



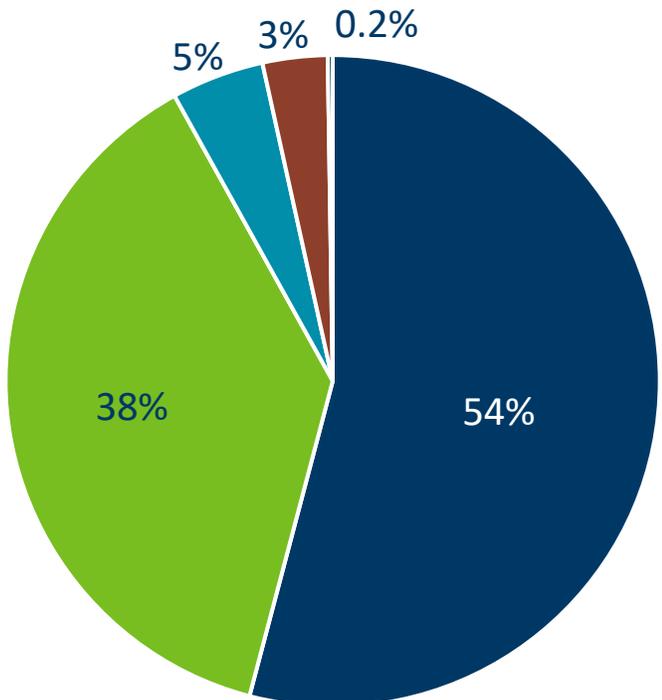
# DHS Budget and Forecast Impacts

Human Services Finance and Policy Committee  
March 11, 2026

# DHS Budget

# DHS Budget – Source of Funds

FY2026 Projected Expenditures by Funding Source



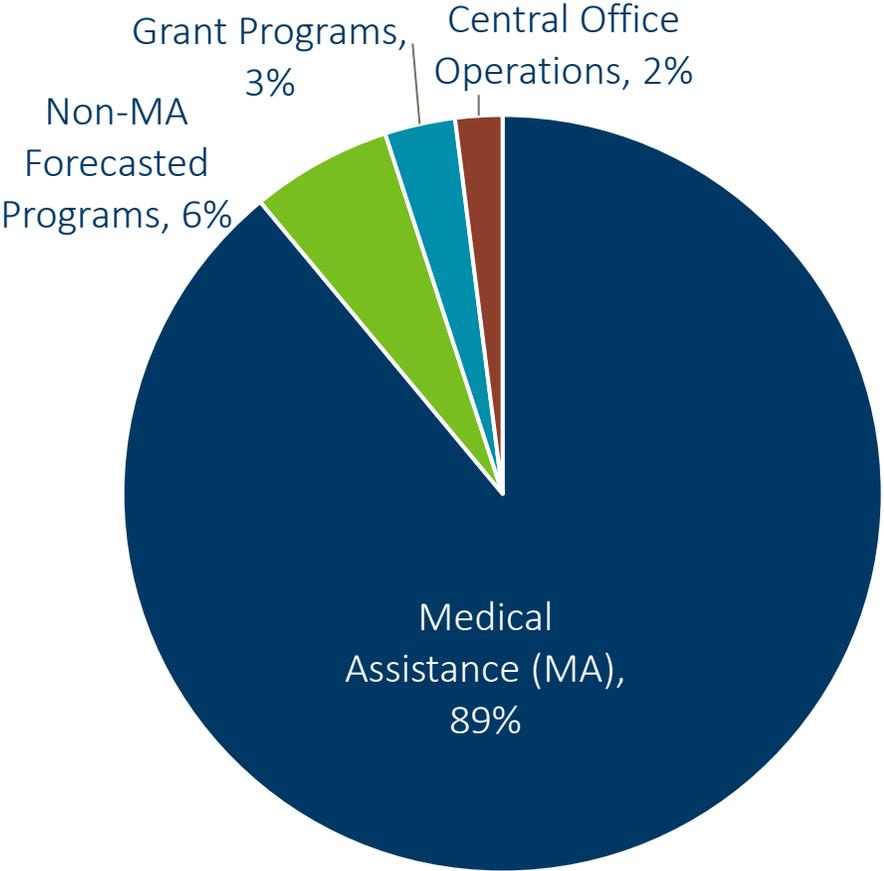
**FY2026 Total Projected Spending:**

- Federal: \$15.2B
- General Fund: \$10.6B
- HCAF: \$1.3B
- Special Revenue/SGSR: \$901M
- Other: \$68M

