

2025 Budget Impacts on Long-Term Care

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Our Focus Today

State of the sector prior to 2025 Session

**Impact of 2025 Session on providers and seniors
in need of care**

Things to watch and resolve in 2026

Aging Services Sector showed signs of pandemic recovery



Workforce indicators gradually rebounding, with vacancies down to the lowest level since the pandemic, but still more than 11,000 statewide



Agency use is declining: fewer providers are using agency staff, and those who do are using fewer hours.

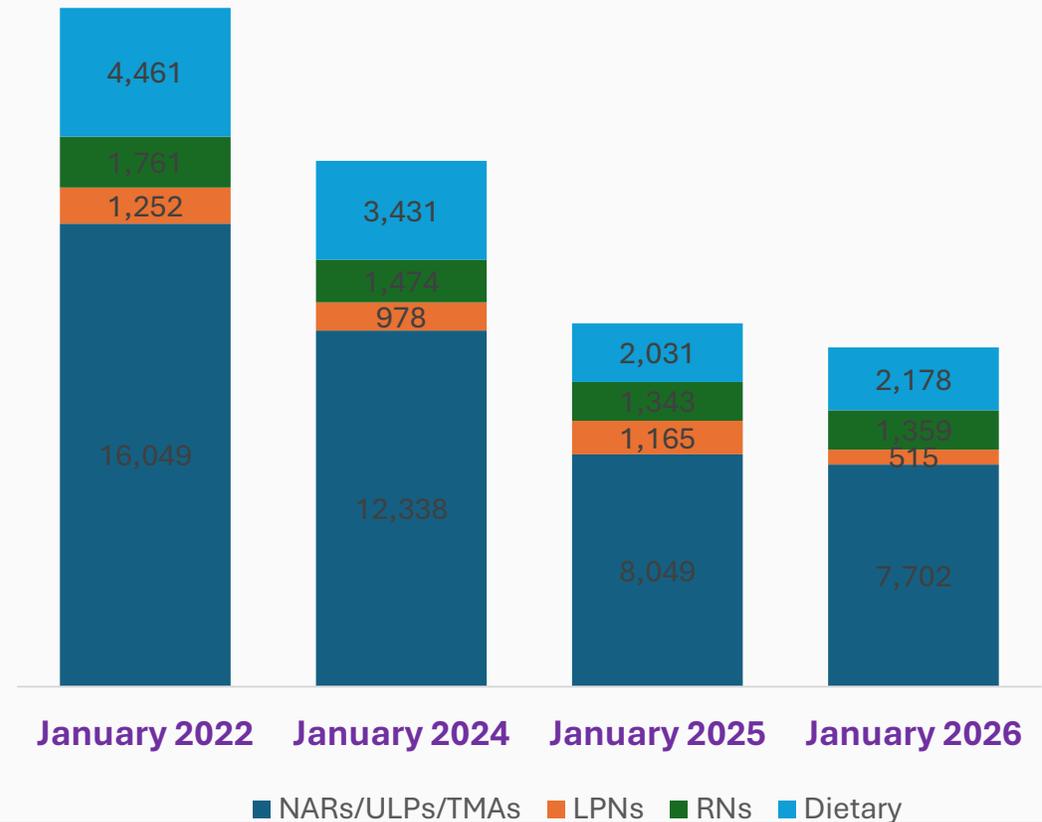
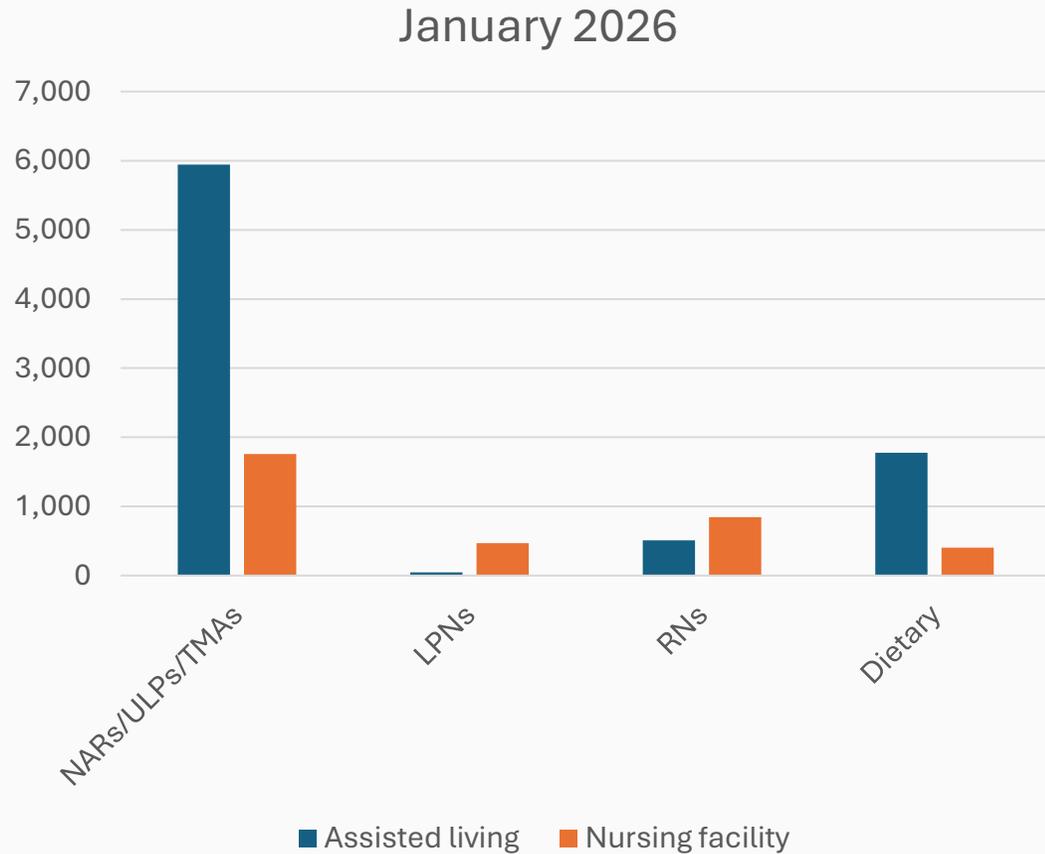


