DHS-7814I-ENG 12-22

DEPARTMENT OF HUMAN SERVICES

November 2022 Forecast

Executive Summary and Trend Data

Prepared by Reports and Forecasts Division
Shawn Welch, Director
Susan Snyder, Assistant Director

Dec. 6, 2022

Table of content

Executive summary 5

Medical Assistance 8

Medical Assistance Long-Term Care:

- Facilities 12
- Alternative Care 12
- Waivers and Home Care 14

Medical Assistance Basic Care:

- Elderly and Disabled 17
- Adults without Children 20
- Families with Children 23

MinnesotaCare 27

Behavioral Health Fund 30

Minnesota Family Investment Program 32

Child Care Assistance 34

Northstar Care for Children 36

General Assistance, Housing Support and Minnesota Supplemental Aid 38

November 2022 forecast changes: In a nutshell 41

Contacts and additional resources 43

Executive summary

The Minnesota Department of Human Services (DHS) prepares a forecast of its expenditures in major programs twice annually. Forecasted programs include Medical Assistance (MA), MinnesotaCare, Minnesota Family Investment Program (MFIP), Child Care Assistance and others as described in the pages that follow. Projected expenditures are used in statewide budget forecasts that Minnesota Management and Budget releases in November and February each year. These forecasts are used to update fund balances and provide financial information to the Governor and the legislature as they work together to set budgets.

All November 2022 Forecast highlights in this document represent changes from the End-of-Session 2022 forecast.

November 2022 forecast highlights

General Fund (GF)

Changes from the End-of-Session 2022 forecast

- Decrease of $1,184.2 million in 2022-2023 biennium (-8.7%)
- Decrease of $719.9 million in 2024-2025 biennium (-4.5%)
- Overall decrease of $1,904.1 million across the entire forecast horizon

Health Care Access Fund (HCAF)

Changes from the End-of-Session 2022 forecast

- Decrease of $210.9 million in 2022-2023 biennium (-16.6%)
- Decrease of $396.4 million in 2024-2025 biennium (-19.7%)
- Overall decrease of $607.2 million across the entire forecast horizon

Who it serves

- Over 1.4 million people a year are served through DHS forecasted programs

How much it costs

- $18.2 billion total spending in DHS forecasted programs
- $6.1 billion state spending in DHS forecasted programs

Data for FY 2022

Reasons: The November forecast results in large General Fund reductions in both the 2022-2023 and 2024-2025 biennia. The main drivers of General Fund savings are additional federal funding (which directly reduces state spending), lower utilization of nursing facilities and child care, lower average cost of MA basic care, and higher-than-expected pharmacy rebates (which are dedicated MA revenue). Together, these adjustments explain over 95% of the 2022-2023 biennial General Fund change and the entire 2024-2025 biennial change.

A little over 50% of the General Fund forecast reduction in the 2022-2023 biennium is due to federal extensions of the Public Health Emergency (PHE) caused by the COVID-19 pandemic. The November forecast includes an additional three quarters of PHE with an assumed end date in mid-January 2023. States are eligible for additional federal funding through a 6.2 percentage point increase in the state's Federal Medical Assistance Percentage (FMAP) throughout the quarter that includes the final day of the PHE. As a result, the forecast now assumes the state will receive enhanced federal funding, which directly replaces state spending, for an additional three quarters through March 2023. These state savings are partially offset by the cost of continuous coverage policies which are required to claim the additional federal funds. Enhanced federal funding from the PHE extensions result in projected state savings of $767 million, all of it accruing in the 2022-2023 biennium. The federally required continuous coverage policies have projected state costs of $259 million, with about 60% of these costs accruing in the 2022-2023 biennium. Overall, the PHE extensions result in a net General Fund reduction of $508 million over the entire forecast horizon.

Also related to the pandemic are continued lower-than-expected utilization of nursing facilities and child care. These programs saw steep declines in usage during the early stages of the pandemic. Previous forecasts assumed utilization of these programs would recover relatively quickly as the initial impacts of the pandemic waned. However, utilization declines in both programs have continued in recent months and it is becoming clear that prior expectations for recovery in these programs will not be realized. In the November forecast, it is now assumed that child care utilization will take much longer to fully recover

Continued on next page

Continued from previous page

and that nursing facility utilization will return to its pre-pandemic growth trend, but from a caseload base below pre-pandemic levels. These reduced utilization projections account for $137 million in General Fund savings in the 2022-2023 biennium and $217 million savings in the 2024-2025 biennium.

A third source of projected General Fund savings is lower average costs in MA basic care. The main driver of lower average cost is lower-than-expected managed care rates in the 2023 contracts, which are, in turn, primarily the result of lower-than-expected actual 2021 health plan costs. Actual Fee-for-Service (FFS) average costs for MA basic care were also lower than expected resulting in a FFS base reduction which further contributes to forecast savings. However, the reduction in managed care rates accounts for the majority (75%) of the total average cost change. Overall, lower average costs in MA basic care produce a General Fund reduction of $139 million in the 2022-2023 biennium and a $481 million reduction in the 2024-2025 biennium.

The last primary source of General Fund savings is higher-than-expected actual pharmacy rebate collections which leads to a forecast base increase. Pharmacy rebates provide dedicated MA revenue and directly reduce the need for General Fund spending on program costs. The projected increase in overall rebate collections is partially offset by the loss of supplemental rebates following the sunset of the Drug Formulary Committee (DFC) on June 30, 2023. Without the DFC, under current law, the state would be unable to maintain the MA preferred drug list and would, therefore, lose the ability to command supplemental pharmacy rebates. Despite the projected loss of supplemental rebates, the overall increase in pharmacy rebates produces General Fund savings of $259 million in the 2022-2023 biennium and $165 million in the 2024-2025 biennium.

Finally, the November forecast produces large reductions in HCAF spending in both the 2022-2023 and the 2024-2025 biennia. The projected HCAF savings in both biennia is the result of additional federal funding in the Basic Health Program (BHP). Similar to MA, additional federal BHP funding directly reduces the need for state program spending. The additional federal BHP funding results from two primary forecast adjustments. The first is the addition of a new factor in the federal funding formula to account for the negative impact of private market reinsurance on federal BHP funding. The second is the federal 3-year extension of the American Rescue Plan Act (ARPA), which raises premium tax credits and, in turn, increases federal BHP funding. These two adjustments account for about 75% of the overall HCAF reduction in the 2022-2023 biennium and the entire reduction in the 2024-2025 biennium.

Summary of forecast changes

The following is a list of the large and/or noteworthy changes in this forecast. Further detail for each change can be found on the specific budget activity pages noted below.

Forecast Decreases:

- Enhanced federal match from July 2022 through March 2023 due to the PHE extension. (All MA budget activity pages; Behavioral Health Fund; Northstar Care)
- Lower than expected utilization of nursing facilities and child-care services. (MA Long-Term Care: Facilities; Child Care Assistance Program)
- Reduced MA average cost of care due primarily to lower managed care rates. (All MA Basic Care pages)
- Increased pharmacy rebate collections in the MA program (MA Basic Care: Families with Children)
- Increased federal BHP funding due to a reinsurance factor in the funding formula and the federal ARPA extension. (MinnesotaCare)

Forecast Increases:

- Increased caseload from federally required continuous coverage policies during the PHE extension. (MA Long-Term Care: Waivers and Home Care; All MA Basic Care pages)

FY 2024 and FY 2025 Forecasted Expenditures

	FY 2024		FY 2025	
Program	**Total Dollars**	**State Share**	**Total Dollars**	**State Share**
Medical Assistance (MA)	18,022,658,359	7,273,026,960	18,560,244,484	7,481,846,140
LTC Facilities	1,301,404,778	592,034,871	1,366,659,551	619,321,176
LTC Waivers	5,923,172,644	2,814,157,825	6,224,984,092	2,926,042,478
Elderly and Disabled Basic Care[1]	3,850,855,600	1,880,739,845	4,045,197,538	1,944,609,165
Adults without Children Basic Care	3,279,178,024	328,268,689	3,171,937,435	317,837,955
Families with Children Basic Care[2]	3,668,047,314	1,657,825,731	3,751,465,868	1,674,035,365
MinnesotaCare	683,865,395	81,016,502	643,358,682	48,153,424
Behavioral Health Fund	229,009,028	101,439,869	239,797,902	102,732,770
Minnesota Family Investment Program (MFIP)[3]	395,120,604	88,957,296	397,697,157	90,364,688
MFIP/TY Child Care Assistance	157,658,715	25,441,978	195,484,898	90,655,379
Northstar Care for Children	290,205,136	120,059,511	317,387,526	128,896,166
General Assistance	51,965,592	51,965,592	53,033,763	53,033,763
Housing Support	212,924,467	210,924,467	220,407,179	218,407,179
Minnesota Supplemental Aid	56,194,776	56,194,776	57,684,118	57,684,118
Total	20,099,602,073	8,009,026,951	20,685,095,709	8,271,773,628

1 Includes Elderly Waiver managed care

2 Includes family planning, breast and cervical cancer coverage, pharmacy rebates, special funding items and adjustments

3 Includes cash and food assistance

Medical Assistance

Medical Assistance (MA), Minnesota's Medicaid program, provides preventive and primary health care coverage for low-income Minnesotans. MA has lower income eligibility guidelines and has no premiums, which differentiates it from the state's other health care program, MinnesotaCare. Additionally, MA can pay for nursing facility care for older adults and intermediate care facilities for people with developmental disabilities. It can also cover long-term care services and supports for people with disabilities and older adults so that they can continue living in the community.

Minnesota receives federal matching funds for MA. By accepting matching funds, states are subject to federal Medicaid regulations. States have some flexibility in determining what services are covered, what groups are covered and payment rates to providers. The Minnesota Department of Human Services partners with all 87 Minnesota counties to administer the MA program and contracts with health plans and health care providers across the state to deliver basic health care to MA enrollees.

Medical Assistance is forecasted in five segments: Long-Term Care Facilities, Long-Term Care Waivers, Elderly and Disabled Basic Care, Adults without Children Basic Care and Families with Children Basic Care. Each of these segments is discussed in the following pages.

Who it serves

- 1.3 million average monthly enrollees

How much it costs

- $16.5 billion total spending
- $5.4 billion state funds

Data for FY 2022

November 2022 forecast highlights

General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $1,121.7 million in 2022-2023 biennium (-8.4%)
- Decrease of $601.8 million in 2024-2025 biennium (-3.8%)

Health Care Access Fund

Changes from the End-of-Session 2022 forecast

- There are no changes to the HCAF share of MA in the November forecast.

Reasons: The November forecast produces large MA General Fund reductions in both the 2022-2023 and the 2024-2025 biennia. The MA forecast reduction in the 2022-2023 biennium is the result of federal extensions of the federal PHE, lower-than-expected nursing facility utilization, decreased average cost of basic care, and significantly higher pharmacy rebate collections. The projected MA General Fund reduction in the 2024-2025 biennium is also the result of these same forecast adjustments, with the exception of the federal PHE extension.

