

Minnesota risks billions unless state law comes into compliance with federal Medicaid changes

Minnesota must come into compliance with federal Medicaid changes enacted in July 2025 or jeopardize a significant amount of federal funding. At risk: approximately \$3 billion. That's about 1/7 of the total amount of annual Medicaid spending in Minnesota. Proposals in the Governor's budget not only ensure compliance with federal Medicaid law and the ability to receive federal matching funds as a result – they help mitigate harm to Minnesotans and health care providers.

On top of other funding threats and cuts from the federal government, a \$3 billion hit to Minnesota's Medicaid program will impact all Minnesotans. Minnesota's Medicaid program, called Medical Assistance, insures roughly 22% of the state's population but at different rates depending on who is accessing services. This funding reduction will impact the group for which the federal government contributes the largest share. For every dollar spent on these enrollees, the federal government contributes 90 cents. In other words, cuts save the federal government money at the state's expense. Without additional funding support included in the Governor's proposal, specifically to verify eligibility electronically and enhance enrollee outreach, more eligible enrollees will fall off the program.

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Medical Assistance supports more than one in five Minnesotans and thousands of health care providers.



Moreover, a loss in funding will force difficult decisions on where to make up the shortfall: covering fewer people, covering fewer services, or cutting provider payments. No matter the choice, the result is grim: an unhealthier and less productive population or an increase in uncompensated care, straining Minnesota's health care providers.

Medical Assistance contributes significantly to the state's health care sector, supporting public health infrastructure, hospitals, mental health centers, home care, community clinics, nursing homes, physicians, dentists and many other health professionals. Further eroding this health care

infrastructure impacts access to services for all Minnesotans. Many health care providers struggle now, operating on razor-thin margins. The state has already witnessed service reductions and facility closures in recent months.

Federal Medicaid changes add significant administrative complexity to an already complex and strained human services system. The Department of Human Services has also been operating on razor-thin margins, but in terms of headcount. More human and technological capacity must be added to implement these new challenges and alleviate barriers that enrollees and providers already experience. Implementing and administering the federal requirements requires additional staff, vendor contracts, and other administrative costs across the Department of Human Services.

Proposals HC-40 and HC-47 fund the following

The Governor's budget proposals will fund:

- Necessary staff to manage additional work and reduce county and Tribal workload
- Updates to eligibility systems for these new requirements
- Contracts for databases to electronically verify applicant and enrollee information
- Outreach to enrollees and other groups who support and engage with new applicants and enrollees.

The resources in these proposals will support eligible enrollees in maintaining their coverage, minimize burden on county and Tribal eligibility workers, and simplify and align processes for enrollees, providers and navigators. The Department of Human Services plans robust communication efforts to reach impacted communities and community-oriented support through mini grants and additional navigator funding. These proposals are vital to uphold and protect Minnesota's Medicaid financing.

Find more information

- Visit Medicaid Matters at mn.gov/dhs/medicaid-matters
- Learn about federal Medicaid changes at mn.gov/dhs/federalchanges
- View budgets pages on these proposals at mn.gov/dhs/assets/2026-budget-package_tcm1053-732440.pdf