Minnesota

Department of Human Services

February 2010 Forecast

St. Paul, Minnesota

March 2, 2010

THE DHS FORECAST

The Department of Human Services (DHS) prepares a forecast of expenditures in its major programs twice each year, for use in the state forecasts which are released in November and February during each fiscal year. These forecasts are reviewed by Minnesota Management & Budget and are used to update the Fund Balance for the forecasted programs.

The February forecast, as adjusted for changes made during the legislative session, becomes the basis for end of session forecasts and planning estimates. The preceding November forecast sets the stage for the February forecast.

The DHS forecast is a "current law" forecast. It aims to forecast caseloads and expenditures given the current state and federal law at the time the forecast is published.

The DHS programs covered by the forecast are affected by many variables:

> The state's general economy and labor market affect most programs to some degree, especially those programs and segments of programs which serve people in the labor market.
>
> Federal law changes and policy changes affect state obligations in programs which have joint state and federal financing. Federal matching rates for Medical Assistance (MA) change occasionally. Federal funding for the Temporary Assistance to Needy Families (TANF) program is contingent on state compliance with maintenance of effort requirements which mandate minimum levels of state spending.
>
> Changes in federal programs affect caseloads and costs in state programs. The Supplemental Security Income program (SSI) drives elderly and disabled caseloads in Medical Assistance and Minnesota Supplemental Aid (MSA). Changes in SSI eligibility may leave numbers of people eligible for General Assistance (GA) and General Assistance Medical Care (GAMC) instead of SSI and Medical Assistance.

The narrative section of this document provides brief explanations of the changes in forecast expenditures in the February 2010 forecast, compared to the November 2009 forecast. Generally, these changes are treated on a biennial basis, covering the 2010-2011 biennium ("current biennium"), and the 2012-2013 biennium ("next biennium").

Tables One and Two provide the new and old forecasts and changes from the previous forecast for the 2010-2011 biennium, and Tables Three and Four provide the same information about the 2012-2013 biennium.

CURRENT BIENNIUM SUMMARY

General Fund Projections Reduced

General Fund costs for DHS medical and economic support programs for the 2010-2011 biennium are projected to total $7.597 billion, down $137 million (1.8%) from the November 2009 forecast. $83 million of this reduction comes from a federal policy change regarding "clawback" billings to the states to recover part of the cost of Medicare Part D pharmacy benefits.

TANF Forecast Slightly Lower

Projected expenditures of federal TANF (Temporary Assistance for Needy Families) funds for MFIP grants are $191 million, $2.4 million (1.2 percent) lower than the November forecast because there is a slightly higher proportion of MFIP cases in categories ineligible for TANF funding.

MinnesotaCare Forecast Lower

Forecasted Health Care Access Fund costs for the MinnesotaCare program are $1.253 billion, $12 million (0.9 percent) lower than projected in the November forecast. The reduction results from lower capitation rates effective in January 2010 than had been anticipated in the November 2009 forecast.

NEXT BIENNIUM SUMMARY

General Fund Costs Slightly Higher

General Fund costs for DHS medical and economic support programs for the 2012-2013 biennium are projected to total $10.210 billion, $39 million (0.4 percent) less than projected in the November forecast. The decrease comes from lower projected costs in Medical Assistance and the Chemical Dependency Fund.

TANF Forecast Slightly Higher

Projected expenditures of federal TANF (Temporary Assistance for Needy Families) funds for MFIP grants are $148 million, $4.1 million (2.8 percent) higher than the November forecast, mainly because the decrease in TANF expenditures in the current biennium makes $2.4 million more TANF funding available.

MinnesotaCare Forecast Little Changed

Forecasted Health Care Access Fund costs for the MinnesotaCare program are $1.944 billion, $5 million (0.2 percent) higher than projected in the November forecast. This increase comes from the costs of higher enrollment projections for families with children partially offset by lower than expected capitation rates effective in January 2010.

PROGRAM DETAIL

MEDICAL ASSISTANCE	'10-'11 Biennium	'12-'13 Biennium
Share of DHS Gen. Fund programs forecast	83.6%	89.3%
Total forecast change this item ($000)	(130,538)	(33,578)
Total forecast percentage change this item	-2.0%	-0.4%

The table above summarizes the forecast change for the entire Medical Assistance program. The two items which follow provide details on changes affecting the projections for all four budget activities:

The American Recovery and Reinvestment Act of 2009 increases the Federal Medical Assistance Percentage (FMAP), which is the federal share of most service costs in the Medical Assistance program. The increases are effective for nine calendar quarters, from October 2008 through December 2010. Minnesota's enhanced FMAP rate was 60.19% for October 2008 to March 2009 and will be 61.59% through December 2010. Under the previous law, our FMAP rate was 50.00%, the rate to which we expect it to return effective January 2011.

The following sections explain the forecast change for each of four component budget activities of the Medical Assistance program.

MA LTC FACILITIES	'10-'11 Biennium	'12-'13 Biennium
Share of DHS Gen. Fund programs forecast	10.2%	9.3%
Total forecast change this item ($000)	(24,233)	(16,158)
Total forecast percentage change this item	-3.1%	-1.7%

This activity includes payments to nursing facilities, to community ICF/MR facilities, for day training and habilitation services for community ICF/MR residents, and for the Regional Treatment Center programs for the mentally ill (RTC-MI). (In the RTC-MI programs, Medical Assistance covers only those residents who are under age 21 or age 65 or over.)

The net cost of this activity is also affected by the amount of Alternative Care (AC) funds expected to cancel to the Medical Assistance account. Alternative Care is usually funded at a larger amount than expected expenditures to allow for the fact that funds have to be allocated to the counties and, because each county treats its allocation as a ceiling for spending, there is always substantial underspending of Alternative Care funds. The amount which is expected to be unspent is deducted from the funding of the Medical Assistance program in the budget process.

Change in Projected Costs	'10-'11 Biennium ($000)	'12-'13 Biennium ($000)
NF caseload	(26,966)	(17,690)
ICF/MR & DTH	1,721	2,298
METO	(1,319)	(1,601)
RTC MI	377	(355)
County share	1,954	1,190
Activity Total	(24,233)	(16,158)

Alternative Care Offset

There was no change in the Alternative Care forecast.

Nursing Facilities (NF)

NF projected expenditures are 2.7% lower for the current biennium and 2.2% lower for the next biennium. The decreases are produced by reductions of 2% to 3% in projected NF days of care.

Community ICF/MR and Day Training & Habilitation (DT&H)

This forecast is increased 0.9% for the current biennium and 1.4% for the next biennium. Most of this change comes from a small increase in ICF/MR average cost projections.

METO Program

This forecast is zeroed out because METO no longer has any Medicaid-certified beds.

RTC MI Program

The increase for the current biennium reflects cash-flow increases in billings to MA. A minor reduction is made for the next biennium.

County Share of LTC Facility Services

The increases in state share cost reflect lower effective rates of billings to counties. Projected decreases in county share payments are 7.6% for the current biennium and 4.0% for the next biennium.

MA LTC WAIVERS & HOME CARE

	'10-'11 Biennium	'12-'13 Biennium
Share of DHS Gen. Fund programs forecast	23.9%	25.2%
Total forecast change this item ($000)	(12,241)	(7,634)
Total forecast percentage change this item	-0.7%	-0.3%

This activity includes the following components:

Developmentally Disabled Waiver (DD Waiver)
Elderly Waiver (EW): fee-for-service (FFS) segment
Community Alternatives for Disabled Individuals (CADI Waiver)
Community Alternative Care Waiver (CAC Waiver)
Traumatic Brain Injury Waiver (TBI Waiver)
Home Health Agency Services
Personal Care Assistance (PCA) and Private Duty Nursing (PDN) Services
Fund transfer to Consumer Support Grants.

The five waivers are special arrangements under federal Medicaid law, which provide federal Medicaid funding for services which would not normally be funded by Medicaid, when these services are provided as an alternative to institutional care (nursing facility, ICF/MR, or acute care hospital).

