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Minnesota

Department of Human Services

February 2014 Forecast

St. Paul, Minnesota

February 28, 2014

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) instead of SSI.

The narrative section of this document provides brief explanations of the changes in forecast expenditures in the February 2014 forecast, compared to the November 2013 forecast. The FY 2014-2015 biennium is referred to as "the current biennium" and FY 2016-2017 as "the next biennium."

Tables One and Two provide the new and old forecasts and changes from the previous forecast for the FY 2014-2015 biennium, and Tables Three and Four provide the same information about the FY 2016-2017 biennium.

FY 2014-2015 BIENNIUM SUMMARY

General Fund Costs Slightly Lower

General Fund costs for DHS medical and economic support programs for the FY 2014-2015 biennium are projected to total $9.721 billion, down $35 million (0.4%) from the November 2013 forecast. The decrease comes from a lower Medical Assistance forecast, particularly from reduced costs projected for Disabled basic care.

TANF Forecast Lower

Projected expenditures of federal TANF (Temporary Assistance for Needy Families) funds for MFIP grants are $149 million, $4.9 million (3.2 percent) lower than the November 2013 forecast.

MinnesotaCare Forecast Higher

Forecasted Health Care Access Fund costs for the MinnesotaCare program are $600 million, $46 million (8.3 percent) higher than the November 2013 forecast. The increase comes from a reduced forecast of federal Basic Health Plan funding.

FY 2016-2017 BIENNIUM SUMMARY

General Fund Costs Higher

General Fund costs for DHS medical and economic support programs for the FY 2016-2017 biennium are projected to total $10.944 billion, down $22 million (0.2 percent) compared to the November 2013 forecast. As in the 2014-2015 biennium, the decrease results from a lower Medical Assistance forecast.

TANF Forecast Lower

Projected expenditures of federal TANF (Temporary Assistance for Needy Families) funds for MFIP grants are $153 million, $1.2 million (0.8 percent) lower than the November 2013 forecast.

MinnesotaCare Forecast Much Higher

Forecasted Health Care Access Fund costs for the MinnesotaCare program are $949 million, $300 million (46 percent) higher than in the November 2013 forecast. Three-quarters of the increase comes from a reduced forecast of federal Basic Health Plan funding.

PROGRAM DETAIL

MEDICAL ASSISTANCE	'14-'15 Biennium	'16-'17 Biennium
Total forecast change for MA ($000)	-40,997	-28,258
Total forecast percentage change this item	-0.4%	-0.3%

Forecast adjustments to the Health Care Access Fund appropriations and planning estimates cause the above total MA forecast change to be divided into a General Fund change and a Health Care Access Fund change:

	'14-'15 Biennium	'16-'17 Biennium
MA General Fund change ($000)	-34,287	-24,921
MA Health Care Access Fund change ($000)	-6,710	-3,337
Total forecast change for MA ($000)	-40,997	-28,258

The following sections explain the total forecast change for each of five component activities of the Medical Assistance program:

MA LTC FACILITIES	'14-'15 Biennium	'16-'17 Biennium
Total forecast change this item ($000)	-3,025	13,589
Total forecast percentage change this item	-0.3%	1.6%

This activity includes payments to nursing facilities, to community ICF/DD facilities, and for day training and habilitation services for community ICF/DD residents, and for the State Operated Services programs for the mentally ill (SOS).

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	'14-'15 Biennium ($000)	'16-'17 Biennium ($000)
Alternative Care offset: AC base recipients and average cost	2,110	4,771
Alternative Care offset: AC effect of LOC delay	795	0
Alternative Care offset: Essential Com. Supports: LOC delay	-7,636	1,606
NF base forecast: recipients	-3,229	10
NF base forecast: average costs	-1,429	-276
NF: LOC delay	3,504	5,279
ICF/DD & DTH	1,925	2,142
SOS	50	0
County share	885	57
Activity Total	-3,025	13,589

Delay in Implementation of NF Level of Care Change

A change in NF level-of-care standards, which would raise the standards for NF admission, which was scheduled for implementation in January 2014, has been delayed until January 2015. This change would make fewer individuals eligible for MA payments of NF care and, because the same standards are applied to Elderly Waiver and Alternative Care, would make fewer eligible for those programs also. This change also would trigger the beginning of a state-only funded program designed to offer support to those who became ineligible for EW or AC as a result of the level-of-care (LOC) change: Essential Community Supports.

The delay of this change produces a reversal in the MA and AC forecasts of the changes described above, that is, temporary increases in NF recipients, EW recipients, and AC recipients, and a delayed start for Essential Community Supports.

Alternative Care Offset
Alternative Care Program

Based on recent trends, recipient projections are about 5% higher for the current biennium and 7% to 8% higher for the next biennium. For FY 2015 to FY 2017 this is an increase of about 240 average recipients. Average cost projections are about 2% higher for the current biennium and 7% higher for the next biennium.

The LOC delay adds about $0.8 million and 150 monthly average recipients to the AC program forecast for the current biennium

Alternative Care Offset
Essential Community Supports

The current biennium reduction results from the 12-month delay in the start of this program. The increases in the next biennium come from slightly higher recipient projections resulting from the change in the start date for the program.

Nursing Facilities (NF)

The average number of NF recipients has dropped steadily since FY 1993. In the last five years it has decreased at a rate of 3% to 4% annually, decreasing by 4.2% in FY 2013. The base forecast model for November assumes a decline of 1.9% in FY 2014, slowing to an average decline of 0.4% per year in FY 2015 and FY 2016, followed by an increase of 0.9% in FY 2017 as growth in the elderly population begins slowly to increase the demand for long term care services.