**Total: \$28.1B**

■ Federal ■ General Fund ■ Health Care Access Fund ■ Special Revenue/SGSR ■ Other

# DHS Budget – How it is spent



**95%** of the budget is spent on Forecasted programs, including:

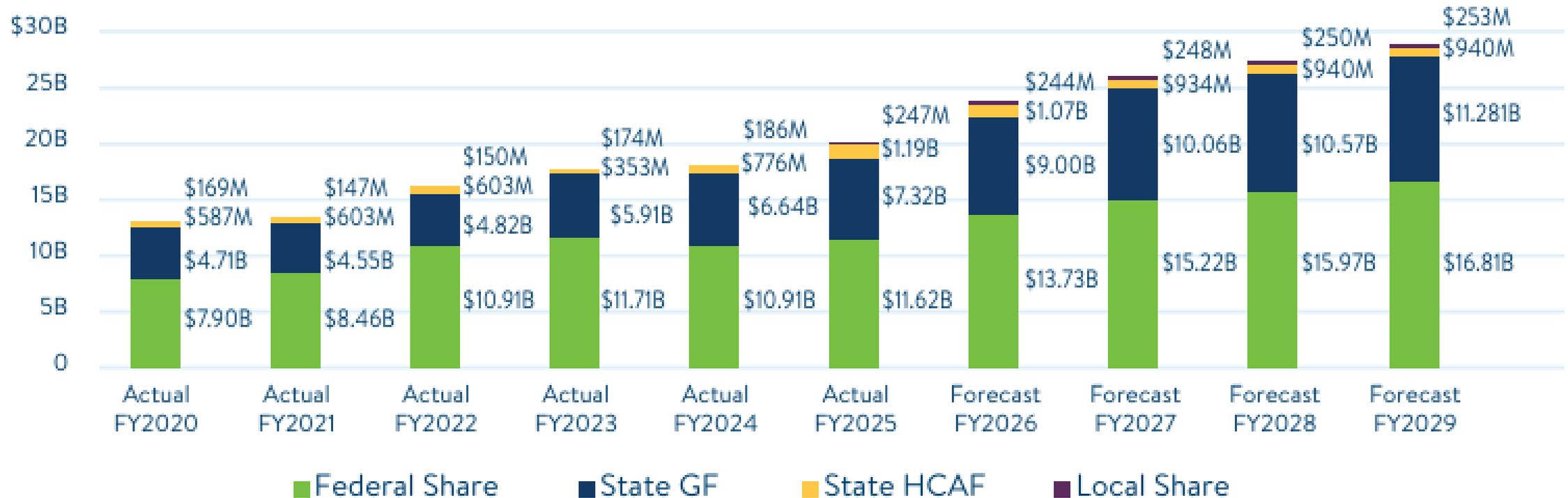
- Medical Assistance
- MinnesotaCare
- Behavioral Health Fund
- Minnesota Supplemental Aid (MSA)
- General Assistance
- Housing Support

