGET ISSUES:

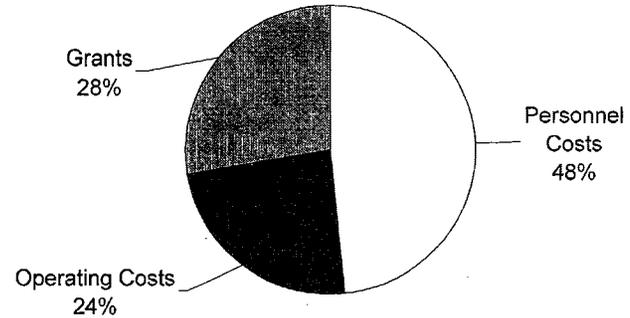
Through a combination of state and federal funds, the Cancer Control Section currently serves 11,000 women per year. This reflects only a fraction of the low income, under insured women in need of free breast and cervical screening services in Minnesota. Furthermore, there are no funds available to increase screening rates within the general population which – at slightly over 50% -- are substantially below the *Health Minnesotans 2004* goals of 90%.

The MDH is working with medical, industry, and community leaders to plan the Occupational Respiratory Disease Information System. Using state funds, MDH and community leaders have started on the first step to identify the nature and scope of occupationally-acquired respiratory illness in Minnesota.

In collaboration with the medical, business, education, and public health communities of Minnesota, the Division identifies preventable causes of chronic diseases such as cancer, asthma, and work-related injuries, such as childhood agricultural trauma. Division expertise in the analysis and evaluation of populations exposed to cancer-causing agents and serious work-related trauma have enabled the MDH to attract federal funding to support work involving cancer surveillance, childhood asthma, work-related traumatic injuries, and agricultural health and safety issues. State funds enable the Division to compete successfully for these federal awards.

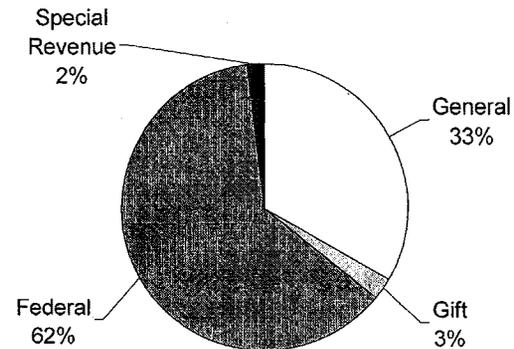
2000 - 01 Expenditures by Category

Total = \$17,257 (In 000's)



2000 - 01 Expenditures by Fund

Total = \$17,257 (In 000's)



Activity: CHRONIC DISEASE PREV & CONTROL
 Program: HEALTH PROTECTION
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 3,702 | 4,044 | 4,315 | 4,087 | 4,087 | 4,003 | 4,003 | (269) | (3.2%) |
| OTHER OPERATING EXPENSES | 1,338 | 1,787 | 2,307 | 1,730 | 1,730 | 1,569 | 1,569 | (795) | (19.4%) |
| Subtotal State Operations | 5,040 | 5,831 | 6,622 | 5,817 | 5,817 | 5,572 | 5,572 | (1,064) | (8.5%) |
| PAYMENTS TO INDIVIDUALS | 1,563 | 1,322 | 1,737 | 1,564 | 1,564 | 1,564 | 1,564 | 69 | 2.3% |
| LOCAL ASSISTANCE | 1,236 | 855 | 890 | 838 | 838 | 783 | 783 | (124) | (7.1%) |
| Total Expenditures | 7,839 | 8,008 | 9,249 | 8,219 | 8,219 | 7,919 | 7,919 | (1,119) | (6.5%) |

| | | | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 2,635 | 2,727 | 3,002 | 3,102 | 3,102 | 3,155 | 3,155 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 193 | 233 | 109 | 5 | 5 | 5 | 5 | | |
| FEDERAL | 4,779 | 4,841 | 5,912 | 4,907 | 4,907 | 4,554 | 4,554 | | |
| GIFT | 232 | 207 | 226 | 205 | 205 | 205 | 205 | | |
| Total Financing | 7,839 | 8,008 | 9,249 | 8,219 | 8,219 | 7,919 | 7,919 | | |

| | | | | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| Revenue Collected: | | | | | | | | | |
| Dedicated | | | | | | | | | |
| SPECIAL REVENUE | 102 | 170 | 27 | 0 | 0 | 0 | 0 | | |
| FEDERAL | 4,593 | 4,654 | 5,708 | 4,724 | 4,724 | 4,364 | 4,364 | | |
| GIFT | 282 | 193 | 223 | 223 | 223 | 223 | 223 | | |
| Total Revenues Collected | 4,977 | 5,017 | 5,958 | 4,947 | 4,947 | 4,587 | 4,587 | | |

| | | | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--|
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 57.8 | 59.0 | 65.9 | 61.6 | 61.6 | 58.0 | 58.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 13.3 | 13.0 | 15.4 | 12.7 | 12.7 | 11.4 | 11.4 | | |
| OVERTIME PAY | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Total Full-Time Equivalent | 71.3 | 72.1 | 81.3 | 74.3 | 74.3 | 69.4 | 69.4 | | |

Budget Activity: CHRONIC DISEASE PREV & CONTROL
 Program: HEALTH PROTECTION
 Agency: HEALTH DEPT

Pass Through Grants Administered by the Division of Chronic Disease Prevention & Control

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | 2000-2001 State Appropriation | Most Recent Federal Award (cite year) |
|--|--|---|----------------------------------|---|
| Breast and Cervical Cancer Prevention Program | Recruitment/outreach activities to increase breast and cervical cancer screening | Community Health Boards (CHBs), YWCAs (Duluth/Mpls) (65 grantees) | \$490,000/year | \$1.439 million (2001) |
| Asthma | Develop and support the Minnesota Asthma Coalition | American Lung Association of Minnesota | -0- | \$64,440 (2001) |

BUDGET ACTIVITY SUMMARY

Budget Activity: PUBLIC HEALTH LABORATORIES
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

ACTIVITY PROFILE:

The Minnesota Public Health Laboratories' apply their scientific expertise, state-of-the-art instrumentation and methodologies to look for trends that impact the public's health and the environment; to respond in the event of a public health emergency; and to investigate the cause and effect relationship between exposure and disease. The Public Health Laboratories work in partnership with public and private laboratories to

- identify rare or unusual infectious diseases or chemical hazards;
- search for emerging infectious disease or chemical threats;
- implement effective measures to detect emerging public health threats;
- act in response to environmental emergencies, natural disasters, and outbreaks of infectious disease to provide analytical data essential to planning appropriate public health interventions;
- screen all newborn babies in Minnesota for the presence of rare but treatable congenital disorders; and
- certify environmental laboratories to conduct testing for federal regulatory programs administered by the MDH and the Pollution Control Agency.

STRATEGIES AND PERFORMANCE:

Responding to Public Health Threats:

The laboratories are continually watchful for emerging health threats.

- The laboratories use high-tech molecular methods such as DNA "fingerprinting" for rapid detection of disease outbreaks and to identify outbreak-causing agents that limit the number of people that become ill and improve the cost effectiveness of the public health intervention.

Examples of Diseases and Outbreaks Detected by Molecular Methods

| | |
|--|-------------------------------|
| <i>ETEC, E. coli</i> (Jan-Sept. 2000) Thought to be rare in the U.S., this is a more serious type of <i>E. coli</i> that can lead to severe illness and death, especially in children. | 43 cases |
| <i>E. coli</i> O157:H7 (two-year period) | 7 outbreaks |
| <i>E. coli</i> O157:H7 (two-year period) Ruled out suspicious disease clusters of <i>E. coli</i> O157:H7 as a disease outbreak. | 7 suspicious disease clusters |
| <i>Salmonella Typhimurim</i> , (1994 – 1998) | 10 outbreaks |
| <i>Shigella sonnei</i> | 1 national outbreak |

- The laboratories currently test infants and newborns (65,000 annually) for five treatable metabolic disorders that if not treated can lead to mental retardation, developmental problems, and early death. By detecting these conditions immediately after birth, these babies can be successfully treated and devastating emotional, social, economic, and medical outcomes can be totally prevented. Each year, this program detects about 40 cases in Minnesota. It is estimated that for just phenylketonuria and galactosemia alone, early detection and treatment saves about \$3 million for each 100,000 infants screened.

Number of Infants Who Tested Positive

| Metabolic Disorder | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|
| Congenital Adrenal Hyperplasia | 4 | 5 | 4 | 2 | 5 |
| Congenital Hypothyroidism | 27 | 10 | 18 | 17 | 25 |
| Phenylketonuria | 3 | 5 | 4 | 6 | 5 |
| Hemoglobinopathies | 7 | 11 | 8 | 20 | 10 |
| Galactosemia | 4 | 11 | 3 | 4 | 4 |
| TOTAL | 45 | 32 | 37 | 49 | 49 |

- The Public Health Laboratories provide leadership to other laboratories statewide to assure the quality of analytical data. The laboratories work to assure that clinical laboratories throughout the state have up-to-date testing standards and methods so that physicians have the information they need to effectively treat their patients. The laboratories serve as resource and reference facilities for the most unusual or life-threatening disease-causing agents.
- The laboratories also certify other environmental laboratories to perform testing for the U.S. Environmental Protection Agency (EPA). This certification means that these laboratories use methods specified by the EPA for programs including the Safe Drinking Water, Clean Water, Resource Conservation and Recovery, and Underground Storage Tank.
- The laboratories respond to public health emergencies 24 hours per day, seven days per week. The laboratories analyze clinical specimens and environmental samples, identify unknown chemical or biologic agents, and measure the extent of exposure or contamination. Preparedness is maintained through partnerships with other laboratories as well as local, state, and federal agencies including law enforcement. The Public Health Laboratories collaborate with the Division of Emergency Management in preparedness to respond in the event of a nuclear emergency.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: PUBLIC HEALTH LABORATORIES
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

FINANCING INFORMATION:

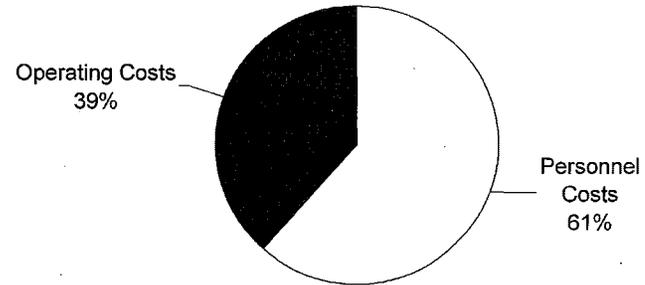
The Public Health Laboratories are financed primarily with special revenues and federal funds.

BUDGET ISSUES:

Because this activity is so dependent upon special, restricted use funds, it is extremely difficult to respond to emergency situations and maintain basic scientific capacity. The activity needs additional General Fund resources to adequately perform its duties.

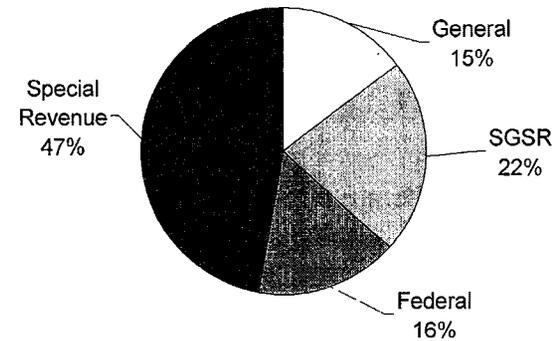
2000 - 01 Expenditures by Category

Total = \$15,880 (In 000's)



2000 - 01 Expenditures by Fund

Total = \$15,880 (In 000's)



Activity: PUBLIC HEALTH LABORATORIES
 Program: HEALTH PROTECTION
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 4,039 | 4,445 | 5,309 | 5,165 | 6,740 | 5,124 | 7,074 | 4,060 | 41.6% |
| OTHER OPERATING EXPENSES | 2,654 | 2,703 | 3,372 | 2,396 | 3,111 | 2,396 | 3,106 | 142 | 2.3% |
| Subtotal State Operations | 6,693 | 7,148 | 8,681 | 7,561 | 9,851 | 7,520 | 10,180 | 4,202 | 26.5% |
| CAPITAL OUTLAY & REAL PROPERTY | 9 | 0 | 51 | 0 | 0 | 0 | 0 | (51) | (100.0%) |
| Total Expenditures | 6,702 | 7,148 | 8,732 | 7,561 | 9,851 | 7,520 | 10,180 | 4,151 | 26.1% |

| Change Items: | Fund | | | | | | |
|--------------------------------------|-------------|--|--|--|--------------|--|--------------|
| (B) LABORATORY CERTIFICATION PROGRAM | SGS | | | | 90 | | 60 |
| (B) EMERGING HEALTH THREATS | GEN | | | | 2,200 | | 2,600 |
| Total Change Items | | | | | 2,290 | | 2,660 |

| Financing by Fund: | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 1,552 | 1,089 | 1,242 | 1,296 | 3,496 | 1,326 | 3,926 |
| STATE GOVERNMENT SPECIAL REVENUE | 1,376 | 1,623 | 1,858 | 1,615 | 1,705 | 1,636 | 1,696 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 2,791 | 3,194 | 4,353 | 3,699 | 3,699 | 3,699 | 3,699 |
| FEDERAL | 983 | 1,241 | 1,276 | 951 | 951 | 859 | 859 |
| GIFT | 0 | 1 | 3 | 0 | 0 | 0 | 0 |
| Total Financing | 6,702 | 7,148 | 8,732 | 7,561 | 9,851 | 7,520 | 10,180 |

| Revenue Collected: | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 2,979 | 2,776 | 3,699 | 3,699 | 3,699 | 3,699 | 3,699 |
| FEDERAL | 364 | 504 | 538 | 538 | 538 | 538 | 538 |
| Nondedicated | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 1,682 | 1,625 | 1,605 | 1,605 | 1,865 | 1,605 | 1,835 |
| Total Revenues Collected | 5,025 | 4,905 | 5,842 | 5,842 | 6,102 | 5,842 | 6,072 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|--------------|-------------|--------------|
| FULL TIME | 78.4 | 81.5 | 84.2 | 78.5 | 101.7 | 78.5 | 108.0 |
| PART-TIME, SEASONAL, LABOR SER | 5.8 | 6.8 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 |
| OVERTIME PAY | 0.3 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Total Full-Time Equivalent | 84.5 | 88.9 | 91.5 | 85.8 | 109.0 | 85.8 | 115.3 |

BUDGET CHANGE ITEM (49943)

Budget Activity: PUBLIC HEALTH LABORATORIES

Program: HEALTH PROTECTION

Agency: HEALTH DEPT

Item Title: LABORATORY CERTIFICATION PROGRAM

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| Special Government Revenue Fund | \$90 | \$60 | \$60 | \$60 |
| Revenues: (\$000s) | | | | |
| Special Government Revenue Fund | \$260 | \$230 | \$230 | \$230 |

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 144.98

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a State Government Special Revenue Fund appropriation of \$90,000 in FY 2002 and \$60,000 in FY 2003 and fee increases to cover the current costs of Minnesota's Environmental Laboratory Certification program.

RATIONALE:

Environmental laboratory certification is voluntary in Minnesota. However, environmental laboratories must be certified in order to perform testing for certain federal programs.

Minnesota must assure the U.S. Environmental Protection Agency (EPA) that federal regulatory program testing is performed by laboratories certified to conduct the data quality assurance, analysis, sample collection, preservation, and handling techniques specified by the EPA.

In Minnesota these programs are administered by MDH (Safe Drinking Water) and the Minnesota Pollution Control Agency (Clean Water, Resource Conservation and Recovery, and Underground Storage Tank).

The Environmental Laboratory Certification Program works closely with these programs and certified laboratories to assure EPA requirements are met and to

assure accurate data about drinking water and the environment are available. This allows decision makers to make evidence-based decisions and to continually monitor trends that impact the public's health and the environment.

New laboratory techniques, increased federal testing requirements, and increasing sophistication of laboratory equipment have resulted in an increase in requests from private environmental laboratories for training and technical assistance. In addition, there are efforts on the national level to standardize certification programs nationwide. MDH will continue to participate at the national level and work with public and private environmental laboratories to propose changes to Minnesota Statutes and MN Rules to be consistent with national standards.

Without the recommended increase in user fees, the program can not retain existing staff and will be unable to meet program requirements specified in statute and the state will be at risk of being out of compliance with EPA primacy requirements. Training and technical assistance activities will have to be reduced.

FINANCING:

This proposal recommends increased funding for the Laboratory Certification Program to keep up with expected levels of performance. The current base funding for the program is \$308,000. No additional positions are requested.

This program is entirely supported by user fees. The fee amount is based primarily on the number of tests performed. Since the program inception in 1989, the fee has not been increased and the average number of labs certified by MDH has remained constant at 170. We estimate that the average biennial fee will increase from \$2,025 to \$3,400. This fee increase will cover program costs for the next five years. The customers of this program provide input into fees and program activities through participation in advisory groups convened whenever rule, program, or fee changes are necessary. In FY 2002, \$30,000 will be used to support needed rule changes.

OUTCOMES:

- MDH will meet its statutory obligations and the state of Minnesota will meet EPA requirements.
- Statute and Rule changes to implement the national certification standards will be developed and presented to the 2003 legislature.
- By 6-30-02, reciprocal arrangements will be in place with three states to reduce program costs associated with inspections of laboratories in other states that test Minnesota samples.
- The inspection frequency will be changed from once every three years to once every two years.
- The number of training sessions will be increased from ten to twenty per year.

BUDGET CHANGE ITEM (49183)

Budget Activity: PUBLIC HEALTH LABORATORIES
Program: HEALTH PROTECTION
Agency: HEALTH DEPT

Item Title: EMERGING HEALTH THREATS

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - State Operations | \$2,200 | \$2,600 | \$2,600 | \$2,600 |
| State Government Special Revenue Fund | \$(367) | \$(367) | \$(367) | \$(367) |
| Revenues: (\$000s) | | | | |
| General Fund | \$300 | \$300 | \$300 | \$300 |

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 609.5315

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$2.2 million in FY 2002 and \$2.6 million in FY 2003 to strengthen the state's preparedness to rapidly identify and respond to emerging health threats. By refinancing core public laboratory services that benefit all Minnesotans, the department will reduce the cost of providing laboratory testing services to its fee-paying customers by \$367,000 per year.

RATIONALE:

Public health preparedness is a central responsibility of government and a cornerstone of public health protection. Recent Minnesota examples include:

- *disease outbreaks*, - such as anthrax in northwestern Minnesota;
- *terrorism threats and natural disasters*, such as the unknown liquids from the recent genetics conference, or floods and tornadoes;
- *spread of antibiotic resistant disease organisms*, such as tuberculosis;

- *long-term environmental exposures and lifestyle*, such as asbestos exposures or pharmaceuticals in drinking water *hazardous materials* - such as the waste from clandestine methamphetamine labs.

New public health threats on the horizon require continuous preparedness and expertise. Funding for environmental assessment laboratory activities is almost entirely fee-based. Increased costs of a core public health protection activity are being shifted to fee-supported programs to meet increasing needs, which isn't fair to fee payers. This funding proposal will end the shell game of adding to the cost of regulation programs and will eliminate the uncertainty about the future solvency of one of our most basic public health functions.

The clinical laboratory is funded by federal grants and general funds. Federal grant funds are decreasing and are subject to congressional shifts in priority. This core public health function needs general fund support to provide needed information for monitoring and managing diseases that cause illness and death.

Proposal:

1. *Watch for emerging health threats:*
 The public health laboratory needs the staff and equipment for safe handling and rapid analysis of emergency samples and hazardous chemicals. State-of-the-art equipment requires highly-skilled staff to analyze human specimens for hazardous chemicals that might be involved in causing infertility, some forms of cancer, problems with fetal development, and rapid response to an actual or possible threat of chemical terrorism.

Surveillance of diseases and exposures will be coordinated with health and community partners. This new capacity will shorten timelines for identifying disease outbreaks and harmful exposures.

2. *Respond to health threats:*
 This proposal supports a formalized emergency on-call system for emergency response. It supports linkage with local public health officials after normal office hours. Past events have highlighted gaps in providing 24 hour/seven day a week connections and response.

This proposal will increase our capacity to communicate electronically with local public health agencies to rapidly share information during a public health emergency and to more effectively train staff and health care providers using video-conference facilities. MDH staff will work with the Department of Public Safety and local communities to hold disaster simulation exercises.

3. *Ensure Safe clandestine (methamphetamine) lab cleanup:*
 Labs have been seized in 54 counties, with the majority in Anoka, Dakota, Hennepin, Sherburne, and Wright. In 1994, law enforcement officials seized three labs statewide. By 1999, seizures had increased to 114. Labs use

BUDGET CHANGE ITEM (49183) (Continued)

Budget Activity: PUBLIC HEALTH LABORATORIES

Program: HEALTH PROTECTION

Agency: HEALTH DEPT

Item Title: EMERGING HEALTH THREATS

large quantities of hazardous acids and solvents for making drugs. Law enforcement and local public health personnel are at risk of exposure to hazardous chemicals. This proposal will provide training, consultation, and assessment services to assure health risks are minimized for front-line workers and assistance to local officials to assure children are not returned to homes that are unsafe.

FINANCING:

- \$1.2 million annually for clinical and environmental laboratory staff and supplies to monitor trends and develop new analytical techniques.
- \$200,000 one time for increased security modifications and equipment purchases for analysis of hazardous materials.
- \$250,000 in FY 2002 and \$550,000 in FY 2003 for staff and electronic communication tools to collect and analyze information about emerging health threats and environmental exposures.
- \$250,000 in FY 2002 and \$550,000 in FY 2003 for staff, statewide distance training activities, and electronic communication tools to support development of protocols and for rapid response.
- \$300,000 each year for staff and expenses to assist local government in safe management of clandestine drug labs. We propose this cost be reimbursed from the proceeds of disposition of forfeited property as a reimbursement to the General Fund.

OUTCOMES:

- An ongoing 24/7 on-call alert system will be in place by September 2001.
- Safety and security laboratory upgrades will be completed by June 2002.
- Collaborative networks will be in place with all 150 clinical labs to effectively monitor specimens and samples for emerging threats by December 2001. Agreements will be in place with neighboring states for backup services.
- Based on past experience, an estimated 70 infectious disease emergencies or hazardous exposure events will be identified by the laboratory annually.

- Environmental laboratory bio-monitoring will be in place by June 2002 to analyze impact of exposures to chemical contaminants.
- Research data on children's exposure to contaminants will be used for development of public health protection policy, rule development, and risk assessments, and progress will be reported to an independent review committee by the summer of 2003.
- Consultation and training regarding environmental health risks will be provided to state or local agencies and citizen groups starting July 2001.
- In cooperation with the Department of Public Safety, disaster simulation exercises will be conducted with state and local officials by December 2002. An action plan for improvement will be discussed with participants by February 2003.
- By June 2003, 50 consultations/year on clandestine drug labs will be provided to local public health and law enforcement agencies, and local public health staff will be trained to respond to the hazards of clandestine drug labs.
- By December 2001, a public awareness campaign about meth labs will be launched with the U.S. Drug Enforcement Agency, and the Department of Public Safety, and a tracking system will be in place.
- Refinancing the basic core laboratory activities with General Fund resources will allow the department to establish an equitable fee schedule based on costs associated with "for fee" services, and provide stable and appropriate funding for basic public health analytical services.

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PROGRAM SUMMARY

Program: MANAGEMENT AND SUPPORT SERVICE
Agency: HEALTH DEPT

PROGRAM PROFILE:

This program includes two activities: Executive Office and Communications and Finance and Administrative Management.

These activities provide the executive leadership and the business systems underlying and supporting all of the department's public health programs.

The executive leadership of the department is committed to extracting greater efficiency from the resources of the department and advancing the mission of public health in Minnesota.

STRATEGIES AND PERFORMANCE:

Over the past two years, the commissioner has reviewed and evaluated all activities carried out by MDH to determine which efforts could be more effectively targeted or realigned.

The result has been the identification of five strategic directions that represent the highest priorities of the department and serve to guide our planning and operations. The following strategic directions reflect the diversity of public health concerns and are the basis for realignment of current departmental resources and the context for new investments in public health.

Eliminate Disparities in Health Status for all Minnesotans. Many groups, particularly populations of color, experience poor health outcomes. These disparities require and deserve greater attention.

Improve Readiness to Respond to Emerging Health Threats. Our world is becoming smaller. New health hazards continue to appear. To remain healthy, we need the ability to respond quickly to health threats before they become health tragedies.

Support Communities to Raise Healthy Youth. The tobacco endowments have presented the State with an unprecedented opportunity to tackle issues in youth health. The MDH approach involves youth in solutions and provides resources for local communities' involvement.

Bring the Community Together on Public Health Goals. This is about leadership -- a public health approach that engages individuals and communities in the search for solutions to their public health issues.

Prepare Minnesota for the Next Wave of Health Reform. The state continues to struggle with issues of access to health care, uninsurance rates, rising health care costs, and health care quality. This effort attempts to get citizens more involved in shaping the health care system of the future.

FINANCING INFORMATION:

This program represents 7% of the department's budget. Activities in this program benefit the entire department and are financed primarily by indirect cost assessments charged to non-general fund programs. MDH's indirect cost formula is negotiated with and approved by the federal government and ensures that all departmental activities share in the associated costs. The indirect cost rate is calculated annually and is applied equally to all federally funded and non-general fund programs. General Fund appropriations are used primarily to pay an appropriate share of the department's facility rental costs.

BUDGET ISSUES:

The 1998 legislature substantially reduced the department's request for rent. MDH has moved aggressively to reduce its rent obligations by reducing the total amount of space it leases while still providing the facilities needed to carry out its statutory mission.

Program: MANAGEMENT & SUPPORT SERVICES
 Agency: HEALTH DEPT

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|--|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| FINANCE AND ADMINISTRATIVE MGM EXECUTIVE OFFICE & COMMUNICATI | 15,362 | 17,503 | 19,382 | 18,513 | 18,463 | 18,910 | 18,860 | 438 | 1.2% |
| | 2,375 | 2,574 | 2,844 | 2,271 | 2,271 | 2,240 | 2,240 | (907) | (16.7%) |
| Total Expenditures | 17,737 | 20,077 | 22,226 | 20,784 | 20,734 | 21,150 | 21,100 | (469) | (1.1%) |

| Change Items: | Fund | | | | |
|------------------------------|------|--|--|-------------|-------------|
| (B) FIELD SERVICES REDUCTION | GEN | | | (50) | (50) |
| Total Change Items | | | | (50) | (50) |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 3,548 | 5,437 | 6,632 | 5,354 | 5,304 | 5,762 | 5,712 | | |
| STATE GOVERNMENT SPECIAL REVENUE | 287 | 26 | 269 | 151 | 151 | 155 | 155 | | |
| HEALTH CARE ACCESS | 53 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 0 | 0 | 261 | 261 | 261 | 261 | | |
| HEALTH CARE ACCESS | 0 | 0 | 0 | 79 | 79 | 79 | 79 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 12,647 | 13,791 | 14,711 | 14,533 | 14,533 | 14,533 | 14,533 | | |
| FEDERAL | 602 | 544 | 498 | 406 | 406 | 360 | 360 | | |
| MISCELLANEOUS AGENCY | 599 | 278 | 110 | 0 | 0 | 0 | 0 | | |
| GIFT | 1 | 1 | 6 | 0 | 0 | 0 | 0 | | |
| Total Financing | 17,737 | 20,077 | 22,226 | 20,784 | 20,734 | 21,150 | 21,100 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| FULL TIME | 136.6 | 136.2 | 133.8 | 130.8 | 129.8 | 130.8 | 129.8 | | |
| PART-TIME, SEASONAL, LABOR SER | 4.1 | 3.6 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | | |
| OVERTIME PAY | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | | |
| Total Full-Time Equivalent | 141.4 | 140.5 | 135.6 | 132.6 | 131.6 | 132.6 | 131.6 | | |

BUDGET ACTIVITY SUMMARY

Budget Activity: FINANCE AND ADMINISTRATIVE MGM
Program: MANAGEMENT & SUPPORT SERVICES
Agency: HEALTH DEPT

ACTIVITY PROFILE:

The Finance and Administrative Management Activity provides internal business services and central support services to all programs of the department in order to make maximum utilization of all agency resources.

Critical responsibilities of this activity include the anticipation of and planning for the future. This activity continuously reviews the need for and quality of its services to assure they are provided in the most cost efficient manner.

STRATEGIES AND PERFORMANCE:

Facilities Management

- manages leasing of all office facilities for the department, building operations, facility security, and staff and client parking;
- manages space planning, remodeling, construction, and staff relocation;
- manages internal support services including mail distribution, printing and duplication, warehousing, and clerical support in MDH district offices; and
- manages the operations of a central conference center available for MDH, other state agencies, and local government partners.

The primary goal of this section is to provide appropriate facilities and business operations for the department to complete its statutory program responsibilities. This section reduced the total space rented by MDH by over 22,000 square feet in 2000-01.

Financial Management

- manages budget planning and development for all departmental resources;
- manages centralized budget management, accounting, and reporting;
- manages purchasing, contract services, and cash management activities; and
- provides technical assistance required for federal grants.

The primary goal of this section is to provide timely and accurate information and systems to facilitate fiscal management at all levels within the department. This section improved the MDH prompt payment performance by 18% in FY 2000. MDH now ranks above the statewide average.

Information Systems & Technology Management

- manages planning and development of technology systems, data architecture, communication networks, and telecommunications systems;
- manages MDH central computer networks and technology infrastructure, which connects all MDH employees and 11 building locations;
- provides technical expertise and support to all departmental programs; and
- provides systems security for all departmental data and communications.

The primary goal of this section is to develop and maintain a secure technology infrastructure to efficiently manage the data resources entrusted to MDH. This section dramatically upgraded MDH data security and developed a long-range strategic plan for its information resources management in FY 2000. The section is currently developing a secure business continuation plan for the department. This plan aligns the department's business objectives with the development of information resources that are secure and able to deliver information services in an effective and efficient way.

Human Resources Management

- manages the recruitment, development, and retention of qualified staff;
- manages MDH labor/management relations, employee benefits, and employee health and safety activities;
- manages departmental equal opportunity and affirmative action activities; and
- provides distance learning and video conferencing support services to MDH, other state agencies, and to MDH public health partners.

The primary goal of this section is to attract and retain a qualified workforce representative of the state population and the diverse clientele served by MDH. This section has made substantial progress in creating a diverse and inclusive workforce. Fifteen percent of all new hires are currently people of color.