Operating margins showing improvement in most nursing homes and assisted living facilities



Providers considering sale or closure down from 2023.

Vacancies in Key LTC Employee Positions about 11,750 Statewide, down from over 23,000 in 2022



Value Based Reimbursement Model

Adopted in 2016.

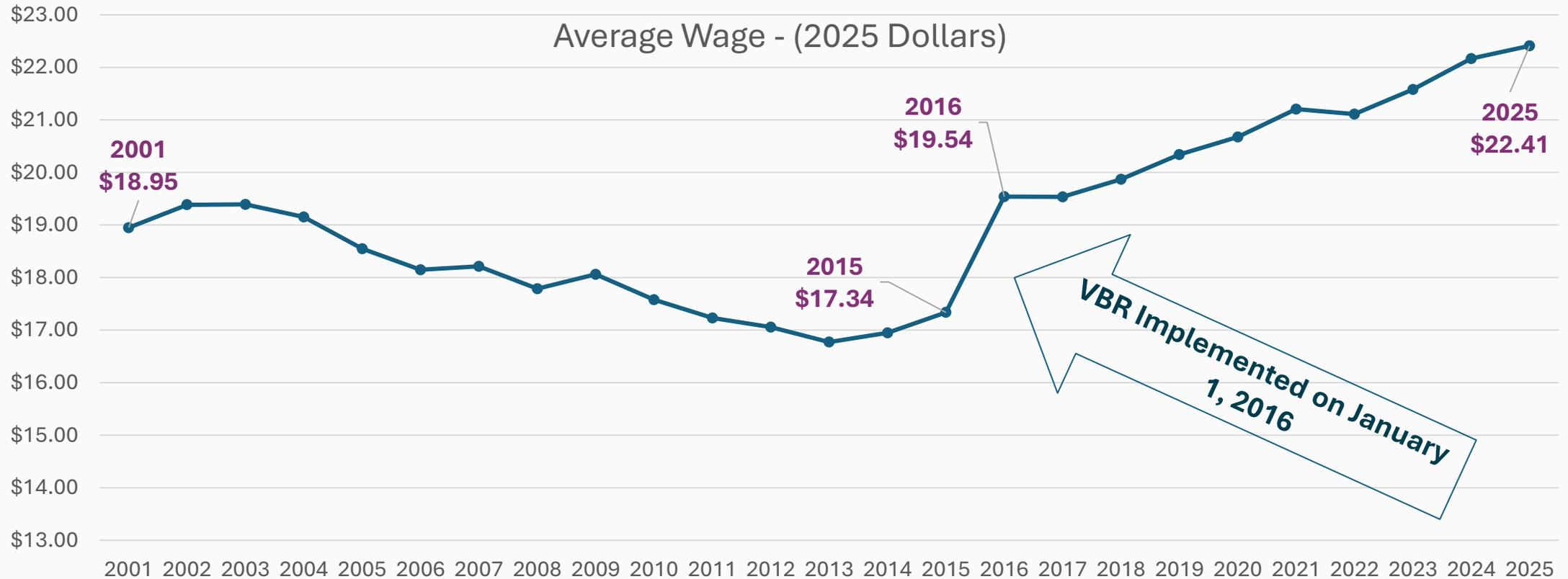
Rate increases are now capped at the lesser of 4% or CPI-U.

VBR was designed to respond to on-going changes for costs of caregivers and growing costs. The capped system removes this feature and now resembles pre-VBR system (see slide on C.N.A. wages before and after VBR).

Since 1976, Minnesota's private and public pay are rate equalized.

