



ARRM leads the advancement of community-based services that support people with disabilities in their pursuit of meaningful lives.

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## Summary of Governor's FY 14-15 Budget Proposal

The governor's budget for the FY 14-15 biennium raises significant revenue. About half of the new revenue goes to solve the deficit, and the rest goes for new spending.

The governor's budget nets \$2.1 billion in new revenue. Most of the additional revenue comes from these tax increases: a new bracket on the top 2 percent of earners (\$1.1 billion), an expansion of the sales tax base to services (\$4.2 billion), and an expansion of the corporate tax base (\$323 million). These increases are offset by property tax rebates (\$1.4 billion), a sales tax rate reduction (\$2.1 billion), and a corporate tax rate reduction (\$319 million).

**Table 1 – Summary of Governor's Proposal**

(Dollars in Millions)

<b>FY 14-15 General Fund Deficit</b>	<b>(\$1,090)</b>
<b>Spending Changes</b>	<b>(\$1,031)</b>
<b>HHS Spending</b>	<b>(128)</b>
K-12 Education	(344)
Higher Education	(250)
All Other	(309)
<b>Revenue Changes</b>	<b>2,127</b>
Income & Corporate Tax Changes	(\$303)
Sales & Cigarette Tax Increases	2,469
Statewide Property Tax & All Other	(39)
<b>Total</b>	<b>\$6</b>

**Table 2 – Health & Human Services Changes**

(Dollars in Millions)

<b>FY 14-15, Change in HHS GF Spending</b>	<b>\$128</b>
New Spending	\$135
Health Care Eligibility Expansion	\$93
Systems Upgrade	\$29
Other Spending Items	\$13
Net, Spending Cuts	(\$7)

Table 2 provides a similar summary of the major changes in the area of health & human services. The governor's proposal increases spending primarily to expand health care program eligibility to conform to elements of the Affordable Care Act. It also includes new spending to modernize DHS's computer systems.

In previous years, the governor's budget proposal included detailed narratives of the changes being proposed. This year, the additional level of detail was not presented. Below are items ARRM has identified that may directly or indirectly impact our members. We will receive additional information in the next few days directly from DHS staff. We'll update members as that new information is received.

### Items Impacting Waiver Providers:

- **HCBS Pay for Performance Initiative:** This creates a performance improvement project at DHS to develop a reimbursement based on to-be-developed performance measures. Funding in the FY 14-15 biennium is for staffing and to develop the methodology, and implementation following in the FY 16-17 biennium. **(\$6.6 million spending in FY 14-15, \$98.9 million in FY 16-17)**
- **Waiver Management Improvements:** This proposal would allow flexibility in shifting waiver allocations between counties if they go unspent, managing the supply of corporate foster care beds at the state level, and requiring recipients to access MA state plan services before using waived services. **(\$400,000 spending in FY 14-15, \$454,000 in FY 16-17)**
- **Reform 2020: Community First Services and Supports (CFSS):** Converts the current PCA program into CFSS utilizing additional services allowed under federal law. CFSS will be

more flexible and responsive to persons served to remain at home, facilitate transition out of institutional care, and prevent or delay future admissions. Additionally, this proposal will test innovative models of service coordination across home, school and community for children receiving CFSS. Requires federal approval. (*\$1.0 million savings in FY 14-15, \$2.8 million in FY 16-17*)

- Implement New Fee Schedule for HCBS Providers: Establishes a new fee schedule to recover costs associated with implementing statewide licensing standards under 245D. (*\$3.2 million revenue in FY 14-15, \$5.4 million in FY 16-17*)
- Application Fee for Provider Screening: Establishes additional staff and fees to recover costs of additional federally-required screenings for all newly-enrolled Medicaid providers. (*\$1.1 million revenue in FY 14-15, \$1.1 million in FY 16-17*)
- Transition Initiatives for Certain Populations: Funding to transition individuals back to the community who do not meet hospital level of care but are still in state-run treatment centers. This will provide additional slots for the CADI waiver and specialized mental health services. (*\$8.1 million spending in FY 14-15, \$10.7 million in FY 16-17*)
- Quality Initiative: Waiver Provider Standards Phase II: Additional staff and resources for DHS to implement 245D licensing requirements. Funding provides training and educational opportunities for providers and lead agencies. This educational effort will help providers understand how to conform to the updated standards to better ensure successful licensure. (*\$1.9 million spending in FY 14-15, \$2.1 million in FY 16-17*)
- Reform 2020: Crisis Diversion and Discharge Planning to Reduce Avoidable Costs: This provides new services to individuals who receive MA waived services with certain behavioral health conditions (and have been admitted to a hospital twice in the previous year) to avoid further hospitalization. Requires federal approval. (*\$843,000 savings in FY 14-15, \$3.7 million in FY 16-17*)
- Adjust ARMHS Payment Rate and Provisions of Services: Increases payment rates and services available in the program in the upcoming biennium. (*\$1.0 million spending in FY 16-17*)