The following table provides a breakdown of the forecast changes in the waivers and home care:

Change in Projected Costs	**'10-'11 Biennium ($000)**	**'12-'13 Biennium ($000)**
DD Waiver	(2,966)	0
EW Waiver FFS	(141)	(426)
CADI Waiver	(371)	0
CAC Waiver	(34)	0
TBI Waiver	29	0
Home Health	1,642	2,100
Private Duty Nursing	1,904	1,604
Personal Care Assistance	(11,483)	(10,912)
Transfer to CSG	(820)	0
Activity Total	(12,241)	(7,634)
EW Total: FFS & Managed Care	(976)	(1,476)

Percent Change in Projected Costs

DD Waiver	-0.29%	0.00%
EW Waiver FFS	0.11%	-1.07%
CADI Waiver	-0.08%	0.00%
CAC Waiver	-0.15%	0.00%
TBI Waiver	0.03%	0.00%
Home Health	6.99%	7.71%
Private Duty Nursing	2.29%	1.56%
Personal Care Assistance	-2.54%	-2.16%
Transfer to CSG	-2.82%	0.00%
Activity Total	-0.66%	-0.30%
EW Total: FFS & Managed Care	-0.31%	-0.42%

DD Waiver

The current biennium change reflects actual payments through December 2009.

Elderly Waiver FFS & Managed Care

Elderly waiver is forecasted in two segments, the fee-for-service segment and the managed care segment. Forecast changes are described for the total of the two segments, since changes in the two parts tend to result from differences in distribution between fee-for-service EW and the managed care EW.

EW FFS recipient projections are increased 3% to 4%, but this change is mostly a shift of projected recipients from EW Managed Care.

Recipient projections for the whole EW program, fee-for-service and managed care, are practically unchanged. Overall expenditure projections are reduced by less than 0.5%.

CADI Waiver / CAC Waiver / TBI Waiver

The current biennium change reflects actual payments through December 2009.

Home Health Agency Changes

Projected numbers of recipients are about 9% higher for the current biennium and 8% higher for the next biennium. This change substantially reverses opposite changes made in the November 2009 forecast.

Private Duty Nursing (PDN)

Average cost projections are about 2% higher.

Personal Care Assistance Changes (PCA)

Average cost projections are about 2% lower. Recipient projections, which increased in the November 2009 forecast, are substantially unchanged.

MA ELD. & DISABLED BASIC CARE	**'10-'11 Biennium**	**'12-'13 Biennium**
Share of DHS Gen. Fund programs forecast	27.3%	29.6%
Total forecast change this item ($000)	(101,865)	(24,442)
Total forecast percentage change this item	-4.8%	-0.8%

This activity funds general medical care for elderly and disabled Medical Assistance enrollees. For almost all of the elderly and for about 48 percent of the disabled who have Medicare coverage, Medical Assistance acts as a Medicare supplement. For those who are not eligible for Medicare, Medical Assistance pays for all their medical care. Also included in this activity is the IMD group, which was part of GAMC until October 2003 and is funded without federal match. Enrollees in this group are individuals who would be eligible as MA disabled but for the fact of residence in a facility which is designated by federal regulations as an "Institute for Mental Diseases." Residents of such facilities are barred from MA eligibility unless they are under age 21 or age 65 or older.

The disabled segment accounts for about two-thirds of enrollees in this activity.

This activity also pays the federal agency the "clawback" payments which are required by federal law to return most of the MA pharmacy savings resulting from implementation of Medicare Part D in January 2006. The federal agency bills the state monthly for each Medicare-MA dual eligible who is enrolled in a Part D plan. The proportion of estimated savings which the state is required to pay decreases by 1.67 percentage points each year until it reaches 75% in CY 2015. For CY 2010 it is 83.33%, and the amount billed per dual eligible each month is $134.01.

The following table summarizes the areas of forecast changes in this activity:

	'10-'11 Biennium ($000)	'12-'13 Biennium ($000)
Elderly Waiver Managed Care	(835)	(1,050)
Elderly Basic Caseload	(4,506)	(7,081)
Elderly Basic Avg. Cost:	6,690	10,776
Disabled Basic Caseload	(374)	(247)
Disabled Basic FFS Avg. Cost	(12,011)	(15,552)
Disabled basic: MNDHO	(3,709)	(6,471)
Disabled basic: SNBC	(3,247)	(3,401)
Disabled basic: other managed care	4,638	3,073
Chemical Dependency Fund share	122	172
IMD Program	(6,024)	(4,956)
Medicare Part D clawback payments	(82,938)	65
MH case management transfer	329	230
Total	(101,865)	(24,442)
	(101,865)	(24,442)

Elderly Basic Changes

The decreases in Elderly Waiver managed care are balanced by equivalent increases in projected costs for Elderly Waiver fee for service.

Elderly basic enrollment projections are reduced by 1.0% for both the current biennium and the next biennium. Average cost projections are about 1.0% higher, resulting in little net change in projected expenditures.

Disabled Basic Changes

Disabled basic enrollment projections are practically unchanged.

Average disabled basic FFS cost projections are reduced by 1.3% for the current biennium and 1.2% for the next biennium.

MNDHO & SNBC

MNDHO expenditure projections are reduced by 4% to 5%. Enrollment projections are now 2% to 3% lower, and average payment projections about 2% lower based on preliminary data on payment levels resulting from new 2010 capitation rates.

SNBC expenditure projections are also 4% to 5% lower. The start of a new SNBC product in September 2009 for the preferred integrated networks (PINs) results in a period of uncertainty about future trends in SNBC costs.

Other Managed Care

"Other Managed Care" consists of managed care payments originally made under GAMC or MinnesotaCare which are turned into MA payments when disability-based MA eligibility is established retroactively. This activity in FY 2009 amounted to $38 million.

The new forecast assumes higher levels of this activity, increasing it by about 20% for the current biennium and 13% for the next biennium. (Although the forecast is higher for each year, the projected level of this activity declines over time because of the GAMC veto, from about $38 million in FY 2010 to about $26 million per year in FY 2012 and FY 2013.)

CD Fund Share

Small decreases in MA-funded services covered by the CD Fund produce corresponding increases in state share costs funded from the MA account, because the state share of these costs comes from the CD Fund.

IMD Program

Based on experience through December 2009, projected IMD payments are about 25% lower for the current biennium and 20% lower for the next biennium.

Medicare Part D Clawback

Clawback projections are reduced by $82.9 million for the current biennium because the federal agency has agreed to recognize that the reduction in the state's share of MA costs resulting from the enhanced rates of federal matching for MA also has the effect of reducing clawback billings for the period of enhanced matching rates (October 2008 to December 2010; see Page 3 above). Retroactive corrections to the amounts billed will give Minnesota four months of zero payments, one months of partial payment, and lower billings through the balance of CY 2010.

MH Case Management Transfer

This change is the final adjustment required under 2007 legislation which provided for managed coverage of mental health case management and children's residential treatment. Funds were transferred from county grants to cover the non-federal cost of these services for managed care enrollees. The transfer amount is updated to reflect actual numbers served.

FAMILIES WITH CHILDREN BASIC CARE

	'10-'11 Biennium	'12-'13 Biennium
Share of DHS Gen. Fund programs forecast	22.2%	25.2%
Total forecast change this item ($000)	7,800	14,656
Total forecast percentage change this item	0.5%	0.6%

This activity funds general medical care for children, parents, and pregnant women, including families receiving MFIP and those with transition coverage after exiting MFIP. It also includes non-citizens who are ineligible for federal matching. The non-citizen segment is treated as part of this activity because non-citizen enrollment and costs are dominated by costs for pregnant women.