Base forecast changes in the February forecast are small adjustments to current biennium projections: recipient projections are 0.4% lower and average cost projections are 0.2% lower.

The forecast also assumes implementation of new level of care requirements for MA payment of NF services. This change, with implementation now delayed until January 2015, is projected to reduce the number of MA NF recipients by about 300 by FY 2017. This change in combination with the recipient effects of other legislative changes included in the forecast, causes the final forecast to show a continuing decline of 3% to 4% in the number of NF recipients, slowing to a 1% decline in FY 2017.

The delay in the implementation date for the LOC change results in an increase of about 81 average monthly NF recipients in the current biennium and about 125 in the next biennium. This effect stretches out to the next biennium because the LOC change is projected to have a gradual effect on the number of NF recipients.

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

Projected costs are about 1% higher because average cost projections for ICF/DD are about 1.6% higher.

SOS RTC MI Program

MA billings for SOS MI programs on RTC campuses have nearly ceased. The newer programs in 16-bed facilities do not bill as RTC programs, which fall under Medicaid coverage limitations for IMDs.

County Share of LTC Facility Services

County-share projections are modestly lower for the current biennium because of a technical correction, producing a corresponding increase in the state share forecast.

MA LTC WAIVERS & HOME CARE

	'14-'15 Biennium	'16-'17 Biennium
Total forecast change this item ($000)	19,289	12,095
Total forecast percentage change this item	0.7%	0.4%

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)
- Brain Injury Waiver (BI Waiver)
- Home Health Agency Services
- Private Duty Nursing (PDN) Services
- Personal Care Assistance (PCA)
- Community Choice K
- Community Choice I
- 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/DD, or acute care hospital).

Community Choice K and I services will replace PCA services during 2014 and 2015. K services are for those who meet level of care requirements, I services for those who do not.

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

Change in Projected Costs	**'14-'15 Biennium ($000)**	**'16-'17 Biennium ($000)**
DD waiver	-5,674	-3,579
EW Waiver FFS	1,569	577
CADI Waiver	10,788	-45
CAC Waiver	635	1,885
BI Waiver	-1,522	-1,636
Home Health	-1,478	-1,299
Private Duty Nursing	4,057	4,550
Personal Care Assistance	8,022	0
Community Choice K FFS	10,743	11,019
Community Choice I FFS	-8,749	623
Transfer to CSG	898	0
Activity Total	19,289	12,095
EW Total: FFS & Managed Care	340	14,564

Percent Change in Projected Costs	'14-'15 Biennium	'16-'17 Biennium
DD Waiver	-0.5%	-0.3%
EW Waiver FFS	3.9%	1.3%
CADI Waiver	1.8%	0.0%
CAC Waiver	2.3%	6.1%
BI Waiver	-1.4%	-1.3%
Home Health	-7.9%	-6.9%
Private Duty Nursing	3.4%	3.2%
Personal Care Assistance (Total)	3.3%	0.0%
Community Choice K	4.1%	2.0%
Community Choice I	-64.8%	2.0%
Transfer to CSG	5.3%	0.0%
Activity Total	0.7%	0.4%
EW Total: FFS & Managed Care	0.1%	3.7%

DD Waiver

DD waiver recipient and overall cost projections are reduced by less than 1% based on recent payment experience.

Elderly Waiver

Elderly waiver is forecasted in two segments, the fee for service (FFS) 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.

The LOC delay increases EW FFS costs for the current biennium by $1.5 million, increasing the monthly average number of recipients by about 125. The increase of approximately 1% for the next biennium results from revised, somewhat lower projections of the effect of LOC implementation on the number of EW recipients.

CADI Waiver

Projected CADI waiver costs are 1.8% higher for the current biennium and little changed for the next biennium. The delay in LOC implementation accounts for $6.6 million, or more than 60% of the increase for the current biennium. The delay is expected to increase the average number of CADI recipients by about 170 for the current biennium.

The remainder of the increase for the current biennium reflects recent higher than forecasted payments in the second quarter of FY 2014. This variance was assessed as not requiring any increase in the forecast period.

CAC Waiver

CAC waiver projections are increased by 2% to 6% reflecting higher average service costs.

BI Waiver

BI waiver expenditures are reduced by slightly lower projected numbers of recipients.

Home Health Agency

Projected payments for home health agency services are reduced by approximately 8% for the current biennium and 7% for the next biennium. Recipient projections are reduced by approximately 10%, but this reduction is partially offset by higher average cost projections.

Private Duty Nursing (PDN)

Projected recipients of PDN services are increased by approximately 3%, producing similar percentage increases in projected expenditures.

Personal Care Assistance (PCA) / Community Choice K & I

Based on 2013 Session changes, PCA will be replaced during the current biennium by Community Choice K & I services. ("K" services are for those who meet institutional level of care requirements; "I" services for those who do not.)

Based on recent payment experience the "tail" projections of PCA service costs, prior to the change to "K" and "I" services is increased by approximately 3%. Based on that same experience, a 2% increase is applied to projected "K" and "I" service costs. This increase is evident in the "K" and "I" changes for the next biennium, but complications resulting from the LOC delay make the "K" and "I" forecast changes for the current biennium more complex.

Because the "I" recipient group consists of people who do not meet the new LOC requirements, there is no "I" group nor "I" services until the LOC changes are made, and the would-be "I" group either continues in NF or EW services or remains part of the "K" group until the LOC changes are implemented. Thus the forecast for the current biennium has a major reduction in the "I" forecast, and a small percentage increase in the much larger "K" forecast.

