State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

March 6, 2001

To: Senator Doug Johnson, Chairman
Senate Finance Committee

Representative Dave Bishop, Chairman
House Ways and Means Committee

Peggy Ingison for
From: Pamela Wheelock
Commissioner

Re: *Supplemental Budget Items, Errata and Omissions to the Governor's 2002-03 Biennial Budget Change Order #1 - Health & Human Services*

This is to advise you and your colleagues that we will follow the same procedures used in previous biennia for transmitting any changes to the Governor's Budget.

Only changes submitted under my signature should be considered as official changes in the Governor's Budget. This procedure is necessary to ensure control over the General Fund Balance as well as eliminate confusion regarding the Governor's Recommendations. This process has worked well in past legislative sessions.

Sufficient detail is provided for clarification of errata, omission or change and reference to the appropriate budget page. New numbers and language were inserted while deleting old inappropriate language or references on the budget narrative pages. New or revised pages have been copied with original budget data remaining on the opposite page side to allow for ease in inserting and removal of pages into the budget books.

Any revisions to the language originally submitted to implement the Governor's budget will be sent under a separate cover to the appropriate committee chairs.

As always, please feel free to contact the appropriate executive budget officer or team leader for further clarification of these changes.

enclosure

cc: Rep. Goodno
Sen. Berglin

Please find the following page updates:

Health & Human Services Budget Book:

Department of Human Services:
Pages C-32 and C-39, Corrections to FTEs to reflect Governor's recommendations for Legal & Regulatory Operations budget activity and Agency Management program.

Page C-89, Estimated number of additional children who would be enrolled as a result of the "Expand Health Care Coverage for Low Income Children" initiative did not include MinnesotaCare enrollees. New estimate reflecting Medical Assistance and MinnesotaCare now appears in outcomes section of change page.

Page C-94, New change page recommending an increase in the FY 2001 Health Care Access Fund budget of $7,060,000 to fund a forecasted deficit in the MinnesotaCare Grants Program. Table of contents has been updated to include this new change page.

Page C-221, Statutory change is required to limit chemical dependency treatment vendor increases. Statutory reference added to change page.

Page C-238, Incorporates additional federal grant that was omitted for the Economic Support Grants-Other Assistance budget activity.

Page C-263, Incorporates additional federal grant that was omitted for the Child Support Enforcement budget activity.

All other revised budget pages reflect changes to the agency's base budget and the Governor's recommendations as a result of the February 2001 forecast.

Department of Health:
Page C-304, Forecast changes in endowments (existing and new) and corrections to FTEs for the Governor's recommendations.

Page C-306, Deleted reference to the OT surcharge (under the listing of change items), since it will expire under current law and does not to be included on the OT-SLP-A change page (page C-352). Also moved the Laboratory Certification change item (listed under the Governor's recommendation) to the second category of initiatives—it was inadvertently placed in the first category.

Pages C-309 and C-310, The $2.4 million in the last paragraph (under change items) was changed to $2.5 million to reflect the current law expiration of the OT surcharge (page C-352).

Pages C-316 and C-317, Numbers in the Governor's Recommendation column changed for Community Health Services, Family Health, the Healthy Kids Learn change item, and the Open Appropriations (Base and Governor's Recommendation) to reflect forecast changes for the endowments. Also, an error in the FTEs for the Governor's Recommendation was corrected.

Page C-320, Forecast changes for the Tobacco Use Prevention endowment.

Pages C-327 and C-328, Numbers in the Governor's Recommendation column changed: 1. Shifted funding in BBS between other operating expenses and local assistance to accurately reflect the level of grant funding for Teen Pregnancy Prevention page. 2. Increase in grant expenditures for the Healthy Kids Learn change item to reflect forecast changes for the endowment. Also, an error in the FTEs for the Governor's Recommendation was corrected.

Page C-333, Third paragraph under "rationale" was corrected to accurately reflect DHS forecast.

Pages C-337 and C-338, The forecast for tobacco payments increased—increasing the corpus of the healthy kids endowment and the available revenues. Changes were made to expenditures and revenues in the box in the upper left, and the grant programs under the financing section.

Page C-340, DHS forecast changes to MA and MFIP, and CFL forecast changes to CCAP.

Pages C-346, C-349 and C-350, Correction to OT-SLP-A change item. Forecast changes for Medical Education endowment. Governor's Recommendation FTEs were corrected.

Page C-352, OT surcharge will expire under current law and does not need to be included on this change page.

Pages C-356 and C-357, The forecast for tobacco payments increased—increasing the corpus of the Medical Education endowment and the available revenues. Changes were made to the expenditures and revenues in the box in the upper left, and the Financing section.

Pages C-366 and C-379, Reallocation of HIV funding to enhance STD surveillance, testing and treatment.

Veterans Home Board:
Pages C-403, C-406, C-408, C-413 and C-414 were revised for new Governor's recommendation to alleviate a deficit.

Ombudsman for Families:
Page C-430, Change item narrative was revised to provide clarification on ownership of new building and financing.

Nursing Board:
Page C-452, Health Professionals Services Program – Staff Increase change item was revised to reflect correct FY2004-05 expenditure data.

Page C-454, Budget Enhancements/Quality Assurance change item was revised to reflect correct FY2005-05 expenditure data.

Pharmacy Board:
Page C-471, Administrative Services Unit (ASU) – Expanding Services change item was revised to reflect correct FY2004-05 expenditure data.

Page C-473, Position and Union-Negotiated Increases change item was revised to reflect correct FY2004-05 expenditure data.

Psychology Board:
Page C-483, Board Enhancements/Quality Assurance change item was revised to reflect correct FY2004-05 expenditure data.

Social Work Board:
Page C-497, Board Enhancements/Quality Improvements change item was revised to reflect correct FY2004-05 expenditure data.

Emergency Medical Services Regulatory Board:
Page C-509, Restoration of Base Budget change item was revised to reflect correct FY2004-05 expenditure data.

STATE OF MINNESOTA 2002-03 BIENNIAL BUDGET

-INDEX-

HEALTH AND HUMAN SERVICES

The Governor's 2002-03 Biennial Budget can be viewed at the Department of Finance's Web site at:
http://www.finance.state.mn.us/bis

HUMAN SERVICES DEPT - CONTENTS

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.

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

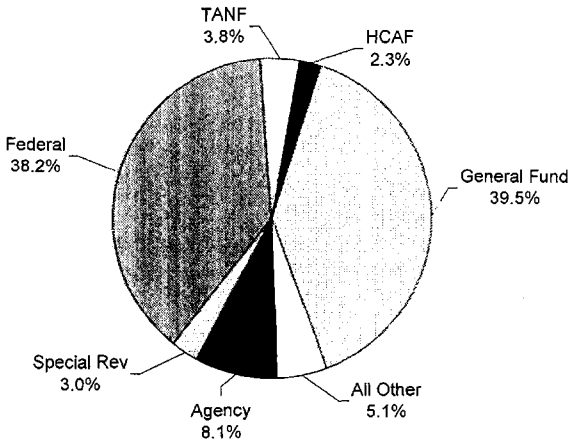
- Accounting and auditing services for approximately $13 billion in agency program dollars.
- Forecasting of future expenditures for health care and cash assistance programs.
- Guarding privacy rights and resolving over 4,000 client service/benefit appeals and over 200 provider service appeals annually.
- 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.

FY2000-01 Expenditures by Fund

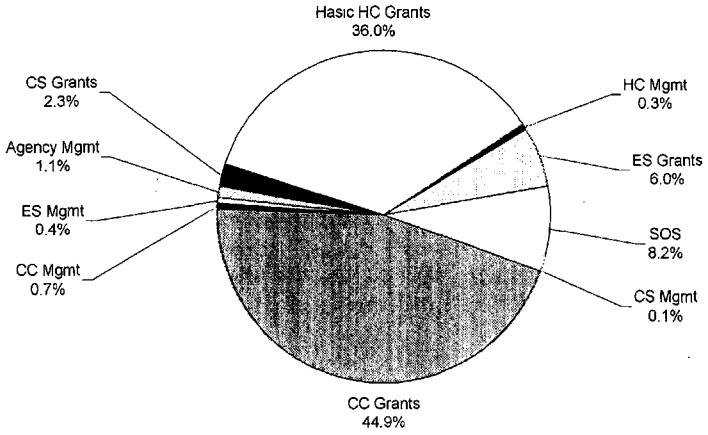
Total =$12,804,715,000



The following chart shows total General Fund Expenditures by program.

FY 2000-01 General Fund Expenditures

Total Direct Appropriated = $5,052,410,000



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.

- 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:

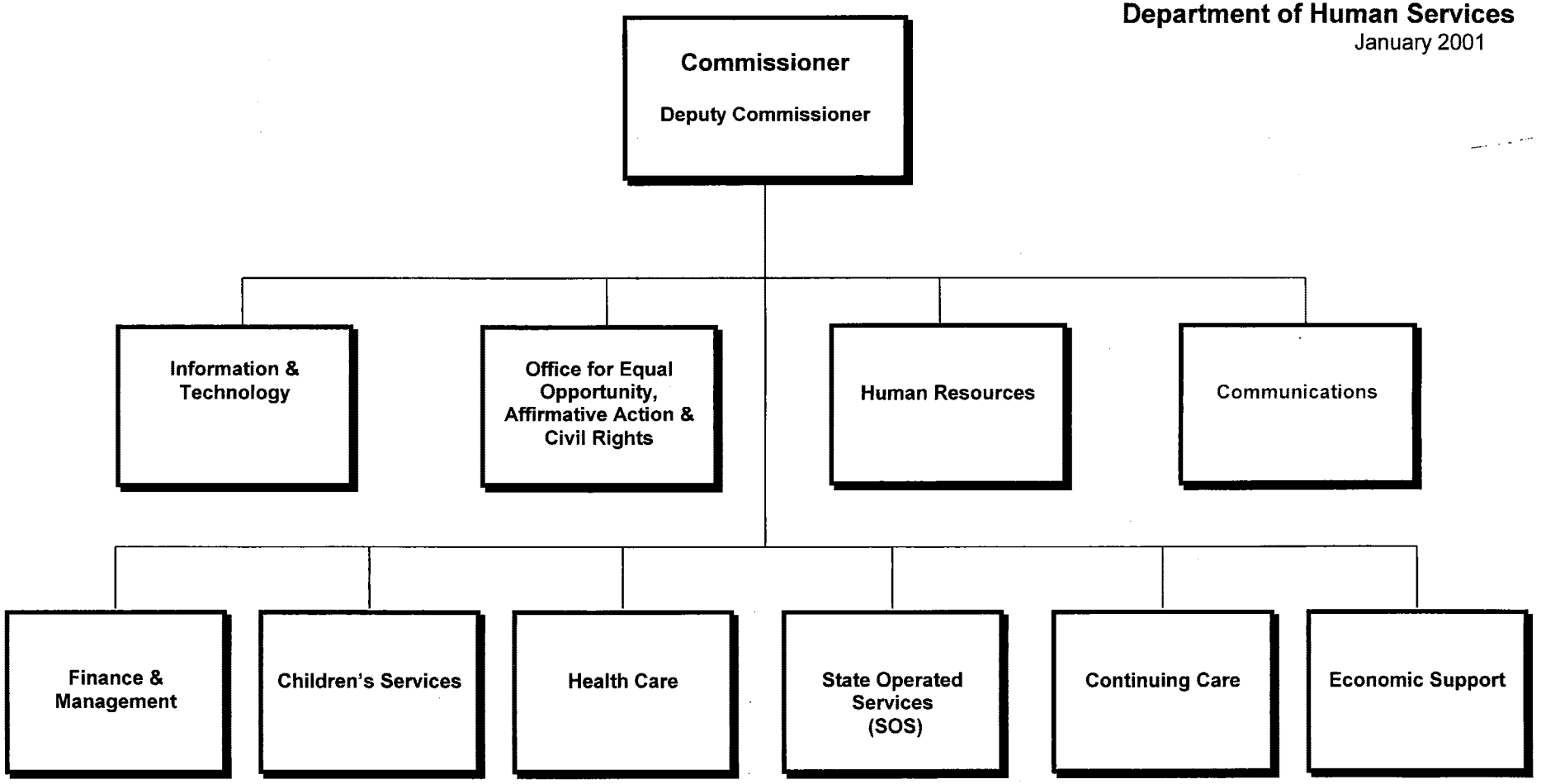
- Employee salary supplement funding has neither kept pace with the costs of union negotiated contracts nor with the costs of funding employee health care.
- There are inherent tensions between local control and centralized efficiencies. Some counties are experiencing declining populations while others 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

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.

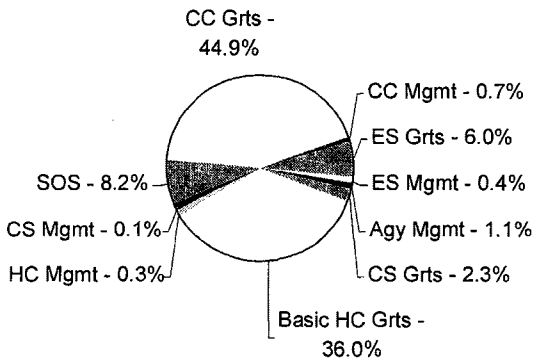
Department of Human Services

January 2001

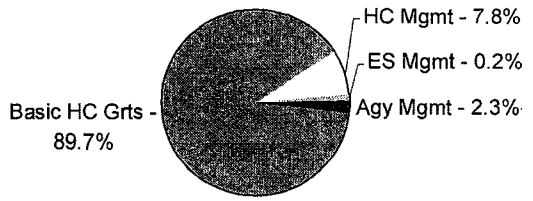


DHS FY 2000-01 Expenditures by Fund & Program

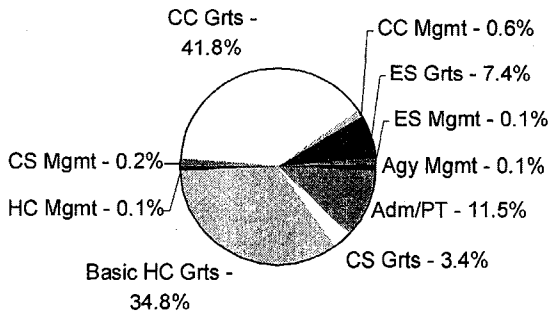
General Fund
Total Expenditures = $5,052,410,000



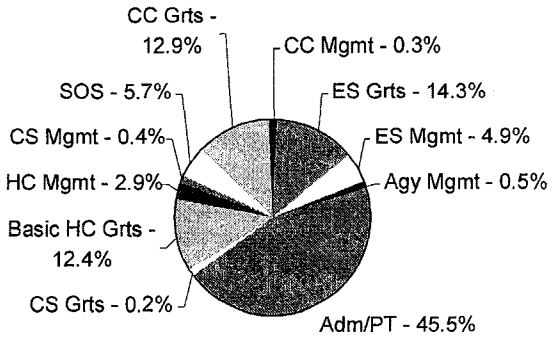
Health Care Access Fund
Total Expenditures = $296,833,000



Federal Fund, excluding TANF
Total Expenditures = $4,893,407,000

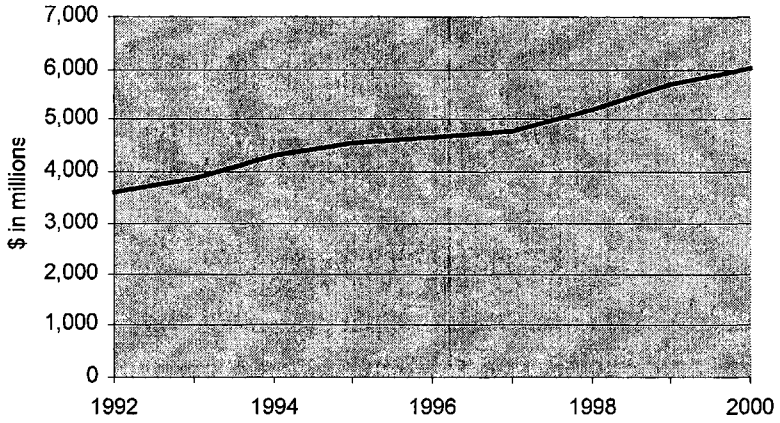


All Other Funds
Total Expenditures = $2,562,065,000

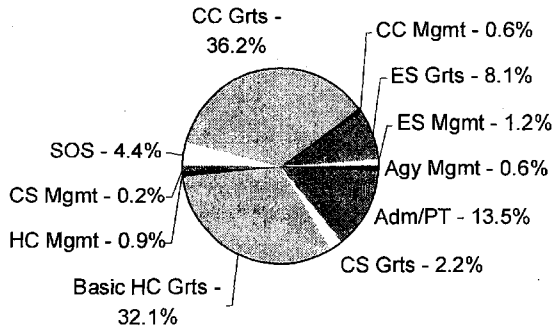


DHS *Agency-wide* Trends & Perspectives

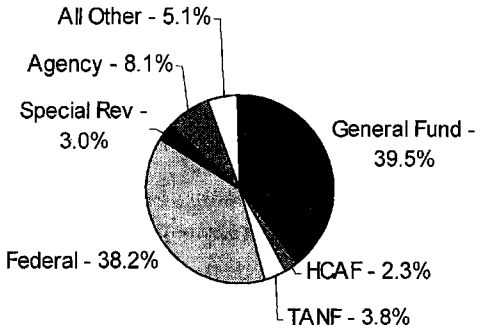
Total Expenditures - All Funds



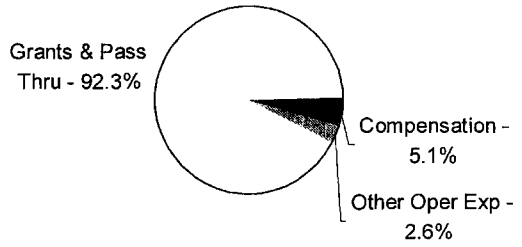
2000-01 Expenditures By Program
Total Expenditures = $12,804,715,000



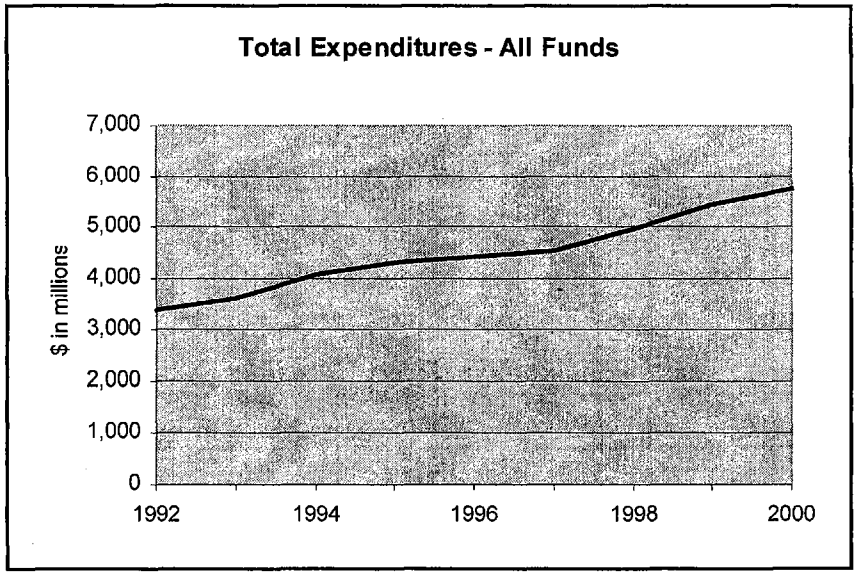
2000-01 Expenditures By Fund
Total Expenditures = $12,804,715,000

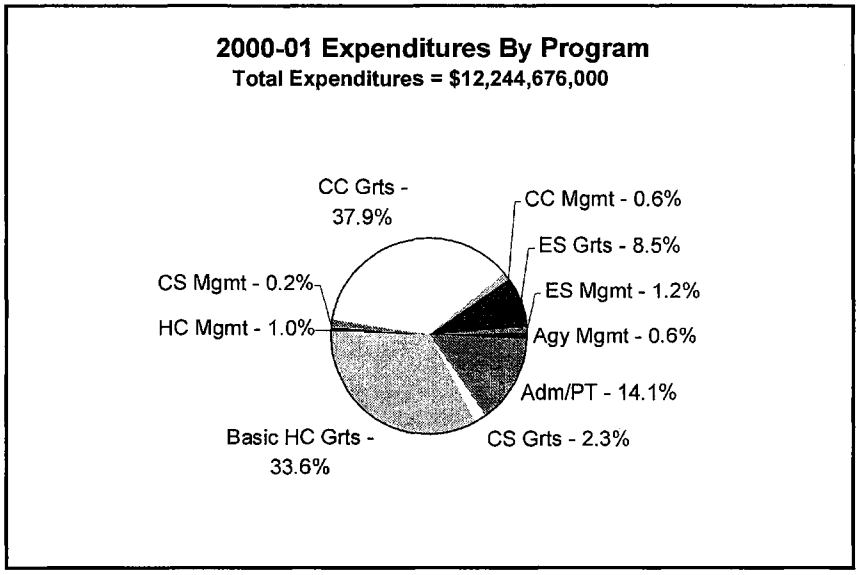


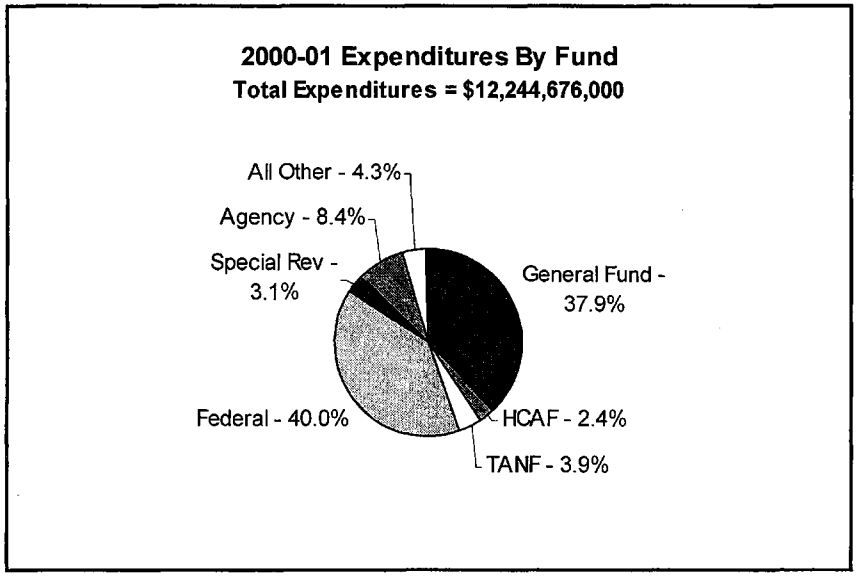
2000-01 Expenditures By Category
Total Expenditures = $12,804,715,000

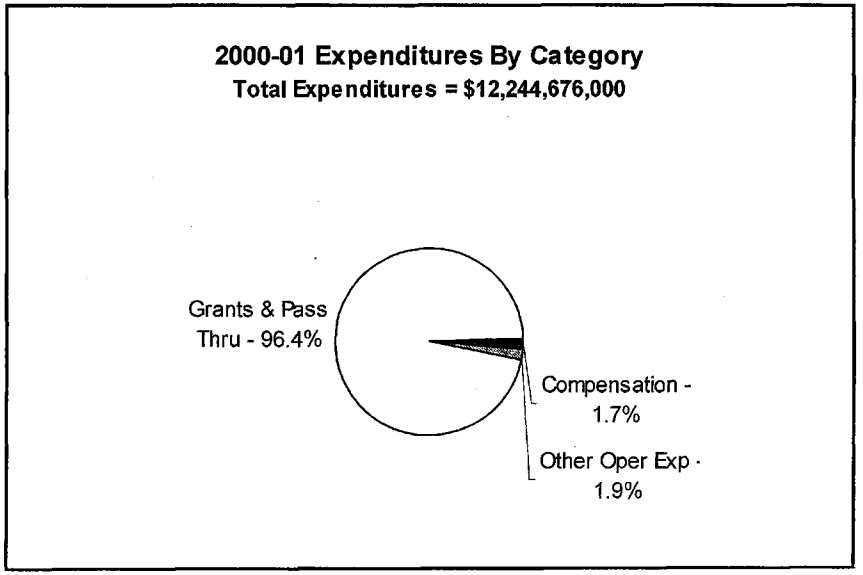


DHS *Central Office* Trends & Perspectives

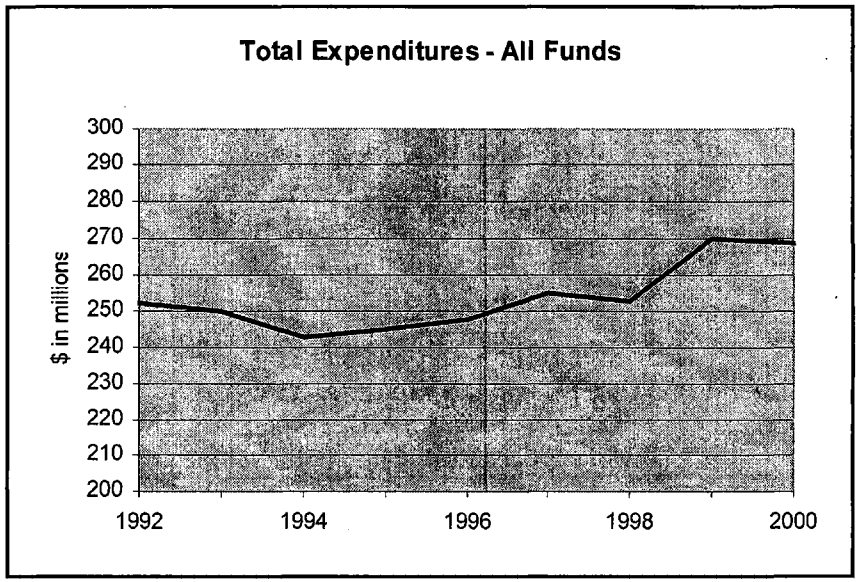


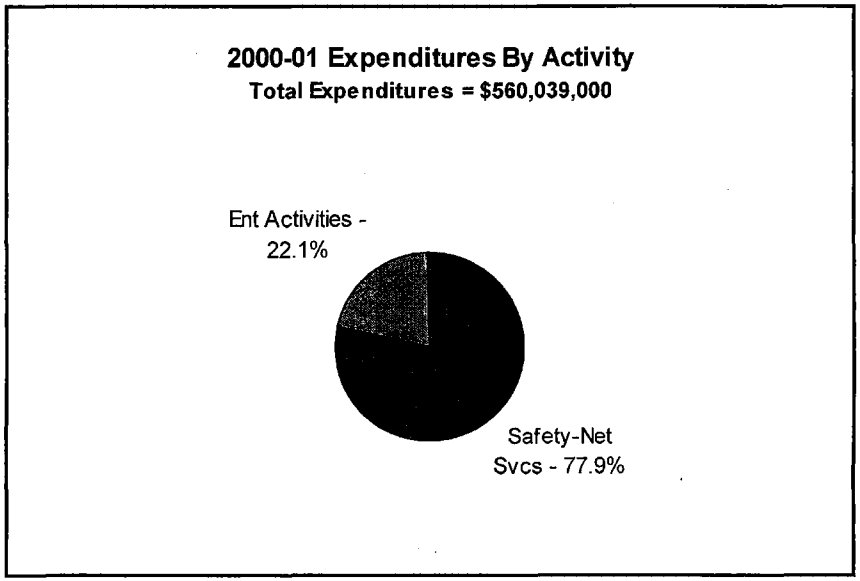


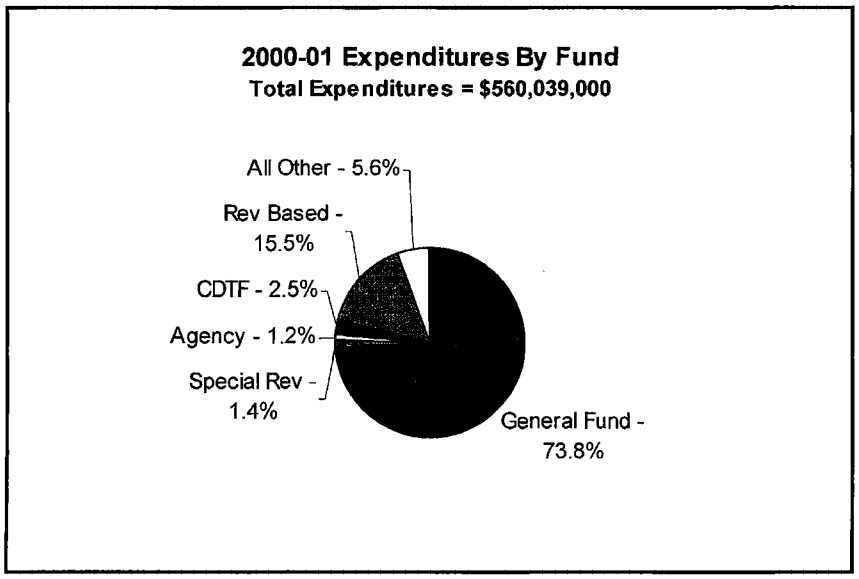


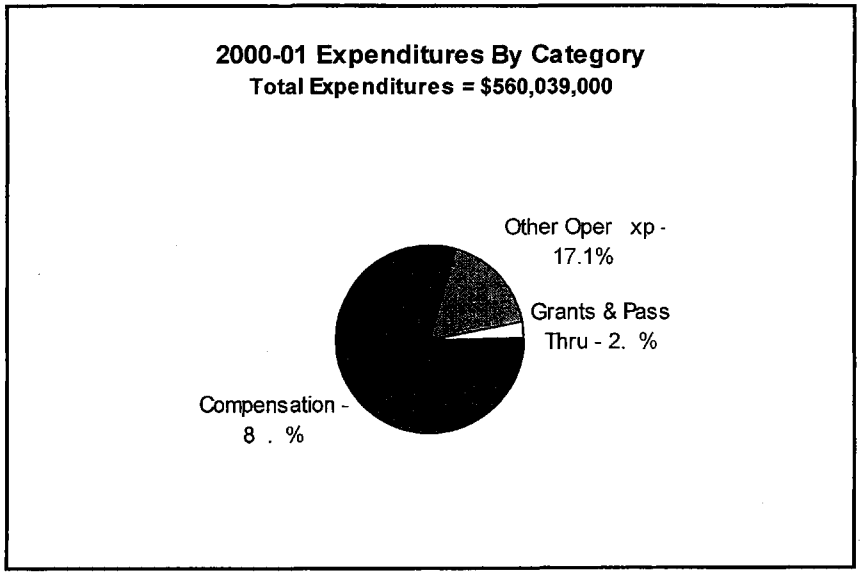


DHS *State Operated Services* Trends & Perspectives









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	39,884	41,770	50,649	42,876	50,306	23,144	29.7%
ADMIN REIMBURSE/PASS THROUGH	813,572	811,576	918,162	866,676	866,676	861,406	861,406	(1,656)	(0.1%)
CHILDREN'S SERVICES GRANTS	107,745	132,975	153,392	145,842	158,886	152,715	233,772	106,291	37.1%
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	1,706,732	1,942,683	2,174,854	2,341,102	2,343,395	2,818,641	2,830,225	1,056,083	25.6%
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	2,163,983	2,474,931	2,459,413	2,461,600	2,596,830	2,596,175	418,861	9.0%
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	525,120	507,152	515,358	462,008	507,507	(14,482)	(1.4%)
ECONOMIC SUPPORT MANAGEMENT	75,356	66,360	83,248	76,643	112,037	84,341	94,365	56,794	38.0%
Total Expenditures	**5,700,686**	**6,032,325**	**6,779,450**	**6,847,720**	**6,923,842**	**7,428,463**	**7,585,952**	**1,698,019**	**13.3%**
Financing by Fund:									
Direct Appropriations:									
GENERAL	2,260,368	2,374,813	2,677,597	2,904,376	2,937,876	3,178,972	3,312,985		
STATE GOVERNMENT SPECIAL REVENUE	473	477	509	520	520	534	534		
HEALTH CARE ACCESS	115,289	123,415	180,478	208,057	210,735	264,039	236,046		
SPECIAL REVENUE	624	0	0	0	0	0	0		
FEDERAL TANF	186,280	221,264	263,427	258,342	273,336	221,680	273,149		
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	180,660	10,962	10,962	10,739	10,739		
STATE GOVERNMENT SPECIAL REVENUE	753	924	1,288	1,388	1,388	1,413	1,413		
HEALTH CARE ACCESS	64,951	79,338	101,623	119,154	119,154	141,269	141,269		
SPECIAL REVENUE	174,653	171,633	210,542	122,369	147,319	129,086	129,086		
FEDERAL	2,148,782	2,326,780	2,566,627	2,628,526	2,628,526	2,884,606	2,884,606		
MISCELLANEOUS AGENCY	531,545	507,764	528,707	527,098	527,098	529,194	529,194		
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	**5,700,686**	**6,032,325**	**6,779,450**	**6,847,720**	**6,923,842**	**7,428,463**	**7,585,952**		

