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Parental Fee Report

Minnesota Department of Human Services

Prepared for the 1996 Minnesota Legislature

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Parental Fee Report

Table of contents

I.	Summary	Page 1
	A. Purpose of the Report	Page 1
	B. Background	Page 1
	C. Overview	Page 2
II.	The role of the Parental Fee Advisory Committee	Page 3
III.	The Committee's recommendations	Page 4
	1. Fees or premiums	Page 4
	2. The fee structure	Page 5
	A. The December 18th proposal	Page 6
	B. The January 12th proposal	Page 8
	C. Fiscal impact	Page 12
	3. Adjusted Gross Income or Taxable Income	Page 12
	4. The lowest income exempt from a fee	Page 13
	5. Children living at home and out of home	Page 13
	6. Variances, deductions and reductions	Page 14
	7. Child support	Page 15
	8. Effective date of changes in the parental fee	Page 15
	9. A social services program	Page 15
	10. Collection and enforcement	Page 16

Appendix A: Administrative simplification.

Appendix B: Comparison of fees in the parental fee, MinnesotaCare, sliding fee child care and social services programs.

Appendix C: Projected revenue estimates.

Appendix D: Membership list of the Parental Fee Advisory Committee.

Appendix E: Minutes of Committee meeting on November 8, 1995.

Appendix F: Minutes of Committee meeting on November 20, 1995.

Appendix G: Minutes of Committee meeting on November 28, 1995.

Upon request, this information will be made available in an alternative format, such as Braille, large print or audiotape.

The estimated cost of preparing this report is less than \$2,000.

I. Summary

A. Purpose of the report

In the 1995 session, the Minnesota Legislature asked the Department of Human Services to study the parental fee schedule in Minnesota Statutes, section 252.27, and make recommendations to the Legislature to modify the fee schedule. The Legislature also authorized the Department to appoint an advisory committee of parents, advocates and other interested persons to assist with the study.

B. Background

The provisions of section 252.27, impose a cost-sharing requirement on parents of children who are under age 18 and are receiving Medical Assistance (MA) services without the deeming of parental income, county social services or a combination of MA and social services. Individuals who are liable for a fee under section 252.27 include parents of children with disabilities who are receiving services from MA under the TEFRA option, under the waiver programs or in 24-hour care outside the home.

From the time that the Legislature, in 1990, first adopted a program under which parents of TEFRA children shared in the cost of their children's MA health services, the cost-sharing requirements in section 252.27 have undergone two substantial revisions. The first occurred in 1991 when a group of TEFRA parents successfully lobbied for a decline in the parental fees from the amounts assessed under the original 1990 law.

The next revision to section 252.27 occurred in 1995 when the Legislature increased the parental fees as part of a number of changes made in the TEFRA option. Facing some difficult budgetary decisions, the Legislature restructured the TEFRA option for children with disabilities, including increased fees. By making these difficult changes, the Legislature was able to find the funding necessary to keep the TEFRA option available.

In addition to amending the parental fee statute, the Legislature in 1995 required that:

The commissioner of human services shall study and report to the legislature by January 15, 1996, recommendations to modify the fee structure for the parents of children eligible for medical assistance under Minnesota Statutes, section 256B.055, subdivision 12. The report shall include a comparison of the fee schedule for these parents with fee schedules in the social services, MinnesotaCare, and sliding fee child care programs. The commissioner shall appoint an advisory committee to assist with the study which must include parents, advocates, and other interested persons.

C. Overview

The Department appointed a 13-member Parental Fee Advisory Committee of parents of disabled children and disability rights advocates serving on the Parental Fee Advisory Committee. The Committee, in turn, developed ten recommendations for modifying the existing fee structure. The Department agrees with a number of these recommendations to address the existing parental fee structure in section 252.27.

Over the long term, the Department is seeking passage of a comprehensive proposal, to be implemented in 1998, under which individuals and families would be responsible for paying a monthly premium to establish eligibility for publicly subsidized health care. The premium obligation would be zero for individuals and families with incomes below certain levels and would increase on a sliding scale basis. In the long run, this approach would work better than the current fee structure in section 252.27.

In this report, however, the Department agrees with many of the recommendations developed by members of the Parental Fee Committee. The report also outlines certain concerns that the Department has with some of these recommendations and its suggestions for certain changes, for example in the income levels at which this Committee recommended assessing fees when children are in out-of-home placement. For a discussion of the Committee's recommendations, see section III.

In its study of the parental fee laws, the Department also identified provisions in statute and rule that create administrative complexity and identified data tools that would provide for improved administration of the program and reduced paperwork. For a discussion of this subject, see Appendix A.

Finally, a comparison of the assessed amounts under the current parental fee program, MinnesotaCare, social services and the child care fund is in Appendix B.

II. The role of the Parental Fee Advisory Committee

In preparing this report, the Department's staff worked closely with a 13-member Parental Fee Advisory Committee. In response to a notice in the State Register, 9 parents of disabled children, two advocates from Arc and two staff members from the Department's Reimbursements Division asked to be named to the Committee. Of the parents who applied, six were parents of children eligible for MA under the TEFRA option, two had children on the waiver programs and three had children in 24-hour care outside the home.

On October 10, Human Services Commissioner Maria Gomez selected all 9 parents and both advocates to serve as voting members on the Committee. In addition, Commissioner Gomez named the two Department staffers as non-voting members of the Committee. A list of committee members is attached as Appendix D.

The Department's Eligibility Division staff and the Advisory Committee held three meetings, with the first meeting on November 8 and subsequent meeting on November 20 and November 28. From the outset, the Department wanted to get the Committee's take on the following question:

If you (the Committee) could re-write the parental fee structure, what would it would like?

At the urging of the Department, the Committee worked to propose an alternative to the existing fee structure. The Department provided clerical assistance, a lap-top computer, technical advice and other resources in order to facilitate, to the greatest extent possible, this work of the Advisory Committee. After three meetings, the Advisory Committee on November 28 produced ten recommended proposals to modify the existing fee structure. The Committee's recommendations start below. The minutes of the Committee meetings are in Appendix E, F and G.

The Department greatly appreciates the time and effort of the members of the Advisory Committee. Although the Committee offered some proposals with which the Department differs, the Department and the Committee reached common ground on a number of points.