The components of the overall forecast change in this activity are summarized in the following table:

	'10-'11 Biennium ($000)	'12-'13 Biennium ($000)
Families with Children		
Caseload	14,285	36,156
Avg. cost: Lower FFS cost	(15,514)	(32,264)
HMO MERC correction	(215)	(1,105)
CD Fund share	711	758
CHIP enh. match for kids over 133% FPG	97	161
GAMC/CPE DSH dedicated revenue	3,746	0
Supplemental hospital payments	(3,837)	0
Non-citizen MA segment	(885)	(1,500)
Services w special funding	(2,362)	(2,612)
Family planning waiver & impact	(155)	358
Breast & cerv. cancer	405	956
Rx rebates	11,223	13,748
Federal share adjustments (Disallowances)	301	0
Total	7,800	14,656

Families with Children Basic Care

Slightly higher actual enrollment in October to December 2009 than projected in the November 2009 forecast, and a similar economic scenario, result in higher enrollment projections by 0.8% for the current biennium and 1.3% in the next biennium.

The costs for higher enrollment are substantially offset by lower projections of the average cost of the fee for service part of this coverage. The overall reduction in average cost projections is 0.9% for the current biennium and 1.2% for the next biennium.

The HMO MERC decrease corrects the November 2009 forecast, which accidentally exceeded the HMO MERC limit which was enacted in 2009.

A lower projection of the share of overall MA payments made to the CD Fund results in small cost increases because payments to the CD Fund draw no state share from the MA account.

CHIP Enhanced Funding for MA Children Over 133% FPG

The increase results from a small reduction in the proportion of payments projected to qualify for the enhanced matching.

CPE DSH Dedicated Revenue and Supplemental Hospital Payments

Legislation from the 2005 Session directed DHS to seek Medicaid Disproportionate Share Hospital (DSH) matching for Certified Public Expenditures (CPE) during the FY 2008-2009 biennium. The same legislation required the CPE DSH revenue to be used for MA hospital payments, after offsetting the cost of reducing hospital payments by 4 percentage points less (6% ratable reduction rather than 10% ratable reduction: a budget decision made in the 2005 Session).

Changes in the 2007 Session extended this requirement to the FY 2010-2011 biennium. GAMC FFS hospital payments and, potentially, losses certified by Hennepin County Medical Center constitute the Certified Public Expenditures.

This stream of DSH revenue ends with the expected end of the GAMC program, given that there are no certified losses from Hennepin County Medical Center. The February forecast makes a small downward adjustment in projected DSH revenue, which is offset by a similar decrease in spending on supplemental hospital payments.

Projected DSH Revenue

	November 2009 Forecast	**February 2010 Forecast**	**Change**
FY 2010	36,273,000	31,044,000	(5,229,000)
FY 2011	0	1,483,000	1,483,000
Biennium	36,273,000	32,527,000	(3,746,000)
FY 2012	0	0	0
FY 2013	0	0	0
Biennium	0	0	0

State Share of Supplemental Hospital Payments

	November 2009 Forecast	November 2010 Forecast	Change
FY 2010	7,133,000	5,619,000	(1,514,000)
FY 2011	8,076,000	5,753,000	(2,323,000)
Biennium	15,209,000	11,372,000	(3,837,000)
FY 2012	0	0	0
FY 2013	0	0	0
Biennium	0	0	0

Non-Citizen MA

The Non-Citizen segment of MA includes federal Childrens' Health Insurance Program (CHIP) coverage for pregnant women through the month in which they give birth. Two months of post-partum coverage were at 100% state cost until July 2009, when CHIP coverage of those months became available. (This fiscal effect of this change was included in 2009 Session changes.)

Both enrollment and average cost projections are a little lower. State share expenditure projections are 1.6% lower for the current biennium and 2.5% lower for the next biennium.

Services with Special Funding

This is a forecast category which includes several services which have only federal and county share funding, such as child welfare targeted case management. Some services have state and federal funding, but are administrative costs from the federal perspective and so have federal matching at a fixed 50%, rather than funding at the Federal Medical Assistance Percentage (FMAP) which applies to medical services and can vary from 50%, although 50% is Minnesota's current FMAP. Services which have state funding are access services (transportation to medical care), child and teen checkup outreach, and DD waiver screenings.

Projected costs for access services are about 5% lower based on expenditures through December 2009.

Family Planning Waiver

This forecast recognizes slightly lower enrollment in the family planning waiver in the current biennium but more sustained enrollment growth through the next biennium. The resulting enrollment projections are about 2% lower for the current biennium and about 12% higher in the next biennium. Projected service costs are about 3% lower, resulting in total cost projections decreasing by about 5% for the current biennium and increasing by 9% for the next biennium.

Breast & Cervical Cancer

Higher enrollment projections account for the increases in this segment.

Pharmacy Rebates

(Higher rebates reduce MA cost projections; lower rebates increase net costs.)

Projected rebate collections are reduced by 12% for the current biennium and 9.7% for the next biennium. Lower projections of pharmacy expenditures account for a reduction of about 6 percentage points across both biennia. The remainder of the reductions comes for a technical change in the calculation of projected rebates and, in the current biennium, from recognition that a portion of the high level of rebates received in FY 2009 needs to be subtracted from rebates expected to be received in FY 2010.

Federal Disallowance

A disallowance of $301,000 is included in the forecast. This disallowance involves Dungarvin, a DD Waiver service provider.

GENERAL ASSISTANCE MED. CARE	**'10-'11 Biennium**	**'12-'13 Biennium**
Share of DHS Gen. Fund programs forecast	4.3%	0.0%
Forecast change this item ($000)	0	0
Forecast percentage change this item	0.0%	0.0%

During the 2009 legislative session, the Governor line-item vetoed GAMC funding for FY 2011. The November forecast assumes that the veto also eliminates GAMC funding for the next biennium. Following the 2009 session, the Governor used unallotment authority to reduce the FY 2010 GAMC appropriation by $15 million. These actions leave the GAMC appropriation for FY 2010 at $329.028 million, and this appropriation amount is held unchanged in the February forecast.

Given the line-item veto of FY 2011 funding, we assume that GAMC coverage can only continue for a period such that all resulting financial obligations can be covered from the available FY 2010 obligation. For practical reasons, we also assume the GAMC coverage needs to be terminated at the end of a month. Based on the February forecast, the appropriation of $329 million is sufficient to pay for obligations that would be incurred through the end of March but insufficient to cover obligations that would be incurred through the end of April. (The projected deficit in funding for April coverage coverage is $5.5 million.) For these reasons, we assume that GAMC coverage ends at the end of March 2010.

The projected termination of GAMC coverage is assumed in this forecast to result in a large movement into MinnesotaCare of enrollees who would otherwise be covered by GAMC.

CHEMICAL DEPENDENCY FUND	'10-'11 Biennium	'12-'13 Biennium
Share of DHS Gen. Fund programs forecast	2.6%	2.3%
Forecast change this item ($000)	(14,506)	(14,566)
Forecast percentage change this item	-7.3%	-6.0%

The number of placements is on track to substantially exceed the number experienced in FY 2009, but it is not growing as rapidly as projected in the November 2009 forecast. As a result the projected number of placements is reduced by about 2.9% both in the current biennium and the next biennium.

Projections of average cost per placement are also modestly lower, resulting in decreases of 6.6% for the current biennium and 4.5% for the next biennium. Because federal block grant funding is fixed at $9 million, the state share expenditure decreases are somewhat larger, at 7.3% for the current biennium and 6.1% for the next biennium.

MFIP NET CASH (STATE AND FEDERAL)	'10-'11 Biennium	'12-'13 Biennium
Forecast change this item ($000)	(2,466)	(256)
Forecast percentage change this item	-0.7%	-0.1%
GENERAL FUND SHARE OF MFIP		
Share of DHS Gen. Fund programs forecast	1.9%	2.0%
Forecast change this item ($000)	(113)	(4,308)
Forecast percentage change this item	-0.1%	-2.1%
FEDERAL TANF FUNDS FOR MFIP		
Forecast change this item ($000)	(2,352)	4,052
Forecast percentage change this item	-1.2%	2.8%

This activity provides cash and food for families with children until they reach approximately 115% of the federal poverty guidelines (FPG). The MFIP program is Minnesota's TANF program. MFIP cash is therefore funded with a mixture of federal TANF Block Grant and state General Fund dollars.