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	5,913.0	5,913.0	5,917.8	5,913.0	5,919.2
Total Full-Time Equivalent	**6,138.3**	**6,196.0**	**5,913.0**	**5,913.0**	**5,917.8**	**5,913.0**	**5,919.2**

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	41.70	5.00	1.00	0.00	0.00	142.10
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**	**61.70**	**20.20**	**1.00**	**0.00**	**0.00**	**409.50**
Children's Services Management									
Children's Services Management	21.50	0.00	0.00	40.50	49.30	0.00	0.00	0.00	111.30
Subtotal – Children's Services Mgmt	**21.50**	**0.00**	**0.00**	**40.50**	**49.30**	**0.00**	**0.00**	**0.00**	**111.30**
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	2,995.40	0.00	0.00	55.90	1.30	0.00	0.00	918.60	3,971.20
Department Total	**3,737.20**	**35.00**	**231.70**	**818.20**	**168.60**	**1.00**	**2.70**	**918.60**	**5,913.00**

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	41.70	5.00	0.00	0.00	0.00	116.35
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	1.00	0.00	0.00	14.80
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**	**501.00**
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	49.30	0.00	0.00	0.00	60.60
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	0.00	0.00	0.00	0.00	0.00	11.20
Children's Research, Plan & Eval Division	3.00	0.00	0.00	0.00	11.90	0.00	0.00	0.00	14.90
Subtotal Children's Services	**24.50**	**0.00**	**0.00**	**40.50**	**61.20**	**0.00**	**0.00**	**0.00**	**126.20**
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	0.00	0.00	0.00	38.20
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	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**	**550.00**
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	**2,995.40**	**0.00**	**0.00**	**55.90**	**1.30**	**0.00**	**0.00**	**918.60**	**3,971.20**
Department Total	**3,737.20**	**35.00**	**231.70**	**818.20**	**168.60**	**1.00**	**2.70**	**918.60**	**5,913.00**

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

2001 Federal Poverty Guidelines

Size of Family Unit	Poverty Guideline	150%	175%	185%	200%	225%	250%	275%
1	8,590	12,885	15,033	15,892	17,180	19,328	21,475	23,623
2	11,610	17,415	20,318	21,479	23,220	26,123	29,025	31,928
3	14,630	21,945	25,603	27,066	29,260	32,918	36,575	40,233
4	17,650	26,475	30,888	32,653	35,300	39,713	44,125	48,,538
5	20,670	31,005	36,173	38,240	41,340	46,508	51,675	56,843
6	23,690	35,535	41,458	43,827	47,380	53,303	59,225	65,148
7	26,710	40,065	46,743	49,414	53,420	60,098	66,775	73,453
8	29,730	44,595	52,028	55,001	59,460	66,893	74,325	81,758
9+	Add $3,020 Each	Add $4,530 Each	Add $5,285 Each	Add $5,587 Each	Add $6,040 Each	Add $6,795 Each	Add $7,550 Each	Add $8,305 Each

Source : Federal Register Vol. 66, No. 33, P. 10695-10697, Feb.16, 2001.

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.

Fund: GENERAL

BASE YEAR (FY 2001) ($000s)	FY 2002	FY 2003	Biennium
Appropriations	$2,760,623	$2,760,623	$5,521,246
BASE ADJUSTMENT			
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	170,587	439,446	610,033
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)
BASE LEVEL (for 2002 and 2003)	**$2,904,376**	**$3,178,972**	**$6,083,348**

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

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 barrier s 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.

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-	39,857	39,857
Expand Family Planning Services	751	1,651	2,402
Income Strd For Elderly & Disabled	2,659	(1,254)	1,405
Comparable Access To Health Care	-0-	(1,896)	(1,896)
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

Fund: GENERAL (Continued)

FQHC & RHC Rates	408	551	959
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	7,431	(6,304)	1,127
SFY 03 Long-Term Care COLA	-0-	19,709	19,709
Relocate/Divert – Under Age 65	638	(79)	559
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	8,122	11,952	20,074
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	(2,271)	(6,939)	(9,210)
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-	63,259	63,259
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	379	799	1,178
Maintain Exit Level At 120% Of FPG	-0-	268	268
Response To 60 Month Time Limit	(9)	(443)	(452)
MDH Teen Pregnancy	-0-	(2,152)	(2,152)
GOVERNOR'S CHANGE ITEMS	**$33,500**	**$134,013**	**$167,513**
TOTAL GOVERNOR'S BUDGET	**$2,937,876**	**$3,312,985**	**$6,250,861**

The Governor's recommendation for budget change items increase the DHS General Fund appropriation by $33,500,000 in FY 2002 and $134,013,000 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

	FY 2002	FY 2003	Biennium
Total Budget Change Items	$33,500	$134,013	$167,513
Net (increase)/Decrease in Revenue	(31,569)	(723)	(32,292)
NET EFFECT ON GENERAL FUND	$1,931	$133,290	$135,221

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.

Fund: HEALTH CARE ACCESS

	FY 2002	FY 2003	Biennium
BASE YEAR (FY 2001) ($000s)			
Appropriations	$168,362	$168,362	$336,724
BASE ADJUSTMENT			
New Programs To Agency Base	(250)	(250)	(500)
Forecast Caseload/Enrollment Exp Change	39,597	95,218	134,815
DOC Space Rental/Lease	12	25	37
2002-03 Sal. & Ben. Base	336	684	1,020
BASE LEVEL (for 2002 and 2003)	**$208,057**	**$264,039**	**$472,096**
CHANGE ITEMS			
Health Care Coverage For Children	588	8,978	9,566
Financing Children's Health	-0-	(39,857)	(39,857)
MnCare Staffing	2,064	2,556	4,620
Comparable Access To Health Care	-0-	274	274
Repeal SAVE/Reporting Requirement	26	56	82
GOVERNOR'S RECOMMENDATION	**$210,735**	**$236,046**	**$446,781**

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 a portion 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.

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)

Fund: FEDERAL TANF

BASE FUNDING BY AGENCY ($000s)	FY 2002	FY 2003	Biennium
Department of Human Services	$258,342	$221,680	$480,022
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	**$290,065**	**$253,117**	**$543,182**
CHANGE ITEMS			
DHS			
Child Permanency And Reunification	4,650	4,650	9,300
Response To 60 Month Time Limit	598	33,188	33,786
Maintain Exit Level At 120% of FPG	-0-	1,107	1,107
Post Secondary Education Up To 24 Mo	1,703	3,326	5,029
Continue Assistance To Legal Non Citizens	4,643	6,380	11,023
Repeal SAVE/Reporting Requirement	1,650	3,300	4,950
Employment Services Tracking System	1,750	750	2,500
MDH Teen Pregnancy	-0-	(1,232)	(1,232)
MDH			
Teen Pregnancy Prevention	10,000	10,000	20,000
DCFL			
Consolidated Child Care	(1,109)	(4,492)	(5,601)
MHFA			
Affordable Housing Initiative	12,000	12,000	24,000
Total Change Items	$35,885	$68,977	$104,862
GOVERNOR'S RECOMMENDATION	**$325,950**	**$322,094**	**$648,044**

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.

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.

Fund: FEDERAL TANF (Continued)

- Repeal required use of the federal immigration notification system. This will remove barriers that prevent undocumented parents form 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: 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.

- 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:

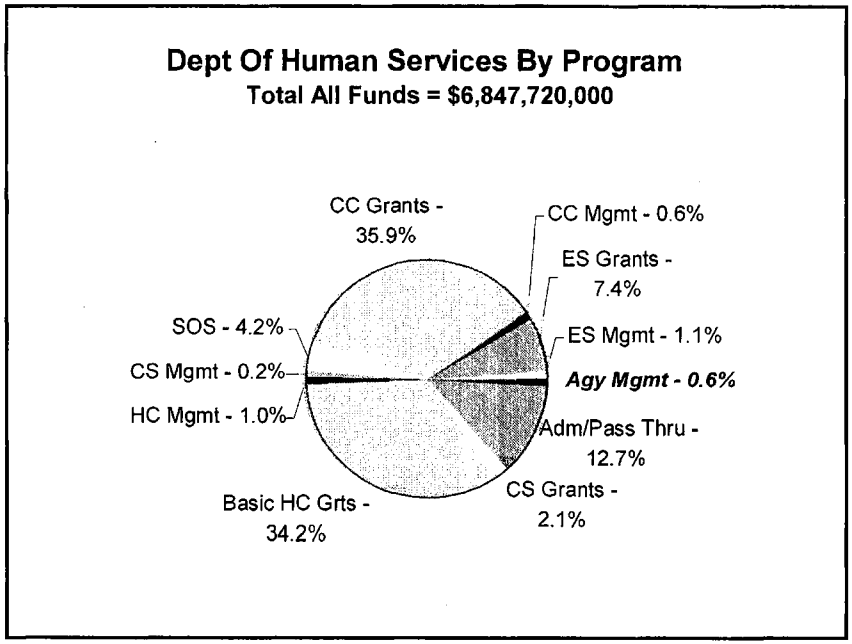
- DHS central office administrative costs will be equal to or less than 5% of total central office General Fund expenditures each year of the biennium.
- At least 98% of DHS payments to vendors will be made within 30 days of receipt of invoices.
- DHS will decrease the frequency of work-related lost 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.

FINANCING INFORMATION:

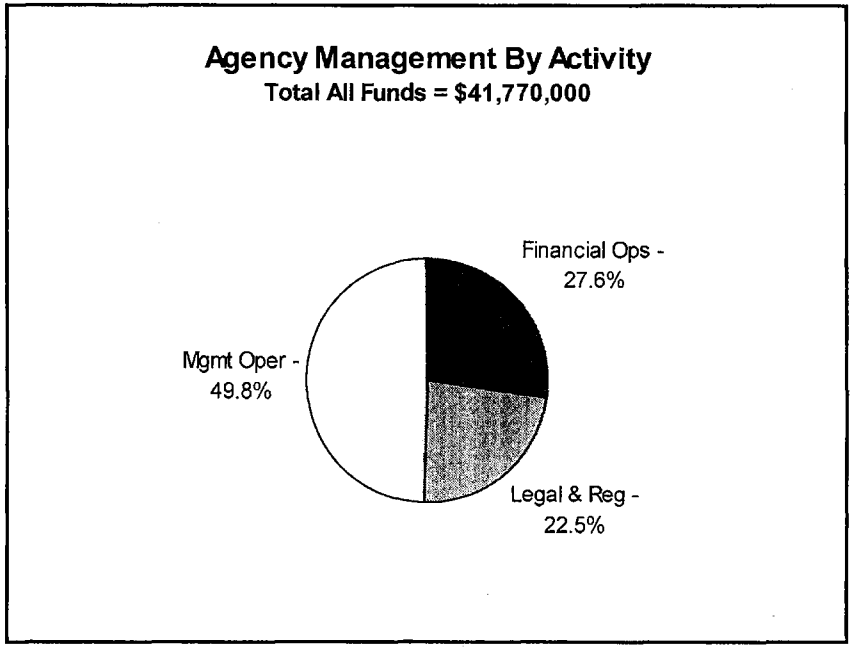
(See charts which follow narrative)

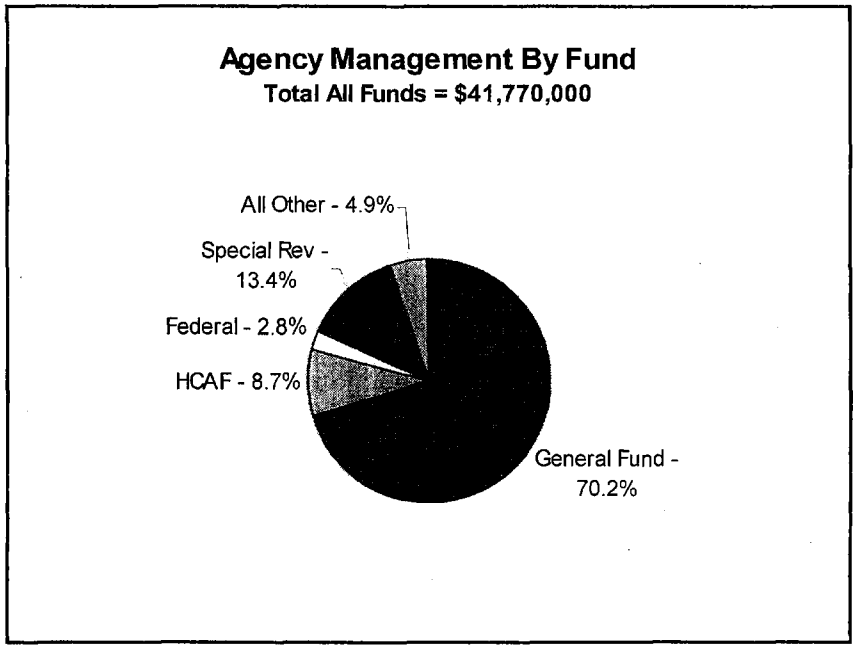
BUDGET ISSUES:

- 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.
- 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.



Program Finance Summary
Agency Management
FY 2002 Base





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	7,502	9,470	10,967	9,697	10,897	7,497	52.2%
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**	**39,884**	**41,770**	**50,649**	**42,876**	**50,306**	**23,144**	**29.7%**

Change Items:	Fund						
(B) FUND CORE LICENSING ACTIVITIES	GEN				1,138		923
(B) EXPEDITED MALTREATMENT INVESTIGATIONS	GEN				359		277
(B) ELECTRONIC GOVERNMENT SERVICES	GEN				3,571		3,571
(B) HEALTH DATA SECURITY	GEN				3,811		2,659
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	392	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	1,288	1,388	1,388	1,413	1,413
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**	**39,884**	**41,770**	**50,649**	**42,876**	**50,306**

FTE by Employment Type:							
FULL TIME	408.4	414.9	409.5	409.5	428.0	409.5	428.0
Total Full-Time Equivalent	**408.4**	**414.9**	**409.5**	**409.5**	**428.0**	**409.5**	**428.0**

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);

- 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:

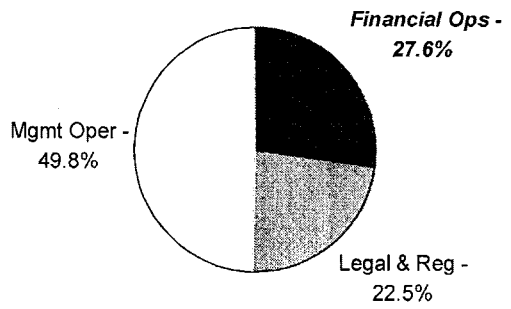
(See charts which follow narrative)

BUDGET ISSUES:

Budget issues affecting agency management include

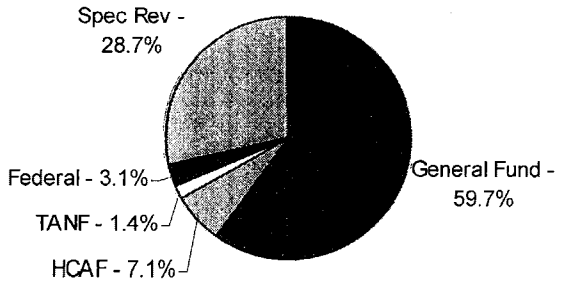
- managing the increasing complexity and interaction of funding sources of DHS programs;
- achieving the optimal application of Temporary Assistance for Needy Families (TANF) and General Fund financing to support the self-sufficiency agenda and maximize the on-going availability of federal funds;
- providing 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 = $41,770,000



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: 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:

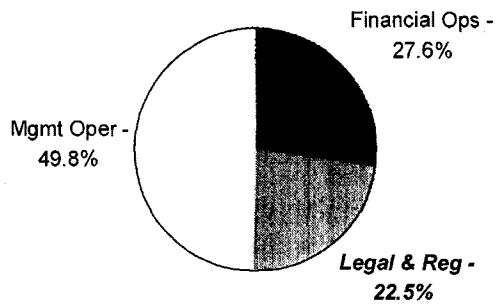
(See charts which follow narrative)

BUDGET ISSUES:

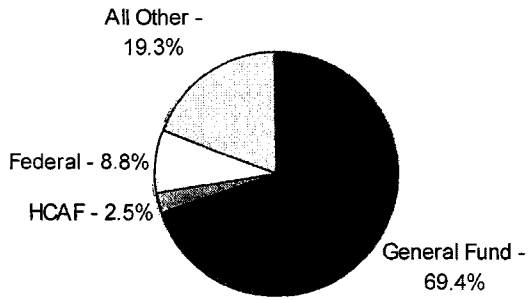
Legal and Regulatory Operations budget issues include

- 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 = $41,770,000



Legal & Regulatory Operations By Fund
Total All Funds = $9,470,000



Activity Finance Summary
Legal & Regulatory Operations
FY 2002 Base

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
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	6,463	7,346	6,628	7,511	2,509	20.3%
OTHER OPERATING EXPENSES	1,398	868	1,151	973	1,587	973	1,290	858	42.5%
TRANSFERS	0	0	0	2,034	2,034	2,096	2,096	4,130	
Total Expenditures	**6,826**	**6,865**	**7,502**	**9,470**	**10,967**	**9,697**	**10,897**	**7,497**	**52.2%**

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	392	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	1,288	1,388	1,388	1,413	1,413		
FEDERAL	742	790	830	829	829	829	829		
Total Financing	**6,826**	**6,865**	**7,502**	**9,470**	**10,967**	**9,697**	**10,897**		

FTE by Employment Type:									
FULL TIME	104.5	107.7	119.1	119.1	137.6	119.1	137.6		
Total Full-Time Equivalent	**104.5**	**107.7**	**119.1**	**119.1**	**137.6**	**119.1**	**137.6**		

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 ____ No X

☐ New Activity ☒ Supplemental Funding ☐ 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 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 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

☐ New Activity ☒ Supplemental Funding ☐ 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 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: 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)

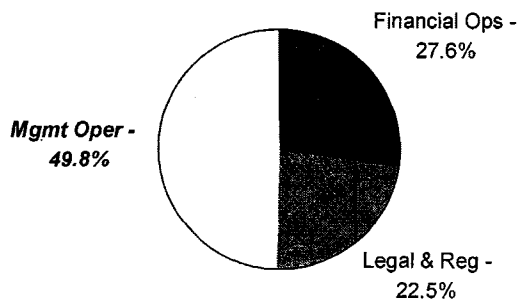
BUDGET ISSUES:

- 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.

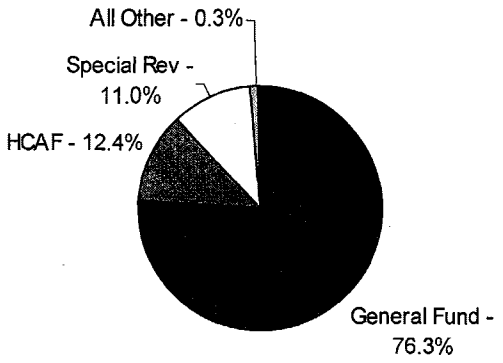
Budget Activity: **MANAGEMENT OPERATIONS**
Program: **AGENCY MANAGEMENT**
Agency: **HUMAN SERVICES DEPT**

- 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 = $41,770,000



Management Operations By Fund
Total All Funds = $20,791,000



Activity Finance Summary
Management Operations
FY 2002 Base

Management Operations – FTE Count						
Division	General Fund	HCAF	Spec Rev	Federal Fund	Other Funds	Total
Inf/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**

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 acess to human service programs;

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

-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.

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 (HIPPA); 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.

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: 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 $642 million. A breakdown of FY 2001 non-dedicated revenue is provided in the table below (000's):

Surcharge on health care providers	$127,903
Recoveries and refunds	23,078
SOS cost of care billings, appropriation-based	76,867
Federal TANF	332,069
Working Family Credit (TANF)	50,535
Licensing fees	700
Revenue enhancement projects	1,000
Central Office administrative reimbursement	28,713
Miscellaneous other	678
Total	$641,543

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	2,577,659
Private grants	1,244
Gifts	498
MnCare Grant premiums	32,259
Alternative Care Grant premiums	1,750
SOS cost of care billings, revenue-based	64,901
Licensing fees	234
Background study fees	50
Intergovernmental – county	190,929
Intergovernmental – state	5,064
Child Support recoveries	524,328
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	12,581
Total	$3,562,493

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: 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)	50,535
Federal TANF to Federal Title XX	30,185
Revenue enhancement projects	1,000
Child Support to custodial parents	504,400
Total	$918,163

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	309,830	254,258	254,258	245,685	245,685	(44,412)	(8.2%)
Total Expenditures	**813,572**	**811,576**	**918,162**	**866,676**	**866,676**	**861,406**	**861,406**	**(1,656)**	**(0.1%)**
Financing by Fund:									
Direct Appropriations:									
FEDERAL TANF	37,614	70,431	109,227	65,565	65,565	56,992	56,992		
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**	**918,162**	**866,676**	**866,676**	**861,406**	**861,406**		

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	165,009	182,309	10,953	10,953	10,730	10,730
STATE GOVERNMENT SPECIAL REVENUE	625	1,171	987	1,388	1,388	1,413	1,413
HEALTH CARE ACCESS	67,202	79,503	101,623	119,154	119,154	141,269	141,269
SPECIAL REVENUE	92,304	102,821	115,887	120,835	120,835	124,028	124,028
FEDERAL	2,152,921	2,325,482	2,564,484	2,628,122	2,628,122	2,884,302	2,884,302
MISCELLANEOUS AGENCY	538,920	503,905	528,709	527,099	527,099	529,195	529,195
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	175,892	240,786	253,521	285,090	254,985	255,708
HEALTH CARE ACCESS	3,287	3,245	3,112	2,847	3,670	2,912	4,215
CAMBRIDGE DEPOSIT FUND	77,033	45,901	55,576	0	0	0	0
FEDERAL TANF	187,071	265,546	332,069	290,065	290,065	253,117	253,117
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**	**3,731,609**	**4,203,712**	**4,031,828**	**4,064,220**	**4,279,795**	**4,281,821**

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;

- 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.)

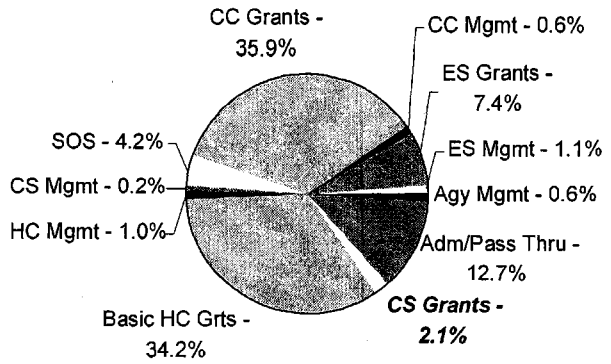
BUDGET ISSUES:

- 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

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

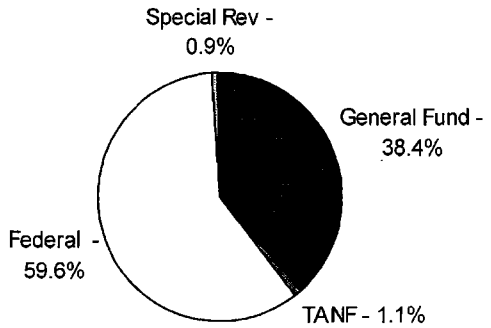
- Paying special attention to the effects of welfare-to-work programs on children as time limits approach.
- Building local capacity outside the child welfare system to protect children and support families.
- Increasing the number of adoptions of children under state guardianship so that permanent, 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 = $6,847,720,000



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	37,436	35,956	48,716	42,519	97.4%
LOCAL ASSISTANCE	92,062	114,132	127,328	115,677	120,327	115,636	183,933	62,800	26.0%
Total Expenditures	**107,745**	**132,975**	**153,392**	**145,842**	**158,886**	**152,715**	**233,772**	**106,291**	**37.1%**

Change Items:	Fund						
(B) CHILD PERMANENCY AND REUNIFICATION	TANF				4,650		4,650
(B) ADOPTION/RELATIVE CUSTODY CARE ASST	GEN				8,394		12,760
(B) CHILDREN'S FAMILY FOSTER CARE	GEN						63,259
(B) SFY03 LONG-TERM CARE COLA	GEN						388
Total Change Items					**13,044**		**81,057**

Financing by Fund:							
Direct Appropriations:							
GENERAL	47,929	54,917	61,694	56,027	64,421	55,941	132,348
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**	**158,886**	**152,715**	**233,772**

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**	**64,421**	**55,941**	**132,348**
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	22,086	13,606	22,231

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 / 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 / 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	
	F Y 2002	F Y 2003	F Y 2004	F Y 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 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 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	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
Children's Grants	$8,394	$12,760	$14,912	$14,912
Children's Services Mgmt.	231	210	210	210
MA Basic Health Care: F&C	(503)	(1,018)	(1.018)	(1,018)
Total	$8,122	$11,952	$14,104	$14,104
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 $8,122,000 for FY 2002 and $11,952,000 for FY 2003 to provide permanency for 1,234 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 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.

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

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

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

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: 711 children to adoption assistance and 523 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 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	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Adoption Assistance				
FY 2000 supplement to base	$1,800	$1,800	$1,800	$1,800
Growth projections	2,315	4,990	6,297	6,297
MA Effect	(503)	(1,018)	(1,018)	(1,018)
3 FTE and support costs	231	210	210	210
Admin Reimbursement	(102)	(92)	(92)	(92)
Net Cost	3,741	5,890	7,197	7,197
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	$8,020	$11,860	$14,012	$14,012

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

	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-	$63,259	$63,259	$63,259

Statutory Change? Yes X No ____

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

[X] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of $63,259,000 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 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
2000:	$19,718,904	$63,259,161	$82,978,065

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.