A little over 50% of the General Fund forecast reduction in the 2022-2023 biennium is due to federal extensions in the PHE caused by the COVID-19 pandemic. Since the February forecast, the PHE has been extended three times. As a result, the November forecast includes an additional three quarters of PHE with a new assumed end date in mid-January 2023. States are eligible for additional federal funding through a 6.2 percentage point increase in the state's FMAP throughout the quarter that includes the final day of the PHE. Since the PHE now officially extends into January, the state is eligible for this enhanced federal funding through March 2023. The additional three quarters of enhanced federal funding directly replaces state spending and provides forecast savings. These state savings are partially offset by the cost of continuous coverage policies which are required to claim the additional federal funds. Enhanced federal funding from the PHE extensions result in projected MA state savings of $762 million, all of it accruing in the 2022-2023 biennium. The federally required continuous

Continued on next page

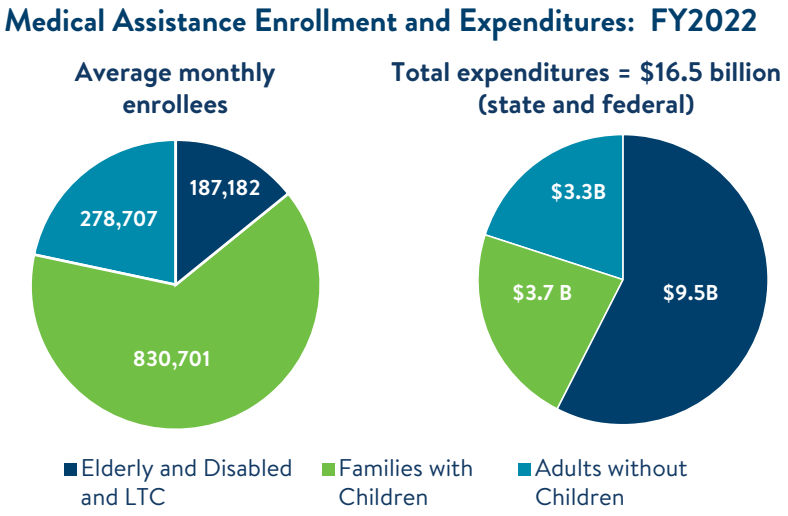
Continued from previous page

coverage policies have projected MA state costs of $259 million, with about 60% of these costs accruing in the 2022-2023 biennium. Overall, the PHE extensions result in a net MA General Fund reduction of $503 million over the entire forecast horizon.

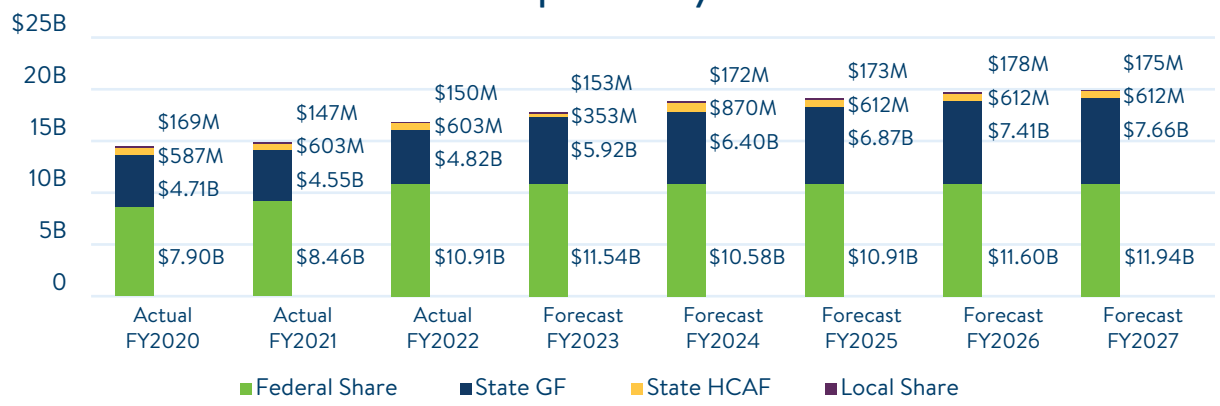
Also related to the pandemic is continued lower-than-expected utilization of MA nursing facilities. Nursing facilities saw steep declines in usage during the early stages of the pandemic. Previous forecasts assumed MA nursing facility utilization would recover relatively quickly as the initial impacts of the pandemic waned. However, utilization declines have continued in recent months and it is becoming clear that prior expectations for recovery will not be realized. In the November forecast, it is now assumed that MA nursing facility utilization will return to its pre-pandemic growth trend, but from a caseload base below pre-pandemic levels. This lower projected utilization in nursing facilities accounts for $58 million in General Fund savings in the 2022-2023 biennium and $123 million savings in the 2024-2025 biennium.

A third source of projected General Fund savings is lower average costs in MA basic care. The main driver of lower average cost is lower-than-expected managed care rates in the 2023 contracts, which are, in turn, primarily the result of lower-than-expected actual 2021 health plan costs. Actual FFS average costs for MA basic care were also lower than expected resulting in a FFS base reduction which further contributes to forecast savings. However, the reduction in managed care rates accounts for the majority (75%) of the total MA average cost change. Overall, lower average costs in MA basic care produce a General Fund reduction of $139 million in the 2022-2023 biennium and a $481 million reduction in the 2024-2025 biennium.

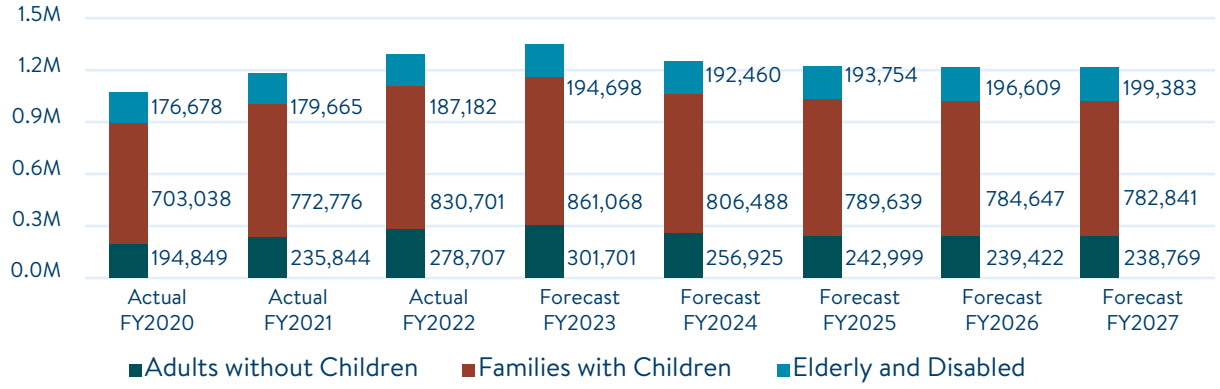
The last primary source of General Fund savings is higher-than-expected actual pharmacy rebate collections which leads to a forecast base increase. Pharmacy rebates provide dedicated MA revenue and directly reduce the need for General Fund spending on program costs. The projected increase in overall rebate collections is partially offset by the loss of supplemental rebates following the sunset of the Drug Formulary Committee (DFC) on June 30, 2023. Without the DFC, under current law, the state would be unable to maintain the MA preferred drug list and would, therefore, lose the ability to command supplemental pharmacy rebates. Despite the projected loss of supplemental rebates, the overall increase in pharmacy rebates produces a General Fund reduction of $259 million in the 2022-2023 biennium and a $165 million reduction in the 2024-2025 biennium.



Total MA expenditures by fund



MA enrollment by eligibility category



Historical table

	Medical Assistance Program: Total Expenditures (All Funds)	
FY	Total $	% Change
2012	8,241,120,196	
2013	8,045,603,494	(2.37%)
2014	9,265,114,945	15.16%
2015	10,584,571,411	14.24%
2016	11,225,214,682	6.05%
2017	10,888,487,327	(3.00%)
2018	12,548,729,798	15.25%
2019	12,280,201,965	(2.14%)
2020	13,368,736,350	8.86%
2021	13,763,155,263	2.95%
2022	16,487,895,092	19.80%
2023*	17,973,655,316	9.01%
2024*	18,022,658,359	0.27%
2025*	18,560,244,484	2.98%
2026*	19,799,548,735	6.68%
2027*	20,390,772,081	2.99%
Avg. Annual Increase 2012-2022		6.85%

**Projected*

Beginning in FY 2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Long-Term Care:
Facilities

Medical Assistance pays for long-term care services for people who live in facilities that provide 24-hour care and supervision. Nursing facilities across Minnesota provide all-inclusive packages of services including nursing care, help with activities of daily living, medication administration, meals and housing. Care provided under this segment of MA also includes intermediate care facilities and day training and habilitation for people with developmental disabilities.

Alternative Care

The Alternative Care (AC) waiver provides home and community based services for people age 65 and older at risk of Nursing Facility placement who do not currently meet financial eligibility requirements for MA, but would be expected to spend down to MA eligibility within 135 days after entering a Nursing Facility. The state share of AC is financed through a fixed appropriation with unspent funds canceling to MA.

Who it serves

- 12,400 average monthly recipients

How much it costs

- $1.1 billion total spending
- $445 million state funds

Data for FY 2022

November 2022 forecast highlights

General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $123.5 million in 2022-2023 biennium (-12.1%)
- Decrease of $104.3 million in 2024-2025 biennium (-8.2%)

Reasons: The November forecast for MA Facilities produces General Fund reductions in both the 2022-2023 and 2024-2025 biennia. The forecast reduction in the 2022-2023 biennium is due to a downward adjustment in nursing facility caseload and additional federal funding from extensions of the federal PHE. The forecast reduction in the 2024-2025 biennium is driven by continued lower-than-expected nursing facility utilization, partially offset by increases in nursing facility average payments.

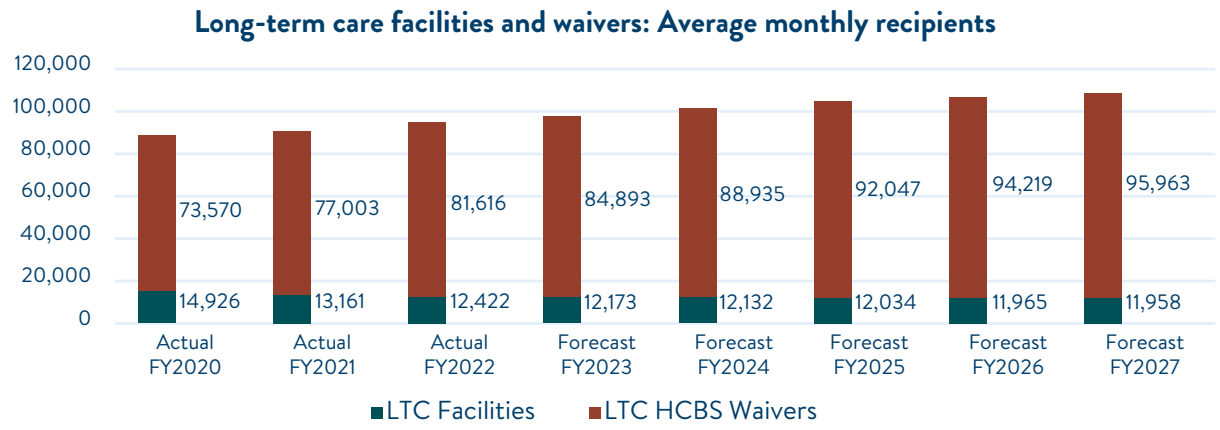
While demographics suggest that nursing home use will increase in the coming years, actual nursing home caseloads have remained in a long-run decline. The pandemic resulted in an additional substantial reduction in the MA nursing facility caseload during 2020 and 2021. Previous forecasts assumed there would be some growth in nursing facility caseloads in the current biennium as they recover from their pandemic low in early 2021. Recent data provide no evidence of any recovery. It is now projected that nursing home caseloads will revert to the pre-pandemic long-run declining trend, moderated by the expected growth of the elderly population, off the current base. This results in a $58 million forecast reduction in the 2022-2023 biennium and a $123 million forecast reduction in the 2024-2025 biennium.

The forecast reductions from lower utilization are partially offset by increased average payments for nursing home recipients. Rates paid through MA are expected to increase about 9.4% in CY 2023, reflecting actual cost increases incurred during 2021. This is higher than the 7.1% increase projected in the previous forecast. This, together with increases in Skilled Nursing Facility inflation projections, results in ongoing higher rate projections. Most of the projected impact of higher rates occurs in the 2024-2025 biennium leading to a forecast increase of $49 million.