Transfer to Consumer Support Grants (CSG)

The Consumer Support Grants program is funded through transfers from the MA account. Like PCA, the CSG caseload will be folded into the Community Choice K & I services.

The CSG transfers for the current biennium are increased by about 5% based on a higher CSG forecast.

MA ELD. & DISABLED BASIC CARE

	'14-'15 Biennium	'16-'17 Biennium
Total forecast change this item ($000)	-46,069	-55,682
Total forecast percentage change this item	-1.5%	-1.6%

This activity funds general medical care for elderly and disabled Medical Assistance enrollees. For almost all of the elderly and for about 50 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 2014 it is 76.67%, and the amount billed per dual eligible each month is $127.30.

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

	'14-'15 Biennium ($000)	'16-'17 Biennium ($000)
Elderly Waiver Managed Care: Base forecast	-3,269	115
Elderly Waiver Managed Care: LOC delay	10,425	0
Elderly Waiver Managed Care: Technical correction	0	10,158
Community Choice K Managed Care	3,634	2,849
Community Choice I Managed Care	-6,555	-1,149
Elderly Basic: Enrollment effect of LOC delay	1,418	322
Elderly Basic: Avg. cost forecast	4,303	13,483
Disabled Basic: Enrollment shift from FFS to SNBC	3,741	11,464
Disabled Basic: 2014 SNBC rates lower	-34,471	-55,246
Disabled Basic: SNBC payment timing technical correction	12	-32,507
Disabled Basic: FFS average payment lower	-25,585	-6,846
Disabled Basic: Managed Care Payments Reassigned to MA Disabled	-1,057	0
Chemical Dependency Fund share	541	487
IMD Program	177	-250
Medicare Part D clawback payments	617	1,438
Total	-46,069	-55,682

Elderly Waiver Managed Care

The base forecast for EW managed care is about 1% lower for the current biennium and little changed for the next biennium. Revised estimates of the impact of the LOC change increase the base projection of EW managed care recipients by 2.3%, but increase payments by only about 1.4%. This increase is approximately canceled by a 2014 EW managed care rate increase which was slightly lower than expected in the previous forecast.

The 12-month delay of the LOC change increases the expected monthly average number of EW managed care recipients by about 1250 (about 6.5%) for the current biennium.

The technical change remedies the accidental omission from the forecast of some EW managed care payments for Minnesota Senior Care Plus recipients.

Community Choice K & I Managed Care

These changes reflect the FFS "K" and "I" changes described above: a 2% overall increase in projected costs and reduced "I" utilization and utilization of "K" rather than "I" services during the period of the delay of LOC implementation.

Elderly Basic Changes

Elderly basic enrollment projections are unchanged, except for the effect of the LOC delay which is projected to increase average enrollment for the current biennium by about 140. These are NF and EW recipients who are expected to lose MA eligibility when they lose eligibility for NF or EW services with the LOC change.

Average cost projections are about 1% higher, mainly reflecting 2014 managed care rates' increasing about 1% more than anticipated in the previous forecast.

Disabled Basic Changes

Overall Disabled basic enrollment is unchanged from the November forecast, but the proportion forecasted to be in SNBC is higher by about 1.4% of total disabled enrollment or 1900 enrollees. The effect of this change is to raise expenditure projections by 0.1% for the current biennium and 0.3% for the next biennium.

2014 SNBC rates were about 6.5% lower than expected in the previous forecast. This lowers the base for SNBC projections into the future.

The current law provides for the delay of SNBC payments for May and June of each year until July. The delay of the May payment in 2014, 2016, and 2017 was not represented in the previous forecast but has now been corrected. The correction has little effect on the current biennium but shifts one month's SNBC payment out of the next biennium.

Based on lower than expected FFS payments in the second quarter of FY 2014, average projected FFS payments are reduced. The effect on overall Disabled basic payment projections is a decrease of about 1.5% for the current biennium and 0.3% for the next biennium.

Managed Care Payments Reassigned to MA Disabled

In the past this activity consisted mainly of GAMC payment reassigned to MA when GAMC recipients got retroactive disability certifications. Currently this activity results from payment reassignment within MA, from MA adults with no children or parents or children getting disability certification and having MA Disabled eligibility established retroactively.

This projection is reduced by 3.5% for the current biennium.

CD Fund Share

Decreases in the forecast of MA funding of services covered by the CD Fund produce corresponding increases in state share costs funded from the MA account, because for services covered by the CD Fund, the CD Fund pays the non-federal share, rather than MA.

IMD Program

This segment covers people eligible for MA but for residence in an IMD facility. This forecast is increased by less than 1% for the current biennium and increased by 1% for the next biennium.

Medicare Part D Clawback

Projections for the Clawback are changed by less than 1%.

ADULTS WITHOUT CHILDREN

	'14-'15 Biennium	'16-'17 Biennium
Total forecast change this item ($000)	971	-323
Total forecast percentage change this item	0.3%	-0.79%

This activity is 100% federally funded from CY 2014 through CY 2016. In CY 2017 the federal share is 95%. So these forecast changes have to do only with the first half of FY 2014 (when federal funding was 50%) and the second half of FY 2017 (when federal funding will be 95%).

Enrollment & Average Cost

Projected enrollment is unchanged from the November forecast. Average cost projections are about 1% lower.

FAMILIES WITH CHILDREN BASIC CARE	'14-'15 Biennium	'16-'17 Biennium
Total forecast change this item ($000)	-12,163	2,063
Total forecast percentage change this item	-0.5%	0.1%

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 Medicaid matching, but almost all of whom are eligible for federal CHIP funding at 65%.