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

Item Title: CHILDREN'S FAMILY FOSTER CARE

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

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 2000 total non-federal expenditures for child family foster care.

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

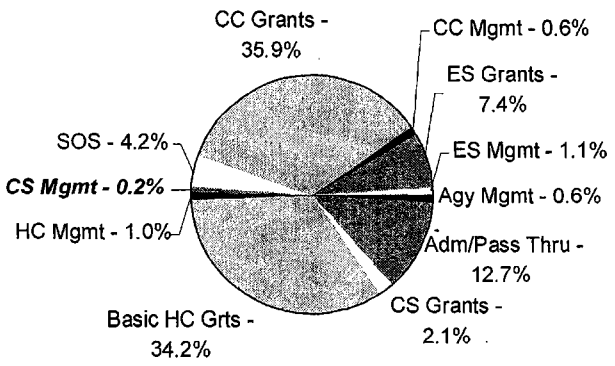
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

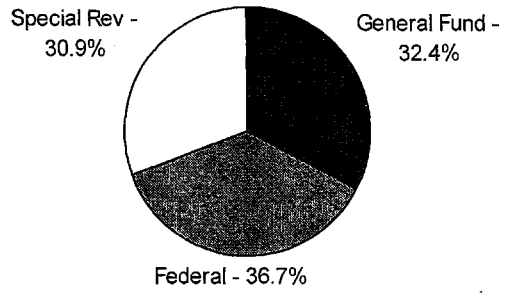
- Developing statewide guidelines and implementing statewide standards when service funding is mostly provided at the local level.
- Existing disparities among counties in their ability to fund services. This means more pressure for local governments to consider regional efforts to meet statewide standards 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 = $6,847,720,000



Program Finance Summary
Children's Services Management
FY 2002 Base

Children's Services Admin. 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: 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;

- 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.

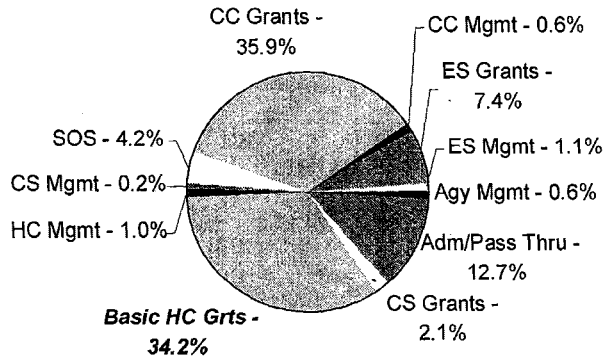
FINANCING INFORMATION:

(See charts which follow narrative)

BUDGET ISSUES:

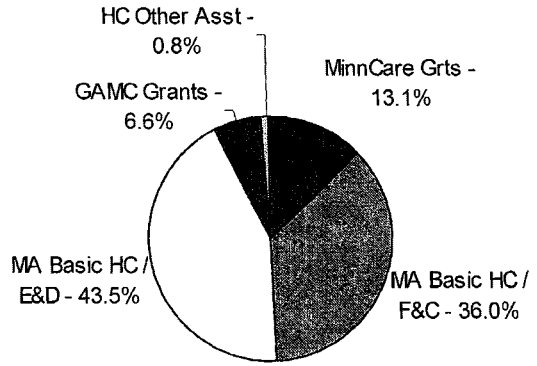
- In basic health care, DHS is one purchaser of services in a private marketplace. It uses private market plans to deliver most of the basic health care purchased. Like many other purchasers, it is therefore subject to marketplace pressures over which it has little control. Health care costs have been 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 = $6,847,720,000

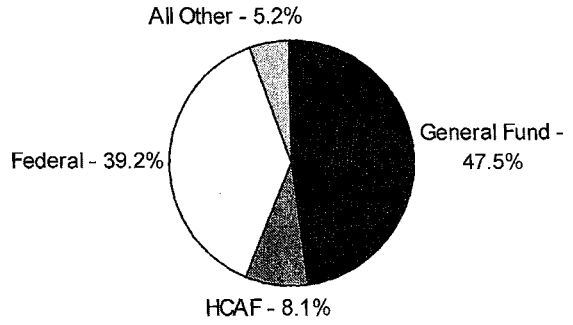


Program Finance Summary
Basic Health Care Grants
FY 2002 Base

Basic Health Care Grants By Activity
Total All Funds = $2,341,102,000



Basic Health Care Grants By Fund
Total All Funds = $2,341,102,000



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	264,330	307,373	307,399	385,109	353,160	209,125	46.3%
MA BASIC HEALTH CARE GRANT-F&C	660,666	784,062	802,921	841,693	839,632	1,060,019	1,099,544	352,193	22.2%
MA BASIC HEALTH CARE GRANT-E&D	744,689	835,060	945,061	1,017,467	1,024,662	1,176,205	1,186,771	431,312	24.2%
GAMC GRANTS	132,305	127,742	138,018	154,768	155,708	174,220	176,461	66,409	25.0%
HEALTH CARE - OTHER ASSISTANCE	4,579	8,715	24,524	19,801	15,994	23,088	14,289	(2,956)	(8.9%)
Total Expenditures	**1,706,732**	**1,942,683**	**2,174,854**	**2,341,102**	**2,343,395**	**2,818,641**	**2,830,225**	**1,056,083**	**25.6%**

Change Items:	Fund				
(B) HEALTH CARE COVERAGE FOR CHILDREN	HCA				7,578
(B) FINANCING CHILDREN'S HEALTH	HCA				(39,857)
(B) COMPARABLE ACCESS TO HEALTH CARE	HCA				274
(B) MNCARE FY 2001 DEFICIT FUNDING	HCA		7,060		
(B) REPEAL SAVE/REPORTING REQUIREMENT	HCA			26	56
(B) FQHC AND RHC RATES	GEN			408	551
(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			(503)	(1,018)
(B) MAINTAIN EXIT LEVEL AT 120% OF FPG	GEN				268
(B) SFY03 LONG-TERM CARE COLA	GEN				114
(B) POST SECONDARY EDUCATION UP TO 24 MO	GEN			379	799
(B) MDH TEEN PREGNANCY	GEN				(2,152)
(B) HEALTH CARE COVERAGE FOR CHILDREN	GEN				4,252
(B) COMPARABLE ACCESS TO HEALTH CARE	GEN				(1,896)
(B) FINANCING CHILDREN'S HEALTH	GEN				39,857
(B) INCOME STRD FOR ELDERLY AND DISABLED	GEN			2,659	(1,254)
(B) REDUCE THE COST OF DRUGS	GEN			(750)	(750)
(B) BALANCING LONG-TERM CARE SERVICES	GEN			(363)	(796)
(B) RELOCATE/DIVERT - UNDER AGE 65	GEN			(60)	107
(B) COMMUNITY-BASED MENTAL HEALTH SVCS	GEN			1,220	3,294
(B) REPEAL SAVE/REPORTING REQUIREMENT	GEN			895	2,058
(B) REDIRECT MDH HIV CASE MGMT TO DHS	GEN			560	560
Total Change Items			**7,060**	**2,293**	**11,584**

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	752,229	860,321	960,770	1,111,887	1,114,154	1,300,163	1,343,696
HEALTH CARE ACCESS	100,607	109,104	164,282	189,217	189,243	244,838	212,889
Statutory Appropriations:							
GENERAL	51,287	60,226	77,012	2,508	2,508	2,508	2,508
HEALTH CARE ACCESS	64,951	79,038	101,623	119,154	119,154	141,269	141,269
SPECIAL REVENUE	0	0	250	250	250	250	250
FEDERAL	737,658	833,994	870,917	918,086	918,086	1,129,613	1,129,613
Total Financing	**1,706,732**	**1,942,683**	**2,174,854**	**2,341,102**	**2,343,395**	**2,818,641**	**2,830,225**

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 MnnesotaCare 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: 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.

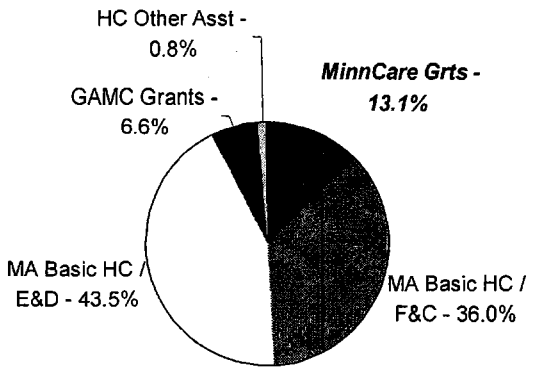
FINANCING INFORMATION:

(See charts which follow narratives)

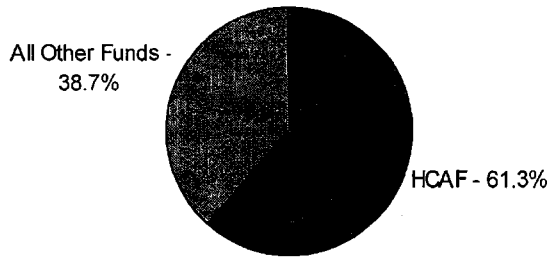
BUDGET ISSUES:

- 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 = $2,341,102,000



MinnesotaCare Grants By Fund
Total All Funds = $307,373,000



Activity Finance Summary
MinnesotaCare Grants
FY 2002 Base

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	264,330	307,373	307,399	385,109	353,160	209,125	46.3%
Total Expenditures	**164,493**	**187,104**	**264,330**	**307,373**	**307,399**	**385,109**	**353,160**	**209,125**	**46.3%**

Change Items:	Fund						
(B) HEALTH CARE COVERAGE FOR CHILDREN	HCA						7,578
(B) FINANCING CHILDREN'S HEALTH	HCA						(39,857)
(B) COMPARABLE ACCESS TO HEALTH CARE	HCA						274
(B) MNCARE FY 2001 DEFICIT FUNDING	HCA		7,060				
(B) REPEAL SAVE/REPORTING REQUIREMENT	HCA				26		56
Total Change Items			**7,060**		**26**		**(31,949)**

Financing by Fund:							
Direct Appropriations:							
HEALTH CARE ACCESS	99,542	108,373	163,157	188,467	188,493	244,088	212,139
Statutory Appropriations:							
HEALTH CARE ACCESS	64,951	78,731	101,173	118,906	118,906	141,021	141,021
Total Financing	**164,493**	**187,104**	**264,330**	**307,373**	**307,399**	**385,109**	**353,160**

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	90,303	136,372	173,992	204,053	248,551
Pregnant Women & Children Under Two	State/Federal	4,371	MA F&C	MA F&C	MA F&C	MA F&C
Adult Only	State	18,728	59,947	83,278	103,320	136,558
Technical Adjustment			(9,215)	-0-	-0-	-0-
MinnesotaCare Deficit			-0-	7,100		
Total		**113,402**	**187,104**	**264,370**	**307,373**	**385,109**

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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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-	$7,578	$11,545	$12,967
Health Care Policy Operations	588	1,400	1,200	1,200
Total	$588	$8,978	$12,745	$14,167
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

[x] 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 $8,978,000 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.

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

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 more efficient eligibility and enrollment administration. Investigate the feasibility of a new enrollment model. The

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

Item Title: EXPAND HEALTH CARE COVERAGE FOR LOW INCOME CHILDREN

new model will 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.

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 (12 FTEs)	$-0-	$530	$495	$470
Policy, Training & Federal Relations (2 FTEs)	182	273	182	91
Postage	-0-	56	52	48
Enrollment Administration Evaluation	150	-0-	-0-	-0-
Outstationing and Enrollment assistance	100	541	471	591
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 8,761 additional children in FY 2003. By FY 2004-2005, the department expects to add a total of 17,138 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.
- 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.

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-	$39,857	$42,338	$46,978
Health Care Access Fund				
MinnesotaCare Grants	$-0-	($39,857)	($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 $39,857,000 in FY 2003 and a decrease in the Health Care Access Fund budget of $39,857,000 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 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	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
MA Basic H C - F&C	$-0-	$(1,896)	$(2,590)	$(2,687)
Health Care Access Fund				
MinnesotaCare Grants	$-0-	$274	$592	$639

Statutory Change? Yes X No ____

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

[x] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNORS RECOMMENDATION:

The Governor recommends a decrease in the General Fund budget of $1,896,000 in FY 2003 and an increase in the Health Care Access Fund of $274,000 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	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
General Fund				
De-link MFIP & MA	$-0-	$(604)	$(1,298)	$(1,395)
Offset MA FFP Adjustment	-0-	(1,292)	(1,292)	(1,292)
Total	$-0-	$(1,896)	$(2,590)	$(2,687)
Health Care Access Fund				
MFIP Participants	$-0-	$274	$592	$639

OUTCOMES:

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

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 (65127)

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 950 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- .1 supervisor, .07 clerical support, .05 trainer, .12 data entry = .34	9.71	11.27
Total FTEs (rounded)	38	45

OUTCOMES:

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

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

Item Title: MNCARE FY 2001 DEFICIT FUNDING

		2002-03 Biennium		2004-05 Biennium	
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: ($000)					
Health Care Access Fund					
MinnesotaCare Grants	$7,060	$-0-	$-0-	$-0-	$-0-

Statutory Change? Yes ____ No X

If yes, statutes affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the FY 2001 Health Care Access fund budget of $7,060,000 to fund a forecasted deficit in the MinnesotaCare Grants Program.

RATIONALE:

Background

The Health Care Access Fund has sufficient funds for the operation of the MinnesotaCare Grants Program; however the current forecast of FY 2000-01 expenditures exceeds the department's FY 2000-01 appropriation.

Proposal

Appropriate an additional $7,060,000 to the MinnesotaCare Grant Program in FY 2001 to eliminate the forecasted deficit. If the deficit is not funded, Minnesota Statutes directs the department to institute procedures to insure operation of the program within appropriations.

OUTCOMES:

Provides funding for the costs of coverage for eligible recipients of the MinnesotaCare Grants Program for FY 2001.

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:

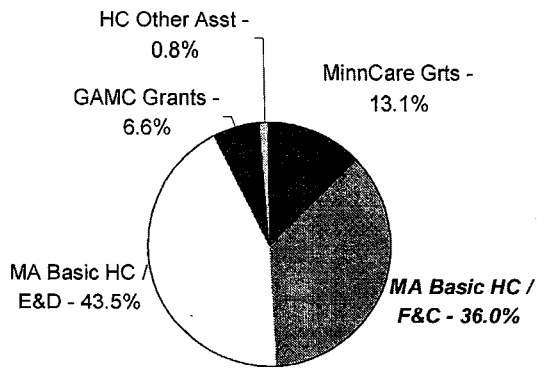
(See charts which follow narrative)

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

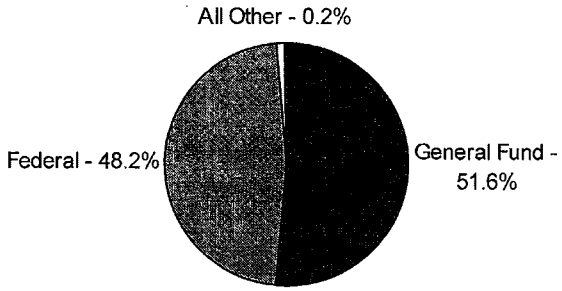
BUDGET ISSUES:

- 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 = $2,341,102,000



MA Basic Health Care Grants - F&C By Fund
Total All Funds = $841,693,000



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

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	39,857	39,857	
Subtotal State Operations	**0**	**0**	**0**	**0**	**0**	**0**	**39,857**	**39,857**	
PAYMENTS TO INDIVIDUALS	642,728	761,018	767,012	841,693	839,632	1,060,019	1,059,687	371,289	24.3%
LOCAL ASSISTANCE	17,938	23,044	35,909	0	0	0	0	(58,953)	(100.0%)
Total Expenditures	**660,666**	**784,062**	**802,921**	**841,693**	**839,632**	**1,060,019**	**1,099,544**	**352,193**	**22.2%**

Change Items:	Fund						
(B) FQHC AND RHC RATES	GEN				408		551
(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				(503)		(1,018)
(B) MAINTAIN EXIT LEVEL AT 120% OF FPG	GEN						268
(B) SFY03 LONG-TERM CARE COLA	GEN						7
(B) POST SECONDARY EDUCATION UP TO 24 MO	GEN				379		799
(B) MDH TEEN PREGNANCY	GEN						(2,152)
(B) HEALTH CARE COVERAGE FOR CHILDREN	GEN						4,252
(B) FINANCING CHILDREN'S HEALTH	GEN						39,857
(B) COMPARABLE ACCESS TO HEALTH CARE	GEN						(1,896)
Total Change Items					**(2,061)**		**39,525**

Financing by Fund:							
Direct Appropriations:							
GENERAL	273,965	338,242	362,254	434,068	432,007	516,841	556,366
Statutory Appropriations:							
GENERAL	17,064	21,809	31,850	1,589	1,589	1,589	1,589
FEDERAL	369,637	424,011	408,817	406,036	406,036	541,589	541,589
Total Financing	**660,666**	**784,062**	**802,921**	**841,693**	**839,632**	**1,060,019**	**1,099,544**

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	127,761	133,366	131,172
Outpatient Hospital	State/Federal		11,539	12,205	11,990	10,187
Public Hospitals	State/Federal		24,240	12,120	12,120	12,120
Ambulatory Surgery	State/Federal		4,776	5,260	5,452	5,000
Mental Health Services	State/Federal		15,991	11,600	10,682	9,360
Physicians	State/Federal		28,397	31,172	29,160	26,918
Dental	State/Federal		5,249	5,558	5,233	4,734
Laboratory & Radiology	State/Federal		10,709	11,485	10,983	10,134
Rehabilitation Services	State/Federal		1,168	1,263	1,338	1,386
Prescription Drugs	State/Federal		24,849	27,880	27,950	27,270
Medical Supplies & Prosthetics	State/Federal		2,874	3,140	3,073	2,887
Medical Transportation	State/Federal		2,215	2,621	2,516	2,332
Managed Care (HMO)	State/Federal		426,402	446,704	576,032	723,473
Other Practitioners	State/Federal		3,379	3,592	3,399	3,095
Other Services	State/Federal		6,921	7,304	6,820	6,064
Medicare & Insurance Buy-In	State/Federal		2,575	3,212	3,904	4,137
CD Treatment Fund	CCDTF/Federal		4,249	4,247	4,250	4,250
Special Funding Items	State/Federal		82,841	66,493	71,307	77,380

Continued Next Page

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		23,044	35,909	-0-	-0-
Non-Citizen Coverage	State		18,833	21,140	26,831	37,377
Adjustments	State/Federal		(29,605)	(37,745)	(104,713)	(39,257)
Total		**246,659**	**784,062**	**802,921**	**841,693**	**1,060,019**

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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
MA Basic HC – F&C	$408	$551	$703	$924

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 $408,000 in FY 2002 and $551,000 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. Current state law ties FQHC and RHC payments to the federal law which automatically reduce payments over time.

New federal law in December 2000 replaced the phase out provisions with a prospective payment system (PPS) effective January 1, 2001. The new law allows states to pay under an alternative method, with FQHC/RHC agreement, but must pay at least what the PPS rate would be.

Proposal
This proposal will allow the state to pay FQHCs and RHCs based on 100% of reasonable costs.

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.
- Allow the state to offer the FQHCs and RHCs an alternative to the PPS, as provided for in federal law.

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	$(1,607)	$(6,326)
Health Care Operations	751	960	920	920
Total	$751	1,651	(687)	(5,406)
Federal TANF				
MFIP Grants	-0-	--0-	(495)	(1,357)
Econ Support Other Assist	-0-	-0-	(325)	(945)
Total	-0-	-0-	(820)	$(2,302)
Revenues: ($000)				
General Fund				
Admin Reimbursement	$330	$422	$405	$405

Statutory Change? Yes X No ____

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

[x] 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. [i]
- 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]

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

- 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;
- 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	$(1,607)	$(6,326)
MFIP Grants	-0-	-0-	(495)	(1,357)
Economic Support Other	-0-	-0-	(325)	(925)
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)

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

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

Statutory Change? Yes X 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.

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.

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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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 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.

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.

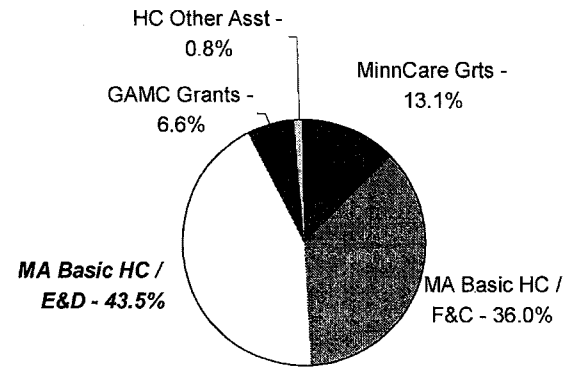
FINANCING INFORMATION:

(See charts which follow narrative)

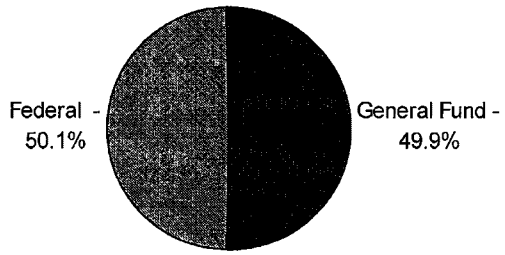
BUDGET ISSUES:

- 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 = $2,341,102,000



MA Basic Health Care Grants - E&D By Fund
Total All Funds = $1,017,467,000



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

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	709,264	797,423	896,452	1,017,467	1,024,662	1,176,205	1,186,771	517,558	30.6%
LOCAL ASSISTANCE	35,425	37,637	48,609	0	0	0	0	(86,246)	(100.0%)
Total Expenditures	**744,689**	**835,060**	**945,061**	**1,017,467**	**1,024,662**	**1,176,205**	**1,186,771**	**431,312**	**24.2%**

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) BALANCING LONG-TERM CARE SERVICES	GEN				(363)		(796)
(B) RELOCATE/DIVERT - UNDER AGE 65	GEN				(60)		107
(B) SFY03 LONG-TERM CARE COLA	GEN						107
(B) COMMUNITY-BASED MENTAL HEALTH SVCS	GEN				1,220		3,294
(B) IMPLEMENT CBP OR PMAP IN ALL COUNTIES	GEN				122		499
Total Change Items					**7,195**		**10,566**

Financing by Fund:							
Direct Appropriations:							
GENERAL	343,433	387,567	441,757	507,896	515,091	590,660	601,226
Statutory Appropriations:							
GENERAL	34,223	38,417	43,683	0	0	0	0
FEDERAL	367,033	409,076	459,621	509,571	509,571	585,545	585,545
Total Financing	**744,689**	**835,060**	**945,061**	**1,017,467**	**1,024,662**	**1,176,205**	**1,186,771**

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	185,618	201,504	226,456
Outpatient Hospital	State/Federal		9,108	9,597	11,004	12,253
Public Hospitals	State/Federal		12,120	12,120	12,120	12,120
Ambulatory Surgery	State/Federal		6,664	7,645	8,713	9,808
Mental Health Services	State/Federal		36,929	31,638	36,839	41,999
Physicians	State/Federal		45,792	45,694	47,555	53,309
Dental	State/Federal		8,754	10,416	10,692	11,848
Laboratory & Radiology	State/Federal		18,876	19,314	20,165	22,635
Rehabilitation Services	State/Federal		10,473	11,851	12,471	14,048
Prescription Drugs	State/Federal		197,110	240,831	252,039	287,456
Medical Supplies & Prosthetics	State/Federal		32,069	34,750	37,514	43,583
Medical Transportation	State/Federal		25,762	30,464	30,831	34,151
Managed Care (HMO)	State/Federal		146,218	188,081	254,264	317,128
Other Practitioners	State/Federal		5,118	5,568	5,680	6,261
Other Services	State/Federal		16,094	17,453	17,139	18,245
Medicare & Insurance Buy-In	State/Federal		55,327	44,106	52,380	57,236
CD Treatment Fund	CCDTF/Federal		2,527	2,550	2,556	2,553
County Share Reimbursement	State		36,737	48,6069	-0-	-0-
CD Transfer	State		-0-	(1,244)	(1,270)	(1,276)
MH Case Management	State		4,173	-0-	5,271	6,392
Adjustments	State/Federal		898	-0-	-0-	-0-
Total		**119,242**	**835,060**	**945,061**	**1,017,467**	**1,176,205**

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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
MA Basic HC - E&D	$7,026	$8,105	$9,364	$10,791
HC Grants - Other Assistance	(4,367)	(9,359)	(9,157)	(8,208)
Total	$2,659	$(1,254)	$207	$2,583

Statutory Change? Yes X 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 $2,659,000 in FY 2002 and a decrease of $1,254,000 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 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

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.

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	(4,367)	(9,359)	(9,157)	(8,208)
Total	$2,659	$(1,254)	$207	$2,583

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.
- 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.

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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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 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.

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.

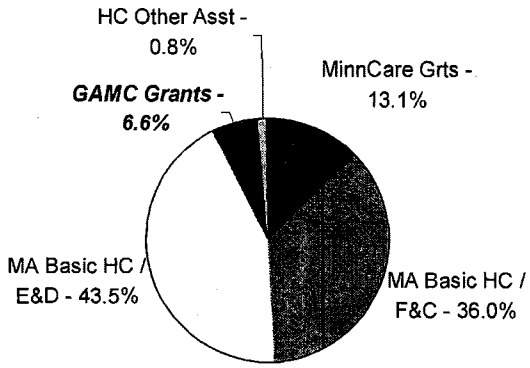
FINANCING INFORMATION:

(See charts which follow narrative.)

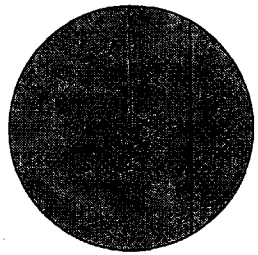
BUDGET ISSUES:

- 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 = $2,341,102,000



GAMC Grants By Fund
Total All Funds = $154,768,000



Activity Finance Summary
General Assistance Medical Care Grants
FY 2002 Base

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	138,018	154,768	155,708	174,220	176,461	66,409	25.0%
Total Expenditures	**132,305**	**127,742**	**138,018**	**154,768**	**155,708**	**174,220**	**176,461**	**66,409**	**25.0%**

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	138,018	154,768	155,708	174,220	176,461		
Total Financing	**132,305**	**127,742**	**138,018**	**154,768**	**155,708**	**174,220**	**176,461**		

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	42,074	43,582	47,062
Outpatient Hospital	State		1,671	1,838	2,078	2,121
Ambulatory Surgery	State		2,031	2,239	2,531	2,583
Physicians	State		10,309	10,999	10,594	10,790
Dental	State		1,489	1,554	1,524	1,553
Laboratory & Radiology	State		4,361	4,565	4,476	4,560
Prescription Drugs	State		10,064	10,907	11,032	11,597
Visioncare	State		420	439	431	439
Mental Health	State		1,970	1,995	1,958	1.995
Case Management	State		-0-	-0-	-0-	-0-
Supplies & Prosthetics	State		708	768	808	856
Medical Transportation	State		1,481	1,557	1,525	1,553
Other Practitioners	State		234	342	336	342
Managed Care (HMO)	State		51,209	56,156	71,340	86,187
Other Services	State		1,979	1,585	1,553	1,582
Non-System Payments & Other Adjustments	State		823	1,000	1,000	1,000
Total		**23,347**	**127,742**	**138,018**	**154,768**	**174,220**

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	
	F Y 2002	F Y 2003	F Y 2004	F Y 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 X No ____

If yes, statutes affected: M.S. 256.01, 256J.32

[x] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the federal Temporary Assistance for Needy Families (TANF) budget of $1,650,000 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 Activity: GAMC GRANTS
Program: BASIC HEALTH CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: REPEAL SAVE/REPORTING REQUIREMENTS

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.

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 315 children on General Assistance Medical Care (GAMC).
- Advance the state's commitment to cover uninsured children. An additional 400 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.

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

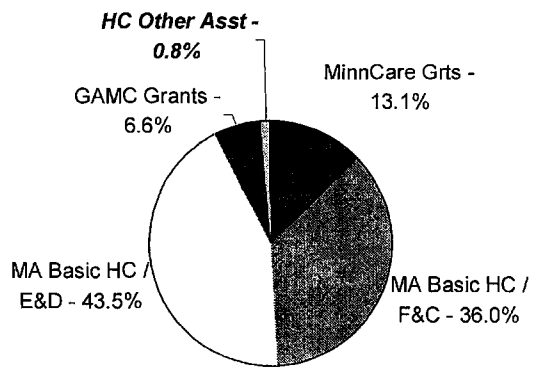
Prescription Drug Program

- 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.

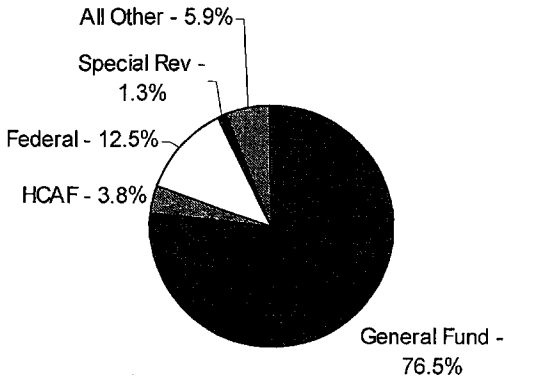
FINANCING INFORMATION:

(See charts which follow narrative.)