FINANCING INFORMATION:

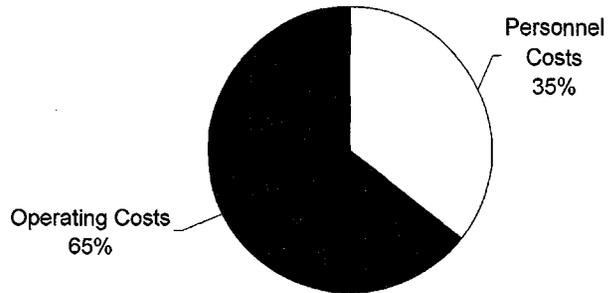
The majority of this activity is funded by an indirect cost assessment to all non-general fund sources. In addition, the state general fund also pays a balanced portion of the department administrative costs, primarily through a contribution to the cost of MDH facility rental.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: FINANCE AND ADMINISTRATIVE MGM
Program: MANAGEMENT & SUPPORT SERVICES
Agency: HEALTH DEPT

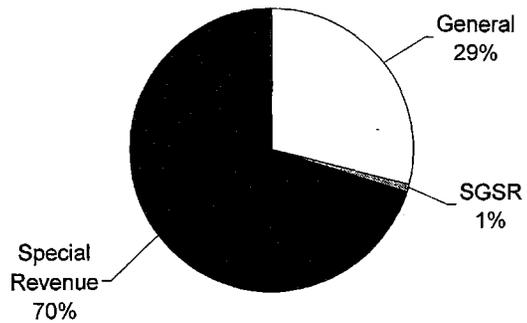
2000 - 01 Expenditures by Category

Total = \$36,885 (In 000's)



2000 - 01 Expenditures by Fund

Total = \$36,885 (In 000's)



Activity: FINANCE AND ADMINISTRATIVE MGM
 Program: MANAGEMENT & SUPPORT SERVICES
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 5,675 | 6,018 | 7,049 | 6,714 | 6,664 | 6,733 | 6,683 | 280 | 2.1% |
| OTHER OPERATING EXPENSES | 9,398 | 11,020 | 11,996 | 11,122 | 11,122 | 11,500 | 11,500 | (394) | (1.7%) |
| OTHER FINANCIAL TRANSACTIONS | 289 | 336 | 337 | 337 | 337 | 337 | 337 | 1 | 0.1% |
| TRANSFERS | 0 | 0 | 0 | 340 | 340 | 340 | 340 | 680 | |
| Subtotal State Operations | 15,362 | 17,374 | 19,382 | 18,513 | 18,463 | 18,910 | 18,860 | 567 | 1.5% |
| CAPITAL OUTLAY & REAL PROPERTY | 0 | 129 | 0 | 0 | 0 | 0 | 0 | (129) | (100.0%) |
| Total Expenditures | 15,362 | 17,503 | 19,382 | 18,513 | 18,463 | 18,910 | 18,860 | 438 | 1.2% |

| Change Items: | Fund | | | | |
|------------------------------|-------------|--|--|-------------|-------------|
| (B) FIELD SERVICES REDUCTION | GEN | | | (50) | (50) |
| Total Change Items | | | | (50) | (50) |

| Financing by Fund: | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 3,271 | 4,729 | 5,944 | 5,005 | 4,955 | 5,398 | 5,348 |
| STATE GOVERNMENT SPECIAL REVENUE | 287 | 26 | 269 | 151 | 151 | 155 | 155 |
| Open Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 0 | 0 | 261 | 261 | 261 | 261 |
| HEALTH CARE ACCESS | 0 | 0 | 0 | 79 | 79 | 79 | 79 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 11,190 | 12,455 | 13,043 | 13,002 | 13,002 | 13,002 | 13,002 |
| FEDERAL | 14 | 15 | 15 | 15 | 15 | 15 | 15 |
| MISCELLANEOUS AGENCY | 599 | 278 | 110 | 0 | 0 | 0 | 0 |
| GIFT | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Total Financing | 15,362 | 17,503 | 19,382 | 18,513 | 18,463 | 18,910 | 18,860 |

| Revenue Collected: | | | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 11,125 | 12,286 | 12,504 | 12,644 | 12,644 | 12,644 | 12,644 |
| FEDERAL | 14 | 15 | 15 | 15 | 15 | 15 | 15 |
| MISCELLANEOUS AGENCY | 0 | 378 | 0 | 0 | 0 | 0 | 0 |
| GIFT | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues Collected | 11,140 | 12,679 | 12,519 | 12,659 | 12,659 | 12,659 | 12,659 |

Activity: FINANCE AND ADMINISTRATIVE MGM
 Program: MANAGEMENT & SUPPORT SERVICES
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| FTE by Employment Type: | | | | | | | |
| FULL TIME | 114.3 | 110.8 | 109.8 | 109.8 | 108.8 | 109.8 | 108.8 |
| PART-TIME, SEASONAL, LABOR SER | 2.5 | 3.3 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| OVERTIME PAY | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Total Full-Time Equivalent | 117.4 | 114.8 | 111.6 | 111.6 | 110.6 | 111.6 | 110.6 |

BUDGET CHANGE ITEM (49834)

Budget Activity: FINANCE AND ADMINISTRATIVE MGM
Program: MANAGEMENT AND SUPPORT SERVICE
Agency: HEALTH DEPT

Item Title: FIELD SERVICES REDUCTION

FINANCING:

This activity is financed with both general fund and other program-related funding supported by time studies.

OUTCOMES:

This change will reduce overhead costs but will not reduce services or have other negative impact.

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|----------------|------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| - State Operations | \$ (50) | \$ (50) | \$ (50) | \$ (50) |
| Revenues: (\$000s) | | | | |
| General Fund | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Statutory Change? Yes _____ No <u> X </u> | | | | |
| If yes, statute(s) affected: | | | | |
| _____ New Activity _____ Supplemental Funding <u> X </u> Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund reduction of \$50,000 each fiscal year through the elimination of one full time position.

RATIONALE:

MDH management continually evaluates the cost, need for, and quality of the internal business services it provides for the department.

One service that is provided by this activity is office support service (reception, clerical, etc.) to the MDH field offices in Greater Minnesota. On average, the ratio of professional staff to office support staff is 10.6 to 1.0. However, the most recent review of district office support services identified one location where two support positions supported only six professional staff. The department proposes to eliminate one position, generating savings of \$50,000 annually in direct salary, benefits, supplies, and other administrative costs.

BUDGET ACTIVITY SUMMARY

Budget Activity: EXECUTIVE OFFICE & COMMUNICATI
Program: MANAGEMENT & SUPPORT SERVICES
Agency: HEALTH DEPT

ACTIVITY PROFILE:

The Executive Office & Communications activity provides the vision and the executive leadership needed to formulate forward-looking public health policy for the state of Minnesota, the direction to manage the various programs of the department, and the infrastructure to effectively communicate the department's policies to the legislature, the state's local and federal partners, and to the public. The activity includes the following:

- The Executive Office - which develops and implements departmental policies and provides leadership to the state in developing public health priorities.
- The Communications Office - which provides ongoing communications links between agency staff, the legislature, local and federal partners, and the general public. These links include the public media, published materials, the Internet, and the issuance of official reports. The office responds to both general and special requests for information about MDH programs and public health issues. In addition, the office provides library services and job related educational resources for public health staff.

STRATEGIES AND PERFORMANCE:

Over the past two years, the commissioner has led an intensive effort to identify the highest priority public health issues in the state and refocus the department's programs on the advancement of these issues. The identified priorities are the department's *Strategic Directions* and represent the guiding principles behind the planning, management, and operations of the department.

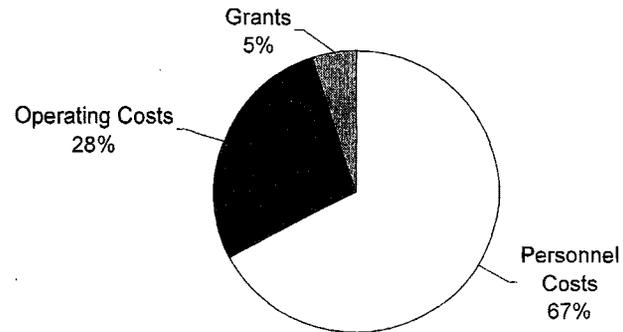
- Eliminate Disparities in Health Status for all Minnesotans.
- Improve Readiness to Respond to Emerging Health Threats.
- Support Communities to Raise Healthy Youth.
- Bring the Community Together on Public Health Goals.
- Prepare for the Next Wave of Health Reform.

FINANCING INFORMATION:

This activity is financed by the agency indirect cost account, state General Fund, and federal grants.

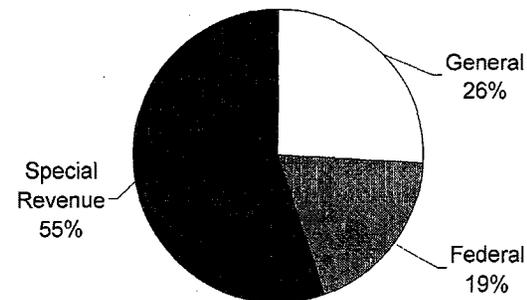
2000 - 01 Expenditures by Category

Total = \$5,418 (In 000's)



2000 - 01 Expenditures by Fund

Total = \$5,418 (In 000's)



Activity: EXECUTIVE OFFICE & COMMUNICATI
 Program: MANAGEMENT & SUPPORT SERVICES
 Agency: HEALTH DEPT

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|----------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 1,387 | 1,695 | 1,909 | 1,506 | 1,506 | 1,521 | 1,521 | (577) | (16.0%) |
| OTHER OPERATING EXPENSES | 804 | 695 | 797 | 719 | 719 | 719 | 719 | (54) | (3.6%) |
| Subtotal State Operations | 2,191 | 2,390 | 2,706 | 2,225 | 2,225 | 2,240 | 2,240 | (631) | (12.4%) |
| LOCAL ASSISTANCE | 184 | 184 | 138 | 46 | 46 | 0 | 0 | (276) | (85.7%) |
| Total Expenditures | 2,375 | 2,574 | 2,844 | 2,271 | 2,271 | 2,240 | 2,240 | (907) | (16.7%) |

| | | | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 277 | 708 | 688 | 349 | 349 | 364 | 364 | | |
| HEALTH CARE ACCESS | 53 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 1,457 | 1,336 | 1,668 | 1,531 | 1,531 | 1,531 | 1,531 | | |
| FEDERAL | 588 | 529 | 483 | 391 | 391 | 345 | 345 | | |
| GIFT | 0 | 1 | 5 | 0 | 0 | 0 | 0 | | |
| Total Financing | 2,375 | 2,574 | 2,844 | 2,271 | 2,271 | 2,240 | 2,240 | | |

| | | | | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| Revenue Collected: | | | | | | | | | |
| Dedicated | | | | | | | | | |
| SPECIAL REVENUE | 1,544 | 1,350 | 1,625 | 1,661 | 1,661 | 1,661 | 1,661 | | |
| FEDERAL | 588 | 529 | 483 | 391 | 391 | 345 | 345 | | |
| GIFT | 1 | 1 | 0 | 0 | 0 | 0 | 0 | | |
| Total Revenues Collected | 2,133 | 1,880 | 2,108 | 2,052 | 2,052 | 2,006 | 2,006 | | |

| | | | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--|
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 22.3 | 25.4 | 24.0 | 21.0 | 21.0 | 21.0 | 21.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 1.6 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| OVERTIME PAY | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Total Full-Time Equivalent | 24.0 | 25.7 | 24.0 | 21.0 | 21.0 | 21.0 | 21.0 | | |

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VETERANS HOME BOARD - CONTENTS

Agency Executive Summary

Budget Briefs by Fund

Revenue Summary Narrative

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PROGRAMS, BUDGET ACTIVITIES, AND CHANGE ITEMS

VETERANS HOMES

C-411

VETERANS HOME BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission: The mission of the Veterans Home Board (VHB) is to oversee and guarantee high-quality health care for veterans and their spouses.

Vision: To assure the commitment of government to provide the highest possible quality programs for health care, supportive services, and residential services to our Minnesota veterans and their spouses while developing new and innovative solutions to meet the challenges of changing times.

KEY SERVICE STRATEGIES:

High quality health care is the goal of the agency. The VHB uses the following strategies in pursuit of its mission and vision:

- Providing a therapeutic environment that encourages resident independence, respects individuality, and promotes self-worth and well being.
- Targeting services to veterans with special needs.
- Evaluating continuously our care and services to be responsive to changing needs.
- Managing the veterans homes with honesty, integrity, and cost effectiveness.
- Recognizing employees for their contributions.
- Working cooperatively with the medical communities.
- Supporting research and education in geriatrics and long-term care.

OPERATING ENVIRONMENT:

The following factors shape and change the services provided to residents:

- **Increasing medical and health care costs.** Significant inflation in the cost of health care goods and services challenges the VHB to maintain high quality services. Significant annual increases in salary and benefit costs are an ongoing challenge to our agency and erode core funding for health care services. The result of absorbing these higher costs within the existing operating budget is reflected in the state appropriation share of operating revenues dropping from 53% in 1998-99 to 49% in 2000-01.
- **Changing medical and health care delivery requirements.** Revisions of state and federal regulations under which we are licensed require us to adopt changes in the provision of care and especially in the documentation and monitoring of care. In addition, referrals are made to our homes after increasingly shorter hospital stays. These residents are older and sicker, requiring the VHB to provide increased services to a population with a higher case mix, which is more expensive and staff intensive.

- **Aging veterans population.** Requests for admissions to our nursing homes are outstripping our licensed capacity. While the total veteran population may be shrinking, the number of veterans over age 65 in the state will rise through the year 2020. Demand for services will continue and we must look for alternatives to keep veterans as independent as long as possible.
- **Special needs of veterans.** Private nursing homes are often unable to handle the special needs of veterans (e.g., Post Traumatic Stress Disorder, and behavioral disorders). Designing and adapting these programs within the veterans homes in a rapidly changing environment puts cost pressures on our agency.
- **Changing medical and health care needs of our residents.** Our aging veteran population has increasing health and behavioral problems. Currently, the majority of our veterans in skilled nursing care are from World War II, and are in their 70s. However, the Korean/Vietnam Era veterans' admission requests are increasing. Many of the health care needs of these two distinct population groups are different from the WW II veterans. This will require changes in our programs, service delivery methods, and staff training. The homes' domiciliary care programs have begun to transition their programs to provide the services and treatments these veterans require, e.g., chemical dependency, transitional housing, homeless services, and, dual diagnosis.

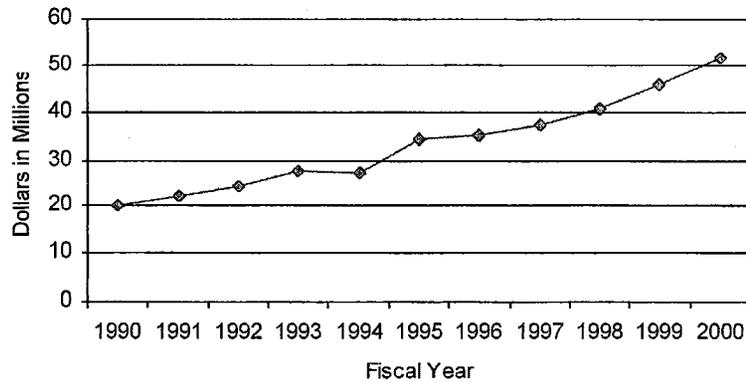
ORGANIZATION/PROGRAM STRUCTURE:

| | |
|----------------------------|-----------|
| EXECUTIVE DIRECTOR | |
| Minneapolis Veterans Home | 455.2 fte |
| Hastings Veterans Home | 98.1 fte |
| Silver Bay Veterans Home | 110.4 fte |
| Luverne Veterans Home | 110.4 fte |
| Fergus Falls Veterans Home | 113.9 fte |
| Board Office | 13.5 fte |
| 6/30/00 TOTAL FTEs | 901.5 fte |

VETERANS HOME BOARD - EXECUTIVE SUMMARY (Continued)

TRENDS AND PERSPECTIVE:

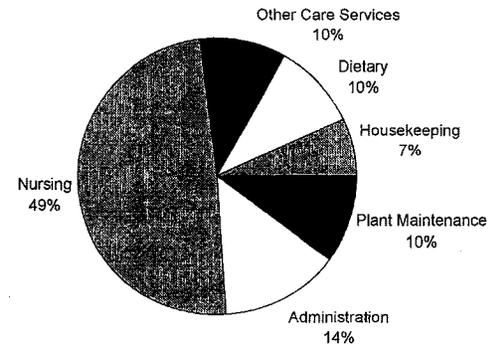
Total Budget -All Funds



1991 Silver Bay Home opened 1994 Luverne Home Opened
 1996-97 Hastings re-opened 70 beds 1998 Fergus Falls Home opened
 2000 Minneapolis re-opened 60 beds

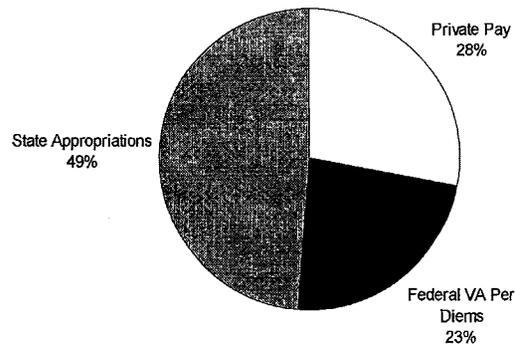
2000-01 Operating Expenditures by Category

Total: \$100.1 million



2000-01 Operating Revenues by Source

Total: \$100.1 million



Agency: VETERANS HOME BOARD

| Agency Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|--|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Program: | | | | | | | | | |
| VETERANS HOMES | 45,931 | 51,679 | 56,575 | 58,680 | 58,680 | 59,896 | 59,896 | 10,322 | 9.5% |
| Total Expenditures | 45,931 | 51,679 | 56,575 | 58,680 | 58,680 | 59,896 | 59,896 | 10,322 | 9.5% |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 0 | 1,713 | 667 | 28,948 | 28,948 | 30,030 | 30,030 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 44,085 | 48,055 | 53,281 | 27,191 | 27,191 | 27,322 | 27,322 | | |
| FEDERAL | 0 | 0 | 375 | 289 | 289 | 292 | 292 | | |
| MISCELLANEOUS AGENCY | 1,215 | 1,279 | 1,519 | 1,519 | 1,519 | 1,519 | 1,519 | | |
| GIFT | 631 | 632 | 733 | 733 | 733 | 733 | 733 | | |
| Total Financing | 45,931 | 51,679 | 56,575 | 58,680 | 58,680 | 59,896 | 59,896 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| FULL TIME | 464.8 | 473.6 | 487.5 | 502.5 | 502.5 | 508.5 | 508.5 | | |
| PART-TIME, SEASONAL, LABOR SER | 327.6 | 374.3 | 380.0 | 387.0 | 387.0 | 390.0 | 390.0 | | |
| OVERTIME PAY | 33.4 | 34.1 | 34.0 | 34.0 | 34.0 | 34.0 | 34.0 | | |
| Total Full-Time Equivalent | 825.8 | 882.0 | 901.5 | 923.5 | 923.5 | 932.5 | 932.5 | | |

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VETERANS HOME BOARD - BUDGET BRIEF

Fund: GENERAL

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>Biennium</u> |
|--|-----------------|-----------------|-----------------|
| BASE YEAR (FY 2001) (\$000s) | | | |
| Appropriations | \$27,103 | \$27,103 | \$54,206 |
| <u>BASE ADJUSTMENT</u> | | | |
| New Programs to Agency Base | 1,233 | 1,681 | 2,914 |
| Doc. Space Rental/Lease | 5 | 11 | 16 |
| 2002-03 Salary & Benefits | 607 | 1,235 | 1,842 |
| <u>BASE LEVEL (for 2002 and 2003)</u> | \$28,948 | \$30,030 | \$58,978 |
| <u>CHANGE ITEMS</u> | | | |
| None | -0- | -0- | -0- |
| GOVERNOR'S RECOMMENDATION | \$28,948 | \$30,030 | \$58,978 |

BRIEF EXPLANATION OF BUDGET DECISIONS:

- Nearly the entire General Fund base is transferred to the Special Revenue Fund and combined with receipts from the Veterans Administration and resident payments. These combined funds are then used for the operation of the five veterans homes. The exception to the transfer is the asset preservation funding which remains in the General Fund.
- Base adjustments include \$2.914 million to complete the re-opening of 90 domiciliary beds at the Minneapolis Veterans Home that were temporarily closed during the capital renovation project. 66 are planned to be filled between January and June of 2001. The remaining 24 beds are planned to be filled by June 2002.
- Budget guidelines also provided for documented lease increases. Compensation related adjustments of 3% were permitted on the state-funded portion of the budget. Since state appropriations make up roughly 50% of the operating budget for the agency, this represents a net 1.5% salary funding increase.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends funding for current services at the veterans homes.

VETERANS HOME BOARD - REVENUE SUMMARY

REVENUE SOURCES:

The Minnesota Veterans Homes Board derives 51% of its operating funds from dedicated revenues, which are deposited into the Miscellaneous Special Revenue Fund.

The agency estimates Miscellaneous Special Revenue Fund receipts of \$25.5 million in FY 2001, which represents 45% of the agency's total resources. Miscellaneous Special Revenue Fund receipts include \$11.7 million from federal per diem payments, \$13.3 million from resident maintenance charges, and \$.6 million from service and rental fees.

The Agency Fund is estimated to have receipts of \$1.6 million in FY 2001, which represents 3% of the agency's total resources. These receipts include the residents' trust accounts and canteen operations in our Minneapolis and Hastings homes.

The agency estimates Gift Fund receipts of \$.7 million in FY 2001, which represents 1% of the agency's total resources. The homes deposit all cash donations into the Gift Fund. Donations are for the direct benefit of the residents and for designated improvements.

FEE STRUCTURE:

The agency's two primary sources of revenues include federal per diem payments and resident maintenance charges, which, when combined with the General Fund appropriation, fund the operations of the homes. Federal per diem payments are set by federal law and are currently at \$50.55 for skilled care and \$21.43 for domiciliary care.

Resident maintenance charges are established as set forth in Minnesota Rules Chapter 9050. A monthly cost of care is first determined for each facility and each level of care. Residents are then billed the monthly charge, subject to, among other things, income limitations.

RECENT CHANGES:

The completion of Minneapolis' major campus renovation has allowed the reopening of the 150 bed domiciliary program. 126 of the beds are planned to be filled by June 2001 with the remainder filled by June 2002.

The environmental repairs of the Luverne home that took place between the fall of 1998 and the spring of 2000 required resident levels to be reduced. The agency received an appropriation of \$591,000 to offset lost revenues during this period. The agency was able to reduce the need for the supplemental appropriation through modification to the re-furbishing plan that allowed a

higher level of residents to remain at the home. The result was that \$246,906 was returned to the General Fund from this appropriation.

FORECAST BASIS:

The agency anticipates no significant change in revenue collections under current law. Federal per diem reimbursement rates are subject to changes in federal law which cannot be accurately forecasted. Maintenance charges to residents are limited by resident incomes.

Agency: VETERANS HOME BOARD

| Summary of Agency Revenues (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|--|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|-------------|
| | | | | Forecast | Governor Recomm. | Forecast | Governor Recomm. | Dollars | Percent |
| Non-Dedicated Revenue: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| GENERAL | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 0 | 0.0% |
| Total Non-Dedicated Receipts | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 0 | 0.0% |
| Dedicated Receipts: | | | | | | | | | |
| Departmental Earnings: | | | | | | | | | |
| SPECIAL REVENUE | 20,184 | 23,172 | 24,937 | 25,068 | 25,068 | 25,199 | 25,199 | 2,158 | 4.5% |
| Grants: | | | | | | | | | |
| FEDERAL | 0 | 0 | 231 | 0 | 0 | 0 | 0 | (231) | (100.0%) |
| Other Revenues: | | | | | | | | | |
| SPECIAL REVENUE | 283 | 328 | 343 | 340 | 340 | 340 | 340 | 9 | 1.3% |
| MISCELLANEOUS AGENCY | 203 | 205 | 229 | 229 | 229 | 229 | 229 | 24 | 5.5% |
| GIFT | 531 | 687 | 624 | 623 | 623 | 622 | 622 | (66) | (5.0%) |
| Other Sources: | | | | | | | | | |
| SPECIAL REVENUE | 3 | 22 | 1,592 | 1,592 | 1,592 | 1,592 | 1,592 | 1,570 | 97.3% |
| MISCELLANEOUS AGENCY | 1,010 | 1,164 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 240 | 9.3% |
| GIFT | 0 | 5 | 120 | 120 | 120 | 120 | 120 | 115 | 92.0% |
| Total Dedicated Receipts | 22,214 | 25,583 | 29,480 | 29,376 | 29,376 | 29,506 | 29,506 | 3,819 | 6.9% |
| Agency Total Revenues | 22,226 | 25,595 | 29,492 | 29,388 | 29,388 | 29,518 | 29,518 | 3,819 | 6.9% |

PROGRAM SUMMARY

Program: VETERANS HOMES
Agency: VETERANS HOME BOARD

PROGRAM PROFILE:

The veterans homes provide skilled nursing care and domiciliary (board and care) services to residents. These services are provided in veterans homes located in Minneapolis, Hastings, Silver Bay, Luverne, and Fergus Falls. The board office, located in St. Paul, houses a centralized management team that supports the homes and the board of directors.

The mission of the Veterans Homes Board is to provide high quality care through a variety of programs in both skilled nursing and domiciliary levels of care. In addition to nursing services, physical therapy, occupational therapy, speech pathology, mental health services, social services, chaplaincy, pharmacy and recreation are provided. The goal of the homes is to become a center of excellence in the delivery of long term care services to veterans and their spouses.

The Minneapolis Veterans Home was established as the Minnesota Soldiers Home in 1887 to house union soldiers of the Civil War and has continued in operation since that date. The home is located in South Minneapolis bordered by Wabun Park, the Mississippi River and Minnehaha Creek near the Falls. This scenic setting provides a wonderful backdrop for 17 buildings that are located on the grounds. The Soldiers Home Bridge erected in 1908 spans the picturesque creek allowing access to the newly developed Minnehaha Avenue and Highway 55. The old bridge was completely retrofitted and restored to its historical perspective as part of the campus renovation project. It was reopened to vehicle and pedestrian traffic in January 1999.

The home was designated as a teaching nursing home in 1998 by the University of Minnesota in recognition of its significant achievements in training healthcare personnel in research into causes and cures of diseases that face the elderly.

In 1989, many of the buildings and the campus grounds were placed on the National Register of Historic Places, designated as an 'historic site' thus giving the State Historic Preservation Offices reviewing authority over any changes to existing and new work. The campus completed a major renovation in December 1999 bringing the historic buildings into compliance standards for both current building codes and the Americans with Disabilities Act.

The home provides 341 nursing beds with a distinct Alzheimer/dementia unit, chemical dependency treatment, transitional housing, respite care, and a domiciliary (board and care) program for a total of 495 operating beds.

The Hastings Veterans Home became a veterans home in 1978 after originally being a state hospital. The 140-acre site contains 16 buildings that date to the early 1900's. The home provides basic board and care with expanded clinical and programmatic services in the areas of chemical dependency, dual diagnosis aftercare, mental health care, and general assistance to an aged population. In addition, the home provides a transitional living program with emphasis on rehabilitation and reintegration into the community. The home attempts to provide a rehabilitative environment for all residents in an effort to raise their quality of life.

The Hastings Veterans Home is in the midst of a three-phase infrastructure renovation. Phase 1, funded in the 1998 bonding bill, is nearing completion. It replaced the mechanical components within the power plant and the related support services delivery systems. Phase 2 was included in the 2000 bonding bill and is currently under design. This phase will repair and replace utility infrastructure and structural and mechanical building components. Phase 3 is requested in the Governor's Capital Budget and will complete the infrastructure renovation.

The Silver Bay Veterans Home is located on Minnesota's north shore just north of Two Harbors in Lake County. This nursing facility was originally built as an elementary school in 1953. Upon receipt of a federal grant, legislation in 1989 authorized the retrofit of the facility. The home provides a full range of skilled nursing care and related support services including rehabilitation services, mental health services, and special needs transportation. In addition, the facility has a special care unit for our Alzheimer/dementia population. The home's recently expanded dementia unit wander area and tactile gardens are complemented by the Comfort Care model of caring for persons with dementia related disorders. The facility has a three-year history of providing a restraint free environment to its veterans and their spouses. Facility operations are considerably enhanced by the generous support from the community and dedicated volunteers.

The Luverne Veterans Home was a newly constructed facility that opened in 1994. It was funded through a combination of federal and local funds. The home is a skilled care facility that has established a dementia program, a strong restorative care program, and is looking at incorporating an Eden Alternative philosophy into the programming. This philosophy emphasizes a more home-like atmosphere as opposed to the traditional institutional setting. The facility is being increasingly used as a clinical site for nursing and other health care occupational training and education. For primary health care services the home is affiliated with the Veterans Administrations Medical Center in Sioux Falls and the Luverne Medical Center. The home takes an active role in being a good partner in the community.

PROGRAM SUMMARY (Continued)

Program: VETERANS HOMES
Agency: VETERANS HOME BOARD

The Department of Administration's Building Construction Division completed its extensive refurbishing of the facility in the spring of 2000. The work corrected a moisture problem that resulted in mold growth that could have put resident's health at risk.

The **Fergus Falls Veterans Home** is a skilled nursing care facility and is Minnesota's newest home. It was also funded through a combination of federal and local funds. They received their first resident on 3-30-98 and are currently maintaining a lengthy waiting list. Accompanying the new building are new design ideas. A highlight is the Main Street, a hallway designed like an old town Main Street, with many of the rooms finished to the period 1930 to 1940. Along the Main Street is a barber shop, general store, library, family inn, and clinical exam rooms. The clinic is established under a shared use agreement with the Veterans Administration and is the first VA Nurse Practitioner Nursing Home based clinic in the nation. New concepts of nursing care have also been introduced with their innovative Nursing Universal Worker position. This increases the accountability of nursing personnel and expands their sphere of influence over the care of the residents. The outcome is that the resident has better and more consistent care.

The **Board of Directors** continues to work with federal, state, local, and private agencies to develop alternative institutional and noninstitutional-care programs for veterans and to develop a geriatric research and teaching mission in collaboration with the USDVA and other medical education facilities.

STRATEGIES AND PERFORMANCE:

The Veterans Homes strive to achieve the following:

- **Population Specific Care**—meeting the needs of a predominately male veteran population, which has chronic physical and mental health care issues and does not fit well into traditional private care settings, while implementing changes in health care delivery methods in compliance with new state and federal regulations.
- **Self Care**—providing a focused and supportive environment that encourages each resident to attain and maintain basic self care whenever possible, and to achieve the highest level of independence possible.
- **Independent Living**—assisting the veteran, whenever possible, in achieving his/her goal of returning to an independent living situation.
- **Quality of Care**—the Minnesota Department of Health and the U.S. Department of Veterans Affairs survey our state veterans homes. These surveys are instruments used within the long-term care industry to measure

quality of care. Under both survey processes, each home has experienced excellent results with performance—exceeding industry standards.

