

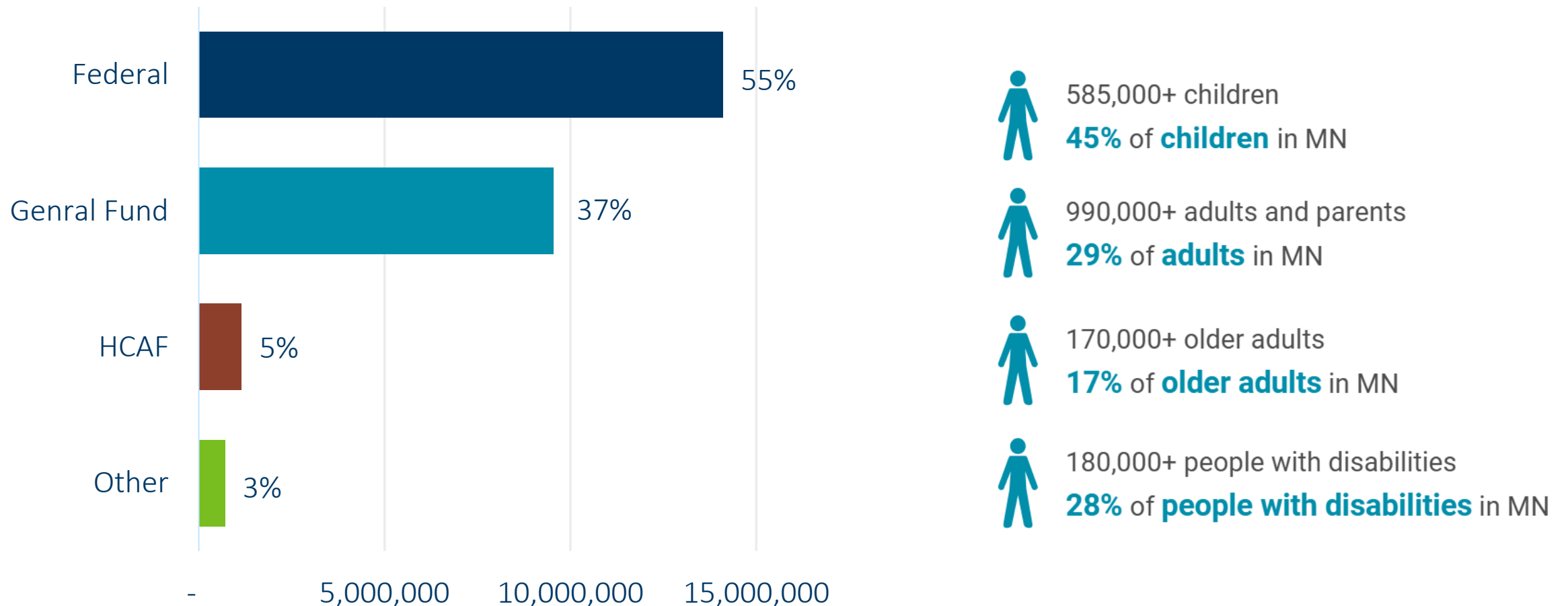


2025 February Forecast