Basic Health Care Grants By Activity
Total All Funds = $2,341,102,000



Health Care Grants - Other Asst By Fund
Total All Funds = $19,801,000



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

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	9,141	16,795	7,436	(3,248)	(16.4%)
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**	**15,994**	**23,088**	**14,289**	**(2,956)**	**(8.9%)**

Change Items:	Fund						
(B) REDIRECT MDH HIV CASE MGMT TO DHS	GEN				560		560
(B) INCOME STRD FOR ELDERLY AND DISABLED	GEN				(4,367)		(9,359)
Total Change Items					**(3,807)**		**(8,799)**

Financing by Fund:							
Direct Appropriations:							
GENERAL	2,526	6,770	18,741	15,155	11,348	18,442	9,643
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**	**15,994**	**23,088**	**14,289**

Grant / Activity	Purpose / People Served	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Gov's Rec	Base	Gov's Rec
DIRECT APPROPRIATION							
General Fund		**6,770**	**18,741**	**15,155**	**11,348**	**18,442**	**9,643**
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	6,389	14,043	4,684
PASRR for Person with MI and DD	Funding to reimburse counties for costs associated with completing federally required pre-admission screening and resident reviews (PASRR) of nursing home applicants or residents with a probable mental illness or a developmental disability.	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 / 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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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 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.

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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

- administrating 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: 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).

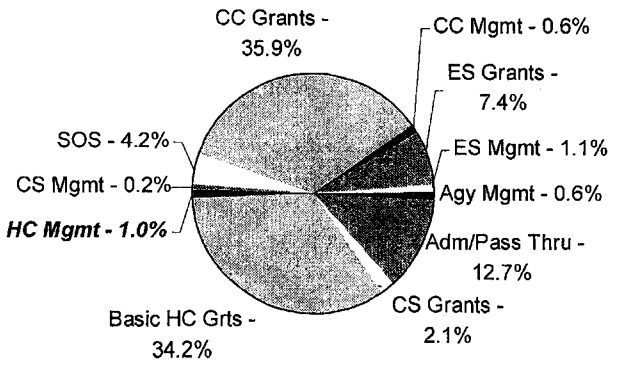
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

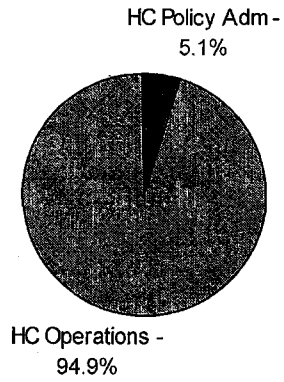
- The federal Health Insurance Portability and Accountability Act (HIPAA) mandates standards for electronic transactions, security, and data privacy. Compliance with this national standard setting law is required for all health care payers and providers.
- DHS purchases health care in a competitive private 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 = $6,847,720,000

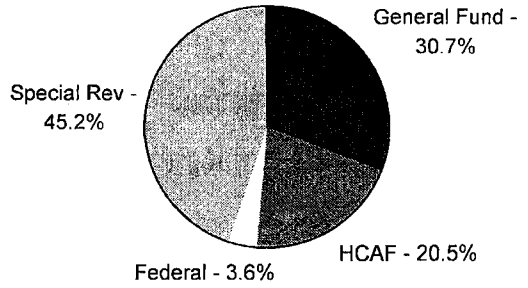


Program Finance Summary
Health Care Management
FY 2002 Base

Health Care Management By Activity
Total All Funds = $67,818,000



Health Care Management 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: HEALTH CARE POLICY ADMIN
Program: HEALTH CARE MANAGEMENT
Agency: HUMAN SERVICES DEPT

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

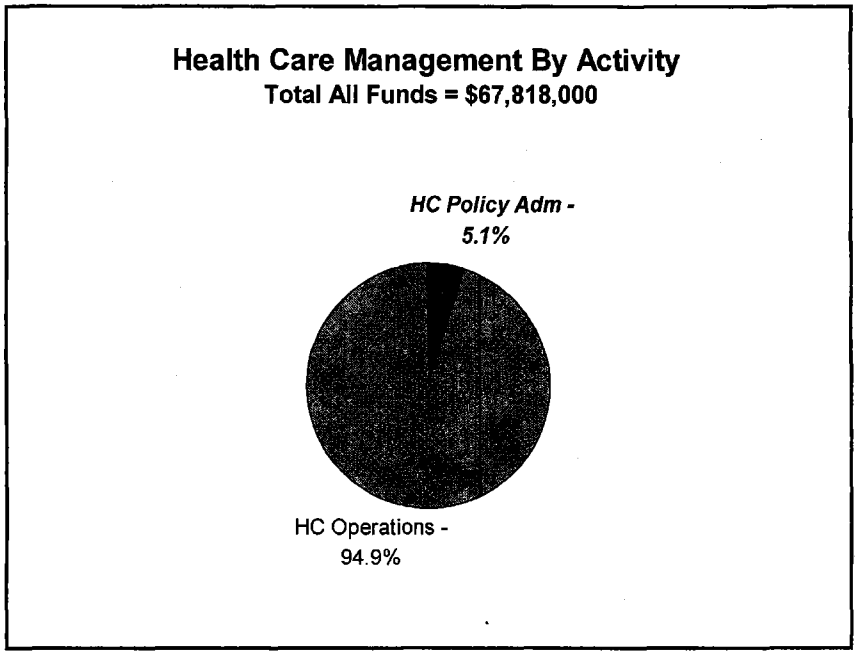
- 30,000 medical services providers;
- over 24 state health care professional organizations;
- the federal Health Care Financing Administration and its Medicare program and intermediaries; and
- 87 counties.

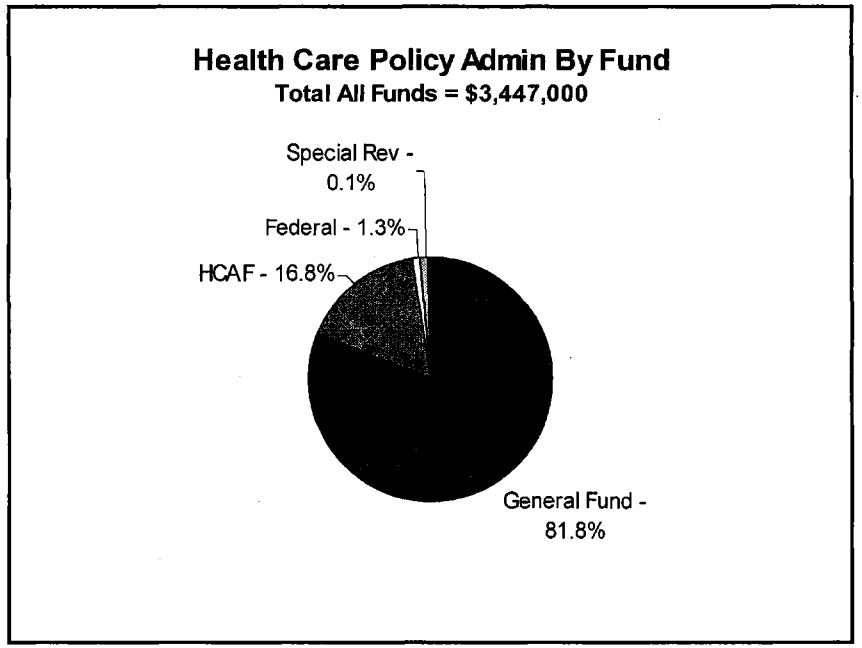
FINANCING INFORMATION:

(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.
- 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 Finance Summary
Health Care Policy Administration
FY 2002 Base

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: 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 waivered 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.

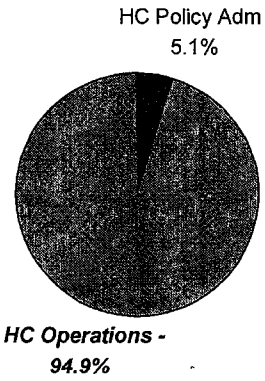
FINANCING INFORMATION:

(See charts which follow narrative.)

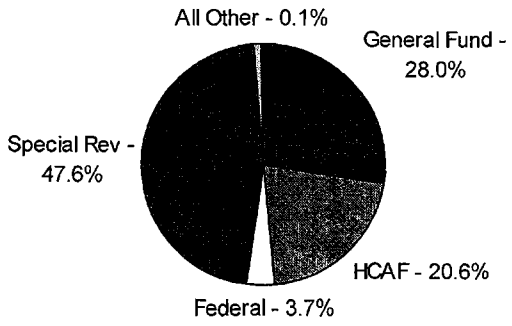
BUDGET ISSUES:

- 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



Health Care Operations By Fund
Total All Funds = $64,371,000



Activity Finance Summary
Health Care Operations
FY 2002 Base

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	20.0	182.7	33.7	0.0	0.0	236.4
HC Operations	4.0	0.0	187.7	0.0	0.0	191.7
PMQI	21.6	5.2	6.7	14.2	0.0	47.7
Purch/Svc Delivery	30.7	9.1	56.3	0.0	0.0	96.1
Total	77.3	197.0	284.4	14.2	0.0	572.9

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%**

Change Items:	Fund								
(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**		

Financing by Fund:									
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**		

FTE by Employment Type:									
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 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

[x] 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: 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/liaison 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

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:

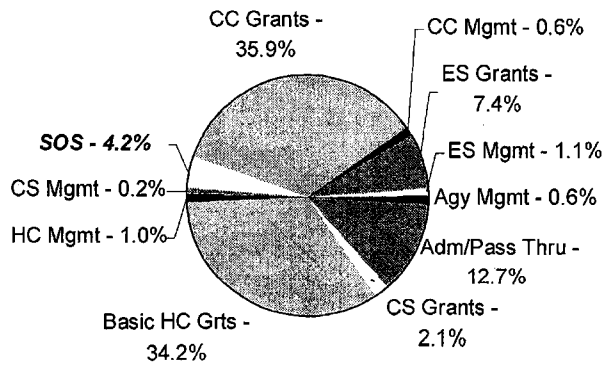
(See charts which follow narrative.)

BUDGET ISSUES:

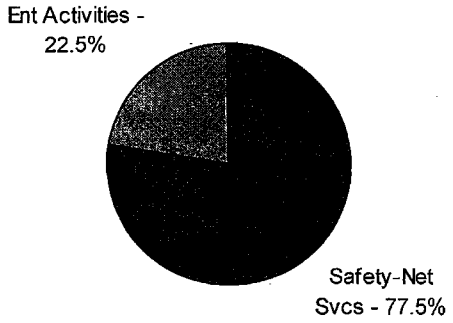
- Growing number of individuals committed under sexual psychopath statutes. The overall goal of the DOC/DHS collaboration is to: 1) safeguard the public; 2) increase personal accountability for offenders; 3) provide appropriate treatment for offenders willing to engage in treatment; and 4) house treatment "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.

Program Finance Summary
State Operated Services
FY 2002 Base

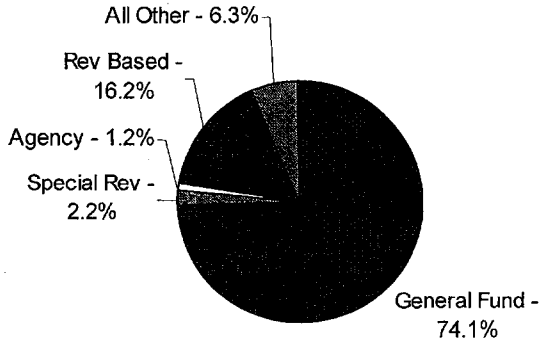
Dept Of Human Services By Program
Total All Funds = $6,847,720,000



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	3,971.2	3,971.2	3,889.5	3,971.2	3,869.9		
Total Full-Time Equivalent	**4,285.6**	**4,297.7**	**3,971.2**	**3,971.2**	**3,889.5**	**3,971.2**	**3,869.9**		

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.

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
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	85	91	122	142	159
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

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.

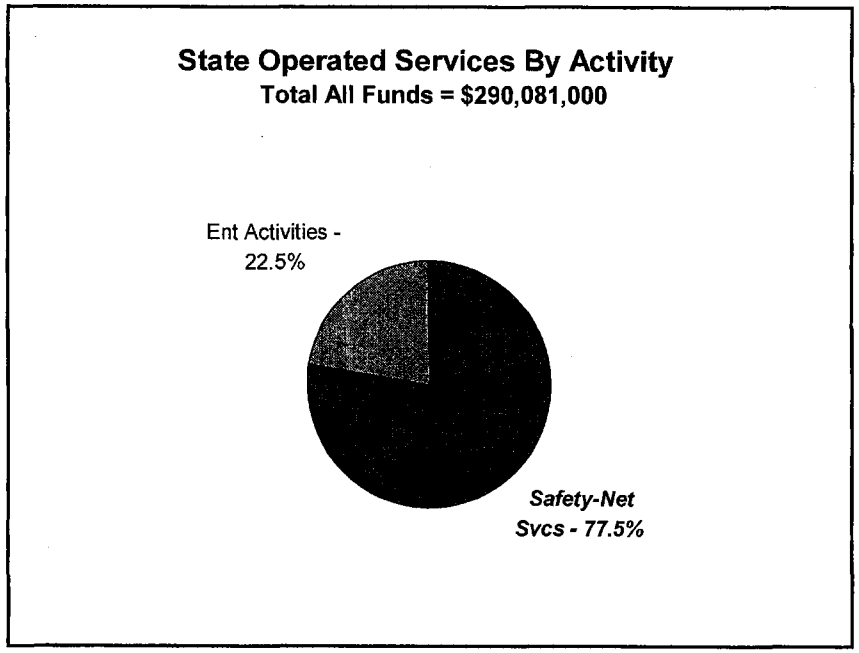
- Nursing Facility (NF) Services
  SOS operates the Ah-Gwah-Ching Center and Woodhaven Senior Community Center on the Brainerd RTC campus as nursing homes for elderly clients referred from other parts of state operated services. These facilities also accept referrals from community nursing homes for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

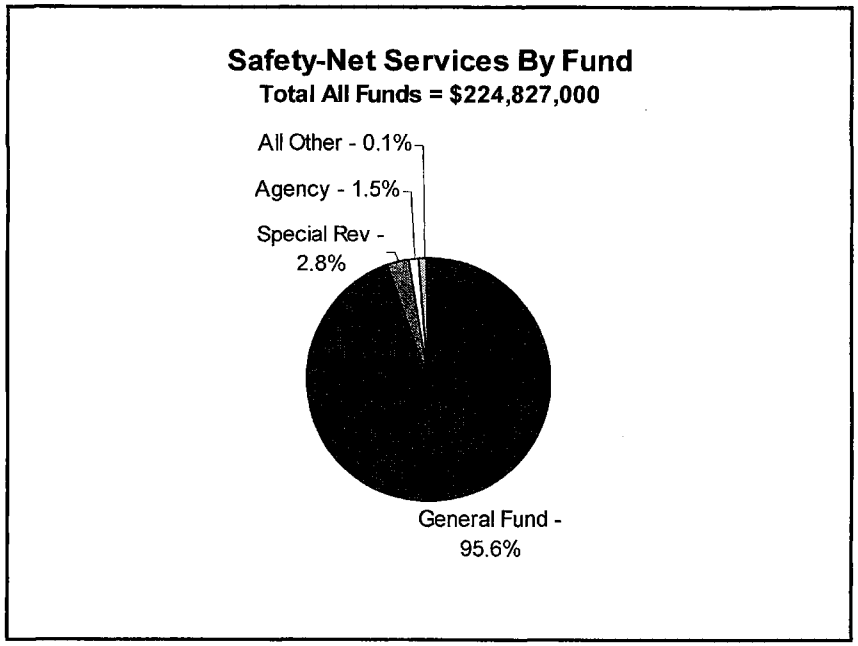
FINANCING INFORMATION:

(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.





Activity Finance Summary
Safety-Net Services
FY 2002 Base

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%**

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	204,462	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**

FTE by Employment Type:							
FULL TIME	3,372.4	3,340.5	3,052.6	3,052.6	2,970.9	3,052.6	2,951.3
Total Full-Time Equivalent	**3,372.4**	**3,340.5**	**3,052.6**	**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 x

[x] New Activity [x] Supplemental Funding [x] 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 Activity: SOS - SAFETY NET
Program: STATE OPERATED SERVICES
Agency: HUMAN SERVICES DEPT

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

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

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.

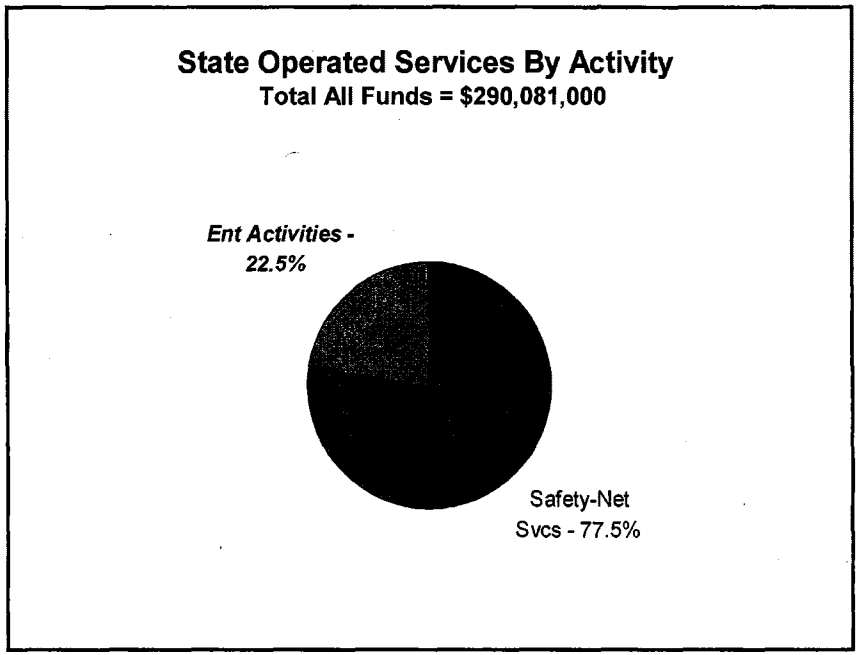
The Minnesota Neurorehabilitation Hospital (MNH), located on the Brainerd Regional Human Services campus, provides intensive rehabilitation services to individuals with acquired brain injury who have challenging behaviors. This 12-bed program serves between 15 and 20 clients annually.

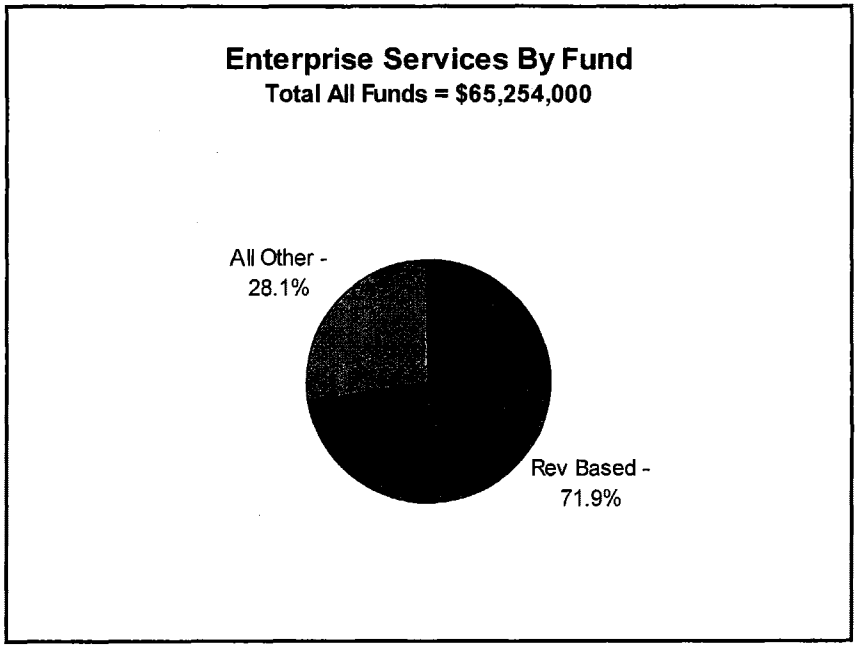
FINANCING INFORMATION:

(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 Finance Summary
Enterprise Services
FY 2002 Base

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: 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: 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:

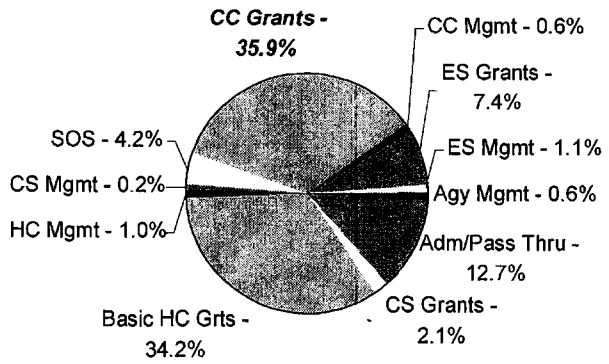
(See charts which follow narrative.)

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.

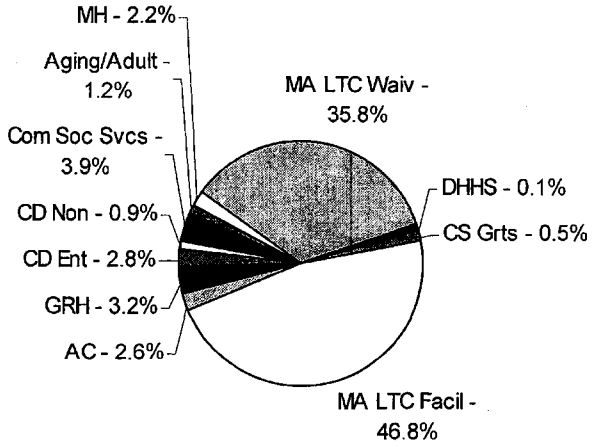
- There is a need to assure that technical advances, that help individuals to sustain their independence, are available and accessible to elderly and disabled persons with hearing loss or other disabilities.

Dept Of Human Services By Program
Total All Funds = $6,847,720,000

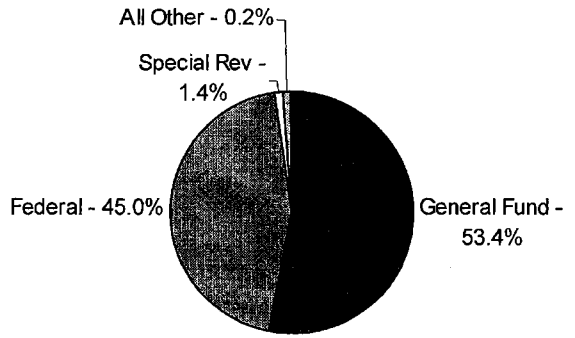


Program Finance Summary
Continuing Care Grants
FY 2002 Base

Continuing Care Grants By Activity
Total All Funds = $2,459,413,000



Continuing Care Grants By Fund
Total All Funds $2,459,413,000



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	56,352	(1,539)	(1.4%)
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	675,925	864,425	878,902	878,810	988,811	1,000,202	338,662	22.0%
MA LONG TERM CARE FACILITIES	1,127,143	1,108,928	1,189,048	1,151,575	1,135,214	1,172,787	1,128,624	(34,138)	(1.5%)
ALTERNATIVE CARE GRANTS	51,462	49,781	63,364	64,064	75,914	64,110	88,531	51,300	45.3%
GROUP RESIDENTIAL HOUSING	59,878	63,834	70,975	77,977	78,107	84,645	85,802	29,100	21.6%
CD ENTITLEMENT GRANTS	57,726	60,939	64,863	68,809	68,314	72,996	71,438	13,950	11.1%
CD NON-ENTITLEMENT GRANTS	19,342	19,954	23,763	23,238	24,188	22,737	22,737	3,208	7.3%
Total Expenditures	**2,092,463**	**2,163,983**	**2,474,931**	**2,459,413**	**2,461,600**	**2,596,830**	**2,596,175**	**418,861**	**9.0%**

Change Items:	Fund							
(B) REDUCTION OF TARGETED GRANTS	GEN				(1,170)		(1,170)	
(B) SFY03 LONG-TERM CARE COLA	GEN						19,207	
(B) BALANCING LONG-TERM CARE SERVICES	GEN				6,146		(7,133)	
(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				(100)		(1,246)	
(B) CONSUMER DIRECTED HOME CARE (1115)	GEN				(637)		(984)	
(B) CONSUMER SUPPORT GRANT REDUCTION	GEN				(2,271)		(6,939)	
(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				950			
Total Change Items					**2,187**		**(655)**	

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	1,050,414	1,213,357	1,314,013	1,315,250	1,397,901	1,397,246
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	98,317	3,407	3,407	3,414	3,414
SPECIAL REVENUE	65,741	68,401	73,962	33,194	34,144	34,521	34,521
FEDERAL	913,506	957,889	1,087,014	1,107,301	1,107,301	1,159,496	1,159,496
LOTTERY CASH FLOW	750	106	4	0	0	0	0
Total Financing	**2,092,463**	**2,163,983**	**2,474,931**	**2,459,413**	**2,461,600**	**2,596,830**	**2,596,175**

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.

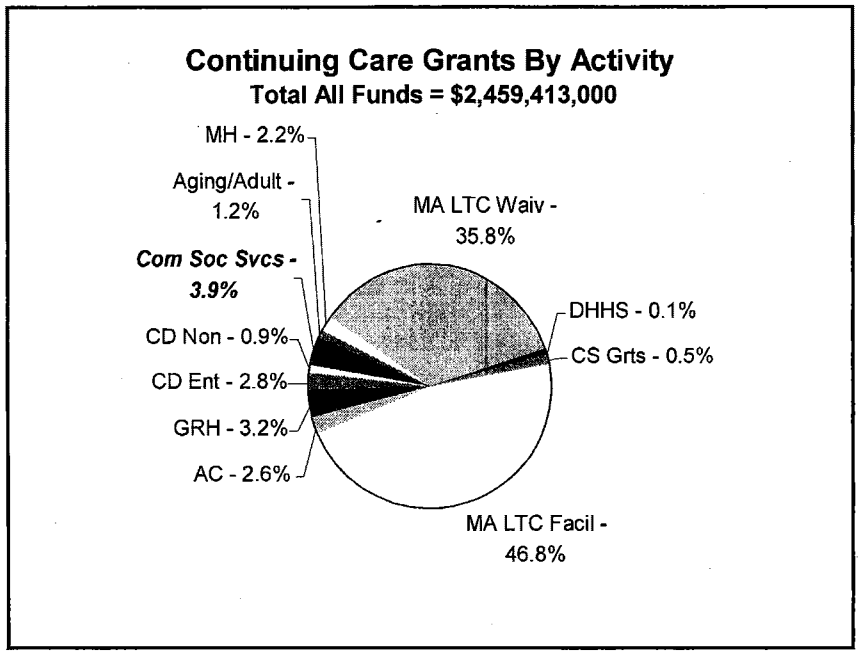
Counties use the biggest percentage of community services funds for families and children services. Community social services funding includes state Community Social Services Act (CSSA) dollars and federal Title XX monies that are provided as a block grant to counties. Each county is required to levy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

FINANCING INFORMATION:

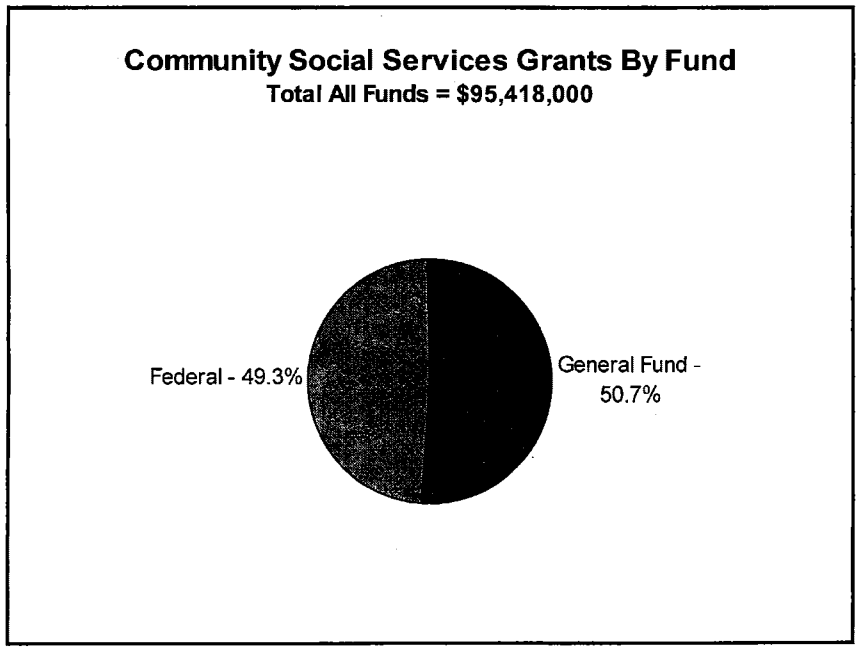
(See charts which follow narrative.)

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.