III. The Committee's recommendations

In this next section, this report outlines the Committee's ten recommendations. (NOTE: The Committee based all of its recommendations on the MA program as it exists today, including the current level of MA services.) In addition, this section discusses those areas in which the Department and the Committee reached common ground as well as those areas in which the Department respectfully differed from the Committee. The Department generally agrees with most of the Committee's recommendations. However, the

Department does suggest some changes in the proposals advanced by the parents and advocates on the Committee.

1. Fees or premiums

Background: The issue of whether to retain the existing fee structure in section 252.27 or to move toward a premium-based model generated a considerable and long discussion during the Committee meetings. One way to illustrate the differences between fees and premiums is to give an overview of the contrasts between the approaches that the MA parental fee program and MinnesotaCare take to requiring financial responsibility for care when possible.

MA parental fee program. Under the current MA parental fee law in section 252.27, the Department uses a fee-based model. The statute authorizes the Department to assess a sliding scale fee after a child is determined eligible for services. If the parents fail to pay the MA parental fee, the Department must go to court and get a judgement against the parent. After obtaining a judgement, the Department can enforce the payment obligation by such means as placing a lien on real estate or garnishing wages. A child retains eligibility for MA, under section 252.27, even if the child's parents fail or willfully refuse to make the fee payments.

MinnesotaCare. In contrast, MinnesotaCare uses a premium-based model. Under MinnesotaCare, the Department determines eligibility and then notifies the applicant who, in turn, must pay a sliding scale premium in order to begin receiving coverage. If parents fail to pay the premium, health coverage can be terminated.

During the Committee meetings, the Department staff advised the Committee that the Department, as noted previously, is developing a long range proposal, with emphasis on the MinnesotaCare model, under which individuals and families would be responsible for paying a monthly premium to establish eligibility for publicly subsidized health care. The premium obligation would be zero for individuals and families with incomes below certain levels and would increase on a sliding scale basis. This generated a long discussion at the November 28 meeting about whether the Committee should support a premium-based or fee-based model for section 252.27. A few members initially supported a premium-based model while other were opposed to premiums, arguing that, under a premium based model, a child's eligibility for publicly subsidized health care could be terminated if a parent failed to pay the premiums.

The Committee's recommendation: Ultimately, the Committee reached a general consensus that the current administrative structure of imposing a fee is more favorable than a premium-based structure, such as the one used in MinnesotaCare. (The Committee also asked the Department to examine the issue of whether a premium-based structure would negatively impact pre-tax medical expense accounts.

The Department, after consulting with accountants, has found no evidence that a premium-based system would harm the tax status of medical expense accounts. However, the Department remains open to contrary information on this matter.)

The Department's response: As noted previously, the Department is seeking legislation authorizing the use of a premium system, on a sliding scale basis, to be implemented in 1998. For purposes of this report, however, the Department does not have to reach the issue of whether to replace the fee-based approach in section 252.27 with a premium-based model. If such a change is adopted, it will come as part of comprehensive changes in the publicly funded health care programs and not as part of a report about just one cost-sharing program. Thus, for the limited purposes this report, an assumption is made that the fee-based approach in section 252.27 will remain for the short term.

2. The fee structure

Background: The most important issue facing the Committee was the issue of the parental fee structure itself, which currently contains both a sliding fee scale and a flat fee of \$25 for families with certain incomes. The Committee members contended that the existing sliding fee formula created a disincentive to earn more money. As for the flat \$25 fee, the Committee members noted that the \$25 flat fee creates inequitable results, such as a family of four making \$30,000 and paying \$25 a month while another family of four who makes \$40,000 can have the same \$25 monthly fee even though their income is \$10,000 higher. Two Committee members initially wanted to repeal the current fee structure completely and impose no fees on parents. Another member argued that families who make less than \$50,000 should not have to pay a fee.

The Committee's recommendation: Ultimately, the Committee endorsed the concept of a gradual, progressive, sliding fee scale and rejected the flat fee approach. The Committee, in principal, approved the concept of a fee structure similar to one developed by a Committee member prior to the November 20th meeting, modified by two Committee members and later modified on December 18 and again on January 12, all with opportunity for input by Committee members. In support of this approach, Committee Member Mary Butler said that

The structure is modeled after the MinnesotaCare concept of percentages of income which progresses as your income increases. This scale is progressive, but is not a cumulative progression [as exists under current law] which severely penalizes families who make above \$75,000. I feel this levels the playing field by not having the upper income families carrying the bulk of the revenues but instead spreads the payments more evenly. Additionally, it does not create a hardship or disincentive to earn more money.

What follows is a discussion of the December 18th proposal and the January 12th proposal.

A. The December 18th proposal

Under this proposal, the parental fee would be calculated by:

1. Starting with a family's adjusted gross income from the most recent year's federal income tax form, line 31 and then deducting from the adjusted gross income documented non-reimbursable expenses directly related to the child receiving MA (i.e. van modifications, home modifications, specialized equipment). All deductions must be approved by the child's county case manager or DHS and the family must provide documentation, and then
2. Subtracting from adjusted gross income a parental income deduction equal to 100% of the federal poverty guidelines for the appropriate family size and then
3. Multiplying this amount by the following percentages:
 - A. If the adjusted gross income is \$25,000-\$29,999, multiply by 2.3%;
 - B. If the adjusted gross income is \$30,000-\$34,999, multiply by 2.4%;
 - C. If the adjusted gross income is \$35,000-\$39,999, multiply by 2.5%;
 - D. If the adjusted gross income is \$40,000-\$44,999, multiply by 2.6%;
 - E. If the adjusted gross income is \$45,000-\$49,999, multiply by 2.7%;
 - F. If the adjusted gross income is \$50,000-\$54,999, multiply by 2.8%;
 - G. If the adjusted gross income is \$55,000-\$59,999, multiply by 3%;
 - H. If the adjusted gross income is \$60,000-\$64,999, multiply by 3.2%;
 - I. If the adjusted gross income is \$65,000-\$69,999, multiply by 3.4%;
 - J. If the adjusted gross income is \$70,000-\$74,999, multiply by 3.6%;