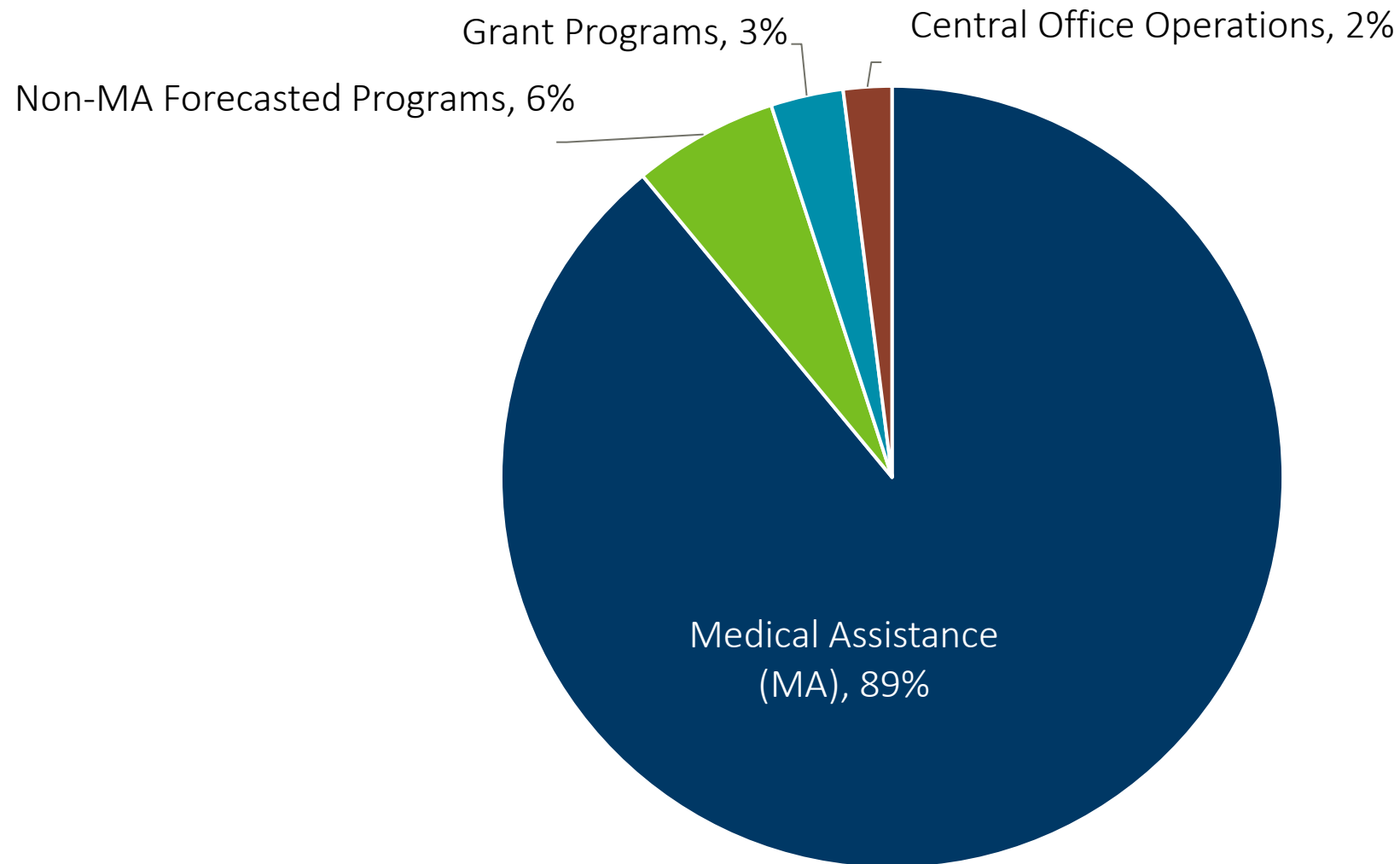
House Human Services Committee – 3/11/2025