Enhanced federal CHIP matching is available for children with family income over 133% of the federal poverty level. This funding supplements the regular 50% Medicaid matching with an additional 15% federal match, within the limits of Minnesota's CHIP allocation from the federal government.

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

	'14-'15 Biennium ($000)	'16-'17 Biennium ($000)
Families with Children		
Enrollment	0	0
Average cost of basic care	-19,268	3,977
Managed care: Community Choice K & I	-1,365	394
CHIP enhanced matching	-8,170	-603
Value of cap on HMO payment delays in '13 and '15	10,163	-10,163
CD Fund share	1,362	1,551
Rx Rebates	3,969	5,758
Non-citizen MA segment	2,907	5,878
Services w special funding	-379	0
Family planning waiver	46	-31
Breast & cerv. cancer	-145	0
Transfer from DOC added	-2,719	-4,698
MA-EPD premiums	1,436	0
Total	-12,163	2,063

Families with Children

Enrollment projections are unchanged from the November forecast.

Average cost projections are modified only slightly. They are 0.7% lower for the current biennium and 0.1% higher for the next biennium.

Community Choice K & I Managed Care

These changes reflect the FFS "K" and "I" changes described above: a 2% overall increase in projected costs and reduced "I" utilization and utilization of "K" rather than "I" services during the period of the delay of LOC implementation.

CHIP Enhanced Funding for MA Children Over 133% FPG

Minnesota is able to claim federal CHIP funds as enhanced matching on costs for children with family income over 133% FPG, in both MA and MinnesotaCare. The enhancement is the difference between the 65% federal CHIP share and the current 50% Medicaid share.

Savings in the current biennium result from recognition of CHIP enhanced matching on a larger proportion of the additional children enrolled owing to eligibility changes adopted in the 2013 Session. The change for the next biennium is smaller because the forecast assumes we run short of federal CHIP allocation by FY 2017.

Cap on HMO Payment Delay

Legislation in 2011 delayed capitation payments for May 2013 and May 2015 until the following July. For managed care for the disabled, which already had May and June payments delayed in law, payments for April 2013 and April 2015 were delayed until the following July. The value of each year's delay was capped at $135 million of state funds for MA and MinnesotaCare combined. In the previous forecast we assumed that the entire delay occurred in MA.

The June 2013 delay has already occurred and does not change in this forecast.

For the June 2015 delay we show the marginal effect of additional projected payments above the capped amount of the delay in the MA forecast.

	State Share ($000)		State Share ($000)
FY 2014	0		
FY 2015	10,163	**Biennium**	10,163
FY 2016	-10,163		
FY 2017	0	**Biennium**	-10,163

CD Fund Share

Small decreases in the share of MA 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.

Pharmacy Rebates

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

Projected state share rebate collections for the current biennium are about 1% lower and about 2% lower for the next biennium. This results from an increase in the proportion of expansion enrollees who are assumed to be in managed care, compared to the November forecast. This results in slightly lower rebate collections because Rx rebates for managed care are collected later relative to the month of MA coverage.

Non-Citizen MA

The Non-Citizen segment of MA includes federal Children's 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 Minnesota began to claim CHIP coverage for those months.

State share costs are increased by 16% for the current biennium and by 30% for the next biennium because of much higher 2014 rates for pregnant women.

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%, as was recently the case with enhanced FMAP rates. Services which have state funding are access services (transportation to medical care), child and teen checkup outreach, and DD waiver screenings.

The decrease shown in the table is an adjustment only for actual data in the second quarter of FY 2014.

Family Planning Waiver

Most of the services provided under this waiver have 90% federal funding.

Only minor changes are made to this category.

Breast & Cervical Cancer

This coverage applies on average to between 400 and 500 women.

The decrease shown in the table is an adjustment only for actual data in the second quarter of FY 2014.

Transfer from DOC

In the November forecast and at the end of the 2013 Session, these transfers were represented as non-dedicated revenue.

MA-EPD Premiums

A premium increase scheduled to be implemented in January 2014 has been delayed until July 2014.

ALTERNATIVE CARE

	'14-'15 Biennium	'16-'17 Biennium
Forecast change this item ($000)	0	0
Forecast percentage change this item	0.0%	0.0%

Changes in the AC budget activity forecast are represented as a change in the expected cancellation to MA, and so affect the bottom line of the MA forecast.

CHEMICAL DEPENDENCY FUND

	'14-'15 Biennium	'16-'17 Biennium
Forecast change this item ($000)	-652	0
Forecast percentage change this item	-0.4%	0.0%

Only a minor change is made in this forecast, based on actual payments made in the second quarter of FY 2014.

MFIP NET CASH (STATE AND FEDERAL)

	'14-'15 Biennium	'16-'17 Biennium
Forecast change this item ($000)	-6,347	-3,029
Forecast percentage change this item	-2.1%	-0.9%
GENERAL FUND SHARE OF MFIP		
Forecast change this item ($000)	-1,434	-1,868
Forecast percentage change this item	-0.9%	-0.9%
FEDERAL TANF FUNDS FOR MFIP		
Forecast change this item ($000)	-4,913	-1,161
Forecast percentage change this item	-3.2%	-0.8%

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 2013 forecast.

