

HF1199 - 0 - "ICF/DD Rate Increase"

Chief Author: **Nels Pierson**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/07/2015**
 Agency: Human Services Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	6,606	11,292	12,845	15,408
Total	-	6,606	11,292	12,845	15,408
Biennial Total			17,898		28,253

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Susan Earle Date: 4/7/2015 6:02:49 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	6,606	11,292	12,845	15,408	
Total	-	6,606	11,292	12,845	15,408	
	Biennial Total		17,898		28,253	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	6,648	11,329	12,882	15,445	
Total	-	6,648	11,329	12,882	15,445	
	Biennial Total		17,977		28,327	
2 - Revenues, Transfers In*						
General Fund	-	42	37	37	37	
Total	-	42	37	37	37	
	Biennial Total		79		74	

Bill Description

Section 1 of this bill changes the wage component in the Disability Waiver Rate System (DWRS) for residential asleep-overnight staff from \$7.66 per hour to the greater of the state or federal minimum wage.

Section 2 of this bill provides a rate increase to Intermediate Care Facilities for Persons with Developmental Disabilities (ICF/DD) when the facility can demonstrate an increase in costs due to minimum wage increases.

Assumptions

The Disability Waiver Rates System (DWRS) calculates rates for services in the Community Alternatives for Disabled Individuals (CADI), Brain Injury (BI), Community Alternative Care (CAC), and Developmental Disability (DD) waiver programs. Rates are based on formulas and component values established in M.S. 256B.4914.

Section 1 of this bill changes the wage component for residential asleep-overnight staff from \$7.66 per hour to the greater of the state or federal minimum wage. This change affects rates paid in corporate foster care and supportive living services. As a result of this change, the component value will increase based on established increases in the state minimum wage for large employers as defined in M.S.177.24.

Minimum Wage: The state minimum wages for large employers are listed in the table below. Beginning January 1, 2018, the state minimum wage will be adjusted by either 2.5% or a factor determined by the commissioner of labor and industry. This analysis assumes that it will be adjusted by 2.5%.

Effective Date	State Minimum Wage
Aug. 1, 2015	\$9.00 per hour
Aug. 1, 2016	\$9.50 per hour
Jan. 1, 2018	\$9.74 per hour
Jan 1, 2019	\$9.98 per hour

Estimated percentage increase: These changes to the rate component will increase overall spending on corporate foster care and supportive living services by 1.22% to 2.11%.

Effective Date: The effective date of this bill is July 1, 2015. This analysis includes costs for increasing the DWRS component value for minimum wage increases that occur after this date. No costs have been included for minimum wage values that occurred prior to July 1, 2015. If this bill is intended to provide retroactive rate increases for minimum wage changes that happened before that date, there would be additional costs to the Medicaid program and these costs would not be eligible for federal participation.

Banding: This analysis assumes that the increases will be passed through and are not affected by banding.

Systems Impact: As a result of this change, it will be necessary to reprogram the component value and test the DWRS every year. Currently, this type of work is only scheduled to happen every five years. This analysis includes costs for the increased programming and testing.

Payment Effect: This analysis includes a 30 day payment effect (delay) to account for the fact that Medical Assistance (MA) pays claims retrospectively.

State Share: The state share of Medical Assistance costs in these programs is 50%.

Section 2

Section two of this bill provides a rate increase to Intermediate Care Facilities for Persons with Developmental Disabilities (ICFs/DD) when the facility can demonstrate an increase in costs due to minimum wage increases as defined in section 177.24. Costs attributable to minimum wage increases include salary increases and the employers share of FICA, Medicare taxes, employer-sponsored retirement plans, federal and state unemployment insurances, and workers compensation.

Minimum Wage: This analysis assumes that state minimum wages for large employers, listed in the table below, will apply to ICFs/DD. Beginning January 1, 2018, the state minimum wage will be adjusted by either 2.5% or a factor determined by the commissioner of labor and industry. This analysis assumes that it will be adjusted by 2.5%.

Effective Date	State Minimum Wage
Aug. 1, 2015	\$9.00 per hour
Aug. 1, 2016	\$9.50 per hour
Jan. 1, 2018	\$9.74 per hour
Jan 1, 2019	\$9.98 per hour

Minimum Wage Related Costs: The employers share of FICA, Medicare taxes, federal and state unemployment insurances, and workers compensation is estimated to be about 12.0% of wages. Data on retirement contributions for ICF/DD employees is not currently available, but are expected to be relatively low. Those costs are not included in this estimate.

Affected Employees: Data on wages paid to ICF/DD employees is not available. However, in developing the DWRS, considerable research was done on wages paid to direct care staff. Based on this research and wage components that were included in the Disability Waiver Rate System for residential service providers, many of whom also provide ICF/DD services, the minimum wage increase is expected to primarily affect overnight sleep staff. These employees are estimated to earn the current minimum wage of \$8.00 per hour. The number of staff affected is based on 2013 data on the size of facilities and estimated ratios of staff to facility beds.

Estimated percentage increase: ICF/DD rates will be increased by 0.68% to 1.35% for costs attributable to minimum wage increases for affected employees.