VBR Restored Wages to Early 2000's Level in One Year

Minnesota Nursing Facilities
Average Hourly Wages of Nursing Assistants
CPI-U Adjusted to 2025 Dollars



And then...2025 legislative session happened



CPI-U cap fundamentally broke value-based reimbursement



Mandates and fees are contributing to a growing affordability problem for assisted living consumers



Though workforce situation is improving, regulations are still asking staff to do more with less, contributing to a burnout problem in long-term care

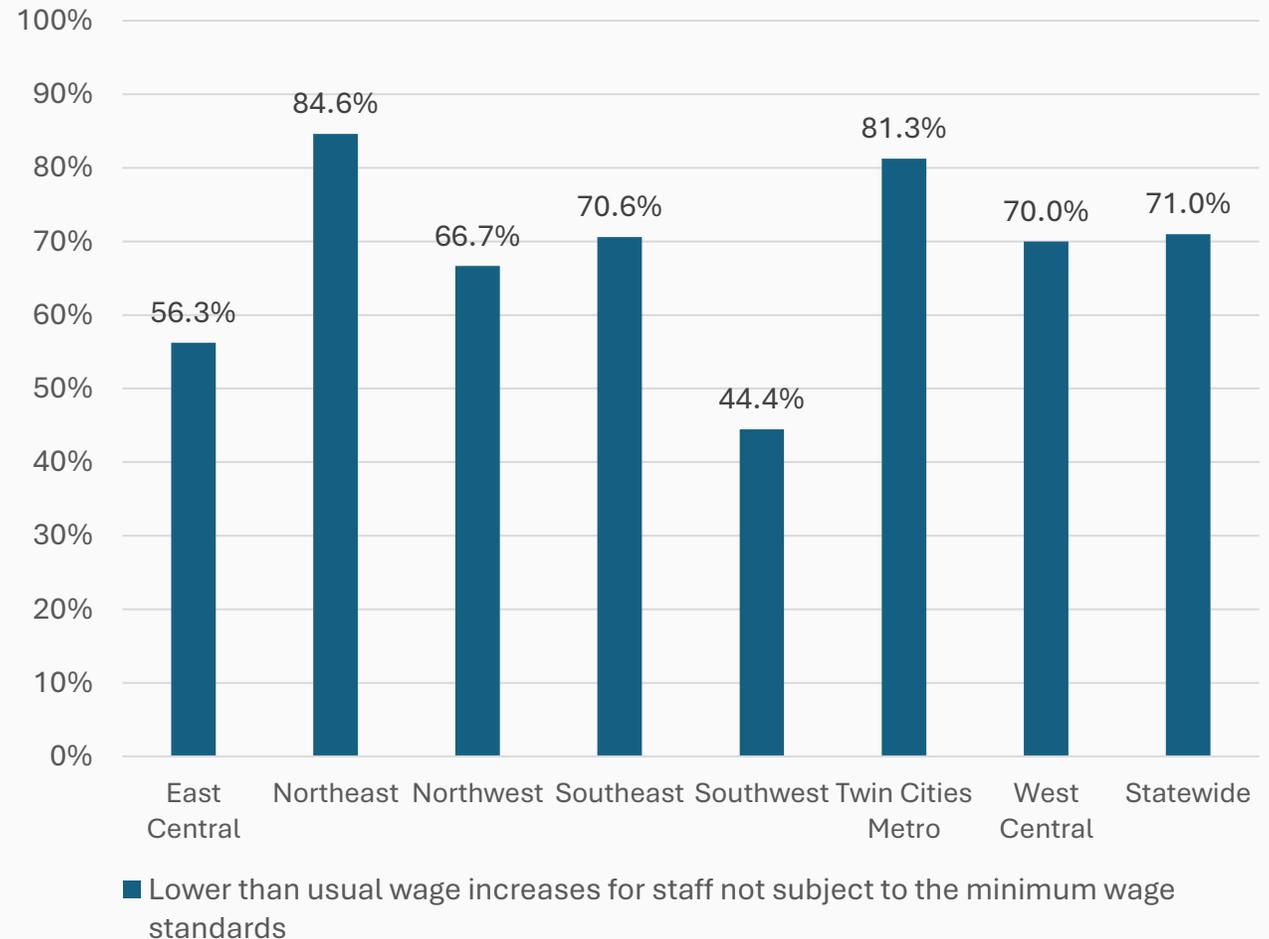
Breaking Value Based Reimbursement

- Nursing facilities that, in good faith, invested in wages due to the January 1, 2026 minimum wage standards. A nursing facility that raised wages by 10% during the 2024 cost report period, will now see that investment capped.
- The minimum wage standards have created serious wage compression issues. While the minimum wage standards do fund the wages below the standard, there is no funding for staff above the standards.

Budgetary strategies due to the implementation of the operating rate caps under VBR

