

**HF1239 - 1A - "Home and Comm-Based Svc Waivers New Employ"**

Chief Author: **Tony Albright**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **03/21/2017**  
 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	
	FY2017	FY2018	FY2019	FY2020	FY2021
<b>General Fund</b>	-	10,153	10,553	12,409	21,321
<b>Total</b>	-	<b>10,153</b>	<b>10,553</b>	<b>12,409</b>	<b>21,321</b>
<b>Biennial Total</b>			<b>20,706</b>		<b>33,730</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	2	6.5	4.5	4.5
<b>Total</b>	-	<b>2</b>	<b>6.5</b>	<b>4.5</b>	<b>4.5</b>

**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: Travis Bunch      Date: 3/21/2017 8:21:07 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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
General Fund	-	10,153	10,553	12,409	21,321	
<b>Total</b>	<b>-</b>	<b>10,153</b>	<b>10,553</b>	<b>12,409</b>	<b>21,321</b>	
	<b>Biennial Total</b>		<b>20,706</b>		<b>33,730</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	10,153	10,553	12,409	21,321	
<b>Total</b>	<b>-</b>	<b>10,153</b>	<b>10,553</b>	<b>12,409</b>	<b>21,321</b>	
	<b>Biennial Total</b>		<b>20,706</b>		<b>33,730</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>Biennial Total</b>		<b>-</b>		<b>-</b>	

**Bill Description**

This fiscal note is based on HF1239 as introduced and amendment A1.

Section 1: Three new services to 245D.03: Employment Exploration Services, Employment Development Services, and Employment Support Services.

Section 2: Removes supported employment from the definition of DT&H in 252.41. Clarifies that the three new employment services cannot be provided as part of DT&H services.

Section 3: establishes center-based work-related activities as allowable under DT&H. This section removes employment and employment-related activity from DT&H.

Section 4: Establishes that employment support services providers may enter into written agreements with businesses to provide training and supervision necessary to maintain employment.

Section 5: Expands the employment services to all four disability waivers.

Section 6: Modifies billing language to allow the employment services to bill.

Section 7:Part of the A1 amendment. A further stipulation that requires providers to document each time a service was provided to a recipient. Documentation includes the service delivered, the recipient's name and identification number, full date, service name, start and stop times (for time-based services), name, signature, etc. This section does not have a cost.

Section 8: Part of the A1 amendment. This section adds an annual data submission for providers of HCBS under EW, DD, CAC, CADI, and BI waivers that includes wages, hours, benefits, staff retention rates, overtime paid, travel time paid, vacancy rates, and other related data requested by the commissioner.

Section 9: Clarifies that new services to not receive banding protection.

Section 10: Establishes the new employment services with rates calculated in the Rate Management System.

Section 11: Establishes rate setting methodology formulas for the new employment services. This section also changes three nonwage component values used in calculating rates in the unit-based with programming bucket.

Section 12: Part of the A1 amendment. This section also adds an audit component for DWRS service providers that includes wages, benefits, supervisor wages, executive wages, vacation/sick/training costs, taxes, workers' compensation, unemployment insurance costs, administrative costs, program costs, transportation costs, vacancy rates, and other data relating to costs required to provide services requested by the commissioner.

Section 13 Staffing ratios of up to 1:6 for employment supports and employment exploration.

Section 14: Removes the budget neutrality factor (BNF) for the unit-based with programming bucket.

Section 15: Directs the Commissioner to seek federal approval to add the new employment services to the disability waivers.

Section 16: Adds an appropriation for a waiver consolidation study.

This language is effective January 1, 2018 or upon federal approval.

## **Assumptions**

### **Employment Services**

#### Effective Dates:

- The new employment services will be effective upon approval by CMS.
- The current supported employment services will be replaced by the new employment services once effective, which is assumed to be January 1, 2018.
- Once approved, all community employment services must be billed as one of the new employment services. This includes work crews working in the community currently billed as prevocational services or DT&H.