Continued on next page

Continued from previous page

Additional federal funding also contributes to MA Facilities forecast reductions in both biennia. The November forecast assumes the PHE ends mid-January 2023, which adds three quarters of enhanced federal funding to the forecast. This enhanced federal funding, which directly replaces state spending, accounts for $55 million of the MA Facilities forecast reduction in the 2022-2023 biennium. The November forecast also includes additional federal funding, and corresponding state savings, due to an increase in the state's FMAP rate effective October 2023. The state's regular FMAP (excluding the 6.2 percentage point enhancement during the PHE) is currently 50.79%. Beginning October 2023, the state's FMAP percentage will increase to 51.49% and the forecast assumes it will be fixed at the new rate throughout the remainder of the forecast horizon. The increased FMAP results in a $16 million General Fund reduction in the 2024-2025 biennium for MA Facilities.



Medical Assistance Long-Term Care: Waivers and Home Care

Medical Assistance also pays for people to receive long-term care waivers, long-term care services and supports, or home care services in their homes and communities. Long-Term Care waivers, also known as Home and Community-Based Services (HCBS) waivers, are an alternative for people who need long-term care services but who do not choose to live in a nursing facility, intermediate care facility or hospital. The federal government allows states to apply for long-term care waivers, which provide a variety of services that help people live in the community instead of in a facility or institution. Waivers include the Elderly Waiver (EW) and the four disability waivers: Developmental Disabilities (DD), Community Access for Disability Inclusion (CADI), Community Alternative Care (CAC) and Brain Injury (BI). Care provided under this segment of MA also includes Personal Care Assistance (PCA), Home Care Nursing, Housing Stabilization Services and Home Health Agency.

Who it serves

- 81,600 average monthly recipients

How much it costs

- $5.0 billion total spending
- $1.7 billion state funds

Data for FY 2022

November 2022 forecast highlights

General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $329.3 million in 2022-2023 biennium (-7.2%)
- Decrease of $131.7 million in 2024-2025 biennium (-2.2%)

Reasons: The November forecast for MA Waivers and Home Care produces General Fund reductions in both the 2022-2023 and 2024-2025 biennia. The forecast reduction in the 2022-2023 biennium is mainly due to additional federal funding from recent federal extensions of the PHE. The forecast reduction in the 2024-2025 biennium is partially due to additional federal funding from an increase in the state's regular FMAP, and partially the result of reduced caseload trend in Personal Care Assistance (PCA).

The forecast now assumes the PHE ends mid-January 2023, which effectively adds three quarters of enhanced federal funding to the forecast. This additional federal funding directly replaces state spending and provides state savings. These forecast savings are slightly offset by the cost of continuous coverage policies which are required to claim the additional federal funds. While all the additional federal funding accrues in the current biennium, the cost of continuous coverage also impacts the 2024-2025 biennium. Overall, the net impact of the PHE extension for MA Waivers and Home Care is a $256 million General Fund reduction in the 2022-2023 biennium and a $4 million increase in the 2024-2025 biennium.

In addition, the November forecast includes increased federal funding, and corresponding state savings, due to an increase in the state's FMAP rate effective October 2023. The state's regular FMAP (excluding the 6.2 percentage point enhancement during the PHE) is currently 50.79%. Beginning October 2023, the state's FMAP percentage will increase to 51.49% and the forecast assumes it will be fixed at the new rate throughout the remainder of the forecast horizon. The increased FMAP results in a $74 million General Fund reduction in the 2024-2025 biennium for MA Waivers and Home Care.

The November forecast lowers the recipient trend in the PCA FFS caseload to 1-2% per year from the previously projected 3-4% per year. This is more reflective of the actual experience in this program in recent years. There appears to be some divergence in the trends for PCA use in the FFS program, which is primarily an under age 65 population, and PCA use by the Elderly in Managed Care, where recipient trends continue at 3% per year. The trend adjustment in this forecast results in projected savings of $28 million

Continued on next page

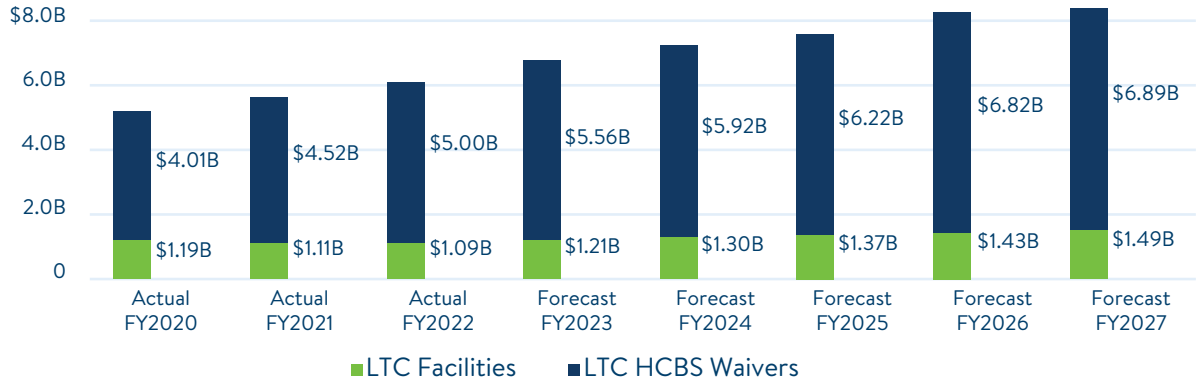
Continued from previous page

in the 2022-2023 biennium and $67 million in the 2024-2025 biennium. In addition, use of Home Care Nursing is projected to be 7% lower than previously forecast, and average payments 4.5% lower, resulting in savings of $11 million in the 2022-2023 biennium and $16 million in the 2024-2025 biennium.

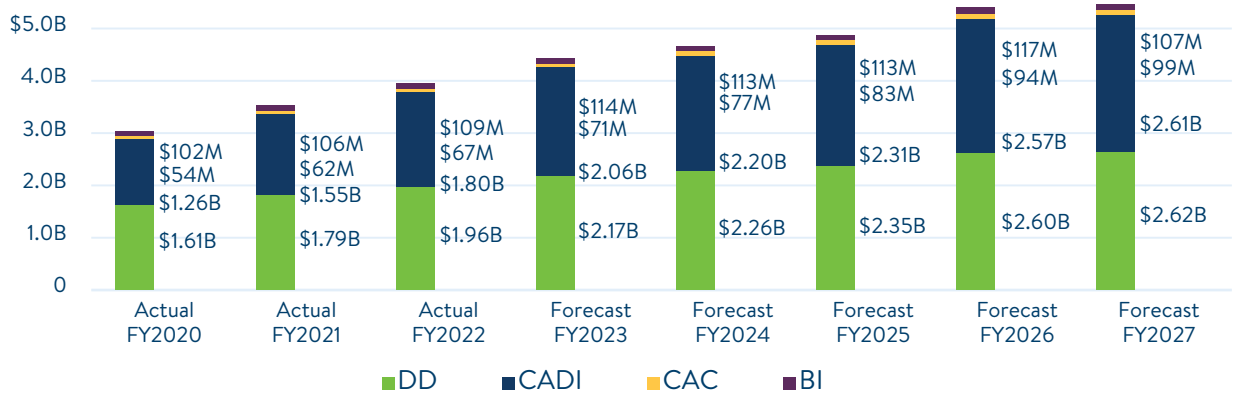
Partially offsetting these General Fund forecast reductions are projected costs due to implementation delays. The November forecast assumes that Community First Services and Supports (CFSS), which will replace PCA in the 2024-2025 biennium, will be delayed until April 2023. This delay results in an estimated $45 million General Fund increase through the forecast horizon. Most of this cost, $15 million in the 2022-2023 biennium and $16 million in the 2024-2025 biennium, is in MA Waivers and Home Care, with the remainder in MA Elderly and Disabled Basic Care. In addition, a delay in re-alignment of the disability waivers to January 2026 results in a projected cost of $21 million in the 2024-2025 biennium.

The disability waiver forecast is by far the largest part of the MA Waivers and Home Care forecast. There are only small adjustments to these projections in the November forecast, leading to a projected $27 million General Fund reduction in the 2022-2023 biennium and a $10 million reduction in the 2024-2025 biennium.

Long-term care facilities and waivers expenditures — all funds



Disability waivers expenditures — all funds



Historical table

	A: Long Term Care (LTC) Facilities		B: LTC Waivers (Home & Community Based Services)		A + B = Total LTC	
FY	Total $	% Change	Total $	% Change	Total $	% Change
2012	945,566,280		2,223,655,096		3,169,221,376	
2013	920,580,121	(2.64%)	2,260,064,090	1.64%	3,180,644,211	0.36%
2014	928,436,824	0.85%	2,446,905,605	8.27%	3,375,342,429	6.12%
2015	924,087,037	(0.47%)	2,797,274,346	14.32%	3,721,361,383	10.25%
2016	974,634,622	5.47%	2,878,037,420	2.89%	3,852,672,043	3.53%
2017	1,078,833,590	10.69%	3,040,609,756	5.65%	4,119,443,345	6.92%
2018	1,087,985,308	0.85%	3,270,556,814	7.56%	4,358,542,122	5.80%
2019	1,154,228,650	6.09%	3,558,835,259	8.81%	4,713,063,909	8.13%
2020	1,190,569,963	3.15%	4,009,994,313	12.68%	5,200,564,275	10.34%
2021	1,110,015,824	(6.77%)	4,518,911,142	12.69%	5,628,926,967	8.24%
2022	1,092,540,765	(1.57%)	4,995,831,787	10.55%	6,088,372,552	8.16%
2023*	1,206,371,814	10.42%	5,563,012,042	11.35%	6,769,383,856	11.19%
2024*	1,301,404,778	7.88%	5,923,172,644	6.47%	7,224,577,422	6.72%
2025*	1,366,659,551	5.01%	6,224,984,092	5.10%	7,591,643,643	5.08%
2026*	1,427,094,710	4.42%	6,821,665,499	9.59%	8,248,760,209	8.66%
2027*	1,494,440,334	4.72%	6,886,851,814	0.96%	8,381,292,149	1.61%
Avg. Annual Increase 2012-2022		1.46%		8.43%		6.75%

**Projected*

Medical Assistance Basic Care:
Elderly and Disabled

This program covers general medical care for elderly and disabled Medical Assistance enrollees. People eligible to receive basic care services are 65 years or older, blind or have a disability. Their income and assets must also fall below allowable limits. 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 paying premiums and cost sharing. For those who are not eligible for Medicare, Medical Assistance pays for all their medical care. Also included in this segment are MA enrollees who are residents in an Institute for Mental Disease (IMD). Covered services for these individuals would be eligible for federally-matched MA if they did not reside in a facility which is designated by federal regulations as an IMD. Being a resident in an IMD makes covered services for these individuals ineligible for federal matching. Elderly Waiver managed care is also included in this section because it is paid as an add-on to the Elderly Basic Care capitation payment.

Who it serves

- 187,200 average monthly enrollees

How much it costs

- $3.4 billion total spending
- $1.4 billion state funds

Data for FY 2022

November 2022 forecast highlights

General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $263.0 million in 2022-2023 biennium (-6.9%)
- Decrease of $80.4 million in 2024-2025 biennium (-1.7%)

Reasons: The November forecast for MA Elderly and Disabled Basic Care produces General Fund reductions in both the 2022-2023 and 2024-2025 biennia. These forecast reductions are primarily the result of additional federal funding and lower average cost of care.

The forecast now assumes the PHE ends mid-January 2023, which effectively adds three quarters of enhanced federal funding to the forecast. This additional federal funding directly replaces state spending and provides state savings. These forecast savings are slightly offset by the cost of continuous coverage policies which are required to claim the additional federal funds. While all the additional federal funding accrues in the current biennium, the cost of continuous coverage also impacts the 2024-2025 biennium. Overall, for MA Elderly and Disabled, the extended PHE results in a $172 million net General Fund reduction in the 2022-2023 biennium and an $18 million General Fund increase in the 2024-2025 biennium.

