

**OFFICE MEMORANDUM**  
**DEPARTMENT OF HUMAN SERVICES**

December 29, 2002

**TO:** County Human Services Directors

**FROM:** Shirley Patterson, Director  
Disability Services  
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**RE:** MR/RC Waiver Rebasing Update #4

Based on questions that we have been getting from counties, consumer advocates, and providers, we thought it might be useful to provide you with more information about the budget picture which forms the rationale for the MR/RC waiver rebasing.

In early December 2002, the Department of Finance released the state's budget forecast, including forecasted expenditures for the MR/RC waiver program. At that time it was noted that the budget for the current fiscal year (2003) had been increased as a result of analysis that was completed during the fall of this year. (The last forecast adjustment was done after the end of the 2002 legislative session.)

From state fiscal year 2001 through 2005, the average annual budget increase in the MR/RC waiver is 15.5%. Because of the state's budget situation and because of the additional money placed in the December forecast for the MR/RC waiver, it is prudent to at least make certain that we contain the growth to within this 15.5% for the current fiscal year. Additionally, we are interested in containing the cost growth through the next biennium. Thus, allowing growth at reasonable levels became the driving force behind the rebasing.

For state budgeting purposes, we use information about actual expenditures to form our cost estimates for the MR/RC waiver. The data we are using to form the basis for covering costs of people that were in service during fiscal year 2002 has

several components.

1. Expenditure data for all people in service is being taken from our December payment run. This will represent about 99.8% of costs. We are adjusting for the remaining .2% so that a full accounting is achieved;
2. We realize that service needs change, that some people were only in service for part of the year, or that some people did not have fully implemented service plans until late in the year. In order to account for the additional costs associated with this components, we are adding \$33 million to the expenditure data for people in service during fiscal year 2002;
3. The legislature authorized cost of living increases for people already in service beginning July 1, 2002. To account for these additional costs another \$21.6 million is being added to the expenditure data.

We also have people who were/will be placed into waived services during the current fiscal year. Counties will receive additional funding for these individuals. We estimate that about 450 new people will be added this year, with about 300 of those individuals being "diversions" resulting from our January 2003 allocation of new slots.

To provide you with some context about the scale of our budget commitment, the following figures represent the current forecasted expenditures. These figures do not include any cost of living increases in state fiscal years 2004 and 2005, only increases in caseload and cost per person because of service need changes.

Fiscal year 2003:	\$788,703,334
Fiscal year 2004:	\$848,800,140
Fiscal year 2005:	\$904,842,637

Finally, we have almost completed a county by county analysis of the rebasing. As soon as we have verified our information, we will be distributing it. As I mentioned in an earlier memo, we are trying to plan for some videoconferencing in order to answer questions. Thank you for your continued efforts to work with us during this unsettling time. We really appreciate your willingness to talk with us about how to make the rebasing work best for you while also achieving our budget goals.