

Preliminary

Consolidated Fiscal Note

2019-2020 Legislative Session

HF168 - 7A - Modify Disability Waiver Rate System

Chief Author: **Jennifer Schultz**
 Committee: **Health & Human Services Finance Division**
 Date Completed:
 Lead Agency: **Human Services Dept**
 Other Agencies:
 Minn Management and
 Budget

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	FY2019	FY2020	FY2021	FY2022	FY2023
Human Services Dept						
General Fund	-	43	26,170	1,169	1,176	
State Total						
General Fund	-	43	26,170	1,169	1,176	
Total	-	43	26,170	1,169	1,176	
Biennial Total			26,213		2,345	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Human Services Dept					
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Lead LBO Analyst's Comment

LBO Signature: Date:
 Phone: Email:

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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		FY2019	FY2020	FY2021	FY2022	FY2023
Human Services Dept						
General Fund	-	43	26,170	1,169	1,176	
Total	-	43	26,170	1,169	1,176	
	Biennial Total		26,213		2,345	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Human Services Dept						
General Fund	-	43	26,170	1,169	1,176	
Total	-	43	26,170	1,169	1,176	
	Biennial Total		26,213		2,345	
2 - Revenues, Transfers In*						
Human Services Dept						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-		-	-

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Fee/Departmental Earnings		X
Tax Revenue		X
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Local Fiscal Impact		
		X

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Total	-	-	-	-	-

LBO Analyst's Comment

LBO Signature: Date:
 Phone: Email:

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Total		-	43	26,170	1,169	1,176
Biennial Total			26,213			2,345
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total		-	-	-	-	-
Biennial Total			-			-

Bill Description

Section 1 of this bill increases the number of hours that personal care assistance (PCA) workers may provide service from 275 hours per month to 310 hours per month.

Section 2 of this bill increases the number of hours that Community First Services and Support (CFSS) workers may provide service from 275 per month to 310 hours per month.

Section 3 of this bill temporary allows PCA compensation for services provided by a parent or spouse during the peacetime emergency declared under Minnesota Statutes, section 12.31, and subdivision 2.

Section 4 of this bill sets a temporary 15 percent increase in the rates and enhanced rates for the personal care assistance program.

Assumptions

Section 1 and 2: Increasing the PCA and CFSS Worker Monthly Services Limit from 275 to 310 House (Line 2.18 and line 4.14)

Effective Date: This increase is effective the day following final enactment. This analysis assumes an effective date of May 18, 2020, the last day of the 2020 legislative session. Federal approval is not required for this change.

Duration: This increase is a permanent change, therefore this analysis assumes the impact is ongoing.

Programs impacted:

- a. Personal Care Assistance (PCA) provided through fee-for-service and managed care
- b. Extended Personal Care Assistance paid through the waivers provided through the disability and Elderly waiver programs
- c. Personal Care Assistance provided through the Alternative Care Program
- d. Community First Services and Supports (CFSS) Under current law, the Personal Care Assistance program will transition to CFSS. The February 2020 Forecast assumes that this transition will begin in June 2021. CFSS will use the same service rates as the PCA program, so the increase in this bill will also be carried into this program.

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Programs not impacted:

- e. Consumer Directed Community Supports (CDCS)
- f. Consumer Support Grant (CSG)

Impact on PCA workers: Under current law, personal care assistance workers may not provide more than 275 hours of service per month. This bill will allow them to provide up to 310 hours per month. As a result, it is expected that workers who are already working at or near the 275 hour limit will likely provide more service. Historical data shows that about 8.1 percent of personal care assistance services are provided by workers who provide more than 260 hours of service per month.

Additional factors that limit hours of service provided by a PCA: This bill increases the limit on monthly services provided by PCA workers. However, not all workers will be able to offer a full 310 hours of service per month. There are other factors that tend to limit the amount an individual may work, and which limit the additional cost expected from this bill.

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a. Service Authorizations: Recipients cannot receive more service than they are authorized for. PCA services are authorized based on an assessment of a person's dependencies in activities of daily living (ADL), Level 1 behaviors, and complex health-related needs. Needs are assessed based on the circumstances in which a person needs the greatest amount of assistance. Since most workers only serve one or two individuals, PCA workers will only be able to provide additional service if the person they serve has authorized time that is not being used.