The November forecast also includes additional federal funding, and corresponding state savings, due to an increase in the state's FMAP rate effective October 2023. The state's regular FMAP (excluding the 6.2 percentage point enhancement during the PHE) is currently 50.79%. Beginning October 2023, the state's FMAP percentage will increase to 51.49% and the forecast assumes it will be fixed at the new rate throughout the remainder of the forecast horizon. The increased FMAP results in a $45 million General Fund reduction in the 2024-2025 biennium for MA Elderly and Disabled Basic Care.

Another primary driver of November forecast reductions is lower average cost of care. These average cost reductions are primarily due to lower-than-expected 2023 managed care rates, which are, in turn, the result of lower-than-expected actual 2021 health plan costs. Actual 2021 health plan costs provide an updated base for the actuarial development of 2023 rates. Since the updated 2021 base is lower than previously anticipated, actual 2023 contracted rates are lower than projections in prior forecasts. Actual FFS average costs were also lower than expected resulting in a FFS base reduction which further contributes to forecast savings. However, the reduction in managed care rates accounts for the majority

Continued on next page

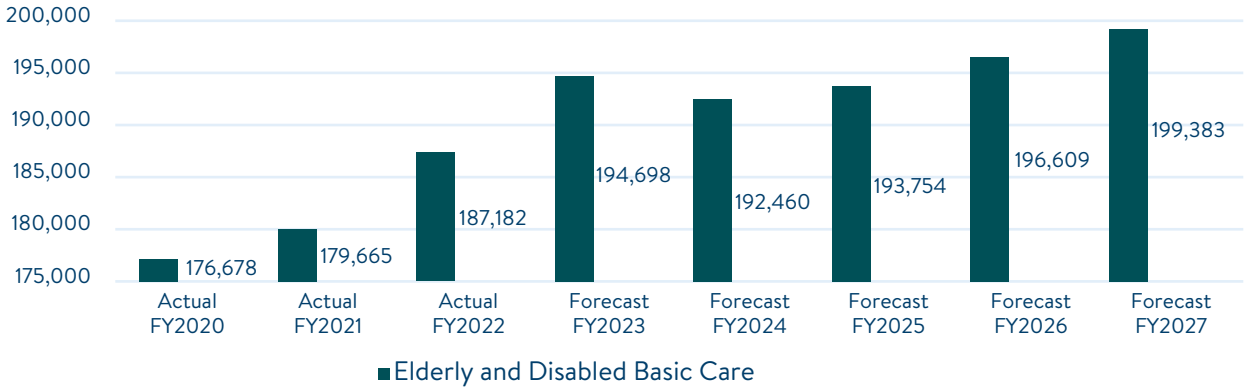
Continued from previous page

(55%) of the total average cost change for MA Elderly and Disabled. Overall, lower average cost for MA Elderly and Disabled results in General Fund savings of $40 million in the 2022-2023 biennium and $158 million in the 2024-2025 biennium.

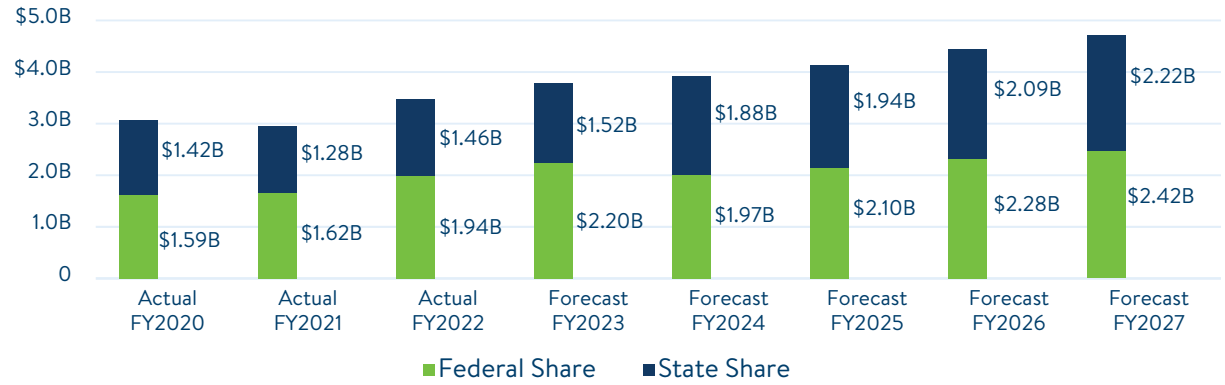
The November forecast for MA Elderly and Disabled also includes adjustments to projected federal Part D clawback payments. Beginning in 2006, the Medicare benefit set expanded to include prescription drug coverage. For dual eligibles (i.e. individuals enrolled in both Medicaid and Medicare), prescription drug coverage had previously been provided through Medicaid with federal and state shares. To help pay for this expanded Medicare coverage, the federal government bills each state an amount roughly equal to what the state would have paid if prescription drug coverage were still provided through Medicaid for dual eligibles. These payments from states to the federal government are known as Part D clawback payments. During the PHE, the federal per-person Part D clawback charge rate is reduced, meaning the state pays less for each dual eligible subject to the clawback charge. This results in lower federal clawback payments of $19 million in the 2022-2023 biennium. However, the November forecast also reflects a higher-than-expected per-person Part D clawback charge rate once the PHE ends. This higher charge rate results in a $23 million forecast increase in the 2024-2025 biennium.

Finally, the November forecast includes a technical adjustment to fix an error in a formula that assigns Special Needs Basic Care (SNBC) capitations a payment month based on current law requirements around payment timing. Due to the formula error, prior forecasts were missing one month of SNBC payments in FY 2025. This error was discovered when the 2026-2027 biennium was added to the November forecast, and the correction adds one month of SNBC capitations to the forecast in FY 2025. This results in a one-time General Fund cost of $41 million for MA Elderly and Disabled Basic Care in the 2024-2025 biennium.

Elderly and Disabled Basic Care: Average monthly enrollees



Elderly and Disabled Basic Care expenditures



Historical Table

	Elderly & Disabled Basic Care	
FY	Total $	% Change
2012	2,118,181,376	
2013	2,087,793,116	(1.43%)
2014	2,500,339,126	19.76%
2015	2,343,980,418	(6.25%)
2016	2,580,811,749	10.10%
2017	2,525,666,619	(2.14%)
2018	2,894,549,433	14.61%
2019	2,780,093,762	(3.95%)
2020	3,011,306,799	8.32%
2021	2,903,228,285	(3.59%)
2022	3,406,926,353	17.35%
2023*	3,718,822,357	9.15%
2024*	3,850,855,600	3.55%
2025*	4,045,197,538	5.05%
2026*	4,365,685,660	7.92%
2027*	4,635,579,473	6.18%
Avg. Annual Increase 2012-2022		4.67%

**Projected*

Beginning in FY 2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Basic Care:
Adults without Children

In March 2011, Minnesota elected to implement the early expansion of MA eligibility for Adults without Children with income up to 75% of the federal poverty level under the Affordable Care Act. In January 2014, Minnesota implemented full expansion of MA eligibility up to 138% of the federal poverty level for this population. Currently, at 138% federal poverty levels, the income eligibility limit for a single adult to be covered under this program is $18,754 per year.

As Minnesota's newly eligible expansion population under the Affordable Care Act, this segment of MA received 100% federal match from Calendar Year (CY) 2014 through CY 2016. Beginning in CY 2017, the federal match rate stepped down each year until it hit 90% in CY 2020. This now becomes the ongoing fixed federal match rate for this expansion population.

Who it serves

- 278,700 average monthly enrollees

How much it costs

- $3.3 billion total spending
- $328 million state funds

Data for FY 2022

November 2022 forecast highlights

General Fund

Changes from the End-of-Session 2022 forecast

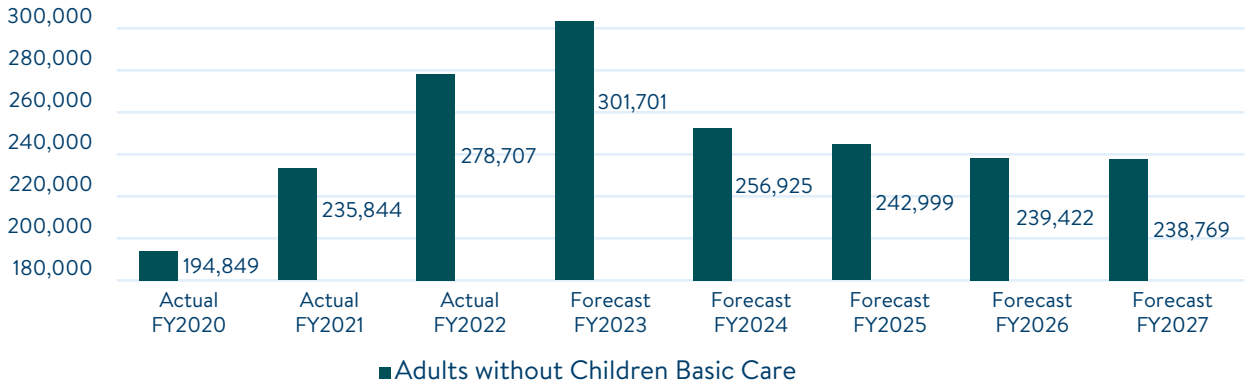
- Increase of $42.3 million in 2022-2023 biennium (+6.7%)
- Increase of $33.6 million in 2024-2025 biennium (+5.6%)

Reasons: The November forecast produces General Fund increases for MA Adults without Children Basic Care in both the 2022-2023 and 2024-2025 biennia. These forecast increases are the result of two upward adjustments to enrollment, which are partially offset by lower average costs per enrollee.

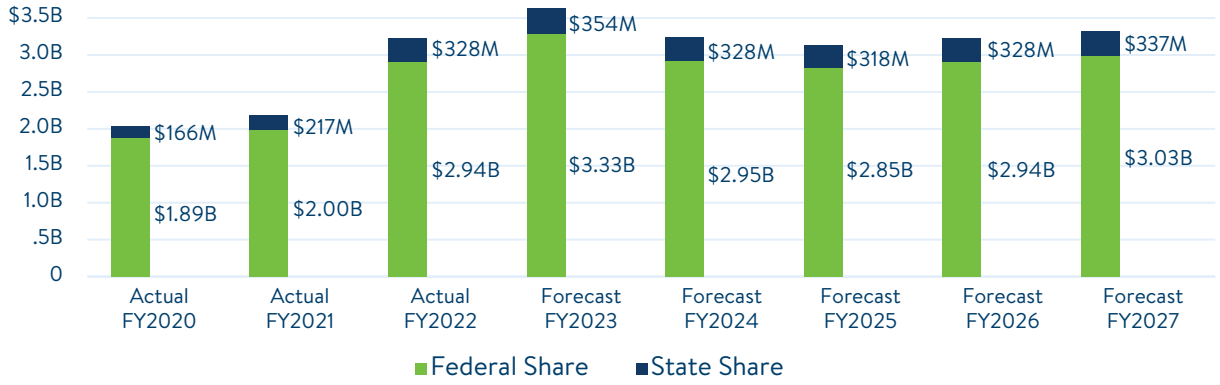
The first enrollment adjustment is due to higher-than-expected actual enrollment in 2022. This leads to a 6% base enrollment increase in the 2022-2023 biennium and a 10% increase in the 2024-2025 biennium. Second, an additional upward enrollment adjustment was made due to the federal PHE extensions. The federal PHE extensions since the February forecast further delay the eligibility impact of resuming annual renewals, resulting in higher enrollment in FY 2023 and FY 2024. This PHE-related adjustment accounts for about 43% of the total enrollment increase for this population in the 2022- 2023 biennium and about 25% in the 2024-2025 biennium. Overall, higher enrollment of MA Adults without Children results in General Fund costs of $71 million in the 2022-2023 biennium and $82 million in the 2024-2025 biennium. Note that, since federal funding for this expansion group is fixed at 90% of total costs, there is no enhanced federal match for this population from the PHE extensions.

