



Minnesota Department of Human Services
Commissioner Emily Piper
P.O. Box 64998
St. Paul, Minnesota 55164-0998

March 27, 2017

Senator Michelle Benson, Chair
Senate Health and Human Services
Finance Committee
3109 Minnesota Senate Building
95 University Avenue West
St. Paul, Minnesota 55155

Senator Jim Abeler, Chair
Senate Health and Human Services
Finance Committee
3215 Minnesota Senate Building
95 University Avenue West
St. Paul, Minnesota 55155

Re: 2017 Health and Human Services Omnibus Bill

Dear Chair Benson and Chair Abeler:

I want to thank you for all of your efforts so far this session in the Health and Human Services committees. I appreciate the work you are doing for the over 1 million Minnesotans who we serve at the Department of Human Services (DHS). As you review the 2017 Omnibus Health and Human Services (HHS) budget bill today in your committee, I want to take the opportunity to highlight my priorities for DHS and also point out some issues I see in the Senate budget bill.

First, I want to thank you for including a number of items from the Governor's budget in your bill, including: expansion of return to community, phase II of the nursing facility value-based reimbursement implementation, American Indian child welfare expansion and early intervention, Child Care Assistance Program integrity, eliminating home care nursing interpreter-communicator services, Child and Adolescent Behavioral Health Services (partial), Direct Care and Treatment (DCT) security system and electronic monitoring upgrades (partial), a similar Personal Care Attendants complex care rate increase, expanding Integrated Health Partnerships, expanding Medical Assistance coverage for children in foster care, investments in mental health infrastructure, a number of health care compliance and update proposals, and a few data practices and investigation proposals. These proposals are clearly priorities for all of us and I appreciate your work to include them.

Last year you asked me to bring forward reforms and new ways to deploy services and optimize funding. I am happy to see similar substance use disorder reform, Disability Waiver Rate System reforms, and individual community living reforms included in your bill. I look forward to working on those together in conference committee, but the Governor's budget included other reform items that I am disappointed are not included in your bill. We proposed reforms to **home and community-based services** and also important **health care reforms**, including dental changes to ensure more children receive dental care. These proposals have savings for the state and rethink how we invest in services for the people we serve, and I hope you will reconsider including them in your bill.

One of my top priorities this session is the DHS **operating adjustments**. I am very concerned that, not only is this left out of your bill, you included a 7 percent reduction for Central Office and DCT operations. The proposed operating adjustment funding is critical to ensuring that the services we provide to the most vulnerable

Minnesotans continue. Without the \$44.4 million in FY2018-19 and \$56.7 million in FY2020-21, we would need to reduce over 300 full-time equivalents (FTEs) across DHS, including a reduction of 210 FTEs in our DCT areas, to care for the more than 12,000 Minnesotans we serve annually. Your additional reductions would impact 87 FTEs in the Central Office and up to 35 FTEs in DCT for a total reduction of over 420 FTEs. That is not sustainable and, as the Governor noted in his March 13, 2017, letter to House and Senate leadership, we will need information on what budget reductions you want us to make and programs and services we should cut to achieve this reduction. I also want to note that the other investments that are in your bill, such as the funding for Child and Adolescent Behavioral Health Service (CABHS), additional resources for Deaf and Hard of Hearing Services and the DCT security systems, would likely be unachievable given the size of the reductions we would be forced to make as a result of not receiving the operating adjustment and the additional operating cut in the Senate bill.

In addition to the operating adjustment, the Senate bill fails to include other critical DCT items from the Governor's budget to ensure the safety of our clients and staff and the financial stability of these programs. The first is \$10.3 million in FY2018-19, and \$3.6 million in FY2020-21, for the **Minnesota State Operated Community Services** program, which serves over 400 Minnesotans with developmental disabilities in 120 homes across the state. This funding, along with the operating adjustment for this area, provides long-term financial stability for this program. In addition, the **Minnesota Security Hospital staffing** investment of \$22.8M in FY18/19, and \$35.4M in FY20/21, is critical to DHS' need to improve safety for our clients and staff and assure quality, clinically sound care. We have worked with staff at Minnesota Security Hospital, stakeholders, union leadership, and many others for nearly two years to bring this proposal forward for the second time and we need your support.

I would be remiss if I did not also point out that the Governor's budget included many federal compliance items that are not included in your bill. One key proposal is the **Child Care Assistance Program** changes to expand access to affordable child care services and increase provider rates. You included important child care integrity measures, although these savings are based on full compliance with the Child Care Development Block Grant, therefore the Senate savings will be lower than reflected in your tracking. Unfortunately you neglected to include the funding to make it easier for families to receive assistance, update rates paid to child care providers, support working parents, and ensure that children are safe, many of which are required under federal law. It is imperative that these changes move forward to achieve compliance and our goal of making the program work for Minnesota families and caregivers.