If all of the individuals served by workers at or near the limit used all of their remaining service authorizations, it would be a 7.2 percent increase in services provided by these workers. However, the 310 hour limit in this bill will only allow workers to provide about 64 percent of that additional service.

b. Overtime and other scheduling needs: A person working 310 hours per month would be working an average of 10 hours per day, 31 days per month. Other factors limit whether an individual can work up to that limit. For example, overtime regulations may limit the number of hours an agency is willing to schedule a worker. Additionally, personal obligations and priorities may limit the amount a person chooses or is able to work. These factors are expected to limit the estimated increase by about 50 percent.

Interactive Effects: There are some small interactive effects between this provisions, the temporary allowance of PCA compensation for services provided by a parent or spouse, and the rate increase this bill. Those interactive effects are included in the cost of this provision in the expenditure and revenue formula. This interactive effect occurs in FY 21 only.

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Implementation and payment effect: This provision is effective May 18, 2020. It includes a 30 day payment effect to account for the fact that MA pays for services retrospectively. This shifts payments one month into SFY21. It is assumed that increased payments made by managed care plans will result in increased MA payments the next time capitation rates are adjusted. This is assumed to occur in fiscal year 2021.

Systems Costs: These systems changes are estimated to require 261 hours of work, take approximately 1-2 months to complete, and have a cost of a total of \$21,755 for initial development. For continued support, a 20 percent level of effort ongoing is assumed. The fiscal note assumes an FFP of 29% for changes to the MMIS system. The total state share is \$6,515 in FY 20 and \$1,303 in FY 21 and ongoing.

Changes are required to the claims functionality in the MMIS system to allow 310 hours instead of 275 hours for PCA workers. Because of the 30 day billing lag for MMIS claims, this analysis assumes the effective date of May 18, 2020, even though the systems work needed may exceed this timeline. Payments will be able to be processed as planned in July, even with the time needed for making claim functionality in MMIS.

The following assumptions are made in regard to system changes:

- Estimated duration and earliest project completion date 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.

• 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.

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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.

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State Share: For most recipients, the state share of state plan PCA, the disability waivers, Elderly Waiver, and Alternative Care is approximately 50 percent. This analysis assumes that FY20 payments will receive an additional of 6.2 percent federal match for payments until June 30, 2020. Payments made in FY21 will receive the standard federal match.

Section 3: Temporary allowance of personal care assistance compensation for services provided by a parent or spouse (Line 4.27)

Effective Date: This increase is effective the day following final enactment, or upon federal approval, whichever is later. This analysis assumes that federal approval will be obtained by June 15, 2020.

Duration: This increase is effective until January 31, 2021, or 60 days after the peacetime emergency declared by the governor under Minnesota Statutes, section 12.31, subdivision 2, for an outbreak of COVID-19, is terminated or rescinded by proper authority, whichever is earlier. This analysis assumes that the peacetime emergency is terminated effective June 30, 2020, and the changes in this section expire August 29, 2020. Therefore, the effective duration assumed in this fiscal note is June 15, 2020 through August 29, 2020.

In the event that the peacetime emergency continues beyond June 30, 2020, additional costs are show in the long-term considerations section of this fiscal note.

Programs impacted:

- g. Personal Care Assistance (PCA) provided through fee-for-service and managed care
- h. Extended Personal Care Assistance paid through the waivers provided through the disability and Elderly waiver programs
- i. Personal Care Assistance provided through the Alternative Care Program

Programs **not** impacted:

- j. Consumer Directed Community Supports (CDCS)
- k. Consumer Support Grant (CSG)

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Impact of improved access to services for current recipients

On average, current PCA recipients only use about 85 percent of their service authorization...Under this proposal, parents of minors and spouses would be able to receive payment for the care they are already providing. As a result, the PCA participant would use more paid care. Based on the percentage of authorizations used by CDCS participants, a program that allows parents and spouses to be paid for providing care, it is estimated that service utilization for children and married adults taking advantage of this option would increase by 2.1%.