- **Service Organization Support**—of note is the continued support provided through our relationship with the many service organizations within the state. As identified below, the number of volunteer hours donated totals 63,966 while the donations in cash and in-kind total \$795,141. This is a significant effort, which contributes to the quality of care and services that we provide.
- **Occupancy**—all of our skilled facilities maintain a higher than average occupancy rate with most having a waiting list for admission.

| | <u>Mpls.</u> | <u>Hastings</u> | <u>Silver Bay</u> | <u>Luverne</u> | <u>Fergus Falls</u> |
|---------------------------|--------------|-----------------|-------------------|----------------|---------------------|
| Licensed Beds-Domiciliary | 154 | 200 | 0 | 0 | 0 |
| Licensed Beds-Skilled | 341 | 0 | 89 | 85 | 85 |
| Occupancy Rate | 98% | 87% | 96% | 98% | 99% |
| Campus Opened | 1887 | 1987 | 1991 | 1994 | 1998 |
| Volunteer Hours | 16,817 | 16,146 | 9,770 | 10,005 | 11,228 |
| Donations | \$196,479 | \$212,065 | \$133,365 | \$89,804 | \$163,428 |
| Affiliations | 44 | 44 | 64 | 40 | 34 |
| Case Mix | 2.51 | 1.80 | 2.44 | 2.74 | 2.69 |
| Behavior Mix | 3.38 | 1.70 | 2.07 | 1.52 | 2.57 |
| Waiting List | 41 | 3 | 9 | 34 | 53 |

BUDGET ISSUES:

The base budget has been adjusted to reflect the reopening of 90 domiciliary beds in Minneapolis. These beds were temporarily closed during the recent major campus renovation project. 66 are planned to be filled between January and June of 2001. The remaining 24 beds are planned to be filled by June 2002.

Program: VETERANS HOMES
 Agency: VETERANS HOME BOARD

| Program Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|---------------|---------------------|---------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Activity: | | | | | | | | | |
| BOARD OF DIRECTORS | 1,126 | 1,199 | 1,339 | 1,375 | 1,375 | 1,414 | 1,414 | 251 | 9.9% |
| MPLS VETERANS HOMES | 24,034 | 25,606 | 29,119 | 30,852 | 30,852 | 31,767 | 31,767 | 7,894 | 14.4% |
| HASTINGS VETERANS HOME | 6,052 | 6,493 | 7,583 | 7,628 | 7,628 | 7,701 | 7,701 | 1,253 | 8.9% |
| SILVER BAY VETERANS HOMES | 5,537 | 5,854 | 6,334 | 6,602 | 6,602 | 6,672 | 6,672 | 1,086 | 8.9% |
| LIVERNE VETERANS HOME | 5,267 | 7,088 | 6,206 | 6,144 | 6,144 | 6,211 | 6,211 | (939) | (7.1%) |
| FERGUS FALLS VETERANS HOME | 3,915 | 5,439 | 5,994 | 6,079 | 6,079 | 6,131 | 6,131 | 777 | 6.8% |
| Total Expenditures | 45,931 | 51,679 | 56,575 | 58,680 | 58,680 | 59,896 | 59,896 | 10,322 | 9.5% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 0 | 1,713 | 667 | 28,948 | 28,948 | 30,030 | 30,030 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 44,085 | 48,055 | 53,281 | 27,191 | 27,191 | 27,322 | 27,322 | | |
| FEDERAL | 0 | 0 | 375 | 289 | 289 | 292 | 292 | | |
| MISCELLANEOUS AGENCY | 1,215 | 1,279 | 1,519 | 1,519 | 1,519 | 1,519 | 1,519 | | |
| GIFT | 631 | 632 | 733 | 733 | 733 | 733 | 733 | | |
| Total Financing | 45,931 | 51,679 | 56,575 | 58,680 | 58,680 | 59,896 | 59,896 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 464.8 | 473.6 | 487.5 | 502.5 | 502.5 | 508.5 | 508.5 | | |
| PART-TIME, SEASONAL, LABOR SER | 327.6 | 374.3 | 380.0 | 387.0 | 387.0 | 390.0 | 390.0 | | |
| OVERTIME PAY | 33.4 | 34.1 | 34.0 | 34.0 | 34.0 | 34.0 | 34.0 | | |
| Total Full-Time Equivalent | 825.8 | 882.0 | 901.5 | 923.5 | 923.5 | 932.5 | 932.5 | | |

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DISABILITY COUNCIL - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission and Vision: The Minnesota State Council on Disability (MSCOD) was created in 1973, by statutory authority M.S. 256.482. The governor appoints 21 members representative of each of the economic development regions of the state.

Mission: To expand opportunity for all children and adults with a disability throughout Minnesota without regard to disability; to advocate for policies and programs which promote the independence of children and adults with disabilities; and to protect the rights of Minnesotans with disabilities to fully participate in society.

Vision: To identify barriers to the community integration of children and adults with disabilities especially in the areas of education, employment, health issues, housing, transportation, and recreational opportunities, and to work to remove those barriers.

KEY SERVICE STRATEGIES:

- Cooperate with, and advocate for, the inclusion of Minnesotans with disabilities within the service structure of public and private agencies.
- Review and report on the impact of service provision for children and adults with disabilities in greater Minnesota.
- Advocate for children and adults with disabilities for affordable, accessible housing and transportation throughout the state.
- Develop a plan for eliminating barriers to community integration for elderly Minnesotans with disabilities.
- Continue to work with and facilitate disability community efforts to communicate their concerns with state government through regular meetings, legislative round tables and similar activities.

PERFORMANCE SUMMARY:

- MSCOD addresses concerns or questions about disability laws, services, programs, or related issues to approximately 35,000 Minnesotans. The council accomplished this through personal and individual contacts, seminars, presentations, fairs and participation in public and private displays and events.
- Published an extensive report on the potential problems to be faced by the year 2030 because of the increasing number of elderly Minnesotans with disabilities and the stress to the current system of service delivery. This report was distributed to policy makers and the disability community at large.
- Advocated for greater accessibility in public buildings increasing access and usage for persons with a disability.

- Organized an annual forum providing career and leadership training to disabled junior and senior high school students from throughout the state.
- Successfully advocated for the inclusion of accepted access standards for all modes of mass public transportation for Minnesotans with disabilities.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Within the base level budget, MSCOD will address the following issues:

Housing:

- Advocate for affordable, accessible housing for individuals with disabilities.
- Work to promote affordable, accessible housing as a life-cycle initiative that would benefit all Minnesotans.

Employment:

- Continue to support work incentive initiatives for persons with disabilities.
- Work with the Department of Employee Relations to develop a more appropriate Affirmative Action hiring goal for persons with disabilities.
- Develop public service announcements on employment issues.

Transportation:

- Work to provide more affordable, accessible multi-model transit options for persons with a disability in both urban and greater Minnesota.

Youth Leadership:

- Organize an annual forum providing career and leadership training to 25-30 junior and senior high school students with disabilities from throughout the state.

Customer/Consumer Information Center:

- Provide information, referral, speakers, technical assistance and workshops on disability related topics and issues.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The following issues could affect the agency's operation:

- A critical shortage of accessible, affordable housing could come sooner than anticipated for Minnesotans with disabilities.
- The growing shortage of home care services is forcing some individuals with a disability back into institutional settings. If this trend continues the council may need to seek appropriate remedies.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the restoration of the agency's base budget and its extension through FY 2003.

Agency: DISABILITY COUNCIL

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 469 | 480 | 512 | 0 | 526 | 0 | 542 | 76 | 7.7% |
| OTHER OPERATING EXPENSES | 236 | 201 | 207 | 0 | 166 | 0 | 172 | (70) | (17.2%) |
| Total Expenditures | 705 | 681 | 719 | 0 | 692 | 0 | 714 | 6 | 0.4% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (A) EXTENSION OF SUNSET | GEN | | | | 692 | | 714 | | |
| Total Change Items | | | | | 692 | | 714 | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 703 | 670 | 719 | 0 | 692 | 0 | 714 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 2 | 1 | 0 | 0 | 0 | 0 | 0 | | |
| FEDERAL | 0 | 10 | 0 | 0 | 0 | 0 | 0 | | |
| Total Financing | 705 | 681 | 719 | 0 | 692 | 0 | 714 | | |
| Revenue Collected: | | | | | | | | | |
| Dedicated | | | | | | | | | |
| GENERAL | 29 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| SPECIAL REVENUE | 2 | 1 | 0 | 0 | 0 | 0 | 0 | | |
| FEDERAL | 10 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| GIFT | 0 | 1 | 0 | 0 | 0 | 0 | 0 | | |
| Total Revenues Collected | 41 | 2 | 0 | 0 | 0 | 0 | 0 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 9.0 | 8.8 | 9.0 | 0.0 | 8.0 | 0.0 | 8.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 1.0 | 0.8 | 1.0 | 0.0 | 2.0 | 0.0 | 2.0 | | |
| Total Full-Time Equivalent | 10.0 | 9.6 | 10.0 | 0.0 | 10.0 | 0.0 | 10.0 | | |

Agency: DISABILITY COUNCIL

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|--------------|--------------|--------------|--------------|-------------------|----------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 670 | 670 | 670 | 670 | 0 | 0 | 0 | 0 |
| Base Adjustments | | | | | | | | |
| PROGRAM/AGENCY SUNSET | (670) | (670) | (670) | (670) | 0 | 0 | 0 | 0 |
| Subtotal Base Adjustments | (670) | (670) | (670) | (670) | 0 | 0 | 0 | 0 |
| Base Budget | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

BUDGET CHANGE ITEM (48065)

Agency: DISABILITY COUNCIL

Item Title: EXTENSION OF SUNSET

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$692 | \$714 | \$-0- | \$-0- |
| -Grants | \$-0- | \$-0- | \$-0- | \$-0- |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes No

If yes, statute(s) affected: Extension of sunset date to 06/30/03 in 256.482 subd 8.

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends the extension of the council through FY 2003.

RATIONALE:

We are requesting a two-year extension for the council on disability. The requested funding represents the base budget needed to operate the agency. This funding would allow us to continue to provide services such as information and referral and technical assistance to thousands of disabled Minnesotans, employers, builders, architects and the general public. We also advocate on behalf of our community on a wide variety of issues such as access, employment rights, youth development, health care, disability parking, accessible affordable housing and work incentives. We are charged with advising the governor and legislature on issues of concern regarding persons with disabilities and we advise other state agencies on disability issues as well.

- We complement the Governor's Strategic Directions of the Ventura Administration as we represent the disability community:
 - The council is a valued advisor for efforts to serve every citizen equally. We work to increase access to systems of transportation, address disability concerns in K-12 education, and advocate for affordable and accessible housing.
 - The council seeks opportunities for all people to be self-sufficient members of our community. We are involved in transitioning from

welfare to self-sufficiency with our strong and persistent position supporting work incentives for people with disabilities and we promote independent living and the rights of individuals with disabilities to decide their own futures.

- Funding of the council on disability base budget would allow us to continue to provide seriously needed information and referral and technical assistance on a wide variety of subjects as noted above. This service is provided to approximately 35,000 Minnesotans a biennium. This information and referral and technical assistance is critical to our community.
- The council facilitates cooperation among disability community organizations and brings them together to discuss common concerns.
- The council sponsors a youth leadership forum at which youths with disabilities have the opportunity to learn and practice independent living and leadership skills.
- We are seeking ongoing funding for the next two years. We provide a unique service within state government and seek funding from the state to continue our agency and mission.
- If the request is not funded, the agency will cease to exist and services would not be available.

FINANCING:

Requests for FY 2002 and 2003 include base adjustments of 3% for space rental, salary and benefit base, and small agency operational expense.

OUTCOMES:

- The council will continue to provide quality services to thousands of Minnesotans with disabilities, employers, builders and the general public. We plan to gauge our success by documenting participation levels at public forums and round table discussions and by instituting a client satisfaction survey.
- We will continue to research and publish reports on issues of concern for individuals with disabilities.
- Organize and implement forums and workshops on issues critical to the disability community, utilizing technology to effectively communicate and maximize participation and involvement.

OMBUD FOR MENTAL HEALTH & M R - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission: This independent agency was created to promote the highest attainable standards for treatment, competence, efficiency and justice for persons receiving care and treatment for mental illness, mental retardation and related conditions, chemical dependency, and emotional disturbance from an agency, facility or program. (M.S. 245.95, Subd. 2)

Vision: To bring about change that improves the effectiveness and efficiency of the service delivery system, while assuring that consumers who are least able to care for themselves are protected.

KEY SERVICE STRATEGIES:

- Review identified serious injuries and deaths of consumers residing in or receiving services from licensed facilities, agencies or programs.
- Intervene through advocacy and mediation to resolve disputes.
- Assist consumers to obtain the best quality care to meet their needs.
- Recommend to elected officials, government agencies, and service providers how to improve services to consumers.
- Identify systemic issues that affect the adequacy and quality of services delivered to all consumers.
- Conduct training seminars on the Civil Commitment Act and related law.
- Cooperate with other Minnesota state agencies.

PERFORMANCE SUMMARY:

- Our updated computer system enables us to track clients as they move within the service system. It also enables us to view licensed facilities, programs, or agencies as a whole, allowing the agency to effectively monitor the goal of highest attainable standards for persons with mental disabilities.
- During the first half of the 2000-2001 biennium the agency conducted 635 case reviews, 884 serious injury reviews, 425 death reviews, and responded to 1,453 requests for training, presentation, information or assistance.
- The agency sent out three medical alert mailings to over 6,600 providers.
- The agency provided training on civil commitment and other topics to more than 1,000 professionals statewide.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Staffing levels of the agency have remained virtually the same for over 10 years. During this time, duties of the Office have expanded to oversight of DCFL, local school districts, and students with special needs. Demands for services are increasing, as is the complexity of the cases we receive. In

addition, staff needs to provide services in a more dispersed community-based residential setting, resulting in increases in non-productive tasks such as driving. Some efficiency has been accomplished through technology but the importance of personal interaction with consumers cannot be underestimated, especially when those individuals experience mental and developmental difficulties. These factors have resulted in our inability to respond to some service requests.

- The majority of the agency's budget is for staffing (82%). While the past few bienniums there have been three percent per year adjustments to the base salary budgets, the actual cost associated with contract settlements, progression step increases for staff, and rising benefit costs have increased by more than 3%. Additional funding to maintain current services is being requested in this budget.
- The agency has lived within its budget over the past biennium through savings due to a medical leave and retirements. Looking ahead, two sources of funding will be ending. The Demonstration Projects for Persons with Disabilities has been cancelled and funding will be discontinued at the end of fiscal year 2001. In addition, the Small Agency Infrastructure Initiative of the 1999 legislative session was one-time funding. Ongoing support for technology is being requested in this budget.
- There has been an increase in requests for agency data from outside sources, including other state and federal agencies, stakeholders, the media and interested citizens. The cost of providing public data to the requestors is expensive and takes staff resources away from the primary mission of the agency. The agency has improved its technology over the past few years.
- The agency has increased the number of mailings, including medical alerts to providers, consumers and other interested parties, increasing agency communication costs.
- The agency has been involved in a process to determine the feasibility of collocating several ombudsman programs.

GOVERNOR'S RECOMMENDATION:

In addition to the base funding for the agency, the Governor recommends:

- \$65,000 in FY 2002 and \$88,000 in FY 2003 to maintain the current level of services provided by the agency.
- \$18,000 each year for ongoing support for the agency's information technology.
- \$250,000 in FY 2002 for the establishment of the Center for Ombudsman Services.

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 1,110 | 1,135 | 1,227 | 1,225 | 1,290 | 1,261 | 1,349 | 277 | 11.7% |
| OTHER OPERATING EXPENSES | 264 | 264 | 279 | 194 | 462 | 201 | 219 | 138 | 25.4% |
| Total Expenditures | 1,374 | 1,399 | 1,506 | 1,419 | 1,752 | 1,462 | 1,568 | 415 | 14.3% |

| Change Items: | Fund | | | | | | | | |
|-----------------------------------|-------------|--|--|--|------------|--|------------|--|--|
| (A) CENTER FOR OMBUDSMAN SERVICES | GEN | | | | 250 | | | | |
| (A) CURRENT SERVICES FUNDING | GEN | | | | 65 | | 88 | | |
| (A) IT MAINTENANCE | GEN | | | | 18 | | 18 | | |
| Total Change Items | | | | | 333 | | 106 | | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 1,348 | 1,352 | 1,506 | 1,419 | 1,752 | 1,462 | 1,568 | | |
| Statutory Appropriations: | | | | | | | | | |
| GENERAL | 0 | 47 | 0 | 0 | 0 | 0 | 0 | | |
| SPECIAL REVENUE | 26 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Total Financing | 1,374 | 1,399 | 1,506 | 1,419 | 1,752 | 1,462 | 1,568 | | |

| Revenue Collected: | | | | | | | | | |
|---------------------------------|-----------|-----------|----------|----------|----------|----------|----------|--|--|
| Dedicated | | | | | | | | | |
| GENERAL | 0 | 79 | 0 | 0 | 0 | 0 | 0 | | |
| SPECIAL REVENUE | 73 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Total Revenues Collected | 73 | 79 | 0 | 0 | 0 | 0 | 0 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--|
| FULL TIME | 19.2 | 18.1 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 0.0 | 0.2 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | | |
| Total Full-Time Equivalent | 19.2 | 18.3 | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 | | |

Agency: OMBUD FOR MENTAL HEALTH & M R

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|--------------|--------------|--------------|--------------|-------------------|----------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 1,378 | 1,378 | 1,378 | 1,378 | 0 | 0 | 0 | 0 |
| Base Adjustments | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 35 | 71 | 35 | 71 | 0 | 0 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 6 | 13 | 6 | 13 | 0 | 0 | 0 | 0 |
| Subtotal Base Adjustments | 41 | 84 | 41 | 84 | 0 | 0 | 0 | 0 |
| Base Budget | 1,419 | 1,462 | 1,419 | 1,462 | 0 | 0 | 0 | 0 |

BUDGET CHANGE ITEM (47922)

Agency: OMBUD FOR MENTAL HEALTH & M R

Item Title: CENTER FOR OMBUDSMAN SERVICES

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$250 | \$-0- | \$-0- | \$-0- |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |
| Statutory Change? Yes _____ No <u> X </u> | | | | |
| If yes, statute(s) affected: | | | | |
| _____ New Activity <u> X </u> Supplemental Funding _____ Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time General Fund appropriation of \$250,000 to allow for the establishment of the Center for Ombudsman Services.

RATIONALE:

Over the past six years a variety of discussions and reports have taken place about Minnesota's Ombudsman Programs, dealing with efficiency and potential for merger of these programs. The ombudsmen came together to form the Ombudsman Roundtable which defined the vision, roles and core principles of Minnesota State Ombudsman Programs and discussed other opportunities for shared resources including space, training, and administrative services.

The issue of colocation was first raised in the 1995 Ombudsman Roundtable report entitled "Making Government Responsive to Citizens." Significant recent budget cuts have led us to pursue this action. The Governor's Office along with DOER and Administration came together with the three Ombudsman programs reporting to the Governor in an effort to proceed with opportunities identified by the legislature and the Ombudsman Roundtable in their 1995 report. The result of this effort supports the decision to colocate.

The purpose of this project is for the three governor-appointed state ombudsman programs, the Ombudsman for Crime Victims, the Ombudsman for Corrections, and the Ombudsman for Mental Health and Mental Retardation to relocate into one location establishing the Center for Minnesota Ombudsman

Services. Other Ombudsman programs would be invited to join the center based on individual need and host agency agreement. Each agency would retain its statutory authority and funding for its special populations served. Each agency would benefit from the ability to share common administrative resources and common space needs in a cost-effective manner.

Currently small agencies do not have sufficient resources to provide for adequate administrative support staff to meet the routine administrative office functions required of all state agencies regardless of size. Some of these tasks include purchasing, payroll, human resources, information technology, inventory, leasing, contracts, and telecommunications. Often these duties fall to leadership and professional staff who are not adequately trained for these functions as well as taking them from the primary mission of the agency. Currently other state agencies, such as Finance, Employee Relations, Attorney Generals Office, and Administration assign staff to work with individuals from each agency. This request would allow each ombudsman program to be more efficient and deliver more effective services to citizens of Minnesota. Sharing common administrative resources would allow the right people to do the right work, including meeting sound audit principles of separation of duties. This allows for the redirection of leadership and professional resources to more effectively serve citizens through the missions of each agency. This request would also allow each agency to have access to shared meeting, reception, storage, and workroom space.

FINANCING:

This one-time request of \$250,000 from the General Fund would be used for moving expenses (\$103,000) telecommunications system and information technology (\$102,000), and furnishings and other related one-time costs (\$45,000).

OUTCOMES:

Colocation would improve and increase services to citizens, and allow for the centralization of technical support, budget processes, human resources, office equipment, and other administrative functions. Collaborative use of human resource skill sets of specialized staff would reduce the need for outside contracting for such things as web site development and updates, computer programming changes and other technical tasks. Colocation would bring Ombudsman Offices in line with other state agencies and allow better communication with other state systems. Colocation would allow cross training of staff, reduce employee turnover, and allow professional staff to focus on more complex tasks such as investigations, outreach, information and referral, and other direct service to citizens. Being more efficient can slow the escalation of the cost of government services.

BUDGET CHANGE ITEM (47889)

Agency: OMBUD FOR MENTAL HEALTH & M R

Item Title: CURRENT SERVICES FUNDING

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$65 | \$88 | \$88 | \$88 |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |
| Statutory Change? Yes _____ No <u> X </u> | | | | |
| If yes, statute(s) affected: | | | | |
| _____ New Activity <u> X </u> Supplemental Funding _____ Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$65,000 in FY 2002 and \$88,000 in FY 2003 to ensure sufficient resources for the Office of the Ombudsman to maintain its current services.

RATIONALE:

The agency has experienced significant budgetary pressures during the previous biennia. Salaries, benefits, and other operating costs have increased at rates greater than the compensation and operating base adjustments provided in the last biennial budgets. With 82% of our current budget allocated to wages and benefits, it is difficult to manage fiscal pressures without reducing our services.

The agency operates on staffing levels virtually unchanged over the past ten years while requests for services are increasing in a more dispersed environment. The more dispersed environment is due to the continuing downsizing of the Regional Treatment Centers, which this agency supports. The result of downsizing is more community-based service providers for this agency to work with and review.

At the same time, duties of the Office have expanded to oversight of DCFL, local school districts, and students with special needs. Demands for services are increasing, as is the complexity of the cases we receive. Without increased

base funding, the obligations of statewide services may not be met and there will be a loss of current services.

The agency has lived within its budget over the past biennium through salary savings resulting from an employee on a six-month leave of absence and two long-term employees retiring in the current biennium. These sorts of salary savings are unusual for this agency and are not anticipated for the next biennium.

Beginning in FY 2002 the agency will no longer receive \$79,000 in annual funding from the Demonstration Project for Persons with Disabilities due to the project's cancellation. In addition, IT Infrastructure funding through the Office of Technology for the 2000-01 biennium was one-time funding. Ongoing support for technology is being requested in a separate change item.

The salary budget projection shows a \$65,000 shortfall for FY 2002 and an \$88,000 shortfall for FY 2003. Projections include a 3% COLA and benefits and progression increases with no changes in staffing. The agency's operating budget has very little room or adjustment, with major expenses being fixed. As the agency falls further behind, the only room left for adjustment is staffing. If staffing is reduced, there will be a loss of direct services to vulnerable citizens.

FINANCING:

Current funding for the office is \$1.419 million for FY 2002. This request represents a 4.6% increase in FY 2002, and a 5.9% increase in FY 2003. These funds would be allocated only to salaries and operating expenses for existing FTEs.

OUTCOMES:

This increase to the base will allow the agency to continue its mandated and needed services to clients throughout the state.

The increase is necessary to prevent loss of services to the citizens of Minnesota. Without additional funding there will be layoffs at a time when demand for our services continues to increase.

INFORMATION TECHNOLOGY CHANGE ITEM (57725)

Agency: OMBUD FOR MENTAL HEALTH & M R
IT Change Item: IT MAINTENANCE

ITEM DESCRIPTION AND PURPOSE:

Maintain the investment of the previous biennium from the Small Agency Infrastructure Initiative. Provide ongoing information technology and life-cycle replacement and system maintenance costs.

FUNDING: (Dollars in Thousands)

| Funding Distribution | 2002-03 Biennium | | 2004-05 Biennium | | 2006-07 Biennium | |
|----------------------|------------------|-----------|------------------|-----------|------------------|-----------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
| Personnel | 0 | 0 | 0 | 0 | 0 | 0 |
| Supplies | 0 | 0 | 0 | 0 | 0 | 0 |
| Hardware | 10 | 10 | 10 | 10 | 10 | 10 |
| Software | 2 | 2 | 2 | 2 | 2 | 2 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Services | 6 | 6 | 6 | 6 | 6 | 6 |
| Training | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 18 | 18 | 18 | 18 | 18 | 18 |

This project is a continuation of the Small Agency Infrastructure Initiative funded by the 1999 Legislature. The initial project funding of \$64,000 was earmarked for upgrading of network and PC hardware and software, but did not provide any funds for the ongoing maintenance and upgrades needed to keep pace with changing technology and ensure efficient use of systems.

RATIONALE:

Ongoing funding will permit the agency to maintain a basic level of technology and information systems skills. Of critical importance to a small agency with a half-time technology staff person is the availability of resources for maintenance and support. Technology funding is critical in order to achieve the operational, advocacy, and information functions of the agency.

OUTCOMES:

Maintain adequate technology infrastructure to meet the mission of the agency. Foster the integrity of and public confidence in the agency. Increase the availability of information about the agency's work throughout the state to citizens, providers, and policy makers. Provide staff with adequate and appropriate computers, software, tools, and training to meet the requirements of their tasks and responsibilities.

LIFE CYCLE ANALYSIS:

| Life Cycle | 2002-03 Biennium | | 2004-05 Biennium | | 2006-07 Biennium | |
|--------------|------------------|---------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
| Development | | | | | | |
| Operations | X | X | X | X | X | X |
| Modification | | | | | | |
| Retirement | | | | | | |

This is an ongoing project incorporating a life-cycle replacement schedule of systems according to standards set by the Office of Technology. It also funds the routine upgrading of software based on state government standards and provides for maintenance and support services and Internet connections.

OFFICE OF TECHNOLOGY ANALYSIS:

This initiative is a continuation of the Small Agency Infrastructure project from the 2000-2001 biennium. Previously, funding was used to upgrade the ombudsman network, hardware and software. Deliverables/Objectives: Funding requested for this initiative is to continue to grow with the changing technology by upgrading and maintaining the current system. The funding will be used primarily for technical resources to maintain and support the infrastructure because the agency has no personnel with those types of skills. It supports infrastructure components. The initiative is listed as a priority in the SIRMP. Conclusion: This initiative meets information technology criteria for funding in maintaining existing infrastructure.

GOVERNOR'S RECOMMENDATION:

The Governor Recommends a general fund appropriation of \$18,000 each fiscal year for ongoing information technology investments, life-cycle replacement, and system maintenance costs.

OMBUDSPERSON FOR FAMILIES - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Office of Ombudsperson for Families is authorized by M.S. 257.0755 and was created in 1991. The legislation requires the office to operate independently but in collaboration with the Indian Affairs Council, the Chicano-Latino Affairs Council, the Council on Black Minnesotans, and the Council on Asian-Pacific Minnesotans. The applicable community-specific board selects the ombudsperson for each of the four communities. Each ombudsperson serves in unclassified service at the pleasure of the community specific board. Each of these boards consists of five members appointed by the chair of the councils. The members are required to meet four times a year to advise the ombudspersons on overall policies.

Each ombudsperson has the authority to investigate decisions, acts, and other matters of an agency, program, or facility providing protection or placement services to children.

KEY SERVICE STRATEGIES:

Primary Duty:

To ensure that all laws governing the protection of children and their families are implemented in a culturally competent manner and that decision-making processes are in compliance with the laws that protect children of color in the state of Minnesota.

Other duties:

- Work with local state courts, policy makers, and service providers to promote integrated network systems to ensure family reunification, stability, security, and permanency.
- Ensure that all stakeholders facilitate linkages and are driven by the public good to strengthen fair and just child protection services in the best interest of the child. The salient goal is to reaffirm the state's commitment of making the family whole and self-sufficient.
- Ensure that guardians ad litem from communities of color are recruited, thus providing the cultural competence element for the well-being of our children.
- Ensure the provisions of training programs for bilingual workers who serve the diversity of communities throughout the state.

PERFORMANCE SUMMARY:

- *Education Helpline for Families.* During FY 2000, the agency received 1,120 calls through our education help line. More than 80% of these inquiries were

resolved by staff. The balance of calls was referred to local school districts, community organizations, or other government agencies for resolution.

- *Public Forums.* Presentations to educational, religious, governmental entities, and community-based organizations regarding the juvenile court, and Child in Need of Protection or Services (CHIPS) system.
 - *Ombudsperson American-Indian Families.* Co-chair, Compliance Review Team, Tribal State Agreement. June 1998 to present. Creation of unique new multi-disciplinary team of child welfare experts regarding statewide complaints under the Indian Child Welfare Act.
 - *Ombudsperson for Spanish-Speaking Families.* Establishment of extensive network with existing and emerging Latino non-profit organizations throughout the state to strengthen and promote collaborative services.
 - *Ombudsperson for African-American Families.* Systemic review of public policies impacting the disproportionate number of African American children in Minnesota's child welfare system, through collaboration with several state agencies and the University of Minnesota. Participates as a Community Fellow with the Roy Wilkins Center for Human Relations and Social Policy, and a member of the Children's Defense Fund KIDS COUNT Advisory and Data Committee.
 - *Ombudsperson for Asian-Pacific Families.* Member of Maltreatment of Minors Advisory Committee that made recommendations to clarify the definition of physical abuse set forth in M.S. 626.556, subd. 2d. The group recommended that investigations for physical abuse should also take into account accepted child rearing practices of the culture in which the child participates as long as they are not injurious to the child's health, safety, and welfare. Created brochure and performed extensive outreach in the community to develop awareness of the result oriented operation of the office.
- ### ISSUES AFFECTING AGENCY'S OPERATIONS:
- From 1990-1999, the minority population has increased significantly: Black, up 54.5%; Latino, 71.8%; Asian-Pacific, 66.1%; American Indian, 15%. The state's white population grew by about 7%. ("The estimates may understate the rate of change," according to Minnesota State Demographer Tom Gillaspy. *StarTribune*; Wednesday, 8-30-2000.)
 - The 2000 Census reveals a new population characterized by widely diverse races, heritage, cultures, beliefs and lifestyles.
 - There is a need to acknowledge and respond to the ever present and growing racial disparities in the Child Welfare System. For example, while the African-American State child population is at 4%, of these, 26% are maltreatment victims and 22% are children in out-of-home placement.

OMBUDSPERSON FOR FAMILIES - EXECUTIVE SUMMARY (Continued)

- There is a need for guardians ad litem from the communities served as a result of new juvenile court rules.
- There has been a loss of federal grant funds that helped close the gap in assistance via the education help line.
- There is a need to identify structures, goals, and functions of institutions and agencies serving people of color so that the state can better serve people on the road to self-sufficiency.
- Ombudsperson must be a gateway to responsible parents and parenting. The agency must provide parents with services that empower them to improve the quality of their own family.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget. Further, the Governor recommends increasing the agency's base by \$124,000 to cover the additional costs of salaries and \$26,000 for the relocation of the agency.