Activity Finance Summary
Community Social Services Grants
FY 2002 Base



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 / Activity	Purpose / People Served	Actual FY 2000	Budgeted FY 2001	FY 2002 Base	FY 2002 Gov's Rec	FY 2003 Base	FY 2003 Gov's Rec
DIRECT APPROPRIATION							
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-administered social service programs	40,648	42,733	46,733	46,733	46,733	47,353
-Social Service Supplemental Grant		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
STATUTORY APPROPRIATION							
Federal Fund		**51,293**	**52,424**	**47,019**	**47,019**	**43,203**	**43,203**
Title XX Block Grant	Grants to counties to support county-administered social service programs	36,073	36,462	35,057	35,057	31,241	31,241
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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
Community Social Srvs 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 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.

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.

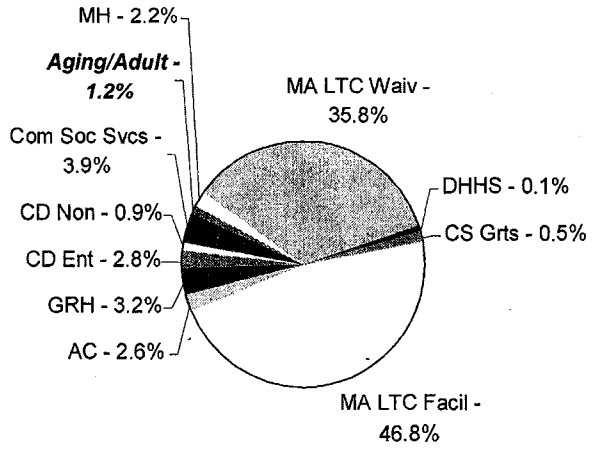
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

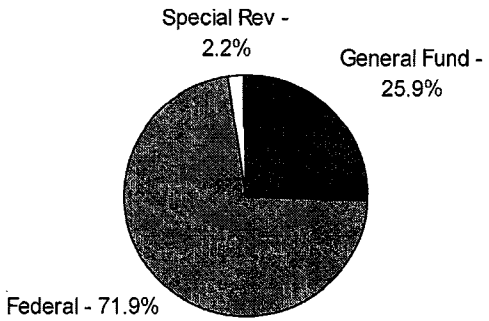
- The demand for community-based services is increasing. As more people seek community alternatives to nursing facility care, it is important that community services are developed to keep up with the growing demand.
- To assist people to live independently in their own homes longer, accurate information 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.

Continuing Care Grants By Activity
Total All Funds = $2,459,413,000



Activity Finance Summary
Aging & Adult Services Grants
FY 2002 Base

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 / Activity	Purpose / People Served	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Gov's Rec	Base	Gov's Rec
DIRECT APPROPRIATION							
General Fund		**7,847**	**7,972**	**7,647**	**14,511**	**7,472**	**14,453**
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-	361	-0-	361
Community Service 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	6,429
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 / 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	234	234	234	24	24
Bush Foundation Grant	The Department of Human services was awarded funding from the Bush Foundation for the development of innovative housing with services models. Grantees will be non-profit organizations.	-0-	400	400	400	400	400
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: 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.

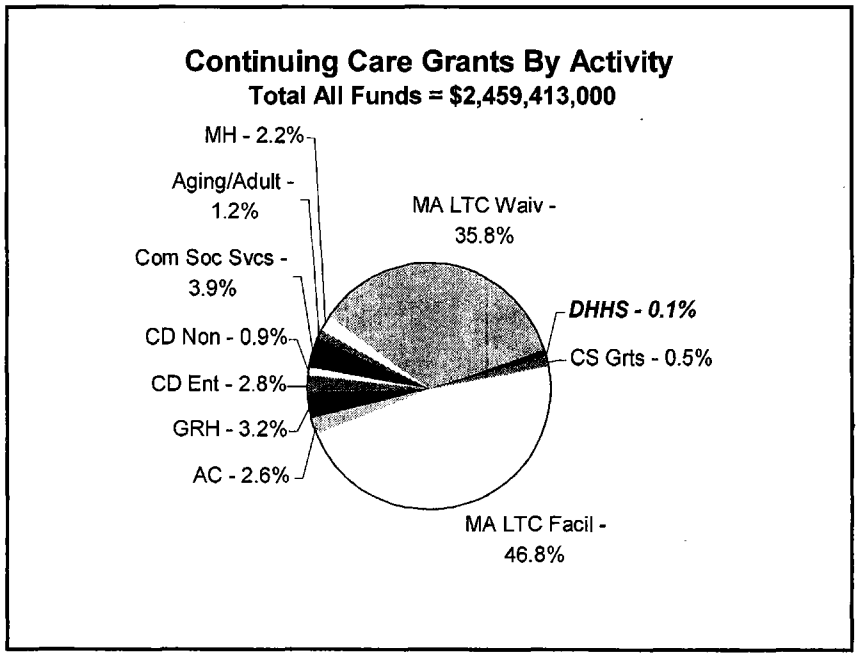
All grant allocations are put out on competitive bid to recruit and maintain the few specialized services providers that exist.

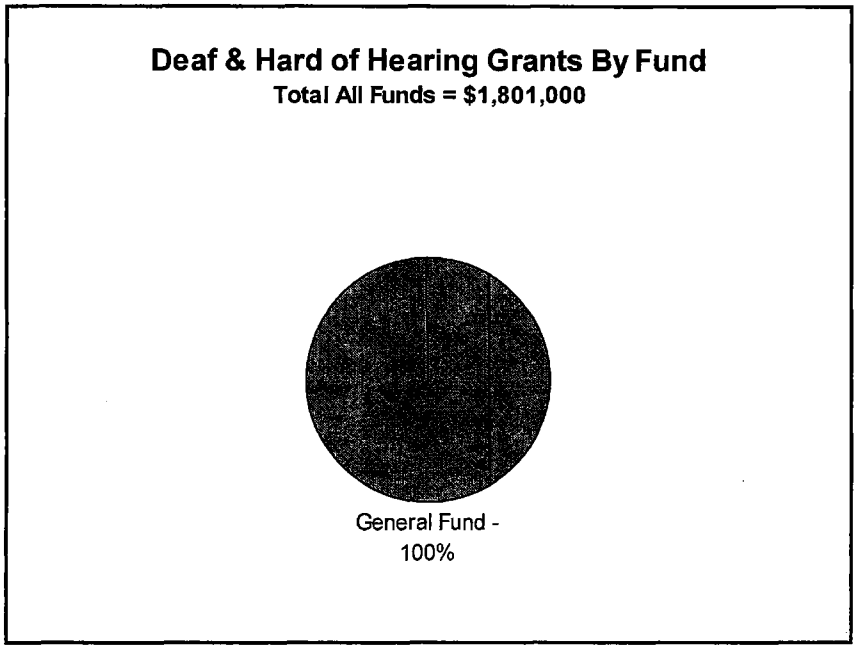
FINANCING INFORMATION:

(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

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: 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: 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.

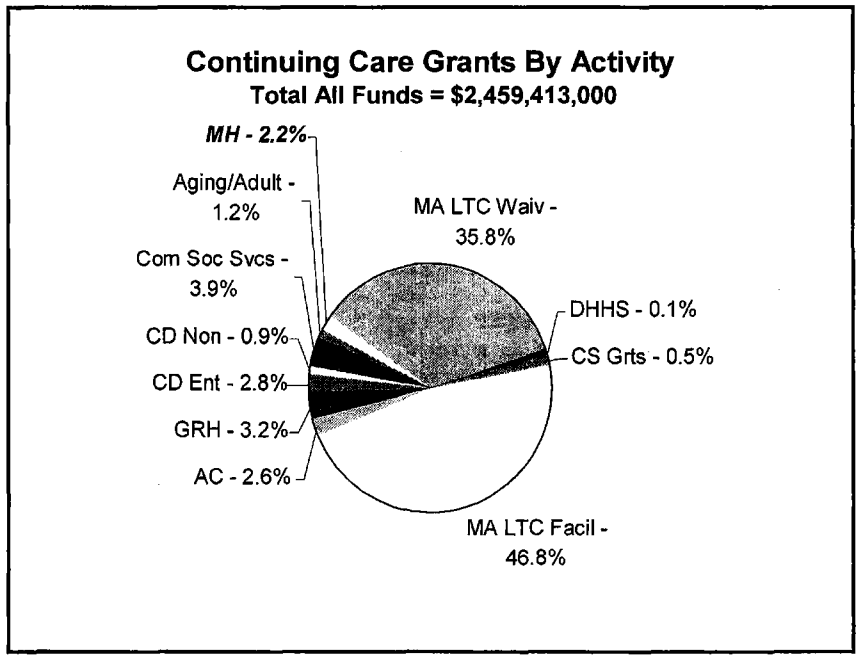
FINANCING INFORMATION:

(See charts which follow narrative.)

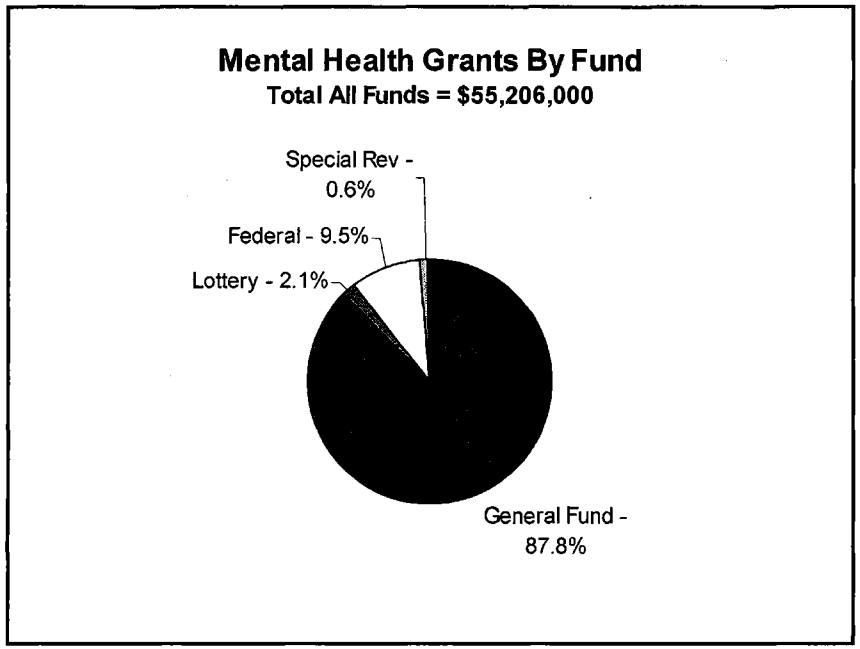
BUDGET ISSUES:

- 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.



Activity Finance Summary
Mental Health Grants
FY 2002 Base



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	56,281	(1,540)	(1.4%)
Total Expenditures	**51,766**	**54,073**	**59,174**	**55,206**	**55,356**	**55,206**	**56,352**	**(1,539)**	**(1.4%)**

Change Items:	Fund						
(B) COMMUNITY-BASED MENTAL HEALTH SVCS	GEN				150		200
(B) SFY03 LONG-TERM CARE COLA	GEN						946
Total Change Items					**150**		**1,146**

Financing by Fund:							
Direct Appropriations:							
GENERAL	44,627	47,948	51,599	48,445	48,595	48,445	49,591
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**	**56,352**

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		**47,948**	**51,599**	**48,445**	**48,595**	**48,445**	**49,591**
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	26,787
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	Included in MA forecast	Included in MA forecast	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 / Activity	Purpose / People Served	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Gov's Rec	Base	Gov's Rec
STATUTORY APPROPRIATIONS							
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
OPEN AND STANDING		**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 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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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 X No
If yes, statutes affected: M.S. 256B.0625

[x] New Activity [x] Supplemental Funding [x] 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 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.

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 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

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	
	F Y 2002	F Y 2003	F Y 2004	F Y 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	1,802	5,322	9,444	14,525
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	320	344	344	344
Total Comm-based expenditures	$1,690	$3,838	$5,583	$7,937
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	(4,176)	(10,236)	(9,396)	(10,561)
Total Exps – SOS & Comm based	(2,486)	(6,398)	(3,813)	(2,624)

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Revenues				
Admin reimbursement	141	151	151	151
Reduced RTC collections	(427)	(3,293)	(1,298)	(1,477)
Total General Fund Revenues	$(286)	$(3,142)	$(1,147)	$(1,326)
Net Expenditures and Revenues	$(2,200)	$(3,256)	$(2,666)	$(1,298)

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: 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

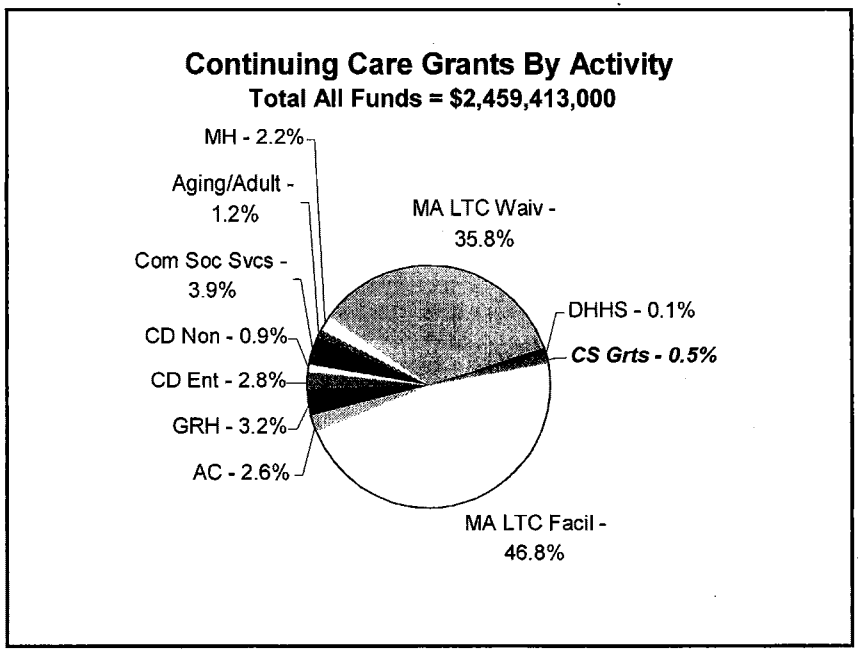
Approximately 1,200 persons with developmental disabilities are served by the Family Support Grant each year; 1,584 by SILS grants; and 109 people by CSG.

FINANCING INFORMATION:

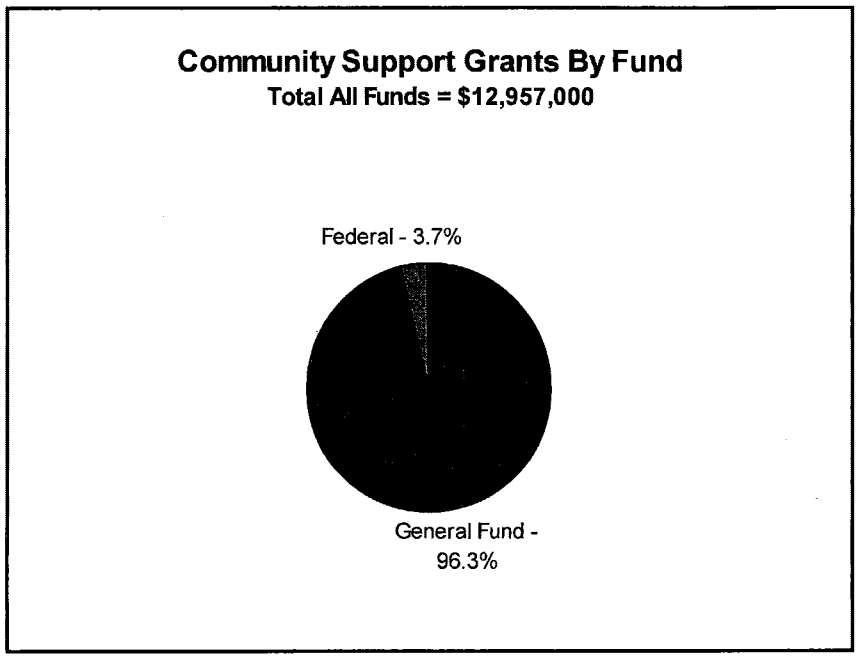
(See charts that follow narrative.)

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



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 / Activity	Purpose / People Served	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Gov's Rec	Base	Gov's Rec
DIRECT APPROPRIATION							
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 Included in MA Forecast	998 Included in MA Forecast	998 Included in MA Forecast	998 Included in MA Forecast	998 Included in MA Forecast
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
STATUTORY APPROPRIATIONS							
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 Activity: COMMUNITY SUPPORT GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: CONTINUING A COMMUNITY MANAGED QUALITY ASSURANCE INITIATIVE IN REGION 10

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.

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-

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.

OUTCOMES:

- 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.

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:

	People Served	Average Cost per
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.)

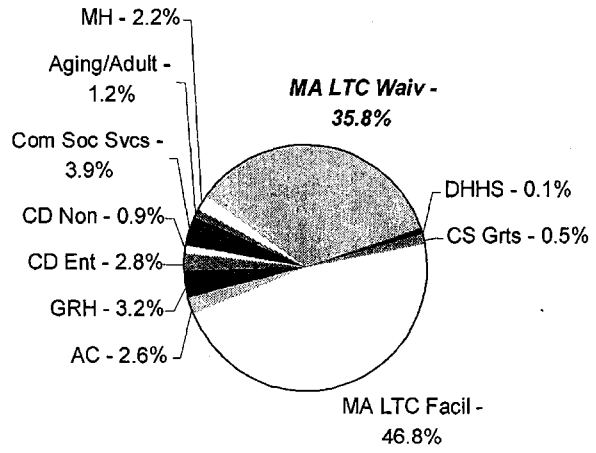
BUDGET ISSUES:

- The use of institutional services to support the elderly and persons with disabilities is continuing to decline. MA Home Care and LTC Waivered

services provide an alternative means of assuring people are appropriately supported in their homes and communities.

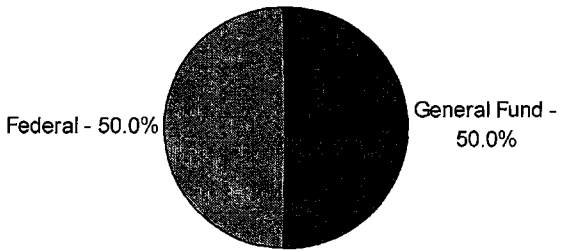
- In June of 1999, the United States Supreme Court held in *Olmstead v. L.C.* that the unnecessary segregation of individuals with disabilities in institutions may constitute discrimination based on disability. The court ruled that the Americans with Disabilities Act requires states to provide community-based services rather than institutional placements for individuals with disabilities who have needs that can appropriately be meet 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 waivered 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 = $2,459,413,000



Activity Finance Summary
MA LTC Waivers & Home Care Grants
FY 2002 Base

MA LTC Waivers & Home Care By Fund
Total All Funds = $878,902,000



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	819,962	878,902	878,810	988,811	1,000,202	414,235	28.3%
LOCAL ASSISTANCE	28,630	31,110	44,463	0	0	0	0	(75,573)	(100.0%)
Total Expenditures	**600,805**	**675,925**	**864,425**	**878,902**	**878,810**	**988,811**	**1,000,202**	**338,662**	**22.0%**

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				(2,271)		(6,939)
(B) BALANCING LONG-TERM CARE SERVICES	GEN				2,042		6,273
(B) SFY03 LONG-TERM CARE COLA	GEN						8,223
Total Change Items					**(92)**		**11,391**

Financing by Fund:							
Direct Appropriations:							
GENERAL	277,560	312,630	405,239	439,463	439,371	499,941	511,332
Statutory Appropriations:							
GENERAL	27,659	31,280	39,958	0	0	0	0
FEDERAL	295,586	332,015	419,228	439,439	439,439	488,870	488,870
Total Financing	**600,805**	**675,925**	**864,425**	**878,902**	**878,810**	**988,811**	**1,000,202**

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	7,560	401,193	526,612	550,574	629,196
Elderly Waiver	State/Federal	6,713	40,800	53,694	59,675	67,121
Disabled Waiver (CADI)	State/Federal	2,826	22,245	28,789	33,983	39,627
Chronically Ill Waiver (CAC)	State/Federal	100	5,367	5,170	6,056	6,764
Traumatic Brain Injury Waiver (TBI)	State/Federal	349	13,433	17,410	21,416	25,965
Home Health Agencies	State/Federal	5,125	23,627	27,413	29,536	31,410
Personal Care / PD Nursing	State/Federal	5,543	138,150	159,718	172,744	177,655
Consumer Support Transfer	State		-0-	1,156	4,918	11,071
County Share Reimbursement	State		31,110	44,463	-0-	-0-
Total		*** 26,805**	**675,925**	**864,425**	**878,902**	**988,811**

* Unduplicated Total

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	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
MA LTC Facilities	$(925)	$(6,962)	$(14,397)	$(23,489)
MA LTC Waivers/Home Care	774	4,818	9,673	14,367
MA Basic HC – E&D	(60)	107	985	1,601
Group Residential Housing	51	898	2,037	3,411
Continuing Care Mgmt	720	800	625	450
Minnesota Supplemental Aid	78	260	453	664
Total	$638	$(79)	$(624)	$(2,996)
Revenues: ($000)				
General Fund				
Admin Reimbursement	$317	$352	$275	$198

Statutory Change? Yes X No ____

If yes, statutes affected: MS 256B

[X] New Activity [ ] Supplemental Funding [X] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of $638,000 in FY 2002, and a decrease of $79,000 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.

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

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 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	**524**	**(709)**	**(2,631)**	**(5,112)**
Additional Home Care & Waiver Costs	443	3,503	7,252	11,836
Additional GRH Cost	51	848	2,037	3,411
Minnesota Supplemental Aid	78	260	453	664
Waiver Accommodations	500	1,136	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	638	(79)	(624)	(2,996)

OUTCOMES:

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

- Increased consumer access to information and support needed to relocate from nursing facilities.
- 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 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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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

☐ New Activity ☐ Supplemental Funding ☒ 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, 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.

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

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	$9,019	$19,602	$20,835	$22,141
Administration				
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-

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.

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	$(2,271)	$(6,939)	$(10,617)	$(14,440)
Revenues: ($000)				
General Fund				
Recoveries	$-0-	$(985)	$(3,014)	$(4,611)

Statutory Change? Yes [X] No [ ]

If yes, statutes affected: M.S 256.476

[ ] New Activity [ ] Supplemental Funding [X] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease of $2,271,000 in FY 2002 and $6,939,000 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: 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:

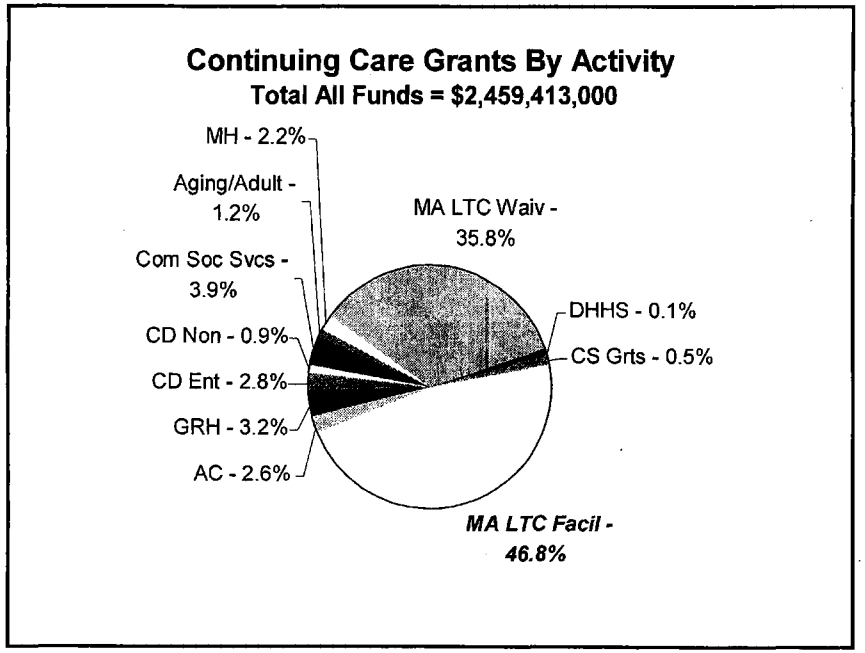
(See charts which follow narrative.)

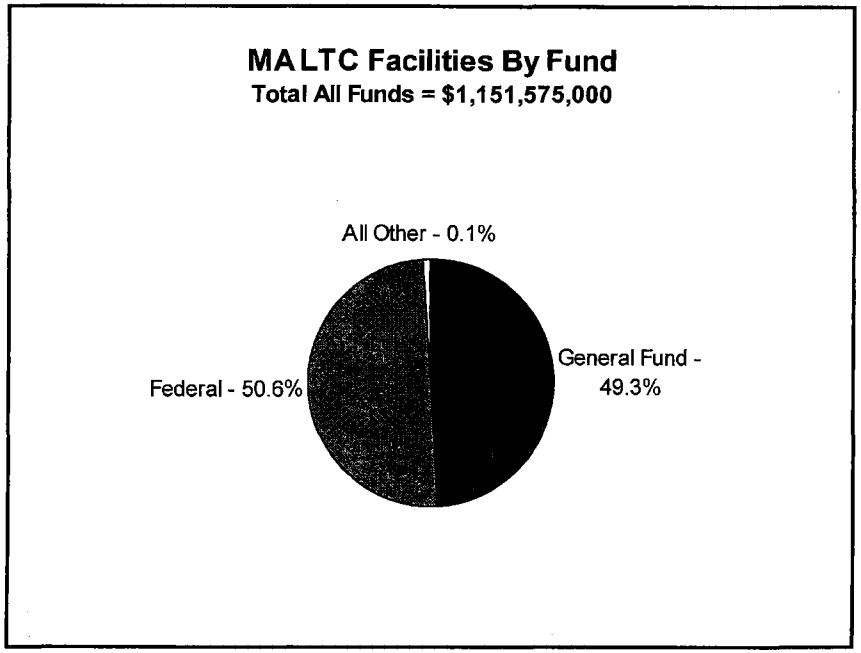
BUDGET ISSUES:

- *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

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

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	1,072,544	1,057,033	1,126,612	1,151,575	1,135,279	1,172,787	1,128,742	80,376	3.7%
LOCAL ASSISTANCE	54,599	51,895	62,436	0	(65)	0	(118)	(114,514)	(100.2%)
Total Expenditures	**1,127,143**	**1,108,928**	**1,189,048**	**1,151,575**	**1,135,214**	**1,172,787**	**1,128,624**	**(34,138)**	**(1.5%)**

Change Items:	Fund						
(B) BALANCING LONG-TERM CARE SERVICES	GEN				(14,939)		(44,240)
(B) SFY03 LONG-TERM CARE COLA	GEN						7,932
(B) COMMUNITY-BASED MENTAL HEALTH SVCS	GEN				(432)		(775)
(B) RELOCATE/DIVERT - UNDER AGE 65	GEN				(925)		(6,962)
(B) SEX OFFENDER TREATMENT	GEN				(65)		(118)
Total Change Items					**(16,361)**		**(44,163)**

Financing by Fund:							
Direct Appropriations:							
GENERAL	520,320	512,482	553,786	567,203	550,842	581,045	536,882
Statutory Appropriations:							
GENERAL	52,747	52,180	56,109	1,157	1,157	1,164	1,164
FEDERAL	554,076	544,266	579,153	583,215	583,215	590,578	590,578
Total Financing	**1,127,143**	**1,108,928**	**1,189,048**	**1,151,575**	**1,135,214**	**1,172,787**	**1,128,624**

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	26,487	847,658	903,183	937,614	962,101
County Nursing Facilities	State/Federal		9,338	9,338	9,338	9,338
ICF/MR	State/Federal	2,926	150,603	149,510	148,587	147,378
Day Training & Habilitation	State/Federal	2,556	39,920	40,728	41,441	39,385
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		51,895	62,436	0	0
Alternative Care Cancellation	State		0	(4,546)	(8,359)	(8,369)
Total		* **29,616**	**1,108,928**	**1,189,048**	**1,151,575**	**1,172,787**

* 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	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
MA LTC Facilities	$(14,939)	$(44,240)	$(60,604)	$(61,580)
Aging & Adult Service Grants	6,864	6,976	6,976	6,976
MA LTC Home Care/ Waivers	2,042	6,273	9,151	9,556
Alternative Care Grants	12,100	23,599	27,541	27,924
MA Basic Health Care Grants	(363)	(796)	(832)	(837)
Health Care Operations	32	32	-0-	-0-
Continuing Care Management	1,616	1,593	1,504	1,484
Group Residential Housing	79	259	375	390
Total	$7,431	$(6,304)	$(15,889)	$(16,087)
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.

[x] New Activity [x] Supplemental Funding [x] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the General Fund budget of $7,431,000 in FY 2002 and a decrease of $6,304,000 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

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

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 800 each year of the biennium, from a projected base of an average of 7,700 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 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

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	
	F Y 2002	F Y 2003	F Y 2004	F Y 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	377	612	673	707
- AC/EW rate equalization: AC	785	1,204	1,213	1,166
- EW common waiver menu	25	252	613	645
- AC common waiver menu	0	367	959	927
- AC Caseload Growth	9,005	14,511	14,511	14,511
- MA LTC savings that result from funding AC Caseload Growth	(4,716)	(10,125)	(10,898)	(9,763)
- MA Basic Health Care savings that results from funding AC Case Load Growth	(363)	(796)	(832)	(837)
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 3rd and 4th 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 3rd and 4th bed de-licensure	272	544	544	544
-Increased AC use due to 3rd and 4th bed de-licensure	383	765	765	765
-increased EW case load resulting from planned closures	1,368	4,865	7,321	7,660
-increased AC case load resulting from planned closures	1,927	6,752	10,093	10,555
-Increased GRH case load through de-licensure of 3rd and 4th beds	13	26	26	26
-Increased GRH case load through planned closures	66	233	349	364
-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	$7,431	$(6,304)	$(15,889)	$(16,087)
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)

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

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 5,200 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 800 additional people each year will have access to the AC program and have more options about where they live. This will divert 260 people from nursing home placement.

