Minnesota Hospital Association

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March 3, 2026 *Submitted Electronically*

Chair Backer, Chair Bierman and members of the House Health Finance and Policy Committee,

On behalf of the Minnesota Hospital Association and the patients that our 139 member hospitals and health systems serve, we thank you for bringing HF 3763 (Nadeau) and HF 3439 (Nadeau) before the committee and for beginning work on the consequential and timely decisions facing Minnesota's health care system. We urge the committee to evaluate them closely within the broader context of unavoidable challenges, potential costs of noncompliance, and the sweeping federal Medicaid changes imposed under H.R. 1.

According to the Department of Human Services (DHS), H.R. 1 is estimated to reduce federal funding to Minnesota by $1.6 billion over the next four years and cause up to 140,000 Minnesotans to lose health coverage. Minnesota hospitals face an estimated $354 million annual loss in revenue due to enrollment reductions and a $269 million annual increase in charity care. These changes represent a fundamental restructuring of how low-income Minnesotans access care, and they form the backdrop against which both HF 3763 and HF 3439 must be considered.

HF 3763 (Nadeau): Community engagement requirements for the Medical Assistance program established.

HF 3763 establishes community engagement requirements – work reporting requirements – for the Medical Assistance (MA) program, aligning state policy with the federal mandate under H.R. 1 that requires certain Medicaid expansion adults ages 19–64 to document at least 80 hours per month of work or community engagement, beginning January 1, 2027.

Our central concern is that this requirement will result in significant coverage losses among individuals who are already eligible for MA. Most of Minnesota's expansion adults already work, attend school, serve as caregivers, or live with health limitations that affect their ability to work. For many enrollees, the requirement will not change behavior, but it will add a reporting obligation that many will struggle to navigate with no additional benefit.

Notably, we are concerned that HF 3763 goes beyond what federal law requires in ways that would further increase coverage loss. H.R. 1 requires a one month "look back", meaning an applicant needs to demonstrate compliance in the single month preceding initial application. HF 3763 instead requires compliance in the two consecutive months immediately preceding the month of application, a stricter standard than federal law demands.

A longer look-back period for initial applications may disproportionately affect individuals with seasonal or fluctuating work schedules, temporary job transitions, caregiving disruptions, or short-term health episodes that interrupt employment. By requiring a two-month look-back rather than adopting the one-month federal minimum, Minnesota would impose a higher barrier to coverage than required under

H.R. 1 and may increase the likelihood that otherwise eligible individuals are denied or lose coverage due to short-term instability.

The consequences for Minnesota's health care infrastructure will be direct and measurable. Work reporting requirements are projected to reduce hospital Medicaid revenue by 8.8 percent and increase uncompensated care by 21.5 percent, while imposing substantial new administrative costs on the state. When individuals lose coverage, their health needs do not disappear. Care is delayed until conditions worsen, and patients ultimately present in emergency departments. The cost is not eliminated; it shifts to uncompensated care, charity care, and bad debt.

Compounding these concerns, federal guidance from CMS is not expected until June 1, 2026, leaving a narrow implementation window and an even narrower window for legislative input. Within months, the state will need to build new IT systems, train county and Tribal workers, conduct enrollee outreach, and operationalize exemption and verification processes.

HF 3439 (Nadeau): Eligibility for Medical Assistance and expedited disability determinations modified, review of death master file required, and contract requirements for managed care plans provided.

MHA supports the provisions creating an expedited disability determination process through the State Medical Review Team (SMRT). HF 3439 adds expansion adults at risk of losing eligibility to the expedited review categories and requires DHS to notify expansion enrollees by October 2026 that a disability pathway exists. These are practical, necessary steps that will help protect vulnerable Minnesotans as federal changes take effect.

In compliance with H.R. 1, HF 3439 reduces retroactive Medicaid eligibility from three months to just one month for expansion adults and two months for all others, a change estimated to result in a $40 million reduction in coverage funding that eliminates a critical financial safety net for patients who receive care before their eligibility is confirmed. This change places a unique burden on hospital emergency departments that we cannot stress enough. Often patients present in EDs with unknown eligibility and the compressed timelines will put additional pressure on what is already a vulnerable patient care situation. At scale across Minnesota, this has the potential to measurably erode the sustainability of emergency care.

Lastly, HF 3439 implements six-month redeterminations for expansion enrollees, doubling the administrative workload on county and Tribal eligibility workers. And it narrows the categories of noncitizens eligible for Medical Assistance effective October 1, 2026. Each of these changes will independently result in coverage losses, worse patient outcomes, and increased uncompensated care for Minnesota's hospitals and health systems.

The Broader H.R. 1 Context: The Cumulative Patient, Administrative and Fiscal Impact

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The provisions in HF 3763 and HF 3439 do not arrive in isolation. They are part of a much larger set of federal mandates taking effect on the same timeline, and their cumulative impact at scale is a serious concern.

Beginning January 1, 2027, the same date that work reporting requirements take effect, Minnesota must also perform quarterly eligibility integrity checks, regularly update enrollee records, and submit enrollee data to the federal government monthly. These obligations will be layered on top of the work reporting verification, exemption processing, six-month redetermination cycles for some enrollees, and expanded compliance tracking.

Minnesota is uniquely vulnerable to this operational challenge. As one of only ten states with county-based eligibility determination, Minnesota relies on a network of county and Tribal agencies to process applications, verify compliance, and manage redeterminations. That system runs on MAXIS, a 36-year-old IT platform that was not designed for the speed, volume, or complexity that the imminent federal changes demand. Building new reporting workflows, tracking monthly compliance, and transmitting expanded federal data will require significant system redesign and staffing capacity that cannot be stood up overnight.

MHA's central concern in all of this is coverage stability and patient outcomes. When eligibility systems are overwhelmed, the most common outcome is procedural coverage loss, individuals who remain eligible lose coverage because paperwork is delayed, notices are not received, documentation is incomplete, or systems cannot process determinations in time. Those losses translate directly into increased uncompensated care for hospitals and reduced access to timely care for patients.

Hospitals cannot absorb unlimited increases in uncompensated care. As coverage erodes, financial strain intensifies, particularly for rural and safety-net providers, affecting service lines, staffing, and the communities that depend on them.

We respectfully urge the Committee to evaluate HF 3763 (Nadeau) and HF 3439 (Nadeau) not only on their individual provisions but considering the full scale of what Minnesota's health care system will be asked to absorb. We welcome the opportunity to continue working with the committee and stand ready to provide additional information or technical assistance as these discussions move forward.

Sincerely,

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