DEPARTMENT OF HUMAN SERVICES

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Historic cuts to health care will impact every Minnesotan

Preliminary analysis of Medicaid provisions in the 2025 federal reconciliation bill

Overview

The Minnesota Department of Human Services continues assessing the impact to Minnesotans caused by the federal reconciliation bill signed by President Trump July 4. While this analysis will continue as the federal government issues additional guidance, it's obvious this bill is a historic disinvestment in the health and wellbeing of Minnesotans and the state's health care infrastructure.

The impacts on Medical Assistance, Minnesota's Medicaid program, will be significant and felt by all Minnesotans. Preliminary analysis by DHS, based on Congressional Budget Office data, projects that the federal law will eventually result in a loss of coverage for as many as 140,000 Minnesotans. The bill specifically targets low-income adults without children, saddling them with additional paperwork, forcing more frequent administrative hoops, and imposing medical bills.

The bill limits access to health care by tightening eligibility requirements and making enrollment more complicated for people in need and the county, state and Tribal workers who serve them.

Losing health insurance causes people to delay care and increases costs for Minnesota hospitals and emergency departments, which get passed along to all patients. Work reporting requirements, more frequent eligibility checks, and adding medical bills create barriers to receiving and maintaining coverage for eligible people. Eligible people will struggle to navigate paperwork and lose coverage alongside those who no longer qualify.

- **Work reporting requirements:** States must establish work reporting requirements for some low-income adults. The Urban Institute estimates that 91% of these adults, known as the Medicaid expansion group, already work or are in school, a caregiver, looking for work or have health issues that limit their employment opportunities. Based on the experiences of other states, work reporting requirements add significant costs to taxpayers to ensure a small number of people work and cause eligible people to lose coverage.
  Estimated fiscal impact: $200 million in reduced federal funding annually from loss of coverage, as well as potential annual increases of $165 million each year in state, county and Tribal administrative costs. Additional impacts to Minnesota's state budget are currently being estimated.
- **Eligibility checks:** The bill increases eligibility checks for low-income adults without children from every 12 months to every 6 months. More frequent eligibility checks increase burdens and red tape for everyone, often causing eligible people to lose coverage for failing to submit paperwork within the prescribed deadlines.
  Estimated fiscal impact: $4.9 million in annual costs to Minnesota taxpayers for increased administrative costs. Additional impacts to Minnesota's state budget are currently being estimated.
- **Cost sharing:** States must impose cost sharing on adults without children with incomes between 100% and 138% of the federal poverty level — $15,660 to $21,597 for a household of one. Many studies have found even very modest increases in cost sharing leads to avoidance of care, which ultimately causes more expensive care and more serious health risks.
  Estimated fiscal impact: $4 million in increased out-of-pocket costs for enrollees.

- **Immigration status:** The legislation restricts non-pregnant adults 21 or older with specific lawful immigration statuses from Medicaid coverage, including refugees; people granted withholding under the Convention Against Torture; and victims of trafficking. Restricting access to coverage shifts costs to providers in increased uncompensated care. The bill also reduces federal reimbursements from 90% to 50% for emergency Medicaid services for eligible undocumented people.
  Estimated fiscal impact for changes to coverage for people with lawful statuses: TBD
  Estimated fiscal impact for changes to emergency Medicaid services: $13.6 million per year loss of federal funding.

The bill puts access to critical care at risk, particularly in Greater Minnesota, by adding stricter limits on health care funding for providers.

The bill shifts costs from the federal budget to critical providers and the state, challenging hospitals especially in rural locations. Communities suffer when rural hospitals lose Medicaid patients and no longer have sufficient business. When the facilities close their doors, they close to everyone in the community, and travel times become a barrier to health care even for those with employer insurance. Restrictions on financing mechanisms will limit flexibility for states and specifically target states that have opted to cover more people through Medicaid.

- **Family planning providers:** The budget prohibits federal Medicaid funds for certain family planning and reproductive health providers for one year, limiting access to family planning, STD testing, mammograms and other preventive care.
  Estimated fiscal impact: To be determined but up to $154 million in state fiscal year 2026.
- **Provider taxes:** The bill prohibits any new provider tax and places stricter limits on current provider taxes.
  Estimated fiscal impact: Hospitals may eventually stand to lose approximately $1 billion per year when this provision is phased in.
- **State-directed payments:** The budget limits certain payments to hospitals, nursing facilities, and academic medical centers to the Medicare rate. Approved payments and those submitted for federal approval must phase down to the Medicare rate starting in 2028, and this will result in reduced payments to Minnesota hospitals that serve a large share of Medicaid enrollees.
  Estimated fiscal impact: TBD
- **Funding for Rural Health Transformation:** The bill appropriates $10 billion annually for five years to invest in rural health services and infrastructure. The funding, split across all states, will not be enough to cover losses from the other provisions, which KFF estimates at $155 billion.
  Estimated fiscal impact: NA
- **Retroactive coverage:** The bill decreases retroactive coverage from three months to one month for low-income adults without children and from three months to two months for everyone else. Stricter limits on retroactive coverage saddle people with unaffordable medical debt, which becomes uncompensated care that providers must absorb.
  Estimated fiscal impact: $31 million loss in federal funding; reduction of $9 million in state spending.