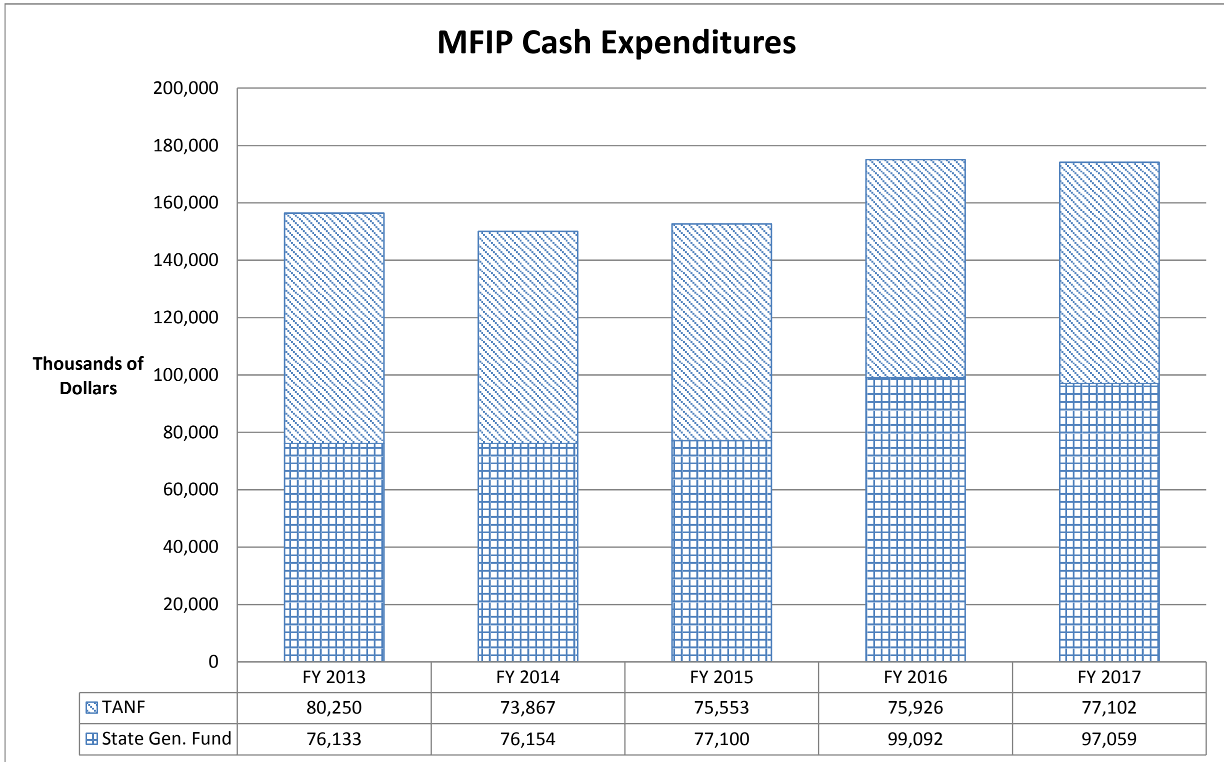
Summary of Forecast Changes	**'14-'15 Biennium ($000)**	**'16-'17 Biennium ($000)**
Gross MFIP cash grant forecast change	-6,496	-3,029
Gross General Fund forecast change	-1,583	-1,868
Child Support/recoveries offset	149	0
Net General Fund forecast change	-1,434	-1,868
Gross TANF forecast change	-4,913	-1,161
Child Support pass-through/recoveries offset	0	0
Net TANF forecast change	-4,913	-1,161

Decreased Program Expenditures

Based on recent data, the forecasted MFIP caseload and average payment have been adjusted downward. This results in decreased gross expenditures of $6.5 million (2%) in the FY2014-2015 biennium and $3 million (0.8%) in the FY 2016-2017 biennium.

Decreases in General Fund and TANF expenditures 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.



	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
TANF	80,250	73,867	75,553	75,926	77,102
State Gen. Fund	76,133	76,154	77,100	99,092	97,059

Gross General Fund expenditures are decreased by $1.5 million in the FY2014-2015 biennium and $1.9 million in the FY 2016-2017 biennium, due mostly to increased MOE from Child Care Assistance Program expenditures. Based on recent data, expected collection from publicly assigned child support are reduced by $0.1 million in the FY2014-2015 biennium with no further reduction in the following biennium. This results in decreases in net General Fund MFIP cash expenditures of $1.4 million (0.9%) in the FY2014-2015 biennium and $1.9 million (0.9%) in the FY2016-2017 biennium.

Reductions in the MFIP gross cash forecast for the FY2014-2015 biennium and FY2016-2017 biennium also result in a decreased use of TANF funds. MFIP gross cash forecast decreased by $6.5 million in the FY2014-2015 biennium and General Funds expenditures decreased by $1.6 million, leading to a decrease in TANF expenditures of $4.9 million, a 3.2% decline from the November 2013 forecast. In the FY2016-2017 biennium, MFIP gross cash forecast decreased by $3 million and General Funds expenditures decreased by $1.9 million, leading to a decrease in TANF expenditures of $1.2 million, a 0.8% decline from the November 2013 forecast.

MFIP / TY CHILD CARE ASSISTANCE

	'14-'15 Biennium	'16-'17 Biennium
Forecast change this item ($000)	1,832	2,493
Forecast percentage change this item	1.3%	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/TY forecasted expenditures are less than 1% higher than the November 2013 forecast. The increase is due mainly to an increase of about 1% in average payment projections in this biennium and next. This increase is based on trends in the FY 2014 data. CCDF funding is unchanged; therefore all increases come from General Fund expenditures.

GENERAL ASSISTANCE

	'14-'15 Biennium	'16-'17 Biennium
Forecast change this item ($000)	-2,666	-1,890
Forecast percentage change this item	-2.4%	-1.6%

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 GA caseload is projected to decrease by 2% in the FY2014-2015 biennium and 1% in the FY2016-2017 biennium due to recent experience. Similarly, average payment is expected to be 0.5% lower than previous forecast.