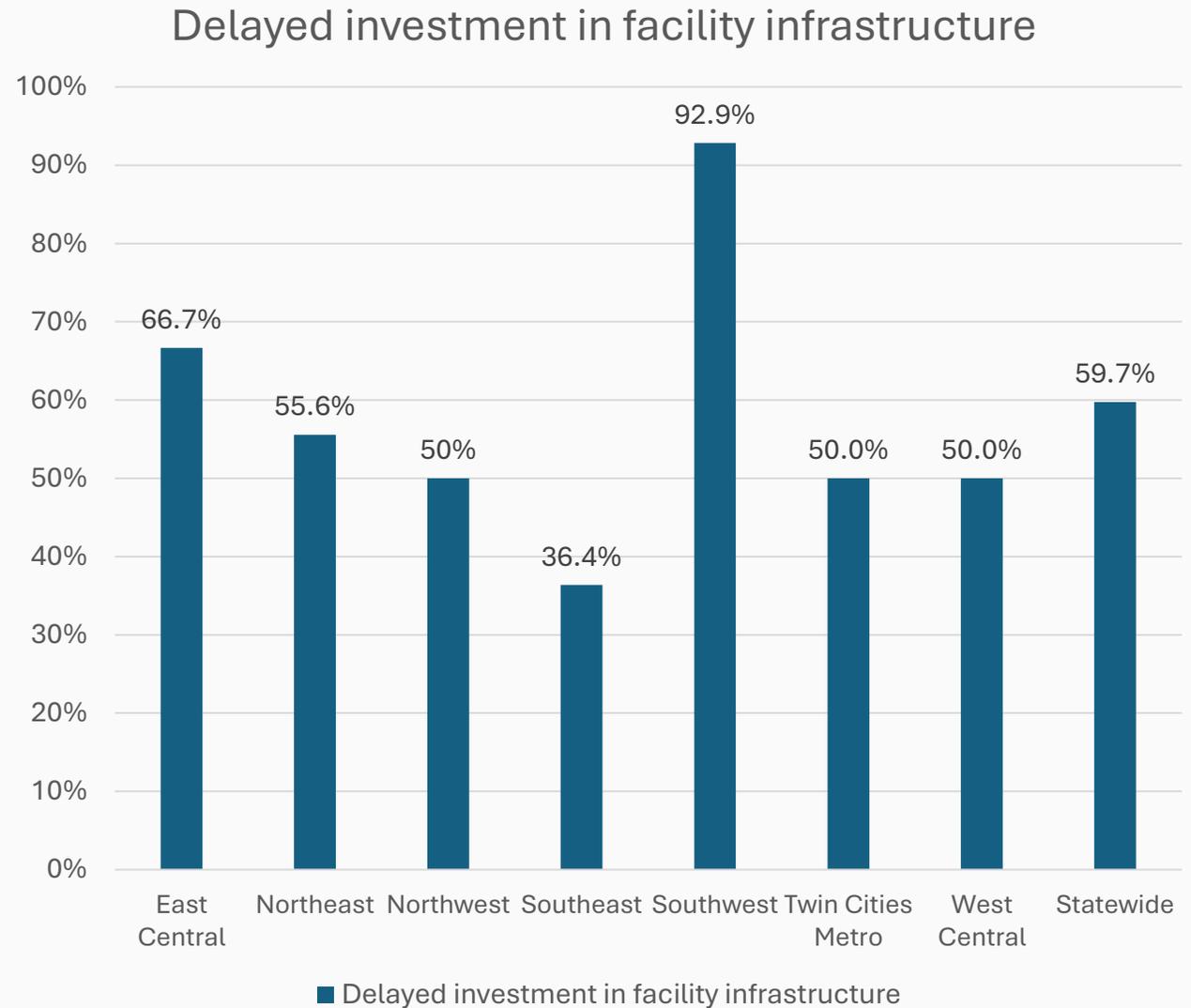
Over 70% of nursing facilities will be forced to lower typical wage increases to staff not included in NHWSB minimum wage mandate.

Lower than usual wage increases for staff not subject to the minimum wage standards



Budgetary strategies due to the implementation of the operating rate caps under VBR

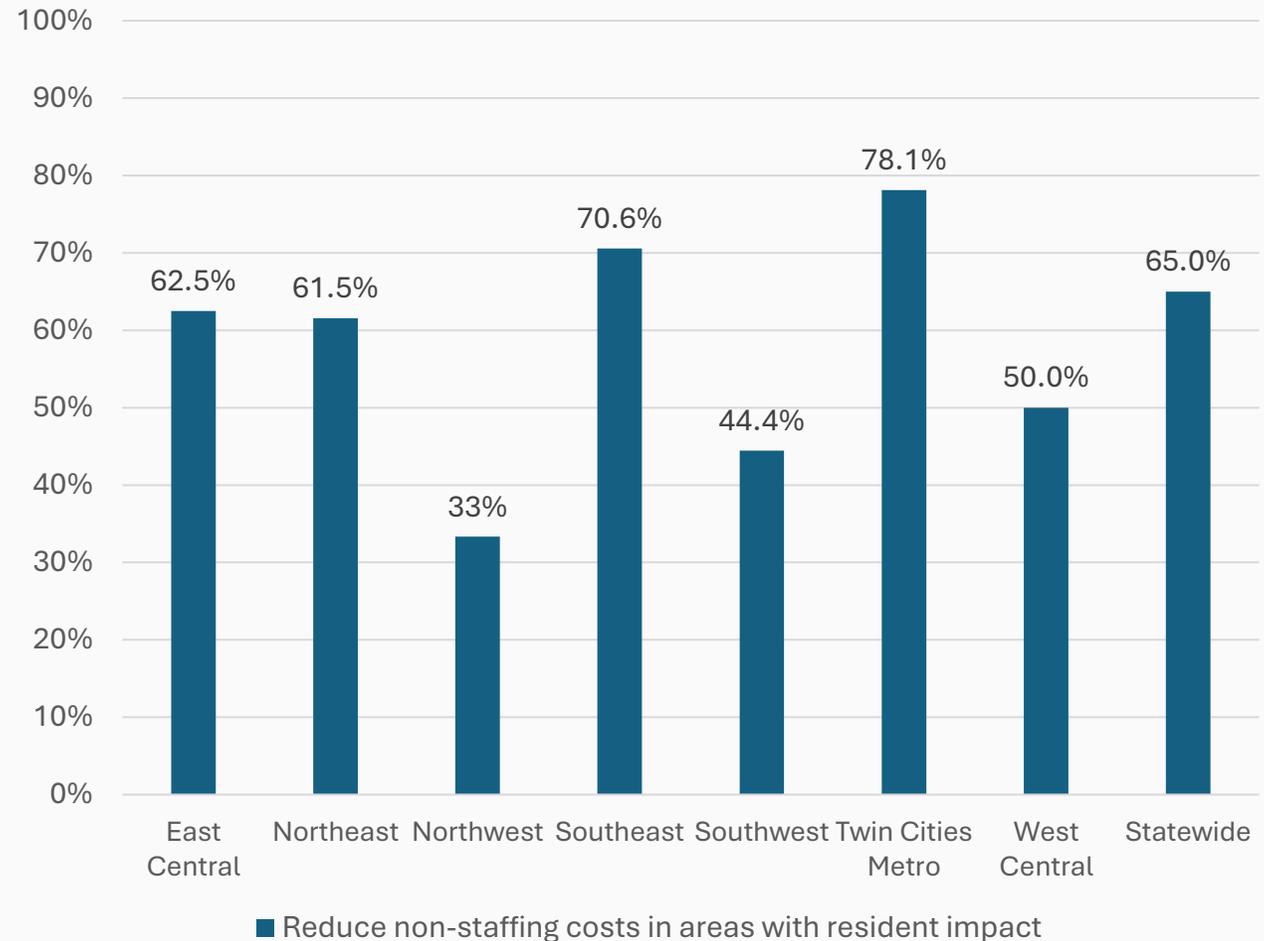
Nursing facilities forced to delay infrastructure investments in many cases, including 93% of those in the southwest region of Minnesota.



