

Fiscal Note

2023-2024 Legislative Session

SF1009 - 1A - Integrated Community Supports Modified

Chief Author: **Omar Fateh**
 Committee: **Human Services**
 Date Completed: **2/22/2024 8:46:46 AM**
 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	-	-	1,091	12,735	17,640	
Total	-	-	1,091	12,735	17,640	
Biennial Total			1,091		30,375	

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

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Kate Schiller **Date:** 2/22/2024 8:46:46 AM
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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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	1,091	12,735	17,640
Total	-	-	-	1,091	12,735	17,640
	Biennial Total			1,091		30,375
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	1,091	12,735	17,640
Total	-	-	-	1,091	12,735	17,640
	Biennial Total			1,091		30,375
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total			-		-

Bill Description

This bill makes changes to the integrated community supports (ICS) rate framework by adding nursing hours into the shared direct staffing and individual direct staffing clause. ICS services under current law do not include a nursing component, but some other residential services such as community residential services have rates that include nursing hours.

This bill is effective January 1, 2025, or upon federal approval, whichever is later.

Assumptions

Effective Date: Effective January 1, 2025, or upon federal approval. This analysis assumes the federal approval and implementation timeline will take about six-months.

Programs and Services Impacted: This bill impacts integrated community support (ICS) service rates, which are a part of the Disability Waiver Rate System (DWRS) provided under the BI, CAC, CADI, and DD waivers. Services with rates determined by DWRS account for approximately 64% of spending on these waiver programs. ICS services are new and still phasing in, so are projected to be a higher portion of DWRS spending each year until fully phased in:

- FY2025, 4.53% of DWRS spending
- FY2026, 5.30% of DWRS spending
- FY2027, 5.70% of DWRS spending

Projected increase to spending and interaction with inflationary updates: Once implemented, adding nursing hours into ICS services is estimated to increase rates by 15.02%. However, DWRS service components are updated every 2 years under current law to reflect updated BLS Standard Occupational Classification (SOC) code wage data and Consumer Price Index (CPI) data. Therefore, service rate components will update on January 1, 2026 and have a slight interactive effect that will increase the rate impact to 15.87%

Payment Effect and Implementation: A 30-day payment delay is accounted for in this analysis to reflect the fact that Medicaid pays service claims retrospectively. Rate changes for ICS are implemented on a rolling basis as service agreements renew, beginning January 1, 2025.

State Share: The state share of Medicaid costs in the disability waivers is 48.75% in FY 2025 and 48.84% in FYs 2026-

2027.

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Administrative Costs: No administrative costs are identified in this bill.

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Systems Costs:

This bill requires changes to 1 rate framework within the MnCHOICES system. The cost estimates are based on the historic cost of similar changes in this system. The state share for MnCHOICES systems work is 50%.

Expenditure and/or Revenue Formula

Nov 2023 Forecast	2025	2026	2027
Total Disability Waiver Expenditures (CCB&DD)	5,583,145,427	6,128,166,922	6,296,129,702
State Share	2,721,783,395	2,992,996,725	3,075,029,746
State Share Disability Waivers Percentage	48.75%	48.84%	48.84%
% Affected by DWRS	64%	64%	64%
Projected DWRS Expenditures	3,573,213,073	3,922,026,830	4,029,523,009
ICS with nursing service, increase to spending for rates currently in effect			
Integrated Community Supports Portion of DWRS spending	4.53%	5.30%	5.70%
Rate increase attributable to additional nursing services	15.02%	15.02%	15.02%
Increase to expenditures for current DWRS rates	24,303,582	31,223,221	34,499,008
Implementation and Payment Effect	9%	74%	17%
Net Cost for service agreements for current DWRS rates	2,187,322	23,105,184	5,864,831
ICS with nursing service, increase to spending for Jan. 1, 2026 rate increase			
Integrated Community Supports Portion of DWRS spending	4.53%	5.30%	5.70%
Rate increase attributable to additional nursing services	0.00%	15.87%	15.87%
Increase to expenditures after Jan. 1, 2026 rate increase	-	32,988,811	36,449,835
Implementation and Payment Effect	0%	9%	83%

Net Cost for service agreements after Jan. 1, 2026 rate increase	-	2,968,993	30,253,363
Total MA Cost of Nursing	2,187,322	26,074,177	36,118,194
State Share	48.75%	48.84%	48.84%
Net State MA impact	1,066,320	12,734,628	17,640,126
MnCHOICES	50,000	-	
State Share Percent	50%	50%	50%
State Share of MnCHOICES Systems Costs	25,000	-	-
State Cost	1,091,320	12,734,628	17,640,126

Fiscal Tracking Summary (\$000's)					
Fund	BACT	Description	2025	2026	2027
GF	33	MA LW	1,066	12,735	17,640
GF	11	MnCHOICES Systems State Share	25	0	0
GF	14	Admin			
		Total Net Fiscal Impact	1,091	12,735	17,640
		Full Time Equivalents			

Long-Term Fiscal Considerations

This proposal has ongoing fiscal costs that are anticipated to increase with DWRS inflationary adjustments.

Local Fiscal Impact

References/Sources

ADSA Research & Analysis

November 2023 Forecast

Agency Contact:

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