- K. If the adjusted gross income is \$75,000-\$79,999, multiply by 3.8%;
- L. If the adjusted gross income is \$80,000-\$84,999, multiply by 4%;
- M. If the adjusted gross income is \$85,000-\$89,999, multiply by 4.2%;
- N. If the adjusted gross income is \$90,000-\$94,999, multiply by 4.4%;
- O. If the adjusted gross income is \$95,000-\$99,999, multiply by 4.6%;
- P. If the adjusted gross income is \$100,000-\$104,999, multiply by 4.8%;
- Q. If the adjusted gross income is \$105,000-\$109,999, multiply by 5%;
- R. If the adjusted gross income is \$110,000-\$114,999, multiply by 5.2%;
- S. If the adjusted gross income is \$115,000-\$119,999, multiply by 5.4%;
- T. If the adjusted gross income is \$120,000-\$124,999, multiply by 5.6%;
- U. If the adjusted gross income is \$125,000-\$129,999, multiply by 5.8%;
- V. If the adjusted gross income is \$130,000-\$134,999, multiply by 6%;
- W. If the adjusted gross income is \$135,000-\$139,999, multiply by 6.2%;
- X. If the adjusted gross income is \$140,000-\$144,999, multiply by 6.4%;
- Y. If the adjusted gross income is \$145,000-\$149,999, multiply by 6.6%;
- Z. If the adjusted gross income is \$150,000-\$154,999, multiply by 6.8%;

Add .2% for each additional increment of \$5,000 in income.

- 4. Determining the annual fee payment by the dollar amount in

lines A through Z and then

5. Dividing the annual amount by 12 to determine the monthly fee amount and then
6. If the child does not live at home and the Adjusted Gross Income is between \$60,000-64,999 add \$25; \$65,000-69,999 add \$50; \$70,000-74,999 add \$75; \$75,000-79,999, add \$100; \$80,000-84,999 add \$125; \$85,000-89,999 add \$150; \$90,000-\$94,999 add \$175; \$95,000 and above add \$200, and then
7. Total the amounts on #6 and #7 and then
8. Subtract the monthly amount of court-ordered child support payments actually paid for the child who gets MA and then
9. Determine the monthly fee.

NOTE: The parental income deduction, at 100% of federal poverty guidelines for 1995, is

Family of 2 - \$10,030	Family of 6 - \$20,270
Family of 3 - \$12,590	Family of 7 - \$22,830
Family of 4 - \$15,150	Family of 8 - \$27,390
Family of 5 - \$17,710	Plus \$2,560 for each additional family member

The following example outlines the proposed fee structure: A family of four has an income of \$100,000 a year and the child who receives services resides in the home.

$$\begin{array}{r}
 \$100,000 \text{ (income)} \\
 - \$ 15,150 \text{ (parental income deduction)} \\
 = \$ 84,850 \\
 \times \quad 4.8\% \\
 = \$ 4,072.80 \text{ (annual fee)} \\
 \text{Divide } \$4,072.80 \text{ by } 12 = \$339.40 \text{ (monthly fee)}
 \end{array}$$

B. The January 12th proposal

In all but one respect, this proposal is identical to the December 18th proposal. The exception is that this proposal uses a different set of percentages for item #3. As a result, this proposal would read:

3. Multiplying this amount (adjusted gross income minus the parental income deduction) by the following percentages:
 - A. If the adjusted gross income is \$30,000-\$34,999, multiply by 2.3%;

- B. If the adjusted gross income is \$35,000-\$39,999, multiply by 2.4%;
- C. If the adjusted gross income is \$40,000-\$44,999, multiply by 2.5%;
- D. If the adjusted gross income is \$45,000-\$49,999, multiply by 2.6%;
- E. If the adjusted gross income is \$50,000-\$54,999, multiply by 2.7%;
- F. If the adjusted gross income is \$55,000-\$59,999, multiply by 2.8%;
- G. If the adjusted gross income is \$60,000-\$64,999, multiply by 3%;
- H. If the adjusted gross income is \$65,000-\$69,999, multiply by 3.2%;
- I. If the adjusted gross income is \$70,000-\$74,999, multiply by 3.4%;
- J. If the adjusted gross income is \$75,000-\$79,999, multiply by 3.6%;
- K. If the adjusted gross income is \$80,000-\$84,999, multiply by 3.8%;
- L. If the adjusted gross income is \$85,000-\$89,999, multiply by 4%;
- M. If the adjusted gross income is \$90,000-\$94,999, multiply by 4.2%;
- N. If the adjusted gross income is \$95,000-\$99,999, multiply by 4.4%;
- O. If the adjusted gross income is \$100,000-\$104,999, multiply by 4.6%;
- P. If the adjusted gross income is \$105,000-\$109,999, multiply by 4.8%;
- Q. If the adjusted gross income is \$110,000-\$114,999, multiply by 5%;
- R. If the adjusted gross income is \$115,000-\$119,999, multiply by 5.2%;

- S. If the adjusted gross income is \$120,000-\$124,999, multiply by 5.4%;
- T. If the adjusted gross income is \$125,000-\$129,999, multiply by 5.6%;
- U. If the adjusted gross income is \$130,000-\$134,999, multiply by 5.8%;
- V. If the adjusted gross income is \$135,000-\$139,999, multiply by 6%;
- W. If the adjusted gross income is \$140,000-\$144,999, multiply by 6.2%;
- X. If the adjusted gross income is \$145,000-\$149,999, multiply by 6.4%;
- Y. If the adjusted gross income is \$150,000-\$154,999, multiply by 6.6%;

Add .2% for each additional increment of \$5,000 in income.

What follows are examples of the fees under current law, the December 18th ("12/18") proposal and the January 12th ("1/12") proposal. All of the examples assume a family of four with the child living at home.

Income	Current	12/18	1/12
\$25,000	\$0	\$18.88	\$0
\$30,000	\$25.00	\$	\$28.46
\$50,000	\$27.29	\$81.32	\$78.41
\$75,000	\$239.41	\$189.53	\$179.55
\$100,000	\$520.10	\$339.40	\$325.26
\$150,000	\$1,145.10	\$764.15	\$741.68

The Department's response: The Department agrees with much of the broad outlines in these proposals, which were approved, in concept, by the Committee. Both proposals are consistent with the Committee's stated goal of a progressive fee schedule.

For example, under the December 18th proposal, a family of four (with the child on MA living at home) making \$50,000 would pay \$81.32 a month while a similar family who, at \$100,000 makes twice as much would pay \$339 a month, which is considerably more than

twice as much. Similarly, a family of four (with the child on MA living at home) making \$75,000 would pay \$198.53 a month while a similar family who, at \$150,000, makes twice as much would pay \$764.15 a month, which is considerably more than twice as much. Although the amounts are slightly different, the same analysis is true under the January 12th proposal.