Budgetary strategies due to the implementation of the operating rate caps under VBR

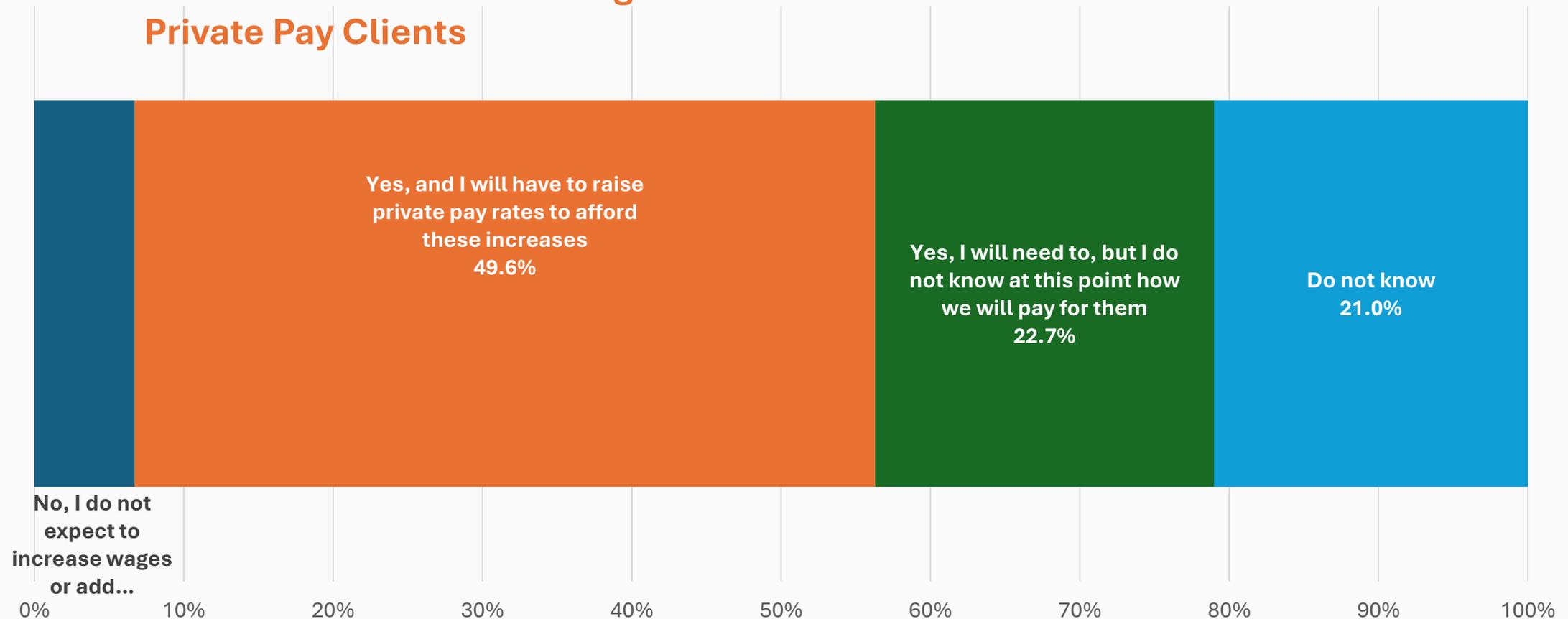
65% of Minnesota nursing facilities preparing to reduce non-staffing costs in areas impacting residents.