Agency: OMBUDSPERSON FOR FAMILIES

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 249 | 275 | 256 | 233 | 293 | 238 | 302 | 64 | 12.1% |
| OTHER OPERATING EXPENSES | 71 | 73 | 74 | 49 | 64 | 35 | 46 | (37) | (25.2%) |
| Total Expenditures | 320 | 348 | 330 | 282 | 357 | 273 | 348 | 27 | 4.0% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (A) FUND SALARIES 100% GENERAL FUND | GEN | | | | 60 | | 64 | | |
| (A) MOVE AGENCY TO NEW STATE BUILDING | GEN | | | | 15 | | 11 | | |
| Total Change Items | | | | | 75 | | 75 | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| GENERAL | 165 | 166 | 171 | 176 | 251 | 181 | 256 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 80 | 109 | 138 | 106 | 106 | 92 | 92 | | |
| FEDERAL | 75 | 73 | 21 | 0 | 0 | 0 | 0 | | |
| Total Financing | 320 | 348 | 330 | 282 | 357 | 273 | 348 | | |
| Revenue Collected: | | | | | | | | | |
| Dedicated | | | | | | | | | |
| FEDERAL | 75 | 75 | 19 | 0 | 0 | 0 | 0 | | |
| Total Revenues Collected | 75 | 75 | 19 | 0 | 0 | 0 | 0 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 5.0 | 5.0 | 4.2 | 4.0 | 4.0 | 4.0 | 4.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 0.3 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Total Full-Time Equivalent | 5.3 | 5.2 | 4.3 | 4.0 | 4.0 | 4.0 | 4.0 | | |

Agency: OMBUDSPERSON FOR FAMILIES

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|-----------|---------|--------------|---------|-------------------|---------|---------------|---------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 277 | 263 | 171 | 171 | 106 | 92 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 5 | 10 | 5 | 10 | 0 | 0 | 0 | 0 |
| Subtotal Base Adjustments | 5 | 10 | 5 | 10 | 0 | 0 | 0 | 0 |
| Base Budget | 282 | 273 | 176 | 181 | 106 | 92 | 0 | 0 |

BUDGET CHANGE ITEM (46522)

Agency: OMBUDSPERSON FOR FAMILIES

Item Title: FUND SALARIES 100% GENERAL FUND

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|------------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$60 | \$64 | \$64 | \$64 |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase to base funding of \$124,000 to cover the costs of salaries necessary to support the agency.

RATIONALE:

- Current General Fund allotment does not cover all expected salary and fringe costs. Current FY shortage is estimated at \$57,000.
- An increase in the General Fund allotment will support current salary costs without compromising operational funds needed for basic office operations.
- The agency will propose language this session to grant them authority to receive funds from outside sources. The agency's ability to receive grant funds will provide a revenue source to support special projects.
- This request will allow the agency to remain fully staffed. The current employees are experienced, trained, and dedicated to the protection and welfare issues of children.
- We strive to serve our increasing populations by actively engaging them in preparation for the workforce of tomorrow. We hope to ease the burden parents as breadwinners face regarding child protection issues by promoting a well-trained and healthy workforce.

FINANCING:

- Current General Fund allotment in FY 2001 is \$171,000.
- Current salaries and fringe in FY 2001 is \$228,000.

OUTCOMES:

- The ability to maintain the current level of service to our clients.
- The agency's ability to receive revenue from outside sources will ease the budget constraints in the future.

BUDGET CHANGE ITEM (46537)

Agency: OMBUDSPERSON FOR FAMILIES

Item Title: MOVE AGENCY TO NEW STATE BUILDING

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$15 | \$11 | \$11 | \$11 |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends the increase in base funding of \$26,000 necessary for the agency to move to the new state building currently under construction.

RATIONALE:

- No security system is present in our current facility. In addition, there is inadequate reception, waiting and meeting areas. Liability issues for staff present themselves under such conditions.
- New location would provide private offices for all ombudspersons currently on staff.
- New location would be closer to several frequently visited locations: agencies, organizations and state capitol.

FINANCING:

- The new lease rate is \$20 per square foot. Square footage of 1,384 equates to cost of \$27,680 per year.
- There is an increase in rent of \$11,200 for the biennium over the current lease. Current lease expires October 31, 2001.

OUTCOMES:

- Adequate space and office layout will correct the deficiencies of unhealthy ventilation system. Security in the new offices will enable us to provide services in a controlled environment and reduce liability.
- Private offices to conduct child protection case discussions will ensure confidentiality.
- Proximity to other state agencies, legislative offices, and capitol administration will promote inter-agency partnerships as well as better serve our clients.
- Agency would move to new state building late summer/early fall 2001.

CHIROPRACTIC EXAMINERS BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Chiropractic Examiners Board is the official licensure agency for chiropractors of the state (M.S. 148).

Mission: To protect the public through effective licensure and enforcement of the statutes and rules governing the practice of chiropractic to ensure a standard of competent and ethical practice in the profession. The MBCE strives to achieve this mission by

- examining practitioners prior to licensure to ensure that they meet or exceed baseline competence;
- responding to complaints about chiropractors and enforcing the laws governing the practice of chiropractic in Minnesota;
- establishing continuing education (CE) requirements and monitoring compliance with those requirements;
- monitoring existing statutes and administrative rules so that changes can be initiated or requested when those changes would serve to enhance the protection of the public interest.

Vision: To protect the public's health and safety by providing reasonable assurance that the persons who practice chiropractic are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role. Further, the MBCE strives to provide this service in an efficient and cost-effective manner, with a focus on public accessibility.

KEY SERVICE STRATEGIES:

- Maintain an integrated database of licensee information, registrations, discipline, and complaints.
- Conduct regular board meetings where citizens have input into the review of operations and rulemaking efforts.
- Respond to a greater number of public requests for information on chiropractors, continuing education sponsors, and licensee's status without increasing staff size.
- Continue sound management of funds through a one-time increase in spending of collected budget dollars to improve infrastructure.

PERFORMANCE SUMMARY:

- Developed a Strategic Information Resource Management Plan (SIRMP).
- Began development of an integrated database system to track all aspects of information collected on licensed chiropractors.

- Utilized newly developed database and identified errors in program.
- Created ground work for a new infrastructure and became Y2K compliant without increasing fees to licensees.
- Expanded the contents of the board's web page.

| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Estimate FY 2001</u> | <u>Estimate FY 2002</u> | <u>Estimate FY 2003</u> |
|--------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total Active/Inactive Licenses | 2,056 | 2,151 | 2,250 | 2,350 | 2,450 |
| Complaints received | 222 | 110 | 150 | 150 | 150 |
| Corrective actions | 12 | 1 | 3 | 3 | 3 |
| Disciplinary actions | 15 | 0 | 2 | 2 | 2 |
| Peer review requests | 50 | 0 | 0 | 0 | 0 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs approved by the board are set to recover all direct and indirect costs.

| | <u>Dollars in Thousands</u> | | | | |
|--|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Budget FY 2001</u> | <u>Budget FY 2002</u> | <u>Budget FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | \$332 | \$334 | \$377 | \$372 | \$384 |
| Total Direct Costs | \$332 | \$334 | \$377 | \$372 | \$384 |
| Indirect Costs: | | | | | |
| Small Agency Infrastructure Initiative | | | | 75 | |
| Statewide Indirect | 16 | 14 | 20 | 21 | 22 |
| Attorney General* | 151 | 77 | 120 | 120 | 125 |
| Administrative Services Unit* | 10 | 11 | 13 | 20 | 20 |
| Health Professional Serv Prog* | 6 | 5 | 5 | 7 | 8 |
| Total Indirect Costs | \$183 | \$107 | \$158 | \$243 | \$175 |
| Total Direct and Indirect Costs | \$515 | \$441 | \$535 | \$615 | \$559 |
| Revenue: | | | | | |
| Non-dedicated | 525 | 540 | 534 | 540 | 540 |
| Total Revenue | \$525 | \$540 | \$534 | \$540 | \$540 |
| Surplus (Shortfall): | 10 | 99 | (1) | (75) | (19) |
| Accumulated Ending Surplus (Shortfall) or Carry forward: | \$59 | \$158 | \$157 | \$82 | \$63 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special

CHIROPRACTIC EXAMINERS BOARD - EXECUTIVE SUMMARY (Continued)

Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Changes in direction dictated by statute, rule, and governmental policies of the Governor, Legislature, Department of Finance, and other public entities, as well as issues affecting chiropractic educational institutions and the public health and economic markets at large have affected the agency's operations.
- Staff turnover due to retirement and continued errors in database system impacted the level of service provided during the past year. Information took longer to produce because of the need to verify the accuracy of data. These errors will be resolved through a plan developed providing adequate funding is approved.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget. The Governor has also included funding to improve this agency's technology capacity in the Small Agency Infrastructure initiative carried under the Office of Technology.

Agency: CHIROPRACTIC EXAMINERS BRD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 233 | 250 | 275 | 291 | 291 | 304 | 304 | 70 | 13.3% |
| OTHER OPERATING EXPENSES | 115 | 98 | 122 | 102 | 102 | 102 | 102 | (16) | (7.3%) |
| Total Expenditures | 348 | 348 | 397 | 393 | 393 | 406 | 406 | 54 | 7.2% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 348 | 334 | 377 | 372 | 372 | 384 | 384 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 14 | 20 | 21 | 21 | 22 | 22 | | |
| Total Financing | 348 | 348 | 397 | 393 | 393 | 406 | 406 | | |
| Revenue Collected: | | | | | | | | | |
| Nondedicated | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 525 | 540 | 534 | 540 | 540 | 540 | 540 | | |
| Total Revenues Collected | 525 | 540 | 534 | 540 | 540 | 540 | 540 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 3.9 | 4.1 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 0.8 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Total Full-Time Equivalent | 4.7 | 4.8 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | | |

Agency: CHIROPRACTIC EXAMINERS BRD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|------------|------------|--------------|----------|-------------------|------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 382 | 383 | 0 | 0 | 382 | 383 | 0 | 0 |
| Base Adjustments | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 8 | 17 | 0 | 0 | 8 | 17 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 1 | 3 | 0 | 0 | 1 | 3 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 2 | 3 | 0 | 0 | 2 | 3 | 0 | 0 |
| Subtotal Base Adjustments | 11 | 23 | 0 | 0 | 11 | 23 | 0 | 0 |
| Base Budget | 393 | 406 | 0 | 0 | 393 | 406 | 0 | 0 |

DENTISTRY BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION: The Board of Dentistry is the agency that licenses/registers dental professionals whose fitness to practice has been tested, and whose training and other qualifications meet the specifications established by the legislature and the board.

Mission: To ensure that Minnesota citizens receive quality dental health care from competent dental health professionals.

Vision: To protect the public at large by issuing licenses/registrations only to those who meet the minimum standards of practice and to provide timely and impartial resolution of complaints filed against dental professionals.

KEY SERVICE STRATEGIES:

- Establish minimum standards for licensure/registration.
- Ensure that those who hold a professional dental credential from the Board continue to meet those standards throughout the time they hold the credential.
- Identify those who fail to maintain the minimum standards needed to render quality care to patients safely.
- Take timely and appropriate disciplinary or corrective action when warranted.
- Provide accurate and current information to the public to enable them to make informed decisions about their dental health care.

PERFORMANCE SUMMARY: The trend data below demonstrate the board's effectiveness in terms of complaint resolution, a major focus of this board for the past several years. Even though the number of complaints filed during the FY 1999-2000 biennium increased, the percent of complaints resolved also increased, and the number of previous complaints (those filed before FY 1999-2000) decreased considerably.

| | <u>FY 1995-96</u> | <u>FY 1997-98</u> | <u>FY 1999-2000</u> |
|---|-------------------|-------------------|---------------------|
| Number of complaints filed during biennium | 493 | 386 | 449 |
| Percent of complaints resolved during biennium | 66 | 76 | 81 |
| Number of disciplinary or corrective actions | 54 | 69 | 73 |
| Number of previous complaints remaining open at the end of the biennium | 107 | 47 | 11 |

REVENUES: This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs approved by the board are set to recover all direct and indirect costs.

| | <u>Dollars in Thousands</u> | | | | |
|---|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Budget FY 2001</u> | <u>Budget FY 2002</u> | <u>Budget FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | \$791 | \$650 | \$939 | \$831 | \$855 |
| Total Direct Costs | \$791 | \$650 | \$939 | \$831 | \$855 |
| Indirect Costs: | | | | | |
| Statewide Indirect | 15 | 20 | 22 | 23 | 24 |
| Attorney General* | 248 | 253 | 275 | 275 | 280 |
| Administrative Services Unit* | 20 | 27 | 25 | 38 | 39 |
| Health Professional Serv Prog* | 8 | 11 | 13 | 20 | 23 |
| HIV/HBV/HCV Dept of Health* | 3 | 2 | 6 | 6 | 6 |
| Total Indirect Costs | \$294 | \$313 | \$341 | \$362 | \$372 |
| Total Direct and Indirect Costs | \$1,085 | \$963 | \$1,280 | \$1,193 | \$1,227 |
| Revenue: | | | | | |
| Non-dedicated | 1,190 | 1,102 | 1,091 | 1,091 | 1,091 |
| Total Revenue | \$1,190 | \$1,102 | \$1,091 | \$1,091 | \$1,091 |
| Surplus (Shortfall) | 105 | 139 | (189) | (102) | (136) |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$704 | \$843 | \$654 | \$552 | \$416 |

*The Board is responsible for the costs of services received from the AGO, HPSP, ASU, and HIV/HBV/HCV programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS: During the 2002 legislative session, the Department of Human Services was mandated to conduct a study of dental access for those on public assistance. Among possible proposals are two that affect the Board of Dentistry: licensure of foreign-trained dentists, and expansion of duties that may be performed by existing or new types of dental auxiliaries. Thus, the board continues to explore ways to have a positive impact on improving access to quality dental services throughout Minnesota. Also, the board is actively involved in improving computer technology to enhance public access to information related to board activities related to protection of the public's health and safety.

The board reduced its annual license and registration fees in 1999 for year 2000 revenue, and plans to leave the fees at current rates. The accumulated surplus that exists will be used for upcoming contested case activities. The board continues to develop its computer licensing database and web site to create easy access to public information.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget.

Agency: DENTISTRY BOARD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 327 | 382 | 499 | 529 | 529 | 557 | 557 | 205 | 23.3% |
| OTHER OPERATING EXPENSES | 479 | 288 | 462 | 325 | 325 | 322 | 322 | (103) | (13.7%) |
| Total Expenditures | 806 | 670 | 961 | 854 | 854 | 879 | 879 | 102 | 6.3% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 806 | 650 | 939 | 831 | 831 | 855 | 855 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 20 | 22 | 23 | 23 | 24 | 24 | | |
| Total Financing | 806 | 670 | 961 | 854 | 854 | 879 | 879 | | |
| Revenue Collected: | | | | | | | | | |
| Nondedicated | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 1,190 | 1,102 | 1,091 | 1,091 | 1,091 | 1,091 | 1,091 | | |
| Total Revenues Collected | 1,190 | 1,102 | 1,091 | 1,091 | 1,091 | 1,091 | 1,091 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 6.2 | 7.1 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 0.2 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | | |
| OVERTIME PAY | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Total Full-Time Equivalent | 6.4 | 7.6 | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 | | |

Agency: DENTISTRY BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|------------|------------|--------------|----------|-------------------|------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 829 | 830 | 0 | 0 | 829 | 830 | 0 | 0 |
| Base Adjustments | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 15 | 30 | 0 | 0 | 15 | 30 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 2 | 3 | 0 | 0 | 2 | 3 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 8 | 16 | 0 | 0 | 8 | 16 | 0 | 0 |
| Subtotal Base Adjustments | 25 | 49 | 0 | 0 | 25 | 49 | 0 | 0 |
| Base Budget | 854 | 879 | 0 | 0 | 854 | 879 | 0 | 0 |

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MEDICAL PRACTICE BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Board of Medical Practice is the official licensure/registration agency for the regulation of physicians, physician assistants, respiratory care practitioners, athletic trainers, acupuncturists, professional firms, and midwives of the state (M.S. 147,147A, 147B, 148, 214 and 319 A).

Mission: To protect the public by ensuring that all physicians (M.D.), doctors of osteopathic medicine (D.O.), physician assistants (P.A.), respiratory care practitioners (R.C.P.), athletic trainers (A.T.), acupuncturists (A.P.), midwives, and professional firms (P.F.) meet the necessary qualifications and standards to competently practice their profession in Minnesota.

Vision: To have all the above professions in the state effectively practicing by qualified licensees and take disciplinary action when the need arises.

KEY SERVICE STRATEGIES:

- Ensure that applicants for credentials have met all statutory requirements for license or registration.
- Promptly respond to public and agency inquiries, complaints, and reports regarding licensure and conduct of applicants, permit holders, licensed and registered practitioners.
- Apply standards of practice and conduct to educational or disciplinary action with licensees to ensure that standards are met.
- Provide information and education about licensure requirements and standards of practice to the public and other interested audiences.

PERFORMANCE SUMMARY:

- Revised statutes and rules to eliminate obsolete provisions and endorse positive changes in licensing and registration.
- Developed new communications tools to reach more quickly and easily prospective applicants, licensees and the public both in print format and on the Internet.
- Engaged in rule-writing to raise physician annual renewal fee to address budgetary shortfalls.

| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Estimate FY 2001</u> | <u>Estimate FY 2002</u> | <u>Estimate FY 2003</u> |
|------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| # Licensees | 20,137 | 17,900 | 18,200 | 18,500 | 18,800 |
| Complaints Received | 825 | 786 | 800 | 800 | 800 |
| Discipline and Actions Taken | 60 | 72 | 75 | 75 | 75 |
| Complaints on hand | 606 | 514 | 450 | 350 | 250 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, prospective applicants, and licensees by the board are set to recover all direct and indirect costs. A fee increase for the annual license renewal of physicians was effective FY 2000 to cover the cost of the new computer system and contested caseload.

| | <u>Dollars in Thousand</u> | | | | |
|---|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Budget FY 2001</u> | <u>Budget FY 2002</u> | <u>Budget FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | 1,866 | 1,738 | 2,544 | 2,130 | 2,196 |
| Office of Admin Hearings | 75 | 28 | 45 | 45 | 45 |
| Attorney Generals Office | 1,277 | 928 | 1,159 | 1,159 | 1,159 |
| Computer System | -0- | -0- | 561 | -0- | -0- |
| Total Direct Costs | \$3,218 | \$2,694 | \$4,309 | \$3,334 | \$3,400 |
| Indirect Costs: | | | | | |
| Small Agency Infrastructure Initiative | | | | 325 | 499 |
| Medical Practice Workshop | -0- | -0- | 1 | 1 | 1 |
| Statewide Indirect | 65 | 56 | 29 | 55 | 56 |
| HIV/HBV/HCV Dept of Health* | 19 | 15 | 33 | 35 | 35 |
| Administrative Services Unit* | 66 | 65 | 69 | 78 | 79 |
| Health Professionals Serv Prog* | 98 | 96 | 93 | 123 | 123 |
| Total Indirect Costs | \$ 248 | \$ 232 | \$ 225 | \$ 617 | \$ 793 |
| Total Direct and Indirect Costs | \$3,466 | \$2,926 | \$4,534 | \$3,951 | \$4,193 |
| Revenue: | | | | | |
| Non-dedicated | 3,710 | 3,558 | 3,993 | 4,019 | 4,044 |
| Dedicated-Special | -0- | -0- | 1 | 1 | 1 |
| Total Revenue | \$3,710 | \$3,558 | \$3,994 | \$4,020 | \$4,045 |
| Surplus (Shortfall) | 244 | 632 | (540) | 69 | (148) |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$880 | \$1,512 | \$972 | \$1,041 | \$893 |

*The Board is responsible for the costs of services received from the HPSP, ASU and HIV/HBV/HCV programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Variable contested case costs consist of legal, investigative, consultation, and hearing billings. Costs vary with the numbers and types of complaints received and the length and complexity of proceedings. Because of the large number of variables, the actual annual expenditures fall into a range. The board, however, must be prepared for the maximum potential caseload.

MEDICAL PRACTICE BOARD - EXECUTIVE SUMMARY (Continued)

Based on historical experience, the board anticipates 20-25 cases will require part or all of this process during the next biennium.

- The board is in the process of converting an antiquated computer system to a modern, integrated information technology tool, which will serve licensure, complaint review, communications, management, and analytical needs. The board has a current Request for Proposal posted on the Office of Technology's website for accepting bids for Phase I (Planning Analysis and Design). The anticipated start date for Phase I is January 2001. Phase II (Development and Implementation) is anticipated to begin in the fall of 2002, after posting the RFP for bid.
- Beginning 7-1-2000, Physical Therapy, a health profession previously regulated by the board, now has its own regulatory board. All costs and revenues associated with the regulation of this profession are deleted from the Board of Medical Practice budget and reflected in the Board of Physical Therapy budget. This represents a deletion of \$218,000 in FY 2000 and \$221,000 in FY 2001 from the Board of Medical Practice request.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget. The Governor has also included funding to improve this agency's technology capacity in the Small Agency Infrastructure initiative carried under the Office of Technology.

Agency: MEDICAL PRACTICE BOARD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 1,091 | 1,095 | 1,334 | 1,352 | 1,352 | 1,412 | 1,412 | 335 | 13.8% |
| OTHER OPERATING EXPENSES | 915 | 727 | 1,846 | 879 | 879 | 886 | 886 | (808) | (31.4%) |
| TRANSFERS | 0 | 0 | 0 | 1,159 | 1,159 | 1,159 | 1,159 | 2,318 | |
| Total Expenditures | 2,006 | 1,822 | 3,180 | 3,390 | 3,390 | 3,457 | 3,457 | 1,845 | 36.9% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 2,006 | 1,766 | 3,150 | 3,334 | 3,334 | 3,400 | 3,400 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 56 | 29 | 55 | 55 | 56 | 56 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 0 | 0 | 1 | 1 | 1 | 1 | 1 | | |
| Total Financing | 2,006 | 1,822 | 3,180 | 3,390 | 3,390 | 3,457 | 3,457 | | |
| Revenue Collected: | | | | | | | | | |
| Dedicated | | | | | | | | | |
| SPECIAL REVENUE | 0 | 0 | 1 | 1 | 1 | 1 | 1 | | |
| Nondedicated | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 3,710 | 3,558 | 3,993 | 4,019 | 4,019 | 4,044 | 4,044 | | |
| Total Revenues Collected | 3,710 | 3,558 | 3,994 | 4,020 | 4,020 | 4,045 | 4,045 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 22.3 | 21.3 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 0.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Total Full-Time Equivalent | 22.8 | 21.4 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | | |

Agency: MEDICAL PRACTICE BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|--------------|--------------|--------------|----------|-------------------|--------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 3,653 | 3,654 | 0 | 0 | 3,653 | 3,654 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 38 | 78 | 0 | 0 | 38 | 78 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 5 | 9 | 0 | 0 | 5 | 9 | 0 | 0 |
| NEW PROGRAMS TO AGENCY BASE | (2) | (2) | 0 | 0 | (2) | (2) | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 21 | 43 | 0 | 0 | 21 | 43 | 0 | 0 |
| SYSTEM DEVELOPMENT COST | (325) | (325) | 0 | 0 | (325) | (325) | 0 | 0 |
| Subtotal Base Adjustments | (263) | (197) | 0 | 0 | (263) | (197) | 0 | 0 |
| Base Budget | 3,390 | 3,457 | 0 | 0 | 3,390 | 3,457 | 0 | 0 |

NURSING BOARD - EXECUTIVE SUMMARY

The Board of Nursing has two budget activities: the operating activity of the Board of Nursing, and the Health Professional Services Program (HPSP). In addition to its statutory responsibilities, the Board of Nursing was selected to be the designated fiscal agent and provide administrative support for the Health Professional Services Program.

Activity: Board of Nursing Operations

AGENCY MISSION AND VISION:

Statutory Authority: M.S. 148.171-148.285.

Mission: To protect the public's health and safety by providing reasonable assurance that the persons who practice nursing are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role.

The board strives to carry out activities authorized by Minnesota statutes and rules (licensing, nursing program approval, and discipline), maintaining current knowledge relevant to the needs of the public and to the education and practice of nurses, disseminating information to nurses and the public, and operating an agency which utilizes human and fiscal resources efficiently and effectively.

KEY SERVICE STRATEGIES:

- Assure the public that persons who provide professional, practical, advanced practice registered, and public health nursing care meet minimum standards pertaining to knowledge, skills, and abilities.
- Assure the public that credentialed nurses maintain standards of practice appropriate to their credential (LPN, RN, RN,C, PHN, APRN).
- Assure the public that educational programs that prepare persons for licensure as registered nurses or licensed practical nurses meet minimum standards pertaining to the knowledge, skills, and abilities necessary for entry into practice.
- Disseminate information about nurse licensure and nursing educational programs so that the public can make determinations about the services of a nurse.
- Enable reasonable and necessary public policy regarding safe nursing practices.

PERFORMANCE SUMMARY:

- Revised statutes and rules to eliminate obsolete provisions and endorse positive changes in nurse licensure.
- Implemented statutory provisions enacted in 1999 to regulate advanced practice registered nursing, including identified scopes of practice, requirements for prescriptive authority, grounds for disciplinary action, and establishment of a registry.
- Developed, maintained, and enhanced a board web-site for the purpose of providing users with access to information regarding board services at the user's demand, including aggregate data about licensees and nursing education programs, complaint processing, licensure requirements, and forms to download for printing.

| | <u>FY 1999</u> | <u>FY 2000</u> |
|--|----------------|----------------|
| Disciplinary Activity | | |
| Complaints received | 632 | 748 |
| Disciplinary actions | 185 | 153 |
| Corrective Actions | 34 | 50 |
| Referred to HPSP (Health Professionals Services Program Minnesota Statutes section 214.31-214.37) | 42 | 45 |
| Stipulated Monitoring Plans (HIV/HBV Prevention Program Minnesota Statutes sections 214.17-214.25) | 5 | 2 |
| Licensure Activity | | |
| New Licenses issued | 4,376 | 4,382 |
| Registrations at end of FY | 80,598 | 81,678 |
| Verifications | 2,841 | 2,815 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants and licensees are set to recover all direct and indirect costs. A fee increase was enacted in FY 2001 to cover the costs of board operations and computer system enhancement.

NURSING BOARD - EXECUTIVE SUMMARY (Continued)

| | Dollars in Thousands | | | | |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|
| | Actual FY 1999 | Actual FY 2000 | Budget FY 2001 | Budget FY 2002 | Budget FY 2003 |
| Direct Costs: | | | | | |
| Operational | \$1,727 | \$1,798 | \$2,249 | \$2,254 | \$2,356 |
| Discipline and Licensing System | 470 | 26 | 374 | -0- | -0- |
| Total Direct Costs | \$2,197 | \$1,824 | \$2,623 | \$2,254 | \$2,356 |
| Indirect Costs: | | | | | |
| Small Agency Infrastructure Initiative | | | | 114 | 46 |
| Statewide Indirect | 29 | 46 | 41 | 42 | 43 |
| Attorney General* | 694 | 595 | 650 | 600 | 610 |
| Administrative Services Unit* | 52 | 58 | 71 | 68 | 69 |
| Health Professionals Serv Prog* | 184 | 218 | 231 | 284 | 292 |
| HIV/HBV/HCV Dept of Health* | 62 | 61 | 109 | 90 | 90 |
| Total Indirect Costs | \$1,021 | \$978 | \$1,102 | \$1,198 | \$1,150 |
| Total Direct and Indirect Costs | \$3,218 | \$2,802 | \$3,725 | \$3,452 | \$3,506 |
| Revenue: | | | | | |
| Non-dedicated | 2,808 | 2,820 | 3,195 | 3,720 | 3,720 |
| Total Revenue: | \$2,808 | \$2,820 | \$3,195 | \$3,720 | \$3,720 |
| Surplus (Shortfall) | (410) | 18 | (530) | 268 | 214 |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$49 | \$67 | (\$463) | (\$195) | \$19 |

*The Board is responsible for the costs of services received from the AGO, HPSP, ASU and HIV/HBV/HCV programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- The tight labor market is affecting the nursing labor force, and the board anticipates declining applications and license renewals. Revenue is expected to decline for board operations.
- Electronic verification of nurse licensure by way of Nursys, a national data base established by the National Council of State Boards of Nursing, will eliminate approximately \$54,000 annually in revenue for verification services currently provided by the board.
- Reporting disciplinary action to the federal National Practitioner Data Bank, Health Integrity Practitioner Data Bank, and Nursys significantly increases expenses for information resources technology and activity.
- Legislative year 2000 amendments to the Vulnerable Adult Act (Minnesota statutes, sections 626.5572, subd. 17 and 245A.04, subd. 3a) have shifted

the determination of disqualification of nurses from employment in licensed facilities for substantiated maltreatment, from the departments of Health and Human Services to the Board of Nursing. This change increases costs for processing determinations and petitions for reconsideration without any provision to recover costs.

- The Governor's Office initiatives and customer's expectation to provide electronic government services (EGS) results in significant human and fiscal demands on the information resources technology and services which cannot be accomplished through fee assessment recovery.
- Minnesota statutes sections 214.17-214.25, HIV/HBV Prevention Program, was amended in the 2000 legislative session to expand reporting and monitoring requirements to include licensees infected with Hepatitis C virus without any provision for revenue recovery.
- The board activities are guided by its desire to:
 - fulfill its responsibilities for public safety with respect for due process and adherence to laws and rules;
 - deliver customer-centered services in a respectful, responsive, timely, communicative, and non-discriminatory manner;
 - provide government services that are accessible, purposeful, responsible, and secure using state-of-the-art technology; and
 - carry out its business functions with efficiency, accountability, innovation, and a willingness to collaborate.

NURSING BOARD - EXECUTIVE SUMMARY (Continued)

Activity: Health Professionals Services Program

AGENCY MISSION AND VISION:

The Health Professionals Services Program (HPSP) was approved in the 1994 legislative session to protect the public from persons regulated by health licensing boards who are unable to practice with reasonable skill and safety by reason of illness, use of alcohol, chemicals, or any other materials, or as a result of any mental, physical, or psychological condition.

Mission: To enhance public safety in health care.

Goals: To promote early intervention, diagnosis, and treatment for health professionals and to provide them with monitoring services as an alternative to board discipline.

Vision: To provide health professionals with a non-disciplinary mechanism to promote early intervention, treatment, and monitoring of illnesses, thereby enhancing the likelihood of successful treatment before clinical skills and public safety are compromised.

KEY SERVICE STRATEGIES:

HPSP works collaboratively with health-licensing boards, health-related professional associations, regulated health-professionals, and various other constituents to enhance public safety in health care. HPSP does this by promoting early intervention, diagnosis, and treatment of health professionals who may be unable to practice with reasonable skill and safety by reason of illness, or by providing them with the highest quality of monitoring services in the most cost-effective manner.

Monitoring services include, but are not limited to

- performing thorough intake evaluations on licensees in a timely manner. This typically includes gathering and reviewing relevant medical records, interviewing the licensee and requesting additional assessments be performed.
- developing monitoring agreements that are reflective of the licensee's illness, profession, practice setting and public safety needs.
- closely monitoring licensee's compliance with the conditions of the monitoring agreement. For example, case managers review toxicology screens, reports from licensees, supervisors, treating professionals, and physicians.
- responding to areas of non-compliance as they occur.