Moreover, the amount of adjusted gross income it would take to pay 12 months worth of fees increases progressively as the income of a family increases. For example, under the December 18th proposal, a family of four making \$50,000 (with the child on MA living at home) will spend 1.95% of their income to pay a year's worth of fees while a similar family who, at \$100,000, who makes twice as much would see 4.07% of their adjusted gross income used to pay the fees over a year. Under the January 12th proposal, the numbers are 1.8% of adjusted gross income for \$50,000 and 3.9% for \$100,000.

Under the December 18th proposal, parents making less than \$25,000 would pay no fee. Under the January 12th proposal, parents making less than \$30,000 would be exempt from paying a fee.

However, the Department suggests that, in place of the proposal for deducting certain expenses from adjusted gross income, another approach would be to retain most of the provisions in the current variance process, which permit a similar deduction for certain expenses, but make it consistent with the discussion of the variance process in Appendix A. This would be administratively less complex than the proposal.

In addition, the Department suggests making the following change: If the child does not live at home and the adjusted gross income is between \$30,000-34,999 add \$80; \$35,000-39,999 add \$120; \$40,000-44,999 add \$160; \$45,000 and above add \$200. For a discussion of this matter, see section III(5) below.

The Department does have some concerns about the impact of raising the current fees for lower-income families who have a child with a disability living at home and reducing them for the upper income families. This issue merits further discussion. The January 12th proposal, which was developed in response to a similar concern by a Committee member, does attempt to address this issue. However, in so doing, the January 12th proposal also reduces the fees for all families, across the board, no matter what their income.

The Department also has concerns that some parents may have a difficult time understanding these proposed fee structures. If one of these is adopted, the Department would hope to 1) work with the Committee to develop a worksheet that would help parents estimate their monthly fee and 2) have the Arc agencies, two of whose representatives provided invaluable service on the Committee, serve as a resource to help parents understand the changes in the fee

structure.

C. Fiscal impact

The Department also prepared a fiscal analysis of these proposals. The fiscal analysis, which is attached as Appendix C, estimates that the December 18th proposal would generate \$2.5 million in projected revenue and a projected collection (assuming a collection rate of 56%) of \$1.42 million while the January 12th proposal would generate \$2.3 million in projected revenue and a project collection of \$1.32 million. In contrast, the projected revenue for the fee structure that was approved in the 1995 session is \$2.2 million and an estimated \$1.27 million in collections.

3. Adjusted gross income or taxable income

Background: Under current law in section 252.27, the starting point for calculating the fee is adjusted gross income minus the federal poverty guidelines for the applicable family size. The Committee debated the issue of whether to endorse the concept of using, as a starting point for calculating the fee, the current fee structure of adjusted gross income minus the applicable federal poverty guidelines or instead using taxable income. While some Committee members argued that taxable income was a better reflection of personal outlays and a better indicator of "real" income, other members contended that use of taxable income would unduly favor higher income families who had more tax deductions.

The Committee's recommendation: The Committee did not reach a consensus on whether to endorse using adjusted gross income minus the poverty guidelines or using taxable income. The Committee also indicated that any recommendation on whether to use adjusted gross income or taxable income would depend on whether a premium or fee was used. The fee schedule proposals in Section III(2) make reference to adjusted gross income minus a parental income deduction based on 100% of the federal poverty guidelines.

The Department's response: The Department agrees with retaining the use of adjusted gross income, but then subtracting a parental income deduction based on the federal poverty guidelines for the applicable family size. The use of a parental income deduction wipes out many family's fee liability. The Department agrees with the concerns raised by the Committee members who supported the continued use of adjusted gross income.

Adjusted gross income is a commonly used measurement of income. For example, in Minnesota, adjusted gross income is used to define "income" or used as a baseline to determine income in a number of programs authorized by the Legislature, including the Family Support programs in Minnesota Statutes, section 252.32 (uses

adjusted gross income in determining income); the MinnesotaCare program in section 256.9351 (uses adjusted gross income as a baseline to define income); the first-time home buyer program and the deferred loan program for home improvements, both operated by the Minnesota Housing Finance Agency's programs under chapter 462A (use of adjusted gross income as baseline); the Municipal Housing Program under chapter 462C (uses adjusted gross income as a baseline to define income); and the publicly-funded legal services program in section 480.242 (uses adjusted gross income). In addition, adjusted gross income is the starting point for defining income in the state tax laws under section 290A.03.

4. The lowest income exempt from a fee

Background: Under the fee structure in section 252.27, the lowest possible income that is exempt from the fee depends largely on whether the child lives at home with the parent or outside the parent's home. For example, parents with incomes at \$30,000 whose children live at home have a flat fee of \$25. However, parents whose children live outside the home can have a higher fee than \$25 even though their incomes may be less than \$30,000. Several Committee members criticized the existing parental fee structure on the grounds that a large percentage of parents are exempt from having a fee. Put another way, it was noted that less than 5% of the parents are paying some 40% of the amounts generated under the parental fee program and, thus, are carrying a disproportionate load of paying fees to help maintain the publicly funded health care programs for disabled children. Concern was also expressed about imposing fees on lower-income families.

The Committee's recommendation: The lowest possible income for assessing a fee should be roughly \$25,000 if adjusted gross income is used and between \$15,000 and \$20,000 if taxable income is used.

The Department's response: The Department agrees with the concept of setting a floor in the \$25,000-\$30,000 range for adjusted gross income.

5. Children living at home and out of home

Background: Under the current parental fee law in section 252.27, parents can reduce their monthly fee by \$200 if their child lives at home.

The Committee's recommendation: The Committee discussed retaining a flat \$200 fee reduction for children living at home. In the view of some Committee members, low income families and individuals are penalized by the flat amount. Conversely, it was argued, higher income families with a child in out-of-home placement receive a significant break as a result of the \$200 deduction off the fee

amount.