The forecast increases due to enrollment are partially offset by reductions in average costs per enrollee. The average cost reductions are primarily due to lower-than-expected 2023 managed care rates, which are, in turn, the result of lower-than-expected actual 2021 health plan costs. Actual 2021 health plan costs provide an updated base for the actuarial development of 2023 rates. Since the updated 2021 base is much lower than previously anticipated, actual 2023 contracted rates are significantly lower than projections in prior forecasts. Actual FFS average costs were also lower than expected resulting in a FFS base reduction which further contributes to forecast savings. However, the reduction in managed care rates accounts for the majority (67%) of the total average cost change for MA Adults without Children. Overall, lower average cost for MA Adults without Children results in General Fund savings of $21 million in the 2022-2023 biennium and $47 million in the 2024-2025 biennium.

Adults without Children Basic Care: Average monthly enrollees



Adults without Children Basic Care expenditures



Historical table

	Adults without Children Basic Care	
FY	Total $	% Change
2012	819,539,240	
2013	792,232,465	(3.33%)
2014[1]	1,063,752,126	34.27%
2015	1,694,519,567	59.30%
2016	1,658,897,539	(2.10%)
2017	1,756,135,556	5.86%
2018	1,970,490,317	12.21%
2019	1,823,780,554	(7.45%)
2020	2,060,499,313	12.98%
2021	2,221,469,075	7.81%
2022	3,269,900,549	47.20%
2023*	3,681,890,554	12.60%
2024*	3,279,178,024	(10.94%)
2025*	3,171,937,435	(3.27%)
2026*	3,270,655,723	3.11%
2027*	3,365,896,330	2.91%
Avg. Annual Increase 2012-2022		14.14%

**Projected*

1 2014 and 2015 reflect increases due to implementation of full expansion for this population

Beginning in FY 2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Basic Care:
Families with Children

This activity funds general medical care for children, parents and pregnant women, including families receiving Minnesota Family Investment Program (MFIP) and those with transition coverage after exiting MFIP. This segment also includes funding for Family Planning Services and for Breast and Cervical Cancer coverage. This segment also includes non-citizens who are ineligible for federal Medicaid match, but almost all of whom are eligible for enhanced federal Children's Health Insurance Program (CHIP) funding.

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

Who it serves

- 830,700 average monthly enrollees

How much it costs

- $3.7 billion total spending
- $1.5 billion state funds

Data for FY 2022

November 2022 forecast highlights

General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $448.2 million in 2022-2023 biennium (-13.7%)
- Decrease of $319.0 million in 2024-2025 biennium (-9.2%)

Reasons: The November forecast for MA Families with Children Basic Care produces significant General Fund reductions in both the 2022-2023 and 2024-2025 biennia. These forecast reductions are primarily the result of additional federal funding, lower average cost of care, and higher-than-expected pharmacy rebate collections.

The forecast now assumes the PHE ends mid-January 2023, which effectively adds three quarters of enhanced federal funding to the forecast. This additional federal funding directly replaces state spending and provides state savings. These forecast savings are partially offset by the cost of continuous coverage policies which are required to claim the additional federal funds. While all the additional federal funding accrues in the current biennium, the cost of continuous coverage also impacts the 2024-2025 biennium. Overall, for MA Families with Children, the PHE extension results in a $150 million net General Fund reduction in the 2022-2023 biennium and a $58 million General Fund increase in the 2024-2025 biennium.

The November forecast also includes additional federal funding, and corresponding state savings, due to an increase in the state's FMAP rate effective October 2023. The state's regular FMAP (excluding the 6.2 percentage point enhancement during the PHE) is currently 50.79%. Beginning October 2023, the state's FMAP percentage will increase to 51.49% and the forecast assumes it will be fixed at the new rate throughout the remainder of the forecast horizon. The increased FMAP results in a $46 million General Fund reduction in the 2024-2025 biennium for MA Families with Children Basic Care.

The second primary driver of forecast reductions is lower average cost of care. As with other MA populations, average cost reductions for MA families are primarily due to lower-than-expected 2023 managed care rates, which are, in turn, the result of lower-than-expected actual 2021 health plan costs. Actual 2021 health plan costs provide an updated base for the actuarial development of 2023 rates. Since the updated 2021 base is lower than previously anticipated, actual 2023 contracted rates are lower than projections in prior forecasts. Actual FFS average costs were also lower than expected resulting in a FFS base reduction which further contributes to forecast savings. However, the reduction in managed care

Continued on next page

Continued from previous page

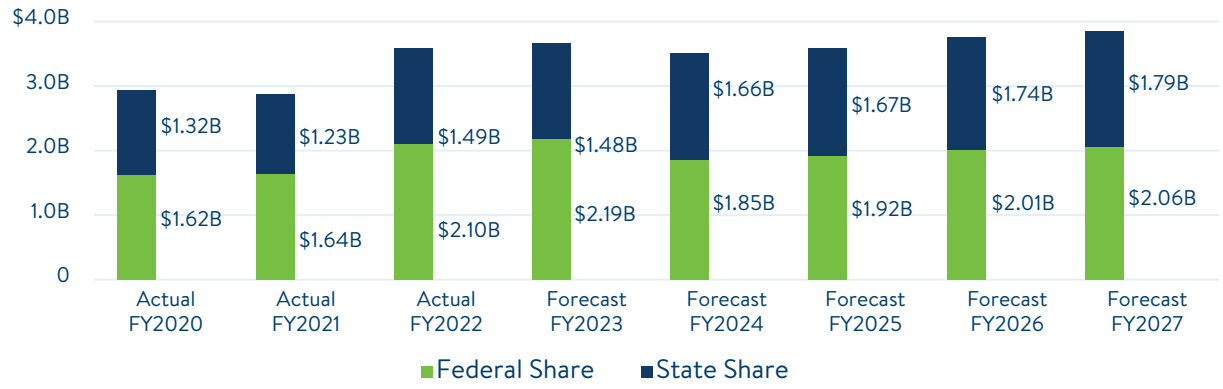
rates accounts for the majority (90%) of the overall average cost change for MA Families with Children. Overall, lower average cost for MA Families with Children results in General Fund savings of $78 million in the 2022-2023 biennium and $277 million in the 2024-2025 biennium.

The third primary driver of forecast reductions is higher pharmacy rebate collections. (Note that pharmacy rebates for all MA populations are included in the Families with Children budget activity due to the technical structure of the forecast.) Pharmacy rebates provide dedicated MA revenue and directly reduce the need for General Fund spending on program costs. Due in large part to higher-than-expected MA enrollment, actual MA pharmacy rebate collections in 2022 were significantly higher than projected in prior forecasts. This base increase produces a corresponding large increase in projected pharmacy rebate revenue throughout the forecast horizon. This increase is partially offset by the loss of supplemental rebates following the sunset of the Drug Formulary Committee (DFC) on June 30, 2023. Without the DFC, under current law, the state would be unable to maintain the MA preferred drug list and would, therefore, lose the ability to command supplemental pharmacy rebates. Despite the projected loss of supplemental rebates, the overall increase in pharmacy rebates produces General Fund reductions of $259 million in the 2022-2023 biennium and $165 million in the 2024-2025 biennium.

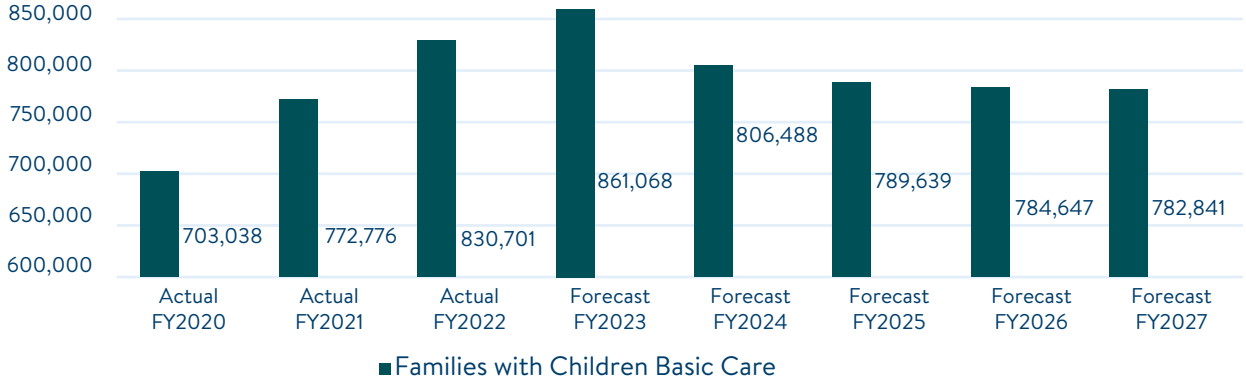
Partially offsetting these forecast reductions is an increase in base MA Families with Children enrollment. Actual enrollment is higher than expected in 2022 leading to a 1% base enrollment increase in the 2022-2023 biennium and a 7% increase in the 2024-2025 biennium. This base adjustment is in addition to the PHE-related continuous coverage enrollment increase discussed above. The base enrollment adjustment in MA Families with Children accounts for about 30% of the overall enrollment increase in the 2022- 2023 biennium and about 50% in the 2024-2025 biennium. The MA Families with Children base enrollment increase results in a projected cost of $37 million in the 2022-2023 biennium and $143 million in the 2024-2025 biennium.

Finally, the November forecast includes adjustments to Medical Education and Research Costs (MERC) which impact the MA Families with Children Basic Care budget activity. Prior forecasts included MA payments to the Minnesota Department of Health (MDH) for distribution to MERC providers. These MA payments were partially funded with transfer revenue from the University of Minnesota, and, through a federal waiver, generated federal financial participation. Since the February forecast, the department was informed that the waiver providing federal funding for MERC payments will not be extended and will sunset on December 31, 2022. As a result, all MERC payments and transfer revenue beyond this sunset date have been removed from the forecast. The result is a net forecast increase of $4 million in the 2022-2023 biennium and a net forecast reduction of $32 million in the 2024-2025 biennium.

Families with Children Basic Care expenditures



Families with Children Basic Care: Average monthly enrollees



Historical table

	Families with Children Basic Care	
FY	Total $	% Change
2012	2,134,178,204	
2013	1,984,933,703	(6.99%)
2014	2,325,681,264	17.17%
2015	2,824,710,042	21.46%
2016	3,132,833,352	10.91%
2017	2,487,241,806	(20.61%)
2018	3,325,147,926	33.69%
2019	2,963,263,740	(10.88%)
2020	3,096,365,963	4.49%
2021	3,009,530,937	(2.80%)
2022	3,722,695,638	23.70%
2023*	3,803,558,550	2.17%
2024*	3,668,047,314	(3.56%)
2025*	3,751,465,868	2.27%
2026*	3,914,447,142	4.34%
2027*	4,008,004,129	2.39%
Avg. Annual Increase 2012-2022		5.00%

**Projected*

Includes family planning, breast and cervical cancer coverage, pharmacy rebates, special funding items and adjustments

Beginning in FY 2011 there are managed care payment delays from odd years to even years which impact the annual percent change.

MinnesotaCare

MinnesotaCare provides health care coverage for low-income parents and adults without children who have higher income than those served on the Medical Assistance program as well as legal noncitizens who are ineligible for MA. Unlike MA, MinnesotaCare requires enrollee premiums and does not include coverage for long-term care services or supports.

Effective January 2015, MinnesotaCare operates 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 premium tax credits each BHP enrollee would have received through MNsure had the state opted against running a BHP.