GROUP RESIDENTIAL HOUSING

	'14-'15 Biennium	'16-'17 Biennium
Forecast change this item ($000)	2,745	2,962
Forecast percentage change this item	1.0%	0.9%

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 payments for both MSA and GA-type recipients are forecasted to be higher throughout the forecast period, due mainly to recent data. This results in increased GRH cash payments of 1% in both biennia.

MINNESOTA SUPPLEMENTAL AID

	'14-'15 Biennium	'16-'17 Biennium
Forecast change this item ($000)	-221	0
Forecast percentage change this item	-0.3%	0.0%

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

The MSA caseload for the FY2014-2015 biennium is projected to be slightly lower based on recent data and no change is expected in the FY2016-2017 biennium.

MINNESOTACARE

	'14-'15 Biennium	'16-'17 Biennium
Forecast change this item ($000)	46,090	299,731
Forecast percentage change this item	8.3%	46.2%

Summary of Forecast Changes	'14-'15 Biennium ($000)	'16-'17 Biennium
Enrollment changes	-11,605	-10,859
Managed care rate changes	27,606	88,401
BHP federal funding changes	43,867	222,300
Other changes	-13,778	-111
Total Program	46,090	299,731

During the 2013 legislative session, significant changes were made to MinnesotaCare program eligibility effective January 2014. These changes include requiring all MA eligible populations to shift to MA and eliminating income eligibility above 200% FPG for populations not MA eligible (thereby shifting those populations over 200% FPG to the state's exchange, MnSure, for their health coverage). Given the concurrent expansion of MA income eligibility for children under 19 years old to 275% FPG and adults to 133% FPG (plus a 5% income disregard), the only remaining MinnesotaCare eligibility groups are 19-20 year olds, parents, and adults without children with income between 138%-200% FPG and legal noncitizens with income under 200% FPG.

In addition to the eligibility changes, significant changes were made to MinnesotaCare funding as well. Effective January 2015, MinnesotaCare is designated as the state's Basic Health Program (BHP). As a BHP, MinnesotaCare no longer receives federal funding in the form of a percentage expenditure match. Instead, the state receives a per person subsidy equal to 95% of the subsidy that person would have received through MnSure had the state opted against running a BHP. Calculation of the exchange subsidy involves a comparison between the benchmark premium in MnSure and the individual's expected maximum contribution toward health insurance. The final BHP funding amount is then potentially subject to a risk adjustment on the assumption that the BHP population is relatively more expensive than the overall exchange population.

Enrollment Changes

Relative to the November forecast, new actual enrollment data for MinnesotaCare is running about 1.6% above forecast in January 2014. Given the reasonable proximity of this new enrollment data to the forecast and the uncertain nature of early enrollment through MnSure, there is no change in overall base MinnesotaCare enrollment in the February forecast.

However, since November, Reports & Forecasts has received additional information regarding the adult population with income between 138%-200% FPG enrolled in MinnesotaCare. Based on this new data, the number of legal noncitizens was reduced by about 3000 enrollees (55%) in the February forecast resulting in average monthly enrollment around 2500 instead of 5500. At the same time, it was learned that there are about 3000 additional MinnesotaCare parents with income between 138%-200% FPG than had been anticipated in November. These adjustments offset each other leaving total enrollment unchanged in the February forecast relative to November.

Despite no change in overall enrollment, this case mix change involving additional parents and fewer legal noncitizens results in net savings in MinnesotaCare. This results from parents having lower relative capitation rates, paying relatively higher premiums based on income, and being eligible for a 50% federal match during CY2014. These case mix changes lead to an $11.6 million forecast reduction in the FY2014-2015 biennium and a $10.9 million forecast reduction in the FY2016-2017 biennium.

Managed Care Rate Changes

Managed care rates in the November forecast reflected the federal requirement that states rate expansion populations based on actual data on comparable populations. It was assumed that MinnesotaCare managed care rates would be based on actual MinnesotaCare experience with relevant enrollees in the 138%-200% FPG income bracket, and that rates for this subset of enrollees would be lower than rates for the overall MinnesotaCare population of parents and 19-20 year olds with income under 275% FPG and adults without children with income between 75%-200% FPG.

Actual CY2014 managed care rates in MinnesotaCare were higher than anticipated in the November forecast presumably because historical experience with the base population in the 138%-200% FPG income bracket was more expensive than anticipated. Actual CY2014 managed care rates are about 4.5% higher than the rates assumed in the November forecast, which leads to a forecast increase in February. Specifically, these relatively higher rates lead to a $28 million forecast increase in the FY2014-2015 biennium and a $88 million forecast increase in the FY2016-2017 biennium.

BHP Federal Funding Changes

As explained above, effective January 2015, federal funding in MinnesotaCare shifts from a percentage expenditure match to a per person subsidy. This per person BHP funding is equal to 95% of what the individual would have received in subsidies through MnSure.

Since the November forecast, the federal government has published a payment notice that details their proposed methodology for calculating BHP funding. This proposed methodology differs from the November forecast assumptions in two important ways.

The first is with regard to the projected growth trend in the benchmark premium. The payment notice proposes to use the annual growth rate in private health insurance expenditures per enrollee from the National Health Expenditure Accounts projections as published by the Office of the Actuary within CMS. Using this trend, current projections are 3.5% for 2015 and 3.8% for 2016 and 2017. Based in part on the low 2014 benchmark premiums, the November forecast had assumed annual growth in the benchmark premium of 10% each year.