As a result, the Committee endorsed retaining the \$200 in-home/out-of-home differentiation. However, the Committee would replace the "in-home deduction" with a sliding scale add-on amount, pegged at income, and would cap the maximum amount at \$200. The proposals would use the following add-on amounts for parents whose children do not live at home: Adjusted Gross Income between \$60,000-64,999, add \$25; \$65,000-69,999, add \$50; \$70,000-74,999, add \$75; \$75,000-79,999, add \$100; \$80,000-84,999, add \$125; \$85,000-89,999, add \$150; \$90,000-\$94,999, add \$175 and at or above \$95,000, add \$200.

The Department's response: A sliding "add-on" fee for out-of-home placement care merits consideration. However, given the extremely high cost of out-of-home placement (for example, the costs for ICF/MR placement are over \$45,000 a year), the Department takes the position that the cost-sharing for children living in 24-hour care outside the home should start at much lower level than \$60,000 and should increase in much larger increments than \$25 for every \$5,000 worth of income. Instead, the Department suggests making the following change to replace the proposed "add-on" schedule for parents whose children are in out-of-home placement:

Adjusted Gross Income between \$30,000-34,999, add \$80;
Adjusted Gross Income between \$35,000-39,999, add \$120;
Adjusted Gross Income between \$40,000-44,999, add \$160;
and
Adjusted Gross Income at or above \$45,000, add \$200.

6. Variances, deductions and reductions

Background: Under the current law, parents can reduce the fee by one of several ways through a hardship variance, a tax-based variance, a parental income deduction from adjusted gross income based on the federal poverty guidelines or a change of income.

The Committee's recommendation: The Committee recommended that if the parental fee is based on taxable income, the only "variance" that should remain is the current reduction of the fee based on a change in income. However, if the parental fee is based on adjusted gross income, the Committee recommended retaining the current parental income deduction and the current variances.

The Department's response: The Department agrees with the Committee's position of retaining adjusted gross income as the starting point for the fee. In addition, the Department takes the view that while much of the current variance process should be retained, some changes could be made.

For a discussion of the Department's study of the variance process, see Appendix A.

7. Child support

Background: Under the current parental fee statute, a parent who owes child support can reduce the parental fee by the amount in child support he or she actually pays.

The Committee's recommendation: The Committee endorsed retaining this provision.

The Department's response: The Department agrees with the Committee's recommendation to retain this provision.

8. Effective date of changes in the parental fee

Background: Any statutory changes in the amounts assessed for the parental fee normally take effect immediately on the effective date of the statutory change.

The Committee's recommendation: The Committee recommended that implementation of statutory or rule changes in the fee formula go into effect 90 days following written notification to parent, or guardian from the DHS. In the view of the Committee, an incremental increase is desirable to allow families and individuals time to absorb a change in the assessed amount.

The Department's response: The Department has both fiscal and policy concerns about this proposal. From a fiscal standpoint, the Department has some considerable concerns about the fiscal implications of this proposal. (The Department has not prepared a fiscal estimate of this proposal and it is not part of the projected revenue estimates in Appendix C.) From a policy standpoint, the Department questions whether a 90-day effective date would apply if the result was a decrease in the monthly fee. For example, if a statutory or rule change reduced a particular person's monthly fee from \$200 to \$100, would a person have to wait 90 days before the new fee became effective? This issue, thus, clearly needs more discussion, both on the fiscal and policy sides.

However, if the goal is to avoid wide swings in monthly amounts, one way to accomplish this goal is to implement a premium-based system.

9. A social services program

The Committee's recommendation: The Committee endorsed moving the emphasis of the MA program from a welfare program to a social services program.

The Department's response: This proposal appears to be beyond the scope of this report.

10. Collection and enforcement

Background: Under the parental fee law, the Department can bring civil lawsuits against parents to enforce payment of the required amount when the action is cost effective. After obtaining a civil judgement, the Department can place liens on real estate, where it exists in the state, and garnish wages of salaried employees.

The Committee's recommendation: The Committee recommended that the Department place more emphasis on enforcing the existing statute. In the view of the Committee, children should not be penalized by losing their MA eligibility because of the failure of their parents to pay their parental fee obligations.

The Department's response: Ultimately, the best tool for collection and enforcement is to move toward a system under which individuals and families would be responsible for paying a monthly premium to establish eligibility for publicly subsidized health care. This would reduce the administrative costs of the program and, thus, free up more money to pay for health services for children with disabilities.

Appendix A

Administrative simplification

In studying the parental fee law, the Department identified several provisions that increase the burden of administrative complexity of the parental fee program, paperwork and the cost of running the program.

These are:

1. The provision in section 252.27, subdivision 2a(h), that requires the Department to reimburse parents when the fees exceed the cost of services. It is a rare instance when parents have excess fees and it is not cost effective for the Department to handle the reconciliation of every account. Moreover, parents already know on a monthly basis their fee amounts and the amounts paid by MA for their children's services.
2. The provision in section 252.27, subdivision 2a(f), that requires a review of the fee "when there is a loss or gain of income from one month to another in excess of ten percent", should contain the words "within the same fiscal year".
3. With respect to the hardship variances in Minnesota Rules, part 9550.6230,
 - A. The words "irrespective of amount" in subparts 1a(A) and 1a(B). These words create the administrative complexity of having the Department and counties interpret federal tax law.
 - B. The catch all variance in subpart D. This variance exception is never utilized.
 - C. The variance for "peculiar tax status" in subpart 2. This is a variance exception that benefits only a handful of extremely high income, self-employed parents who have the financial wherewithal to take advantage of this variance exception. The self-employed already get the tax breaks, which salaried taxpayers lack, of using their business expenses to reduce their adjusted gross income and, thus, can reduce their fee in the first place.

In addition, the Department identified the following information tool to improve the program and reduce paperwork:

1. Permit the Department and the Department of Revenue to exchange tax information on the income of parents in the parental fee program.

Appendix B

PARENTAL FEE COMPARISONS

This section of the report compares the parental fee amounts for TEFRA, the waivers and certain out-of-home placements with the fee schedules in the sliding fee child care, social services and MinnesotaCare programs. The following chart illustrates the differences in monthly amounts **UNDER CURRENT LAW** for the four programs, including both rates and eligibility. The comparison uses a family size of four with services requested for only one child in that family.