Dave Greeman, Chief Financial Officer
Elyse Bailey, Budget Director

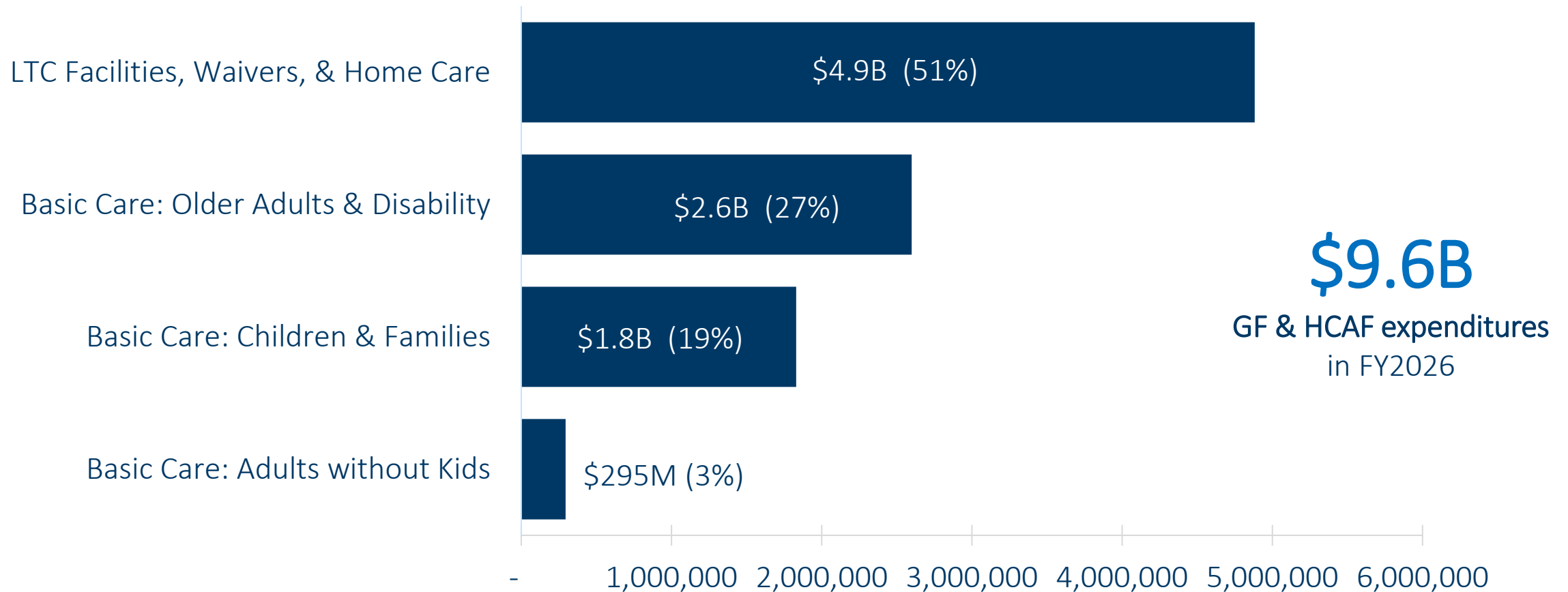
DHS Budget and People Served (FY 2026)



DHS FY 2026 expenditures all funds



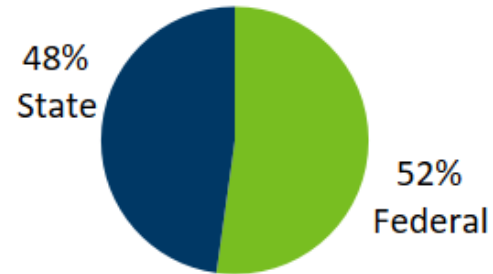
FY2026 MA State Expenditures (GF and HCAF)



Medical Assistance Federal Match

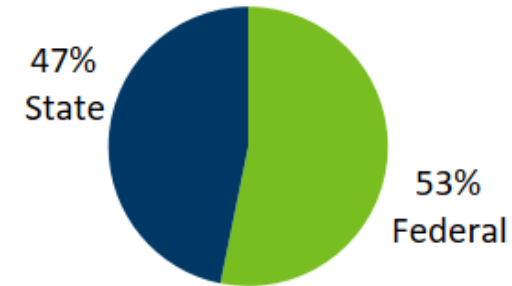
MA LTC Facilities & LTC Waivers and Home Care