The second difference between the proposed federal payment methodology and the forecast is with regard to risk adjustment. Risk adjustment is meant to account for the relative cost difference between the insured population in the exchange with and without inclusion of the BHP population. To the extent that the BHP population is more expensive than the balance of the exchange population, exclusion of the BHP population from the exchange (because they are in a BHP) would make the benchmark premiums in the exchange lower than they would have been had the BHP population been included in the exchange. Since federal BHP funding is based on these benchmark premiums in the exchange, an adjustment is needed to account for this cost difference. The federal payment notice proposes no risk adjustment. The November forecast had assumed a 10% risk adjustment.

In projecting the amount of federal BHP funding, the February forecast makes the conforming assumptions to match the federal payment methodology. Adjusting the projected growth trend in the benchmark premium downward from 10% each year to 3.5% and 3.8% and eliminating the 10% risk adjustment assumption results in a reduction in federal BHP funding and a corresponding increase in state funding in the February forecast. This lower level of federal BHP funding results in a $44 million forecast increase in the FY2014-2015 biennium and $222 million forecast increase in the FY2016-2017 biennium.

Other Changes

The majority of the remaining forecast change is due to a technical fix in the projection of CHIPRA enhanced match on MinnesotaCare children (including claiming enhanced match in CY2014 on the 19-20 year olds who continue to be MinnesotaCare eligible).

Healthy MN Defined Benefit Program	**'14-'15 Biennium**	**'16-'17 Biennium**
Forecast change this item ($000)	890	0
Forecast percentage change this item	17.2%	0.0%

Legislation in 2011 created a defined benefit program for MinnesotaCare adults without children above 200% FPG effective July 2012. Under the new defined benefit program, adults above 200% FPG will receive a monthly defined contribution from the state with which to purchase health coverage from the individual private market. The Healthy MN program will sunset effective January 2014 and the Healthy MN enrollees will be transitioned to MnSure.

The February forecast increase results from higher than expected payments to MCHA.

TABLE ONE
FY 2014-2015 BIENNIUM SUMMARY

GENERAL FUND	November 2013 Forecast FY 2014 - FY 2015 Biennium ($ in thousands)			February 2014 Forecast FY 2014 - FY 2015 Biennium ($ in thousands)		
	FY 2014	FY 2015	Biennium	FY 2014	FY 2015	Biennium
Medical Assistance						
LTC Facilities	437,381	427,897	865,279	432,194	430,060	862,254
LTC Waivers	1,246,442	1,369,335	2,615,777	1,255,681	1,379,385	2,635,066
Elderly & Disabled Basic	1,527,390	1,465,909	2,993,299	1,464,872	1,482,358	2,947,230
Adults with No Children	290,309	0	290,309	291,280	0	291,280
Families w. Children Basic	1,029,751	1,344,283	2,374,034	1,028,102	1,333,769	2,361,871
MA Total	**4,531,273**	**4,607,424**	**9,138,698**	**4,472,129**	**4,625,572**	**9,097,701**
General Fund	4,351,723	4,381,374	8,733,098	4,294,274	4,404,537	8,698,811
HCA Fund	179,550	226,050	405,600	177,855	221,035	398,890
Alternative Care	43,840	41,662	85,502	43,840	41,662	85,502
Chemical Dependency Fund	85,147	82,935	168,082	84,495	82,935	167,430
Minnesota Family Inv. Program	77,511	77,177	154,688	76,154	77,100	153,254
Child Care Assistance	60,375	79,218	139,593	61,017	80,408	141,425
General Assistance	53,657	55,355	109,012	52,218	54,128	106,346
Group Residential Housing	140,037	147,854	287,891	141,388	149,248	290,636
Minnesota Supplemental Aid	38,177	39,207	77,384	37,956	39,207	77,163
Total General Fund	**4,850,467**	**4,904,751**	**9,755,219**	**4,791,342**	**4,929,225**	**9,720,567**
TANF funds for MFIP Grants	76,247	78,086	154,333	73,867	75,553	149,420
MinnesotaCare	267,344	287,004	554,348	256,814	343,624	600,438
Defined Benefit Program	5,165	0	5,165	6,055	0	6,055
MA funding from HCA Fund	179,550	226,081	405,631	177,855	221,035	398,890
T. HCA Fund Expenditures	**452,059**	**513,085**	**965,144**	**440,724**	**564,659**	**1,005,383**

TABLE TWO
FY 2014-2015 BIENNIUM SUMMARY

GENERAL FUND	February 2014 Forecast Change from November 2013 Forecast FY 2014 - FY 2015 Biennium ($ in thousands)			February 2014 Forecast Change from November 2013 Forecast FY 2014 - FY 2015 Biennium (Percent Change)		
	FY 2014	FY 2015	Biennium	FY 2014	FY 2015	Biennium
Medical Assistance						
LTC Facilities	-5,187	2,163	-3,025	-1.2%	0.5%	-0.3%
LTC Waivers	9,239	10,050	19,289	0.7%	0.7%	0.7%
Elderly & Disabled Basic	-62,518	16,449	-46,069	-4.1%	1.1%	-1.5%
Adults with No Children	971	0	971	0.3%		0.3%
Families w. Children Basic	-1,649	-10,514	-12,163	-0.2%	-0.8%	-0.5%
MA Total	**-59,144**	**18,148**	**-40,997**	**-1.3%**	**0.4%**	**-0.4%**
General Fund	-57,449	23,163	-34,287			
HCA Fund	-1,695	-5,015	-6,710			
Alternative Care	0	0	0	0.0%	0.0%	0.0%
Chemical Dependency Fund	-652	0	-652	-0.8%	0.0%	-0.4%
Minnesota Family Inv. Program	-1,357	-77	-1,434	-1.8%	-0.1%	-0.9%
Child Care Assistance	642	1,190	1,832	1.1%	1.5%	1.3%
General Assistance	-1,439	-1,227	-2,666	-2.7%	-2.2%	-2.4%
Group Residential Housing	1,351	1,394	2,745	1.0%	0.9%	1.0%
Minnesota Supplemental Aid	-221	0	-221	-0.6%	0.0%	-0.3%
Total General Fund	-59,125	24,474	-34,652	-1.2%	0.5%	-0.4%
TANF funds for MFIP Grants	-2,380	-2,533	-4,913	-3.1%	-3.2%	-3.2%
MinnesotaCare	-10,530	56,620	46,090	-3.9%	19.7%	8.3%
Defined Benefit Program	890	0	890	17.2%	0.0%	17.2%
MA funding from HCA Fund	-1,695	-5,046	-6,741	-0.9%	-2.2%	-1.7%
T. HCA Fund Expenditures	-11,335	51,574	40,239	-2.5%	10.1%	4.2%

