

October 2002

DEPARTMENT OF HUMAN SERVICES - STATUS OF SELECT GRANT PROGRAM EXPENDITURES

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

The 2001 Legislative Assembly appropriated \$25.6 million, \$4 million from the general fund for the temporary assistance for needy families (TANF) program for the 2001-03 biennium. Temporary assistance for needy families program expenditures through August 2002 were \$16.4 million, \$2 million more than estimated expenditures of \$14.4 million. Actual expenditures were more than estimated due to the number of cases exceeding estimates by up to 460 cases per month and average monthly payments have ranged from exceeding estimates by \$21 per month to being \$21 per month less than estimated (see Appendix A). For the biennium, the department anticipates actual expenditures will exceed the funds appropriated by \$3.1 million. The department has submitted an Emergency Commission request to increase the appropriation authority for the TANF program by \$3.1 million, of which \$2.2 million is from the federal TANF block grant and \$700,000 is from additional child support collections. The department anticipates carrying forward approximately \$5 million of federal TANF block grant funds into the 2003-05 biennium which is \$3.9 million less than the \$8.9 million anticipated to be carried forward during the 2001 legislative session.

MEDICAL ASSISTANCE

The 2001 Legislative Assembly appropriated \$796.1 million, \$219 million of which is from the general fund for medical assistance grants for the 2001-03 biennium. The department revised its projected Medicaid expenditures for the biennium in November 2001 and June 2002. Compared to the legislative appropriation, the June 2002 revised projections increase estimated expenditures by \$26.9 million, excluding intergovernmental transfer payments. Of the \$26.9 million increase, \$13.5 million is from the general fund.

Major factors causing the projected changes include:

1. An anticipated decrease in North Dakota's federal medical assistance percentage of 1.51 percent, from 69.87 percent in federal fiscal year 2002 to 68.36 percent in federal fiscal year 2003. The budget approved by the Legislative Assembly anticipated the federal medical assistance percentage to remain at 69.87 percent for federal fiscal year 2003. The revised projections reflect an additional **\$4.7 million of general fund** costs for the final nine months of this biennium due to the federal medical assistance percentage change.
2. The number of persons anticipated to be eligible for medical assistance increasing by 5,456, from 42,510 to 47,966, a 12.8 percent increase.
3. The utilization of outpatient hospital services exceeding original estimates by 22.3 percent.
4. The actual net cost of drugs exceeding original estimates by 7.3 percent.
5. The utilization of physicians services increasing 15.6 percent more than anticipated.
6. A payment of \$1.1 million charged to the 2001-03 biennium for costs incurred during the 1999-2001 biennium; \$300,000 of the \$1.1 million is from the general fund. These amounts were charged to the 2001-03 biennium appropriation because inadequate appropriation authority remained in the medical assistance grants line item to charge these payments to the 1999-2001 biennium.

In addition to the factors discussed above, the department is projecting estate collections for the biennium to be \$3.7 million, \$500,000 less than the \$4.2 million anticipated to be collected. This also results in additional funding needed from the general fund.

Since July 2002, actual general fund expenditures have been \$3.1 million more than the June 2002 projections. As a result, the department currently anticipates the general fund share of Medicaid costs for the biennium to be \$14.3 million more than was appropriated by the Legislative Assembly.

See Appendix B for detailed expenditure information relating to medical assistance.

SERVICE PAYMENTS FOR THE ELDERLY AND DISABLED

The 2001 Legislative Assembly appropriated \$13.4 million, \$5.8 million of which is from the general fund for the service payments for the elderly and disabled (SPED) program for the 2001-03 biennium. Through August 2002, the department has spent \$8.2 million, \$1 million more than estimated expenditures of \$7.2 million. Actual expenditures have exceeded estimates due to caseloads exceeding estimates by up to 273 cases per month and average monthly payments ranging from exceeding estimates by up to \$25 to being \$57 less than projected (see Appendix C). Because of computer system problems, the department has not released June and July 2002 caseload and average monthly payment information and anticipates corrections to be made to actual expenditure information; therefore, the department is awaiting these corrections before projecting anticipated expenditures for the biennium. Although awaiting computer system corrections to determine projected expenditures, the department is

projecting a deficit for this program for the biennium. To address the anticipated shortfall, the department has instituted a number of changes affecting the SPED program, including limiting the number of people on the SPED program, reducing provider payments, and making programmatic changes affecting services available under the program.

EXPANDED SPED

The 2001 Legislative Assembly appropriated \$1.2 million from the general fund for the expanded SPED program for the 2001-03 biennium. Through August 2002 actual expenditures were \$772,000, \$128,000 more than estimated expenditures of \$644,000. Although the program's caseload has been

near projections, average monthly payments have exceeded estimates by approximately \$44 per month. Computer system problems are also affecting information reported for the expanded SPED program; therefore, the department is awaiting computer corrections before projecting biennial expenditures. Although awaiting computer system corrections to determine projected expenditures, the department is projecting a deficit for this program for the biennium. To address the anticipated shortfall, the department has instituted a number of changes affecting the expanded SPED program, including limiting the number of people on the program, reducing provider payments, and making programmatic changes affecting services available under the program.

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