Preliminary

Fiscal Note **2023-2024 Legislative Session**

HF2 - 3A - Paid Family & Medical Benefits Empl Leave

Chief Author: **Ruth Richardson**
Commitee: **Workforce Development Finance**
Date Completed:
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)		Biennium		Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	2,649	-	530	729
Total	**-**	**2,649**	**-**	**530**	**729**
Biennial Total			**2,649**		**1,259**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

LBO Analyst's Comment

LBO Signature: **Date:**
Phone: **Email:**

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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	2,649	-	530	729
	Total	**-**	**2,649**	**-**	**530**	**729**
	Biennial Total			**2,649**		**1,259**
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund		-	2,649	-	530	729
	Total	**-**	**2,649**	**-**	**530**	**729**
	Biennial Total			**2,649**		**1,259**
2 - Revenues, Transfers In*						
General Fund		-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**-**
	Biennial Total			**-**		**-**

Bill Description

This bill establishes a new statewide state-administered paid family and medical leave insurance program providing Minnesota workers with up to 12 weeks of partial wage replacement for medical and up to 12 weeks for family leave. This state insurance fund will be financed by contributions from both employers and employees.

This bill proposes a .7% premium on all salaries of all employers including Nursing Homes, up to the Social Security Maximum income limit starting to be paid in July 1, 2025. Employers including Nursing Homes may, but are not required to, deduct 50% of the premium from an employee’s wages. Since Nursing Homes are reimbursed using a cost based method, this will cause an increase in the rates that are set beginning on July 1, 2027, going forward. In Fiscal Year 2027 the cost is estimated to be $199K due to 2027 rates only including 3 months of costs reported for the period ending 9/30/2025. Also, since the rate year begins January 1, 2027, due to the payment delay of one month, FY 2027 will only include 5 months of payments. Beginning in Fiscal Year 2028 the estimated cost per year is approximately $1.1 Million.

This bill includes provisions related to the eligibility of applicants receiving public assistance from programs governed by Minnesota Statutes, chapter 256P, including General Assistance and Minnesota Supplemental Aid under 256D, childcare assistance programs under 119B, Housing Support under 256I, and the Minnesota Family Investment Program and Diversionary Work Program governed by chapter 256J. The proposal would also have implications for the Medical Assistance and MinnesotaCare programs governed by chapters 256B and 256L.

Assumptions

Impacts to Nursing Facilities

- There are numerous different effective dates within this bill.
- Nursing facilities will begin to incur the costs associated with this bill starting with the rate year effective July 1, 2025.
- Minnesota's first state fiscal year related to this bill ends on June 30, 2027. Medical Assistance and Private Pay daily nursing facility payment rates will be affected by this bill for dates of service on and after January 1, 2027.
- A 30 day payment delay factor was used; payment for nursing facility services lags the provision of services by one month.
- Specific program impacted: Medical Assistance Long-Term Care Facilities
- Projected number of people impacted daily by the private pay rate increase associated with this bill: 3,842.
- This bill will impact all employees of nursing facilities in Minnesota; this is estimated to be 31,000 people.
- It is expected that nursing facilities will experience 75% of the cost of the premiums for this bill and employees will

experience 25%. This bill allows for the employer to deduct up to 50% of the cost of the premium from the employee's wages. However, it is not required that employers deduct the full 50%, this may be seen as a potential new benefit to help attract and retain employees and some employers may choose to deduct only a portion of the 50% of the premium cost or no premium cost from the employee's wages.