Service Rates: The service rates are estimated based on the DWRS existing component values and the historical use of supported employment services. The new services will be billed in 15 minute units at the following rates (subject to change due to changes in the BLS wage data):

- Employment Exploration: \$10.24
- Employment Development Services - Redesigned: \$12.76
- Employment Support Services: \$10.24

These rates reflect a service ratio of one staff member per recipient. Employment Support Services and Employment Exploration can both be offered in group settings up to a 1:6 ratio. Overall, it is assumed that the average ratio for these two services will be a 1:1.5 ratio.

#### Service Utilization:

- On average it is assumed that participants will use:
  - Employment Exploration Services (EES) 40 units/month
  - Employment Development Services (EDS) 40 units/month
  - Supported Employment Services Redesigned (SESR) 160 units/month
- The estimated amount of EES and EDS is based on the average monthly use of current Supported Employment Services 15 minute unit.
- Projections for the use of current employment services are based on claims history and the February 2017 MA Forecast.
- The new employment services will be substitutes for current employment services provided under the waivers (Supported Employment Services, Prevocational Services, and DT&H). The table below illustrates the percentage of current recipients substituting for the new services.

Current Service/New Service	EES	EDS	SES
% of current DT&H Recipients	5%	5%	33%
% of current Prevoc Recipients	10%	10%	44%
% of current Supported Employment	8%	26%	66%

Offsets:

- Since the new employment services will be used instead of other employment services, the cost of current services have been included as an offset in this analysis.
- People may continue to use DT&H services while they receive the new services. To account for this, this analysis assumes that for new recipients about 90% of the average monthly cost of DT&H will be offset by the new services. The remaining 10% will continue to be billed for things like transportation or time spent at the DT&H location before going to the job site.

Budget Neutrality Factor (BNF):

- New services are not subject to a budget neutrality factor.
- Adjustment to unit-based services with programming: The 0.941 BNF was removed from unit-based services with programming. This will increase the rates for these services by about 6.27%. These estimates are based on historical payments for unit-based with programming services and trended forward based on the February 2017 forecast.

Component Values: The following adjustments have been made to select component values for unit-based services with programming.

Component	Service Bucket	Current Value	Proposed	Difference
Program Plan Support (indirect time)	Unit with Program	3.1%	15.5%	12.4%
Absence and Utilization	Unit with Program	3.9%	8.0%	4.1%
Client Programming and Supports	Unit with Program	8.6%	4.7%	(3.9%)

These changes have a 13.75% increase on rates for unit-based services with programming

Banding:

- New services are not subject to banding
- BNF and component value adjustments includes the impact of banding, which ties many individual rates to their historical amounts. As a result, the total fiscal impact of the BNF adjustment will not be seen until SFY 2022.

Interactions:

- The new employment services will largely be used by individuals transitioning from services in the Day bucket into the Unit-Based with Programming (UBP) bucket. Therefore, the UBP bucket will nearly double upon implementation of the new employment services. Since the nonwage component value changes would apply to the entire bucket, the cost of changing the nonwage component values is greater than it would be if it were a standalone bill that didn't include the new employment services.

Phase-in and payment effect:

- A six month delay in the first year and a three month delay in the second year has been included for the time it will take to get CMS approval for the new services, train counties, providers, and participants, and implement the new services.
- Services will be implemented as participants are assessed or reassessed.
- A 30 day payment effect has been included to accommodate the fact that MA pays retrospectively.

**Workforce Data Submission**

Administrative Impact:

1. Section 7 (amended language) Minnesota Statute 256B.4912 subd. 12 requires administrative resources to collect and

analyze the required annual data collection. The administrative costs included developing an online tool for providers to submit the requested data, providing communications and technical assistance to affected providers, and validating and analyzing the data.

2. This effort will require 4.5 FTE's in FY19. After the initial development and data collection, 2.5 FTEs will be needed permanently to continue analyzing and reporting on the efforts, monitoring ongoing data collection, as well as providing assistance to providers.

**Provider Cost Review**

Administrative Impact:

- This bill requires the submission and review of home and community based service provider costs. An ongoing provider cost review and audit will require systems resources for the development and administration of an online cost submission portal as well as maintenance of data systems.
- Implementation of an ongoing cost review and audit will also require department resources required to administer the cost review and provide technical assistance and guidance to providers submitting data. This fiscal note includes two FTEs to audit a statistically significant random sample of provider submissions and one FTE to provide analytics and recommendations on rate setting frameworks to the legislature.