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 Activity: MA LONG TERM CARE FACILITIES
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: SFY 03 LONG-TERM CARE RATE ADJUSTMENTS

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
MA LTC Waivers/ Home Care	$-0-	$8,223	$10,522	$11,444
MA LTC Facilities	-0-	7,932	9,233	9,239
MA Basic HC-F&C	-0-	7	10	11
MA Basic HC-E&C	-0-	107	147	169
Alternative Care Grants	-0-	1,322	1,652	1,672
Adult Mental Health Grants	-0-	946	946	946
Children's Mental Health Grants	-0-	388	388	388
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-	$19,709	$23,682	$24,653

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 $19,709,000 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.

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.

	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%

*** 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 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-	$5,243	$6,729	$7,389
Elderly Waiver	-0-	559	714	780
EW decision page (Bal Comm/Inst)	-0-	105	173	190
CADI	-0-	302	399	446
CAC	-0-	56	72	79
TBI	-0-	218	292	338
Home Health Agencies	-0-	262	320	328
Personal Care & PDN	-0-	1,480	1,823	1,894
MA LTC Waiv & Home Care Subtotal	-0-	8,223	10,522	11,444
MA LTC Facilities				
DT&H for ICF-MR	-0-	328	375	352
NF decision page (Bal Comm/Inst)	-0-	(635)	(978)	(1,043)
NF decision page (AC caseload)	-0-	(186)	(217)	(197)
Nursing Facilities	-0-	7,811	8,624	8,752
ICF-MR	-0-	614	1,429	1,375
MA LTC Facilities Subtotal	-0-	7,932	9,233	9,239
MA Basic E&D-Trans to MH Case Mgmt	-0-	107	147	109
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-	151	247	267
AC decision pg (Caseload growth)	-0-	242	290	290
Alternative Care Grants Subtotal	-0-	1,322	1,652	1,672
Adult Mental Health Grants	-0-	946	946	946
Children's Mental Health Grants	-0-	388	388	388
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-	$19,709	$23,682	$24,653

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

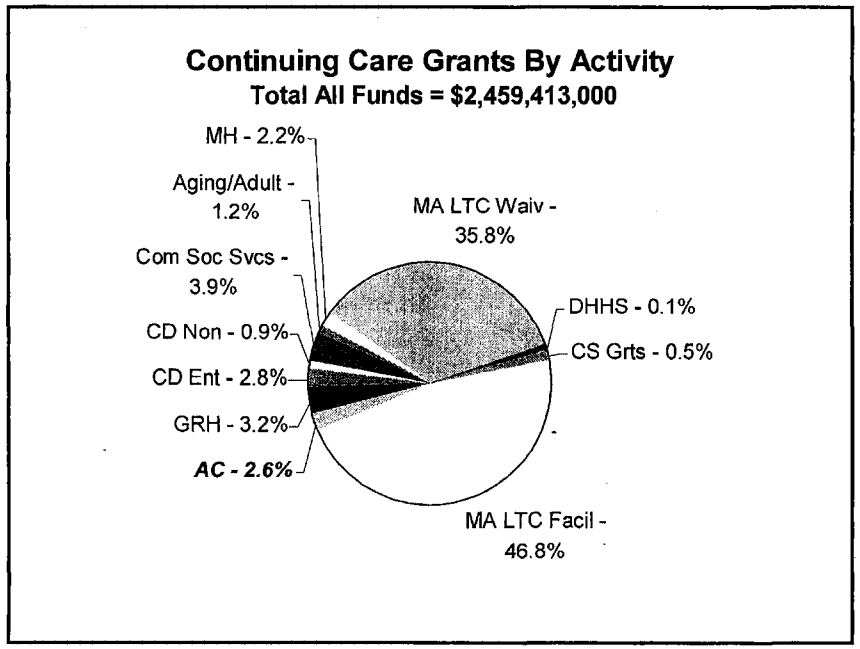
- To be eligible for AC, a person must be age 65 or older, be assessed as needing a nursing facility level of care and have income and assets inadequate to fund a nursing facility stay for more than 180 days
- In FY 2000, AC funded services for an average of approximately 7,700 elderly persons per month at an average monthly cost of approximately $573 per person

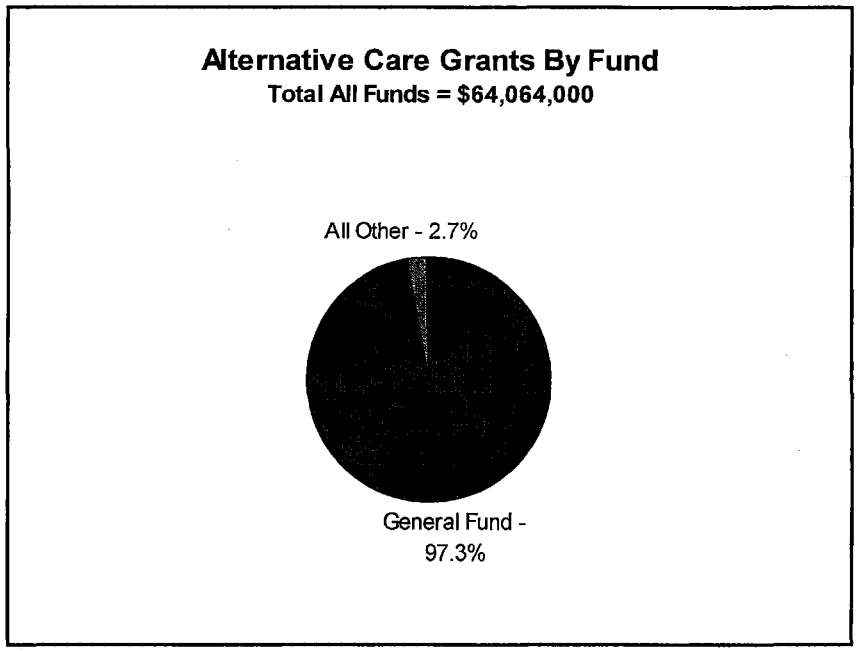
FINANCING INFORMATION:

(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.





Activity Finance Summary
Alternative Care Grants
FY 2002 Base

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	71,413	64,110	75,325	33,593	29.7%
LOCAL ASSISTANCE	32	0	0	0	4,501	0	13,206	17,707	
Total Expenditures	**51,462**	**49,781**	**63,364**	**64,064**	**75,914**	**64,110**	**88,531**	**51,300**	**45.3%**

Change Items:	Fund						
(B) BALANCING LONG-TERM CARE SERVICES	GEN				12,100		23,599
(B) IMPROVE AC CLIENT PREMIUM COLLECTIONS	GEN				(250)		(500)
(B) SFY03 LONG-TERM CARE COLA	GEN						1,322
Total Change Items					**11,850**		**24,421**

Financing by Fund:							
Direct Appropriations:							
GENERAL	49,593	47,999	61,614	62,314	74,164	62,360	86,781
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**	**75,914**	**64,110**	**88,531**

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

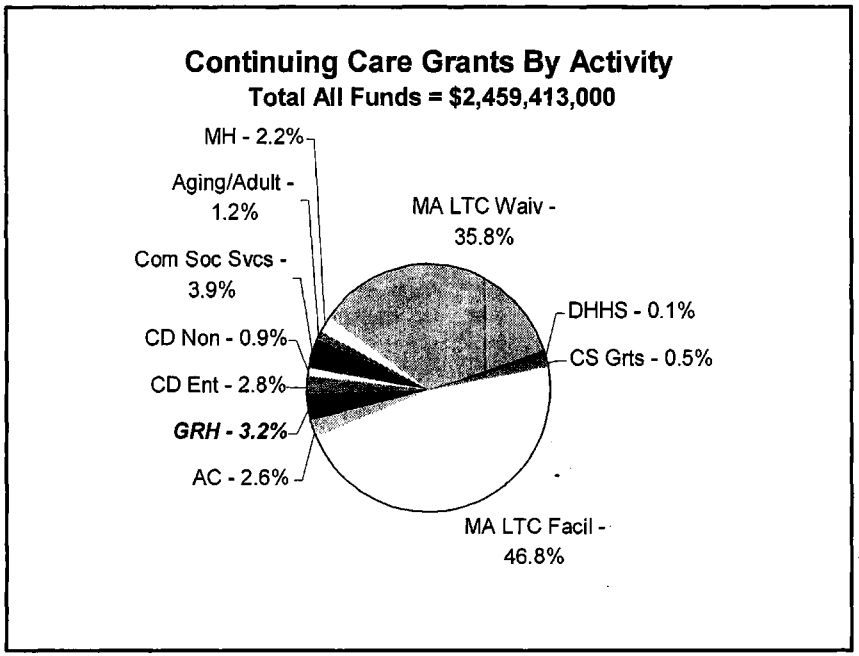
- There are over 3,800 GRH settings serving about 11,000 average monthly recipients who are unable to live independently in the community due to illness or incapacity.
- GRH settings serve a variety of dependent persons, including persons with mental retardation, mental illness, chemical dependency, 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:

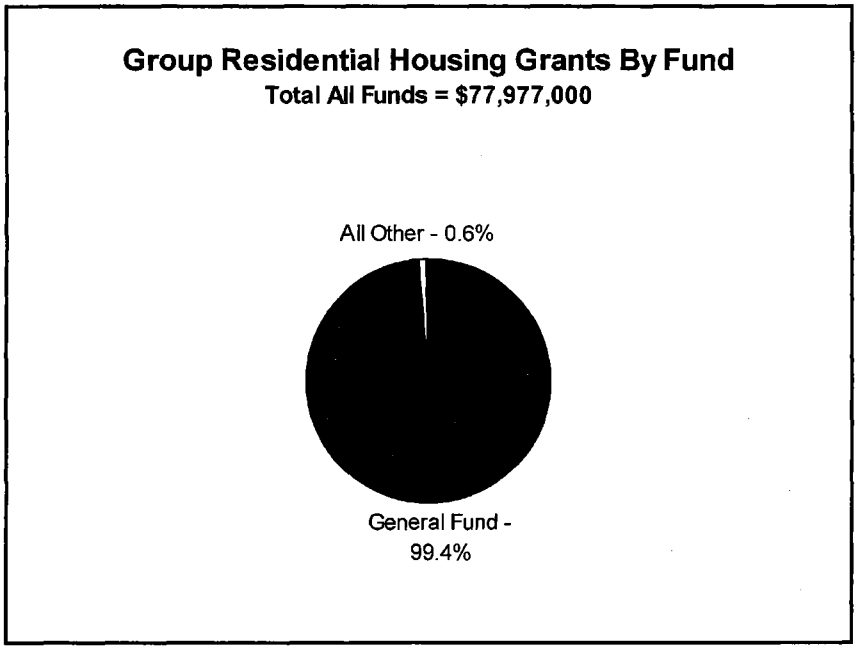
(See charts which follow narrative.)

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.



Activity Finance Summary
Group Residential Housing Grants
FY 2002 Base



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	70,975	77,977	78,107	84,645	85,802	29,100	21.6%
Total Expenditures	**59,878**	**63,834**	**70,975**	**77,977**	**78,107**	**84,645**	**85,802**	**29,100**	**21.6%**

Change Items:	Fund						
(B) BALANCING LONG-TERM CARE SERVICES	GEN				79		259
(B) RELOCATE/DIVERT - UNDER AGE 65	GEN				51		898
Total Change Items					**130**		**1,157**

Financing by Fund:							
Direct Appropriations:							
GENERAL	59,843	63,557	70,475	77,477	77,607	84,145	85,302
Statutory Appropriations:							
GENERAL	35	277	500	500	500	500	500
Total Financing	**59,878**	**63,834**	**70,975**	**77,977**	**78,107**	**84,645**	**85,802**

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	53,516	57,505	61,253
GA Segment	State	1,347	14,563	16,959	19,972	22,892
Recoveries	State		277	500	500	500
Technical Adjustments	State		(330)	0	0	0
Total		**11,084**	**63,834**	**70,975**	**77,977**	**84,645**

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:

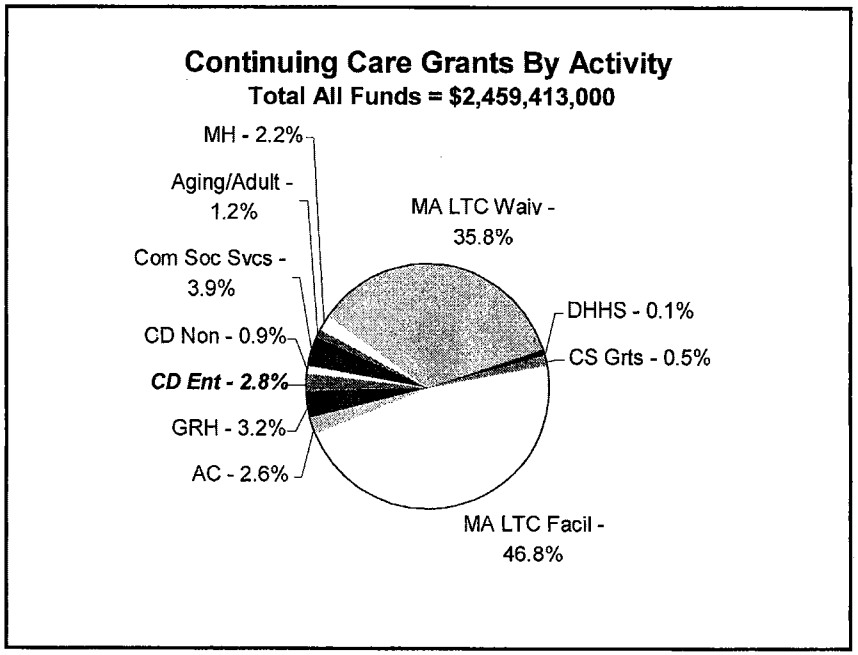
(See charts which follow narrative.)

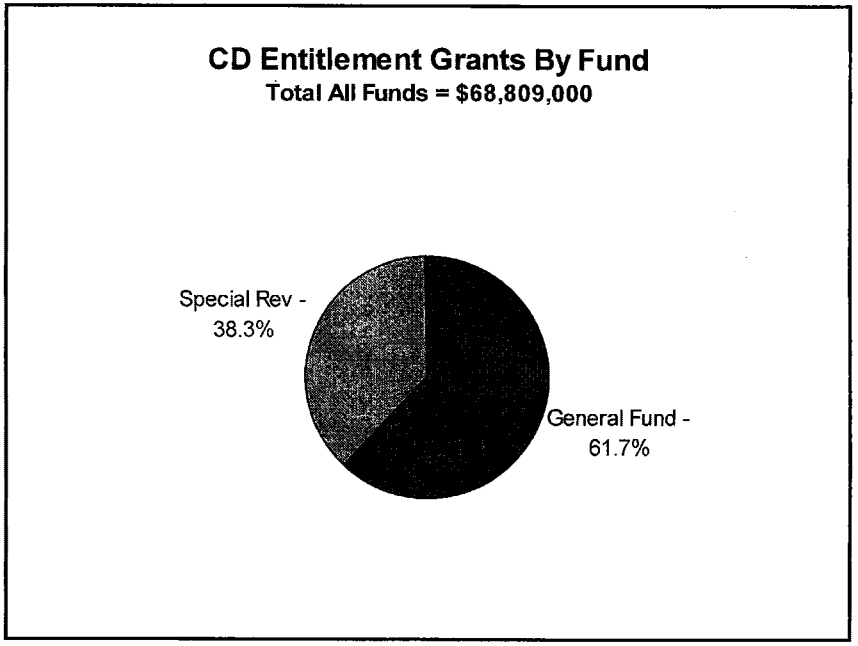
BUDGET ISSUES:

- 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: 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

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	63,269	67,118	66,623	71,202	69,644	13,524	11.0%
LOCAL ASSISTANCE	1,337	1,465	1,594	1,691	1,691	1,794	1,794	426	13.9%
Total Expenditures	**57,726**	**60,939**	**64,863**	**68,809**	**68,314**	**72,996**	**71,438**	**13,950**	**11.1%**

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	42,454	41,959	45,603	44,045
Statutory Appropriations:							
SPECIAL REVENUE	57,726	60,939	64,863	26,355	26,355	27,393	27,393
Total Financing	**57,726**	**60,939**	**64,863**	**68,809**	**68,314**	**72,996**	**71,438**

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 X No

If yes, statues affected: M.S. 254B.03, Subd. 1

☐ 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: 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:

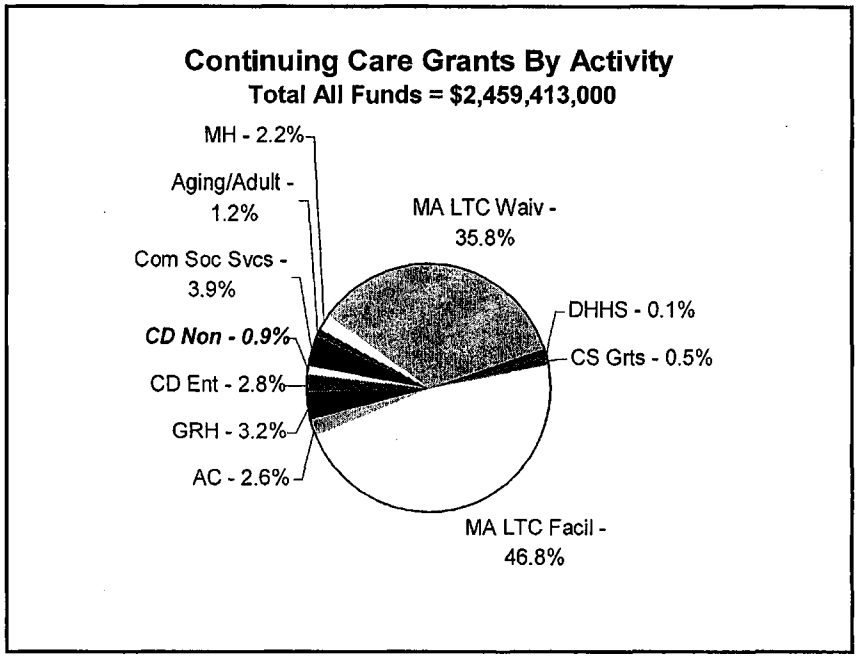
- Tier II of the Consolidated Chemical Dependency Treatment Fund (CCDTF), includes those individuals not eligible for MA whose income does not exceed 60% of Minnesota's median income.
- Tier III includes people with incomes between 60% and 115% of Minnesota's median income who are not eligible for MA. (This tier has not been funded in recent years.)

FINANCING INFORMATION:

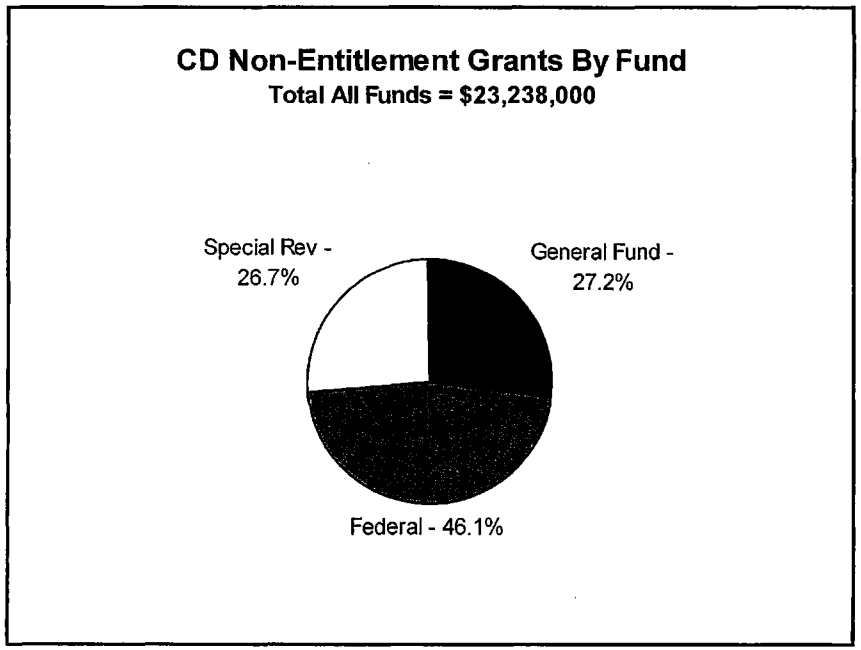
(See charts which follow narrative.)

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



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	950	0	0	950	
Subtotal State Operations	**27**	**132**	**341**	**341**	**1,291**	**341**	**341**	**1,159**	**245.0%**
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**	**24,188**	**22,737**	**22,737**	**3,208**	**7.3%**

Change Items:	Fund						
(B) REDUCE CCDTF RESERVE BALANCE	SR				950		
Total Change Items					**950**		

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	7,155	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**	**24,188**	**22,737**	**22,737**

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		**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 / Activity	Purpose / People Served	Actual FY 2000	Budgeted FY 2001	FY 2002 Base	FY 2002 Gov's Rec	FY 2003 Base	FY 2003 Gov's Rec
STATUTORY APPROPRIATIONS							
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**	**7,155**	**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	6,539	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 / 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

Item Title: REDUCING THE CONSOLIDATED CHEMICAL DEPENDENCY TREATMENT FUND (CCDTF) RESERVE BALANCE

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Revenues: ($000)				
General Fund				
Transfer from CCDTF	$950	$-0-	$-0-	$-0-

Statutory Change? Yes ____ No X

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time $950,000 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

Proposal
This proposal is a one-time $950,000 reduction to the balance of the CCDTF

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.

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: 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

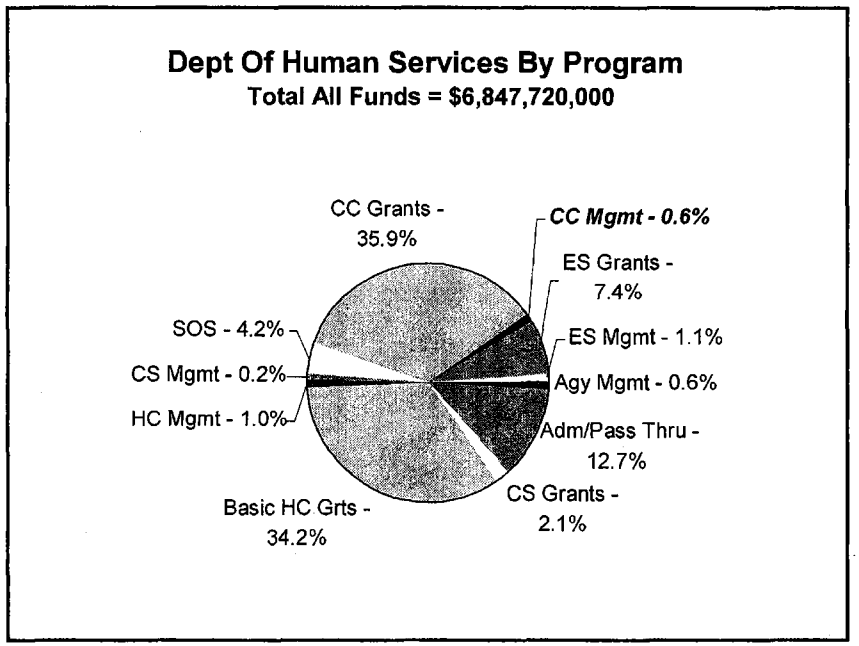
- have decisions made at a level that is closest to the person;
- promote best interest decision-making for the over 4,000 persons with mental retardation under public guardianship;
- promote self-determination and self-reliance;
- build informal supports from family, friends, and community;
- allow flexible purchasing to meet individual needs;
- purchase supports on a performance rather that 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:

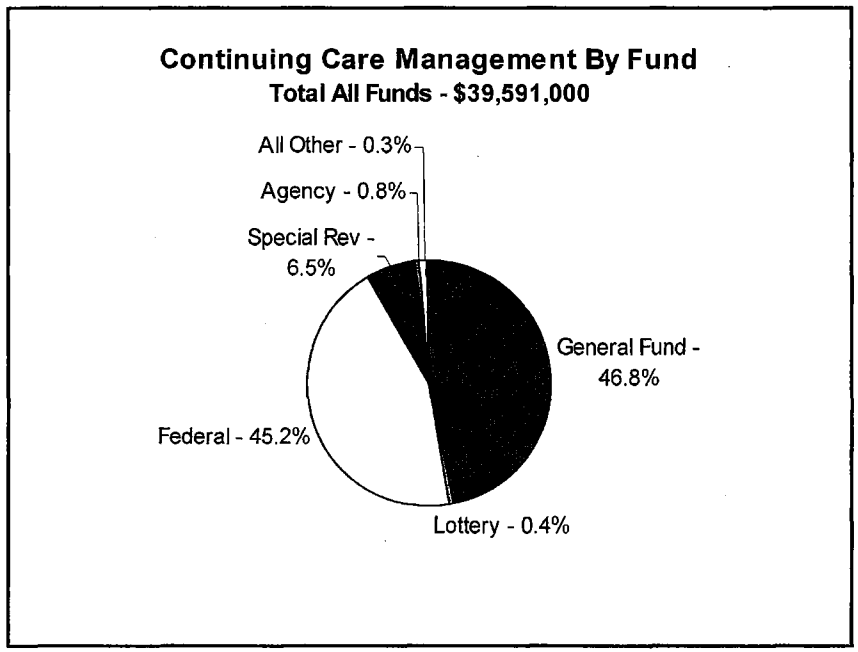
(See charts which follow narrative.)

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.



Program Finance Summary
Continuing Care Management
FY 2002 Base



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	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
Continuing Care Mgmt	$463	$475	$475	$475

Statutory Change? Yes ____ No X

☐ 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 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: 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

Grant Program	FY 2000 Average Monthly Cases
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.

- 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:

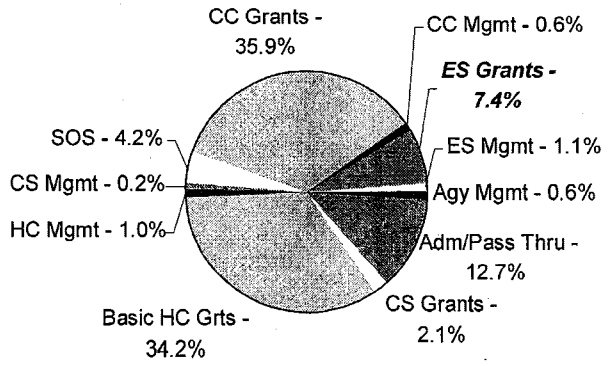
(See charts which follow narrative.)

BUDGET ISSUES:

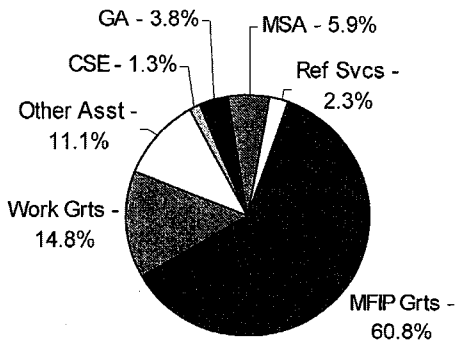
- There is a 60-month lifetime limit on MFIP cash assistance that will take effect in FY 2003. 5,600 families are expected to reach their 60-month time limit by 7-1-03.
- The availability, affordability, and quality of child care continues to be an issue as families move from welfare to work.
- The availability of affordable housing continues to have an impact on the ability of low-income families to obtain and retain employment.