Payment impact: This analysis assumes an increase in average monthly payments due to additional use of authorization. It is estimated monthly payments will increase around 5.9% due to participants using more service as a result of this provision.

Implementation and payment effect: This analysis includes a 30 day payment effect to account for the fact that MA pays for services retrospectively. This shifts payments one month into SFY21. It is assumed that increased payments made by managed care plans will result in increased MA payments the next time capitation rates are adjusted. This is assumed to occur in fiscal year 2021.

Interactive Effects: There are some small interactive effects between this provisions, the temporary allowance of PCA compensation for services provided by a parent or spouse, and the rate increase this bill. Those interactive effects are included in the cost of this provision in the expenditure and revenue formula.

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State Share: For most recipients, the state share of state plan PCA, the disability waivers, Elderly Waiver, and Alternative Care is approximately 50 percent. Since the effective date is June 15, 2020 and because there is a 30 day payment delay, no payments for this section will occur in FY 20. All payments will occur in FY 21 with the standard federal match and will not receive the enhanced 6.2 percent federal match.

Systems costs: There are no systems impact for this provision.

Administrative costs:

Under the Medicaid Payment and Provider Services Division within the Health Care Administration, additional administrative resources are needed. The fiscal analysis assumes that there would be a 2.1% increase in additional PCA's resulting in about 880 new PCA's that will need to be enrolled. One specialist (MAPE 5) can process 35 PCA individual enrollments per day working full time. It will take an additional 200 hours to complete new enrollments. Due to the nature of the hiring freeze during the COVID19 crisis, this need will be filled with having an existing employee working overtime. With a June 15th, effective date, 100 hours of overtime will be needed in FY 20 and 100 hours of overtime will be needed in FY21.

	FY2020	FY2021	FY2022	FY2023
1 FTE @ MAPE Level 5- at time and a half 100 hours @\$39.89	3,989	3,989	0	0
Fringe Benefits @ 30%- only on actual salary	797	797	0	0
Overhead @ \$14K up front and /\$1.3K per month per FTE	0	0	0	0
Total Estimated Staffing Costs	4,786	4,786	0	0
FFP @ 32%	(1,531)	(1,531)		
Net cost	3,255	3,255	0	0

Section 4: Temporary Rate increase for Personal Care Assistance (Line 5.10)

Effective Date: This increase is effective the day following final enactment, or upon federal approval, whichever is later. This analysis assumes that federal approval will be obtained by June 15, 2020.

Duration: This increase is effective until January 31, 2021, or 60 days after the peacetime emergency declared by the governor under Minnesota Statutes, section 12.31, subdivision 2, for an outbreak of COVID-19, is terminated or rescinded by proper authority, whichever is earlier. This analysis assumes that the peacetime emergency is terminated effective June 30, 2020, and the changes in this section expire August 29, 2020. Therefore, the effective duration assumed in this fiscal note is June 15, 2020 through August 29, 2020.

In the event that the peacetime emergency continues beyond June 30, 2020, additional costs are show in the long-term considerations section of this fiscal note.

Programs impacted:

- I. Personal Care Assistance (PCA) provided through fee-for-service and managed care
- m. Extended Personal Care Assistance paid through the waivers provided through the disability and Elderly waiver programs
- n. Personal Care Assistance provided through the Alternative Care Program
- o. Consumer Directed Community Supports (CDCS)
- p. Consumer Support Grant (CSG)

Payment Impact: This bill provides a temporary 15 percent increase to rates and enhanced rates for direct support services provided through the PCA program in response to the COVID-19 crisis.

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Interactive Effects: There are some small interactive effects between this provisions, the temporary allowance of PCA compensation for services provided by a parent or spouse, and the rate increase this bill. Those interactive effects are included in the cost of this provision in the expenditure and revenue formula.

Implementation and payment effect: This provision is effective the day following final enactment or upon federal approval, whichever is later. This analysis assumes an effective date of June 15, 2020. An additional 30 day payment effect has been included to account for the fact that MA pays for services retrospectively. As a result, all of the payments will occur in FY21 including the managed care payments.