Reduce non-staffing costs in areas with resident impact

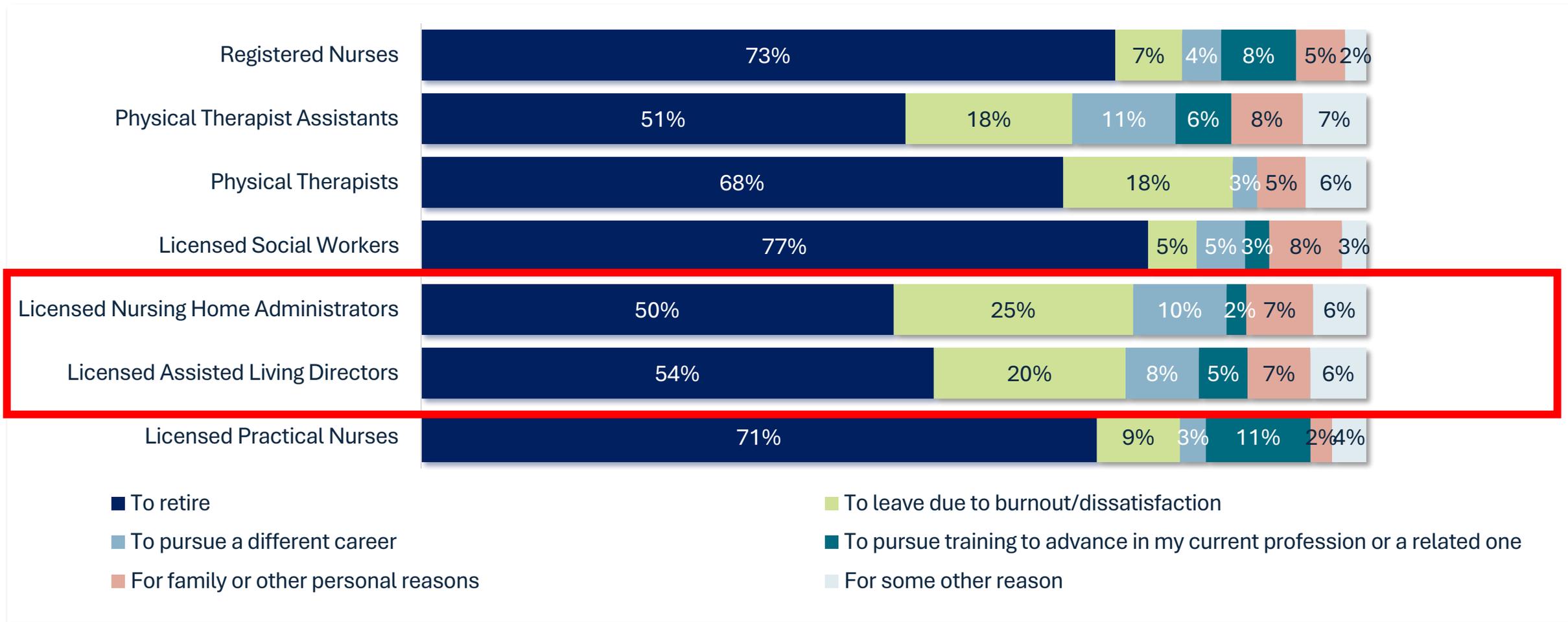


Over 70% of Assisted Living Facilities are Expecting an Impact from the Wage and Compensation Mandates Promulgated by the Nursing Home Workforce Standards Board.