Most licensees are monitored for three years, but the length of monitoring is directly related to their illness history and management. Licensees are successfully discharged from the program after they have demonstrated appropriate illness management over time. Those who are not compliant with monitoring are reported to their licensing board.

In conjunction with providing quality monitoring services to licensees, HPSP staff also

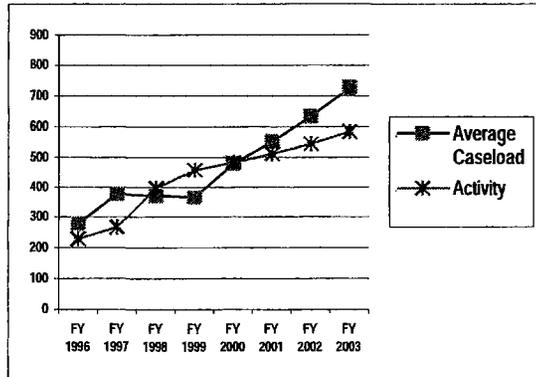
- utilize a computerized database to track compliance, which enhances monitoring effectiveness and efficiency;
- establish monitoring standards to ensure the delivery of consistent services;
- liaison with licensing boards, professional associations and other program constituents to promote program awareness, understanding and utilization;
- develop and enact a record's retention policy;
- develop and carryout quality improvement initiatives based on ongoing evaluations of program systems and structure.

PERFORMANCE SUMMARY:

- Expanded outreach activities to promote early intervention, treatment, and monitoring for health professionals who may be unable to practice with reasonable skill and safety if their illness is not appropriately managed. This resulted in 52% of participants either reporting themselves to the program or being referred to the program from outside of their licensing board.
- Updated Program Manual and developed monitoring standards to enhance monitoring consistency and program understanding.
- Developed new drug screening options, procedures, and reporting guidelines to promote user accessibility, as well as confidence in, and understanding of, program procedures.
- Met regularly with board staff and other program constituents to promote program understanding and confidence.

NURSING BOARD - EXECUTIVE SUMMARY (Continued)

Program Activity and Projections of Growth



| | FY 1996 | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Average Caseload: | 279 | 378 | 372 | 366 | 385 | *482 | *553 | *634 |
| Cases Opened: | 167 | 183 | 196 | 233 | 264 | **299 | **338 | **383 |
| Cases Closed: | 62 | 85 | 202 | 226 | 220 | ***214 | ***208 | ***202 |
| Activity: (Sum of cases opened and closed) | 229 | 268 | 398 | 459 | 484 | 513 | 546 | 585 |
| Boards Served: | 6 | 8 | 9 | 9 | 10 | 12 | 15+ | 15+ |

- * Average Caseload: Based on HPSP's caseload of 420 at the end of FY 2000, a 14.75% increase from FY 1999's average of 366.
- ** Cases Opened: Based on 13.3% increase of cases opened between FY 1999 and FY 2000.
- *** Cases Closed: Based on 2.7% decrease in number of cases closed from FY 1999 to FY 2000. It doesn't take into account increased number of new cases, which should cause this number to increase overtime.

REVENUES:

HPSP does not generate revenue. The total funding for the program is shared by participating boards. Each board's share of operating costs is the sum of an annual participation fee and a prorated share of program expenses. Alternative funding sources are also being explored as a means to supplement the budget.

| | Dollars in Thousands | | | | |
|---|----------------------|----------------|----------------|----------------|----------------|
| | Actual FY 1999 | Actual FY 2000 | Budget FY 2001 | Budget FY 2002 | Budget FY 2003 |
| Direct Costs: | | | | | |
| Operational: | \$328 | \$364 | \$384 | \$515 | \$546 |
| Total Direct Costs: | \$328 | \$364 | \$384 | \$515 | \$546 |
| Indirect Costs | | | | | |
| Statewide Indirect Cost: | -0- | 8 | 19 | 19 | 20 |
| Total Indirect Costs: | -0- | \$8 | \$19 | \$19 | \$20 |
| Total Direct & Indirect Costs: | \$328 | \$372 | \$403 | \$534 | \$566 |
| Surplus (Shortfall) | -0- | -0- | -0- | -0- | -0- |
| Accumulated Ending Surplus (Shortfall) or Carry forward | -0- | -0- | -0- | -0- | -0- |

Participating boards agree that the prorated share of program expenses shall be borne by the boards as follows:

| | Dollars in Thousands | | | | |
|-------------------------------|----------------------|----------------|----------------|----------------|----------------|
| | Actual FY 1999 | Actual FY 2000 | Budget FY 2001 | Budget FY 2002 | Budget FY 2003 |
| Chiropractic | \$ 6 | \$ 5 | \$ 5 | \$ 7 | \$ 8 |
| Dentistry | 8 | 11 | 13 | 20 | 23 |
| Dietetic & Nutrition ** | -0- | -0- | -0- | 2 | 2 |
| EMS * | -0- | -0- | 13 | 22 | 30 |
| Marriage & Family Therapy | 1 | 1 | 1 | 2 | 2 |
| Medical Practice | 98 | 96 | 93 | 123 | 123 |
| Nursing | 184 | 218 | 231 | 284 | 292 |
| Nursing Home Administrators * | -0- | -0- | 1 | 2 | 2 |
| Optometry * | -0- | -0- | 2 | 2 | 2 |
| Pharmacy | 16 | 22 | 23 | 33 | 35 |
| Physical Therapy | -0- | 3 | 5 | 6 | 8 |
| Podiatric Medicine | 3 | 3 | 3 | 2 | 2 |
| Psychology ** | -0- | -0- | -0- | 5 | 8 |
| Social Work | 9 | 10 | 10 | 19 | 24 |
| Veterinary Medicine | 3 | 3 | 3 | 5 | 5 |
| TOTAL | \$328 | \$372 | \$403 | \$534 | \$566 |

- * Joined in FY 2001
- ** Will join in FY 2002

ISSUES AFFECTING AGENCY OPERATIONS:

Growth:

Program growth may be attributed to an increase in program outreach, increased board and professional association utilization of the program, and inherent market penetration due to the program's longevity. Additionally, more licensees are referring themselves to the program than ever before. This strongly supports

NURSING BOARD - EXECUTIVE SUMMARY (Continued)

the program's mission and goals – to reach licensees before illness progresses to the point that patient safety is compromised.

■ **Growth from FYs 1998 to 2000:**

- The number of cases opened increased by 34% while the number of cases closed increased by only 9%, causing a larger program caseload.
- The program's activity (opened and closed cases) increased by 21%.
- The program's average caseload increased by 15%.
- The number of boards served increased from 9 to 12.

■ **Growth Related to Board Utilization:**

- The Emergency Services Regulatory Board joined HPSP in July 2000. If it utilizes HPSP at the rate of other participating boards, the program will see an increase of 34 participants from EMS alone over the next few years.
- New statutory language makes it mandatory for all health-licensing boards to participate in HPSP or a similar program by 7-1-2001. Two additional boards joined HPSP in July 2000.
- Three additional boards will join HPSP in FY 2002.
- The increase in board utilization of the program directly impacts the program's caseload size.

Staffing:

- Based on a national average caseload size of 99 clients per case manager among state diversion programs, HPSP is currently understaffed by one case manager.
- If the current rate of growth continues as anticipated, HPSP will be understaffed by two case managers in FY 2001.
- The program manager currently maintains a 0.6 case load, however, as the program grows, the responsibilities of the program manager also increase, leaving less time for the program manager to provide direct case management services.

Plan:

Ensure that the program is adequately staffed to respond to increased demand for services and to meet its statutory charge by

- decreasing case management responsibilities of program manager from 0.6 to 0.4;
- adding one case management position on 7-1-01 (= average caseload of 109 at end of FY 2001 and 126 at end of FY 2002);

- adding a 0.5 support staff position to support case managers higher than average caseloads;
- either decreasing length of monitoring or adding management position if growth rate surpasses estimates;
- allocating funds for space renovation, office materials and resources.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget. In addition, the Governor recommends an increase of \$626,000 in the board's spending authority to cover the following costs:

- Health Professionals Services Program--\$266,000 to ensure adequate level of staffing to meet its statutory charge.
- Severance Pay--\$15,000, one-time only
- Restoring an eliminated position--\$93,000
- Union-negotiated increases, including insurance--\$106,000
- Equipment--\$32,000
- Employee/Board member development--\$32,000
- Office of Administrative Hearings--\$8,000
- Staffing additions--\$268,000 to add a Discipline Coordinator and Legal Assistant

The Board will reallocate \$388,000 through the elimination of 3 positions to help cover additional costs in the areas mentioned above.

The Governor also recommends increasing the Board of Nursing fees. The board must collect sufficient revenue to cover all direct-appropriated costs and indirect costs.

The Governor has also included funding to improve this agency's technology capacity in the Small Agency Infrastructure initiative carried under the Office of Technology.

Agency: NURSING BOARD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 1,283 | 1,331 | 1,946 | 1,970 | 2,184 | 2,039 | 2,305 | 1,212 | 37.0% |
| OTHER OPERATING EXPENSES | 943 | 539 | 1,121 | 581 | 646 | 579 | 660 | (354) | (21.3%) |
| Total Expenditures | 2,226 | 1,870 | 3,067 | 2,551 | 2,830 | 2,618 | 2,965 | 858 | 17.4% |

| Change Items: | Fund | | | | | | | | |
|---|-------------|--|--|--|------------|--|------------|--|--|
| (A) HPSP - STAFF INCREASE | SGS | | | | 123 | | 143 | | |
| (A) BUDGET ENHANCEMENTS/QUALITY ASSURANCE | SGS | | | | 156 | | 204 | | |
| Total Change Items | | | | | 279 | | 347 | | |

| Financing by Fund: | | | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| Direct Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 2,226 | 1,824 | 3,007 | 2,490 | 2,769 | 2,555 | 2,902 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 46 | 60 | 61 | 61 | 63 | 63 | | |
| Total Financing | 2,226 | 1,870 | 3,067 | 2,551 | 2,830 | 2,618 | 2,965 | | |

| Revenue Collected: | | | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--|
| Nondedicated | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 2,808 | 2,820 | 3,195 | 3,195 | 3,720 | 3,195 | 3,720 | | |
| Total Revenues Collected | 2,808 | 2,820 | 3,195 | 3,195 | 3,720 | 3,195 | 3,720 | | |

| FTE by Employment Type: | | | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--|
| FULL TIME | 33.0 | 33.0 | 38.0 | 38.0 | 39.0 | 38.0 | 39.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 1.7 | 1.7 | 2.2 | 2.2 | 2.7 | 2.2 | 2.7 | | |
| Total Full-Time Equivalent | 34.7 | 34.7 | 40.2 | 40.2 | 41.7 | 40.2 | 41.7 | | |

Agency: NURSING BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|--------------|--------------|--------------|----------|-------------------|--------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 2,306 | 2,308 | 0 | 0 | 2,306 | 2,308 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 57 | 116 | 0 | 0 | 57 | 116 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 6 | 11 | 0 | 0 | 6 | 11 | 0 | 0 |
| NEW PROGRAMS TO AGENCY BASE | 380 | 380 | 0 | 0 | 380 | 380 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 2 | 3 | 0 | 0 | 2 | 3 | 0 | 0 |
| SYSTEM DEVELOPMENT COST | (200) | (200) | 0 | 0 | (200) | (200) | 0 | 0 |
| Subtotal Base Adjustments | 245 | 310 | 0 | 0 | 245 | 310 | 0 | 0 |
| Base Budget | 2,551 | 2,618 | 0 | 0 | 2,551 | 2,618 | 0 | 0 |

BUDGET CHANGE ITEM (48831)

Agency: NURSING BOARD

Item Title: FEE INCREASE

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---|-----------------------------------|---------------------------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| State Government | | | | |
| Special Revenue | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| Revenues: (\$000s) | | | | |
| State Government | \$525 | \$525 | \$525 | \$525 |
| Special Revenue | | | | |
| Statutory Change? Yes _____ No <u> X </u> | | | | |
| If yes, statute(s) affected: | | | | |
| <u> X </u> New Activity | <u> X </u> Supplemental Funding | <u> X </u> Reallocation | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the Board of Nursing fees. The board must collect sufficient revenue to cover all direct-appropriated costs and indirect costs.

RATIONALE:

Revenue is expected to decline for board operations due to a decrease in the nursing labor force and fewer graduates of nursing education programs (colleges of nursing have reported a 5% decrease annually for the last five years.) Additionally, the revenues will decrease approximately \$54,000 annually due to electronic verification of licensure by way of Nursys, a national nurse information system.

The Governor's emphasis and customer expectation to deliver services electronically, as well as increased federal and national reporting requirements, greatly increase expenses for information resources technology and activity.

The increased technology and additional staff are needed to provide that the Board of Nursing is able to meet its regulatory obligation to protect the public's health and safety. The board will be unable to provide for all services related to licensure and discipline of nurses without increased revenue to offset increased costs.

Increased statutory responsibilities related to the Vulnerable Adult Act and HIV/HBV/HCV reporting and monitoring results in a need for increased staff. Legislative year 2000 amendments to the Vulnerable Adult Act (Minnesota Statutes, sections 626.5572, subd. 17 and 245A.04, subd. 3a) have shifted the determination of disqualification of nurses from employment in licensed facilities for substantiated maltreatment from the departments of Health and Human Services to the Board of Nursing without any increase in revenue for processing determinations and petitions for reconsideration without any provision to recover costs.

The board is mandated by statute to utilize the Attorney General's Office for legal services, to participate in the Health Professionals Services Program (HPSP), and to contract with the Commissioner of Health for reporting and monitoring services for nurses infected with HIV, HBV, and HCV. The board expects an increase in the numbers of disciplinary cases, and participants in the HPSP and numbers of HIV/HBV/HCV infected nurses monitored by the Department of Health. The board has little control over the determination of these indirect costs.

FINANCING:

Because the board is totally fee-supported, the board will have to increase its fees to cover all direct and indirect costs. Since the board's funding is limited to revenue it collects through application and licensure fees, the board will need to increase its fees to cover its spending authority.

Minnesota statutes, section 214.06, subd. 1, states, "As provided in section 16A.1285, the adjustment (of fees) shall be an amount sufficient so the total fees collected by each board will as closely as possible equal anticipated expenditures during the fiscal biennium...."

Per M.S. 16A.1283, a fee increase or new fee must be approved in law.

| FEE NAME | CURRENT FEE AMT | PROPOSED FEE AMT |
|----------------------------|-----------------|------------------|
| RN Interstate Endorsement | 100 | 105 |
| RN Examination | 100 | 105 |
| RN Re-Examination | 50 | 60 |
| RN Verification | 20 | 0 |
| RN Registration | 70 | 85 |
| RN Late Registration Fee | 50 | 60 |
| RN Permit Fee | 50 | 60 |
| PHN Registration | 25 | 30 |
| LPN Interstate Endorsement | 100 | 105 |
| LPN Examination | 100 | 105 |
| LPN Re-Examination | 50 | 60 |

BUDGET CHANGE ITEM (48831) (Continued)

Agency: NURSING BOARD

Item Title: FEE INCREASE

| | | |
|-----------------------|----|----|
| LPN Verification | 20 | 0 |
| LPN Registration | 70 | 85 |
| LPN Late Registration | 50 | 60 |
| LPN Permit Fee | 50 | 60 |
| APRN Fee | 50 | 60 |
| | | |

OUTCOMES:

- The fee increase will generate sufficient revenue to provide for the board's ongoing operating expenses and enhanced customer service through electronic government services.
- This fee increase meets the requirement of Minnesota statutes, section 214.06, subdivision 1.

BUDGET CHANGE ITEM (49078)

Agency: NURSING BOARD

**Item Title: HEALTH PROFESSIONALS SERVICES PROGRAM
(HPSP) - STAFF INCREASE**

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|------------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| -State Government | | | | |
| Special Revenue | \$123 | \$143 | \$147 | \$152 |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

X New Activity _____ Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the agency's base budget by \$266,000 to ensure the program is adequately staffed to meet its statutory charge.

RATIONALE:

Please review the Executive Summary for more information.

HPSP's change item request is proposed to address the need for additional staff to work with the growing number of health professionals enrolling in the program:

- HPSP is currently opening and closing cases at a 2:1 ratio, causing continued program growth.
- From FY 1998 to FY 2000, the number of new health professionals enrolling in the program increased by 34%, while the number discharged increased by only 9% - resulting in more licensees being served by the same number of staff.

In FY 2000, nine health-licensing boards participated in HPSP, in FY 2001, twelve boards participated. Statutory changes now make it mandatory for all health-licensing boards to participate in HPSP by 7-1-2001. This will result in three additional boards participating in the HPSP which will also increase the number of health professionals eligible for HPSP services.

The increasing number of health professionals enrolling in HPSP is consistent with its mission and goals - to promote early intervention, treatment, and monitoring of health professionals. While HPSP is providing services to more health professionals, staffing has remained the same. Case managers are working diligently to meet the needs of their growing caseloads and have implemented ways to improve the efficiency and effectiveness of the services they provide. Despite these efforts, they are unable to provide licensees with the same quality of service as they had when their caseloads were closer to 100.

HPSP is currently staffed with 3.6 case managers (program manager maintains a 0.6 caseload) and 1.5 support staff who provide monitoring services to 430 health professionals. Each case manager is maintaining an average caseload of 120 clients - 20% greater than the national average.

If HPSP is to fulfill its statutory charge, it must be staffed to provide quality services. HPSP is requesting the addition of one case management position and a 0.5 support staff position to address the growing demand for its services.

The increase in the number of health professionals served by HPSP is consistent with its mission to promote public safety in health care as well as its goals of promoting early intervention, treatment and monitoring of health professionals as an alternative to board discipline.

FINANCING:

- HPSP generates no revenue and receives no General Fund dollars.
- HPSP is funded by 14 health licensing boards, whose funding is generated from licensing fees (Special Revenue Fund) and Emergency Medical Services Regulatory Board.
- Boards pay an annual participation fee (currently \$1,000) and a prorated share of program expenses.
- Most boards have carry-over funds that would cover the additional costs so they would not need to raise licensing fees to cover the proposed increase.

OUTCOMES:

Increasing the program's base budget will allow the program to hire additional staff needed to meet the growing demand for its services and projected caseload increases of 482 in FY 2001, 553 in FY 2002, and 634 in FY 2003.

- Supporting human rights and respect by offering health professionals a voluntary, non-public, and non-punitive means to meet their practice act reporting requirements.

BUDGET CHANGE ITEM (49078) (Continued)

Agency: NURSING BOARD

**Item Title: HEALTH PROFESSIONAL SERVICES PROGRAM
(HPSP) - STAFF INCREASE**

- Promoting early intervention, treatment, and monitoring of health professionals throughout the state.
- Providing monitoring services, which contribute to appropriate illness management and ultimately public protection.
- Having a single point of contact (single agency to contact) streamlines reporting and increases understanding of reporting obligations, regardless of geographical location and profession.
- Limiting excessive regulation by offering health professionals monitoring services as an alternative to board discipline.
- Offering a uniform service to all health licensing boards - regardless of size and financial resources.
- Providing services from a single agency, thereby promoting service efficiency.
- Promoting appropriate illness management, which minimizes time off from work and contributes to both employee self-sufficiency and employer stability.
- Fostering healthy employees and workplaces.

EVALUATION:

HPSP will measure its success by

- continuing its quality improvement measures to ensure the program is providing the highest quality of monitoring services in the most cost-effective manner possible;
- measuring referral sources - how licensees are referred to the program;
- increasing the number of licensees referring themselves to the program as opposed to being referred through their board - reaching licensees before their illness impacts their practice;
- surveying health licensing board executive directors on program services;
- surveying each licensee that is discharged from the program on services.

BUDGET CHANGE ITEM (55106)

Agency: NURSING BOARD

Item Title: BUDGET ENHANCEMENTS / QUALITY ASSURANCE

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| -State Government | \$156 | \$204 | \$321 | \$446 |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

X New Activity _____ Supplemental Funding X Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the board's spending authority to cover the following costs:

- Severance Pay - \$15,000 – one-time costs
- Restoring an eliminated position - \$93,000 – on-going
- Union-negotiated increases - including insurance - \$106,000 – on-going
- Equipment - \$32,000 – on-going
- Employee/Board member development - \$32,000 – on-going
- Office of Administrative Hearings - \$8,000 – on-going
- Staffing additions - \$138,000 to add a Discipline Coordinator position and \$130,000 to add a Legal Assistant position – on-going.
- Staffing reductions - \$194,000 each fiscal year will be realized from the current operations by eliminating 3 positions (Account Clerk, Investigator, and Student Worker) and reallocated to fund this request.

RATIONALE:

The proposed increases are necessary to the board's mission to protect the public's health and safety by providing reasonable assurance that the persons

who practice nursing are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role.

- **Severance payment.** The board anticipates the retirement of an Assistant Director prior to July 2002 and must increase the base to provide for the pay-out of benefits. The pay-out of vacation and sick time accrual is provided in the bargaining contract.
- **Restoring an eliminated position.** The board deleted an Information Specialist 2 position from FY 2000-01 budget because of insufficient salary resources and intends to replace this position. The Information Specialist 2 position should be replaced to support agency information resources. Increased technology and proposed initiatives for electronic government services require human resources for support.
- **Union-negotiated increases and benefits.** The costs of union-negotiated raises, progressions, and increasing insurance and benefits have risen to the point where the board can no longer absorb these costs into its base-level budget. The board currently has 34.7 FTEs.
- **Equipment.** The board has developed a three-year plan to maintain computer hardware and software at a level to support increased technology capabilities. To implement the plan, the board must purchase equipment to replace at least 25% of computer hardware and software annually. Increased functionality demands more programming and more powerful software and hardware.
- **Employee/Board member development.** Additional training for all staff, especially customer service specialists, is needed to better use technology and deliver electronic government services. Computer classes are expensive and not available through Training and Development Resource Center (TDRC) at Department of Employees Relations. Board member conference registration costs account for approximately 30% of this budget activity (e.g. conferences sponsored by the National Council of State Boards of Nursing, Citizens Advocacy Center, and Clearinghouse for Licensure Enforcement and Regulation).
- **Office of Administrative Hearings.** Beginning in this biennium, the Office of Administrative Hearings will increase charges for contested case hearings and rule review services by 45%. The increase is not within the control of the board; the board is required by statute to utilize the Office of Administrative Hearings to process contested cases.
- **Staffing Additions.** The *Discipline Coordinator* is needed because of the increased number of complaints about nurses, an existing backlog of complaints, the increasing complexity of discipline cases and recent changes in the Vulnerable Adult Act, which significantly increased the disciplinary case workload of the board. Additionally, new reporting requirements with the federal National Practitioner and Health Integrity and Protection disciplinary

BUDGET CHANGE ITEM (55106) (Continued)

Agency: NURSING BOARD

Item Title: BUDGET ENHANCEMENTS / QUALITY ASSURANCE

data banks have increased the workload of the disciplinary function of the board. The board processes about 900 written jurisdictional complaints annually. A backlog of approximately 450 open cases currently exists, and the age of cases is increasing. Staff are unable to focus on research on the causes of nursing practice breakdowns and activities related to preventing such breakdowns because of needed focus on discipline.

The *Legal Assistant* is needed because during the 2000 legislative session the Vulnerable Adult Act was amended to change the determination of disqualification of a perpetrator of substantiated maltreatment who is a nurse from the departments of Health and Human Services to the Board of Nursing. No allocation was provided for this increased responsibility. There is no means by which to transfer funds from the Department's of Health or Human Services to the board to carry out this responsibility. The board must complete the determination within 90 days. Special procedures must be developed and implemented to coordinate the activities between the departments and the agency for the implementation of these changes. The change is expected to result in an increase of approximately 100 cases annually. A Legal Assistant will gather records, create documents and maintain case files to carry out the board's responsibilities.

FINANCING:

It is not possible for the board to cover these costs within the constraints of the current budget. It is necessary for the board to ask for additional spending authority to cover the one-time and on-going costs.

The board generates non-dedicated revenue in the State Government Special Revenue Fund. The board is totally fee supported and receives no revenue from the General Fund.

OUTCOMES:

- **Equipment** – Enhanced technology will allow the board to interface with other healthcare organizations at an increased level. By enhancing the board's technology capabilities, licensure and disciplinary information will be available to the public round the clock and by remote access, leaving no community excluded.

- **Employee/Board Development** – Staff training related to enhanced technology will improve the board's ability to share information with licensees, healthcare organizations and the public. Board member attendance at state, regional and national conferences provides board members with up-to-date information as well as the opportunity to exchange information with peers and constituents regarding the nursing profession. By enhancing the board's technology capabilities, board staff will have knowledge and technology skills needed to provide EGS. Enhanced technology will allow the board to have a more efficient, productive, and educated staff.
- **Office of Administrative Hearings Costs** - Complaints about nursing practice breakdowns will be resolved within six months. Public protection will be enhanced because nurses who should be removed from or limited in their practice will be dealt with in a timely manner. Determinations regarding disqualification for nurses who are substantiated as perpetrators of maltreatment will be made within the statutory requirement of 90 days. Public protection will be enhanced for individuals classified as vulnerable adults.
- **Restoring an eliminated position** – Sufficient information resources staffing will improve the board's ability to share information with licensees, healthcare organizations and the public.
- **Severance Pay and Union-Negotiated Increases** - By retaining staff, the board will be able to effectively serve the public and licensees by efficiently processing applications for licensure allowing new licensees to enter practice as quickly as possible to alleviate the current shortage of nurses in Minnesota. The board will be funded sufficiently to pay union-negotiated increases and salaries that reflect each position's level of responsibility resulting in staff retention.
- **Staffing Additions** – These additions will allow for dissemination of accurate, usable licensure and disciplinary data.

Evaluation:

The board will measure the success of these outcomes through annual customer-service survey and internal self-study by addressing the following:

Employee/Board Member Development -

- Customer satisfaction with electronic government services.
- Customer satisfaction with HELP line services provided by Customer Service Specialists.
- Board of Nursing staff technology skills, knowledge, and job satisfaction.

BUDGET CHANGE ITEM (55106) (Continued)

Agency: NURSING BOARD

Item Title: BUDGET ENHANCEMENTS / QUALITY ASSURANCE

Office of Administrative Hearings Costs -

- Length of time to resolve complaints about nursing practice breakdowns.
- Length of time used to suspend or revoke nurse licensure for individuals who should be removed from practice to assure public protection from incompetent or unethical practitioners.

Staffing Additions and Severance Pay and union Negotiated Increases -

- Length of time to resolve complaints about nursing practice breakdowns.
- Length of time used to make determinations regarding disqualification of nurses who are substantiated as perpetrators of maltreatment.
- Length of time used to suspend or revoke nurse licensure for individuals who should be removed from practice to assure public protection from incompetent or unethical practitioners.

Equipment -

- Greater reliability in accuracy of data necessary for successful management of the board.
- Enhanced communication with the board's customers.
- Greater accessibility to information and service to board's customers.
- Reduction of response time when processing license applications and complaints about nurses.
- Demonstration of collaborative leadership for all health-related licensing boards.

NURSING HOME ADMIN BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Board of Examiners for Nursing Home Administrators is the official nursing home administrator licensure agency of the state (M.S. 144A.19 to 28)

Mission: To promote the public's interest in quality care and effective services for residents of nursing facilities by ensuring that licensed administrators are qualified to perform their administrative duties.

Vision: To have all nursing facilities in the state effectively administered by qualified licensees.

KEY SERVICE STRATEGIES:

- Setting and administering educational and examination standards for initial and continuing licensure.
- Promptly responding to public and agency inquiries, complaints, and reports regarding licensure and conduct of applicants, permit holders, licensees and unlicensed practitioners.
- Setting standards of practice and conduct and pursuing educational or disciplinary action with licensees to ensure that standards are met.
- Providing information and education about licensure requirements and standards of practice to the public and other interested audiences.

PERFORMANCE SUMMARY:

- Revised statutes and rules to eliminate obsolete provisions and endorse positive changes in administrator licensing.
- Developed new communications tools to more quickly and easily reach prospective applicants, licensees and the public both in print format and on the Internet, including a new web site.
- Offered new computer-based testing to enable qualified applicants to become licensed in less time, thereby becoming more quickly available to assume positions in a labor market experiencing shortages.

| | Actual FY 1999 | Actual FY 2000 | Estimate FY 2001 | Estimate FY 2002 | Estimate FY 2003 |
|------------------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Licenses issued (new and renewals) | 894 | 910 | 875 | 875 | 875 |
| Complaints acted on | 127 | 135 | 150 | 150 | 150 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs approved by the board are set to recover all direct and indirect costs.

| | Dollars in Thousands | | | | |
|--|----------------------|-------------------|-------------------|-------------------|-------------------|
| | Actual FY 1999 | Actual FY 2000 | Budget FY 2001 | Budget FY 2002 | Budget FY 2003 |
| Direct Costs: | | | | | |
| Operational | \$148 | \$157 | \$209 | \$200 | \$198 |
| Total Direct Costs | \$148 | \$157 | \$209 | \$200 | \$198 |
| Indirect Costs: | | | | | |
| Statewide Indirect | 9 | 4 | 9 | 10 | 11 |
| National Exam Fees | 3 | 4 | -0- | -0- | -0- |
| Attorney General* | 8 | 5 | 16 | 10 | 11 |
| Administrative Services Unit* | -0- | -0- | 6 | 8 | 8 |
| Health Profess Service Prog* | -0- | -0- | 1 | 2 | 2 |
| Total Indirect Costs | \$20 | \$13 | \$32 | \$30 | \$32 |
| Total Direct and Indirect Costs | \$168 | \$170 | \$241 | \$230 | \$230 |
| Revenue: | | | | | |
| Non-dedicated | 217 | 211 | 222 | 222 | 222 |
| Dedicated-Special | 5 | 2 | -0- | -0- | -0- |
| Total Revenue | \$222 | \$213 | \$222 | \$222 | \$222 |
| Surplus (Shortfall) | 54 | 43 | (19) | (8) | (8) |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$131 | \$174 | \$155 | \$147 | \$139 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- The overall shortage being experienced in many occupations is beginning to be seen among nursing home administrators in the form of declining applications and license renewals. The effects could be felt in declining revenue for board operations and in increased pressure to review standards for licensure to be certain that no unnecessary impediments stand in the way of licensure for otherwise qualified persons.
- The board is taking an active role with the Department of Health to review requirements that all nursing homes have a full-time administrator. Attention will be focused on whether alternatives or exceptions may be appropriate without sacrificing quality administration and care for facility residents.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget and a one-time spending increase of \$8,000 to cover the severance costs associated with employee retirement.