State Share: For most recipients, the state share of state plan PCA, the disability waivers, Elderly Waiver, and Alternative Care is approximately 50 percent. The enhanced federal match due to COVID-19 is available for payments made through June 30, 2020. Since the payments from this rate increase would occur after that, it will not receive the enhanced match.

Appropriation: In subdivision 8 of the bill in this section, the appropriation amount is left blank. The assumption in this fiscal note is that the appropriation value will be added into the bill. The total value noted in section 4 is about \$24,952,000 which includes Medical Assistance, systems costs and administration costs.

Administration costs: Subdivision 6 requires a distribution plan for a period of at least six weeks to which all direct support professionals have access. The date of the distribution plan is blank in the bill. The assumption would be that the date would be shortly after enactment of this section. The bill requires DHS to provide a phone number, mailing address, and email address that direct support professionals can use to contact the agency for questions or concerns. Due to the nature of the hiring freeze during the COVID19 crisis, this need will be filled with having an existing employee or employees working overtime within the Disabilities Services Division which is part of the Community Supports Administration. This work will have to be completed quickly. It is assumed that this overtime will be the value of a .25 of FTE at a MAPE level 11 to respond to these questions and concerns. The following table shows the breakout of the costs of the FTE.

	FY2020	FY2021	FY2022	FY2023
.25 FTE @ MAPE Level 1, step 10-time and a half	0	25,674	0	0
Fringe Benefits @ 30%- only on actual salary	0	5,135	0	0
Overhead @ \$14K up front and /\$1.3K per month per FTE-existing employee	0	0	0	0
Total Estimated Staffing Costs	0	30,810	0	0
FFP @ 32%		(9,859)		
Net cost		20,950	0	0

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Actuarial costs

In addition under subdivision 3, the language directs managed care plans and county based purchasing plans to implement the temporary rate increase for direct support services. An estimated \$50,000 is needed to increase the existing actuarial contract which is administered under the Health Care Administration. The actuarial costs are needed to adjust capitation rates paid to managed care plans and county-based purchasing plans and amend the managed care contracts.

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Systems costs:

These systems changes are estimated to require 226 hours of work, and will have a cost of a total of \$19,086 for initial development. There is no ongoing support needed for this work. The fiscal note assumes an FFP of 29% for changes to the MMIS system. The total state share \$5,526 in FY 20.

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In addition, the following assumptions are made in regard to system changes:

- Estimated duration and earliest project completion date 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.
 - 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.
 - 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.

Expenditure and/or Revenue Formula

<u>Section 1 and 2: Increasing the PCA and CFSS worker limit from 275 to 310 hours permanent (not including CSG or CDCS)</u>	2020	2021	2022	2023
PCA base and CFSS without CSG and CDCS (State Share)	555,250,423	568,354,346	622,673,624	626,776,143
Enhanced FMAP (June 30, 2020)				
Percentage of spending for services provided by PCAs working between 260 and 275 hours per month	8.10%	8.10%	8.10%	8.10%
Total spending for services provided by PCAs working near the hour limit (between 260 and 275 hours per month)	45,077,929	46,141,770	50,551,673	50,884,735
Percentage increase for remaining authorized time for individuals served by workers near the limit	7.20%	7.20%	7.20%	7.20%
Cost of increase for remaining authorized time for individuals served by workers near the limit	3,256,168	3,333,013	3,651,559	3,675,618
Proportion of remaining authorization that would be used if all workers increase their time to the new limit	64%	64%	64%	64%
Cost of remaining authorization that would be used if those workers increase their time to the new limit	2,082,267	2,131,409	2,335,114	2,350,499
Impact of over time rule on payroll budgets and other factors that affect the amount to time an individual is able to work	50%	50%	50%	50%
Increase in spending as a result of increased limit	1,041,133.54	1,065,704	1,167,557	1,175,249
Implementation & Payment Effect (Assumes May 18th enactment)	4%	100%	100%	100%
Net total of increasing the limit	43,381	1,065,704	1,167,557	1,175,249
Enhanced FMAP impact	-5,553			
Net State MA Cost From Increasing the Limit	37,827	1,065,704	1,167,557	1,175,249
<u>Section 3: Temporary allowance of personal care assistance compensation for services provided by a parent or spouse</u>	2020	2021	2022	2023
PCA base without CSG and CDCS	555,250,423	568,354,346		
Enhanced FMAP (June 30, 2020)	0.00%			