The following table summarizes the changes in MFIP cash expenditures by source, relative to the November forecast:

Summary of Forecast Changes	**'10-'11 Biennium ($000)**	**'12-'13 Biennium ($000)**
Gross MFIP cash grant forecast change	(2,405)	(107)
Gross General Fund forecast change	(52)	(4,159)
Child Support/recoveries offset	(61)	(149)
Net General Fund forecast change	(113)	(4,308)
Gross TANF forecast change	(2,352)	4,052
Child Support pass-through/recoveries offset	0	0
Net TANF forecast change	(2,352)	4,052

Small Changes in Gross MFIP Cash Grants

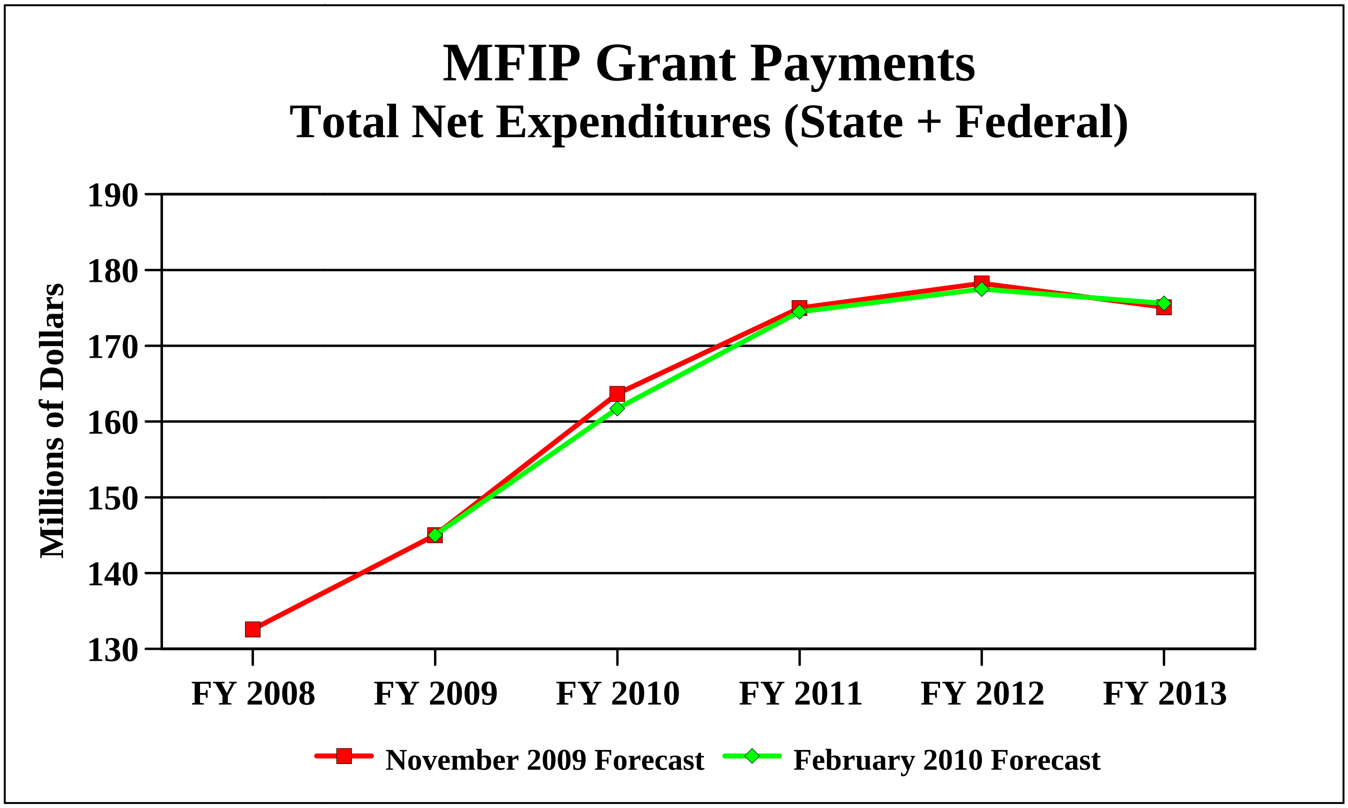
The $2.4 million (0.7%) decrease in gross MFIP cash grant expenditures in the current biennium and the $0.1 million (0.1%) decrease in the next biennium are due mostly to decreased caseload projections, based on recent data.