**3%** of the budget is spent on grants

**2%** of the budget is spent on operations (admin & systems)

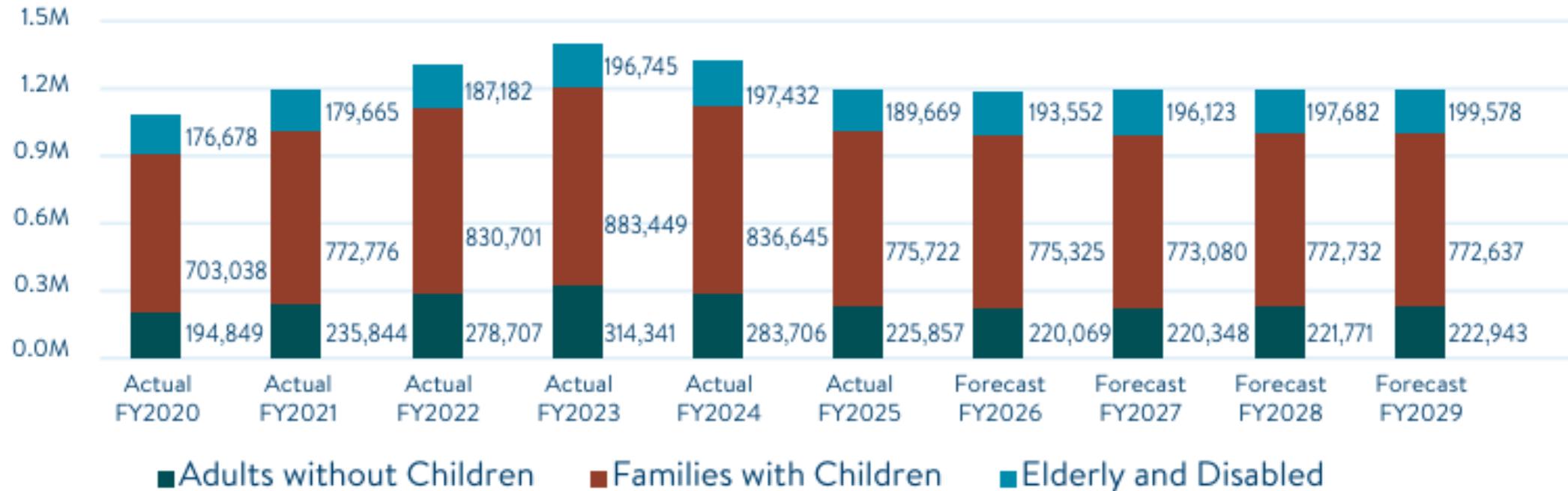
# Medical Assistance Expenditures by Fund