**Waiver Consolidation Study**

Administrative Impact: This bill requires the department to research and develop recommendations on consolidating the four HCBS waivers into one waiver program. The appropriation of 110,000 in FY 2018 and \$164,000 (including systems costs) will be used by the department to contract with an external vendor to conduct this study.

**Expenditure and/or Revenue Formula**

<b>New Employment Services</b>				
<u>Employment Exploration Services</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>
Average monthly recipients - Employment Exploration Services	1,149	1,108	1,087	1,123
Average monthly cost of Employment Exploration Services	307	307	307	307
Total Cost Employment Exploration Services	4,237,037	4,086,256	4,005,895	4,141,123
<u>Employment Development Services</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>
Average monthly recipients- Employment Development Services	1,714	1,729	1,679	1,737
Average monthly cost of Employment Development Services	491	491	491	491
Total Cost Employment Development Services	10,105,467	10,190,937	9,895,324	10,241,451

<u>Employment Support Services</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>
Average monthly recipients - Employment Support Services	7,268	7,674	8,129	8,403
Average monthly cost of Employment Support Services	1,213	1,224	1,235	1,238
Total Cost of Employment Support Services	105,833,985	112,686,563	120,506,005	124,782,463
				-
<i>Total Cost of New Employment Services</i>	<i>120,176,489</i>	<i>126,963,756</i>	<i>134,407,225</i>	<i>139,165,036</i>
				-
<u>Offsets</u>				-
Supported Employment	(25,102,272)	(27,103,280)	(29,337,243)	(31,650,480)
Prevocational Employment Services	(18,677,391)	(20,464,332)	(22,486,461)	(24,456,036)
Day Training and Habilitation	(82,890,739)	(86,334,249)	(89,973,415)	(94,718,937)
<i>Total Offset</i>	<i>(126,670,402)</i>	<i>(133,901,861)</i>	<i>(141,797,119)</i>	<i>(150,825,453)</i>
				-
<i>Net Cost of New Employment Services</i>	<i>(6,493,912)</i>	<i>(6,938,105)</i>	<i>(7,389,894)</i>	<i>(11,660,417)</i>
				-
Implementation Phase-in	25%	75%	100%	100%
				-
Payment Effect (30 days)	92%	100%	100%	100%
				-
<b>Total fiscal impact of new employment services</b>	<b>(1,488,188)</b>	<b>(5,203,579)</b>	<b>(7,389,894)</b>	<b>(11,660,417)</b>
				-
<b>Budget Neutrality Factor (BNF) Adjustment for Unit-Based with Programming Services</b>				-
	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>
Forecasted base for unit-based with programming services	154,693,997	165,831,824	178,331,522	191,544,130
Removal of current Supported Employment Services	(5,752,604)	(20,327,460)	(29,337,243)	(31,650,480)
Adjusted unit-based with programming services base	148,941,393	145,504,364	148,994,279	159,893,650
				-
Current BNF	94.10%	94.10%	94.10%	94.10%
BNF in SF1055	100.00%	100.00%	100.00%	100.00%
Percent Difference	6.27%	6.27%	6.27%	6.27%
				-
Unbanded cost of adjusting the BNF	9,338,515	9,123,015	9,341,830	10,025,213
				-
<i>Effects of Banding</i>				-
Proportion of spending at the framework	27.81%	31.86%	44.09%	94.44%
				-
Payment effect	92%	100%	100%	100%