Program Finance Summary
Economic Support Grants
FY 2002 Base

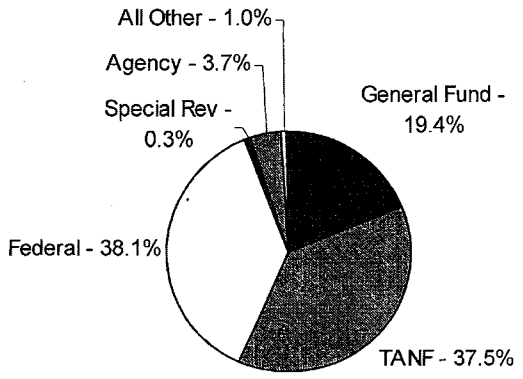
Dept Of Human Services By Program
Total All Funds = $6,847,720,000



Economic Support Grants By Activity
Total All Funds = $507,152,000



Economic Support Grants By Fund
Total All Funds = $507,152,000



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	326,487	308,484	315,125	264,681	294,084	(46,090)	(7.0%)
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	56,125	57,999	55,195	71,418	20,316	18.6%
CHILD SUPPORT ENFORCEMENT	5,949	6,324	7,898	6,802	6,852	6,356	6,406	(964)	(6.8%)
GENERAL ASSISTANCE	35,964	38,621	19,376	19,156	19,156	17,700	17,700	(21,141)	(36.5%)
MINNESOTA SUPPLEMENTAL AID	25,202	26,146	28,081	29,750	29,828	31,241	31,501	7,102	13.1%
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**	**525,120**	**507,152**	**515,358**	**462,008**	**507,507**	**(14,482)**	**(1.4%)**

Change Items:	Fund						
(B) RESPONSE TO 60 MONTH TIME LIMIT	GEN				(9)		(443)
(B) RESPONSE TO 60 MONTH TIME LIMIT	TANF				528		33,188
(B) MAINTAIN EXIT LEVEL AT 120% OF FPG	TANF						1,107
(B) POST SECONDARY EDUCATION UP TO 24 MO	TANF				1,703		3,326
(B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS	TANF				4,643		6,380
(B) MDH TEEN PREGNANCY	TANF						(1,232)
(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
(B) RELOCATE/DIVERT - UNDER AGE 65	GEN				78		260
Total Change Items					**8,206**		**45,499**

Financing by Fund:							
Direct Appropriations:							
GENERAL	157,993	147,852	157,311	98,357	98,039	97,339	96,769
SPECIAL REVENUE	624	0	0	0	0	0	0
FEDERAL TANF	148,382	150,213	151,317	190,229	198,753	162,140	208,209
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	189,395	193,538	193,538	176,019	176,019
MISCELLANEOUS AGENCY	0	27,013	20,578	18,969	18,969	21,065	21,065
GIFT	26	0	0	0	0	0	0
Total Financing	**498,818**	**512,227**	**525,120**	**507,152**	**515,358**	**462,008**	**507,507**

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.

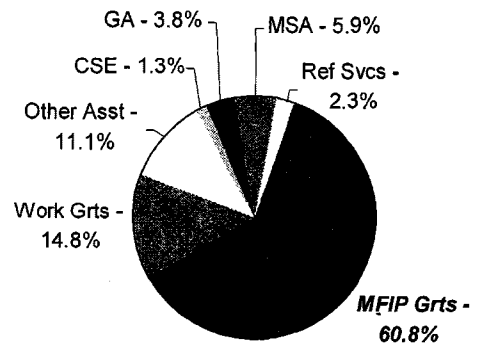
FINANCING INFORMATION:

(See charts which follow narrative.)

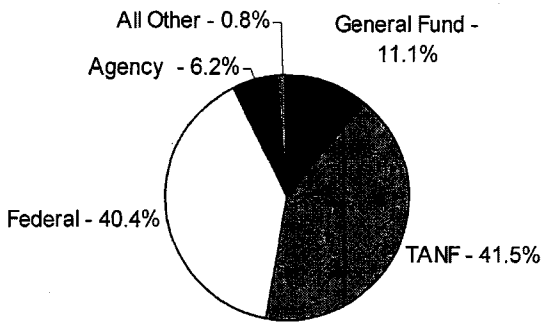
BUDGET ISSUES:

- 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 = $507,152,000



Minnesota Family Investment Prog. By Fund
Total All Funds = $308,484,000



Activity Finance Summary
Minnesota Family Investment Program
FY 2002 Base

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	23,342	21,503	21,503	23,369	23,369	(8,368)	(15.7%)
Subtotal State Operations	**8,730**	**29,898**	**23,342**	**21,503**	**21,503**	**23,369**	**23,369**	**(8,368)**	**(15.7%)**
PAYMENTS TO INDIVIDUALS	321,680	298,914	298,790	278,420	285,070	233,968	263,814	(48,820)	(8.2%)
LOCAL ASSISTANCE	0	0	4,355	8,561	8,552	7,344	6,901	11,098	254.8%
Total Expenditures	**330,410**	**328,812**	**326,487**	**308,484**	**315,125**	**264,681**	**294,084**	**(46,090)**	**(7.0%)**

Change Items:	Fund						
(B) RESPONSE TO 60 MONTH TIME LIMIT	GEN				(9)		(443)
(B) RESPONSE TO 60 MONTH TIME LIMIT	TANF				238		20,313
(B) MAINTAIN EXIT LEVEL AT 120% OF FPG	TANF						725
(B) POST SECONDARY EDUCATION UP TO 24 MO	TANF				1,299		2,467
(B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS	GEN						(1,034)
(B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS	TANF				3,463		4,830
(B) MDH TEEN PREGNANCY	TANF						(755)
(B) REPEAL SAVE/REPORTING REQUIREMENT	TANF				1,650		3,300
Total Change Items					**6,641**		**29,403**

Financing by Fund:							
Direct Appropriations:							
GENERAL	81,454	69,092	92,203	34,199	34,190	33,897	32,420
FEDERAL TANF	119,127	109,257	90,842	128,066	134,716	99,977	130,857
Statutory Appropriations:							
GENERAL	13,007	8,066	2,764	2,534	2,534	2,304	2,304
FEDERAL	116,822	115,384	120,100	124,716	124,716	107,438	107,438
MISCELLANEOUS AGENCY	0	27,013	20,578	18,969	18,969	21,065	21,065
Total Financing	**330,410**	**328,812**	**326,487**	**308,484**	**315,125**	**264,681**	**294,084**

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	306,246	283,500	241,817
MFIP Emergency Assistance	State/Federal	4,731	14,288	15,948	18,573	18,545
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-	4,355	8,561	7,344
Technical Adjustment	Federal		79	-0-	-0-	-0-
Total		* **128,370**	**328,812**	**326,487**	**308,484**	**264,681**

* 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	$238	$20,313	$24,154	$26,201
Econ Support Operations	70	-0-	-0-	-0-
Econ Support - Other Assist	290	12,875	16,062	18,360
Total	$598	$33,188	$40,216	$44,561
General Fund				
MFIP Grants	$(9)	$(443)	$(573)	$(675)

Statutory Change? Yes X No ____

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

[X] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the federal Temporary Assistance for Needy Families (TANF) budget of $598,000 in FY 2002 and $33,188,000 in FY 2003 to increase the accountability of Minnesota Family Investment Program (MFIP) 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. 5,200 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 30 or more of the 60 months and is out of compliance in the 60th month would be permanently closed. About 4,350 families in an average month would be extended beyond 60 months in FY 2003. This represents 11% 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 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	$(268)	$(416)	$(408)	$(402)
Emergency assistance	8	251	343	355
Extension of assistance	498	20,478	24,219	26,248
Economic Support - Other Assist				
Child Care costs	274	12,508	15,598	17,866
Child Care Quality Requirement	16	367	464	494
Economic Support Operations				
MAXIS costs	70	-0-	-0-	-0-
Federal TANF Total	$598	$33,188	$40,216	$44,561
General Fund				
Child Support Recoveries	(9)	(443)	(573)	(675)
Total – All Funds	$589	$32,745	$39,643	$43,886

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	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
Federal TANF				
MFIP	$-0-	$725	$1,836	$2,659
Econ Support - Other Asst	-0-	382	884	1,182
Total	$-0-	$1,107	$2,720	$3,841
General Fund				
MA Basic HC – F & C	$-0-	$268	$572	$776

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 $1,107,000 in FY 2003; and a corresponding increase in the General Fund Budget of $268,000 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 2003, 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 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	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
TANF				
MFIP Grants	$1,299	$2,467	$2,350	$2,252
Econ Support - Other Asst	404	859	868	867
Total	$1,703	$3,326	$3,218	$3,119
General Fund				
MA Basic HC – F & C	$379	$799	$747	$765

Statutory Change? Yes X No ____

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

[X] New Activity [x] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the federal Temporary Assistance to Needy Families (TANF) budget of $1,703,000 in FY 2002 and $3,326,000 in FY 2003 and a corresponding increase in the General Fund budget of $379,000 in FY 2002 and $799,000 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 553 additional MFIP participants in FY 2002 and 524 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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
Econ Support – Other Assist	$-0-	$1,034	$1,139	$1,244
MFIP	-0-	(1,034)	(1,139)	(1,244)
Total	$-0-	$-0-	$-0-	$-0-
Federal TANF				
MFIP	$3,463	$4,830	$5,253	$5,676
Econ Support – Other Assist	1,180	1,550	1,885	2,257
Total	$4,643	$6,380	$7,138	$7,933

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 $4,643,000 in FY 2002 and $6,380,000 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 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 $909,000 in FY 2002 and $2,070,000 in FY 2003. This reduction will be made possible by the consolidation of child care financing which will provide additional state spending that may be used for TANF maintenance of effort.

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-	$(1,034)	$(1,139)	$(1,244)
General Fund – MFAP	-0-	1,034	1,139	1,244
TANF – MFIP	-0-	1,034	1,139	1,244
SubTotal	$-0-	$1,034	$1,139	$1,244
TANF – MFIP Cash Benefits	$1,274	$1,502	$1,730	$1,959
TANF – MFIP Food Benefits	2,189	2,294	2,384	2,473
Child Care Costs	1,180	1,550	1,885	2,257
SubTotal	$4,643	$5,346	$5,999	$6,689
Cash MOE Reduction				
General Fund	$(909)	$(2,070)	$(2,303)	$(2,535)

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: 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.

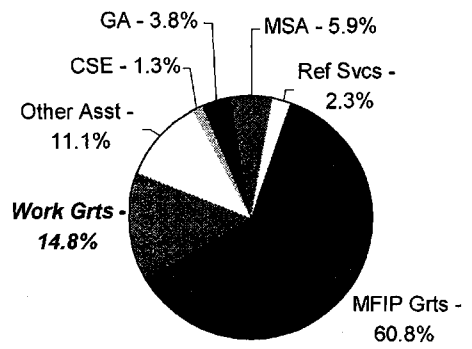
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

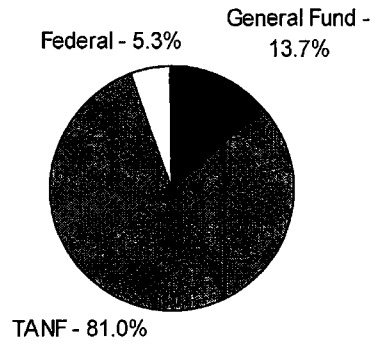
- Variation in local economic conditions impacts caseload trends and how quickly counties and employment services providers can help recipients get into the job market.
- Those who will remain on MFIP or food stamps for the longest time are expected to be the most difficult to employ. Many need very 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 = $507,152,000



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 / 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		**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
STATUTORY APPROPRIATIONS							
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

Item Title: ELIMINATE UNUSED FUNDING IN THE INJURY PROTECTION PROGRAM (IPP)

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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.

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.

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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
Work Grants	$(248)	$(248)	$(248)	$(248)

Statutory Change? Yes ____ No X

☐ 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.

FINANCING:

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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.

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

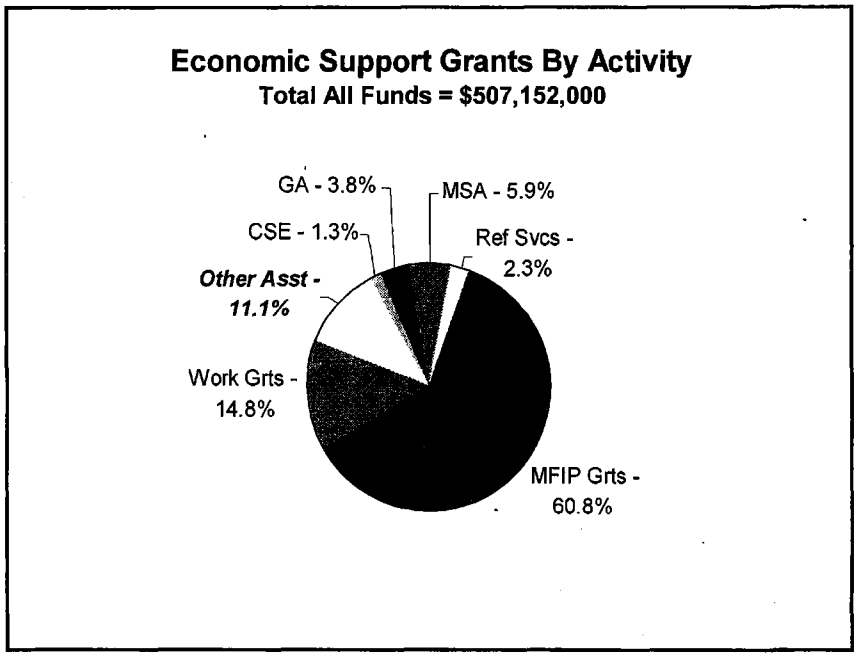
- In FY 2000 a monthly average of 500 legal non-citizens participated in the Minnesota Food Assistance Program
- In FY 2000 a monthly average of 100,000 households participated in the Federal Food Stamp program.
- A pilot in two counties has been established for integrating the delivery of housing, supportive 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:

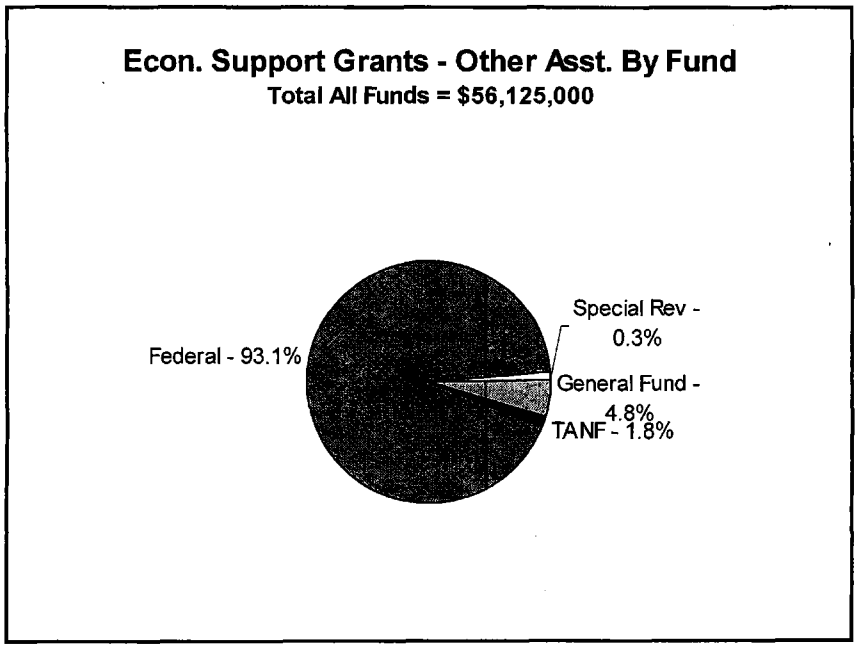
(See chart that follows narrative)

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.



Activity Finance Summary
Economic Support Grants – Other Assistance
FY 2002 Base



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	53,715	2,591	2.5%
LOCAL ASSISTANCE	2,656	1,197	2,428	1,773	3,647	1,514	16,703	16,725	461.4%
Total Expenditures	**53,872**	**52,459**	**56,642**	**56,125**	**57,999**	**55,195**	**71,418**	**20,316**	**18.6%**

Change Items:	Fund						
(B) MDH TEEN PREGNANCY	TANF						(477)
(B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS	GEN						1,034
(B) CONTINUE ASSISTANCE TO LEGAL NONCITIZENS	TANF				1,180		1,550
(B) RESPONSE TO 60 MONTH TIME LIMIT	TANF				290		12,875
(B) POST SECONDARY EDUCATION UP TO 24 MO	TANF				404		859
(B) MAINTAIN EXIT LEVEL AT 120% OF FPG	TANF						382
Total Change Items					**1,874**		**16,223**

Financing by Fund:							
Direct Appropriations:							
GENERAL	2,649	2,241	2,972	2,682	2,682	1,931	2,965
SPECIAL REVENUE	624	0	0	0	0	0	0
FEDERAL TANF	0	0	1,000	1,000	2,874	1,000	16,189
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	52,259	52,259	52,264	52,264
Total Financing	**53,872**	**52,459**	**56,642**	**56,125**	**57,999**	**55,195**	**71,418**

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		**2,241**	**2,972**	**2,682**	**2,682**	**1,931**	**2,965**
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	1,451
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**	**2,858**	**1,000**	**16,299**
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-	306	-0-	15,299
STATUTORY APPROPRIATIONS							
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: 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.

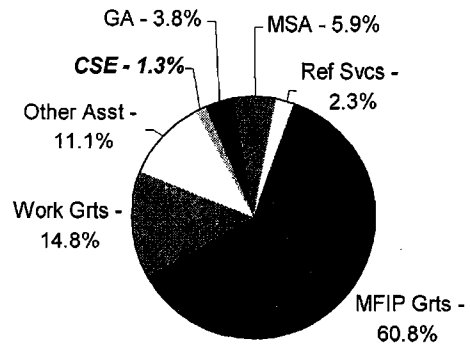
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

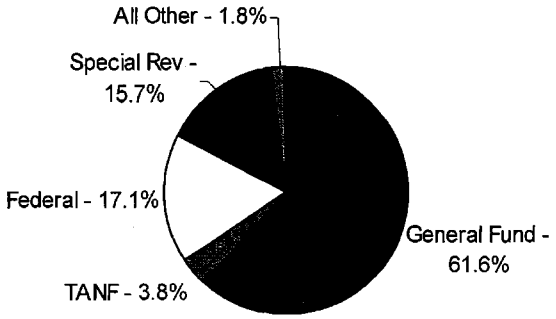
- There are a growing number of requests for help from people who are not on public assistance but require services for the enforcement of support orders.
- The development of new, improved tools to intercept child support owed has improved connections with employers, financial institutions, and the 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 = $507,152,000



Activity Finance Summary
Child Support Enforcement Grants
FY 2002 Base

Child Support Enforcement Grants By Fund
Total All Funds = $6,802,000



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	6,894	5,675	5,725	5,675	5,725	(1,341)	(10.5%)
Total Expenditures	**5,949**	**6,324**	**7,898**	**6,802**	**6,852**	**6,356**	**6,406**	**(964)**	**(6.8%)**

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	1,290	1,164	1,164	918	918
GIFT	26	0	0	0	0	0	0
Total Financing	**5,949**	**6,324**	**7,898**	**6,802**	**6,852**	**6,356**	**6,406**

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		**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
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
STATUTORY APPROPRIATIONS							
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 / 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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 2005
Expenditures: ($000)				
General Fund				
Child Support Grants	$50	$50	$50	$50
Economic Support Operations	32	32	32	32
Total	$82	$82	$82	$82

[x] New Activity [x] 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 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 certain recommendations from this study.

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. 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	
	F Y 2002	F Y 2003	F Y 2004	F Y 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

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, representing a 21% increase over current hospital bonus payments. 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: 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.

Eligiblity

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.

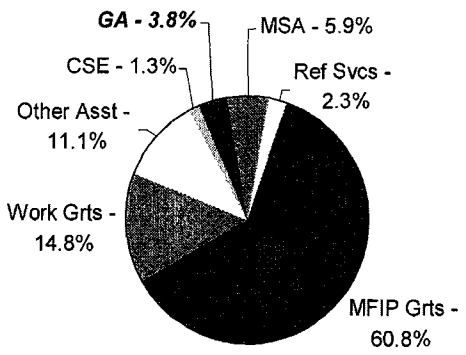
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

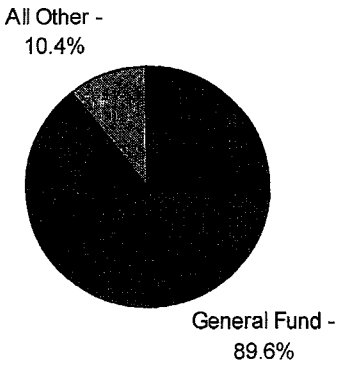
- There has been no increase to the GA grant amount since 1986. The value of the grant has declined from equaling approximately 50% of the federal poverty guidelines in FY 1986 to 30% in FY 2000.
- The GA caseload has declined over time from approximately 22,000 individuals in FY 1986 to 10,000 in FY 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 = $507,152,000



Activity Finance Summary
General Assistance Grants
FY 2002 Base

General Assistance Grants By Fund
Total All Funds = $19,156,000



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	18,876	18,656	18,656	17,200	17,200	(21,154)	(37.1%)
Total Expenditures	**35,964**	**38,621**	**19,376**	**19,156**	**19,156**	**17,700**	**17,700**	**(21,141)**	**(36.5%)**
Financing by Fund:									
Direct Appropriations:									
GENERAL	33,080	36,131	17,376	17,156	17,156	15,700	15,700		
Statutory Appropriations:									
GENERAL	2,884	2,490	2,000	2,000	2,000	2,000	2,000		
Total Financing	**35,964**	**38,621**	**19,376**	**19,156**	**19,156**	**17,700**	**17,700**		

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	13,145	13,079	11,985	10,740
GRH Facility Residents	State	2,311	2,367	2,331	2,788	2,896
Battered Women's Shelters	State	449	21,019	0	0	0
Recoveries	State		2,490	2,000	2,000	2,000
Technical Adjustments			(400)	1,966	2,383	2,604
Total		**7,771**	**38,621**	**19,376**	**19,156**	**17,700**

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 waivered 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.

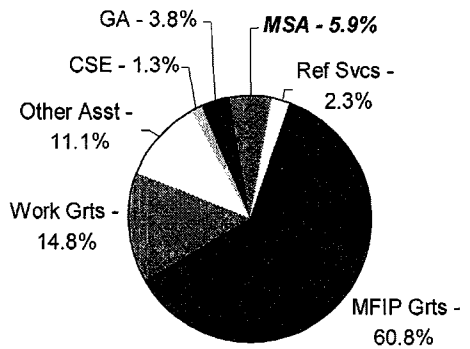
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

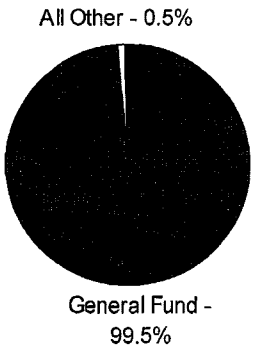
- Grant standards are required to be adjusted annually by the amount of the cost-of-living adjustment in SSI.

Economic Support Grants By Activity
Total All Funds = $507,152,000



Activity Finance Summary
Minnesota Supplemental Aid Grants
FY 2002 Base

Minnesota Supplemental Aid Grants By Fund
Total All Funds = $29,750,000



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	28,081	29,750	29,828	31,241	31,501	7,102	13.1%
Total Expenditures	**25,202**	**26,146**	**28,081**	**29,750**	**29,828**	**31,241**	**31,501**	**7,102**	**13.1%**

Change Items:	Fund								
(B) RELOCATE/DIVERT - UNDER AGE 65	GEN				78		260		
Total Change Items					**78**		**260**		

Financing by Fund:									
Direct Appropriations:									
GENERAL	24,710	26,049	27,931	29,600	29,678	31,091	31,351		
Statutory Appropriations:									
GENERAL	492	97	150	150	150	150	150		
Total Financing	**25,202**	**26,146**	**28,081**	**29,750**	**29,828**	**31,241**	**31,501**		

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	799	771	742
Other Recipients In Community	State	24,355	25,220	27,132	28,829	30,349
Recoveries	State		97	150	150	150
Total		**26,114**	**26,146**	**28,081**	**29,750**	**31,241**

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

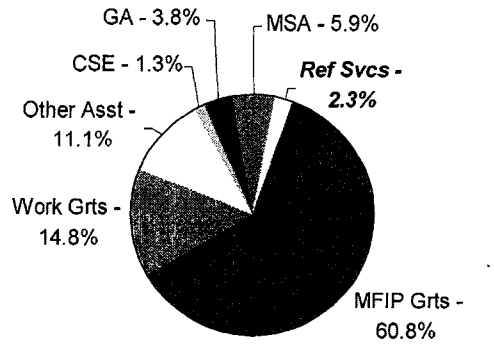
FINANCING INFORMATION:

(See charts which follow narrative.)

BUDGET ISSUES:

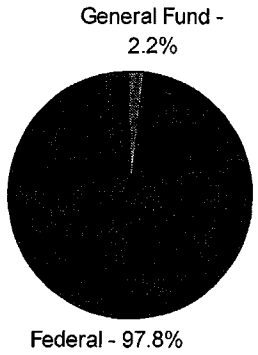
- Federal funding formulas take into account growth in refugee populations.

Economic Support Grants By Activity
Total All Funds = $507,152,000



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 / Activity	Purpose / People Served	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Gov's Rec	Base	Gov's Rec
DIRECT APPROPRIATION							
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
STATUTORY APPROPRIATION							
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: 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.

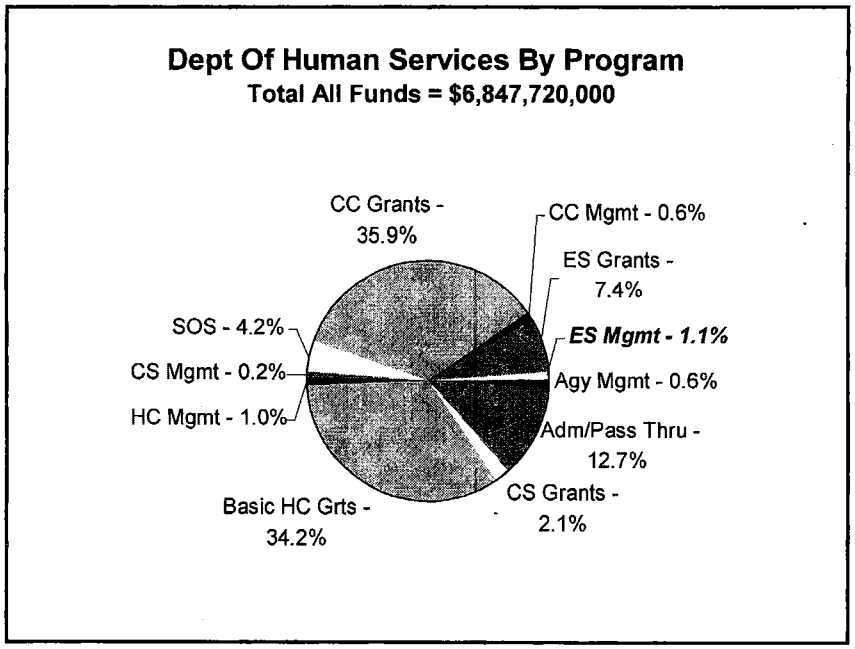
STRATEGIES AND PERFORMANCE:

The performance measures for this program area are as follows

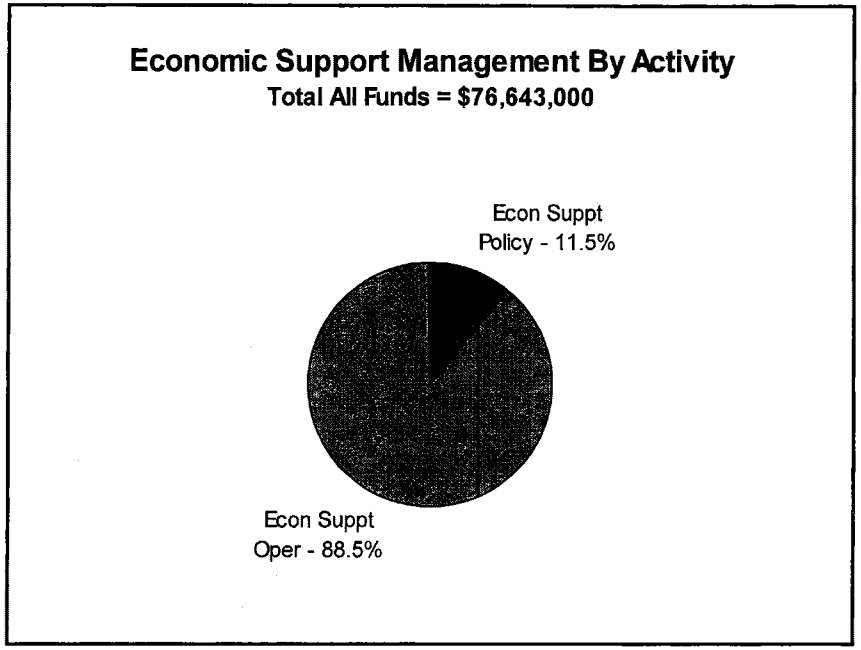
- increase in the percentage of MFIP families with reported earnings;
- increase in the percentage of MFIP families who receive food assistance only;
- increase in the average collection of open child support cases each year; and
- payment accuracy and administrative performance for each program reviewed or evaluated will be within the federal and state tolerance levels.

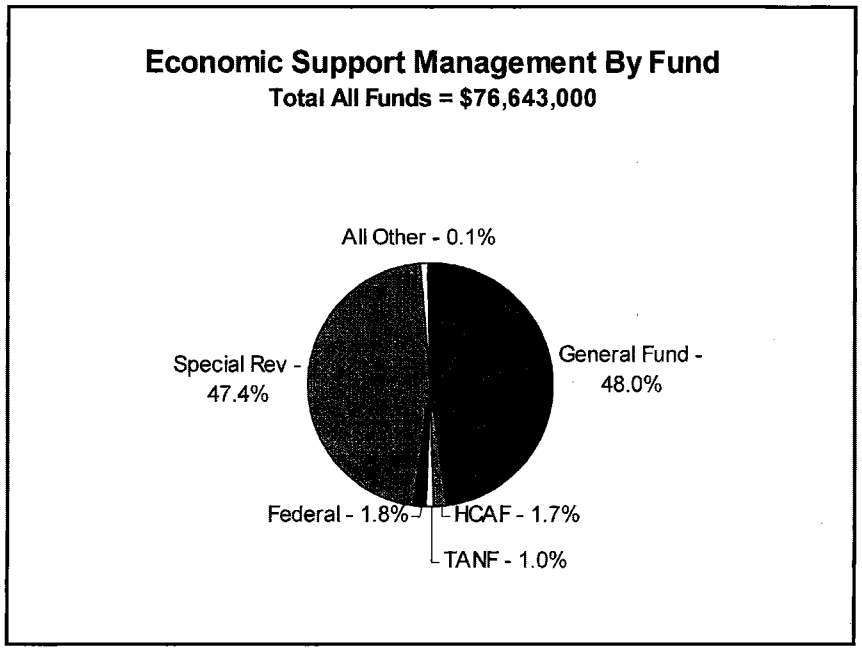
FINANCING INFORMATION:

(See charts which follow narrative.)



