

Substance Use Disorder (SUD) Payback of Federal Government



Issue At-A-Glance

There have been recent issues with the Department of Human Services (DHS) that have resulted in billing errors which require paybacks to the federal government. While we want to partner with DHS, counties are not responsible for the state's billing errors, oversight of the federal billing system, or interpreting federal rules as it relates to programs and payment. DHS is demanding that Washington County pay back the federal government due to its own mistakes, which would transfer the cost of these mistakes to local property tax payers.

The state uses federal Medicaid dollars to pay for substance use disorder treatment in qualified hospitals and facilities with 16 or more beds. From 2014 to 2019, DHS underestimated the county share for those dollars, and argues that they have to ask the county for those funds, totaling approximately \$9 million dollars on a statewide basis.



In a state-supervised, county-administered system such as Minnesota's, counties rely on the state to implement and communicate federal regulations, provide billing systems and technology, offer training, and oversee compliance with federal regulations. Counties should not be expected to be financially responsible for errors within these systems – in particular because counties are not at fault regarding these errors and have no ability to plan or prepare for these unexpected costs.

Fixing the errors uncovered by the DHS will take financial resources. Washington County, along with other Minnesota counties, will prioritize working alongside DHS to get the state funding necessary to reimburse the federal government.

We also expect that as additional work is done rooting out billing and payment problems at DHS, more issues that financially impact counties are likely to arise. Washington County expects DHS to hold county resources and services financially harmless regarding currently identified issues. We also advocate for the creation of a Hold Harmless Fund to administer appropriate funds in future financial challenges that may arise from further continuous improvement processes at DHS.

Support

Washington County's position is consistent with the Association of Minnesota Counties (AMC) and the Minnesota Association of Counties Social Services Administrators (MACSSA). Governor Walz has publicly stated his support for not requiring county repayment.

Previous Consideration

Associations such as MACSSA and AMC have taken positions that are consistent with this position statement in 2020.

Meetings between counties and the Department of Human Services have failed to result in a resolution to this issue.

No Action

Counties will continue to be responsible for new, unfunded mandates that will likely result in increasing pressure on local property taxpayers.

Financial Implications

DHS has communicated that the Washington County portion of the federal payback is \$147,780.02.

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