MinnesotaCare also provides state-only funded coverage for people with Deferred Action for Childhood Arrivals (DACA) status and certain elderly individuals who do not qualify for Medicare and are not MA or BHP eligible. Overall, MinnesotaCare is funded with a mix of enrollee premiums, Health Care Access Fund (HCAF) appropriations, and federal BHP funds (for the BHP eligible population).

Who it serves

- 105,900 average monthly enrollees

How much it costs

- $637 million total spending
- $55 million state funds

Data for FY 2022

November 2022 forecast highlights

Health Care Access Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $210.9 million in 2022-2023 biennium (-66.4%)
- Decrease of $396.4 million in 2024-2025 biennium (-75.4%)

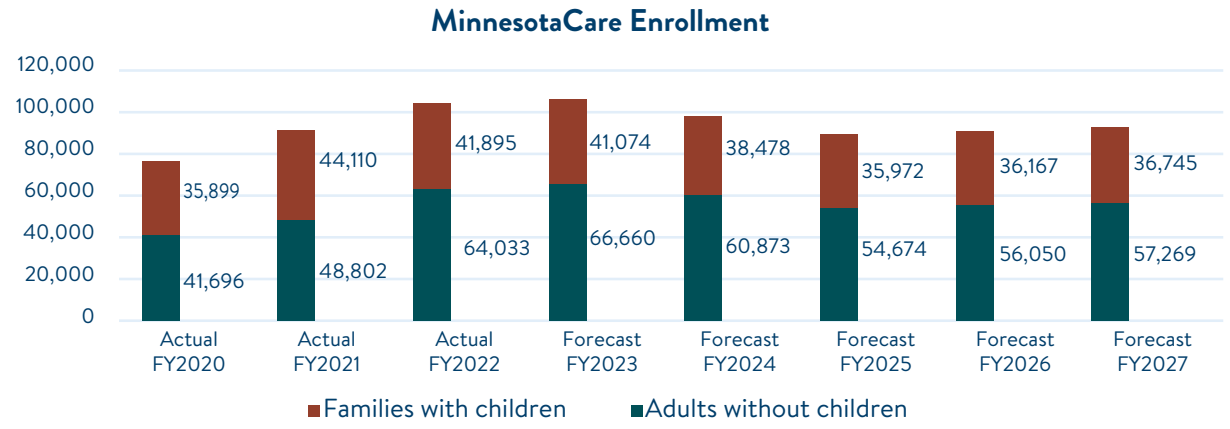
Reasons: The November MinnesotaCare forecast produces large reductions in HCAF spending in both the 2022-2023 and the 2024-2025 biennia. The projected HCAF reductions in both biennia are entirely the result of additional federal funding in the Basic Health Program (BHP), which directly reduces the need for state HCAF spending. The additional federal BHP funding results from two primary forecast adjustments: a change to the federal funding formula and the federal extension of the American Rescue Plan Act (ARPA). These two adjustments account for about 75% of the overall HCAF reduction in the 2022-2023 biennium and the entire reduction in the 2024-2025 biennium.

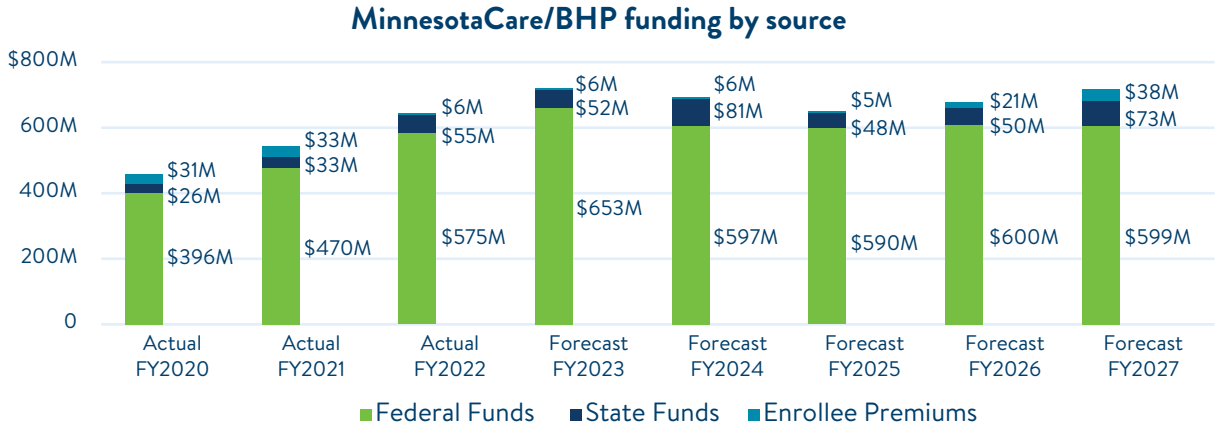
The first source of increased federal revenue is the addition of a new factor in the federal funding methodology to account for the negative impact of the state's private market reinsurance program on federal BHP funding. This factor is added to the federal funding methodology in CY 2023, and is assumed to remain in the formula as long as the state continues to operate its reinsurance program. Federal BHP funding depends on estimated premium tax credits for BHP enrollees which, in turn, depends on private market health insurance premiums. The higher the marketplace premiums, the higher the available premium tax credits, the higher the estimated amount of federal BHP funding. The presence of a reinsurance program generally reduces private market premiums because of the added protection from unexpected losses for health plans. As a result, through lower marketplace premiums, operating a reinsurance program leads to reduced federal BHP funding. The new factor was added to the federal methodology to account for this indirect impact on federal BHP funding in states operating both a BHP and a private market reinsurance program. This reinsurance factor increases federal BHP funding, and reduces state HCAF spending, by $87 million in the 2022-2023 biennium and $277 million in the 2024-2025 biennium.

Continued on next page

Continued from previous page

The second source of increased federal BHP funding is the impact of the 3-year ARPA extension for calendar years 2023 through 2025. One component of ARPA is that it lowers the maximum household out-of-pocket contributions toward health insurance premiums. Lower required household spending on premiums results in higher premium tax credits, all else equal. Higher premium tax credits in the individual market, in turn, increases federal BHP funding. As a result, the ARPA extension is expected to increase federal BHP funding through CY 2025. Specifically, it is projected to increase federal funding, and reduce state HCAF spending, by $67 million in the 2022-2023 biennium and $172 million in the 2024-2025 biennium.





Historical table

	MinnesotaCare Total Expenditures	
FY	Total $	% Change
2012	551,090,615	
2013	569,928,239	3.42%
2014	520,005,344	(8.76%)
2015	509,709,341	(1.98%)
2016	479,909,046	(5.85%)
2017	397,211,084	(17.23%)
2018	426,581,269	7.39%
2019	438,365,628	2.76%
2020	452,661,457	3.26%
2021	536,139,602	18.44%
2022	636,664,399	18.75%
2023*	710,940,433	11.67%
2024*	683,865,395	(3.81%)
2025*	643,358,682	(5.92%)
2026*	671,027,207	4.30%
2027*	709,111,170	5.68%
Avg. Annual Decrease 2012-2022		1.45%

**Projected*

Behavioral Health Fund

The Behavioral Health Fund pays for residential and outpatient substance use disorder treatment services for eligible low-income Minnesotans. To access treatment services paid by the fund, individuals must first be assessed for treatment need and meet financial eligibility guidelines similar to those for Medical Assistance. As part of substance use disorder reform efforts passed in the 2017 legislature, the State is currently transitioning from the previous system of counties and tribes providing "Rule 25" assessments and authorizing treatment, to offering "direct access to treatment," where qualified treatment providers provide comprehensive assessments to determine medical necessity.

Who it serves

- 26,700 unique recipients

How much it costs

- $160 million total spending
- $85 million state funds

Data for FY 2022

November 2022 forecast highlights

General Fund

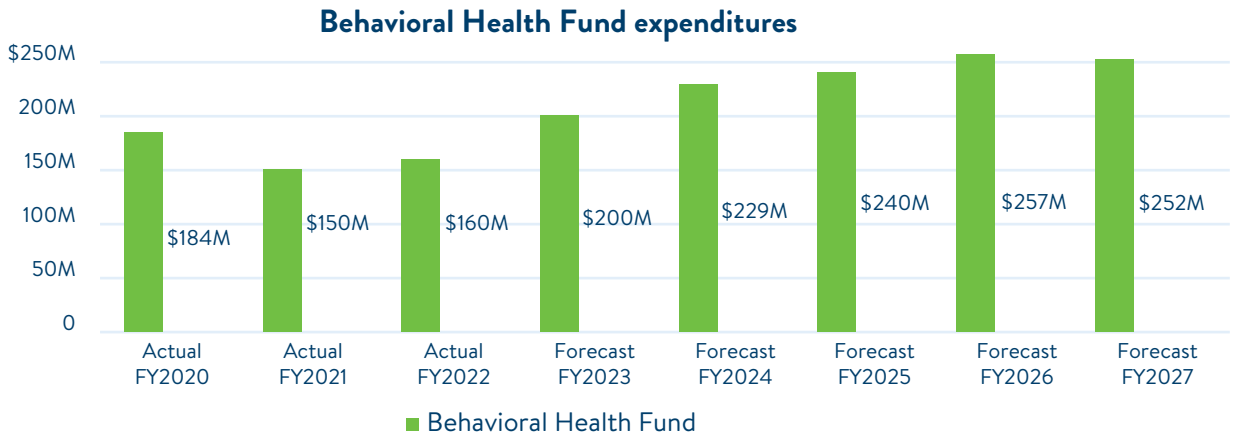
Changes from the End-of-Session 2022 forecast

- Decrease of $0.2 million in 2022-2023 biennium (-0.1%)
- Increase of $13.9 million in 2024-2025 biennium (+7.3%)

Reasons: The November forecast for the Behavioral Health Fund produces little net General Fund change in the 2022-2023 biennium and an increase in the 2024-2025 biennium.

While the net forecast change is small in the 2022-2023 biennium, there are a number of offsetting adjustments that impact the fund. The additional federal matching made available due to the federal PHE extensions produce a General Fund reduction of $0.6 million in the 2022-2023 biennium. The forecast also includes lower SUD costs due mainly to lower-than-expected utilization of SUD residential treatment. These lower SUD treatment costs are projected to reduce General Fund spending by $10 million. Offsetting these forecast savings are increased costs from two primary adjustments. First, the forecast accounts for increased utilization of room and board for certain mental health services, which probably reflects increased utilization of the underlying mental health services. Second, the forecast includes a technical adjustment that reconciles the state share of certain county obligations that were forgiven by the legislature. These county obligations resulted from a DHS settlement with the federal government for federal funds incorrectly claimed for services to recipients who resided in IMDs, which is a bar to eligibility for federal funding. The "un-claiming" of federal funding created the initial county obligation. Higher room and board utilization and this technical adjustment are each projected to increase General Fund spending by $6 million in the 2022-2023 biennium.

The projected General Fund increase in the 2024-2025 biennium is driven entirely by higher projected room and board costs for both recipients of residential mental health services and recipients of residential SUD services covered under managed care. These projected increases are partially offset by reduced costs for SUD treatment resulting from a lower forecast for Withdrawal Management.



HISTORICAL TABLE

	Behavioral Health Fund Total Expenditures	
FY	Total $	% Change
2012	132,221,922	
2013	138,539,414	4.78%
2014	138,744,237	0.15%
2015	169,583,060	22.23%
2016	159,611,752	(5.88%)
2017	186,287,061	16.71%
2018	211,925,848	13.76%
2019	215,706,572	1.78%
2020	184,310,877	(14.55%)
2021	149,925,383	(18.66%)
2022	159,546,209	6.42%
2023*	200,003,162	25.36%
2024*	229,009,028	14.50%
2025*	239,797,902	4.71%
2026*	256,698,711	7.05%
2027*	252,082,865	(1.80%)
Avg. Annual Increase 2012-2022		1.90%

**Projected*

Minnesota Family Investment Program

The Minnesota Family Investment Program (MFIP) provides cash and food assistance for low-income families with children. MFIP operates as Minnesota's federal Temporary Assistance for Needy Families (TANF) program. As such, MFIP cash assistance is funded with a mixture of federal TANF Block Grant and state General Fund dollars determined primarily by the federally mandated Maintenance of Effort (MOE) requirement for state spending on its TANF program.