Funding sources FY2026



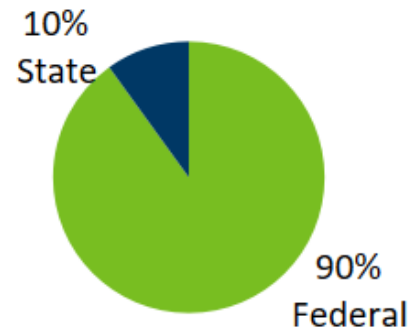
MA Families with Children Basic Care

Funding sources FY2026



MA Adults without Children Basic Care

Funding sources FY2026

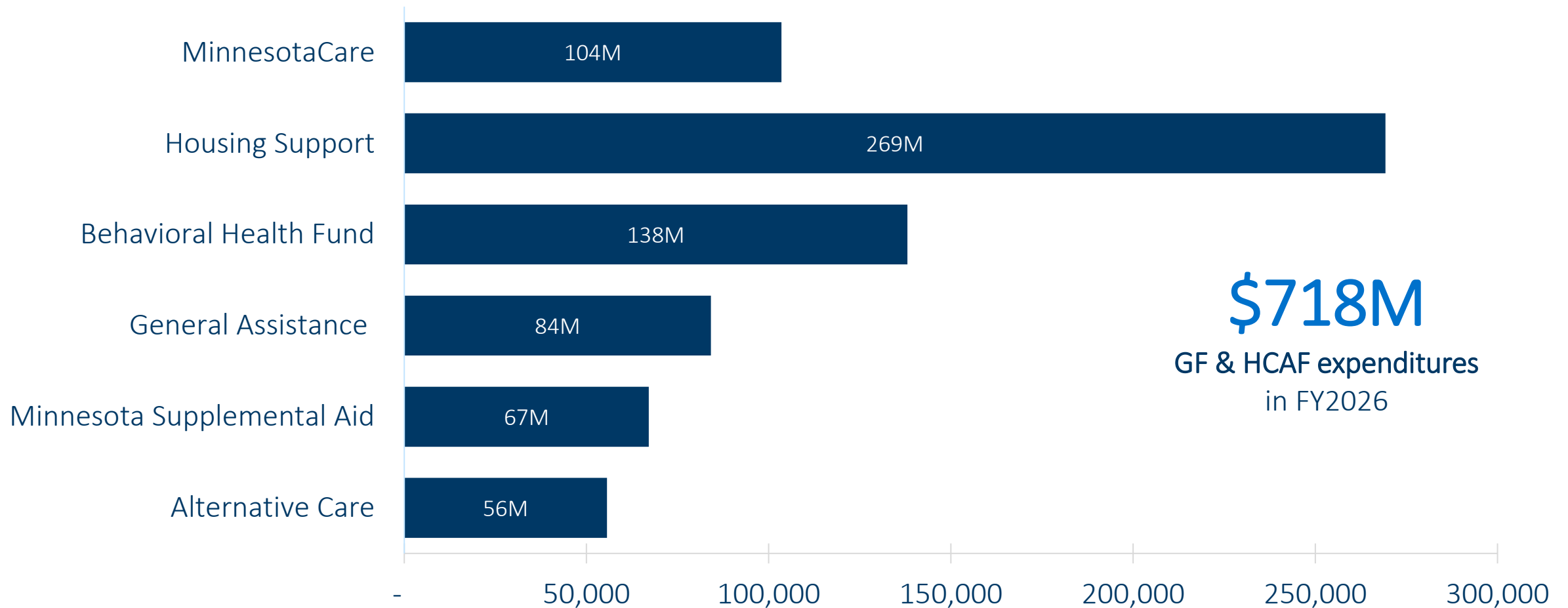


MA Elderly and Disabled Basic Care

Funding sources FY2026



FY2026 Other Forecasted Programs (GF and HCAF)



Summary of Changes in February Forecast

	FY24-25	FY26-27	FY28-29
General Fund Total	289.9	355.3	354.7
	1.9%	1.9%	1.6%
Health Care Access Fund Total	0.5	68.4	77.0
	0.0%	3.3%	3.9%

Changes in Feb. Forecast by Program

Medical Assistance



FY24/25: \$160.3M
FY26/27: \$322.8M
FY28:29: \$342.1M

Minnesota Care



FY24/25: \$0.5M
FY26/27: \$68.4M
FY28:29: \$77M

Behavioral Health Fund



FY24/25: \$125.3M
FY26/27: \$25M
FY28:29: \$6.2M

General Assistance



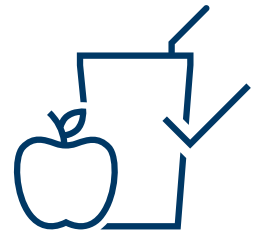
FY24/25: \$1.8M
FY26/27: \$3.3M
FY28:29: \$3.4M