Agency: NURSING HOME ADMIN BOARD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|----------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 376 | 417 | 115 | 122 | 130 | 127 | 127 | (275) | (51.7%) |
| OTHER OPERATING EXPENSES | 112 | 120 | 103 | 80 | 80 | 82 | 82 | (61) | (27.4%) |
| Total Expenditures | 488 | 537 | 218 | 202 | 210 | 209 | 209 | (336) | (44.5%) |

| Change Items: | Fund | | | | |
|---------------------------|-------------|--|--|--|----------|
| (A) SEVERANCE PAYMENT | SGS | | | | 8 |
| Total Change Items | | | | | 8 |

| Financing by Fund: | | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Direct Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 485 | 529 | 209 | 192 | 200 | 198 | 198 |
| SPECIAL REVENUE | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Open Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 4 | 9 | 10 | 10 | 11 | 11 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| Total Financing | 488 | 537 | 218 | 202 | 210 | 209 | 209 |

| Revenue Collected: | | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 5 | 2 | 0 | 0 | 0 | 0 | 0 |
| Nondedicated | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 217 | 211 | 222 | 222 | 222 | 222 | 222 |
| Total Revenues Collected | 222 | 213 | 222 | 222 | 222 | 222 | 222 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| FULL TIME | 6.4 | 6.3 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| PART-TIME, SEASONAL, LABOR SER | 0.6 | 1.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Total Full-Time Equivalent | 7.0 | 7.3 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |

Agency: NURSING HOME ADMIN BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|--------------|--------------|--------------|----------|-------------------|--------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 576 | 577 | 0 | 0 | 576 | 577 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 4 | 7 | 0 | 0 | 4 | 7 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 2 | 4 | 0 | 0 | 2 | 4 | 0 | 0 |
| TRANSFERS BETWEEN AGENCIES | (380) | (380) | 0 | 0 | (380) | (380) | 0 | 0 |
| Subtotal Base Adjustments | (374) | (368) | 0 | 0 | (374) | (368) | 0 | 0 |
| Base Budget | 202 | 209 | 0 | 0 | 202 | 209 | 0 | 0 |

BUDGET CHANGE ITEM (46762)

Agency: NURSING HOME ADMIN BOARD

Item Title: SEVERANCE PAYMENT

The board has sufficient fee-generated revenue available to cover the cost of this severance pay expense. This is a request for more spending authority and will not require a fee increase.

OUTCOMES:

- This increase will allow the board to pay the retiring state employee severance pay according to the collective bargaining agreement.
- This increase will not affect the costs of the fees charged to licensees or the public.

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|------------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| -State Government | \$8 | \$-0- | \$-0- | \$-0- |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends approving a one-time increase in spending authority of \$8,000 to cover severance costs at the time of staff retirement.

RATIONALE:

The Minnesota Board of Examiners for Nursing Home Administrators (BENHA) has an employee with over 25 years of service, who plans to retire during the biennium. The governing collective bargaining agreement dictates that this employee receives a vacation and severance pay-out from the board. This is a contractual obligation that must be met.

FINANCING:

It is necessary for the board to ask for additional spending authority to cover the one-time costs relating to a severance payment for a retiring state employee. It is not possible for the board to cover these costs within the constraints of the current budget.

The board generates non-dedicated revenue in the State Government Special Revenue Fund. The board is totally fee supported and receives no revenue from the General Fund.

OPTOMETRY BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Board of Optometry is the official licensure agency for optometrists of the state (M.S. 148.52 – 148.62).

Mission: To promote the public's interest in quality eyecare and effective services for their vision correction and eye health by ensuring that licensed optometrists are qualified to provide their professional services.

Vision: To have all optometric services provided at a high professional level by qualified licensees.

KEY SERVICE STRATEGIES:

- Setting and administering educational and examination standards for initial and continuing licensure.
- Promptly responding to public and agency inquiries, complaints, and reports regarding licensure and conduct of applicants, licensees, and unlicensed practitioners.
- Setting standards of practice and conduct, and pursuing educational or disciplinary action with licensees to ensure that standards are met.
- Providing information and education about licensure requirements and standards of practice to the public and other interested audiences.

PERFORMANCE SUMMARY:

- Statute revision to clarify the required educational standards for initial licensure.
- Additional statute revision to enhance the means of disciplinary action available to the Board of Optometry in resolving consumer complaints.

| | Actual FY 1999 | Actual FY 2000 | Estimate FY 2001 | Estimate FY 2002 | Estimate FY 2003 |
|---------------------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Licenses issued (new and renewals) | 904 | 935 | 925 | 925 | 925 |
| Continuing Education Program Reviewed | 98 | 92 | 90 | 90 | 90 |
| Complaints received | 14 | 12 | 10 | 10 | 10 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, licensees, and sponsors of continuing education programs approved by the board are set to recover all direct and indirect costs.

| | Dollars in Thousands | | | | |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|
| | Actual FY 1999 | Actual FY 2000 | Budget FY 2001 | Budget FY 2002 | Budget FY 2003 |
| Direct Costs: | | | | | |
| Operational | \$80 | \$76 | \$101 | \$93 | \$96 |
| Total Direct Costs | \$80 | \$76 | \$101 | \$93 | \$96 |
| Indirect Costs: | | | | | |
| Statewide Indirect | 11 | 9 | 3 | 7 | 8 |
| Attorney General* | 14 | 7 | 15 | 15 | 15 |
| Administrative Services Unit* | 2 | 3 | 3 | 4 | 4 |
| Health Professional Serv Prog* | -0- | -0- | 2 | 2 | 2 |
| Total Indirect Costs | \$27 | \$19 | \$23 | \$28 | \$29 |
| Total Direct and Indirect Costs | \$107 | \$95 | \$124 | \$121 | \$125 |
| Revenue: | | | | | |
| Non-dedicated | 103 | 101 | 95 | 93 | 93 |
| Total Revenue | \$103 | \$101 | \$95 | \$93 | \$93 |
| Surplus (Shortfall) | (4) | 6 | (29) | (28) | (32) |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$92 | \$98 | \$69 | \$41 | \$9 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- The more limited scope of practice in the state of Minnesota compared to neighboring states is not drawing a large number of new optometrists.
- The sale of contact lenses over the Internet and by mail order allows consumers to neglect their eye health by choosing not to have their eyes examined regularly.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget.

Agency: OPTOMETRY BOARD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 47 | 51 | 54 | 58 | 58 | 60 | 60 | 13 | 12.4% |
| OTHER OPERATING EXPENSES | 44 | 34 | 50 | 42 | 42 | 44 | 44 | 2 | 2.4% |
| Total Expenditures | 91 | 85 | 104 | 100 | 100 | 104 | 104 | 15 | 7.9% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 91 | 76 | 101 | 93 | 93 | 96 | 96 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 9 | 3 | 7 | 7 | 8 | 8 | | |
| Total Financing | 91 | 85 | 104 | 100 | 100 | 104 | 104 | | |
| Revenue Collected: | | | | | | | | | |
| Nondedicated | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 103 | 101 | 95 | 93 | 93 | 93 | 93 | | |
| Total Revenues Collected | 103 | 101 | 95 | 93 | 93 | 93 | 93 | | |
| FTE by Employment Type: | | | | | | | | | |
| PART-TIME, SEASONAL, LABOR SER | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | | |
| Total Full-Time Equivalent | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | | |

Agency: OPTOMETRY BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|-----------|---------|--------------|---------|-------------------|---------|---------------|---------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 97 | 98 | 0 | 0 | 97 | 98 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 2 | 3 | 0 | 0 | 2 | 3 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 1 | 2 | 0 | 0 | 1 | 2 | 0 | 0 |
| Subtotal Base Adjustments | 3 | 6 | 0 | 0 | 3 | 6 | 0 | 0 |
| Base Budget | 100 | 104 | 0 | 0 | 100 | 104 | 0 | 0 |

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PHARMACY BOARD - EXECUTIVE SUMMARY

The Board of Pharmacy has two budget activities: the operating activity of the Board of Pharmacy and the Administrative Services Unit (ASU). In addition to its statutory responsibilities, the Board of Pharmacy was selected to be the designated fiscal agent for the Administrative Services Unit program.

Activity: Board of Pharmacy Operations

AGENCY MISSION AND VISION:

The Board of Pharmacy is the agency responsible for the licensure of pharmacists and establishments involved in the legitimate distribution of prescription drugs in Minnesota (M.S.151 and 152).

Mission: To promote, preserve, and protect the public health, safety, and welfare by fostering the provision of quality pharmaceutical care to the citizens of Minnesota through the regulation of the practice of pharmacy, the operations of pharmacies, and the distribution of prescription drugs in the public interest.

Vision: To have all prescription drugs provided to the public in a safe and effective manner by qualified licensees.

KEY SERVICE STRATEGIES:

- Setting educational and examination standards for initial and continuing licensure and administering clinical portions of the examinations.
- Conducting unannounced inspections of all pharmacies, drug wholesale houses, and drug manufacturers in the state.
- Promptly responding to public and agency inquiries, complaints, and reports regarding licensure and conduct of applicants, registrants, and licensees.
- Setting standards of practice and conduct for licensees and pursuing educational or disciplinary action with licensees to ensure those standards are met.
- Providing information and education about licensure requirements, standards of practice, and Minnesota drug law to the public and to other interested audiences.

PERFORMANCE SUMMARY:

- Participated in the legislative and rule-making process to update the Pharmacy Practice Act and adjust license fees.
- Developed new communications tools to reach more quickly and easily prospective applicants, licensees and the public through the development of an Internet web site.

- Offered new, computer-based testing to enable qualified applicants to become licensed in less time, thereby becoming more quickly available to assume positions in a labor market experiencing significant labor shortages.

| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Estimate FY 2001</u> | <u>Estimate FY 2002</u> | <u>Estimate FY 2003</u> |
|----------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| No. of Pharmacists | 5,430 | 5,628 | 5,600 | 5,600 | 5,600 |
| No. of Technicians | 2,000 | 4,109 | 4,000 | 4,000 | 4,000 |
| No. of Pharmacies | 1,283 | 1,338 | 1,375 | 1,375 | 1,375 |
| No. of Mfg/Whslr | 899 | 948 | 950 | 950 | 950 |
| No. of CS Researcher | 89 | 94 | 95 | 95 | 95 |
| Complaints | 60 | 75 | 80 | 80 | 80 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, licensees, and registrants are set to recover all direct and indirect costs. A fee increase was established in 2000 for pharmacists, technicians, pharmacies, and wholesalers and manufacturers.

| | <u>Dollars in Thousands</u> | | | | |
|---|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Budget FY 2001</u> | <u>Budget FY 2002</u> | <u>Budget FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | \$803 | \$830 | \$903 | \$982 | \$1,027 |
| Total Direct Costs | \$803 | \$830 | \$903 | \$982 | \$1,027 |
| Indirect Costs: | | | | | |
| Statewide Indirect | 32 | 24 | 22 | 23 | 25 |
| Attorney General* | 29 | 29 | 30 | 32 | 34 |
| Administrative Services Unit* | 26 | 27 | 34 | 39 | 39 |
| Health Professionals Serv Prog* | 16 | 22 | 23 | 33 | 35 |
| Small Agency Technology Init. | -0- | 47 | 55 | -0- | -0- |
| Total Indirect Costs | \$103 | \$149 | \$164 | \$127 | \$133 |
| Total Direct and Indirect Costs | \$906 | \$979 | \$1,067 | \$1,109 | \$1,160 |
| Revenue: | | | | | |
| Non-dedicated | 943 | 1,033 | 1,169 | 1,169 | 1,169 |
| Total Revenue | \$943 | \$1,033 | \$1,169 | \$1,169 | \$1,169 |
| Surplus (Shortfall) | 37 | 54 | 102 | 60 | 9 |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$88 | \$142 | \$244 | \$304 | \$313 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

PHARMACY BOARD - EXECUTIVE SUMMARY (Continued)

ISSUES AFFECTING AGENCY'S OPERATIONS:

Minnesota, like the rest of the country, is experiencing a shortage of pharmacists and, to a lesser extent, pharmacy technicians. The shortage in Minnesota appears to be somewhat more acute than elsewhere in the Midwest. This is manifesting itself in an increase in applications for licensure by reciprocity and by examination. This may result in a somewhat faster growth in the number of pharmacists licensed than has historically been the case.

As a result of legislation passed in the 2000 session, the board is now charged with making "disqualification" decisions in the case of complaints involving pharmacy services to vulnerable adults. This may result in unanticipated increases in costs associated with legal services from the Attorney General Office.

Efforts to regulate internet pharmacy services may result in increases in legal costs of an unknown magnitude. Preliminary explorations of the issues involved have just begun.

PHARMACY BOARD - EXECUTIVE SUMMARY (Continued)

Activity: Administrative Services Unit

AGENCY MISSION AND VISION:

Mission: To provide centralized administrative services to the 14 health-related boards and the Emergency Medical Services Regulatory Board (EMSRB) in the areas of budgeting, financial analysis, financial, and human resources transaction processing, purchasing and printing services, operations analysis, and research and policy analysis.

Vision: To provide high quality services to the 14 health-related boards and EMSRB by

- having trained staff,
- working together,
- focusing on cooperative ventures.

KEY SERVICE STRATEGIES:

- Provide high quality service.
- Develop an Intranet for staff use.
- Provide guidelines in establishing a records management system.
- Evaluate similar tasks each board has and determine if tasks should be added to ASU.
- Work cooperatively with all boards.

PERFORMANCE SUMMARY:

- Created a pilot project to establish a network administrator for the purpose of determining whether the boards can enhance their computer collaboration efforts.
- Assisted the establishment of a consortium of the boards to cooperate on matters of common interest.
- Enabled the boards to receive more cost-effective services in the areas of budgeting, accounting, human resource/payroll, and purchasing.

REVENUES:

This activity generates no revenue. Funds are appropriated to the Board of Pharmacy from the Special Revenue Fund. The 14 health-related licensing boards and EMSRB share the cost of the activity. ASU is funded by receipts from all boards through a formula designed to approximate the share of ASU services used by each board. The 14 health-related boards collect revenue through fees charged to licensees, applicants, and other users and deposit them

into the Special Revenue Fund to cover the expenses of ASU. EMSRB pays for the services it receives through an interagency agreement.

| | Dollars in Thousands | | | | |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|
| | Actual FY 1999 | Actual FY 2000 | Budget FY 2001 | Budget FY 2002 | Budget FY 2003 |
| Costs: | | | | | |
| Operational – Fund 171 | \$222 | \$244 | \$285 | \$354 | \$359 |
| Operational – Fund 200 | 45 | 40 | 69 | 71 | 73 |
| Statewide Indirect Costs | -0- | 7 | 7 | 8 | 9 |
| Total Costs | \$267 | \$291 | \$361 | \$433 | \$441 |
| Revenue: | | | | | |
| Non-dedicated Special Revenue | 222 | 251 | 292 | 362 | 368 |
| Dedicated-Special Revenue | 39 | 50 | 55 | 71 | 73 |
| Total Revenue | \$261 | \$301 | \$347 | \$433 | \$441 |
| Surplus (Shortfall) | (6) | 10 | (10) | -0- | -0- |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$-0- | \$10 | \$-0- | \$-0- | \$-0- |

Based on a formula developed by the boards, the fee revenues necessary to cover costs of this appropriation would be allocated as follows:

| | Dollars in Thousands | | | | |
|--------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|
| | Actual FY 1999 | Actual FY 2000 | Budget FY 2001 | Budget FY 2002 | Budget FY 2003 |
| Chiropractic | \$10 | \$11 | \$13 | \$20 | \$20 |
| Dentistry | 20 | 27 | 25 | 38 | 39 |
| Dietetics & Nutrition Practice | 2 | 2 | 3 | 4 | 4 |
| Emergency Medical Services | 45 | 40 | 69 | 71 | 73 |
| Marriage and Family Therapy | 3 | 4 | 5 | 6 | 6 |
| Medical Practice | 66 | 65 | 69 | 78 | 79 |
| Nursing | 52 | 58 | 71 | 68 | 69 |
| Nursing Home Administration | -0- | -0- | 6 | 8 | 8 |
| Optometry | 2 | 3 | 3 | 4 | 4 |
| Pharmacy | 26 | 27 | 34 | 39 | 39 |
| Physical Therapy | -0- | 6 | 5 | 7 | 8 |
| Podiatry | 1 | 1 | 2 | 3 | 3 |
| Psychology | 13 | 18 | 22 | 40 | 41 |
| Social Work | 21 | 23 | 27 | 34 | 35 |
| Veterinary Medicine | 6 | 6 | 7 | 13 | 13 |
| Total | \$267 | \$291 | \$361 | \$433 | \$441 |

The allocation of ASU expense dollars shown in these budget documents is only an approximation. Actual costs will be based on the relative size of the agencies' appropriated ongoing expenditures for the preceding year, after subtracting expenses assignable to specific boards based on time spent by staff on projects of benefit only to those boards. Thus, the exact amount of total expenses

PHARMACY BOARD - EXECUTIVE SUMMARY (Continued)

charged to each board for the operations of the ASU will not be known until the end of each fiscal year. The approximations contained in these budget documents are based on the relative size of each board's budget.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Because the boards cooperate on a voluntary basis, all boards must agree to cooperative arrangements. Obtaining such agreement requires substantial effort in achieving consensus.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget. Further, the Governor recommends increasing the Pharmacy Board's base budget by \$196,000 to restore an eliminated position, and cover union-negotiated increases and employee benefits, including insurance costs.

In addition, the Governor recommends increasing the Administrative Services Unit's base budget by \$142,000 for the expansion of services it provides to the 14 health-related licensing boards and the EMSRB. The Governor also recommends a one-time increase of \$5,000 to replace the ASU's antiquated phone system.

Agency: PHARMACY BOARD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 817 | 866 | 938 | 943 | 1,102 | 983 | 1,162 | 460 | 25.5% |
| OTHER OPERATING EXPENSES | 285 | 326 | 403 | 331 | 336 | 331 | 331 | (62) | (8.5%) |
| Total Expenditures | 1,102 | 1,192 | 1,341 | 1,274 | 1,438 | 1,314 | 1,493 | 398 | 15.7% |

| Change Items: | Fund | | | | | | |
|---|-------------|--|--|--|------------|--|------------|
| (A) ASU - EXPANDING SERVICES | SGS | | | | 75 | | 72 |
| (A) POSITION AND UNION-NEGOTIATED INCREASES | SGS | | | | 89 | | 107 |
| Total Change Items | | | | | 164 | | 179 |

| Financing by Fund: | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Direct Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 1,057 | 1,128 | 1,243 | 1,172 | 1,336 | 1,207 | 1,386 |
| SPECIAL REVENUE | 45 | 0 | 0 | 0 | 0 | 0 | 0 |
| Open Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 24 | 29 | 31 | 31 | 34 | 34 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 0 | 40 | 69 | 71 | 71 | 73 | 73 |
| Total Financing | 1,102 | 1,192 | 1,341 | 1,274 | 1,438 | 1,314 | 1,493 |

| Revenue Collected: | | | | | | | |
|----------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 39 | 50 | 55 | 71 | 71 | 73 | 73 |
| Nondedicated | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 943 | 1,033 | 1,169 | 1,169 | 1,169 | 1,169 | 1,169 |
| Total Revenues Collected | 982 | 1,083 | 1,224 | 1,240 | 1,240 | 1,242 | 1,242 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| FULL TIME | 14.7 | 14.9 | 14.9 | 16.4 | 18.4 | 16.4 | 18.4 |
| Total Full-Time Equivalent | 14.7 | 14.9 | 14.9 | 16.4 | 18.4 | 16.4 | 18.4 |

Agency: PHARMACY BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|--------------|--------------|--------------|----------|-------------------|--------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 1,239 | 1,244 | 0 | 0 | 1,239 | 1,244 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 27 | 55 | 0 | 0 | 27 | 55 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 3 | 5 | 0 | 0 | 3 | 5 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 5 | 10 | 0 | 0 | 5 | 10 | 0 | 0 |
| Subtotal Base Adjustments | 35 | 70 | 0 | 0 | 35 | 70 | 0 | 0 |
| Base Budget | 1,274 | 1,314 | 0 | 0 | 1,274 | 1,314 | 0 | 0 |

BUDGET CHANGE ITEM (49084)

Agency: PHARMACY BOARD

**Item Title: ADMINISTRATIVE SERVICES UNIT (ASU) –
EXPANDING SERVICES**

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| -State Government | \$75 | \$72 | \$74 | \$76 |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

X New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an on-going base budget increase to the Administrative Services Unit for the expansion of services it provides to the 14 health-related licensing boards and Emergency Medical Services Regulatory Board (EMSRB) by adding staff as follows:

- \$47,000 for .4 FTE – Information Technology Specialist 3;
- \$95,000 for 1 FTE – Human Resource and Contracting position;
- \$5,000 for a new telephone system, one-time request

RATIONALE:

The Administrative Services Unit (ASU) provides centralized administrative services to the 14 health-related licensing boards EMSRB in the areas of budgeting, financial analysis, financial and human resources transaction processing, purchasing and printing services, operations analysis, and research and policy analysis. This benefits the boards by

- saving salary dollars in each board by sharing the costs of expert staff;
- allowing the boards to work together cooperatively; and
- hiring staff with expertise to perform the services needed.

ASU will provide additional services to the boards by adding a 40% Information Technology 3 position. Currently the boards do not have a computer staff person available. All services are provided through consultants that are very costly. Last fiscal year, ASU and the EMSRB collaboratively were able to establish this position on a temporary basis. The results were amazing. As a result of this effort, all boards were able to save substantial cumulative expense by the end of the fiscal year. The ASU requests funds to continue this position on a permanent basis. This position will maintain a centralized server shared by most boards and establish an Intranet for the boards.

ASU also proposes to add a full-time position to handle human resource and contracting functions. The boards are requesting these services, and ASU does not have adequate staff available to provide them. Because the boards lack the expertise needed in these areas, they must rely heavily on staff at the departments of Administration and Employee Relations. This has become burdensome for everyone involved. The ASU requests funds to establish this new position that will

- provide expert services in contracts and human service;
- understand all the policies and procedures;
- be responsible for assisting boards by writing job descriptions, performance reviews, filling positions, understand bargaining unit contracts, writing professional technical service contracts, information technology contracts, and strategic plans.

Additional staff is also needed due to:

- requirements from the Office of Technology,
- Electronic Government Services,
- contract requirements from the Department of Administration,
- higher complaint activity and contested caseloads within the boards,
- increased level of staff turnover,
- cooperative efforts within the boards to work toward shared information technology.

FINANCING:

It is not possible for ASU to increase the services it provides to the health-related boards and EMSRB within the constraints of the current budget. ASU generates no revenue. The appropriation to ASU is from the State Government Special Revenue Fund. ASU is funded by receipts from the health boards through a formula designed to approximate the share of ASU services used by each board.

BUDGET CHANGE ITEM (49084) (Continued)

Agency: PHARMACY BOARD

**Item Title: ADMINISTRATIVE SERVICES UNIT (ASU) -
EXPANDING SERVICES**

The boards raise their revenue through fees collected from licensees, applicants, and other users.

This change item request for additional spending authority would not require the boards to increase fees to licensees. The boards currently have funds available to cover this increase.

Currently ASU has 5 FTEs; ASU is proposing an additional increase of 1.4 FTEs.

OUTCOMES:

- ASU will provide high quality services to 14 health boards and EMSRB by providing the additional centralized services of human resource and contracting that will result in savings to all boards.
- ASU will progress toward Electronic Government Services by establishing a centralized server and an intranet for all boards.

RESULTS AND SUCCESS MEASURES:

With the additional staff, ASU will provide

- higher quality services,
- additional services that are being requested,
- human resource, contracting, and information technology expertise,
- an intranet, and
- cost savings to the boards.

BUDGET CHANGE ITEM (48384)

Agency: PHARMACY BOARD

Item Title: POSITION AND UNION-NEGOTIATED INCREASES

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| -State Government | \$89 | \$107 | \$113 | \$119 |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the board's base budget by \$196,000 to restore an eliminated position and cover union-negotiated increases and employee benefits, including insurance costs.

RATIONALE:

- **Restore Eliminated Positions.** In the current biennium, the board was forced to eliminate one staff position and use the salary savings to fund union-negotiated increases for other staff. This reduction in staff resulted in a decline in the services we were able to provide to applicants, licensees, and the public. The board must restore this staff position to eliminate the decline in services it provides.
- **Union-Negotiated Raises and Benefits.** The costs of union-negotiated raises, progressions, and increasing insurance and benefits have risen to the point where the board can no longer absorb these costs into its base-level budget. The board has five pharmacy inspectors, and an executive director and five office support staff.

FINANCING:

The Board of Pharmacy is a small agency with only one of its own budget activities, the operation account. (The remaining budget activity is for ASU.) The board expends 85% of its budget on salaries. In the past the board has absorbed increasing salary costs into its budget. The funds needed to cover these costs have reached a level that can no longer be supported by the existing base budget.

The board proposes two areas of increased spending authority beginning in FY 2002: 1) restore one eliminated position at a cost of \$45,000; and 2) allocate \$44,000 to cover union-negotiated increases to salaries and benefits, including insurance costs. This proposed spending authority increase does not require the board to increase licensure or application fees to licensees. The board currently has funds available to cover this increase.

OUTCOMES:

- Enabling the board to effectively serve both the public and its licensees by responding more efficiently to requests for information.

RESULTS AND SUCCESS MEASURES:

By restoring an eliminated staff position, the board will show success by

- increasing the overall efficiency of its office operations; and
- reducing the response time to requests for information and data from applicants, licensees, the public, and other government agencies.

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PODIATRIC MEDICINE BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION: The Podiatric Medicine Board is the official podiatrist licensure agency of the state (M.S. 153.01-153.26).

Mission: To promote the public's interest in quality podiatric health care from competent podiatric health professionals by ensuring that podiatrists' qualifications meet the specifications established by the board.

Vision: To protect the public by ensuring that all licensees provide quality podiatric health care.

KEY SERVICE STRATEGIES:

- Setting and administering educational requirements and examination standards for licensure as a podiatrist.
- Promptly responding to public and agency inquiries, complaints and reports regarding licensure and conduct of applicants, permit holders, licensees and unlicensed practitioners.
- Reviewing complaints of alleged violations of statutes and rules, holding disciplinary conferences with licensees, and taking legal action to suspend or revoke the licenses of podiatrists who fail to meet standards.
- Providing information and education about licensure requirements and standards of practice to the public and other interested audiences.

PERFORMANCE SUMMARY:

- Revised statutes to clarify temporary permit extensions and other "housekeeping" language.
- Revised rules to allow for fee changes, acceptance of continuing education review by the national podiatric medical education board, clarification of temporary permit language, and changes to waiver provisions.
- Designed new licensee renewal certificates and corporate renewal certificates.
- Continued participation in the Health Professionals Service Program and Department of Health's HIV/HBV monitoring program.
- Upgraded computer software in order to report disciplinary action to the Healthcare Integrity and Protection Data Bank (HIPDB) as mandated. Submitted reports from 1996 forward as required

| | <u>Actual FY 2000</u> | <u>Estimate FY 2001</u> | <u>Estimate FY 2002</u> | <u>Estimate FY 2003</u> |
|-------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| No. of Licensees | 158 | 162 | 164 | 164 |
| No. of Complaints | 7 | 8 | 9 | 9 |

REVENUES: This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees are set to recover all direct appropriated and indirect costs. Application and license renewal fees were

increased in FY 2000 and a new fee was established to reimburse the board for licensure verification.

| | <u>Dollars in Thousands</u> | | | | |
|---|-----------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Estimate FY 2001</u> | <u>Estimate FY 2002</u> | <u>Estimate FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | \$34 | \$40 | \$43 | \$53 | \$45 |
| Total Direct Costs | \$34 | \$40 | \$43 | \$53 | \$45 |
| Indirect Costs: | | | | | |
| Statewide Indirect | 3 | 5 | 4 | 5 | 6 |
| National Exam Fees | 3 | 4 | -0- | -0- | -0- |
| Attorney General* | 15 | 8 | 10 | 10 | 11 |
| Administrative Services Unit* | 1 | 1 | 2 | 3 | 3 |
| Health Professionals Serv Prog* | 3 | 3 | 3 | 2 | 2 |
| Total Indirect Costs | \$25 | \$21 | \$19 | \$20 | \$22 |
| Total Direct and Indirect Costs | \$59 | \$61 | \$62 | \$73 | \$67 |
| Revenue: | | | | | |
| Non-dedicated | 41 | 66 | 56 | 72 | 60 |
| Dedicated-Special | 3 | 4 | -0- | -0- | -0- |
| Total Revenue | \$44 | \$70 | \$56 | \$72 | \$60 |
| Surplus (Shortfall) | (15) | 9 | (6) | (1) | (7) |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$11 | \$20 | \$14 | \$13 | \$6 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Costs of disciplinary action, including services from the Attorney General Office and services from the Health Professional Services Program, cannot be predicted. Other indirect costs are also increasing. These costs make it difficult to have the funds for normal operational improvements, such as additional part-time staff, a computer database upgrade, and a web page.
- State requirements, such as an Information Technology request for a Strategic Information Resource Plan, require additional staff time and training costs. This board has difficulty providing staff to complete a project such as this and does not have the funds available to pay for these requests.
- All cost increases to a small licensing board affects each licensee very quickly. Because the boards are totally fee-supported, most cost increases require the board to increase fees to licensees.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget and a one-time spending increase of \$10,000 to cover the severance costs associated with employee retirement.

Agency: **PODIATRIC MEDICINE BOARD**

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|-----------|---------------------|-----------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 29 | 32 | 34 | 35 | 45 | 36 | 36 | 15 | 22.7% |
| OTHER OPERATING EXPENSES | 11 | 17 | 13 | 13 | 13 | 15 | 15 | (2) | (6.7%) |
| Total Expenditures | 40 | 49 | 47 | 48 | 58 | 51 | 51 | 13 | 13.5% |

| Change Items: | Fund | | | | |
|---------------------------|-------------|--|--|--|-----------|
| (A) SEVERANCE PAYMENT | SGS | | | | 10 |
| Total Change Items | | | | | 10 |

| Financing by Fund: | | | | | | | |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Direct Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 37 | 45 | 43 | 43 | 53 | 45 | 45 |
| SPECIAL REVENUE | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Open Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 0 | 4 | 5 | 5 | 6 | 6 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| Total Financing | 40 | 49 | 47 | 48 | 58 | 51 | 51 |

| Revenue Collected: | | | | | | | |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 3 | 4 | 0 | 0 | 0 | 0 | 0 |
| Nondedicated | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 41 | 66 | 56 | 72 | 72 | 60 | 60 |
| Total Revenues Collected | 44 | 70 | 56 | 72 | 72 | 60 | 60 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| PART-TIME, SEASONAL, LABOR SER | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Total Full-Time Equivalent | 0.5 |

Agency: **PODIATRIC MEDICINE BOARD**

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|-----------|-----------|--------------|----------|-------------------|-----------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 47 | 48 | 0 | 0 | 47 | 48 | 0 | 0 |
| Base Adjustments | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 1 | 2 | 0 | 0 | 1 | 2 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| Subtotal Base Adjustments | 1 | 3 | 0 | 0 | 1 | 3 | 0 | 0 |
| Base Budget | 48 | 51 | 0 | 0 | 48 | 51 | 0 | 0 |

BUDGET CHANGE ITEM (46760)

Agency: PEDIATRIC MEDICINE BOARD

Item Title: SEVERANCE PAYMENT

The board has sufficient fee-generated revenue available to cover the cost of this severance pay expense. This is a request for more spending authority and will not require a fee increase.

OUTCOMES:

- This increase will allow the board to pay the retiring state employee severance pay according to the collective bargaining agreement.
- This increase will not affect the cost of fees charge to licensees or the public.