- The fiscal note is based on 2021 salaries, it is expected that salaries will increase in five years by a wage inflation factor each year.
- The bill requires that facilities to have both types of insurance whether self-funded or through the state, but regardless of funding type, these costs will be allowable as part of the rate. These costs will be subject to Medicare principles to be allowable, specifically those involving self-funded insurance and prudent buyer. The cost cannot exceed the .7% premium that is laid out in this bill.
- There will be an impact to the Medicaid and Private Pay nursing facility rates annually if this bill is enacted. The rate impact is estimated to be an increase of $0.28 per resident day in SFY 2027 and an increase of $1.14 cents in SFY 2028. This bill will continue to impact nursing facility rates beyond SFY 2028 for as long as it is in effect.
- Resident days are expected to change annually. These annual changes in resident days are reflected in this analysis; they are based on the forecasted days from the November 2022 Forecast.
- Federal approval is not needed to implement this bill.
- There are federal and county costs associated with this bill and these amounts are shown in the table below. The state share of costs is determined by amounts paid by these other governmental units
- There are no administrative costs associated with this bill. This bill can be implemented with the existing Department resources.
- There are no Systems (IT) costs associated with the impacts to nursing facilities in this bill. Systems changes are not needed to implement the impacts associated with nursing faciliities in this bill.

Impacts to Public Assistance Programs

There is no fiscal impact to DHS public assistance program reflected in this estimate. The bill language establishes paid family and medical leave as a new benefit program and clarifies how this income would be used to determine eligibility and benefits for MFIP. It also adds the new family and medical leave program to the list of "earned income" eligibility criteria in Chapter 256P which governs General assistance and Minnesota supplemental aid under chapter 256D, child care assistance programs under chapter 119B, and Housing Assistance governed by chapter 256I, in addition to MFIP and DWP. The fiscal impact to MFIP and other economic assistance programs is indeterminate in that it may result in increased or decreased expenditures, depending primarily on the pattern of take-up of the leave benefit among actual and potential economic assistance recipients. In addition, this benefit might have longer-run impacts that could lead to changed employment, wages, and consumer prices that would affect the conditions under which families take-up economic assistance benefits. This program would also affect Medical Assistance and MinnesotaCare eligibility, but the impact is indeterminate since the program could either increase or decrease eligibility. This estimate therefore also does not include any fiscal impacts resulting from changes in health care program eligibility enrollment or disenrollment.

The fiscal costs included in this estimate are for impacts on DHS systems, including MAXIS, MEC², and METS. This new income type must be considered in eligibility determination for the following programs: MFIP, DWP, SNAP, Housing Support, MSA, GA, RCA, MA, MinnesotaCare, and CCAP. Because MAXIS is an integrated system, there are also implications for title IV-E. Since each of these programs have unique eligibility criteria, policies, and program rules regarding how various categories of income are treated and the level of benefits received by individual applicants, programming changes to each of these systems are necessary.

Expenditure and/or Revenue Formula

Nursing facility employee wage costs from 2021 were increased by a wage inflation factor to estimate these costs for the 2025 calendar year. The 2025 wage costs were multiplied by the 0.7% premium percentage to determine the total cost of the premiums for the calendar year 2025. The 2025 premium costs were multiplied by 25% to determine the amount of the premium costs for 2025 that the nursing facilities will incur. This employer portion of costs was prorated to reflect the three months of wage costs that will be reported on the 2025 Cost Reports that will subsequently be used to set the Medicaid payment rates for calendar year 2027. The pro-rated 2025 wage costs were divided by total resident days to compute the per resident day rate increase for the 2026 calendar year of $0.28. The $1.14 rate increase was multiplied by the forecasted nursing facility days to estimate the costs to the Medicaid program for the calendar year 2027. Finally, a cost impact delay of 41.37% was applied to the 2027 costs to account for the difference between the state fiscal year and the calendar year time periods, and to account for the 30 day payment delay. Only five months of calendar year 2027 costs will be incurred by the Medicaid program in state fiscal year 2027; the remainder will be incurred in state fiscal year 2028.

This table shows the direct impact to state and local government. Reductions shown in the parentheses.