Housing Support



FY24/25: \$2.4M
FY26/27: \$4.1M
FY28:29: \$3M

Minnesota Suppl. Aid



FY24/25: \$0.1M
FY26/27: \$0
FY28:29: \$0

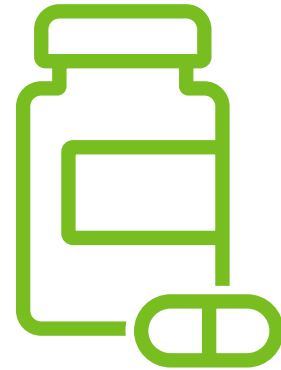
Key Changes in the February Forecast



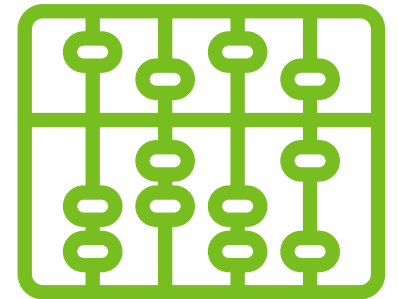
MA Disability Waiver
Spending Growth



MA Basic Care and
MinnesotaCare Acuity



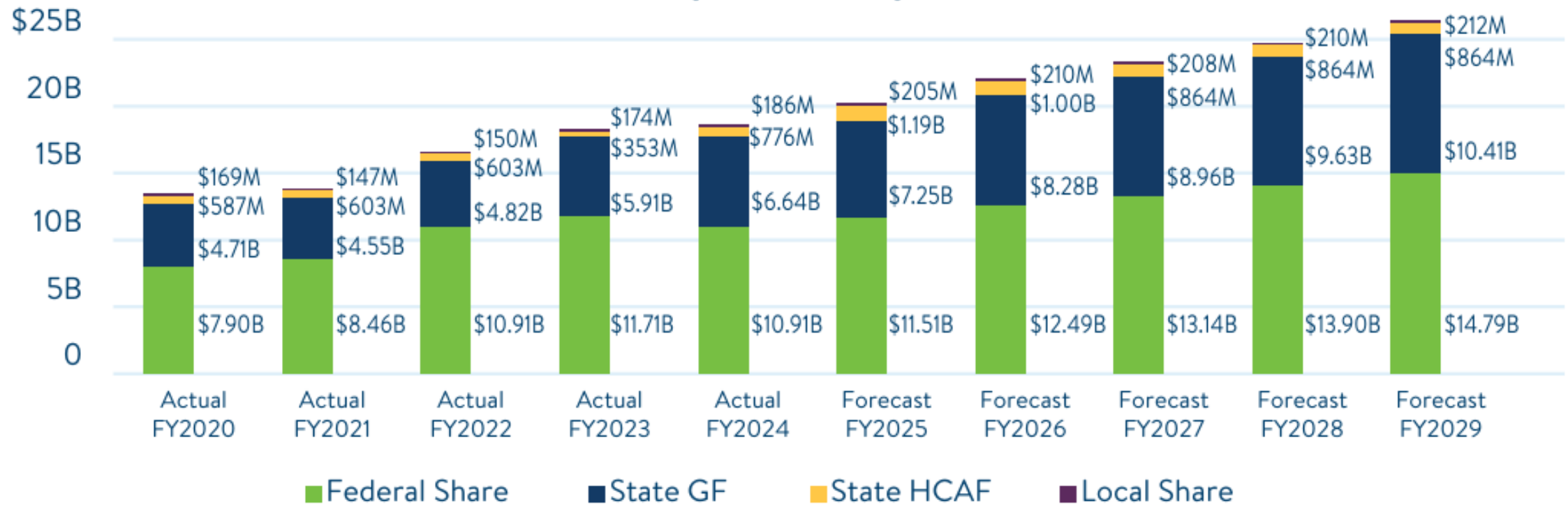
MA and MinnesotaCare
Weight Loss Drugs



Behavioral Health
Fund Federal Coding

Medical Assistance

Total MA expenditures by fund



Long-Term Care: MA Disability Waivers

February forecast updated with continued trends in Disability Waiver spending increases:



Payments

- Disability Waiver Rate System inflationary adjustments set to occur in 2026 and 2028 are estimated to result in average payments of 1% higher than previously projected
- Average payment data from early FY2025 is trending about 1.5% higher than previously forecast



People

- Higher recipient growth than previously projected, concentrated in children and youth in the Developmental Disability (DD) waiver (base DD recipient forecast is increased about 1%)

Total impact: \$35 million in FY24/25, \$160 million in FY26/27, and \$141 million in FY28/29

Other Changes in Long-Term Care



Nursing Home Payments

- Average payment operating rate increases since the previous forecast
- Increased paid days projections are due to an upturn (from a flatter trend more recently)
- **\$9 million in FY26/27 and \$11 million in FY28/29**



Community First Services and Supports (CFSS)

- PCA recipients are currently being transitioned to the new CFSS program
- Forecast is updated for a slower than previously assumed transition, impacting the claims eligible for the enhanced federal match of 6% received under CFSS
- Higher take-up of state-funded parent and spousal caregiver option under PCA until CFSS transition
- **\$20 million in FY24/25 and \$9 million in FY26/27. No impact in FY28/29**

Medical Assistance Basic Care

February forecast includes updated increased in basic care payment projections:



Fee-For-Service Payments

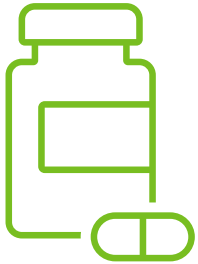
- Higher-than-expected fee-for-service average payment experience is part of a transition from declining average payments under the pandemic to a new post-pandemic level
- **\$65 million in FY24/25, \$75 million in FY26/27, and \$98 million in FY28/29**



Managed Care Payments

- Amended managed care capitation rates due to increased acuity
- Updated enrollment following the unwinding resulted in increased acuity in the MA population relative to the projections used to set 2024 contract rates
- **\$31 million in FY24/25**

Medical Assistance Basic Care - Pharmacy



Weight Loss Drugs

- 2025 managed care contracts were recently amended to account for the rapidly growing utilization and cost trends for GLP-1 (weight loss) drugs
- Weight loss drugs have been covered by MA since FY 2022 and since then, there has been an increase in FDA-approval of new drugs
- Claims and spending on weight loss drugs grew significantly between CY 2023 and CY 2024. Emerging experience has shown a continuation of significant increased use of these weight loss drugs. Other states are seeing the same level of increase.
- Manufacturers set the prices
- Weight loss drugs are subject to prior authorization requirements and quantity limits

Total impact: \$11.7M in FY24/25, \$78.7M in FY26/27, and \$87.6M in FY28/29

Behavioral Health Fund

- In 2024, DHS staff identified an error in the funding source for services provided by a small number of residential Substance Use Disorder (SUD) providers dating back to 2015.
- DHS had been claiming federal reimbursement for the services. It was recently discovered that the services are ineligible for federal funding because the providers meet the federal status as Institutions for Mental Disease (IMD). Instead, the services are required to be reimbursed with state dollars.
- When the error was discovered, DHS immediately notified the OLA and MMB as well as CMS. Steps are being taken to retroactively replace the federal funds with state dollars.
- The IMDs, which are operated by Tribal governments, may voluntarily enroll in a federal SUD waiver, which would make them eligible for federal funding. DHS is meeting with the IMDs and will assist them in enrolling if they choose to do so. The forecast assumes the IMDs will transition into the waiver in the next biennium.
- **\$125 million in FY 2024-25 and \$19 million in FY 2026-27 from the Behavioral Health Fund.**

Behavioral Health Fund

- DHS verified the payments were for treatment services delivered and at the correct rate. The forecast reflects \$113 million in payments since 2015, that should have been from a state source all along.
- **Diagnosis:** These services are very unusual in that there are two potential funding sources, and greater oversight and coordination between program and payment policies is required.
- **Internal Control Going Forward:** Annual review of the IMD status and payment code for residential SUD providers and two-step process for managing adjustments to payment sources for these providers.



