

2025 Reconciliation Bill: Federal Medicaid Cuts

An Obstacle Course of Red Tape, Hurdles and Traps Driving up Costs and Forcing States, Counties, Tribes and Providers to Push Minnesotans Off Health Care Coverage

Overview

- Achieves “savings” by cutting federal Medicaid support and increasing costs for states, counties, Tribes, providers, and enrollees
- Accelerates disenrollment by imposing new hurdles designed to kick people off health care coverage
- Buries enrollees and already backlogged frontline workers in paperwork and red tape
- Projects a net cost of \$500 million annually to the state in lost federal funding and millions in increased costs to counties, hospitals, and enrollees
- Kaiser Family Foundation estimates up to 253,000 Minnesotans could lose coverage
- Commonwealth Fund estimates 9,300 lost jobs

The fiscal estimates in this document are based on an analysis of the bill as it passed out of the House Budget Committee on May 18, 2025

Key Provisions

Increases costs to states, reducing Minnesota’s ability to draw Medicaid funding threatening coverage for Minnesotans

- 10% FMAP reduction for expansion group in states like Minnesota that provide coverage to undocumented persons ***(Estimated loss of federal funds \$330M per year.)***
- Prohibits federal Medicaid/CHIP funding for gender affirming care for youth under age 18 ***(Estimated loss of federal funds: \$3.0M per year)***
- Moratorium on new or increased provider taxes which has allowed Minnesota to draw more Medicaid dollars from Washington:
 - *Does not impact existing provider taxes*
 - *Could jeopardize new or expanded provider taxes currently under consideration*
- Prevents new or increased directed payments, causing budget shortfalls and impacting provider reimbursement rates
- Rolls back existing federal regulations leading to more difficult enrollment processes that prevent access to health care. Changes how states determine who qualifies for Medicaid and lowers standards of care in nursing homes.

Increases costs and workload for counties, burying them in paperwork

- Eligibility checks every six months instead of annually, doubling the workload for backlogged counties and setting them up to fail
- Leads to enrollment churn where enrollees lose coverage as soon as their eligibility is reverified

Increases costs to providers driving up uncompensated care for hospitals, putting hospital systems at risk, especially in Greater Minnesota

- Prohibits federal Medicaid funding for many family planning and reproductive health services:
 - ***Loss of funding for Planned Parenthood and family planning clinics***
 - ***Estimated loss of federal funds: \$170M per year***
- Limits retroactive Medicaid coverage to one month rather than three, effectively driving up uncompensated care for hospitals and other health care providers (***Estimated reduction in state and federal spending: \$60M per year***)
- *Enrollees lost to overly burdensome paperwork requirements will lean on hospital charity care driving up uncompensated costs*

Increases costs to enrollees, driving up out-of-pocket costs and medical debt

- Limits retroactive Medicaid coverage for enrollees to one month rather than three, driving up medical debt for individuals and families earning around \$20,000 annually.
- Imposes a cost sharing requirement for expansion adults with incomes above 100% Federal Poverty Level, not exceeding 5% of an individual's income (***Estimated increase in out-of-pocket costs for enrollees who make the least amount of income: \$4.0M per year***)
 - *Exempts primary, prenatal, pediatric, and emergency room care (except for non-emergency care provided in an emergency room) under \$35 per item or medical service*

Imposes significant barriers to enrollment, renewal of coverage for enrollees and administrative burden for counties and Tribes

- To maintain coverage, mandatory “community engagement” work requirements imposed for able-bodied adults without dependents in every state, effective Oct. 1, 2028. (***MMB Local Impact Note for the 2018 legislation to establish almost identical work requirements estimated the administrative and paperwork burden to cost counties across the state to be approximately \$160M per year***)
 - *80 hours per month of work, community service, work programs, and/or educational programs*
 - *20,000 individuals could lose eligibility annually for non-compliance, increasing uninsured rate*
 - ***Estimated annually at \$5M per year in State administrative costs***

- A complex array of new barriers will disproportionately impact vulnerable groups, leading to eligible individuals losing and/or not accessing coverage:
 - *Complex application processes*
 - *Increased documentation requirements*
 - *More frequent reporting obligations and stricter enforcement of existing rules*