#### **Other Items Impacting Individuals with Disabilities or Related Services**

- Reform 2020: Enhance Vulnerable Adult Protection: This creates a statewide common entry point for reporting suspected abuse, funding for additional public outreach to raise awareness of adult maltreatment, additional funding or staffing to provide support to county adult protection units, and additional staff or funding to enhance the state's role in providing oversight to the adult protection system. Requires federal approval. (*\$8.5 million spending in FY 14-15, \$9.0 million in FY 16-17*)
- Reform 2020: HCBS Critical Access Study and Service Development: This includes a one-time critical access study, ongoing support for the biennial gaps analysis survey of the Home and Community-Based Services system, and increased capacity at the regional level through ElderCare Development Partnerships. This item is contingent on federal approval. (*\$4.3 million spending in FY 14-15, \$4.2 million in FY 16-17*)
- Reform 2020: Housing Stability Services Demonstration: Provides targeted funding and services to certain groups (low-income individuals with chronic health conditions) in General Assistance and Group Residential Housing to maintain their housing. (*\$3.7 million savings in FY 14-15, \$8.6 million in FY 16-17*)

- Reform 2020: First Contact – Simplification, Access and Transitions Support: Changes the pre-admission screening process and funding for the MN Choice assessment so it flows directly to counties. Additionally, this proposal expands the return to community model of ongoing follow-up and support to new targeted populations. This item is contingent on federal approval. (*\$1.5 million savings in FY 14-15, \$16.6 million in FY 16-17*)
- Reform 2020: Intensive Services for Children with Autism Spectrum Disorder (ASD): Funding to develop a comprehensive intervention benefit for children on MA with ASD. Covered services will seek to improve communication skills, increase social interactions, and reduce maladaptive behaviors. (*\$12 million spending in FY 14-15, \$16.5 million in FY 16-17*)
- MA Rate Increase for Targeted Service Categories: Increases MA provider rates for specific categories of service. Specifically, this increase applies to inpatient hospital, outpatient, mental health, basic care, and physician and professional services in MA fee for service, and dental services in both fee-for-service and managed care. The physician and professional services include primary care, podiatry, chiropractic, audiology, vision, radiology, and mental health. This increase is effective Jan. 1, 2014. (*\$27.2 million spending in FY 14-15, \$48.0 million in FY 16-17*)
- Reform 2020: Individual Community Living Support (ICLS) Added to Alternative Care (AC) and Elderly Waiver (EW): This adds a new package of coordinated services to AC and EW for adults in their own homes to remain there. Requires federal approval. (*\$3.4 million savings in FY 14-15, \$13.9 million in FY 16-17*)
- Reform 2020: Alternative Care (AC) and Essential Community Supports (ECS): This seeks federal match on two state-only funded programs: AC and ECS. This proposal does not alter the eligibility for or services provided through these programs. Requires federal approval. (*\$21.2 million savings in FY 14-15, \$26.8 million in FY 16-17*)
- Reform 2020: Work - Empower and Encourage Independence: Increases funding for employment support services to employed individuals to prevent destabilization and reduce the chance they'll need to utilize disability benefits. Targeted populations include individuals from age 18 to 26 on Medical Assistance (MA), MA-Expansion group, and MA-Employed Persons with Disabilities. Wrap-around services will be provided by navigators (employed by community organizations) who will offer employment supports and benefits planning services including streamlined access to health insurance benefits information and integrated service delivery. Requires federal approval. (*\$400,000 spending in FY 14-15, \$543,000 savings in FY 16-17*)
- Quality Initiative: Positive Practice and Behavior Safeguards and Supports: Funding to support the adoption of best practices when addressing challenging behavior and establishing prohibitions on certain practices, such as restraint and seclusion and increasing positive approaches. This proposal will affect DHS-licensed home and community based services and programs for people with developmental disabilities. (*\$784,000 spending in FY 14-15, \$744,000 in FY 16-17*)