TABLE THREE
FY 2016-2017 BIENNIUM SUMMARY

GENERAL FUND	November 2013 Forecast FY 2016 - FY 2017 Biennium ($ in thousands)			February 2014 Forecast FY 2016 - FY 2017 Biennium ($ in thousands)		
	FY 2016	FY 2017	Biennium	FY 2016	FY 2017	Biennium
Medical Assistance						
LTC Facilities	424,730	429,638	854,369	432,286	435,672	867,958
LTC Waivers	1,441,722	1,558,699	3,000,421	1,447,430	1,565,086	3,012,516
Elderly & Disabled Basic	1,740,618	1,778,091	3,518,709	1,700,779	1,762,248	3,463,027
Adults with No Children	0	41,106	41,106	0	40,783	40,783
Families w. Children Basic	1,627,462	1,622,623	3,250,085	1,620,727	1,631,421	3,252,148
MA Total	**5,234,532**	**5,430,157**	**10,664,690**	**5,201,222**	**5,435,210**	**10,636,432**
General Fund	4,810,270	5,005,450	9,815,721	4,781,284	5,009,516	9,790,800
HCA Fund	424,262	424,707	848,969	419,938	425,694	845,632
Alternative Care	42,642	41,794	84,436	42,642	41,794	84,436
Chemical Dependency Fund	82,673	85,178	167,851	82,673	85,178	167,851
Minnesota Family Inv. Program	100,163	97,856	198,019	99,092	97,059	196,151
Child Care Assistance	85,050	87,251	172,301	86,277	88,517	174,794
General Assistance	57,448	59,580	117,028	56,408	58,730	115,138
Group Residential Housing	159,036	169,713	328,749	160,491	171,220	331,711
Minnesota Supplemental Aid	40,596	42,095	82,691	40,596	42,095	82,691
Total General Fund	**5,377,878**	**5,587,849**	**10,965,728**	**5,349,463**	**5,594,109**	**10,943,572**
TANF funds for MFIP Grants	76,805	77,384	154,189	75,926	77,102	153,028
MinnesotaCare	314,355	334,596	648,951	450,174	498,508	948,682
Defined Benefit Program	0	0	0	0	0	0
MA funding from HCA Fund	424,262	425,775	850,037	419,938	425,694	845,632
T. HCA Fund Expenditures	**738,617**	**760,371**	**1,498,988**	**870,112**	**924,202**	**1,794,314**

TABLE FOUR
FY 2016-2017 BIENNIUM SUMMARY

GENERAL FUND	February 2014 Forecast Change from November 2013 Forecast FY 2016 - FY 2017 Biennium ($ in thousands)			February 2014 Forecast Change from November 2013 Forecast FY 2016 - FY 2017 Biennium (Percent Change)		
	FY 2016	FY 2017	Biennium	FY 2016	FY 2017	Biennium
Medical Assistance						
LTC Facilities	7,556	6,034	13,589	1.8%	1.4%	1.6%
LTC Waivers	5,708	6,387	12,095	0.4%	0.4%	0.4%
Elderly & Disabled Basic	-39,839	-15,843	-55,682	-2.3%	-0.9%	-1.6%
Adults with No Children	0	-323	-323	0.0%	-0.8%	-0.8%
Families w. Children Basic	-6,735	8,798	2,063	-0.4%	0.5%	0.1%
MA Total	**-33,310**	**5,053**	**-28,258**	**-0.6%**	**0.1%**	**-0.3%**
General Fund	-28,986	4,066	-24,921			
HCA Fund	-4,324	987	-3,337			
Alternative Care	0	0	0	0.0%	0.0%	0.0%
Chemical Dependency Fund	0	0	0	0.0%	0.0%	0.0%
Minnesota Family Inv. Program	-1,071	-797	-1,868	-1.1%	-0.8%	-0.9%
Child Care Assistance	1,227	1,266	2,493	1.4%	1.5%	1.4%
General Assistance	-1,040	-850	-1,890	-1.8%	-1.4%	-1.6%
Group Residential Housing	1,455	1,507	2,962	0.9%	0.9%	0.9%
Minnesota Supplemental Aid	0	0	0	0.0%	0.0%	0.0%
Total General Fund	**-28,415**	**6,260**	**-22,156**	**-0.5%**	**0.1%**	**-0.2%**
TANF funds for MFIP Grants	-879	-282	-1,161	-1.1%	-0.4%	-0.8%
MinnesotaCare	135,819	163,912	299,731	43.2%	49.0%	46.2%
Defined Benefit Program	0	0	0			
MA funding from HCA Fund	-4,324	-81	-4,405			
T. HCA Fund Expenditures	131,495	163,831	295,326	17.8%	21.5%	19.7%