Increased HCAF expenditures due to:

- **Weight Loss Drugs:** Managed care contract amendment for the rapidly growing utilization and cost trends for GLP-1 drugs
- **Enrollment:** Updated eligibility data shows higher-than-expected enrollment resulting in a base increase impacting future years

Together, these forecast adjustments result in HCAF increases of \$68 million in the 2026-2027 biennium and \$77 million in the 2028-2029 biennium, with around 75% due to higher managed care rates

Federal Uncertainty Not in February Forecast

Factors Not Included in February Forecast:

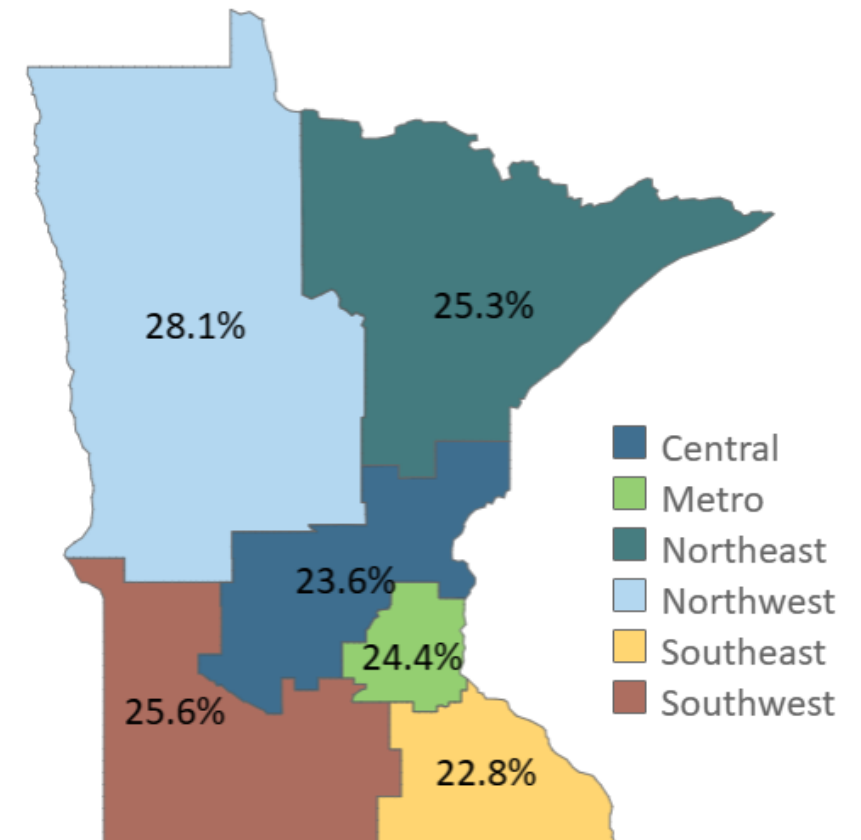
Impact of Medicaid changes contemplated by Congress:

- \$880 Billion proposed reductions in House budget resolution in Energy and Commerce Committee
- Impact to MN will depend on mechanisms
- If proportional, would result in a loss of \$1.6B in federal funding in FY27, increasing over time
- February forecast assumes \$13B in federal funding for Medical Assistance (56% of total program spending)

Economic factors of other federal changes such as:

- Tariffs and their impact on consumer prices and inflation (some MA rates are indexed to inflation)
- Federal workforce changes

Percent of population receiving Medicaid



- [Department of Human Services February 2025 Forecast](#)
- [Regional Medicaid Spending Data](#)
- [Medicaid Data & Federal Funding Risk](#)
- [MMB February 2025 Budget & Economic Forecast](#)
- [DHS Legislative Information](#)

Thank You!