

Human Services

FY16-17 Biennial Budget Change Item

Change Item: DHS Resources for MNSure Systems Development and Operations

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	\$8,182	\$9,288	\$9,743	\$9,743
Revenues	0	0	0	0
Other Funds: Health Care Access Fund				
Expenditures	(3,033)	(2,765)	(3,220)	(3,220)
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	\$5,149	\$6,523	\$6,523	\$6,523
FTEs	0	0	0	0

Recommendation:

Effective July 1, 2015, the Governor recommends a net state funds total increase of \$11.672 million for the 2016-17 biennium to fund the DHS share of MNSure costs. Of this, \$10.5 million is for continued development of the MNSure IT system beyond FY 2015 and \$1.172 million is for the DHS share of MNSure ongoing business operations costs.

This recommendation encompasses General Fund and Health Care Access Fund appropriations. The Governor's recommendation is for a General Fund increase of \$17.470 million, and a Health Care Access Fund decrease of \$5.797 million, in the 2016-17 biennium.

Rationale/Background:

Over the past two years, MNSure, DHS and MN.IT have worked together to develop the MNSure IT system. In October 2013, Minnesotans were able to access the system to enroll in various health programs including medical assistance, MinnesotaCare (BHP) and private health insurance plans. Since that time, the MNSure system has continued in development stage with significant investments in all of the functions including reporting, renewals, change in circumstance and many others. DHS has a responsibility to share in the systems costs for MNSure because many of the enrollees are in public programs. In December 2014, MNSure's federal funding was increased by \$21 million for IT, allowing for the acceleration of the IT system development effort. In conjunction with this increase, the federal Medicaid program funding available for this effort has also increased. The federal Medicaid program requires a state match of approximately 10-15% on IT system development, which is included in this budget recommendation.

In 2013 DHS received funding from the legislature for the DHS share of projected MNSure ongoing operations costs (business and IT). At the time, the funding was based on certain assumptions around the case mix between public and private programs and also on assumptions about how costs would be allocated between MNSure and DHS. Over the past year, we have gained more experience and have actual enrollment data to be able to refine the cost allocation methodology.

The change from the original fiscal note is summarized below:

- The original case mix assumption in the fiscal note was that public program participants would make up about 66% of the total cases. Based on actual experience, we now project public program cases to be about 91%.
- The original fiscal note assumed that DHS would pay about 29% of the MNSure operating costs based on the case mix and other assumptions about duties and public program work. After doing a very detailed cost allocation, the DHS share of MNSure operations costs is about 65%.

Based on the updated cost estimate for the DHS pieces of MNSure operations costs, DHS needs additional state funded resources of \$1.172 million in FY2016-17. This amount is a net total (General Fund increase and Health Care Access Fund decrease) that reflects the current cost allocation of MNSure and their budget plan. The DHS share of these business operations costs is a second component of this budget recommendation.

Proposal:

For IT development, DHS is requesting net state funded resources of \$7 million in FY2016, \$3.5 million in FY2017, and \$3.5 million annually thereafter to support the DHS share of the MNSure systems costs. In the 2016-17 biennium these resources are funded 74% from the General Fund and 26% from the Health Care Access Fund. Beginning in FY2018 the resources are funded 87% from the General Fund and 13% from the Health Care Access Fund. These amounts include funding to pay for the DHS share of costs to

continue to develop the existing MNsure system. This amount may be refined with the February forecast, when we will have the most current data on the trend in the case mix between public and private program participants using the MNsure IT system.

DHS is also requesting new net state funding of \$1.172 million in FY 2016-17 and \$3.023 million annually thereafter for MNsure business operations costs that are for the public health care programs that DHS administers. This ensures that DHS has the resources we will need to cover MNsure business operations costs (such as general administration, enrollment and management services) that are appropriately cost allocated to public programs.

Results:

DHS will monitor and report on the number of calls to the help desk from program participants to assess the impact of these systems improvements. In addition, DHS will report the number of paper applications versus the number of clients enrolling through the MNsure system. On the operations side, DHS will monitor the trend in the case mix between public and private programs.

Statutory Changes(s):

NA

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (000's)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund			0	8,182	9,288	17,470	9,743	9,743	19,486
HCAF Fund				(3,033)	(2,765)	(5,798)	(3,220)	(3,220)	(6,440)
Federal TANF									
Other Fund									
Total All Funds			\$0	\$5,149	\$6,523	\$11,672	\$6,523	\$6,523	\$13,046
Fund	BACT #	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	11	Operations- MNsure IT (Transfer Out)		5,180	2,590	7,770	3,045	3,045	6,090
HCAF	11	Operations-MNsure IT (Transfer Out)		1,820	910	2,730	455	455	910
GF	11	Operations-MNsure (Transfer Out) Operating costs		3,002	6,698	9,700	6,698	6,698	13,396
HCAF	13	Operations-DHS (state) share of MNsure operations		(4,853)	(3,675)	(8,528)	(3,675)	(3,675)	(7,350)
Requested FTE's									
				0	0		0	0	