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|------------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| -State Government | \$10 | \$-0- | \$-0- | \$-0- |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends approving a one-time increase in spending authority of \$10,000 to cover the cost of severance pay at the time of staff retirement.

RATIONALE:

The Podiatric Medicine Board has an employee with over 25 years of service who plans to retire during the biennium. The governing collective bargaining agreement dictates that this employee receives vacation and severance pay-out from the board. This is a contractual obligation that must be met.

FINANCING:

It is necessary for the board to ask for additional spending authority to cover the one-time costs related to a severance payment for a retiring state employee. It is not possible for the board to cover this cost within the constraints of the current budget.

The board generates non-dedicated revenue in the State Government Special Revenue Fund. The board is totally fee supported and receives no revenue from the General Fund.

PSYCHOLOGY BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Board of Psychology is the official licensure agency of the state (M.S. 148.88-148.98) that licenses and regulates licensed psychologists and licensed psychological practitioners.

Mission: To protect the public from the practice of psychology by unqualified persons and from unethical and unprofessional conduct by persons licensed to practice psychology.

Vision: The practice of psychology in Minnesota affects the citizen's public health, safety, and welfare. The board's vision is related to licensure and enforcement in accordance with provisions of the Psychology Practice Act. Its vision is to

- ensure that only applicants who meet the qualifications for licensure are granted licensure;
- resolve consumer complaints received about licensees and applicants and make enforceable decisions regarding the future licensure of applicants and licensees who violate the Act.

KEY SERVICE STRATEGIES:

- Review applicant's education and training for compliance with board requirements for licensure.
- Administer to applicants a state and a national standardized examination on the practice of psychology.
- Educate the public about the requirements for licensure and the rules of conduct for applicants and licensees.
- Require and approve continuing education for licensees.
- Accept and investigate complaints from the public (including other licensees), which allege violations of the Psychology Practice Act.

PERFORMANCE SUMMARY:

- Updated provisions of Psychology Practice Act.
- Continued to update agency's rules of licensure and rules of conduct with input from a public advisory committee.
- Increased communication with licensees through a series of articles about the board.

- Updated computer functions to become Year 2000 complaint, adding the capabilities for electronic communication with the public and access to the Internet.
- Developed a strategic plan for information technology service.

| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Estimate FY 2001</u> | <u>Estimate FY 2002</u> | <u>Estimate FY 2003</u> |
|-----------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total Licensees | 3,702 | 3,736 | 3,780 | 3,820 | 3,870 |
| Complaints Received | 158 | 148 | 160 | 165 | 165 |
| Complaints Closed | 113 | 146 | 200 | 265 | 265 |
| Licensees Disciplined | 4 | 8 | 12 | 12 | 12 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, licensees, and sponsors of continuing education programs approved by the board are set to recover all direct and indirect costs. A fee increase was effective FY 2001 to cover the costs for increases in the costs of contested cases and other disciplinary actions.

| | <u>Dollars in Thousands</u> | | | | |
|---|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Budget FY 2001</u> | <u>Budget FY 2002</u> | <u>Budget FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | \$506 | \$517 | \$689 | \$669 | \$680 |
| Total Direct Costs | \$506 | \$517 | \$689 | \$669 | \$680 |
| Indirect Costs: | | | | | |
| Statewide Indirect | 24 | 31 | 20 | 28 | 28 |
| PES Fees | 39 | 38 | 48 | -0- | -0- |
| Attorney General* | 407 | 387 | 261 | 386 | 405 |
| Administrative Services Unit* | 13 | 18 | 22 | 40 | 41 |
| Health Professional Serv Prog* | -0- | -0- | -0- | 5 | 8 |
| Total Indirect Costs | \$483 | \$474 | \$351 | \$459 | \$482 |
| Total Direct and Indirect Costs | \$989 | \$991 | \$1,040 | \$1,128 | \$1,162 |
| Revenue: | | | | | |
| Non-dedicated | 754 | 889 | 1,272 | 1,136 | 1,136 |
| Dedicated-Special | 44 | 39 | 36 | -0- | -0- |
| Total Revenue | \$798 | \$928 | \$1,308 | \$1,136 | \$1,136 |
| Surplus (Shortfall) | (191) | (63) | 268 | 8 | (26) |
| Accumulated Ending Surplus (Shortfall) or Carry forward | (\$173) | (\$236) | \$32 | \$40 | \$14 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

PSYCHOLOGY BOARD - EXECUTIVE SUMMARY (Continued)

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Master's-prepared individuals who have not already qualified for licensure for independent practice can no longer become licensed as a psychologist. They may qualify for licensure to practice psychology only under supervision, making insurance reimbursement difficult. Since Master's-prepared applicants have made up about half of the board's revenue from application and licensure fees, the board's revenues have been adjusted in order to continue operations at the current level of service.
- The board has experienced a record number of disciplinary cases requiring complex investigations and/or contested case hearings, as well as other litigation heard in the Minnesota Court of Appeals. This has led to significant unforeseen costs incurred in order to resolve these cases. These costs eroded the board's operational budget. As a result, the board has adjusted its fees in order to recover all costs.
- The board continues to work with computer professionals to refine and expand its computer functioning in order to enhance and facilitate increased communications with applicants, licensees, and the public.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget. Further, the Governor recommends increasing the agency's base by \$232,000 to cover the additional cost of discipline, severance, and salary increases.

Agency: PSYCHOLOGY BOARD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 330 | 359 | 449 | 459 | 499 | 473 | 502 | 193 | 23.9% |
| OTHER OPERATING EXPENSES | 239 | 227 | 308 | 119 | 198 | 122 | 206 | (131) | (24.5%) |
| Total Expenditures | 569 | 586 | 757 | 578 | 697 | 595 | 708 | 62 | 4.6% |

| Change Items: | Fund | | | | | | |
|--|-------------|--|--|--|------------|--|------------|
| (A) BOARD ENHANCEMENTS / QUALITY ASSURANCE | SGS | | | | 119 | | 113 |
| Total Change Items | | | | | 119 | | 113 |

| Financing by Fund: | | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Direct Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 530 | 517 | 689 | 550 | 669 | 567 | 680 |
| SPECIAL REVENUE | 39 | 0 | 0 | 0 | 0 | 0 | 0 |
| Open Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 31 | 20 | 28 | 28 | 28 | 28 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 0 | 38 | 48 | 0 | 0 | 0 | 0 |
| Total Financing | 569 | 586 | 757 | 578 | 697 | 595 | 708 |

| Revenue Collected: | | | | | | | |
|----------------------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 44 | 39 | 36 | 0 | 0 | 0 | 0 |
| Nondedicated | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 754 | 889 | 1,272 | 1,136 | 1,136 | 1,136 | 1,136 |
| Total Revenues Collected | 798 | 928 | 1,308 | 1,136 | 1,136 | 1,136 | 1,136 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| FULL TIME | 4.0 | 5.4 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| PART-TIME, SEASONAL, LABOR SER | 2.7 | 1.8 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Total Full-Time Equivalent | 6.7 | 7.2 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 |

Agency: PSYCHOLOGY BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|------------|------------|--------------|----------|-------------------|------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 562 | 562 | 0 | 0 | 562 | 562 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 13 | 27 | 0 | 0 | 13 | 27 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 2 | 3 | 0 | 0 | 2 | 3 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 1 | 3 | 0 | 0 | 1 | 3 | 0 | 0 |
| Subtotal Base Adjustments | 16 | 33 | 0 | 0 | 16 | 33 | 0 | 0 |
| Base Budget | 578 | 595 | 0 | 0 | 578 | 595 | 0 | 0 |

BUDGET CHANGE ITEM (51989)

Agency: PSYCHOLOGY BOARD

Item Title: BOARD ENHANCEMENTS / QUALITY ASSURANCE

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| -State Government | \$119 | \$113 | \$144 | \$203 |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes No

If yes, statute(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the board's base budget for the following:

- **Disciplinary Expenses** - \$163,000
- **Union-negotiated increases** - \$46,000
- **Severance Payments** - \$23,000, one-time only

RATIONALE:

- **Disciplinary Expenses.** During FY 1999 and FY 2000, the board experienced an increasing amount of litigation in order to resolve disciplinary and other cases, including contested case hearings and cases decided by the Minnesota Court of Appeals. The board currently has seven cases awaiting a hearing; this is a record number for this board, which usually budgets for one contested case per year. The board's experience with litigation in the past two fiscal years dictates that certain budget line items be adjusted to cover the expense of pursuing the most egregious disciplinary matters when attempts to settle or engage in alternative dispute resolutions have not resulted in a resolution that protects the public.

- **Severance Payments.** The board has two employees who plan to retire during the biennium. The governing collective bargaining agreement dictates that these employees receive vacation and severance pay-off from the board. This is a contractual obligation that must be met.
- **Union-Negotiated Increases.** The costs of union-negotiated raises, progressions, and increasing insurance and benefits have risen to the point where the board can no longer absorb these costs in its base-level budget.

FINANCING:

It is not possible for the board to continue to provide high quality services to its licensees within the constraints of the current budget. It is necessary for the board to ask for additional spending authority to cover the ongoing costs related to contested cases.

The board is a small agency with one budget activity, the operation account. The board expends 72% of its budget on salaries. In the past, the board has absorbed increasing salary costs into its budget. The funds needed to cover these costs have reached a level that can no longer be supported by the existing base budget. The board proposes two areas of increased spending authority beginning in FY 2002: 1) one-time increase to pay out severance pay for the retiring state employees, and 2) on-going increase to cover union-negotiated increases to salaries and benefits, including insurance costs.

The board generates non-dedicated revenue in the State Government Special Revenue Fund. The board is totally fee-supported and receives no revenue from the General Fund. Fees are charged to applicants, licensees, and sponsors of continuing education programs approved by the board. Fees are set to recover all direct and indirect costs.

This change item is a request to increase the board's spending authority to cover increasing costs. The board fees were last increased in FY 2001, and the increase adequately covers this change item. The board has sufficient fee-generated revenue to cover this increase and does not require the board to increase licensure or application fees to licensees.

OUTCOMES:

By increasing the board's base budget, the complaint-handling function of the board will be funded at the proper level. The board will avoid having its operations budget eroded by the costs associated with litigation costs.

By meeting necessary staffing levels, the board's ability to provide services to its licensees and the public will be greatly improved.

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VETERINARY MEDICINE BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Board of Veterinary Medicine is the licensing agency for veterinarians, established under M.S. 156 to ensure that veterinary practitioners meet and maintain competency standards.

Mission: To promote, preserve, and protect the public health, safety, and welfare by and through the effective control and regulation of the practice of veterinary medicine and the licensure, control, and regulation of persons who practice veterinary medicine within this state.

Vision: That the practice of veterinary medicine, as defined in M.S. 156, merits and receives the confidence of the public and that only qualified persons be permitted to engage in the practice of veterinary medicine.

KEY SERVICE STRATEGIES:

- Setting and administering educational and examination standards for initial and continuing licensure.
- Promptly responding to public and agency inquiries, complaints, and reports regarding licensure and conduct of licensees and unlicensed practitioners.
- Setting standards of practice and conduct and pursuing educational or disciplinary actions with licensees to ensure that standards are met.
- Providing information and education about licensure requirements and standards of practice to the public and other interested parties.

PERFORMANCE SUMMARY:

- Revised statutes and rules to eliminate obsolete provisions and effect positive and less cumbersome veterinary licensure procedures.
- Developed, in house, new computer database programs that have significantly increased licensee and applicant database accuracy and reliability, increased efficiency and depth of data retrieval, and streamlined the license renewal process.
- Participated in a cooperative effort with other state boards of veterinary medicine and the National Board Examination Committee on the development of a new computer based examination.

| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Estimate FY 2001</u> |
|----------------------|---------------------------|---------------------------|-----------------------------|
| Total Licensees | 2,740 | 2,728 | 2,750 |
| Complaints Processed | 50 | 55 | 55 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants and licensees are set to recover all direct and indirect costs.

| | <u>Dollars in Thousands</u> | | | | |
|---|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Budget FY 2001</u> | <u>Budget FY 2002</u> | <u>Budget FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | \$139 | \$136 | \$165 | \$158 | \$189 |
| Total Direct Costs | \$139 | \$136 | \$165 | \$158 | \$189 |
| Indirect Costs: | | | | | |
| Statewide Indirect | 3 | 7 | 7 | 8 | 9 |
| National Exam Fees | 30 | 29 | 1 | -0- | -0- |
| Attorney General* | 149 | 101 | 100 | 100 | 100 |
| Administrative Services Unit* | 6 | 6 | 7 | 13 | 13 |
| Health Professionals Serv Prog* | 3 | 3 | 3 | 5 | 5 |
| Total Indirect Costs | \$191 | \$146 | \$118 | \$126 | \$127 |
| Total Direct and Indirect Costs | \$330 | \$282 | \$283 | \$284 | \$316 |
| Revenue: | | | | | |
| Non-dedicated | 275 | 258 | 295 | 270 | 270 |
| Dedicated-Special | 31 | 29 | -0- | -0- | -0- |
| Total Revenue | \$306 | \$287 | \$295 | \$270 | \$270 |
| Surplus (Shortfall) | (24) | 5 | 12 | (14) | (46) |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$63 | \$68 | \$80 | \$66 | \$20 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- The unlicensed practice of veterinary medicine, both direct hands-on treatment and indirect treatment through advice and sale of drugs and vaccines over the Internet, is a growing problem statewide and nationwide. Investigative and legal costs incurred in response to these activities could exceed the board's financial resources in future years.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget and a one-time spending increase of \$26,000 to cover the severance costs associated with employee retirement.

Agency: VETERINARY MEDICINE BOARD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 107 | 113 | 125 | 130 | 130 | 135 | 161 | 53 | 22.3% |
| OTHER OPERATING EXPENSES | 65 | 59 | 48 | 36 | 36 | 37 | 37 | (34) | (31.8%) |
| Total Expenditures | 172 | 172 | 173 | 166 | 166 | 172 | 198 | 19 | 5.5% |

| Change Items: | Fund | | | | | | |
|---------------------------|-------------|--|--|--|--|--|-----------|
| (A) SEVERANCE PAYMENT | SGS | | | | | | 26 |
| Total Change Items | | | | | | | 26 |

| Financing by Fund: | | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Direct Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 142 | 136 | 165 | 158 | 158 | 163 | 189 |
| SPECIAL REVENUE | 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| Open Appropriations: | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 7 | 7 | 8 | 8 | 9 | 9 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 0 | 29 | 1 | 0 | 0 | 0 | 0 |
| Total Financing | 172 | 172 | 173 | 166 | 166 | 172 | 198 |

| Revenue Collected: | | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Dedicated | | | | | | | |
| SPECIAL REVENUE | 31 | 29 | 0 | 0 | 0 | 0 | 0 |
| Nondedicated | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 275 | 258 | 295 | 270 | 270 | 270 | 270 |
| Total Revenues Collected | 306 | 287 | 295 | 270 | 270 | 270 | 270 |

| FTE by Employment Type: | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| FULL TIME | 0.3 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| PART-TIME, SEASONAL, LABOR SER | 1.4 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Total Full-Time Equivalent | 1.7 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |

Agency: VETERINARY MEDICINE BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|------------|------------|--------------|----------|-------------------|------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 161 | 162 | 0 | 0 | 161 | 162 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 4 | 8 | 0 | 0 | 4 | 8 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 1 | 1 | 0 | 0 | 1 | 1 | 0 | 0 |
| Subtotal Base Adjustments | 5 | 10 | 0 | 0 | 5 | 10 | 0 | 0 |
| Base Budget | 166 | 172 | 0 | 0 | 166 | 172 | 0 | 0 |

BUDGET CHANGE ITEM (46764)

Agency: VETERINARY MEDICINE BOARD

Item Title: SEVERANCE PAYMENT

The board has sufficient fee generated revenue available to cover the cost of this severance pay expense. This is a request for more spending authority and will not require a fee increase.

OUTCOMES:

- This increase will allow the board to pay the retiring state employee severance pay according to the collective bargaining agreement.
- This increase will not affect the costs of the fees charged to licensees and the public.

| | <u>2002-03 Biennium</u> | | <u>2004-05 Biennium</u> | |
|------------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| -State Government | \$-0- | \$26 | \$-0- | \$-0- |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends approving a one-time increase in spending authority of \$26,000 to cover the costs of severance pay at the time of staff retirement.

RATIONALE:

Veterinary Medicine has an employee with over 15 years of service who plans to retire during the biennium. The governing collective bargaining agreement dictates that this employee receives vacation and severance pay-off from the board. This is a contractual obligation that must be met.

FINANCING:

It is necessary for the board to ask for additional spending authority to cover the one-time costs related to a severance payment for a retiring state employee. It is not possible for the board to cover these costs within the constraints of the current budget.

The board generates non-dedicated revenue in the State Government Special Revenue Fund. The board is totally fee-supported and receives no revenue from the General Fund.

DIETETICS & NUTRITION PRACTICE - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Board of Dietetics and Nutrition Practice is the official licensure agency for dietitians and nutritionists of the state (M.S. 148.621 – 148.633).

Mission: To promote the public's interest in quality care and effective services for dietetic and nutrition care by ensuring that licensed dietitians and nutritionists are qualified to provide professional services.

Vision: To have all dietetic and nutrition services provided at a high professional level by qualified licensees.

KEY SERVICE STRATEGIES:

- Setting and administering educational and examination standards for initial and continuing licensure applicants.
- Promptly responding to public and agency inquiries, complaints, and reports regarding licensure and conduct of applicants, licensees, and unlicensed practitioners.
- Setting standards of practice and conduct while pursuing educational or disciplinary action with licensees to ensure that standards are met.
- Providing information and education about licensure requirements and standards of practice to the public and other interested audiences.

PERFORMANCE SUMMARY:

- Implemented board rules to establish a process for annual license renewal and cancellation of licensure for those individuals not responding to notices given by the board for annual renewal.
- Amended board rule to lower the annual license renewal fee and set a standard for the late penalty charged to renewal applications received after the deadline date.

| | <u>Actual</u> <u>FY 1999</u> | <u>Actual</u> <u>FY 2000</u> | <u>Estimate</u> <u>FY 2001</u> | <u>Estimate</u> <u>FY 2002</u> | <u>Estimate</u> <u>FY 2003</u> |
|--|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Licenses issued (new and renewals) | 962 | 959 | 975 | 975 | 975 |
| Continuing Education Programs Reviewed | 25 | 40 | 50 | 50 | 50 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants and licensees are set to recover all direct and indirect costs.

| | <u>Dollars in Thousands</u> | | | | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <u>Actual</u> <u>FY 1999</u> | <u>Actual</u> <u>FY 2000</u> | <u>Budget</u> <u>FY 2001</u> | <u>Budget</u> <u>FY 2002</u> | <u>Budget</u> <u>FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | \$54 | \$59 | \$128 | \$98 | \$101 |
| Total Direct Costs | \$54 | \$59 | \$128 | \$98 | \$101 |
| Indirect Costs: | | | | | |
| Statewide Indirect | 8 | 12 | 11 | 12 | 12 |
| Attorney General* | 4 | 1 | 19 | 8 | 8 |
| Administrative Services Unit* | 2 | 2 | 3 | 4 | 4 |
| Health Professional Serv Prog* | -0- | -0- | -0- | 2 | 2 |
| Total Indirect Costs | \$14 | \$15 | \$33 | \$26 | \$26 |
| Total Direct and Indirect Costs | \$68 | \$74 | \$161 | \$124 | \$127 |
| Revenue: | | | | | |
| Non-dedicated | 116 | 112 | 75 | 77 | 76 |
| Total Revenue | \$116 | \$112 | \$75 | \$77 | \$76 |
| Surplus (Shortfall) | 48 | 38 | (86) | (47) | (51) |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$282 | \$320 | \$234 | \$187 | \$136 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUE AFFECTING AGENCY'S OPERATIONS:

- The close relationship of complementary and alternative care with dietetic and nutrition care services and the board's limited authority associated to possible violations by unlicensed individuals.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget.

Agency: DIETETICS & NUTRITION PRACTICE

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|-------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 42 | 43 | 45 | 48 | 48 | 50 | 50 | 10 | 11.4% |
| OTHER OPERATING EXPENSES | 20 | 28 | 94 | 62 | 62 | 63 | 63 | 3 | 2.5% |
| Total Expenditures | 62 | 71 | 139 | 110 | 110 | 113 | 113 | 13 | 6.2% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 62 | 59 | 128 | 98 | 98 | 101 | 101 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 12 | 11 | 12 | 12 | 12 | 12 | | |
| Total Financing | 62 | 71 | 139 | 110 | 110 | 113 | 113 | | |
| Revenue Collected: | | | | | | | | | |
| Nondedicated | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 116 | 112 | 75 | 77 | 77 | 76 | 76 | | |
| Total Revenues Collected | 116 | 112 | 75 | 77 | 77 | 76 | 76 | | |
| FTE by Employment Type: | | | | | | | | | |
| PART-TIME, SEASONAL, LABOR SER | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | | |
| Total Full-Time Equivalent | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | | |

Agency: DIETETICS & NUTRITION PRACTICE

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|------------|------------|--------------|----------|-------------------|------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 107 | 107 | 0 | 0 | 107 | 107 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 1 | 3 | 0 | 0 | 1 | 3 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 2 | 3 | 0 | 0 | 2 | 3 | 0 | 0 |
| Subtotal Base Adjustments | 3 | 6 | 0 | 0 | 3 | 6 | 0 | 0 |
| Base Budget | 110 | 113 | 0 | 0 | 110 | 113 | 0 | 0 |

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SOCIAL WORK BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Minnesota Board of Social Work was created in 1987 to regulate social work practice in Minnesota (M.S. 148B).

Mission: To ensure citizens of Minnesota quality social work services by establishing and enforcing professional standards.

Vision: To protect the public through licensure of qualified social workers and to provide timely and impartial resolution of complaints against social workers.

KEY SERVICE STRATEGIES:

- Ensure that all licensed social workers meet minimum standards of competency and ethical practice.
- Have a complaint process where all new routine complaints are resolved within six months and more complex complaints are resolved within one year.
- Have a complaint process that is understandable and treats all participants with fairness and respect.
- Provide accurate and clear information to applicants and licensees as to the board's purpose, vision, licensure and renewal requirements, and the ethical standards governing social workers.
- Provide accurate and clear information to the public as to the board's purpose and vision, the scope of social work practice, and the availability of the board's complaint process.
- Provide services to applicants, licensees, and the public in an efficient and cost-effective manner.
- Review and approve continuing education programs for social workers.

PERFORMANCE SUMMARY:

During the last two years, the board has accomplished the following:

- Increased the number of board members by 50%, to allow for more public advocates and broaden professional expertise.
- Made major revisions to licensure standards governing social workers.
- Made major revisions to the code of ethics governing social workers.
- Added a criminal background check requirement to licensure.
- Hired a new executive director.
- Increased application and licensure fees to eliminate a budget deficit.

- Upgraded the board's 10-year-old computer system and developed a new database.
- Collaborated with other health licensing boards on computer-related projects.
- Implemented additional alternative dispute resolution (ADR) strategies in complaint processes.
- Reduced legal costs by exercising more authority in investigating complaints and drafting complaint-related documents.
- Created Special Committee on Board Operations to review and make recommendations on streamlining and simplifying licensure, renewal, and complaint processes.
- Completed a Strategic Information Resource Management Plan.

In addition, the board's figures for licensure and complaints over the last two years are as follows:

| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Estimate FY 2001</u> | <u>Estimate FY 2002</u> |
|-------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Total Licensees (at 4 levels) | 9831 | 9803 | 9850 | 9860 |
| Complaints Received | 158 | 129 | 150 | 155 |
| Disciplinary Actions | 15 | 17 | 20 | 22 |
| Corrective Actions | 1 | 3 | 5 | 6 |

SOCIAL WORK BOARD - EXECUTIVE SUMMARY (Continued)

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, licensees, and sponsors of continuing education programs approved by the board are set to recover all direct and indirect costs. A fee increase was effective FY 2000 to eliminate a budget deficit and cover the costs of the board.

| | <u>Dollars in Thousands</u> | | | | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <u>Actual</u> <u>FY 1999</u> | <u>Actual</u> <u>FY 2000</u> | <u>Budget</u> <u>FY 2001</u> | <u>Budget</u> <u>FY 2002</u> | <u>Budget</u> <u>FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | \$667 | \$632 | \$667 | \$846 | \$873 |
| Total Direct Costs | \$667 | \$632 | \$667 | \$846 | \$873 |
| Indirect Costs: | | | | | |
| Small Agency Infrastructure Initiative | | | | 120 | |
| Statewide Indirect | 23 | 25 | 27 | 28 | 29 |
| Criminal Background Checks | 37 | 5 | 14 | 14 | 14 |
| Attorney General* | 207 | 102 | 160 | 165 | 170 |
| Administrative Services Unit* | 21 | 23 | 27 | 34 | 35 |
| Health Professionals Serv Prog* | 9 | 10 | 10 | 19 | 24 |
| Small Agency Technology Initiative | -0- | 65 | 1 | -0- | -0- |
| Total Indirect Costs | \$297 | \$230 | \$239 | \$380 | \$272 |
| Total Direct & Indirect Costs | \$964 | \$862 | \$906 | \$1,226 | \$1,145 |
| Revenue: | | | | | |
| Non-dedicated | 719 | 781 | 1,084 | 1,147 | 1,177 |
| Dedicated-Special | 37 | 6 | 12 | 14 | 14 |
| Total Revenue | \$756 | \$787 | \$1,096 | \$1,161 | \$1,191 |
| Surplus (Shortfall) | (208) | (75) | 190 | (65) | 46 |
| Accumulated Ending Surplus (Shortfall) or Carry forward | (\$57) | (\$132) | \$58 | (\$7) | \$39 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

The current biennial licensure fees for the four levels of licensure, which are at the mid-point for license fees for the health-related professions, are LSW - \$115.20; LGSW - \$201.60; LISW - \$302.40; and LICSW - \$331.20.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- The number of licensed social workers in Minnesota is not stable because of existing statutory exemptions to licensure. Social workers who are exempt from licensure requirements may choose not to become licensed or may choose to terminate their existing licenses. This makes the board's revenue difficult to predict.
- Disciplinary costs, especially the costs associated with contested cases, are not within the board's control and are difficult to predict accurately.
- Having been created by statute in 1987, the board is a relatively new agency, which makes revenue and expenditure predictions more difficult.
- New legislative initiatives by social work organizations may cause a sudden increase or decrease in the number of licensees, thereby affecting the board's revenue base.
- Salaries comprise 77% of the board's budget, which means there is little room for making budget cuts.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget. In addition, the Governor recommends an increase of \$341,000 in the board's spending authority to cover the following costs:

- Board Member Expenses - \$20,000 – on-going
- Disciplinary Expenses - \$26,000 – on-going
- Restoring an eliminated position / upgrade and reallocate positions / union-negotiated increases - \$221,000 – on-going
- Records Management - \$74,000 – one-time.

The Governor has also included funding to improve this agency's technology capacity in the Small Agency Infrastructure initiative carried under the Office of Technology.

Agency: SOCIAL WORK BOARD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 441 | 445 | 526 | 542 | 657 | 558 | 679 | 365 | 37.6% |
| OTHER OPERATING EXPENSES | 286 | 282 | 183 | 179 | 231 | 184 | 237 | 3 | 0.6% |
| Total Expenditures | 727 | 727 | 709 | 721 | 888 | 742 | 916 | 368 | 25.6% |
| Change Items: | | | | | | | | | |
| | Fund | | | | | | | | |
| (A) BOARD ENHANCEMENTS/ QUALITY IMPROVEMENTS | SGS | | | | 167 | | 174 | | |
| Total Change Items | | | | | 167 | | 174 | | |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 690 | 697 | 668 | 679 | 846 | 699 | 873 | | |
| SPECIAL REVENUE | 37 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 25 | 27 | 28 | 28 | 29 | 29 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 0 | 5 | 14 | 14 | 14 | 14 | 14 | | |
| Total Financing | 727 | 727 | 709 | 721 | 888 | 742 | 916 | | |
| Revenue Collected: | | | | | | | | | |
| Dedicated | | | | | | | | | |
| SPECIAL REVENUE | 37 | 6 | 12 | 14 | 14 | 14 | 14 | | |
| Nondedicated | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 719 | 781 | 1,084 | 1,147 | 1,147 | 1,177 | 1,177 | | |
| Total Revenues Collected | 756 | 787 | 1,096 | 1,161 | 1,161 | 1,191 | 1,191 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 9.3 | 8.5 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 0.6 | 0.6 | 2.0 | 2.5 | 2.5 | 2.5 | 2.5 | | |
| Total Full-Time Equivalent | 9.9 | 9.1 | 11.0 | 11.5 | 11.5 | 11.5 | 11.5 | | |

Agency: SOCIAL WORK BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|------------|------------|--------------|----------|-------------------|------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 700 | 701 | 0 | 0 | 700 | 701 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 16 | 32 | 0 | 0 | 16 | 32 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 2 | 3 | 0 | 0 | 2 | 3 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 3 | 6 | 0 | 0 | 3 | 6 | 0 | 0 |
| Subtotal Base Adjustments | 21 | 41 | 0 | 0 | 21 | 41 | 0 | 0 |
| Base Budget | 721 | 742 | 0 | 0 | 721 | 742 | 0 | 0 |

BUDGET CHANGE ITEM (50586)

Agency: SOCIAL WORK BOARD

Item Title: BOARD ENHANCEMENTS / QUALITY IMPROVEMENTS

| | 2002-03 Biennium | | 2004-05 Biennium | |
|--|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| -State Government | \$167 | \$174 | \$145 | \$152 |
| Special Revenue | | | | |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |
| Statutory Change? Yes _____ No <u> X </u> | | | | |
| If yes, statute(s) affected: | | | | |
| _____ New Activity <u> X </u> Supplemental Funding _____ Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the board's spending authority to cover the following costs:

- **Board Member Expenses** - \$20,000 – on-going
- **Disciplinary Expenses** - \$26,000 – on-going
- **Restoring an eliminated position / upgrade and reallocate positions / union-negotiated increases** - \$221,000 – on-going
- **Records Management** - \$74,000 – one-time.

RATIONALE:

- **Board Member Expenses.** In 1998 the legislature increased the size of the board by 50% from 10 to 15 members. When this increase occurred, the board's base budget was not similarly adjusted to accommodate expenses such as board compensation, travel, lodging, and meals. Instead, for two years the board has absorbed these additional expenses by postponing expenditures in other areas of the budget. For example, the board held off on filling staff vacancies, postponed purchasing supplies and equipment, and postponed microfilming and storing historical licensure and complaint files. Because it has become increasingly difficult for the board to find adequate funds to cover increased board member expenses, the

board has had to cancel one regularly scheduled board meeting and several committee meetings this biennium.