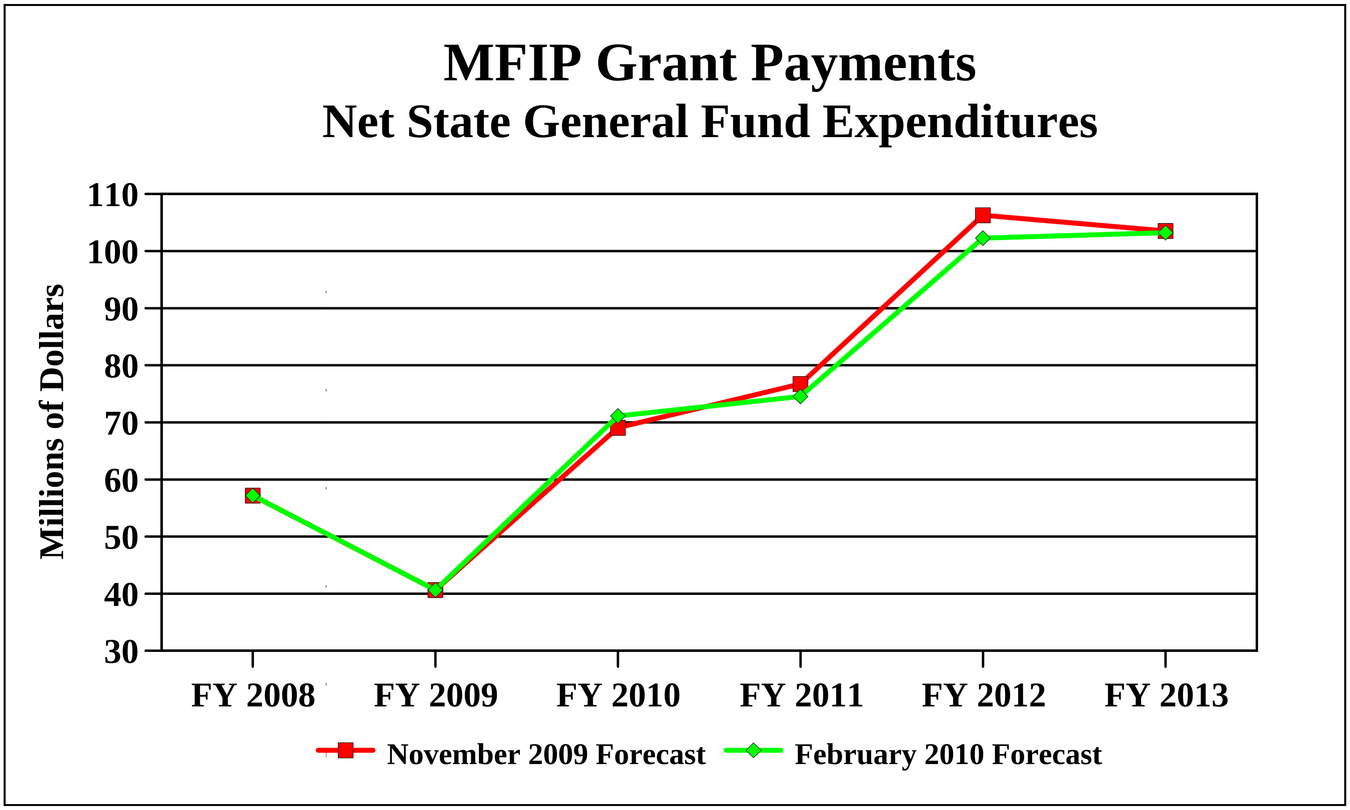
Changes in General Fund used in MFIP

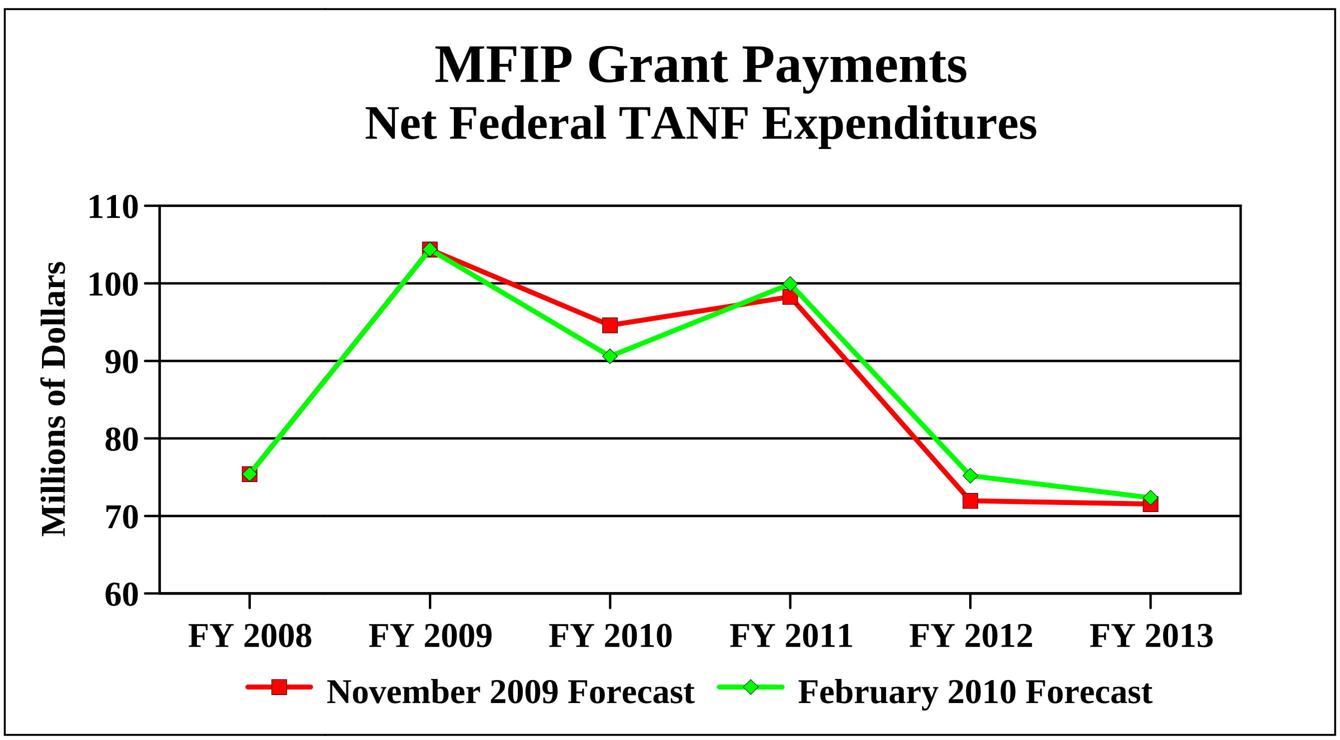
Most of the MFIP caseload is funded with a mixture of state and federal block grant funds. The amount of state funds in this mixture is determined by the federally mandated Maintenance of Effort (MOE) requirement for state (i.e., General Fund) spending on its TANF program. The state must meet this minimum MOE requirement to draw its entire federal TANF block grant allotment. Certain components of the overall MOE requirement are forecasted separately from MFIP (child care is the primary example). Required gross General Fund spending in the MFIP forecast will vary with the forecasted expenditure levels in these external MOE components, though it must be at least 16% of the MOE requirement. In addition, if there are not enough TANF funds available to pay the portion of expenditures which do not have to be paid from the General Fund, then General Fund is used to make up the difference. The General Fund must also fund "non-MOE" cases: cases with two parents and cases eligible for Family Stabilization Services. These expenditures cannot be used as MOE and cannot be funded with federal funds. Net General Fund expenditures are adjusted for child support collections and the counties' share of recoveries.

Trends in FY 2010 data show a slightly higher proportion of MFIP cases which must be funded with non-MOE General Fund. As a result, non-MOE General Fund expenditures are increased $5.1 million in this biennium relative to the November forecast. As the November forecast had $5.1 million in General Fund more than required to meet MFIP General Fund obligations, this increased non-MOE obligation leads to no additional cost. Child support collections used to offset General Fund expenditures are projected to be $0.1 million higher than last forecast, leading to a decrease of net General Fund MFIP cash expenditures for the current biennium of $0.1 million, a 0.1% decrease. The gross MFIP cash grant forecast decreases $2.4 million, leading to a decrease in TANF expenditures in MFIP for the current biennium of $2.4 million, a 1.2% decrease.

In the next biennium, required non-MOE General Fund is increased $6.5 million to meet the projected increase in non-MOE type cases. Again the November forecast had more than enough MFIP General Fund to meet this obligation with no cost. There is an additional $1.7 million of TANF made available to MFIP by reduced expenditures outside the program, and an additional $2.4 million of TANF made available by the reduced MFIP expenditures in the current biennium. This results in a $4.1 million increase in expenditures from TANF funds in the next biennium, a 2.8% increase. Together with the gross MFIP cash grant forecast decrease of $0.1 million, this leads to a $4.2 million decrease in General Fund expenditures on gross MFIP cash grants. Child support collections are projected to be $0.1 million higher, resulting in a decrease of net General Fund MFIP cash expenditures of $4.3 million, a 2.1% decrease.




MFIP Grant Payments
Net State General Fund Expenditures
Millions of Dollars
110
100
90
80
70
60
50
40
30
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
November 2009 Forecast
February 2010 Forecast


MFIP Grant Payments
Net Federal TANF Expenditures
Millions of Dollars
110
100
90
80
70
60
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
November 2009 Forecast
February 2010 Forecast

MFIP CHILD CARE ASSISTANCE

	'10-'11 Biennium	'12-'13 Biennium
Share of DHS Gen. Fund programs forecast	1.6%	1.4%
Forecast change this item ($000)	(2,210)	1,915
Forecast percentage change this item	-1.8%	1.4%

This activity provides child care assistance to MFIP families who are employed or are engaged in other work activities or education as part of their MFIP employment plan. This activity also provides transition year (TY) child care assistance for former MFIP families. As with the MFIP grant program, child care assistance is funded with a mixture of federal and state General Fund dollars. The federal child care funding comes from the Child Care & Development Fund (CCDF).

MFIP Child Care payments decrease by $2.2 million (0.9% of federal and state expenditures) in the current biennium relative to the November forecast . This decrease results from average payments below forecast in FY 2010, and is offset somewhat by caseload increases. There is no change in federal funds, leading to a $2.2 million decrease in General Fund expenditures.

MFIP Child Care payments increase by $1.9 million (0.8%) in the next biennium, due to small increases in caseload projections. Federal funds used for MFIP Child Care are unchanged in the next biennium, leading to a $1.9 million increase in General Fund expenditures.

GENERAL ASSISTANCE

	'10-'11 Biennium	'12-'13 Biennium
Share of DHS Gen. Fund programs forecast	1.1%	1.0%
Forecast change this item ($000)	589	757
Forecast percentage change this item	0.7%	0.8%

This activity provides state-funded cash assistance for single adults and couples without children, provided they meet one of the specific General Assistance (GA) eligibility criteria. Typically, meeting one or more of the GA eligibility criteria indicates that the individual is mentally or physically unable to participate long-term in the labor market.

The small increases in GA payments are based on slightly higher projected caseloads.