INCOME	CHILD CARE	SOCIAL SERVICES	MINNESOTACARE	PARENTAL FEES**
\$15,000	\$0	\$0	\$10	\$0
\$20,000	\$23	\$0	\$17	\$0
\$30,000	\$231	\$10	\$49	\$25.00
\$40,000	*	\$205	\$97	\$25.00
\$50,000	*	\$651	*	\$27.29
\$60,000	*	*	*	\$110.63
\$70,000	*	*	*	\$193.96
\$80,000	*	*	*	\$289.42
\$90,000	*	*	*	\$401.54
\$100,000	*	*	*	\$520.10
\$110,000	*	*	*	\$645.10
\$120,000	*	*	*	\$770.10
\$130,000	*	*	*	\$895.10
\$140,000	*	*	*	\$1,020.10
\$150,000	*	*	*	\$1,145.10

Key

*: No eligibility at these income levels (child care, social services and MinnesotaCare).

** : Assumes that child on MA lives at home (Parental Fees).

Starting on this page and continuing through page 5 is a comparison of how each of these program calculates its assessed amounts.

1. Sliding Fee Child Care Program

Overview: Families with annual gross income greater than the federal poverty level must pay a monthly family co-payment for child care services if they are non-AFDC and not in "transition year" status. The co-payment fee is a fixed percent of the family's annual gross income. No deductions are allowed from that gross income. The fixed percent is based on the relationship of the family's annual gross income to 100 percent of state median income for a family of four, adjusted for family size. "Annual gross income" includes earned and unearned income of all family members 16 years of age or older with many exceptions which are listed in Minnesota Statute, Section 256H.01, Subdivision 11.

Family size: The definition of family for the Child Care programs means parents, stepparents, guardians, or other eligible relative caretakers, and their blood related dependent children and adoptive siblings under the age of 18 years living in the same home, including children temporarily absent from the household because of such things as school, foster care and the like. There are specific exceptions to this which are listed in Minnesota Statutes, section 256H.01, subdivision 9.

Calculating the amount: The process in calculating this co-payment fee is as follows:

Step 1: The family's annual gross income is converted into a percentage of state median income for a family of four, adjusted for family size, by dividing the family's annual gross income by 100 percent of the state median income for a family of four, adjusted for family size. The percentage must be carried out to the nearest 100th of a percent.

Step 2: If the family's gross income is greater than the federal poverty level for a family of the same size but less than 42.01 percent of the state median income for a family of four, adjusted for family size, the family's monthly co-payment fee is 50 percent of the 2.60% rate, rounded to the nearest whole dollar.

Step 3: If the family's annual gross income is greater than the federal poverty level and between 42.01 and 75.00 percent of the state median income for a family of four, adjusted for family size, the monthly co-payment fee is a fixed percentage established by the federal government for that income range and multiplied by the highest possible income within that range, divided by 12, and rounded to the nearest whole dollar.

Note: Both the federal poverty levels and the state median incomes change on an annual basis, and are listed in the federal register each year.

2. Social Services programs

Overview: The Department does not require the counties to use the fee schedule on page 1 of this Appendix and the fees can be calculated differently depending on the county. The schedule on page are the guidelines set out by the Department in Informational Bulletin #95-69-1 and are based on estimated annual state median income, adjusted for household size. As of July 1, 1995, clients with incomes below the federal poverty guidelines may not be charged a fee for those services.

Asset test: One aspect of the social services fee, which is unique to the social services programs, is the existence of an asset test. Thus, some counties base their fees on not just income, but whether the client also has a certain level of assets.

Calculating the amount: The calculation in Informational Bulletin #95-69-1 begins with fees starting at incomes exceeding 60 percent of state median income for a family of four, adjusted for family size. The threshold at which a client would be ineligible for services would be when their annual gross income was in excess of 115 percent of the state median income for a family of four, adjusted for family size. The counties also may not assess a higher fee than what the actual services cost the agency to provide.

Many counties in the state appear to follow this suggested schedule while also incorporating other criteria in the eligibility determination, such as asset limits. There are technically 175 different social services provided by the counties in the state of Minnesota and many of the counties have divided these services into categories and use different criteria to establish eligibility for each of those categories.

For the purposes of this report, the generic schedule suggested in Informational Bulletin #95-69-1 was used to calculate the fee amounts listed on the comparison chart on page 1. More detailed information may be obtained by contacting each county and/or region in the state for their fee policies by service category for this fiscal year.

3. MinnesotaCare

Overview: This program uses an average of gross monthly income to calculate its premiums. All earned and unearned income of all family members is counted toward the total family income. There

is no minimum age at which income is not counted, as in the child care programs. There are some exclusions which are outlined in the calculations listed below when dealing with children's income.

Family size: Family size is determined by either marital relationship or parental relationship to a child under age 21. Unborn children are counted in the family size. Family size is determined the same whether one or all members are applying for MinnesotaCare. Legal custody constitutes a parental relationship. In addition, if there is a child in the home under the age of 21 years, an adult child between 21 and 25 years of age may sometimes be considered a part of the family if they have never been married, they are a full time student, they live in the home except for temporary absences (such as school) and they are financially dependent on their parent(s).

Calculating the premium: Once income is added for everyone in the family the process for calculating the premium is as follows:

Step 1: The total monthly gross income must be matched against 150 percent of federal poverty levels for a household of that size.

Step 2: If the income is in excess of the federal poverty level the Department would continue to count all children's earned income in the family and estimate the premium using MinnesotaCare premium tables for state fiscal year 1996. Count all enrolling adults and children in the "premium contribution by number covered".

Step 3: If the income is less than 150 percent of the federal poverty level for a household of that size and there is a child with earned income in the family, the child must meet all the following requirements in order to exclude the earned income;

- * Be a full or part-time student
- * Work less than 37.5 hours per week
- * Earn less than \$10,000 per year

If the child cannot meet all the above requirements the income must be counted toward the premium.

Step 4: When estimating the premium for those under 150 percent of federal poverty level the Department counts only the number of adults enrolling as the "premium contribution by number covered". Then add \$4.00 for each enrolling child.

4. Parental Fees

Overview: The Department imposes a fee for parents of children

under the age of 18 years when those children receive services that are reimbursed by; Medical Assistance, through county social services, or a combination of both Medical Assistance and social service funding and the children are eligible without regard to parental income. The fee is imposed if the parent's income is over a certain threshold, as can be seen by the chart on page 1.

Income: Adjusted gross income is used in the fee calculation and is verified by the previous year's federal income tax form 1040 (line 31) or 1040A (line 16). This is for parental income only. No other income in the household is counted toward the fee. The income of a stepparent is not counted. Under Minnesota Statute, section 252.27, only natural and adoptive parents are assessed a fee.