Health care is a topic that has received a lot of attention recently at both the state and federal level. The Governor included a **MinnesotaCare buy-in** option and also a **repeal of the sunset of the provider tax** as part of his proposed budget. These proposals would help ensure the future financial stability of the health care system in Minnesota. Neither of these proposals are included in your bill and many federal compliance proposals are not funded. The Senate bill does include provider rate reductions for basic care services (2.3 percent in FY18 and 3 percent in FY19), which would negatively impact providers and also the people we serve. As highlighted in the Governor's proposal regarding the **access monitoring plan**, we are required to monitor access to services when Medical Assistance rates are decreased or restructured. The proposed basic care rate reductions will require additional access monitoring resources for DHS that are not funded in the current Senate bill. In addition, if Medical Assistance enrollees' access to care is adversely impacted by this decrease, Centers for Medicare and Medicaid Services (CMS) may not approve the changes in rates or may require a corrective action plan for the state to increase rates in the future, both of which could impact our federal funding related to these services.

With this rate reduction, I am concerned that we will negatively impact our enrollees and providers and put in jeopardy the health care system we have all worked hard to build for Minnesotans.

Although the Senate bill includes funding for the complex care rate for personal care attendants, it does not include the majority of the provisions from the Governor's budget for the **self-directed workforce** initiative. Our goal is to begin to address some of the workforce shortages across the state for direct care workers, who our most vulnerable citizens depend on every day. I hope you will reconsider this important investment.

The Senate bill did not include any funding for **child protection, foster care or permanency programs**. We worked together on the Governor's Task Force on Child Protection and I was hopeful that you would include these important investments for children and families in your bill. By not providing funding for these initiatives, children under 6 will continue to wait longer than necessary for a permanent home and we will be limited in the support we can provide to counties. The Senate bill also does not include any funding for **systems modernization**. I appreciate the time you spent in your committees to understand our systems issues and I am disappointed that there is no funding to maximize the federal revenue that is available now and ensure that our systems can continue to serve the many providers, counties, tribes and individuals who depend on them.

Below, I highlight additional provisions in the Senate bill that are problematic for my agency and the people we serve.

- **Delay inpatient hospital rebasing to 7-1-2021** – We have spent the last five years working together to implement rebasing. This proposal would delay rebasing for four years and recreates the issues and problems that we only two years ago were able to resolve. It would also require DHS to monitor the impact on access, similar to the cut to basic care provider rates. Any cuts to provider rates will likely have a negative impact on provider participation under the Integrated Health Partnerships and would therefore undermine the savings assumptions related to that proposal.
- **Capitation payment delays** – In current legislation, we have three shifts related to managed care payments. With the additional payment shifts proposed by the Senate, we will likely have issues getting our rates certified by the actuaries, which is required by the federal government. If we cannot get approved rates, we will not be able to run a managed care program. This also undermines the managed care purchasing strategy that we have all worked on in recent years. This proposal is of serious concern to me.
- **MnCHOICES reduction** – This proposal will result in DHS being out of compliance with federal assurance and reporting requirements for the home and community-based services waivers and out of compliance with requirements under the Minnesota Olmstead Plan. Because DHS will not have a statewide automated process to collect, track and report on outcomes, it would mean approximately 123,000 people did not have an annual person-centered assessment and support plan that assures informed choice and accounts for transition planning for people wanting to change residential settings or gain employment.
- **Reduction to Group Residential Housing (GRH) supplementary service rates (by 5 percent and 10 percent over the two-year biennium)** - This will impact providers differently according to their rate, size, and current capacity and could result in program closure or downsizing, leading to people becoming homeless or institutionalized. I would prefer to collaborate with you on the plan Senator

Benson referenced to restructure GRH supplemental service rates in a way that better connects rates to individual needs.

- **Child Care Assistance Program (CCAP) improvements** - The Senate included language to increase rates but funding is not included in the spreadsheet. This is a forecast issue and will likely result in increases in CCAP as part of the Minnesota Family Investment Program (MFIP) in the November 2017 forecast. This will also impact Basic Sliding Fee child care by compromising the ability of counties to manage their allocations.

I have been spending time looking at the reductions made in the 2011 shutdown. That was a difficult time for our state with a significant deficit, which forced us to make many reductions to key programs. We are still trying to remedy issues caused by some of the reductions in 2011. We reduced adult mental health grants, made Child Care Assistance Program and other child care rate reductions, reduced general operating funds, and limited payment for some PCA care. We have worked together to get more funding for many of these items since 2011, and in a year when we have a large surplus in the state, I would hate to see us move backward again for the vulnerable people we serve.

In closing, I want to note that recently both of you and some of your Republican colleagues sent a letter to our three Republican congressmen. You indicated that Minnesota has been a "leader in providing access to care and containing costs." You also said that cutting the budget will not take away our responsibility to older Americans, people with disabilities, children, people needing mental health care, and the poor. I could not agree more and I feel that many of the provisions in your bill do not align with that sentiment. I hope we can spend the next part of session working together to provide critical services to the people who need them.

Thank you for your consideration of these comments. As always, please do not hesitate to contact me or my staff for any additional information or assistance you may need in the coming weeks.

Sincerely,



Emily Piper
Commissioner

cc: Governor Mark Dayton

Senator Tony Lourey, Minority Leader, Senate Health and Human Services Finance Committee
Senator Jeff Hayden, Minority Leader, Senate Health and Human Services Finance Committee
Lauren Gilchrist, Senior Policy Advisor, Office of the Governor