## Total MA expenditures by fund

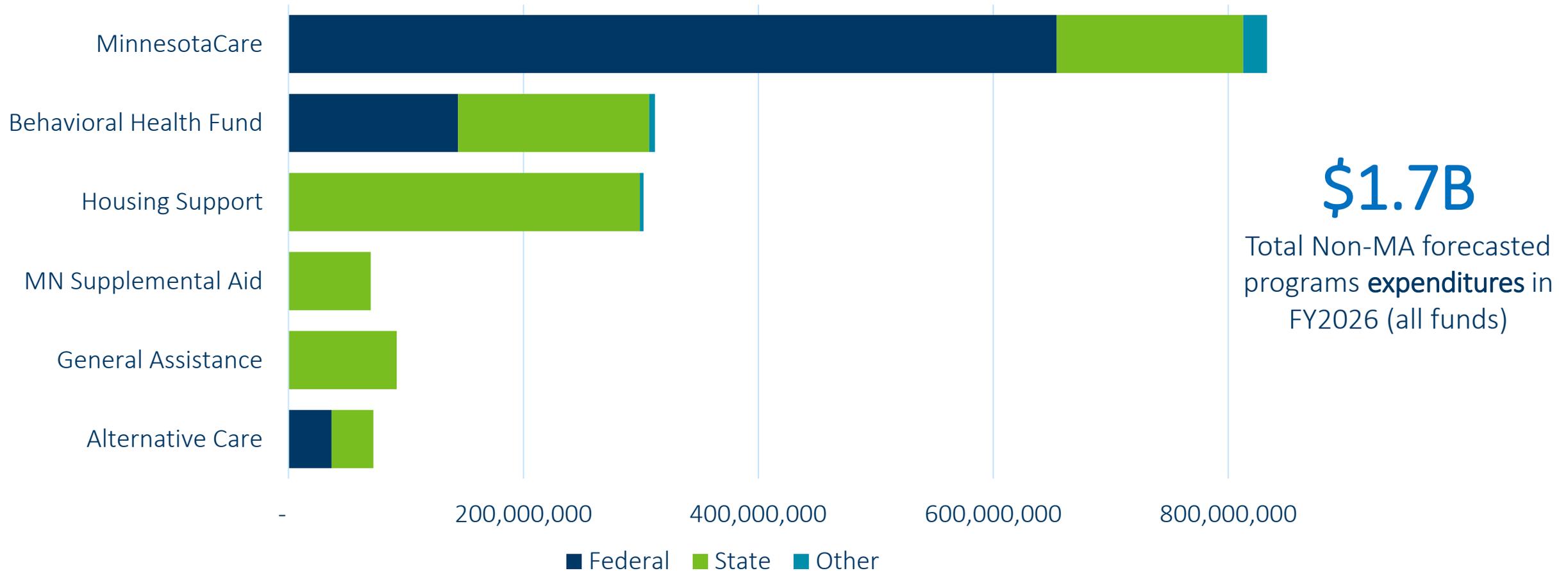


# Medical Assistance Enrollment Over Time

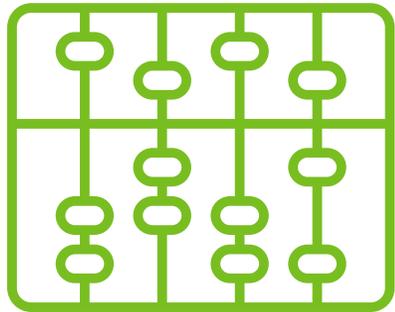
## MA enrollment by eligibility category



# Non-MA Forecasted Programs Expenditures – FY 2026



# November Forecast



## The November Forecast:

- Measures differences between the End of Session Forecast (February forecast + changes made in the 2025 legislative session) to updated spending projections
- Projections are updated based on:
  - Updated claims (people served and amounts paid)
  - Implementation changes
  - Federal changes

# Summary of Changes in November Forecast

	FY24-25	FY26-27	FY28-29
<b>General Fund Total</b>	<b>79.8</b>	<b>1,416.3</b>	<b>1,327.8</b>
	0.5%	7.6%	6.3%
<b>Health Care Access Fund Total</b>	<b>10.7</b>	<b>253.1</b>	<b>404.9</b>
	0.5%	11.5%	19.2%

# Key Changes in November 2025 Forecast

## MA Basic Care Managed Care Rate Adjustments

- 6.1 million in FY24/25, 742 million in FY26/27, and 833.9 million in FY28/29
- To meet the requirement for MCO rates to be actuarially sound, Minnesota had to update capitation payments in based on utilization and costs from updated data
- Capitation rate changes vary by eligibility group, averaging 16%

## MA Long Term Care Waivers

- \$4.1 million in FY24/25, \$305.9 million in FY26/27, and \$346 million FY28/29
- Developmental Disability (DD) Waiver:
  - Growth in the number of people served, particularly for children (2% increase)
  - Growth in average payments (4.5% increase)
- Community Access for Disability Inclusion (CADI) Waiver:
  - Growth in the number of people served, all ages (1.7% increase)
  - Growth in average payments (1.6% increase)

# Key Changes in November 2025 Forecast

## MA Basic Care Fee-For-Service Average Payments

\$61.5 million in FY24/25, \$166.8 million in FY26/27, and \$168.7 million in FY28/29

- Updated claims have shown higher average payments
- Increases occurred in all eligibility groups, varying between 1-4%

## MA Enrollment

\$47.2 million in FY24/25, \$194.5 million in FY26/27, and \$158.9 million in FY28/29

- One year after the post-pandemic unwinding period, reflects updated enrollment
- Higher enrollment for people with disabilities (5%) and families with children (1.5%)
- Lower enrollment for older adults (-2.5%) and adults without children (-2.5%)
- Accounts for 14% of the change in the DHS 2025 November forecast