Program Finance Summary
Economic Support Management
FY 2002 Base





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	507.0	499.0	504.0
Total Full-Time Equivalent	**475.7**	**487.2**	**499.0**	**499.0**	**507.0**	**499.0**	**504.0**

Budget Activity: ECONOMIC SUPPORT POLICY ADMIN
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

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

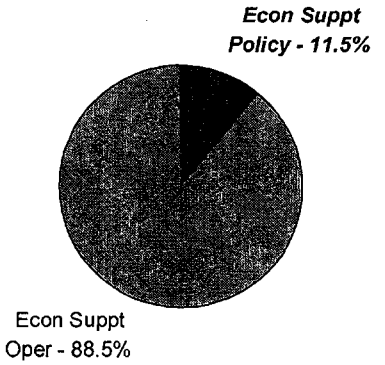
FINANCING INFORMATION:

(See charts which follows Narrative.)

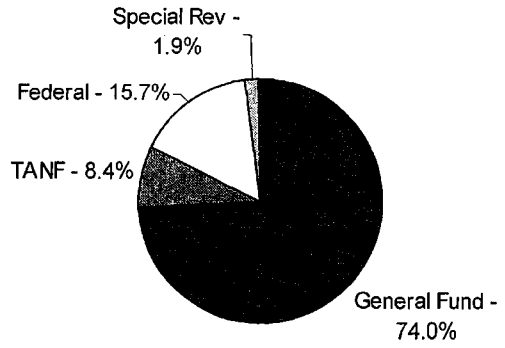
BUDGET ISSUES:

- 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.

Economic Support Management By Activity
Total All Funds = $76,643,000



Economic Support Policy Admin By Fund
Total All Funds $8,811,000



Activity Finance Summary
Economic Support Policy Administration
FY 2002 Base

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	
	F Y 2002	F Y 2003	F Y 2004	F Y 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

[X] 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 Activity: ECONOMIC SUPPORT POLICY ADMIN
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

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.
- Precise and appropriate determinations of parental responsibility for child and medical support.

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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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 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.

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 X

[X] 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 Activity: ECONOMIC SUPPORT POLICY ADMIN
Program: ECONOMIC SUPPORT MANAGEMENT
Agency: HUMAN SERVICES DEPT

Item Title: LIMITED ENGLISH PROFICIENCY – ACCESS AND CLIENT OUTCOMES

- 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.

FINANCING:

	2002-03 Biennium		2004-05 Biennium	
	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

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.

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

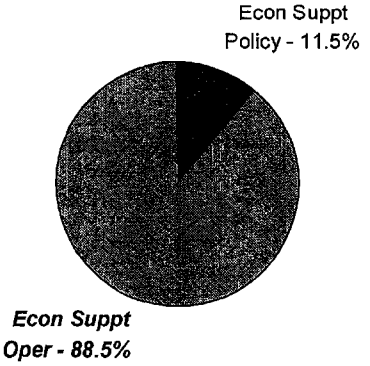
FINANCING INFORMATION:

(See charts which follow narrative.)

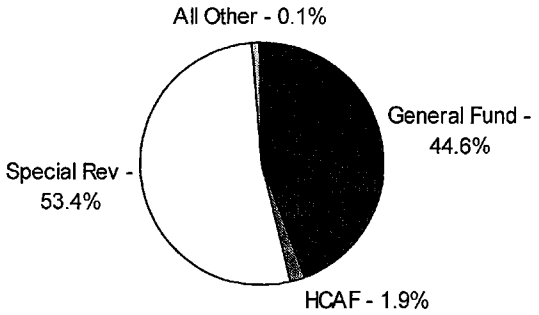
BUDGET ISSUES:

- 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



Economic Support Operations By Fund
Total All Funds = $67,832,000



Activity Finance Summary
Economic Support Operations
FY 2002 Base

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	413.3	413.3	413.3
Total Full-Time Equivalent	**403.5**	**408.5**	**413.3**	**413.3**	**413.3**	**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

	2002-03 Biennium		2004-05 Biennium	
	F Y 2002	F Y 2003	F Y 2004	F Y 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

☐ New Activity ☒ Supplemental Funding ☒ 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 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

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 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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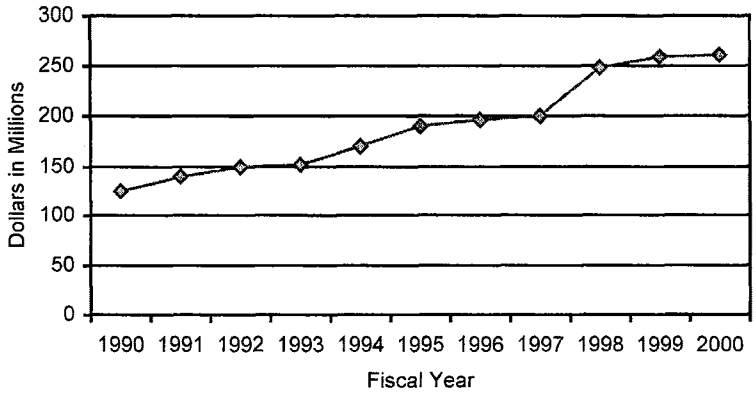
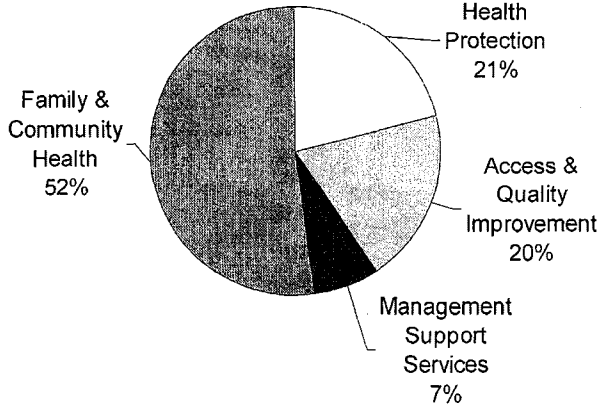
TRENDS AND PERSPECTIVE:

Total Budget -All Funds



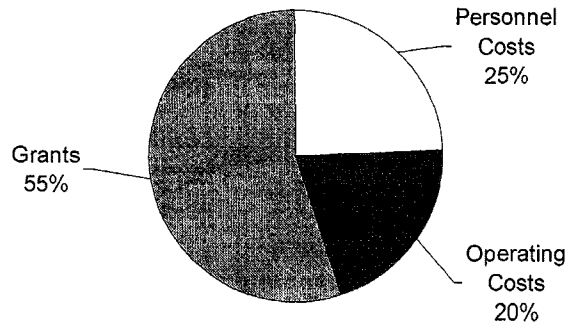
2000 - 01 Expenditures by Program

Total: $589,493 (In 000's)



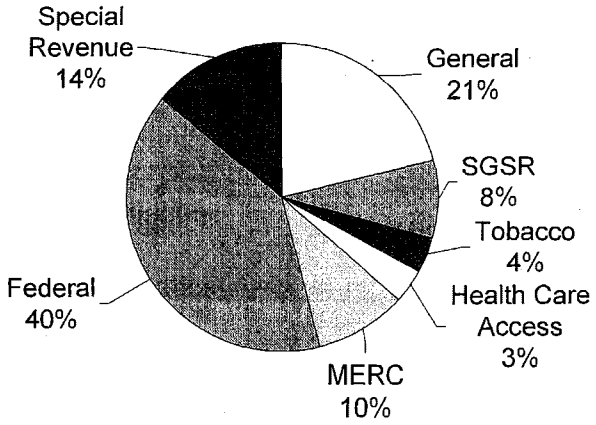
2000 - 01 Expenditures by Category

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	168,040	195,184	70,300	22.8%
ACCESS & QUALITY IMPROVEMENT	45,242	39,448	75,746	59,583	83,867	59,787	81,558	50,231	43.6%
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**	**329,271**	**302,995**	**351,422**	**309,741**	**362,241**	**123,891**	**21.0%**
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	41,558	28,355	28,355	28,832	37,069		
TOBACCO USE PREVENTION	0	6,083	15,446	21,061	21,061	28,061	28,061		
HEALTHY KIDS ENDOWMENT	0	0	0	0	0	0	3,124		
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**	**329,271**	**302,995**	**351,422**	**309,741**	**362,241**		
FTE by Employment Type:									
FULL TIME	1,130.3	1,153.9	1,226.4	1,193.0	1,251.7	1,179.4	1,246.1		
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**	**1,260.8**	**1,319.0**	**1,245.8**	**1,312.0**		

Fund: GENERAL

	FY 2002	FY 2003	Biennium
BASE YEAR (FY 2001) ($000s)			
Budgeted Appropriations (FY 2001 – Resource Load)	$64,605	$64,605	$129,210
BASE ADJUSTMENTS			
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)
BASE LEVEL (for 2002 and 2003)	**$62,995**	**$63,708**	**$126,703**
CHANGE ITEMS			
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.

Fund: STATE GOVERNMENT MISCELLANEOUS

	FY 2002	FY 2003	Biennium
BASE YEAR (FY 2001) ($000s)			
Budgeted Appropriations (FY 2001 – Resource Load)	$25,020	$25,020	$50,040
BASE ADJUSTMENT			
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)
BASE LEVEL (for 2002 and 2003)	**$24,346**	**$25,165**	**$49,511**
CHANGE ITEMS			
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 (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

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
- Laboratory Certification 150,000

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 - 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 $2.5 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	20,966	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**	**20,969**	**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**	**189,954**	**192,709**	**188,100**	**193,320**	**(5,058)**	**(1.3%)**

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	58,462	62,144	21,200	22.3%
FAMILY HEALTH	101,007	98,617	113,236	109,189	128,527	109,276	132,738	49,412	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**	**168,040**	**195,184**	**70,300**	**22.8%**

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						3,124		
(B) SUICIDE PREVENTION	GEN				1,100		1,100		
(B) TEEN PREGNANCY PREVENTION	TANF				10,000		10,000		
Total Change Items					**21,056**		**27,144**		

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	28,061	28,061
HEALTHY KIDS ENDOWMENT	0	0	0	0	0	0	3,124
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**	**168,040**	**195,184**
FTE by Employment Type:							
FULL TIME	252.7	251.4	272.9	266.4	289.2	264.6	304.1
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**	**325.6**

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: 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:

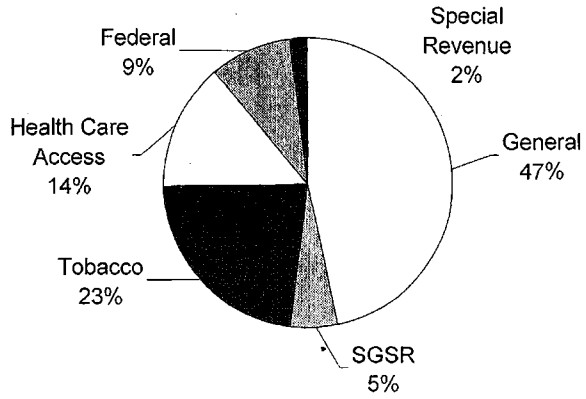
A major redesign of Minnesota's vital statistics system—to bring Minnesota from a paper-based to an electronic birth and death records system—is moving from its pilot-testing phase into its implementation phase. The system needs an ongoing source of funding for long-term maintenance, ongoing upgrades, 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.

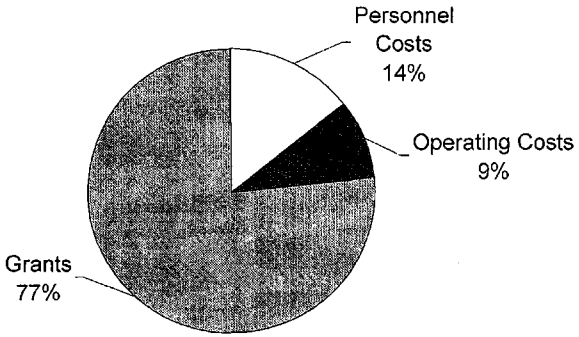
2000 - 01 Expenditures by Fund

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	48,150	48,595	19,958	28.3%
Total Expenditures	**36,797**	**42,719**	**52,226**	**52,283**	**54,001**	**58,462**	**62,144**	**21,200**	**22.3%**

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	28,061	28,061
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**	**58,462**	**62,144**

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	12,588	11,649	13,569	3,262	14.2%
Subtotal State Operations	**20,909**	**18,927**	**22,402**	**21,350**	**23,453**	**21,437**	**25,690**	**7,814**	**18.9%**
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	52,159	34,924	54,133	40,364	61.2%
Total Expenditures	**101,007**	**98,617**	**113,236**	**109,189**	**128,527**	**109,276**	**132,738**	**49,412**	**23.3%**

Change Items:	Fund						
(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						3,124
(B) SUICIDE PREVENTION	GEN				1,100		1,100
(B) TEEN PREGNANCY PREVENTION	TANF				10,000		10,000
Total Change Items					**19,338**		**23,462**

Financing by Fund:							
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	3,124
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**	**132,738**

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	178.3
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**	**192.8**

BUDGET CHANGE ITEM (49212)

Budget Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: POISON INFORMATION SYSTEM

	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.

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.

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.

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 __X__ No _____

If yes, statute(s) affected: New section in M.S. 144

__X__ 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 Activity: FAMILY HEALTH
Program: FAMILY & COMMUNITY HEALTH
Agency: HEALTH DEPT

Item Title: HEALTHY KIDS LEARN

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: ($000s)				
Tobacco Settlement Fund	$62,490	$116,177	$-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-	$1,124	$6,933	$6,933
Total		$3,124	$8,933	$8,933
Revenues: ($000s)				
Healthy Kids Endowment	$-0-	$3,124	$8,933	$8,933

Statutory Change? Yes __X__ No _____
If yes, statute(s) affected: M.S. 16A.87, and a new section in M.S. 144

__X__ New Activity _____Supplemental Funding _____Reallocation

GOVERNOR'S RECOMMENDATION: The Governor recommends the creation of the Healthy Kids Endowment with an appropriation of $62.490 million in FY 2002 and $116.177 million in FY2003 from the Tobacco Settlement Fund. Income generated from the endowment, beginning with $3.124 million in FY 2003, and $8.933 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 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.

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: $178.667 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, $2.124 million in FY 2003, and $2 million in FY 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 2002 and 2003 is a General Fund appropriation).
- $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.
- $4.933 million in FY 2004 and $4.933 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

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
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 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				
MDH				
- State Operations	$800	$800	$800	$800
- Grants	$9,200	$9,200	$9,200	$9,200
Total	$10,000	$10,000	$10,000	$10,000
DHS-MFIP Savings	$-0-	$(755)	$(1,967)	$(2,207)
CFL-CCAP Savings		$(477)	$(1,301)	$(1,504)
General Fund				
DHS-MA Savings	$-0-	$(2,600)	$(2,200)	$(2,200)
Revenues: ($000s)	$-0-	$-0-	$-0-	$-0-

Statutory Change? Yes __X__ No _____

If yes, statute(s) affected: New section in M.S. 144

__X__ New Activity __X__ Supplemental Funding __X__ 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's Medical Assistance program, Minnesota Family Investment Plan, and the Child Care Block Grant. It is anticipated that in the subsequent two years births to teens will be reduced by 8%, which will result in additional savings in each program 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

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	26,978	20,498	55,748	40,428	64,302	40,566	61,927	49,983	65.6%
FACILITY AND PROVIDER CMPLNC	18,264	18,950	19,998	19,155	19,565	19,221	19,631	248	0.6%
Total Expenditures	**45,242**	**39,448**	**75,746**	**59,583**	**83,867**	**59,787**	**81,558**	**50,231**	**43.6%**

Change Items:	Fund						
(B) OT-SLP-A DEREGULATION	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						8,237
(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**		**21,771**

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	41,558	28,355	28,355	28,832	37,069
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**	**75,746**	**59,583**	**83,867**	**59,787**	**81,558**

FTE by Employment Type:							
FULL TIME	250.3	259.4	297.9	289.5	301.7	289.5	285.2
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**	**310.3**	**298.1**	**293.8**

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	46,493	33,140	48,140	33,617	56,854	43,415	70.5%
Total Expenditures	**26,978**	**20,498**	**55,748**	**40,428**	**64,302**	**40,566**	**61,927**	**49,983**	**65.6%**

Change Items:	Fund						
(B) OT-SLP-A DEREGULATION	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						8,237
(B) SUPPORTING MN'S HEALTH CARE SAFETY NET	HCA				15,000		15,000
Total Change Items					**23,874**		**21,361**

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	41,558	28,355	28,355	28,832	37,069
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**	**55,748**	**40,428**	**64,302**	**40,566**	**61,927**

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	2,551	719	2,568	719
Total Revenues Collected	**23,208**	**17,815**	**37,033**	**21,134**	**19,302**	**20,743**	**18,894**

FTE by Employment Type:							
FULL TIME	61.3	65.4	74.9	66.0	78.2	66.0	61.7
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**	**80.7**	**68.5**	**64.2**

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 (cite year)
Medical Education and Research Cost (MERC) Trust Fund	The MERC trust fund was established to address the increasing financial difficulties of Minnesota's medial 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)				
State Government Special Revenue Fund - State Operations	$(401)	$(409)	$(409)	$(409)
Revenues: ($000s)				
State Government Special Revenue Fund	$(382)	$(382)	$(382)	$(382)

Statutory Change? Yes __X__ No _____

If yes, statute(s) affected: M.S. 148.6401-148.6450

_____ New Activity _____ Supplemental Funding __X__ Reduction

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.

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 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:

	FY 2002	FY 2003	FY 2004	FY 2005
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 Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: ACADEMIC HEALTH CENTER FUNDING

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: ($000s)				
Tobacco Settlement Fund	$164,746	$-0-	$-0-	$-0-
Medical Educ Endowment -Grants	$-0-	$8,237	$8,237	$8,237
Revenues: ($000s)				
Medical Educ Endowment	$-0-	$8,237	$8,237	$8,237

Statutory Change? Yes __X__ No _____

If yes, statute(s) affected: M.S. 16A.87, 62J.694

_____ New Activity __X__ Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Medical Education Endowment be increased by $164.746 million in FY 2002 and that the additional income from the fund—$8.237 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 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 $15.3 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

Budget Activity: HEALTH POLICY & SYSTEMS COMPLI
Program: ACCESS & QUALITY IMPROVEMENT
Agency: HEALTH DEPT

Item Title: ACADEMIC HEALTH CENTER FUNDING

ongoing funding of $8.237 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 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 __X__ No _____

If yes, statute(s) affected: M.S. 144.18 and 62J.85

__X__ New Activity _____Supplemental Funding _____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

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	506.3	531.0	494.5	527.0		
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**	**541.7**	**566.4**	**528.5**	**561.0**		

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	8,021	8,021	8,078	8,078	704	4.6%
OTHER OPERATING EXPENSES	4,448	4,827	6,724	6,208	6,208	6,211	6,211	868	7.5%
Subtotal State Operations	**11,365**	**12,138**	**14,808**	**14,229**	**14,229**	**14,289**	**14,289**	**1,572**	**5.8%**
LOCAL ASSISTANCE	8,041	7,535	5,013	4,614	4,054	4,614	4,054	(4,440)	(35.4%)
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	122.3	122.3	122.3	122.3
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**	**136.2**	**136.2**	**136.2**	**136.2**

Pass Through Grants Administered by the Division of Infectious Desease 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)

VETERANS HOME BOARD - CONTENTS

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:

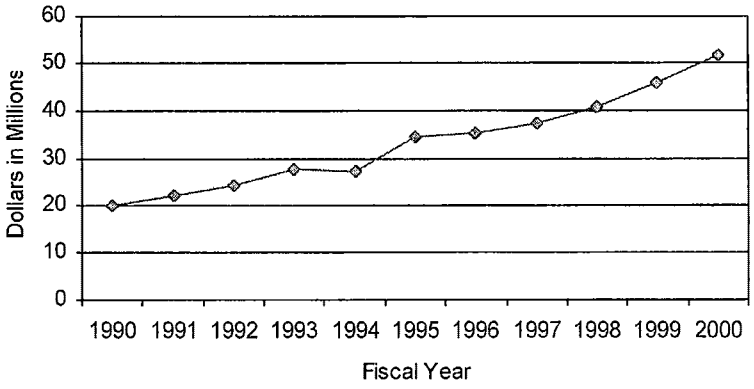
- **Increasing medical and health care costs**. Significant inflation in the cost of health care goods and services challenges the VHB to maintain high quality services. Significant annual increases in salary and benefit costs are an ongoing challenge to our agency and erode core funding for health care 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

TRENDS AND PERSPECTIVE:

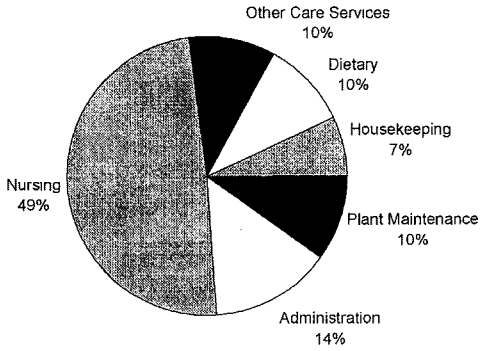
Total Budget -All Funds



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

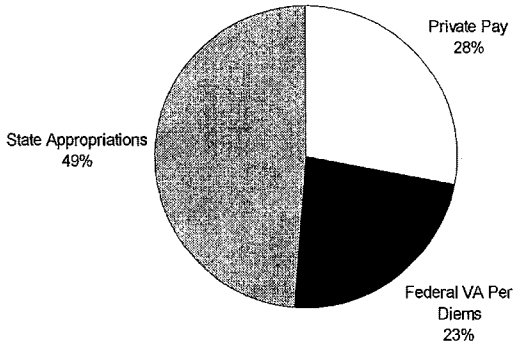
2000-01 Operating Expenditures by Category

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	60,680	59,896	61,896	14,322	13.2%
Total Expenditures	**45,931**	**51,679**	**56,575**	**58,680**	**60,680**	**59,896**	**61,896**	**14,322**	**13.2%**
Financing by Fund:									
Direct Appropriations:									
GENERAL	0	1,713	667	28,948	30,948	30,030	32,030		
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**	**60,680**	**59,896**	**61,896**		
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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Fund: GENERAL

	FY 2002	FY 2003	Biennium
BASE YEAR (FY 2001) ($000s)			
Appropriations	$27,103	$27,103	$54,206
BASE ADJUSTMENT			
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
BASE LEVEL (for 2002 and 2003)	**$28,948**	**$30,030**	**$58,978**
CHANGE ITEMS			
Deficiency Funding	2,000	2,000	4,000
GOVERNOR'S RECOMMENDATION	**$30,948**	**$32,030**	**$62,978**

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 RECOMMENDATIONS:

The Governor recommends funding for current services at the veterans homes. In addition, the Governor recommends a General Fund appropriation of $2 million each fiscal year, with the approval of the Commissioner of Finance in the first fiscal year, to avert a funding shortfall in the next biennium. The Governor also recommends that the timing of the phase-in of additional beds at the Minneapolis campus, and the use of asset preservation funding for operational costs, be at the Board's discretion to allow for the homes to operate at current service levels within available resources.

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	1,477	1,414	1,516	455	17.9%
MPLS VETERANS HOMES	24,034	25,606	29,119	30,852	31,898	31,767	32,813	9,986	18.2%
HASTINGS VETERANS HOME	6,052	6,493	7,583	7,628	7,876	7,701	7,949	1,749	12.4%
SILVER BAY VETERANS HOMES	5,537	5,854	6,334	6,602	6,824	6,672	6,894	1,530	12.6%
LUVERNE VETERANS HOME	5,267	7,088	6,206	6,144	6,358	6,211	6,425	(511)	(3.8%)
FERGUS FALLS VETERANS HOME	3,915	5,439	5,994	6,079	6,247	6,131	6,299	1,113	9.7%
Total Expenditures	**45,931**	**51,679**	**56,575**	**58,680**	**60,680**	**59,896**	**61,896**	**14,322**	**13.2%**

Change Items:	**Fund**						
(P) DEFICIENCY FUNDING	GEN				2,000		2,000
Total Change Items					**2,000**		**2,000**

Financing by Fund:							
Direct Appropriations:							
GENERAL	0	1,713	667	28,948	30,948	30,030	32,030
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**	**60,680**	**59,896**	**61,896**

FTE by Employment Type:							
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Total Full-Time Equivalent	**825.8**	**882.0**	**901.5**	**923.5**	**923.5**	**932.5**	**932.5**

Program: VETERANS HOMES
Agency: VETERANS HOME BOARD

Item Title: DEFICIENCY FUNDING

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: ($000s)				
General Fund				
-State Operations	$2,000	$2,000	$2,000	$2,000
Revenues: ($000s)	$-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 a General Fund appropriation of $2 million in each fiscal year to the Veterans Homes Board to avert a funding shortfall in the next biennium. For the first year of the biennium, the Governor recommends that the funding be contingent upon approval from the Commissioner of Finance, based on the Board's submittal of a report outlining the following: 1) a long-term revenue outlook for the homes; 2) a review and recommendation of alternative funding sources for the homes' operations; and 3) administrative and service options to bring cost growth in line with revenues.

The Governor also recommends that the timing of the phase-in of additional beds at the Minneapolis campus, and the use of asset preservation funding for operational costs, be at the Board's discretion to allow for the homes to operate at current service levels within available resources.

While the Governor expects that the Board will find a way to operate within their available resources, the Governor also recognizes that in trying to solve the funding issues over the next biennium, contingencies could arise. Included in the Governor's State Government budget recommendations is an increase to the General Fund contingency reserve.

RATIONALE:

The Veterans Homes Board (VHB) is projecting a potential shortfall for the 2002-03 biennium of $7.0 million. This shortfall is based on conservative assumptions about how operating expenses and revenues will change over the next two years. We are estimating that operating costs will increase by at least 5 percent per year (actual increases have averaged 6 –7 percent per year) and revenues (appropriations and dedicated receipts) will grow by less than 2 percent per year. Revenue growth has significantly changed in the current fiscal year, creating a potential shortfall too large to absorb without significantly reducing our operating beds.

The VHB derives 51 percent of its operating funds from dedicated sources with the remaining 49 percent (a four percentage point drop from the previous biennium) from state appropriations. The dedicated sources are 28 percent private pay and 23 percent Veterans Administration (VA) per diems. In the past six years, VA per diems have grown an average of 8.6 percent per year. The private pay portion has continually risen as well. This year, VA per diems were increased only 1.6 percent. Private pay receipts have leveled off as well.

While we are uncertain what will happen with VA per diems in the future, the projected shortfall is based on current revenue levels. We anticipate future VA per diems to be near this year's level. It is our understanding that the federal government has significantly increased per diems in recent years in an effort to reimburse at 33 percent of the national cost of care average. They are now at that level of funding.

Private pay contributions can fluctuate based on residents' income and asset levels. However, this fiscal year the trend of growing contribution levels turned around. The projected shortfall assumes current revenue levels. While we need to better understand the fluctuations in contribution levels, we anticipate this change reflects the aging population of our residents, people staying at home longer through the use of homecare or assisted living facilities, and the corresponding decline in assets.

FINANCING:

Base funding from the general fund for the operations of the veterans homes is $28.948 million, of which $1.190 million is set aside for asset preservation. This represents 49 percent of the homes operating revenues.

The Governor recommends increasing the base funding by $2 million each fiscal year, and providing the Board with the flexibility to both access asset preservation funding for operational expenses and delay the phase-in of beds on the Minneapolis campus as needed over the next biennium to maintain services at the homes within available resources.

OUTCOMES:

Maintain current services at the Veterans Homes over the next biennium while a longer-term funding solution is reached.

BUDGET CHANGE ITEM (46522)

Agency: OMBUDSPERSON FOR FAMILIES

Item Title: FUND SALARIES 100% GENERAL FUND

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
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 LOCATION

	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 Retirement Systems of Minnesota 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 that expires October 31, 2001. Also, an additional biennial increase of $11,000 will allow the agency to capitalize on the advanced technology available in the new building.

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 location late summer/early fall 2001.

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

	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 Special Revenue	$123	$143	$143	$143
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.

- 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 Special Revenue	$156	$204	$204	$204
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

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.

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.

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 Special Revenue	$75	$72	$72	$72
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.

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 Special Revenue	$89	$107	$107	$107
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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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 Special Revenue	$119	$113	$113	$113
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 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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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 Special Revenue	$167	$174	$137	$137
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 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

funds to alleviate this situation. The boards 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.

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	$1,843	$1,843
-State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$159	$159	$159	$159

Statutory Change? Yes __X__ No _____

If yes, statute(s) affected:

_____ New Activity __X__ 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.

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