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Percent of participants likely to use a paid parent	2.10%	2.10%		
Percent increase in monthly payment due to additional use of authorization	5.90%	5.90%		
Total additional cost for increased utilization	699,921	716,439		
Implementation & Payment Effect (June 15th-August 29th)	0	21%		
Net total of temporary allowance	0	149,258		
Enhanced FMAP impact	0			
Net State MA Cost From temporary allowance	0	149,258		
Section 4: Temporary Rate increase for PCA	2020	2021	2022	2023
PCA Base (including CSG and CDCS)	758,902,221	790,600,008		
Enhanced FMAP (June 30, 2020)	0.00%			
Percentage Increase	15%	15%		
Total cost from temporary increase	113,835,333	118,590,001		
Implementation & Payment Effect (June 15-August 29)	0%	21%		
Net State Cost of the Rate Increase	0	24,706,250		
<u>Other Impacts</u>				
Interactive Effect Between Sections 1 and 3				
	0	1,343		
Interactive Effect Between Section 1 and 4				
	0	159,856		
Interactive Effect Between Section 3 and 4	0	22,389		
Impact of MC Costs shifting from FY20 to FY21	-9,079	9,079		
<u>Systems Costs</u>				
Systems for increasing the limit from 275-310	22,466	4,493	4,493	4,493
State Share Systems (MMIS 29%)	6,515	1,303	1,303	1,303
Systems for increasing rate 15%	19,056	0		
State Share Systems (MMIS 29%)	5,526	0		
Administrative Costs				
Provider enrollment	4,786	4,786		
Admin for HCA actuarial		50,000		
Disability Services (.25 FTE) Level 11 for parent/spouse provision		30,809		
FFP (32%)	-1,532	-27,390		

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State share Admin Cost	3,254	53,419		
Subtract MC FY20 to FY 21 (24% MC)	-9,079	9,079		

Summary

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2020	FY2021	FY2022	FY2023
GF	33 LW	Medical Assistance LW	28	19,576	876	881
GF	33 ED	Medical Assistance ED	0	6,274	280	282
GF	34	Alternative Care	0	261	12	12
GF	13	Health Care Administration (HCA)- Actuarial costs	0	50	0	0
GF	13	Health Care Administration- Provider enrollment	5	5		
GF	15	Community Supports Administration- Disabilities Services Division	0	31	0	0
GF	REV1	FFP for HCA	(2)	(28)	0	0
GF	11	System MMIS 29% state share	12	1	1	1
		Total Net Fiscal Impact	43	26,170	1,169	1,176

Long-Term Fiscal Considerations

Section 1 and 2: These sections increase the PCA Worker Monthly Services Limit from 275 to 310. Ongoing costs will be about \$1.176 million a year. This is a permanent increase.

Section 3: This section provides a temporary allowance of personal care assistance compensation for services provided by a parent or spouse. This analysis assumes this change is in effect through August, 29, 2020, however it could be effective for a longer duration under this provision if the peacetime emergency continues beyond June 30, 2020. Ongoing costs beyond August 29, 2020 are approximately \$60k per month. The latest date that this temporary change could be in effect is January 31, 2021.

Section 4: This section provides a temporary rate increase. This analysis assumes this change is in effect through August, 29, 2020, however it could be effective for a longer duration under this provision if the peacetime emergency continues beyond June 30, 2020. Ongoing costs beyond August 29, 2020 are approximately \$10 million per month. The latest date that this temporary change could be in effect is January 31, 2021.

Local Fiscal Impact

References/Sources

February 2020 Forecast
CSA/CCOA Research

Agency Contact: Elyse Bailey 651-431-2932

Agency Fiscal Note Coordinator Signature: Elyse Bailey

Date: 4/27/2020 10:11:28 AM

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Phone: 651-431-2932

Email: elyse.bailey@state.mn.us