## Federal Matching Rate Increase

- -\$108.9M in FY26/27 and -\$336.8 million in FY28/29
- Starting in Oct. 2026, MN's matching rate will change from 50.68% to 51.36%

# Changes due to Federal Passage of HR1

## Federal MA Basic Care Changes

\$10.9 million in FY26/27 and \$84.6 million in FY28/29

These changes are the result of the following provisions the Federal Government passed in HR1:

- **Change to retroactive coverage:** \$12m in FY26/27 and \$80m in FY28/29
- **Lawful immigrants accessing Medical Assistance:** -\$12m in FY26/27 and -34m in FY28/29 (corresponding increase in HCAF of \$36m in FY26/27 and \$103m in FY28/29)
- **Federal match of Emergency Medical Assistance:** \$10m in FY26/27 and \$39m in FY28/29

*Not included in the forecast:*

Provisions that require state law changes to effectuate are not included in this forecast. Includes:

- **Work requirements** required by January 1, 2027
- **Cost sharing requirements** for adults without children

# February Forecast

# Key Changes in the February Forecast

General Fund	FY26/27	FY28/29	Forecast Horizon
MA Enrollment	-29.1	-41.1	-70.2
Pre-Payment Review Process	-132.9	-104.8	-237.7
Other Changes	14.1	-29.1	-15
<b>Total</b>	<b>-147.9</b>	<b>-175</b>	<b>-322.9</b>
<b>% Change</b>	<b>-0.70%</b>	<b>-0.80%</b>	

Health Care Access Fund	-6.8	13	6.3
<b>% Change</b>	<b>-0.3%</b>	<b>0.5%</b>	

# Changes in MA Enrollment



## MA Enrollment

**-29.1 million in FY26/27 and -41.1 million in FY28/29**

- 0.8% increase in enrollment for older adults
- -1.0% decrease in enrollment for adults without children
- -0.7% decrease in enrollment for families with children

# Prepayment Review Process

## Prepayment Review Process

-\$132.9 million in FY26/27 and -\$104.8 million in FY28/29



**Timing:** 2-week delay in payments for 14 high risk services results in a one-time reduction of -\$53M in FY26/27

**Denials:** For the first warrant cycle in February, 0.2% denials occurred. Forecast assumes that this is ongoing with the prepayment review cycle, resulting in -\$5M in FY26/27 and -\$6M in FY28/29

**Reduced Claims:** Fewer claims submitted by providers during the prepayment review process, resulting in 4% less spending for the 14 high risk services. Forecast assumes that this is ongoing, resulting in -\$75M in FY26/27 and -\$99M in FY28/29

# Other Changes Impacting General Fund



## **Nursing Facility Surcharge Changes due to HR1:**

Expenditure Forecast: -12.8M in FY26/27 and -33.4M in FY28/29

Revenue Forecast: 44M in FY26/27 and 118.3M in FY28/29

## **Adjustment to Calculating Impact of Retroactive Eligibility:**

-3.2M in FY26/27 and -20.7M in FY28/29

## **Housing Support – More people, lower payments:**

12.9M in FY26/27 and 22M in FY28/29

# What is Not in the Forecast

The November and February forecasts do not include:

**Some HR1 Requirements:** Does not include HR1 changes that require state law changes to effectuate

**Withhold of Federal Matching Funds:** Does not include the federal government's notice to withhold \$515 million in federal funding per quarter

**Deferral of Federal Matching Funds:** Does not include the federal government's notice of deferral of \$259 million

**Extended Delays in CMS Approval of Amendments:** The forecast accounts for updated timing projections on CMS approval of waiver and state plan amendments. However, the forecast does not reflect the fiscal impact of extended delays beyond those assumptions.

# Thank You

[Medicaid by the Numbers](#)

[Medicaid data by region](#)

[DHS Reports and Forecast](#)