Who it serves

- 75,700 average monthly recipients

How much it costs

- $337 million total spending
- $166 million state funds

Data for FY 2022

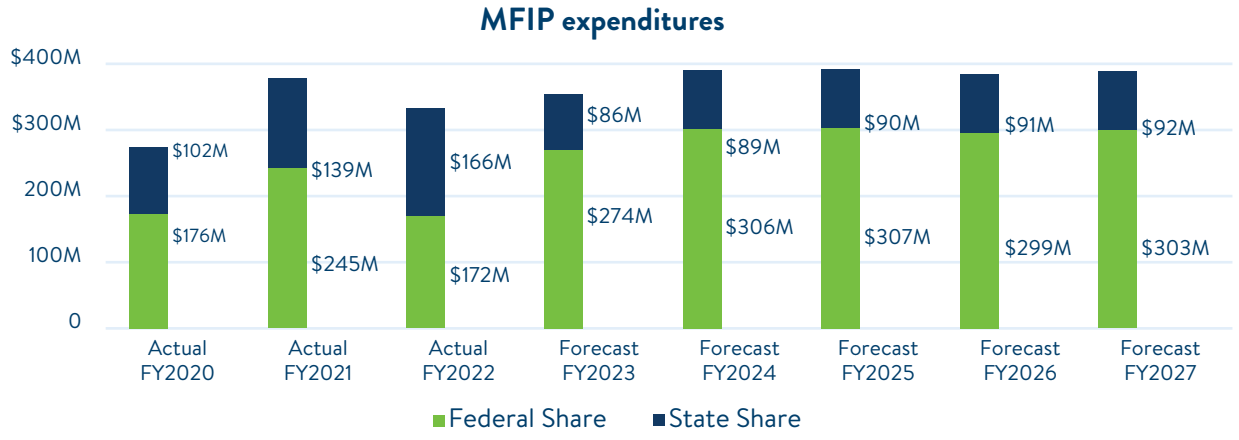
November 2022 forecast highlights

General Fund

Changes from the End-of-Session 2022 forecast

- Increase of $0.6 million in 2022-2023 biennium (+0.2%)
- Increase of $11.6 million in 2024-2025 biennium (+7.3%)

Reasons: The November MFIP forecast produces General Fund increases in both the 2022-2023 and 2024-2025 biennia. While there was a substantial decline in MFIP expenditures due to lower actual caseload in the 2022-2023 biennium, state spending necessary to meet the TANF MOE requirement increased resulting in the entire reduction in program spending being assigned to TANF. In the 2024-2025 biennium, overall MFIP expenditures increased due to higher average payment. General Fund spending for non-TANF eligible households increased as did the amount of state MFIP expenditures necessary to meet the TANF MOE.



Historical table

	Minnesota Family Investment Program (MFIP)	
FY	Total $	% Change
2012	333,591,354	
2013	322,457,424	(3.34%)
2014	297,431,102	(7.76%)
2015	279,723,824	(5.95%)
2016	301,750,210	7.87%
2017	312,674,443	3.62%
2018	293,095,053	(6.26%)
2019	266,620,941	(9.03%)
2020	277,577,083	4.11%
2021	383,876,457	38.30%
2022	337,161,691	(12.17%)
2023*	359,210,009	6.54%
2024*	395,120,604	10.00%
2025*	397,697,157	0.65%
2026*	390,248,605	(1.87%)
2027*	395,296,192	1.29%
Avg. Annual Increase 2012-2022		0.11%

**Projected*

Child Care Assistance

This program 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). The forecast does not include the Basic Sliding Fee child care program.

Who it serves

MFIP/TY Child Care

- 4,600 average monthly families served

How much it costs

MFIP/TY Child Care

- $110 million in total spending
- $0 million state funds

Data for FY 2022

November 2022 forecast highlights

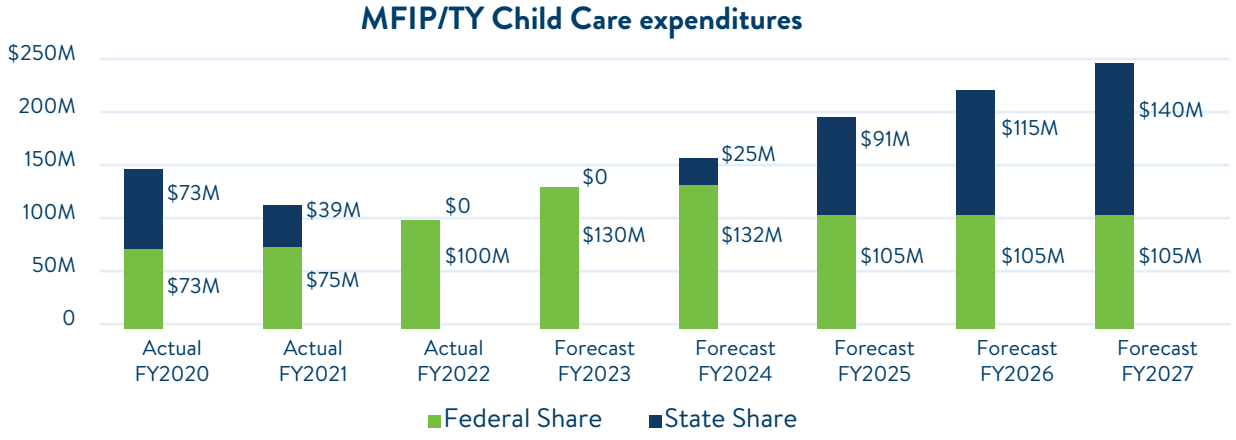
General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $37.0 million in 2022-2023 biennium (-100.0%)
- Decrease of $142.7 million in 2024-2025 biennium (-55.1%)

Reasons: The November forecast for Child Care Assistance produces relatively large General Fund decreases in both the 2022-2023 and the 2024-2025 biennium. The forecast reductions in both biennia are driven by continued caseload decline due to lower-than-expected utilization. The child care program saw steep declines in usage during the early stages of the pandemic. Previous forecasts assumed utilization would recover relatively quickly as the initial impacts of the pandemic waned. Specifically, it was initially assumed that the child care caseload would quickly return to pre-pandemic levels. However, utilization declines have continued in recent months and it is becoming clear that prior expectations for recovery will not be realized. In the November forecast, it is now assumed that child care utilization will take much longer to fully recover resulting in lower projected caseload through SFY2025. Lower utilization explains about two-thirds of the overall forecast reduction while a reduction in average payments accounts for the rest.

Overall, projected reductions in program costs in the current biennium results in enough forecast savings to require no child care expenditures from the state General Fund. This implies that about 70% of the overall reduction in Child Care Assistance program costs are assigned to federal funding in the 2022-2023 biennium.



Historical table

	MFIP/TY Child Care Assistance	
FY	Total $	% Change
2012	116,728,218	
2013	118,035,920	1.12%
2014	128,982,296	9.27%
2015	141,994,040	10.09%
2016	150,602,122	6.06%
2017	161,122,098	6.99%
2018	165,175,205	2.52%
2019	157,475,004	(4.66%)
2020	146,909,847	(6.71%)
2021	114,044,955	(22.37%)
2022	99,960,837	(12.35%)
2023*	130,490,714	30.54%
2024*	157,658,715	20.82%
2025*	195,484,898	23.99%
2026*	219,760,320	12.42%
2027*	244,777,936	11.38%
Avg. Annual Increase 2012-2022		(1.54%)

**Projected*

Northstar Care for Children

Northstar Care for Children is designed to help children who are removed from their homes and supports permanency through adoption or transfer of custody to a relative if the child cannot be safely reunified with parents. Financial support is provided to adoptive and foster parents to encourage permanent placement of children in safe homes. Northstar Care for Children consolidates and simplifies administration of three existing programs: Family Foster Care, Kinship Assistance and Adoption Assistance.

Who it serves

- 18,500 average monthly recipients

How much it costs

- $242 million total spending
- $94 million state funds

Data for FY 2022

November 2022 forecast highlights

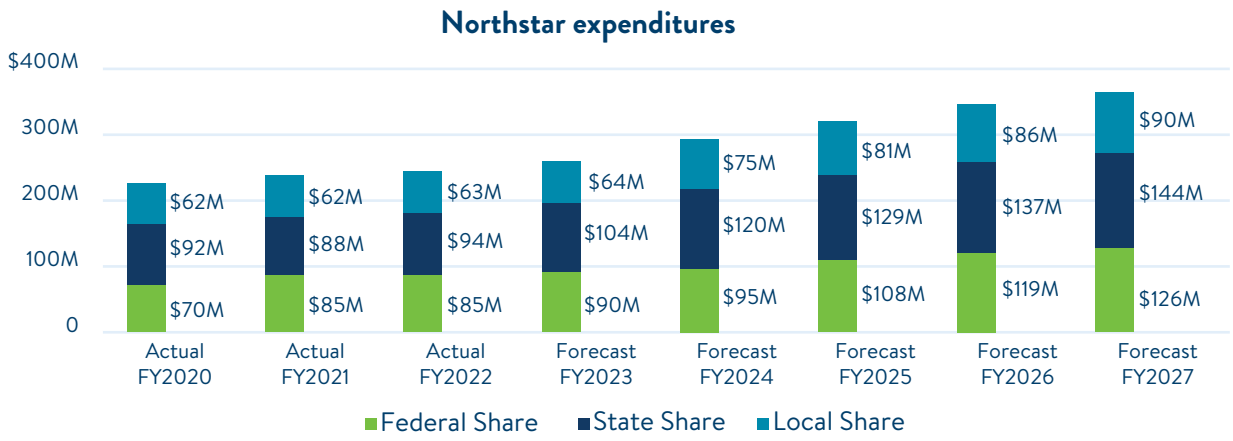
General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $19.4 million in 2022-2023 biennium (-8.9%)
- Decrease of $6.4 million in 2024-2025 biennium (-2.5%)

Reasons: The November forecast for NorthStar Care produces General Fund decreases in both the 2022-2023 and the 2024-2025 biennia. These forecast reductions are primarily due to lower-than-expected actual caseload in both biennia.

The November forecast also includes additional federal funding due to the PHE extensions since the February forecast. The PHE now officially extends into mid-January 2023, which adds three quarters of enhanced federal funding in the Northstar Care program. This enhanced federal funding, which directly replaces state spending, accounts for $4 million of the General Fund forecast reduction in the 2022-2023 biennium.



Historical table

	Northstar Care for Children	
FY	Total $	% Change
2016	$132,201,226	
2017	155,510,705	17.63%
2018	187,750,651	20.73%
2019	211,165,176	12.47%
2020	223,705,208	5.94%
2021	235,489,829	5.27%
2022	242,150,792	2.83%
2023*	257,554,975	6.36%
2024*	290,205,136	12.68%
2025*	317,387,526	9.37%
2026*	341,911,007	7.73%
2027*	359,921,740	5.27%
Avg. Annual Increase 2016-2022		10.61%

**Projected*

The program began being forecasted in 2016.

General Assistance, Housing Support and Minnesota Supplemental Aid

General Assistance (GA) provides state-funded cash assistance for single adults and couples without children, provided they meet one of the specific GA eligibility criteria. The most common reason people are GA eligible is illness or incapacity. The program is the primary safety net for very low income people and helps meet some of their basic and emergency needs. Housing Support (HS) pays for housing and some services for individuals placed by the local agencies in a variety of residential settings. The program, formerly called Group Residential Housing, is a state-funded income supplement program that pays for room and board in approved locations. Two types of eligibility are distinguished: MSA-type recipients are elderly or disabled, with the same definitions as used for MA eligibility, while GA-type recipients include all other adults. Minnesota Supplemental Aid (MSA) supplements the incomes of Minnesotans who are eligible for the federal Supplemental Security Income program. MSA benefits cover basic daily or special needs.