Family size: Family size for parental fees includes any children in the home under 21 years of age and any natural and adoptive parents only. Neither stepparents nor stepchildren are included in the family size.

Calculating the fee: After adjusted gross income is established, the process for calculating the parental fee is as follows:

Step 1: Subtract a parental income deduction for the family size, based on 150 percent of federal poverty levels, from the adjusted gross income. (i.e. family of 4 - \$22,725.00)

Step 2: Multiply the remainder by a percentage dependent on the amount of that income (up to \$50,000 by 10%, greater than \$50,000 and up to \$60,000 by 12%, greater than \$60,000 and up to \$75,000 by 14% and the remaining amount over \$75,000 by 15%).

Note: That percentage must be increased by 5% if the parent fails to obtain health insurance coverage for that child that is available through an employer at an annual cost to the parent of no more than 5% of the family's federal adjusted gross income.

Step 3: Divide the annual fee from step 2 by 12 to obtain the monthly payment amount.

Note: The parental fee may be reduced by up to \$200 if the child is living with the parent who is being assessed a fee. The fee may also be reduced by the amount of child support being paid by a parent each month on behalf of that child. There are also variance provisions under which parents can seek a reduced fee based on certain expenses or peculiar tax status.

Appendix C

For the attached projected revenue estimates, it should be noted that:

The term "Current" means the fee structure in Minnesota Statutes, section 252.27, under current law.

The term "Parent (1)" means the fee structure concept dated December 18, 1995 and recommended by the Parental Fee Advisory Committee.

The term "Parent (2)" means the fee structure concept dated January 12, 1996 and recommended by the Parental Fee Advisory Committee.

The term "% Change Over Current" shows the increase or decrease in projected revenue between the current program and the December 18th recommendation and between the current program and the January 12th recommendation.

Separate revenue estimates were made for parents whose children live at home and for parents of children in out-of-home placement, and then combined under the heading "All Children".

PROJECTED REVENUE BASED ON ESTIMATED MONTHLY FEE

Adjusted Gross Income	Child Lives at Home				Child Does Not Live at Home				All Children			% Change Over Current	
	No. Cases	Current	Parent (1)	Parent (2)	No. Cases	Current	Parent (1)	Parent (2)	Current	Parent (1)	Parent (2)	Parent (1)	Parent (2)
20,000		0	0	0		0	0	0	0	0	0		
25,000	269	0	60,942	0	8	0	1,812	0	0	62,754	0		
30,000	343	102,900	122,245	117,152	1	728	356	342	103,628	122,602	117,493	18%	13%
35,000	358	107,400	177,658	170,551	3	3,683	1,489	1,429	111,083	179,146	171,980	61%	55%
40,000	335	100,500	216,444	208,119	6	10,365	3,877	3,728	110,865	220,320	211,846	99%	91%
45,000	282	84,600	227,278	218,860	3	6,683	2,418	2,328	91,283	229,696	221,189	152%	142%
50,000	248	81,220	241,998	233,356	6	16,365	5,855	5,646	97,585	247,853	239,001	154%	145%
55,000	196	162,190	234,318	218,697	2	6,455	2,391	2,232	168,645	236,709	220,928	40%	31%
60,000	125	165,938	179,400	168,188	4	14,910	6,941	6,582	180,848	186,341	174,770	3%	-3%
65,000	77	140,718	130,507	122,830	1	4,228	2,295	2,195	144,945	132,802	125,026	-8%	-14%
70,000	86	200,165	169,816	160,381	0	0	0	0	200,165	169,816	160,381	-15%	-20%
75,000	56	160,888	127,361	120,658	0	0	0	0	160,888	127,361	120,658	-21%	-25%
80,000	25	86,825	64,850	61,608	0	0	0	0	86,825	64,850	61,608	-25%	-29%
85,000	25	102,963	73,343	69,850	0	0	0	0	102,963	73,343	69,850	-29%	-32%
90,000	9	43,367	29,641	28,293	1	7,219	5,393	5,244	50,585	35,034	33,537	-31%	-34%
95,000	9	49,667	33,058	31,621	0	0	0	0	49,667	33,058	31,621	-33%	-36%
100,000	13	81,136	52,946	50,740	0	0	0	0	81,136	52,946	50,740	-35%	-37%
105,000	6	41,948	26,955	25,877	0	0	0	0	41,948	26,955	25,877	-36%	-38%
110,000	11	85,154	54,254	52,168	0	0	0	0	85,154	54,254	52,168	-36%	-39%
115,000	7	59,439	37,743	36,345	0	0	0	0	59,439	37,743	36,345	-37%	-39%
120,000	3	27,724	17,615	16,986	1	11,641	8,272	8,062	39,365	25,886	25,048	-34%	-36%
125,000	4	39,965	25,485	24,606	1	12,391	8,771	8,552	52,356	34,257	33,158	-35%	-37%
130,000	4	42,965	27,564	26,645	1	13,141	9,291	9,061	56,106	36,855	35,707	-34%	-36%
135,000	1	11,491	7,431	7,191	0	0	0	0	11,491	7,431	7,191	-35%	-37%
140,000	1	12,241	7,990	7,741	0	0	0	0	12,241	7,990	7,741	-35%	-37%
145,000	0	0	0	0	0	0	0	0	0	0	0		
150,000	0	0	0	0	0	0	0	0	0	0	0		
155,000	1	14,491	9,790	9,510	0	0	0	0	14,491	9,790	9,510	-32%	-34%
160,000	1	15,241	10,429	10,140	0	0	0	0	15,241	10,429	10,140	-32%	-33%
165,000	0	0	0	0	0	0	0	0	0	0	0		
170,000	0	0	0	0	0	0	0	0	0	0	0		
175,000	1	17,491	12,468	12,149	0	0	0	0	17,491	12,468	12,149	-29%	-31%
180,000	1	18,241	13,188	12,858	0	0	0	0	18,241	13,188	12,858	-28%	-30%
185,000	0	0	0	0	0	0	0	0	0	0	0		
190,000	0	0	0	0	0	0	0	0	0	0	0		
195,000	1	20,491	15,467	15,107	0	0	0	0	20,491	15,467	15,107	-25%	-26%
200,000	0	0	0	0	0	0	0	0	0	0	0		
205,000	0	0	0	0	0	0	0	0	0	0	0		
210,000	0	0	0	0	0	0	0	0	0	0	0		
215,000	0	0	0	0	0	0	0	0	0	0	0		
220,000	0	0	0	0	0	0	0	0	0	0	0		
225,000	0	0	0	0	0	0	0	0	0	0	0		
230,000	0	0	0	0	0	0	0	0	0	0	0		
235,000	0	0	0	0	0	0	0	0	0	0	0		
240,000	0	0	0	0	0	0	0	0	0	0	0		
245,000	0	0	0	0	0	0	0	0	0	0	0		
250,000	0	0	0	0	0	0	0	0	0	0	0		
255,000	0	0	0	0	0	0	0	0	0	0	0		
260,000	1	30,241	27,423	26,934	0	0	0	0	30,241	27,423	26,934	-9%	-11%
265,000	0	0	0	0	0	0	0	0	0	0	0		
270,000	0	0	0	0	0	0	0	0	0	0	0		
275,000	0	0	0	0	0	0	0	0	0	0	0		
280,000	1	33,241	31,782	31,252	0	0	0	0	33,241	31,782	31,252	-4%	-6%
285,000	1	33,991	32,922	32,382	0	0	0	0	33,991	32,922	32,382	-3%	-5%
290,000	0	0	0	0	0	0	0	0	0	0	0		
295,000	0	0	0	0	0	0	0	0	0	0	0		
300,000	0	0	0	0	0	0	0	0	0	0	0		
Projected Revenue		2,174,831	2,500,310	2,328,793		107,807	59,161	55,400	2,282,638	2,559,471	2,384,192	12%	4%
Proj. collection assuming collection rate of 56%		1,212,957	1,394,485	1,298,826		60,127	32,995	30,898	1,273,084	1,427,481	1,329,723	12%	4%