- **Disciplinary Expenses.** Complaints against social workers are becoming more serious and complex, which has required the board to hire outside mental health evaluators and experts in certain social work practice areas. Much of this work cannot be done by board members or staff because many cases require input and assistance from a neutral third party. Until FY 1998, the board was able to resolve all complaints through settlement agreements. During FY 1998-2000, the board had to utilize the services of the Office of Administrative Hearings to resolve numerous contested cases. These expenses had to be absorbed in the board's base budget by eliminating or postponing expenditures in other areas of the board's budget – such as salaries (not filling vacancies), supplies, and records management. Based on the experience of other, more established health licensing boards, the Social Work Board anticipates an ever-increasing need for outside mental health evaluators, experts, and services of third party neutrals to assist in the resolution of complex and contested cases, using mediation and other forms of alternative dispute resolution whenever possible.
- **Restore Eliminated Positions.** In the current biennium, the board was forced to eliminate two staff positions and use those salary savings to fund unprecedented legal and computer costs. This reduction in staff resulted in a growing backlog of license applications and renewals, and caused a dramatic decline in the services provided to applicants, licensees, and the public. The board must restore these staff positions to eliminate the backlog of applications and renewals, and restore its services to a high level.
- **Upgrade and Reallocate Positions.** Job duties for two positions have evolved to include greater responsibilities, thus requiring reallocation. In addition, the responsibilities of the executive director warrant seeking an upgrade to a higher level.
- **Union-Negotiated Raises and Benefits.** The costs of union-negotiated raises, progressions, and increasing insurance and other benefits have risen to the point where the board can no longer absorb these costs into its base-level budget.
- **Records Management.** For the past two years the board has not had adequate funds to safely store and manage a growing number of licensure and complaint files. As a result, the board resorted to placing these files in cardboard boxes, which are stacked throughout the board's reception area, hallway, and common areas. This presents many hazards to board staff and the public. In addition, board staff must have access to all applications, and licensure, and complaint files on a daily basis to review data on social workers and respond to data requests. The storage of those files in cardboard boxes stacked throughout the office has compromised the ability of board staff to retrieve files as needed. The board's existing budget does not have sufficient

BUDGET CHANGE ITEM (50586) (Continued)

Agency: SOCIAL WORK BOARD

Item Title: BOARD ENHANCEMENTS / QUALITY IMPROVEMENTS

funds to alleviate this situation. The board's only alternative is to request additional funds for record storage and management.

FINANCING:

It is not possible for the board to cover these costs within the constraints of the current budget. It is necessary for the board to ask for additional spending authority to cover the one-time and on-going costs.

The board generates non-dedicated revenue in the State Government Special Revenue Fund. The board is totally fee supported and receives no revenue from the General Fund.

This proposed spending authority increase does not require the board to increase licensure or application fees to licensees. The board currently has funds available to cover these increases.

OUTCOMES:

This proposal enables the board to

- resolve complaints as quickly and fairly as possible, which benefits licensees, complainants, and the public;
- operate at peak efficiency, thereby providing a higher level of service to applicants, licensees, the public, and other state agencies;
- hold all of its regularly scheduled board meetings throughout the year so the board is able to make timely policy and disciplinary decisions.

RESULTS AND SUCCESS MEASURES:

By increasing the board's base budget, the board will show success by

- increasing the overall efficiency of its office operations;
- reducing the response time to requests for information and data from applicants, licensees, the public, and other government agencies;
- providing more frequent and widespread public education;
- resolving complaints against social workers in a timely manner;
- ensuring that incompetent and unethical social workers are promptly and appropriately disciplined and, if necessary, removed from practice;
- obtaining timely expert review in complex or contested cases;

- utilizing third-party neutrals to resolve complaints through mediation and other methods of alternative dispute resolution; and
- processing applications and issuing licenses and renewals in a timely manner.

MARRIAGE AND FAMILY THERAPY BD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Board of Marriage and Family Therapy is the official licensure agency of the state for Marriage and Family Therapists (M.S. 148B.01 to .178 and .29 to .39).

Mission: To protect the public by ensuring that Marriage and Family therapists are competent to practice.

Vision: To have the services of Licensed Marriage and Family therapists available to the public throughout Minnesota.

KEY SERVICE STRATEGIES:

- Set academic, experience, and examination standards for initial and continuing licensure.
- Promptly respond to public and agency inquiries, complaints and reports regarding licensure, and conduct of applicants, licensees, and unlicensed practitioners.
- Set practice standards and pursue educational or disciplinary action when appropriate.

PERFORMANCE SUMMARY:

- Revised rules to eliminate obsolete provisions and to clarify original language. Created new licensure category of Licensed Associate Marriage and Family Therapist (LAMFT) to better track applicants gaining their required two years of post-degree supervised experience.
- Developed new web site that makes all board information and forms available to the public anytime.
- Worked with other state Marriage and Family Therapy boards to computerize the national marriage and family therapy examination so that it is more ready available to applicants.

| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Estimate FY 2001</u> | <u>Estimate FY 2002</u> | <u>Estimate FY 2003</u> |
|--|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Licenses issued – LMFT (new and renewals) | 620 | 640 | 659 | 690 | 735 |
| Licenses issued – LAMFT (new and renewals) | 0 | 12 | 87 | 120 | 150 |
| Complaints acted on | 12 | 22 | 25 | 25 | 25 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, licensees, and sponsors of continuing education programs approved by the board are set to recover all direct and indirect costs. The amounts of fees were set in rule through the administrative procedure process and have remained unchanged since 1989. Fee adjustments are proposed for FY 2002.

| | <u>Dollars in Thousands</u> | | | | |
|---|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Actual FY 1999</u> | <u>Actual FY 2000</u> | <u>Budget FY 2001</u> | <u>Budget FY 2002</u> | <u>Budget FY 2003</u> |
| Direct Costs: | | | | | |
| Operational | \$98 | \$101 | \$117 | \$114 | \$118 |
| Total Direct Costs | \$98 | \$101 | \$117 | \$114 | \$118 |
| Indirect Costs: | | | | | |
| Statewide Indirect | 5 | 7 | 9 | 10 | 10 |
| Prof. Education Svcs Fees | 13 | 15 | 20 | 25 | 25 |
| Attorney General* | 5 | 11 | 9 | 10 | 10 |
| Administrative Services Unit* | 3 | 4 | 5 | 6 | 6 |
| Health Professionals Serv Prog* | 1 | 1 | 1 | 2 | 2 |
| Total Indirect Costs | \$27 | \$38 | \$44 | \$53 | \$53 |
| Total Direct and Indirect Costs | \$125 | \$139 | \$161 | \$167 | \$171 |
| Revenue: | | | | | |
| Non-dedicated | 104 | 110 | 110 | 129 | 129 |
| Dedicated-Special | 13 | 15 | 20 | 25 | 25 |
| Total Revenue | \$117 | \$125 | \$130 | \$154 | \$154 |
| Surplus (Shortfall) | (8) | (14) | (31) | (13) | (17) |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$75 | \$61 | \$30 | \$17 | \$0 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- There is a shortage of approved supervisors in greater Minnesota to provide required post-degree experience in those areas.
- There is a shortage of mental health professionals in many out state areas. The board is working on ways to encourage new licensure in these areas.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and the fee increase necessary in order to provide the correct level of service to its clients.

Agency: MARRIAGE & FAMILY THERAPY BD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|--------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 70 | 76 | 80 | 83 | 83 | 86 | 86 | 13 | 8.3% |
| OTHER OPERATING EXPENSES | 46 | 47 | 66 | 66 | 66 | 67 | 67 | 20 | 17.7% |
| Total Expenditures | 116 | 123 | 146 | 149 | 149 | 153 | 153 | 33 | 12.3% |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 98 | 101 | 117 | 114 | 114 | 118 | 118 | | |
| SPECIAL REVENUE | 13 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 5 | 7 | 9 | 10 | 10 | 10 | 10 | | |
| Statutory Appropriations: | | | | | | | | | |
| SPECIAL REVENUE | 0 | 15 | 20 | 25 | 25 | 25 | 25 | | |
| Total Financing | 116 | 123 | 146 | 149 | 149 | 153 | 153 | | |
| Revenue Collected: | | | | | | | | | |
| Dedicated | | | | | | | | | |
| SPECIAL REVENUE | 13 | 15 | 20 | 25 | 25 | 25 | 25 | | |
| Nondedicated | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 104 | 110 | 110 | 110 | 129 | 110 | 129 | | |
| Total Revenues Collected | 117 | 125 | 130 | 135 | 154 | 135 | 154 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | | |
| PART-TIME, SEASONAL, LABOR SER | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | | |
| Total Full-Time Equivalent | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | | |

Agency: MARRIAGE & FAMILY THERAPY BD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|-----------|---------|--------------|---------|-------------------|---------|---------------|---------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 146 | 146 | 0 | 0 | 146 | 146 | 0 | 0 |
| <u>Base Adjustments</u> | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 2 | 5 | 0 | 0 | 2 | 5 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 1 | 1 | 0 | 0 | 1 | 1 | 0 | 0 |
| Subtotal Base Adjustments | 3 | 7 | 0 | 0 | 3 | 7 | 0 | 0 |
| Base Budget | 149 | 153 | 0 | 0 | 149 | 153 | 0 | 0 |

BUDGET CHANGE ITEM (47500)

Agency: MARRIAGE AND FAMILY THERAPY BD

Item Title: FEE INCREASE

| | 2002-03 Biennium | | 2004-05 Biennium | |
|---|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| State Government | | | | |
| Special Revenue | | | | |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| Revenues: (\$000s) | | | | |
| State Government | \$19 | \$19 | \$19 | \$19 |
| Special Revenue | | | | |
| Statutory Change? Yes _____ No <u>X</u> | | | | |
| If yes, statute(s) affected: | | | | |
| <u>X</u> New Activity <u>X</u> Supplemental Funding _____ Reallocation | | | | |

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the Board of Marriage and Family Therapy's fees. The increase is needed in order to continue to provide the current level of service to its clients.

RATIONALE:

The current fee structure has been in place since 1989. The proposed increase is far lower than the rate of inflation during this time period.

The board is mandated by statute to utilize the Attorney General's Office for legal services, and to participate in the Health Professionals Service Program (HPSP) for reporting and monitoring services. The board expects a slight increase in the number of disciplinary cases and the HPSP program. The board has little control over the determination of these increasing indirect costs.

Fee income is increasing as number of licensee's increase, but not as quickly as originally projected. The number of Marriage and Family Therapists students in Minnesota graduate school programs is increasing greatly – three times as many students as five years ago – so licensee numbers will increase as well.

FINANCING:

Because the board is totally fee supported, the board will have to increase its fees to cover all direct and indirect costs. Since the board's funding is limited to revenue it collects through application and licensure fees, the board will need to increase its fees to cover its spending authority.

M.S. 214.06, subdivision 1, states "As provided in section 16A.1285, the adjustment (of fees) shall be an amount sufficient so the total fees collected by each board will as closely as possible equal anticipated expenditures during the fiscal biennium..."

Per M.S. 16A.1283, a fee increase or new fee must be approved in law.

| FEE NAME | CURRENT FEE AMT | PROPOSED FEE AMT |
|---------------------------------------|-----------------|------------------|
| Appl. Fee for Admin. For Written Exam | 200 | 220 |
| Appl. Fee for Licensure | 100 | 110 |
| Reciprocity Application | 300 | 340 |
| License Renewal | 115 | 125 |
| Initial License Fee (prorated) | Up to 100 | Up to 125 |
| Continuing Ed. Sponsor Fee | 50 | 60 |
| Misc. Label Processing | 50 | 60 |
| Rule Books | 5 | 10 |
| Emeritus | 115 | 125 |
| Licensed Associate | 60 | 75 |
| Renewal – Licensed Associate | 60 | 75 |
| NEW FEE NAME | | |
| License Verifications | 0 | 10 |
| Duplicate Renewal Cards | 0 | 10 |

OUTCOMES:

- This fee increase meets the requirement of MS, sec. 214.06, subd. 1.
- The fee increase will generate sufficient revenue to cover all direct and indirect operating costs.
- This fee increase will eliminate the negative carry-forward balance.

EMERGENCY MEDICAL SVCS REG BD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Emergency Medical Services Regulatory Board is the lead agency for emergency medical services (EMS) in the state (M.S. Ch. 144E).

Mission:

To provide leadership which optimizes the quality of emergency medical care for the people of Minnesota -- in collaboration with our communities -- through policy development, regulation, system design, education, and medical direction.

Vision:

- Administer and enforce statutory provisions and other assigned duties.
- Ensure effective delivery of emergency care through improved linkages of all EMS system components.
- Recommend to the legislature improvements to the access, delivery, and effectiveness of the state's EMS delivery system.
- Investigate, hear, and resolve complaints against EMS providers to ensure competent and safe EMS system.
- Promote research that leads to innovations in emergency medical care.
- Support effective injury and illness prevention programs through community-based approaches.

KEY SERVICE STRATEGIES:

- Provide grants for the development and maintenance of regional EMS systems.
- Assess how a statewide trauma system would impact EMS statewide.
- Ensure active medical direction for the pre-hospital EMS system throughout the state.
- Refine the mandatory reporting, self-disclosure, and complaint investigation processes required of EMS providers by 1999 legislative changes.
- Develop and implement an ambulance inspection process focused on quality outcomes.
- Develop a statewide network of quality EMS training programs so that an adequate number of trained individuals are available to provide EMS to citizens throughout the state.
- Revise the State EMS Communications Plan to ensure that standards address future statewide communications needs.

- Evaluate and respond to obstacles that pose a threat to adequate access to ambulance service, including the impact of the Balanced Budget Act on ambulance coverage and the changing demographics in rural areas that impact the volunteer staffing shortage.
- Administer federal Emergency Medical Services for Children (EMSC) grants so that EMS providers and the general public have needed information on pediatric emergency care.

PERFORMANCE SUMMARY:

- Administered a one-time grant program to assist volunteer ambulance services in meeting the new requirement of having one automatic external defibrillator for each vehicle in service.
- In collaboration with EMS providers, developed a uniform pre-hospital data set and initiated a pilot project for statewide data collection.
- Conducted Comprehensive Advanced Life Support (CALS) training programs at various sites throughout the state for rural physicians and nurses who have limited access to training in medical emergencies.
- Developed a Strategic Information Resource Management Plan (SIRMP) to address short- and long-term agency needs for the provision of electronic government services.
- Licensed or renewed and inspected 300 ambulance services biennially.
- Certified 12,500 emergency medical technicians biennially.
- Developed the EMS component of an emergency management system, in conjunction with other state agencies, to ensure a fast, effective response, as well as compliance with directives for state government.

REVENUES:

Revenues are collected through charges to ambulance services licenses (\$150 biennial fee) and an additional vehicle fee (\$96); training program approval fee (\$100); duplicate card issuance (\$25); fines for violation of statutes (ranging from \$50 to \$750). Ambulance fees were increased, and the other fees first assessed, effective 8-1-99. Approximately \$76,000 was recovered from these fees in FY 2000. Because nearly 65% of the ambulance personnel in Minnesota are volunteers, the fees charged by the board do not enable cost recovery.

EMERGENCY MEDICAL SVCS REG BD - EXECUTIVE SUMMARY (Continued)

GRANTS:

- Administered competitive grants to eight regional organizations serving the entire state (authorized by MS 144E.50, 52) to develop, maintain, and improve regional EMS systems.
- Administered the longevity award program which provides a one-time cash payment to eligible volunteer EMS personnel upon their retirement from service.
- Administered reimbursement grants to volunteer ambulance services to help offset the cost of initial training or continuing education for volunteer personnel.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- The elimination of the major portion of the agency's base budget through the legislature's replacement of on-going agency support from the Trunk Highway Fund with one-time support from the General Fund (FY 2001 only).
- A continuing decrease in the number of volunteer EMS personnel available to serve on rural ambulance services.
- The inability of the agency to be fee-supported because of the resulting high costs for ambulance licensure, personnel certification, and training program approval.
- An agency budget of which the majority consists of pass-through or dedicated funds for which the agency has limited discretion.
- Statutory limitations to the agency's administration and allotment of grant funds for regional EMS programs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget. Further, the Governor recommends restoring the agency's base budget with \$3.6 million for the biennium from the General Fund to compensate for the removal of portions of the base budget from the Trunk Highway Fund during the 2000 legislative session. This recommendation also includes a base reduction of \$128,000 in ambulance volunteer training reimbursements.

Agency: EMERGENCY MEDICAL SVCS REG BD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|--------------|---------------------|--------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 767 | 802 | 943 | 97 | 978 | 100 | 1,020 | 253 | 14.5% |
| OTHER OPERATING EXPENSES | 587 | 310 | 540 | 53 | 333 | 54 | 331 | (186) | (21.9%) |
| OTHER FINANCIAL TRANSACTIONS | 928 | 943 | 1,053 | 965 | 965 | 962 | 962 | (69) | (3.5%) |
| Subtotal State Operations | 2,282 | 2,055 | 2,536 | 1,115 | 2,276 | 1,116 | 2,313 | (2) | 0.0% |
| PAYMENTS TO INDIVIDUALS | 397 | 350 | 548 | 449 | 385 | 449 | 385 | (128) | (14.3%) |
| LOCAL ASSISTANCE | 1,875 | 2,287 | 2,455 | 1,633 | 2,279 | 1,633 | 2,279 | (184) | (3.9%) |
| Total Expenditures | 4,554 | 4,692 | 5,539 | 3,197 | 4,940 | 3,198 | 4,977 | (314) | (3.1%) |

| Change Items: | Fund | | | | | | |
|--|-------------|--|--|--|--------------|--|--------------|
| (A) REDUCTION IN VOLUNTEER REIMBURSEMENT | GEN | | | | (64) | | (64) |
| (A) RESTORATION OF BASE BUDGET | GEN | | | | 1,807 | | 1,843 |
| Total Change Items | | | | | 1,743 | | 1,779 |

| Financing by Fund: | | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Direct Appropriations: | | | | | | | |
| GENERAL | 598 | 611 | 2,735 | 695 | 2,438 | 696 | 2,475 |
| SPECIAL REVENUE | 790 | 0 | 0 | 0 | 0 | 0 | 0 |
| TRUNK HIGHWAY | 1,769 | 1,571 | 0 | 0 | 0 | 0 | 0 |
| Open Appropriations: | | | | | | | |
| GENERAL | 1,002 | 1,010 | 1,141 | 1,045 | 1,045 | 1,045 | 1,045 |
| Statutory Appropriations: | | | | | | | |
| SPECIAL REVENUE | 0 | 1,183 | 1,508 | 1,352 | 1,352 | 1,352 | 1,352 |
| FEDERAL | 395 | 317 | 140 | 100 | 100 | 100 | 100 |
| GIFT | 0 | 0 | 15 | 5 | 5 | 5 | 5 |
| Total Financing | 4,554 | 4,692 | 5,539 | 3,197 | 4,940 | 3,198 | 4,977 |

| Revenue Collected: | | | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Dedicated | | | | | | | |
| GENERAL | 0 | 59 | 45 | 45 | 45 | 45 | 45 |
| SPECIAL REVENUE | 0 | 1 | 2 | 2 | 2 | 2 | 2 |
| FEDERAL | 412 | 315 | 125 | 100 | 100 | 100 | 100 |
| GIFT | 1 | 9 | 5 | 5 | 5 | 5 | 5 |
| Nondedicated | | | | | | | |
| GENERAL | 0 | 0 | 150 | 150 | 309 | 150 | 309 |
| CAMBRIDGE DEPOSIT FUND | 0 | 0 | 159 | 0 | 0 | 0 | 0 |
| TRUNK HIGHWAY | 25 | 76 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues Collected | 438 | 460 | 486 | 302 | 461 | 302 | 461 |

Agency: EMERGENCY MEDICAL SVCS REG BD

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. |
| FTE by Employment Type: | | | | | | | |
| FULL TIME | 14.5 | 14.0 | 1.8 | 1.8 | 15.7 | 1.8 | 15.7 |
| PART-TIME, SEASONAL, LABOR SER | 0.3 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| OVERTIME PAY | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Full-Time Equivalent | 14.9 | 14.4 | 1.8 | 1.8 | 15.7 | 1.8 | 15.7 |

Agency: EMERGENCY MEDICAL SVCS REG BD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|----------------|----------------|----------------|----------------|-------------------|--------------|---------------|------------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 4,969 | 4,969 | 3,512 | 3,512 | 1,357 | 1,357 | 100 | 100 |
| Base Adjustments | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 1 | 2 | 1 | 2 | 0 | 0 | 0 | 0 |
| ONE-TIME APPROPRIATIONS | (1,773) | (1,773) | (1,773) | (1,773) | 0 | 0 | 0 | 0 |
| Subtotal Base Adjustments | (1,772) | (1,771) | (1,772) | (1,771) | 0 | 0 | 0 | 0 |
| Base Budget | 3,197 | 3,198 | 1,740 | 1,741 | 1,357 | 1,357 | 100 | 100 |

BUDGET CHANGE ITEM (50568)

Agency: EMERGENCY MEDICAL SVCS REG BD

FINANCING:

Based on historical information, the requests for reimbursement have been lower than anticipated. As a result, we feel the appropriation should be reduced.

OUTCOMES:

No negative outcomes or cuts in services are anticipated from this reduction based on actual expenditures during the past seven years.

Item Title: EMS – REDUCTION IN VOLUNTEER REIMBURSEMENT

| | 2002-03 Biennium | | 2004-05 Biennium | |
|-------------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | | | | |
| -State Operations | \$(64) | \$(64) | \$(64) | \$(64) |
| Revenues: (\$000s) | | | | |
| General Fund | \$-0- | \$-0- | \$-0- | \$-0- |

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity _____ Supplemental Funding X Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial decrease of \$128,000 in funding for ambulance volunteer training reimbursements.

RATIONALE:

A licensed ambulance service operated by a political subdivision, non-profit hospital, or non-profit corporation is eligible to claim reimbursement of necessary expenses for training volunteer emergency medical technicians that serve as ambulance attendants. Maximum reimbursement per individual is \$450 for a basic course and \$225 for continuing education. Eligible costs may include tuition, transportation, food and lodging, and an hourly payment for time spent in training.

In FY 2000, \$352,580 was expended from this account, with the remaining \$96,420 rolling forward to FY 2001. This continues a historical pattern of under-spending for the past several years despite ongoing agency efforts to publicize the availability through a monthly newsletter, direct mailings to ambulance services, and additional promotion through the eight regional EMS programs. During the last three biennium's, an average of \$100,000 has been unexpended because reimbursement requests have been less than the amount budgeted.

BUDGET CHANGE ITEM (46770)

Agency: EMERGENCY MEDICAL SVCS REG BD

Item Title: RESTORATION OF BASE BUDGET

| | 2002-03 Biennium | | 2004-05 Biennium | |
|------------------------|------------------|---------|------------------|---------|
| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Expenditures: (\$000s) | | | | |
| General Fund | \$1,807 | \$1,843 | \$1,898 | \$1,955 |
| -State Operations | \$-0- | \$-0- | \$-0- | \$-0- |
| Revenues: (\$000s) | | | | |
| General Fund | \$159 | \$159 | \$159 | \$159 |

Statutory Change? Yes No

If yes, statute(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends restoring the agency's base budget with \$3.7 million for the biennium from the General Fund to compensate for the removal of portions of the base budget from the Trunk Highway Fund during the 2000 legislative session.

RATIONALE:

The agency's mission is to provide leadership which optimizes the quality of emergency medical care for the people of Minnesota—in collaboration with our communities—through policy development, regulation, systems design, education and medical direction. The mission is accomplished statewide by

- designating and funding regional EMS programs (eight);
- setting and enforcing education requirements and examination standards for registering first responders (16,000) and for certifying emergency medical technicians (basic, intermediate and paramedic) (12,500);
- setting and enforcing requirements for approving EMS training programs (100);
- licensing ambulance services (300);
- investigating and resolving complaints and allegations of non-compliance with laws and regulations by EMS personnel, training programs, and ambulance services;

- instituting corrective action or disciplinary actions;
- inspecting ambulance services, reviewing training programs;
- administering state and federal grants for EMS programs;
- conducting EMS projects and studies with state or federal funding.

The agency mission supports healthy and vital communities through the existence of accessible, responsive and effective emergency medical services covering all areas of the state, thereby increasing the likelihood of individuals living healthy, independent lives into their older years.

FINANCING:

Prior to the last legislative session, 89.5% of the agency's internal operating budget and 35% of the state funds awarded to the regional EMS programs were from the Trunk Highway Fund. When the legislature restricted the use of Trunk Highway Funds in FY 2000, that portion of the agency's base budget was shifted to the General Fund for one year only (FY 2001). In order to maintain agency services in the FY 2002-03 biennium and beyond, \$3.7 million of the agency's budget that previously came from Trunk Highway would need to be appropriated from the General Fund. That amount is in addition to the line items totaling \$1.5 million that previously had been supported from the General Fund. In addition to its regular licensing and certification activities, the agency administers the following grants or pass-throughs which account for 75% of the agency's total budget: regional EMS Program grants, EMS relief account (seat-belt fines), volunteer ambulance training reimbursements, comprehensive advanced life support (CALS) education program, and the longevity award program for retired ambulance volunteers.

OUTCOMES:

Outcomes from restoring the base funding will allow the continuation of the agency activities and services specified in the Rationale section above: ambulance licensing, personnel certification, complaint investigation and resolution, EMS training program approvals, and regional EMS program grants.

REVENUE FROM THE STATE OF MINNESOTA
FOR FISCAL YEAR 2002-03
REVENUE FROM THE STATE OF MINNESOTA
FOR FISCAL YEAR 2002-03
REVENUE FROM THE STATE OF MINNESOTA
FOR FISCAL YEAR 2002-03

REVENUE FROM THE STATE OF MINNESOTA

REVENUE FROM THE STATE OF MINNESOTA

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PHYSICAL THERAPY BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Board of Physical Therapy is the official licensure agency for physical therapists of the state (M.S. 148.65 – 148.78).

Mission: To ensure that Minnesota citizens receive quality physical therapy services from competent physical therapists.

Vision: To protect the public through licensure of qualified physical therapists and to provide timely and impartial resolution of complaints against physical therapists.

KEY SERVICE STRATEGIES:

- Establish standards for initial licensure.
- Ensure that physical therapists meet standards for license renewal.
- Identify physical therapists who fail to maintain the minimum standards necessary for the provision of safe and quality care.
- When warranted, provide timely and appropriate disciplinary or corrective action.
- Provide accurate information and education to the public, other interested parties and licensees.

PERFORMANCE SUMMARY:

- The Board of Physical Therapy was appointed and assumed responsibility in FY 2000 as a result of a 1999 statute revision.
- The executive director was hired in September 2000.
- The Board of Medical Practice staff is providing administrative services during the transition period.

| | <u>Actual FY 2000</u> | <u>Actual FY 2001</u> | <u>Estimate FY 2002</u> | <u>Estimate FY 2003</u> |
|------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Licensed Physical Therapists | 3,155 | 3,255 | 3,355 | 3,455 |
| Reside in Minnesota | 2,595 | 2,695 | 2,795 | 2,895 |

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs approved by the board are set to recover all direct and indirect costs.

| | Dollars in Thousands | | | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Actual FY 2000</u> | <u>Budget FY 2001</u> | <u>Budget FY 2002</u> | <u>Budget FY 2003</u> |
| Direct Costs: | | | | |
| Operational | \$124 | \$288 | \$191 | \$197 |
| Total Direct Costs | \$124 | \$288 | \$191 | \$197 |
| Indirect Costs: | | | | |
| Statewide Indirect | -0- | -0- | 10 | 11 |
| Attorney General* | 31 | 31 | 32 | 35 |
| Administrative Services Unit* | 6 | 5 | 7 | 8 |
| Health Professionals Serv Prog* | 3 | 5 | 6 | 8 |
| Total Indirect Costs | \$40 | \$41 | \$55 | \$62 |
| Total Direct and Indirect Costs | \$164 | \$329 | \$246 | \$259 |
| Revenue: | | | | |
| Non-dedicated | 261 | 261 | 261 | 261 |
| Total Revenue | \$261 | \$261 | \$261 | \$261 |
| Surplus (Shortfall) | 97 | (68) | 15 | 2 |
| Accumulated Ending Surplus (Shortfall) or Carry forward | \$97 | \$29 | \$44 | \$46 |

*The Board is responsible for the costs of services received from the AGO, HPSP, and ASU programs. A direct appropriation is given to each of these programs from the Special Government Revenue Fund. The Board must ensure that sufficient revenue is collected through its fees to fund their portion of this program's costs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Revisions of statutes and rules are necessary to facilitate and clarify administration and discipline. These changes are non-controversial and housekeeping in nature.
- Costs of disciplinary actions cannot be predicted. A contested case would result in substantially increased costs from the Attorney General's Office.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

Agency: **PHYSICAL THERAPY BOARD**

| Budget Activity Summary (Dollars in Thousands) | Actual FY 1999 | Actual FY 2000 | Budgeted FY 2001 | FY 2002 | | FY 2003 | | Biennial Change 2002-03 Gov / 2000-01 | |
|---|-------------------|-------------------|---------------------|------------|---------------------|------------|---------------------|--|---------------|
| | | | | Base | Governor Recomm. | Base | Governor Recomm. | Dollars | Percent |
| Expenditures by Category: | | | | | | | | | |
| State Operations | | | | | | | | | |
| COMPENSATION | 0 | 93 | 129 | 133 | 133 | 139 | 139 | 50 | 22.5% |
| OTHER OPERATING EXPENSES | 0 | 31 | 159 | 68 | 68 | 69 | 69 | (53) | (27.9%) |
| Total Expenditures | 0 | 124 | 288 | 201 | 201 | 208 | 208 | (3) | (0.7%) |
| Financing by Fund: | | | | | | | | | |
| Direct Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 124 | 288 | 191 | 191 | 197 | 197 | | |
| Open Appropriations: | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 0 | 0 | 10 | 10 | 11 | 11 | | |
| Total Financing | 0 | 124 | 288 | 201 | 201 | 208 | 208 | | |
| Revenue Collected: | | | | | | | | | |
| Nondedicated | | | | | | | | | |
| STATE GOVERNMENT SPECIAL REVENUE | 0 | 261 | 261 | 261 | 261 | 261 | 261 | | |
| Total Revenues Collected | 0 | 261 | 261 | 261 | 261 | 261 | 261 | | |
| FTE by Employment Type: | | | | | | | | | |
| FULL TIME | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | |
| Total Full-Time Equivalent | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | |

Agency: PHYSICAL THERAPY BOARD

| Base Budget Report (Dollars in Thousands) | All Funds | | General Fund | | Other State Funds | | Federal Funds | |
|--|------------|------------|--------------|----------|-------------------|------------|---------------|----------|
| | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 | FY 2002 | FY 2003 |
| FY 2001 Budgeted | 185 | 185 | 0 | 0 | 185 | 185 | 0 | 0 |
| Base Adjustments | | | | | | | | |
| 2002-03 SAL. & BEN. BASE | 4 | 8 | 0 | 0 | 4 | 8 | 0 | 0 |
| DOC. SPACE RENTAL/LEASE | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| NEW PROGRAMS TO AGENCY BASE | 10 | 11 | 0 | 0 | 10 | 11 | 0 | 0 |
| SMALL AGENCY OPERATIONAL EXPENSE | 2 | 3 | 0 | 0 | 2 | 3 | 0 | 0 |
| Subtotal Base Adjustments | 16 | 23 | 0 | 0 | 16 | 23 | 0 | 0 |
| Base Budget | 201 | 208 | 0 | 0 | 201 | 208 | 0 | 0 |