FISCAL NOTE COMPUTATIONS:				
Calendar Year				
Total Annual costs	**CY 2024**	**CY 2025**	**CY 2026**	**CY 2027**
Paid Family Leave Insurance				**$ 0.28**
Forecast calendar days - November 2022	-	-	-	3,786,141
Total Annual Costs/(Savings)	$ -	$ -	$ -	$ 1,060,120
Total Annual Costs/(Savings) (in thousands)	$ -	$ -	$ -	$ 1,060
Conversion to Fiscal Year	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**
	-	-	-	-
SFY payment delay		41.37%	41.37%	41.37%
Projected MA costs/(savings)	**-**	**-**	**-**	**439**
Federal share	-	-	-	235
State budget	-	-	-	199
County share	-	-	-	5
MA Grants (state budget) **BACT 33 LF**	0	0	0	199
Administrative Costs - FTE				
Administrative Costs - Other				
FFP on Administrative Costs				
Total Costs/(Savings) (in thousands)	0	0	0	199
-	-	-	-	-
FMAP percentages				53.61%
County percentage of the Non-federal share				1.15%

IT systems changes would be required to implement this change in MAXIS, the computer system used by state and county workers to determine eligibility for cash assistance programs, MEC2, the online system to administer the child care assistance program, the Minnesota Eligibility Technology System, METS, which is the online IT system used by DHS to determine eligibility for most applicants and enrollees in the Medical Assistance program and PRISM, the state's system to administer child support programs. These systems changes are estimated to require 38,383 hours of work, take approximately 24-36 months to complete, and cost a total of $6,697,000 for initial development. State share is assumed at the rates included in the table below. The table below This estimate includes the following assumptions:

1. The estimated duration and earliest completion date of the proposed project(s) assumes the work is prioritized relative to other legislative and ongoing IT work. If enacted, the completion date of the proposed project(s) will be dependent on the totality of enacted legislative IT work and ongoing IT work.

2. The total hours assumed in this fiscal note include the projected time required to complete systems work and a 20% contingency assumption to account for unforeseen business requirements in the development and implementation process.

3. In addition to the initial development costs cited above, the systems changes required in this bill will result in increased ongoing maintenance and operations costs, estimated annually at 20% of the total initial development cost.

Total System Costs ('000s)	**2024**	**2025**	**2026**	**2027**
MAXIS	966	0	193	193
METS	2,444	0	488	488

MEC	206	0	41	41
FileNet	43	0	9	9
PRISM	3,038	0	608	608

The table below shows the state share applied to each cost:

System (‘000s)	State Share	2024	2025	2026	2027
MAXIS	0.55	531	-	106	106
METS	0.38	929	-	185	185
MEC	0.55	113	-	23	23
FileNet	1	43	-	9	9
PRISM	0.34	1,033	-	207	207
Total state share		**2,649**	**-**	**530**	**530**

Fiscal Tracking Summary ($000’s)						
Fund	**BACT**	**Description**	**FY2024**	**FY2025**	**FY2026**	**FY2027**
GF	33 LF	MA Grants LF NF Payments	0	0	0	199
GF	11	Systems: MAXIS @ 55% state share	531	0	106	106
GF	11	Systems: METS @ 38% state share	929	0	185	185
GF	11	Systems: MEC @ 55% state share	113	0	23	23
GF	11	Systems: FileNet @ 100% state share	43	0	9	9
GF	11	Systems: PRISM @ 34% state share	1,033	0	207	207
		Total Net Fiscal Impact	2,649	0	530	729
		Full Time Equivalents	0	0	0	0

Long-Term Fiscal Considerations

Costs associated with this bill will continue annually beyond State Fiscal Year 2027. Beginning with SFY 2028 the estimated cost per year of this bill is $1.089 Million (state share).

Local Fiscal Impact

In state fiscal year 2027 there will be an estimated total cost to counties in the amount of $5,000. Beginning with SFY 2028 the estimated annual cost of this bill to counties is $28,000.

References/Sources

SS22-14

2021 DHS Nursing Facility Cost Report Files

DHS November, 2022 LTC Forecast

Preliminary

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