				-
<b>Net cost of BNF adjustment</b>	<b>2,380,247</b>	<b>2,906,236</b>	<b>4,118,812</b>	<b>9,468,101</b>
<b>Nonwage Component Value changes for Unit-Based with Programming Services</b>	<b><u>FY2018</u></b>	<b><u>FY2019</u></b>	<b><u>FY2020</u></b>	<b><u>FY2021</u></b>
Unit-Based with Programming Forecast	154,693,997	165,831,824	178,331,522	191,544,130
UBP Forecast without SES	136,335,652	146,151,695	157,167,988	168,812,587
New Employment Services (Not subject to banding)	120,176,489	126,963,756	134,407,225	139,165,036
Percent Change in rates due to nonwage component value changes	13.75%	13.75%	13.75%	13.75%
Cost prior to banding:				
UBP as it exists	21,270,425	22,801,876	24,520,584	26,337,318
Addition of New Employment Services	16,524,267	17,457,516	18,480,993	19,135,192
Implementation	25%	85%	100%	100%
Percent at the framework	17%	21%	35%	93%
Impact after banding:				
UBP as it exists	905,753	4,051,576	8,529,002	24,619,518
New Employment Services Interaction (not banded)	16,524,267	17,457,516	18,480,993	19,135,192
Total Nonwage Component Value Cost	<b>17,430,020</b>	<b>21,509,092</b>	<b>27,009,995</b>	<b>43,754,711</b>
<b>Total program cost before the amendment</b>	<b>18,322,078</b>	<b>19,211,749</b>	<b>23,738,913</b>	<b>41,562,394</b>
Federal Share	9,161,039	9,605,875	11,869,457	20,781,197
<b>State Share (50%) Employment Services</b>	<b>9,161,039</b>	<b>9,605,875</b>	<b>11,869,457</b>	<b>20,781,197</b>
MMIS	22,000	15,000	15,000	15,000
DWRS/MnChoices	12,000	2,000	2,000	2,000
<b>Systems Employment- Employment</b>	<b>34,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>

<b>Provider Cost Audit</b>		<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
CSA		150,000	379,734	294,365	294,365
FFP		(52,500)	(132,907)	(103,028)	(103,028)
Systems		282,499	56,500	56,500	56,500
<b>Net State</b>		<b>379,999</b>	<b>303,327</b>	<b>247,837</b>	<b>247,837</b>
FTE		0.0	2.0	2.0	2.0

	<b>Waiver Consolidation Study</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>
GF	CSA- admin- Contract	110,000	140,000	0	0
GF	FFP @35%	-39,000	-49,000	0	0
GF	Systems- 50% state share	0	24,000	0	0

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<b>Workforce Data Collection</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
CCOA Admin	432,750	420,000	240,000	240,000
HC Admin	0	120,000	60,000	60,000
Total Admin Cost	432,750	540,000	300,000	300,000
FFP	(151,463)	(189,000)	(105,000)	(105,000)
Systems	225,000	160,000	80,000	80,000
<b>Net State costs</b>	<b>506,288</b>	<b>511,000</b>	<b>275,000</b>	<b>275,000</b>
CCOA FTE	2.0	3.5	2.0	2.0
HC FTE	0.0	1.0	0.5	0.5

	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>
<b>Grand Total</b>				
<b>Employment services total</b>	9,195,039	9,622,875	11,886,457	20,798,197
Provider Cost Audit	379,999	303,327	247,837	247,837
Waiver consolidation study	71,000	115,000	0	0
Workforce Data Collection	506,288	511,000	275,000	275,000
<b>Total</b>	<b>10,152,326</b>	<b>10,552,202</b>	<b>12,409,294</b>	<b>21,321,034</b>

<b>Fiscal Tracking Summary (\$000's)</b>						
<b>Fund</b>	<b>BACT</b>	<b>Description</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
GF	33	MA LW	9,161	9,606	11,869	20,781
GF	11	MMIS/DWRS/Systems	542	258	154	154
GF	15	Community Supports Administration	693	940	534	534
GF	13	HC Admin	0	120	60	60
GF	REV1	Admin @ 35% FFP	(243)	(371)	(208)	(208)
		<b>Total Net Fiscal Impact</b>	<b>10,153</b>	<b>10,553</b>	<b>12,409</b>	<b>21,321</b>
		<b>Full Time Equivalents</b>	<b>2.0</b>	<b>6.5</b>	<b>4.5</b>	<b>4.5</b>

**Long-Term Fiscal Considerations**

Due to banding, the nonwage component value changes to the Unit-Based with Programming bucket increase in cost as



banding protection diminishes. Similarly, the removal of the Budget Neutrality Factor (BNF) results in increasing costs as banding protection fades out.

**Local Fiscal Impact**

**References/Sources**

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