50% Indicate that Means Higher Rates for Private Pay Clients



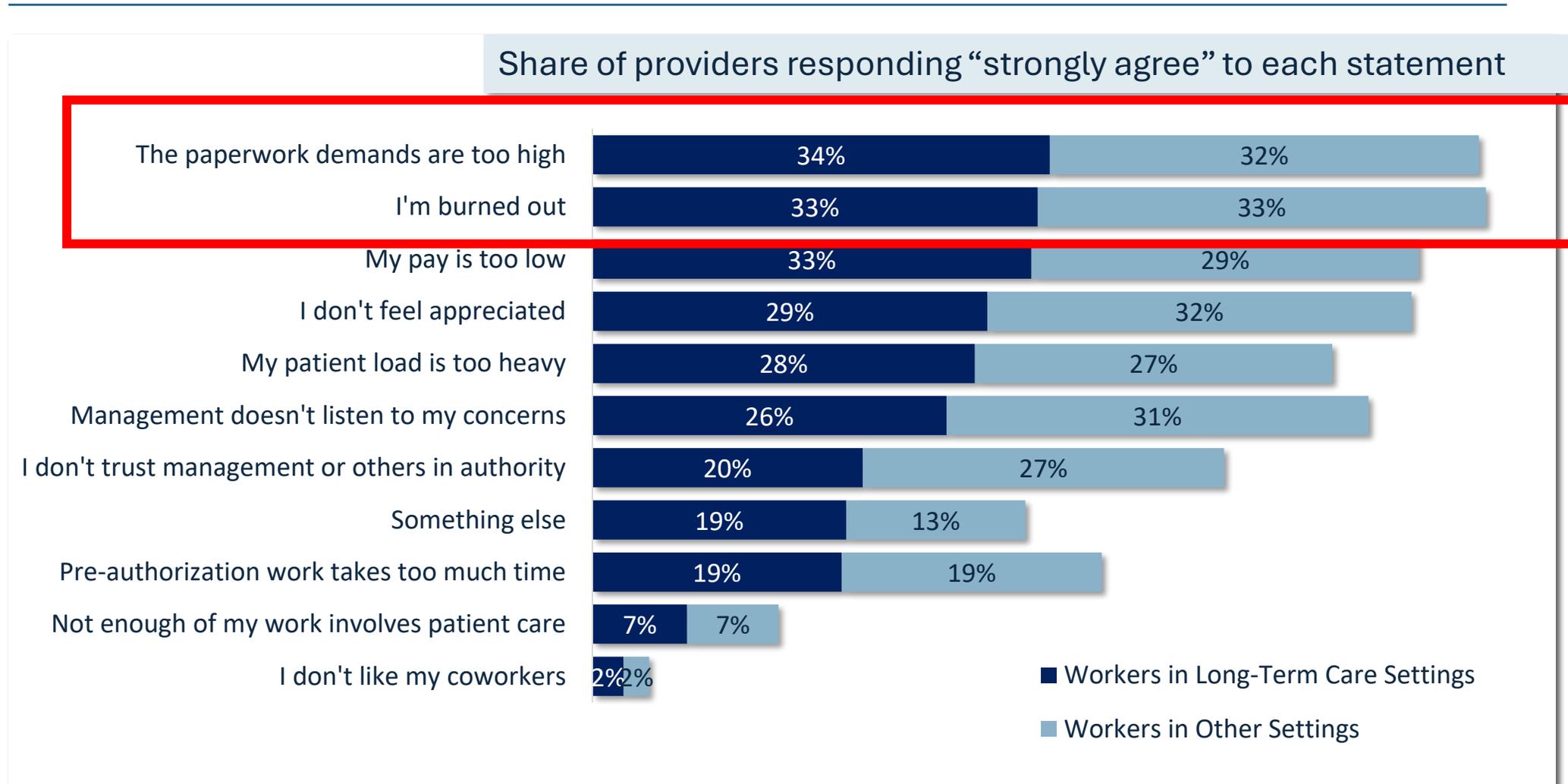
According to MDH Survey: reasons for leaving in five years by detailed profession, 2025*



*Note. Only asked of individuals who indicated leaving their position in the next 1-5 years

According to MDH survey: Reasons for dissatisfaction

Long-term caregivers vs. caregivers in other settings



Things to watch and resolve in 2026



DHS delays create uncertainty for residents, families, providers and workers



Medicaid processing delays are reaching breaking point with consequences for seniors and providers alike.



Fiscal cliff for nursing homes on the horizon. Reduction in revenue of almost half a billion is estimated through 2029 due to the 2025 legislative changes.

Pending State Planned Amendment

Nursing homes continue to wait for updated rates. The SPA was not submitted until after January 1, 2026.

Resident confusion:

- Minnesota is rate equalized, meaning private pay the same rates as Medicaid patients.
- Private pay residents do not have an accurate bill from January 1 to today due to the SPA delay.
- Due to the PDPM transition, residents received new rate notices in November, an estimated rate notice in January, and will receive an updated notice 30 days after the SPA is approved – along with either a refund for overpayment or an invoice for outstanding balance.

Implementation Fallout

The state provided a minimum wage rate add-on in the June 2025 funding bill. Without an approved SPA, the legislation does not provide funding until 30 days after CMS approval. We are still uncertain when these funds will be available.

The 2025 Minimum wage rate add-on will expire. After expiring the wages will have to be absorbed into the capped rate, presuming it has increased sufficiently. Funding shortfalls will exist for some facilities and the mandates could limit facilities options to absorb the expiring rate add-on.

Signs of a care cliff are mounting

The cap prevents \$5 per resident per day from being included in our 2026 rate. That equals \$163,821 per year in unreimbursed costs for our 2024 investments in staff wages and resident care

We have estimated a loss of \$2.7 million in 2025 across our rural communities

Our care center is projecting a reduction of \$42 in the direct care per diem and we already reduced evening activity each day for all 12 of our neighborhoods. We will make additional reductions but don't have it finalized yet.