Who it serves

GA

- 22,400 average monthly cases

HS

- 20,000 average monthly recipients

MSA

- 30,500 average monthly recipients

How much it costs

GA

- $50 million total spending, all state funds

HS

- $179 million total spending
- $177 million state funds

MSA

- $50 million total spending, all state funds

Data for FY 2022

November 2022 forecast highlights

General Assistance, General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $0.2 million in 2022-2023 biennium (-0.2%)
- Increase of $1.4 million in 2024-2025 biennium (+1.3%)

Reasons: The November forecast reduction in General Assistance in the 2022-2023 biennium is driven by continued lower-than-expected actual caseload. The General Assistance forecast increase in the 2024-2025 biennium is due to higher average payment for clients in facilities resulting from a 9% increase in the 2023 Federal Benefit Rate (FBR).

Housing Support, General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $4.2 million in 2022-2023 biennium (-1.1%)
- Increase of $3.0 million in 2024-2025 biennium (+0.7%)

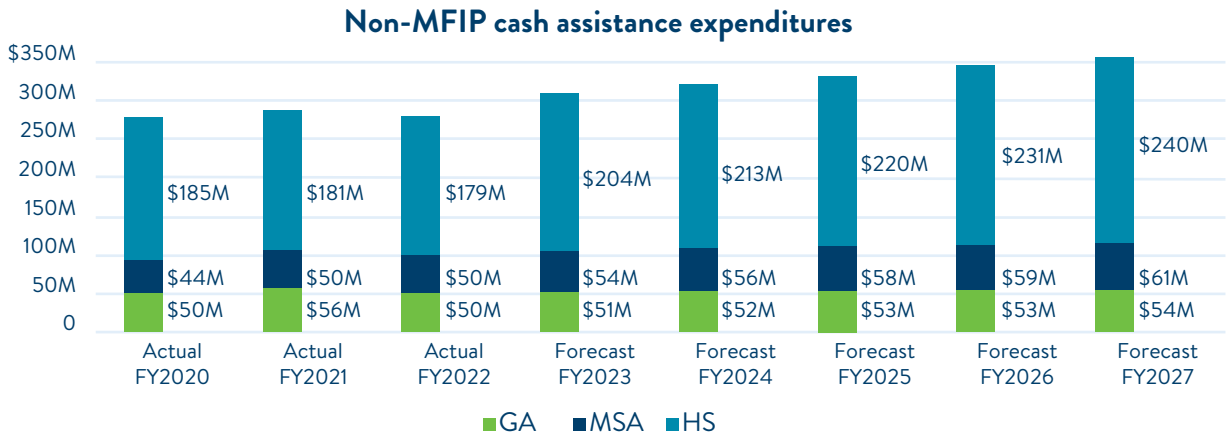
Reasons: The November forecast reduction in Housing Support in the 2022-2023 biennium is driven by continued lower-than-expected actual caseload. The 9% increase in the 2023 Federal Benefit Rate (FBR) affects the room and board rate resulting in a Housing Support forecast increase in the 2024-2025 biennium.

Minnesota Supplemental Aid, General Fund

Changes from the End-of-Session 2022 forecast

- Decrease of $2.0 million in 2022-2023 biennium (-1.9%)
- Increase of $1.0 million in 2024-2025 biennium (+0.8%)

Reasons: The November forecast reduction in Minnesota Supplemental Aid (MSA) in the 2022-2023 biennium is primarily due to lower-than-expected actual caseload. The 9% increase in the 2023 Federal Benefit Rate (FBR) affects the payment standard for the Housing Assistance portion of the MSA program resulting in an overall MSA forecast increase in the 2024-2025 biennium.


Non-MFIP cash assistance expenditures
$350M
300M
250M
200M
150M
100M
50M
0
$185M
$181M
$179M
$204M
$213M
$220M
$231M
$240M
$44M
$50M
$50M
$54M
$56M
$58M
$59M
$61M
$50M
$56M
$50M
$51M
$52M
$53M
$53M
$54M
Actual FY2020
Actual FY2021
Actual FY2022
Forecast FY2023
Forecast FY2024
Forecast FY2025
Forecast FY2026
Forecast FY2027
GA
MSA
HS

Historical table

	General Assistance (GA)		Minnesota Supplemental Aid (MSA)		Housing Support (HS)	
FY	Total $	% Change	Total $	% Change	Total $	% Change
2012	49,552,612		35,767,568		121,678,773	
2013	51,620,198	4.17%	36,038,980	0.76%	130,187,929	6.99%
2014	51,124,719	(0.96%)	36,478,561	1.22%	138,708,619	6.54%
2015	51,435,727	0.61%	37,066,951	1.61%	141,396,622	1.94%
2016	50,443,730	(1.93%)	37,735,036	1.80%	149,460,915	5.70%
2017	49,556,022	(1.76%)	38,309,226	1.52%	159,456,706	6.69%
2018	48,883,093	(1.36%)	39,065,624	1.97%	160,535,838	0.68%
2019	50,301,759	2.90%	41,128,443	5.28%	166,972,636	4.01%
2020	49,778,343	(1.04%)	43,502,787	5.77%	184,631,491	10.58%
2021	56,011,116	12.52%	50,075,641	15.11%	180,881,960	(2.03%)
2022	49,691,402	(11.28%)	50,059,850	(0.03%)	179,487,035	(0.77%)
2023*	50,776,193	2.18%	54,093,913	8.06%	203,918,453	13.61%
2024*	51,965,592	2.34%	56,194,776	3.88%	212,924,467	4.42%
2025*	53,033,763	2.06%	57,684,118	2.65%	220,407,179	3.51%
2026*	53,478,181	0.84%	59,400,169	2.97%	231,464,910	5.02%
2027*	53,848,274	0.69%	61,221,768	3.07%	240,189,924	3.77%
Avg. Annual Increase 2012-2022		0.03%		3.42%		3.96%

**Projected*

November 2022 forecast changes: In a nutshell

Millions of dollars

	2022-2023 Biennium	2024-2025 Biennium
General Fund Total Change	(1,184.2)	(719.9)
General Fund Percent Change	(8.7%)	(4.5%)
Summary Changes Across All Budget Activities		
Extend Public Health Emergency (Apr 2022 - Jan 2023)	(607.9)	100.6
Low utilization (MA nursing facilities and child care)	(137.3)	(217.0)
Decreased average cost in MA basic care	(138.5)	(481.0)
Increased MA pharmacy rebates	(258.9)	(164.5)
Other changes	(41.7)	42.0
Detail Changes By Budget Activity		
MA LTC Facilities:	(123.5)	(104.3)
Extend Public Health Emergency (Apr 2022 - Jan 2023)	(55.0)	0.1
Nursing Facilities: lower recipients -7.4%, -11.3%	(58.3)	(122.6)
Nursing Facilities: average payment -0.3%; +4.4%	(0.4)	48.9
FMAP increase to 51.49% (effective Oct 2023)	0.0	(15.5)
Other changes	(9.8)	(15.1)
MA LTC Waivers:	(329.3)	(131.7)
Extend Public Health Emergency (Apr 2022 - Jan 2023)	(256.4)	4.0
Disa.Waivers: higher recips +0.3%, lower avg pmt -0.7%	(27.0)	(10.0)
Home Care Nursing: lower recips -6.7%, lower avg pmt -4.5%	(11.3)	(15.9)
PCA : lower recipients -3.2%,-6.9%	(28.3)	(67.1)
CFSS delay to April 2023	14.6	15.6
Waiver Reimagine delay to Jan 2026	0.0	20.5
FMAP increase to 51.49% (effective Oct 2023)	0.0	(73.6)
Other changes	(20.8)	(5.2)
MA Elderly and Disabled Basic:	(263.0)	(80.4)
Extend Public Health Emergency (Apr 2022 - Jan 2023)	(171.7)	18.1
Average cost	(39.8)	(157.5)
Federal Part D clawback payments	(18.7)	22.8
CFSS delay to April 2023	(0.3)	15.2
FMAP increase to 51.49% (effective Oct 2023)	0.0	(44.8)
Technical adjustment in SNBC	0.0	40.8
Other changes	(32.5)	25.0
MA Adults with No Children	42.3	33.6
Extend Public Health Emergency (Apr 2022 - Jan 2023)	30.5	20.7
Enrollment +6%, +10%	40.5	60.8
Average cost	(20.7)	(46.8)
Other changes	(8.0)	(1.2)
MA Families with Children Basic:	(448.2)	(319.0)
Extend Public Health Emergency (Apr 2022 - Jan 2023)	(150.4)	57.6
Enrollment +1%, +7%	37.2	142.5
Average cost	(77.9)	(276.7)
Pharmacy rebates	(258.9)	(164.5)
MERC federal waiver sunset	4.4	(32.2)
FMAP increase to 51.49% (effective Oct 2023)	0.0	(46.2)
Other changes	(2.6)	0.5

Continued on next page

Continued from previous page

	2022-2023 Biennium	2024-2025 Biennium
November 2022 Forecast Changes		
Behavioral Health Fund	(0.2)	13.9
Extend Public Health Emergency (Apr 2022 - Jan 2023)	(0.6)	0.0
SUD treatment	(9.6)	(2.3)
SUD & MH room & board	5.8	16.6
Technical adjustment to county IMD share	6.4	0.0
Other changes	(2.2)	(0.3)
Minnesota Family Investment Program	0.6	11.6
TANF MOE adjustments	0.6	4.8
Other changes	0.0	6.8
Child Care Assistance	(37.0)	(142.7)
Lower utilization -21%, -19%	(79.0)	(94.4)
Lower average cost -16%, -9%	(45.2)	(34.9)
State share impact of federal funding adjustments	87.2	(13.4)
Northstar Care for Children	(19.4)	(6.4)
Extend Public Health Emergency (Apr 2022 - Jan 2023)	(4.2)	0.0
Lower recipients	(15.2)	(6.4)
General Assistance	(0.2)	1.4
Housing Support	(4.2)	3.0
Minnesota Supplemental Aid	(2.0)	1.0
Health Care Access Fund Total Change	(210.9)	(396.4)
Health Care Access Fund Percent Change	(16.6%)	(19.7%)
MinnesotaCare HCAF Funding	(210.9)	(396.4)
Extend Public Health Emergency (Apr 2022 - Jan 2023)	12.0	0.0
BHP expenditure changes	(2.1)	140.5
Reinsurance factor added to federal BHP funding formula	(87.3)	(276.8)
3-year ARPA extension impact on federal BHP funding	(66.7)	(171.6)
Other federal BHP funding changes	(69.4)	(89.1)
Other changes	2.7	0.6
MA HCAF Funding	0.0	0.0
TANF Total Change	(16.3)	(0.5)
TANF Percentage Change	(13.7%)	(0.2%)
Minnesota Family Investment Program	(16.3)	(0.5)

Note: Represents the change from the End-of-Session 2022 forecast.

Contacts and additional resources

Dave Greeman Chief Financial Officer
Minnesota Department of Human Services
651-431-2582
dave.greeman@state.mn.us

Shawn Welch Director, Reports and Forecasts Division
Minnesota Department of Human Services
651-431-2939
shawn.m.welch@state.mn.us

Susan Snyder Assistant Director, Reports and Forecasts Division
Minnesota Department of Human Services
651-431-2947
susan.k.snyder@state.mn.us

Resources

Minnesota Department of Human Services Reports and Forecasts Division
https://mn.gov/dhs/reports-and-forecasts/

Minnesota Department of Human Services current biennium budget activities
https://mn.gov/dhs/budget-activities/

State of Minnesota forecast
https://mn.gov/mmb/forecast/

DEPARTMENT OF HUMAN SERVICES