Assuming family of four with no add-on amounts for failing to take health insurance and no offsetting child support payments.
 Data on number of cases is obtained from the Reimbursement Div. as of January 1996.
 There is a total of 2539 cases of which 38 cases are out-of-home placements.

Appendix D

Parental Fee Advisory Committee

Membership

David Thompson
Ted Frase
Cindy Johnson
Bonnie Lessard
Vicky D. Keller
Lorrie Davis-Sonnek
Diane Kozlak
Mary Butler
Barbara J. Carroll
Judy Gildersleeve, Department of Human Services (non-voting member)
Marcy Karageorgiou, Department of Human Services (non-voting member)
JoAnn Lawler, Arc Olmsted County
Jacki McCormack, Arc of Anoka & Ramsey Counties

Note: Of the nine parents on the Committee, 5 live in the Twin Cities Metropolitan Area and 4 live in Greater Minnesota.

Appendix E

Parental Fee Advisory Committee Meeting

Meeting Minutes

Meeting on November 8, 1995

Committee members in attendance: Barbara Carroll, David Thompson, Bonnie Lessard, Lorrie Davis-Sonnek, Diane Kozlak, Jacki McCormack, Mary Butler, Ted Frase, Judy Gildersleeve (non-voting member) and Marcy Karageorgiou (non-voting member).

Department of Human Services staff: Lawrence D. Grewach, Katy Olson and Debra Folie, all of the Eligibility Division.

Morning session

Jane Wilcox Hardwick of the Department's Federal Relations Staff gave an overview of the recent developments on Medicaid policy in Congress.

Lawrence Grewach of the Department's Eligibility Division gave introductory remarks on the Committee's mission. Noting that the Committee can draft its own proposal for a parental fee, Grewach emphasized that the Committee can determine, on its own, how best to organize itself and draft its proposal. He said that the Committee, for example, could decide to reach a consensus on a fee structure or, in the alternative, could decide to have a majority and minority report. Grewach also said that the Department would provide as much resource and clerical assistance, as reasonably possible, to help the Committee organize itself and draft a proposal. The Department, in its turn, would then evaluate the Committee's proposal as it makes its report to the Legislature on January 15. Grewach said that the two members from the Department's Reimbursement Division (Gildersleeve and Karageorgiou) are non-voting members and would not be involved in the Committee's discussions except as resources to provide information on the current parental fee.

After Grewach concluded his remarks, the Committee then met separately (without DHS staff) to organize itself.

Afternoon session

James R. Huber, who is the Department's TEFRA project director, discussed TEFRA and the parental fees. The Committee members began a discussion regarding how to restructure the current parental fee structure.

The next meeting was scheduled for November 20.

Appendix F

Parental Fee Advisory Committee

Meeting Minutes

November 20, 1995

Committee members in attendance: Barbara Carroll, Lorrie Davis-Sonnek, Diane Kozlak, Jacki McCormack, Mary Butler and Cindy Johnson.

Department of Human Services staff: Lawrence D. Grewach of the Eligibility Division.

The discussion centered largely on a draft fee structure that Mary Butler had prepared. There also was some discussion about whether to give parents variances for environmental and home modifications as well as a discussion about whether to continue to reduce the fee for parents whose children live at home.

Appendix G

Parental Fee Advisory Committee

Meeting Minutes

November 28, 1995

Committee members in attendance: Barbara Carroll, David Thompson, Bonnie Lessard, Lorrie Davis-Sonnek, Diane Kozlak, Jacki McCormack, Mary Butler, Ted Frase, Cindy Johnson, JoAnn Lawler, Judy Gildersleeve (non-voting member) and Marcy Karageorgiou (non-voting member).

Department of Human Services staff in attendance: Lawrence D. Grewach, Katy Olson and Debra Folie, all of the Eligibility Division.

Morning session

Discussion continued on a number of issues, primarily whether the Committee should endorse a fee-based approach or a premium-based approach. Christina Rich, of the Senate I-R caucus, attended the morning session and discussed the issue of parental fees with the Committee.

Afternoon session

The Committee developed general principles and recommendations on ten issues:

1. fees versus premiums,
2. a sliding versus a flat fee scale,
3. using adjusted gross income versus taxable income,
4. the lowest income amount for a fee,
5. variances, deductions and reductions in assessed amounts,
6. difference in amounts for children living at home versus children living outside the home,
7. the effect of child support payments,
8. the effective date of changes in the fee amounts,
9. social service emphasis versus a welfare emphasis, and
10. enforcement of fee obligations.