Effective Date: August 1, 2015. This analysis only includes costs for rate increases due to minimum wage increases on or

after August 1, 2015. If this bill is intended to provide retroactive rate increases for minimum wage changes that happened before that date, there would be additional costs to the Medicaid program and these costs would not be eligible for federal participation.

Administrative Impact: In order to receive a rate increase, facilities must submit an application to the commissioner of the department of human services (DHS) within six months of the minimum wage increase. DHS is responsible for auditing and verifying the cost increase in order to determine the appropriate rate increase. This analysis includes the cost of one (1) FTE to implement the application process, review applications, provide technical assistance to facilities, and accommodate the additional auditing that will be needed.

Payment Effect: This analysis includes a 30 day payment effect (delay) to account for the fact that Medical Assistance (MA) pays claims retrospectively.

State Share: For services to residents residing in larger ICFs/DD, the state share is 90% of the non-federal share, so the state share of the total MA costs in this bill are 47.8%. The county share for ICF/DDs is 2.2%.

Expenditure and/or Revenue Formula

Section 1: Residential Services Base Wage Component	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
1. Current Corporate Foster Care and SLS Projected Spending	1,187,200,949	1,284,777,493	1,392,879,395	1,489,123,510
2. Percentage increase to change residential asleep-overnight staff base wage	1.22%	1.68%	1.89%	2.11%
3. Annualized increase for SLS and Corporate Foster Care	14,483,852	21,584,262	26,325,421	31,420,506
4. Number of months effective in fiscal year				
8/1/15 increase to \$9.00/hour	11	1		
8/1/16 increase to \$9.50/hour		11	6	
1/1/18 increase to \$9.74/hour			6	6
1/1/19 increase to \$9.98/hour				6
5. Cost adjusted for effective dates	13,276,864	20,992,561	23,954,841	28,872,963
6. 30 day payment effect (delay)	92%	100%	100%	100%
7. Total MA cost of section	12,170,459	20,992,561	23,954,841	28,872,963
8. State MA Cost (50%)	6,085,229	10,496,281	11,977,421	14,436,482
9. Systems: Annual edits and testing to Rate Management System	50,000	50,000	50,000	50,000
10. State Costs of Section 1 (000's)	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>

Section 1: Residential Services Base Wage Component	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
MA Grants	6,085	10,496	11,977	14,436
Systems: Rate Management system	50	50	50	50
Total Cost	6,135	10,546	12,027	14,486
Section 2: ICF/DD Rate Increase for Minimum Wage Change Costs	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
11. ICF/DD Spending	143,352,398	142,401,228	141,374,548	140,263,657
12. Percentage rate increase for ICF/DD minimum wage increases	0.68%	1.02%	1.19%	1.35%
13. Annualized increase for ICF/DD	977,882	1,457,091	1,678,039	1,894,488
14. Number of months effective in fiscal year				
8/1/15 increase to \$9.00/hour	11	1		
8/1/16 increase to \$9.50/hour		11	6	
1/1/18 increase to \$9.74/hour			6	6
1/1/19 increase to \$9.98/hour				6
15. Cost adjusted for effective dates	896,392	1,417,157	1,567,565	1,786,264
16. 30 day payment factor	92%	100%	100%	100%
17. Total MA cost of section	821,693	1,417,157	1,567,565	1,786,264
18. State MA Cost (47.8%)	392,769	677,401	749,296	853,834
19. Admin: 1 FTE	120,000	105,000	105,000	105,000
20. State Costs of Section 2 (000's)	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
MA Grants	393	677	749	854
Admin	120	105	105	105
FFP 35%	(42)	(37)	(37)	(37)
Net Total Cost	471	745	817	922
Total State Costs of HF1199 (000's)	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>

Section 1: Residential Services Base Wage Component	FY 2016	FY 2017	FY 2018	FY 2019
MA Grants	6,478	11,174	12,727	15,290
Admin	120	105	105	105
Systems: RMS	50	50	50	50
Admin FFP (35%)	(42)	(37)	(37)	(37)
Total State Costs	6,606	11,292	12,845	15,408

Fiscal Summary (000's)						
Fund	BACT	Description	FY 2016	FY2017	FY2018	FY2019
GF	33	MA Grants: LW	6,085	10,496	11,977	14,436
GF	33	MA Grants: LF	393	677	749	854
GF	14	Continuing Care Admin	120	105	105	105
GF	11	Systems: RMS	50	50	50	50
GF	REV1	Admin FFP (35%)	(42)	(37)	(37)	(37)
		Total Net Fiscal Impact	6,606	11,291	12,844	15,408
		Full Time Equivalent	1	1	1	1

Long-Term Fiscal Considerations

This bill has an estimated state share cost of \$15,408,000 in SFY 2019 and will be an ongoing impact. There may be additional increases in SFY2020 and beyond since the state minimum wage may be adjusted annually.

Local Fiscal Impact

Counties pay a 2.2% of the non-federal share for ICFs/DD that have 7 or more beds (see line 17 in the calculations section above). As a result of the rate increases, county costs will also increase. The estimated aggregate county cost in FY 19 is about \$39,300.

References/Sources

February 2015 Forecast

Disability Waiver Rate System

DHS Research and Analysis

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