GROUP RESIDENTIAL HOUSING

	'10-'11 Biennium	'12-'13 Biennium
Share of DHS Gen. Fund programs forecast	2.9%	2.4%
Forecast change this item ($000)	2,799	9,027
Forecast percentage change this item	1.2%	3.7%

This activity pays for housing and some services for individuals placed by the local agencies in a variety of residential settings. Two types of eligibility are distinguished, reflecting the fact that prior to FY 1995 this benefit used to be part of the MSA and GA programs. MSA-type recipients are elderly or disabled, with the same definitions as used for MA eligibility. GA-type recipients are other adults.

Average cost projections which are 1% to 2% higher are the main reason for the higher expenditure projections for this activity. Caseload projections are also slightly higher.

MINNESOTA SUPPLEMENTAL AID

	'10-'11 Biennium	'12-'13 Biennium
Share of DHS Gen. Fund programs forecast	0.8%	0.7%
Forecast change this item ($000)	6,496	1,814
Forecast percentage change this item	10.5%	2.5%

For most recipients, this activity provides a supplement of approximately $81 per month to federal Supplemental Security Income (SSI) grants.

The increase in the current biennium represents the cost of restoring the special diet benefit pending a final decision in the litigation concerning the Governor's unallotment of this benefit.

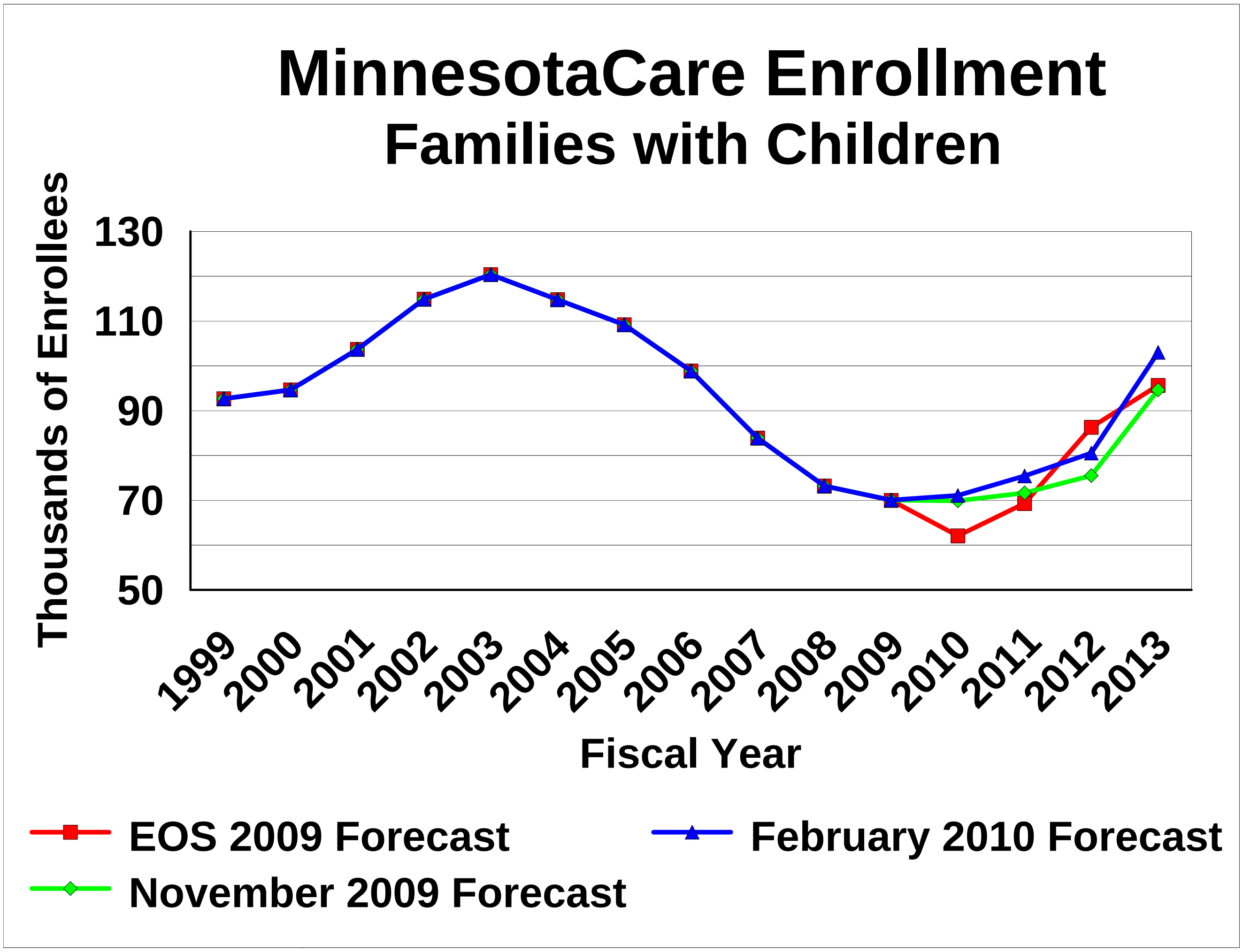
The smaller increase for the next biennium is divided about equally between slightly higher projected enrollment and slightly higher average payments.

MINNESOTACARE	**'10-'11 Biennium**	**'12-'13 Biennium**
Forecast change this item ($000)	(11,757)	4,814
Forecast percentage change this item	-0.9%	0.2%

Summary of Forecast Changes	**'10-'11 Biennium ($000)**	**'12-'13 Biennium ($000)**
Families with Children		
Enrollment changes	8,393	26,184
Average payment changes	(3,439)	(5,474)
Families with Children Subtotal	4,954	20,710
Adults without Children		
Enrollment changes	(2,509)	4,405
Average payment changes	(14,202)	(20,301)
Adults without Children Subtotal	(16,711)	(15,896)
Total Program	(11,757)	4,814

Families with Children

Average monthly enrollment of children and parents fell by 4% in FY 2009 compared with the previous fiscal year. Despite this drop, enrollment bottomed out at about 70,000 enrollees during the last half of CY 2008 and started a subtle rise in the first half of CY 2009. Then the last quarter of CY 2009 saw a significant decline in the number of monthly eligibility terminations for MinnesotaCare children and parents. This is likely a lagging impact from the down economy with fewer jobs including benefits. Fewer monthly eligibility drops leads to accumulating enrollment over time and we now project children and parents enrollment to grow by about 5000 enrollees during CY 2010 and grow by another 3500 enrollees in CY 2011. In CY 2012, enrollment is projected to jump further upward due to eligibility expansions primarily affecting children. Relative to the November forecast, enrollment projections for children and parents in the February forecast are about 3.5% higher in the current biennium and about 7.5% higher in the next biennium.