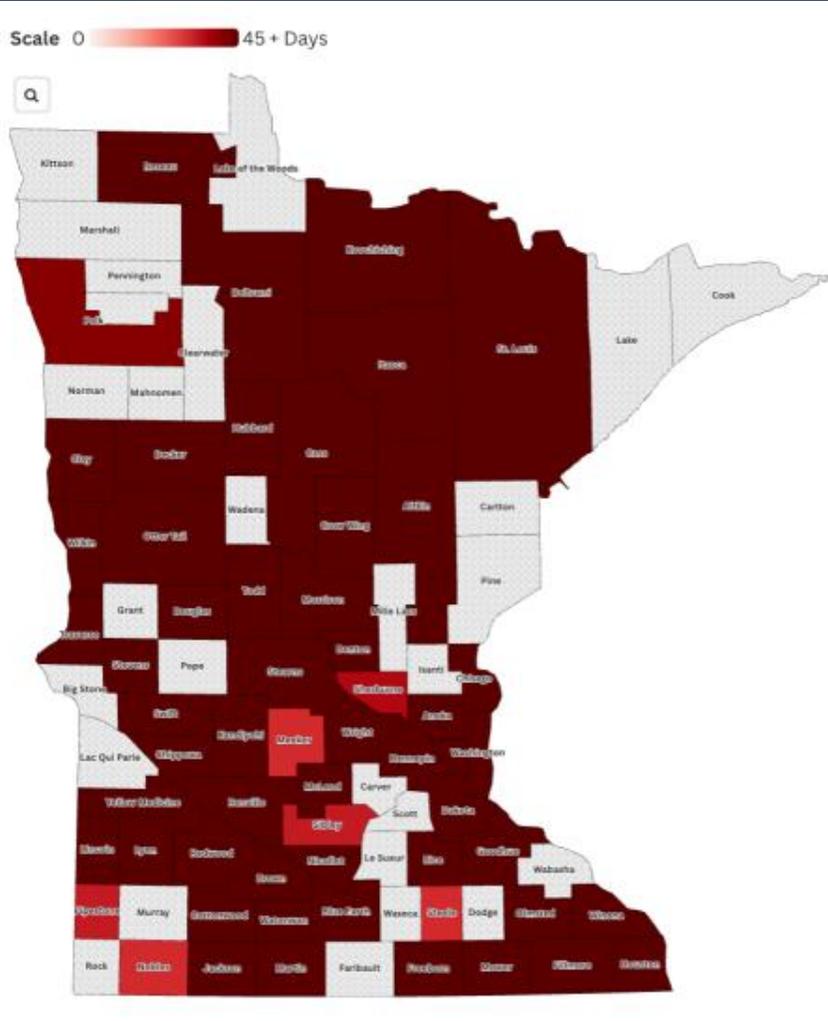
Over 3 years we are looking to lose approximately \$1M.

County Processing

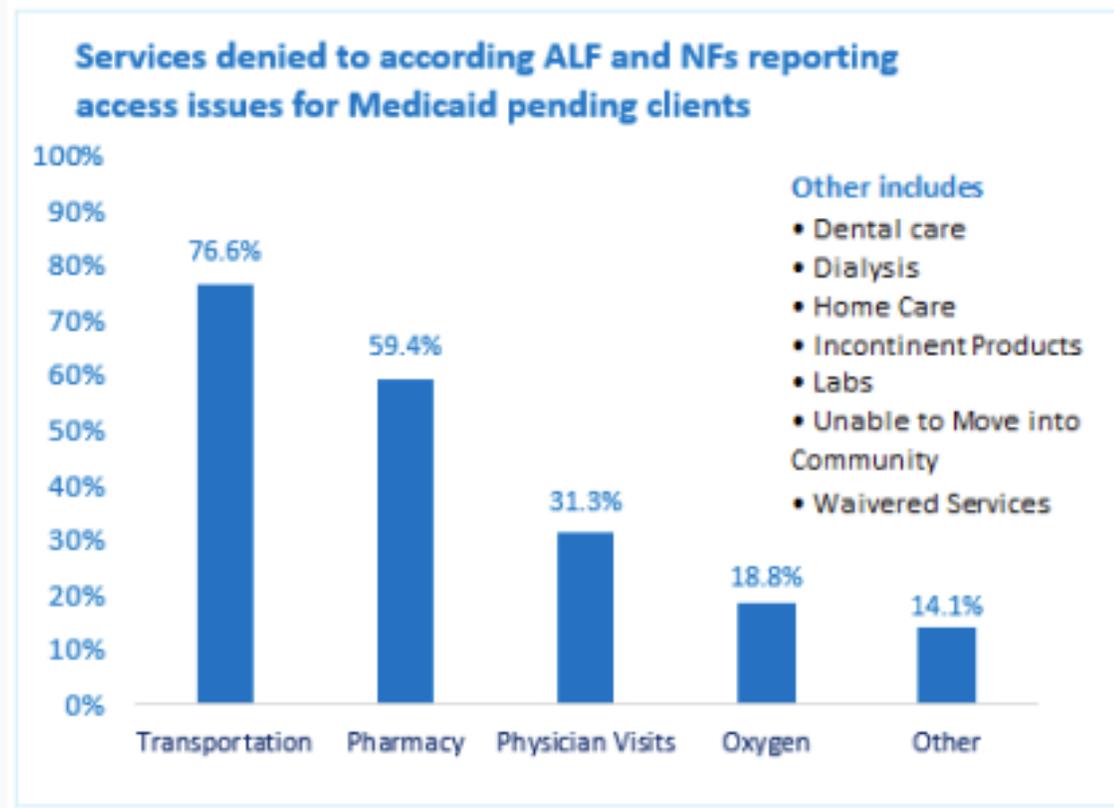
Minnesota's application on average are taking **100.7 days to complete.**

The average **longest outstanding application is 176.5 days.**

Federal standard for timely determinations? 45 days.



County Processing



Our Residents waiting for Medicaid approval places the person in Medicaid pending where the lack of an approve payer source creates challenges outside of the facility.

County Processing Solutions

Establish a portal that allows applicants and providers to see application status.

Adopt presumptive eligibility for Nursing Facility and Elderly Waiver Customized Living, where services paid up front with retroactive settle-up when it appears that the client is likely to qualify.

Service agreements and care planning for ALFs streamlined.

Response team from DHS to help counties that have application backlogs.

Thank you

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