

March 25, 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 4143 (Nadeau) before the Committee and for continuing conversations about the financial stability of Minnesota's health care ecosystem.

We especially want to thank Representative Nadeau for his leadership and deep understanding of the serious financial challenges facing Minnesota's hospitals. We appreciate his "all options" approach to relieve the pressures our nonprofit hospitals and health systems face.

Pausing the hospital Medical Assistance (MA) surcharge matters. Minnesota's hospitals are in a difficult financial position with more than 30% currently operating at a loss. Hospitals continue to persist despite the never-ending rise in the costs for drugs, skilled workforce retention, medical supplies, and employer mandates. At the same time, Medicare and MA programs do not cover the full cost of care, and the need for charity care based on patient uninsured and underinsured status is growing. In 2024 alone, Minnesota hospitals invested \$2.6 billion of their own resources to cover losses from Medicare and MA underpayments, as well as \$953 million uncompensated care.

The current hospital MA Surcharge shifts resources from providers to support general fund spending while those same hospitals are chronically undercompensated for delivering services to patients on MA.

Looking ahead, several key pressures are placing hospital finances at even greater risk. Uncertainty remains around the Statewide Directed Payment Program. MA eligibility redeterminations and work requirements could leave more than 140,000+ Minnesotans without coverage. Rising out-of-pocket insurance costs may lead to more Minnesotans becoming uninsured or underinsured, already increasing the demand for charity care and debt forgiveness. The federal 340B Drug Pricing Program, under attack from drug manufacturers despite its critical role in sustaining access to care, is essential for sustaining operations and helping many hospitals avoid falling deeper into deficit.

These converging challenges compound the existing financial strain on hospitals across the state. For many communities, particularly in greater Minnesota, where a hospital is often the largest local employer, financial instability threatens not only patient care but also jobs and the broader regional economy.

Taken together, these pressures make stability and relief essential. HF 4143 offers a measured, one-year pause of the 1.56% hospital surcharge, effective July 1, 2026. This targeted relief would provide hospitals with additional flexibility to maintain operations, support staff, and preserve access to care at a time when financial stability is essential, and uncertainty is at an all-time high. It aligns directly with the need to protect existing hospital funding and avoid new burdens on an already stretched system.

We appreciate the Committee's consideration of HF 4143 and are grateful for Representative Nadeau's continued recognition of the overall financial situation hospitals face. We look forward to working with him and the members of this Committee to ensure Minnesota's nonprofit health care system remains strong and accessible for all residents.

Thank you for your time and attention to this important matter.

Sincerely,



Michelle Benson
Senior Director of Government Relations
mbenson@mnhospitals.org



Danny Ackert
Director of State Government Relations
dackert@mnhospitals.org