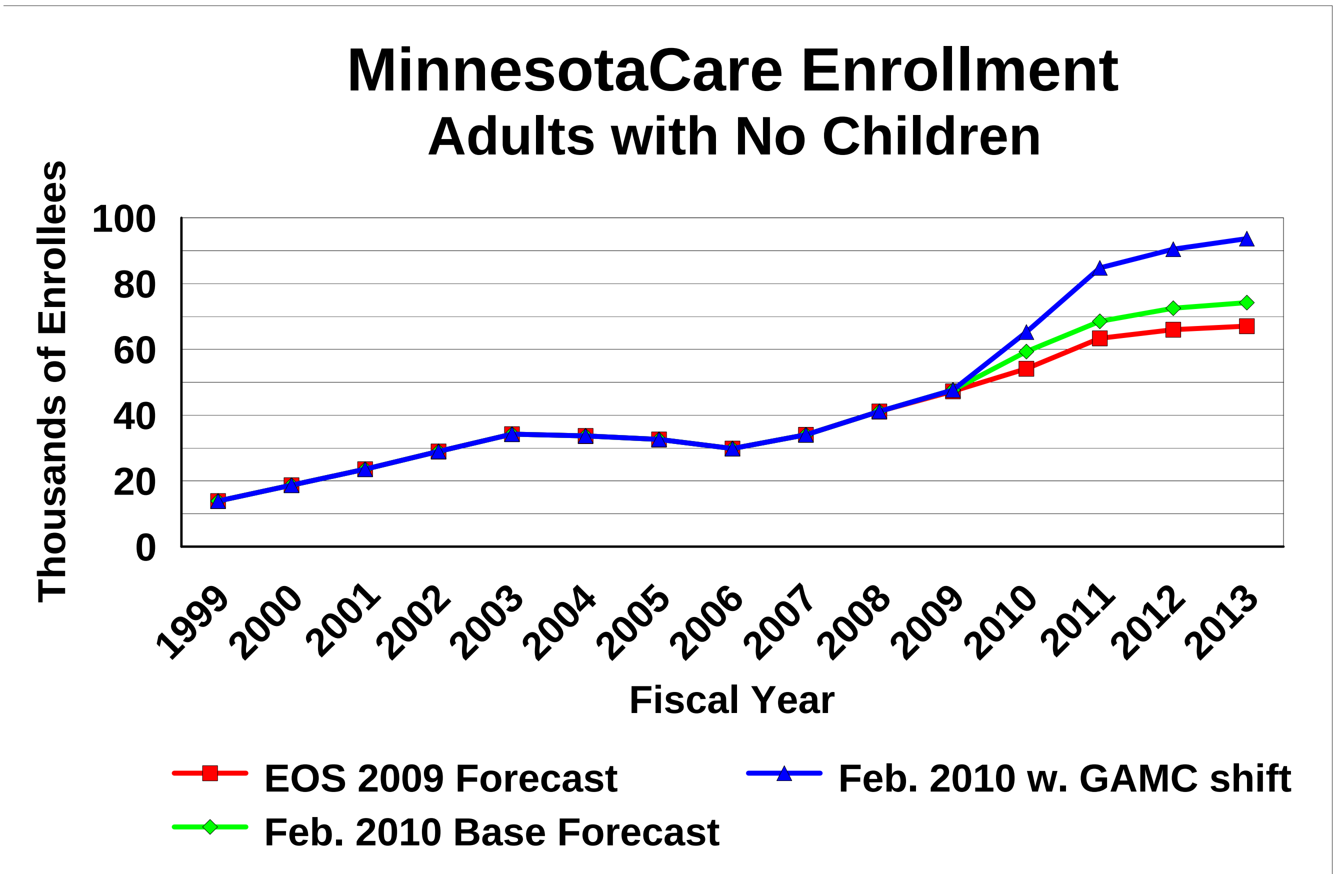
HMO rates effective January 2010 have been adjusted in the February forecast due to updated base rates and risk adjustment factors for the first quarter of CY 2010. This results in a cost decrease for MinnesotaCare families with children of about 1.5% relative to November forecast projections.

Adults without Children

The 2005 Legislature adopted a requirement to shift most GAMC-only enrollees to MinnesotaCare after their initial months of GAMC enrollment. This new policy took effect in September 2006 and is referred to as Transitional MinnesotaCare. Transitional MinnesotaCare enrollees receive six months of eligibility, of which on average two months of FFS coverage are funded by GAMC and four months of managed care coverage are covered by MinnesotaCare. (The term "Transitional MinnesotaCare" is used in this section for the months of MinnesotaCare coverage.) Certain "qualifiers" in the law exempt other GAMC recipients from enrollment in Transitional MinnesotaCare and permit them to remain in regular GAMC.

Excluding Transitional MinnesotaCare enrollment, average monthly enrollment of adults without children increased by 22% in FY 2009 as compared to the previous fiscal year. Noteworthy is that this increase appears to be driven by an increase in newly added enrollment each month with little change in monthly enrollment drops. This is also consistent with the projected lagged effects of the challenging labor market. The new data from the last quarter of CY 2009 shows a continuation of this basic enrollment trend. As a result, relative to the November forecast, base enrollment for adults without children (excluding Transitional MinnesotaCare) in the February forecast is essentially unchanged in both the current and next biennia. Base enrollment for HMO Transitional MinnesotaCare is also projected to be relatively unchanged from the November forecast.

In addition to base enrollment changes, the February forecast recognizes an enrollment shift from GAMC due to the Governor's veto of GAMC funding during the 2009 legislative session. This enrollment shift is now expected to begin April 2010, one month later than was assumed in the November forecast. All current regular GAMC enrollees (those with a qualifier) will be enrolled in Transitional MinnesotaCare for the remainder of their six-month GAMC eligibility period. At that time, their eligibility for regular MinnesotaCare will be reviewed. Also, beginning April 2010 new applicants who would have been approved for GAMC will be enrolled in Transitional MinnesotaCare instead.



The one month delay in the GAMC enrollment shift results in lower Transitional MinnesotaCare forecast enrollment due to one fewer month of additional MinnesotaCare coverage for the shift group. This also leads to a later reduction in regular MinnesotaCare enrollment. Partially offsetting this forecast reduction is the recognition in the February forecast of an additional cohort of enrollees in the April 2010 GAMC shift group. It was assumed in the November forecast that GAMC enrollees who had eligibility reviews in the month prior to the end of the GAMC program would be reviewed for regular MinnesotaCare. The February forecast recognizes that these enrollees will instead be auto-enrolled in Transitional MinnesotaCare with six months of eligibility. This change substatially offsets the decrease resulting from one added month of GAMC coverage.

HMO rates effective January 2010 have been adjusted in the February forecast due to updated base rates and risk adjustment factors for the first quarter of CY 2010. This results in a cost decrease for MinnesotaCare adults without children of about 2.5% relative to November forecast projections.

Projecting the Shift of GAMC Recipients to MinnesotaCare

The effect of the end of GAMC coverage on MinnesotaCare enrollment has been projected by monthly cohorts. The cohorts of those who have months of GAMC eligibility remaining when GAMC coverage ends were distinguished from cohorts of new applicants. Those with remaining months of eligibility were assumed to be transferred to Transitional MinnesotaCare for varying numbers of months depending on their remaining GAMC eligibility. New applicants were assumed to get an average of 3.5 months of Transitional MinnesotaCare coverage.

Each cohort, at the end of its Transitional MinnesotaCare coverage was assumed to be reviewed for regular MinnesotaCare eligibility. Based on experience with the current Transitional MinnesotaCare group, 25% of those coming to the end of Transitional MinnesotaCare were assumed to transition to regular MinnesotaCare. Of these, about 67% were assumed to remain on MinnesotaCare after their first 12-month eligibility review (month 13 of regular MinnesotaCare) and 41% to remain after their second 12-month eligibility review (month 25 of regular MinnesotaCare).

The following table shows the projected increase in MinnesotaCare enrollment as a percentage of projected GAMC enrollment and as a percentage of projected GAMC managed care enrollment. Note that this comparison is to projections of regular GAMC coverage and does not include the fee for service Transitional MinnesotaCare enrollment, which is also paid for by the GAMC program:

	Average Added MinnesotaCare Enrollment	% of GAMC with Qualifier Total Enrollment	% of GAMC with Qualifier Man. Care Enrollment
FY 2010 (3 months)	23,698	80.4%	108.1%
FY 2011	16,231	53.8%	72.1%
FY 2012	17,963	59.4%	79.7%
FY 2013	19,473	64.6%	86.7%

Proportions are relatively large for three months of FY 2010 because of the automatic shift of current GAMC enrollees when GAMC coverage ends. Proportions fall off somewhat in FY 2011 as the effect of the initial automatic shift declines. Then they rise in the next biennium based on the projected survival of earlier cohorts in regular MinnesotaCare.

TABLE ONE
CURRENT BIENNIUM SUMMARY

GENERAL FUND	November 2009 Forecast FY 2010 - FY 2011 Biennium ($ in thousands)			February 2010 Forecast FY 2010 - FY 2011 Biennium ($ in thousands)		
	FY 2010	FY 2011	Biennium	FY 2010	FY 2011	Biennium
Medical Assistance						
LTC Facilities	369,192	422,913	792,105	359,843	408,029	767,872
LTC Waivers	833,120	1,013,918	1,847,038	823,539	1,011,258	1,834,797
Elderly & Disabled Basic	969,502	1,141,708	2,111,211	900,458	1,108,888	2,009,346
Families w. Children Basic	740,948	975,185	1,716,133	750,000	973,933	1,723,933
Total	2,912,762	3,553,724	6,466,486	2,833,840	3,502,108	6,335,948
Alternative Care Program	50,234	48,576	98,810	50,234	48,576	98,810
General Assistance Medical Care	329,028	0	329,028	329,028	0	329,028
Chemical Dependency Fund	92,591	106,015	198,607	87,570	96,531	184,101
Subtotal: Health Care	3,384,615	3,708,316	7,092,931	3,300,672	3,647,215	6,947,887
Minnesota Family Inv. Program	69,067	76,719	145,786	71,121	74,552	145,673
Child Care Assistance	56,615	66,727	123,342	53,339	67,793	121,132
General Assistance	43,816	41,466	85,281	43,823	42,047	85,870
Group Residential Housing	111,889	113,606	225,496	112,387	115,908	228,295
Minnesota Supplemental Aid	31,015	30,742	61,756	33,518	34,734	68,252
Subtotal: Economic Support	312,401	329,260	641,661	314,188	335,034	649,222
Total General Fund	3,697,017	4,037,576	7,734,592	3,614,860	3,982,249	7,597,109
TANF funds for MFIP Grants	94,595	98,277	192,872	90,598	99,922	190,520
MinnesotaCare	513,274	751,793	1,265,066	491,439	761,870	1,253,309

TABLE TWO
CURRENT BIENNIUM SUMMARY

GENERAL FUND	February 2010 Forecast Change from November 2009 Forecast FY 2010 - FY 2011 Biennium ($ in thousands)			February 2010 Forecast Change from November 2009 Forecast FY 2010 - FY 2011 Biennium (Percent Change)		
	FY 2010	FY 2011	Biennium	FY 2010	FY 2011	Biennium
Medical Assistance						
LTC Facilities	(9,349)	(14,884)	(24,233)	-2.5%	-3.5%	-3.1%
LTC Waivers	(9,581)	(2,660)	(12,241)	-1.1%	-0.3%	-0.7%
Elderly & Disabled Basic	(69,044)	(32,820)	(101,865)	-7.1%	-2.9%	-4.8%
Families w. Children Basic	9,052	(1,252)	7,800	1.2%	-0.1%	0.5%
Total	(78,922)	(51,616)	(130,538)	-2.7%	-1.5%	-2.0%
Alternative Care program	0	0	0	0.0%	0.0%	0.0%
General Assistance Medical Care	0	0	0	0.0%		0.0%
Chemical Dependency Fund	(5,021)	(9,484)	(14,506)	-5.4%	-8.9%	-7.3%
Subtotal: Health Care	(83,943)	(61,101)	(145,044)	-2.5%	-1.6%	-2.0%
Minnesota Family Inv. Program	2,054	(2,167)	(113)	3.0%	-2.8%	-0.1%
Child Care Assistance	(3,276)	1,066	(2,210)	-5.8%	1.6%	-1.8%
General Assistance	7	581	589	0.0%	1.4%	0.7%
Group Residential Housing	498	2,302	2,799	0.4%	2.0%	1.2%
Minnesota Supplemental Aid	2,503	3,992	6,496	8.1%	13.0%	10.5%
Subtotal: Economic Support	1,787	5,774	7,561	0.6%	1.8%	1.2%
Total General Fund	(82,157)	(55,327)	(137,483)	-2.2%	-1.4%	-1.8%
TANF funds for MFIP Grants	(3,997)	1,645	(2,352)	-4.2%	1.7%	-1.2%
MinnesotaCare	(21,835)	10,077	(11,757)	-4.3%	1.3%	-0.9%

TABLE THREE
NEXT BIENNIUM SUMMARY

GENERAL FUND	November 2009 Forecast FY 2012 - FY 2013 Biennium ($ in thousands)			February 2010 Forecast FY 2012 - FY 2013 Biennium ($ in thousands)		
	FY 2012	FY 2013	Biennium	FY 2012	FY 2013	Biennium
Medical Assistance						
LTC Facilities	478,782	471,284	950,066	468,311	465,597	933,908
LTC Waivers	1,234,672	1,348,876	2,583,548	1,230,977	1,344,937	2,575,914
Elderly & Disabled Basic	1,467,718	1,568,235	3,035,953	1,459,932	1,551,579	3,011,511
Families w. Children Basic	1,252,527	1,327,499	2,580,026	1,255,643	1,339,039	2,594,682
Total	4,433,699	4,715,894	9,149,593	4,414,863	4,701,152	9,116,015
Alternative Care Program	44,978	45,106	90,084	44,978	45,106	90,084
General Assistance Medical Care	0	0	0	0	0	0
Chemical Dependency Fund	117,055	123,750	240,805	109,467	116,772	226,239
Subtotal: Health Care	4,595,732	4,884,750	9,480,482	4,569,308	4,863,030	9,432,338
Minnesota Family Inv. Program	106,291	103,541	209,831	102,285	103,238	205,523
Child Care Assistance	71,230	70,097	141,327	71,843	71,399	143,242
General Assistance	49,336	49,468	98,804	49,672	49,889	99,561
Group Residential Housing	119,037	126,646	245,683	123,720	130,990	254,710
Minnesota Supplemental Aid	36,206	36,843	73,049	37,070	37,793	74,863
Subtotal: Economic Support	382,099	386,595	768,694	384,590	393,309	777,899
Total General Fund	4,977,831	5,271,344	10,249,175	4,953,898	5,256,339	10,210,237
TANF funds for MFIP Grants	71,949	71,554	143,503	75,201	72,354	147,555
MinnesotaCare	904,819	1,034,292	1,939,111	902,447	1,041,478	1,943,925

TABLE FOUR
NEXT BIENNIUM SUMMARY

GENERAL FUND	February 2010 Forecast Change from November 2009 Forecast FY 2012 - FY 2013 Biennium ($ in thousands)			February 2010 Forecast Change from November 2009 Forecast FY 2012 - FY 2013 Biennium (Percent Change)		
	FY 2012	FY 2013	Biennium	FY 2012	FY 2013	Biennium
Medical Assistance						
LTC Facilities	(10,471)	(5,687)	(16,158)	-2.2%	-1.2%	-1.7%
LTC Waivers	(3,695)	(3,939)	(7,634)	-0.3%	-0.3%	-0.3%
Elderly & Disabled Basic	(7,786)	(16,656)	(24,442)	-0.5%	-1.1%	-0.8%
Families w. Children Basic	3,116	11,540	14,656	0.2%	0.9%	0.6%
Total	(18,836)	(14,742)	(33,578)	-0.4%	-0.3%	-0.4%
Alternative Care program	0	0	0	0.0%	0.0%	0.0%
General Assistance Medical Care	0	0	0	0.0%	0.0%	0.0%
Chemical Dependency Fund	(7,588)	(6,978)	(14,566)	-6.5%	-5.6%	-6.0%
Subtotal: Health Care	(26,424)	(21,720)	(48,144)	-0.6%	-0.4%	-0.5%
Minnesota Family Inv. Program	(4,006)	(303)	(4,308)	-3.8%	-0.3%	-2.1%
Child Care Assistance	613	1,302	1,915	0.9%	1.9%	1.4%
General Assistance	336	421	757	0.7%	0.9%	0.8%
Group Residential Housing	4,683	4,344	9,027	3.9%	3.4%	3.7%
Minnesota Supplemental Aid	864	950	1,814	2.4%	2.6%	2.5%
Subtotal: Economic Support	2,491	6,714	9,205	0.7%	1.7%	1.2%
Total General Fund	(23,933)	(15,005)	(38,938)	-0.5%	-0.3%	-0.4%
TANF funds for MFIP Grants	3,252	800	4,052	4.5%	1.1%	2.8%
MinnesotaCare	(2,372)	7,186	4,814	-0.3%	0.7%	0.2%